Half-Year Financial Report

at 30 June 2015

PIRELLI & C. Società per Azioni (Joint Stock Company)

Milan Office

Viale Piero e Alberto Pirelli n. 25

Share Capital Euro 1,345,380,534.66

Register of Companies of Milan no. 00860340157

REA (Economic Administrative Index) no. 1055

PIRELLI & C. S.p.A. - MILAN

Half-Year Financial Report at 30 June 2015

SUMMARY

Board of Directors [1]

Chairman and CEO	Marco Tronchetti Provera
Deputy Chairman	Alberto Pirelli
Independent Director	Anna Maria Artoni
Director (*)	Didier Casimiro
Director	Paolo Fiorentino
Independent Director (*)	Ivan Glasenberg
Independent Director (*)	Andrey Kostin
Director (*)	Petr Lazarev
Independent Director	Elisabetta Magistretti
Director	Gaetano Micciché
Independent Director	Paolo Pietrogrande
Lead Independent Director	Luigi Roth
Director (*)	Igor Sechin
Independent Director	Manuela Soffientini
Director (*)	Igor Soglaev
Secretary of the Board	Anna Chiara Svelto

Board of Auditors [2]

Chairman	Francesco Fallacara
Regular Auditor	Fabio Artoni
Regular Auditor	Antonella Carù
Alternate Auditor	Fabio Facchini
Alternate Auditor	Andrea Lorenzatti
Alternate Auditor	Giovanna Oddo

Risk, Sustainability and Corporate Governance Committee

Chairwoman - Independent Director	Anna Maria Artoni
Independent Director	Andrey Kostin
Independent Director	Elisabetta Magistretti

Remuneration Committee

Chairman - Lead Independent Director	Luigi Roth
Independent Director	Ivan Glasenberg
Independent Director	Manuela Soffientini

Nominations and Successions Committee

Chairman	Marco Tronchetti Provera
Independent Director	Anna Maria Artoni
Director	Didier Casimiro
Independent Director	Paolo Pietrogrande

Strategies Committee

Chairman	Marco Tronchetti Provera
Director	Paolo Fiorentino
Director	Didier Casimiro
Independent Director	Andrey Kostin
Lead Independent Director	Luigi Roth
Director	Igor Sechin
Independent Director	Manuela Soffientini

Independent auditing firm [3]	Reconta Ernst & Young S.p.A.
Corporate Financial Reporting Manager [4]	Francesco Tanzi
General Manager Operations	Gregorio Borgo
General Manager Technology	Maurizio Boiocchi
General Manager Industrial	Lorenzo Sistino

The Supervisory Board (foreseen by Organizational Model 231 adopted by the Company) is chaired by Prof. Carlo Secchi.

The lawyer Angelo Cardarelli was appointed Common Representative of the savings shareholders for the three-year period 2015/2017 by the category Shareholders’ Meeting held on January 27, 2015.

1 Appointment: June 12, 2014. Expiry: General Meeting convened for the approval of the Financial Statements at December 31, 2016.
(*) Directors co-opted by the Board of Directors on July 10, 2014 and confirmed in the office by the Shareholders' Meeting of May 14, 2015.

2 Appointment: May 14, 2015. Expiry: Shareholders’ Meeting convened for the approval of the Financial Statements at December 31, 2017.

3 Office granted by the Shareholders’ Meeting of April 29, 2008 for the nine-year period 2008/2016.

4 Appointment: Board of Directors June 12, 2014 Expiry: jointly with the Board of Directors currently in office.

MACROECONOMIC AND MARKET SCENARIO

Global economic activity in HY1 2015 was characterized by a gradual recovery in advanced markets, in the context of modest growth rates, and persistent volatility in emerging markets with areas of significant weakness. In the US, after a negative start to the year partly due to temporary factors, the GDP showed signs of recovery in Q2, also confirmed by solid employment growth. In the Eurozone, several factors have driven the gradual recovery: the improvement in financial conditions thanks to the program of quantative easing implemented by the ECB, the decline in oil prices that supported investments and private consumption, and the weakening of the euro against the US dollar that has helped exports.

Emerging economies continue to show signs of weakness: in Q2 China's GDP confirmed a growth rate which was slightly lower than that recorded in the same period of 2014, although settling at levels well above the global average thanks to the strong support of monetary policy, while the economies of Russia and Brazil are in recession (GDP in Russia at -2.2% year on year in Q1, GDP in Brazil at -1.6 % in Q1), the latter in particular was characterized by a decline of around 6% in industrial production in the first half year 2015, and by a rise in unemployment (an unemployment rate of 6.9% in June compared to 4.8% for the same month in 2014).

The exit of Greece from the euro zone was averted in July by an agreement with the Eurogroup for a new financial assistance program. The risks of a "Grexit" however have not entirely vanished and may re-emerge during the negotiations on the terms of the new program in the coming weeks. The conflict in the Ukraine, Libya and the Middle East and the sharp decline in the Chinese stock market, represent additional elements of uncertainty in the short term.

With reference to the exchange rates market, there was the depreciation of the euro against the US dollar (-18.6% compared to HY1 2014) as a result of the ECB program to purchase sovereign bonds as of March 2015, and the consequent reduction in interest rates. The expectations of a rise in interest rates in the US also led to an increase in value of the US dollar against the currencies of emerging countries, such as the Brazilian Real (+29% vs. HY1 2014).

Oil prices rose slightly in HY1 2015 with respect to the lows reached in mid-January. The average price of Brent of USD 59 a barrel for the HY1 2015 was significantly lower than that of the same period for the previous year (USD 109, -46%). A similar trend was recorded in the prices of butadiene and natural rubber. For butadiene, prices stood at an average of euro 608 per ton in Q1 2015 to then reach euro 642 in the second quarter. The average recorded in HY1 2015 (euro 625) showed a decline of 36% compared to the same period of the previous year. The average price of natural rubber (TSR20) stood at USD 1,422 per ton in Q1 and USD 1,517 per ton in Q2, down by 28% and 12% compared to the corresponding periods of 2014 (1,470 the average price for HY1 2015, -6% compared to the previous year).

Data for the tyre market for HY1 2015 revealed a positive performance in the developed countries, especially for the Consumer market, while reflecting more difficult macroeconomic environments in emerging markets, in particular in South America for the car market, the Original Equipment channel and the Industrial market.

The performance of the tyre market was supported by the gradual recovery of economic activity in Europe (car Replacement +3% in the first six months of 2015, car Original Equipment +4%, truck Replacement +3%, truck Original Equipment +9%) and the development of the Chinese market (China car production +9%). The trend in North America reflects the sharp decline in imports following the introduction of customs duties against Chinese importers starting January 2015 (local market car Replacement +4%, +1% including imports, car Original Equipment +2%), while the drop in sales in Russia (car Replacement -12%, car Original Equipment -27%) and in Latin America (car Replacement +2%, car Original Equipment -15%, truck Replacement -10%, truck Original Equipment -43%) was essentially due to the slowdown in economic activity in these countries.

SIGNIFICANT EVENTS IN HY1 2015

On **January 9, 2015**, Pirelli signed a contract for a new revolving credit facility (euro 800 million) and a 'multicurrency term loan' (euro 200 million) for a total value of euro 1 billion and a five-year term. The contract replaced the revolving credit facility for euro 1.2 billion due to expire in November 2015 which was thus terminated early. In addition, on **February 13, 2015**, an additional contract was also signed with a total value of euro 200 million for a five-year term, with conditions essentially in line with those of the credit line above.

On **January 27, 2015**, the special savings shares Shareholders' Meeting of Pirelli & C. S.p.A., appointed Angelo Cardarelli as common representative for the years 2015, 2016 and 2017.

On **February 6, 2015**, the sale was completed to Bekaert of Pirelli's steelcord activities in Turkey (Izmit), and on **March 27, 2015**, with the sale of the steelcord activities in China (Yanzhou) the transfer of all Pirelli steelcord activities to Bekaert was completed. As was prior disclosed during the announcement of the transaction to the market in February 2014, the total value (Enterprise value) for 100% of the steelcord business was confirmed as euro 255 million.

On **February 12, 2015** the Pirelli & C. S.p.A. Board of Directors examined the preliminary results of 2014 operations. On **March 31, 2015**, the Board of Directors of Pirelli & C. S.p.A. approved the financial statements for the year 2014, which closed with a total net profit of euro 332.8 million (+8.6% compared to the same period in 2013) and a net profit for the parent company of euro 258.0 million, up 34.4% compared to the same period in 2013.

The Board of Directors proposed to the Shareholders' Meeting of May 14, 2015, to distribute a dividend of euro 0.367 per ordinary share (0.32 in the previous year) and euro 0.431 per savings share (0.39 in the previous year). On **May 13, 2015**, the Pirelli & C. S.p.A. Board of Directors approved the results at March 31, 2015 which closed with a further evident strengthening of the *Premium* segment.

On **March 22, 2015**, China National Tire & Rubber Co. Ltd (CNRC), a subsidiary of ChemChina (ChemChina), Camfin S.p.A. (Camfin) and the shareholders of Camfin (Coinv S.p.A. and Long-Term Investments Luxembourg S.A.) signed a binding agreement for a long-term industrial partnership related to Pirelli.

The stated objective of the partnership is to strengthen the development plans of Pirelli, the presence in geographically strategic areas and substantial doubling of volumes in the Industrial segment through the future integration of the Industrial segment of CNRC and Pirelli. The central element of the agreement is the continuity and independence of the current management structure of the Pirelli Group. The transaction foresees the appointment of the Chairman by CNRC and the continued presence of Marco Tronchetti Provera as CEO of Pirelli.

Pirelli's HQ and know-how will be maintained in Italy: reinforced majorities are required to authorise any move of the Headquarters and transfer to third parties of Pirelli's know-how. The agreement foresees:

(i) the purchase by a newly constituted Italian company (Bidco), which will be indirectly controlled by CNRC in partnership with Camfin through two Italian companies, these also newly established (Newco and Holdco), of the equity investment held by Camfin in the share capital of Pirelli;

(ii) the simultaneous reinvestment by Camfin of a portion of the proceeds of the sale;

(iii) subsequently, upon completion of the purchase, a mandatory public offer on the remaining ordinary share capital of Pirelli at a price of euro 15.0 per ordinary share and a voluntary public offer for all the savings shares in Pirelli at a price per savings share of euro 15.0, subject to the attainment of not less than 30% of the savings capital. The mandatory public offer and voluntary public offer will be launched by Bidco with the aim of proceeding to the de-listing of Pirelli;

(iv) the payment of the dividend for FY 2014 by Pirelli before the purchase by Bidco of Pirelli shares held by Camfin.

With reference to the completion of the transaction that was subject to conditions typical of a transaction of this type, please refer to the section “Significant events subsequent to the end of the half year”.

Extracts of the shareholder agreements relating to the partnership are available on the Pirelli website.

On **April 16, 2015**, Pirelli and Rosneft, under the Memorandum of Understanding signed in 2014, identified Synthos, a company based in Poland which is a leading manufacturer of chemical raw materials, as the technology partner with which to develop the research, production and supply of synthetic rubber in Nakhodka, in the context of the FEPCO (Far East Petrochemical Company) petrochemical hub. Pirelli, Rosneft and Synthos therefore signed a Memorandum of Understanding to conduct feasibility studies related to activities concerning the requirements of the engineering and operational design of plants, as well as market studies, investments and estimates of operating costs.

The three groups also intend to use the FEPCO petrochemical centre to produce synthetic rubber with the aim, inter alia, of supplying Pirelli’s factories located in the APAC region. On **June 19, 2015**, Pirelli and Rosneft also signed a cooperation agreement that extends the existing partnership between the two companies in commercial and marketing areas.

On **April 20, 2015**, Pirelli announced that - with reference to the Ordinary Shareholders' Meeting of Pirelli & C. S.p.A. - two lists of candidates have been filed for the appointment of statutory auditors by Camfin S.p.A. and its subsidiary Cam 2012 S.p.A., as well as by a group of asset management companies and financial intermediaries. The company also announced that Camfin S.p.A., in reference to the agenda of the Shareholders’ Meeting on the appointment of the six members of the Board of Directors, proposed to the Shareholders’ Meeting to confirm the appointment of the directors Igor Sechin, Didier Casimiro, Andrey Kostin, Ivan Glasenberg, Petr Lazarev and Igor Soglaev - already co-opted on July 10, 2014 - thus leaving the number of members of the Board of Directors unchanged at fifteen. Andrey Kostin and Ivan Glasenberg declared their suitability to qualify as independent directors. The Camfin S.p.A. proposal was approved by the Shareholders’ Meeting for Pirelli & C. S.p.A. on **May 14, 2015.**

On **May 14, 2015**, the Shareholders' Meeting of Pirelli & C. S.p.A., approved the 2014 financial statements which closed with a consolidated net profit of euro 332.8 million and a net profit for the parent company of euro 258.0 million, and deliberated the distribution of a dividend of euro 0.367 per ordinary share and euro 0.431 per savings share. Futhermore, the Shareholders’ Meeting appointed the new Board of Auditors composed of Francesco Fallacara, who was appointed Chairman, Antonella Carù and Fabio Artoni as Regular Auditors and Andrea Lorenzatti, Fabio Facchini and Giovanna Oddo as Alternate Auditors. Lastly, the Meeting authorized the Board of Directors to purchase and dispose of treasury shares, not exceeding 10% of the capital, for a maximum period of 18 months thus renewing the previous authorisation resolved on June 12, 2014.

On **June 23, 2015** the Board of Directors of Pirelli & C. S.p.A. entrusted to Deutsche Bank and Goldman Sachs International the role of financial advisors to support the evaluations, which the Board of Directors will be called to express in relation to the transaction between Camfin S.p.A., China National Chemical Co. and China National Tire & Rubber Co. Ltd announced by Camfin on March 22, 2015. The independent directors of Pirelli have also informed the Board that, for the opinion they will be called upon to express under Article 39-bis, paragraph 2, Issuers' Regulation, they will use the help of Citigroup Global Markets Ltd as an independent expert.

GROUP PERFORMANCE AND RESULTS

In this document, in addition to the financial figures provided by the International Financial Reporting Standards (IFRS), alternative performance indicators derived from IFRS are used in order to allow a better assessment of Group operations. These indicators are: Gross Operating Margin, Fixed assets, Provisions, Operating Working Capital, Net Working Capital and Net Financial Liquidity (Debt) Position. Reference is made to the paragraph "Alternative Performance Indicators" for a more detailed description of these indicators.

As a result of the signing of the disposal agreement for 100% of steelcord activities by Pirelli and Bekaert on 28 February 2014, the steelcord business was classified as a "discontinued operation"; the result of 2014 and HY1 2015 of the discontinued operation has been reclassified in the income statement in a single line item "net income (loss) from discontinued operations". With the sale on February 6, 2015 of the steelcord activities in Turkey and on March 27, 2015 of those in China, the sale of the entire Pirelli steelcord business to Bekaert was completed. The steelcord activities were part of the Industrial business.

* * *

The **Group's** results in HY1 2015 are characterised by:

- revenue growth to +6.4% (+3.2% net of exchange rates), in line with the annual target, and supported by the good performance of the Consumer business (+10.2%), while the Industrial business (-5.8%) was affected by the general downturn in the market, especially in South America (-43% decline in truck volumes in Original Equipment, in the first half of the year, -10% in the Replacement channel);
- strengthening of the Premium segment, witnessed by a volume growth of 10.4%, in line with the 2015 guidance, with a general increase in market share, particularly in Apac, Latam, MEAI and Russia. Premium reaches a weight of 59.4% of Consumer revenues, an improvement of more than 3 percentage points compared to HY1 2014;
- the positive trend in the price/mix component (+3.5%), in line with the target of ~+ 4% forecast for the year 2015; in the Consumer business the price/mix component grew by +4.4% thanks to increased exposure for the high end range and the Replacement channel, and price increases in Russia and South America. There was an improvement in the price/mix in the Industrial business (+0.7% in HY1, thanks to a positive performance of +1.3% in Q2) for the year, as a result of price increases in South America, which were deferred from being posted in the first quarter, due to the continuing difficult situation in the local market;
- the positive trend in Consumer volumes (+1.3% in HY1, +2.2% in Q2), which offset the decline in the industrial business (-5.7% in volumes in HY1, -4.7% in Q2) due to the aforementioned weakness of the truck and agro South American market. Total volumes recorded substantial stability in HY1 (-0.3%, +0.6% in Q2);
- the achievement of efficiencies for euro 45.8 million (51% of the annual target of euro 90 million) as a continuation of the four-year efficiency plan (2014-2017) of euro 350 million announced in November 2013 (euro 92 million efficiencies in 2014);

- increasing profitability (EBIT) to euro 446.6 million, +4.8% vs. HY1 2014; EBIT margin stable at 14.1% (14.3% in HY1 2014); the trend of the Consumer business more than offset the decline in the Industrial business, influenced by the aforementioned dynamics;
- net income (loss) from continuing operations at euro 211.4 million (euro +19.3 million compared to HY1 2014);
- net financial debt position for euro 1,664.4 million, an increase compared to euro 979.6 million at December 30, 2014 due to the seasonality of working capital in HY1, (euro 1,935.2 million at June 30, 2014), however down compared to euro 1,732.9 million at March 31, 2015 with cash generation in Q2 of euro 212.4 million (euro 187.1 million in Q2 2014) before the payment of dividends of euro 179.5 million and the collection of an additional euro 35.6 million for the sale of the steelcord business.

The **Group's consolidated** financial statements can be summarised as follows:

(in millions of euro)

	06/30/2015	06/30/2014	12/31/2014
Net sales	**3,178.5**	**2,986.9**	**6,018.1**
Gross operating margin before restructuring expenses	609.6	582.8	1,168.0
% of net sales	19.2%	19.5%	19.4%
Operating income before restructuring expenses	451.4	438.9	869.2
% of net sales	14.2%	14.7%	14.4%
Restructuring expenses	(4.8)	(12.7)	(31.3)
Operating income (loss)	**446.6**	**426.2**	**837.9**
% of net sales	14.1%	14.3%	13.9%
Net income (loss) from equity investments	(4.0)	(27.2)	(87.0)
Financial income/(expenses)	(113.4)	(92.1)	(262.4)
Net Income before tax	**329.2**	**306.9**	**488.5**
Tax expenses	(117.8)	(114.8)	(173.3)
Tax rate %	35.8%	37.4%	35.5%
Net income (loss) from continuing operations	**211.4**	**192.1**	**315.2**
Net income (loss) from discontinued operations	**(14.9)**	**1.7**	**17.6**
Total net income (loss)	**196.5**	**193.8**	**332.8**
Net income attributable to Pirelli & C. S.p.A.	190.8	189.1	319.3
Total net earnings per share attributable to Pirelli & C. S.p.A. (in euro)	0.391	0.388	0.654
Operating fixed assets	**4,012.6**	**3,896.8**	**3,874.0**
Inventories	1,131.8	1,043.7	1,055.0
Trade receivables	1,002.0	974.0	673.8
Trade payables	(1,163.5)	(1,053.7)	(1,394.4)
Operating Net working capital related to continuing operations	**970.3**	**964.0**	**334.4**
% of net sales (°)	15.3%	16.1%	5.6%
Other receivables/other payables	119.2	40.9	33.9
Total Net working capital related to continuing operations	**1,089.5**	**1,004.9**	**368.3**
% of net sales (°)	17.1%	16.8%	6.1%
Net invested capital held for sale	-	**143.9**	**30.8**
Total Net invested capital	**5,102.1**	**5,045.6**	**4,273.1**
Equity	**2,772.3**	**2,371.3**	**2,611.5**
Total Provisions	**665.4**	**739.1**	**682.0**
of which provisions held for sale	-	*12.1*	*5.2*
Total Net financial (liquidity)/debt position	**1,664.4**	**1,935.2**	**979.6**
of which Net Financial (liquidity)/debt position held for sale	-	*40.4*	*(5.8)*
Equity attributable to Pirelli & C. S.p.A.	2,707.5	2,300.3	2,548.3
Equity per share attributable to Pirelli & C. S.p.A. (in euro)	5.548	4.714	5.222
Investments in property, plant and equipment and intangible assets	188.8	143.6	378.1
Research and development expenses	107.6	99.7	205.5
% of net sales	3.4%	3.3%	3.4%
Headcount (number at end of period)	37,832	39,299	37,561
Industrial sites (number)	19	22	19

(°) the net sales figure is annualized in interim periods

For a better understanding of the **Group's** performance, the following is the economic data broken down by business segment.

(in millions of euro)

	A		B		A+B = C		D		C+D	
	Consumer		**Industrial**		**Total Tyre**		**Other business**		**TOTAL**	
	1H 2015	1H 2014	**1H 2015**	1H 2014	**1H 2015**	1H 2014	**1H 2015**	1H 2014	**1H 2015**	1H 2014
Net sales	**2,521.7**	2,288.3	**652.0**	692.5	**3,173.7**	2,980.8	**4.8**	6.1	**3,178.5**	2,986.9
Gross operating margin before restructuring expenses	**523.1**	464.5	**89.5**	124.5	**612.6**	589.0	**(3.0)**	(6.2)	**609.6**	582.8
Operating income (loss) before restructuring expenses	**392.0**	349.5	**63.0**	96.9	**455.0**	446.4	**(3.6)**	(7.5)	**451.4**	438.9
Restructuring expenses	**(3.1)**	(9.4)	**(0.4)**	(3.0)	**(3.5)**	(12.4)	**(1.3)**	(0.3)	**(4.8)**	(12.7)
Operating income (loss)	**388.9**	340.1	**62.6**	93.9	**451.5**	434.0	**(4.9)**	(7.8)	**446.6**	426.2

In HY1 2015, **Group net sales** totalled euro 3,178.5 million, an increase of 6.4% compared to euro 2,986.9 million in the same period in the previous year. The sales trend (+3.2% organic growth, before the exchange rate effect of +3.2%) was driven by the Consumer business (+10.2% in total, +5.7% before the positive exchange rate effect) while the Industrial business (-5.8% in total, -5.0% in revenue performance before exchange rates) was affected by the significant slowdown in the South American market.

Tyre business net sales came to euro 3,173.7 million, with organic growth of 3.2% (6.5% including the positive foreign currency effect of 3.3%) compared to the same period in the previous financial year.

Sales of the Premium segment (tyres with a rim diameter equal to or greater than 17 inches for the car business, and radial tyres, X-ply custom touring tyres, off-road and Sport Touring tyres with a speed rating of ≥H for the motocycle business) totalled euro 1,497.4 million (+16.5% compared to euro 1,285.1 million in HY1 2014), with an impact on turnover for the Consumer business which increased by 59.4% (56.2% in HY1 2014) and with volumes up by 10.4% compared to the first half year 2014.

The following table outlines the drivers of the **Tyre sales performance**:

	1 Q		2 Q		1 HALF	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
Volume	-1.3%	3.8%	0.6%	-0.2%	-0.3%	1.8%
of which Premium volume	*10.0%*	*22.2%*	*11.0%*	*20.9%*	*10.4%*	*21.6%*
Price/mix	3.7%	4.6%	3.4%	6.0%	3.5%	5.3%
Change on a like-for-like basis	**2.4%**	**8.4%**	**4.0%**	**5.8%**	**3.2%**	**7.1%**
Translation effect	4.1%	-10.8%	2.4%	-9.4%	3.3%	-10.1%
Total change	**6.5%**	**-2.4%**	**6.4%**	**-3.6%**	**6.5%**	**-3.0%**

Volume trends are stable in HY1 (-0.3%) however with a trend in the opposite direction between Consumer and Industrial.

Volume growth in the Consumer segment (+1.3%) was supported by the good performance of Premium, focus of the Pirelli value strategy, in all major markets (+10.4% volumes), while the Non-Premium (-4.7% of volumes) mainly reflects the weakness of the Latam and Russian market, in particular in the Original Equipment channel. Trends in Industrial volumes (-5.7%) in particular, reflect the continuation of the market downturn in South America - Original Equipment, whose crisis was accentuated in the second quarter of 2014, and the slowdown of the Replacement markets in South America and China. The improvement in the price/mix (+3.5%) was supported by the performance of the Consumer business (price/mix +4.4%) which benefited from the improvement in the product mix (greater contribution of the Premium segment over the first half year 2014), the higher contribution of sales in the Replacement channel and the different composition of the business at a regional level, with the larger contribution of NAFTA and Asia-Pacific; recovery in the price/mix in the Industrial business in Q2 (+1.3%, bringing the progressive in June to +0.7%), which was affected by the postponement to Q2 of the start of the expected price increases in South America.

The breakdown of **Tyre business net sales by geographical area and product category** is as follows:

GEOGRAPHICAL AREA	**1 HALF 2015**			**1HALF 2014**
	Euro\mln	*yoy*		
Europe	1,094.0	*3.9%*	34.5%	35.3%
Russia and CIS	107.4	*-18.1%*	3.4%	4.4%
Nafta	426.0	*21.0%*	13.4%	11.8%
South America	924.2	*-1.7%*	29.1%	31.5%
Asia\Pacific (APAC)	349.2	*33.7%*	11.0%	8.8%
Middle East\Africa\India (MEAI)	272.9	*12.1%*	8.6%	8.2%
TOTAL	**3,173.7**	***6.5%***	**100.0%**	**100.0%**

PRODUCT	**1 HALF 2015**			**1HALF 2014**
	Euro\mln	*yoy*		
Car	2,295.9	*11.1%*	72.3%	69.3%
Motorcycle	225.8	*2.0%*	7.2%	7.5%
Consumer	**2,521.7**	***10.2%***	**79.5%**	**76.8%**
Truck	581.6	*-4.5%*	18.3%	20.4%
Agriculture	70.4	*-15.8%*	2.2%	2.8%
Industrial	**652.0**	***-5.8%***	**20.5%**	**23.2%**
TOTAL	**3,173.7**	***6.5%***	**100.0%**	**100.0%**

The **Group's operating income (loss) (EBIT),** up 4.8% amounted to euro 446.6 million as against euro 426.2 million in HY1 2014. The improvement of euro 20.4 million is broken down into euro 17.5 million from tyre activities and euro 2.9 million from other activities.

Operating income was affected by **restructuring expenses** of euro 4.8 million for the continuing rationalisation of facilities. As at June 30, 2014, restructuring expenses amounted to euro 12.7 million.

Specifically, the trend in the **operating income from the Tyre business** shows the following trend:

(in millions of euro)	1 Q	2 Q	1 HALF
2014 Operating income	**204.9**	**229.1**	**434.0**
Foreign currency translation from consolidation	9.4	4.8	14.2
Prices/mix	31.0	25.2	56.2
Volumes	(7.6)	3.1	(4.5)
Cost of prodution factors (commodities)	16.4	8.5	24.9
Cost of prodution factors (labour/energy/others)	(34.6)	(34.3)	(68.9)
Efficiency	21.1	24.7	45.8
Amortisation, depreciation and other	(30.6)	(28.4)	(59.0)
Restructuring expenses	3.3	5.5	8.8
Change	**8.4**	**9.1**	**17.5**
2015 Operating income	**213.3**	**238.2**	**451.5**

The **operating income of the Tyre business** in HY1 2015 amounted to euro 451.5 million (euro 434.0 million in HY1 2014), with an EBIT margin of 14.2% (14.3% before restructuring expenses), essentially stable as compared to the HY1 2014.

The improvement in operating income was affected by:

- the positive contribution of the price/mix component (euro +56.2 million) and efficiencies (euro +45.8 million), which more than offset the increase in depreciation and other costs (euro 59 million, of which 15 million for higher depreciation, 24.8 million of higher costs partly related to the development of the Premium segment, euro 14 million related to the different procurement methods of steelcord and euro 5.2 million for the reduced saturation of plants in Latam);
- the lower cost of raw materials (euro +24.9 million) and the positive impact of exchange rates (euro +14.2 million) that mitigated the negative effect of inflation of production factors (euro -68.9 million);
- lower non-recurring expenses for euro 8.8 million.

Geographically, **Apac** (11.0% of tyre revenues, +2.2 percentage points from 2014) is confirmed as the area of greatest growth (+33.7% revenues in HY1, +16, 2% excluding exchange rates) and among the most profitable with an EBIT margin of over 20%, an increase over the previous year. The Premium segment is the main development driver with an increase in revenues in HY1 of 41.8% and an increase in market share in particular in Replacement thanks to the progressive growth of the distribution network.

NAFTA (13.4% of revenues from the tyre business) recorded an increase in revenues of 21.0% (21% the positive impact of exchange rates). The Premium car segment shows a positive trend while the motorcycle business and Non-premium reflect weak market demand. Revenue performance reflects the positive trend in volumes, improved product mix and partial price adjustment to the current scenario of exchange rates and raw materials while maintaining the same position on the higher value segments. Pirelli growth is higher than the market trend in the Premium and Super Premium segments, which benefited from the expansion of the FasTrack network and geomarketing tools able to optimize the management of customer inventory. Improvement of the profitability (EBIT margin) was in the “high teens”.

The **MEAI** (8.6% of tyre revenues) recorded revenue growth of 12.1% (6.4% excluding exchange rates) with profitability in the "high-teens" stable compared to 2014.

Europe (34.5% of tyre revenues) closed HY1 with an increase in revenues of 3.9% (+2.4% net of exchange rates) despite the difficult comparison basis (+10% increase in revenues HY1 2014). Strong growth in the business in Q2 (+5.6% increase in revenues) thanks to the good performance of the Premium segment and the gradual improvement in the price/mix component. Profitability in HY1 was in the “low-teens” stable, compared to HY1 2014.

Russia (3.4% of the revenues of the tyre business), despite an unfavourable scenario, presented organic sales growth of 7.0% (-18.1% after the impact of exchange rates), and volume growth higher than the market trend. “High single digit” profitability was confirmed, stable compared to 2014, thanks to the improved mix and the efficiency programme.

South America (29.1% of revenues from the tyre business) recorded a reduction in revenues of 1.7% (+0.3% excluding the negative impact of exchange rates). The continuation of the difficult market situation in the area, especially in Original Equipment (car -15% and truck -43%) has weighed on the volumes trend resulting in an overall decline (-8.8 %), despite the slight rise recorded in the car Replacement channel and the good trend of Premium (volumes +19% during the HY1, higher than the market trend). The trend in revenues was helped by the continued growth of the product mix, together with price increases in Consumer (starting Q1) and in Industrial (in Q2) in response to exchange rate volatility; these elements have partially mitigated the impacts on profitability resulting from lower volumes and costs related to a lower utilisation of plants. Profitability in the first half was reported in "double digits", down compared to HY1 2014.

The **income from equity investments by the Group** was negative for euro 4.0 million and mainly relates to the impact from the consolidation with the equity method of results of the associate Prelios S.p.A. (euro 3.9 million related to the loss per share for Q4 2014 and Q1 2015). In HY1 2014, the result was a loss of euro 27.2 million mainly related to the results of Prelios S.p.A. (Q4 2013 and Q1 2014), negative for euro 16.4 million, and the impairment of the investment in Alitalia S.p.A. for euro 11.2 million.

The **net income from continuing operations** at June 30, 2015 was euro 211.4 million (euro 192.1 million in 2014). In addition to the changes shown regarding the operating income and net income (loss) from equity investments, said figure reflects higher **net financial expenses**, which rose from euro 92.1 million at June 30, 2014 to euro 113.4 million at June 30, 2015, an increase of euro 21.3 million. The increase in financial expenses is mainly attributable to the impact of the devaluation of the Venezuelan bolivar on trade positions for a total of euro 14.2 million and the increase in interest rates in countries outside the euro zone (about 40% of the total) where Pirelli operates, particularly in Russia. The average cost of debt for the period was 6.24%.

Tax expenses amounted to euro 117.8 million, a slight increase compared to the same period of the previous year (euro 114.8 million) as a result of the improvement in operating income. The tax rate stood at 35.8% (35.4% net of the equity consolidation of associated companies), a decrease compared to HY1 2014 (37.4%).

The **net income (loss) from discontinued operations** for HY1 2015 was a loss of euro 14.9 million. This result is mainly due to foreign exchange losses from the conversion into euro of the financial statements of the Turkish subsidiary and accrued in previous years, recorded in equity, and reclassified to the income statement in Q1 2015, following the sale of the steelcord activities in Turkey which took place in February 2015.

Total net income (loss) amounted to euro 196.5 million compared to euro 193.8 million in HY1 2014; the **share of net income attributable to Pirelli & C. S.p.A.** was positive at euro 190.8 million (euro 0.391 per share) compared to euro 189.1 million in the previous year (amounting to euro 0.388 per share).

Equity went from euro 2,611.5 million at December 31, 2014 to euro 2,772.3 million at June 30, 2015.

The equity attributable to Pirelli & C. S.p.A. at June 30, 2015 amounted to euro 2,707.5 million (euro 5.548 per share) compared to euro 2,548.3 million at December 31, 2014 (euro 5.222 per share).

The change, displayed analytically in the following table, is essentially linked to the net income (loss) for the period, to the positive exchange rate effect generated by the conversion of assets in foreign currency to euro and the positive adjustment to fair value of financial assets, partly offset by dividends disbursed.

(in millions of euro)

	Group	Non-controlling interests	Total
Equity at 12/31/2014	**2,548.3**	**63.2**	**2,611.5**
Translation differences	46.2	1.3	47.5
Net income (loss)	190.8	5.7	196.5
Fair value adjustment of other financial assets/derivative instruments	55.0	-	55.0
Actuarial gains/(losses) on employee benefits	11.7	-	11.7
Dividends paid	(179.6)	(6.7)	(186.3)
Venezuela inflation effect	36.0	1.4	37.4
Other changes	(0.9)	(0.1)	(1.0)
Total changes	**159.2**	**1.6**	**160.8**
Equity at 06/30/2015	**2,707.5**	**64.8**	**2,772.3**

As at June 30, 2015, the **net financial liquidity (debt) position of the Group** was negative for euro 1,664.4 million compared to euro 979.6 million as at December 31, 2014, and was as follows:

(in millions of euro)

		06/30/2015	12/31/2014
	Current borrowings from banks and other financial institutions	1,229.3	530.9
	Current derivative financial instruments	18.2	4.6
	Non-Current borrowings from banks and other financial institutions	1,425.0	1,781.7
	Total gross debt continuing operations	**2,672.5**	**2,317.2**
	Cash and cash equivalents	(898.4)	(1,166.7)
	Securities held for trading	(35.4)	(61.4)
	Current financial receivables	(5.0)	(41.5)
	Current derivative financial instruments	(10.4)	(6.1)
	Non-current financial receivables	(58.9)	(56.1)
	Total financial receivables and cash	**(1,008.1)**	**(1,331.8)**
A	**Net financial (liquidity)/debt position continuing operations**	**1,664.4**	**985.4**
B	**Net financial (liquidity)/debt position discontinued operations**	**-**	**(5.8)**
A+B	**Total net financial (liquidity)/debt position**	**1,664.4**	**979.6**

The **structure of the gross financial debt** was as follows:

(in millions of euro)

	Financial Statements 06/30/2015	Maturity date				
		2015	2016	2017	2018	2019 and beyond
Use of committed credit facilities	471.1	-	-	-	-	471.1
Bond 5,125% - 2011/2016	500.0	-	500.0	-	-	-
Bond 1,750% - 2014/2019	600.0	-	-	-	-	600.0
EIB loans	250.0	100.0	100.0	20.0	20.0	10.0
USD private placement	134.1	-	-	13.4	-	120.7
Schuldschein	43.0	-	36.0	7.0	-	-
Other loans	674.3	520.7	35.0	86.9	27.9	3.8
Total gross debt continuing operations	**2,672.5**	**620.7**	**671.0**	**127.3**	**47.9**	**1,205.6**
		23.2%	25.1%	4.8%	1.8%	45.1%

At June 30, 2015, the Group had available additional euro 728.9 million related to the portion of unused credit facilities of euro 1.2 billion (euro 1,125 million available as at December 31, 2014), which added to the euro 933.8 million related to cash and cash equivalents and securities held for trading provide the Group with a liquidity margin of euro 1,662.7 million.

The trend in **cash flows for the period** is as follows:

(in millions of euro)

	1 Q		2 Q		1 H	
	2015	2014	2015	2014	2015	2014
Operating income (loss) before restructuring expenses	213.4	206.7	238.0	232.2	451.4	438.9
Amortisation and depreciation	78.5	70.6	79.7	73.3	158.2	143.9
Investments in property, plant and equipment and intangible assets	(85.6)	(65.3)	(103.2)	(78.3)	(188.8)	(143.6)
Change in working capital/other	(895.2)	(686.6)	151.6	77.4	(743.6)	(609.2)
Operating net cash flow	**(688.9)**	**(474.6)**	**366.1**	**304.6**	**(322.8)**	**(170.0)**
Ordinary financial income/(expenses)	(52.1)	(43.3)	(61.3)	(48.8)	(113.4)	(92.1)
Ordinary tax expenses	(54.1)	(53.5)	(63.7)	(61.3)	(117.8)	(114.8)
Ordinary net cash flow	**(795.1)**	**(571.4)**	**241.1**	**194.5**	**(554.0)**	**(376.9)**
Financial investments/disinvestments	(14.4)	(3.7)	(0.4)	2.8	(14.8)	(0.9)
Other dividends paid to third parties	(7.6)	(0.5)	(2.5)	(2.9)	(10.1)	(3.4)
Cash Out for restructuring	(6.4)	(12.9)	(2.6)	(5.9)	(9.0)	(18.8)
Reversal of impairment in Venezuela included in financial expenses	-	-	14.2	-	14.2	-
Net cash flow from discontinued operations	-	(8.7)	-	10.5	-	1.8
Differences from foreign currency translation/other	45.8	(46.0)	(37.4)	(11.9)	8.4	(57.9)
Net cash flow before dividends paid	**(777.7)**	**(643.2)**	**212.4**	**187.2**	**(565.3)**	**(456.1)**
Dividends paid by Parent	-	-	(179.5)	(156.7)	(179.5)	(156.7)
Impact Steelcord units disposal	24.4	-	35.6	-	60.0	-
Net cash flow	**(753.3)**	**(643.2)**	**68.5**	**30.4**	**(684.8)**	**(612.8)**

Operating Net cash flow for HY1 2015 was negative overall for euro 322.8 million, mainly due to the usual seasonality in Q1 of net working capital, with an increase in trade receivables, in proportion with the rise in revenues, and an increase in stocks of finished products, especially in Brazil and Europe, which will be absorbed in 2015.

Investments were also made for euro 188.8 million (euro 143.6 million in 2014), mainly due to the increase of the Premium capacity in Europe, NAFTA and China and the improvement of the mix.

The **second quarter** recorded a positive operating net cash flow for euro 366.1 million (euro 304.6 million in Q2 2014), with a positive change in working capital for euro 151.6 million (euro 77.4 million was the positive change in 2014), thanks to the collections of the summer season in the seasonal markets in Europe and Russia.

The **total net cash flow** was negative for euro 684.8 million including the positive effect deriving from the sale of the steelcord activities for euro 60 million, and the payment of parent company dividends for euro 179.5 million (total negative cash flow for euro 612.8 million in HY1 2014).

Employees

Employees of the Group at June 30, 2015 totalled 37,832 compared to 37,561 at December 31, 2014. Compared to December 31, 2014, there was an increase in units in Turkey and Mexico offset by the exit of the steelcord business.

CONSUMER BUSINESS

The table below shows the results compared with the corresponding period of 2014:

(in millions of euro)

	1 Q		2 Q		1 HALF	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
Net sales	**1,237.4**	1,128.7	**1,284.3**	1,159.6	**2,521.7**	2,288.3
yoy	9.6%		10.8%		10.2%	
Gross operating margin before restructuring expenses	**246.3**	219.4	**276.8**	245.1	**523.1**	464.5
% of net sales	19.9%	19.4%	21.6%	21.1%	20.7%	20.3%
Operating income (loss) before restructuring expenses	**182.0**	162.7	**210.0**	186.8	**392.0**	349.5
% of net sales	14.7%	14.4%	16.4%	16.1%	15.5%	15.3%
Restructuring expenses	**(1.6)**	(3.9)	**(1.5)**	(5.5)	**(3.1)**	(9.4)
Operating income (loss)	**180.4**	158.8	**208.5**	181.3	**388.9**	340.1
% of net sales	14.6%	14.1%	16.2%	15.6%	15.4%	14.9%

The table below provides a detailed breakdown of the market trend:

	1 Q	**2 Q**	**1H 2015**
EUROPE (*)			
Original Equipment	+5%	+2%	+4%
Replacement	+3%	+4%	+3%
NAFTA (**)			
Original Equipment	+2%	+3%	+2%
Replacement	+2%	+5%	+4%
SOUTH AMERICA			
Original Equipment	-15%	-16%	-15%
Replacement	+2%	+2%	+2%
CINA			
Original Equipment	+10%	+4%	+7%

The figures exclude import except for South America
(*) including Turkey; excluding Russia
(**) the figures for NAFTA are exclusive of Mexico

Net sales totalled euro 2,521.7 million, an organic growth of 5.7% (+10.2% including the impact of exchange rates) thanks to the following factors:

- the positive contribution of the volumes component of +1.3%, with higher growth in mature markets (+2.7%), in Apac and MEAI (in the "mid-teens" in both areas), while the trend in South America and Russia was affected by the decline in the Original Equipment market (-15% in Latam; -27% in Russia);
- the improvement of the price/mix (+4.4%) mainly due to the increasing weight of Premium (59.4% of Consumer revenues in 2015 compared to 56.2% in 2014) and the price increases in South America and Russia to offset the exchange rates trend.

Premium sales totalled euro 1,497.4 million, up by a total of 16.5% over the previous year (+7.6% excluding the exchange rate impact), with growth in emerging markets of 31.3% and 11.4% in mature markets.

Below is the breakdown of the change in sales in Consumer business:

	1 Q		**2 Q**		**1 HALF**	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
Volume	0.4%	5.9%	2.2%	4.3%	1.3%	5.1%
of which Premium volume	*10.0%*	*22.2%*	*11.0%*	*20.9%*	*10.4%*	*21.6%*
Price/mix	4.7%	4.4%	4.1%	5.8%	4.4%	5.2%
Change on a like-for-like basis	**5.1%**	**10.3%**	**6.3%**	**10.1%**	**5.7%**	**10.3%**
Translation effect	4.5%	-9.2%	4.5%	-8.3%	4.5%	-8.8%
Total change	**9.6%**	**1.1%**	**10.8%**	**1.8%**	**10.2%**	**1.5%**

Growth in **operating income (loss) before restructuring expenses**, which reached euro 392.0 million, with a margin of 15.5% compared to euro 349.5 million in 2014 (15.3% of sales).

The **operating income** amounted to euro 388.9 million (with a marginality of 15.4%), an increase of euro 48.8 million compared to euro 340.1 million in 2014 (14.9% marginality).

The increase in profitability reflects:

- the improvement of the price/mix, thanks to the growing weight of Premium in all regions, and to the growing contribution of the Replacement channel;
- performance in volumes
- the progressive achievement of internal efficiencies.

INDUSTRIAL BUSINESS

The table below shows the results compared with the corresponding period of 2014:

(in millions of euro)

	1 Q		2 Q		1 HALF	
	2015	2014	2015	2014	2015	2014
Net sales	**327.9**	340.8	**324.1**	351.7	**652.0**	692.5
yoy	-3.8%		-7.8%		-5.8%	
Gross operating margin before restructuring expenses	**47.2**	60.9	**42.3**	63.6	**89.5**	124.5
% of net sales	14.4%	17.9%	13.1%	18.1%	13.7%	18.0%
Operating income (loss) before restructuring expenses	**33.3**	47.6	**29.7**	49.3	**63.0**	96.9
% of net sales	10.2%	14.0%	9.2%	14.0%	9.7%	14.0%
Restructuring expenses	**(0.4)**	(1.5)	-	(1.5)	**(0.4)**	(3.0)
Operating income (loss)	**32.9**	46.1	**29.7**	47.8	**62.6**	93.9
% of net sales	10.0%	13.5%	9.2%	13.6%	9.6%	13.6%

The table below provides a detailed breakdown of the market trend:

	1 Q	2 Q	1H 2015
EUROPE (*)			
Original Equipment	+5%	+13%	+9%
Replacement	-1%	+6%	+3%
NAFTA (**)			
Original Equipment	+18%	+12%	+15%
Replacement	+5%	+4%	+4%
SOUTH AMERICA			
Original Equipment	-39%	-47%	-43%
Replacement	-8%	-12%	-10%
CINA			
Original Equipment	-29%	-31%	-30%

The figures exclude import except for South America
(*) including Turkey; excluding Russia
(**) the figures for NAFTA are exclusive of Mexico

The performance of the Industrial business is affected by the negative economic situation in South America (50% weight of the regions on Industrial sales) characterized by a drop in GDP of 0.2%, the decline in industrial production and rising unemployment. In this context, the truck and agro market demand declined sharply with volumes respectively down by 43% in truck Original Equipment and 10% in truck Replacement and by 20% in agro Original Equipment and 12% in agro Replacement.

Net sales totalled euro 652.0 million, a reduction of 5.8% compared to HY1 2014 (euro 692.5 million), with an organic decrease of 5% (negative exchange rate impact of 0.8%). The decline in volumes (-5.7%) was affected by the market downturn in Latin America (-43% the truck Original Equipment, -10% truck Replacement), and China. There was an improvement in the price/mix (+0.7% in the first half year thanks to a positive performance of +1.3% in Q2) for the year, as a result of price increases in South America which were deferred from being posted in the first quarter, due to the continuing difficult situation in the local market;

Below is the breakdown of the change in sales:

	1 Q		2 Q		1 HALF	
	2015	**2014**	**2015**	**2013**	**2015**	**2013**
Volume	-6.7%	-2.2%	-4.7%	-12.2%	-5.7%	-7.4%
Price/mix	-0.1%	5.4%	1.3%	6.5%	0.7%	5.9%
Change on a like-for-like basis	**-6.8%**	**3.2%**	**-3.4%**	**-5.7%**	**-5.0%**	**-1.5%**
Translation effect	3.0%	-15.4%	-4.4%	-12.4%	-0.8%	-13.8%
Total change	**-3.8%**	**-12.2%**	**-7.8%**	**-18.1%**	**-5.8%**	**-15.3%**

Operating income (loss) before restructuring expenses reached euro 63.0 million, equal to 9.7% of sales and a decrease compared to Euro 96.9 million in 2014 (14.0% of sales).

The operating income (loss) amounted to euro 62.6 million (euro 93.9 million in HY1 2014), with a sales ratio of 9.6% compared to 13.6% in the corresponding period of 2014 (12.3% HY1 2014 excluding the total steelcord activities and not just those relating to supplies to third parties). The trend in profitability reflects the decline in volumes, negative exchange rates, the impact of the different source of procurement of steelcord, inflation of production factor costs in Latin America and the costs associated with a lower use of production capacity in the area.

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OUTLOOK 2015

Over the course of 2015 a further improvement of the *Consumer* business is expected – thanks to the positive performance of the *Premium* segment – which will compensate for the weakness of the *Industrial* business in emerging markets, particularly accentuated in the Latam area.

Pirelli confirms, as such, its 2015 targets in terms of:

- Ebit equal to ~930 million euro after restructuring charges of about 30 million euro (previous estimate 40 million euro);
- Investiments below 400 million euro;
- Cash generation before dividends equal to or above 300 million euro before steelcord disposal;
- Net financial position at about 850 million euro.

Consolidated revenues are expected to grow by about 6% to >6.35 billion euro, compared with the previous indication of revenues increasing by 6.5%/7% to ~6.4 billion euro as a consequence of:

- price/mix component growing by ~+4% (unchanged from the previous estimate);
- Confirmed *premium* volumes' growth equal to or above +10%;
- Total volumes expected to grow by +0.5%/+1% (previous estimate ~+2%), discounting the slowdown in the Truck and Agro market, particularly in the Latam area, and Car Original Equipment in Latam and Russia;
- Forex effect seen positive at ~+1% (unchanged from previous indications).

The target for the **operating result (Ebit) after restructuring charges** is confirmed at ~930 million euro following restructuring charges of about 30 million euro. Lower commercial costs, correlated to a more cautious volume scenario in emerging markets (+10 million positive impact), lower raw material costs (+10 million euro) and lower estimated non-recurring charges due to lower devaluations (+10 million euro), will compensate for the negative impact of lower volumes (-20 million euro) and the negative impact of lower plant saturation in South America (-10 million euro).

As already announced to the market last February, the targets cautiously assume the prolongation of the difficult economic situation in Venezuela and Argentina and should the macro-economic scenario worsen – with a consequent further reduction of Venezuelan capacity utilization from the present 50% to 30%, and sales' volumes in Argentina of 10%/15% - it would present a risk for the 2015 consolidated Ebit target (~930 million euro) quantifiable at 30 million euro.

With regard to the ***Consumer* business**, the revenues target is revised upwards to >5 billion euro, with an increase of +8% compared with the prior year, (previous estimate ~5 billion) as a result of:

- Growth of the segment's total volumes seen at between +1.5% and +2% (previous estimate >+2%), with an increase of *Premium* volumes confirmed at equal to or above+10%);
- Greater price/mix component contribution, at~+4.5% (previous estimate ≥+4%);
- Positive forex effect equal to about >+2% (unchanged from the previous estimate).

These operational variables translate into improved *Consumer* profitability, with an Ebit margin before restructuring charges seen at above 16% compared with the previous indication of "equal to or above 16%".

With regard to the ***Industrial* business**, revenues are estimated to fall by ~-4% to ~1.35 billion euro (previous target +1.5% to ~1.4 billion euro) as a result of:

- Lower volumes' growth of ~-3% (previous indication ~+1%) in consideration of the slowdown of Truck and Agro markets in emerging markets and particularly in Latam;
- price/mix growth of about 1% (previous indication >+2.5%);
- forex impact at ~-2% (unchanged from the previous estimate).

The profitability of the *Industrial* business (Ebit margin before restructuring charges) is expected to be about 10% (previous target approximately 11%).

HIGHLIGHTS OF OTHER ACTIVITIES

Other activities include Pirelli & C. Ambiente S.r.l. and PZero S.r.l. with the following breakdown:

(in millions of euro)

	Pirelli Ambiente		Pzero		Total Other Business	
	1H 2015	1H 2014	**1H 2015**	1H 2014	**1H 2015**	1H 2014
Net sales	**2.5**	3.1	**2.3**	3.0	**4.8**	6.1
Gross operating margin before restructuring expenses	**(0.2)**	(1.4)	**(2.8)**	(4.8)	**(3.0)**	(6.2)
Operating income (loss) before restructuring expenses	**(0.7)**	(2.3)	**(2.9)**	(5.2)	**(3.6)**	(7.5)
Restructuring expenses	-	-	**(1.3)**	(0.3)	**(1.3)**	(0.3)
Operating income (loss)	**(0.7)**	(2.3)	**(4.2)**	(5.5)	**(4.9)**	(7.8)

Net sales in HY1 2015 amounted to euro 4.8 million compared to euro 6.1 million in the same period of 2014.

The **operating income (loss)** was negative for euro 4.9 million compared to a loss of euro 7.8 million in HY1 2014 and includes higher restructuring expenses.

SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE HALF-YEAR

On **August 05, 2015**, CNRC, Camfin and the shareholders of Camfin informed that the approvals of the antitrust and other relevant authorities competent for the transaction announced to the market on 22 March 2015, as well as the opinion expressed by Consob on the query concerning the mandatory tender offer price (already published on the web site of the Authority www.consob.it), have been obtained.

In light of the above, the abovementioned parties agreed that the completion of the transaction will take place on 11 August 2015 with the transfer to Marco Polo Industrial Holding S.p.A. (Bidco), a newly incorporated Italian company, of the direct shareholding of Camfin in Pirelli, and the simultaneous reinvestment by Camfin in Marco Polo International Italy S.p.A. (Newco), a company which controls Bidco through Marco Polo International Holding Italy S.p.A. (Holdco).

Following the completion of the purchase and pursuant to Article 102 of the Italian Consolidated Financial Law, Bidco will launch the Mandatory Tender Offer on the remaining ordinary share capital of Pirelli at a price of Euro 15 per ordinary share and the Voluntary Tender Offer on the entire savings share capital of Pirelli, subject to reaching at least 30% of the savings share capital, at a price per savings share of Euro 15.

Extracts of the shareholder agreements relating to the partnership are available on the Pirelli website.

ALTERNATIVE PERFORMANCE INDICATORS

This document, in addition to the financial figures provided by the International Financial Reporting Standards (IFRS), also includes figures derived from the latter, although not required by IFRS (Non-GAAP Measures). These measures are presented in order to allow a better assessment of the operations of the Group and shall not be considered alternatives to those required by IFRS.

In particular, the Non-GAAP Measures used are as follows:

- **Gross operating margin:** gross operating margin is an intermediate economic figure derived from operating income, which excludes amortization of tangible and intangible assets;
- **Fixed assets**: this figure is the sum of “tangible assets”, “intangible assets”, “Investments in Associates and Joint Ventures” and “other financial assets”;
- **Provisions**: this figure is the sum of “provisions for liabilities and charges (current and non-current)”, “personnel provisions” and “provisions for deferred taxes”;
- **Operating working capital**: this figure is the sum of “inventory”, “trade receivables” and “trade payables”;
- **Net working capital**: this figure consists of the operating working capital and other receivables and payables not included in "net financial position";
- **Net financial liquidity (debt) position:** this figure is represented by gross financial debt less cash and cash equivalents and other financial receivables.

OTHER INFORMATION

Foreign subsidiaries outside the European Union (non-EU companies)

Pirelli & C. S.p.A. controls, directly or indirectly, some companies based in countries outside the European Union (non-EU Companies) which have particular significance in accordance with Article 36 of Consob Regulation 16191/2007 concerning markets ("Markets Regulation").

With reference to the figures as at December 31, 2014, the significant non-EU Companies controlled, directly or indirectly, by Pirelli & C. S.p.A. under Article 36 of the Market Regulation are Limited Liability Company Pirelli Tyre Russia (Russia); Pirelli Pneus Ltda (Brazil); Comercial e Importadora de Pneus Ltda (Brazil); Pirelli Tire LLC (USA); Pirelli Tyre Co. Ltd (China); Turk Pirelli Lastikleri A.S. (Turkey); Alexandria Tire Company S.A.E. (Egypt); Pirelli de Venezuela C.A. (Venezuela); Pirelli Neumaticos S.A.I.C. (Argentina); Pirelli Neumaticos S.A. de C.V. (Mexico).

Even under the same regulations, the Company has in place a specific and appropriate “Group Operating Regulation” which ensures immediate, constant and full compliance with the provisions contained in the aforementioned Consob regulation. In particular, the competent corporate departments ensure a timely and periodical identification and publication of significant non-EU companies under the Market Regulation, and - with the necessary and appropriate collaboration of the companies involved - ensure the collection of data and information and the verification of the circumstances referred to in Article 36, ensuring the availability of the information and data provided by the subsidiaries in the event of a request by Consob. It also requires a regular flow of information to ensure the Board of Statutory Auditors of the Company carries out the required and appropriate verifications. Finally, the above “Operating Regulation”, in line with the regulatory provisions, governs the provision to the public of financial statements (statement of financial position and income statement) of the significant non-EU companies provided for the purpose of preparing the consolidated financial statements.

It shall therefore be noted that the company is fully compliant with the provisions of Article 36 of the aforementioned Consob Regulation 16191/2007 and the subsistence of the conditions required by the same.

Transactions with Related Parties

Under Article 5 paragraph 8 of Consob Regulation no. 17221 of March 12, 2010 on Related Party Transactions, and the subsequent Consob Resolution no. 17389 of June 23, 2010, it shall be noted that in the period January 1, 2015 to June 30, 2015 no transaction of significant importance as defined by Article 3 paragraph 1, letter a) of the aforementioned Regulation was submitted to the Board of Directors of Pirelli for approval.

Moreover, there are no related party transactions that significantly affected the financial position or results of the group.

Lastly, there were no significant related party transactions, including non-recurring or unusual and/or atypical infra-group transactions.

The information on related party transactions required by Consob Communication no. DEM/6064293 of July 28, 2006 is presented in the financial statements and in Note "Related party transactions" in the abbreviated half-year financial statements at June 30, 2015.

Lastly, in the course of 2010, the Board approved for the first time the Procedure for Related Party Transactions also in order to implement the aforementioned Consob Regulation. In addition, during fiscal 2013 (November 5, 2013), also in implementation of a specific recommendation of Consob, the Board of Directors, after consulting the competent Committee, evaluated the Procedure for Related Party Transactions still valid and effective and that was implemented, without any changes, even by the Board of Directors appointed on June 12, 2014.

For more details on the procedure for related party transactions, reference is made to the section Directors' Interests and Related Party Transactions of the Annual Report on Corporate Governance and the aforementioned procedure published in the updated version on the company website *www.pirelli.com*.

Waiver to publish disclosure documents

The Board of Directors, taking account of the simplification of the regulatory requirements introduced by the Consob in the Issuers Regulation 11971/99, resolved to exercise the power to derogate, under the provisions of Article 70, paragraph 8, and Article 71, paragraph 1-bis of the Regulation, to the publication requirements of the disclosure documents prescribed on the occasion of significant mergers, demergers, capital increase by contribution in kind, acquisitions and disposals.

HALF-YEAR REPORT ON CORPORATE GOVERNANCE

It should be noted that during the first half of 2015, there have not been any significant events to report herewith other than as already reported in the Report on Corporate Governance and Ownership Structure and the appointment of the entire Board of Statutory Auditors and six directors.

In fact, with the approval of the financial statements at December 31, 2014, the Board of Statutory Auditors expired for having completed its mandate. Therefore, the Shareholders' Meeting of May 14, 2015 proceeded with its renewal.

Through the adoption of the list vote, the so-called minorities appointed the Chairman of the Board of Statutory Auditors (Francesco Fallacara) and an alternate auditor (Andrea Lorenzatti) and the "majority" list appointed two statutory auditors (Fabio Artoni and Antonella Carù) and two alternate auditors (Fabio Facchini and Giovanna Oddo). In particular, the Shareholders' Meeting was presented two lists: one by Camfin and its subsidiary Cam 2012 (which obtained 52.97% of the votes of the capital represented at the meeting) and one by a group of management companies and financial intermediaries (which obtained 29.99% of the votes of the capital represented at the meeting).

The curricula vitae presented on the occasion of the filling of the lists were promptly published on the Company's website, where they are constantly available and updated regularly.

The meeting determined 75,000 euros for the Chairman of the Board of Statutory Auditors and 50,000 euros as compensation for each regular auditor.

The Meeting also confirmed the following as directors of the Company: Didier Casimiro, Ivan Glasenberg, Andrey Kostin, Petr Lazarev, Igor Sechin and Igor Soglaev, already co-opted on May 10, 2014.

Lastly, it shall be noted that as a result of the above appointments, the composition of the Board Committees and the Supervisory Board (both defined on July 10, 2014) remained unaltered.

The Board of Directors

Milan, August 6, 2015

PIRELLI & C. S.p.A.

HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AT JUNE 30, 2015

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (in thousands of euro)

		06/30/2015	of which related parties	12/31/2014	of which related parties
6	Property, plant and equipment	2,615,572	-	2,522,464	-
7	Intangible assets	980,006	-	984,002	-
8	Investments in associates and J.V.	193,522	-	186,783	-
9	Other financial assets	223,456	-	180,741	-
10	Deferred tax assets	237,920	-	248,564	-
12	Other receivables	177,852	-	169,145	-
13	Tax receivables	7,555	-	12,068	-
	Non-current assets	**4,435,883**	-	**4,303,767**	-
14	Inventories	1,131,806	-	1,055,016	-
11	Trade receivables	1,001,981	*1,257*	673,808	*1,713*
12	Other receivables	281,337	*1,862*	265,274	*31,611*
15	Securities held for trading	35,447	-	61,404	-
16	Cash and cash equivalents	898,370	*64,040*	1,166,669	*120,000*
13	Tax receivables	90,134	-	73,960	-
24	Derivative financial instruments	39,361	-	29,104	-
	Current assets	**3,478,436**	-	**3,325,235**	-
-	**Assets held for sale**	**-**	-	**44,037**	
	Total Assets	**7,914,319**	-	**7,673,039**	-
17.1	Equity attributable to owners of the Parent:	2,707,511	-	2,548,345	-
	- Share capital	1,343,285	-	1,343,285	-
	- Reserves	1,173,472	-	885,769	-
	- Net income (loss)	190,754	-	319,291	-
17.2	Equity attributable to non-controlling interests:	64,817	-	63,157	-
	- Reserves	59,086	-	49,611	-
	- Net income (loss)	5,731	-	13,546	-
17	**Equity**	**2,772,328**	-	**2,611,502**	-
20	Borrowings from banks and other financial institutions	1,425,051	*73,428*	1,781,726	*3,367*
22	Other payables	65,478	-	74,692	-
18	Provisions for liabilities and charges	92,789	-	97,799	-
10	Provisions for deferred tax liabilities	50,115	-	53,029	-
19	Employee benefit obligations	455,189	-	458,945	-
23	Tax payables	3,214	-	3,397	-
	Non-current liabilities	**2,091,836**	-	**2,469,588**	-
20	Borrowings from banks and other financial institutions	1,229,282	*6,521*	530,890	*30,244*
21	Trade payables	1,163,525	*17,735*	1,394,312	*34,544*
22	Other payables	444,502	*385*	443,477	*406*
18	Provisions for liabilities and charges	67,264	-	67,030	-
23	Tax payables	104,914	-	100,761	-
24	Derivative financial instruments	40,668	-	42,835	-
	Current liabilities	**3,050,155**	-	**2,579,305**	-
-	**Liabilities related to assets held for sale**	-	-	**12,644**	
	Total Liabilities and Equity	**7,914,319**	-	**7,673,039**	-

The financial statement items on transactions with related parties are described in Note 38 of the Explanatory Notes to which reference is made.

CONSOLIDATED INCOME STATEMENT (in thousands of euro)

		01/01 - 06/30/2015		01/01 - 06/30/2014	
26	Revenues from sales and services	3,178,459	-	2,986,871	*66*
27	Other income	85,938	*1,614*	87,530	*1,602*
	Changes in inventories of unfinished, semi-finished and finished products	53,627	-	65,096	-
	Raw materials and consumables (net of change in inventories)	(1,110,135)	-	(1,081,680)	-
28	Personnel expenses	(654,694)	*(4,792)*	(617,049)	*(2,520)*
	- of which non-recurring events	*(3,794)*		*(12,681)*	
29	Amortisation, depreciation and impairment	(158,863)	-	(145,836)	-
30	Other costs	(948,956)	*(24,758)*	(869,784)	*(22,724)*
	- of which non-recurring events	*(943)*		-	
	Increase in Fixed Assets for Internal Work	1,179	-	1,095	-
	Operating income (loss)	**446,555**		**426,243**	
31	Net income (loss) from equity investments	(3,995)		(27,227)	
	- share of net income (loss) of associates and j.v.	*(3,983)*	*(3,983)*	*(15,869)*	*(15,869)*
	- gains on equity investments	*231*	-	*14,160*	*13,307*
	- losses on equity investments	*(1,382)*	-	*(26,194)*	-
	- dividends	*1,139*	-	*676*	-
32	Financial income	60,077	*397*	21,480	*207*
33	Financial expenses	(173,417)	*(729)*	(113,582)	-
	Net income (loss) before tax	**329,220**		**306,914**	
34	Tax	(117,801)	-	(114,860)	-
	Net income (loss) from continuing operations	**211,419**		**192,054**	
35	Net income (loss) from discontinued operations	(14,934)		1,700	
	Total net income (loss)	**196,485**		**193,754**	
	Attributable to:				
	Owners of the parent	190,754		189,032	
	Non-controlling interests	5,731		4,722	
36	Earnings (losses) per share from continuing operations (euro per shares)	0.422		0.384	
36	Earnings (losses) per share from discontinued operations (euro per shares)	(0.031)		0.003	

The financial statement items on transactions with related parties are described in Note 38 of the Explanatory Notes to which reference is made.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (in thousands of euro)

		1/1 - 06/30/2015	1/1 - 06/30/2014
A	**Net income (loss) for the period**	**196,485**	**193,754**
Components of other comprehensive income:			
	B - Items that will not be reclassified to income statement:		
	- Net actuarial gains (losses) on employee benefits	11,742	(53,661)
	- Tax effect	(3,539)	5,660
	Total B	**8,203**	**(48,001)**
	C - Items reclassified / that may be reclassified to income statement:		
	Exchange differences from translation of foreign financial statements		
	- Gains / (losses) for the period	33,620	(95,930)
	- (Gains) / losses reclassified to income statement	13,950	-
	Fair value adjustment of other financial assets:		
	- Gains / (losses) for the period	41,640	10,119
	- (Gains) / losses reclassified to income statement	-	4,772
	Fair value adjustment of derivatives designated as cash flow hedges:		
	- Gains / (losses) for the period	(375)	18
	- (Gains) / losses reclassified to income statement	5,003	1,513
	- Tax effect	(1,082)	(237)
	Fair value adjustment of derivatives designated as net investment hedges:		
	- Gains / (losses) for the period	-	(4,392)
	Total C	**92,756**	**(84,137)**
	Share of other comprehensive income related to associates and joint ventures	13,396	(740)
	Total D	**13,396**	**(740)**
E	**Total components of other comprehensive income (B+C+D)**	**114,355**	**(132,878)**
A+E	**Total comprehensive income (loss) for the period**	**310,840**	**60,876**
	Attributable to:		
	- Owners of the Parent	303,786	57,472
	- Non-controlling interests	7,054	3,404

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY at 06/30/2015

(in thousands of euro)

	Attributable to the Parent					Non controlling interests	TOTAL
	Share Capital	Translation reserve	Total IAS Reserves *	Other reserves/ retained earnings	**Total attributable to the Parent**		
Total at 12/31/2014	**1,343,285**	**(283,430)**	**(436,204)**	**1,924,694**	**2,548,345**	**63,157**	**2,611,502**
Components of other comprehensive income	-	46,248	66,785	-	113,033	1,323	114,356
Net income (loss)	-	-	-	190,754	190,754	5,731	196,485
Total conprehensive income (loss)	**-**	**46,248**	**66,785**	**190,754**	**303,787**	**7,054**	**310,841**
Dividends paid	-	-	-	(179,572)	(179,572)	(6,656)	(186,228)
Venezuela inflation effect	-	-	-	36,034	36,034	1,416	37,450
Other	-	-	265	(1,348)	(1,083)	(154)	(1,237)
Total at 06/30/2015	**1,343,285**	**(237,182)**	**(369,154)**	**1,970,562**	**2,707,511**	**64,817**	**2,772,328**

(in thousands of euro)

	Breakdown of IAS reserves *				
	Reserve for fair value adjustment of avaible-for-sale financial assets	Reserve for cash flow hedge	Reserve for actuarial gains/losses	Tax effect	**Total IAS reserves**
Balance at 12/31/2014	**56,120**	**(20,246)**	**(547,147)**	**75,069**	**(436,204)**
Other components of other comprehensive income	55,270	4,394	11,742	(4,621)	66,785
Other changes	-	-	330	(65)	265
Balance at 06/30/2015	**111,390**	**(15,852)**	**(535,075)**	**70,383**	**(369,154)**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY at 06/30/2014

(in thousands of euro)

	Attributable to owners of the Parent					Non controlling interests	TOTAL
	Share Capital	Translation reserve	Total IAS Reserves *	Other reserves/retained earnings	**Total attributable to owners of the Parent**		
Total at 12/31/2013	**1,343,285**	**(228,301)**	**(452,545)**	**1,713,628**	**2,376,066**	**60,523**	**2,436,589**
Other comprehensive income	-	(94,612)	(36,947)	-	(131,559)	(1,318)	(132,877)
Net income (loss)	-	-	-	189,032	189,032	4,722	193,754
Total comprehensive income	**-**	**(94,612)**	**(36,947)**	**189,032**	**57,473**	**3,404**	**60,877**
Dividends paid	-	-	-	(156,743)	(156,743)	(3,358)	(160,101)
Venezuela inflation effect	-	-	-	24,392	24,392	958	25,350
Disposal of minorities stakes	-	-	-	(3,316)	(3,316)	6,115	2,799
Acquisition through capital increase reserved to third parties	-	-	-	-	-	6,094	6,094
Other	-	-	612	1,853	2,465	(2,747)	(282)
Total at 06/30/2014	**1,343,285**	**(322,913)**	**(488,881)**	**1,768,846**	**2,300,337**	**70,989**	**2,371,326**

(in thousands of euro)

	Breakdown of IAS reserves *				
	Reserve for fair value adjustment of avaible-for-sale financial assets	Reserve for cash flow hedge	Reserve for actuarial gains/losses	Reserve for deferred taxes	**Total IAS reserve**
Balance at 12/31/2013	**35,632**	**(30,499)**	**(518,039)**	**60,361**	**(452,545)**
Other comprehensive income	14,384	(3,095)	(53,661)	5,424	(36,948)
Other changes	-	-	784	(172)	612
Balance at 06/30/2014	**50,016**	**(33,594)**	**(570,916)**	**65,613**	**(488,881)**

CONSOLIDATED STATEMENT OF CASH FLOWS (in thousands of euro)

		01/01 - 06/30/2015		01/01 - 06/30/2014	
			of which related parties		of which related parties
	Net income (loss) before taxes	329,220	-	306,914	-
	Amortisation, depreciation, impairment losses and reversals of impaired property, plant and equipment and intangible assets	158,863	-	145,836	-
	Reversal of financial expenses	173,417	-	113,582	-
	Reversal of financial income	(60,077)	-	(21,480)	-
	Reversal of dividends	(1,139)	-	(676)	-
	Reversal of gains/(losses) on equity investments	1,151	-	12,034	-
	Reversal of share of net income from associates and joint ventures	3,983	-	15,869	-
	Taxes	(117,801)	-	(114,860)	-
	Change in inventories	(56,434)	-	(100,429)	-
	Change in trade receivables	(316,340)	-	(327,193)	-
	Change in trade payables	(257,622)	-	(142,014)	-
	Change in other receivables/payables	(88,201)	-	(59,472)	-
	Change in provisions for employee benefit obligations and other provisions	(23,682)	-	(4,712)	-
	Other changes	(11,420)	-	(16,712)	-
A	**Net cash flows provided by (used in) operating activities**	**(266,082)**	**-**	**(193,313)**	**-**
	Investments in property, plant and equipment	(185,406)	-	(141,039)	-
	Disposal of property, plant and equipment	3,418	-	9,959	-
	Investments in intangible assets	(3,394)	-	(2,628)	-
	Disposals (Acquisition) of other financial assets	(14,999)	-	(447)	-
	Disposal of Steelcord	65,800	-	-	-
	Dividends received	1,139	-	676	-
B	**Net cash flows provided by (used in) investing activities**	**(133,442)**	**-**	**(133,479)**	**-**
	Altre variazioni del patrimonio netto	-		2,799	
	Change in financial payables	311,279	-	204,544	-
	Change in financial receivables/Securities held for trading	63,949	-	25,678	-
	Financial income (expenses)	(99,128)	-	(92,102)	-
	Dividends paid	(189,561)	-	(156,743)	-
C	**Net cash flows provided by (used in) financing activities**	**86,539**	**-**	**(15,824)**	**-**
	Net cash flows provided by (used in) operating activities	919	-	13,120	-
	Net cash flows provided by (used in) investing activities	-	-	-	-
	Net cash flows provided by (used in) financing activities	-	-	3,046	-
D	**Net cash flows provided by (used in) discontinued operations**	**919**	**-**	**16,166**	**-**
E	**Total cash flows provided (used) during the period (A+B+C+D)**	**(312,066)**	**-**	**(326,449)**	**-**
F	**Cash and cash equivalents at beginning of financial year**	**1,150,605**	**-**	**806,856**	**-**
G	**Exchange differences on translation of cash and cash equivalents**	**(1,626)**	**-**	**(52,555)**	**-**
H	**Cash and cash equivalents at end of financial year (E+F+G) (°)**	**836,913**	**-**	**427,852**	**-**
(°)	**of which:**				
	cash and cash equivalents	898,370	-	466,287	-
	bank overdrafts	(61,457)	-	(38,435)	-

The Statement of Cash Flows shows transactions with related parties only if they cannot be directly derived from other statements.
Please refer to note 38 of the Explanatory Notes for further detail.

The reconciliation between cash and cash equivalents reported in the Statement of Financial Position and cash and cash equivalents in the Statement of Cash Flows is provided in Note 16.

EXPLANATORY NOTES

1. GENERAL INFORMATION

Under art. 154 ter of Legislative Decree no. 158/1998, the Pirelli & C. Group has prepared the Half-year Condensed Consolidated Financial Statements at June 30, 2015 in accordance with IAS 34 Interim Financial Reporting..

In accordance with art. 5, paragraph 2 of Legislative Decree no. 38 of February 28, 2005 the Half-year Condensed Consolidated Financial Statements at June 30, 2015 were prepared using the euro as the reporting currency.

The Half-year Condensed Consolidated Financial Statements at June 30, 2015 of Pirelli & C. S.p.A. were approved by the Pirelli & C. S.p.A. Board of Directors on August 6, 2015.

2 . BASIS FOR THE PRESENTATION

Financial Statements formats

The Group has applied the provisions of Consob Resolution no. 15519 of July 27, 2006 in regard to the formats of financial statements and Consob Notice no. 6064293 of July 28, 2006 with regard to corporate disclosure.

The Half-year Condensed Consolidated Financial Statements consist of the Statement of Financial Position, the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Cash Flows and the Explanatory Notes, and are accompanied by the Half-Year Financial Report.

The format adopted for the Statement of Financial Position classifies assets and liabilities as current and non-current.

The Group has opted to present the components of gain/loss for the year in a separate Income Statement, rather than include these components directly in the Statement of Comprehensive Income. The Income Statement adopted classifies costs by nature.

The Statement of Comprehensive Income includes the result for the period and, for homogeneous categories, the revenues and costs which, in accordance with IFRSs, are recognised directly in equity.

The Group has opted for the presentation of the tax effects and reclassifications to the income statement of gains/losses which were recognized directly in equity in the statement of comprehensive income in previous years, and not in the notes.

The Statement of Changes in Equity sets forth, in addition to total gains/losses for the period, the amounts for transactions with equity holders, and movements in retained earnings for the period.

In the Statement of Cash Flows, the cash flows deriving from operating activities are presented using the indirect method, whereby income or loss for the period is adjusted for the effects of the of non-monetary items, whether deriving from any deferment or accrual of past or future operating receipts or payments, or revenue or cost items connected with the cash flows arising from investing activities or financing activities.

As a result of the signing by Pirelli and Bekaert on February 28, 2014 of the sale agreement of 100% of the steelcord business , the steelcord business qualifies as a "discontinued operation". The result for the year 2014 and the first six months of 2015, together with the result from the sale of the steelcord business, was reclassified in the income statement under a single item; "income (loss) from discontinued operations". With the sale on February 6, 2015 of the steelcord activities in Turkey and on March 27, 2015 of those in China, the sale of the entire Pirelli steelcord business to Bekaert was completed.

The steelcord activities were part of the Industrial segment.

Scope of Consolidation

The scope of consolidation includes the subsidiaries, associates and joint ventures.

Subsidiaries are defined as all the investee companies in which the Group has at the same time:

- decision-making power, or the ability to direct the relevant activities of the investee, i.e. activities which have a significant influence on the results of the investee;

- the right to variable results (positive or negative) resulting from the shareholding in the entity;

- the ability to use its own decision-making power to determine the amounts of the results arising from the shareholding in the entity.

The financial statements of subsidiaries are included in the consolidated Financial Statements starting on the date when control is assumed until such time when control ceases. Non-controlling interests in equity and net income (loss) are separately indicated in the Consolidated Statement of Financial Position and Income Statement respectively.

All companies for which the Group can exercise significant influence (as defined by IAS 28 – Investments in Associates and Joint Ventures) are considered associates. This influence is presumed to exist when the Group holds a percentage of voting rights between 20% and 50%, or when - even with a lower share of voting rights – the Group has the power to participate in determining financial and operating policies by virtue of specific legal relationships, such as for example, participation in shareholders' agreements, together with other forms of significant exercise of governance rights.

Joint arrangements are agreements under which two or more parties have joint control subject to a contract. Joint control is the shared control, established by agreement, of an economic activity, which exists only when decisions on these activities require the unanimous consent of all the parties who share control. These agreements may give rise to joint ventures or joint operations.

A joint venture is a joint control agreement of an entity whereby the parties that have joint control, have rights to the net assets of the said entity. Joint ventures are distinguished from joint operations that are configured instead as agreements, which give the parties of the agreement who have joint control of the initiative, rights of individual assets and obligations for individual liabilities relating to the agreement. In case of joint operations, the assets, liabilities, costs and revenue of the agreement must be recognized on the basis of the applicable accounting standards. The Group does not currently have any agreements for joint operations.

The main changes in the scope of consolidation in the first half year 2015 relate to:

- the disposal to Bekaert on February 6, 2015 of the Turkish subsidiary Celikord A.S., as part of the sale of steelcord activities;

- the sale on March 27, 2015 to Bekaert of the shareholding in the Chinese associate Sino Italian Wire Technology Co. Ltd. With this sale the transfer to Bekaert of all Pirelli’s steelcord activities was completed.

Method of Consolidation

The financial statements used for consolidation purposes are those of the companies included in the scope of consolidation, prepared at the date of the financial statements of the parent company and adjusted to conform to IAS/IFRS standards as applied by the Group.

The financial statements expressed in foreign currencies have been translated into euro at the period-end rates for the Statement of Financial Position and at the average exchange rates of the period for the Income Statement, with the exception of the financial statements of companies operating in high-inflation countries, whose income statements are translated at the period-end exchange rates.

The differences arising from the conversion of initial equity at period-end exchange rates are recognized in the translation reserve , together with the difference arising from the conversion of the result for the period at period-end exchange rates with respect to the average exchange rate. The reserve for translation differences is reclassified in the Income Statement upon the disposal of the company which generated the reserve.

The consolidation criteria may be summarized as follows:

- subsidiaries are consolidated on a lin’by’line basis according to which:
  - assets and liabilities, revenues and expenses of the financial statements of subsidiaries are recognized in their full amounts, regardless of the percentage of ownership held;
  - the carrying amount of investments is eliminated against the related share of equity;
  - the financial and operating transactions between the companies consolidated on a line-by-line basis, including dividends distributed within the Group, are eliminated;

- the minority shareholders' interests are shown under shareholders' equity, and the share of gain or loss attributable to minority interest is similarly shown separately in the income statement;

- upon the disposal of an investment with consequent loss of control, the gain or loss from that disposal takes into account the goodwill that may be allocated to the investee;

- in the case of any shares acquired after the assumption of control, any difference between the purchase cost and the corresponding share of net equity acquired is recognized in equity; similarly, the effects of the sale of non-controlling interests without loss of control are recognized in equity.

• investments in associates and joint ventures are accounted for under the equity method, on the basis of which the carrying amount of the investments is adjusted by:

  - the share of the investor of the past acquisition results of the investee;

  - the share of gains and losses recognized directly in the equity of the investee, according to the applicable standards;

  - dividends paid by the investee;

  - when the Group's share in the losses of the associate/joint venture exceeds the carrying amount of the investment in the financial statements, the carrying amount of the investment is eliminated and the share of any further losses is recognised under "Provisions for liabilities and charges," to the extent that the Group has a contractual or implicit obligation to cover the losses;

  - gains resulting from sales made by subsidiaries to joint ventures or associates are eliminated in proportion to the percentage of equity interest in the acquiring entity.

3. ACCOUNTING STANDARDS ADOPTED

The accounting standards are the same used for the preparation of the Consolidated Financial Statements at December 31, 2014 to which reference should be made for more details, except for the standards and interpretations listed below, which are applicable from January 1, 2015:

- IFRIC 21 – Taxes.

  This interpretation clarifies the accounting treatment of tax liabilities and government taxes other than income taxes. In particular it defines the moment when an entity can recognize these liabilities.

  The application of his interpretation will not have any impact.

- “Improvements” to IFRS 2011-2013 (issued by the IASB in December 2014).

  The IASB issued a series of amendments to four standards in force in particular regarding the following aspects:

  - the meaning of "IFRS in force" in IFRS 1 First adoption of IFRS;
  - the non-applicability to joint arrangements of IFRS 3 Business Combinations;
  - the “portfolio exception” for fair value measurement in IFRS 13 Fair Value Measurement;
  - the clarification of the interrelationships between IFRS 3 and IAS 40 when classifying an investment as an investment property or as property for use by the owner in IAS 40 Investment Property.

  The application of these amendments will not have any impact on the Group's Financial Statements.

Seasonality

We note seasonality factors with respect to trade receivables, which involve an increase in the values of the end of the the first half year compared to the corresponding values at year-end; revenue performance instead is not affected by the significant trends linked to seasonality factors.

Estimates and assumptions

The preparation of the Half-year Condensed Consolidated Financial Statements requires management to make estimates and assumptions that, in certain circumstances, are based on complex and subjective valuations and estimates based on historical experience and assumptions which are from time to time considered reasonable and realistic under the circumstances. Therefore, the actual results achieved may differ from those estimates.

Estimates and assumptions are reviewed periodically and the effects of any changes made to them are reflected in the income statement in the period in which the estimate is revised. If such estimates and assumptions, based on the best evaluation currently available, should differ from actual circumstances, they will be modified accordingly for the period in which the change of the circumstances occured.

In this context it should be noted that the financial and economic crisis has led to the need to make assumptions about future trends characterized by significant uncertainty, so it cannot be ruled out that there will be different results in the future compared to what has been estimated, and which therefore might require even significant adjustments that at present cannot be foreseen or estimated, to the carrying amount of the related items. Such estimates affect the carrying amounts of assets and liabilities, income and expenses, as well as the disclosure of contingent assets/liabilities at the date of the Half-year Condensed Consolidated Financial Statements .

The estimates and assumptions mainly refer to, the assessments of the recoverability of intangible assets, to the definition of the useful life of property, plant and equipment, to the evaluation of the recoverability of investments in associated companies, the recoverability of receivables, the recognition/measurement of the provisions for liabilities and charges, the evaluation of pension schemes and other post-employment benefits at the exchange rates used in relation to activities of the Group in Venezuela, and are based on data that reflect the best current available knowledge.

4. FAIR VALUE MEASUREMENT

- The classification of financial instruments carried at fair value on the basis of a hierarchy of levels pursuant to IFRS 13 is illustrated below. This hierarchy reflects the significance of the inputs used to determine fair value. The following levels are defined:Level 1 – unadjusted quotations recorded on an active market for assets or liabilities subject to valuation;
- Level 2 – inputs different from the quoted prices referred to at the preceding level, which are observable on the market either directly (as in the case of prices) or indirectly (because they are derived from prices);
- Level 3 – inputs that are not based on observable market data.

The following table shows assets and liabilities carried at fair value as at **June 30, 2015**, divided into the three levels defined above:

(in thousands of euro)

	Note	Carrying amount at 06/30/2015	Level 1	Level 2	Level 3
FINANCIAL ASSETS:					
Financial assets carried at fair value through income statement:					
Securities held for trading	15	35,447	-	35,447	-
Current derivative financial instruments	24	33,035	-	33,035	-
Financial hedging instruments:					
Current derivative financial instruments	24	6,326	-	6,326	-
Available-for-sale financial assets:					
Other financial assets					
Equities		208,634	164,816	22,894	20,924
Investment funds		14,822	-	14,822	-
	9	223,456	164,816	37,716	20,924
TOTAL ASSETS		**298,264**	**164,816**	**112,524**	**20,924**
FINANCIAL LIABILITIES:					
Financial liabilities carried at fair value through income statement:					
Current derivative financial instruments	24	(40,449)	-	(40,449)	-
Financial hedging instruments:		-	-	-	-
Current derivative financial instruments	24	(219)	-	(219)	-
TOTAL LIABILITIES		**(40,668)**	**-**	**(40,668)**	**-**

The breakdown at **December 31, 2014** was as follows:

(in thousands of euro)

	Note	Carrying amount at 31/12/2014	Level 1	Level 2	Level 3
FINANCIAL ASSETS:					
Financial assets carried at fair value through income statement:					
Securities held for trading	15	61,404	-	61,404	-
Current derivative financial instruments	24	25,634	-	25,634	-
Financial hedging instruments:		-	-	-	-
Current derivative financial instruments	24	3,470	-	3,470	-
Available-for-sale financial assets:		-	-	-	-
Other financial assets		-	-	-	-
Equities		165,919	128,402	18,071	19,446
Investment funds		14,822	-	14,822	-
	9	180,741	128,402	32,893	19,446
TOTAL ASSETS		**271,249**	**128,402**	**123,401**	**19,446**
FINANCIAL LIABILITIES:					
Financial liabilities carried at fair value through income statement:					
Current derivative financial instruments	24	(32,824)	-	(32,824)	-
Financial hedging instruments:		-	-	-	-
Current derivative financial instruments	24	(10,011)	-	(10,011)	-
TOTAL LIABILITIES		**(42,835)**	**-**	**(42,835)**	**-**

During the first half year 2015, there were no transfers of financial assets / liabilities from level 1 to level 2 and vice versa.

The following table shows the changes in financial assets included in level 3 in the first half year 2015:

(in thousands of euro)

	06/30/2015
Opening balance	19,446
Foreign currency translation differences	414
Increases / Subscription of capital	1,199
Impairment	(443)
Fair value adjustments through Equity	324
Other changes	(16)
Closing balance	**20,924**

These financial assets consist mainly of equity investments in Alitalia S.p.A. (euro 6,385 thousand), in the Istituto Europeo di Oncologia (European Institute of Oncology) (euro 5,754 thousand), in Equinox Two S.C.A. (euro 4,596 thousand), and Tlcom I LP (euro 665 thousand).

The item **increases / subscriptions of capital** refers mainly to investments in Alitalia SpA (euro 1,036 thousand).

The item **impairment** refers mainly to investments in Equinox Two S.C.A. (euro 427 thousand).

The **fair value adjustments through equity**, equal to a positive value of euro 324 thousand refers mainly to investments in the Istituto Europeo di Oncologia (European Institute of Oncology).

During the half year, there were no transfers of financial assets / liabilities from level 3 to other levels and vice versa.

The fair value of financial instruments traded on active markets is based on the price quotations published at the reporting date. These instruments, included in level 1, comprise primarily of equity investments classified as financial assets available for sale.

The fair value of financial instruments not traded on active markets (e.g. derivatives) is measured by means of techniques that maximise the use of observable and available market data, using widely applied financial measurement techniques:

- market prices for similar instruments;
- the fair value of interest rate swaps is calculated by discounting estimated future cash flows based on observable yield curves;
- the fair value of foreign exchange derivatives (forward contracts) is determined by using the forward exchange rate at the reporting date.

5. OPERATING SEGMENTS

The operating segments subject to a separate disclosure at June 30, 2015 are:

- the Consumer Business segment: includes car and motorcycle tyres made for both the original equipment and replacement channels;
- the Industrial Business segment: includes truck and agricultural vehicle tyres for both the original equipment and replacement channels.

The **results** of **the first half year 2015** by operating segment are as follows:

(in thousands of euro)	CONSUMER	INDUSTRIAL	OTHER BUSINESS	1 HALF 2015
Total net sales	**2,521,699**	**651,999**	**4,761**	**3,178,459**
Gross operating margin	519,984	89,100	(4,274)	604,810
Depreciation and amortisation	(131,117)	(26,510)	(628)	(158,255)
Operating income (loss)	**388,867**	**62,590**	**(4,902)**	**446,555**
Net income (loss) from equity investments				(3,995)
Financial income (expenses)				(113,340)
Net income (loss) before tax				**329,220**
Taxes				(117,801)
Net income (loss) from continuing operations				**211,419**

The **results** of **the first half year 2014** by operating segment were as follows:

(in thousands of euro)	CONSUMER	INDUSTRIAL	OTHER BUSINESS	1 HALF 2014
Total net sales	**2,288,320**	**692,500**	**6,051**	**2,986,871**
Gross operating margin	455,095	121,500	(6,536)	570,059
Depreciation and amortisation	(115,004)	(27,600)	(1,212)	(143,816)
Operating income (loss)	**340,091**	**93,900**	**(7,748)**	**426,243**
Net income (loss) from equity investments				(27,227)
Financial income (expenses)				(92,102)
Net income (loss) before tax				**306,914**
Taxes				(114,860)
Net income (loss) from continuing operations				**192,054**

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6. PROPERTY, PLANT AND EQUIPMENT

The breakdown and changes are as follows:

(in thousands of euro)

	06/30/2015			12/31/2014		
	Gross Value	**Accumulated Depreciation**	**Net Value**	**Gross Value**	**Accumulated Depreciation**	**Net Value**
Land	105,367	-	105,367	103,808	-	103,808
Buildings	1,062,545	(432,345)	630,200	1,025,895	(407,017)	618,878
Plant and machinery	3,443,068	(1,813,638)	1,629,430	3,344,879	(1,790,305)	1,554,574
Industrial and commercial equipment	686,371	(495,110)	191,261	671,027	(486,105)	184,922
Other assets	210,738	(151,424)	59,314	206,295	(146,013)	60,282
	5,508,089	**(2,892,517)**	**2,615,572**	**5,351,904**	**(2,829,440)**	**2,522,464**

GROSS VALUE (in thousands of euro)

	12/31/2014	**Inflation effect**	**Translation differ.**	**Increases**	**Decreases**	**Reclassif.**	**Other**	**06/30/2015**
Land	103,808	1,062	976	-	(310)	14	(183)	105,367
Buildings	1,025,895	11,741	13,174	12,370	(1,288)	829	(176)	1,062,545
Plant and machinery	3,344,879	23,708	17,355	130,451	(78,327)	5,887	(885)	3,443,068
Industrial and commercial equipment	671,027	4,752	(586)	27,392	(22,150)	6,139	(203)	686,371
Other assets	206,295	7,491	3,467	15,193	(9,329)	(12,869)	490	210,738
	5,351,904	**48,754**	**34,386**	**185,406**	**(111,404)**	**-**	**(957)**	**5,508,089**

ACCUMULATED DEPRECIATION (in thousands of euro)

	12/31/2014	**Inflation effect**	**Translation differ.**	**Reclassif.**	**Decreases**	**Deprec.**	**Other**	**06/30/2015**
Buildings	(407,017)	(10,822)	862	-	1,039	(16,565)	158	(432,345)
Plant and machinery	(1,790,305)	(13,539)	3,708	108	76,844	(92,451)	1,997	(1,813,638)
Industrial and commercial equipment	(486,105)	(4,009)	2,511	1,411	21,554	(30,755)	283	(495,110)
Other assets	(146,013)	(2,189)	(2,060)	(1,519)	8,549	(8,495)	304	(151,424)
	(2,829,440)	**(30,560)**	**5,021**	**-**	**107,986**	**(148,266)**	**2,742**	**(2,892,517)**

NET VALUE (in thousands of euro)

	12/31/2014	**Inflation effect**	**Translation differ.**	**Increases**	**Decreases**	**Reclassif.**	**Depreciation**	**Other**	**06/30/2015**
Land	103,808	1,062	976	-	(310)	14	-	(183)	105,367
Buildings	618,878	919	14,036	12,370	(249)	829	(16,565)	(18)	630,200
Plant and machinery	1,554,574	10,169	21,063	130,451	(1,483)	5,995	(92,451)	1,112	1,629,430
Industrial and commercial equipment	184,922	743	1,925	27,392	(596)	7,550	(30,755)	80	191,261
Other assets	60,282	5,301	1,407	15,193	(780)	(14,388)	(8,495)	794	59,314
	2,522,464	**18,194**	**39,407**	**185,406**	**(3,418)**	**-**	**(148,266)**	**1,784**	**2,615,572**

The **increases** totalling euro 185,406 thousand are mainly aimed at the increase in Premium capacity in Europe, NAFTA and China and the improvement in the mix.
The investment ratio of the first half year 2015 with depreciation and amortization amounted to 1.25 (1.32 at December 31, 2014 and 1.06 in the first half year 2014).

Property, plant and equipment in construction at June 30, 2015 included in the individual categories of property, plant and equipment, totalled euro 210,220 thousand (euro 183,829 thousand at December 31, 2014).

7. INTANGIBLE ASSETS

The breakdown and changes are as follows:

(in thousands of euro)

	12/31/2014	Translation differences	Increase	Decrease	Amortisation	Other	06/30/2015
Patents and intellectual property rights	17	1	-	-	(10)	-	8
Concessions/licenses/trademarks	55,848	464	163	0	(3,239)	15	53,251
Goodwill	887,113	1,346	-	-	-	-	888,459
Application software	15,676	23	125	(1)	(4,600)	226	11,449
Other intangible assets	25,348	529	3,106	-	(2,140)	(4)	26,839
	984,002	**2,363**	**3,394**	**(1)**	**(9,989)**	**237**	**980,006**

The table below sets forth the allocation of goodwill by operating segment and the cash generating units (CGU) to which it was allocated for impairment testing:

(in thousands of euro)

Operating segment	Cash generating unit	06/30/2015	12/31/2014	Recoverable amount
Consumer	Consumer	579,343	577,347	Value in use
Industrial	Industrial	309,116	309,766	Value in use
		888,459	**887,113**	

With regard to goodwill, as there were no indications of impairment compared to the year ended December 31, 2014, it was not necessary to update the impairment test.

Concessions, licenses and trademarks mainly include the brands deriving from the acquisition of retail outlets belonging to the Abouchar network and Campneus in Brazil (euro 12,865 thousand), from the acquisition of 25 outlets belonging to Wagner in Germany (euro 9,166 thousand), from acquisitions in Russia (euro 2,902 thousand), and the acquisition of the retail chains Däckia in Sweden (euro 20,685 thousand).

The **other intangible assets** are mainly composed of the fair value measurement of customer relationships and commercial partnerships resulting from the acquisitions in 2012 in Russia and Sweden (Däckia).

8. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Changes in investments in associates and joint ventures were as follows:

(in thousands of euro)

	06/30/2015			12/31/2014		
	associates	**JV**	**Total**	**associates**	**JV**	**Total**
Opening balance	**158,885**	**27,898**	**186,783**	**111,525**	**19,941**	**131,466**
Increases	-	-	-	118,665	12,109	130,774
Distribution of dividends	(1,850)	-	(1,850)	(1,211)	-	(1,211)
Impairment	(778)	-	(778)	(20,394)	-	(20,394)
Share of net income (loss)	(2,379)	(1,604)	(3,983)	(53,769)	(1,378)	(55,147)
Share of other components recognized in Equity	13,396	-	13,396	4,340	-	4,340
Reclassifications and other	(46)	-	(46)	(271)	(2,774)	(3,045)
Closing balance	**167,228**	**26,294**	**193,522**	**158,885**	**27,898**	**186,783**

Details for each investment in associate companies are provided below:

(in thousands of euro)

	12/31/2014	Increases	Distrub. of dividends	Impairment	Share of net income (loss)	Share of components of other comprehensive income	Reclass. and other	06/30/2015
Eurostazioni S.p.A.	**60,541**	-	(1,680)	-	1,069	-	-	**59,930**
Prelios	**55,534**	-	-	-	(3,884)	(758)	-	**50,892**
Fenice S.r.l.	**16,023**	-	-	(778)	-	14,388	-	**29,633**
GWM Renewable Energy II S.p.A.	**25,112**	-	-	-	326	(234)	-	**25,204**
Idea Granda Società Consortile r.l.	**633**	-	-	-	-	-	-	**633**
Other companies	**1,042**	-	(170)	-	110	-	(46)	**936**
Total	**158,885**	**-**	**(1,850)**	**(778)**	**(2,379)**	**13,396**	**(46)**	**167,228**

The investment in GWM Renewable Energy II S.p.A. (16.87%) qualifies as an associate (despite an investment of less than 20%) as the Group exercises significant influence also for the presence of their managers in the Board of Directors of the company.

With reference to the shareholding in Fenice S.r.l. which is equal to 62.56% of the share capital, although the percentage of ownership is greater than 50%, Pirelli does not exercise control over the company as a result of the provisions of the shareholders' agreement.

The **impairments** relate to the investment in Fenice S.r.l.. Following the increase in the shareholding of Pirelli due to the transfer of the class B Prelios shares in 2014, the asymmetry of distribution among the shareholders of any income from the sale of class B Prelios shares (pay off of the investment) has been accentuated due to the shareholders' agreement in place between the shareholders themselves. In fact, under existing clauses, the pay off at maturity of the income attributable to each shareholder is asymmetric with respect to the interest held.

It was deemed that this asymmetry represents an indicator of impairment and therefore the investment was subject to impairment test, with the goal of comparing the value of the investment, after the application of the equity method, with the recoverable amount of the same, represented by the fair value.

The fair value of the investment at June 30, 2015, the determination of which was ascertained by Pirelli through the services of a professional, independent third party, was lower than its carrying amount, and therefore led to an impairment of the investment of euro 778 thousand. Fair value has been estimated using an income approach, based on options criterion and on level 2 inputs.

The total **share of net income (loss)** (negative for euro 3,983 thousand) mainly refers to the pro rata of Prelios S.p.A. losses (a loss of euro 3,884 thousand), and of the joint venture PT Evolution Tyres in Indonesia (a loss of euro 1,604 thousand), partly offset by the share of income of the investment in Eurostazioni S.p.A. (euro 1,069 thousand).

As was done on December 31, 2014, the Prelios S.p.A. Financial Statements used in applying the equity method refers to a different closing date other than June 30, 2015; in particular the portion of the result pertaining to the the first half year 2015, is composed of the sum of:

- a loss for Q4 2014 (pro rata Pirelli euro 2,620 thousand);
- a loss for Q1 2015 (pro rata Pirelli euro 1,264 thousand).

The associate company published the results at June 30, 2015 on July 29, 2015, and reported a net loss of euro 13,1 million, of which euro 6,9 million referred to Q2 2014 (pro rata Pirelli euro 1,4 million); this result will be included in the evaluation of the associate company with the equity method at September 30, 2015.

The fair value of the investment in Prelios S.p.A., listed on the Milan stock exchange calculated using the prices of June 30, 2015 (euro 0.374 per share) amounted to euro 55,399 thousand.

The **share of other components recognized in equity** relates mainly to euro 14,388 thousand for the pro rata (62.56%) of gains recognized directly in equity by Fenice S.r.l. in the first half year 2015, consequent to the fair value adjustment of 210,988,201 for the Prelios S.p.A. class B shares held by Fenice S.r.l; such shares qualify as financial assets available for sale for Fenice S.r.l.. The fair value of Prelios class B shares was determined based on the market value at June 30, 2015 of the Prelios S.p.A. ordinary shares (euro 0.374 per share).

9. OTHER FINANCIAL ASSETS

They amounted to euro 223,456 thousand, compared to euro 180,741 thousand at December 31, 2014 and refer to the financial assets available for sale, valued at fair value, with changes to the fair value recognized in equity. The breakdown is as follows:

(in thousands of euro)

	06/30/2015	12/31/2014
Opening balance	180,741	185,009
Exchange difference	480	378
Increases	1,199	57,035
Decreases	-	(42,894)
Impairment	(604)	(13,434)
Fair value adjustments recognized in Equity	41,640	(5,231)
Other	-	(122)
Closing balance	**223,456**	**180,741**

The breakdown by individual investment is as follows:

(in thousands of euro)

	06/30/2015					12/31/2014
	Historical cost	Cumulative FV adjustments recognized in equity	FV adjustments recognized in income statement		Fair Value	Fair Value
			Previous periods	2015		
Listed securities	A	B	C	D	A+B+C+D	
Mediobanca S.p.A.	90,247	75,538	(27,234)	-	138,551	106,650
RCS Mediagroup S.p.A.	37,480	4,592	(15,860)	-	26,212	21,620
Other companies	144	-	-	(91)	53	134
	127,871	**80,130**	**(43,094)**	**(91)**	**164,816**	**128,404**
Unlisted securities						
Alitalia S.p.A.	37,614	-	(31,229)	-	6,385	5,349
Fin. Priv. S.r.l.	14,458	9,727	(5,562)	-	18,623	14,473
Fondo Anastasia	13,250	1,572	-	-	14,822	14,822
European Institute of Oncology (Istituto Europeo di Oncologia S.r.l.)	4,039	1,715	-	-	5,754	5,382
F.C. Internazionale Milano S.p.A.	7,213	-	(6,655)	-	558	558
Euroqube	373	(47)	(222)	-	104	151
Tlcom I LP	1,427	-	(701)	(61)	665	665
Emittenti Titoli	117	4,154	-	-	4,271	3,598
Equinox Two SCA	8,019	-	(2,996)	(427)	4,596	4,447
Other companies	3,784	219	(1,116)	(25)	2,862	2,892
	90,294	**17,340**	**(48,481)**	**(513)**	**58,640**	**52,337**
	218,165	**97,470**	**(91,575)**	**(604)**	**223,456**	**180,741**

The item **increases** mainly refer to the investment in Alitalia S.p.A. (euro 1,036 thousand).

The item **impairment** mainly refers to the investments in Equinox Two S.C.A. (euro 427 thousand).

The **fair value adjustment recognized in equity**, equal to a positive value of euro 41,640 thousand, mainly refers to the investments in Mediobanca S.p.A. (euro 31,901 thousand), RCS MediaGroup S.p.A. (euro 4,592 thousand) and in Fin.Priv. S.r.l. (euro 4,150 thousand).

The fair value of listed financial instruments corresponds to the stock market price as at June 30, 2015.

The fair value of unlisted financial instruments was determined by making estimates on the basis of the best information available.

10. DEFERRED TAX ASSETS AND PROVISION FOR DEFERRED TAX LIABILITIES

The breakdown is as follows:

(in thousands of euro)

	06/30/2015	**12/31/2014**
Deferred tax assets	237,920	248,564
Provision for deferred tax liabilities	(50,115)	(53,029)
	187,805	**195,535**

Deferred tax assets and deferred tax liabilities are offset when a legal right exists to offset current tax receivables and current tax payables, and the deferred taxes refer to the same legal entity and the same tax authority.

11. TRADE RECEIVABLES

Trade receivables are analyzed as follows:

(in thousands of euro)

	06/30/2015			12/31/2014		
	Total	Non-current	Current	Total	Non-current	Current
Trade receivables	1,049,876	-	1,049,876	719,000	-	719,000
Provision for bad debts	(47,895)	-	(47,895)	(45,192)	-	(45,192)
	1,001,981	**-**	**1,001,981**	**673,808**	-	**673,808**

The increase compared to December 31, 2014 is due to the usual seasonal trend linked to sales, with an increase in trade receivables which is proportional to the rise in sales. The value of trade receivables at June 30, 2014 amounted to euro 973,999 thousand.

12. OTHER RECEIVABLES

Other receivables may be analysed as follows:

(in thousands of euro)

	06/30/2015			12/31/2014		
	Total	Non-current	Current	Total	Non-current	Current
Financial receivables	63,846	58,893	4,953	97,651	56,167	41,484
Trade accruals and deferrals	37,018	3,575	33,443	21,962	4,147	17,815
Receivables from employees	22,969	1,420	21,549	13,227	1,561	11,666
Receivables from social security and welfare institutions	12,094	-	12,094	10,643	-	10,643
Receivables from tax authorities not related to income taxes	122,630	10,452	112,178	102,889	12,123	90,766
Other receivables	200,879	103,512	97,367	188,364	95,147	93,217
	459,436	**177,852**	**281,584**	**434,736**	**169,145**	**265,591**
Provision for bad debts	(247)	-	(247)	(317)	-	(317)
	459,189	**177,852**	**281,337**	**434,419**	**169,145**	**265,274**

The **non-current financial receivables** (euro 58,893 thousand) for euro 48,145 thousand (euro 49,956 thousand at December 31, 2014) refer to amounts deposited as guarantee deposits for tax and legal disputes in relation to the subsidiary Pirelli Pneus Ltda (Brazil), and which are remunerated at market rates.

Current financial receivables (euro 4,953 thousand) for euro 2,130 thousand refer to prepaid commissions on the revolving credit facility and multicurrency term loan granted to Pirelli International Plc and Pirelli & C. S.p.A., and to interest paid in advance on loans subscribed to by the subsidiary Turk-Pirelli Lastikleri A.S..
The decrease at December 31, 2014, is mainly due to the repayment of the loan granted to the associate company Sino Italian Wire Technology Co. Ltd. as part of the sale of the steelcord business (euro 31,195 thousand).

Receivables from tax authorities not related to income taxes (euro 122,630 thousand) mainly comprise VAT credits to the amount of euro 64,961 thousand, credits for property tax to the amount of euro 13,210 thousand, receivables for withholding tax to the amount of euro 3,961 thousand, receivables for IRPEF withheld and social security and welfare contributions to the amount of euro 2,114 thousand.

Other non-current receivables (euro 103,512 thousand) mainly refer to guarantee deposits in connection with lawsuits and tax litigation involving the Brazilian units (for euro 66,492 thousand) and to receivables for guarantees in Pirelli's favour for euro 8,892 thousand that may be exercised if contingent liabilities materialise in relation to the acquisition in 2012 of the company Campneus Lider de Pneumaticos Ltda (Brazil).

Other current receivables (euro 97,367 thousand) mainly include euro 56,860 thousand for advances paid to suppliers, euro 8,853 thousand of receivables deriving from the ceasing of the active Eletrobras lawsuit in Brazil, euro 2,890 thousand, for receivables from the disposal of property not used for the industrial operations in Brazil, and euro 4,437 thousand for grants for research and development to be received from the Region of Piedmont.

For other current and non-current receivables the carrying amount is considered to approximate their fair value.

13. TAX RECEIVABLES

The tax receivables are related to income taxes and amounted to euro 97,689 thousand (of which euro 7,555 thousand was for non-current assets) compared with euro 86,028 thousand at December 31, 2014 (of which euro 12,068 thousand was for non-current assets) and relate mainly to receivables for income taxes (mainly related to tax pre-payments for the year), IRPEG corporate income tax for previous years for Pirelli & C. S.p.A., and tax receivables for previous years for the subsidiaries in Brazil.

14. INVENTORIES

Inventories are analyzed as follows:

(in thousands of euro)

	06/30/2015	**12/31/2014**
Raw and auxiliary materials and consumables	221,961	210,699
Sundry materials	8,067	7,193
Work in progress and semi-finished products	76,788	70,966
Finished products	818,211	759,387
Goods for resale	1,817	2,357
Advances to suppliers	4,962	4,414
	1,131,806	**1,055,016**

Inventories are not subject to any collateral pledges. The increase in the first half year 2015 is mainly linked to the seasonality of some working capital items and refers mainly to the stock of finished products, especially in Brazil and Europe, which will be used during 2015.

15. SECURITIES HELD FOR TRADING

Securities held for trading amounted to euro 35,447 thousand compared to euro 61,404 thousand at December 31, 2014, and comprise mainly of unlisted floating rate bonds and certificates of deposit held by the Brazilian companies, by the Swiss company Pirelli Tyre (Suisse) S.A. and by the Argentinian company Pirelli Neumaticos S.A.I.C..

The fair value of listed securities corresponds to the stock market price as at June 30, 2015.

The fair value of unlisted securities was determined by making estimates on the basis of the best information available.

Changes in fair value for the period are recognized in the Income Statement as “Financial Expenses”.

16. CASH AND CASH EQUIVALENTS

Cash and cash equivalents decreased from euro 1,166,669 thousand at December 31, 2014 to euro 898,370 thousand at June 30, 2015, a decrease of euro 268,299 thousand mainly due to the cash flow related to the seasonality of working capital.

Cash and cash equivalents are concentrated in the financial companies of the Group and companies that generate cash and use it locally. They are essentially invested on the market for short-term maturity deposits with major banking counterparties at interest rates aligned with the prevailing market terms.

Cash and cash equivalents held in Venezuela, totalling euro 217,312 thousand, are not currently appropriate for an immediate transferability to other Group units.

In the statement of cash flows, the balance of cash and cash equivalents is shown as net of bank overdrafts amounting to euro 61,457 thousand at June 30, 2015 (euro 38,435 thousand at June 30, 2014).

17. EQUITY

17.1 Attributable to the owners of the Parent Company

The **equity attributable to the owners of the Parent** company went from euro 2,548,345 thousand at December 31, 2014 to euro 2,707,511 thousand at June 30, 2015. The increase is largely due to, the net result for the period (positive for euro 190,754 thousand), to the combined inflation/devaluation effect on the subsidiary in Venezuela (positive for euro 36,034 thousand), to the adjustment to fair value of investments available for sale (positive for euro 41,640 thousand), to actuarial gains on pension funds (euro 11,742 thousand excluding the tax effect), and to exchange rate differences from the translation of foreign financial statements (positive for euro 46,248 thousand) partially offset by the decrease related to dividends paid by the parent company (euro 179,572 thousand).

The subscribed and paid-up **share capital** at June 30, 2015 (including treasury shares) is represented by 475,740,182 ordinary shares and 12,251,311 savings shares, without nominal value and having normal entitlements, for a total of euro 1,345,381 thousand. The share capital is presented net of the value of treasury shares (351,590 ordinary shares and 408,342 savings shares) and therefore amounted to euro 1,343,285 thousand. The total of treasury shares represents 0.16% of the share capital.

The **equity per share** was euro 5.548 compared to euro 5.222 at December 31, 2014.

17.2 Attributable to non-controlling interests

The equity attributable to non-controlling interests went from euro 63,157 thousand at December 31, 2014 to euro 64,817 thousand at June 30, 2015. The increase was mainly due to the net income for the period (positive for euro 5,731 thousand), the exchange difference from the translation of foreign financial statements (positive for euro 1,323 thousand), and the effect of inflation in Venezuela (positive for euro 1,416 thousand) offset by the decrease linked to the payment of dividends (euro 6,656 thousand).

18. PROVISIONS FOR LIABILITIES AND CHARGES

Below are the changes during the period:

PROVISION FOR LIABILITIES AND CHARGES - NON-CURRENT PORTION **(in thousands of euro)**

	06/30/2015
Opening balance	97,799
Translation differences	(5,270)
Increases	4,916
Uses	(4,454)
Reversals	(234)
Other	32
Closing balance at 06/30/2015	**92,789**

The **non-current portion** of provisions for liabilities and charges mainly refers to:

- accruals made by the Brazilian subsidiary Pirelli Pneus Ltda for lawsuits and tax litigations (euro 42,095 thousand) and labour lawsuits (euro 29,775 thousand);
- accruals made by the parent company Pirelli & C. S.p.A. for tax litigation (euro 10,143 thousand) and trade risks, site remediation and labour disputes (euro 5,609 thousand).

The **increases** mainly refer to accruals for labour disputes of the subsidiary Pirelli Pneus Ltda (Brazil).

Uses are for costs incurred in the the first half year mainly due to labor disputes by the subsidiary Pirelli Pneus Ltda (Brazil).

PROVISION FOR LIABILITIES AND CHARGES - CURRENT PORTION **(in thousands of euro)**

	06/30/2015
Opening balance	67,030
Translation differences	1,457
Increases	12,874
Uses	(13,075)
Reversals	(5,351)
Other	4,329
Closing balance at 06/30/2015	**67,264**

The **current portion** of provisions for liabilities and charges mainly include accruals for technical claims and product warranties (euro 18,829 thousand), site remediation for disused areas of land (euro 3,576 thousand), reorganization and closure of business units (euro 1,595 thousand), litigation for occupational diseases (euro 12,380 thousand), tax risks (euro 8,453 thousand), labour lawsuits (euro 3,427 thousand), and work accident insurance (euro 4,956 thousand).

The **increases** mainly refer to accruals for product claims, labour lawsuits, tax and other risks.

The **uses** are mainly related to costs incurred to close pending actions against business units domiciled in Italy for occupational disease lawsuits and in Germany for corporate reorganization.

Reversals of excess provisions were mainly related to labour, legal and tax disputes.

19. EMPLOYEE BENEFIT OBLIGATIONS

The item includes:

(in thousands of euro)

	06/30/2015	12/31/2014
Pension funds:		
- funded	192,104	203,183
- unfunded	100,292	107,899
Employee leaving indemnities (TFR - Italian companies)	40,264	42,451
Healthcare plans	22,951	22,337
Other benefits	99,578	83,075
	455,189	**458,945**

- Pension funds

The following table shows the breakdown of pension funds at **June 30, 2015**:

(in thousands of euro)

	06/30/2015						
	Germany	**Sweden**	**Total unfunded pension funds**	**USA**	**UK**	**Other countries**	**Total funded pension funds**
Funded funds							
Present value of funded liabilities				162,112	1,327,848	5,722	1,495,682
Fair value of plan assets				(134,857)	(1,164,040)	(4,681)	(1,303,578)
Unfunded funds							
Present value of unfunded liabilities	96,758	3,534	100,292				
Net liabilities recognised	**96,758**	**3,534**	**100,292**	**27,255**	**163,808**	**1,041**	**192,104**

The following table shows the breakdown of pension funds at **December 31, 2014**:

(in thousands of euro)

	12/31/2014						
	Germany	**Sweden**	**Total unfunded pension funds**	**USA**	**UK**	**Other countries**	**Total funded pension funds**
Funded funds							
Present value of funded liabilities				158,128	1,205,203	5,985	1,369,316
Fair value of plan assets				(116,931)	(1,044,306)	(4,896)	(1,166,133)
Unfunded funds							
Present value of unfunded liabilities	104,008	3,891	107,899				
				-	-	-	-
Net liabilities recognised	**104,008**	**3,891**	**107,899**	**41,197**	**160,897**	**1,089**	**203,183**

Changes in the the first half year of the net liabilities of defined benefits (related to funded and unfunded pension funds) are as follows:

(in thousand of euro)

	Present value of gross liabilities	Fair value of plan assets	Total net liabilities
Opening balance at January 1, 2015	1,477,215	(1,166,133)	311,082
Translation difference	128,140	(109,603)	18,537
Movements through income statement:	-	-	-
- current service cost	544	-	544
- interest expense / (income)	27,343	(22,807)	4,536
	27,887	(22,807)	5,080
Remeasurements recognized in equity:			
- (gains) / losses from change in demographic assumptions	-	-	-
- (gains) / losses from change in financial assumptions	3,806	-	3,806
- experience (gains) losses	(1,260)	-	(1,260)
- return on plan assets, net of interest income	-	(15,413)	(15,413)
	2,546	(15,413)	(12,867)
Employer's contributions	-	(29,813)	(29,813)
Plan participants' contributions	12	(12)	-
Benefits paid	(39,527)	39,527	-
Other	(299)	676	376
Closing balance at June 30, 2015	**1,595,974**	**(1,303,578)**	**292,396**

The service cost is included in "personnel expenses" (note 28) and net interest expenses are included in "Financial Expenses" (note 33).

- Employee leaving indemnities (TFR)

Movements for the first half year in the provision for employee leaving indemnities are as follows:

(in thousands of euro)

	06/30/2015
Opening balance	42,451
Movements through income statement:	
- current service cost	67
- interest expense	370
Remeasurements recognized in equity:	
- actuarial (gains) losses arising from changes in financial assumptions	(1,820)
- experience (gains) losses	-
Payments/advances	(767)
Other	(37)
Closing balance	**40,264**

The service cost (euro 67 thousand) is recorded in the income statement under "Personnel Expenses" (note 28), the interest expense (euro 370 thousand) is included in "Financial Expenses" (note 33).

- Healthcare plans

This item refers only to the healthcare plans in place for the US subsidiary.

The changes during the period were as follows:

(in thousands of euro)

	06/30/2015
Opening balance	22,337
Translation difference	1,904
Movements through income statement:	
- current service cost	3
- interest expense	441
Remeasurements recognized in equity:	
- actuarial (gains) losses arising from changes in financial assumptions	(926)
- actuarial (gains) losses arising from changes in demographic assumptions	-
- experience (gains) losses	-
Benefits paid	(808)
Closing balance	**22,951**

The service cost is included in "Personnel Expenses" (note 28) and interest expense is included in "Financial Expenses" (note 33).

Additional information on post-employment benefits

Net actuarial gains accrued in the first half year 2015 and recognised directly in equity totalled euro 11,742 thousand (at December 31, 2014 net actuarial losses totalled euro 30,263 thousand).

The principal actuarial assumptions used at **June 30, 2015** are as follows:

	Italy	Germany	Netherlands	Sweden	UK	USA
Discount rate	2.15%	2.15%	2.15%	3.00%	3.80%	4.15%
Inflation rate	1.50%	2.00%	2.00%	1.50%	3.12%	N/A
Expected rate of wage and salary increases	-	3.00%	2.00%	-	-	N/A
Healthcare cost trend rates - initial	-	-	-	-	-	6.00%
Healthcare cost trend rates - final	-	-	-	-	-	4.50%

The principal actuarial assumptions used at **December 31, 2014** were as follows:

	Italy	Germany	Netherlands	Sweden	UK	USA
Discount rate	1.75%	1.75%	1.75%	2.40%	3.70%	3.75%
Inflation rate	1.50%	2.00%	2.00%	1.50%	2.98%	N/A
Expected rate of wage and salary increases	-	3.00%	2.00%	-	-	N/A
Healthcare cost trend rates - initial	-	-	-	-	-	6.00%
Healthcare cost trend rates - final	-	-	-	-	-	4.50%

Other long-term benefits

The composition of other benefits is the following:

(in thousands of euro)

	06/30/2015	12/31/2014
Long-term incentive plans	24,000	10,909
Jubilee awards	17,801	17,252
Leaving indemnities - non Italian companies	50,628	46,340
Other long-term benefits	7,149	8,574
	99,578	**83,075**

The value of the long-term incentive plans, amounting to euro 24,000 thousand at June 30, 2015, represents the best target estimate of the three-year monetary incentive plan “Long Term Incentive” 2014-2016 for Management of the Pirelli Group and approved by the Board of Directors and Shareholders' Meeting of Pirelli & C., respectively, on February 27 and June 12 2014; this incentive plan is related to the objectives of the period 2014 - 2016 contained in the Business Plan 2013-2017.

20. BORROWINGS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

Borrowings from banks and other financial institutions are as follows:

(in thousands of euro)

	06/30/2015			12/31/2014		
	Total	Non-current	Current	Total	Non-current	Current
Bonds	1,225,895	726,687	499,208	1,214,297	1,214,297	-
Borrowings from banks	1,394,667	693,953	700,714	1,034,380	563,735	470,645
Borrowings from other financial institutions	7,448	2,234	5,214	16,028	1,055	14,973
Financial leasing payables	622	458	164	1,086	903	183
Financial accrued expenses and deferred income	19,703	69	19,634	43,644	159	43,485
Other financial payables	5,998	1,650	4,348	3,181	1,577	1,604
	2,654,333	**1,425,051**	**1,229,282**	**2,312,616**	**1,781,726**	**530,890**

The item **bonds** refers to:

- for the current portion, to the unrated bond placed by Pirelli & C. S.p.A. in February 2011 on the eurobond market for an aggregate nominal amount of euro 500 million, with a fixed coupon of 5.125% and maturity in February 2016;
- for the non-current portion to:
  - the private placement made by Pirelli International Plc on the American market on December 5, 2012 for an aggregate nominal amount of USD 150 million (equal to euro 134,060 thousand based on the exchange rate at June 30, 2015), with a duration of between 5 and 12 years and an average coupon of 5.05%;
  - the unrated bond, placed by Pirelli International Plc on the eurobond market in November 2014 for a nominal amount of euro 600 million, with a fixed coupon of 1.75%.

The carrying amount of bonds was determined as follows:

(in thousands of euro)

	06/30/2015	12/31/2014
Nominal value	1,234,026	1,223,548
Transaction costs	(13,828)	(13,828)
Amortisation of effective interest rate	5,697	4,304
Adjustment for fair value hedge	-	273
	1,225,895	**1,214,297**

Borrowings from bank, amounting to euro 1,394,667 thousand, mainly refer to:

- loans granted by the European Investment Bank (EIB) to Pirelli Tyre S.p.A. for research and development projects and to S.C. Pirelli Tyres Romania S.r.l. for local industrial investments. These loans total euro 250,000 thousand (euro 250,000 thousand at December 31, 2014), were fully used and classified as euro 200,000 thousand as current bank borrowings, the residual portion of euro 50,000 thousand was classified as non-current bank borrowings;
- euro 371,127 thousand (euro 75,000 thousand at December 31, 2014), related to the revolving credit facility and five-year term multicurrency loan for euro 1,000,000 thousand, granted to Pirelli International Plc was signed January 9, 2015 to replace the existing revolving credit facility for euro 1,200,000 thousand. These utilisations were classified as non-current bank borrowings;
- euro 100,000 thousand related to the use of the revolving credit facility and five-year term loan for euro 200,000 thousand granted to Pirelli & C. S.p.A. was signed on February 13, 2015. These utlizations were classified as non-current bank borrowings;
- euro 43,000 thousand for the Schuldschein (originally of a nominal total amount of euro 155,000 thousand which was partially repaid in June 2015), a syndicated loan by the lender on the basis of a German law debt security, granted to Pirelli International Plc disbursed on December 14, 2012 and expiring between June 2016 and December 2017;
- euro 43,412 thousand relating to certain loans classified as current borrowings from banks subscribed to by the Mexican subsidiaries granted by HSBC Bank for euro 31,988 thousand and Banco BBVA for euro 11,424 thousand. These loans have a maturity of 180 days and are not covered by any kind of warranty. In January 2015, the Mexican subsidiaries also repaid the outstanding loan to Bancomext, amounting to euro 45,300 thousand at December 31, 2014;
- euro 6,613 thousand, including euro 1,644 thousand classified as non-current bank borrowings, granted by Banco Nacion Argentina between October 2011 and June 2012 to Pirelli Neumaticos S.A.I.C.. The duration of the loan is 5 years and is backed by collateral guarantees;

- use of credit lines locally in China, Brazil and Turkey for euro 444,006 thousand, of which euro 316,940 thousand was classified as current borrowings from banks and the remainder amounting to euro 127,067 thousand, classified as non-current borrowings from banks.

At June 30, 2015, the Group had, aside from cash and securities held for trading of euro 933,817 thousand, unused committed credit facilities of euro 728,873 thousand (euro 1,125,000 thousand at December 31, 2014) maturing in 2020.

Financial accrued liabilities and deferred income (euro 19,703 thousand) mainly refers to the portion of interest accrued on bonds (euro 15,964 thousand; euro 23,656 thousand at December 31, 2014) and interest accrued on bank loans for euro 2,118 thousand (euro 1,203 thousand at December 31, 2014). The accrual of interest rate swaps amounted to euro 582 thousand compared to euro 18,152 thousand at December 31, 2014.

Other non-current financial payables includes euro 1,650 thousand as security deposit paid by Prelios S.p.A., in relation to the lease for part of the building in which the R&D activities for Pirelli & C. S.p.A. in Italy are also carried out, for the entire duration of the lease (October 15, 2012 – October 14, 2018).

The average cost of debt for the first half year 2015 was 6.24%.

The carrying amount of current payables is considered to approximate their fair value.

The table below compares the fair value of non-current financial payables with their carrying amount:

(in thousands of euro)

	06/30/2015		12/31/2014	
	Carrying amount	***Fair value***	**Carrying amount**	***Fair value***
Bond Pirelli & C. S.p.A.	-	-	498,941	523,565
Bond Pirelli International Plc	593,252	596,502	592,483	605,184
Private placement - Pirelli International Plc	133,435	142,334	122,873	147,731
Borrowings from banks	693,953	797,426	563,735	566,125
Other financial payables	4,411	4,411	3,694	3,694
	1,425,051	**1,540,673**	**1,781,726**	**1,846,299**

With regard to the presence of financial covenants and negative pledge clauses, it should be noted that:

- the revolving credit line of credit and multicurrency term loan, granted to Pirelli International Plc for a total amount of euro 1,000,000 thousand and used for euro 371,127 thousand euro envisages, in the case of negative pledges, the undertaking not to grant secured guarantees beyond the threshold defined as being the higher between euro 200,000 thousand and 5% of total assets (as per the consolidated financial statements of Pirelli & C. S.p.A.), with the exception of secured guarantees on existing debt or debt to replace it, to be granted pursuant to law, relating to trade finance, project finance and subsidised finance, or on loans granted by supranational entities;
- the revolving credit line and term loan, granted to Pirelli & C. S.p.A. for a total amount of euro 200,000 thousand and used for euro 100,000 thousand envisages, in the case of negative pledges, the undertaking not to grant secured guarantees beyond the threshold defined as being the higher between euro 200,000 thousand and 5% of total assets (as per the consolidated financial statements of Pirelli & C. S.p.A.), with the exception of secured guarantees on existing debt or debt to replace it, to be granted pursuant to law, relating to trade finance, project finance and subsidised finance, or on loans granted by supranational entities;

- the private placement for a total of USD 150,000 thousand with due dates falling between December 5, 2017 and December 5, 2024 envisages, aside from the commitments indicated hereinabove:
  – the respect of the ratio between non-centralised indebtedness (referred to companies other than Pirelli International Plc, Pirelli & C. S.p.A. and Pirelli Tyre S.p.A.) and total assets as reported in the consolidated financial statements of Pirelli & C. S.p.A. set at 25% (and the ratio between "secured" debt and total assets not exceeding 15% in any event);
  – introduction of a financial covenant whereby the ratio between gross operating margin and financial expenses as reported in the consolidated financial statements of Pirelli & C. S.p.A. be greater than or equal to 3.5 when the ratio between net consolidated indebtedness and gross operating margin is greater than 2.5.

  These parameters were satisfied at June 30, 2015
  – with regard to the negative pledges, the commitment not to grant secured guarantees, above a threshold defined as the greater between euro 100,000 thousand and 3% of total assets (as per the consolidated financial statements of Pirelli & C. S.p.A.), with the exception of secured guarantees on the existing debt or debt to replace it, to be granted pursuant to law, relating to trade finance, project finance and subsidised finance or on loans provided by supranational entities;
- The Schuldschein (syndicated line) obtained by Pirelli International Plc for a nominal amount of euro 43,000 thousand, with due dates falling between June 14, 2016 and December 14, 2017 (originally for a total nominal amount of euro 155,000 thousand and partially repaid in June 2015) envisages, in the case of negative pledges, the undertaking not to grant secured guarantees beyond the threshold defined as being the higher between euro 100,000 thousand and 3% of total assets (as per the consolidated financial statements of Pirelli & C. S.p.A.), with the exception of secured guarantees on existing debt or debt to replace it, to be granted pursuant to law, relating to trade finance, project finance and subsidised finance, or on loans granted by supranational entities.

The other outstanding financial payables do not contain financial covenants.

21. TRADE PAYABLES

Trade payables are as follows:

(in thousands of euro)

	06/30/2015			12/31/2014		
	Total	Non-current	Current	Total	Non-current	Current
Suppliers	1,155,380	-	1,155,380	1,377,024	-	1,377,024
Bill and notes payable	8,145	-	8,145	17,288	-	17,288
	1,163,525	**-**	**1,163,525**	**1,394,312**	**-**	**1,394,312**

The carrying amount of trade payables is considered to approximate their fair value.

22. OTHER PAYABLES

Other payables are as follows:

(in thousands of euro)

	06/30/2015			12/31/2014		
	Total	Non-current	Current	Total	Non-current	Current
Trade accrued liabilities and deferred income	63,980	34,443	29,537	69,354	36,230	33,124
Tax payables not related to income taxes	103,201	3,945	99,256	121,692	4,622	117,070
Payables to employees	131,493	5	131,488	103,211	-	103,211
Payables to social security and welfare intitutions	63,130	22,883	40,247	75,356	29,098	46,258
Dividends payable	7,119	-	7,119	9,624	-	9,624
Other payables	141,057	4,202	136,855	138,932	4,742	134,190
	509,980	**65,478**	**444,502**	**518,169**	**74,692**	**443,477**

Non-current trade accrued liabilities and deferred income (euro 34,443 thousand) refer to euro 30,830 thousand of residual value for capital contributions received for investments made in Mexico and Romania. The benefit is recognized in the income statement on the basis of the estimated useful life of the investment for which the contribution was received.

Current trade accrued liabilities and deferred income (euro 29,537 thousand) include euro 6,351 thousand related to the tax incentive of the Gravatai industrial site in Brazil and deferred for the duration of the amortization period of the investment, euro 5,653 thousand for government grants by the Piedmont Region, related to financing for plants aimed at the realization of the New Technological Centre in Settimo Torinese and whose benefits are recognized in the income statement on the basis of the estimated useful life of the investment for which the contribution was received, euro 2,696 thousand for commercial initiatives, euro 2,490 thousand for insurance coverage in some eurozone countries, euro 1,658 thousand for the portion not yet recognized in the income statement of the state contributions received for the investment of Slatina in Romania and euro 1,044 thousand for payables to interims in Turkey.

Tax payables not related to income (euro 103,201 thousand) mainly comprise VAT payables and equivalent taxes for euro 66,075 thousand, payables for IRPEF withheld and social contributions of employees for euro 11,374 thousand and payables for other taxes to the amount of euro 6,207 thousand, and payables for property tax to the amount of euro 2,747 thousand.

Current payables to employees (euro 131,493 thousand) include amounts accrued during the period but not yet paid, including the estimate of incentives.

Other current payables (euro 136,856 thousand) mainly include:

- euro 66,965 thousand for the purchase of property, plant and equipment (euro 76,398 thousand at December 31, 2014);
- euro 12,247 thousand related to the adjustment on the sale price of steelcord activities in China which is to be paid to Bekaert;
- euro 9,714 thousand for income withholding tax (euro 8,342 thousand at December 31, 2014);
- euro 7,032 thousand for payables to representatives, agents, professionals and consultants (euro 8,061 thousand at December 31, 2014);
- euro 5,819 thousand for customer advances (euro 16,839 thousand at December 31, 2014);
- euro 2,211 thousand for customs duties;
- euro 1,024 thousand for payables to directors, statutory auditors and supervisory bodies (euro 1,662 thousand at December 31, 2014).

For other current and non-current payables, the carrying amount is considered to approximate their fair value.

23. TAX PAYABLES

Tax payables mostly relate to national and regional income taxes in the various countries and total euro 108,128 thousand (of which euro 3,214 thousand included in non-current liabilities), compared to euro 104,158 thousand at December 31, 2014 (of which euro 3,397 thousand included in non-current liabilities).

24. DERIVATIVE FINANCIAL INSTRUMENTS

This item includes the fair value of derivative instruments. The breakdown is as follows:

(in thousands of euro)

	06/30/2015		12/31/2014	
	Current Assets	**Current Liabilities**	**Current Assets**	**Current Liabilities**
Hedge accounting not adopted				
Foreign currency derivatives - commercial transactions	22,598	(22,248)	19,765	(26,002)
Foreign currency derivatives - included in net financial position	10,437	(14,865)	5,868	(2,553)
Interest rate derivatives	-	-	-	(2,180)
Other derivatives - included in net financial position	-	(3,336)	-	(2,089)
Hedge accounting adopted				
- cash flow hedge:				
Foreign currency derivatives - commercial transactions	-	-	2,113	-
Interest rate derivatives	6,326	-	606	(10,011)
Other derivatives	-	(219)	545	-
- fair value hedge				
Interest rate derivatives - included in net financial position	-	-	207	-
	39,361	**(40,668)**	**29,104**	**(42,835)**
- Total derivatives included in net financial position	10,437	(18,201)	6,075	(4,642)

Derivative financial instruments not in hedge accounting

The value of **foreign currency derivatives** corresponds to the fair value of forward currency purchases/sales outstanding at the closing date of the period. These involve hedges of Group commercial and financial transactions for which hedge accounting was not adopted. The fair value is determined by using the forward exchange rate at the reporting date.

Derivative financial instruments in hedge accounting

- *Cash flow hedge*

The value of **derivatives on interest rates,** recognized as current assets for euro 6,326 thousand refers to the fair value of 4 cross currency interest rate swaps negotiated in November 2012 to cover the exposure to exchange rate risk and limit exposure to interest rate risk associated with the private placement placed by Pirelli International Plc in the US market for a total nominal amount of USD 150 million, with duration between 5 and 12 years (refer to Note 20 "Borrowings From Banks and Other Financial Institutions"). The objective is to hedge changes in the cash flows of the debt denominated in foreign currency (both capital and interest) related to changes in exchange rates. The amount related to the said derivative recognized in equity for the period represented a loss of euro 3,424 thousand.

25. COMMITMENTS AND CONTINGENCIES

Commitments for the purchase of property, plant and equipment

The commitments to purchase property, plant and equipment amount to euro 103,133 thousand and mostly relates to companies in Russia, Romania, Brazil, Italy, Mexico and the UK.

Commitments to purchase investments / fund units

These refer to commitments to subscribe shares of the company Equinox Two S.c.a., a private equity company specializing in investments in listed and unlisted companies with high growth potential, for a counter value of a maximum of euro 2,208 thousand.

Other contingencies

At the beginning of April 2014 the European Commission communicated to Pirelli, and other parties involved (including Prysmian Cavi e Sistemi, a subsidiary of Pirelli until July 2005), the decision taken at the conclusion of the antitrust investigation initiated for the energy cables business, which provides for a penalty against Prysmian of approximately euro 104 million for a portion of which, amounting to euro 67 million, Pirelli is jointly liable with Prysmian. This decision confirms that there was no direct involvement by Pirelli in the alleged cartel. The alleged antitrust violation is attributable solely to the principle of “parental liability”, because, during part of the period of the alleged cartel, Prysmian was controlled by Pirelli. Pirelli appealed to the European Court of Justice against the decision of the European Commission alleging the application of the principle of “parental liability”. In fact, Pirelli believes that the principle of "parental liability" is not applicable to it.

The European Commission also ordered Pirelli to deposit a bank guarantee to cover the payment, if and when due, of 50% of the penalty levied on Prysmian and Pirelli jointly. In consequence of the above on December 17, 2014, Pirelli provided the Commission with the requested guarantees.

Pirelli took action before the Court of Milan for the obligation of Prysmian to hold Pirelli harmless from any claim by the European Commission in relation to the aforementioned penalty to be ascertained and declared.

Pirelli, on the basis of careful legal analysis supported by professional opinions of external legal advisers, believes it is not involved in the alleged irregularities of its former subsidiary, and that the ultimate full liability for any violation (and the payment of the related penalty) shall be the exclusive responsibility of the company directly involved.

In consequence of the above, the risk assessment is such as not to have to request the allocation of any specific provision in the Half-year Condensed Consolidated Financial Statements at June 30, 2015.

26. REVENUES FROM SALES AND SERVICES

Revenues from sales and services are analysed as follows:

(in thousands of euro)

	1 H 2015	1 H 2014
Revenues from sales of goods	3,124,077	2,933,794
Revenues from services	54,382	53,077
	3,178,459	**2,986,871**

27. OTHER INCOME

The breakdown is as follows:

(in thousands of euro)

	1H 2015	1H 2014
Gains on disposal of property, plant and equipment	1,396	2,355
Rent income	3,664	3,921
Insurance indemnities and other refunds	9,186	12,931
Recoveries and reimbursements	31,070	29,871
Government grants	2,961	1,918
Other income	37,661	36,534
	85,938	**87,530**

The item **recoveries and reimbursements**, mainly includes:

- tax refunds for a total of euro 9,930 thousand arising from tax relief obtained in Argentina, Egypt, and in the state of Bahia in Brazil on trade exports;
- refunds of taxes and duties for a total of euro 8,015 thousand received in Italy to the amount of euro 6,022 thousand and in Germany to the amount of euro 1,744 thousand in the form of contributions for the disposal of tyres and contributions for the purchase of gas and energy;
- income from the sale of scrap materials obtained from Turkey and the United Kingdom for a total of euro 4,796 thousand;
- the recovery of costs for marketing and management fees on leasing in Italy and in the United Kingdom for a total of euro 1,552 thousand.

The item **other income** includes income for sporting activities amounted to euro 16,356 thousand (euro 17,237 thousand in the first half year 2014), income from release of provisions for liabilities and charges for euro 5,583 thousand (euro 4,887 thousand in the half year 2014) and provisions for bad debts for euro 1,054 thousand.

28. PERSONNEL EXPENSES

The breakdown is as follows:

(in thousands of euro)

	1H 2015	1H 2014
Wages and salaries	510,596	479,806
Social security and welfare contributions	89,694	88,565
Costs for employee leaving indemnities and similar	16,764	15,185
Costs for defined contribution pension funds	10,693	10,275
Costs for defined benefit pension funds	544	342
Costs for defined benefit healthcare plans	3	2
Costs for jubilee awards	1,161	1,530
Costs for defined contribution healthcare plans	21,200	18,115
Other costs	4,039	3,229
	654,694	**617,049**

Personnel expenses include **non-recurring charges** of euro 3,794 thousand for restructuring costs representing 0.6% of the total. In the same period of 2014, this item included euro 12,681 thousand representing 2.1% of the total.

29. AMORTIZATION, DEPRECIATION, AND IMPAIRMENT

The breakdown is as follows:

(in thousands of euro)

	1H 2015	1H 2014
Amortisation	9,989	10,366
Depreciation	148,266	133,450
Impairment of intangible assets	7	-
Impairment of property, plant and equipment	601	2,020
	158,863	**145,836**

30. OTHER COSTS

The breakdown is as follows:

(in thousands of euro)

	1H 2015	1H 2014
Selling costs	167,689	145,886
Purchases of goods for resale	159,530	147,184
Fluids and power	105,103	113,854
Advertising	111,259	107,195
Professional advice	31,101	24,816
Maintenance	32,671	31,072
Warehouse operating costs	30,989	28,112
Leases, rental and lease installments	60,830	53,351
Outsourcing	20,541	17,885
Travel expenses	27,870	22,484
IT expenses	16,075	13,508
Key managers compensations	5,585	3,921
Other provisions	17,790	10,733
Duty stamps, duties and local taxes	21,418	18,403
Canteen	12,492	9,496
Bad debts	8,484	10,225
Insurance	17,120	13,931
Cleaning expenses	9,948	9,869
Waste disposal	10,020	11,152
Security expenses	6,404	5,624
Telephone expenses	6,107	5,848
Other	69,930	65,235
	948,956	**869,784**

These include **non-recurring expenses** to the amount of euro 943 thousand which represent 0.1% of the total.

31. INCOME (LOSS) FROM EQUITY INVESTMENTS

31.1 Share of net income (loss) of associates and joint ventures

The share of net income (loss) of associates and joint ventures accounted for using the equity method is negative for euro 3,983 thousand and refers principally to the investment in Prelios S.p.A. (negative for euro 3,884 thousand) and the investments in the joint venture PT Evolution Tyres in Indonesia (negative for euro 1,604 thousand) patly offset from the investment in Eurostazioni S.p.A. (positive for euro 1,069 thousand). For further details, reference should be made to the previous note 8 (Investments in Associates and Joint Ventures).

31.2 Gains on equity investments

Details are as follows:

(in thousands of euro)

	1H 2015	**1H 2014**
Conversion effect of Prelios S.p.A. bond	-	13,307
Other	231	853
	231	**14,160**

31.3 Losses on equity investments

The breakdown of the item is as follows:

(in thousands of euro)

	1H 2015	1H 2014
Fair value adjustment of Prelios S.p.A. class B shares	-	4,772
Impairment of investments in associates	778	8,390
Impairment of available-for-sale financial assets	604	13,032
	1,382	**26,194**

The **impairment of investments in associated companies** refers to the investment in Fenice S.r.l. as previously described in note 8 "Investments in Associates and Joint Ventures".

The item **impairment of financial assets available for sale** particularly refers to the investment in Equinox Two S.C.A. (euro 427 thousand compared to euro 1,679 thousand in the first half year of 2014). In the first half year of 2014, this item also included the impairment of the investment in Alitalia S.p.A. (euro 11,229 thousand).

31.4 Dividends

The dividends for the first half year 2015 amounted to euro 1,139 thousand and refer mainly to euro 458 thousand in income from mutual funds (euro 304 thousand in the first half year of 2014).

32. FINANCIAL INCOME

The breakdown is as follows:

(in thousands of euro)

	1H 2015	1H 2014
Interests	28,250	16,492
Other financial income	4,725	4,988
Net gains on exchange rates	27,102	-
	60,077	**21,480**

The **interests** include euro 12,681 thousand for interest income from financial institutions (euro 4,549 thousand in the first half 2014), euro 9,413 thousand in interest on fixed-income securities (euro 4,696 thousand in the first half 2014), euro 3,604 thousand for interest on interest rate swaps (euro 4,337 thousand in the first half 2014), euro 1,097 thousand for interest on trade receivables (euro 1,220 thousand in the first half 2014) and euro 760 thousand for interest on government bonds (euro 1,075 thousand in the first half 2014).

The item **other financial income** mainly includes euro 3,494 thousand of accrued interest on security deposits paid by the Brazilian subsidiaries to guarantee legal and tax disputes.

Net gains on exchange rates which amounted to euro 27,102 thousand (gains on exchange rates amounted to euro 1,234,179 thousand and losses on exchange rates amounted to euro 1,207,077 thousand) refer to the adjustment of end of period exchange rates, to items expressed in currencies other than the functional currency and still outstanding at the reporting date, and to the net gains realised on items closed during the half year.

In comparing the net gains on exchange rates to the amount of euro 27,102 thousand with the fair value measurement of the exchange rate component derived from currency hedges, and negotiated as part of the Group's currency risk management strategy (net loss of euro 41,343 thousand, as subsequently indicated in the item "fair value measurement of currency derivatives") shows that the management of foreign exchange risk is substantially balanced taking into account that the negative imbalance which amounted to euro 14,241 thousand, is essentially linked to the devaluation of the Venezuelan currency (euro 14,212 thousand) which was not hedged. The adjustment of the exchange rate of 12.8 Bolivar per dollar (14.32 Bolivar per euro) impacts on the devaluation of a significant part of all business transactions in foreign currency for the subsidiary Pirelli de Venezuela C.A. which are outstanding at June 30, 2015.

33. FINANCIAL EXPENSES

The breakdown is as follows:

(in thousands of euro)

	1H 2015	1H 2014
Interests	57,311	56,893
Fees	19,118	8,849
High inflation effect Venezuela	18,899	12,113
Other financial expenses	2,998	3,748
Net losses on foreign currency translation	-	9,611
Net interest costs on employee benefit obligations	8,711	9,313
Fair value measurement of securities held for trading	8	431
Fair value measurement of currency derivatives	63,723	7,964
Fair value measurement of other derivatives	2,649	4,660
	173,417	**113,582**

The **interest** includes euro 13,280 thousand on the bond issued by Pirelli & C. S.p.A. in 2011 (euro 13,251 thousand in the first half year 2014), euro 2,939 thousand for the private placement made by Pirelli International Plc on the American market at the end of 2012 (euro 2,924 thousand in the first half year 2014), euro 5,976 thousand for the bond placed by Pirelli International Plc on the Eurobond market in November 2014 and euro 5,497 thousand for interest on interest rate swaps (euro 8,168 thousand at june 30, 2014).

The item **net interest cost on employee benefit obligations** mainly includes euro 4,536 thousand for pension funds, euro 370 thousand for employee leaving indemnities (TFR) and euro 441 thousand for healthcare plans (refer to note 19 "Employee Benefit Obligations").

The **fair value measurement of currency derivatives** relates to forward purchases/sales of foreign currencies to hedge trade and financial transactions, in accordance with the Group foreign exchange risk management policy. For transactions outstanding at the end of the period, the fair value is determined using the forward exchange rate at the reporting date. The fair value assessment includes two elements: the interest component linked to the interest rate spread between the currencies subject to the individual hedges, a net cost of euro 22,380 thousand, and the exchange rate component, a net cost of euro 41,343 thousand.

The **fair value measurement of other derivatives** (see note 24 "Derivative Financial Instruments") mainly consists of euro 1,247 thousand related to the fair value adjustment on interest rate swaps for which hedge accounting has not been implemented, and euro 1,024 thousand related to the fair value adjustment on other currency derivatives for which hedge accounting has not been activated.

34. TAXES

Taxes are composed as follows:

(in thousands of euro)

	1H 2015	**1H 2014**
Current taxes	102,047	114,860
Deferred taxes	15,754	-
	117,801	**114,860**

Tax expenses amounted to euro 117,801 thousands, a slight increase compared to the same period of the previous year (euro 114,860 thousands) as a result of the improvement in operating income.

35. DISCONTINUED OPERATIONS

As a result of the signing of the sale agreement of 100% of the steelcord business signed by Pirelli and Bekaert on February 28, 2014, the steelcord business qualifies as a "discontinued operation". With the sale on February 6, 2015 of the steelcord activities in Turkey and on March 27, 2015 of those in China, the sale of the entire Pirelli steelcord business to Bekaert was completed. The steelcord activities were part of the Industrial segment.

It is recalled in this regard that the steelcord business provided the steelcord required for the production of tyres and that the sales agreement includes a long-term supply agreement for the supply of such material to Pirelli.

The **income (loss) from discontinued operations** may be analysed as follows:

(in thousands of euro)

		01/01 - 06/30/2015	01/01 - 06/30/2014
Revenues from sales and services		11,058	43,600
Raw materials and consumables (net of change in inventories)		(10,139)	(14,100)
Personnel expenses		(484)	(8,500)
Amortisation, depreciation and impairment		-	(2,200)
Other costs		-	(14,500)
Operating income (loss)		**435**	**4,300**
Financial expenses		-	(1,600)
Net income (loss) before tax		**435**	**2,700**
Tax		-	(1,000)
Net income (loss)		**435**	**1,700**
Net loss on disposal	*(705)*		-
Disposal tax effect	*(714)*		-
Net loss on disposal		(1,419)	-
Reversal of reserve on foreign currency translation		(13,950)	-
Net income (loss) from discontinued operations		**(14,934)**	**1,700**

The **net loss on the disposal** for euro 1,419 thousand (inclusive of indirect taxes on the sale amounting to euro 714 thousand) refers to the sale of the Turkish subsidiary Celikord A.S. and the Chinese associate Sino Italian Wire Technology CO. Ltd.. This loss partially reduces the net gain (before reversing the currency translation reserve) amounting to euro 17,878 thousand recorded in the year 2014 relating to the sale of steelcord activities in Italy, Brazil and Romania. When preparing the Financial Statements at December 31, 2014, the steelcord activities in China and Turkey were valued at the lesser amount being either the carrying amount recorded in the Financial Statements or their fair value based on the data which was foreseeable at that date..

The item **reversal currency translation reserve** is related to losses on the translation into euro of the financial statements of the Turkish subsidiary accrued in previous years and accounted for in equity, and reclassified to the income statement following the.

36. EARNING (LOSS) PER SHARE

Basic earning (loss) per share is given by the ratio between net income (loss) attributable to the owners of the parent (adjusted to take into account the minimum dividend allocated to savings shares) and the weighted average of the number of ordinary shares outstanding during the period, with the exclusion of treasury shares.

(in thousands of euro)

	1H 2015	1H 2014
Net income (loss) attributable to the Parent from **continuing operations**	205,688	187,332
Net income (loss) attributable to savings shares reflecting 2% increase	(5,097)	(4,642)
Adjusted net income (loss) attributable to the Parent from **continuing operations**	200,591	182,690
Basic earning (loss) per ordinary share from continuing operations (in euro per share)	**0.422**	**0.384**
Net income (loss) attributable to the Parent from **discontinued operations**	(14,934)	1,700
Net income (loss) attributable to savings shares reflecting 2% increase	370	(42)
Adjusted net income (loss) attributable to the Parent from **discontinued operations**	(14,564)	1,658
Basic earning (loss) per share from discontinued operations (in euro per share)	**(0.031)**	**0.003**

The diluted earning (loss) per share has not been calculated because the stock option plans which are no longer in force and therefore the prerequisites for such calculations were not met.

37. DIVIDENDS PER SHARE

In the first half year 2015, Pirelli & C. S.p.A. paid to its shareholders based on 2014 earnings, dividends equal to euro 0.367 for each of the 475,388,592 ordinary shares (excluding treasury shares) and euro 0.431 for each of the 11,842,969 savings share (excluding treasury shares) for a total of euro 179,572 thousand.

In the first half year 2014, Pirelli & C. S.p.A. had paid to its shareholders based on 2013 earnings, dividends equal to euro 0.32 per ordinary share (excluding treasury shares) and euro 0.39 per savings share (excluding treasury shares) for a total of euro 156,743 thousand.

38. TRANSACTIONS WITH RELATED PARTIES

Related party transactions, including intercompany transactions, are neither unusual nor exceptional, but are part of the ordinary course of business of Group companies. Such transactions, when not concluded at standard conditions or dictated by specific laws, are in any case regulated at conditions in line with market conditions and implemented in accordance with the provisions of the Company's Procedure for transactions with related parties.

The statement below shows a summary of the statement of financial position, balance sheet and income statement that includes transactions with related parties and their percentage impact:

(in millions of euro)						
	Total reported at 06/30/2015	**of which related parties**	**% incidence**	**Total reported at 12/31/2014**	**of which related parties**	**% incidence**
STATEMENT OF FINANCIAL POSITION						
Current assets						
Trade receivables	1,002.0	1.3	0.13%	673.8	1.7	0.25%
Other receivables	281.3	1.9	0.66%	265.3	31.6	11.92%
Non-current liabilities						
Borrowings from banks and other financial institutions	1,425.1	73.4	5.15%	1,781.7	3.4	0.19%
Current liabilities						
Borrowings from banks and other financial institutions	1,229.3	6.5	0.53%	530.9	30.2	0.06
Trade payables	1,163.5	17.7	1.52%	1,394.3	34.5	2.48%
Other payables	444.5	0.4	0.09%	443.5	0.4	0.09%
Cash	898.4	64.0	7.1%	1,166.7	120.0	10.3%

	1 H 2015	**of which related parties**	**% incidence**	**1 H 2014**	**of which related parties**	**% incidence**
INCOME STATEMENT						
Revenue from sales and services	3,178.5	-	0.0%	2,986.9	0.1	0.00%
Other income	85.9	1.6	1.88%	87.5	1.6	1.83%
Personnel expenses	(654.7)	(4.8)	0.73%	(617.0)	(2.5)	0.41%
Other costs	(949.0)	(24.8)	2.61%	(869.8)	(22.7)	2.61%
Financial income	60.1	0.4	0.66%	21.5	0.2	0.96%
Financial expenses	(173.4)	(0.7)	0.4%	(113.6)	-	0.0%
Net income (loss) from equity investments	(4.0)	(4.0)	99.7%	(27.2)	(2.6)	9.41%

The effects of related party transactions on the consolidated income statement, statement of financial position, and statement of cash flows of the Pirelli & C. Group at June 30, 2015 are shown below:

TRANSACTIONS WITH ASSOCIATES AND J.V.

(in millions of euro)

Other income	1.6	The amount mainly refers to rental income and operating expenses refunds from Prelios Group (euro 1.0 million), to services rendered to Prelios S.p.A. (euro 0.1 million) and royalties paid by Idea Granda Società Consortile S.r.l. to Pirelli & C. Ambiente S.r.l. (euro 0.3 million).
Other costs	19.2	The amount mainly concerns energy purchases and machinery rental from Industriekraftwerk Breuberg GmbH (euro 11.4 milion), costs for the purchase of goods by Sino Italian Wire Technology Co. Ltd (euro 7,7 million) and services provided by CORIMAV (euro 0.1 million).
Financial income	0.4	The amount relates to accrued interest income from the loan granted to Sino Italian Wire Technology Co. Ltd
Current trade receivables	1.3	The amount mainly concerns receivables for services provided to Prelios Group S.p.A. (euro 0.5 million), to Idea Granda Società Consortile S.r.l. (euro 0.3 million) and to GWM Renewable Energy S.p.A. (euro 0.3 million), to PT Evoluzione Tyres (euro 0.1 million)
Other current receivables	1.9	The amount in particular includes receivables for the disposal of plants to GWM Renewable Energy II S.p.A. (euro 0.1 million), dividends receivable from Eurostazioni S.p.A. (euro 1.7 million), and financial receivables from Fenice S.r.l. (euro 0.1 million)
Non-current borrowings from banks and other financial institutions	1.7	Guarantee deposit to Prelios S.p.A. for R&D building rental in Milan
Current trade payables	17.7	The amount mainly consists of payables for the purchase of energy from Industriekraftwerk Breuberg GmbH
Other current payables	0.4	Among others in particular there are payables to GWM Renewable Energy II (euro 0.3 million) and the deferral for R&D building rental to Prelios S.p.A. (euro 0.1 million)

TRANSACTIONS WITH OTHER RELATED PARTY

(in milllions of euro)

Financial expenses	0.7	The expenses are related to interests accrued on a loan and payable to Unicredit (euro 0.2 million) and Intesa-San Paolo Group (euro 0.4 million)
Non-current borrowings from banks and other financial institutions	71.8	The borrowings refer to the use of the credit facility of euro 1 billion (euro 37.1 million) from Unicredit Group and of the credit facility of euro 100 million (euro 33.3 million) from Intesa Group, and payables for loans granted by groups Intesa-San Paolo (euro 0.3 million) and Unicredit (euro 1.1 million).
Current borrowings from banks and other financial institutions	6.5	The amount refers to payables for loans from Intesa-San Paolo (euro 6.3 million) and Unicredit (euro 0.2 million)
Cash	64.0	The amount mainly refers to deposits placed in groups Intesa-San Paolo (euro 57.5 million) and Unicredit (euro 6.1 million)

Benefits for key managers

The remuneration payable to key managers totalled euro 10,376 thousand at June 30, 2015 (euro 6,441 thousand in the first half year 2014). The portion relating to employee benefits was recognised in the income statement as "personnel expense" for euro 4,791 thousand (euro 2,520 thousand in the first half year 2014) and euro 5,585 thousand as "other costs" (euro 3,921 thousand in the first half year 2014).

39. OTHER INFORMATION

Research and development costs

Research expenses went from euro 99.7 million in the first half year 2014 (3.3% of sales) to euro 107.6 million in the first half year 2015 (3.4% of sales). They are expensed in the income statement as there are no requirements of IFRS standards for their capitalization.

Transactions deriving from unusual and/or exceptional operations

In the first half year 2014, the Group did not make any atypical and/or unusual transactions pursuant to Consob Communication of July 28, 2006 as defined in the same Communication.

Exchange rates

The main exchange rates used for the consolidation are as follows:

(local currency against euro)

	Period-end		Change in %	Average 1 H		Change in %
	06/30/2015	**12/31/2014**		**2015**	**2014**	
Venezuelan Bolivar Fuerte	**14.3219**	14.5692	(1.70%)	**14.3219**	14.4775	(1.07%)
Swedish Krona	**9.2150**	9.3930	(1.90%)	**9.3401**	8.9561	4.29%
Australian Dollar	**1.4550**	1.4829	(1.88%)	**1.4261**	1.4990	(4.86%)
Canadian Dollar	**1.3839**	1.4063	(1.59%)	**1.3774**	1.5031	(8.36%)
Singaporean Dollar	**1.5068**	1.6058	(6.17%)	**1.5061**	1.7282	(12.85%)
U.S. Dollar	**1.1189**	1.2141	(7.84%)	**1.1158**	1.3708	(18.60%)
Taiwan Dollar	**34.5438**	38.4336	(10.12%)	**34.8141**	41.3792	(15.87%)
Swiss Franc	**1.0413**	1.2924	(19.43%)	**1.0567**	1.2214	(13.49%)
Egyptian Pound	**8.5421**	8.6840	(1.63%)	**8.4242**	9.6240	(12.47%)
Turkish Lira (new)	**2.9822**	2.8207	5.73%	**2.8576**	2.9704	(3.80%)
New Romanian Leu	**4.4735**	4.4821	(0.19%)	**4.4471**	4.4642	(0.38%)
Argentinian Peso	**10.1686**	10.3818	(2.05%)	**9.8467**	10.9531	(10.10%)
Mexican Peso	**17.5068**	17.8808	(2.09%)	**16.8726**	17.9557	(6.03%)
South African Rand	**13.6416**	14.0353	(2.81%)	**13.3048**	14.6733	(9.33%)
Brazilian Real	**3.4603**	3.2270	7.23%	**3.3115**	3.1487	5.17%
Chinese Renminbi	**6.8405**	7.4291	(7.92%)	**6.8384**	8.4146	(18.73%)
Russian Ruble	**61.5206**	68.3427	(9.98%)	**64.3300**	48.1140	33.70%
British Pound	**0.7114**	0.7789	(8.67%)	**0.7323**	0.8215	(10.86%)
Japanese Yen	**137.0100**	145.2300	(5.66%)	**134.2042**	140.4673	(4.46%)

It should be noted that, for the purposes of data consolidation of the subsidiary in Venezuela at June 30, 2015, the exchange rate fixed by the auction of the SICAD I at the end of June 2015 was adopted, amounting to 12.8 bolivar per USD (14.32 bolivar per euro) on the basis of the provisions of "Convenio cambiario No. 25" issued in Venezuela January 22, 2014, which clarified that the official exchange rate of 6.3 bolivar per USD (8.68 bolivar per euro) is increasingly reserved solely to the purchase of goods and services deemed "essential" by the Venezuelan government.

Net financial liquidity (debt) position

(alternative performance indicators not envisaged by the accounting standards)

(in thousands of euro)

		Note	06/30/2015		12/31/2014	
				of which related parties		of which related parties
	Current borrowings from banks and other financial institutions	20	1,229,282	*6,521*	530,890	*30,244*
	Current derivative financial instruments (liabilities)	24	18,201	-	4,642	-
	Non-current borrowings from banks and other financial institutions	20	1,425,051	*73,428*	1,781,726	*3,367*
	Total gross debt continuing operations		**2,672,534**	-	**2,317,258**	-
	Cash and cash equivalents	16	(898,370)	*(64,040)*	(1,166,669)	*(120,000)*
	Securities held for trading	15	(35,447)	-	(61,404)	-
	Current financial receivables	12	(4,953)	*(101)*	(41,484)	*(31,611)*
	Current derivative financial instruments (assets)	24	(10,437)	-	(6,075)	-
	Net financial debt *		**1,723,327**	-	**1,041,626**	-
	Non-current financial receivables	12	(58,894)	-	(56,167)	-
A	**Total net financial (liquidity)/debt position from continuing operations**		**1,664,433**	-	**985,459**	-
B	**Total net financial (liquidity)/debt position from discontinued operations**		**-**	-	**(5,801)**	-
A+B	**Total net financial (liquidity)/debt position**		**1,664,433**	-	**979,658**	-

* Pursuant to Consob Notice of July 28, 2006 and in compliance with CESR recommendation of February 10, 2005 "Recommendations fot the consistent implementation of the European Commission regulation on Prospectuses".

The worsening of the Net Financial Position with respect to December 31, 2014 was mainly attributable to the seasonal trends for working capital with a growth in trade receivables, proportional to the trend in revenues, and an increase in the stock of finished products, especially in Brazil and Europe, as well as to the distribution of dividends (euro 189,561 thousand) paid during the first half year 2015.

Companies consolidated line-by-line

Company	Business	Headquarter	Currency	Share Capital	% holding	Held by
Europe						
Austria						
Pirelli GmbH	Tyre	Wien	Euro	726,728	100.00%	Pirelli Tyre (Suisse) SA
Belgium						
Pirelli Tyres Belux S.A.	Tyre	Brussels	Euro	700,000	100.00%	Pirelli Tyre (Suisse) SA
France						
Pneus Pirelli S.A.S	Tyre	Villepinte	Euro	1,515,858	100.00%	Pirelli Tyre S.p.A.
Germany						
Deutsche Pirelli Reifen Holding GmbH	Tyre	Breuberg / Odenwald	Euro	7,694,943	100.00%	Pirelli Tyre S.p.A.
Drahtcord Saar Geschaeftsfuehrungs GmbH I.L in liquidation	Tyre	Merzig	Euro	60,000	50.00%	Pirelli Deutschland GmbH
Drahtcord Saar GmbH & Co. KG I.L. in liquidation	Tyre	Merzig	Euro	30,000,000	50.00%	Pirelli Deutschland GmbH
Driver Handelssysteme GmbH	Tyre	Breuberg / Odenwald	Euro	26,000	100.00%	Deutsche Pirelli Reifen Holding GmbH
Pirelli Deutschland GmbH	Tyre	Breuberg / Odenwald	Euro	26,334,100	100.00%	Deutsche Pirelli Reifen Holding GmbH
Pirelli Personal Service GmbH	Tyre	Breuberg / Odenwald	Euro	25,000	100.00%	Deutsche Pirelli Reifen Holding GmbH
PK Grundstuecksverwaltungs GmbH	Tyre	Hoechst / Odenwald	Euro	26,000	100.00%	Deutsche Pirelli Reifen Holding GmbH
Pneumobil GmbH	Tyre	Breuberg / Odenwald	Euro	259,225	100.00%	Deutsche Pirelli Reifen Holding GmbH
Greece						
Elastika Pirelli C.S.A.	Tyre	Kallithea (Athens)	Euro	11,630,000	99.90%	Pirelli Tyre S.p.A.
					0.10%	Pirelli Tyre (Suisse) SA
Pirelli Hellas S.A. (in liquidation)	Tyre	Athens	US $	22,050,000	79.86%	Pirelli Tyre S.p.A.
The Experts in Wheels – Driver Hellas S.A.	Tyre	Kallithea (Athens)	Euro	100,000	72.80%	Elastika Pirelli C.S.A.

Company	Business	Headquarter	Currency	Share Capital	% holding	Held by
Italy						
Driver Italia S.p.A.	Tyre	Milan	Euro	350,000	71.48%	Pirelli Tyre S.p.A.
Driver Servizi Retail S.p.A.	Tyre	Milan	Euro	120,000	100.00%	Pirelli Tyre S.p.A.
HB Servizi S.r.l.		Milan	Euro	10,000	100.00%	Pirelli & C. S.p.A.
Maristel S.p.A.	Services	Milan	Euro	1,020,000	100.00%	Pirelli & C. S.p.A.
Pirelli & C. Ambiente S.r.l.	Sustainable mobility	Milan	Euro	10,000	100.00%	Pirelli & C. S.p.A.
Pirelli Consumer Italia S.r.l.	Tyre	Milan	Euro	10,000	100.00%	Pirelli & C. S.p.A.
Pirelli Design S.r.l.	Commercial	Milan	Euro	1,020,000	100.00%	PZero S.r.l.
Pirelli Industrie Pneumatici S.r.l.	Tyre	Settimo Torinese (To)	Euro	40,000,000	100.00%	Pirelli Tyre S.p.A.
Pirelli Labs S.p.A.	Services	Milan	Euro	5,000,000	100.00%	Pirelli & C. S.p.A.
Pirelli Servizi Amministrazione e Tesoreria S.p.A.	Services	Milan	Euro	2,047,000	100.00%	Pirelli & C. S.p.A.
Pirelli Sistemi Informativi S.r.l.	Information Systems	Milan	Euro	1,010,000	100.00%	Pirelli & C. S.p.A.
Pirelli Industrial S.r.l.	Tyre	Milan	Euro	10,000	100.00%	Pirelli & C. S.p.A.
Pirelli Tyre S.p.A.	Tyre	Milan	Euro	756,820,000	100.00%	Pirelli & C. S.p.A.
Poliambulatorio Bicocca S.r.l.	Services	Milan	Euro	10,000	100.00%	Pirelli Tyre S.p.A.
PZero S.r.l.	Commercial	Milan	Euro	4,000,000	100.00%	Pirelli & C. S.p.A.
Servizi Aziendali Pirelli S.C.p.A.	Services	Milan	Euro	104,000	92.25%	Pirelli & C. S.p.A.
					2.00%	Pirelli Tyre S.p.A.
					1.95%	Pirelli & C. Ambiente S.r.l.
					0.95%	Pirelli Servizi Amministrazione e Tesoreria S.p.A.
					0.95%	Pirelli Labs S.p.A.
					0.95%	Pirelli Sistemi Informativi S.r.l.
					0.95%	PZero S.r.l.
Ultrasic S.r.l.	Sustainable mobility	Milan	Euro	20,000	100.00%	Pirelli & C. Ambiente S.r.l.
The Netherlands						
E-VOLUTION Tyre B.V.	Tyre	Rotterdam	Euro	261,700,000	65.00%	Pirelli Tyre S.p.A.
Pirelli China Tyre N.V.	Tyre	Rotterdam	Euro	38,045,000	100.00%	Pirelli Tyre S.p.A.
Pirelli Tyres Nederland B.V.	Tyre	Rotterdam	Euro	18,152	100.00%	Pirelli Tyre (Suisse) SA
Poland						
Driver Polska Sp.ZO.O.	Tyre	Warsaw	Pol. Zloty	100,000	69.00%	Pirelli Polska Sp.ZO.O.
Pirelli Polska Sp.ZO.O.	Tyre	Warsaw	Pol. Zloty	625,771	100.00%	Pirelli Tyre S.p.A.

Company	Business	Headquarter	Currency	Share Capital	% holding	Held by
United Kingdom						
CTC 2008 Ltd	Tyre	Burton on Trent	British Pound	100,000	100.00%	Pirelli UK Tyres Ltd
Pirelli Cif Trustees Ltd	Financial	Burton on Trent	British Pound	4	25.00%	Pirelli General Executive Pension Trustees LTD
						Pirelli General & Overseas Pension Trustees LTD
						Pirelli Tyres Executive Pension Trustees LTD
						Pirelli Tyres Pension Trustees LTD
Pirelli International plc (ex-Pirelli International Ltd)	Financial	Burton on Trent	Euro	250,000,000	100.00%	Pirelli Tyre S.p.A.
Pirelli Motorsport Services Ltd	Tyre	Burton on Trent	British Pound	1	100.00%	Pirelli Tyre S.p.A.
Pirelli General Executive Pension Trustees Ltd	Financial	Burton on Trent	British Pound	1	100.00%	Pirelli UK Ltd
Pirelli General & Overseas Pension Trustees Ltd	Financial	Burton on Trent	British Pound	1	100.00%	Pirelli UK Ltd
Pirelli Tyres Executive Pension Trustees Ltd	Financial	Burton on Trent	British Pound	1	100.00%	Pirelli Tyres Ltd
Pirelli Tyres Ltd	Tyre	Burton on Trent	British Pound	16,000,000	100.00%	Pirelli UK Tyres Ltd
Pirelli Tyres Pension Trustees Ltd	Tyre	Burton on Trent	British Pound	1	100.00%	Pirelli Tyres Ltd
Pirelli UK Ltd	Financial	Burton on Trent	British Pound	163,991,278	100.00%	Pirelli & C. S.p.A.
Pirelli UK Tyres Ltd	Tyre	Burton on Trent	British Pound	85,000,000	100.00%	Pirelli Tyre S.p.A.
Slovakia						
Pirelli Slovakia S.R.O.	Tyre	Bratislava	Euro	6,638.78	100.00%	Pirelli Tyre S.p.A.
Romania						
S.C. Pirelli & C. Eco Technology RO S.r.l.	Sustainable mobility	Oras Bumbesti-Jiu	Rom. Leu	40,000,000	100.00%	Pirelli & C. Ambiente S.r.l.
S.C. Pirelli Tyres Romania S.r.l.	Tyre	Slatina	Rom. Leu	853,912,300	100.00%	Pirelli Tyre S.p.A.
Russia						
Closed Joint Stock Company "Voronezh Tyre Plant"	Tyre	Voronezh	Russian Rouble	1,520,000,000	100.00%	Limited Liability Company Pirelli Tyre Russia
OOO Pirelli Tyre Services	Tyre	Moscow	Russian Rouble	54,685,259	95.00%	Pirelli Tyre (Suisse) SA
					5.00%	Pirelli Tyre S.p.A.
Limited Liability Company "AMTEL-Russian Tyres"	Tyre	Moscow	Russian Rouble	10,000	100.00%	Limited Liability Company Pirelli Tyre Russia
Limited Liability Company Pirelli Tyre Russia	Tyre	Moscow	Russian Rouble	4,000,000	99.91%	E-VOLUTION Tyre B.V.
					0.09%	OOO Pirelli Tyre Services
Limited Liability Company "Vyatskaya Shina"	Tyre	Kirov	Russian Rouble	4,912,000	100.00%	Open Joint Stock Company "Kirov Tyre Plant"
Open Joint Stock Company "Kirov Tyre Plant"	Tyre	Kirov	Russian Rouble	354,088,639	100.00%	Limited Liability Company Pirelli Tyre Russia
Spain						
Euro Driver Car S.L.	Tyre	L'Hospitalet Del Llobregat	Euro	951,000	56.15%	Pirelli Neumaticos S.A. - Sociedad Unipersonal
					0.32%	Omnia Motor S.A. - Sociedad Unipersonal
Omnia Motor S.A. - Sociedad Unipersonal	Tyre	L'Hospitalet Del Llobregat	Euro	1,502,530	100.00%	Pirelli Neumaticos S.A. - Sociedad Unipersonal
Pirelli Neumaticos S.A. - Sociedad Unipersonal	Tyre	L'Hospitalet Del Llobregat	Euro	25,075,907	100.00%	Pirelli Tyre S.p.A.
Tyre & Fleet S.L. - Sociedad Unipersonal	Tyre	L'Hospitalet Del Llobregat	Euro	20,000	100.00%	Pirelli Neumaticos S.A. - Sociedad Unipersonal
Sweden						
Dackia Aktiebolag	Tyre	Taby	Swed. Krona	31,000,000	100.00%	Pirelli Tyre S.p.A.
Inter Wheel Sweden Aktiebolag	Tyre	Karlstad	Swed. Krona	1,000,000	100.00%	Dackia Aktiebolag
Pirelli Tyre Nordic Aktiebolag	Tyre	Bromma	Swed. Krona	950,000	100.00%	Pirelli Tyre S.p.A.
Switzerland						
Pirelli Group Reinsurance Company SA	Reinsurance	Lugano	Swiss Franc	8,000,000	100.00%	Pirelli & C. S.p.A.
Pirelli Tyre (Suisse) SA	Tyre	Basel	Swiss Franc	1,000,000	100.00%	Pirelli Tyre S.p.A.
Turkey						
Turk-Pirelli Lastikleri A.S.	Tyre	Istanbul	Turkey Lira	204,500,000	100.00%	Pirelli Tyre S.p.A.
Hungary						
Pirelli Hungary Tyre Trading and Services Ltd	Tyre	Budapest	Hun. Forint	3,000,000	100.00%	Pirelli Tyre S.p.A.

Company	Business	Headquarter	Currency	Share Capital	% holding	Held by
North America						
Canada						
Pirelli Tire Inc.	Tyre	St-Laurent (Quebec)	Can. $	6,000,000	100.00%	Pirelli Tyre (Suisse) SA
U.S.A.						
Pirelli North America Inc.	Tyre	New York (New York)	US $	10	100.00%	Pirelli Tyre S.p.A.
Pirelli Tire LLC	Tyre	Rome (Georgia)	US $	1	100.00%	Pirelli North America Inc.
Central/South America						
Argentina						
Pirelli Neumaticos S.A.I.C.	Tyre	Buenos Aires	Arg. Peso	101,325,176	95.00%	Pirelli Tyre S.p.A.
					5.00%	Pirelli Pneus Ltda
Brazil						
Comercial e Importadora de Pneus Ltda	Tyre	Sao Paulo	Bra. Real	101,427,384	64.00%	Pirelli Pneus Ltda
CPA - Comercial e Importadora de Pneus Ltda	Tyre	Barueri	Bra. Real	200,000	100.00%	Comercial e Importadora de Pneus Ltda
Ecosil - Industria Quimica do Brasil Ltda	Tyre	Meleiro	Bra. Real	9,699,055	97.88%	Pirelli Pneus Ltda
Pirelli Ltda	Financial	Sao Paulo	Bra. Real	14,000,000	100.00%	Pirelli & C. S.p.A.
Pirelli Pneus Ltda	Tyre	Santo Andrè	Bra. Real	838,205,399	100.00%	Pirelli Tyre S.p.A.
Pirelli Properties Ltda	Financial	Santo Andrè	Bra. Real	2,000,000	100.00%	Pirelli Ltda
RF Centro de Testes de Produtos Automotivos Ltda	Tyre	Elias Fausto (Sao Paulo)	Bra. Real	6,812,000	100.00%	Pirelli Pneus Ltda
T3 Brasil Industria de Pneus Agricolas e de Veiculos Pesados Ltda	Tyre	San Paolo	Bra. Real	1,000	99.00%	Pirelli Tyre S.p.A.
					1.00%	Pirelli & C. S.p.A.
TLM - Total Logistic Management Serviços de Logistica Ltda	Tyre	Santo Andrè	Bra. Real	1,006,000	99.98%	Pirelli Pneus Ltda
					0.02%	Pirelli Ltda
Chile						
Pirelli Neumaticos Chile Limitada	Tyre	Santiago	Chile Peso/000	1,918,451	99.98%	Pirelli Pneus Ltda
					0.02%	Pirelli Ltda
Colombia						
Pirelli de Colombia SAS (ex-Pirelli de Colombia SA)	Tyre	Santa Fe De Bogota	Col. Peso/000	3,315,069	96.12%	Pirelli Pneus Ltda
					2.28%	Pirelli de Venezuela C.A.
					1.60%	TLM - Total Logistic Management Serviços de Logistica Ltda
Perù						
Pirelli de Peru S.A.C.	Tyre	Lima	Nuevos Soles	837,745	100.00%	Pirelli Pneus Ltda

Company	Business	Headquarter	Currency	Share Capital	% holding	Held by
Mexico						
Pirelli Neumaticos de Mexico S.A. de C.V.	Tyre	Mexico City	Mex. Peso	35,098,400	99.98%	Pirelli Tyre S.p.A.
					0.02%	Pirelli Ltda
Pirelli Neumaticos S.A. de C.V.	Tyre	Silao	Mex. Peso	3,249,016,500	99.40%	Pirelli Tyre S.p.A.
					0.60%	Pirelli Pneus Ltda
Pirelli Servicios S.A. de C.V.	Tyre	Silao	Mex. Peso	50,000	99.00%	Pirelli Tyre S.p.A.
					1.00%	Servicios Pirelli Mexico S.A. de C.V.
Servicios Pirelli Mexico S.A. de C.V.	Tyre	Mexico City	Mex. Peso	50,000	99.00%	Pirelli Pneus Ltda
					1.00%	Pirelli Ltda
Venezuela						
Pirelli de Venezuela C.A.	Tyre	Valencia	Ven. Bolivar/000	20,062,679	96.22%	Pirelli Tyre S.p.A.
Africa						
Egypt						
Alexandria Tire Company S.A.E.	Tyre	Alexandria	Egy. Pound	393,000,000	89.08%	Pirelli Tyre S.p.A.
					0.03%	Pirelli Tyre (Suisse) SA
International Tire Company Ltd	Tyre	Alexandria	Egy. Pound	50,000	99.80%	Alexandria Tire Company S.A.E.
South Africa						
Pirelli Tyre (Pty) Ltd	Tyre	Centurion	S.A. Rand	1	100.00%	Pirelli Tyre (Suisse) SA
Oceania						
Australia						
Pirelli Tyres Australia Pty Ltd	Tyre	Sydney	Aus. $	150,000	100.00%	Pirelli Tyre (Suisse) SA
New Zealand						
Pirelli Tyres (NZ) Ltd	Tyre	Auckland	N.Z. $	100	100.00%	Pirelli Tyres Australia Pty Ltd
Asia						
China						
Pirelli Tyre Co., Ltd	Tyre	Yanzhou	Ch. Renminbi	1,721,150,000	90.00%	Pirelli China Tyre N.V.
Pirelli Tyre Trading (Shanghai) Co., Ltd	Tyre	Shangai	US $	700,000	100.00%	Pirelli China Tyre N.V.
Yanzhou HIXIH Ecotech Environment Co., Ltd.	Sustainable mobility	Yanzhou	Ch. Renminbi	130,000,000	100.00%	Pirelli Tyre Co. Ltd
Korea						
Pirelli Korea Ltd	Tyre	Seoul	Korean Won	100,000,000	100.00%	Pirelli Asia Pte Ltd
Japan						
Pirelli Japan Kabushiki Kaisha	Tyre	Tokyo	Jap. Yen	2,200,000,000	100.00%	Pirelli Tyre S.p.A.
Singapore						
Pirelli Asia Pte Ltd	Tyre	Singapore	Sing. $	2	100.00%	Pirelli Tyre (Suisse) SA
Taiwan						
Pirelli Taiwan Co. Ltd	Tyre	New Taipei City	N.T. $	10,000,000	100.00%	Pirelli Tyre (Suisse) SA

Investments accounted for by the equity method

Company	Business	Headquarter	Currency	Share Capital	% holding	Held by
Europe						
Germany						
Industriekraftwerk Breuberg GmbH	Cogeneration	Hoechst / Odenwald	Euro	1,533,876	26.00%	Pirelli Deutschland GmbH
Greece						
Eco Elastika S.A.	Tyre	Athens	Euro	60,000	20.00%	Elastika Pirelli C.S.A.
Italy						
Consorzio per la Ricerca di Materiali Avanzati (CORIMAV)	Financial	Milan	Euro	103,500	100.00%	Pirelli & C. S.p.A.
Eurostazioni S.p.A.	Financial	Rome	Euro	160,000,000	32.71%	Pirelli & C. S.p.A.
Fenice S.r.l.	Financial	Milan	Euro	41,885,034	62.56%	Pirelli & C. S.p.A.
GWM Renewable Energy II S.p.A.	Enviroment	Rome	Euro	15,063,016	16.87%	Pirelli & C. Ambiente S.r.l.
Idea Granda Società Consortile r.l.	Enviroment	Cuneo	Euro	1,292,500	49.00%	Pirelli & C. Ambiente S.r.l.
Prelios S.p.A.	Financial	Milan	Euro	426,441,257	29.22%	Pirelli & C. S.p.A.
						of the voting shares
Serenergy S.r.l.	Enviroment	Milan	Euro	25,500	50.00%	Pirelli & C. Ambiente S.r.l.
Romania						
S.C. Eco Anvelope S.A.	Tyre	Bucarest	Rom. Leu	160,000	20.00%	S.C. Pirelli Tyres Romania S.r.l.
Spain						
Signus Ecovalor S.L.	Tyre	Madrid	Euro	200,000	20.00%	Pirelli Neumaticos S.A. - Sociedad Unipersonal
Asia						
Indonesia						
PT Evoluzione Tyres	Tyre	Subang	$ USA	68,000,000	60.00%	Pirelli Tyre S.p.A.

Other investments considered significant as per Consob resolution no. 11971 of May 14,1999

Company	Business	Headquarter	Currency	Share Capital	% holding	Held by
Belgium						
Euroqube S.A. (in liquidation)	Services	Brussels	Euro	84,861,116	17.79%	Pirelli & C. S.p.A.
France						
Aliapur S.A.	Tyre	Lion	Euro	262,500	14.29%	Pneus Pirelli S.A.S.
Italy						
Fin. Priv. S.r.l.	Financial	Milan	Euro	20,000	14.29%	Pirelli & C. S.p.A.
Poland						
Centrum Utylizacji Opon Organizacja Odzysku S.A.	Tyre	Warsaw	Pol. Zloty	1,008,000	14.29%	Pirelli Polska Sp. ZO.O.
United Kingdom						
Tlcom I Ltd Partnership	Financial	London	Euro	1,154	10.83%	Pirelli UK Ltd
Tunisia						
Société Tunisienne des Industries de Pnéumatiques S.A.	Tyre	Tunis	Tun. Dinar	12,623,469	15.83%	Pirelli Tyre S.p.A.

Certification of the Condensed Interim Financial Statements pursuant to Article 154-bis of Legislative Decree no. 58 of February 24, 1998 and Article 81-ter of Consob Regulation no. 11971 of May 14, 1999, as amended

1 The undersigned Marco Tronchetti Provera, in his capacity as Chairman of the Board of Directors and Chief Executive Officer, and Francesco Tanzi, in his capacity as Corporate Financial Reporting Manager of Pirelli & C. S.p.A., hereby certify pursuant to, inter alia, Article 154-bis, clauses 3 and 4, of Legislative Decree 58 of February 24, 1998:
- the adequacy in relation to the characteristics of the company and
- the effective application of the administrative and accounting procedures for preparation of the condensed interim financial statements, during the period January 1, 2015 – June 30, 2015.

2 In this regard it should be noted that the adequacy of the administrative and accounting procedures for preparation of the condensed interim financial statements at June 30, 2015 was determined on the basis of an assessment of the internal control system. This assessment was based on a specific process defined in accordance with the criteria laid down in the "*Internal Control – Integrated Framework*" guidelines issued by the "Committee of Sponsoring Organizations of the Treadway Commission" (COSO), which is a reference framework generally accepted at the international level.

3 We also certify that:
3.1 the condensed interim financial statements:
a) were prepared in accordance with the applicable international accounting standards recognised in the European Union under the terms of Regulation (EC) 1606/2002 of the European Parliament and Council, of July 19, 2002;
b) correspond to the information in the account ledgers and books;
c) give a true and fair view of the assets, liabilities, income, expenses and financial position of the reporting entity and of the group of companies included in the scope of consolidation.

3.2 The interim report on operations includes a reliable analysis of the significant events mentioned in the report that occurred during the first six months of the year and their impact on the condensed interim financial statements, together with a description of the principal risks and uncertainties faced in the remaining six months of the year.
The interim report on operations also contains a reliable analysis of the information provided on material transactions with related parties.

August 6, 2015

The Chairman
and Chief Executive Officer

Marco Tronchetti Provera

The Corporate Financial
Reporting Manager

Francesco Tanzi

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working world

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Review report on the interim condensed consolidated financial statements
(Translation from the original Italian text)

To the Shareholders of
Pirelli & C. S.p.A.

Introduction

We have reviewed the interim condensed consolidated financial statements, comprising the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows and the related explanatory notes of Pirelli & C. S.p.A. and its subsidiaries (the "Pirelli Group") as of June 30, 2015. The Directors of Pirelli & C. S.p.A. are responsible for the preparation of the interim condensed consolidated financial statements in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with review standards recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution no. 10867 of 31 July 1997. A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the interim condensed consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements of Pirelli Group as of June 30, 2015 are not prepared, in all material respects, in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Milan, August 7, 2015

Reconta Ernst & Young S.p.A.
Signed by: Pietro Carena, Partner

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