



## PRESS RELEASE

*The Board of Directors of Pirelli & C. Spa approves results for the year to 31 December 2015:*

- Operating results in line with targets
- Premium performance above expectations, revenues equal to 60% of Consumer business
- Strong price/mix growth: +7.1% thanks to price increases and better sales mix
- Operating result (Ebit before non-recurring and restructuring charges): +5.7% at 918.5 million euro
- Consumer business profitability markedly improved, at 16.2% in 2015
- Apac and Nafta areas with greatest revenue and profitability growth
- Venezuelan unit deconsolidated
- Board renewed, Ren Jianxin confirmed as Chairman and Marco Tronchetti Provera as CEO and Executive Vice Chairman

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*Milan, 15 March 2016* – The Board of Directors of Pirelli & C. SpA, today reviewed and approved the group's results for the year ended on December 31st, 2015. Pirelli's 2015 operating performance was in line with targets and characterized by:

- Revenue growth of 4.8% to 6,309.6 million euro, above the 2015 target of "over 6.25 billion" euro, thanks to the great improvement in the price/mix component (+7.1% compared a target of "equal to or above" +5.5%) as a consequence of price increases, greater sales in the Replacement channel, diverse geographic and product mixes. This performance more than offsets the decline in volumes (-1.6%, mainly in emerging markets and the Industrial business) and forex volatility (-0.6%);
- Premium segment performance above all forecasts, with an increase in volumes of +12.7% (target "equal to or above" +10%) and grew as a percentage of Consumer revenues to 60% from 55% at the end of 2014;
- **Ebitda before non-recurring and restructuring charges** grew 6.4% to 1,242.7 million euro (1,168.0 million euro in the same period of 2014);
- **Ebit before non-recurring restructuring charges** grew by 5.7% to 918.5 million euro (2015 target 925 million euro, 869.2 million euro in 2014), with a margin of 14.6% (14.4% in 2014). This result benefits from the achievement of efficiencies of 94.4 million euro in implementation of the 350 million euro 4-year 2014-2017 plan (92 million euro of efficiencies in 2014);
- At the geographic level, Apac is confirmed as the area of greatest growth both in terms of revenue and profitability (revenues +26.4% and Ebit margin above 20%), followed by the Nafta (revenues + 21.7%, Ebit in the low twenties);

- Research and development expenses totaled 214.4 million euro, equal to 3.4% of total sales, of which 176.5 million euro for activities linked to Premium products, approximately 6% of segment sales;
- Significant progress towards the Group's sustainability targets. In 2015, Green Performance tyres accounted for 48% of Tyre sales.

In **Venezuela**, the deterioration of the macro-economic context, growing restrictions on the conversion of foreign currencies and the reduced availability of US dollars today condition the operation of Pirelli de Venezuela C. A. In line with other multi-nationals, Pirelli therefore proceeded – with reference date 31 December 2015 – to the accounting deconsolidation of Pirelli de Venezuela C.A., the value of the stake being booked at fair value (equal to 18.9 million euro). With regard to the 2015 results, the deconsolidation had a negative impact on accounts of 559.5 million euro of which 277.7 million euro related to the Venezuelan company's positive net financial position. As a consequence of the deconsolidation, the group's results will no longer include the results of the Venezuelan unit, and therefore will no longer bear the impact of the recurring devaluations which we have seen in recent years, both at the level of results and the net financial position. In addition, no further losses are foreseen linked to new supplies to the country; Pirelli could eventually recoup part of the value which was almost totally devalued on December 31, 2015.

The **net result for going concerns** on December 31, 2015 was negative 368.9 million euro (positive 315.2 million euro for 2014). This performance takes into account, as well as the deconsolidation of Venezuela, a non-recurring fiscal impact of 107.6 million euro linked to the devaluation of active deferred taxation by the Parent Group as a consequence of Pirelli's new financial after its merger with Marco Polo Industrial Holding.

The **total net result**, including the net result for activities disposed of, was negative 383.5 million euro (positive 332.8 million euro for 2014).

Net of non-recurring factors (Venezuela, tax structure and discontinued operations), the **adjusted net income** was positive 298.2 million euro.

The **net financial position** on 31 December 2015 was negative 1,199.1 million euro compared with 979.6 million on 31 December 2014. Excluding the impact of the Venezuela deconsolidation, which had a positive net financial position of 277.7 million euro, the figure is 921.4 million euro, an improvement compared with 2014. Compared with the 2015 target of 850 million euro, the net financial position on 31 December 2015 also takes into account the postponement to 2016 of the disposal of some financial shareholdings of approximately 120 million euro which had been factored into the annual target.

The **net cash flow from operations** in 2015 was positive 701.4 million euro (740.3 million euro in 2014). In the **fourth quarter** of 2015 the net flow from operations was 927.1 million euro, an increase compared with 881.5 million euro in the same period of 2014. Total **investment** amounted to 391.4 million euro (378.1 million euro in 2014), mainly destined to the increases of Premium capacity in Europe, Nafta and China and mix improvement.

The **total net cash flow** in 2015 – before dividends and excluding the impact of the partial disposal of the steelcord activities – was 192.1 million euro (311.6 million euro on December 31, 2014). The partial divestment of financial participations, which had been foreseen as part of the year's cash flow, was postponed to 2016.

The group **headcount** on December 31, 2015 was 36,753 (37,561 on 31 December 2014).

## Tyre Activities

**Sales** to December 31, 2015 amounted to 6,300.8 million euro, with total growth of 4.9% (organic growth +5.5%) thanks to the positive performance of the Consumer business (total growth +9.5%) while the Industrial business (total growth -10.3%) was impacted by the significant slowdown of the South American market and the negative impact of exchange rates (-7.7%) excluding which the organic variation is -2.6%.

**Volumes** fell 1.6% overall but with opposite trends in Consumer (+0.3%), thanks to the positive performance of Premium, and Industrial (-7.9%), which reflects a worsening of demand in South America and the slowdown in Original Equipment in China. Mature markets performed positively (+5.7%) which contrast with the performance of emerging markets (-4.8%). The improved **price/mix** (+7.1% in 2015 and +14.4% in the fourth quarter) was supported both the performance of the Consumer business (price/mix +7.6% in 2015, +14.1% in the fourth quarter) and the Industrial business (+5.3% and +15.4%).

The **operating result (Ebit) before non-recurring and restructuring charges** in 2015 amounted to 926.8 million euro, an increase of 5.3%, with a margin of 14.7% (14.7% on December 31, 2014). The improved operating result was influenced by the positive price/mix contribution, efficiencies and lower raw material costs. The **operating result (Ebit)** was 860.5 million euro and reflects 66.3 million euro in non-recurring and restructuring charges (compared with an estimated 55 million euro) due to rationalization processes, the costs of separating the Industrial Business and the closure ahead of schedule of the management's Long Term Incentive Plan because of the delisting of ordinary shares.

At the geographic level, **Apac** is confirmed as the area with the greatest growth (revenues +26.4%) and profitability, with the Ebit margin above 20%, an improvement compared with the prior year. **Nafta** registered overall revenue growth of 21.7% and profitability improving to the "*low twenties*" level. **Meai** register revenue growth of 10.2% and stable profitability in the "*high-teens*", **Europe** grew 7%, with stable profitability in the "*mid-teens*". **Russia** registered organic growth, before the negative forex impact, of 5.6%, with profitability falling to the "*low single digit*" level, while **Latam** posted organic growth (before the negative forex impact) of 2.9%, with profitability at the "*double digit*" level, a decline compared with December 31, 2014.

- In the **Consumer Business (Car/Light Truck and Moto tyres)** sales totaled 5,048.2 million euro (target >5 billion euro, >+8% compared with 2014), with growth of 9.5% (+7.9% including forex effect). The revenue growth reflects an improved price/mix (+7.6%) linked to the growing weight of Premium, the sales' mix and price increases in South America, and the positive contribution of volumes (+0.3% in 2015), with growth in Apac, Nafta, Europe and Meai offsetting the decline in South America and Russia.

**Premium** is confirmed as the primary driver of growth, with revenues increasing by 19% to 3,017.1 million euro compared with 2014 (+11.7% including forex effect) and volumes increasing 12.7%, above the full-year goal of "equal to or greater" than +10%. In emerging markets revenue growth was 29.4%, while in mature markets it was 15%. Pirelli achieved its Premium target one year ahead of the time indicated in the 2013-2017 industrial plan, with Premium at the end of 2015 representing 60% of the consumer business revenues, compared with 55% in 2014.

The **operating result (Ebit) before non-recurring and restructuring charges** grew 17.1% to 816.2 million euro, with an Ebit margin at 16.2% (target ~16%) an increase compared with the prior 15.1%.

- In the **Industrial Business (tyres for Industrial Vehicles)** sales totaled 1,252.6 million euro (target ~1.25 billion euro), with a decrease of 10.3% (-2.6% at the organic level) compared with 2014. Volumes decreased 7.9% mainly has a consequence of the contraction of the Latin American

market. The price/mix performance was positive (+5.3%) thanks to an improved product and channel mix and the progressive price increase in South America.

The **operating result (Ebit) before non-recurring and restructuring charges** was 110.6 million euro, equal to 8.8% of sales (target  $\geq 8\%$ ) compared with 13.1% for 2014 (11.7% excluding from 2015 the contribution of the steel-cord activities fully and not solely those relative to the supply of third parties). The profitability performance was impacted by the fall in volumes, forex impact and inflation of production costs.

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With effect from today, the Company's entire Board of Directors of the company tendered their resignations from their positions to allow the sole shareholder Marco Polo Industrial Holding to proceed with the nomination of a Board of Directors consistent with the governance structure indicated in the agreements between the shareholders, also taking into the account the completed delisting of Pirelli.

The shareholder's meeting, which took place today, decided to nominate for three years and therefore until the shareholders' meeting to approve results for the year ending December 31, 2018, the following board members: Ren Jianxin, Yang Xingqiang, Bai Xinping, Ze'ev Goldberg, Wang Dan, Jiao Chonggao, Zhang Haitao and Yang Xun (representing the shareholder China National Tire & Rubber Corporation Ltd); Marco Tronchetti Provera, Giorgio Bruno, Luca Rovati, Carlo Acutis and Gustavo Bracco (representing the shareholder Camfin S.p.A.); Igor Sechin, Andrey Kostin and Emerson Milenski (representing the shareholder Long Term Investment S.A.).

Further, in accordance with the new statutory provisions, the shareholders' meeting decided to increase to 5 the number of effective components of the Audit Committee nominating as standing auditors Fabrizio Acerbis, Giovanni Bandera and David Reali, the last replacing the standing auditor Antonella Carù who resigned from his position with effect from today and not seeing to – in accordance with the statutory indications – the substitution of the supplementary auditor Andrea Lorenzatti who resigned with effect from today. The Audit Committee is therefore thus constituted: Francesco Fallacara (Chairman), Fabrizio Acerbis, Fabio Artoni, Giovanni Bandera, David Reali (standing auditors) and Fabio Facchini and Giovanna Oddo (supplementary auditors) and will expire with the approval of the results for the year ending December 31, 2017.

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## Financial Communication

With the aim of maintaining a constant dialogue with its stakeholders, each quarter Pirelli will communicate its financial results and information about the development of its business, also including the possibility of conference calls with the top management in the second half of 2016. Financial targets will be announced at the conclusion of the process of reorganization of the group's Industrial activities which is now under way.

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*As a result of the underwriting of the agreement to the disposal of 100% of the steelcord activities signed on February 2014, this business has been classified as a "discontinued operation" and consequently the results for 2014 and 2015 have been reclassified in the balance sheet under the heading "results of disposed operating activities". The economic indicators for 2015 and the comparative data for December 31, 2014 thus refer to going concerns.*

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## Group – Pirelli & C. Spa

(in millions of euro)

	12/31/2015	12/31/2014
<b>Net sales</b>	<b>6.309,6</b>	<b>6.018,1</b>
Gross operating margin before non-recurring and restructuring expenses	1.242,7	1.168,0
% of net sales	19,7%	19,4%
Operating income before non-recurring and restructuring expenses	918,5	869,2
% of net sales	14,6%	14,4%
Non-recurring and restructuring expenses	(68,2)	(31,3)
<b>Operating income (loss)</b>	<b>850,3</b>	<b>837,9</b>
% of net sales	13,5%	13,9%
Net income (loss) from equity investments	(41,4)	(87,0)
Financial income/(expenses)	(328,2)	(262,4)
<b>Net income (loss) before tax adjusted (*)</b>	<b>480,7</b>	<b>488,5</b>
Loss from deconsolidation of Venezuela	(559,5)	-
<b>Total net income (loss) before tax</b>	<b>(78,8)</b>	<b>488,5</b>
Tax expenses	(182,5)	(173,3)
Tax rate % on net income (loss) before tax adjusted	(38,0%)	(35,5%)
Impairment of deferred tax assets	(107,6)	-
<b>Net income (loss) from continuing operations</b>	<b>(368,9)</b>	<b>315,2</b>
<b>Net income (loss) from discontinued operations</b>	<b>(14,6)</b>	<b>17,6</b>
<b>Total net income (loss)</b>	<b>(383,5)</b>	<b>332,8</b>
<b>Net income (loss) adjusted (**)</b>	<b>298,2</b>	<b>315,2</b>
Net income attributable to Pirelli & C. S.p.A.	(391,4)	319,3
Total net earnings per share attributable to Pirelli & C. S.p.A. (in euro)	(0,802)	0,654
<b>Operating fixed assets</b>	<b>3.780,5</b>	<b>3.874,0</b>
Inventories	1.053,9	1.055,0
Trade receivables	676,2	673,8
Trade payables	(1.313,1)	(1.394,4)
<b>Operating Net working capital related to continuing operations</b>	<b>417,0</b>	<b>334,4</b>
% of net sales	6,6%	5,6%
Other receivables/other payables	(107,6)	33,9
<b>Total Net working capital related to continuing operations</b>	<b>309,4</b>	<b>368,3</b>
% of net sales	4,9%	6,1%
<b>Net invested capital held for sale</b>	<b>-</b>	<b>30,8</b>
<b>Total Net invested capital</b>	<b>4.089,9</b>	<b>4.273,1</b>
<b>Equity</b>	<b>2.343,5</b>	<b>2.611,5</b>
<b>Total Provisions</b>	<b>547,3</b>	<b>682,0</b>
<i>of which provisions held for sale</i>	-	5,2
<b>Total Net financial (liquidity)/debt position</b>	<b>1.199,1</b>	<b>979,6</b>
<i>of which Net Financial (liquidity)/debt position held for sale</i>	-	(5,8)
Equity attributable to Pirelli & C. S.p.A.	2.280,1	2.548,3
Equity per share attributable to Pirelli & C. S.p.A. (in euro)	4,672	5,222
Investments in property, plant and equipment and intangible assets	391,4	378,1
Research and development expenses	214,4	205,5
% of net sales	3,4%	3,4%
Research and development expenses - Premium	176,5	174,5
% on sales Premium	5,8%	6,9%
Headcount (number at end of period)	36.753	37.561
Industrial sites (number)	19	19

(\*) excluding the impact from deconsolidation of the Venezuelan subsidiary

(\*\*) excluding the impact from deconsolidation of the Venezuelan subsidiary, impairment of deferred tax assets and net income (loss) from discontinued operations

## Data by business sector

(in millions of euro)

	A		B		A+B = C		D		C+D	
	Consumer		Industrial		Total Tyre		Other business		TOTAL GROUP	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
<b>Net sales</b>	<b>5.048,2</b>	4.610,3	<b>1.252,6</b>	1.397,2	<b>6.300,8</b>	6.007,5	<b>8,8</b>	10,6	<b>6.309,6</b>	6.018,1
Gross operating margin before non-recurring and restructuring expenses	<b>1.084,4</b>	934,7	<b>165,1</b>	242,2	<b>1.249,5</b>	1.176,9	<b>(6,8)</b>	(8,9)	<b>1.242,7</b>	1.168,0
Operating income (loss) before non-recurring and restructuring expenses	<b>816,2</b>	697,2	<b>110,6</b>	183,2	<b>926,8</b>	880,4	<b>(8,3)</b>	(11,2)	<b>918,5</b>	869,2
Non-recurring and restructuring expenses	<b>(53,3)</b>	(20,8)	<b>(13,0)</b>	(7,0)	<b>(66,3)</b>	(27,8)	<b>(1,9)</b>	(3,5)	<b>(68,2)</b>	(31,3)
<b>Operating income (loss)</b>	<b>762,9</b>	676,4	<b>97,6</b>	176,2	<b>860,5</b>	852,6	<b>(10,2)</b>	(14,7)	<b>850,3</b>	837,9

## Cash flow statement

(in millions of euro)

	1 Q		2 Q		3 Q		4 Q		TOTAL	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Operating income (loss) before non-recurring and restructuring expenses	213,4	206,7	238,0	232,2	205,8	208,9	261,3	221,4	918,5	869,2
Amortisation and depreciation	78,5	70,6	79,7	73,3	78,0	76,0	88,0	78,9	324,2	298,8
Investments in property, plant and equipment and intangible assets	(85,6)	(65,3)	(103,2)	(78,3)	(73,0)	(101,1)	(129,6)	(133,4)	(391,4)	(378,1)
Change in working capital/other	(895,2)	(686,6)	151,6	77,4	(113,7)	(155,0)	707,4	714,6	(149,9)	(49,6)
<b>Operating net cash flow</b>	<b>(688,9)</b>	<b>(474,6)</b>	<b>366,1</b>	<b>304,6</b>	<b>97,1</b>	<b>28,8</b>	<b>927,1</b>	<b>881,5</b>	<b>701,4</b>	<b>740,3</b>
Ordinary financial income/(expenses)	(52,1)	(43,3)	(61,3)	(48,8)	(67,1)	(43,6)	(147,7)	(126,7)	(328,2)	(262,4)
Ordinary tax expenses	(54,1)	(53,5)	(63,7)	(61,3)	(52,4)	(49,5)	(119,9)	(9,1)	(290,1)	(173,3)
<b>Ordinary net cash flow</b>	<b>(795,1)</b>	<b>(571,4)</b>	<b>241,1</b>	<b>194,5</b>	<b>(22,4)</b>	<b>(64,3)</b>	<b>659,5</b>	<b>745,9</b>	<b>83,1</b>	<b>304,6</b>
Financial investments/disinvestments	(14,4)	(3,7)	(0,4)	2,8	-	(12,1)	6,6	(6,4)	(8,2)	(19,4)
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)	(3,7)	(8,0)	(15,4)	(4,3)	(28,1)	(31,1)
Reversal of impairment in Venezuela included in financial expenses	-	-	14,2	-	9,1	-	0,7	72,1	24,0	72,1
Deferred taxes included in financial expenses	-	-	-	-	-	-	107,6	(30,2)	107,6	(30,2)
Exercise of Fenice share options	-	-	-	-	(12,2)	-	-	-	(12,2)	-
Net cash flow from discontinued operations	-	(8,7)	-	10,5	-	2,5	-	(4,3)	-	-
Differences from foreign currency translation/other	45,8	(46,0)	(37,4)	(11,9)	22,5	13,2	5,1	63,7	36,0	19,0
<b>Net cash flow before dividends</b>	<b>(777,7)</b>	<b>(643,2)</b>	<b>212,4</b>	<b>187,2</b>	<b>(6,7)</b>	<b>(68,7)</b>	<b>764,1</b>	<b>836,4</b>	<b>192,1</b>	<b>311,6</b>
Dividends paid by Parent Company	-	-	(179,5)	(156,7)	-	-	-	-	(179,5)	(156,7)
Deconsolidation of Venezuelan subsidiary	-	-	-	-	-	-	(277,7)	-	(277,7)	-
Impact Steeldord units disposal	24,4	-	35,6	-	(14,4)	-	-	187,9	45,6	187,9
<b>Net cash flow</b>	<b>(753,3)</b>	<b>(643,2)</b>	<b>68,5</b>	<b>30,4</b>	<b>(21,1)</b>	<b>(68,7)</b>	<b>486,4</b>	<b>1.024,3</b>	<b>(219,5)</b>	<b>342,8</b>