

Interim Separate Financial Statements As of November 30, 2015

Marco Polo Industrial Holding S.p.A. with sole shareholder
Management and coordination Marco Polo International Italy S.p.A.
Milan - Via San Primo n. 4
Share Capital: €. 10.195.652,10
Register of Companies of Milan n. 09065250962
REA n. 2066183

Statement of financial position

30/11/2015

Values expressed in Euro

Non current assets

Investments in subsidiaries	1	7.296.064.626
Total non current assets		7.296.064.626

Current assets

Other current assets	2	1.000
Cash & cash equivalents	3	28.103.169
Total current assets		28.104.169

Total assets		7.324.168.795
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Equity

Share capital		10.195.652
Additional paid in capital		3.262.405.947
Other reserves		17.122
Net result		(94.508.805)
Total equity	4	3.178.109.916

Non current liabilities

Financial liabilities	5	4.138.353.139
Total non current liabilities		4.138.353.139

Current liabilities

Trade payables	6	5.989.996
Other current liabilities	7	1.715.744
Total current liabilities		7.705.740

Total liabilities and equity		7.324.168.795
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Income statement

<i>Values expressed in Euro</i>	Note	<u>30/11/2015</u>
Total Revenues		-
Service costs	8	53.422.014
Other operating costs	9	310
Operating costs		53.422.324
EBITDA		(53.422.324)
EBIT		(53.422.324)
Financial income		8.553
Financial expenses	10	(41.095.034)
Total financial income (expenses)		(41.086.481)
Pre-tax profit		(94.508.805)
Income taxes		-
Net result		(94.508.805)

Statement of changes in equity

Values expressed in Euro

	Share capital	Reserves	Retained earnings	Total
Company set up	50.000			50.000
Capital increase	10.145.652	3.262.662.470		3.272.808.122
capital increase related expenses (IAS 32)		(239.401)		(239.401)
Total other comprehensive income			(94.508.805)	(94.508.805)
Total as of November 30, 2015	10.195.652	3.262.423.069	(94.508.805)	3.178.109.916

Cash Flow statement

Values expressed in Euro

	<u>30/11/2015</u>
Pre Tax profit (loss)	(94.508.805)
Adjustments:	
- Net financial expenses	41.095.034
	Totale 41.095.034
Cash flow from operations (1)	(53.413.771)
Investing activities	
- Increase in investments	(7.296.064.626)
- investment related expenses and taxes not paid	7.705.740
Cash flow from investing activities (2)	(7.288.358.886)
Financing activities	
Increase / (decrease) in financial liabilities	4.242.302.005
Net financial expenses	(41.095.034)
Financial liabilities related expensses	(103.958.866)
Shareholders loan	9.000
Capital increase	3.272.858.122
Capital increase related expenses	(239.401)
Cash flow from financing activities (3)	7.369.875.826
Total cash flow	28.103.169
Total change in cash & cash equivalents (1+2+3)	28.103.169
Cash & cash equivalents at the beginning of the period	-
Cash & cash equivalents at the end of the period	28.103.169

EXPLANATORY NOTES

GENERAL INFORMATION

Marco Polo Industrial Holding S.p.A. (hereinafter “the Company”) is a company with sole shareholder set up on April 21st, 2015 with the aim to acquire the controlling interest in Pirelli & C. S.p.A.

Basis for the presentation

The interim separate financial statements, according to the controlled companies accounting principles, have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board (“IASB”) and endorsed by the European Union, in force as at November 30, 2015, and the measures issued in implementation of Article 9 of Italian Legislative Decree no. 38/2005. The term “IFRS” includes all the revised International Accounting Standards (“IAS”) and all the interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”), formerly the Standing Interpretations Committee (“SIC”).

ACCOUNTING STANDARDS

Financial statements format

The interim separate Financial Statements as at November 30, 2015 consist of the Statement of Financial Position, the Income Statement (Statement of Other Comprehensive Income), the Statement of Changes in Equity, the Statement of Cash Flows and the Explanatory Notes.

The interim separate Financial Statements is presented in Euro, except for the explanatory notes, reported in thousands of Euro.

The interim separate Financial Statements have been prepared using the historical cost basis.

Accounting standards adopted

Investment in subsidiaries

Subsidiaries are defined as all the companies held over which the Company has at the same time:

- decision-making power, or the ability to direct the relevant activities 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 amount of the results arising from the shareholding in the entity.

Investments in subsidiaries are stated at cost, adjusted for any impairment losses according to the criteria of IAS 36.

In the presence of specific impairment indicators, the value of investments is subjected to impairment test. For impairment test purposes, the carrying amount of the investment is compared with the recoverable amount, defined as the higher of fair value less costs to sell and value in use.

If the reason for impairment ceases to exist, the carrying amount of the investment is recognised in the Income Statement, up to the original cost.

Receivables and other financial assets

The Company classifies financial assets as follows:

- Receivables;
- Available for sale financial assets;
- Held to maturity financial assets;
- Cash & cash equivalents.

Receivables

Receivables are initially recognised at their fair value, which normally corresponds to the consideration agreed or to the present value of the amount that will be collected. They are subsequently measured at amortised cost, less provisions for impairment losses. Amortised cost is calculated by using the effective interest rate method, which is equivalent to the discount rate that, when applied to future cash flows, renders the present value of such cash flows equal to the initial fair value.

When the conditions that led to impairment of the receivables no longer exist, the impairment losses recognised in previous periods are reversed in the Income Statement up to the amortised cost that would have been recognised had no impairment loss been recognised.

Held to maturity financial assets

Held to maturity financial assets are initially recognised at their fair value, which normally corresponds to the consideration agreed or to the present value of the amount that will be collected. They are subsequently measured at amortised cost, less provisions for impairment losses. Amortised cost is calculated by using the effective interest rate method, which is equivalent to the discount rate that, when applied to future cash flows, renders the present value of such cash flows equal to the initial fair value.

Available for sale financial assets

Financial assets available for sale include investments in entities other than subsidiaries, associates and joint ventures and other financial assets not held for trading. They are recognised in the Statement of Financial Position as “Other financial assets.”

They are measured at fair value, if this can be reliably determined.

Gains and losses deriving from changes in fair value are recognised in a specific equity reserve. When a reduction in fair value has been recognised directly in equity and there is objective evidence that the asset was impaired, the losses recognised up to that time in equity are reversed in the Income Statement. A prolonged (meaning more than 12 months) or significant (meaning more than 50% for securities issued by entities operating in banking sector and more than one-third for securities issued by entities operating in other sectors) reduction in the fair value of equity securities and as compared with their cost is considered an indicator of impairment.

Any impairment losses of a financial asset available for sale recognised in the Income Statement may be reversed through the Income Statement, with the exception of those recognised for stocks classified as available for sale, which may not be reversed through the Income Statement.

Cash & cash equivalents

Cash and cash equivalents include bank deposits, postal deposits, cash and cash equivalents on hand, and other forms of short-term investment whose original maturity is three months or less. Current account overdrafts are recognised as current liabilities under financial payables. The amounts included in cash and cash equivalents are recognised at their fair value and any changes are recognised in the Income Statement.

Net Equity

Share capital

Share capital is composed by all the undersigned and paid capital.

Other reserves

Other reserves are composed by capital reserves (in particular additional paid in capital). Costs that are directly attributable to equity transactions of the parent are recognised as a reduction in equity.

Payables

Payables are initially recognised at their fair value, which normally corresponds to the consideration agreed or to the present value of the amount that will be paid. They are subsequently measured at amortised cost. Amortised cost is calculated by using the effective interest rate method, which is equivalent to the discount rate that, when applied to future cash flows, renders the present value of such cash flows equal to the initial fair value. Payables in currencies other than the functional currency of the individual companies are adjusted to the year-end exchange rates, with a balancing entry in the Income Statement.

Recognition of revenues

Revenue from provision of services is recognised only when the results of the transaction can be

measured reliably, by reference to the state of completion of the transaction at the reporting date. The results of a transaction can be measured reliably only when all the following conditions are met:

- the amount of revenue can be determined reliably;
- it is likely that the company will enjoy the economic benefits of the transaction;
- the stage of completion of the transaction at the reporting date can be reliably measured;
- the costs incurred for the transaction and the costs to be incurred to complete it can be determined reliably.

Current and deferred income taxes

Current taxes are determined on the basis of a realistic forecast of the charges payable under the current tax regulations of the country.

Deferred taxes are calculated according to the temporary differences existing between the asset and the liability amounts in the Statement of Financial Position and their tax basis (full liability method), and are classified under non-current assets and liabilities.

Deferred tax assets on tax loss carried forward, as well as on temporary differences, are only recognised when there is a likelihood of future recovery.

Current and deferred tax assets and liabilities are offset when the income taxes are levied by the same tax authority and when there is a legally enforceable right to offset. Deferred tax assets and liabilities are determined according to enacted tax rates that are expected to be applicable to taxable income in the years when those temporary differences are expected to be recovered or settled, with reference to the jurisdictions where the Group operates. Deferred taxes are not discounted.

Provisions for liabilities and charges

Provisions for liabilities and charges include accruals for current obligations (legal or constructive) deriving from a past event, for the fulfilment of which an outflow of resources will probably be necessary and whose amount can be reliably estimated.

Changes in estimates are recognised in the Income Statement of the period when the change occurs. If the effect of discounting is material, provisions are presented at their present value.

Financial expenses

Interests expense is recognised on a time proportion basis that considers the effective return of the liability.

Related parties transactions

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, are settled on an arm's length basis.

Explanatory notes

1 Investments in subsidiaries

Investments in subsidiaries are entirely composed by the investment in Pirelli & C. S.p.A., as below reported:

<i>Values in €/000</i>	30/11/2015
Ordinary Shares Pirelli & C. S.p.A.	7.130.829
Saving Shares Pirelli & C. S.p.A.	165.236
Total	7.296.065

The Company owns 475.388.592 ordinary shares, representing 99,926% of the total ordinary shares (the remaining 0,074% is owned by Pirelli & C. S.p.A. as treasury shares) and 11.018.242 saving shares.

2 Other current assets

Other current assets amount to 1 Euro thousand as of November 30 2015 and they are composed by advance payments.

3 Cash & cash equivalents

Cash & cash equivalents amount to 28.103 thousand of Euro as of November 30 2015 and they are composed by bank deposits hold in primary financial institutions.

4 Net equity

Share capital

The Company has been set up on April 21 2015 with a share capital composed by 50.000 ordinary share with a unit value of 1 Euro.

Share capital as of November 30 2015, is composed by 32.777.910 ordinary shares without nominal value, detailed as follows:

<i>Values in €/000</i>	Number of shares	Share capital
Company set up	50.000	50.000,00
Capital increase	32.727.910	10.145.652,10
Total as ok 30 November 2015	32.777.910	10.195.652,10

Other reserves

Other reserves are composed by the additional paid in capital, presented net of transaction costs directly attributable to the capital increase operation, amounting to 239 thousand of Euro, according to IAS 32.

5 Financial Liabilities

Financial liabilities include two facilities for a total amount of 4.138.344 thousand of Euro, and maturity date December 31 2016 and a shareholder loan amounting to per 9 thousand of Euro.

Financial liabilities have been measured at amortised cost: the liabilities gross value is presented net of strictly related transaction costs and incremented with financial expenses calculated using the effective interest method as below reported:

<i>Values in €/000</i>	30/11/2015
Financial liabilities (gross value)	4.201.212
Transaction costs directly attributable	(103.959)
Financial expenses	41.091
Total bank liabilities	4.138.344
Shareholders loan	9
Total	4.138.353

6 Trade payables

Trade payables amount to 5.990 thousand of Euro relating to the transaction costs included within the investment in subsidiary.

7 Other liabilities

Other liabilities are composed by tax items. The detail is as follows:

<i>Values in €/000</i>	30/11/2015
Withholding taxes	710
VAT payables	1.006
Total	1.716

8 Service costs

Service costs mainly include professional service fees (53.410 thousand of Euro) and the board of statutory auditors fee (11 thousand of Euro).

9 Other operating costs

Other operating costs include chamber of commerce registration fees.

10 Financial income and expenses

Financial expenses include interest costs on financial liabilities (see previous par. 5) calculated using the effective interest method for a total amount of 28.636 thousand of Euro, bank expenses for a total amount of 12.455 thousand of Euro and other costs amounting to 4 thousands of Euro.

Financial income include exchange rate differences.