



PIRELLI, GLOBAL HIGH VALUE

FY 2018 PRELIMINARY RESULTS - 14 FEBRUARY, 2019

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Pirelli management has identified a number of “Alternative Performance Indicators” (“APIs”). These APIs (i) are derived from historical results of Pirelli & C. S.p.A. and are not intended to be indicative of future performance, (ii) are non-IFRS financial measures and, although derived from the Financial Statements, are unaudited and (iii) are not an alternative to financial measures prepared in accordance with IFRS.

The APIs presented herein are [EBIT, EBIT margin, EBITDA, EBITDA margin, net income and net income margin.

In addition, this Presentation includes certain measures that have been adjusted by us to present operating and financial performance net of any non-recurring events and non-core events. The adjusted indicators are EBITDA adjusted, EBITDA adjusted without start up costs, EBIT, EBIT adjusted, EBIT adjusted without start up costs,, net income adjusted.

In order to facilitate the understanding of our financial position and financial performance, this Presentation contains other performance measures, such as Fixed Assets related to continuing operations, Provisions, Operating Working Capital related to continuing operations, Net Working Capital related to continuing operations, Net Financial (liquidity) / debt Position.

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WHERE WE ARE

> In the first 2 years of our 2017-2020 plan we:

- Delivered our High Value strategy, despite the tough 2H 2018 context with car industry facing several headwinds, especially in 4Q
- Lowered our Standard volumes vs. initial plan, with a significant reduction in 2H 2018, that brought our standard volumes below IPO plan trajectory

> Looking ahead we:

- Will continue delivering our High Value strategy to achieve 2020 High Value IPO targets, and
- Will present a new Long-Term Plan in 4Q 2019, that will include a wider Restructuring Plan on Standard, where the disengagement will proceed

AGENDA

2018 DELIVERY AND 2019 OUTLOOK

REVIEW OF 2018 RESULTS

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2018 RESULTS

	(14 Nov. 2018) 2018E	2018 Actual	
Revenues	~€5.2 bln	€5,195 Million	✓
<i>High Value weight</i>	~64%	63.7%	
Volumes	~-2.0%	-3.1%	
— <i>High Value volumes</i>	~+13%	+11%	
— <i>Standard volumes</i>	~-12%	-14%	
Price/mix	~+6.5%	+6.8%	
Forex	-7.0% ÷ -6.5%	-5.9%	
IFRS 15 impact¹	-0.6%	-0.7%	
Adjusted EBIT w/o start-up costs²	>€1.0 bln	€1,003 Million	✓
<i>High Value weight</i>	>83%	83.2%	
<i>Start-up costs</i>	~€40 Million	€48 Million	
Adjusted EBIT	~€1.0 bln	€955 Million	✓
Net financial position / adj. EBITDA w/o start-up costs²	~2.35X	2.49X	✗
CapEx	~€460 Million	€463 Million	✓

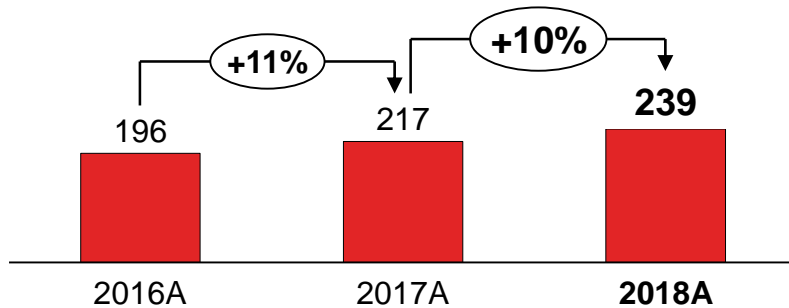
1. In accordance with IFRS 15 (starting from January 1st 2018), some costs for variable considerations paid or payable to indirect customers & mainly linked to achieving sale targets are recognized as a reduction of revenues; 2. Before amortization of PPA, non-recurring items, restructuring costs, other adjustments and start-up costs

2018: IN OUR STRATEGIC ≥18" MARKET, WE DELIVERED IN LINE WITH IPO TARGETS

CAR TYRE MARKET O.E. + REPLACEMENT ≥18"

million tyres

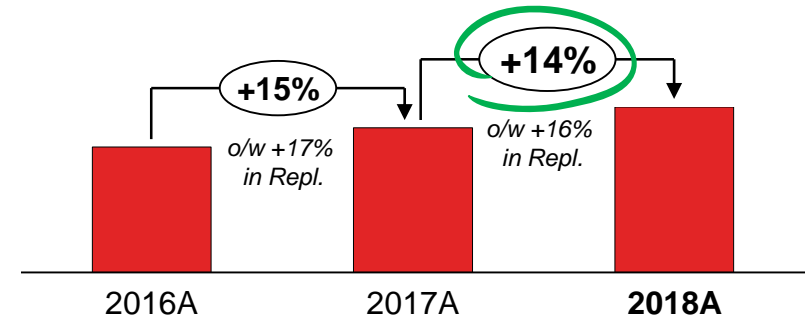
In line with IPO
2016-2020 CAGR of >9% ✓



CAR PIRELLI VOLUMES O.E. + REPLACEMENT ≥18"

million tyres

In line with IPO
2016-2020 CAGR of ≥13% ✓



In particular

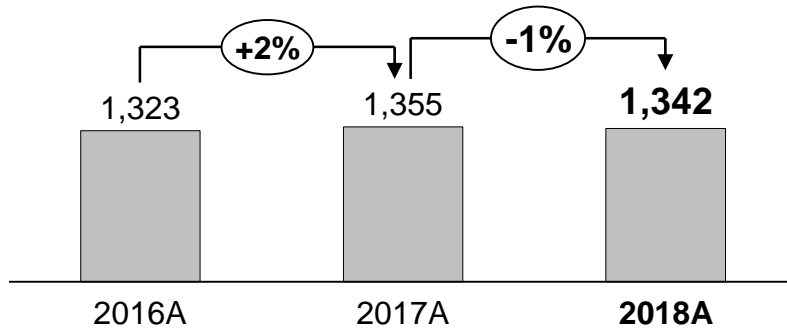
- > **≥18"**: Gaining Market share, strengthening our leadership
- > **Prestige**: O.E. market share >50%, gaining more than 5 percentage point YoY
- > **Specialties**: Seal Inside and PNCS +50% volumes YoY
- > **Pull through effect**: +3 pp YoY reaching 83%

2018: IN STANDARD WE ACCELERATED REDUCTION, ESPECIALLY IN 2H...

CAR TYRE MARKET O.E. + REPLACEMENT ≤17"

million tyres

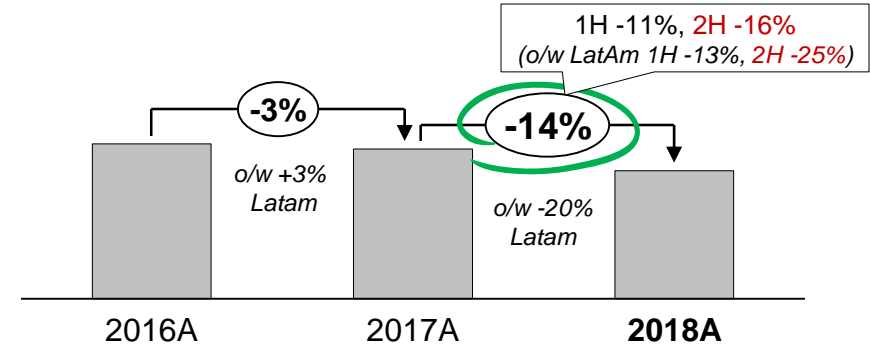
In line with IPO 2016-2020 CAGR of +2% in 2017, slower in 2018



CAR PIRELLI VOLUMES O.E. + REPLACEMENT ≤17"

million tyres

Below IPO volumes trajectory

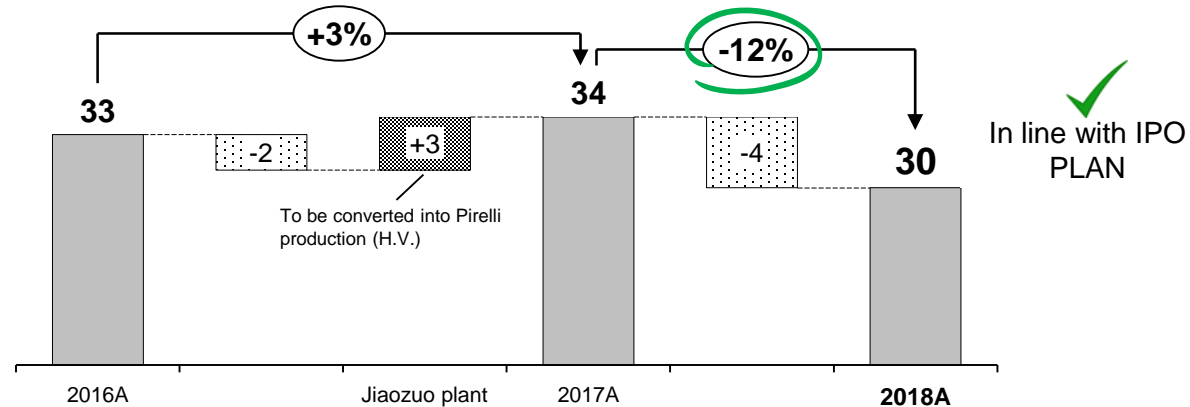


In particular

- > ≤15" and second brands: intentionally trimming lower rims and less profitable sizes
- > LatAm: severe market contraction, intensifying in 2H (1H Repl. -3%, O.E. +9%; 2H Repl. -13%, O.E. -5%)

...AND WE TOOK COUNTER-MEASURES WITH A “CRASH” COST-CUTTING PROGRAM

STANDARD CAPACITY EVOLUTION 2016-2018
million pcs



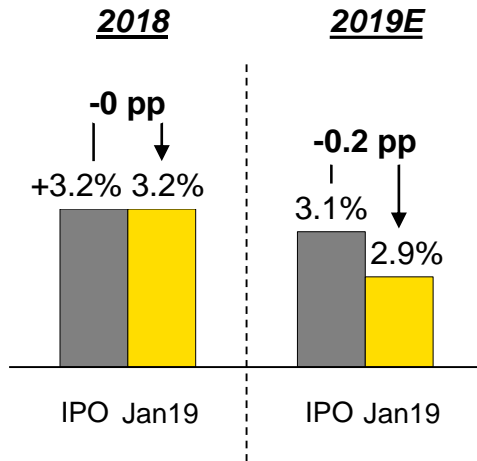
2018 “Crash” Cost cutting program

€50 million cost reduction to counter LatAm market fall and accelerated global Standard reduction, of which:

- €30M recurring (non-core marketing and advertising budgets, purchases)
- €20M one-offs (plant overheads and staff cost)

2019 OUTLOOK: A Milder Growth than Expected at IPO

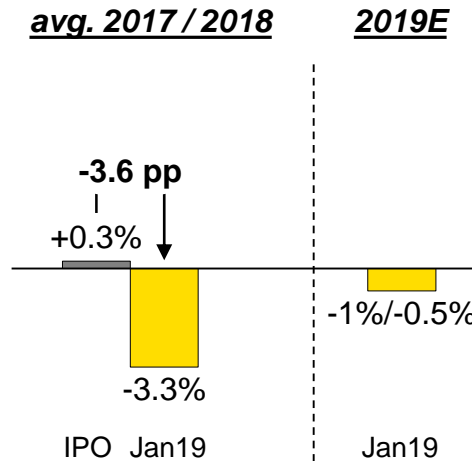
Macro scenario: World GDP ΔYoY



2019E VS. IPO assumptions

- Lower growth in Europe and Brazil
- Better trend for North America
- Uncertainty on China

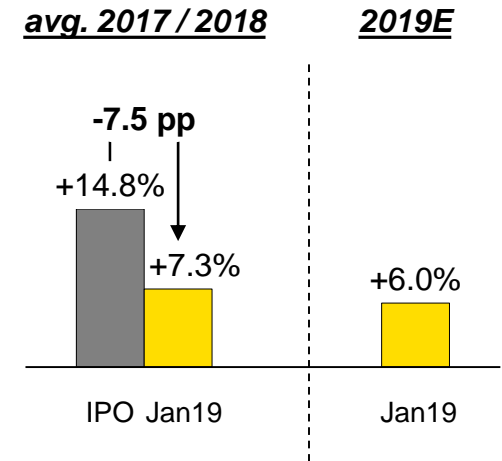
ForEx: impact on Pirelli sales



2019E VS. IPO assumptions

- Higher Dollar devaluation
- Higher volatility for Emerging Currencies

Raw Material: Δ cost for Pirelli



2019E VS. IPO assumptions

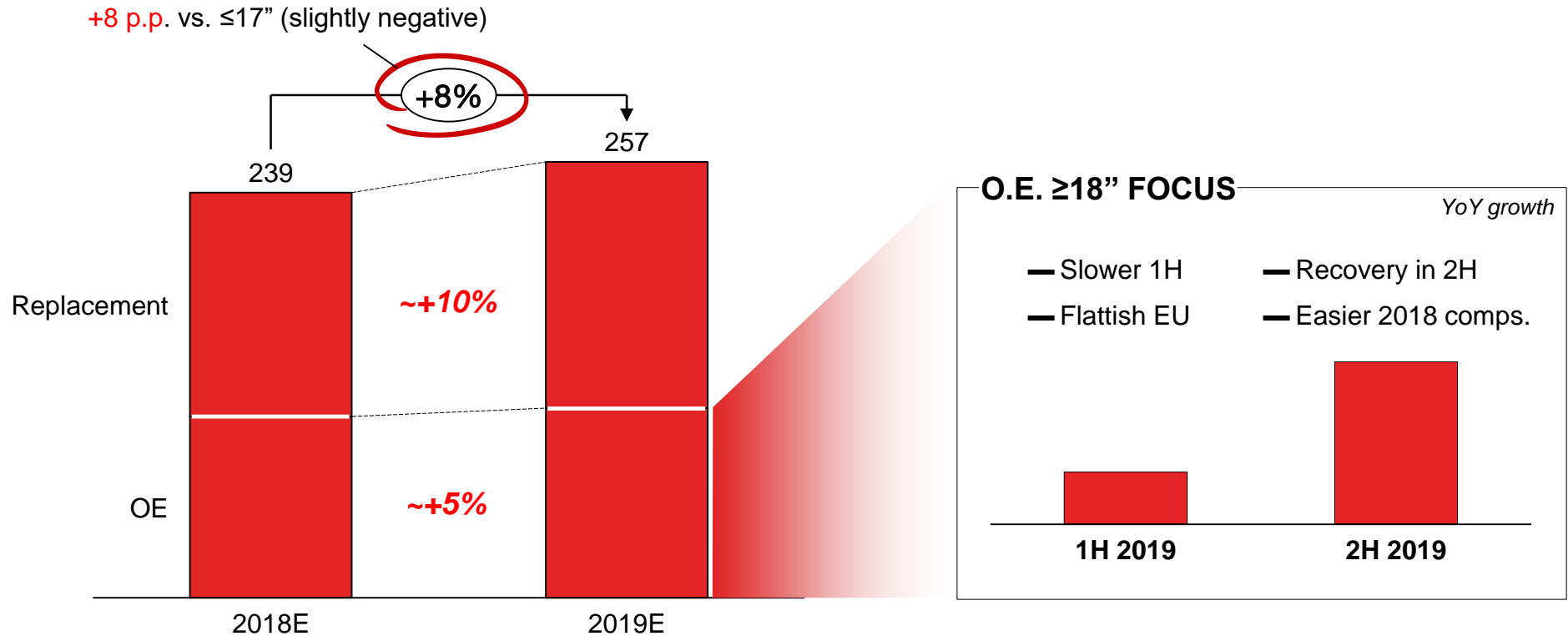
- A more contained inflationary scenario for Natural Rubber and Butadiene
- Higher volatility on Brent

Source: IHS Markit Forecasts (Jan-2019 vs. Jul-2017) for Macroeconomic and FX data; company elaborations from third party providers for Raw Materials (Jan-2019 vs. Jul-2017)

2019 ≥18" MARKET: OUTPACING STANDARD ONCE AGAIN, WITH O.E. STILL WEAK IN 1H AND FULLY RECOVERING IN 2H

O.E. + REPL. ≥18" CAR TYRE MARKET 2019

million tyres

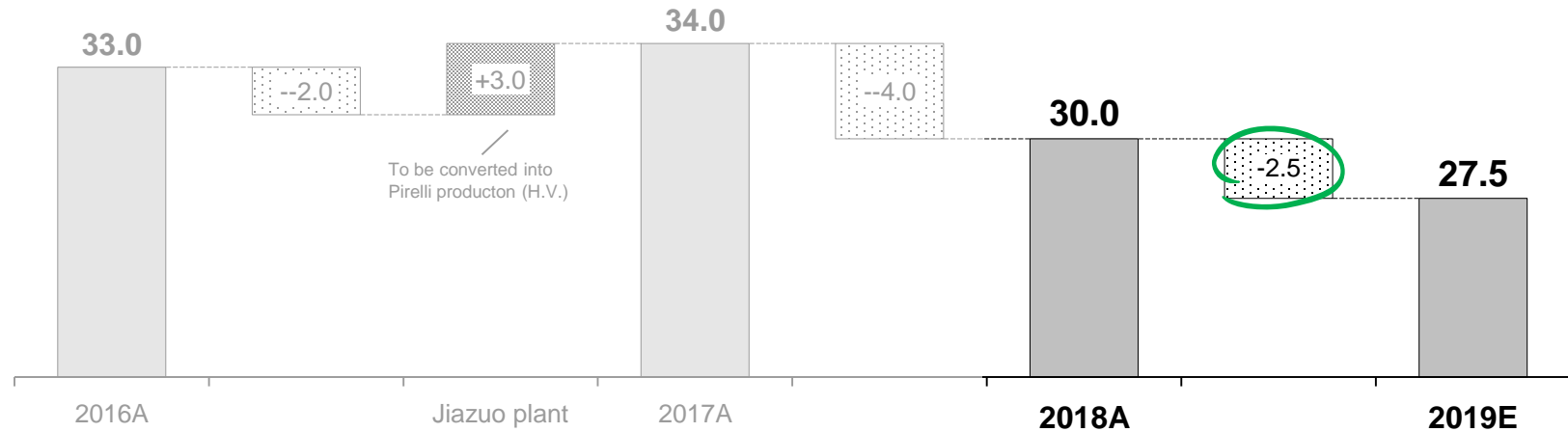


Source: Company elaborations based on third party data relative to car market and on data provided by local associations of tyre producers

IN 2019 FURTHER STANDARD RATIONALIZATION

STANDARD CAPACITY EVOLUTION 2016-2019

million pcs



Cost cutting actions planned in 2019

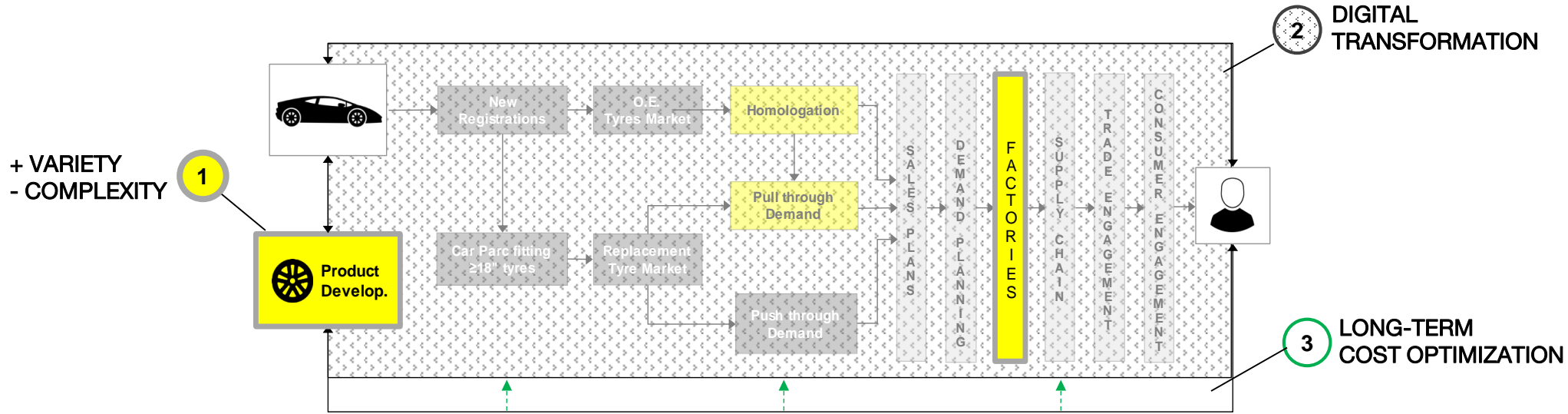
€50 million program:

- Outsourcing rationalization
- Commercial and G&A costs
- Traveling and other expenses

Restructuring plan

- Standard business streamlining to be fully implemented within the next 18-24 months
- P&L impact mainly included in FY 2018
- Mid-term cash out dilution
- P&L and cash impacts covered by Patent Box benefits

IN 2019 WE WILL BENEFIT FROM INCREASING IMPACT OF OUR 3 KEY PROGRAMS



KEY PROGRAMS

2019 DELIVERABLES

2019 IMPACT

1 + VARIETY – COMPLEXITY

- Component Commonality
- Product Modularity
- Debottlenecking

2 DIGITAL TRANSFORMATION

- Digital Enablers in place: Talent, Data Infrastructure, Cloud
- New Sales and Marketing Model to be deployed in Europe (High Value)
- New Manufacturing Scheduling & Execution System

3 LONG-TERM COST OPTIMIZATION

- Organization simplification (e.g. from 6 Regions to 5)
- Marketing optimization
- Supplier base optimization

~€70 Million
Efficiencies
(1.3% on Sales)

FY 2019 OUTLOOK

€ million

	2018A	2019E <i>(guidance Feb. 2019)</i>
Net Sales	€5,195 million	+4% ÷ +6% YoY
<i>High Value weight</i>	~64%	~67%
Volumes	-3.1%	0% ÷ +1.0%
— <i>High Value volumes</i>	+11%	~+11%
— <i>Standard volumes</i>	-14%	-10% ÷ -9%
Price/mix	+6.8%	+5.0% ÷ +5.5%
Forex	-5.9%	-1.0% ÷ -0.5%
IFRS 15 impact	-0.7%	-
Adjusted EBIT margin	18.4%	~19%
<i>High Value weight on adj. EBIT w/o start-up</i>	~83%	~85%
<i>Start-up costs</i>	€48 million	~€40 million
Net Financial Position / adj. EBITDA w/o start-up costs	2.49X	~2.1X¹
CapEx	€463 million	~€430 million

1. ~2.3x including first estimate of IFRS 16 impact

2019: DIFFERENT EXTERNAL SCENARIO AND NEW STANDARD TARGET FOOTPRINT TRIGGERING A NEW LONG TERM PLAN (in 4Q 2019)

NEW EXTERNAL SCENARIO

- GDP + tariffs
- Regulation
- Auto Industry

STANDARD

- Accelerated Reduction
- Broader Restructuring Plan

HIGH VALUE

- Strong Demand
- More Competitive business model



All our actions will keep us in line with IPO deleverage target of Net Debt / EBITDA **2020 < 2x**
New plan (2019-2022) will be presented in 4Q 2019

AGENDA_

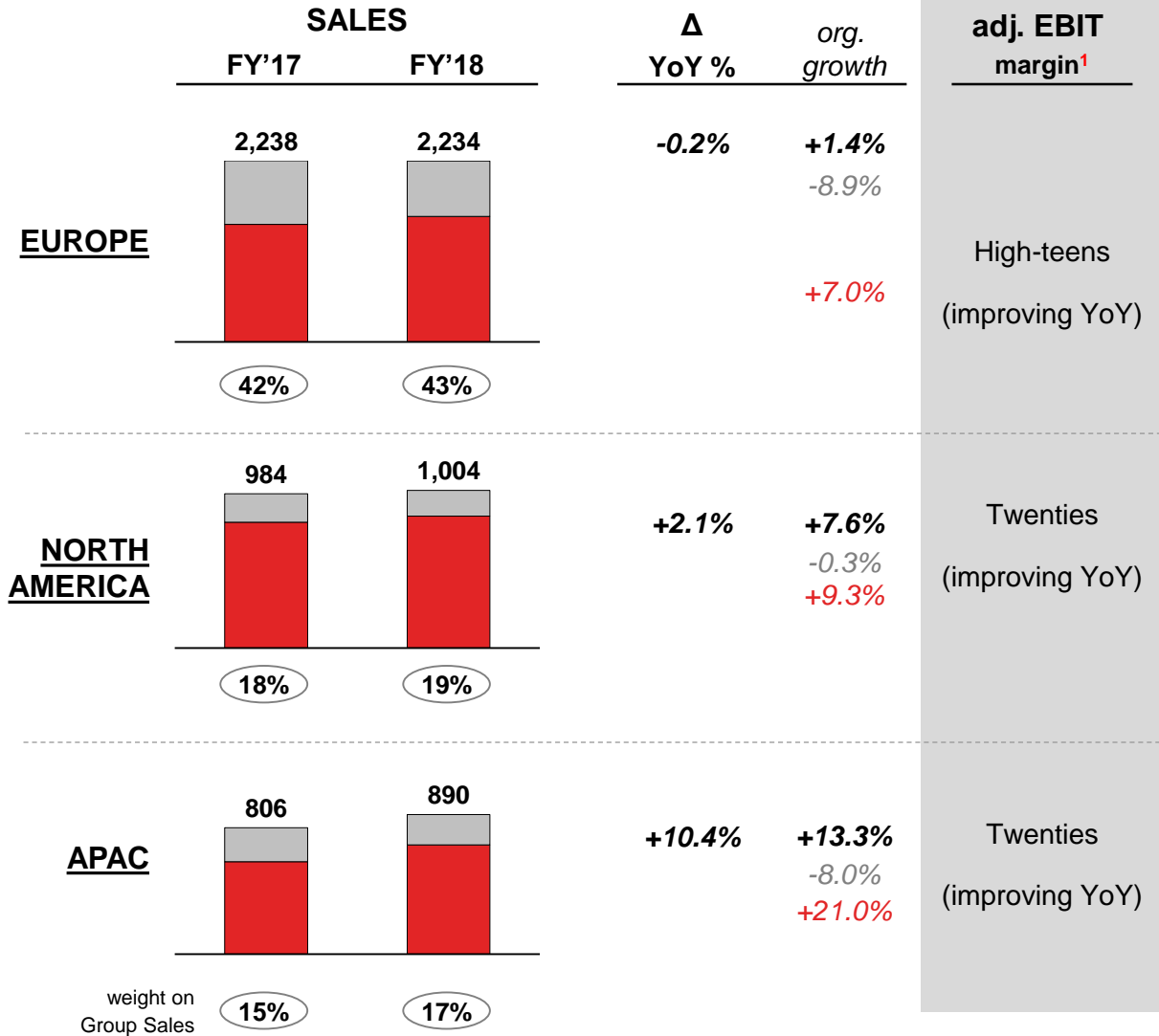
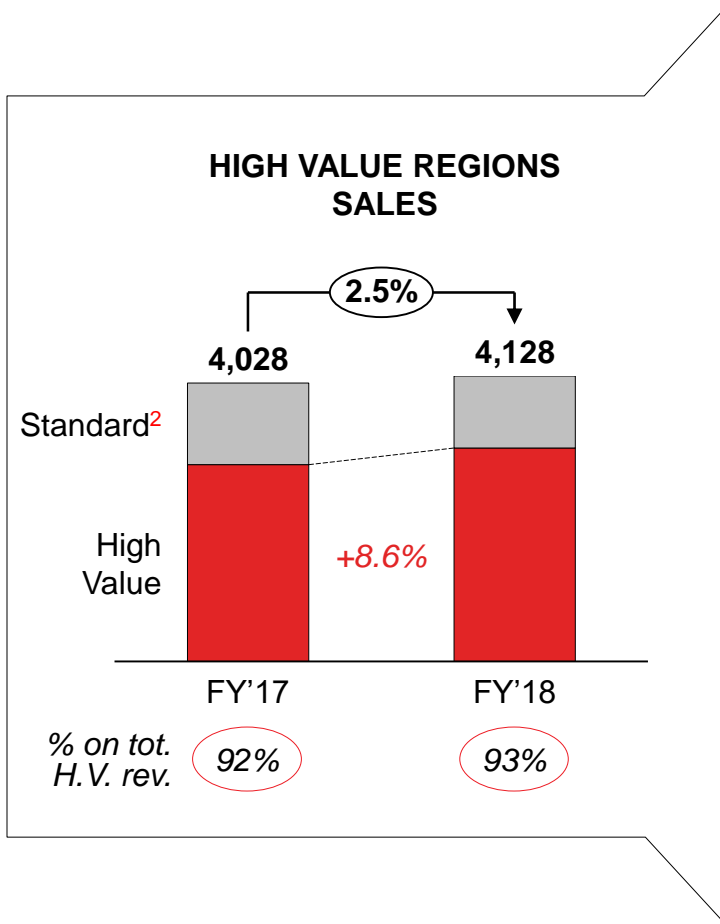
2018 DELIVERY AND 2019 OUTLOOK

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FY 2018 PERFORMANCE BY HIGH VALUE REGIONS

€ million



1. Before amortization of PPA, non-recurring items, restructuring costs and other adjustments; 2. Standard & other (including Controlled Distribution & Other)

2019 STRATEGY BY HIGH VALUE REGIONS



EMEA

- Maximize pull-through exploiting Business Model predictability
- Continue the reduction of Standard
- Execute cost reduction programs to support profitability improvement
- Increase O.E. share in Prestige / Premium maintaining profitability



N. AMERICA

- Extend national distribution footprint (Tier 1)
- Improve penetration in All Season segment
- Growing O.E. presence

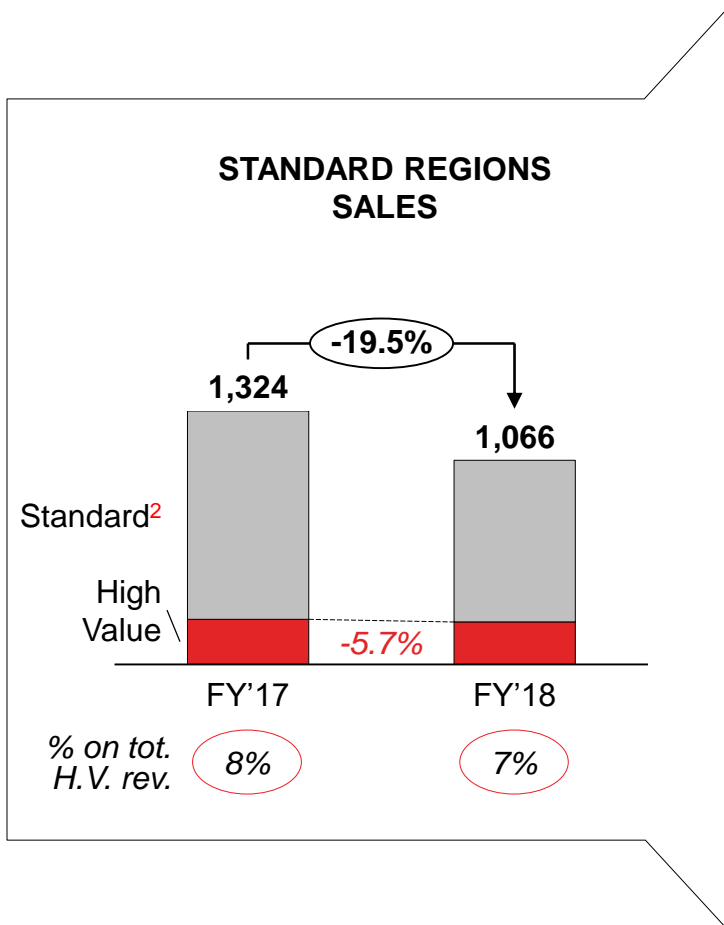


APAC

- New JV factory start-up
- Continuous H.V. top line growth maximizing pull-through rate
- O.E. contracts with Premium Asian car makers

FY 2018 PERFORMANCE BY STANDARD REGIONS

€ million



	SALES		Δ YoY %	org. growth	adj. EBIT margin ¹
	FY'17	FY'18			
LATAM	916	692	-24.4%	-3.1%	High-single digit (decreasing YoY)
	17%	13%		-5.0%	
				+17.7%	
MEAI	249	207	-16.8%	-6.6%	Low-teens (decreasing YoY)
	5%	4%		-11.3%	
				-2.4%	
RUSSIA & C.I.S.	160	167	+4.6%	+15.5%	High-teens (improving YoY)
	3%	3%		+14.5%	
				+20.8%	
	weight on Group Sales				

1. Before amortization of PPA, non-recurring items, restructuring costs and other adjustments; 2. Standard & other (including Controlled Distribution & Other)

2019 STRATEGY BY STANDARD REGIONS



LATIN AMERICA

- Further focus on mix improvement
- Normalization of stock levels
- Strengthen the position of “industrial hub” to support H.V. growth in the U.S. market
- Cost rationalization program

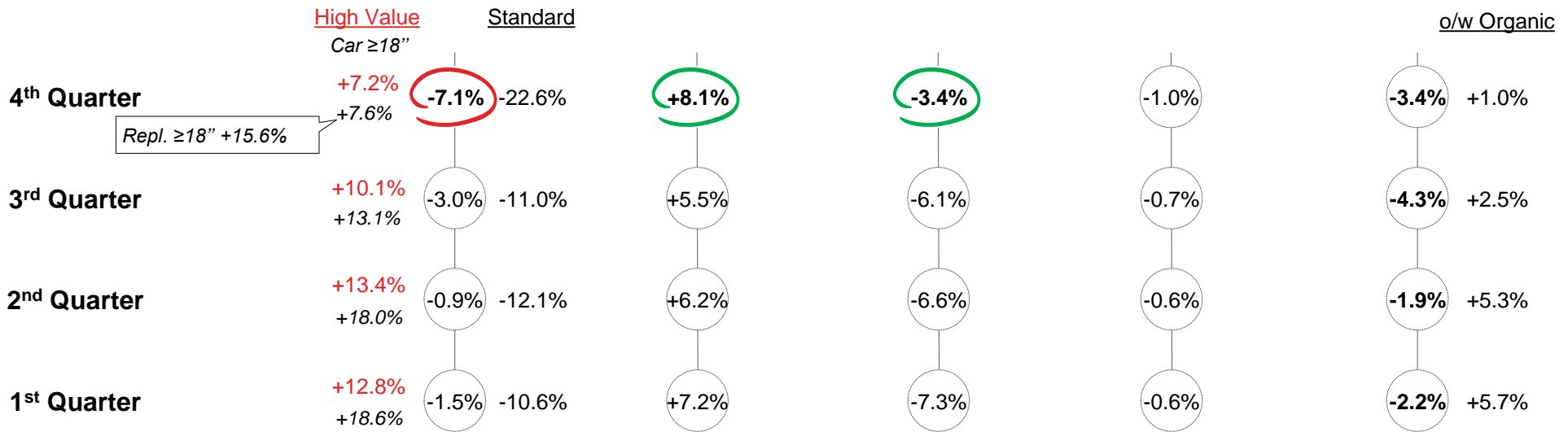
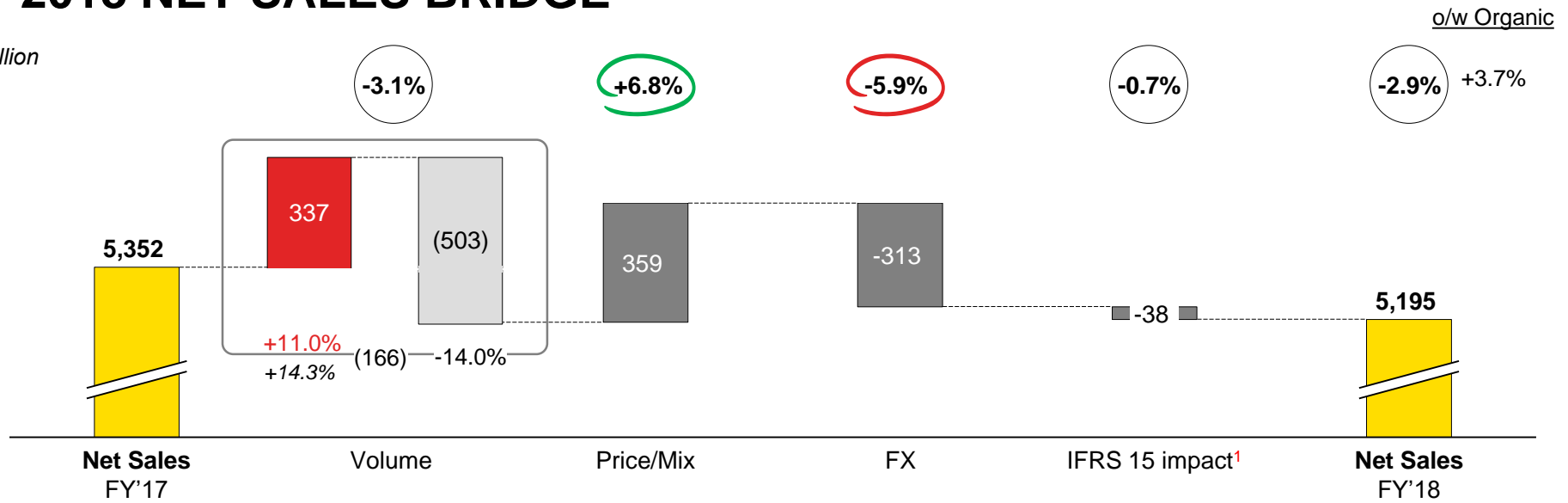


RUSSIA & NORDICS

- Increase share in H.V. segments supported by New Ice Zero 2 product launch
- Reinforce O.E. presence in H.V. projects
- Source of High Value export to Europe

FY 2018 NET SALES BRIDGE

€ million

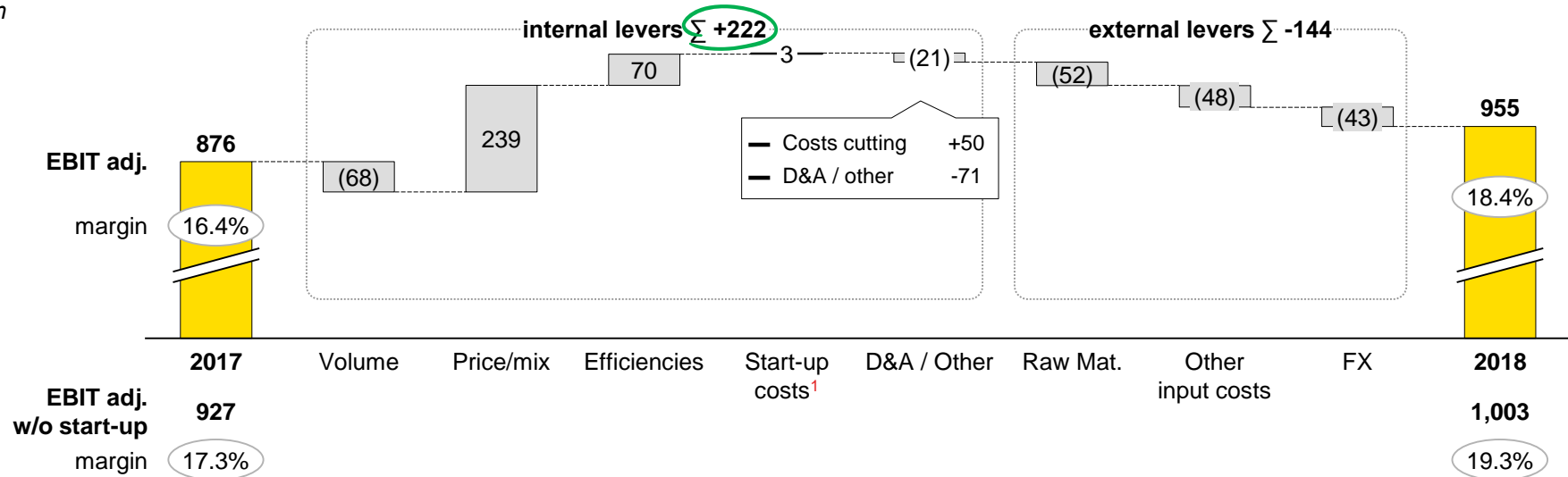


¹ In accordance with IFRS 15 (from January 1st, 2018), some costs for variable considerations paid or payable to indirect customers and mainly linked to achieving sales targets are recognized as a reduction of revenues

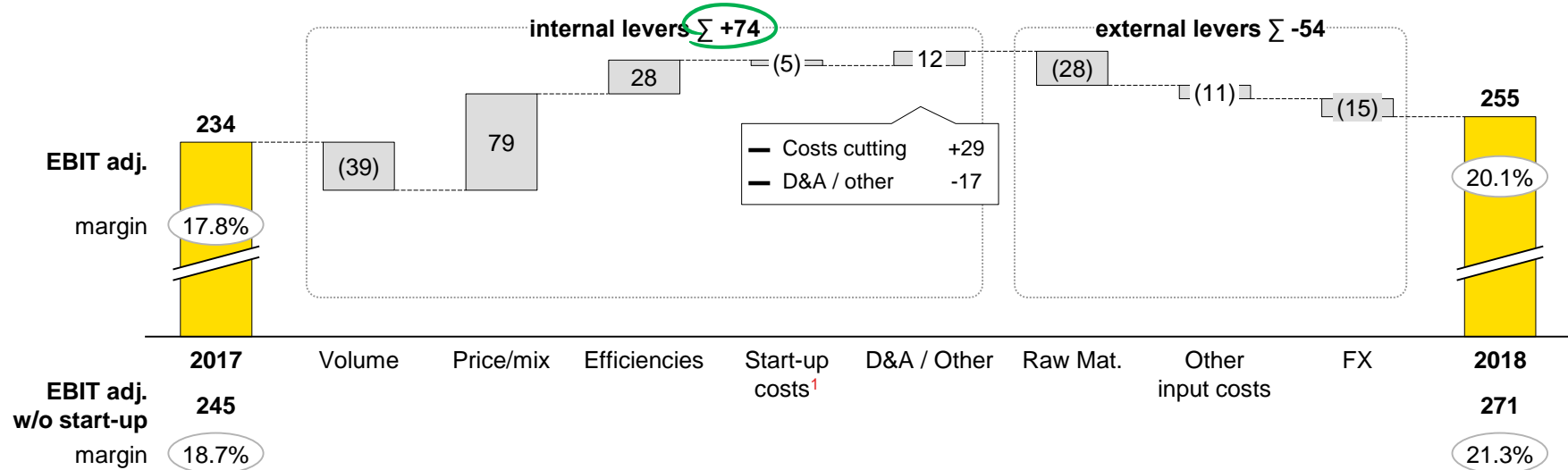
FY / 4Q 2018 OPERATING PERFORMANCE

€ million

FY

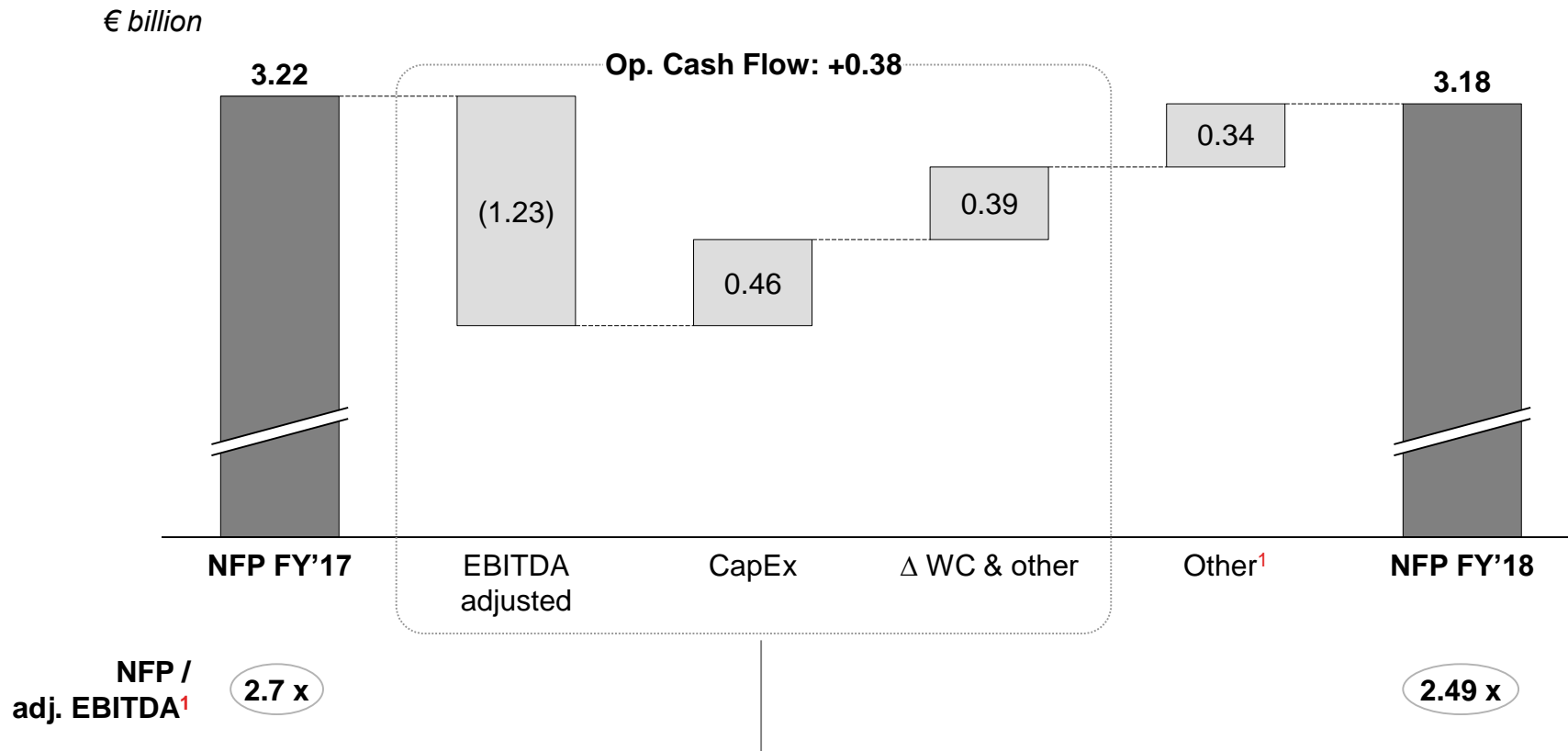


4Q



1. Aeolus Car, Velo, Cyber & digital transformation

FY 2018 CASH FLOW AND NET FINANCIAL POSITION



4Q 2018 Working Capital dynamics:










- **Inventories:** growth in Standard, especially in South America
- **Trade receivables:** temporary extension of payment terms to major Brazilian dealers
- **Factoring:** back to the historical level, after the 2017 hike

Action plan to limit working capital absorption in 2019

- **Inventories:** standard production schedule review to bring stock/sales below 20% (from 21.7% in 2018)
- **Trade receivables:** recovery of payment terms in Brazil
- **Factoring:** now at stabilized level





¹. Taxes, Interests, Financial activities and others;

2018 DELIVERY IN SUSTAINABILITY

KPIs	2017	2018	Targets 2020
 Green Performance Tyres revenues¹	43.5%	49.8%	>50% >65% on H.V.
 Accident frequency index reduction	-83% (vs. 2009)	-81% (vs. 2009)	-87% (vs. 2009)
 Plant CO₂ specific emissions reduction	-10%* (vs. 2009)	-13% (vs. 2009)	-17% (vs. 2009)
 Specific energy consumption reduction	-16%* (vs. 2009)	-16% (vs. 2009)	-19% (vs. 2009)
 Electricity from renewable sources²	44%*	41%	→
 Waste recovered	93%*	96%	ACHIEVED ≥95%
 Specific water withdrawal reduction	-63%* (vs. 2009)	-66% (vs. 2009)	ACHIEVED -66% (vs. 2009)
 Avg. rolling resistance of car tyres reduction	-15% (vs. 2009)	-16.4% (vs. 2009)	-20% (vs. 2009)
 Average training days per capita	8	>8	≥7 days

*. data restated after changes in the Group scope

AMONG 2018 ACHIEVEMENTS...

-  **Sustainable Natural Rubber:** issuance of **Pirelli Policy «Implementation Manual»** and of the **«Roadmap of activities 2019-2021»**
-  **ISO 37001** Certification of **Pirelli & C. S.p.A** and **Pirelli Tyre S.p.A** Anti-Corruption Management System
-  Compliance of **Pirelli Purchasing Model** with **ISO 20400³**
-  Tax Control Framework adoption and admission to Cooperative Compliance regime



Dow Jones Sustainability Indexes

Global Sustainability Leader of Auto Components sector⁴
Gold Class Company in the 2018 Sustainability Yearbook⁵



FTSE4Good

Pirelli percentile: 99/100 in Automobile & Parts



2018 Sector top ESG rating



EXCELLENCE Europe



1. Figure obtained by weighing the value of sales of Green Performance tyres on the total value of sales of Group tyres; Green Performance products identify tyres that Pirelli produces throughout the world and that fall only under rolling resistance and wet grip classes A, B, C according to the labelling parameters set by European legislation. 2017 value updated after new data acquisition; 2. Internal evaluation on International Energy Agency (IEA) data considering Pirelli geographical breakdown; 3. Confirmed by third party (Feb. 2018); 4. with a score of 81 points vs. sector median of 32 (Sept. 2018); 5. Edited by RobecoSAM, who is responsible for evaluations of inclusion in the Dow Jones Sustainability Index; Note: Preliminary unaudited results

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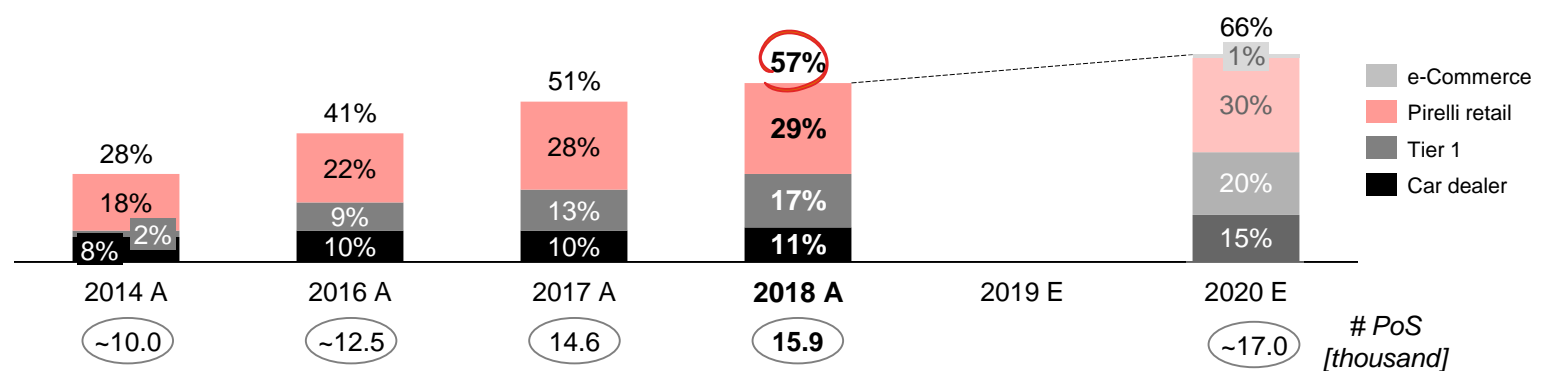
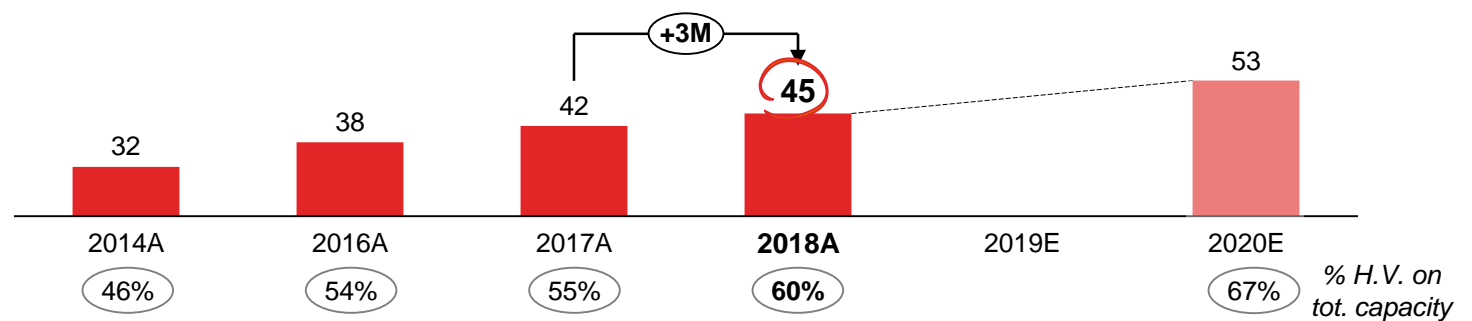
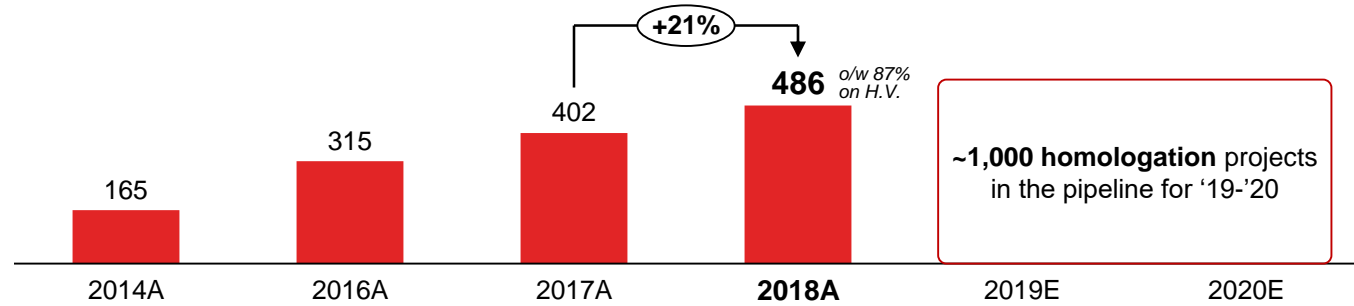
4Q / FY 2018 RESULTS HIGHLIGHTS

€ million

	4Q'17	4Q'18	Δ YoY	FY'17	FY'18	Δ YoY
Revenues	1,314	1,269	-3.4%	5,352	5,195	-2.9%
<i>Organic Growth</i> ¹			+1.0%			+3.7%
High Value Revenues	734	780	+6.2%	3,079	3,309	+7.5%
<i>Organic Growth</i> ¹			+6.4%			+10.3%
% on total Revenues	55.9%	61.5%	+5.6 pp	57.5%	63.7%	+6.2 pp
EBITDA adjusted w/o start-up costs ²	309	343	+10.8%	1,175	1,279	+8.9%
Margin	23.6%	27.0%	+3.4 pp	22.0%	24.6%	+2.6 pp
EBITDA adjusted ³	301	327	+8.5%	1,138	1,235	+8.5%
Margin	22.9%	25.8%	+2.9 pp	21.3%	23.8%	+2.5 pp
EBIT adjusted w/o start-up costs ²	245	271	+10.3%	927	1,003	+8.2%
Margin	18.7%	21.3%	+2.6 pp	17.3%	19.3%	+2.0 pp
EBIT adjusted ³	234	255	+8.8%	876	955	+9.0%
Margin	17.8%	20.1%	+2.3 pp	16.4%	18.4%	+2.0 pp
EBIT	133	112	-15.7%	674	703	+4.4%
Margin	10.1%	8.8%	-1.3 pp	12.6%	13.5%	+0.9 pp

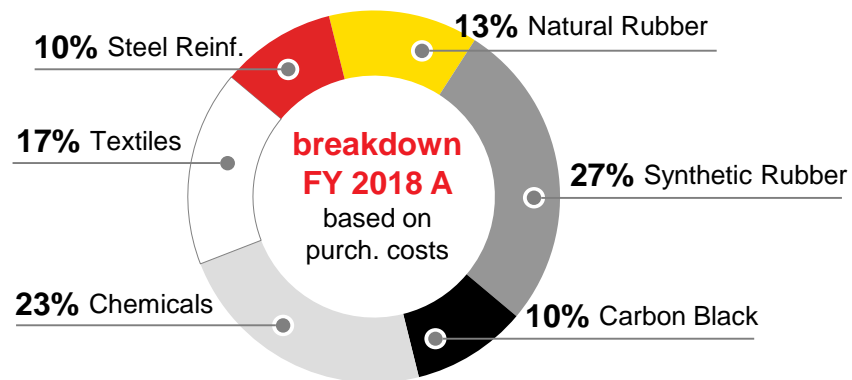
1. Excl. FX / perimeter; 2. Before non-recurring items, restructuring costs, other adjustments and start-up costs; 3. Before amortization of PPA, non-recurring items, restructuring costs, other adjustments

2018 HIGH VALUE ACHIEVEMENTS



2019E RAW MATERIAL GUIDANCE

€ million



raw mat.
35% on Sales

AVERAGE QUOTATION OF COMMODITIES

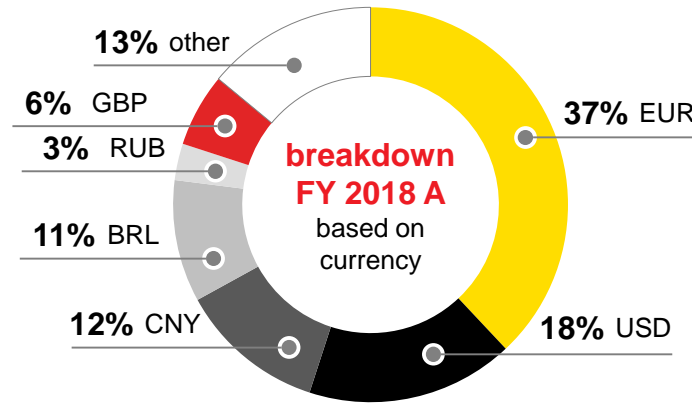
	2018 A	2019 E Feb. guidance	Δ YoY
Natural Rubber TSR20 (\$ / tonne)	1,365	~1,400	+3%
Brent Oil (\$ / barrel)	71.5	~68	-5%
Butadiene EU (€ / tonne)	1,011	~1,200	+19%











AVERAGE COST OF GOODS SOLD OF COMMODITIES

	2018 A	2019 E Feb. guidance	2019E EBIT impact
	~1,400	~1,350	~+10
	~67	~70	~-10
	~950	~1,200	~-30
Raw Mat. subtotal			~-30
FX impact			~-70
TOT. IMPACT			~-100

2019E FOREX GUIDANCE

€ million

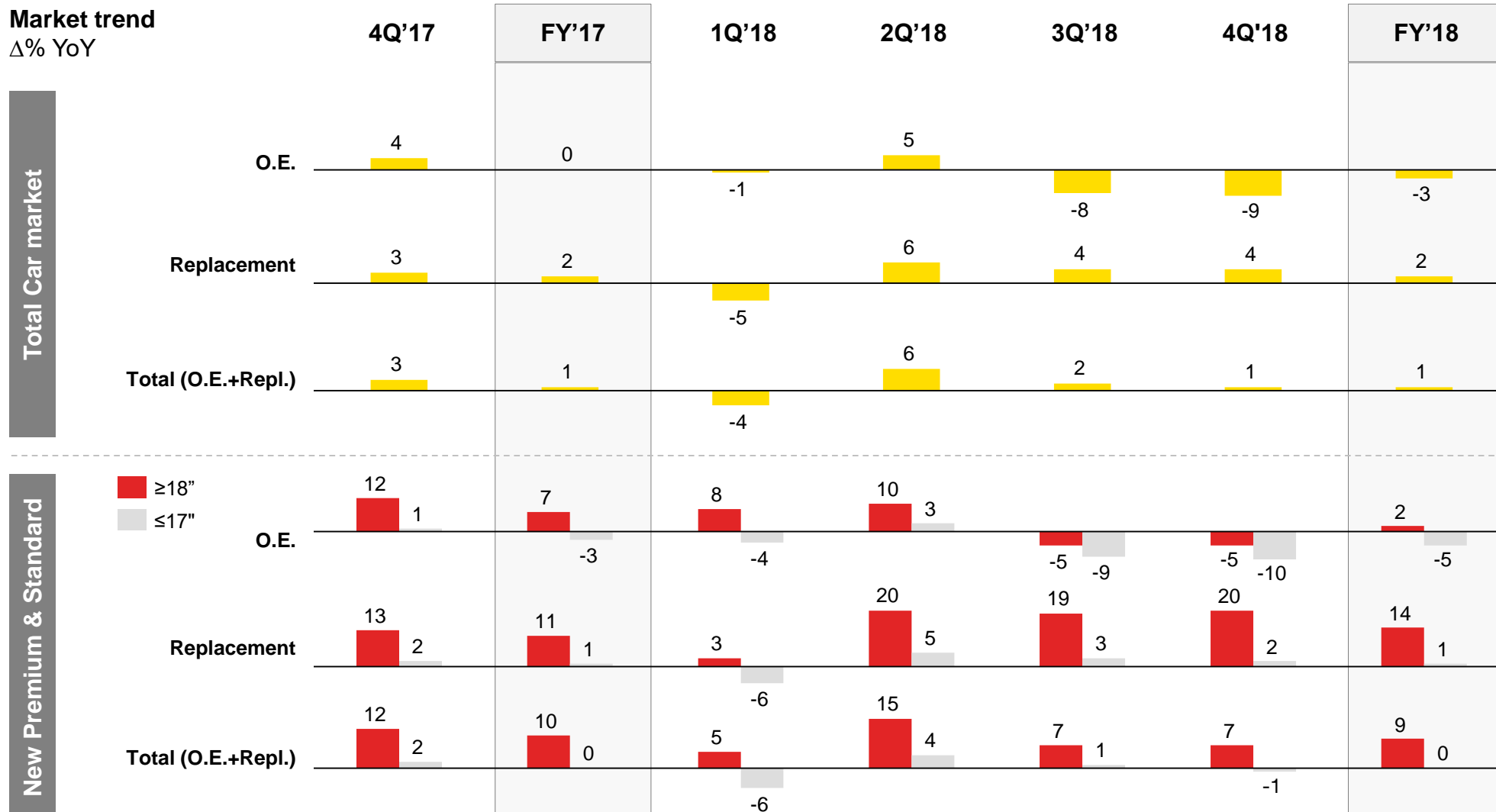


MAIN AVERAGE EXCHANGE RATES		2018 A	2019 E Feb. guidance	Δ YoY	Δ YoY vs. EUR
EUR / USD	 / 	1.145	1.15	+0.4%	+0.4%
USD / CNY	 / 	6.863	6.9	+0.5%	+1.0%
USD / BRL	 / 	3.875	4.0	+3.2%	+3.6%
EUR / RUB	 / 	79.658	78.2	-1.8%	-1.8%
EUR / GBP	 / 	0.895	0.89	-0.6%	-0.6%

TOT. IMPACT ON SALES

-1.0% ÷ -0.5%

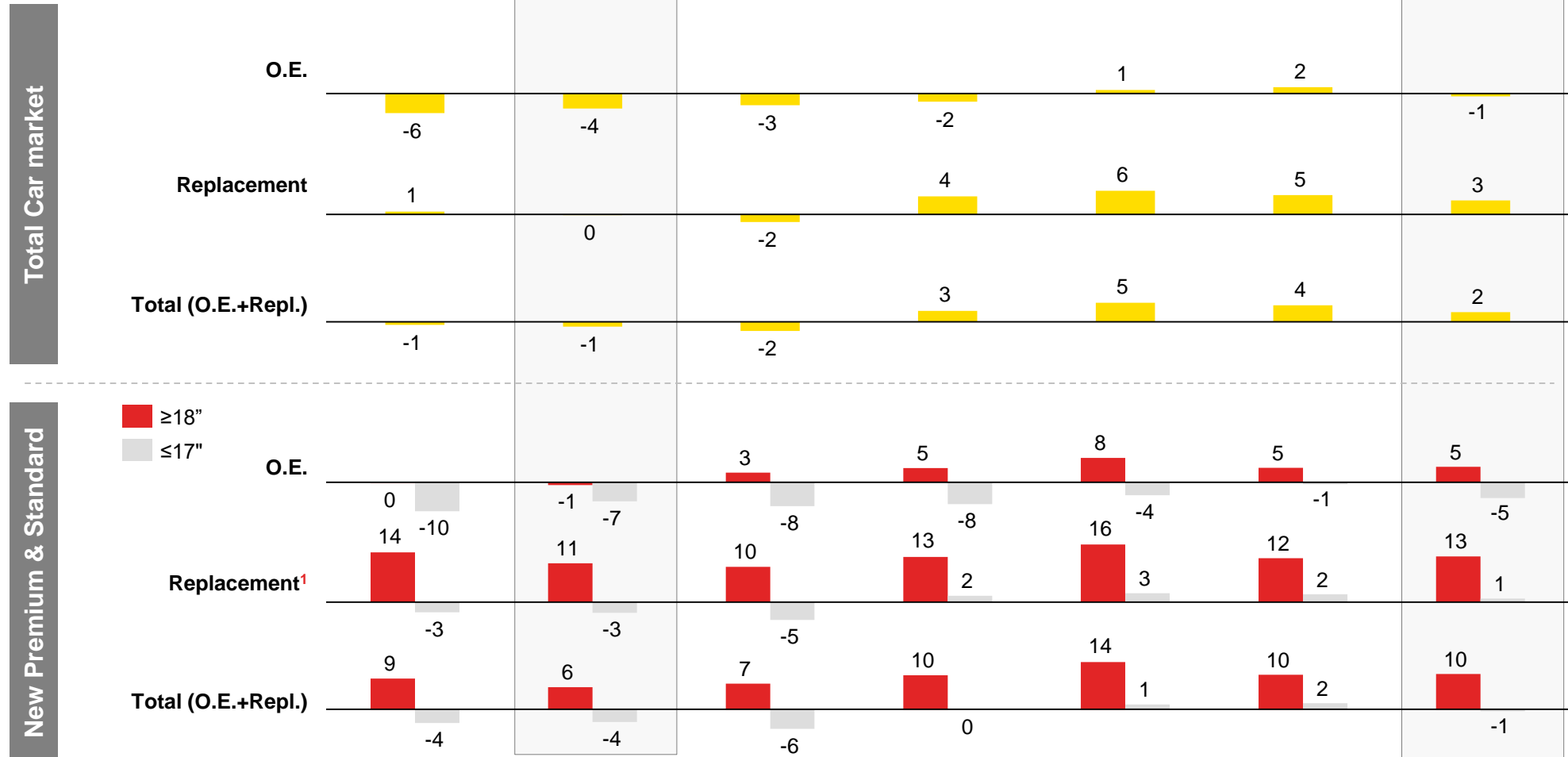
KEY CAR MARKET TRENDS: EUROPE



Source: Pirelli tyre market estimates based on main data provider for the Region; historical market data may be subject to restatement

KEY CAR MARKET TRENDS: NAFTA

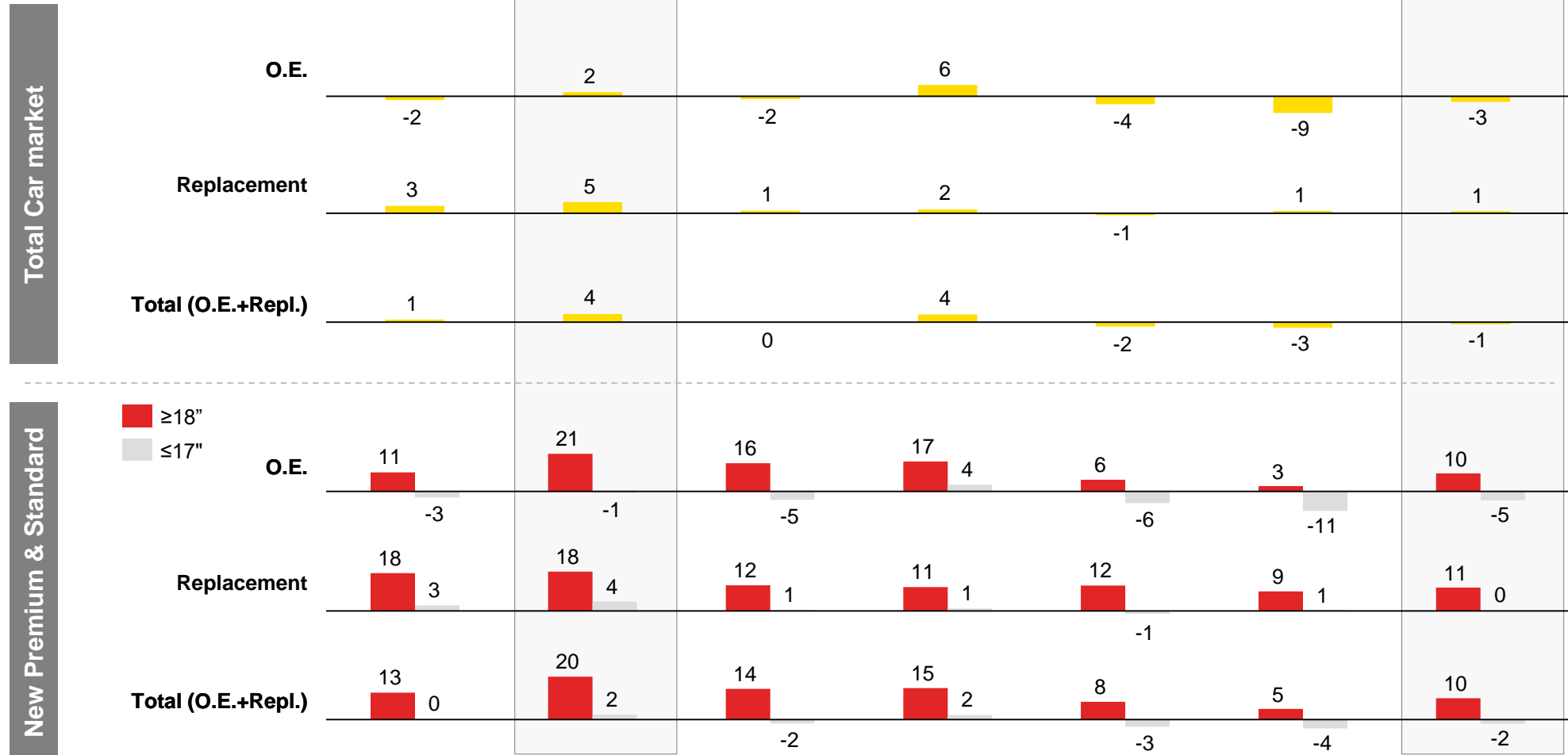
Market trend
Δ% YoY



Source: Pirelli tyre market estimates based on main data provider for the Region; historical market data may be subject to restatement; 1. NAFTA Replacement includes imports

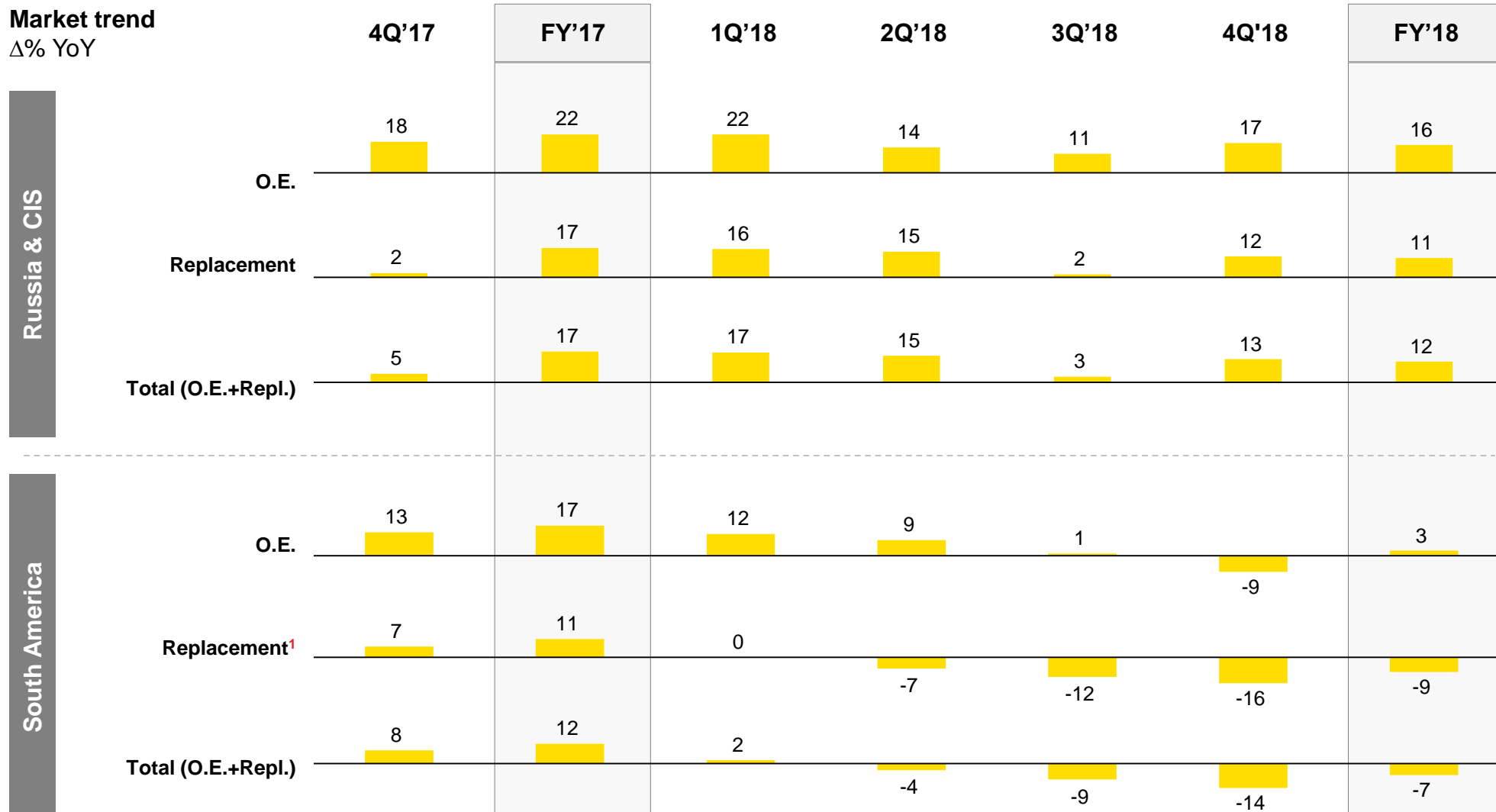
KEY CAR MARKET TRENDS: APAC

Market trend
Δ% YoY



Source: Pirelli tyre market estimates based on main data provider for the Region; historical market data may be subject to restatement

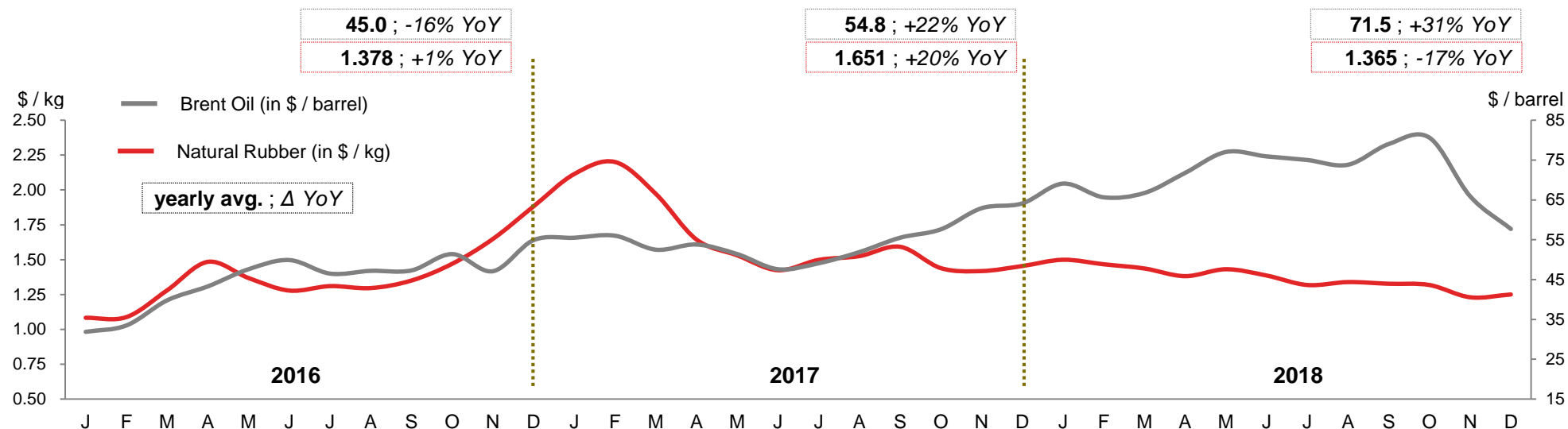
KEY MARKET TRENDS: RUSSIA & CIS AND SOUTH AMERICA



Source: Pirelli tyre market estimates based on main data provider for the Region; historical market data may be subject to restatement; 1. South America Replacement restated to include Brazilian imports

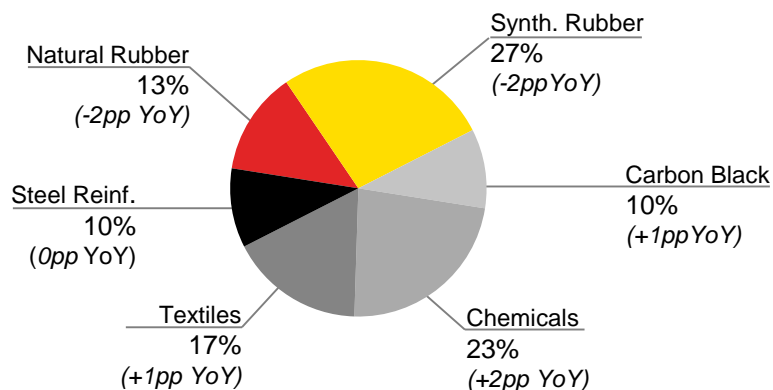
RAW MATERIAL COSTS TREND AND MIX

MAIN RAW MATERIALS PRICE TREND



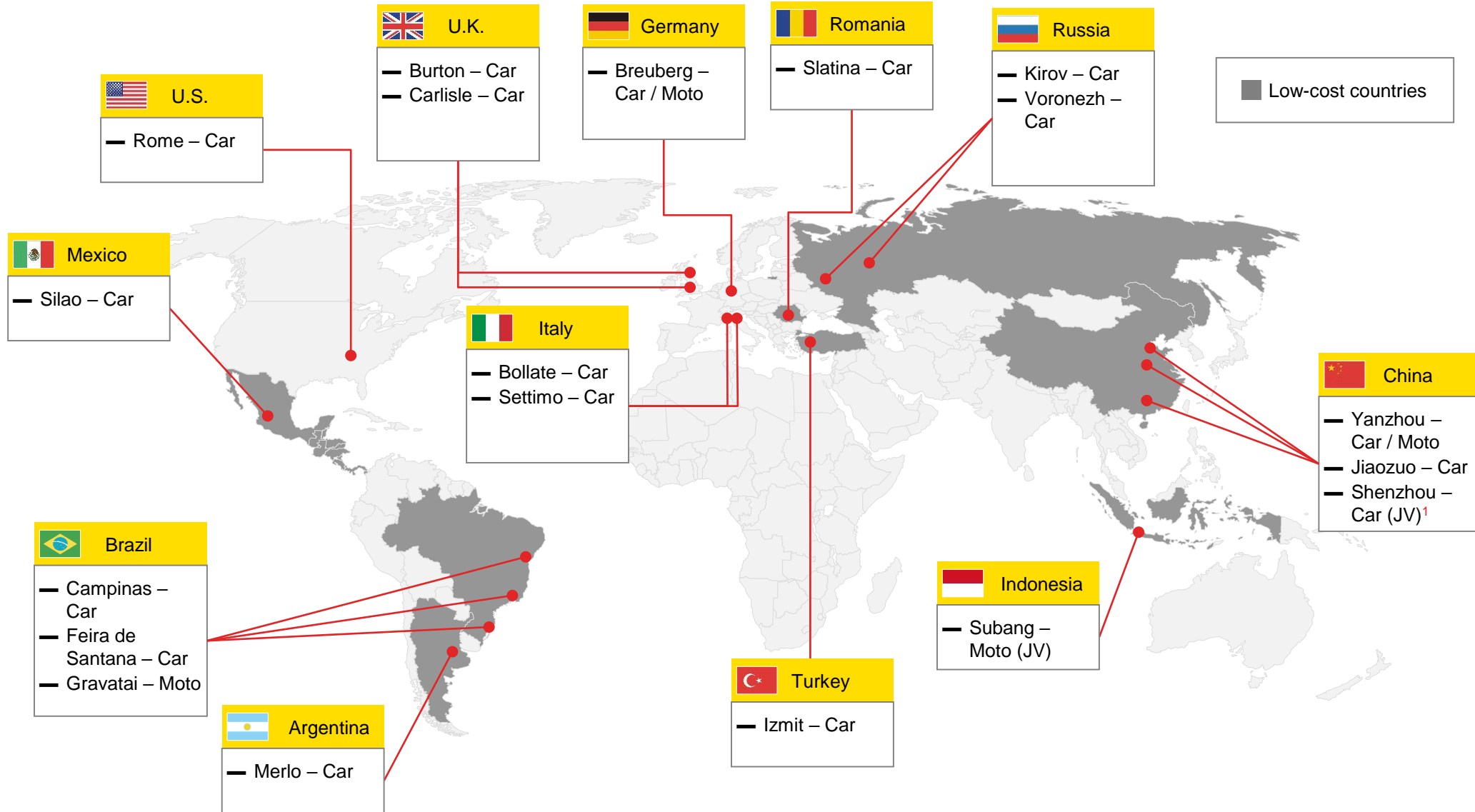
FY 2018 MIX (BASED ON PURCHASING COST)

35%
Raw mat. costs
on sales



Source: Natural Rubber -> Sicom; Brent -> www.oilenergy.com

PIRELLI MANUFACTURING FOOTPRINT AS OF DECEMBER 31ST 2018



1. 49% Joint Venture with the Hixih Group