



PIRELLI, GLOBAL HIGH VALUE

9M 2019 RESULTS – OCTOBER 29th, 2019

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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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KEY MESSAGES

- > Prolonged weakness in car production impacted O.E. Tyre volumes and prices of both O.E. and Replacement, especially in Standard and High Value with lower technological content
- > Pirelli reacted by strengthening High Value leadership, lowering the exposure to Standard by reducing volumes and stocks, continuing the implementation of the restructuring plan
- > New 3-year plan under preparation, with major cost and break-even point reduction program frontloaded, to impact significantly already in 2020

AGENDA

CURRENT SCENARIO, 9M '19 RESULTS AND FY '19 GUIDANCE

MEDIUM-TERM SCENARIO AND STRATEGIC GUIDELINES FOR '20-'22 PLAN

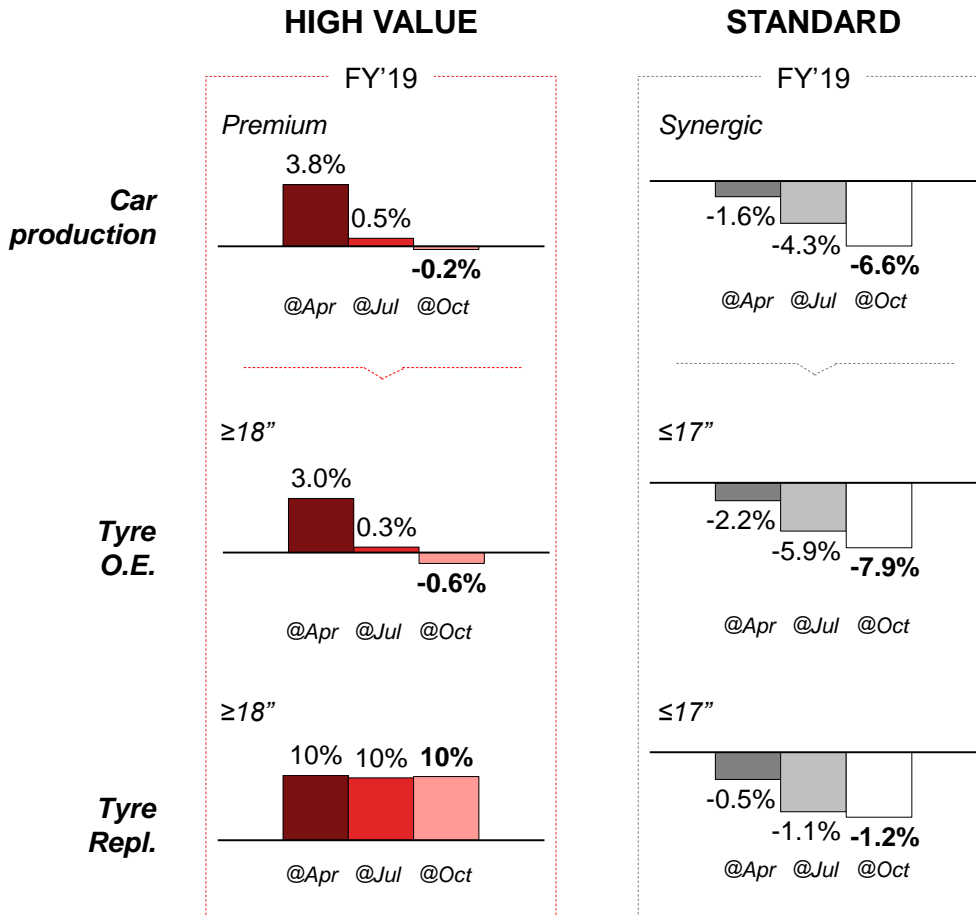
REVIEW OF 9M '19 RESULTS AND OPERATIONAL TARGETS

APPENDIX

CURRENT MARKET SCENARIO: WHAT CHANGED VS. EARLY AUGUST AND HOW WE CURBED THE HEADWINDS

O.E. deterioration leading to a weak pricing environment

FY market expectations



Source: car production - Global Insights and Pirelli estimates; tyre market - Pirelli estimates

What we did to curb headwinds

High Value

- > OEMs portfolio diversification (*new N. America and APac contracts in 2H*)
- > Solid Replacement growth leveraging on pull-through effect
- > Price protection in ≥18" Specialties (>50% of H.V.)

Standard

- > Lower exposure to less profitable products (*-13.9% volume on ≤17" in 1H, -8.8% in 3Q*)
- > Inventories reduction (*-22% YtD in 9M, -16% in 1H*)
- > Restructuring plan on-going

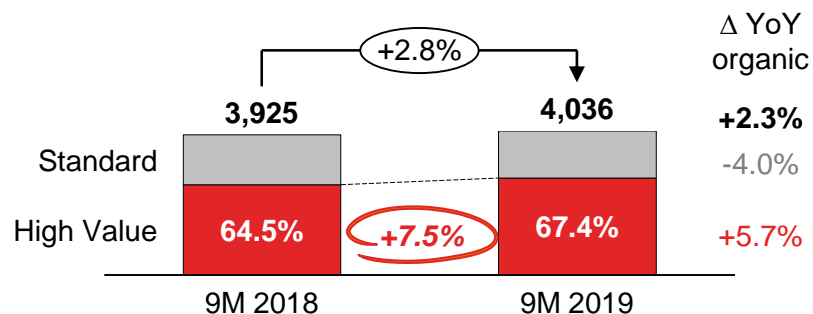
Cost Containment

- > Proceeding with short-term cost reduction (*€40 million in 9M*)
- > Moving towards a more structural breakeven point reduction

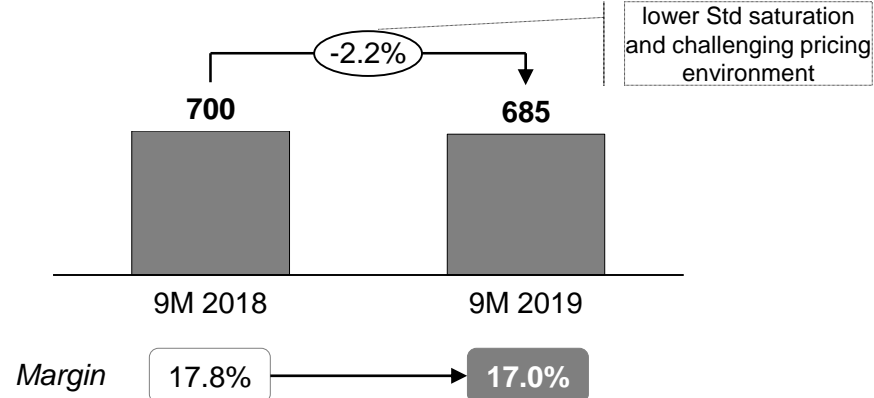
9M 2019 RESULTS HIGHLIGHTS

€ million

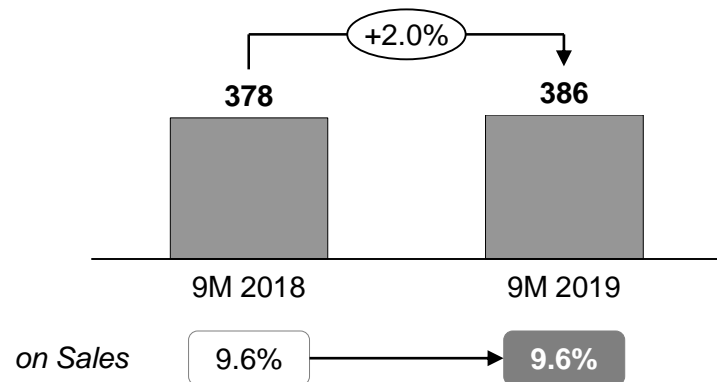
NET SALES



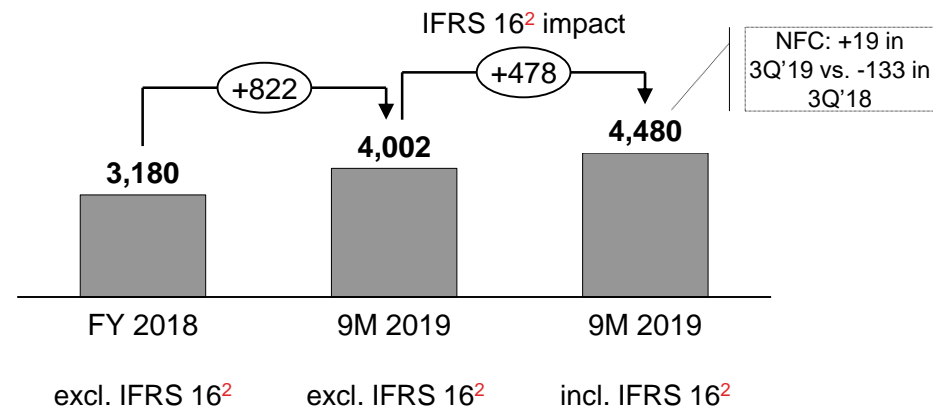
EBIT ADJUSTED.¹



NET INCOME before discontinued operations



NET FINANCIAL POSITION



1. before amortization of PPA, non-recurring items, restructuring costs & other adjustments; 2. IFRS 16 accounting principle establishes a new way of accounting leasing contracts.

FY 2019 OUTLOOK UPDATE (OCT '19)

2019 TARGETS

	2018A	2019E (guid. Aug. 2019)	2019E (guid. Oct. 2019)
Net Sales	€5.2 bln	~ €5.3 bln	≥€5.3 bln
<i>High Value weight</i>	~ 64%	~ 67%	confirmed
Adjusted EBIT margin	18.4%	18% ÷ 19%	>17% ÷ 17.5%
<i>High Value weight on adj. EBIT¹</i>	~ 83%	~ 85%	confirmed
<i>Start-up costs</i>	€48 mln	~ €40 mln	confirmed
CapEx	€463 mln	~ €380 mln	confirmed
Net Cash Flow bef. dividends	€38 mln	~ €350 ÷ ~ €380 mln	~ €330 ÷ ~ €350 mln
Net Financial Position/ adj. EBITDA¹	2.49x	2.33x ÷ 2.20x +0.17x incl. IFRS 16	~ 2.42x ÷ ~ 2.36x +0.17x incl. IFRS 16

1. without start-up costs

2019 OPERATIONAL DRIVERS

	2019E (guid. Aug. 2019)	2019E (guid. Oct. 2019)
Volumes	-2.5% ÷ -2%	~ -2%
— o/w High Value	+7.5% +8%	≥+7.5%
— o/w Standard	-12% ÷ -11.5%	~ -11%
Price/mix	+4.5% ÷ +5%	~ +4.5%
Forex	~ -0.5%	~ flat
Efficiencies	~ €70 mln	confirmed
Input Costs	~ -€60 mln	~ -€70 mln
Cost cutting	~ €70 mln	~ €50 mln
Raw Mat.	~ -€70 mln	confirmed
Unabsorbed fixed cost on Standard	-	~ -€20 mln

AGENDA

CURRENT SCENARIO, 9M '19 RESULTS HIGHLIGHTS AND FY '19 GUIDANCE

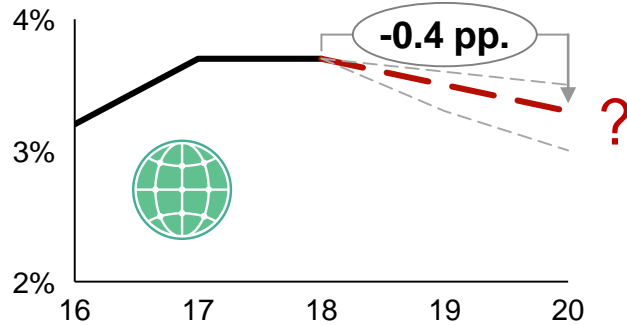
MEDIUM-TERM SCENARIO AND STRATEGIC GUIDELINES FOR '20-'22 PLAN

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APPENDIX

ECONOMIC MOMENTUM IS WEAKENING IN A MORE TROUBLING GLOBAL TRADE OUTLOOK

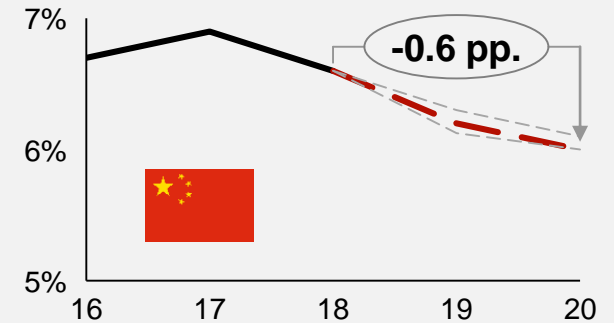
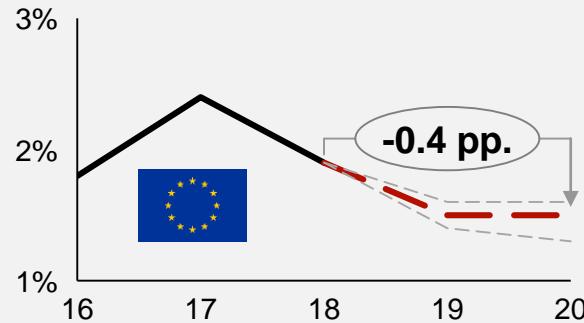
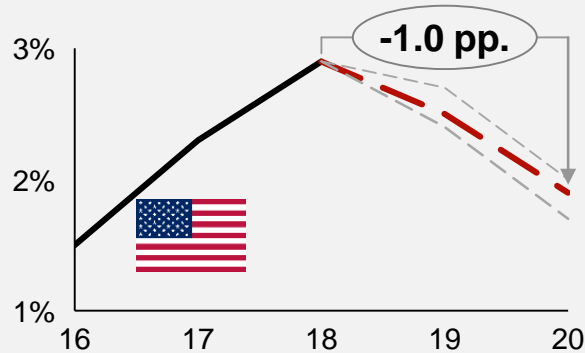
GDP GROWTH FORECASTS (%)



Troubling outlook for Global Trade

- > U.S. focused on closing trade deficit (~80% of world GDP on-the-table)
- > Brexit
- > EU anti-globalization parties
- > US & EU Sanctions on Russia

GDP GROWTH FORECASTS (%)



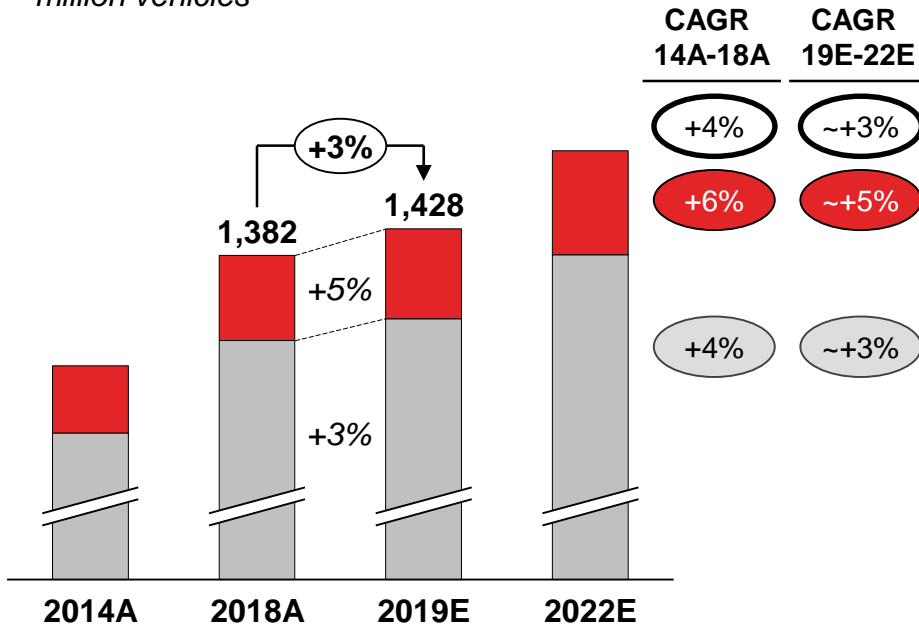
— Median forecast¹ - - - 25-75% range

¹ Based on analyst forecasts compiled by Bloomberg (89 forecasts for US, 46 for Eurozone, 65 for China, 33 for world),
Source: Bloomberg, IMF, BCG Henderson Institute

OUR VIEW ON THE MEDIUM TERM SCENARIO: ≥18" RESILIENT DESPITE A MORE DIFFICULT SCENARIO

WORLD CAR PARC

million vehicles

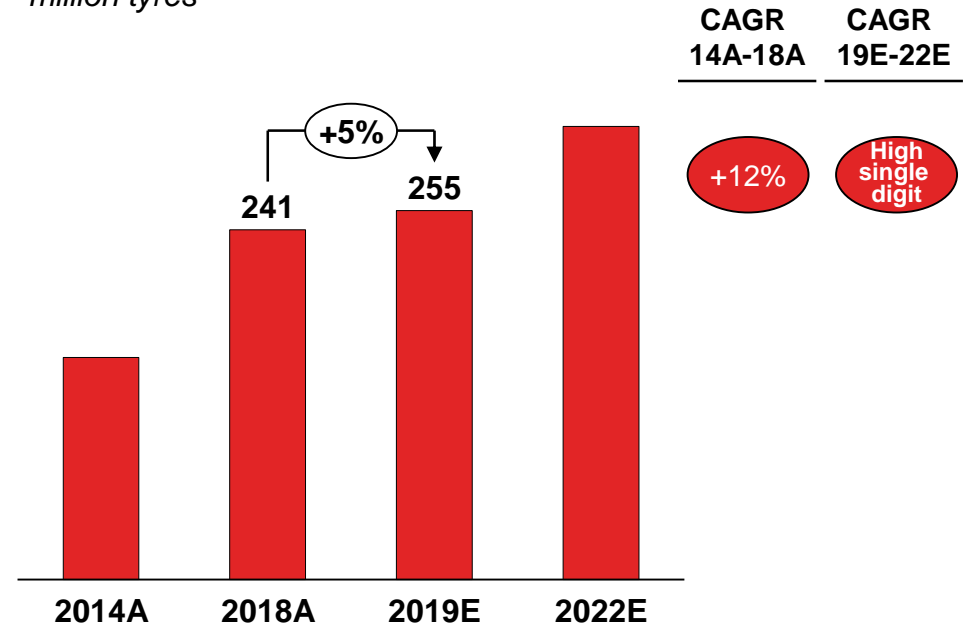


■ Premium & Prestige ■ Synergic

Growing demand from "Premiumizing"
Synergic Cars fitting ≥18"

WORLD ≥18" TYRE DEMAND (O.E.+Repl.)

million tyres



Different dynamics among O.E. and Replacement

- > Softened OE growth, with ≥18" only segment growing (negative ≤17")
- > Replacement more resilient, linked to car parc

Source: company elaboration on third party data

2020-2022 STRATEGIC GUIDELINES TO FURTHER STRENGTHEN THE PERFORMANCE OF OUR BUSINESS MODEL

01 Technology and Innovation Leadership



02 Major Cost & Breakeven point reduction



protection from downward scenario
FY 2020 – 1H 2021

03 Selective profitable growth



Contained Investment Program

Higher Free Cash Flow Generation

AGENDA

CURRENT SCENARIO, 9M '19 RESULTS AND FY '19 GUIDANCE

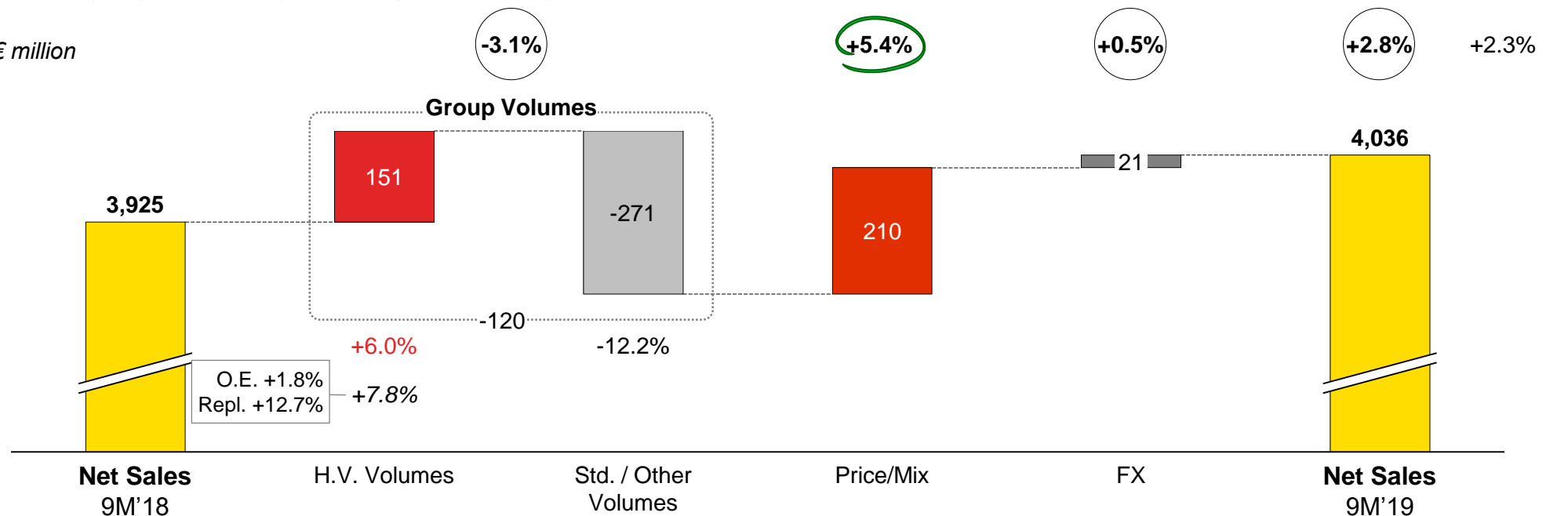
MEDIUM-TERM SCENARIO AND STRATEGIC GUIDELINES FOR '20-'22 PLAN

REVIEW OF 9M '19 RESULTS AND OPERATIONAL TARGETS

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9M 2019 NET SALES BRIDGE

€ million

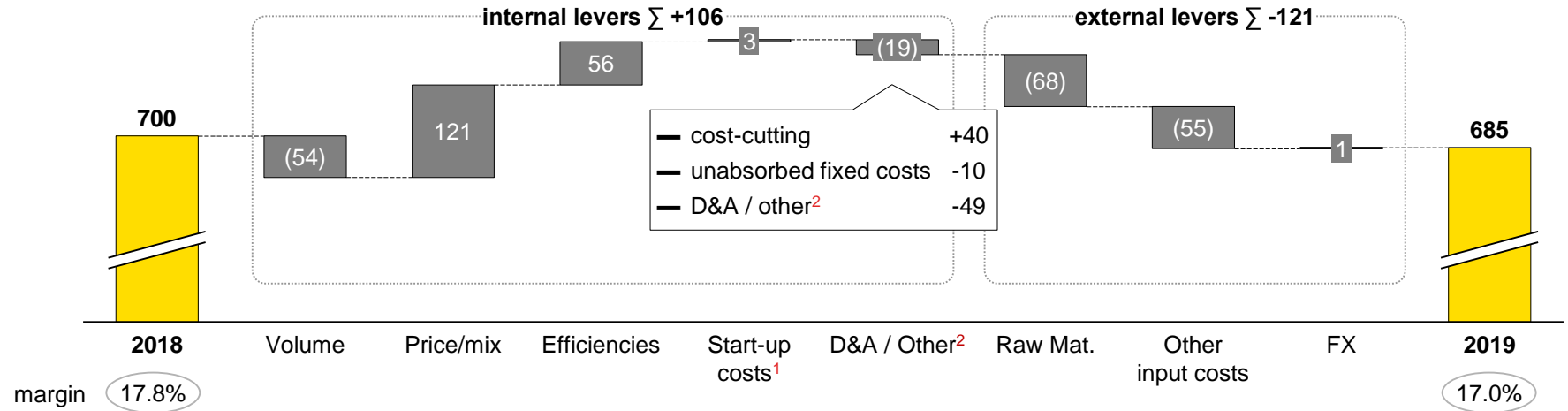


	O.E.	Repl.	High Value Car ≥18"	Standard			o/w Organic	
3Q '19	+13.6%	+12.1%	+10.2% +12.7%	-8.8%	+0.6%	+3.5%	+2.6%	+6.7% +4.1%
2Q '19	-7.0%	+14.0%	+3.4% +4.2%	-11.0%	-3.5%	+5.1%	0.0%	+1.6% +1.6%
...				
3Q '18	+6.1%	+18.4%	+10.1% +13.1%	-11.0%	-3.0%	+5.5%	-6.1%	-4.3% +2.5%

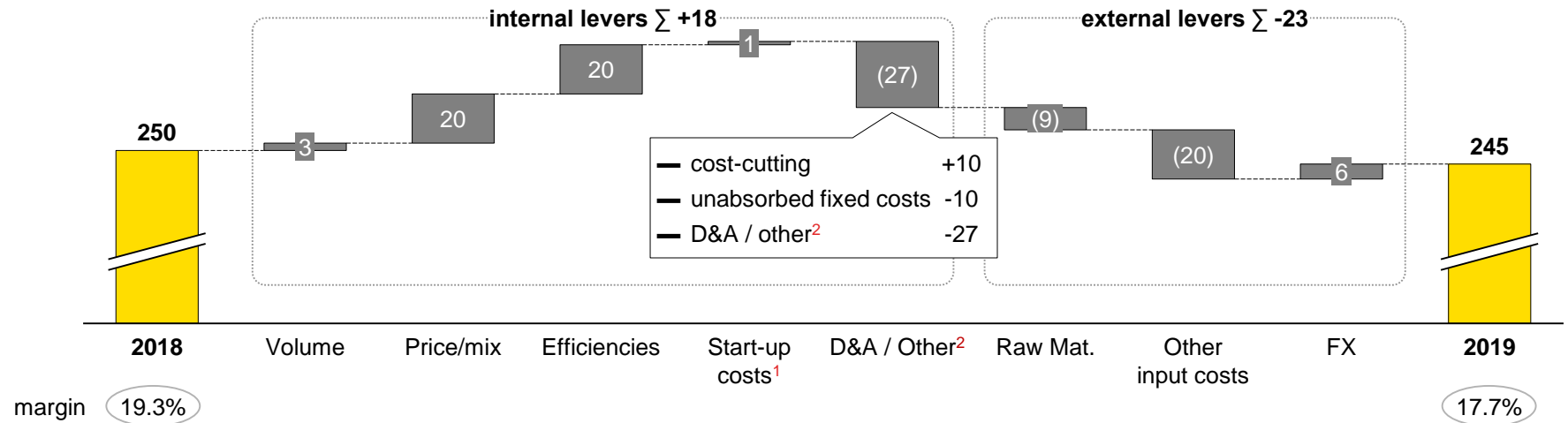
9M / 3Q 2019 ADJUSTED EBIT PERFORMANCE

€ million

9M



3Q

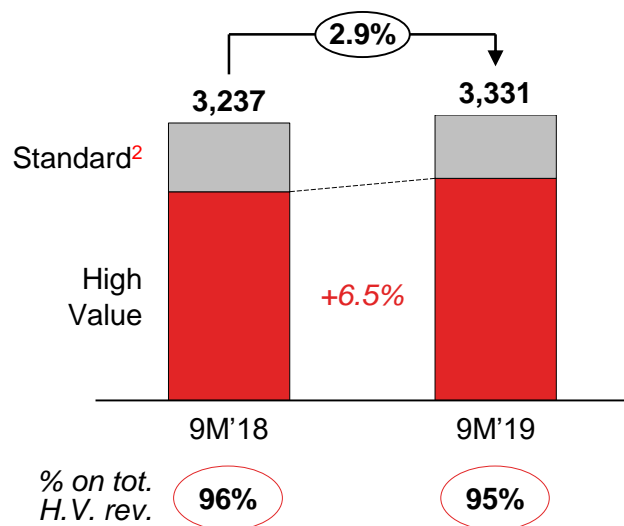


1. Digital transformation, Cyber, Velo; 2. Other costs related to High Value development

9M 2019 PERFORMANCE BY HIGH VALUE REGIONS

€ million

HIGH VALUE REGIONS SALES

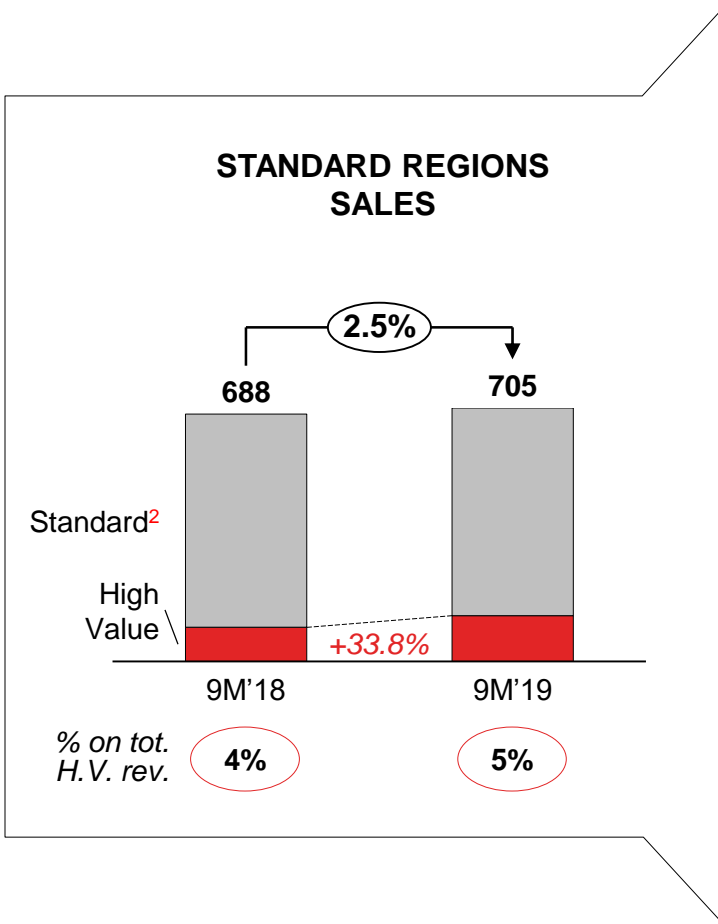


	SALES		Δ YoY %	org. growth	adj. EBIT margin ¹
	9M'18	9M'19			
EMEA	1,801	1,759	-2.4%	-2.0%	Mid-teens (decreasing YoY)
weight on Group Sales	46%	44%		-12.3%	
				+2.3%	
NORTH AMERICA	753	843	+11.9%	+5.7%	Twenties (increasing YoY)
weight on Group Sales	19%	21%		-8.3%	
				+8.7%	
APAC	683	729	+6.8%	+5.2%	Twenties (stable YoY)
weight on Group Sales	17%	18%		+4.3%	
				+5.5%	

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

9M 2019 PERFORMANCE BY STANDARD REGIONS

€ million



	SALES		Δ YoY %	org. growth	adj. EBIT margin ¹
	9M'18	9M'19			
RUSSIA & NORDICS	189	197	+4.6%	+5.4%	Mid-teens (slightly decreasing YoY)
weight on Group Sales	5%	5%			
<hr/>					
SOUTH AMERICA	499	508	+1.7%	+7.2%	High-single-digit (increasing YoY)
weight on Group Sales	13%	12%			
			+3.8%	+37.0%	

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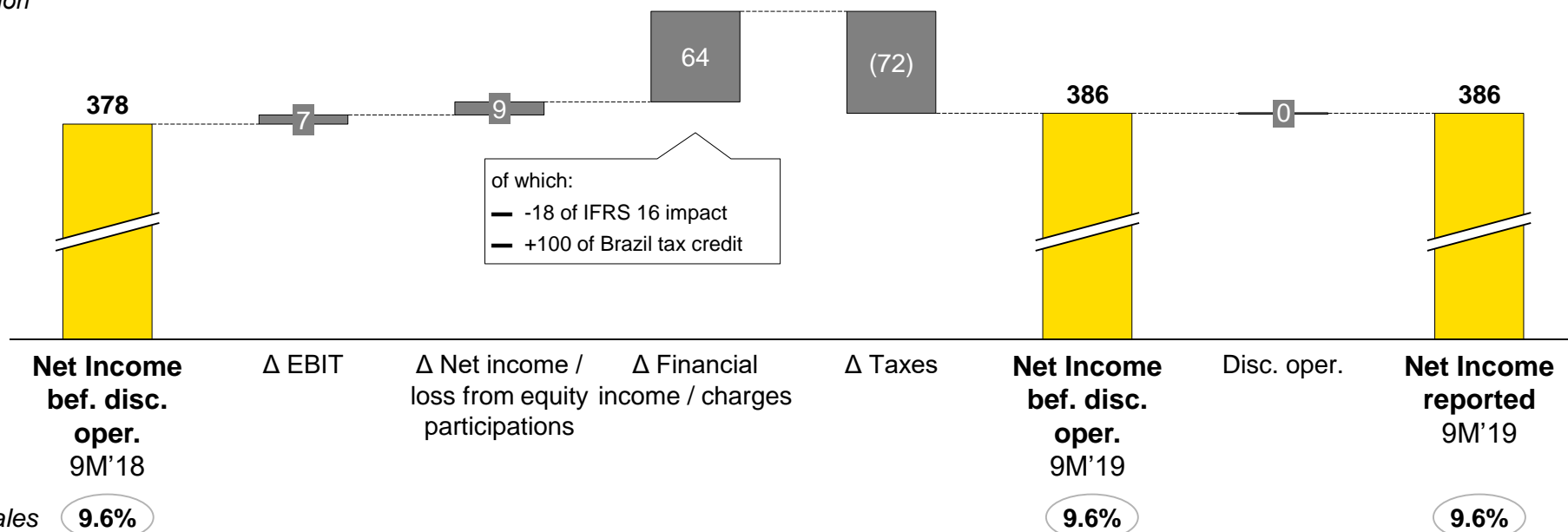
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9M 2019 NET INCOME BRIDGE

€ million

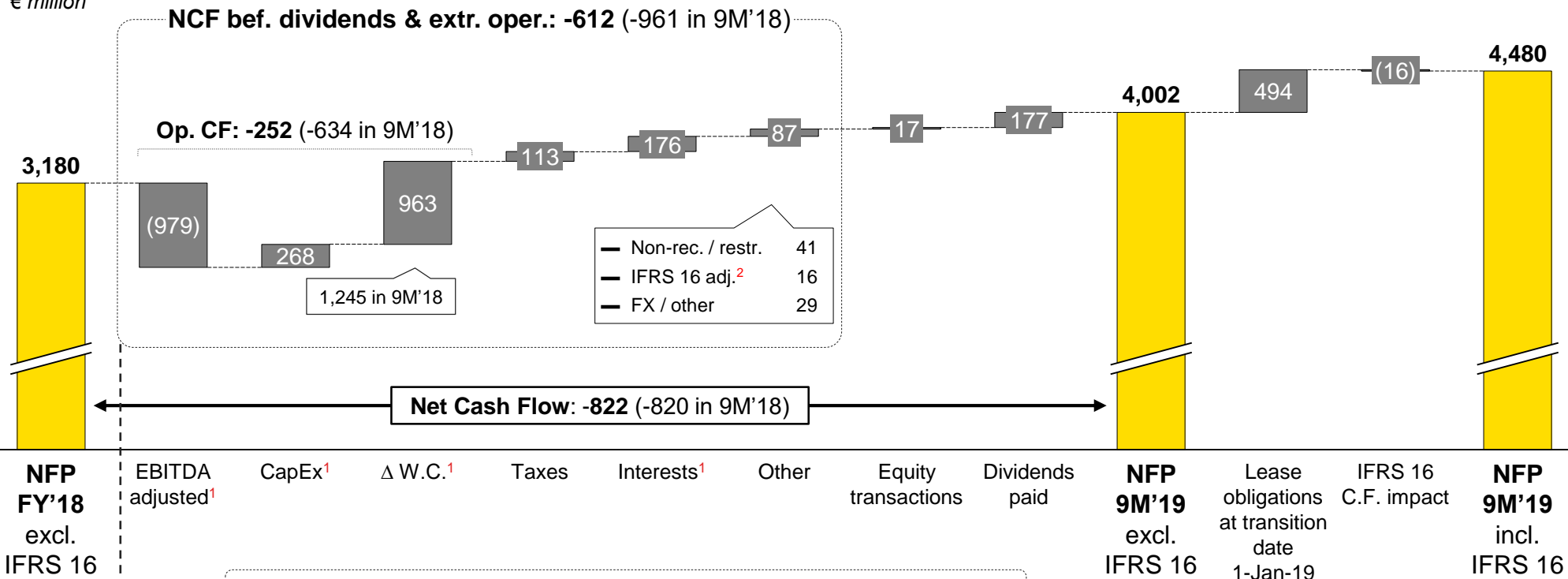


	9M'18	9M'19
Net Income before disc. oper.	378	386
PPA amortization	+86	+86
Non recurring / restr. costs / other adj.	+23	+1
One-off financial income	0	-101
Taxes impact	-84	+8
Adj. Net income before disc. oper.	404	380

Δ YoY mainly related to the Argentina hyper-inflation accounting

9M 2019 CASH FLOW AND NET FINANCIAL POSITION

€ million



3Q'19 NCF bef. dividends & extr. oper.

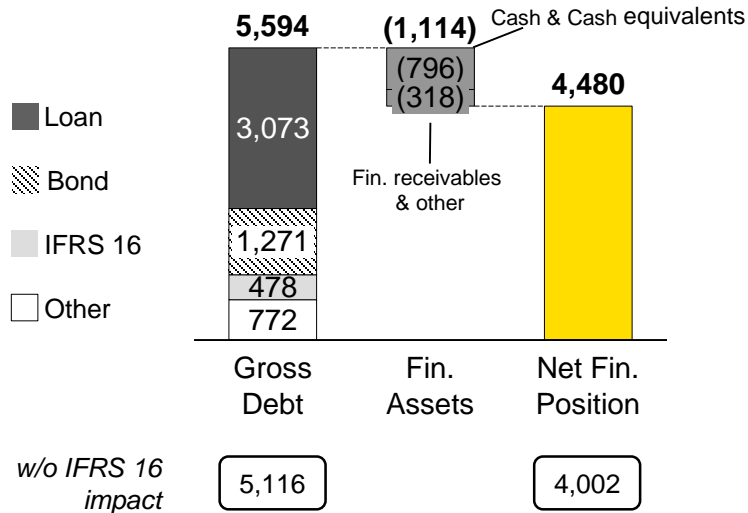
EBITDA adjusted ¹	343	
Capital expenditures	(83)	
Change in W.C. / other	(137)	
Operating Cash Flow	123	(45) in 3Q'18
Taxes / Interests	(104)	
Other	(8)	
Total	12	(131) in 3Q'18

1. Including IFRS 16 impact; 2. elimination of IFRS 16 impact on Adjusted EBITDA, CapEx, Working Capital and Interests

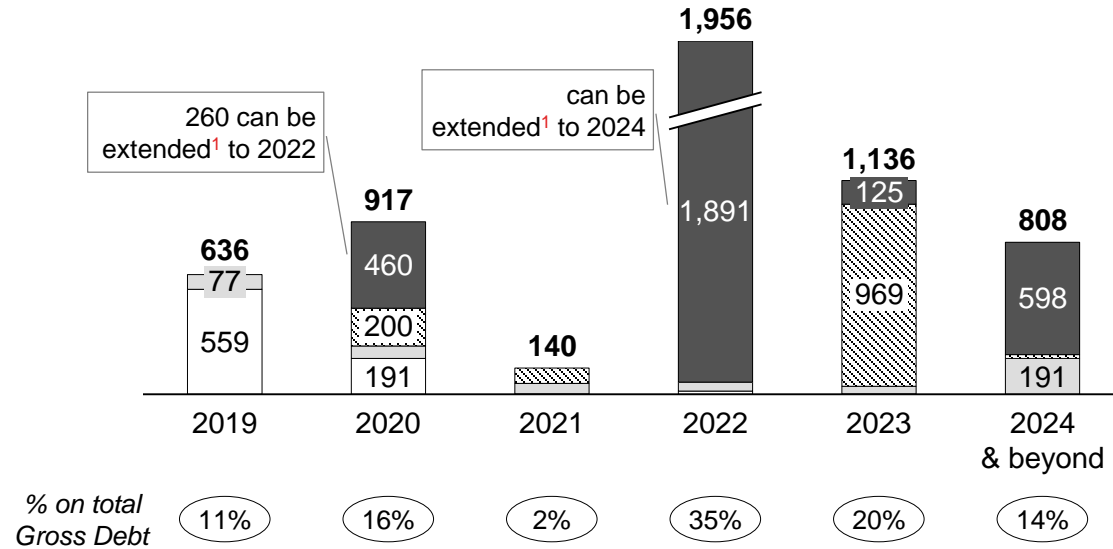
CURRENT CAPITAL STRUCTURE (SEPTEMBER 2019)

€ million

NET FINANCIAL POSITION



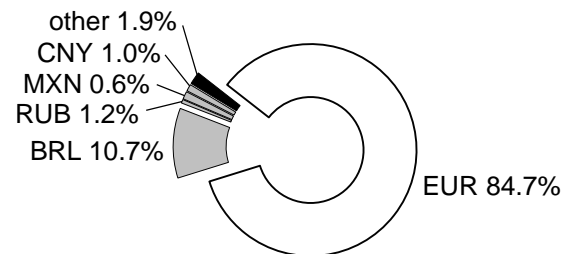
GROSS DEBT MATURITY



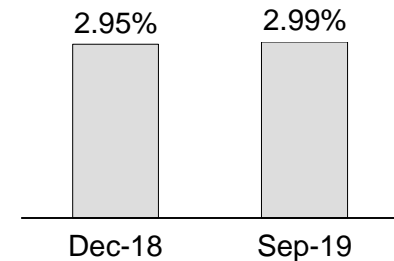
LIQUIDITY PROFILE

Liquidity position	796
Total committed lines not drawn	600
Liquidity margin²	1,396

BREAK-DOWN BY CURRENCY



COST OF DEBT (LAST 12 MONTHS)



1. Committed bank lines include a Pirelli's sole discretionary option to extend original maturities up to 2 years; 2. Covers ~1.2 years of forthcoming maturities, or ~3 years considering the extension option

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3Q / 9M 2019 RESULTS HIGHLIGHTS

€ million	3Q'18	3Q'19	Δ YoY	9M'18	9M'19	Δ YoY
Revenues	1,295	1,382	+6.7%	3,925	4,036	+2.8%
<i>Organic Growth</i> ¹			+4.1%			+2.3%
High Value Revenues	846	932	+10.2%	2,530	2,720	+7.5%
<i>Organic Growth</i> ¹			+8.3%			+5.7%
% on total Revenues	65.3%	67.5%	+2.4 pp	64.5%	67.4%	+2.8 pp
Adjusted EBITDA w/o start-up costs ²	328	350 ⁵	+6.7%	936	1,008 ⁵	+7.6%
Margin	25.3%	25.3%	0.0 pp	23.9%	25.0%	+1.1 pp
Adjusted EBITDA ³	320	342 ⁵	+7.1%	908	979 ⁵	+7.8%
Margin	24.7%	24.2%	-0.5 pp	23.1%	24.2%	+1.1 pp
Adjusted EBIT w/o start-up costs ²	259	252	-2.6%	732	714	-2.4%
Margin	20.0%	18.2%	-1.8 pp	18.7%	17.7%	-1.0 pp
Adjusted EBIT ⁴	250	245	-2.2%	700	685	-2.2%
Margin	19.3%	17.7%	-1.6 pp	17.8%	17.0%	-0.8 pp
EBIT	214	173	-19.1%	591	598	+1.1%
Margin	16.5%	12.5%	-4.0 pp	15.1%	14.8%	-0.3 pp
Results from Equity Investments	(3)	(1)		(8)	1	
Financial Income / (Charges)	(21)	(65) ⁵		(139)	(75) ^{5 6}	
EBT	190	107		445	524	
Tax Rate	n.m.	26.4%		15.0%	26.4%	
Net Income before discontinued operations	196	79		378	386	
Adj. Net Income before discontinued operations	n.m.	n.m.		404	380	

Δ YoY mainly related to the Argentina hyper-inflation accounting

1. Excl. FX; 2. Velo, Cyber / digital transformation; 3. before non-recurring items & restructuring costs; 4. before amortization of PPA, non-recurring items & restructuring costs; 5. including the application of the new IFRS 16: in 9M 2019 +€78 million on EBITDA and -€18 million on financial expenses, in 3Q 2019 +€26 million on EBITDA and -€6 million on financial expenses; 6. including the benefit of +€100 million of the financial income from the Brazilian tax credit

9M 2019 BALANCE SHEET

€ million

	30-Sept-2018	31-Dec-2018	30-Sept-2019
Fixed assets related to continuing operations (before IFRS 16)	8,881	9,018	8,973
Right of use IFRS 16	n.a.	n.a.	464
Fixed assets related to continuing operations (incl. IFRS 16)	n.a.	n.a.	9,437
<i>Inventories</i>	1,049	1,129	1,104
<i>Trade receivables</i>	968	628	976
<i>Trade payables</i>	(1,005)	(1,605)	(1,147)
Operating net working capital related to continuing operations	1,012	152	933
Other receivables / payables	99	34	299
Net Working Capital related to continuing operations	1,110	186	1,232
Net invested capital held for sale	11	11	1
Total net invested capital	10,002	9,215	10,669
Equity	4,465	4,551	4,742
Provisions	1,499	1,484	1,447
Net Financial Position (excl. IFRS 16)	4,038	3,180	4,002
Lease Obligations (IFRS 16)	n.a.	n.a.	478
Net Financial Position (incl. IFRS 16)	n.a.	n.a.	4,480
Total financing and shareholders' equity	10,002	9,215	10,669

9M 2019 CASH FLOW

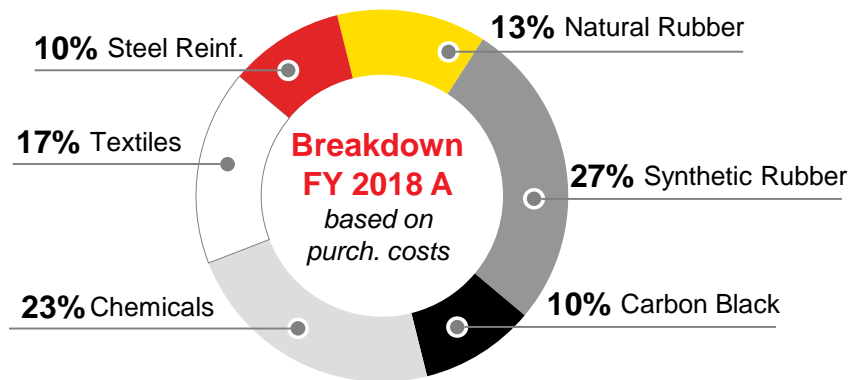
€ million

	3Q '18	3Q '19	9M '18	9M '19
Adjusted EBIT ¹	250	245	700	685
Depreciation & Amortization (excl. PPA amortization)	70	98	208	294
Capital expenditures	(118)	(83)	(297)	(268)
Change in working capital / other	(247)	(137)	(1,245)	(963)
Operating Cash Flow	(45)	123	(634)	(252)
Financial income / (expenses)	(21)	(67)	(139)	(176)
Taxes paid	(34)	(37)	(101)	(113)
Cash-out for non recurring items and restructuring costs	(5)	(7)	(55)	(41)
Exchange rates difference / other	(27)	(0)	(32)	(29)
Net cash flow before dividends & extraordinary operations	(131)	12	(961)	(612)
Industrial reorganization	10	-	5	-
Financial asset disposals / acquisitions	-	-	137	(17)
Net cash flow before dividends	(122)	12	(820)	(629)
Dividends paid	-	-	-	(177)
IFRS 16 adj.	-	8	-	(16)
Net cash flow excl. IFRS 16	(122)	20	(820)	(823)

1. before amortization of PPA, non recurring items and restructuring costs

2019E RAW MATERIAL GUIDANCE

€ million



Raw Materials
35% on Sales

COMMODITIES - AVERAGE QUOTATION

COMMODITIES: AVERAGE COST OF GOODS SOLD

	2018 A	2019 E Oct-19 guidance	Δ YoY	2018 A	2019 E Oct-19 guidance	2019E EBIT impact
Natural Rubber TSR20 (\$ / tonne)	1,365	~1,424	+4%	1,419	~1,381	~+19
Brent Oil (\$ / barrel)	71.5	~64	-10%	67.2	~67.3	~-2
Butadiene EU (€ / tonne)	1,011	~838	-17%	947	~903	~+2
				Raw Mat. subtotal		~+19
				FX impact		~-89
				TOT. IMPACT		~-70

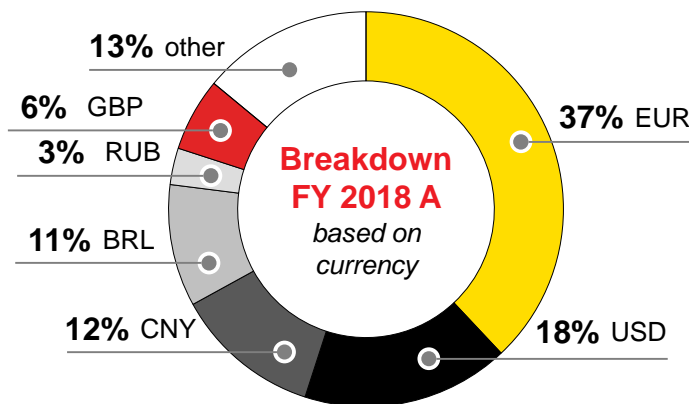
Aug-19 guidance











- Nat. Rubber ~ 1,480
- Brent Oil ~67
- Butadiene ~950

Aug-19 guidance
~€70 million

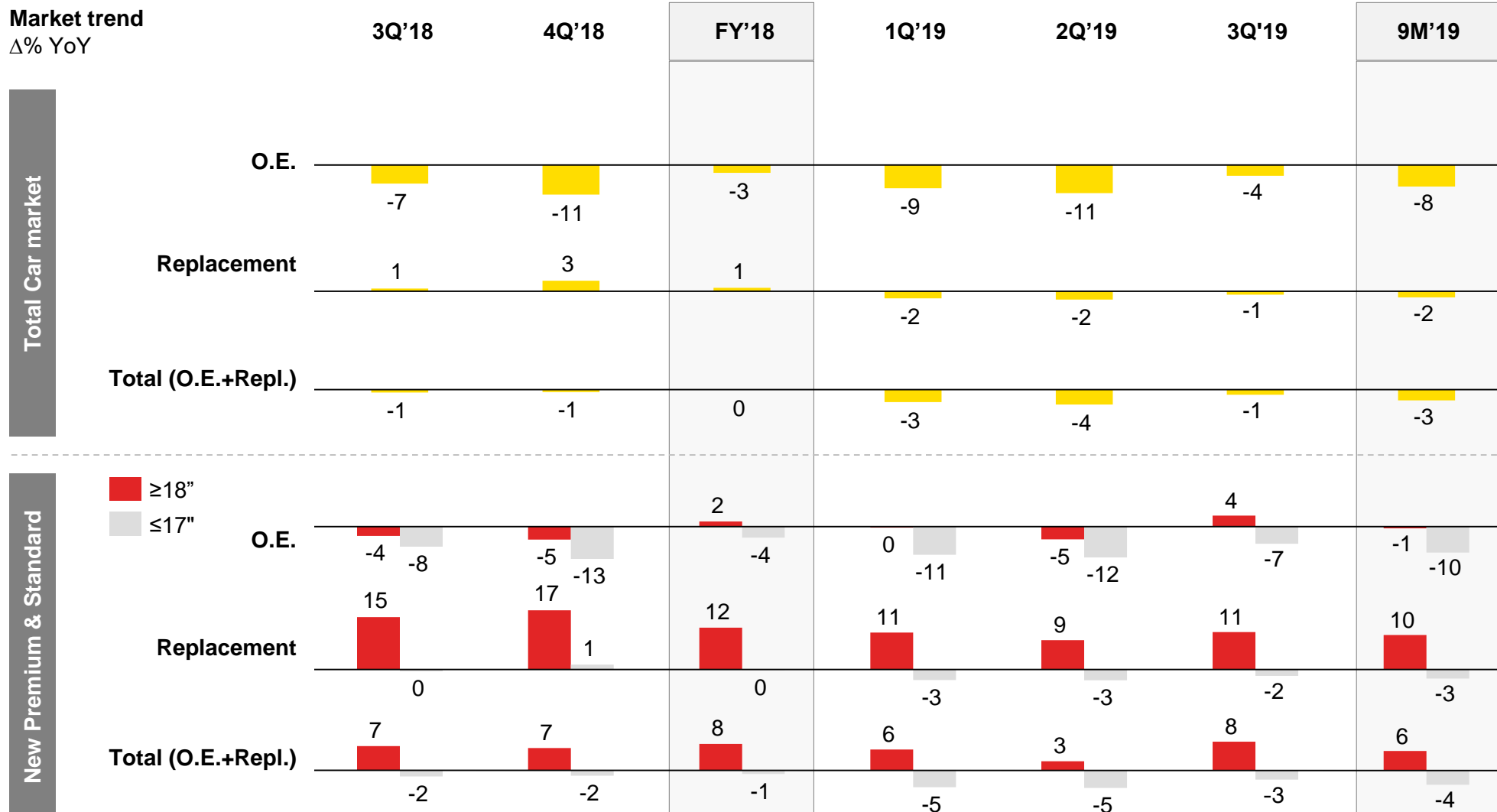
2019E FOREX GUIDANCE

€ million



MAIN AVERAGE EXCHANGE RATES		2018 A	2019 E Oct-19 guidance	Δ YoY	Δ YoY vs. EUR	2019 E Aug-19 guidance
EUR / USD	 / 	1.181	1.12	-5.5%	-5.5%	1.15
USD / CNY	 / 	6.617	6.95	+4.8%	-0.4%	6.9
USD / BRL	 / 	3.658	4.12	+10.8%	+5.9%	4.0
EUR / RUB	 / 	73.944	77.10	+4.0%	+4.0%	78.2
EUR / GBP	 / 	0.884	0.89	+0.6%	+0.6%	0.89
TOT. IMPACT ON SALES					~0%	~-0.5%

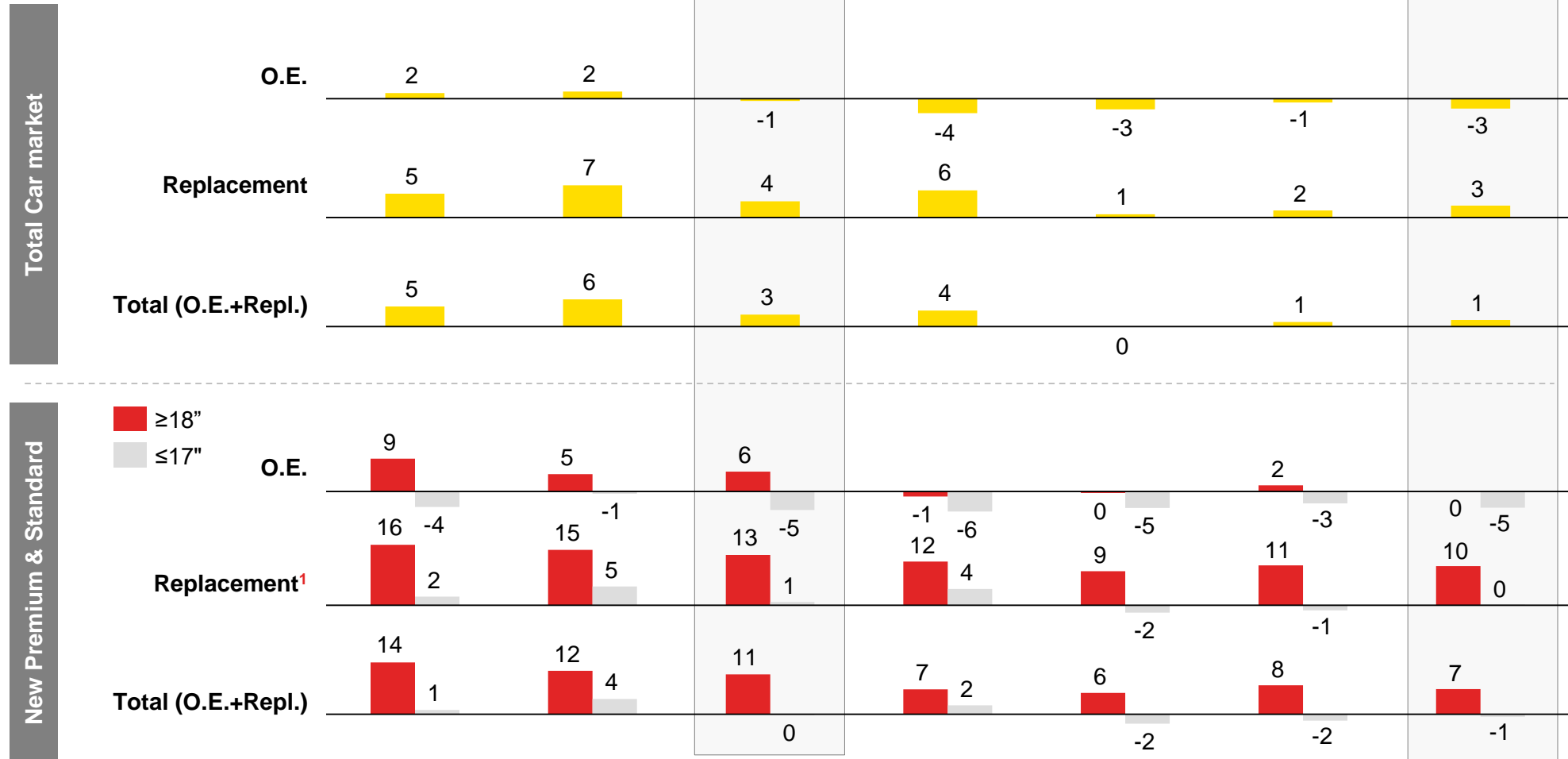
KEY CAR MARKET TRENDS: EMEA



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

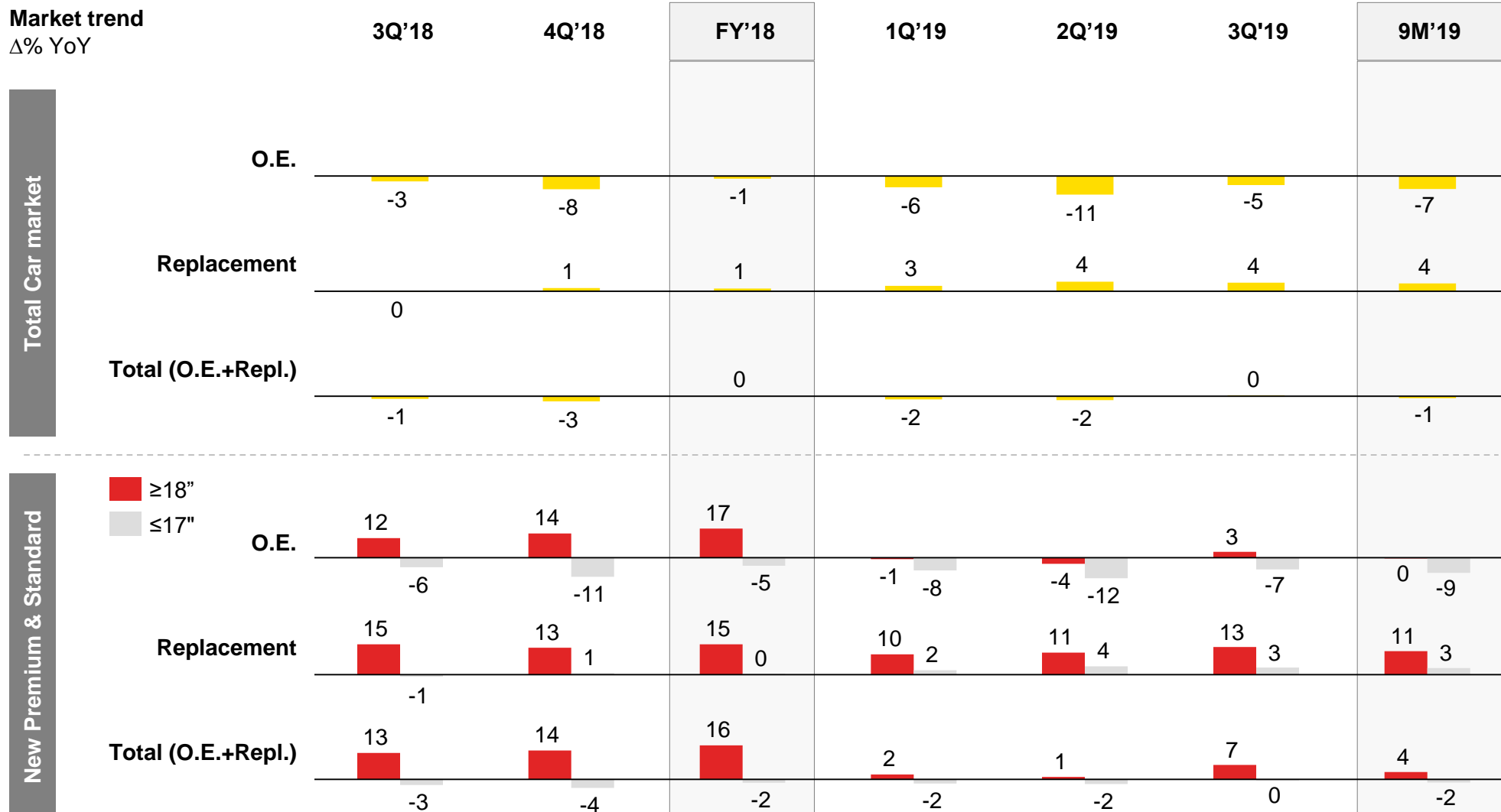
KEY CAR MARKET TRENDS: NORTH AMERICA

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. N. America Replacement includes imports

KEY CAR MARKET TRENDS: ASIA PACIFIC

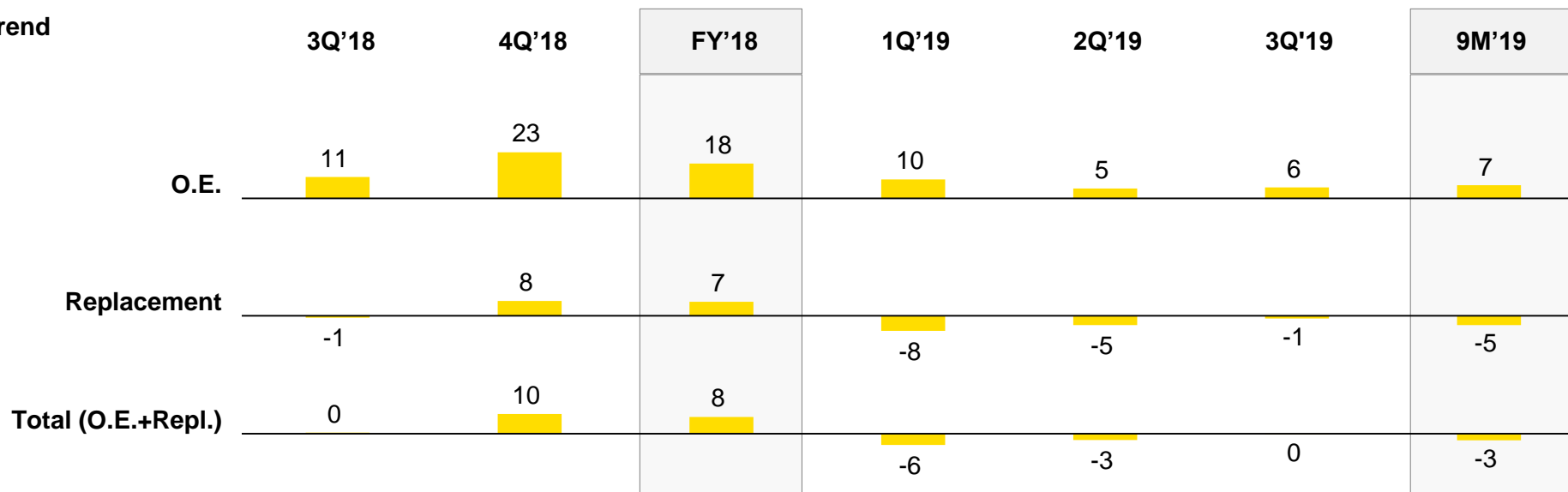


Source: Pirelli tyre market estimates based on main data provider for the Region; historical market data may be subject to restatement

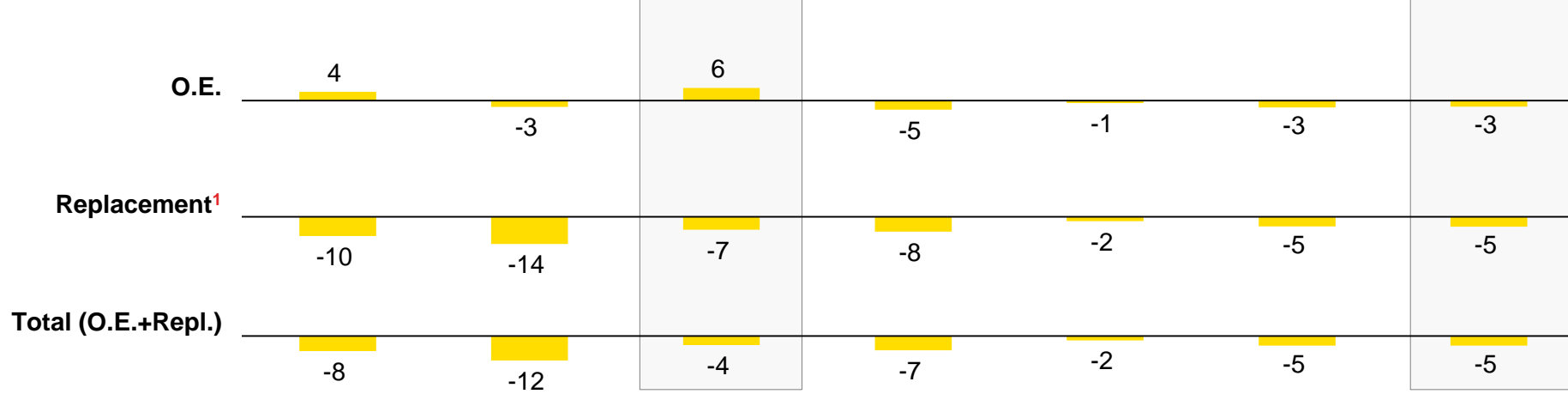
KEY MARKET TRENDS: RUSSIA & NORDICS / SOUTH AMERICA

Market trend
Δ% YoY

Russia & Nordics



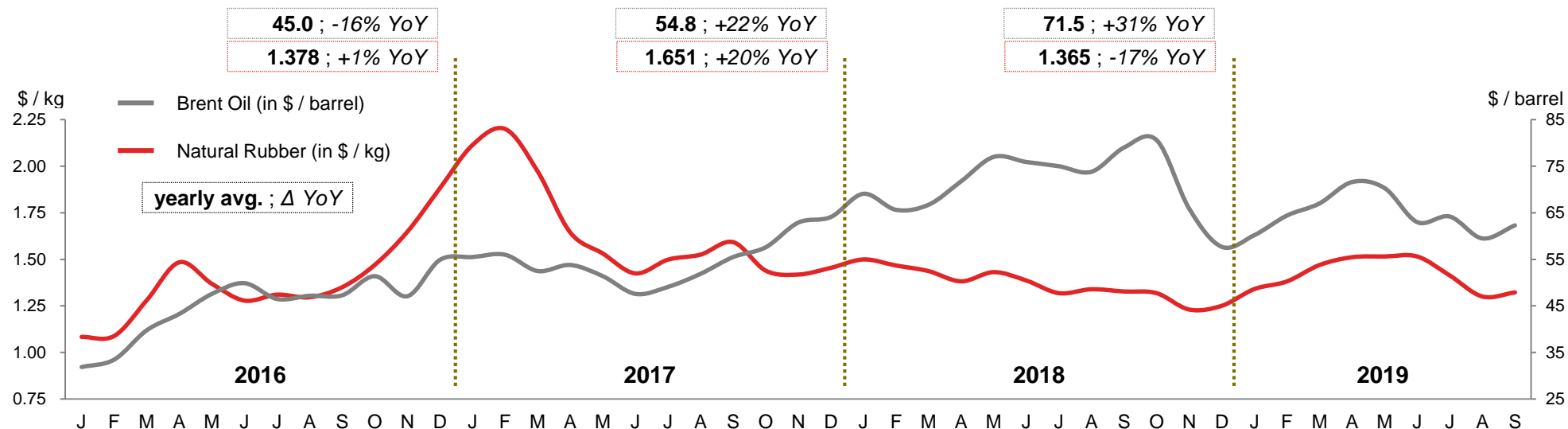
South America



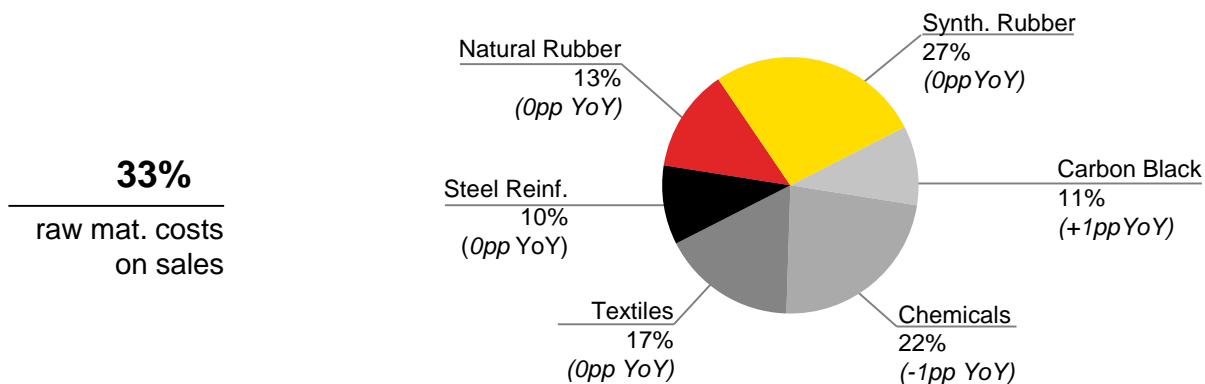
Source: Pirelli tyre market estimates based on main data provider for the Region; historical market data may be subject to restatement; 1. South America Replacement restated to include Brazilian imports

RAW MATERIAL COSTS TREND AND MIX

MAIN RAW MATERIALS PRICE TREND

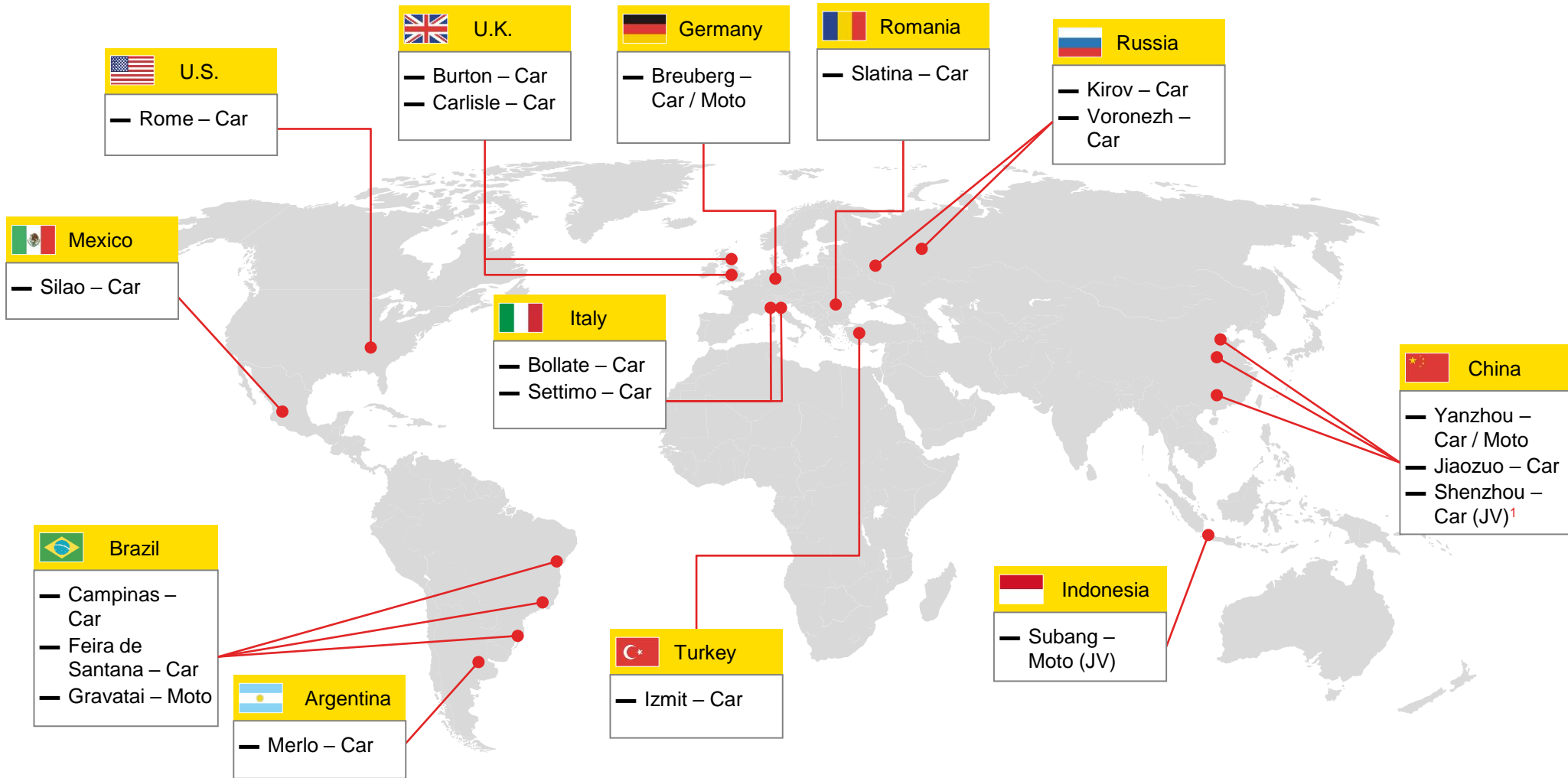


9M 2019 MIX (BASED ON PURCHASING COST)



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

MANUFACTURING FOOTPRINT AS OF SEPTEMBER 30TH, 2019



1. 49% Joint Venture with the Hixih Group