



PIRELLI, GLOBAL HIGH VALUE

1Q 2018 RESULTS - 14 MAY 2018



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

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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_



1Q'18 RESULTS: GOOD PERFORMANCE IN SPIITE OF EXTERNAL HEADWINDS

- Strengthening in High Value: +13% volume growth with a market share gain
 - Significant reduction of exposure to less profitable standard products and shift towards higher rim sizes
 - Top-of-the-Industry price/mix improvement (+7.2%) leading to profitability enhancement (Adj Ebit margin before start-up costs at 17.5%, +1.1pp YoY)
-



CONSISTENT EXECUTION OF OUR STRATEGY:

- High Value strengthening: new homologations, additional capacity and tighter control over distribution, acceleration program in China
 - Transformation programs: improving predictivity along the value chain, leading to better service levels
 - New Organization improving inter-functionality and operational control of execution
-



FY'18 OUTLOOK:

- The robustness of our value drivers, HV volume and Price/Mix, is confirmed in line with our Feb guidance
- Top line organic growth expected to be $\geq 9\%$ (~10% February guidance) due to a lower exposure to less profitable standard products
- Profitability and cash flow guidance confirmed

AGENDA_

1Q'18 RESULTS HIGHLIGHTS & FY'18 OUTLOOK

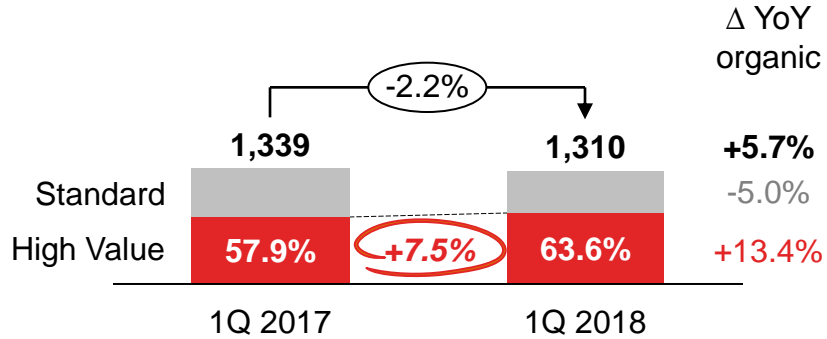
1Q'18 RESULTS IN DETAIL

APPENDIX

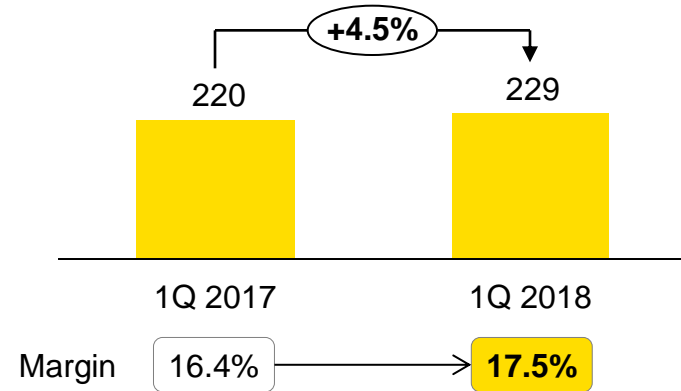
1Q 2018 RESULTS HIGHLIGHTS

€ million

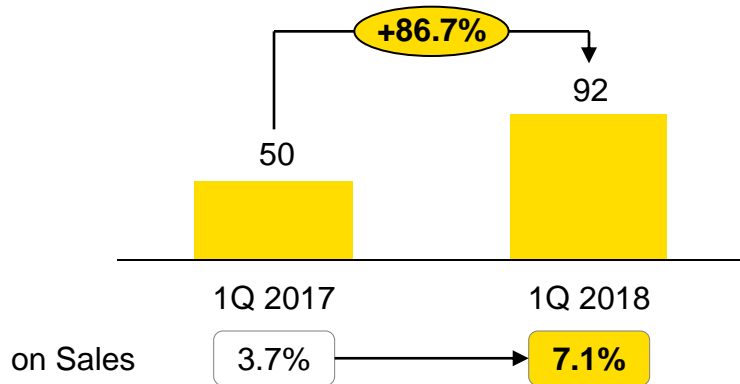
REVENUES



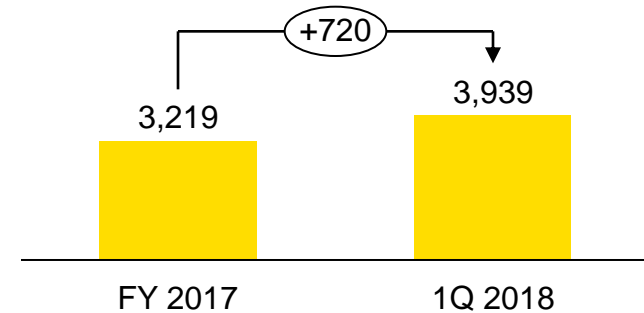
EBIT ADJ.¹ w/o start-up costs²



NET INCOME before discontinued operations



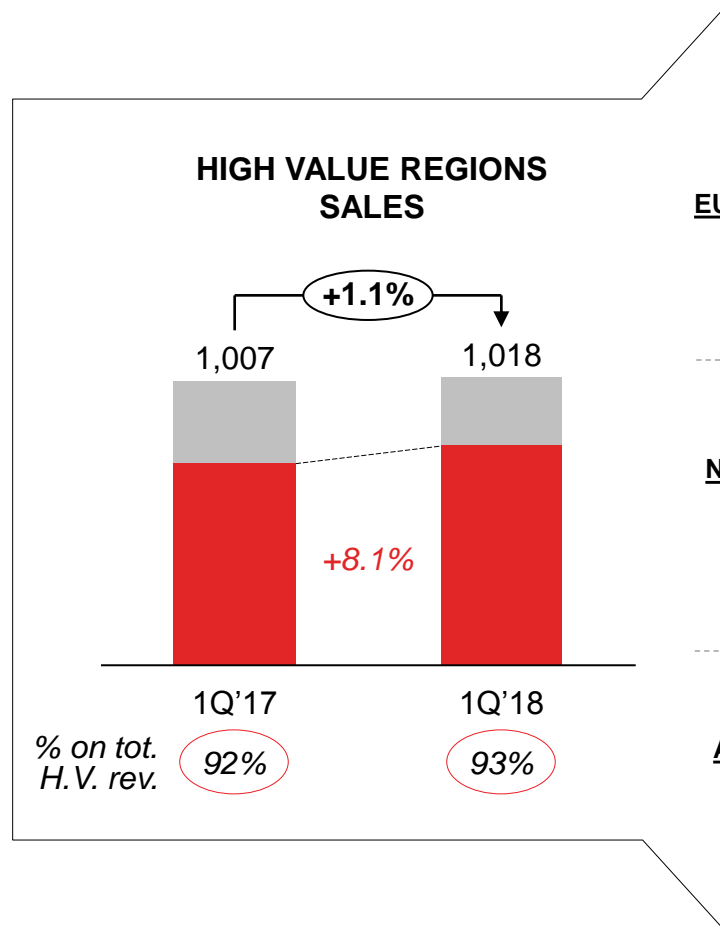
NET FINANCIAL POSITION



¹ Before amortization of PPA, non-recurring items, restructuring costs and other adjustments; ² Aeolus Car, Velo, Cyber & digital transformation;

1Q 2018 PERFORMANCE BY HIGH VALUE REGIONS

€ million



	SALES		Δ YoY %	org. growth	EBIT adj. margin ¹	KEY HIGHLIGHTS
	1Q'17	1Q'18				
EUROPE	570 (43%)	578 (44%)	+1.3%	+3.1% -14.0%	Mid-teens	<ul style="list-style-type: none"> Strengthening High Value position, with market share increase Proactive reduction of Standard in the less profitable segments, in a context of overall market slowdown (tough comparison with 1Q'17 and late start of Summer season)
NAFTA	251 (19%)	243 (19%)	-2.9%	+10.0% +8.4% +10.4%	High-teens	<ul style="list-style-type: none"> Increasing High Value sales, with all-season product introduction and further retail penetration Profitability trend mainly impacted by FX
APAC	186 (14%)	197 (15%)	+5.8%	+12.9% -13.2% +23.3%	Twenties	<ul style="list-style-type: none"> High Value: strong performance driven by a successful O.E. Strategy and pull-through effect Standard: lower Aeolus brand sales

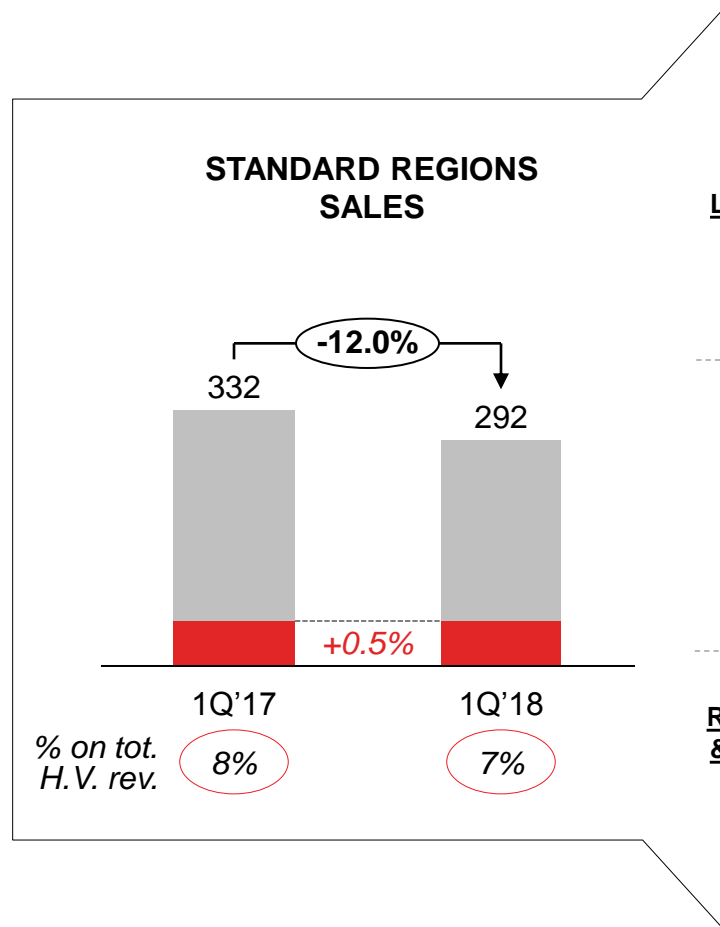
■ High Value ■ Standard²
 Weight on Group revenues

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



1Q 2018 PERFORMANCE BY STANDARD REGIONS

€ million



Region	SALES		Δ YoY %	org. growth	EBIT adj. margin ¹	KEY HIGHLIGHTS
	1Q'17	1Q'18				
LATAM	227	189	-16.7%	+1.4%	High-single digit	<ul style="list-style-type: none"> Accelerated exit from less profitable products within the Standard segment Increased exports to North America Market share increase in High Value
MEAI	64	58	-9.8%	-4.1%	Mid-teens	<ul style="list-style-type: none"> Reduction of less profitable segments and strong growth High Value Currency volatility in the area (especially in Turkey)
RUSSIA & C.I.S.	41	45	+10.7%	+21.2%	Mid-teens	<ul style="list-style-type: none"> Mix improvement drove the strong profitability increase

■ High Value ■ Standard²
 Weight on Group revenues

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

PROGRESSING ALONG THE 3 PILLARS OF OUR IPO PLAN..._

1Q 2018 achievements

I

PILLAR 1: HIGH VALUE

- More than 120 High Value homologations
- +0.7 mln High Value capacity (Europe, NAFTA and LatAm)
- Increasing share of Car Dealer + Pirelli Retail + Tier 1 clients in our distribution network, reaching 53% in 1Q 2018 from 51% of FY 2017

II

PILLAR 2: TRANSFORMATION PROGRAMS

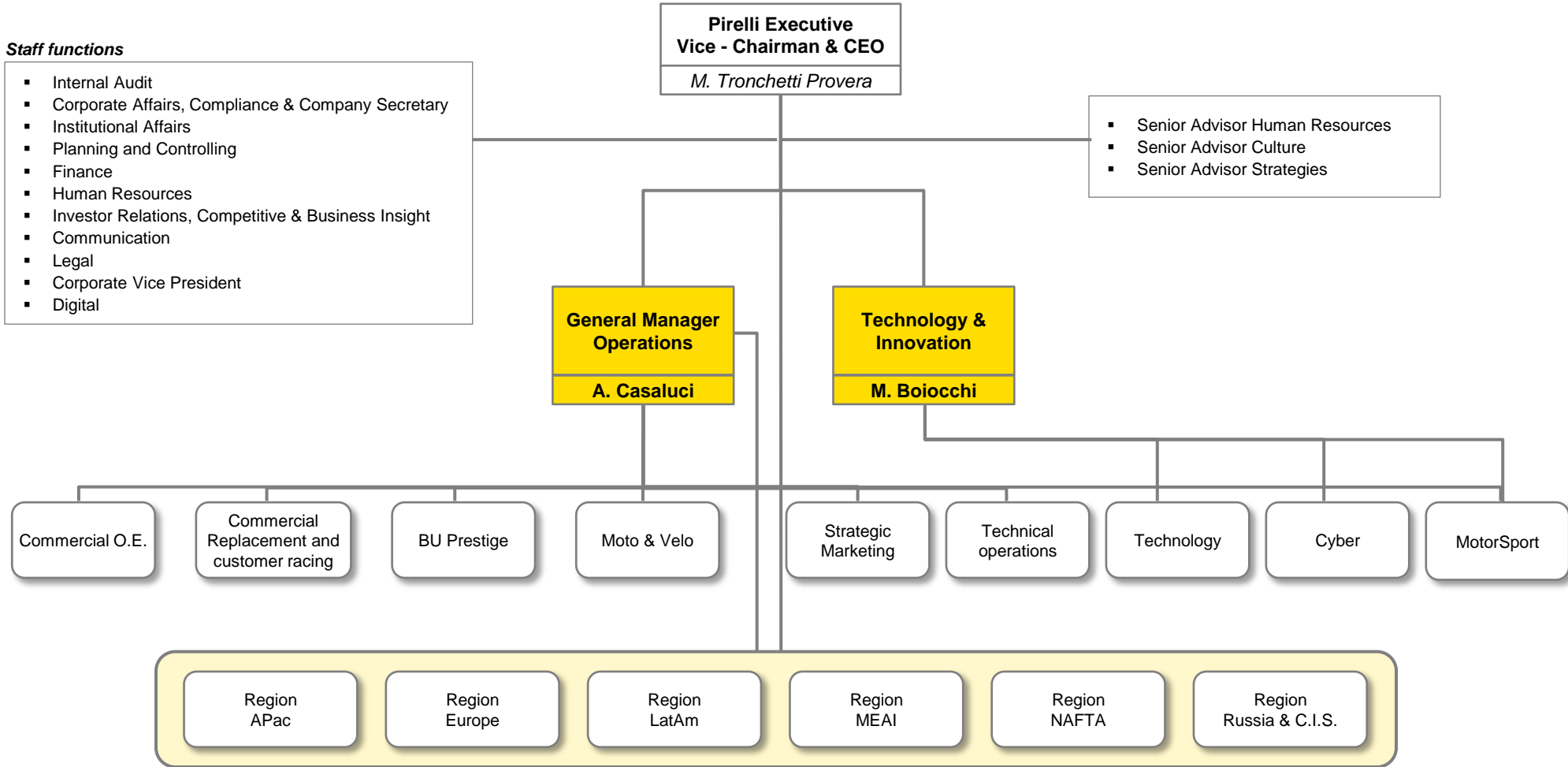
- All 4 programs in line with IPO plan
- Integrated Forecasting: first pilots of predictive forecasting tools showing encouraging results
 - Smart Manufacturing and Flexible Factory: people engagement program proceeding
 - Prestige: new production planning approach raising service level
 - Supply Chain: launched “First class network” for top retail clients

III

PILLAR 3: STANDARD CAPACITY REDUCTION

- Acceleration in the Standard reduction:
- OE: supporting industry rim size upgrade, switching production from 17” to ≥ 18 ”
 - REP: reduction in less profitable products in lower rim sizes (≤ 16 ”)

...SUPPORTED BY NEW A ORGANIZATIONAL STRUCTURE_



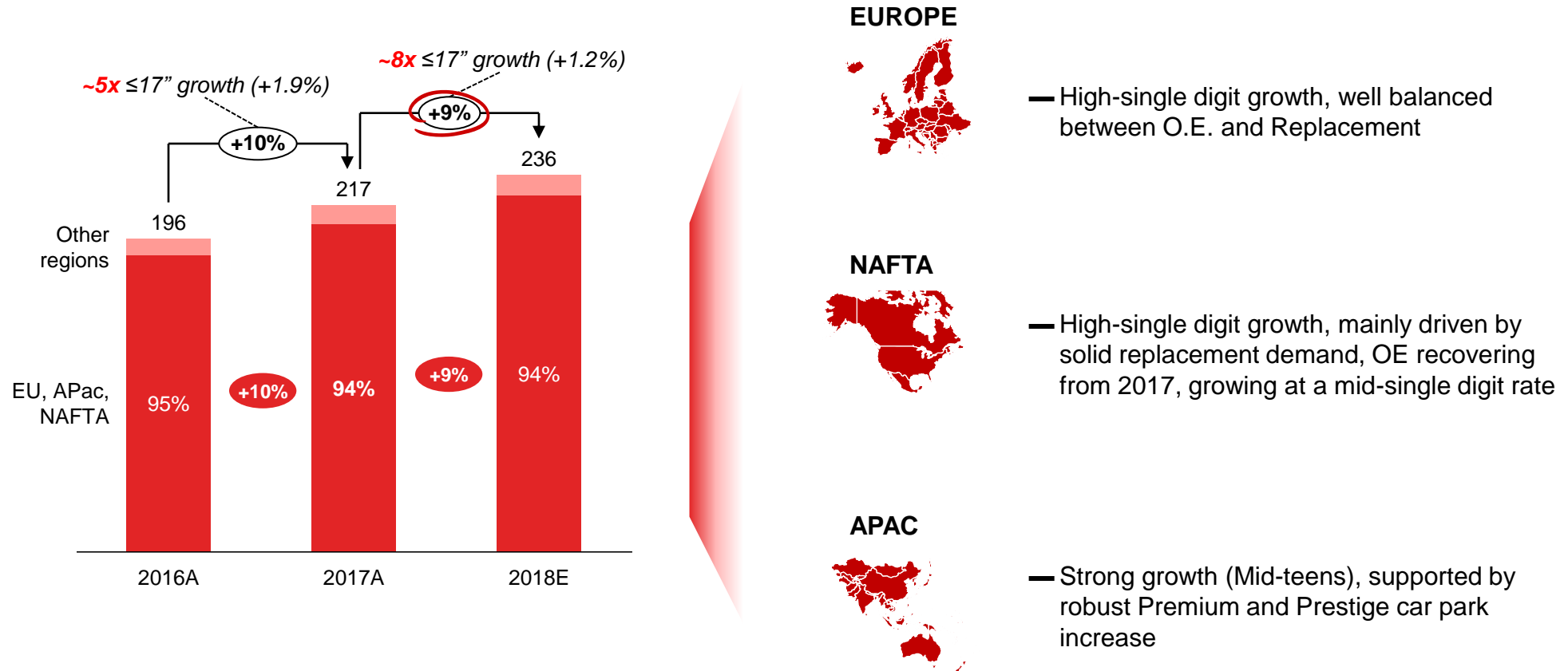
Greater operational effectiveness by assigning all the key levers to the General Manager Operations



2018 HIGH VALUE MARKET OUTLOOK CONFIRMED_

O.E. + REPLACEMENT ≥18" TYRE MARKET

(million tyres)



Source: Company elaborations based on third party data relative to car market and on data provided by local associations of tyre producers; 2016 A market figures restated

FY 2018 OUTLOOK UPDATE

€ million

	2017A	2018E (26 Feb. 2018)	2018E (14 May. 2018)
Revenues	5,352	≥+6% YoY ~+10% Net of FX	~+4% YoY ≥+9% Net of FX
<i>High Value weight</i>	58%	~60%	≥60%
Adjusted EBIT w/o start-up¹	927	>€ 1,0 bln	confirmed
<i>High Value weight</i>	~83%	≥83%	confirmed
<i>Start-up costs</i>	50	~40	confirmed
Adjusted EBIT	876	~€1,0 bln	confirmed
Net financial position / Adjusted EBITDA w/o start-up costs	2.7X	~2.3X	confirmed
CapEx on Revenues	9.1%	~8%	confirmed

- - 0.5 p.p. on total volume (due to -1pp on **Standard**)
- - 1.0 p.p. linked to **FX**
- - 0.6 p.p. **IFRS 15 impact²**

Top line impact (volumes and FX) offset by **lower raw mat headwind** (-80 € mln vs -95 € mln)

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

AGENDA_

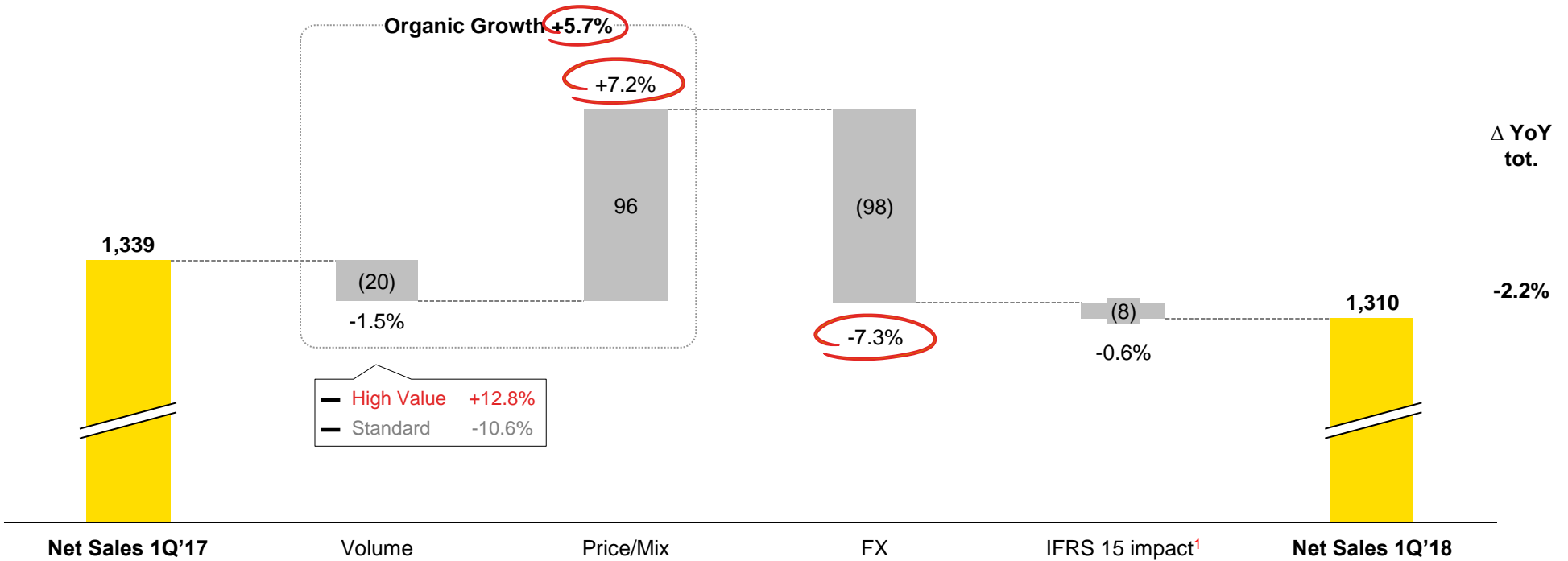
1Q'18 RESULTS HIGHLIGHTS & FY'18 OUTLOOK

1Q'18 RESULTS IN DETAIL

APPENDIX

1Q 2018 NET SALES BRIDGE_

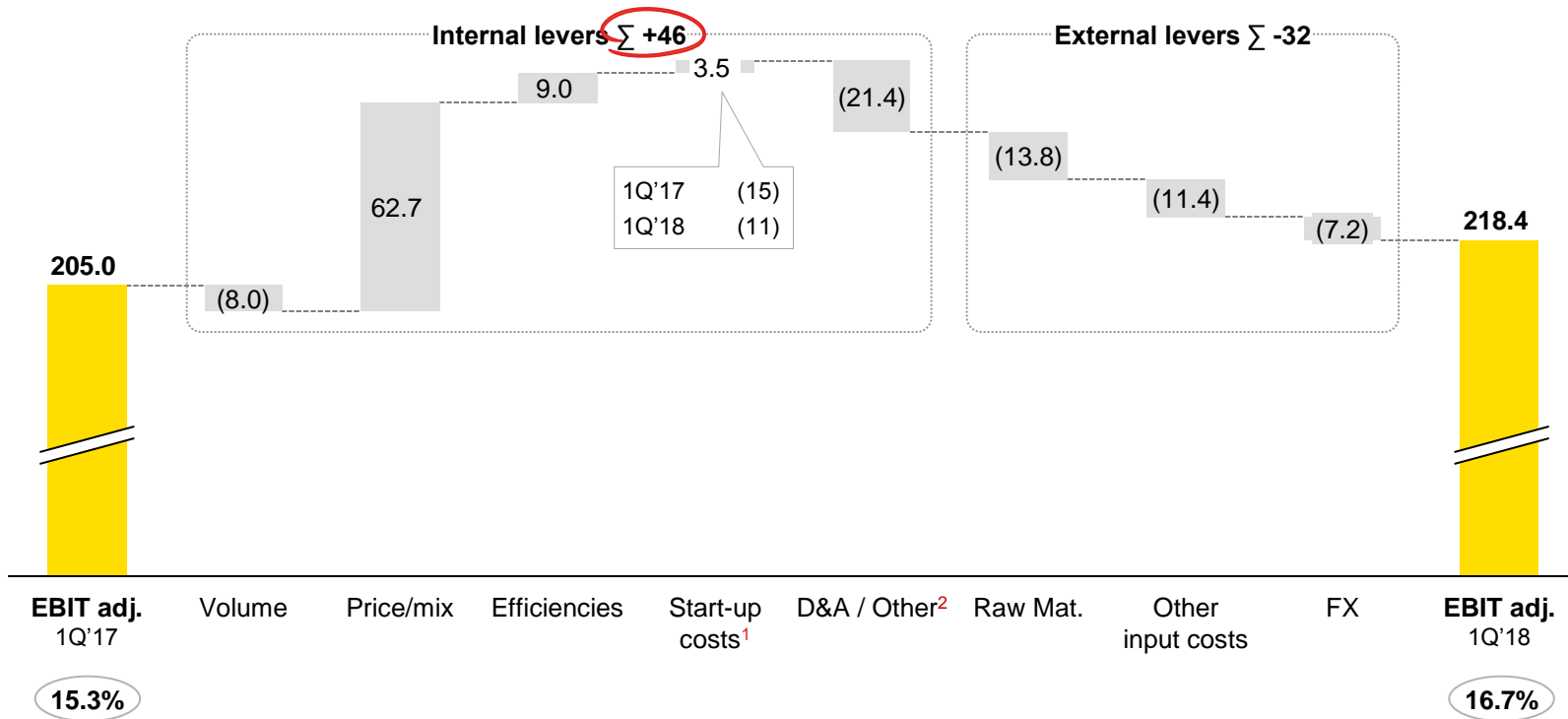
€ million



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

1Q 2018 OPERATING PERFORMANCE

€ million



EBIT adj.
w/o start-up
margin

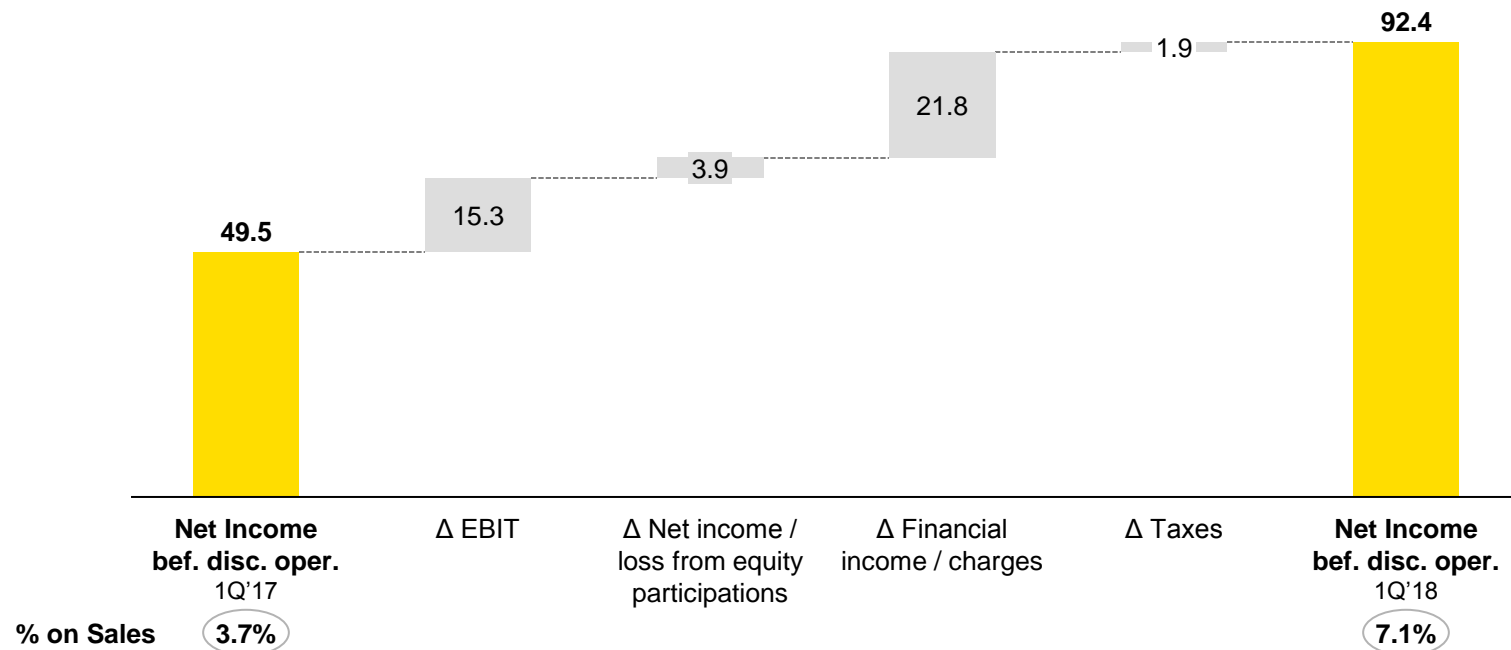
220
16.4%

229
17.5%

¹ Aeolus Car, Velo, Cyber & digital transformation; ² Other costs related to high value development

1Q 2018 NET INCOME BRIDGE__

€ million

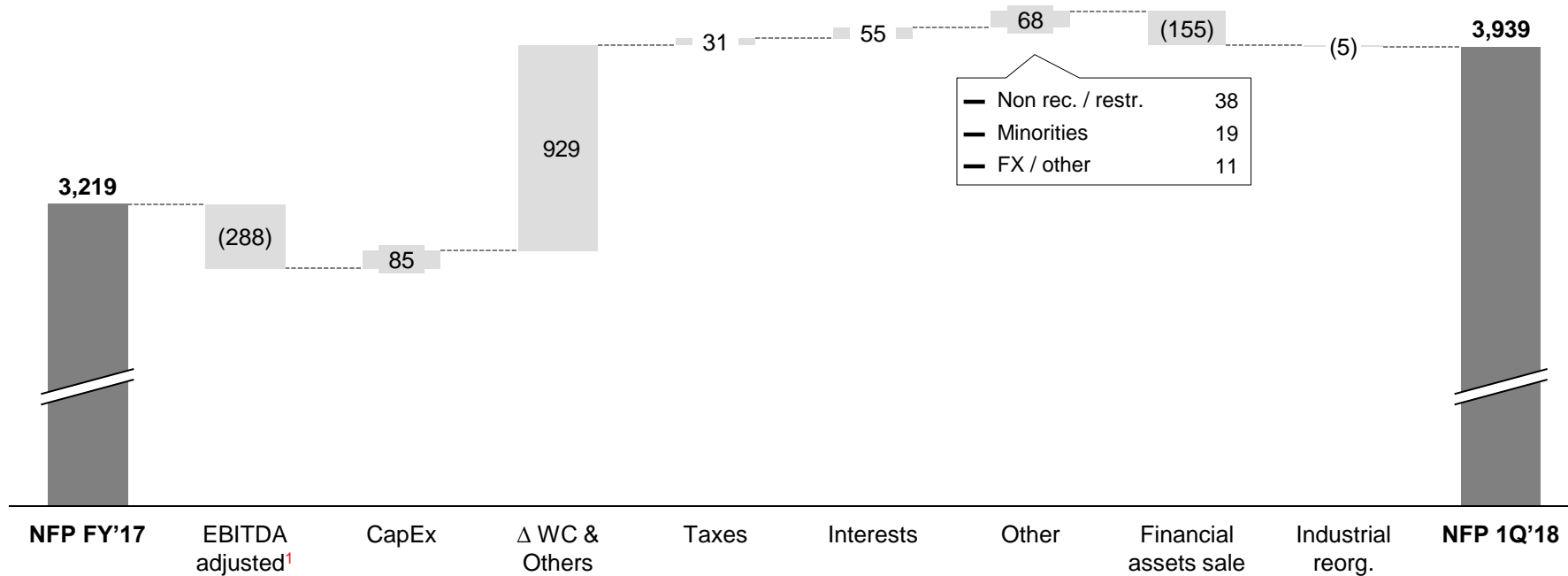


	1Q'17	1Q'18
Net Income	50	92
PPA amortization	+26	+29
Non recurring / restr. costs / other adj.	+10	+6
Non recurring fin. expenses	0	-6 ¹
Taxes impact	-10	-7
Net income adjusted	76	113

¹ Mainly related to the gain on re-pricing of unsecured facilities

1Q 2018 CASH FLOW AND NET FINANCIAL POSITION

€ million

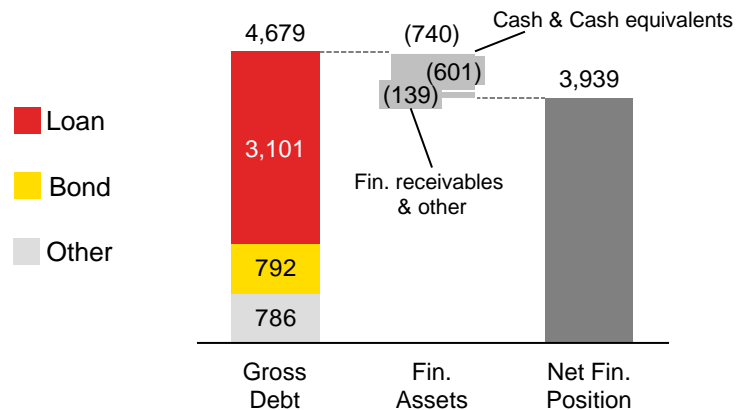


¹ Before amortization of PPA, non-recurring items, restructuring costs and other adjustments

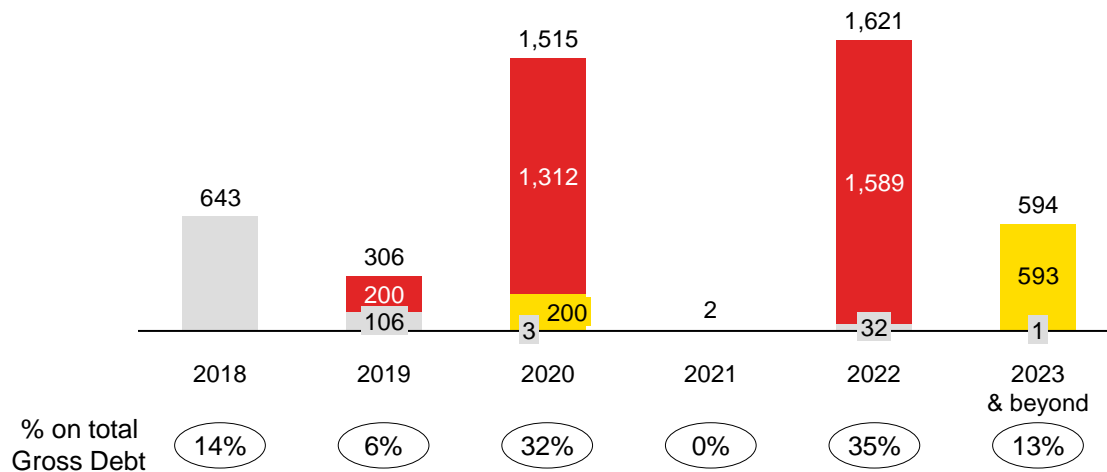
CURRENT CAPITAL STRUCTURE (MARCH 2018)_

€ million

NET FINANCIAL POSITION



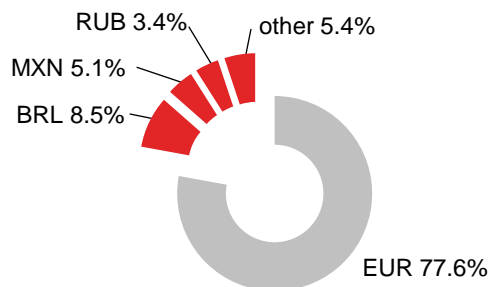
GROSS DEBT MATURITY



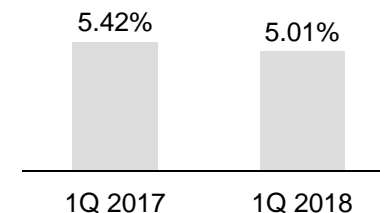
LIQUIDITY PROFILE

Liquidity position	601
Total committed lines not drawn	700
Liquidity margin¹	1,301

BREAK-DOWN BY CURRENCY



COST OF DEBT



¹ Covers ~2.2 years of forthcoming maturities

AGENDA_

1Q'18 RESULTS HIGHLIGHTS & FY'18 OUTLOOK

1Q'18 RESULTS IN DETAIL

APPENDIX

1Q 2018 RESULTS HIGHLIGHTS

€ million

	1Q '17 reported	1Q '18 reported	Δ YoY
Revenues	1,339.3	1,310.3	-2.2%
<i>Organic Growth</i> ¹			+5.7%
High Value Revenues	775.4	833.9	+7.5%
<i>Organic Growth</i> ¹			+13.4%
% on total Revenues	57.9%	63.6%	+5.7 p.p.
EBITDA adjusted w/o start-up costs ²	281.7	298.0	+5.8%
Margin	21.0%	22.7%	+1.7 p.p.
EBITDA adjusted ³	270.4	288.1	+6.5%
Margin	20.2%	22.0%	+1.8 p.p.
EBIT adjusted w/o start-up costs ²	219.5	229.4	+4.5%
Margin	16.4%	17.5%	+1.1 p.p.
EBIT adjusted ³	205.0	218.4	+6.5%
Margin	15.3%	16.7%	+1.4 p.p.
EBIT	168.7	184.0	+9.1%
Margin	12.6%	14.0%	+1.4 p.p.
Results from Equity Investments	(3.1)	0.8	
Financial Income / (Charges)	(77.0)	(55.2)	
EBT	88.6	129.6	
Tax Rate	44.1%	28.7%	
Net Income before disc. operations	49.5	92.4	
Net Income adjusted before disc. operations	75.7	113.3	

1Q Highlights

Solid organic growth on the back of:

- Sound High Value volumes (+12.8% in 1Q'18, +17.1% in Q'17), with market share increase in all Regions
- Strong price/mix (+7.2%)
- Negative FX, with the EUR strengthening vs. USD and the volatility of emerging countries currencies

- EBIT adj. improvement, with internal levers more than compensating for rising raw mat. costs, inflation and other costs related to business development

- Decreasing financial charges, thanks to the improving financial profile of the company after the recent refinancing
- Tax rate in line with FY'18 target

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

1Q PIRELLI BALANCE SHEET_

€ million

	31/03/2017	31/12/2017	31/03/2018
Fixed assets related to continuing operations	9,214	9,121	8,958
Inventories	925	941	940
Trade receivables	1,045	653	876
Trade payables	(1,062)	(1,674)	(1,062)
Operating net working capital related to continuing operations	908	(80)	754
Other receivables / payables	158	(42)	90
Net Working Capital related to continuing operations	1,066	(122)	844
Net invested capital held for sale	78	60	51
Total net invested capital	10,358	9,059	9,853
Equity	3,003	4,177	4,268
Provisions	1,830	1,663	1,646
Net Financial Position	5,525	3,219	3,939
Total financing and shareholders' equity	10,358	9,059	9,853
<i>Attributable net equity</i>	2.929	4,117	4,206

FY PIRELLI GROUP CASH FLOW__

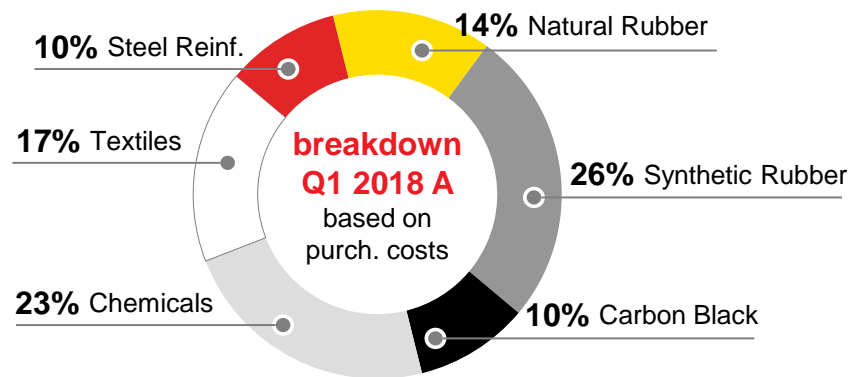
€ million

	1Q'17	1Q'18
EBIT adjusted ¹	205	218
Depreciation & Amortization (excl. PPA amortization)	65	70
Capital expenditures	(98)	(85)
Change in working capital / other	(892)	(929)
Operating Cash Flow	(720)	(726)
Financial income / (expenses)	(77)	(55)
Taxes paid	(46)	(31)
Financial investments	(2)	-
Financial asset disposals	-	155
Purchase of Pneuac shares ²	-	(19)
Cash-out for non recurring items and restructuring costs	(12)	(38)
Minorities	(6)	-
Exchange rates difference / other	(20)	(12)
Net cash flow before extraordinary operations	(882)	(726)
Industrial reorganization	269	5
Net cash flow	(612)	(720)

¹ Before amortization of PPA, non-recurring items, restructuring costs and other adjustments ; ² 2nd tranche for the acquisition of 36% stake in Pneuac in September 2017 to reach 100% of the company

2018E RAW MATERIAL GUIDANCE

€ million



raw mat.
34% on Sales

AVERAGE QUOTATION OF COMMODITIES

	2017 A	2018 E March guidance	Δ YoY
Natural Rubber TSR20 (\$ / tonne)	1,651	~1.650	flat
Brent Oil (\$ / barrel)	54.9	~75	+37%
Butadiene EU (€ / tonne)	1,112	~1,200	+7%

Feb. 2018 guidance
Nat. Rubber ~ 1,800
Brent Oil ~68
Butadiene ~1,200

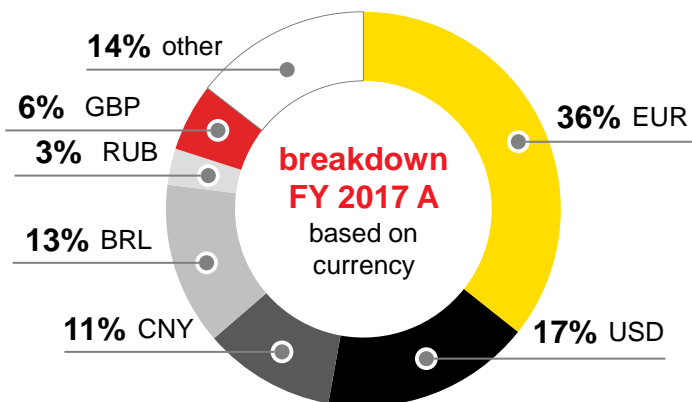
AVERAGE COST OF GOODS SOLD OF COMMODITIES











	2017 A	2018 E March guidance	2018E EBIT impact
Natural Rubber TSR20 (\$ / tonne)	~1,700	~1.550	~+22
Brent Oil (\$ / barrel)	51	68	~-90
Butadiene EU (€ / tonne)	~1,100	~1,030	~+15
Raw Mat. subtotal			~-53
FX impact			~-24
TOT. IMPACT			~-77

Feb' 18
guidance
-95€ mln

2018E FOREX GUIDANCE

€ million

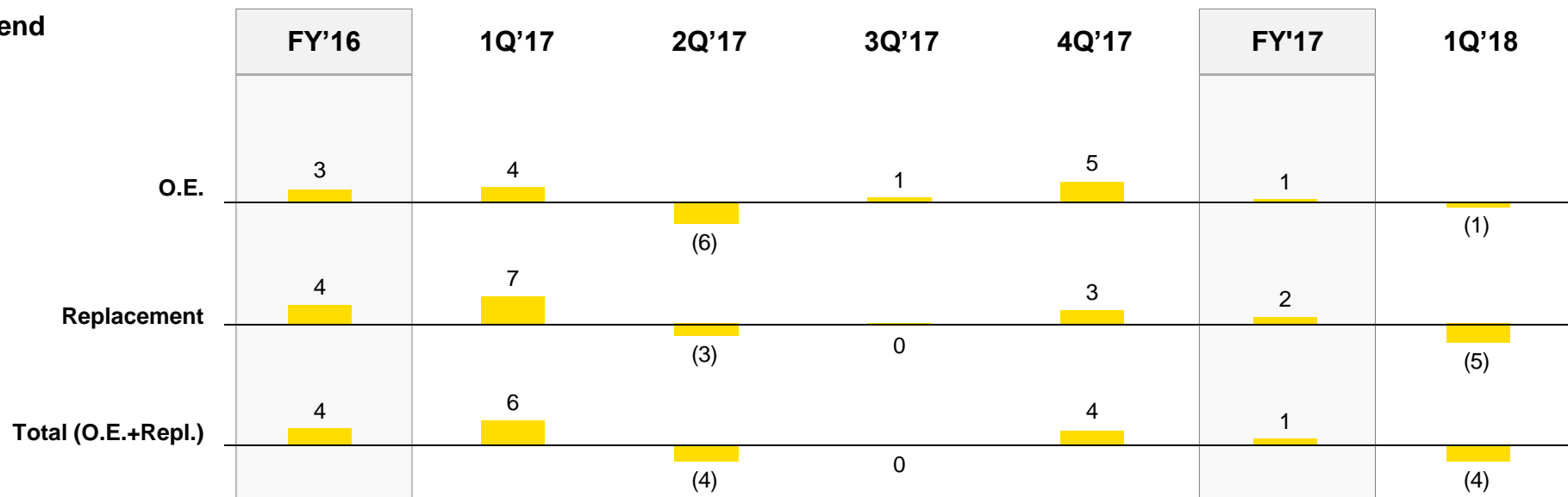


MAIN AVERAGE EXCHANGE RATES		2017 A	2018 E March guidance	Δ YoY	Δ YoY vs EUR	2018E Feb guidance
EUR / USD	 / 	1.130	1.215	-7%	-7%	~1,17
USD / CNY	 / 	6.752	6.340	+6%	-1%	~6.85
USD / BRL	 / 	3.193	3.420	-1%	-13%	~3.4
EUR / RUB	 / 	65.850	74.440	-11.5%	-11.5%	~71.37
EUR / GBP	 / 	0.876	0.880	0%	0%	~0.91
TOT. IMPACT ON SALES					-4.5 / -5.0 %	-3.5% / -4.0%

KEY CAR MARKET TRENDS: EUROPE

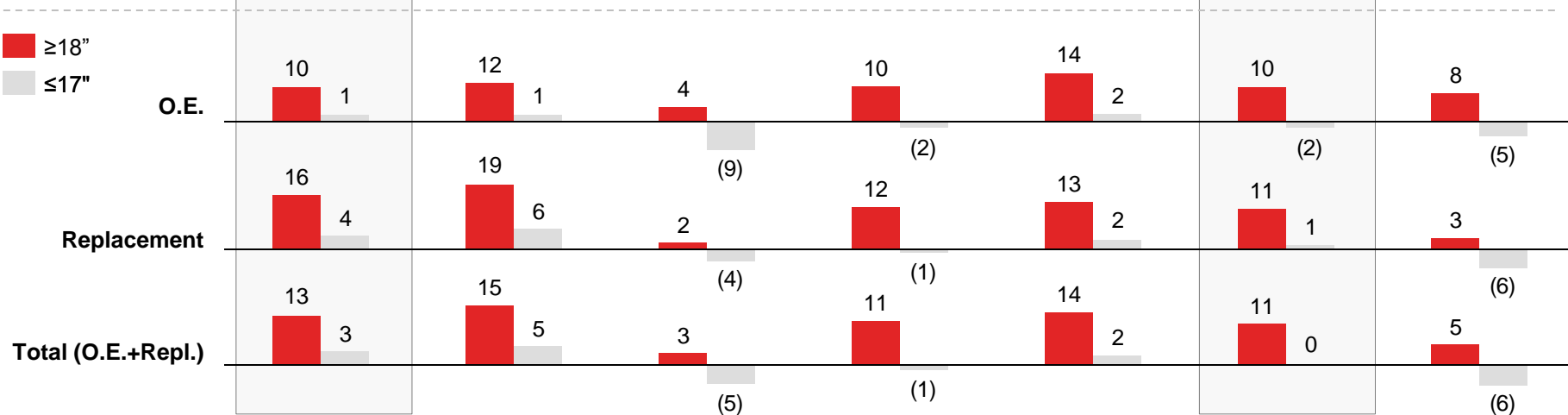
Market trend
Δ% YoY

Total Car market



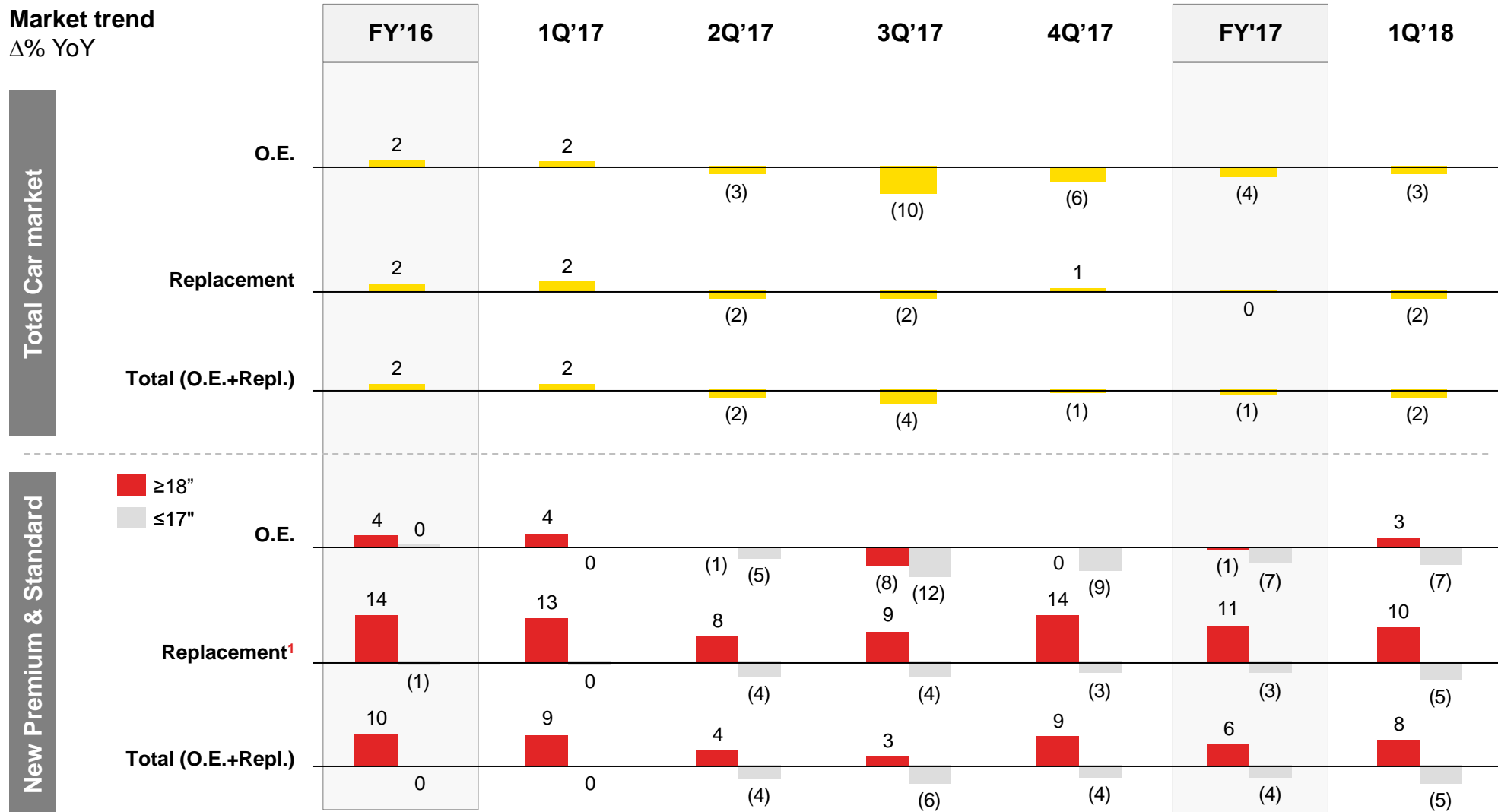
New Premium & Standard

■ ≥18"
■ ≤17"



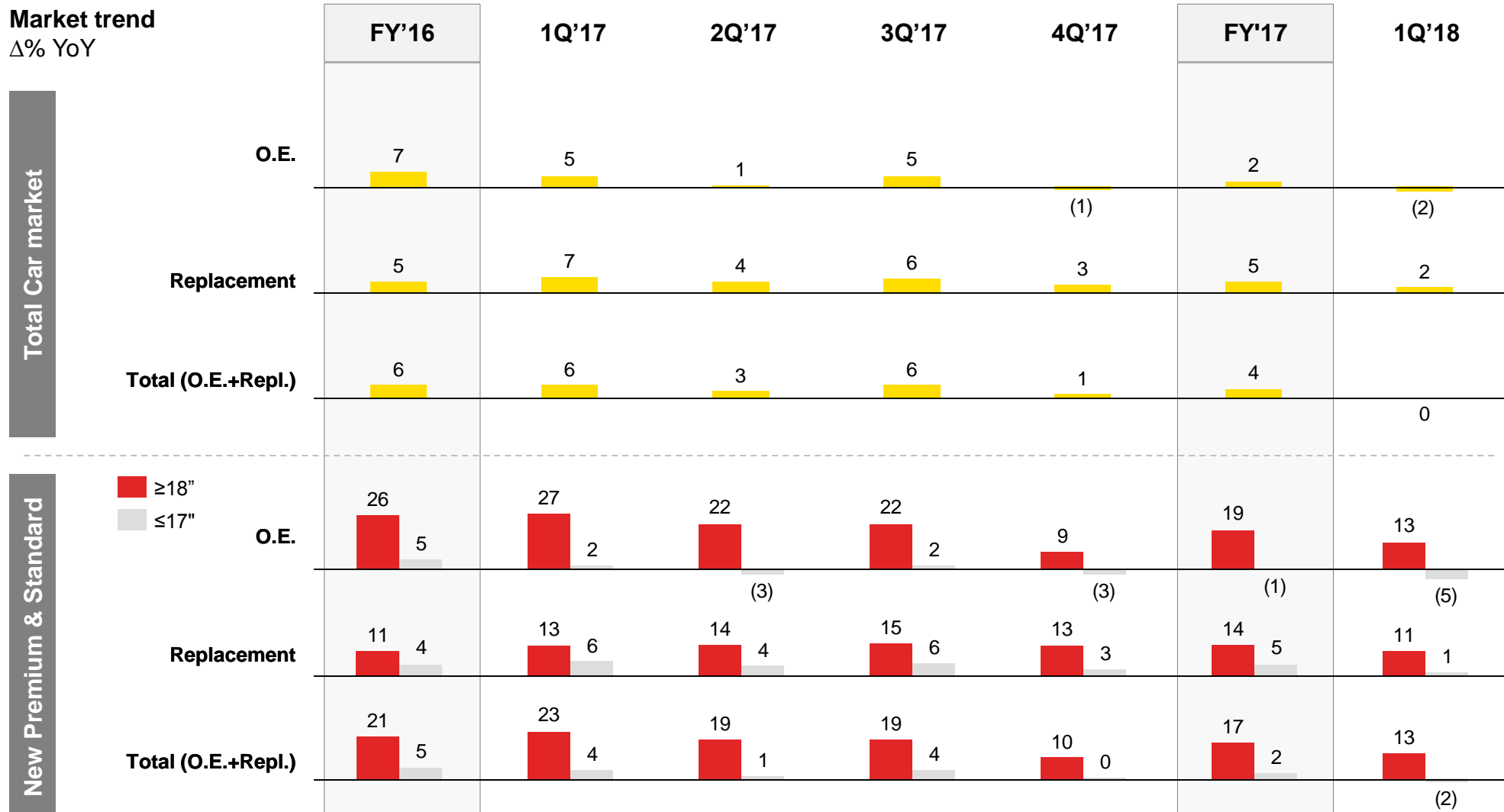
Source: Pirelli tyre market estimates based on main data provider for the Region; historical market data may be subject to restatement

KEY CAR MARKET TRENDS: NAFTA



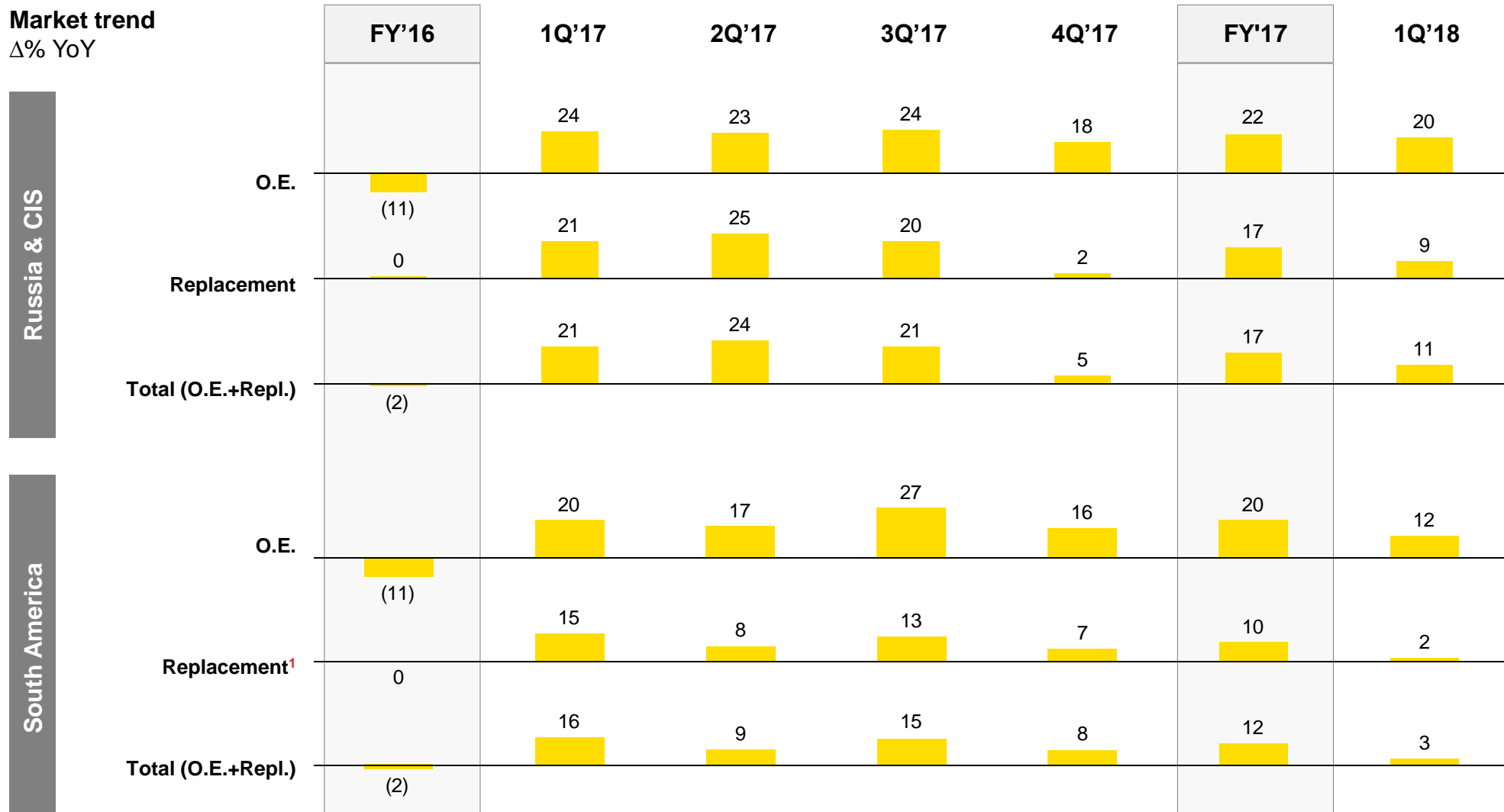
Source: Pirelli tyre market estimates based on main data provider for the Region; historical market data may be subject to restatement; ¹ NAFTA Replacement includes imports

KEY CAR MARKET TRENDS: APAC



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

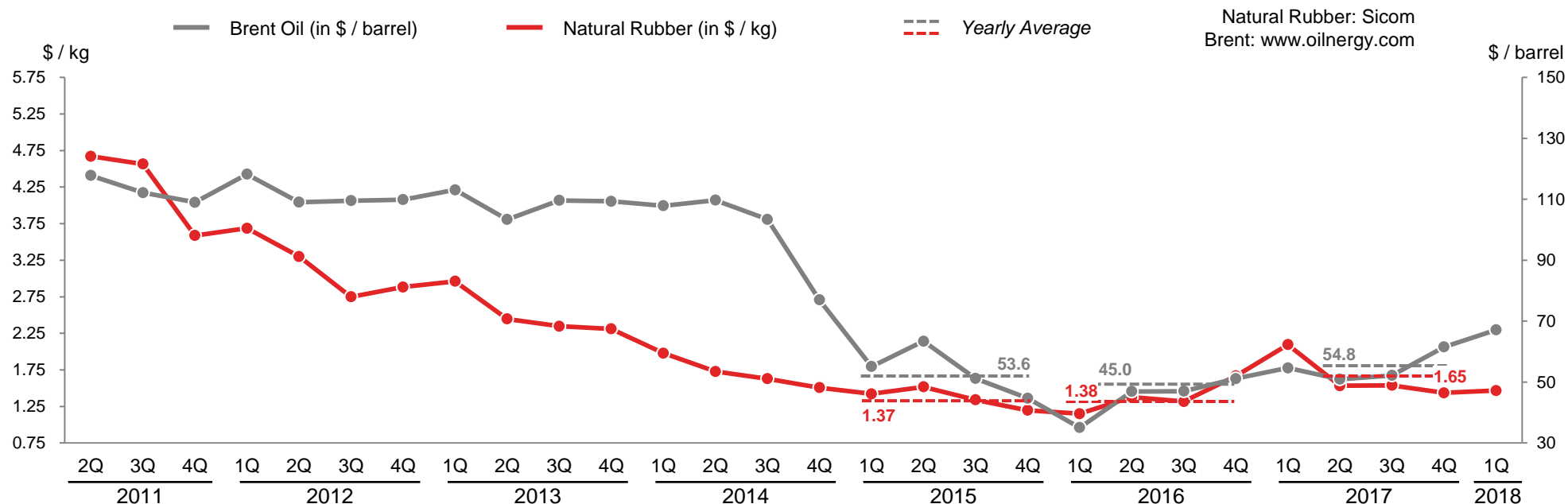
KEY MARKET TRENDS: RUSSIA & CIS AND SOUTH AMERICA



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

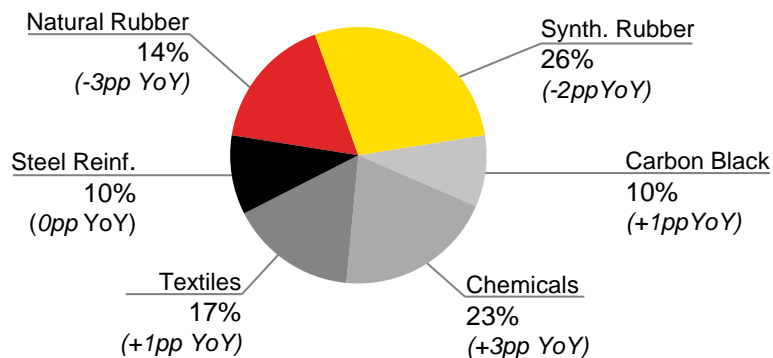
RAW MATERIAL COSTS TREND AND MIX

MAIN RAW MATERIALS PRICE TREND

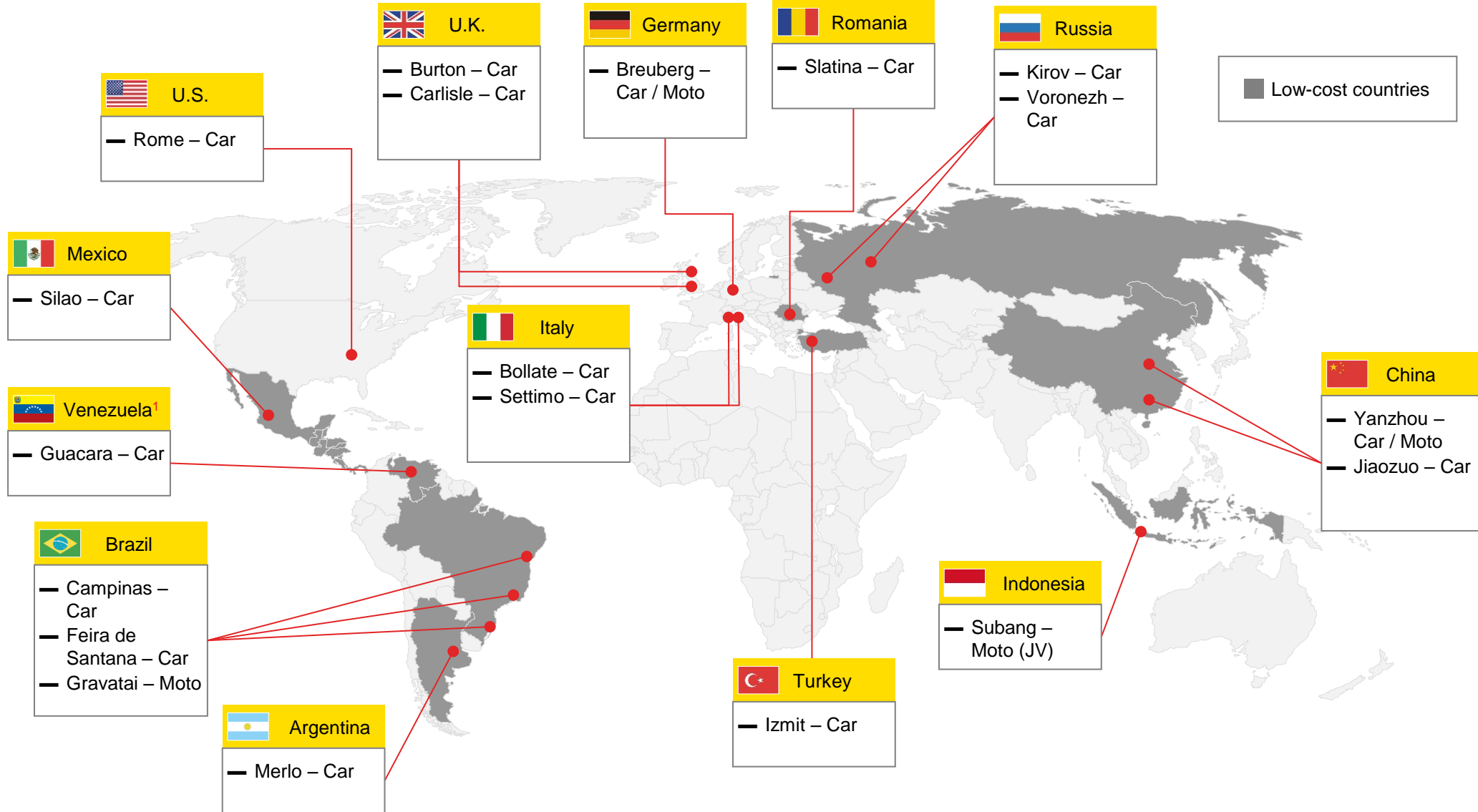


1Q 2018 MIX (BASED ON PURCHASING COST)

34%
Raw mat. costs
on sales



PIRELLI MANUFACTURING FOOTPRINT AS OF MARCH 31ST 2018



¹ Not consolidated since December 2016



PIRELLI