



PIRELLI, GLOBAL HIGH VALUE

1H 2018 RESULTS - 7 AUGUST, 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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KEY MESSAGES_



1H'18 RESULTS: PIRELLI'S HIGH VALUE BUSINESS MODEL PROVES VERY RESILIENT IN VOLATILE ENVIRONMENT

- High Value Market (HVM) growing faster than expected
- Pirelli gaining Market Share in HVM, thanks to very effective homologation pull-through
- Pirelli best-in-class in Price/Mix improvement, leading to solid EBIT margin expansion



INTENSIFYING AND ACCELERATING HIGH VALUE PROGRAMS

- Major High Value tyre homologation programs launched in China, Japan and Korea with local OEMs
- Focused product development innovation in Specialties
- Adjusting local High Value Capacity to future regional demand opportunities (e.g. strong High Value growth in Europe and in China) as well as to increasing tariff dynamics
- New integrated organization speeding up digital transformation programs



FY'18 OUTLOOK

- Our Value drivers (Price/Mix and HV volume growth) are keeping the pace in line with our guidance
- Top line organic growth expected to be at 7% due to the accelerating reduction on Standard
- Profitability and Cash Flow confirmed and supported by higher price/mix contribution and lower cost impact.

AGENDA_

1H'18 RESULTS HIGHLIGHTS & FY'18 OUTLOOK

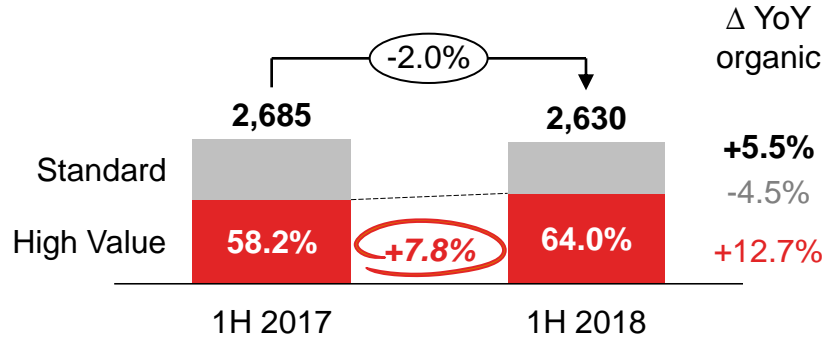
1H'18 RESULTS IN DETAIL

APPENDIX

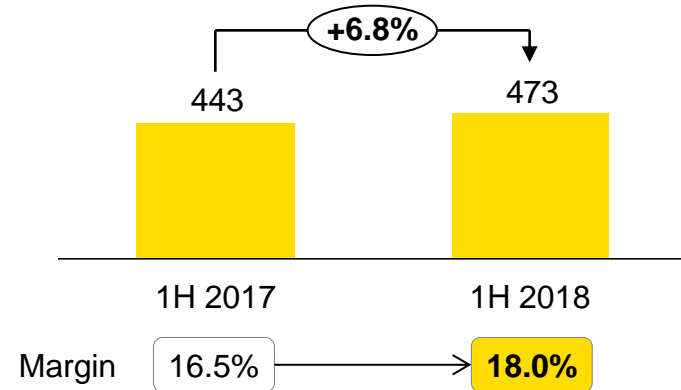
1H 2018 RESULTS HIGHLIGHTS

€ million

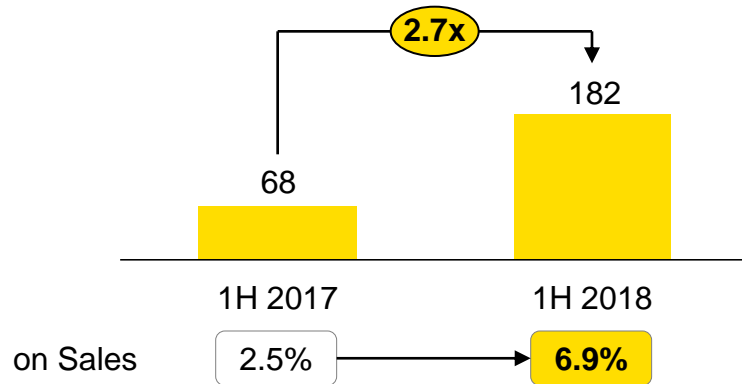
REVENUES



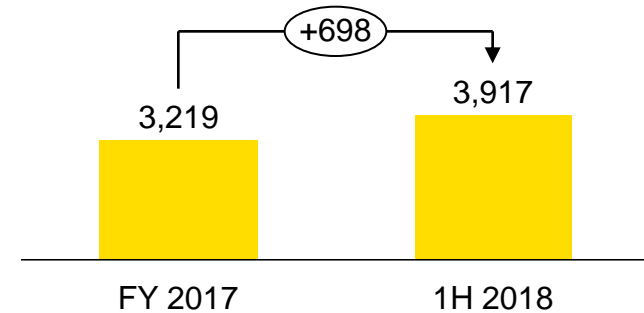
EBIT ADJ.¹ w/o start-up costs²



NET INCOME before discontinued operations



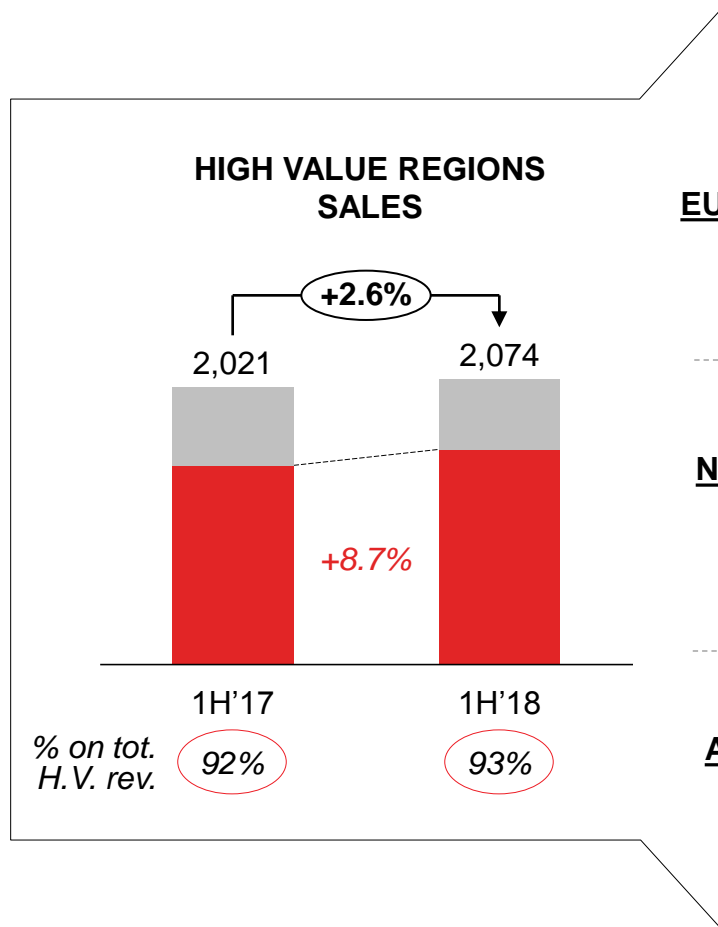
NET FINANCIAL POSITION



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

1H 2018 PERFORMANCE BY HIGH VALUE REGIONS

€ million



	SALES		Δ YoY %	org. growth
	1H'17	1H'18		
EUROPE	1,130	1,155	+2.3%	+4.1%
	42%	44%		-9.4%
				+11.2%
NAFTA	502	487	-2.9%	+7.5%
	19%	19%		+8.0%
				+7.4%
APAC	390	431	+10.6%	+15.2%
	14%	16%		-11.3%
				+25.7%

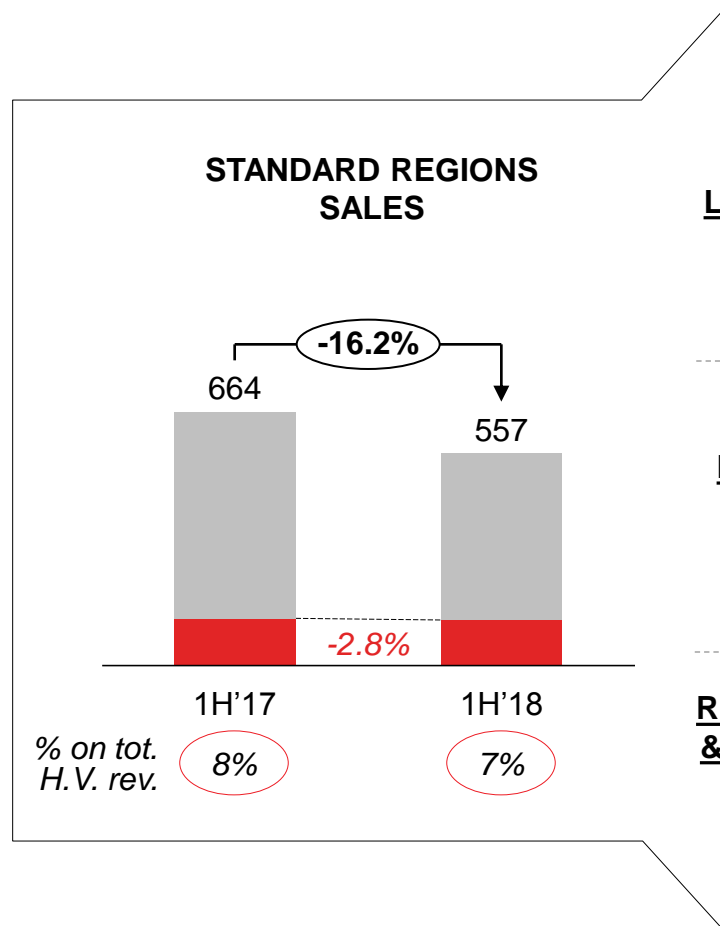
■ High Value ■ Standard²
 Weight on Group revenues

EBIT adj. margin ¹	KEY HIGHLIGHTS
Mid-teens	<ul style="list-style-type: none"> Strengthening of High Value with a strong growth in O.E. driven by a wide homologation portfolio Continued proactive reduction of Standard in the less profitable segments, in favour of higher rims
High-teens	<ul style="list-style-type: none"> Increasing High Value sales, mainly in Replacement, driven by the appealing product portfolio and further retail penetration Profitability trend still impacted by FX, but improving vs. 1Q
Twenties	<ul style="list-style-type: none"> High Value: strong O.E. performance, driven by new homologations and sound Repl. backed by pull-through effect Standard: lower O.E. sales on less profitable rims; mix improvement with lower Aeolus brand sales

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

1H 2018 PERFORMANCE BY STANDARD REGIONS

€ million



Region	SALES		Δ YoY %	org. growth	EBIT adj. margin ¹	KEY HIGHLIGHTS
	1H'17	1H'18				
LATAM	456	355	-22.2%	-2.2%	Mid-single digit	<ul style="list-style-type: none"> Proactive reduction of exposure to lower rim sizes Negative impact of May truck drivers strike in Brazil Increased exports to North America, with demand supported by Pirelli H.V. products in the Region
	17%	14%		-4.2%		
				+21.0%		
MEAI	123	113	-8.5%	-1.1%	Mid-teens	<ul style="list-style-type: none"> Progressing with the mix improvement strategy Currency volatility in the area (especially in Turkey)
	5%	4%		-7.5%		
				+4.2%		
RUSSIA & C.I.S.	85	89	+4.4%	+17.0%	High-teens	<ul style="list-style-type: none"> Sound profitability growth led by mix improvement and a sound market demand
	3%	3%		+19.2%		
				+7.9%		

■ 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)

OUR 3 PILLARS STRATEGY IS IN PROGRESS_

1H 2018 achievements

I

PILLAR 1: HIGH VALUE

- More than 200 High Value homologations, enriching our portfolio that now accounts 2,350 homologations, o/w 88% High Value
- +1.5 million High Value capacity (Europe, NAFTA and LatAm) reaching 58% of total capacity
- With Europe representing 46% of total High Value sales volume but 60% of global High Value production, started new program to create higher local HV in China
- Increasing last mile demand coverage: 55% of our sales in 1H made through Car Dealer, Pirelli Retail, and Tier 1 clients (51% in FY 2017)

II

PILLAR 2: TRANSFORMATION PROGRAMS

- Integrated Forecasting: Increasing adoption of Big Data tools for medium term Demand & Supply Planning
- Smart Manufacturing and Flexible Factory: development of digital apps to monitor and improve processes and lead-time
- Prestige: successful prototyping of new geo-localized sales force tool
- Supply Chain: increase service level starting from Prestige and key clients

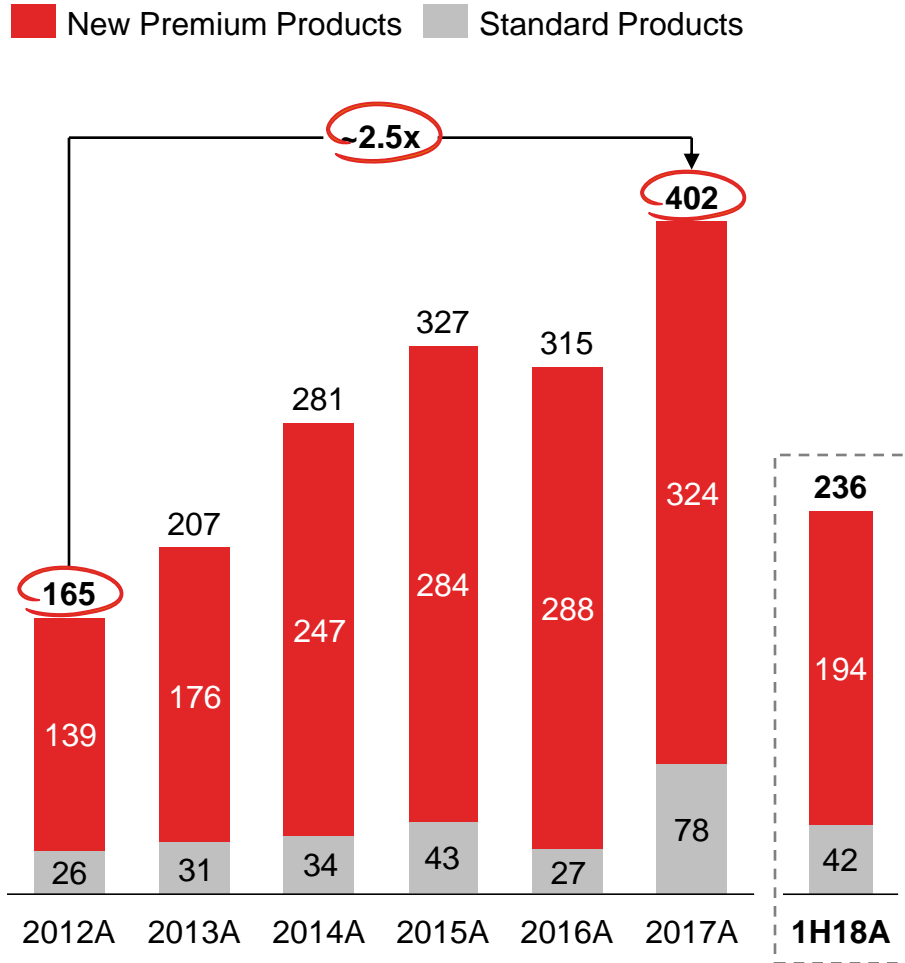
III

PILLAR 3: STANDARD CAPACITY REDUCTION

- Acceleration in Standard reduction: -2 million tyres Standard capacity (-6% vs. 2017 year end)
- ~60% of the reduction in LatAm, the remaining 40% in Europe and MEAI
 - ~30% of the reduction is actually a conversion into High Value capacity

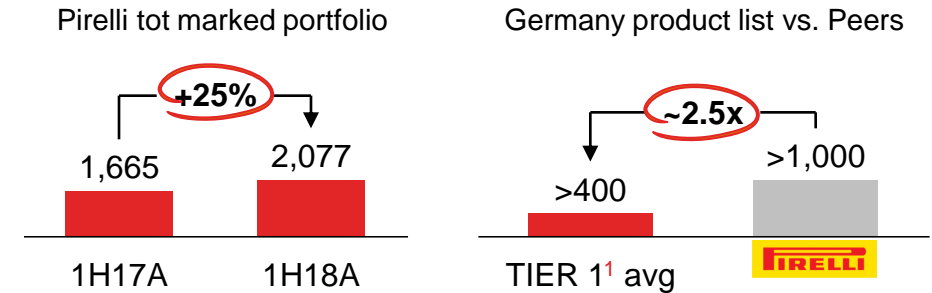
OUR COMPETITIVE EDGE BOOSTED BY AN ENHANCED HOMOLOGATION PORTFOLIO_

PIRELLI YEARLY HOMOLOGATIONS



1. TIER 1 excluding Nokian; 2. Specialty tyres includes Run-Flat, PNCS and Seal-Inside technologies

MARKED TYRES HOMOLOGATIONS



1H18 HOMOLOGATIONS ≥18" HIGHLIGHTS

- ~50% ≥20" tyres weight
- ~37% Specialty tyres² weight
- ~16% Prestige tyres weight
- ~+70% Electric / Hybrid portfolio Δ YoY

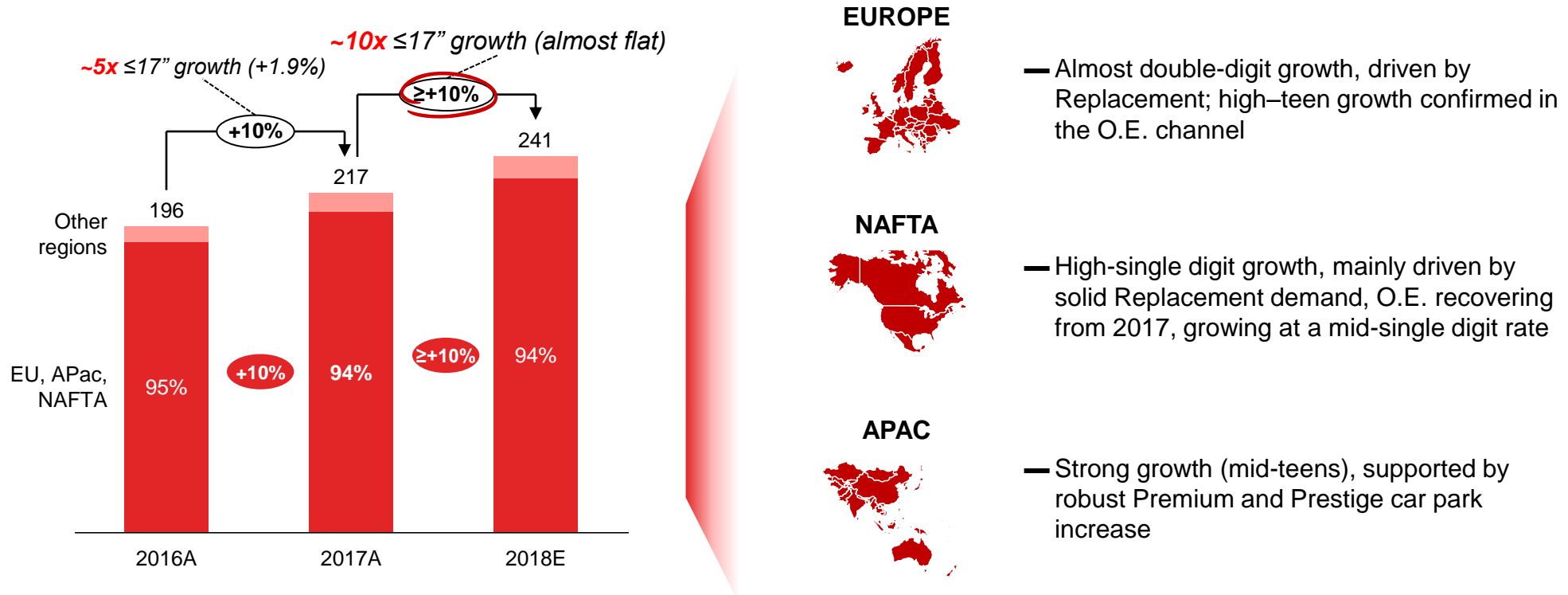
APAC ON-GOING PROJECTS

Working with 19 local OEMs on ≥18" and E-vehicles

≥18" OUTGROWING THE STANDARD SEGMENT 10x

O.E. + REPLACEMENT ≥18" TYRE MARKET

million tyres



Standard segment: market lagging mainly due to South America and MEAI

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

	2017A	2018E (7 Aug. 2018)	
€ million			
Revenues	5,352	~€ 5.4 bln	<ul style="list-style-type: none"> — Volumes: flat (vs. +2% ÷ +2.5 May guid.) — High Value Volumes: ≥+13% (confirmed) — Standard volumes: ~-9% (-6% ÷ -5% May guid.)
<i>High Value weight</i>	58%	>60% (from ≥60%)	<ul style="list-style-type: none"> — Price/Mix: +6.5% ÷ +7.5% (confirmed) — FX: -6% ÷ -5% (-5% ÷ -4.5% May guid.) — IFRS 15²: -0.6% (confirmed)
Adjusted EBIT w/o start-up¹	927	>€ 1.0 bln <i>confirmed</i>	Top line impact (Standard Volume and FX) offset by: <ul style="list-style-type: none"> — Higher P/Mix drop through (68%, ~+€15 mln vs. May guid.) — Lower raw mat. headwind (from -€77 to -€60 mln) — Cost reduction & Brazil recovery plan (~€20 mln)
<i>High Value weight</i>	~83%	>83% (from ≥83%)	
<i>Start-up costs</i>	50	~40 <i>confirmed</i>	
Adjusted EBIT	876	~€ 1.0 bln <i>confirmed</i>	
Net financial position / Adjusted EBITDA w/o start-up costs	2.7X	~2.3X <i>confirmed</i>	
CapEx	489	~ € 460 mln <i>confirmed</i>	

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_

1H'18 RESULTS HIGHLIGHTS & FY'18 OUTLOOK

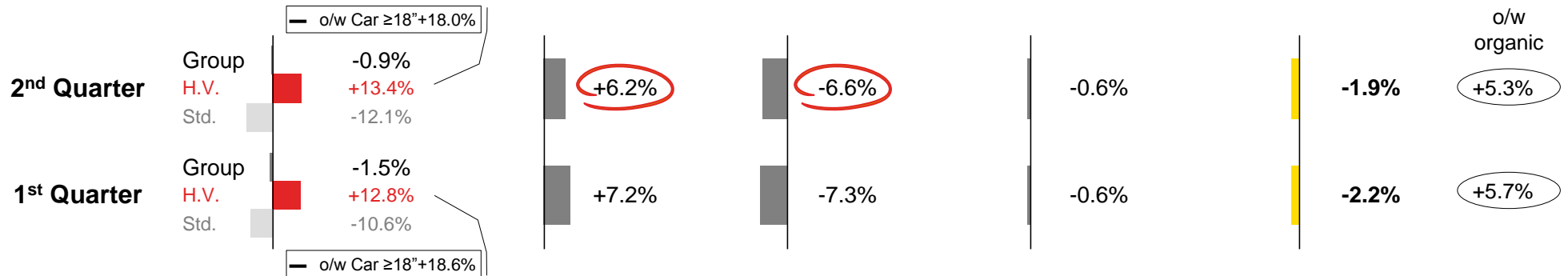
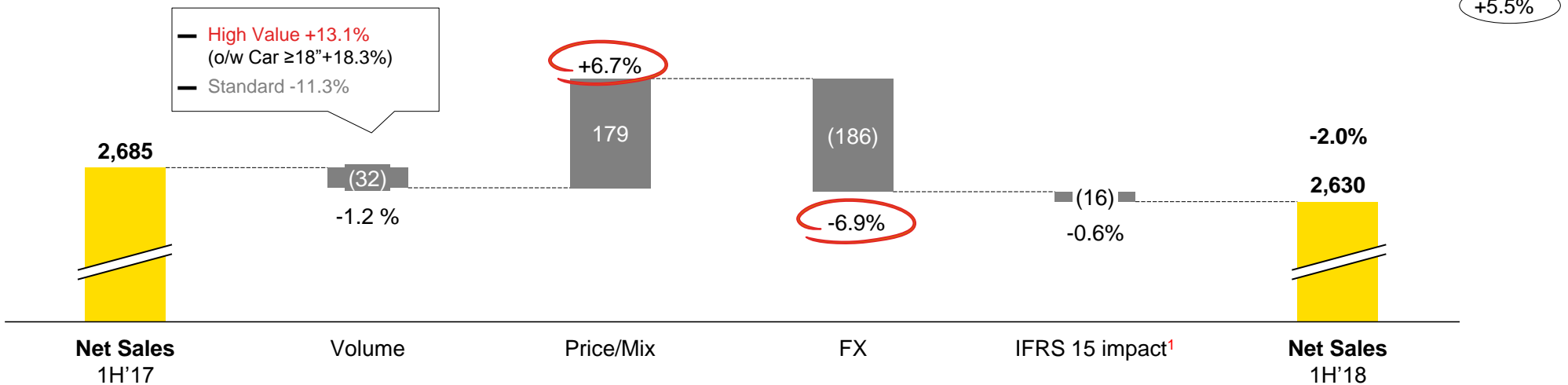
1H'18 RESULTS IN DETAIL

APPENDIX

1H 2018 NET SALES BRIDGE

€ million

o/w
organic

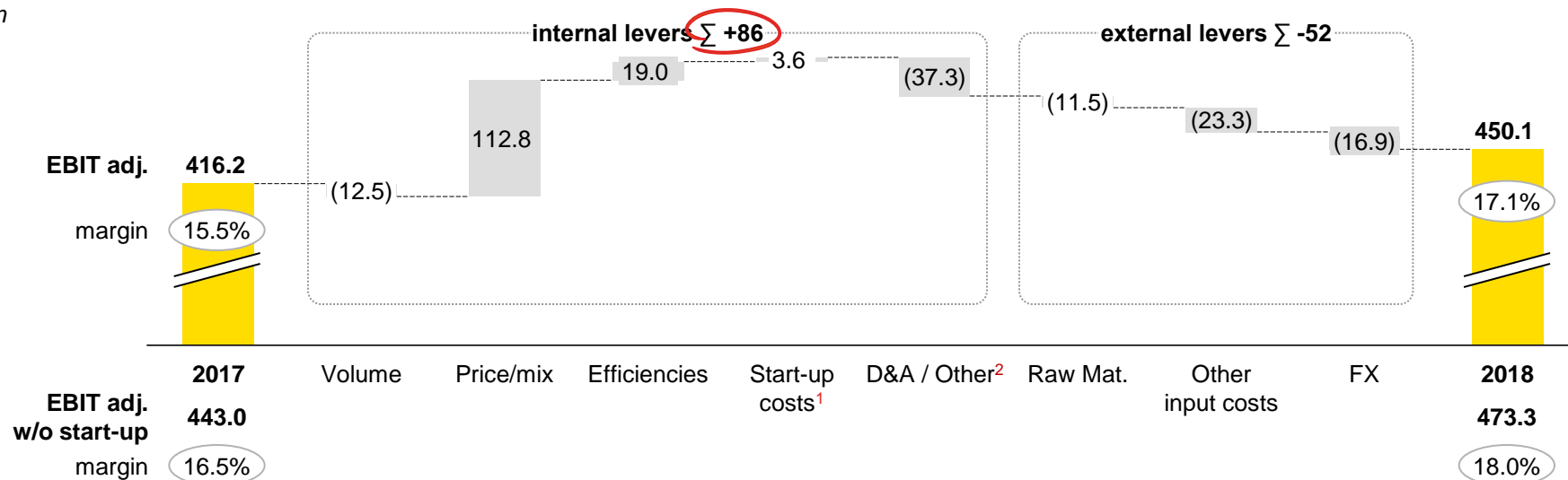


1. In accordance with IFRS 15 (from January 1st, 2018), some costs for variable considerations paid or payable to indirect customers and mainly linked to achieving sales targets are recognized as a reduction of revenues

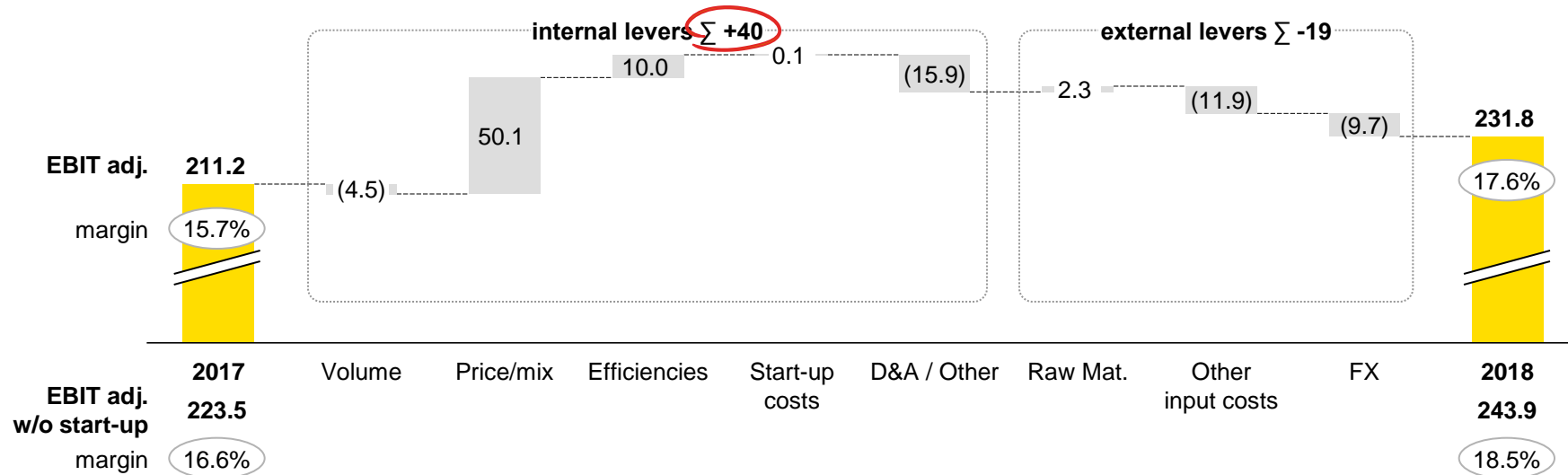
1H / 2Q 2018 OPERATING PERFORMANCE

€ million

1H



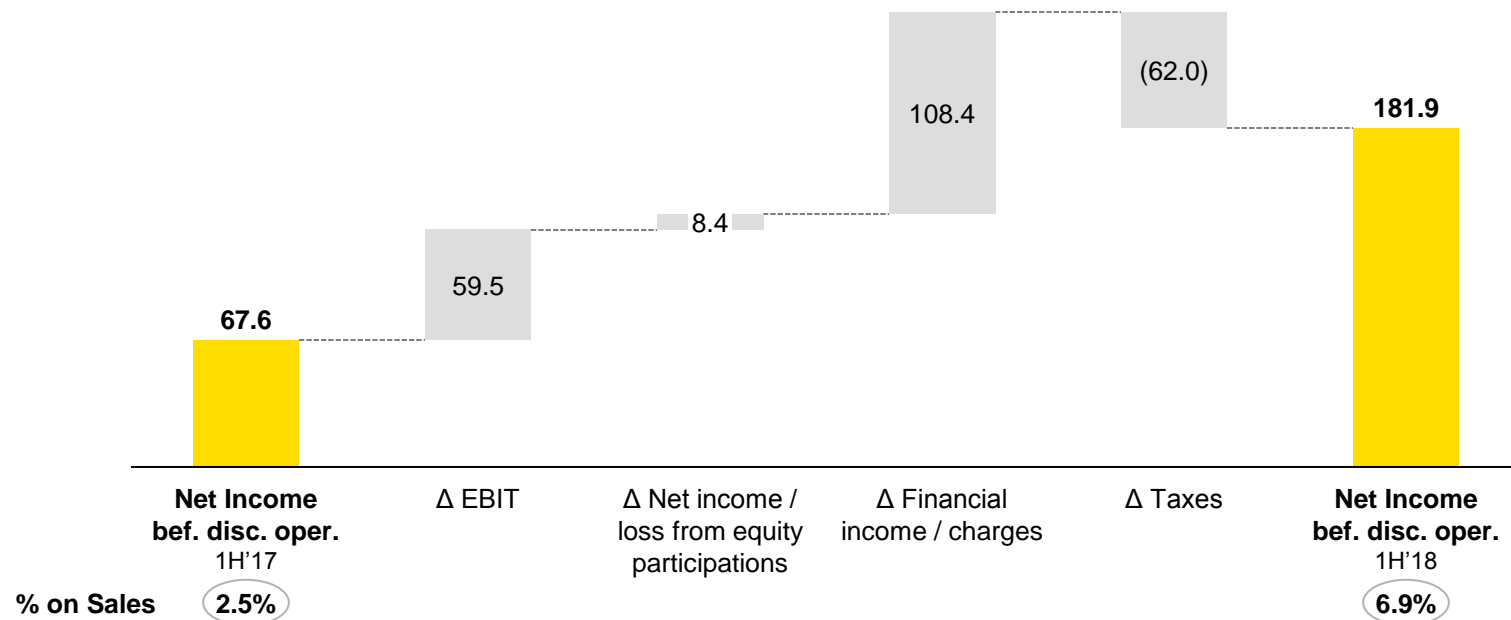
2Q



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

1H 2018 NET INCOME BRIDGE__

€ million

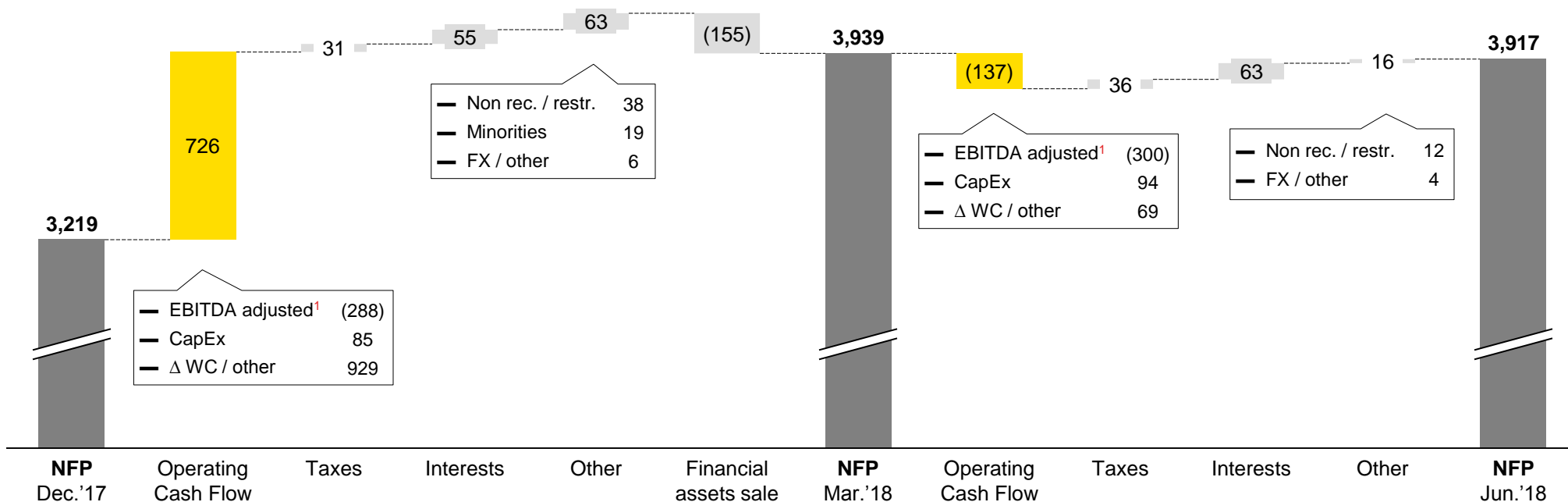


	1H'17	1H'18
Net Income related to cont. oper.	68	182
PPA amortization	+52	+57
Non recurring / restr. costs / other adj.	+46	+15
Non recurring fin. expenses	+61	-3 ¹
Taxes impact	-68	-19
Net income related to cont. oper. adjusted	159	233

1. Mainly related to gains from re-pricing of unsecured facilities

1H 2018 CASH FLOW AND NET FINANCIAL POSITION

€ million



1Q 2018

- ↑ **Trade receivables** link to the usual seasonality of the business
- ↓ **Trade payables**: in line with the trend of previous year and linked to investments made in the last quarter of the year and paid in 1Q 2018

Working Capital dynamics

2Q 2018

- ↑ **Trade receivables**: late start of summer sell-in season
- ↑ **Inventories**: Prestige and High Value higher service level; temporary impact of Brazilian strike

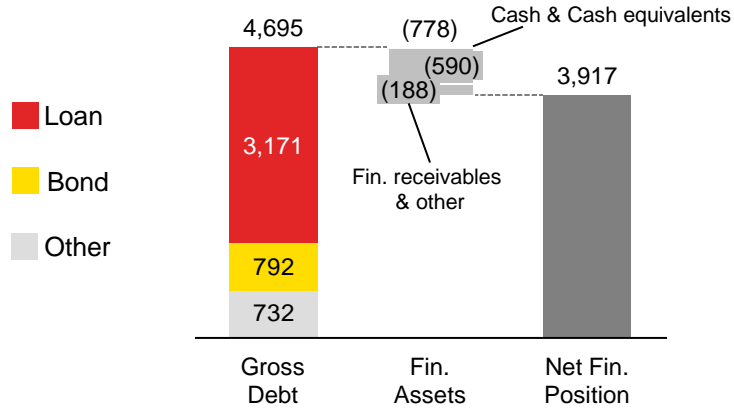
Seasonal trend to be reverted in second half

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

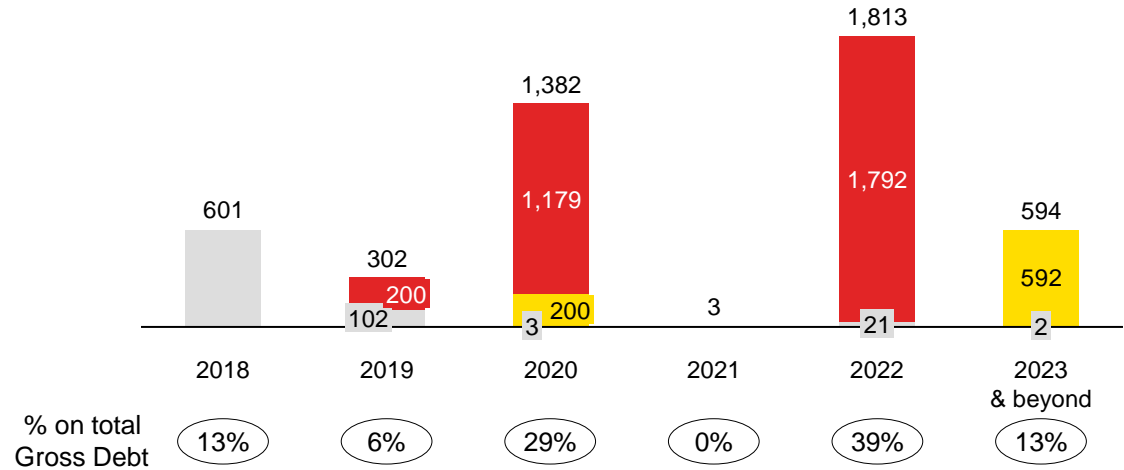
CURRENT CAPITAL STRUCTURE (JUNE 2018)

€ million

NET FINANCIAL POSITION



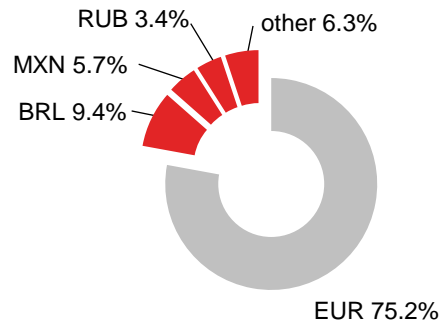
GROSS DEBT MATURITY



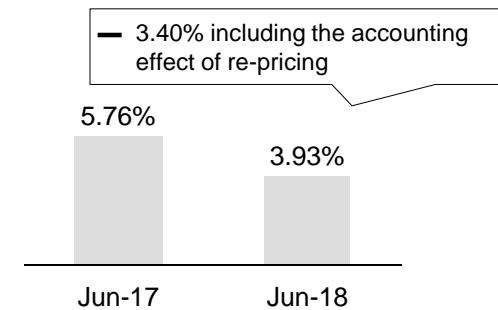
LIQUIDITY PROFILE

Liquidity position	590
Total committed lines not drawn	580
Liquidity margin¹	1,170

BREAK-DOWN BY CURRENCY



COST OF DEBT (LAST 12 MONTHS)



¹. Covers ~2.2 years of forthcoming maturities

AGENDA_

1H'18 RESULTS HIGHLIGHTS & FY'18 OUTLOOK

1H'18 RESULTS IN DETAIL

APPENDIX

1H / 2Q 2018 RESULTS HIGHLIGHTS

€ million

	2Q'17	2Q'18	Δ YoY	1H'17	1H'18	Δ YoY
Revenues	1,346.0	1,320.0	-1.9%	2,685.3	2,630.3	-2.0%
<i>Organic Growth</i> ¹			+5.3%			+5.5%
High Value Revenues	786.9	849.9	+8.0%	1,562.3	1,683.7	+7.8%
<i>Organic Growth</i> ¹			+11.8%			+12.7%
% on total Revenues	58.5%	64.4%	+5.9 pp	58.2%	64.0%	+5.8 pp
EBITDA adjusted w/o start-up costs ²	285.1	310.3	+8.8%	566.8	608.3	+7.3%
Margin	21.2%	23.5%	+2.3 pp	21.1%	23.1%	+2.0 pp
EBITDA adjusted ³	276.0	299.8	+8.6%	546.4	587.9	+7.6%
Margin	20.5%	22.7%	+2.2 pp	20.3%	22.4%	+2.1 pp
EBIT adjusted w/o start-up costs ²	223.5	243.9	+9.1%	443.0	473.3	+6.8%
Margin	16.6%	18.5%	+1.9 pp	16.5%	18.0%	+1.5 pp
EBIT adjusted ³	211.2	231.7	+9.7%	416.2	450.1	+8.1%
Margin	15.7%	17.6%	+1.9 pp	15.5%	17.1%	+1.6 pp
EBIT	149.5	193.7	+29.6%	318.2	377.7	+18.7%
Margin	11.1%	14.7%	+3.6 pp	11.8%	14.4%	+2.6 pp
Results from Equity Investments	(9.8)	(5.3)		(12.9)	(4.5)	
Financial Income / (Charges)	(149.4)	(62.8)		(226.4)	(118.0)	
EBT	(9.7)	125.6		78.9	255.2	
Tax Rate	n.m.	28.7%		14.3%	28.7%	
Net Income before disc. operations	18.1	89.5		67.6	181.9	
Net Income adjusted before disc. operations	83.3	119.3		159.0	232.6	

2Q Highlights

Sound organic growth on the back of:

- Strong High Value volumes (+13.4%), with market share increase in Car ≥18", and strong demand for Specialties
- Reduction of the exposure to Standard (volumes -12.1%), in a context of market slowdown, especially in LatAm after the Truckers' strike
- Solid price/mix (+6.2%)
- Negative FX (-6.6%) in a context of volatile emerging markets currencies

- EBIT adj. improvement due to internal levers
- EBIT margin adj. w/o start-up at 18.5% (+1.9pp YoY)

- Lower financial charges thanks to a lower cost of debt
- Tax rate in line with FY'18 targets

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

1H PIRELLI BALANCE SHEET_

€ million

	30/06/2017 ¹	31/12/2017	30/06/2018
Fixed assets related to continuing operations	9,132	9,121	8,881
Inventories	937	941	983
Trade receivables	968	653	864
Trade payables	(1,140)	(1,674)	(1,052)
Operating net working capital related to continuing operations	766	(80)	796
Other receivables / payables	190	(42)	113
Net Working Capital related to continuing operations	956	(123)	909
Net invested capital held for sale	n.a.	61	39
Total net invested capital	10,087	9,059	9,829
Equity	4,057	4,177	4,323
Provisions	1,853	1,664	1,589
Net Financial Position	4,177	3,219	3,917
Total financing and shareholders' equity	10,087	9,059	9,829
<i>Attributable net equity</i>	4,000	4,117	4,243

1. Carve-out figures

1H PIRELLI GROUP CASH FLOW__

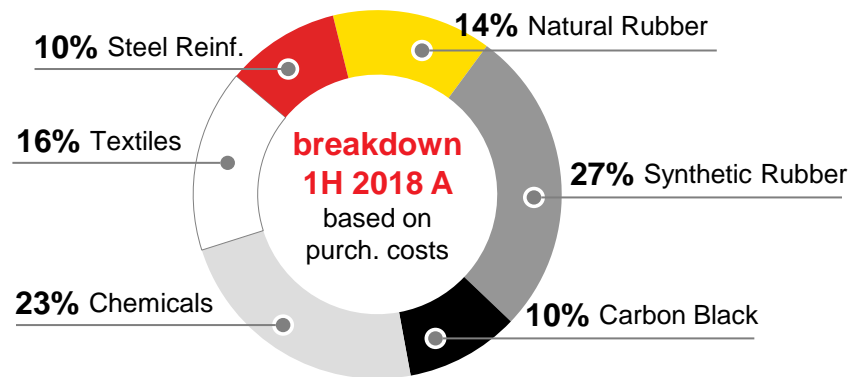
€ million

	1H'17 (carve-out)	1Q'18	2Q'18	1H'18
EBIT adjusted ¹	416	218	232	450
Depreciation & Amortization (excl. PPA amortization)	130	70	68	138
Capital expenditures	(216)	(85)	(94)	(179)
Change in working capital / other	(768)	(929)	(69)	(998)
Operating Cash Flow	(438)	(726)	137	(589)
Financial income / (expenses)	(226)	(55)	(63)	(118)
Taxes paid	(52)	(31)	(36)	(67)
Financial investments	(2)	-	-	-
Financial asset disposals	-	155	-	155
Purchase of Pneuac shares ²	-	(19)	-	(19)
Cash-out for non recurring items and restructuring costs	(17)	(38)	(12)	(50)
Minorities	(6)	-	-	-
Exchange rates difference / other	(16)	(12)	6	(5)
Net cash flow before extraordinary operations	(757)	(726)	33	(693)
Industrial reorganization	352	5	(10)	(5)
Capital Increase	1,189	-	-	-
Net cash flow	784	(720)	22	(698)

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 Aug. guidance	Δ YoY
Natural Rubber TSR20 (\$ / tonne)	1,651	~1,450	-12%
Brent Oil (\$ / barrel)	54.9	~74	+35%
Butadiene EU (€ / tonne)	1,112	~1,050	-6%

May 2018 guidance
Nat. Rubber ~ 1,650
Brent Oil ~75
Butadiene ~1,200

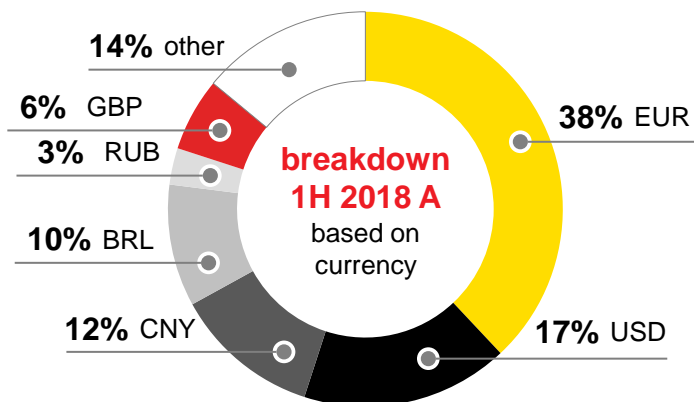
AVERAGE COST OF GOODS SOLD OF COMMODITIES











	2017 A	2018 E Aug. guidance	2018E EBIT impact
Natural Rubber TSR20 (\$ / tonne)	~1,700	~1,400	~+36
Brent Oil (\$ / barrel)	51	67	~-74
Butadiene EU (€ / tonne)	~1,100	~950	~+24
Raw Mat. subtotal			~-14
FX impact			~-46
TOT. IMPACT			~-60

May guidance -€77 mln

2018E FOREX GUIDANCE

€ million

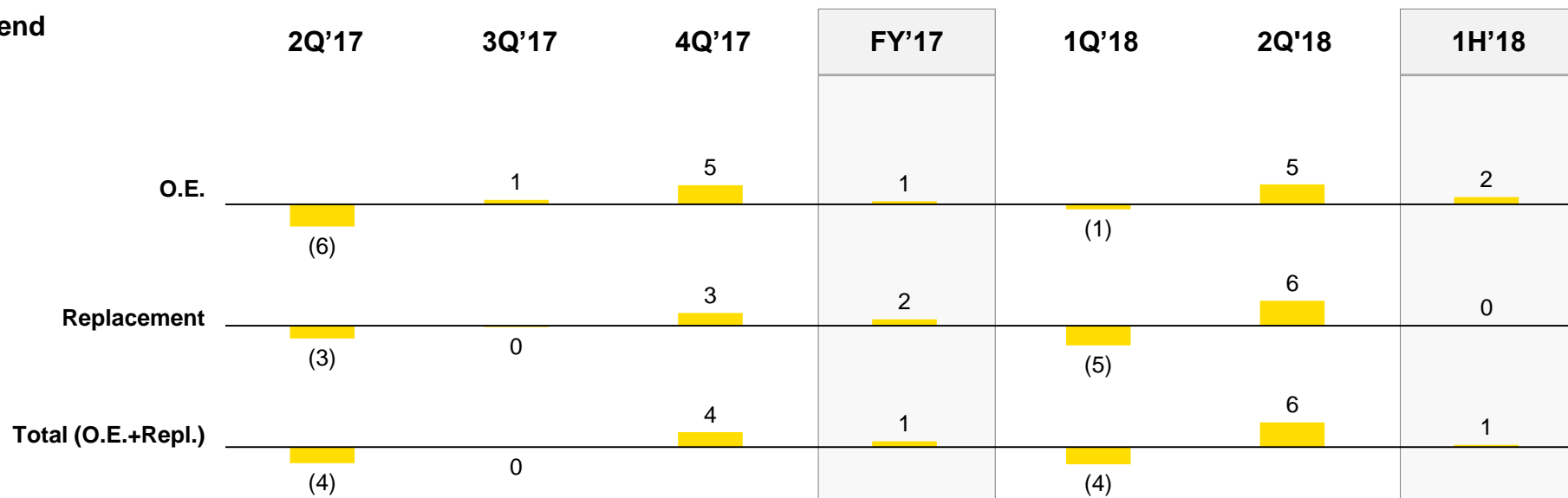


MAIN AVERAGE EXCHANGE RATES		2017 A	2018 E Aug. guidance	Δ YoY	Δ YoY vs. EUR	2018E May guidance
EUR / USD	 / 	1.130	1.188	-5%	-5%	1,215
USD / CNY	 / 	6.752	6.494	+4%	-1%	6,34
USD / BRL	 / 	3.193	3.643	-12%	-17%	3,42
EUR / RUB	 / 	65.850	72.412	-9%	-9%	74.440
EUR / GBP	 / 	0.876	0.883	0%	0%	0.880
TOT. IMPACT ON SALES					-5.0 / -6.0 %	-4.5% / -5.0%

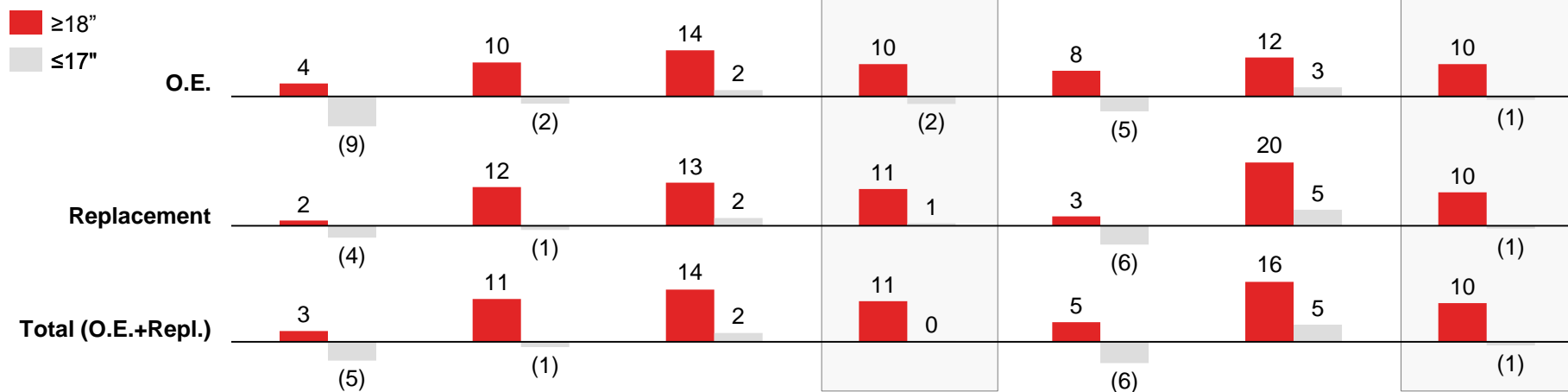
KEY CAR MARKET TRENDS: EUROPE

Market trend
Δ% YoY

Total Car market



New Premium & Standard

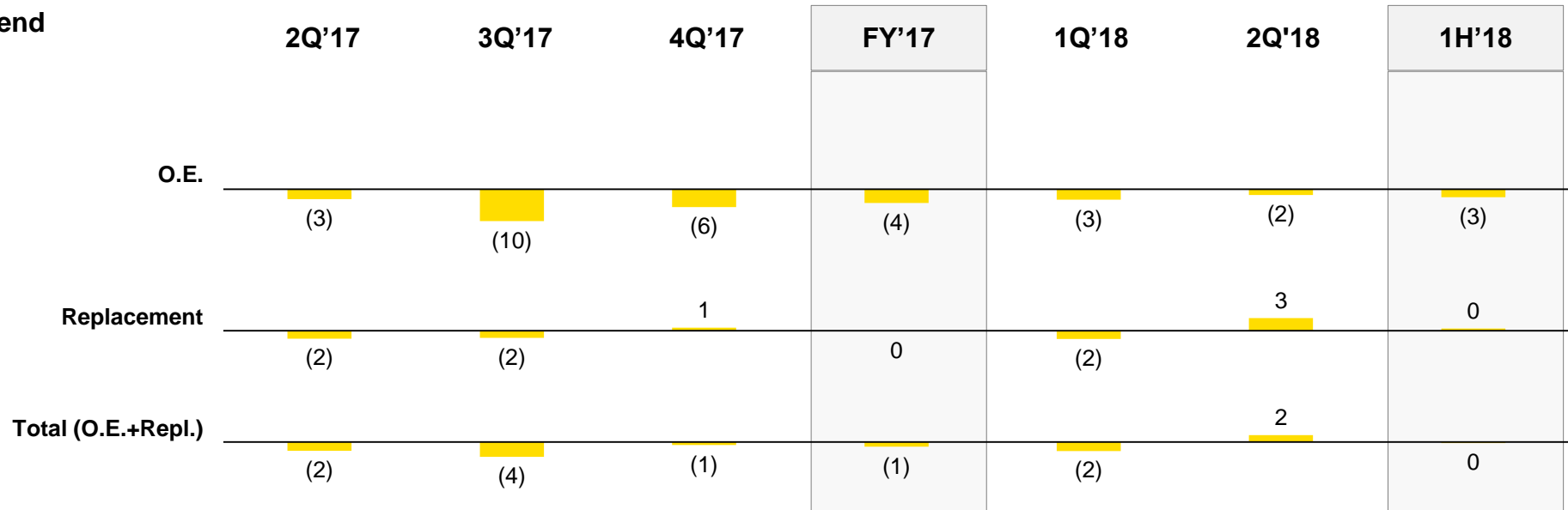


Source: Pirelli tyre market estimates based on main data provider for the Region; historical market data may be subject to restatement

KEY CAR MARKET TRENDS: NAFTA

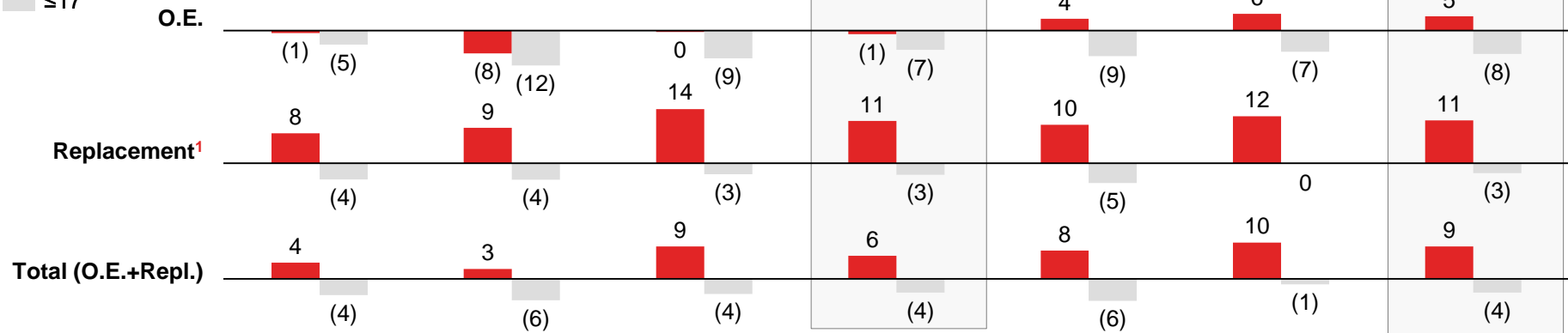
Market trend
Δ% YoY

Total Car market



New Premium & Standard

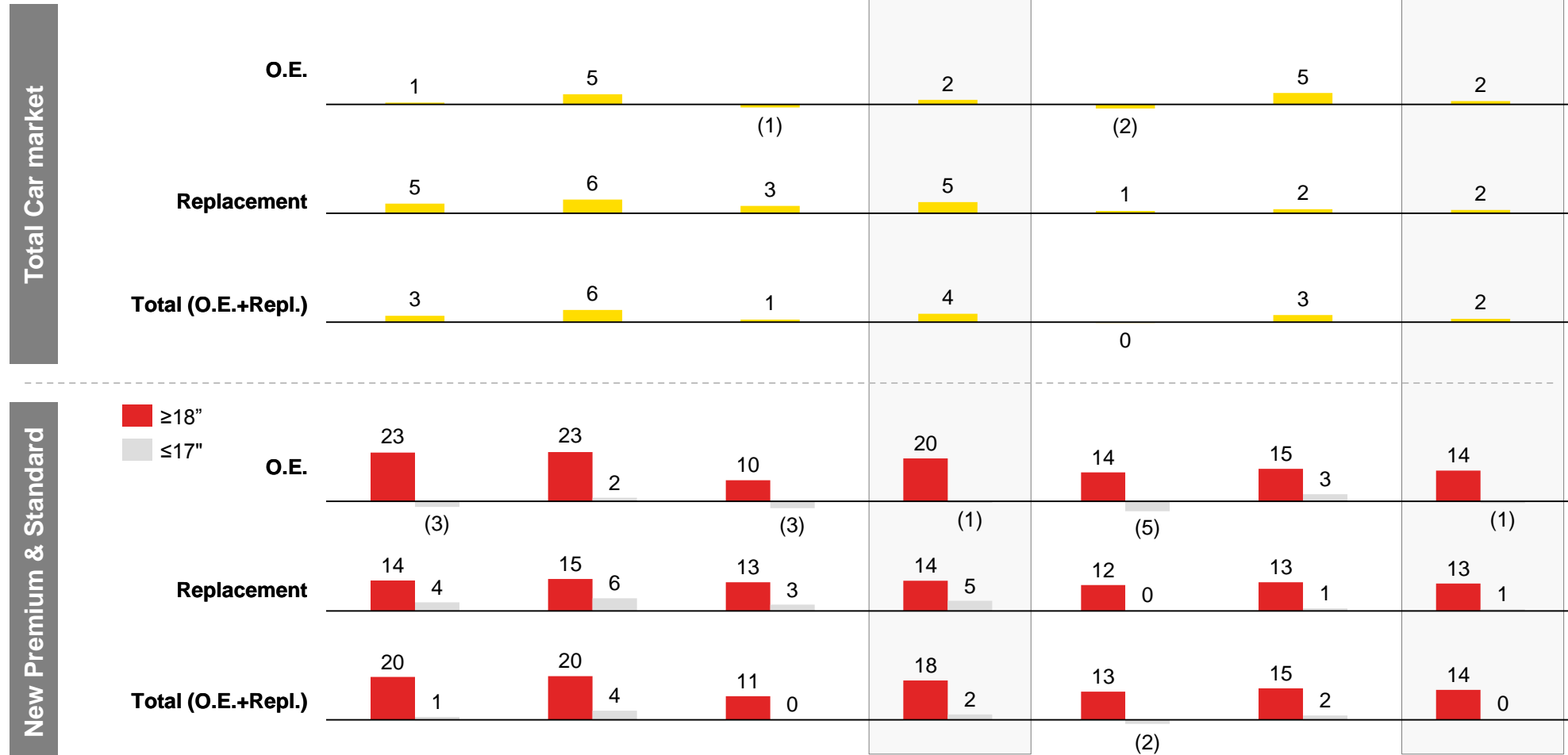
■ ≥18"
■ ≤17"



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

KEY CAR MARKET TRENDS: APAC

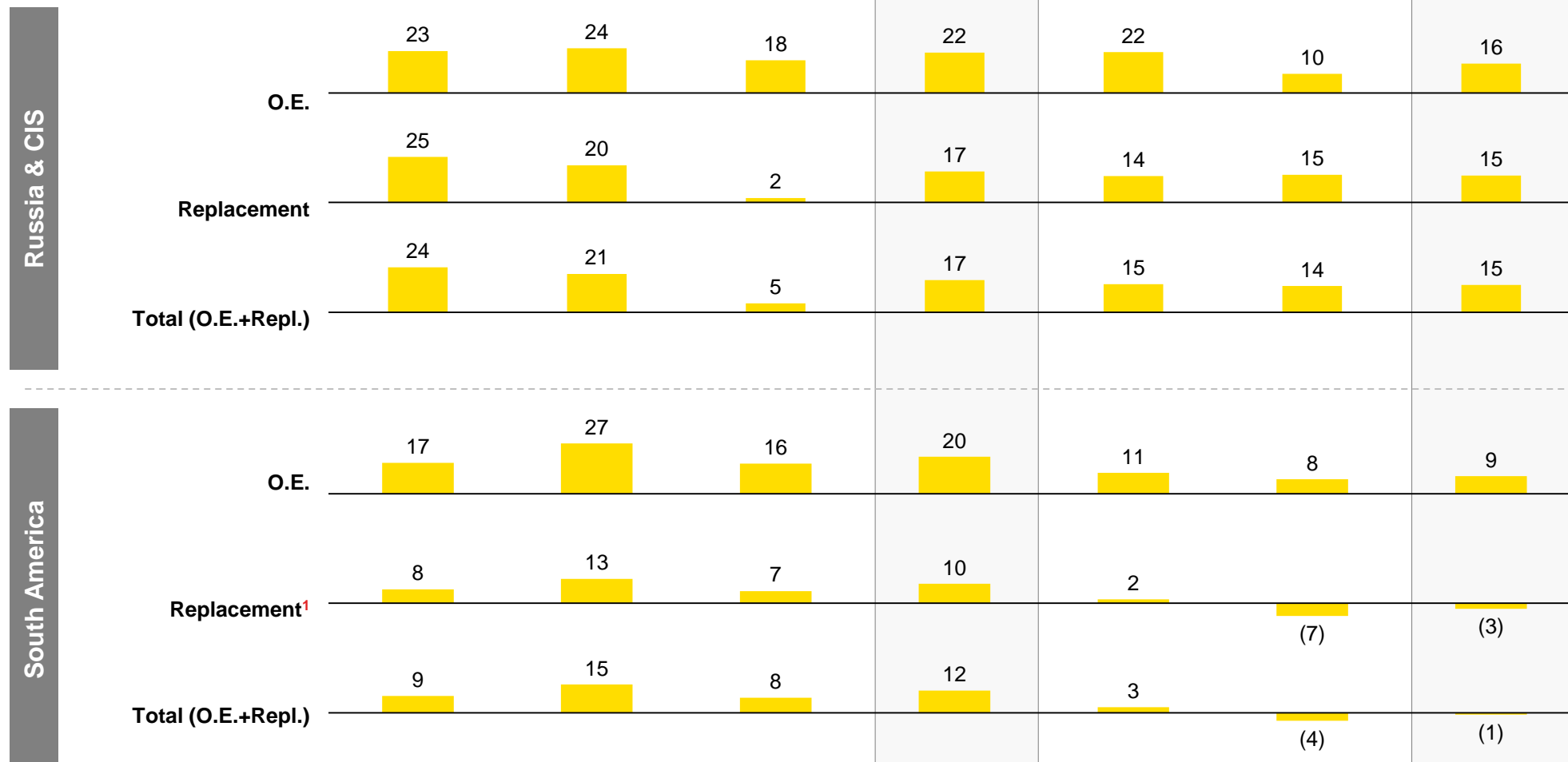
Market trend
Δ% YoY



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

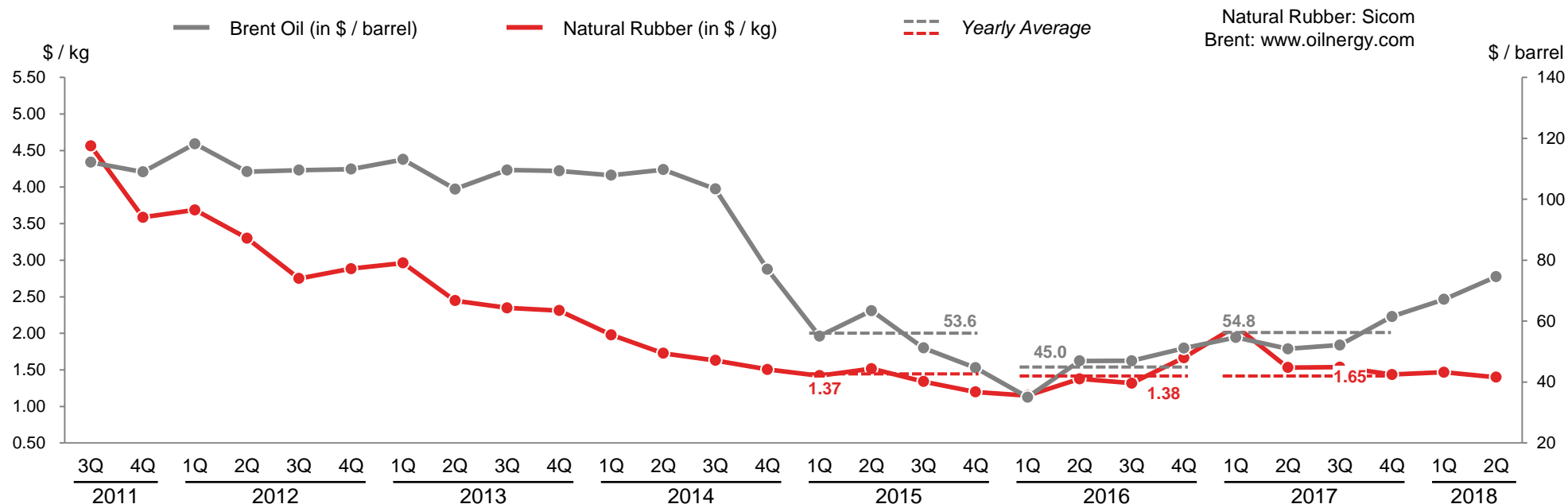
Market trend
Δ% YoY



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

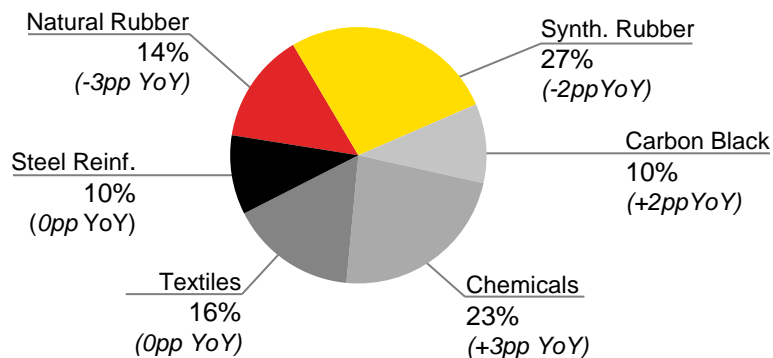
RAW MATERIAL COSTS TREND AND MIX

MAIN RAW MATERIALS PRICE TREND

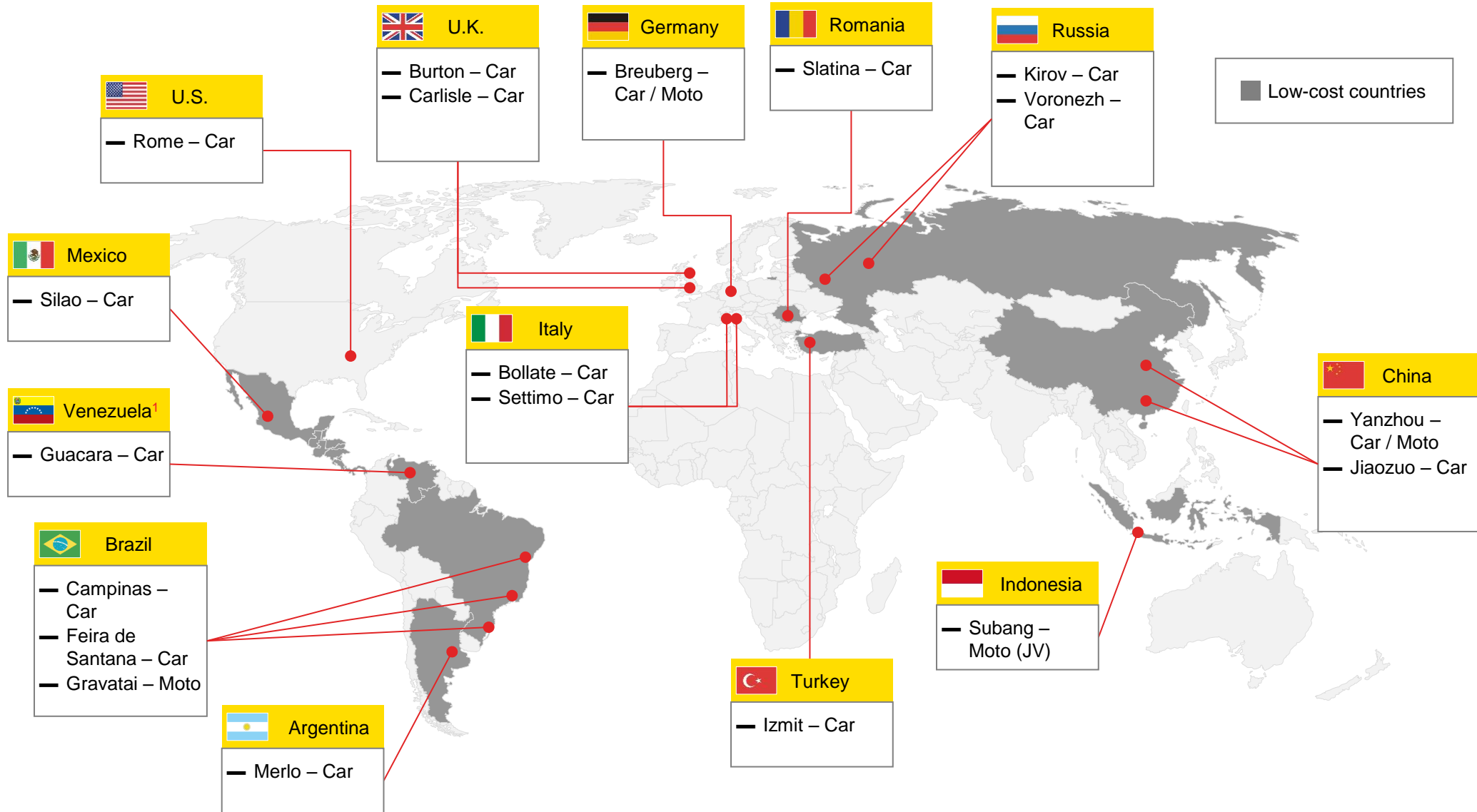


1H 2018 MIX (BASED ON PURCHASING COST)

34%
Raw mat. costs
on sales



PIRELLI MANUFACTURING FOOTPRINT AS OF JUNE 30TH 2018



¹. Not consolidated since December 2016



PIRELLI