



PIRELLI, GLOBAL HIGH VALUE

9 M 20 18 RESULTS – 14 NOVEMBER, 20 18

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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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AGENDA_

OUR STRATEGY, 9M'18 DELIVERY AND FY'18 OUTLOOK

9M'18 RESULTS IN DETAIL

APPENDIX

We are delivering good results because:

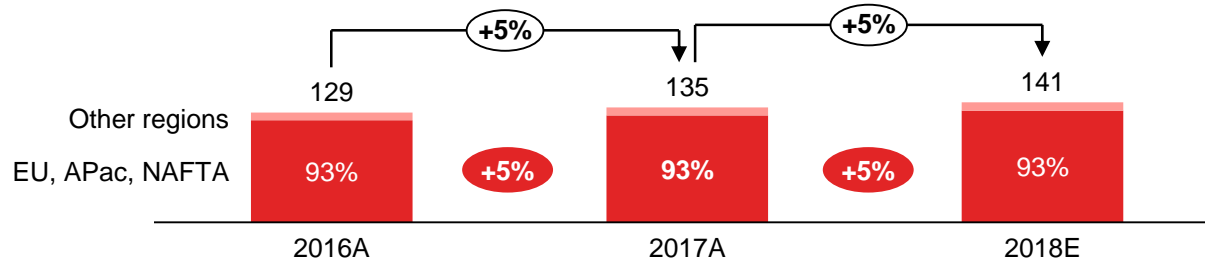
- > Our High Value strategy is proving resilient and on track
- > We are cutting costs, with a short term crash program to deal with the LatAm crisis, and with additional actions in 2019 to continue to support the double digit reduction in Standard and the High Value strategy.

WHY OUR STRATEGY IS UNIQUE (I/II): choice of positioning in High Value

PRESTIGE & PREMIUM CAR PARC



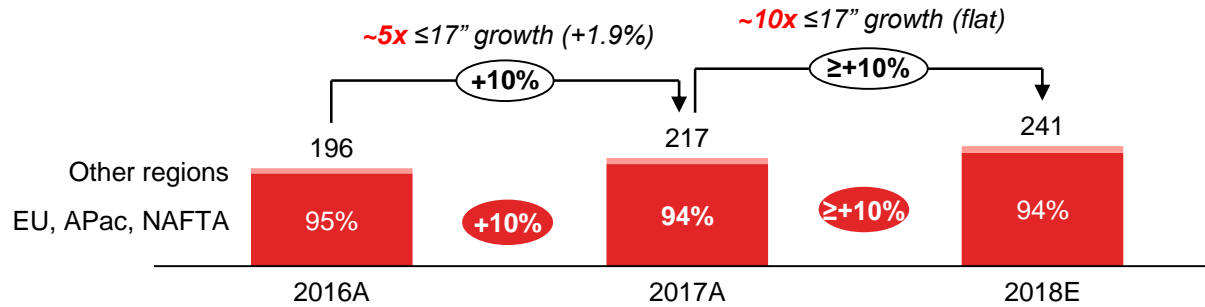
(million vehicles)



O.E. + REPLACEMENT ≥18" TYRE MARKET



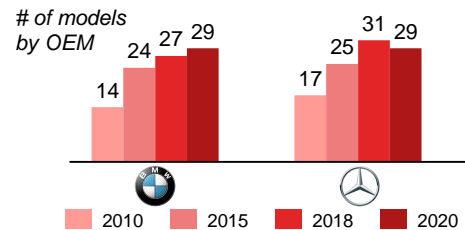
(million tyres)



HIGH COMPLEXITY AND TECHNOLOGICAL BARRIERS



Increasing # of car models per brand



Growing fitments per model, higher rims

PREVIOUS GENERATION



16

FITMENTS

ML (M.Y. 2006) 17" – 20"

FUTURE GENERATION



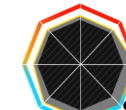
44

FITMENTS

GLE (M.Y. 2019) 18" – 23"

OEMS requirements more sophisticated

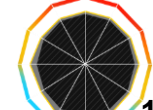
90's



8

TECHNICAL PARAMETERS

Tomorrow

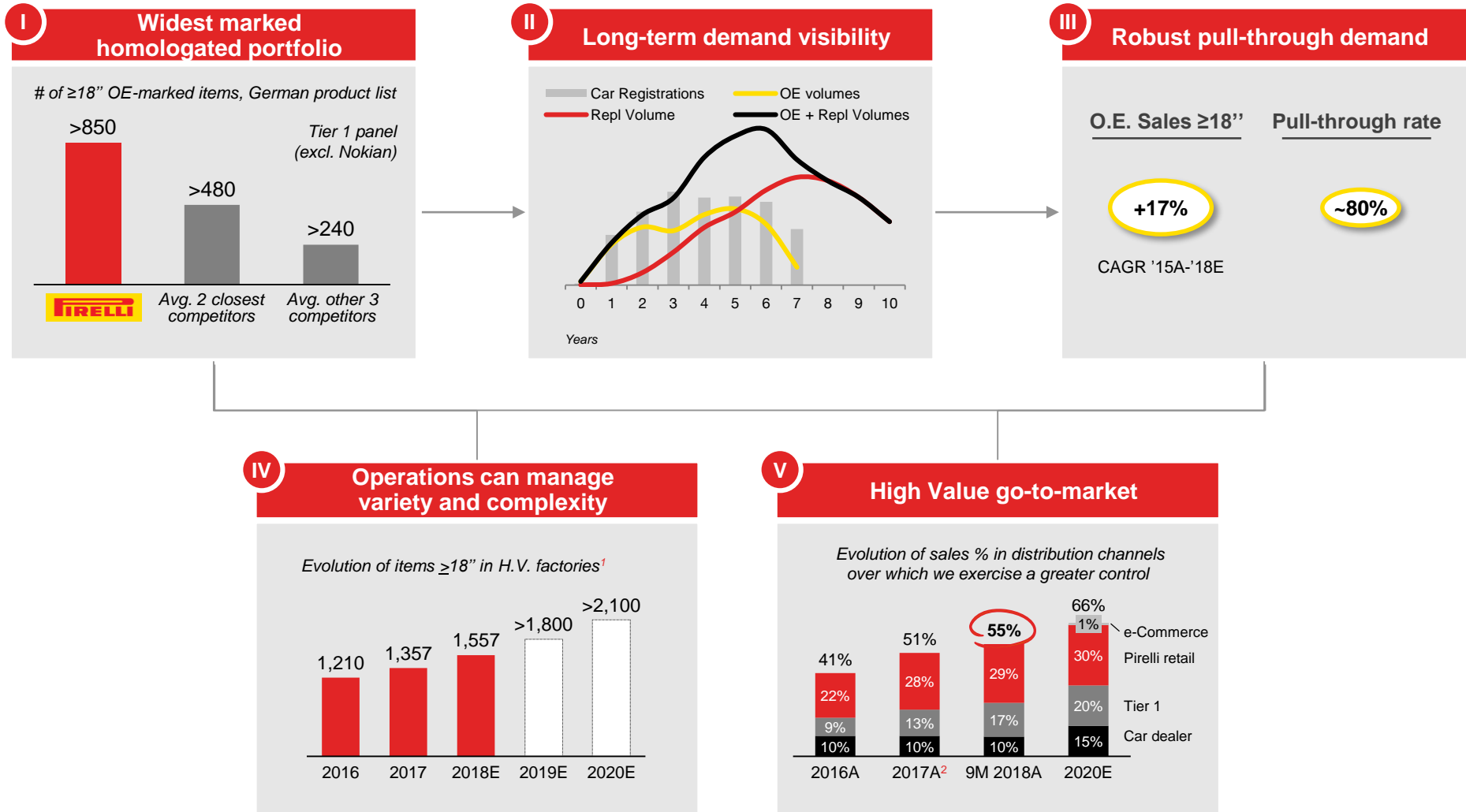


15

TECHNICAL PARAMETERS

- Added important aspects:
- Wet breaking
 - Rolling Resistance
 - Weight
 - Internal / External noise
 - High Load Capacity
 - Aerodynamics

WHY OUR STRATEGY IS UNIQUE (II/II): distinctive business model



9M 2018 RESULTS SUMMARY__

High Value

Fully on track vs. guidance

- ≥18" Global market +10.5%, Pirelli +16.5%
- Strengthening our strategic levers at a rapid pace:
 - ~+260 new H.V. Homologations, 45% Specialties; fitments on EVs growing 2x YoY
 - Increase in H.V. capacity by +2.6M / pcs, now accounting for 59% of total
 - 55% of sales through Car dealers, Pirelli Retail and Tier 1 clients (*51% in FY 2017*)
- High Value revenues growing double digit, with EBIT margin ~25%

Standard

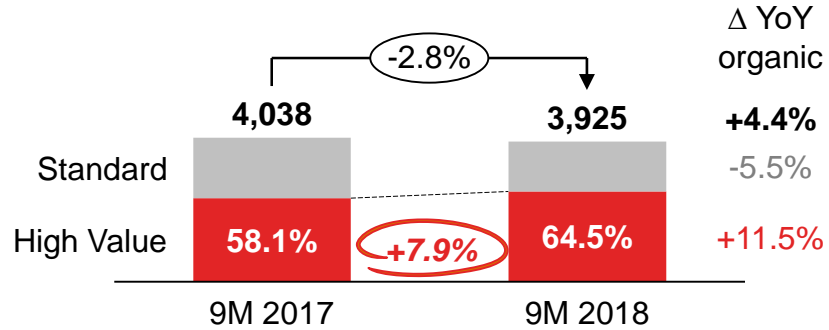
Launched cost-cutting program to respond to weak LatAm and lower Standard exposure

- -11.2% Pirelli Standard volumes by trimming small rim sizes / less profitable products especially in LatAm where market environment is deteriorating (-11% LatAm Replacement in 3Q, -17% in Brazil)
- Pirelli promptly reacted with a global cost-cutting program (mainly impacting LatAm):
 - A short-term crash program of *€50 million (€20 million in 3Q18A and €30 million in 4Q18E)*
 - Thanks to the benefit related to the patent box, as we already announced, additional cost cutting actions, in line with what we have done in 2018, will be implemented in 2019 to continue to support the double digit reduction in standard and the high value strategy.

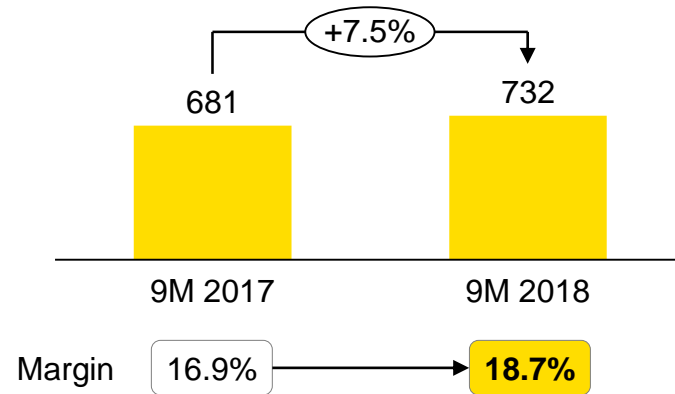
9M 2018 RESULTS HIGHLIGHTS

€ million

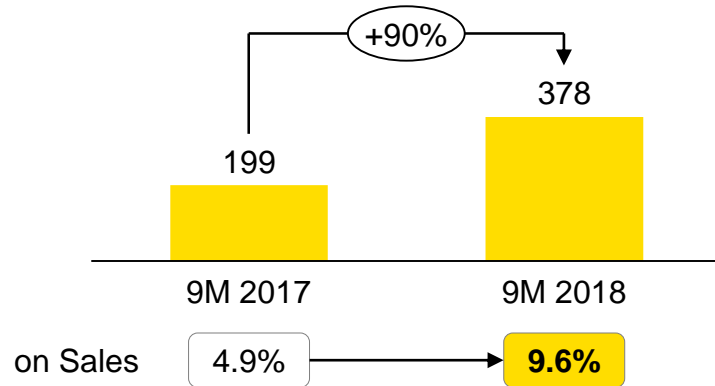
REVENUES



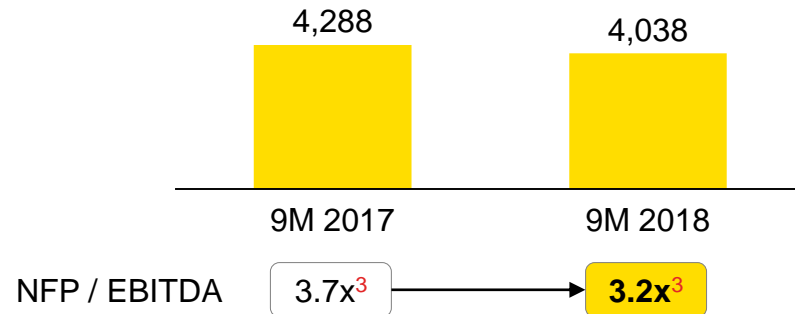
EBIT ADJ.¹ w/o start-up costs²



NET INCOME before discontinued operations



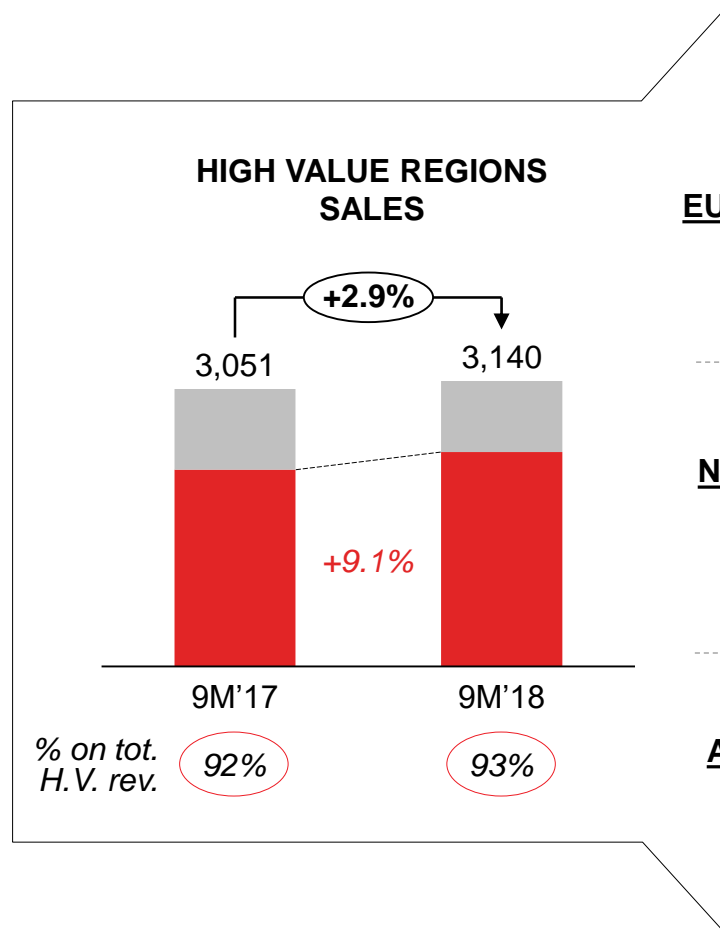
NET FINANCIAL POSITION



1. Bef. amortization of PPA, non-recurring items, restr. costs & other adjustments; 2. Aeolus Car, Velo, Cyber & digital transformation; 3. Net Financial Position / 12M trailing adj. EBITDA bef. start-up costs

9M 2018 PERFORMANCE BY HIGH VALUE REGIONS

€ million



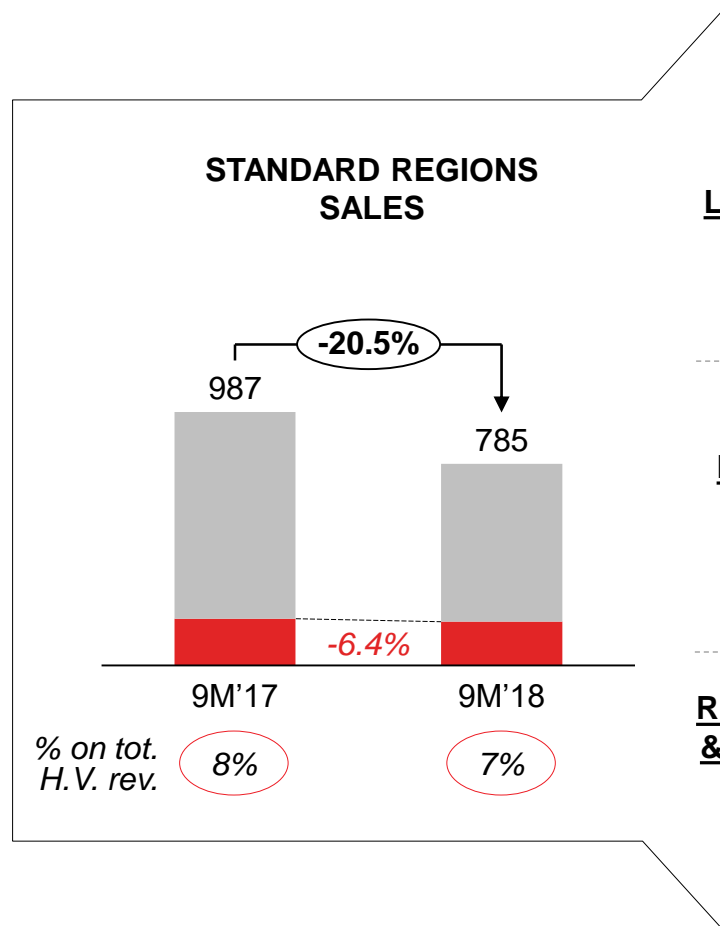
Region	SALES		Δ YoY %	org. growth	EBIT adj. margin ¹	KEY HIGHLIGHTS
	9M'17	9M'18				
EUROPE	1,698	1,715	+1.0%	+2.8% -8.7%	High-teens (improving YoY)	<ul style="list-style-type: none"> Successful High Value strategy implementation: gaining shares in both OE and Replacement Profitability enhancement driven by mix improvement and cost efficiencies
NAFTA	756	753	-0.4%	+6.3% -2.4% +8.3%	Twenties (improving YoY)	<ul style="list-style-type: none"> High Value growth, especially in Repl., driven by new product introduction Better profitability on the back of mix improvement
APAC	597	672	+12.6%	+16.1% -7.1% +25.0%	Twenties (improving YoY)	<p>High Value:</p> <ul style="list-style-type: none"> Solid performance in O.E. thanks to new contracts and homologated fitments Increased market share in Repl., supported by pull-through effect and a pervasive network in distribution

■ High Value ■ Standard²
 Weight on Group revenues

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

9M 2018 PERFORMANCE BY STANDARD REGIONS

€ million



Region	SALES		Δ YoY %	org. growth	EBIT adj. margin ¹	KEY HIGHLIGHTS
	9M'17	9M'18				
LATAM	682	499	-26.8%	-3.6%	Mid-single Digit (decreasing YoY)	In a context of weak demand and a challenging market environment: <ul style="list-style-type: none"> Continued mix improvement Increased exports to NAFTA Actions on costs to compensate headwinds and missed implementation of price increases in Brazil
	17%	13%		+15.7%		
MEAI	186	162	-12.8%	-3.1%	Mid-teens (decreasing YoY)	<ul style="list-style-type: none"> Performance impacted by currency volatility and market slowdown Actions on costs ongoing
	5%	4%		-8.2%		
RUSSIA & C.I.S.	119	124	+4.0%	+15.3%	High-teens (improving YoY)	<ul style="list-style-type: none"> Strong profitability improvement, led by better mix and sustained market demand
	3%	3%		+15.9%		

■ High Value ■ Standard²
 Weight on Group revenues

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

FY 2018 OUTLOOK UPDATE

	2017A	2018E (14 Nov. 2018)	August 7 th guidance
Revenues	€ 5,352 mln	~ € 5.2 bln	~€ 5.4 billion
High Value weight	58%	~ 64%	from >60%
Volumes		~ -2.0%	flat
— High Value volumes		~ +13%	≥13%
— Standard volumes		~ -12%	-9.0%
Price/mix		~ +6.5%	+6.5% ÷ +7.5%
Forex		-7.0% ÷ -6.5%	-6.0% ÷ -5.0%
IFRS 15 impact¹		-0.6%	confirmed
Adjusted EBIT w/o start-up costs²	€ 927 mln	> € 1.0 bln	confirmed
High Value weight	~83%	> 83%	confirmed
Start-up costs	€ 50 mln	~ € 40 mln	confirmed
Adjusted EBIT	€ 876 mln	~ € 1.0 bln	confirmed
		Top line impact (Standard Volume, FX and Brazil) offset by:	
		— Higher Net efficiencies vs. input costs (+ € 20 mln; 0 in August guidance)	
		— Cost reduction and Brazil recovery plan (~ € 50 mln vs. € 20 mln August guidance)	
		— Lower raw material impact (~ -€ 50 mln vs. -€ 60 mln August guidance)	
Net financial position / Adjusted EBITDA w/o start-up costs²	2.7X	~ 2.35X	~2.3X
		~ 2.3x excl. LatAm slowdown vs August guidance	
CapEx	€ 489 mln	~ € 460 mln	confirmed

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;

² Before amortization of PPA, non-recurring items, restructuring costs, other adjustments and start-up costs;

AGENDA_

OUR STRATEGY, 9M'18 DELIVERY AND FY'18 OUTLOOK

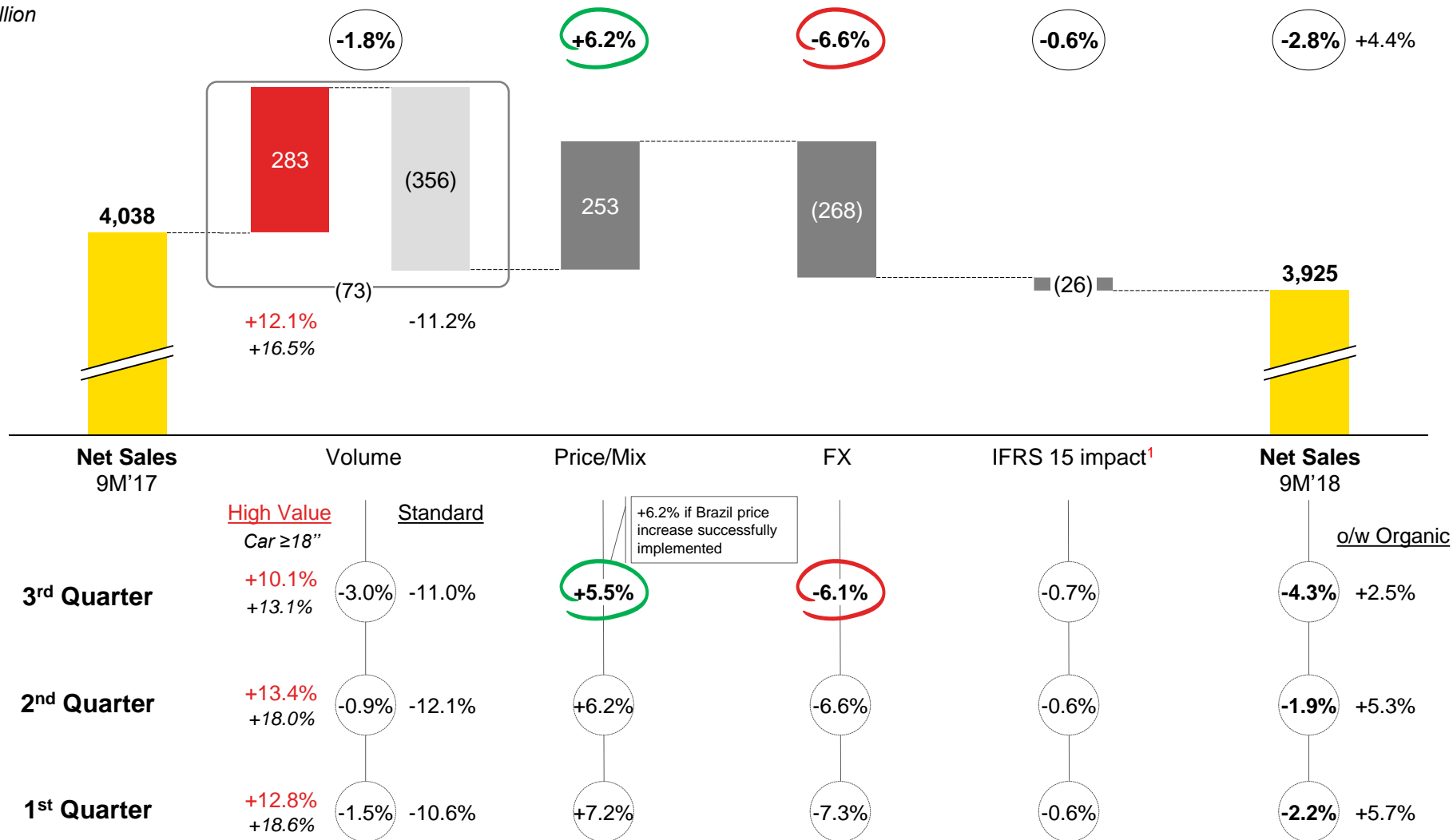
9M'18 RESULTS IN DETAIL

APPENDIX

9M 2018 NET SALES BRIDGE

€ million

o/w Organic

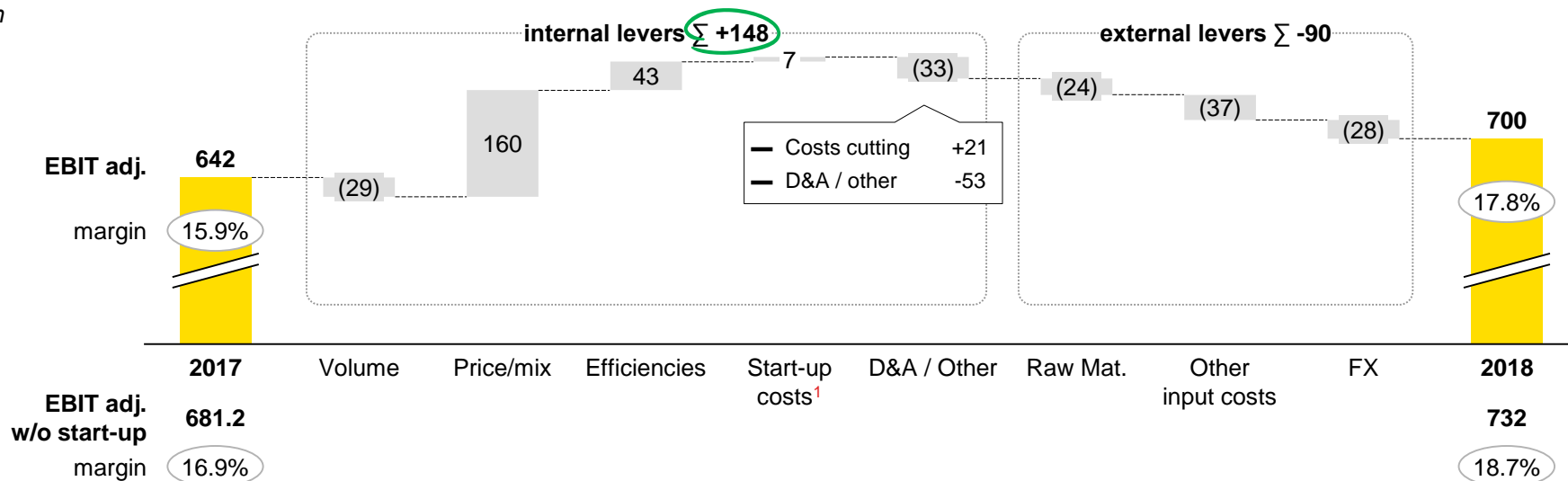


1. In accordance with IFRS 15 (from January 1st, 2018), some costs for variable considerations paid or payable to indirect customers and mainly linked to achieving sales targets are recognized as a reduction of revenues

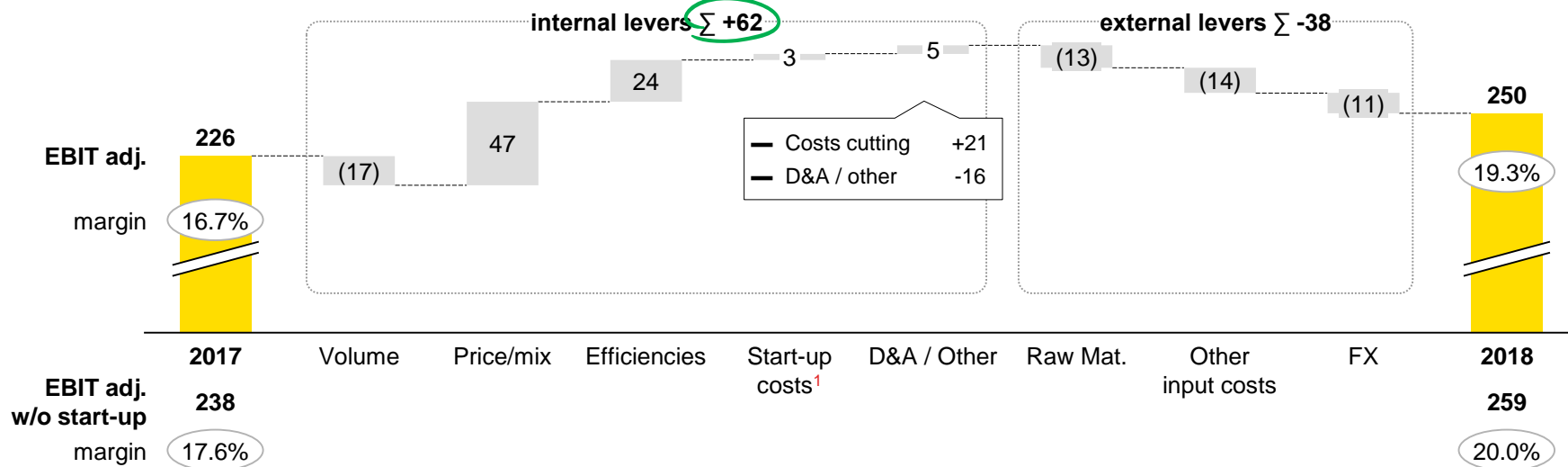
9M / 3Q 2018 OPERATING PERFORMANCE

€ million

9M



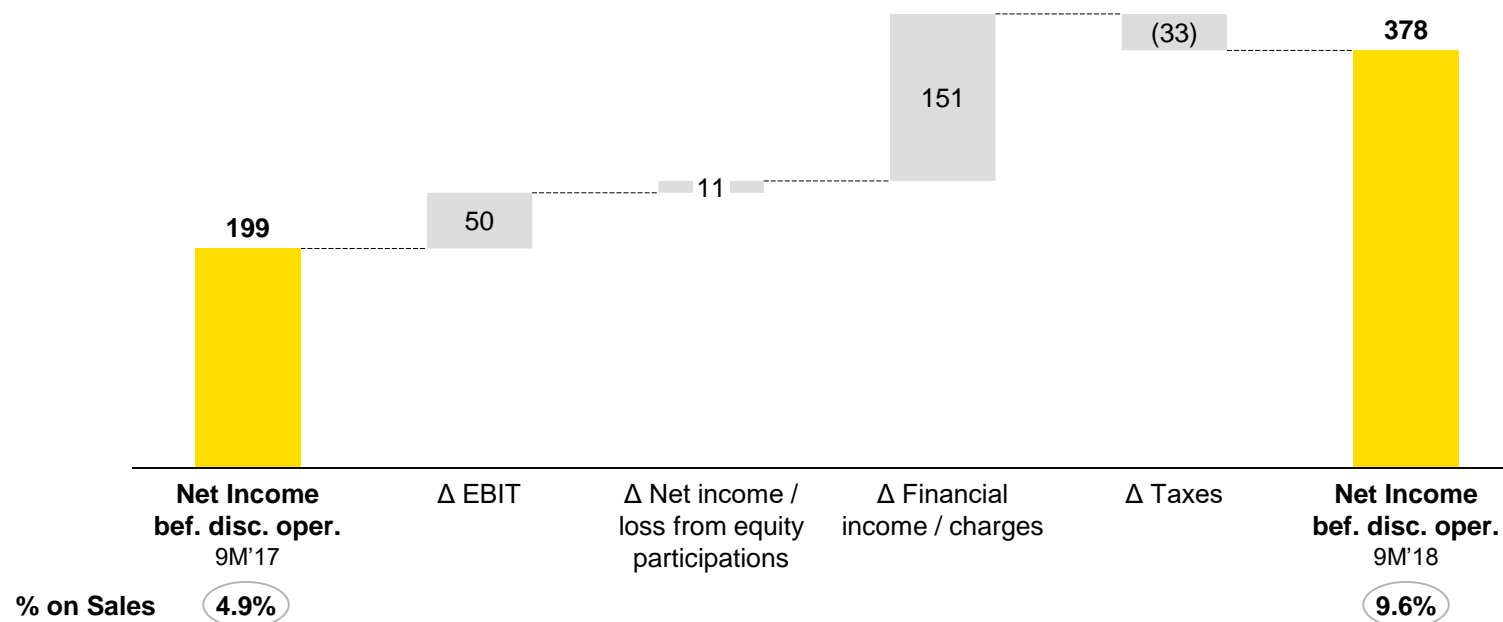
3Q



1. Aeolus Car, Velo, Cyber & digital transformation;

9M 2018 NET INCOME BRIDGE

€ million

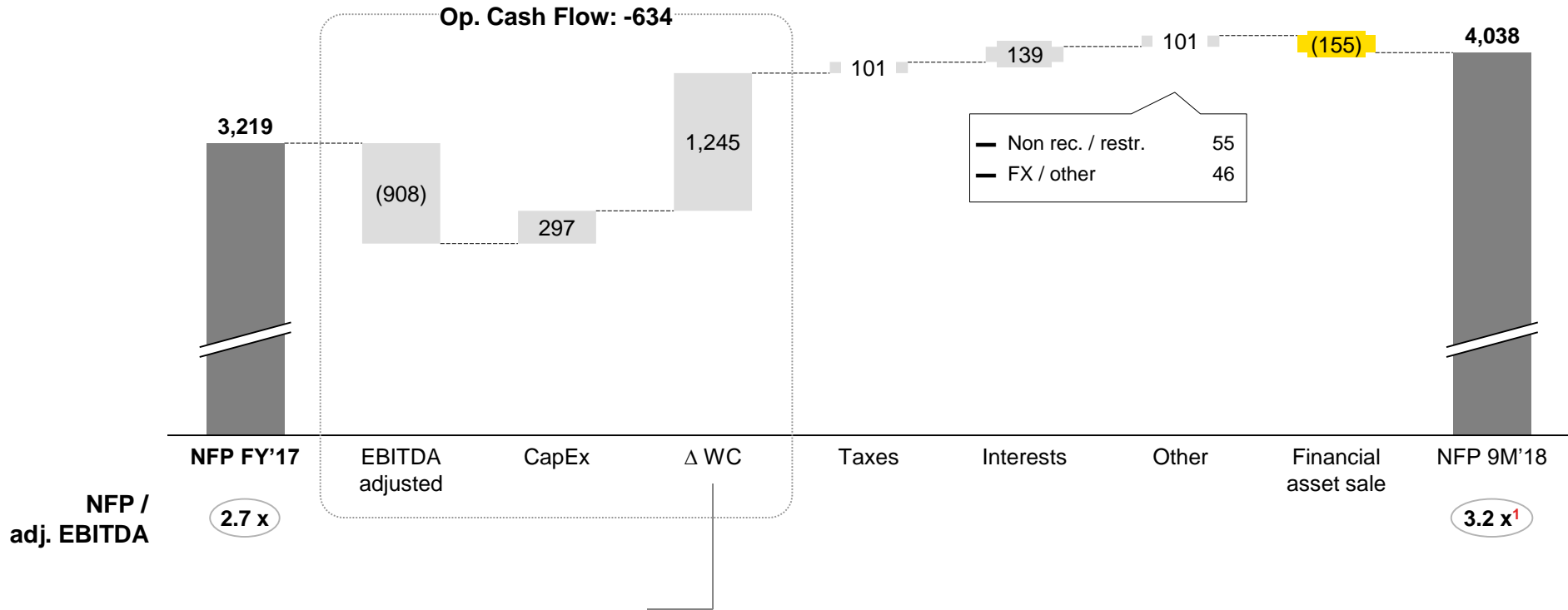


	9M'17	9M'18
Net Income related to cont. oper.	199	378
PPA amortization	+81	+86
Non recurring / restr. costs / other adj.	+20	+23
Non recurring fin. expenses	+61 ¹	0 ²
Taxes impact	-104	-84
Net income related to cont. oper. adjusted	258	404

1. wash down fee BCC financing; 2. Mainly related to gains from re-pricing of unsecured facilities

9M 2018 CASH FLOW AND NET FINANCIAL POSITION

€ million



Working Capital dynamics:

- **Inventories:** in LatAm due to slower local Repl. Demand and higher export to NAFTA; better service level on H.V.
- **Trade receivables:** in line with the seasonality of the business
- **Trade Payables:** seasonal reduction versus y.e. 2017

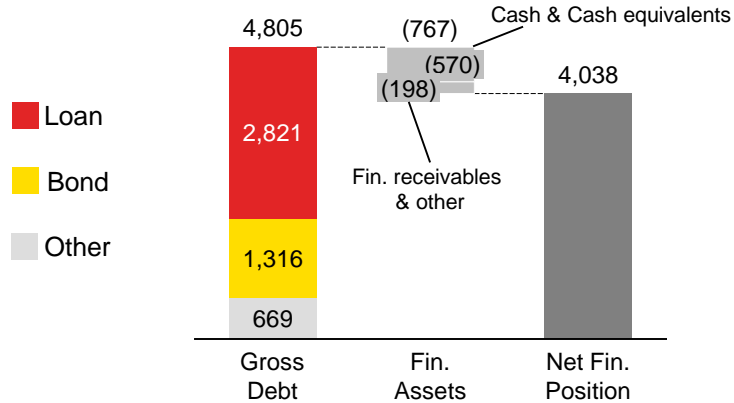
Seasonal trend to be reverted in 4Q 2018

¹. Net Financial Position on 12 month trailing adjusted EBITDA without start-up costs

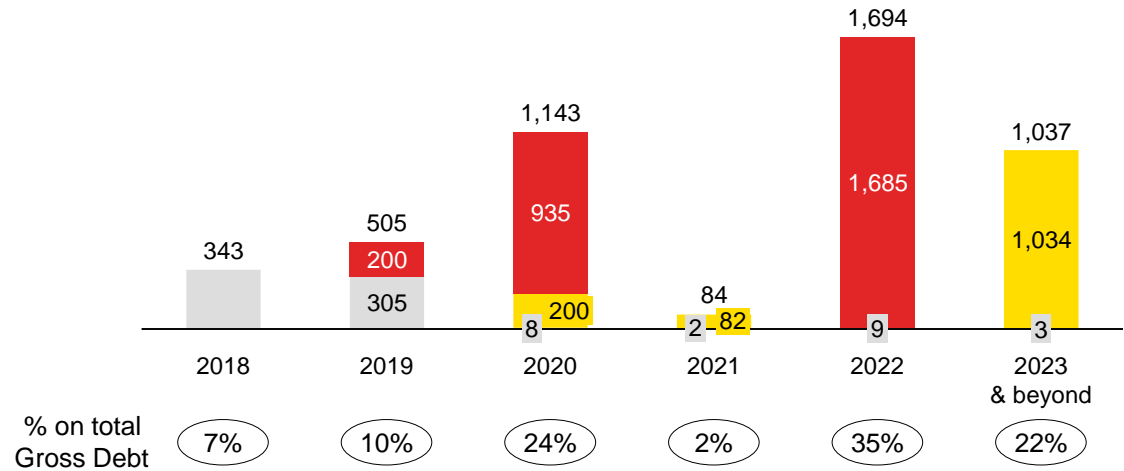
CURRENT CAPITAL STRUCTURE (SEPTEMBER 2018)

€ million

NET FINANCIAL POSITION



GROSS DEBT MATURITY

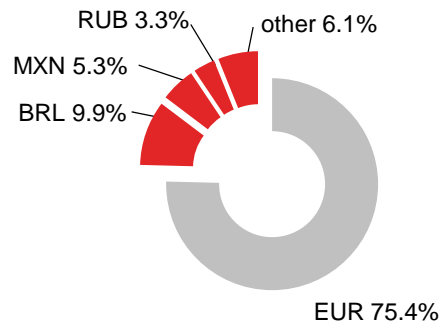


LIQUIDITY PROFILE

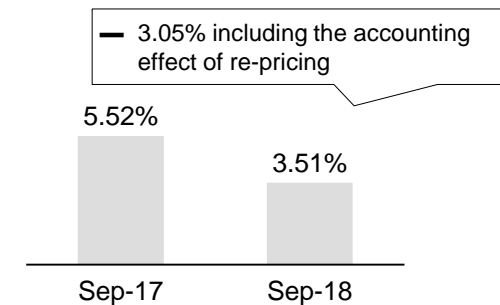
Liquidity position	570
Total committed lines not drawn	700
Liquidity margin¹	1,270

¹. Covers ~1.7 years of forthcoming maturities

BREAK-DOWN BY CURRENCY



COST OF DEBT (LAST 12 MONTHS)



AGENDA_

OUR STRATEGY, 9M'18 DELIVERY AND FY'18 OUTLOOK

9M'18 RESULTS IN DETAIL

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9M / 3Q 2018 RESULTS HIGHLIGHTS

€ million

	3Q'17	3Q'18	Δ YoY	9M'17	9M'18	Δ YoY
Revenues	1,353	1,295	-4.3%	4,038	3,925	-2.8%
<i>Organic Growth</i> ¹			+2.5%			+4.4%
High Value Revenues	782.5	846	+8.1%	2,345	2,530	+7.9%
<i>Organic Growth</i> ¹			+9.6%			+11.5%
% on total Revenues	57.8%	65.3%	+7.5 pp	58.1%	64.5%	+6.4 pp
EBITDA adjusted w/o start-up costs ²	299	328	+9.7%	866	936	+8.2%
Margin	22.1%	25.3%	+3.2 pp	21.4%	23.9%	+2.5 pp
EBITDA adjusted ³	290	320	+10.3%	836	908	+8.5%
Margin	21.4%	24.7%	+3.3 pp	20.7%	23.1%	+2.4 pp
EBIT adjusted w/o start-up costs ²	238	259	+8.6%	681	732	+7.5%
Margin	17.6%	20.0%	+2.4 pp	16.9%	18.7%	+1.8 pp
EBIT adjusted ³	226	250	+10.6%	642	700	+9.0%
Margin	16.7%	19.3%	+2.6 pp	15.9%	17.8%	+1.9 pp
EBIT	223	214	-4.1%	541	591	+9.3%
Margin	16.5%	16.5%	0.0 pp	13.4%	15.1%	+1.7 pp
Results from Equity Investments	(6)	(3)		(19)	(8)	
Financial Income / (Charges)	(64)	(21)		(290)	(139)	
EBT	154	190		233	445	
<i>Tax Rate</i>	14.6%	n.m.		14.5%	15.0%	
Net Income before disc. operations	131	196		199	378	
Net Income adjusted before disc. operations	99	171		258	404	

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

9M PIRELLI BALANCE SHEET__

€ million

	30/09/2017	31/12/2017	30/09/2018
Fixed assets related to continuing operations	9,147	9,121	8,881
Inventories	969	941	1,049
Trade receivables	1,037	653	968
Trade payables	(1,067)	(1,674)	(1,005)
Operating net working capital related to continuing operations	940	(80)	1,012
Other receivables / payables	147	(42)	99
Net Working Capital related to continuing operations	1,087	(123)	1,100
Net invested capital held for sale	(1)	61	11
Total net invested capital	10,233	9,059	10,002
Equity	4,160	4,177	4,465
Provisions	1,786	1,664	1,499
Net Financial Position	4,288	3,219	4,038
Total financing and shareholders' equity	10,233	9,059	10,002
<i>Attributable net equity</i>	<i>4,104</i>	<i>4,117</i>	<i>4,384</i>

9M PIRELLI GROUP CASH FLOW

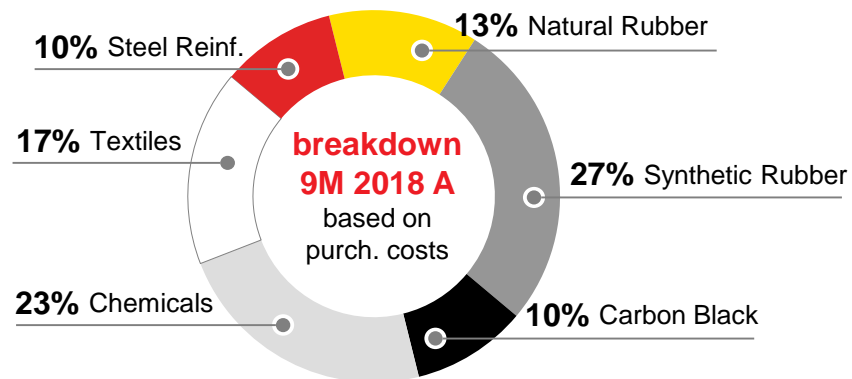
€ million

	9M'17	1Q'18	2Q'18	3Q'18	9M'18
EBIT adjusted ¹	642	218	232	250	700
Depreciation & Amortization (excl. PPA amortization)	194	70	68	70	208
Capital expenditures	(328)	(85)	(94)	(118)	(297)
Change in working capital / other	(900)	(929)	(69)	(247)	(1,245)
Operating Cash Flow	(391)	(726)	137	(45)	(634)
Financial income / (expenses)	(290)	(55)	(63)	(21)	(139)
Taxes paid	(117)	(31)	(36)	(34)	(101)
Financial investments	(3)	-	-	-	-
Financial asset disposals	-	155	-	-	155
Purchase of Pneuac shares ²	(15)	(19)	-	-	(19)
Cash-out for non recurring items and restructuring costs	(23)	(38)	(12)	(5)	(55)
Minorities	(6)	-	-	-	-
Exchange rates difference / other	(24)	(12)	6	(27)	(32)
Net cash flow before extraordinary operations	(869)	(726)	33	(131)	(824)
Industrial reorganization	305	5	(10)	10	5
Capital Increase	1,189	-	-	-	-
Net cash flow	625	(720)	22	(122)	(820)

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.
35% on Sales

AVERAGE QUOTATION OF COMMODITIES

AVERAGE COST OF GOODS SOLD OF COMMODITIES

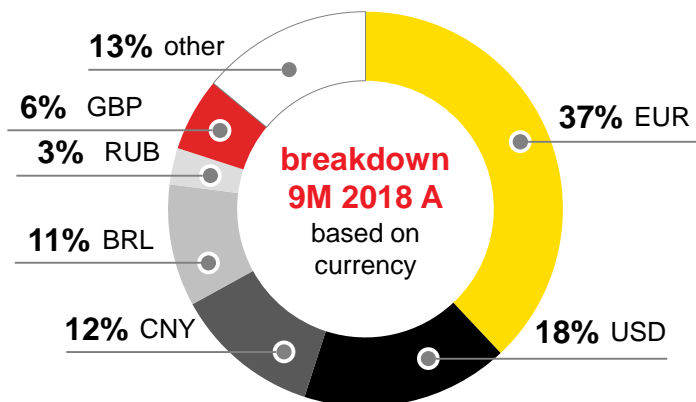
	2017 A	2018 E Nov. guidance	Δ YoY	2017 A	2018 E Nov. guidance	2018E EBIT impact
Natural Rubber TSR20 (\$ / tonne)	1,651	~1,400	-15,2%	~1,700	~1,400	~+36
Brent Oil (\$ / barrel)	54.9	~75	+36,6%	51	~67	~66
Butadiene EU (€ / tonne)	1,112	~1,000	-10,1%	~1,100	~950	~+23
				Raw Mat. subtotal		~7
				FX impact		~43
				TOT. IMPACT		~50











Aug. 2018 guidance	
— Nat. Rubber	~1,450
— Brent Oil	~74
— Butadiene	~1,050

Aug. guidance	
	~€60 million

2018E FOREX GUIDANCE

€ million

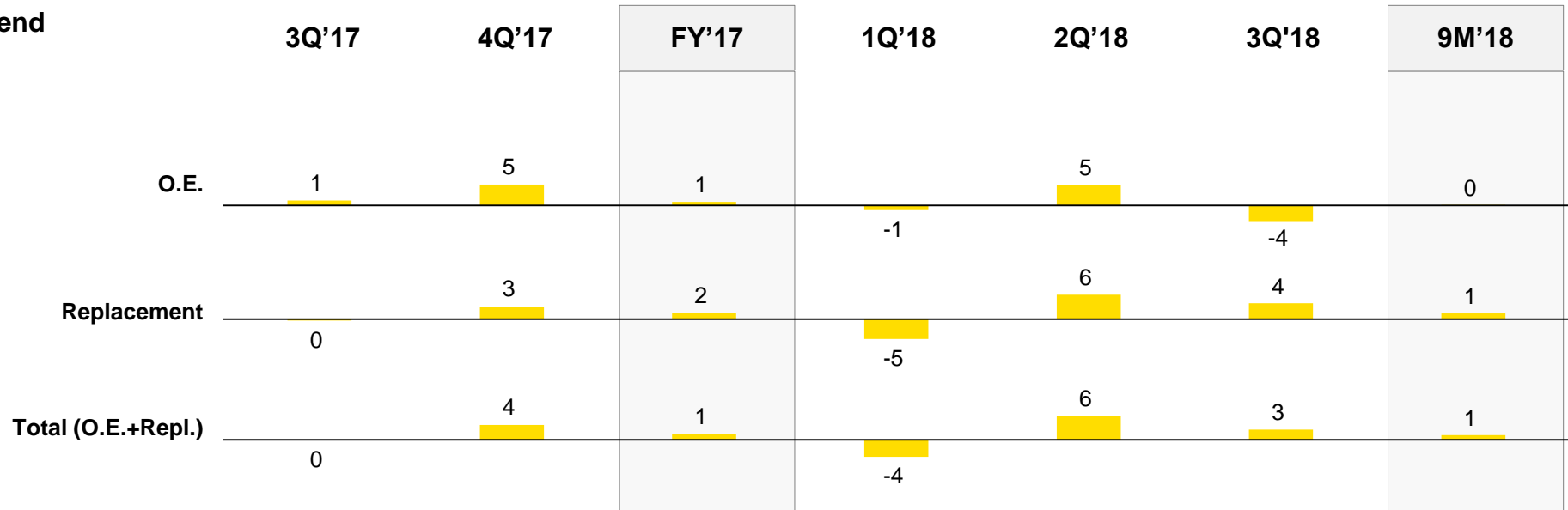


MAIN AVERAGE EXCHANGE RATES		2017 A	2018 E Nov. guidance	Δ YoY	Δ YoY vs. EUR	2018E Aug. guidance
EUR / USD	 / 	1.130	1.185	-5%	-5%	1.188
USD / CNY	 / 	6.752	6.610	+2%	-3%	6.494
USD / BRL	 / 	3.193	3.708	-14%	-18%	3.643
EUR / RUB	 / 	65.850	74.045	-11%	-11%	72.412
EUR / GBP	 / 	0.876	0.885	-1%	-1%	0.883
TOT. IMPACT ON SALES					-7.0% ÷ -6.5%	-6.0% ÷ -5.0%

KEY CAR MARKET TRENDS: EUROPE

Market trend
Δ% YoY

Total Car market



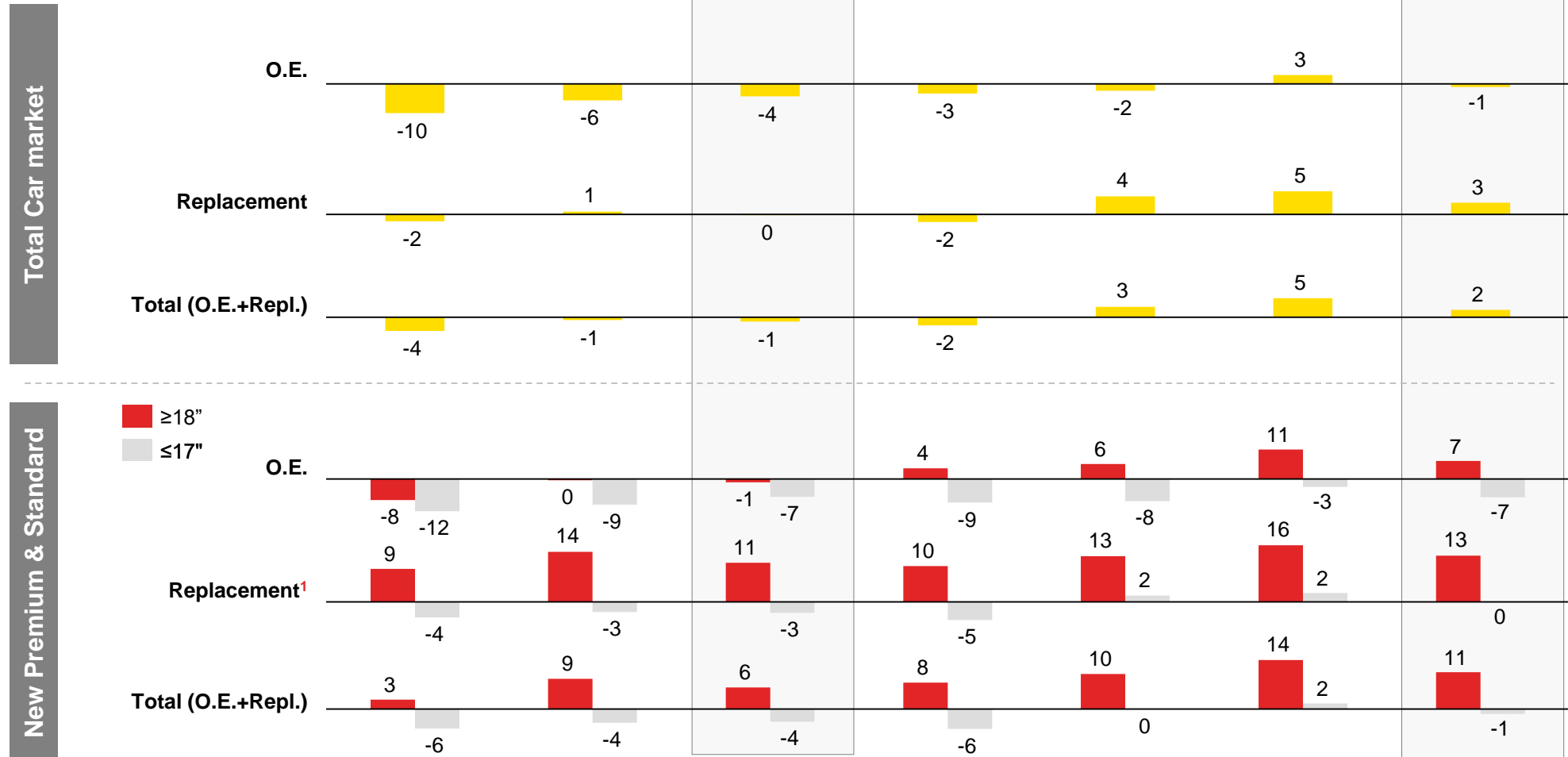
New Premium & Standard



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

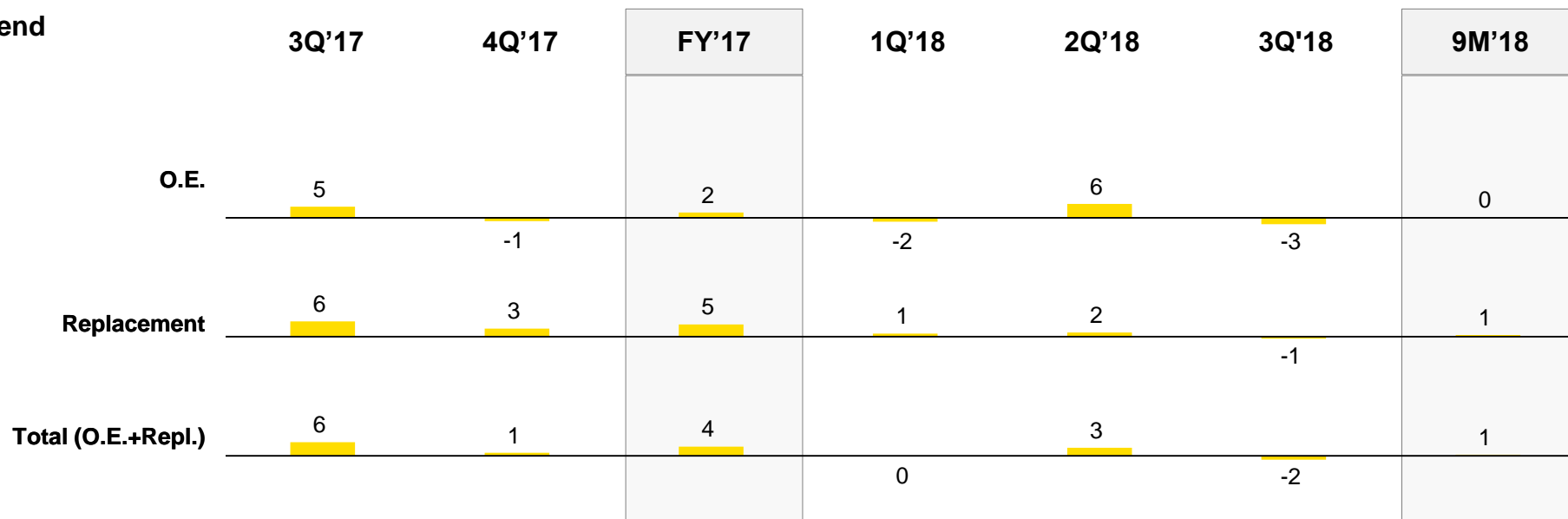


Source: Pirelli tyre market estimates based on main data provider for the Region; historical market data may be subject to restatement; 1. NAFTA Replacement includes imports

KEY CAR MARKET TRENDS: APAC

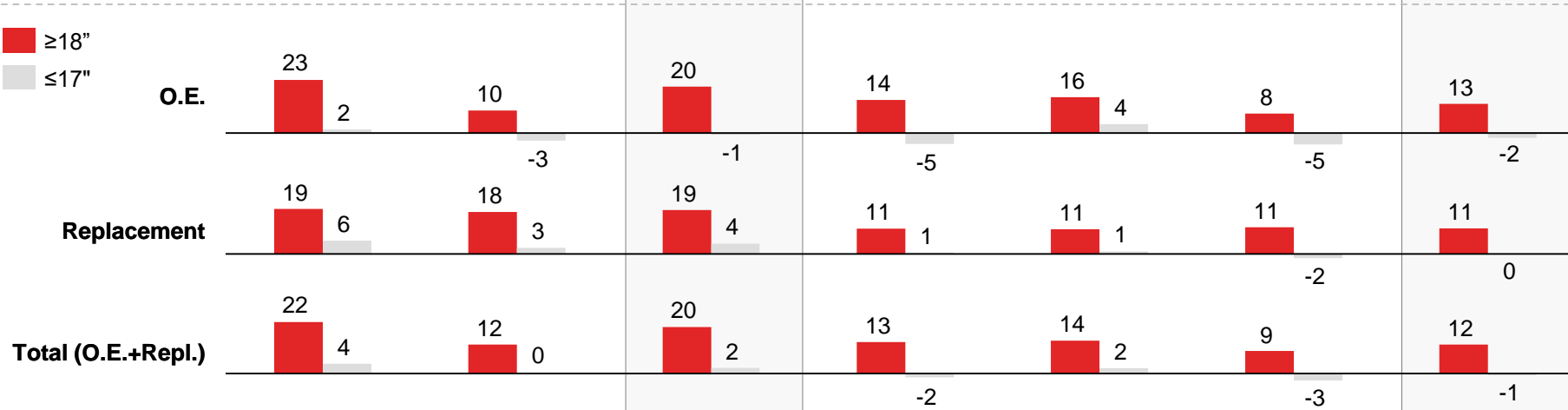
Market trend
Δ% YoY

Total Car market



New Premium & Standard

■ ≥18"
■ ≤17"

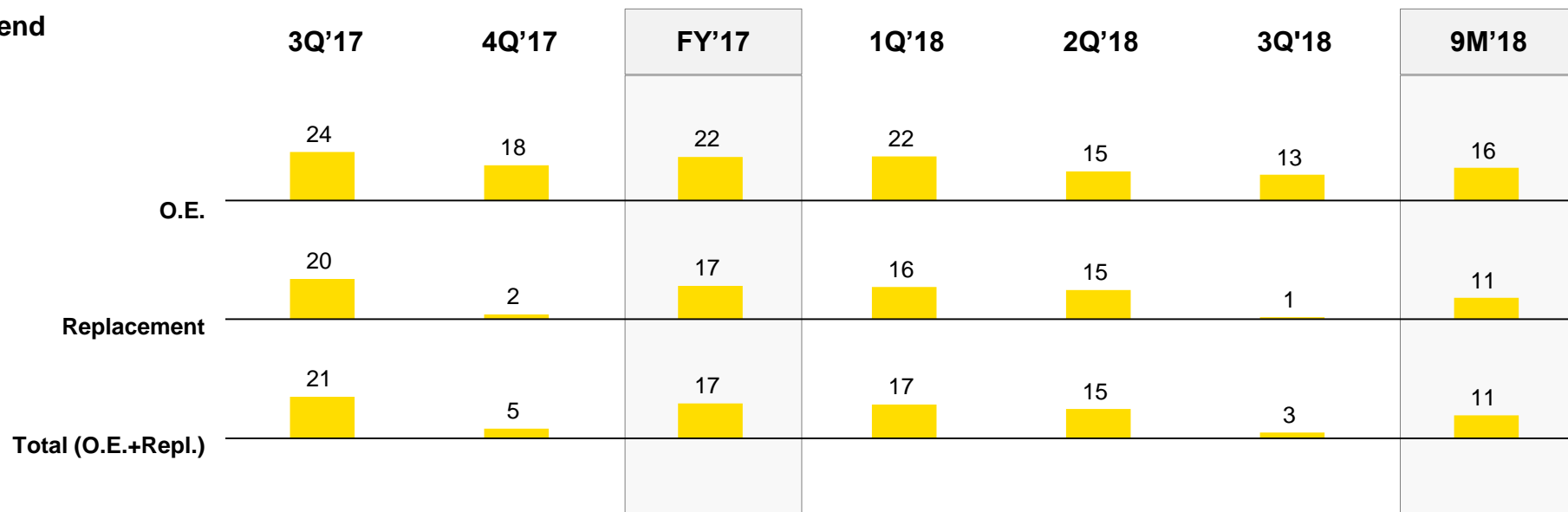


Source: Pirelli tyre market estimates based on main data provider for the Region; historical market data may be subject to restatement

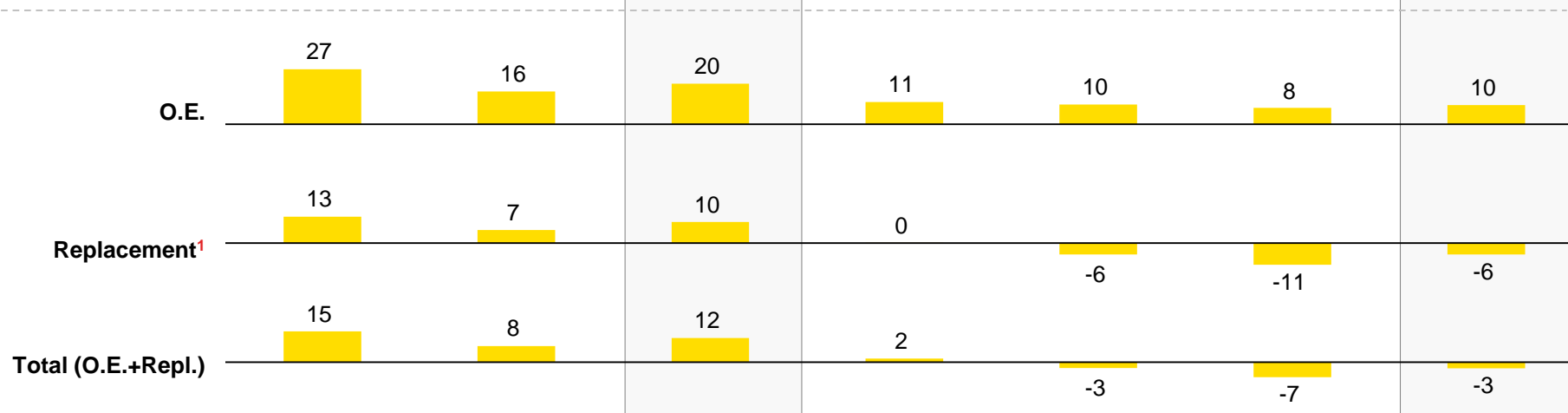
KEY MARKET TRENDS: RUSSIA & CIS AND SOUTH AMERICA

Market trend
Δ% YoY

Russia & CIS



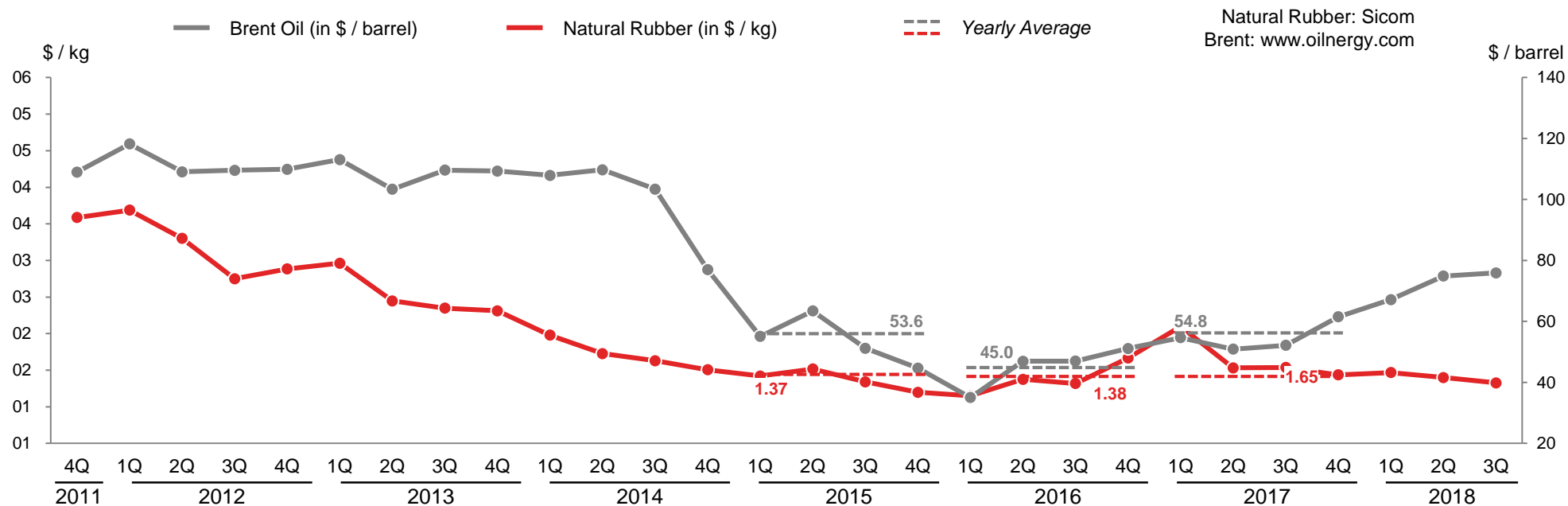
South America



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

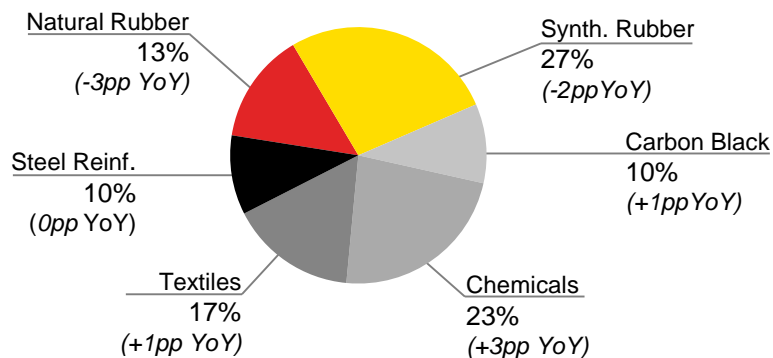
RAW MATERIAL COSTS TREND AND MIX

MAIN RAW MATERIALS PRICE TREND



9M 2018 MIX (BASED ON PURCHASING COST)

35%
 Raw mat. costs
 on sales



PIRELLI MANUFACTURING FOOTPRINT AS OF SEPTEMBER 30TH 2018

