



PIRELLI, GLOBAL HIGH VALUE

1Q 2019 RESULTS - MAY 14th, 2019

DISCLAIMER

In General. This disclaimer applies to this document and any oral comments of any person presenting it. This document, taken together with any such oral comments, is referred to herein as the “**Presentation**”. This document has been prepared by Pirelli & C. S.p.A. (“**Pirelli**” or the “**Company**” and, together with its subsidiary the “**Group**”). The Presentation is being furnished to you for information purposes only and for use in presentations of the results and strategies of the Group.

No distribution of this Presentation. This Presentation is being furnished to you solely for your information and may not be reproduced, in whole or in part, or redistributed to any other individual or legal entity.

Forward-looking statement. “Forward-looking statements” (which expression shall include opinions, predictions or expectations about any future event) that may be contained in the Presentation are based on a variety of estimates and assumptions by the Group, including, among others, estimates of future operating results, the value of assets and market conditions. These estimates and assumptions are inherently uncertain and are subject to numerous business, industry, market, regulatory, geo-political, competitive and financial risks that are outside of the Group’s control. There can be no assurance that the assumptions made in connection with the forward-looking statements will prove accurate, and actual results may differ materially. The inclusion of the forward-looking statements herein should not be regarded as an indication that the Group considers the forward-looking statements to be a reliable prediction of future events and the forward-looking statements should not be relied upon as such. Neither the Group nor any of its representatives has made or makes any representation to any person regarding the forward-looking statements and none of them intends to update or otherwise revise the forward-looking statements to reflect circumstances existing after the date when made or to reflect the occurrence of future events, even in the event that any or all of the assumptions underlying the forward-looking statements are later shown to be in error.

No update. The information and opinions in this Presentation is provided to you as of the dates indicated and the Group does not undertake to update the information contained in this Presentation and/or any opinions expressed relating thereto after its presentation, even in the event that the information becomes materially inaccurate, except as otherwise required by applicable laws.

Verbal explanation. This Presentation has to be accompanied by a verbal explanation. A simple reading of this Presentation without the appropriate verbal explanation could give rise to a partial or incorrect understanding.

No offer to purchase or sell securities. The information, statements and opinions contained in this Presentation are for information purposes only and do not constitute a public offer under any applicable legislation or an offer to sell or solicitation of an offer to purchase or subscribe for securities or financial instruments or any advice or recommendation with respect to such securities or other financial instruments. None of the securities referred to herein have been, or will be, registered under the U.S. Securities Act of 1933, as amended, or the securities laws of any state or other jurisdiction of the United States or in Australia, Canada or Japan or any other jurisdiction where such an offer or solicitation would be unlawful (the “**Other Countries**”), and there will be no public offer of any such securities in the United States. This Presentation does not constitute or form a part of any offer or solicitation to purchase or subscribe for securities in the United States or the Other Countries.

Rounding. Due to rounding, numbers presented throughout this Presentation may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

This Presentation has been prepared on a voluntary basis since the financial disclosure additional to the half-year and annual ones is no longer compulsory pursuant to Law 25/2016 in application of Directive 2013/50/EU. Pirelli is therefore not bound to prepare similar presentations in the future, unless where provided by law.

Neither the Company nor any member of the Group nor any of its or their respective representatives, directors, employees or agents accept any liability whatsoever in connection with this Presentation or any of its contents or in relation to any loss arising from its use or from any reliance placed upon it.

Francesco Tanzi, the manager in charge of preparing the corporate accounting documents, declares that, pursuant to art. 154-bis, paragraph 2, of the Legislative Decree no. 58 of February 24, 1998, the accounting information contained herein correspond to document results, books and accounting records.

Non-IFRS and Other Performance Measures

This Presentation contains certain items as part of the financial disclosure which are not defined under IFRS. Accordingly, these items do not have standardized meanings and may not be directly comparable to similarly-titled items adopted by other entities.

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.

These measures are not indicative of our historical operating results, nor are they meant to be predictive of future results.

These measures are used by our management to monitor the underlying performance of our business and operations. Similarly entitled non-IFRS financial measures reported by other companies may not be calculated in an identical manner, consequently our measures may not be consistent with similar measures used by other companies. Therefore, investors should not place undue reliance on this data.

AGENDA

1Q 2019 RESULTS HIGHLIGHTS AND FY 2019 GUIDANCE

REVIEW OF 1Q 2019 RESULTS AND OPERATIONAL TARGETS

APPENDIX

KEY MESSAGES

- > In a challenging environment, our High Value Model confirms its resilience, even in a FY2019 market which we see with more caution with respect to the beginning of the year

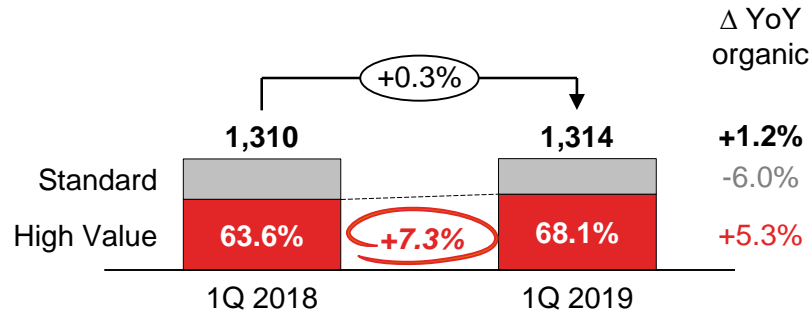
- > In the competitive Tier 1 arena, focusing on price/mix discipline and efficiencies, we were the only player to maintain stable profitability in 1Q 2019

- > We are working on the New Plan, which will leverage on:
 - Rightsizing in Standard
 - Major operational improvements with digital enabled operating model
 - Continuous innovation in products and services

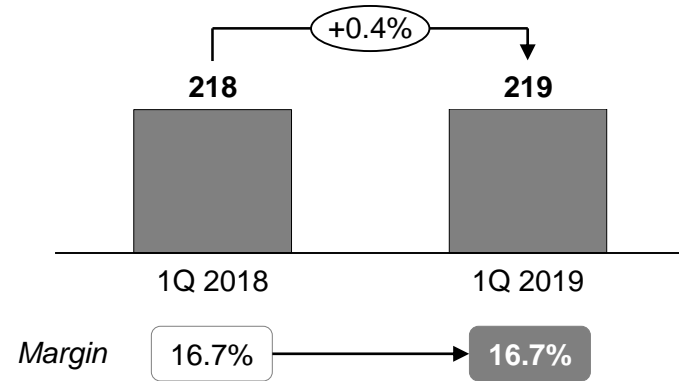
1Q 2019 RESULTS HIGHLIGHTS

€ million

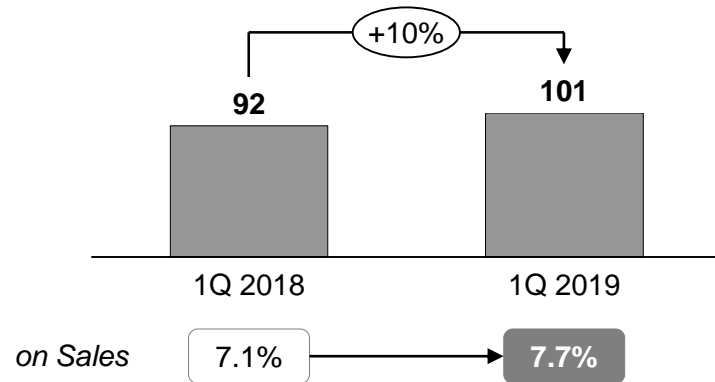
NET SALES



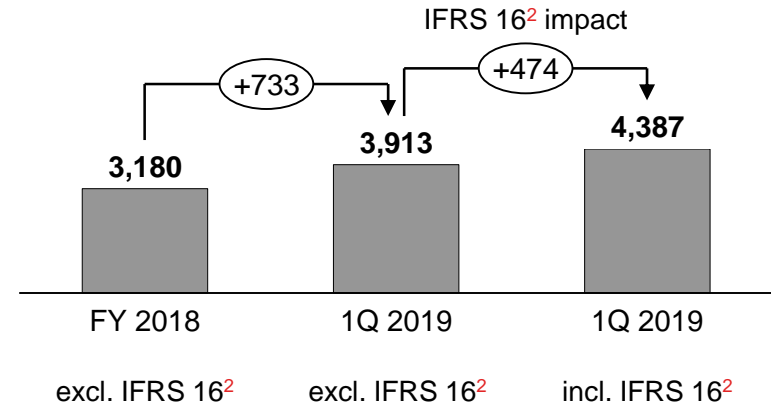
EBIT ADJUSTED.¹



NET INCOME before discontinued operations



NET FINANCIAL POSITION



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

FY 2019 OUTLOOK UPDATE (MAY '19)

2019 TARGETS

	2018A	2019E (guid. Feb 2019)	2019E (guid. May 2019)
Net Sales	€5,195 mln	+4% ÷ +6%	+3% ÷ +4%
<i>High Value weight</i>	~ 64%	~ 67%	confirmed
Adjusted EBIT margin	18.4%	~ 19%	≥19%
<i>High Value weight on adj. EBIT¹</i>	~ 83%	~ 85%	confirmed
<i>Start-up costs</i>	€48 mln	~ €40 mln	confirmed
Net Financial Position / adj. EBITDA¹	2.49X	~ 2.1X ~2.3X incl. IFRS	confirmed
CapEx	€463 mln	~€430 mln	~€400 mln

1. w/o start-up costs

2019 OPERATIONAL DRIVERS

	2019E (guid. Feb 2019)	2019E (guid. May 2019)
Volumes	0% ÷ +1.0%	~ -1.0%
— High Value volumes	~ +11%	>+9%
— Standard volumes	-10% ÷ -9%	~ -11%
Price/mix	+5.0% ÷ +5.5%	confirmed
Forex	-1.0% ÷ -0.5%	confirmed
IFRS 15 impact	-	-
Efficiencies	~ €70 mln	confirmed
Input Costs	~ -€60 mln	confirmed
Cost cutting	~ €50 mln	confirmed
Raw Mat.	~ -€100 mln	~ -€85 mln

AGENDA

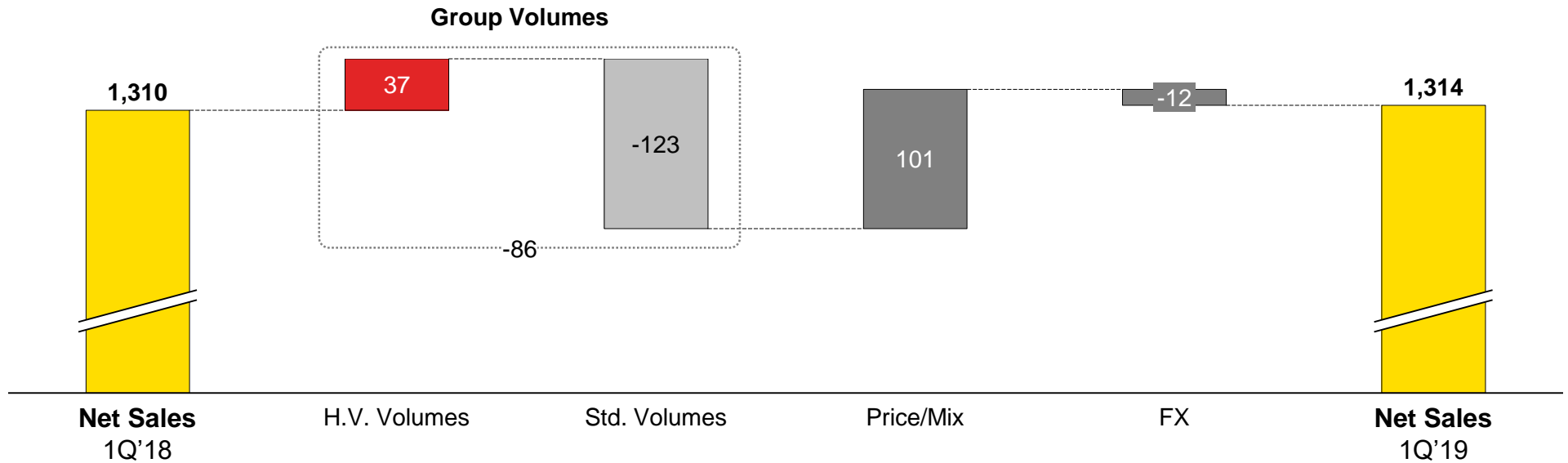
1Q 2019 RESULTS HIGHLIGHTS AND FY 2019 GUIDANCE

REVIEW OF 1Q 2019 RESULTS AND OPERATIONAL TARGETS

APPENDIX

1Q 2019 NET SALES BRIDGE

€ million



	O.E.	Repl.	High Value Car ≥18"	Standard			o/w Organic
1Q '19	+0.4%	+12.1%	+4.5% +6.7%	-16.6%	+7.7%	-0.9%	+0.3% +1.2%
4Q '18	-1.2%	+15.6%	+7.2% +7.6%	-22.6%	+8.1%	-3.4%	-3.4% +1.0%
...							
1Q '18	+21.7%	+16.1%	+12.8% +18.6%	-10.6%	+7.2%	-7.3%	-2.2% +5.7%

1Q 2019 OPERATING PERFORMANCE

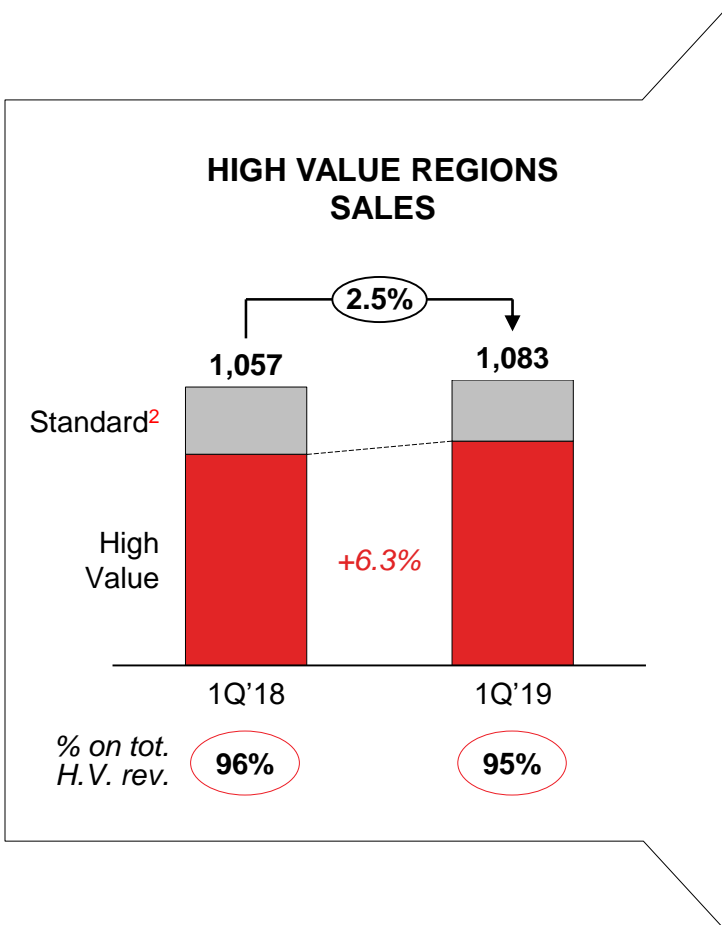
€ million



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

1Q 2019 PERFORMANCE BY HIGH VALUE REGIONS

€ million

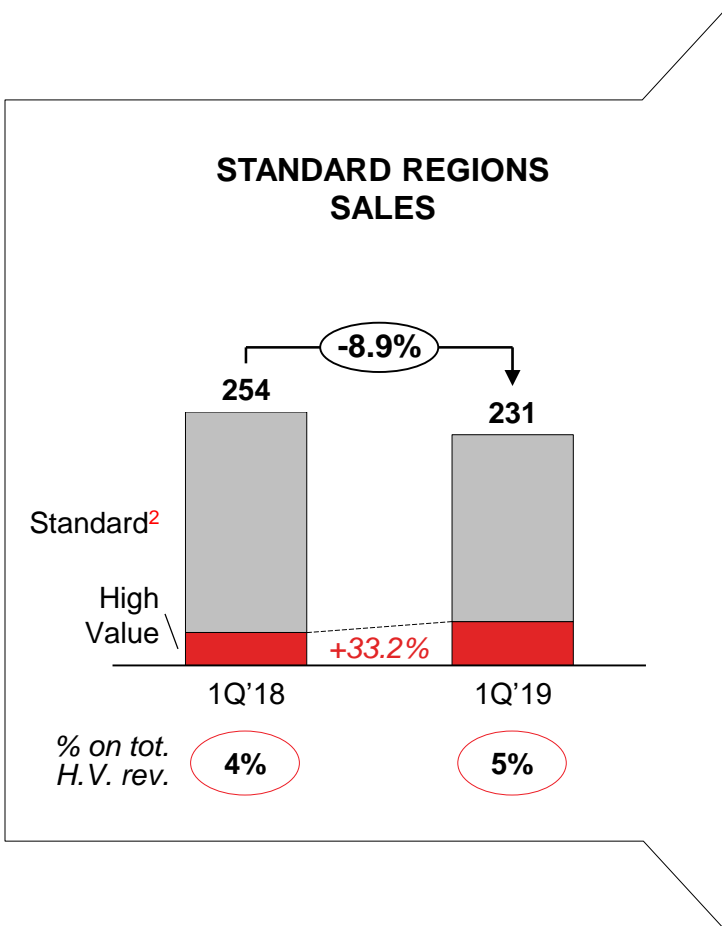


	SALES		Δ YoY %	org. growth	adj. EBIT margin ¹
	1Q'18	1Q'19			
EMEA	613	599	-2.3%	-1.6%	Mid-teens (decreasing YoY)
	47%	46%		-10.8%	
				+2.0%	
NORTH AMERICA	243	270	+10.8%	+2.8%	Twenties (improving YoY)
	19%	21%		-13.5%	
				+6.4%	
APAC	201	214	+6.8%	+4.4%	Twenties (improving YoY)
weight on Group Sales	15%	16%		-1.5%	
				+6.1%	

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

1Q 2019 PERFORMANCE BY STANDARD REGIONS

€ million



	SALES		Δ YoY %	org. growth	adj. EBIT margin ¹
	1Q'18	1Q'19			
RUSSIA & NORDICS	64	64	-0.8%	+5.0% -5.3% +37.4%	Double-digit (improving YoY)
	5%	5%			
SOUTH AMERICA	189	167	-11.7%	+3.3% -0.8% +43.4%	High-single digit (slightly improving YoY)
weight on Group Sales	14%	13%			

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

STANDARD CAPACITY RATIONALIZATION IN BRAZIL: -3 MILLION PCS IN BOTH CAR AND MOTO BY 2021

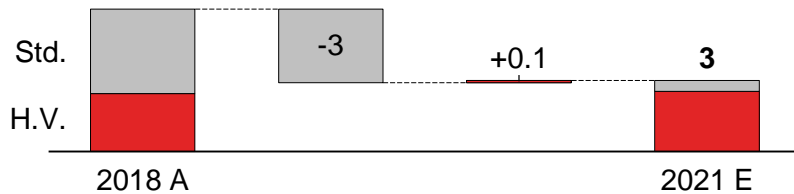
Campinas becoming a production hub for Car & Moto: + High Value, + Efficiencies, + Competitiveness



million pcs

Pirelli total Moto capacity in Brazil

(Gravatá in 2018 – Campinas 2021)



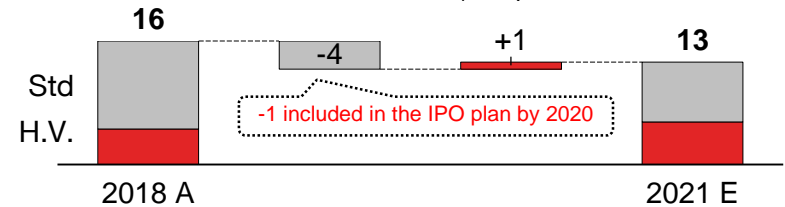
- **Gravatá** (Rio Grande do Sul) **Premium Moto production** transferred to Campinas; Standard Moto capacity shut down
- **Rationale:** focus on a more resilient market segment (HV growing ~3X vs Standard in 2018-2021); closer to motorcycle OEMs



million pcs

Pirelli total Car capacity in Brazil

(Campinas + Feira de Santana)



- **Campinas** (Sao Paulo) **Car Standard capacity cut** by ~1/3 (~3 million pcs) and partially converted into High Value
- **Rationale:** increase plant saturation and HV capacity to serve both S. America (Campinas) and N. America (F. de Santana)

IMPACTS:

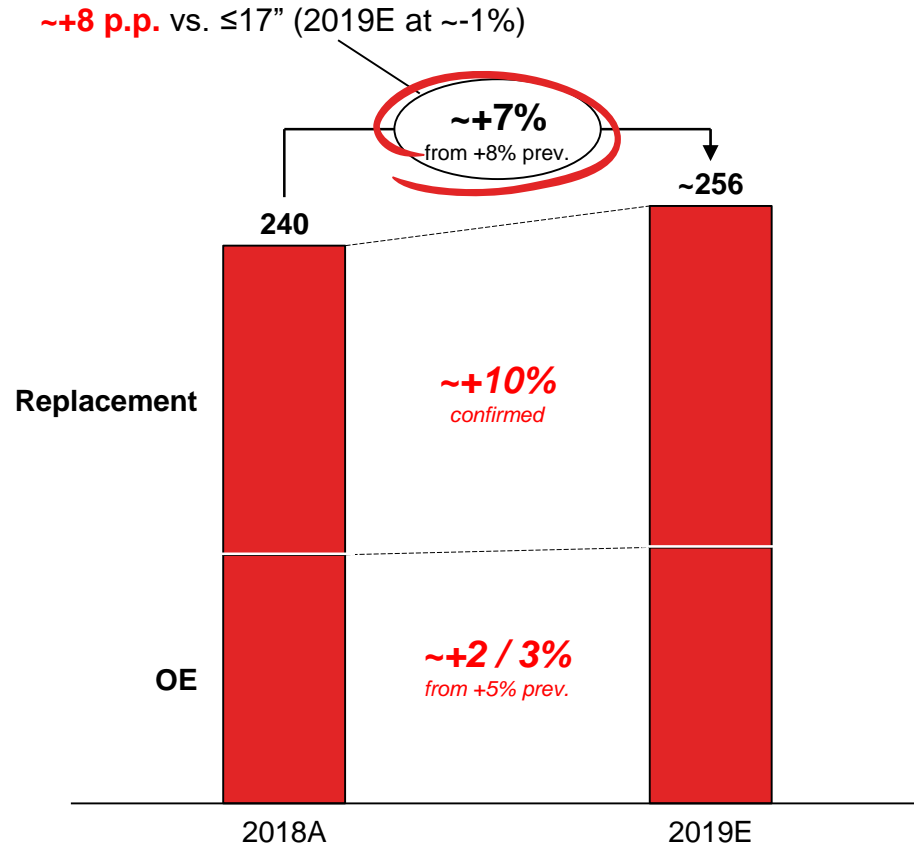
- Restructuring Costs accounted in FY 2018-2019 and covered by Patent Box benefits; Cash out dilution in the mid-term
- Efficiencies from 2022, included in the new plan to be presented in November 2019.

Confirmed strategic presence in Brazil, with €120 million investments in 2019-2021

2019 ≥18" MARKET OUTLOOK

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

million tyres



Replacement

- Maintains double digit growth, backed by recent years' high rim additions to car parc
- Homogenous growth in All High Value Regions, accounting for 95% of Global ≥18" demand

O.E.

- Negative trend in 1H Europe & APac
- Recovery in 2H with an easier YoY comparison
 - EU supported by new Premium models launch
 - China could benefit from new car incentives

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

FY 2019 OUTLOOK UPDATE (MAY '19)

2019 TARGETS

	2018A	2019E (guid. Feb 2019)	2019E (guid. May 2019)
Net Sales	€5,195 mln	+4% ÷ +6%	+3% ÷ +4%
<i>High Value weight</i>	~ 64%	~ 67%	confirmed
Adjusted EBIT margin	18.4%	~ 19%	≥19%
<i>High Value weight on adj. EBIT¹</i>	~ 83%	~ 85%	confirmed
<i>Start-up costs</i>	€48 mln	~ €40 mln	confirmed
Net Financial Position / adj. EBITDA¹	2.49X	~ 2.1X ~2.3X incl. IFRS	confirmed
CapEx	€463 mln	~€430 mln	~€400 mln

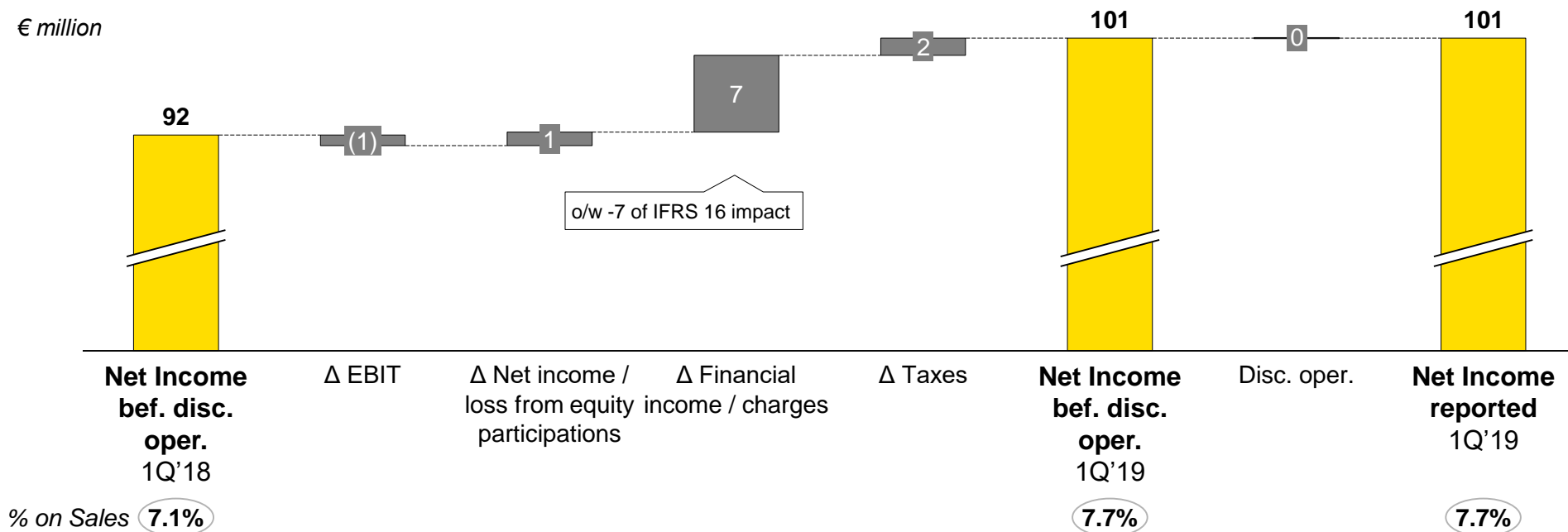
1. w/o start-up costs

2019 OPERATIONAL DRIVERS

	2019E (guid. Feb 2019)	2019E (guid. May 2019)
Volumes	0% ÷ +1.0%	~ -1.0%
— High Value volumes	~ +11%	>+9%
— Standard volumes	-10% ÷ -9%	~ -11%
Price/mix	+5.0% ÷ +5.5%	confirmed
Forex	-1.0% ÷ -0.5%	confirmed
IFRS 15 impact	-	-
Efficiencies	~ €70 mln	confirmed
Input Costs	~ -€60 mln	confirmed
Cost cutting	~ €50 mln	confirmed
Raw Mat.	~ -€100 mln	~ -€85 mln

1Q 2019 NET INCOME BRIDGE

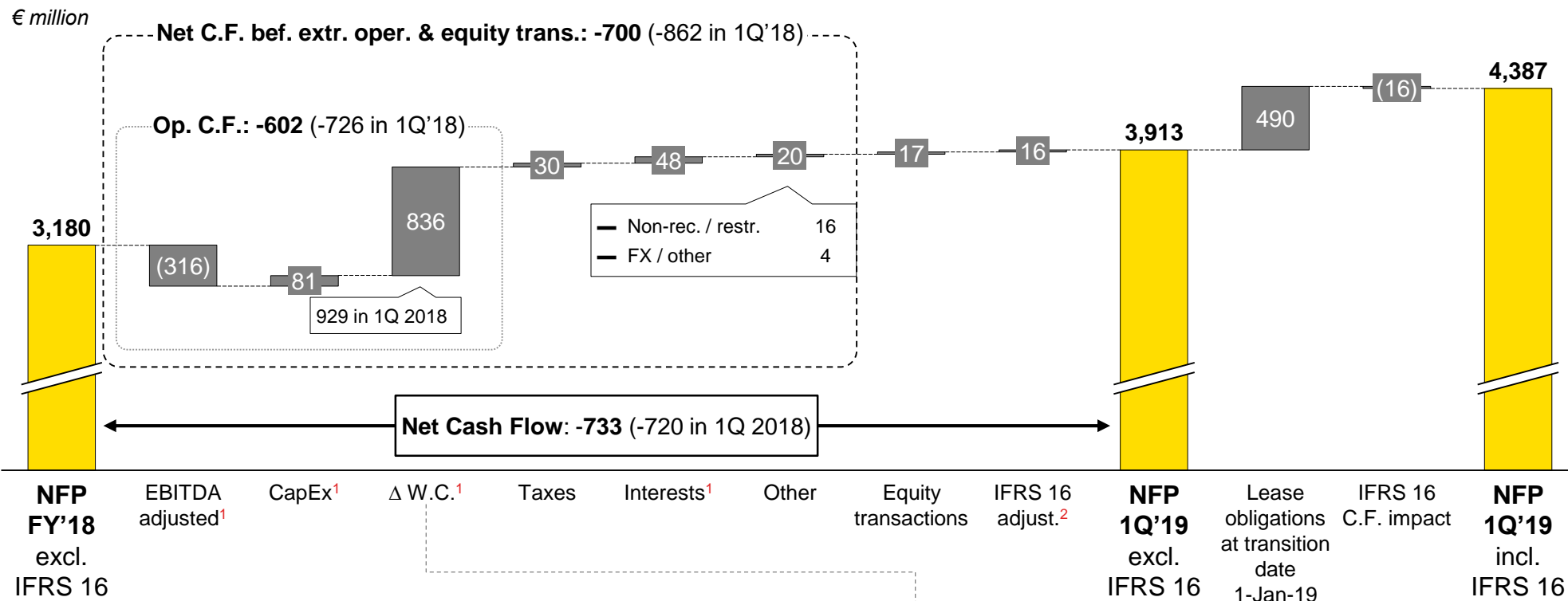
€ million



	1Q'18	1Q'19
Net Income related to cont. oper.	92	101
PPA amortization	+29	+29
Non recurring / restr. costs / other adj.	+6	+7
Non recurring fin. expenses	-6 ¹	0
Taxes impact	-7	-14
Net income related to cont. oper. Adj.	113	123

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

1Q 2019 CASH FLOW AND NET FINANCIAL POSITION



Net cash flow before extr. oper. & equity transactions:

€162 million of lower cash flow absorption vs. 1Q 2018

- €124 million related to Operating cash flow
- €38 million related to less non recurring and restructuring costs and financial charges.

1Q 2019 Working Capital Dynamics:

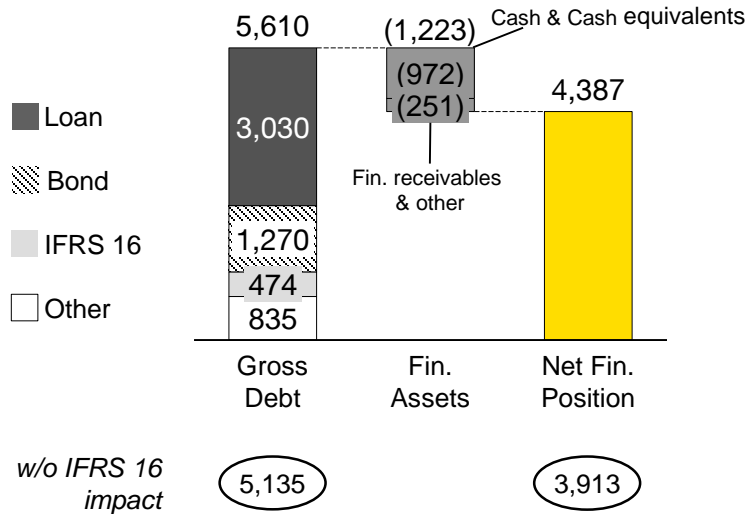
- **Payables:** improvement of payment conditions to suppliers
- **Receivables:** realignment of payment terms with the main dealers in Brazil (temporarily extended at the end of 2018)
- **Inventories:** -2% in volume (-11% in Standard, +5% in High Value to guarantee a better service level to the final customer), slightly up in value due to FX and mix improvement

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

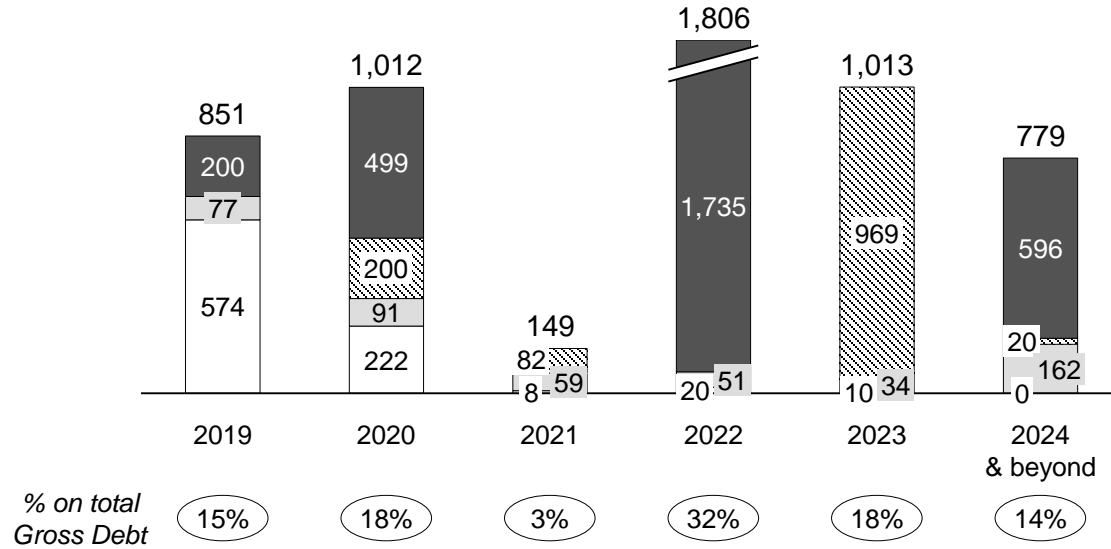
CURRENT CAPITAL STRUCTURE (MARCH 2019)

€ million

NET FINANCIAL POSITION



GROSS DEBT MATURITY

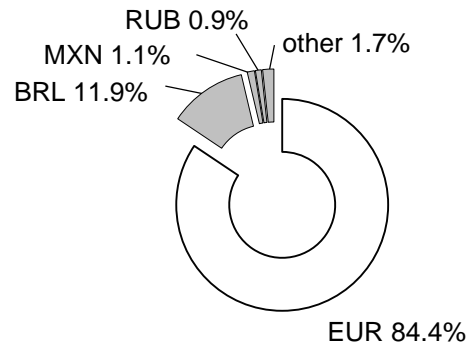


LIQUIDITY PROFILE

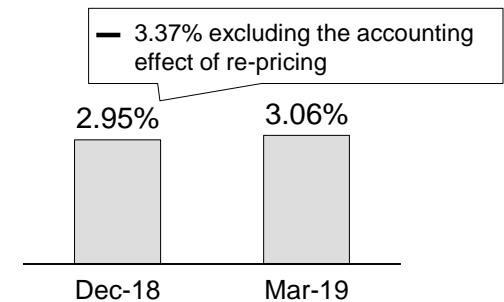
Liquidity position	972
Total committed lines not drawn	700
Liquidity margin¹	1,672

¹. Covers ~1.5 years of forthcoming maturities

BREAK-DOWN BY CURRENCY



COST OF DEBT (LAST 12 MONTHS)



AGENDA

1Q 2019 RESULTS HIGHLIGHTS AND FY 2019 GUIDANCE

REVIEW OF 1Q 2019 RESULTS AND OPERATIONAL TARGETS

APPENDIX

1Q 2019 RESULTS HIGHLIGHTS

€ million

	1Q'18	1Q'19	Δ YoY
Revenues	1,310	1,314	+0.3%
<i>Organic Growth</i> ¹			+1.2%
High Value Revenues	834	895	+7.3%
<i>Organic Growth</i> ¹			+5.3%
% on total Revenues	63.6%	68.1%	+4.5 pp
EBITDA adjusted w/o start-up costs ²	298	327 ⁴	+9.7%
<i>Margin</i>	22.7%	24.9%	+2.2 pp
EBITDA adjusted ³	288	316 ⁴	+9.5%
<i>Margin</i>	22.0%	24.0%	+2.0 pp
EBIT adjusted w/o start-up costs ²	229	231	+0.6%
<i>Margin</i>	17.5%	17.6%	+0.1 pp
EBIT adjusted ³	218	219	+0.4%
<i>Margin</i>	16.7%	16.7%	0.0 pp
EBIT	184	183	-0.5%
<i>Margin</i>	14.0%	13.9%	-0.1 pp
Results from Equity Investments	1	2	
Financial Income / (Charges)	(55)	(48) ⁴	
EBT	130	137	
<i>Tax Rate</i>	28.7%	26.0%	
Net Income (Consumer)	92	101	
Net Income adjusted (Consumer)	113	123	

1. Excl. FX; 2. Velo, Cyber / digital transformation & other; 3. before amortization of PPA, non-recurring items & restructuring costs; 4. including the application of the new IFRS 16 of +€25 million on EBITDA and -€7 million on financial expenses

1Q 2019 BALANCE SHEET

€ million

	31-Mar-2018	31-Dec-2018	31-Mar-2019
Fixed assets related to continuing operations	8,958	9,018	9,070
Rights of use (IFRS 16)	n.a.	n.a.	472
<i>Inventories</i>	940	1,129	1,166
<i>Trade receivables</i>	876	628	858
<i>Trade payables</i>	(1,062)	(1,605)	(1,143)
Operating net working capital related to continuing operations	754	152	881
Other receivables / payables	90	34	133
Net Working Capital related to continuing operations	844	186	1,015
Net invested capital held for sale	51	11	1
Total net invested capital	9,853	9,215	10,558
Equity	4,268	4,551	4,688
Provisions	1,646	1,484	1,482
Net Financial Position (excl. IFRS 16)	3,939	3,180	3,913
Lease Obligations (IFRS 16)	n.a.	n.a.	474
Net Financial Position (incl. IFRS 16)	3,939	3,180	4,387
Total financing and shareholders' equity	9,853	9,215	10,558

1Q 2019 CASH FLOW

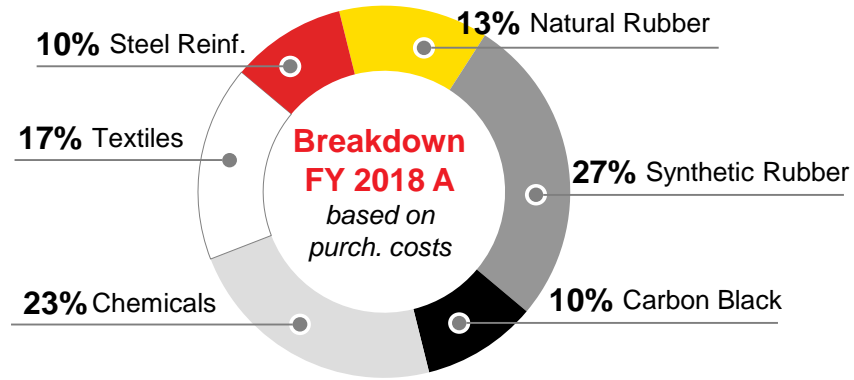
€ million

	1Q '18	1Q '19
EBIT adjusted ¹	218	219
Depreciation & Amortization (excl. PPA amortization)	70	97
Capital expenditures	(85)	(81)
Change in working capital / other	(929)	(836)
Operating Cash Flow	(726)	(602)
Financial income / (expenses)	(55)	(48)
Taxes paid	(31)	(30)
Cash-out for non recurring items and restructuring costs	(38)	(16)
Exchange rates difference / other	(12)	(4)
Net cash flow before extraordinary operations	(862)	(700)
Industrial reorganization	5	-
Financial asset disposals / acquisitions	137	(17)
Net cash flow	(720)	(717)

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 May-19 guidance	Δ YoY	2018 A	2019 E May-19 guidance	2019E EBIT impact
Natural Rubber TSR20 (\$ / tonne)	1,365	~1,400	+3%	~1,400	~1,400	~+5
Brent Oil (\$ / barrel)	71.5	~69	-3%	~67	~70	~-10
Butadiene EU (€ / tonne)	1,011	~1,050	+4%	~950	~1,050	~-15
				Raw Mat. subtotal		~-20
				FX impact		~-65
				TOT. IMPACT		~-85

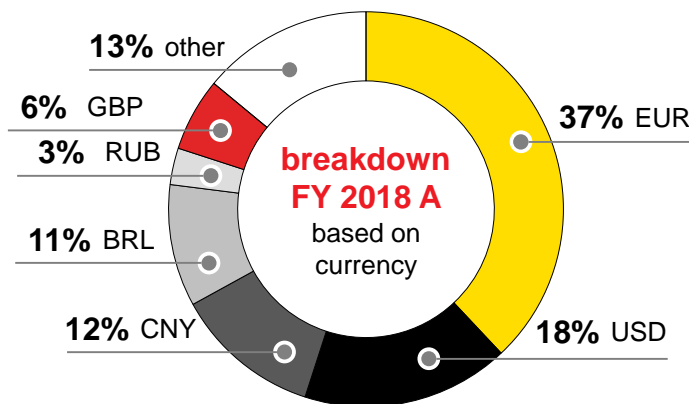
Feb-19 guidance











- Nat. Rubber ~ 1,400
- Brent Oil ~68
- Butadiene ~1,200

Feb-19 guidance
-€100 million

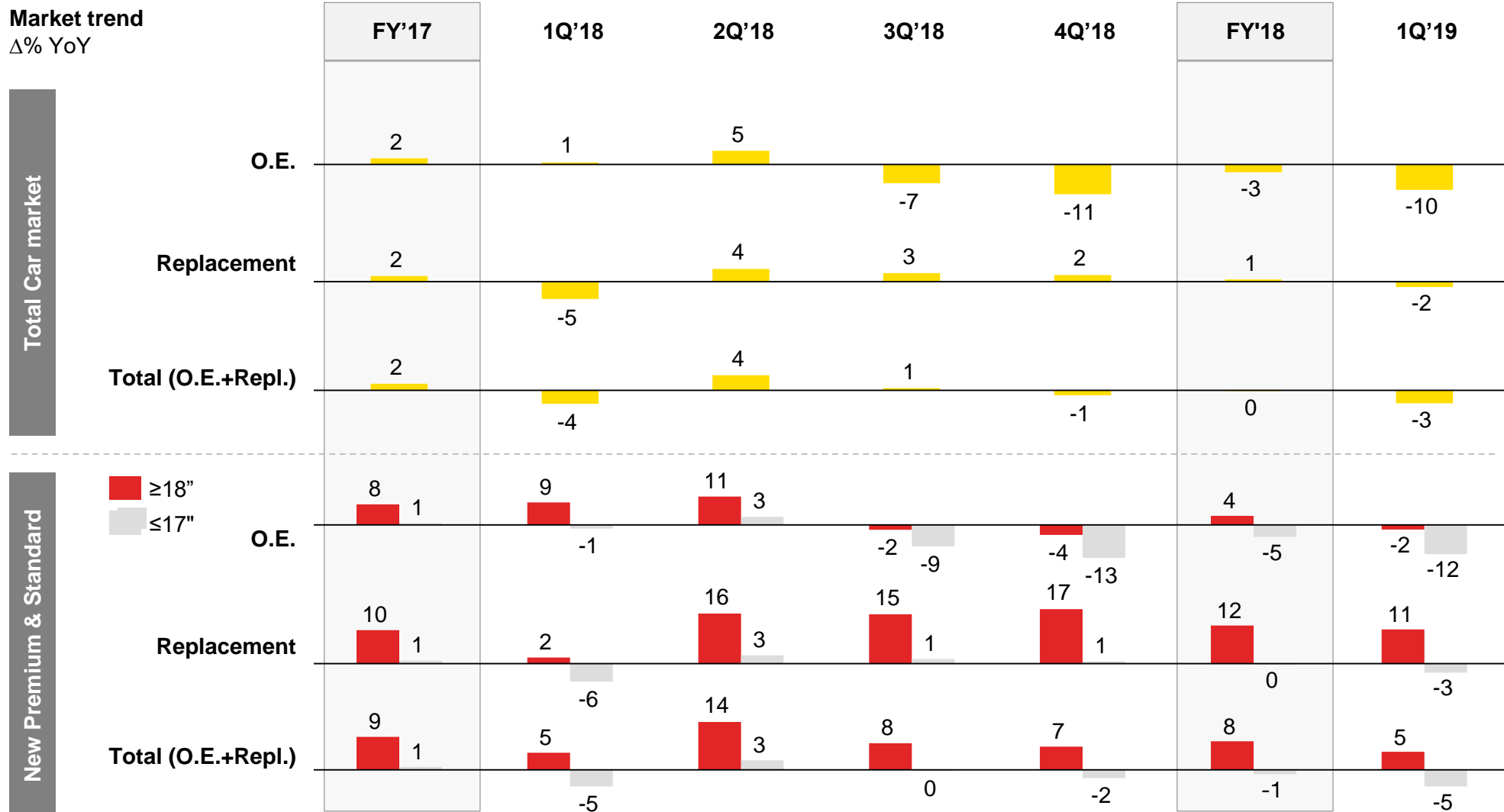
2019E FOREX GUIDANCE

€ million



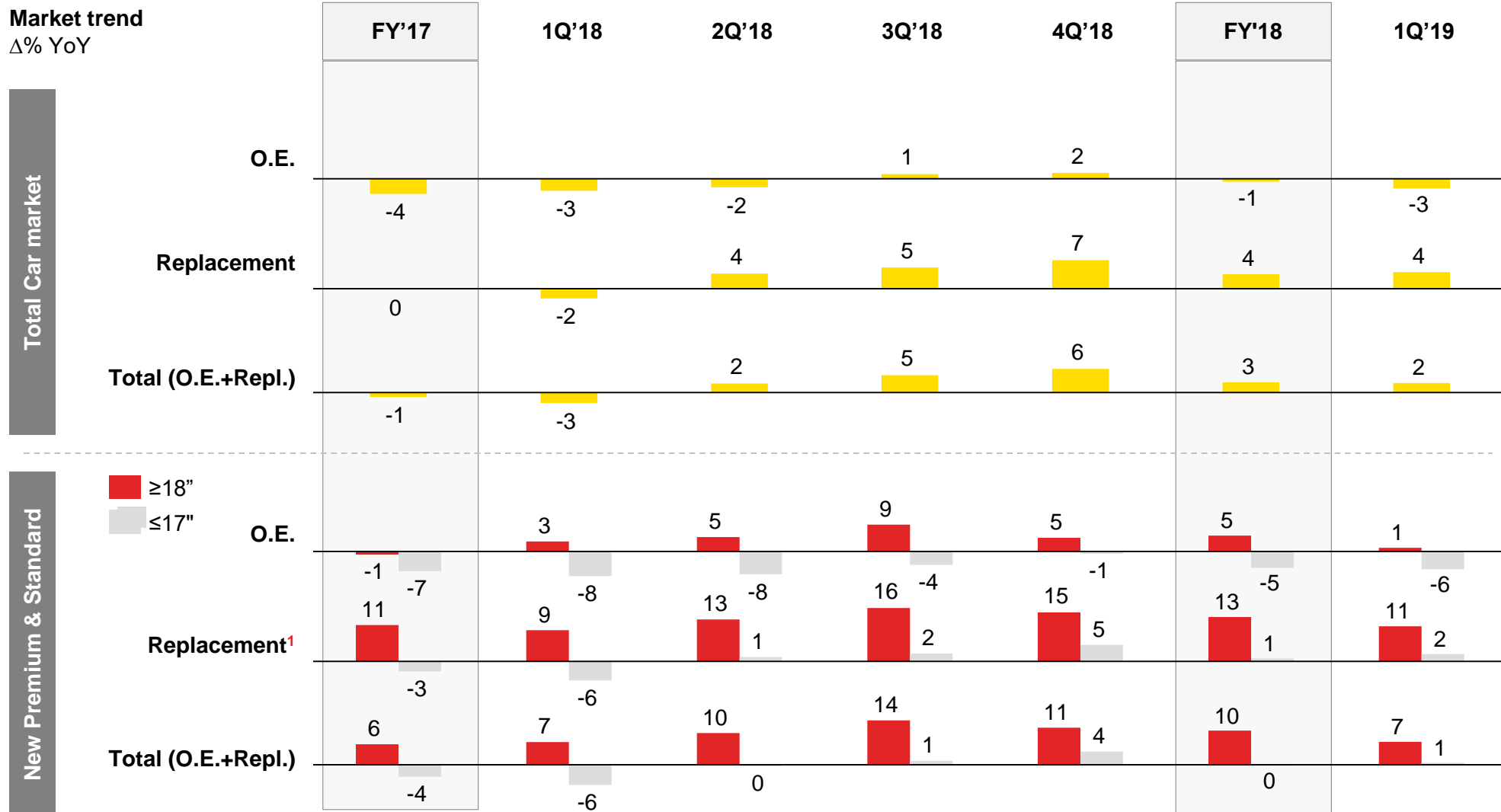
MAIN AVERAGE EXCHANGE RATES		2018 A	2019 E May-19 guidance	Δ YoY	Δ YoY vs. EUR	2019 E Feb-19 guidance
EUR / USD	 / 	1.145	1.15	+0.4%	+0.4%	1.145
USD / CNY	 / 	6.863	6.9	+0.5%	+1.0%	6.863
USD / BRL	 / 	3.875	4.0	+3.2%	+3.6%	3.875
EUR / RUB	 / 	79.658	78.2	-1.8%	-1.8%	79.658
EUR / GBP	 / 	0.895	0.89	-0.6%	-0.6%	0.895
TOT. IMPACT ON SALES					-1.0% ÷ -0.5%	-1.0% ÷ -0.5%

KEY CAR MARKET TRENDS: EMEA



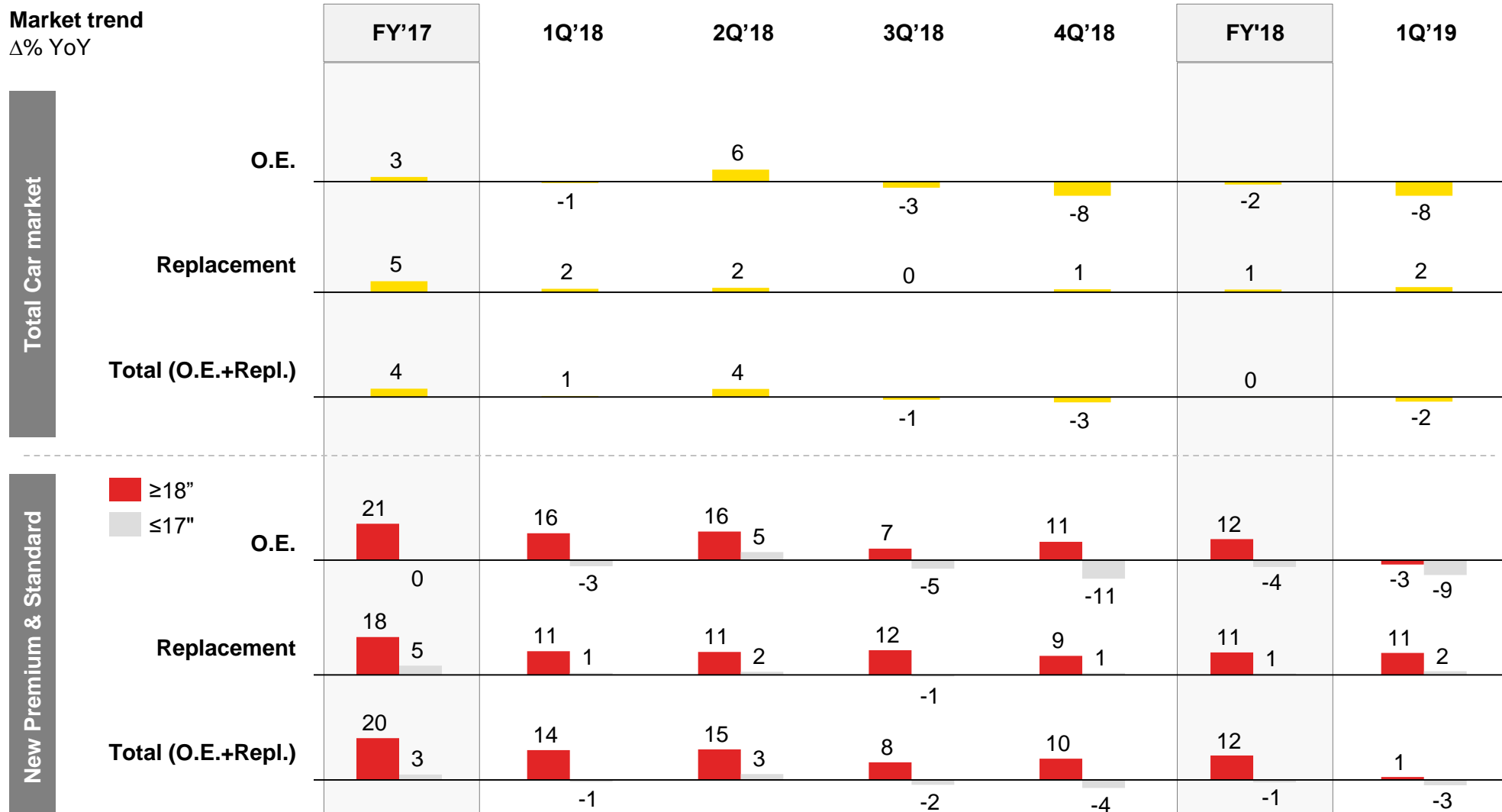
Source: Pirelli tyre market estimates based on main data provider for the Region; historical market data may be subject to restatement

KEY CAR MARKET TRENDS: NORTH AMERICA



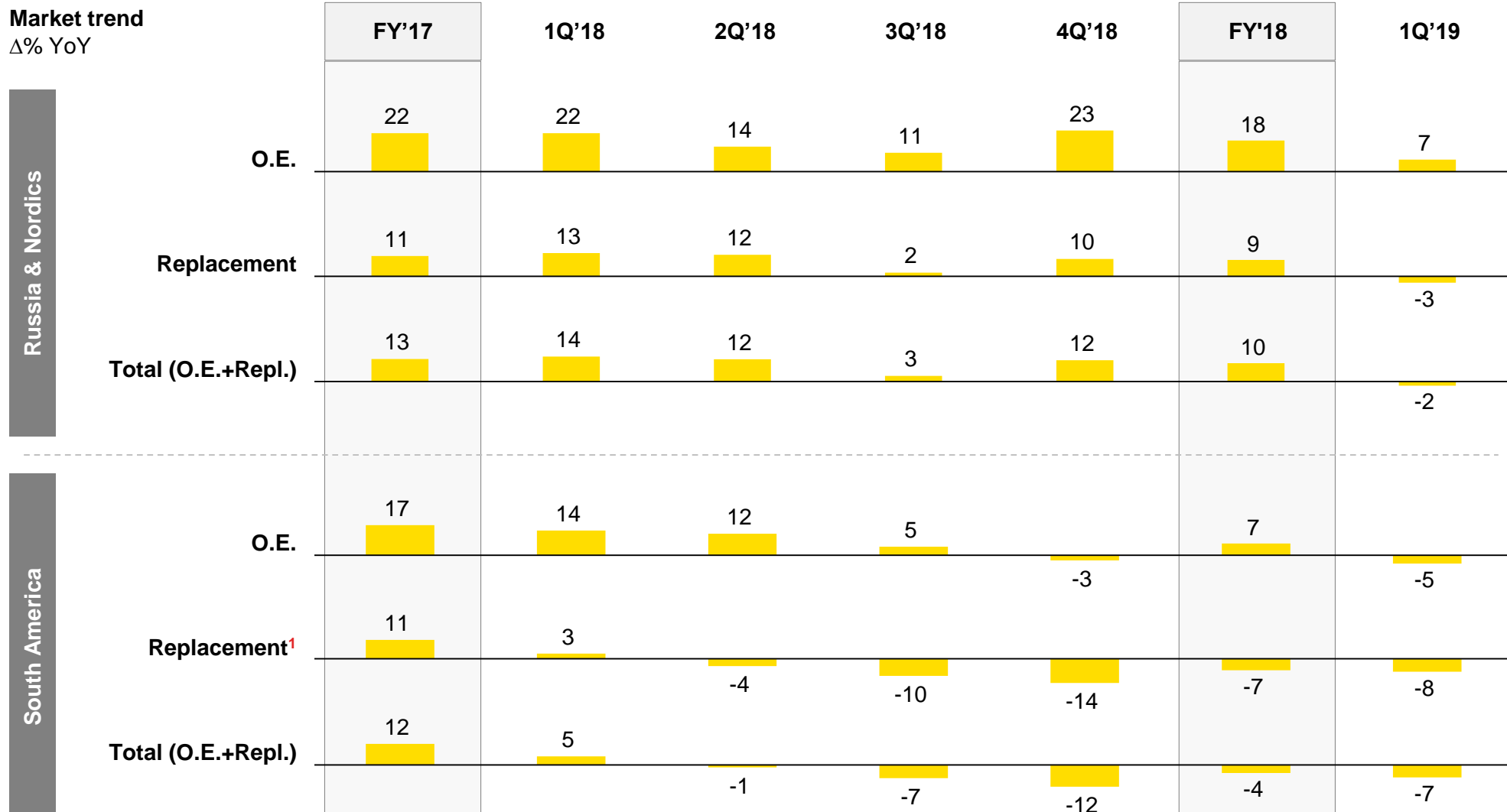
Source: Pirelli tyre market estimates based on main data provider for the Region; historical market data may be subject to restatement; 1. N. America Replacement includes imports

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

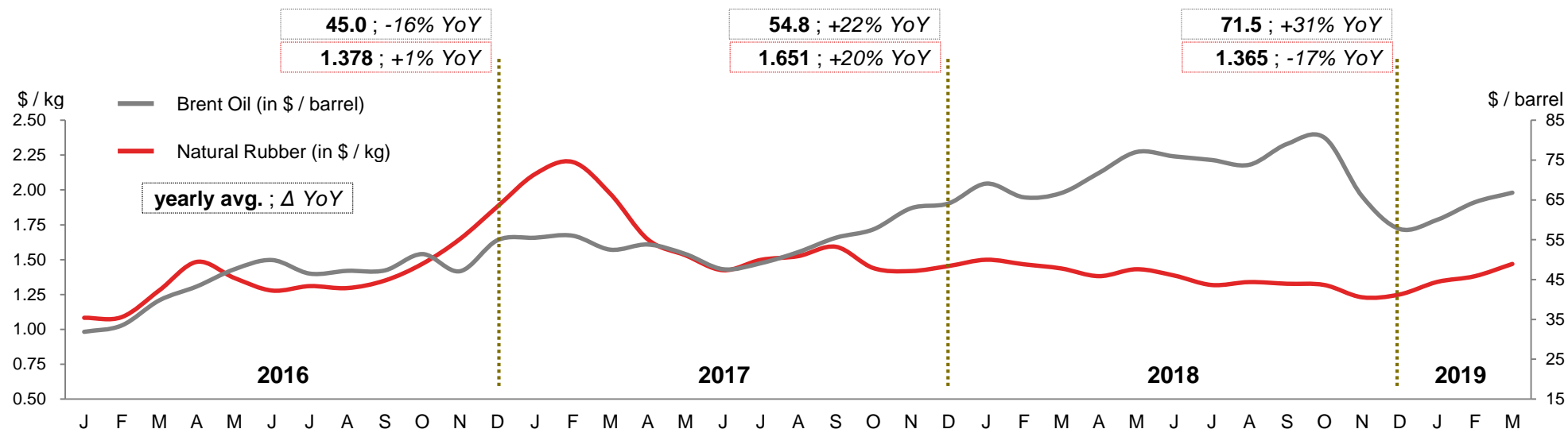
KEY MARKET TRENDS: RUSSIA & NORDICS / SOUTH AMERICA



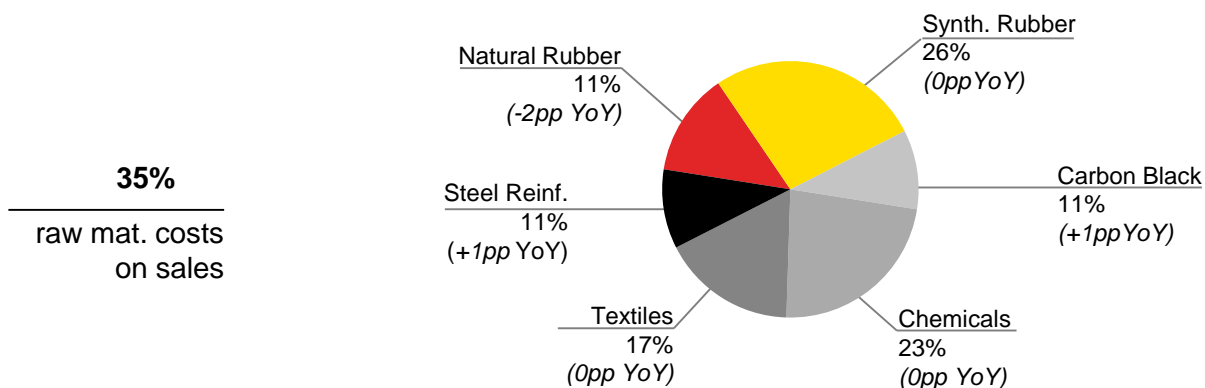
Source: Pirelli tyre market estimates based on main data provider for the Region; historical market data may be subject to restatement; 1. South America Replacement restated to include Brazilian imports

RAW MATERIAL COSTS TREND AND MIX

MAIN RAW MATERIALS PRICE TREND

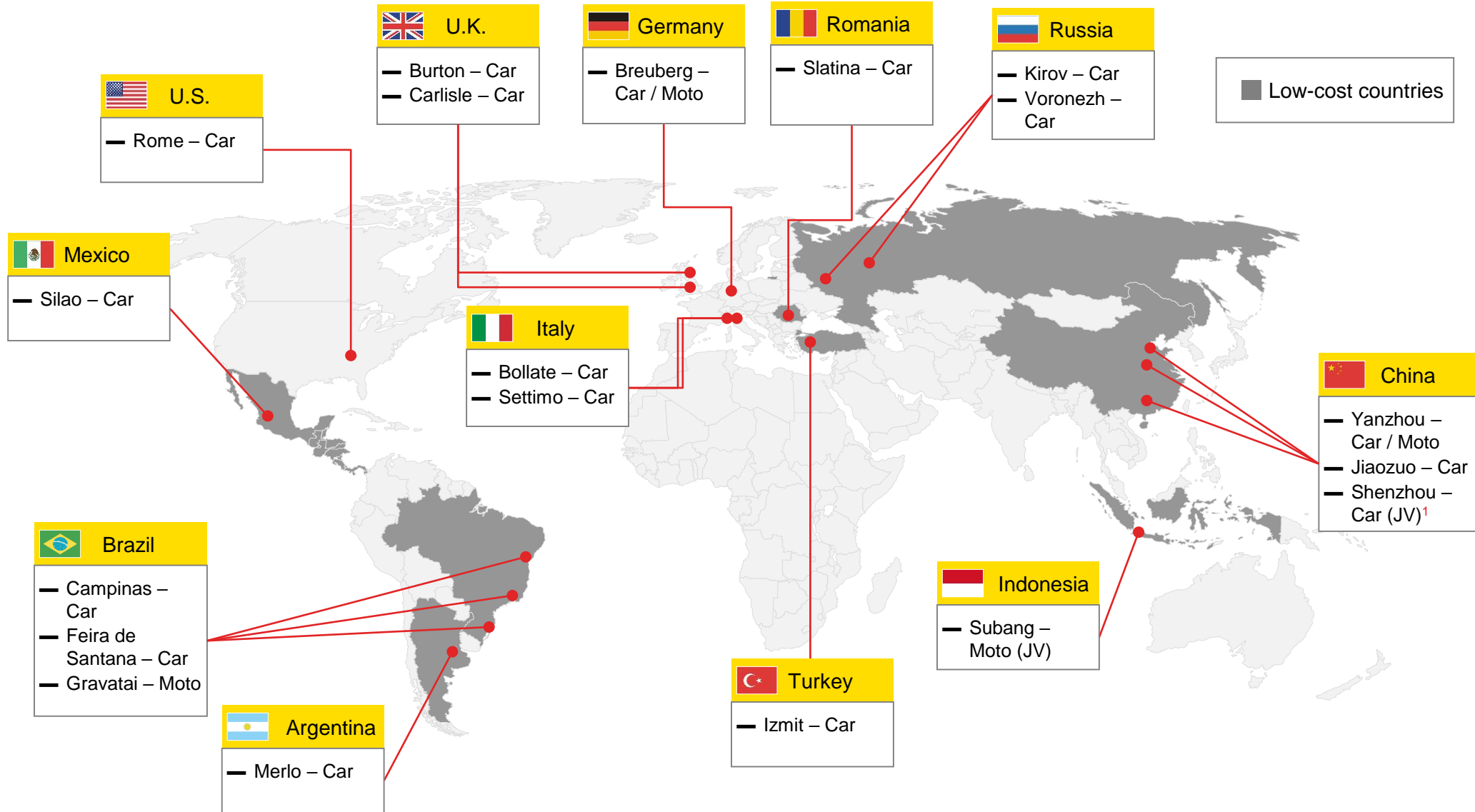


1Q 2019 MIX (BASED ON PURCHASING COST)



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

MANUFACTURING FOOTPRINT AS OF MARCH 31ST 2019



1. 49% Joint Venture with the Hixih Group