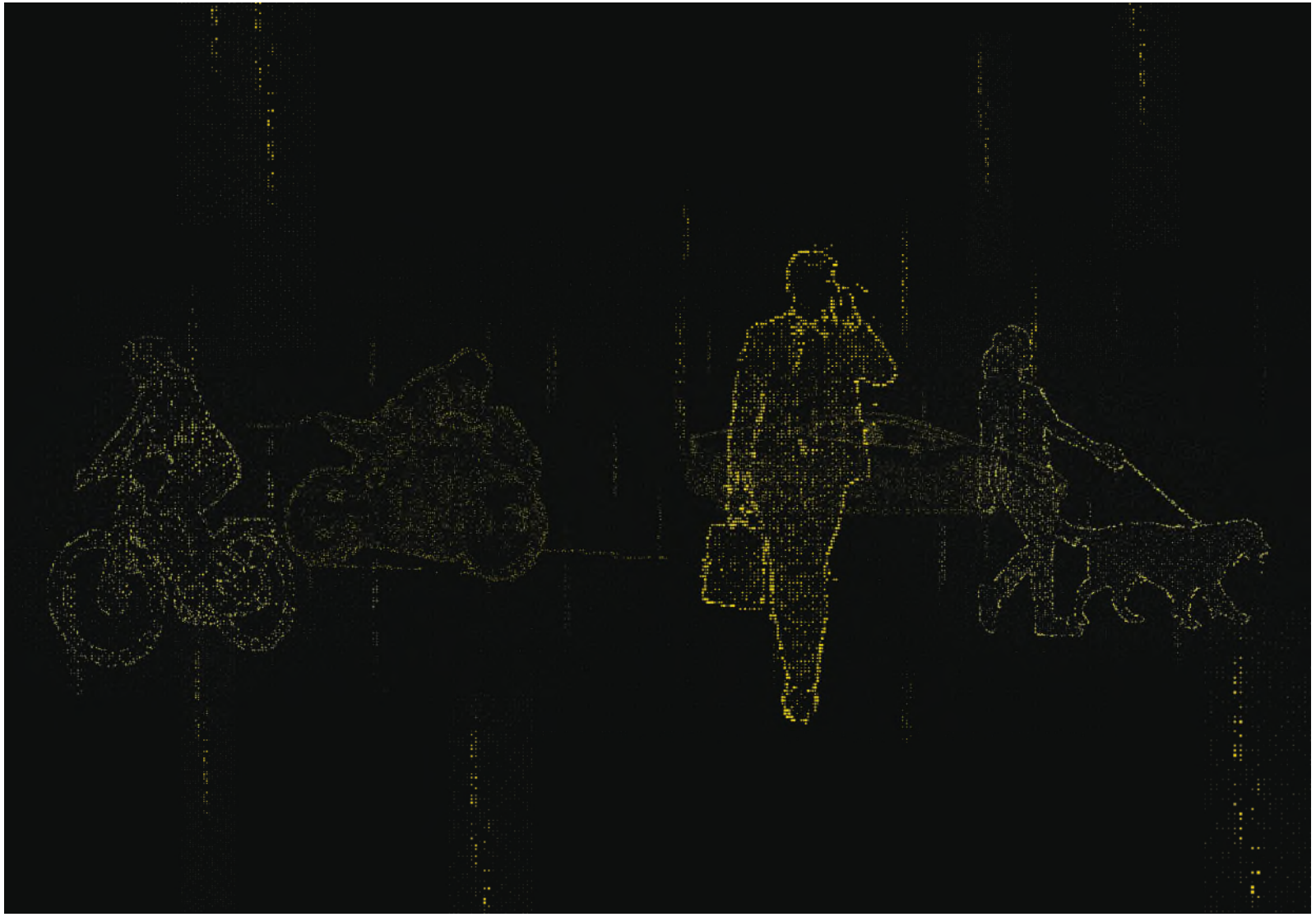
PIRELLI, GLOBAL HIGH VALUE

COMPANY PRESENTATION – JANUARY 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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AGENDA

1. PIRELLI BUSINESS MODEL

2. 9M'18 FINANCIAL RESULTS

3. FY 2017 FINANCIAL RESULTS

4. STRATEGY AND PLAN 2017-2020

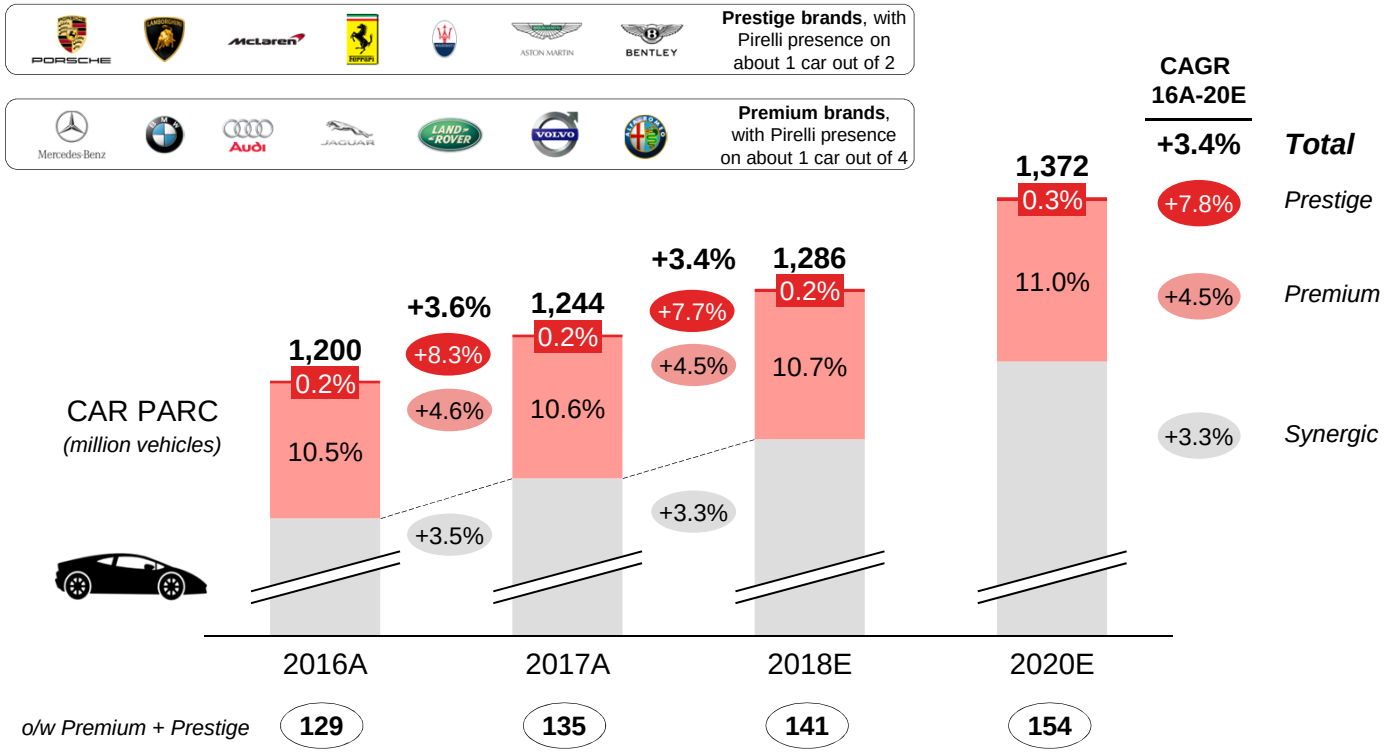
- **4a.** PIRELLI AT A GLANCE
- **4b.** KEY INVESTMENT HIGHLIGHTS
- **4c.** MARKET AND COMPETITION
- **4d.** HIGH VALUE STRATEGY: LEVERS AND REGIONAL DEPLOYMENT
- **4e.** HIGH VALUE STRATEGY: START-UPS
- **4f.** TRANSFORMATION PROGRAMS
- **4g.** STANDARD PROGRAMS
- **4h.** TARGETS 2020

5. GOVERNANCE

6. SUSTAINABILITY

7. APPENDIX

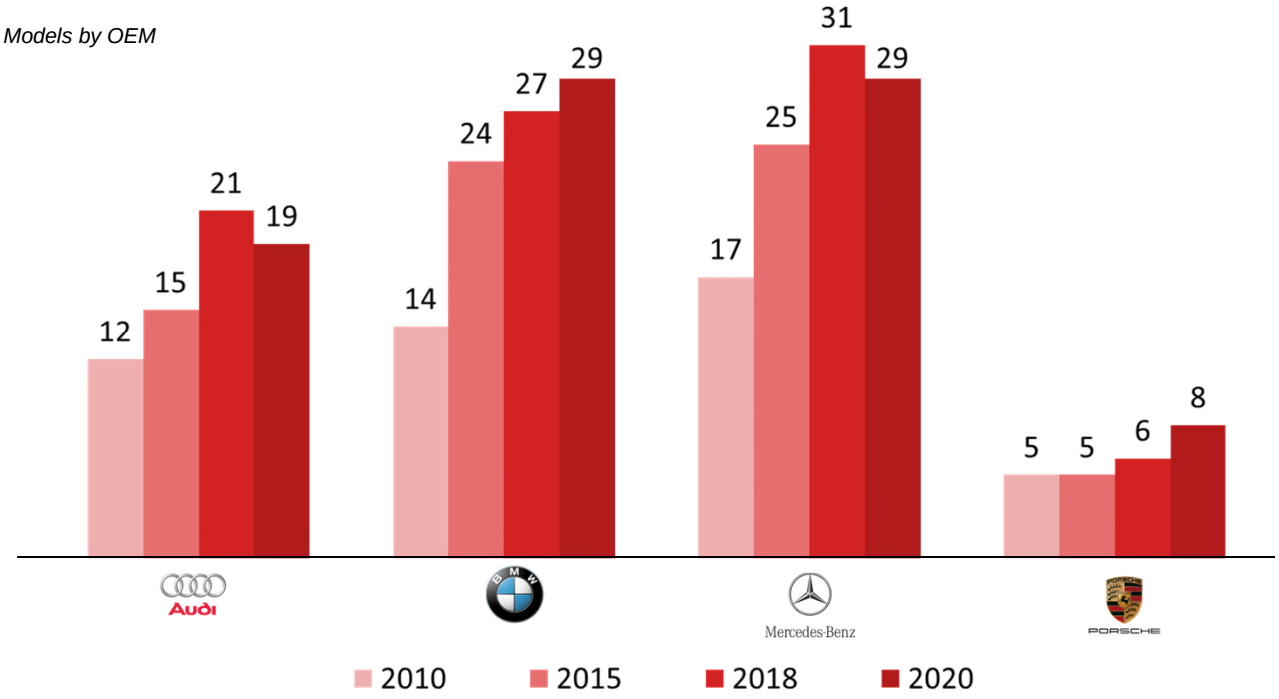
PREMIUM & PRESTIGE CAR PARC EXPANSION



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

COMPLEXITY LEVER 1: INCREASING NUMBER OF CAR MODELS PER BRAND

Number of Models by OEM



Source: IHS Markit @ August 2018

COMPLEXITY LEVER 2: HIGHER NUMBER OF FITMENTS PER MODEL, MOVING TOWARDS HIGHER RIMS

Premium car manufacturers are increasing their fitment complexity by adding new technologies, more rim sizes and mix fitment

PREVIOUS GENERATION		CURRENT GENERATION		FUTURE GENERATION	
ML (M.Y. 2006)	**16** FITMENTS	*GLE (M.Y. 2014)*	**28** FITMENTS	*GLE (M.Y. 2019)*	**44** FITMENTS
	Rim Size: 17'' – 20''		Rim Size: 17'' – 21''		Rim Size: 18'' – 23''
3 Series (M.Y. 2004)	**14** FITMENTS	*3 Series (M.Y. 2011)*	**21** FITMENTS	*3 Series (M.Y. 2019)*	**25** FITMENTS
	Rim Size: 16'' – 19''		Rim Size: 16'' – 20''		Rim Size: 16'' – 20''
Cayenne (M.Y 2003)	**20** FITMENTS	*Cayenne (M.Y 2010)*	**20** FITMENTS	*Cayenne (M.Y 2018)*	**28** FITMENTS
	Rim Size: 17'' – 21''		Rim Size: 18'' – 21''		Rim Size: 19'' – 23''
S-Class (M.Y 2005)	**11** FITMENTS	*S-Class (M.Y 2013)*	**24** FITMENTS	*S-Class (M.Y 2019)*	**28** FITMENTS
	Rim Size: 17'' – 19''		Rim Size: 17'' – 20''		Rim Size: 18'' – 21''

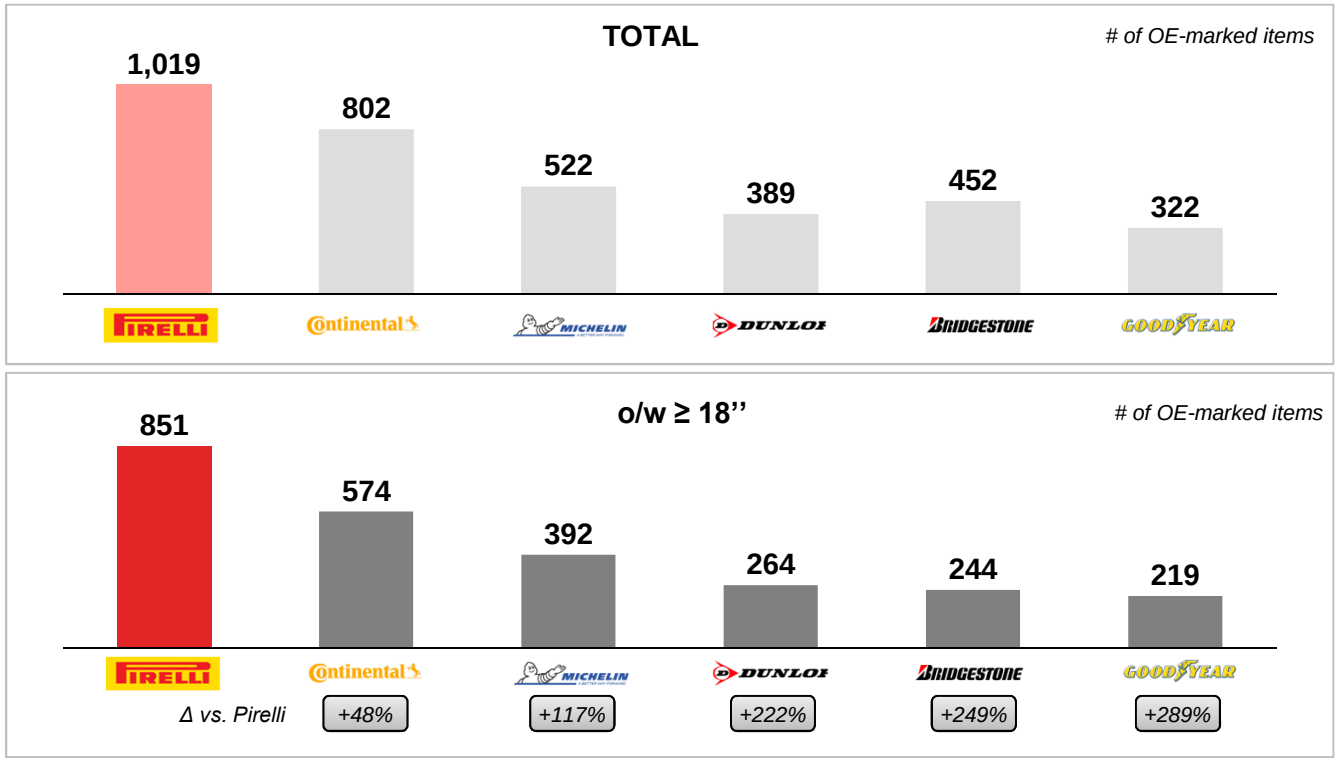
Source: IHS Markit @ August 2018; Fitment: size + technology + application

COMPLEXITY LEVER 3: OEMS REQUIREMENTS GETTING MORE AND MORE SOPHISTICATED

Electric vehicle will impact also: High Load Capacity Tyres, Aerodynamics

Former P ZERO™ Evolution Step

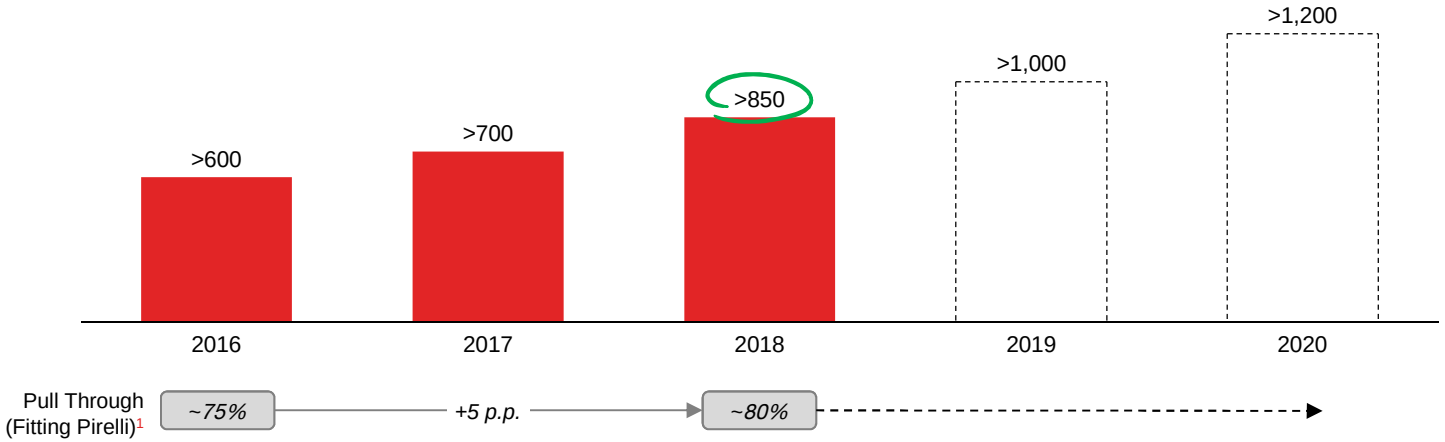
PIRELLI LEADER IN OE-MARKED PORTFOLIO



Source: German Product list @ June 2018

A GROWING NUMBER OF OE-MARKED ITEMS LEADS TO THE BEST COVERAGE OF PIRELLI TARGET MARKET

PIRELLI MARKED TYRES PORTFOLIO YEARLY TREND ≥18”



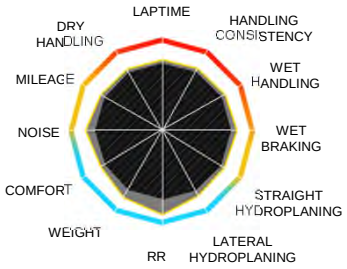
- The co-development with OEMs gives Pirelli **visibility on future trends** in automotive
- The growing number of homologations allows Pirelli to better cover its target market, with an **increase in pull though share**
- Increase in pull-through has its levers in outstanding **product quality**, good **availability**, a **distribution** setup to cover target areas in which Prestige and Premium car parc is concentrated, and a strong focus and preparation of our **Salesforce**

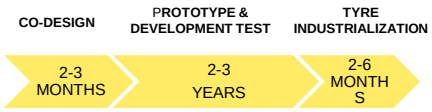
Source: German Product list + Internal Extimations

WORKING CLOSELY WITH PREMIUM & PRESTIGE CAR OEMS PROVIDES LONG TERM VISIBILITY ON TYRE DEMAND

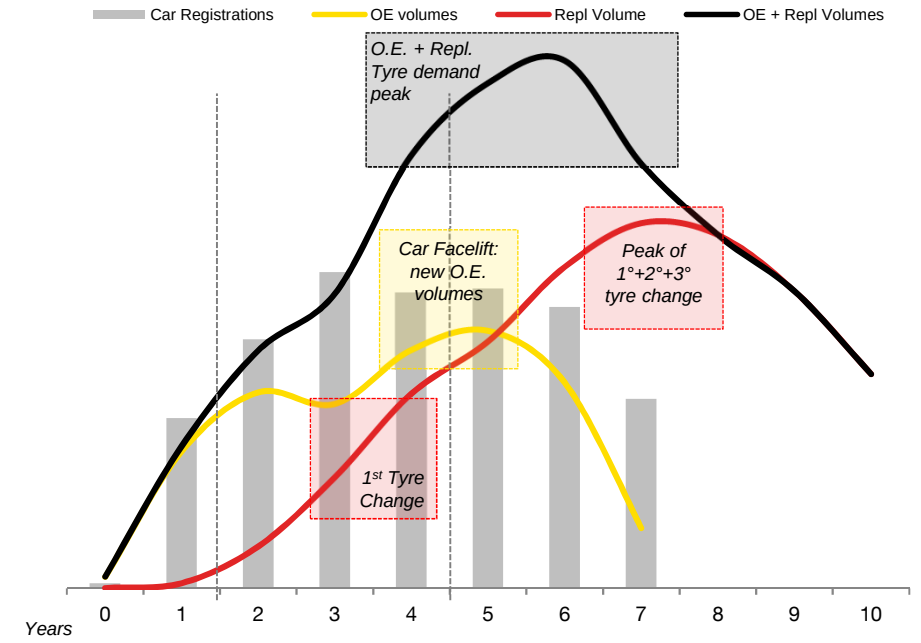
TYRE HOMOLOGATION PHASE

OEMs requirements getting more and more sophisticated.





TYRE SELLING PHASE



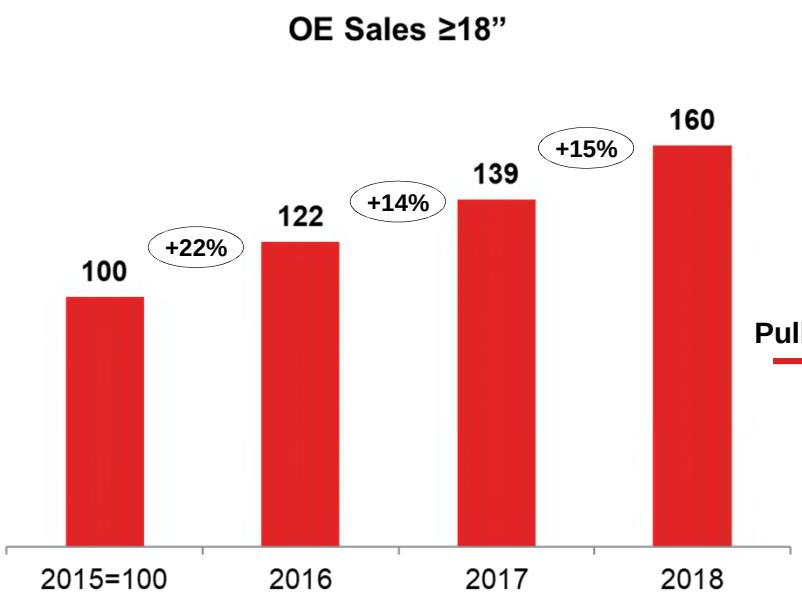
3 YEARS OF CO-DEVELOPMENT

Start of Supply

10+ YEARS OF MARKET DEMAND

FUTURE REPLACEMENT GROWTH IS SECURED BY THE DOUBLE DIGIT GROWTH SCORED IN ≥18" O.E. SALES

Index



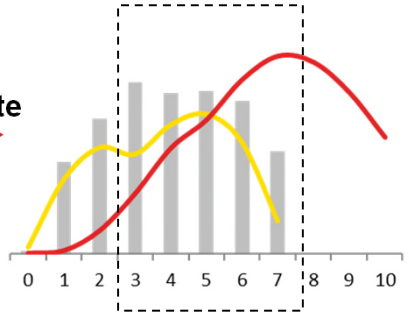
CAGR '15A-'18E

17.1%

Pull Through Rate

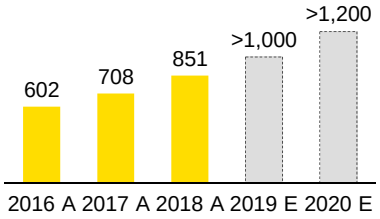
~80%

Double digit growth in the pull-through replacement

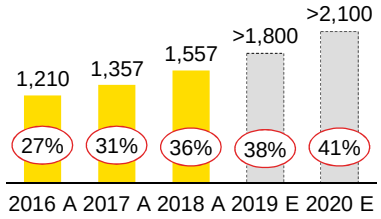


OUR BUSINESS MODEL WILL MANAGE GROWING VARIETY

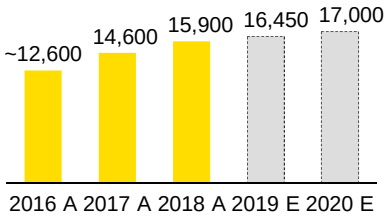
Evolution of ≥18'' Pirelli marked items



Evolution of items ≥18'' in H.V. factories[1]



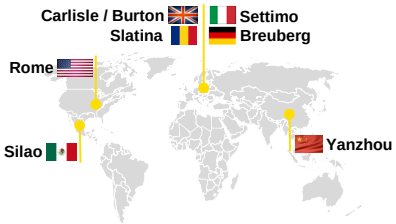
Evolution of Retail PoS



% *weight Specialties*

CAR MAKERS

FACTORIES



CUSTOMERS

- Flexible factory
- Digital transformation / smart manufacturing
- People
- Customized supply chains

- Car dealers
- Tier-1
- Pirelli franchising

FILL RATE +7ppts vs avg

1. Items sold with yearly sales >300 pcs / year

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

9M'18 RESULTS IN DETAIL

APPENDIX

WE ARE DELIVERING GOOD RESULTS BECAUSE:

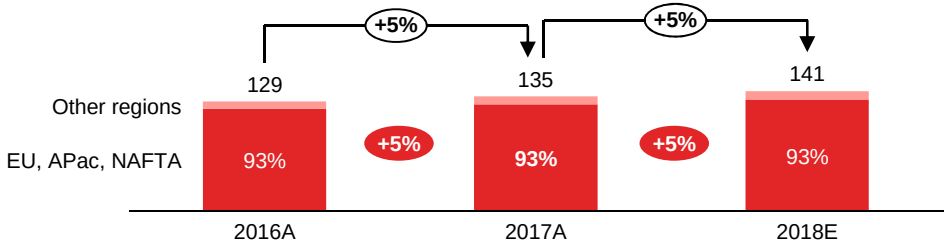
- **Our High Value strategy is proving resilient and on track**

- **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

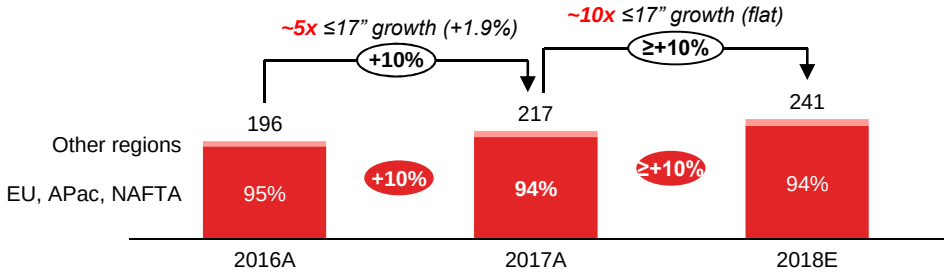
PRESTIGE & PREMIUM CAR PARC

(million vehicles)

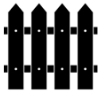


O.E. + REPLACEMENT ≥18" TYRE MARKET

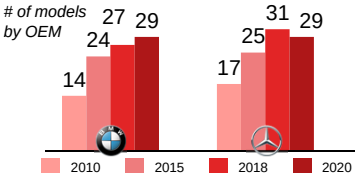
(million tyres)



HIGH COMPLEXITY AND TECHNOLOGICAL BARRIERS

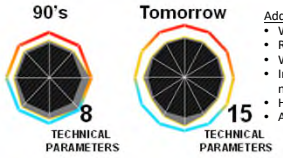


Increasing # of car models per brand



Growing fitments per model, higher rims

OEMS requirements more sophisticated

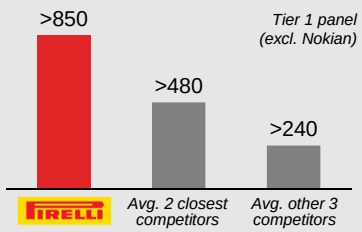


Added important aspects:
- Wet breaking
- Rolling Resistance
- Weight
- Internal / External noise
- High Load Capacity
- Aerodynamics

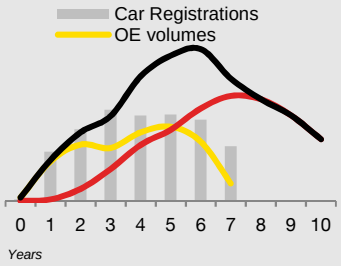
WHY OUR STRATEGY IS UNIQUE (II/II): distinctive business model

I Widest marked homologated portfolio

of ≥18'' OE-marked items, German product list



II Long-term demand visibility

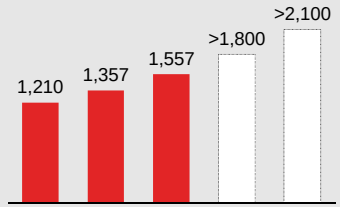


III Robust pull-through demand

O.E. Sales ≥18''	Pull-through rate
+17%	~80%
CAGR '15A-'18E	

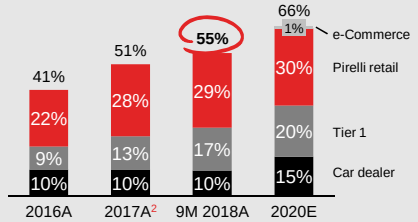
IV Operations can manage variety and complexity

Evolution of items ≥18'' in H.V. factories[1]



V High Value go-to-market

Evolution of sales % in distribution channels over which we exercise a greater control



1. Items sold with yearly sales >300 pcs / year; 2. Restated figures

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

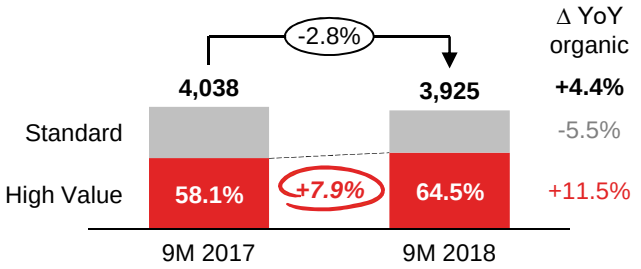
Launched cost-cutting program to respond to weak LatAm and lower Standard exposure

- -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.

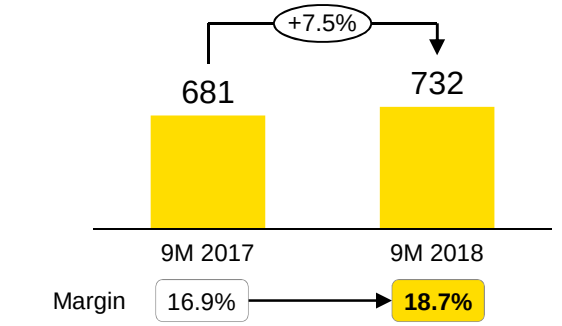
9M 2018 RESULTS HIGHLIGHTS_

€ million

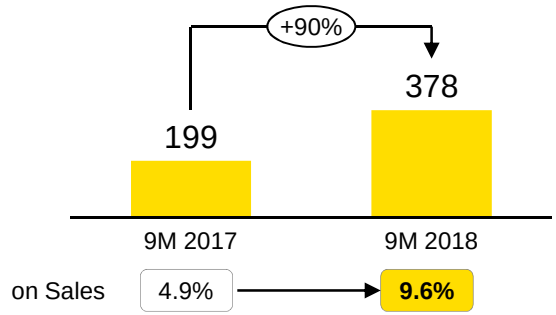
REVENUES



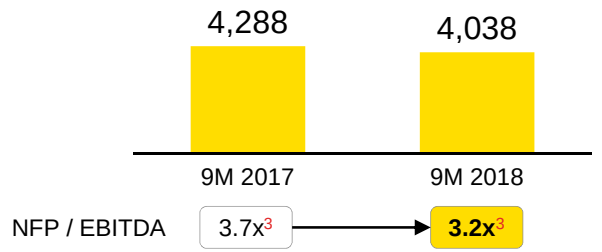
EBIT ADJ.[1] w/o start-up costs[2]



NET INCOME before discontinued operations



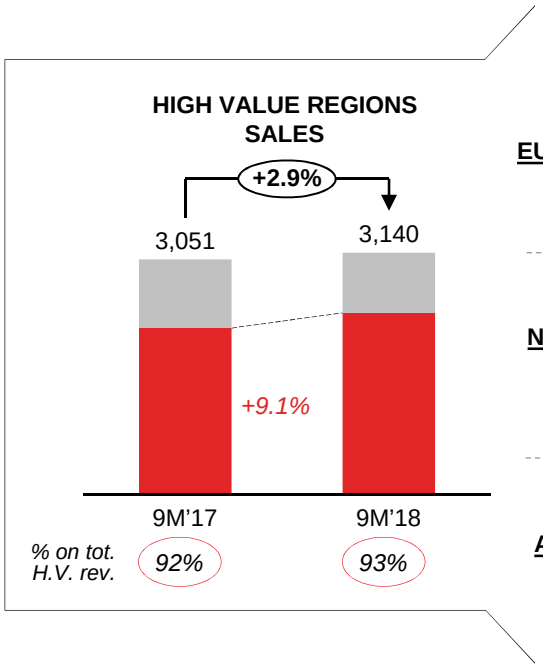
NET FINANCIAL POSITION



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



	SALES 9M'17	SALES 9M'18	Δ YoY %	org. growth	EBIT adj. margin[1]	KEY HIGHLIGHTS
EUROPE	1,698	1,715	*+1.0%*	*+2.8%*	High-teens (improving YoY)	— Successful High Value strategy implementation: gaining shares in both OE and Replacement — Profitability enhancement driven by mix improvement and cost efficiencies
				-8.7%		
				+8.8%		
	42%	44%				
NAFTA	756	753	*-0.4%*	*+6.3%*	Twenties (improving YoY)	— High Value growth, especially in Repl., driven by new product introduction — Better profitability on the back of mix improvement
				-2.4%		
				+8.3%		
	19%	19%				
APAC	597	672	*+12.6%*	*+16.1%*	Twenties (improving YoY)	High Value: — 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
				-7.1%		
				+25.0%		
	15%	17%				

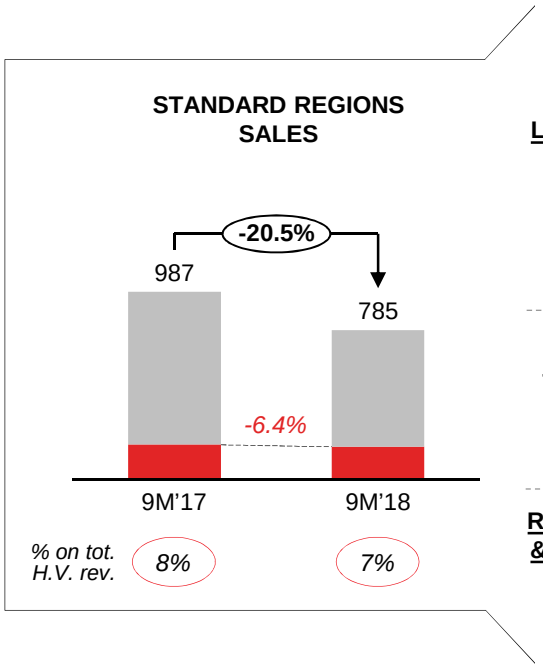
High Value Standard[2]

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



	SALES 9M'17	SALES 9M'18	Δ YoY %	org. growth	EBIT adj. margin[1]
LATAM	682	499	-26.8%	-3.6%	Mid-single Digit (decreasing YoY)
				-5.7%	
				+15.7%	
	17%	13%			
MEAI	186	162	-12.8%	-3.1%	Mid-teens (decreasing YoY)
				-8.2%	
				+1.0%	
	5%	4%			
RUSSIA & C.I.S.	119	124	+4.0%	+15.3%	High-teens (improving YoY)
				+15.9%	
				+13.0%	
	3%	3%			

High Value Standard[2]

Weight on Group revenues

KEY HIGHLIGHTS

In a context of weak demand and a challenging market environment:

- Continued mix improvement
- Increased exports to NAFTA
- Actions on costs to compensate headwinds and missed implementation of price increases in Brazil

MEAI

- Performance impacted by currency volatility and market slowdown
- Actions on costs ongoing

RUSSIA & C.I.S.

- Strong profitability improvement, led by better mix and sustained market demand

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

FY 2018 OUTLOOK UPDATE_

	2017A	2018E (14 Nov. 2018)		August 7th guidance
Revenues	**€ 5,352 mln**	**~ € 5.2 bln**	*€ 5.35 billion excl. LatAm slowdown vs August guidance*	***~€ 5.4 billion***
High Value weight	*58%*	*~ 64%*		*from >60%*
Volumes		**~ -2.0%**	*flat excl. LatAm slowdown vs August guidance*	***flat***
— *High Value volumes*		~ +13%	*≥13% excl. LatAm slowdown vs August guidance*	*≥13%*
— *Standard volumes*		~ -12%	*~ -9% excl. LatAm slowdown vs August guidance*	*-9.0%*
Price/mix		**~ +6.5%**	*≥ +7.0% if the expected price increase in Brazil was implemented*	***+6.5% ÷ +7.5%***
Forex		**-7.0% ÷ -6.5%**		***-6.0% ÷ -5.0%***
IFRS 15 impact[1]		**-0.6%**		***confirmed***
Adjusted EBIT w/o start-up costs[2]	**€ 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 costs[2]	**2.7X**	**~ 2.35X**	*~ 2.3x excl. LatAm slowdown vs August guidance*	**~2.3X**
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;

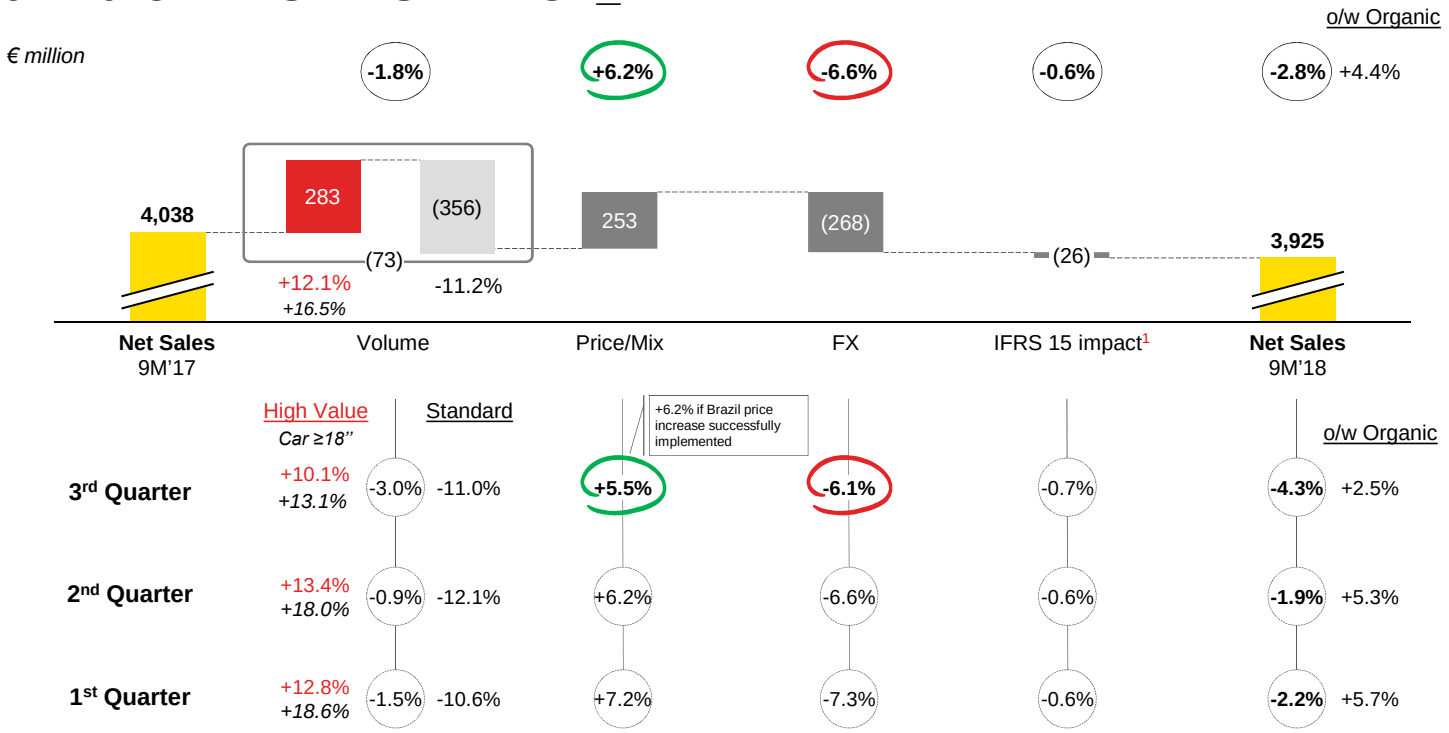
AGENDA_

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

9M'18 RESULTS IN DETAIL

APPENDIX

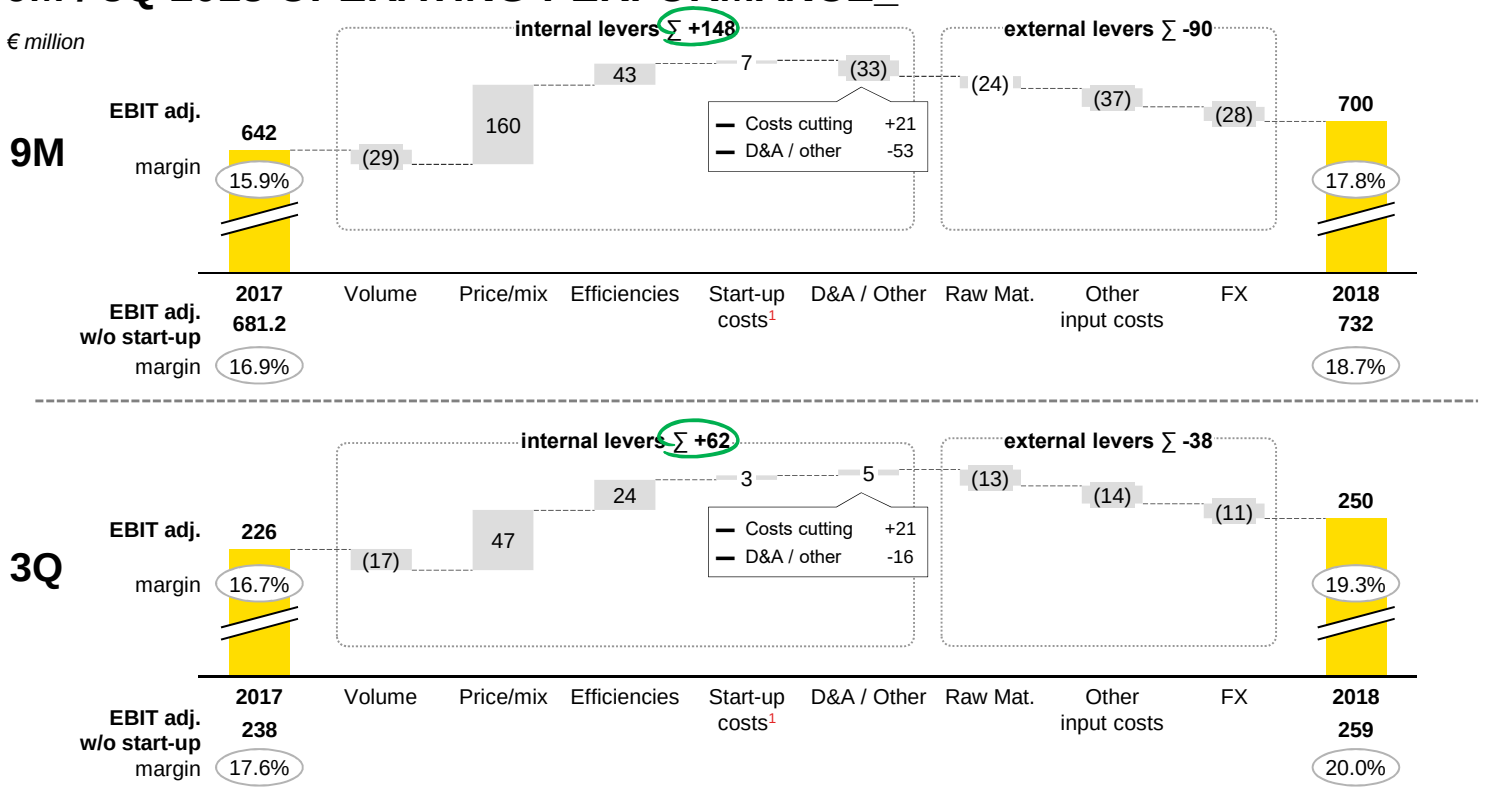
9M 2018 NET SALES BRIDGE_



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_

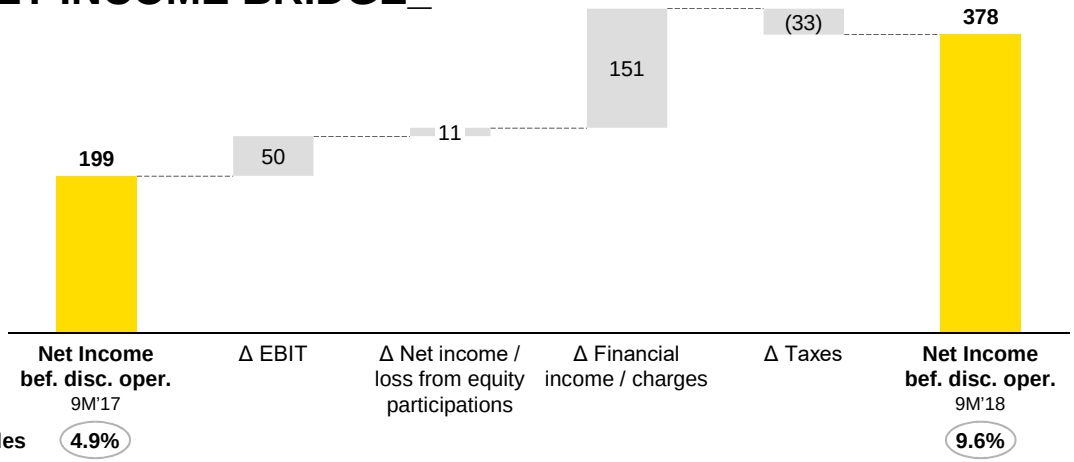
€ million



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

9M 2018 NET INCOME BRIDGE_

€ million



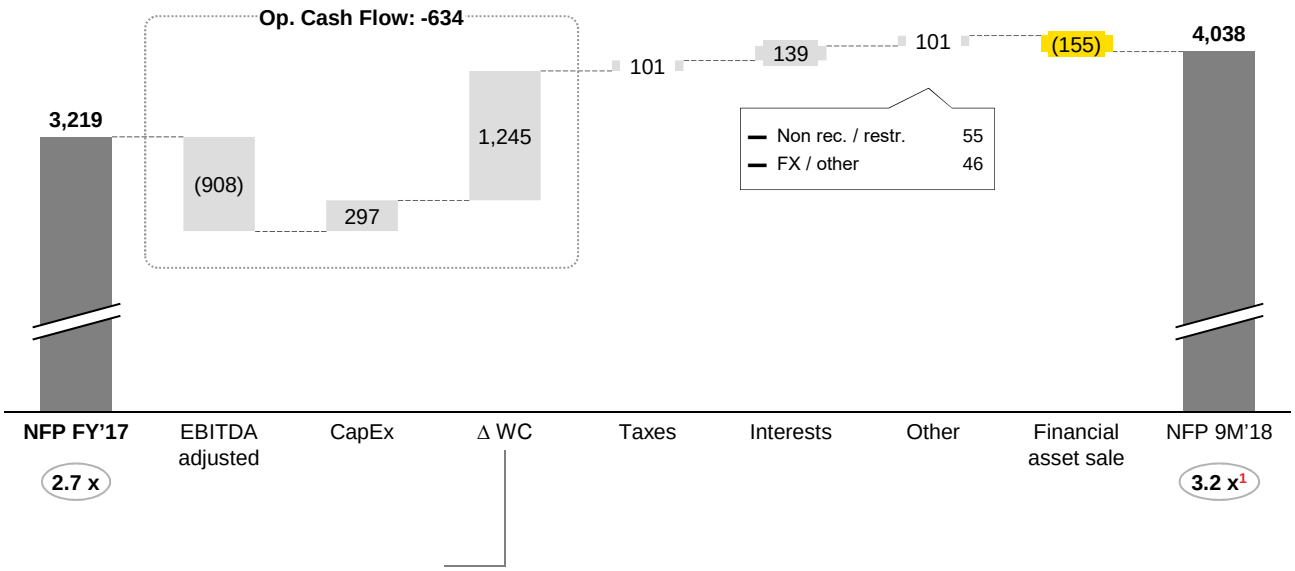
	9M'17	9M'18
% on Sales	**4.9%**	**9.6%**

	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

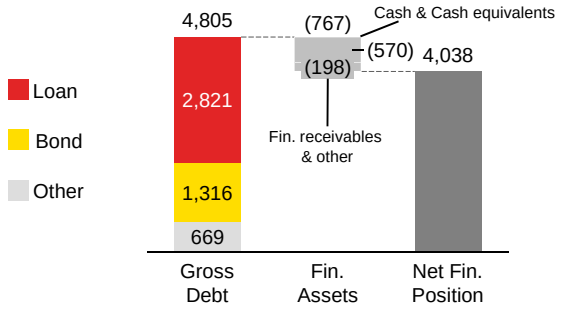
Seasonal trend to be reverted in 4Q 2018

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

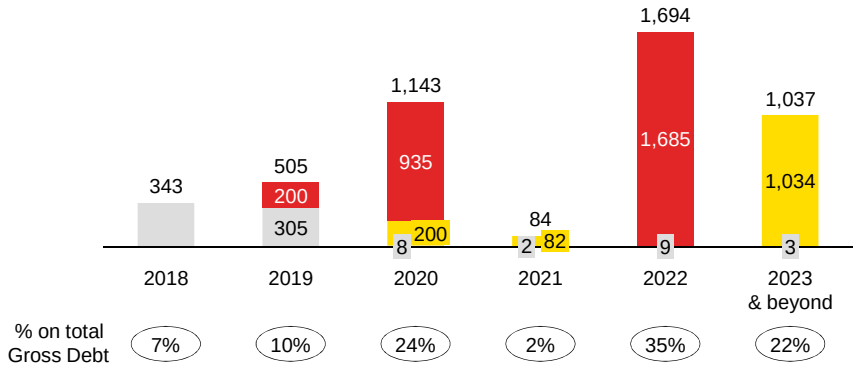
CURRENT CAPITAL STRUCTURE (SEPTEMBER 2018)_

€ million

NET FINANCIAL POSITION



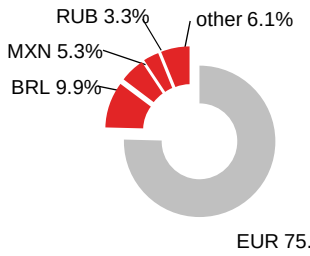
GROSS DEBT MATURITY



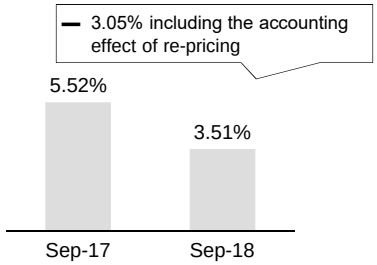
LIQUIDITY PROFILE

Liquidity position	570
Total committed lines not drawn	700
Liquidity margin[1]	**1,270**

BREAK-DOWN BY CURRENCY



COST OF DEBT (LAST 12 MONTHS)



1. Covers ~1.7 years of forthcoming maturities

AGENDA_

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

9M'18 RESULTS IN DETAIL

APPENDIX

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%*
Organic Growth[1]			*+2.5%*			*+4.4%*
High Value Revenues	782.5	846	*+8.1%*	2,345	2,530	*+7.9%*
Organic Growth[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**	
Tax Rate	*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**
Attributable net equity	*4,104*	*4,117*	*4,384*

9M PIRELLI GROUP CASH FLOW_

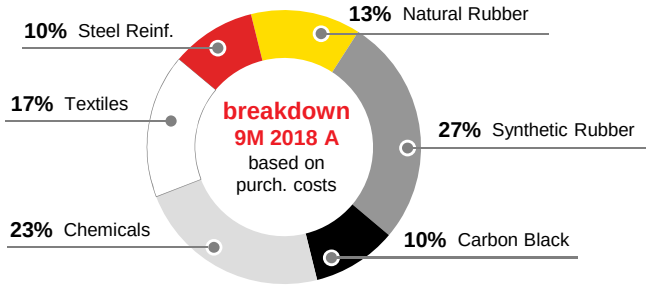
€ million

	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

	2017 A	2018 E Nov. guidance	Δ YoY
Natural Rubber TSR20 ($ / tonne)	1,651	~1,400	-15,2%
Brent Oil ($ / barrel)	54.9	~75	+36,6%
Butadiene EU (€ / tonne)	1,112	~1,000	-10,1%

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

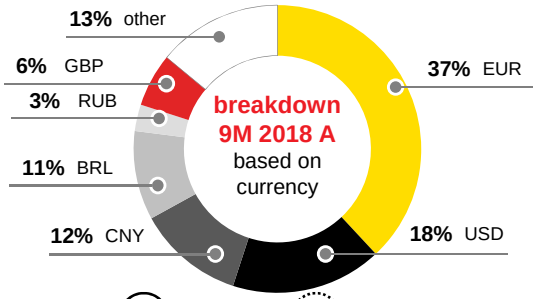
AVERAGE COST OF GOODS SOLD OF COMMODITIES

	2017 A	2018 E Nov. guidance	2018E EBIT impact
	~1,700	~1,400	~+36
	51	~ 67	~-66
	~1,100	~950	~+23
Raw Mat. subtotal			~-7
FX impact			~-43
TOT. IMPACT			~-50

Aug. guidance **-€60 million**

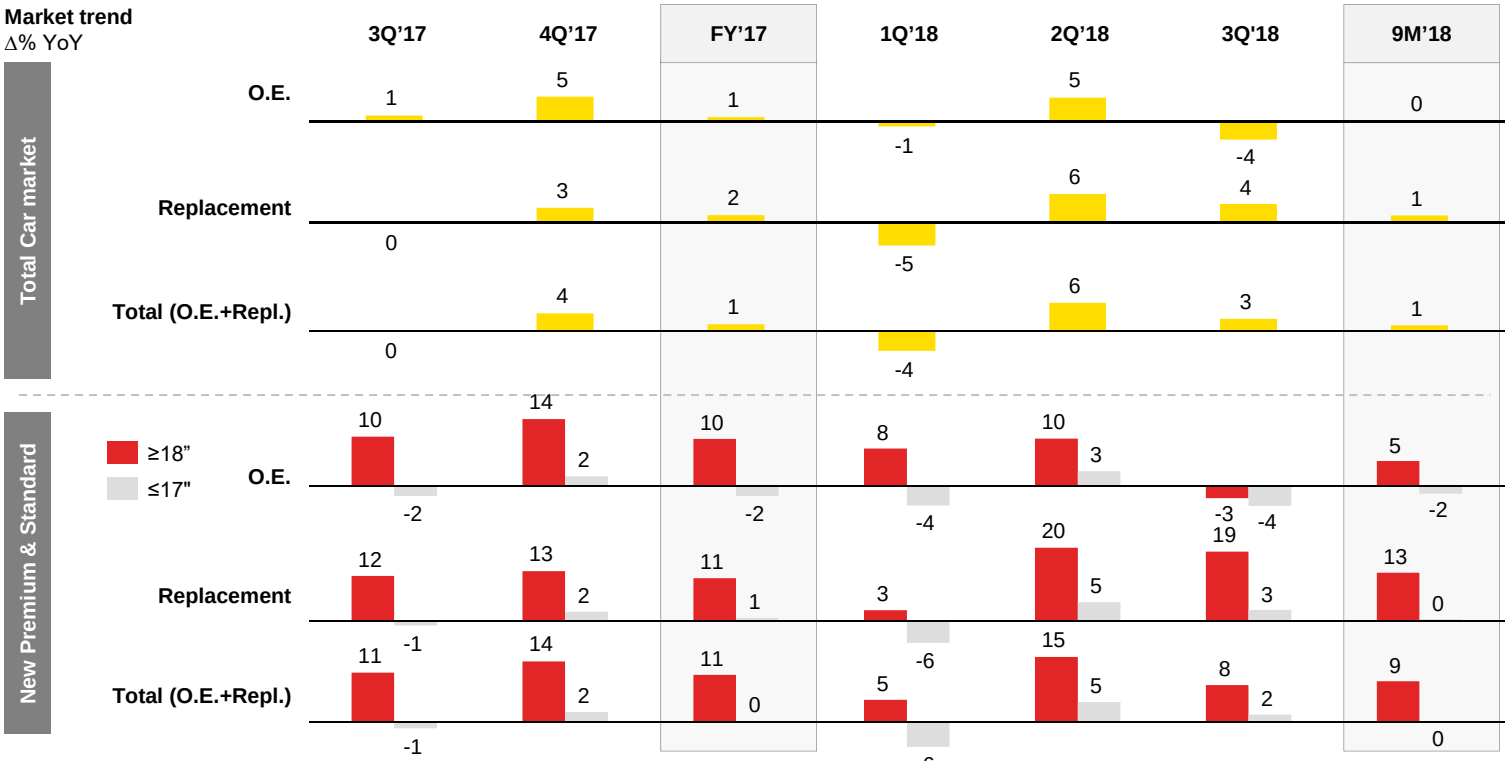
2018E FOREX GUIDANCE_

€ million



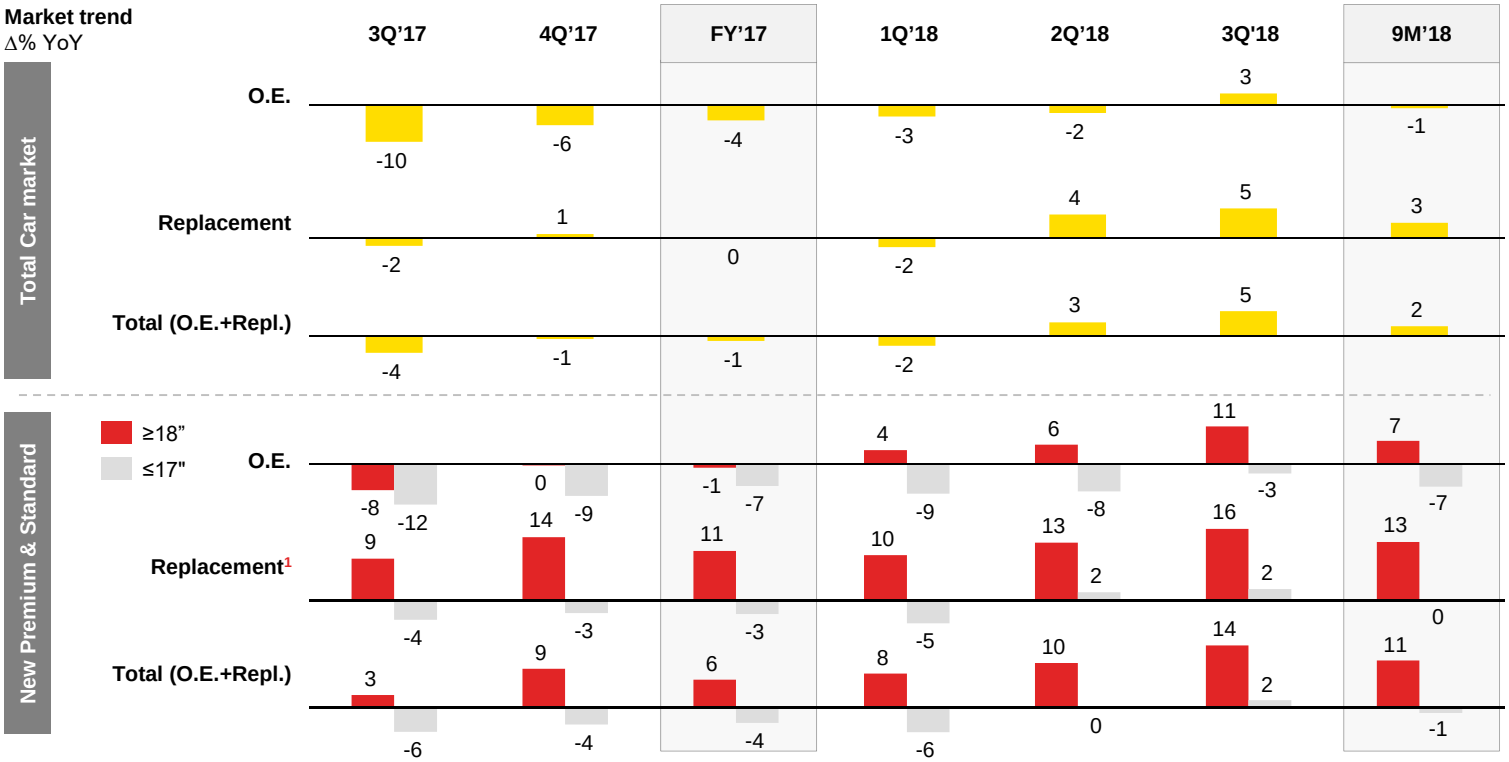
MAIN AVERAGE EXCHANGE RATES	2017 A	2018 E Nov. guidance	Δ YoY	Δ YoY vs. EUR	2018E Aug. guidance
EUR / USD	1.130	1.185	-5%	-5%	1.188
USD / CNY	6.752	6.610	+2%	-3%	6.494
USD / BRL	3.193	3.708	-14%	-18%	3.643
EUR / RUB	65.850	74.045	-11%	-11%	72.412
EUR / GBP	0.876	0.885	-1%	-1%	0.883
TOT. IMPACT ON SALES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

KEY CAR MARKET TRENDS: EUROPE_



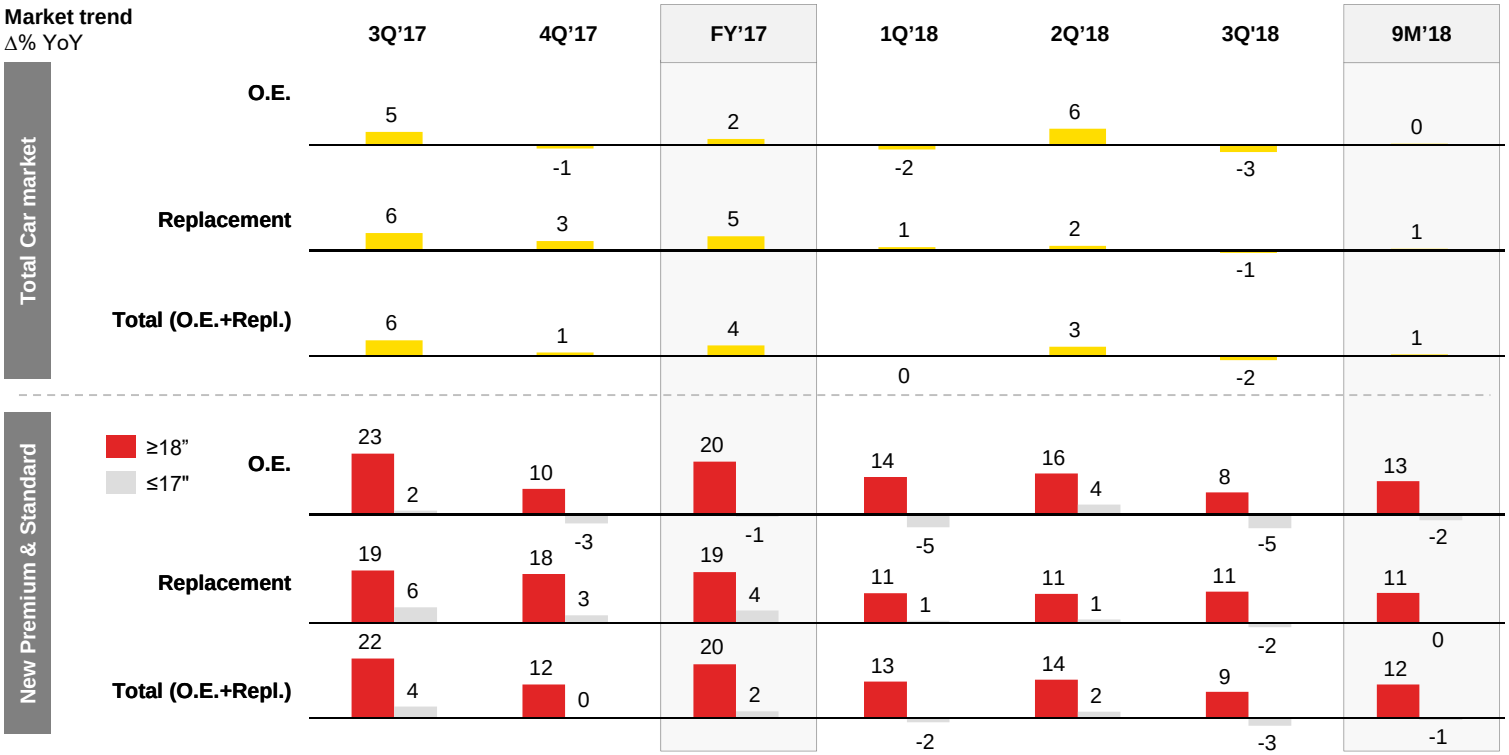
Source: Pirelli tyre market estimates based on main data provider for the Region; historical market data may be subject to restatement

KEY CAR MARKET TRENDS: NAFTA_



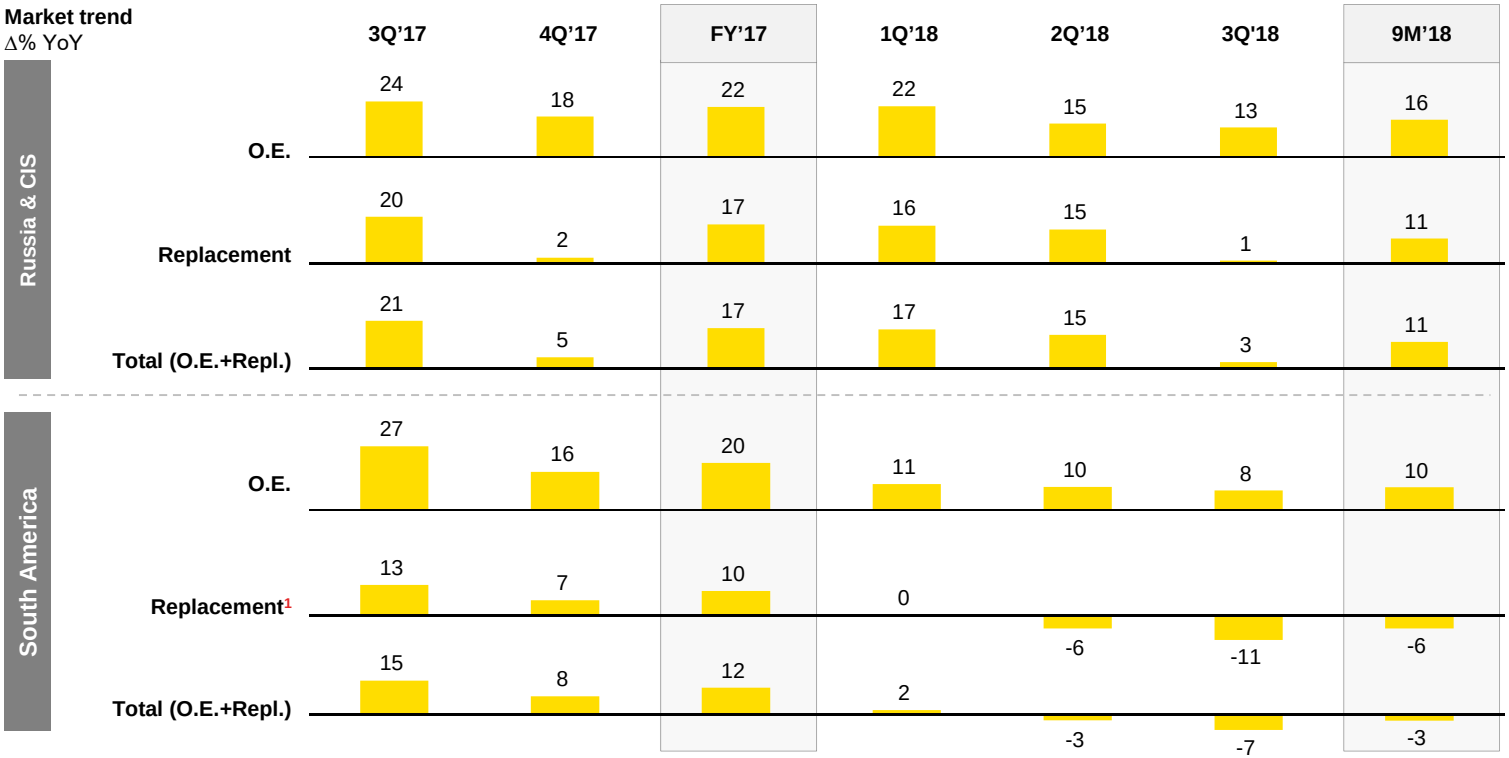
Source: Pirelli tyre market estimates based on main data provider for the Region; historical market data may be subject to restatement; 1. NAFTA Replacement includes imports

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

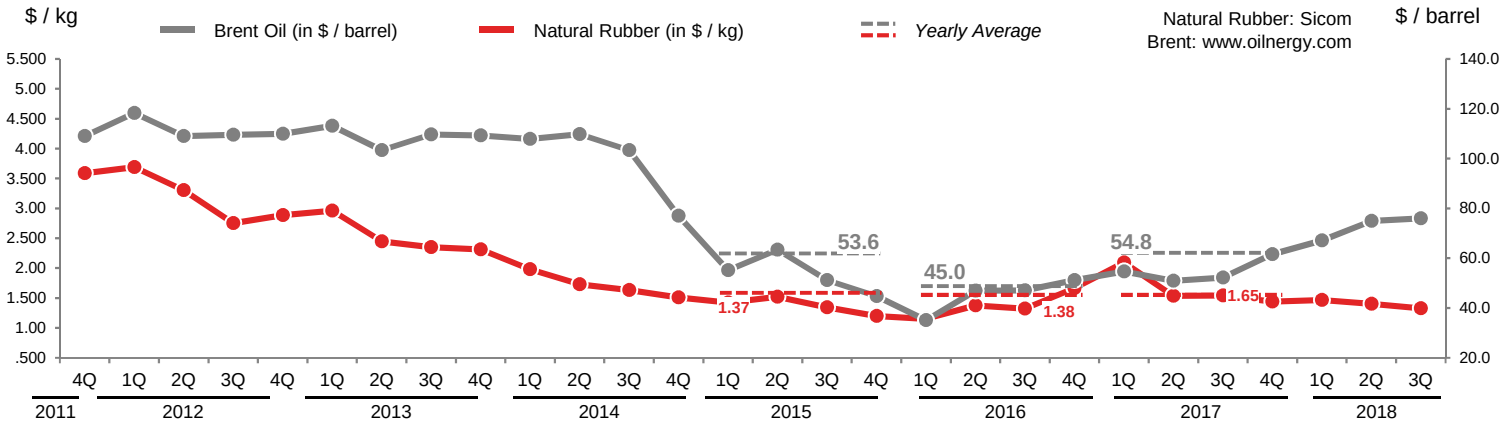
KEY MARKET TRENDS: RUSSIA & CIS AND SOUTH AMERICA_



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_

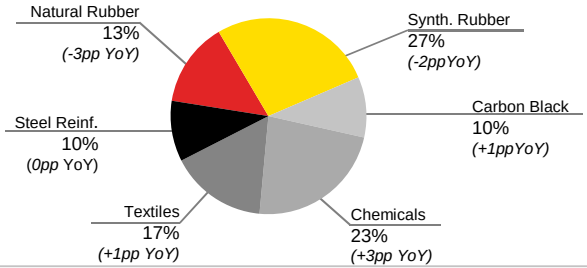
MAIN RAW MATERIALS PRICE TREND



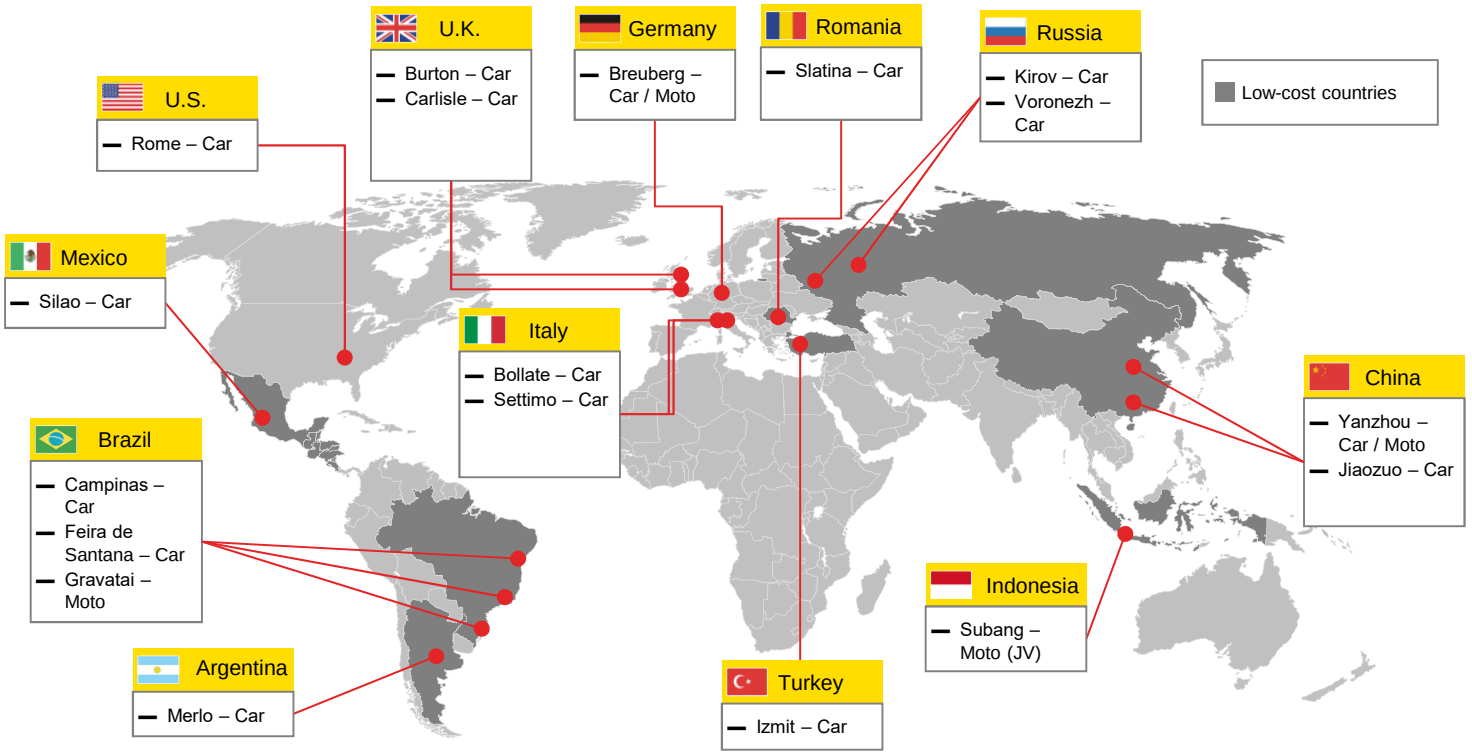
9M 2018 MIX (BASED ON PURCHASING COST)

35%

Raw mat. costs on sales



PIRELLI MANUFACTURING FOOTPRINT AS OF SEPTEMBER 30TH 2018



AGENDA

1. PIRELLI BUSINESS MODEL

2. 9M'18 FINANCIAL RESULTS

3. FY 2017 FINANCIAL RESULTS

4. STRATEGY AND PLAN 2017-2020

- **4a.** PIRELLI AT A GLANCE
- **4b.** KEY INVESTMENT HIGHLIGHTS
- **4c.** MARKET AND COMPETITION
- **4d.** HIGH VALUE STRATEGY: LEVERS AND REGIONAL DEPLOYMENT
- **4e.** HIGH VALUE STRATEGY: START-UPS
- **4f.** TRANSFORMATION PROGRAMS
- **4g.** STANDARD PROGRAMS
- **4h.** TARGETS 2020

5. GOVERNANCE

6. SUSTAINABILITY

7. APPENDIX

KEY MESSAGES

> 2017 RESULTS: SOUND HIGH VALUE STRATEGY DELIVERY

- Strengthened foothold in High Value (~58% on revenues, ~83% on adjusted EBIT before start-up costs)
- Top Price/Mix improvement in the industry: +6.9% in FY, +7.8% in 4Q
- Solid profitability increase driven by internal levers : EBIT margin reaching 17.3% in FY, 18.7% in 4Q

> 2018 EXPECTED PERFORMANCE: KEEPING THE PACE OF THE INDUSTRIAL PLAN

- High Value volumes: ≥+13% in 18'' and above
- Solid Price/Mix improvement driven by new products
- Efficiencies ~1% of sales

> INDUSTRY FUTURE TRENDS: OUR STEPS AHEAD

- **Electric car:** partnership with Global Car Makers and most innovative Chinese brands
- **Connected / autonomous:** Cyber O.E. Products and solutions adoption currently under evaluation by some car makers; Connesso: market test finalized
- **New mobility:** expanding the Velo range, entering the Electric bicycle segment

AGENDA_

2. FINANCIAL RESULTS FY 2017

- **2a. PLAN DELIVERY IN 2017 AND 2018 OUTLOOK**
- **2b.** SUSTAINABILITY PLAN UPDATE
- **2c.** REVIEW OF 2017 RESULTS
- **2d.** APPENDIX

2017 RESULTS HIGHLIGHTS

€ million

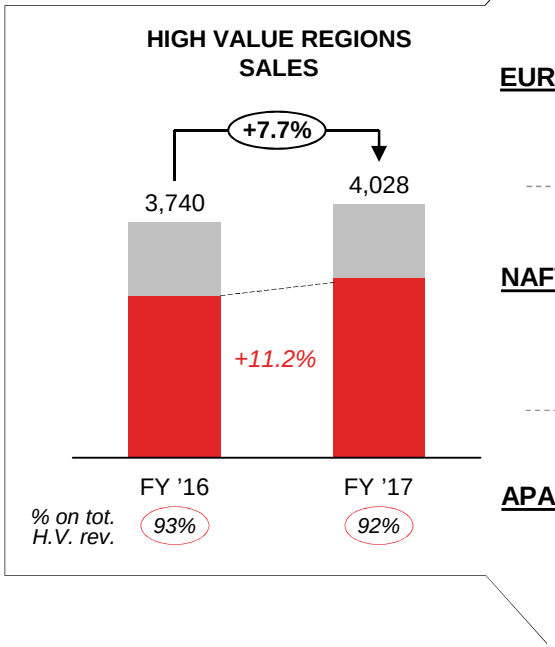
	2016A	2017E	2017A	YoY	
		target @ 6-Nov-18			
Revenues	**4,976**	**~+9% YoY**	**5,352**	*+7.6%*	~
High Value Revenues	2,754		3,078	*+11.8%*	✓
High Value weight on tot. revenues	*55%*	*>57%*	*57.5%*		
Adjusted EBIT w/o start-up[1]	**844**	**~930**	**927**	*+9.7%*	✓
Margin	*17.0%*		*17.3%*		
High Value weight	*81%*	*~83%*	*~83%*		✓
Adjusted EBIT	**844**	**~880**	**876**	*+3.8%*	✓
Net Income Consumer	**164**		**263**	*+61%*	
Net Financial Position	**4,961**		**3,219**		
NFP / adj.EBITDA w/o start-up costs	*4.6X*	*<3X*	*2.7X*		✓✓
CapEx on Revenues	6.8%	~9%	*9.1%*		✓

Δ vs. guidance
~-0.7pp on FX
~-0.8pp on faster Standard reduction

1 EBIT adjusted excluding PPA amortization, non recurring, one-off, extraordinary items and start-up costs;

2017 PERFORMANCE BY HIGH VALUE REGION_

€ million



	SALES FY16A	SALES FY17A	Δ YoY %	*Org. growth*	EBIT adj. margin[1]	KEY HIGHLIGHTS
EUROPE	2,093	2,238	*+6.9%*	*+7.5%*	Mid-teens	— Consolidated leadership on High Value — Standard exposure decreasing
	42%	42%	*+11.6%*			
NAFTA	935	984	*+5.3%*	*+7.4%*	Twenties	— Sound performance, despite O.E. market slowdown — High Value sales +8% net of FX with products introduction (All-Season) and further retail penetration
	19%	18%	*+5.9%*			
APAC	713	806	*+13.1%*	*+14.3%*	Twenties	— Strong High Value performance, driven by Prestige and Premium pull-through (especially on Run-Flat) — Expansion into new channels (i.e. Car Dealer, online)
	14%	15%	*+18.3%*			

High Value Standard

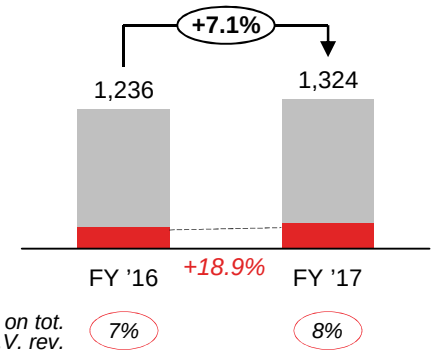
Weight on Group revenues

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

2017 PERFORMANCE BY STANDARD REGION_

€ million

STANDARD REGIONS SALES



	SALES FY16A	SALES FY17A	Δ YoY %	*Org. growth*	EBIT adj. margin[1]	KEY HIGHLIGHTS
LATAM	824	916	*+11.1%*	*+7.4%*	High-single digit	— Continuous mix improvement among Standard products — Export to NAFTA to support H.V. growth — Increasing profitability YoY
			+29.4%			
	17%	17%				
MEAI	249	249	*-0.1%*	*+5.6%*	Mid-teens	— Positive organic growth dented by FX headwind (mainly Turkish Lira) — Strong High Value sales, especially in the Gulf area
			+19.3%			
	5%	5%				
RUSSIA & C.I.S.	163	160	*-2.1%*	*-14.6%*	Low-teens	— Progressive reduction of Standard volumes & sales continues, with profitability improvement YoY — High Value trend impacted by lower imports due to strong demand in Europe
			-4.4%			
	3%	3%				

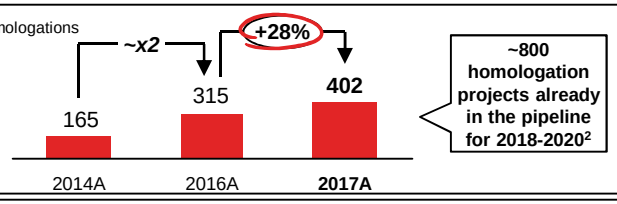
High Value Standard

Weight on Group revenues

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

PILLAR 1: HIGH VALUE 2017 ACHIEVEMENTS AND 2018 PRIORITIES_

A — ACCELERATING HOMOLOGATION PIPELINE



B — PRODUCT INNOVATION

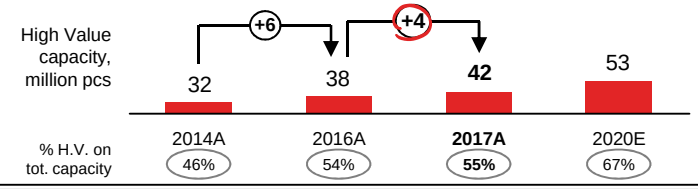
18 new product lines in 2017-2020

- 9 Global vs 9 Regional
- 12 Summer & All-Season vs 6 Winter
- 9 Traditional vs 9 Specialties

2017

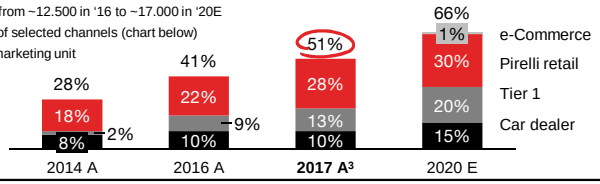
5 new product lines launched

C — SHIFTING CAR CAPACITY TOWARDS HIGH VALUE[1]



D — CONSUMER CENTRIC APPROACH

- Pirelli retail PoS from ~12.500 in '16 to ~17.000 in '20E
- Increase weight of selected channels (chart below)
- New consumer marketing unit



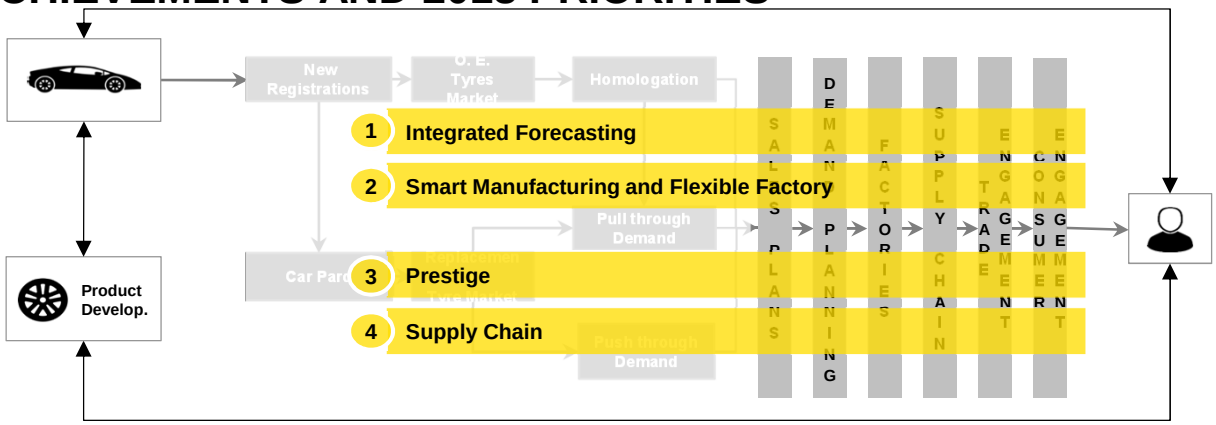
2018 PRIORITIES

- High Value (mainly ≥19" Homologations)
- New materials and technologies
- Several new products (e.g. Cinturato, Ice Zero)
- Scorpion family extension (SUV / Crossover)
- Cyber products (for both Replacement and O.E.)
- Standard conversion in Brazil and China
- New High value capacity in Romania and Mexico
- Tier 1 client base expansion and integration
- Point of Sales increase in APac

1. More details on Pirelli capacity in appendix section; 2. As of Dec-17; 3. Restated figures

PILLAR 2: TRANSFORMATION PROGRAMS
2017 ACHIEVEMENTS AND 2018 PRIORITIES

2



2017 achievements

1. Integrated O.E. / Repl. business mgmt. successfully redesigned, first pilots of predictive/forecasting tools showing encouraging results
2. ~1% efficiencies reached in 2017 as planned, new centralized plant planning function working with new digital tools
3. Specific Prestige Business Unit bearing first fruits: Global OE Market Share increased in 2017 up to almost half of the market
4. New “customize to order” supply chain activated for Color Edition, Prestige supply chain reviewed

2018 priorities

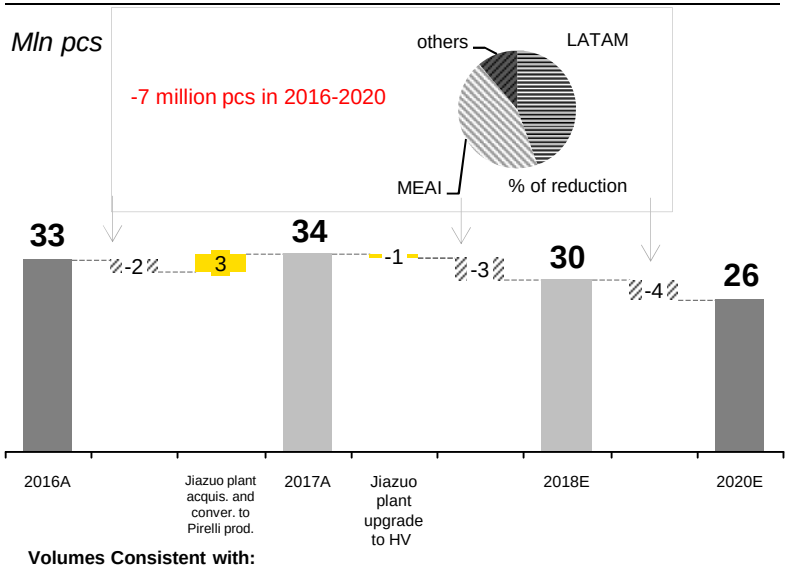
- Re-engineer and consolidate the Integrated Business Planning process, starting from Prestige
- ~1% efficiencies in continuity with plan
- Extend people training (tgt. 10 times the people involved in 2017)
- Capitalize high O.E. share in replacement market leveraging new digital approach to sales
- Increase Tier 1 agreements with additional key clients and gradually move towards a “make to order” model

1 Internet of Things

PILLAR 3: STANDARD CAPACITY REDUCTION, 2017 ACHIEVEMENTS AND 2018 PRIORITIES

3

STANDARD CAPACITY EVOLUTION 2016-2020



Volumes Consistent with:

- Requests from O.E. Customers with Premium and Standard Range
- Retailers assortment
- Geographic car parc peculiarities (LatAm, Russia)
- Progressive upgrade of Jiaozuo (former Aeouls Car) into Pirelli brand production

2017 ACHIEVEMENTS

- **Mix improvement**
  - Phasing out of legacy brands in Russia (e.g. Amtel)
  - Pruning of lower rim sizes in Europe and South America
- **Limiting low value** O.E. contracts
- **Profitability improvement**:
  - Russia and CIS EBIT margin at «Low- teen» vs. «low single digit in 2016
  - South America: high single digit profitability, improving YoY

2018 PRIORITES

LatAm:

- Cut standard production and conversion to High Value
- Focus on high mix, exploiting increasing SUV penetration (+15% SUV registration CAGR in 16-20)

MEAI

- Progressive reduction of Standard production
- Increasing weight of High Value sales (already >50% in 2017)

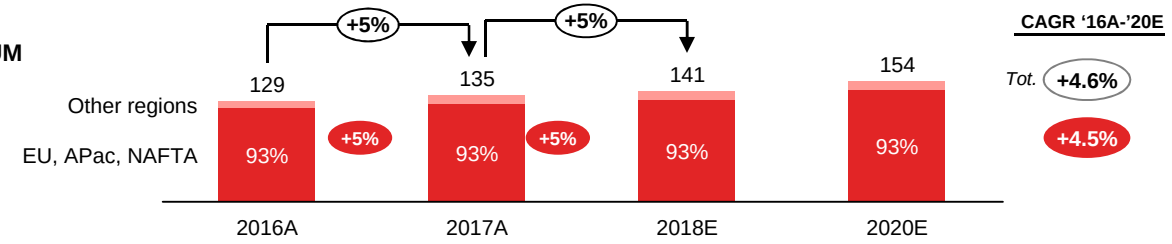
Russia:

- Focus on Pirelli mix to improve share in ≥17'' with an increasing weight of locally produced High Value tyre
- Strengthening price positioning

2018 HIGH VALUE MARKET OUTLOOK IN LINE WITH OUR PLAN_

PRESTIGE & PREMIUM CAR PARC

(million vehicles)



CAGR '16A-'20E

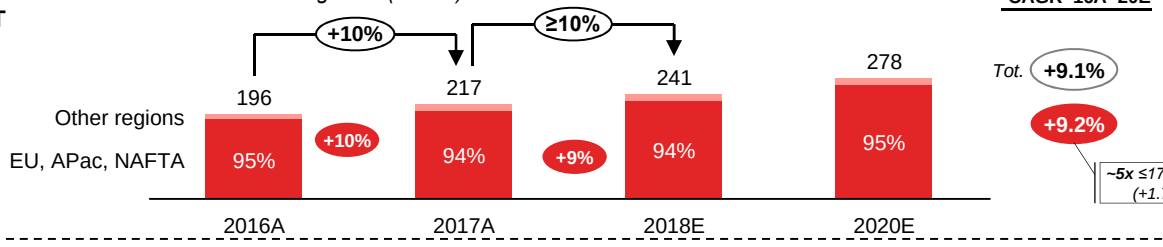
Tot. **+4.6%**

+4.5%

~5x ≤17" YoY growth (+1.9%) *~8x ≤17" YoY growth (+1.2%)*

O.E. + REPLACEMENT ≥18'' TYRE MARKET

(million tyres)



CAGR '16A-'20E

Tot. **+9.1%**

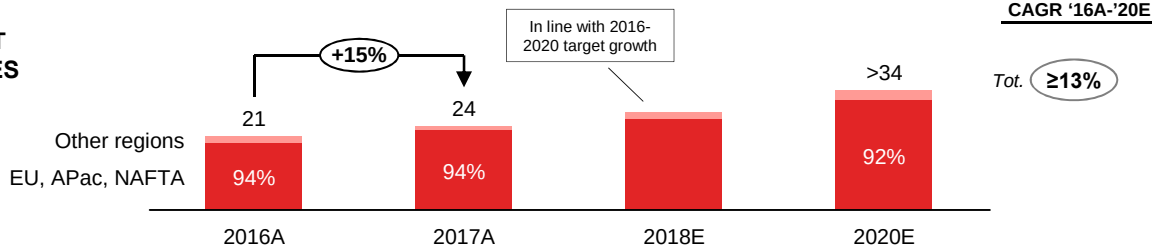
+9.2%

~5x ≤17" CAGR (+1.7%)

O.E. + REPLACEMENT ≥18'' PIRELLI VOLUMES

(million tyres)

≥18'' ~85-90% of High Value Car Volumes



CAGR '16A-'20E

Tot. **≥13%**

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_

€ million

	2017A	2018E[4]
Revenues	5,352	≥+6% YoY ~+10% Net of FX
High Value weight	*58%*	*~60%*
Adjusted EBIT w/o start-up[1]	927	>€ 1,0 bln
High Value weight	*~83%*	*≥83%*
Start-up costs	*50*	*~40*
Adjusted EBIT[2]	876	~€1,0 bln
Net financial position / Adjusted EBITDA w/o start-up costs[3]	2.7X	~2.3X
CapEx on Revenues	9.1%	~8%

- ~50% High Value capacity increase (Europe, NAFTA, APac and LatAm)
- ~25% mix & quality
- ~25% maintenance & other

1 EBIT adjusted excluding PPA amortization, non recurring, one-off, extraordinary items and start-up costs; 2 EBIT adjusted excluding PPA amortization, non recurring, one-off and extraordinary items; 3 EBITDA adjusted excluding non recurring, one-off, extraordinary items and start-up costs; 4 As of February 26th 2018

AGENDA_

2. FINANCIAL RESULTS FY 2017

2a. PLAN DELIVERY IN 2017 AND 2018 OUTLOOK

2b. SUSTAINABILITY PLAN UPDATE

2c. REVIEW OF 2017 RESULTS

2d. APPENDIX

THE SUSTAINABILITY PLAN_

The Plan 2020 with selected 2025 target

- Was drafted according to **Pirelli Value Driver Model**, with a **Return on Capital** approach
- **Integrates Group Industrial Plan** and its **High Value** development strategy
- **Replaces previous Sustainability Plan** 2013-2017 with selected targets 2020 (vs. 2009)
- Maintains **2009** as base reference year to allow long-term numerical trends to be appreciated
- **Impacts on 12 of the Sustainable Development Goals 2030** set forth by the United Nations

SUSTAINABILITY PLAN UPDATE: ACHIEVEMENTS AND KEY TARGETS_

KPIs

	'17 vs '09	'17 vs '16	Targets '20 vs '09
Green Performance Tyres revenues accounted for **42%** of total tyre sales in 2017[1]		+2pp	>50% >65% on HV
Accident frequency index reduction	-83%	-18%	-87%
Plant CO_2 specific emissions reduction	-9%	-4%	-17%
Specific **energy consumption** reduction	-15%	-4%	-19%
~43% of the electricity we buy comes from **renewable sources**[2]		+5%	↑
93% of waste recovered in 2017	+24%	+1%	≥95%
Specific water withdrawal reduction	-62%	-14%	-66%
Avg. rolling resistance of Pirelli **car tyres** reduction	-15%		-20% -15% noise reduction
Average training days per capita: **~8** in 2017		In line	≥7 days
83 ESG[3] audits of **Supplier Sustainability risk assessment**		-16% Non conformities found on site	Non-tier 1 ESG risk governance

FURTHER 2017/18 ACHIEVEMENTS

- Issuance of Pirelli **«Sustainable Natural Rubber Policy»**
- Compliance of Pirelli Purchasing Model with **ISO 20400**[4]
- **DJ Sustainability Index ranking included in the New LTI Plan**

Awarded **Global Sustainability Leader of Auto Components sector**[5]

Awarded **Gold Class Company in the 2018 Sustainability Yearbook**[6]

1 Figure obtained by weighing the value of sales of Green Performance tyres on the total value of sales of Group tyres; Green Performance products identify tyres that Pirelli produces throughout the world and that fall only under rolling resistance and wet grip classes A, B, C according to the labeling parameters set by European legislation; 2 Internal evaluation on International Energy Agency (IEA) data considering Pirelli geographical breakdown; 3 Environmental, Social and Governance; 4 Confirmed by third party (Feb. 2018); 5 with a score of 83 points vs. sector average of 42 (Feb. 2018); 6 Edited by RobecoSAM, who is responsible for evaluations of inclusion in the Dow Jones Sustainability Index

AGENDA_

1. FINANCIAL RESULTS FY 2017

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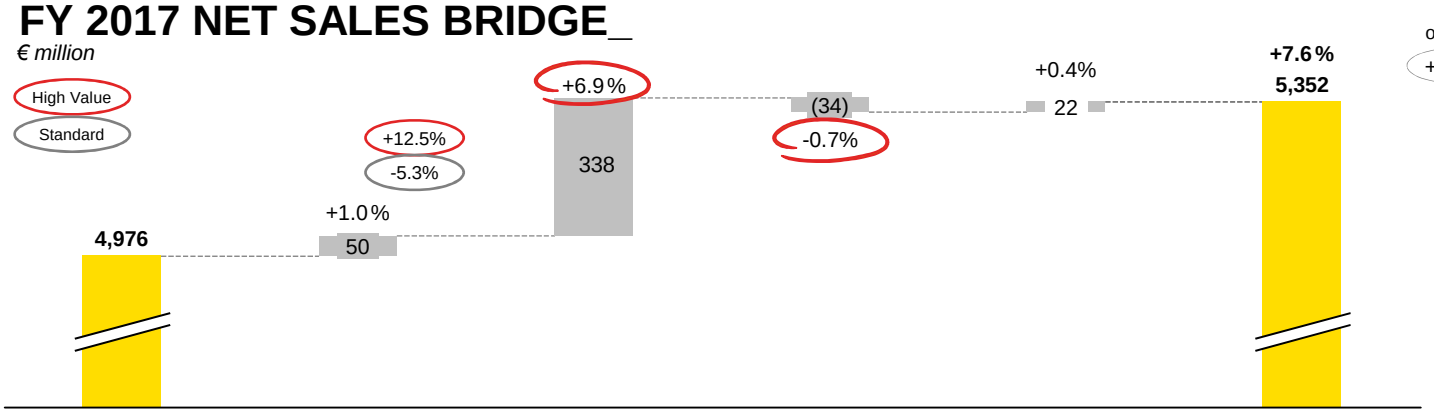
FY 2017 NET SALES BRIDGE_

€ million

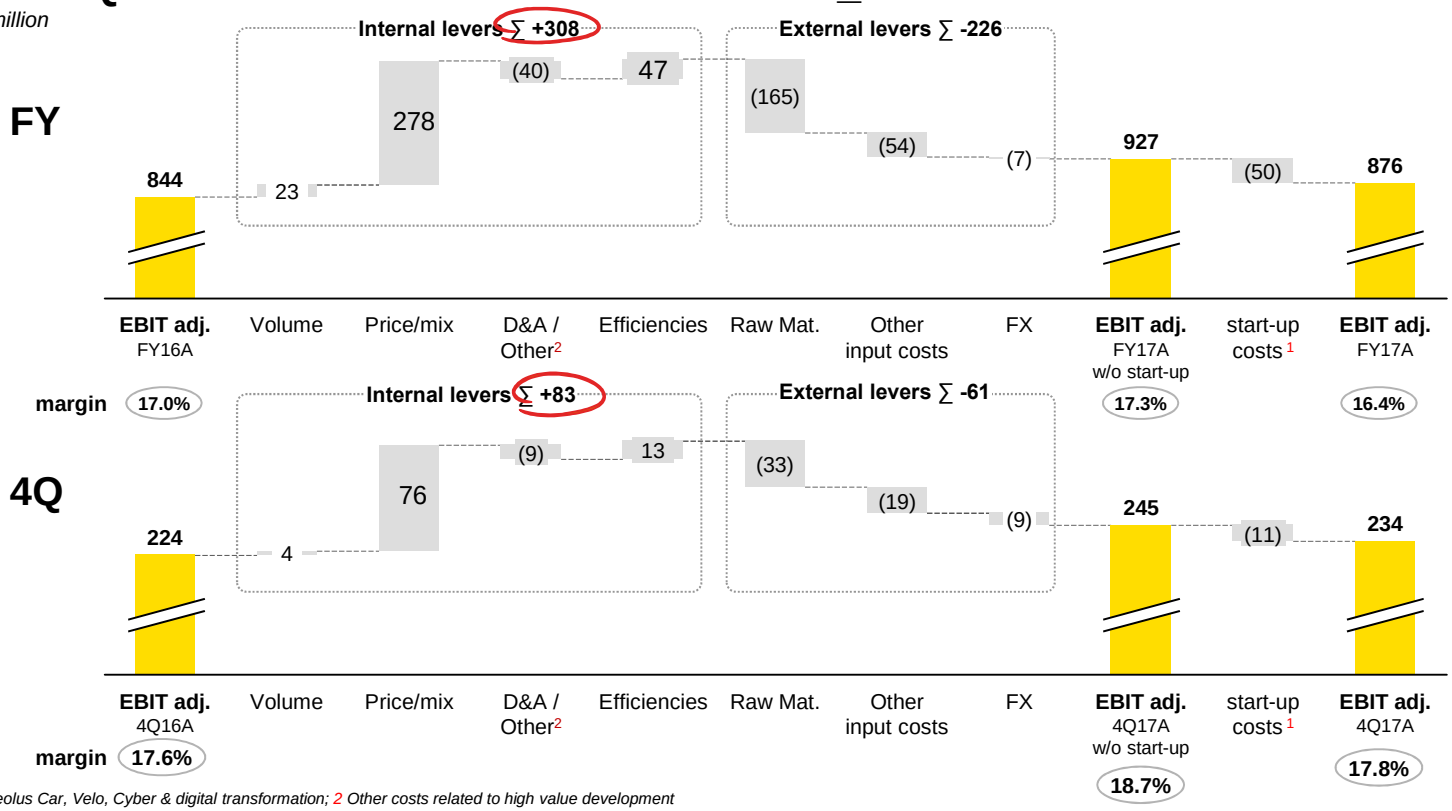


	Net Sales FY '16 restated	Volume		Price/Mix	FX	Perimeter[1]	Net Sales FY '17	o/w organic
4th Quarter		+0.5%	+11.5% / -5.8%	+7.8%	-4.5%	-0.3%	**+3.5%**	+8.3%
3rd Quarter		+1.0%	+12.2% / -5.8%	+7.3%	-3.1%	+0.6%	**+5.8%**	+8.3%
2nd Quarter		-0.3%	+9.6% / -4.2%	+6.5%	+1.2%	+0.6%	**+8.0%**	+6.2%
1st Quarter		+2.9%	+17.1% / -5.3%	+5.5%	+4.0%	+1.0%	**+13.4%**	+8.4%

1 Aeolus Car / Velo

FY / 4Q 2017 OPERATING PERFORMANCE_

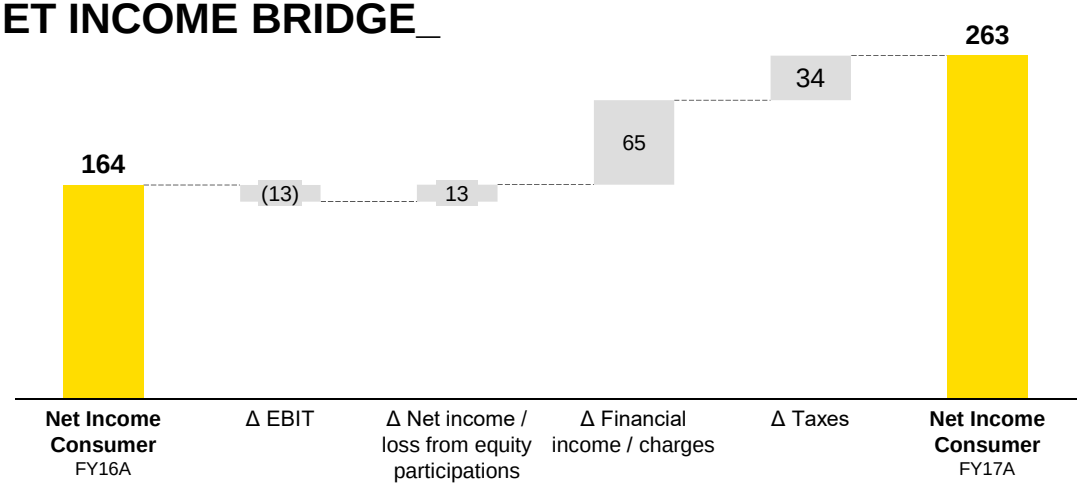
€ million



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

FY 2017 NET INCOME BRIDGE_

€ million

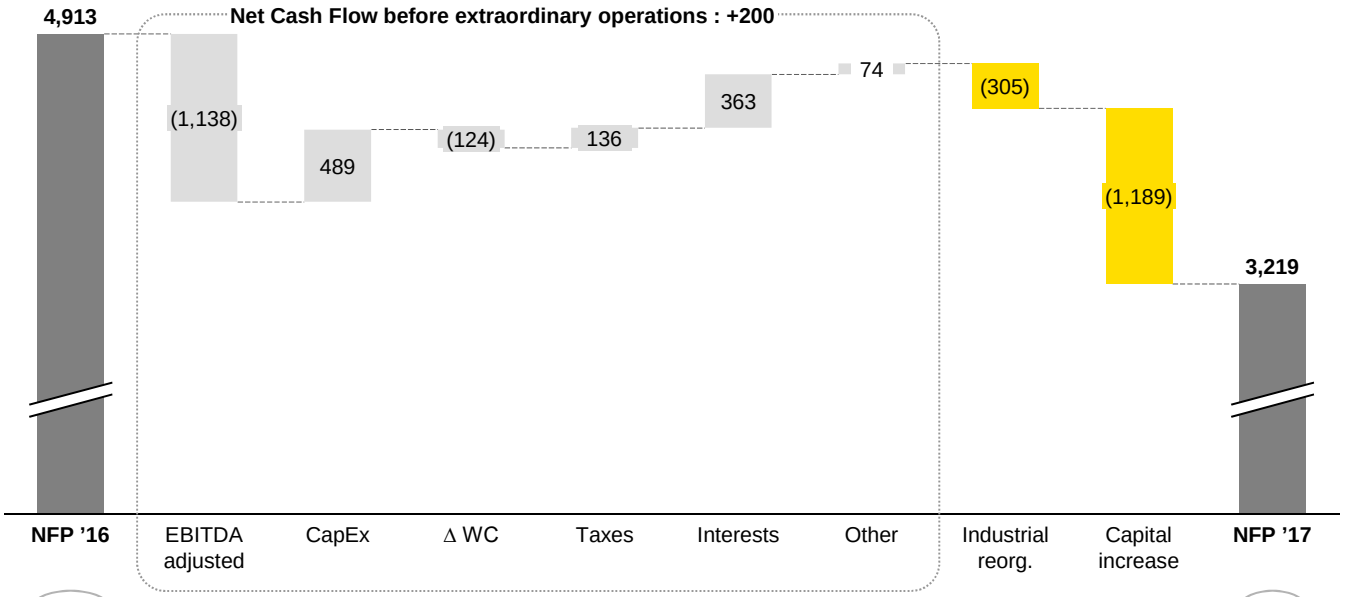


	FY '16	FY '17
% on Sales	**3.3%**	**4.9%**
Net Income	**164**	**263**
PPA amortization	**+ 105**	**+ 110**
Non recurring / restr. costs	**+ 53**	**+ 93**
Non recurring fin. expenses	**+ 25**[1]	**+ 61**[2]
Deferred tax assets recognition		**- 81**
Tax impact on adjustment	**- 51**	**- 60**
Net income adjusted	**297**	**387**

1 U.S. private placement early redemption fees; 2 Wash down fee BBC financing

FY 2017 CASH FLOW AND NET FINANCIAL POSITION_

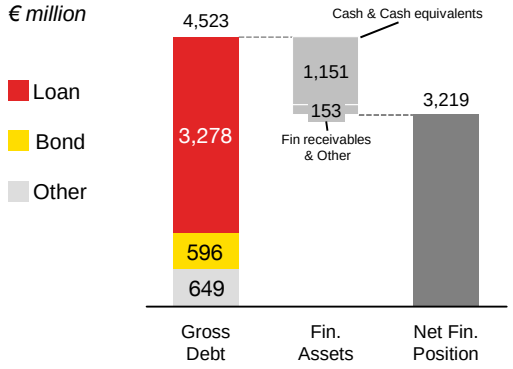
€ million



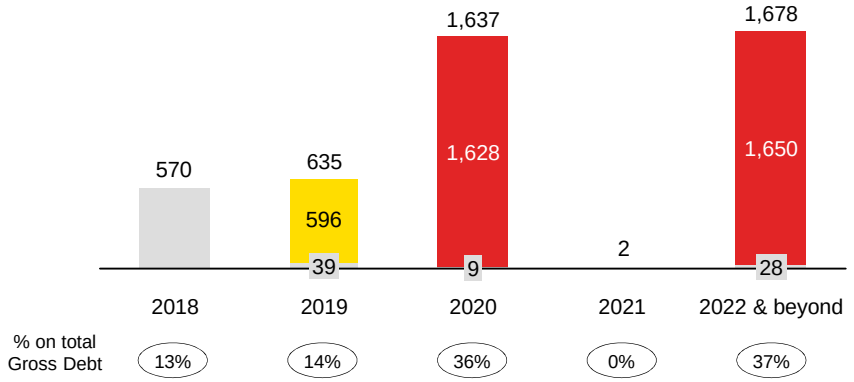
1 reported; 2 before non-recurring items and restructuring costs; 3 Industrial reorg: partial debt push down to Prometeon ; 4 Capital Increase made by Marco Polo; 5 2016 ratio calculated using the NFP relative to the sole Consumer business equal to €4,961 million

CURRENT CAPITAL STRUCTURE (DECEMBER 2017)_

NET FINANCIAL POSITION



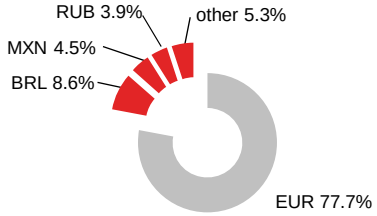
GROSS DEBT MATURITY



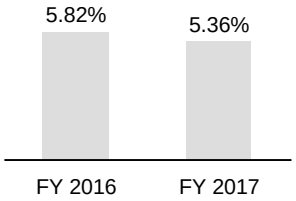
LIQUIDITY PROFILE

Liquidity position	1,151
Total committed lines not drawn	700
Liquidity margin[1]	**1,851**

BREAK-DOWN BY CURRENCY



COST OF DEBT



1 covers ~ 2.4 years of forthcoming maturities

AGENDA_

1. FINANCIAL RESULTS FY 2017

- **1a.** PLAN DELIVERY IN 2017 AND 2018 OUTLOOK
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FY / 4Q 2017 RESULTS HIGHLIGHTS_

€ million	FY '16 restated	FY '17	Δ YoY	4Q '16 restated	4Q '17	Δ YoY
Revenues	**4,976.4**	**5,352.3**	*+7.6%*	**1,269.9**	**1,313.8**	*+3.5%*
Organic Growth[1]			*+7.9%*			*+8.3%*
High Value Revenues	2,753.8	3,078.1	*+11.8%*	677.2	734.2	*+8.4%*
Organic Growth[1]			*+13.4%*			*+12.7%*
% on total Revenues	*55.3%*	*57.5%*	*+3 p.p.*	*53.3%*	*55.9%*	*+3 p.p.*
EBITDA adjusted w/o start-up costs[2]	**1,082.3**	**1,175.1**	*+8.6%*	**280.9**	**309.4**	*+10.1%*
Margin	*21.7%*	***22.0%***	*+0.3 p.p*	*22.1%*	***23.6%***	*+1.5 p.p*
EBITDA adjusted[3]	**1,082.3**	**1,137.7**	*+5.1%*	**280.9**	**301.4**	*+7.3%*
Margin	*21.7%*	*21.3%*	*-0.4 p.p.*	*22.1%*	*22.9%*	*+0.8 p.p.*
EBIT adjusted w/o start-up costs[2]	**844.3**	**926.6**	*+9.7%*	**223.6**	**245.4**	*+9.7%*
Margin	*17.0%*	***17.3%***	*+0.3 p.p.*	*17.6%*	***18.7%***	*+1.1 p.p.*
EBIT adjusted[3]	**844.3**	**876.4**	*+3.8%*	**223.6**	**234.2**	*+4.7%*
Margin	*17.0%*	*16.4%*	*-0.6 p.p.*	*17.6%*	*17.8%*	*-0.2 p.p.*
EBIT	**686.5**	**673.6**		**172.8**	**132.5**	
Margin	*13.8%*	*12.6%*		*13.6%*	*10.1%*	
Results from Equity Investments	(20.0)	(6.9)		32.7	11.7	
Financial Income / (Charges)	(427.3)	(362.6)		(75.7)	(72.7)	
EBT	**239.2**	**304.1**		**129.8**	**71.5**	
Tax Rate	*31.4%*	*13.4%*		*n.m.*	*9.9%*	
Net Income (Consumer)	**164.0**	**263.3**		**128.2**	**64.4**	
Net Income adjusted (Consumer)	**296.6**	**386.8**		**164.0**	**129.3**	

4Q Highlights

Strong organic growth on the back of:
- Strengthening High Value
- Top Industry price/mix (+7.8%)
- Volumes +0.5%, with +11.5% on High Value and -5.8% on Standard, given the accelerated exit from low profitable products

- EBIT adj. improvement, with internal levers which more than compensated for rising raw mat. costs, inflation and other costs related to business development
- EBIT margin adj. w/o start-up at 18.7% (+1.1pp YoY)

- Lower financial charges related to reduced cost of debt
- Tax rate positively impacted by detection of deferred tax assets and other temporary differences (e.g. ACE)

1 Excl. FX / perimeter; 2 Aeolus Car, Velo, Cyber & digital transformation; 3 before amortization of PPA, non-recurring items & restructuring costs;

2017 RESULTS HIGHLIGHTS BY QUARTER_

€ million	1Q '16 restated	1Q '17	Δ YoY	2Q '16 restated	2Q '17	Δ YoY	3Q '16 restated	3Q '17	Δ YoY	4Q '16 restated	4Q '17	Δ YoY
Revenues	**1,180.9**	**1,339.3**	***+13.4%***	**1,246.0**	**1,346.0**	***+8.0%***	**1,279.6**	**1,353.2**	***+5.8%***	**1,269.9**	**1,313.8**	***+3.5%***
Organic Growth[1]			*+8.4%*			*+6.2%*			*+8.3%*			*+8.3%*
High Value Revenues	663.4	775.0	*+16.8%*	707.5	786.7	*+11.2%*	*705.7*	*782.3*	*+10.8%*	677.2	734.2	*+8.4%*
Organic Growth[1]			*+16.0%*			*+11.2%*			*+13.9%*			*+12.7%*
% on total Revenues	*56%*	*58%*	*+2 p.p.*	*57%*	*58%*	*+1 p.p.*	*55%*	*58%*	*+3 p.p.*	*53%*	*56%*	*+3 p.p.*
EBITDA adjusted w/o start-up costs[2]	**261.5**	**281.7**	***+7.7%***	**268.4**	**285.1**	***+6.2%***	**271.5**	**298.9**	***+10.1%***	**280.9**	**309.4**	***+10.1%***
margin	***22.1%***	***21.0%***	***-1.1 p.p.***	***21.5%***	***21.2%***	***-0.3 p.p.***	***21.2%***	***22.1%***	***+0.9 p.p.***	***22.1%***	***23.6%***	***+1.5 p.p***
EBITDA adjusted[3]	261.5	270.4	*+3.4%*	268.4	276.0	*+6.2%*	271.5	289.9	*+6.8%*	280.9	301.4	*+7.3%*
margin	*22.1%*	*20.2%*	*-1.9 p.p.*	*21.5%*	*20.5%*	*-0.1 p.p.*	*21.2%*	*21.4%*	*+0.2 p.p.*	*22.1%*	*22.9%*	*+0.8 p.p.*
EBIT adjusted w/o start-up costs[2]	**203.6**	**219.5**	***+7.8%***	**209.6**	**223.5**	***+11.4%***	**207.5**	**238.2**	***+14.8%***	**223.6**	**245.4**	***+9.7%***
margin	***17.2%***	***16.4%***	***-0.8 p.p.***	***16.8%***	***16.6%***	***+0.8 p.p.***	***16.2%***	***17.6%***	***+1.4 p.p.***	***17.6%***	***18.7%***	***+1.1 p.p.***
EBIT adjusted[3]	203.6	205.0	*+0.7%*	209.6	211.2	*+0.8%*	207.5	226.0	*+8.9%*	223.6	234.2	*+4.7%*
Margin	*17.2%*	*15.3%*	*-1.9 p.p.*	*16.8%*	*15.7%*	*-0.1 p.p.*	*16.2%*	*16.7%*	*+0.5 p.p.*	*17.6%*	*17.8%*	*+0.2 p.p.*
PPA amortization	(26.2)	(26.2)		(26.1)	(26.1)		(26.1)	(28.6)		(26.2)	(28.7)	
non recurring & restructuring costs	(11.3)	(10.1)		(8.1)	(35.6)		(9.2)	25.5		(24.6)	(73.0)	
EBIT	**166.1**	**168.7**	***+1.6%***	**175.4**	**149.5**	***-14.8%***	**172.2**	**222.9**	***+29.4%***	**172.8**	**132.5**	***-23.3%***
margin	*14.1%*	*12.6%*	*-1.5 p.p.*	*14.1%*	*11.1%*	*-3.0 p.p.*	*13.5%*	*16.5%*	*+3.0 p.p.*	*13.6%*	*10.1%*	*-3.5 p.p.*

1 Excl. FX / perimeter; 2 Aeolus Car, Velo, Cyber & digital transformation; 3 before amortization of PPA, non-recurring items & restructuring costs;

FY PIRELLI BALANCE SHEET_

€ million

	31/12/2016 Carve-out	31/12/2016 Reported	31/12/2017
Fixed assets related to continuing operations	**9,168**	**10,299**	**9,121**
Inventories	874	1,056	941
Trade receivables	680	679	653
Trade payables	(1,281)	(1,499)	(1,674)
Operating net working capital related to continuing operations	**274**	**236**	**(80)**
Other receivables / payables	19	(311)	(42)
Net Working Capital related to continuing operations	**293**	**(74)**	**(123)**
Net invested capital held for sale	**-**	**-**	**61**
Total net invested capital	**9,460**	**10,225**	**9,059**
Equity	**2,633**	**3,275**	**4,177**
Provisions	**1,866**	**2,037**	**1,664**
Net Financial Position	**4,961**	**4,913**	**3,219**
Total financing and shareholders' equity	**9,460**	**10,225**	**9,059**

FY PIRELLI GROUP CASH FLOW_

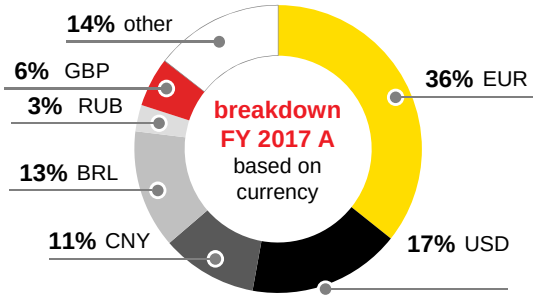
€ million

	FY '16 restated	FY '17
EBIT adjusted[1]	844	876
Depreciation & Amortization (excl. PPA amortization)	238	261
Capital expenditures	(342)	(489)
Change in working capital / other	32	124
Operating Cash Flow	**772**	**772**
Financial income / (expenses)	(427)	(363)
Taxes paid	(104)	(136)
Financial investments	(7)	(3)
Financial asset disposals	109	26
Asset disposals	91	-
Dividends paid to minorities	-	(13)
Cash-out for non recurring items and restructuring costs	(49)	(64)
Bidco financial costs after merger / other refinancing adjust. already incl. in fin. Charges	23	-
Minorities	-	(6)
Financial expenses already included in acquisition debt	122	-
Partial purchase from Dasa of Pneuac shares	-	(15)
Exchange rates difference/other	(193)	1
Net cash flow before extraordinary operations	**336**	**200**
Industrial reorganization	47	305
Capital increase	-	1,189
Impact on NFP Aeolus Car	(74)	-
Cinda cash-in from 38% of P.I. sale	266	-
Bidco NFP variation 1.1 – 31.05.2016	(134)	-
Bidco financial costs after merger/other refinancing adjustments	(23)	-
Net cash flow	**418**	**1,694**

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

2018E FOREX GUIDANCE[1]

€ million

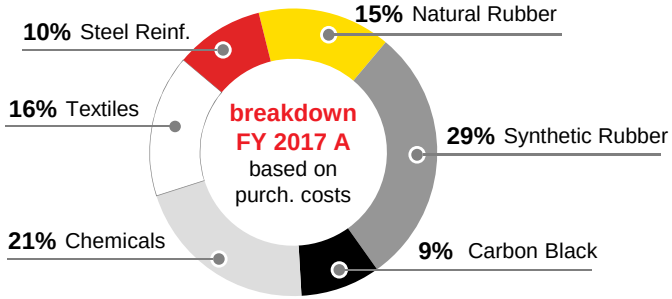


MAIN AVERAGE EXCHANGE RATES	2017 A	2018 E	Δ YoY	Δ YoY vs EUR	2018E IPO plan
EUR / USD	1.130	~1.17	-4%	-4%	~1,05
USD / CNY	6.752	~6.85	-1%	-5%	~7.3
USD / BRL	3.193	~3.4	-6%	-9%	~3.55
EUR / RUB	65.85	~71.37	-8%	-8%	~64.05
EUR / GBP	0.876	~0.91	-4%	-4%	~0.87
TOT. IMPACT ON SALES				**~-4%**	**flat / ~-1%**

1 As of February 26th, 2018

2018E RAW MATERIAL GUIDANCE[1]

€ million



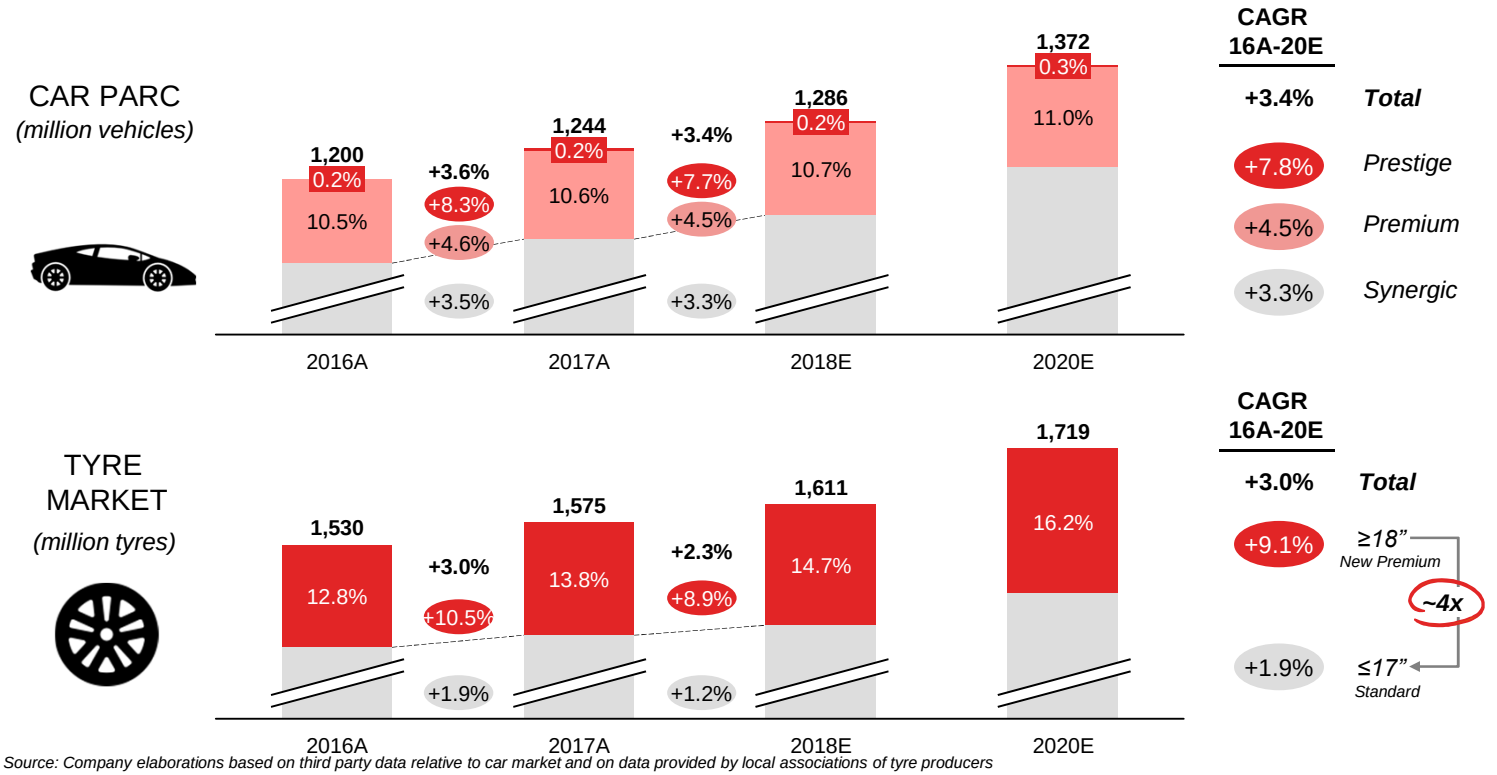
Raw mat.
35% on Sales

AVERAGE QUOTATION OF COMMODITIES	2017 A	2018 E	Δ YoY	2018E EBIT impact	2018E IPO plan
Natural Rubber TSR20 ($ / tonne)	1,651	~1.800	+8%	~+10	~2,200
Brent Oil ($ / barrel)	54.9	~68	+23%	~-80	~61
Butadiene EU (€ / tonne)	1,112	~1,200	+7%	~+15	~1,800
				Raw Mat. subtotal	**~-55**
				FX impact	~-40
				TOT. IMPACT	**~-95**

~78% of production in low-cost countries

1 As of February 26th, 2018

ATTRACTIVE TYRE MARKET: ≥18" OUTGROWING STANDARD ~4x SUSTAINED BY PREMIUM & PRESTIGE CAR PARC EXPANSION_



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

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1. PIRELLI BUSINESS MODEL

2. 9M'18 FINANCIAL RESULTS

3. FY 2017 FINANCIAL RESULTS

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- **4a. PIRELLI AT A GLANCE**
- **4b.** KEY INVESTMENT HIGHLIGHTS
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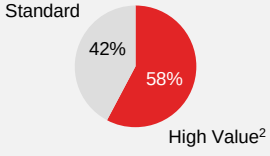
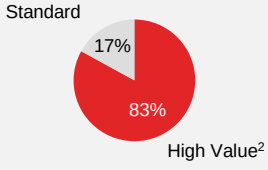
PIRELLI AT A GLANCE (2017A)_

GLOBAL PREMIUM TYRE LEADER WITH UNIQUE FOCUS ON CONSUMER SEGMENT

Revenues
€5,352 Mln

Adj. EBIT[1]
w/o start-up costs
€927 Mln
(Margin 17.3%)





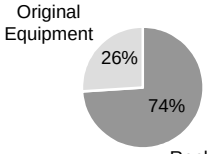
Car
93% of revenues[3]

Moto
7% of revenues

140+ years
of heritage

#1
~50%
Market Share Prestige Car Manufacturers

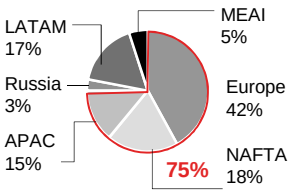
REVENUE BY CHANNEL



Long standing partnership with

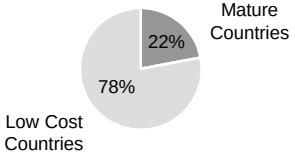
and exclusive supplier

REVENUE BY REGION



14,600 PoS
In 160+ countries

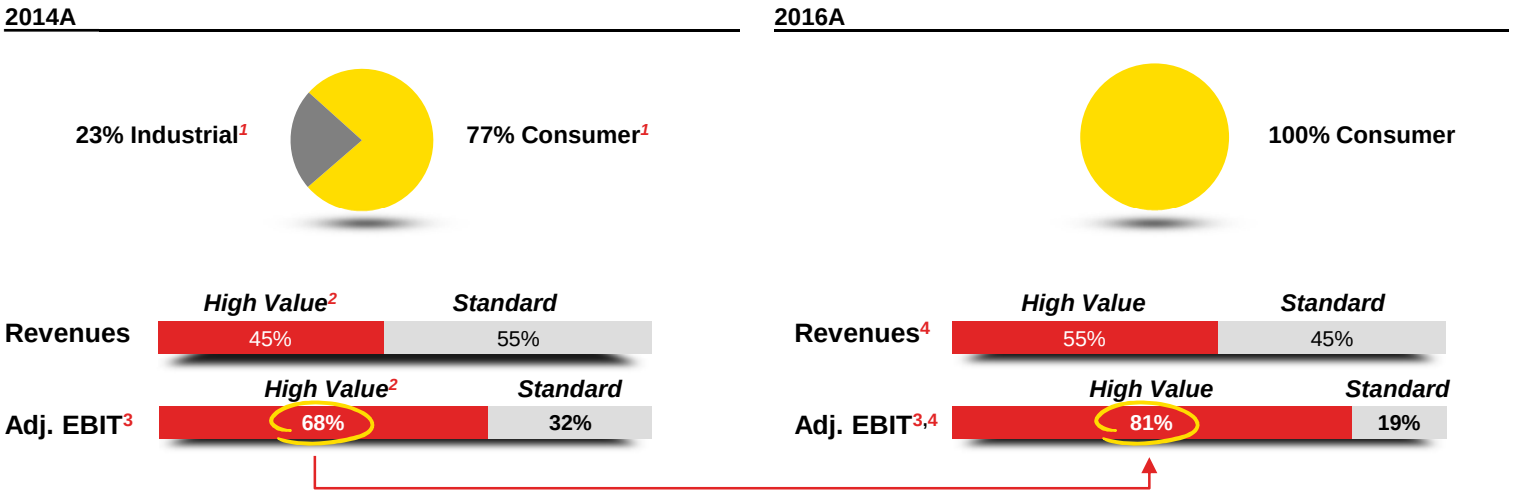
PRODUCTION CAPACITY



18 plants
in 12 countries[4]

1. Excluding non recurring, one-off and extraordinary items; 2. Include prestige, new premium (≥18"), specialties and super specialties; 3. Percentage based on 2017 Consumer revenues net of Moto only;
4. Following the disposal of the Venezuela plant in September 2018; Source: FY 2017 financial statements consumer business only, Pirelli estimates on third party data

PIRELLI EVOLUTION: FROM PIRELLI GROUP TO PIRELLI CONSUMER IN LESS THAN TWO YEARS_

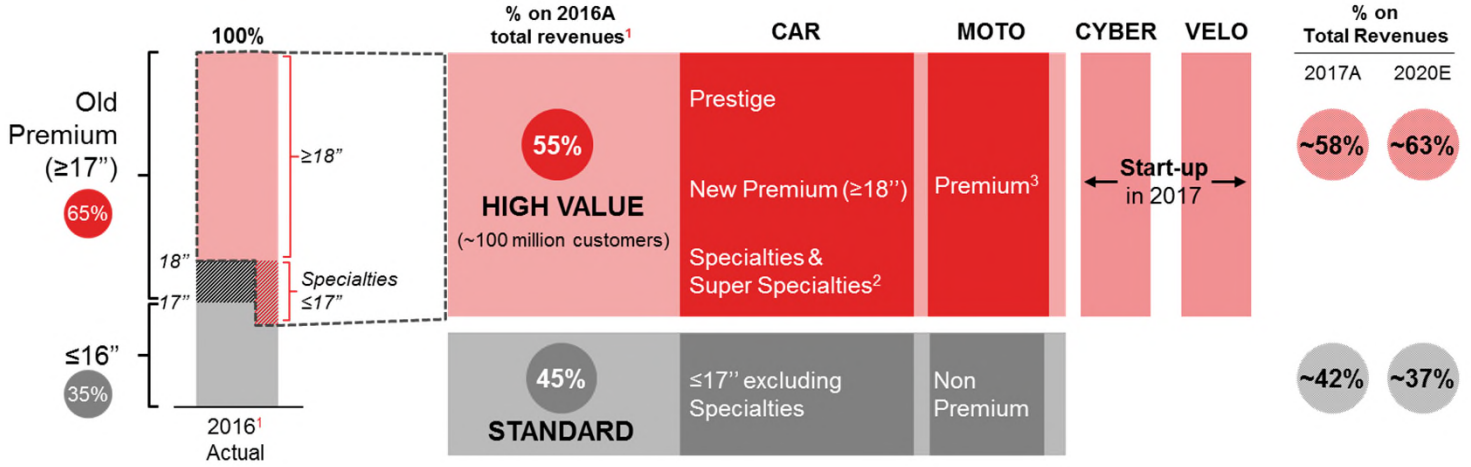


15% Adj. EBIT[3] Margin — **Enhanced Financial Profile with a Significantly Improved Profitability** → **17%** Adj. EBIT[3] Margin

1. Pirelli Group product view figures as at 31st December 2014; 2. High Value contribution calculated on Pirelli Consumer carve-out figures as at 31st December 2014; 3. Before amortization of PPA, non recurring items and restructuring costs; 4. Pirelli Consumer carve-out figures as at 31st December 2016

NEW FOCUS ON «HIGH VALUE»_

FROM FOCUS ON PREMIUM… **…TO A NARROWER FOCUS ON "HIGH VALUE"**



The Only Tyre Company Focused On Serving Consumers Only

1. Weight on total consumer business carve-out revenues as at 31st December 2016; 2. Including motorsport and Specialties ≤17"; 3. Radial, Custom Touring, Off Road and Sport Touring X-ply with speed index ≥H

HIGH VALUE PRODUCTS PORTFOLIO_

	PRODUCTS		KEY CHARACTERISTICS	KEY PARTNERSHIPS
Specialties		**RUNFLAT**	– Allows continuous driving in the event of a puncture – Special reinforcements on the shoulder, maintaining stability and control	
		SEAL INSIDE™	– Prevents air pressure loss in the event of a puncture – Layer of mastic on the inner upholstery	
		NOISE CANCELLING SYSTEM™	– Reduces noise generated by rolling of the tyre – Terry cloth inside the inner upholstery	
		RACING TYRES	– PZERO™ *TROFEO R*: designed for "Track Days" – PZERO™ *Slick* and *Rain*: designed for major championships – PZERO™, SCORPION™, SOTTOZERO™: designed for rallies	
		COLLECTION TYRES	– Built with modern materials while maintaining original appearance	
Super Specialties		**COLOR EDITION**	– Possibility of customizing tyres with colours chosen by the consumer – Offered in 7 standard colours and additional *Bespoke* colours	**confidential partners**
		CONNESSO™	"Intelligent tyres" which connect with the consumer: – 4 in-tyre sensors transfer data to a Control Unit – CONNESSO™ App returns the driver information about pressure, wear and temperature	**confidential partners**
		CYBER CAR	Advanced tyre sensor integrated into car electronics – Provides real time information on pressure, temperature, Tyre ID, vertical load, wear, location – Automatically adapts vehicle dynamics settings control according to tyre data	**confidential partners**

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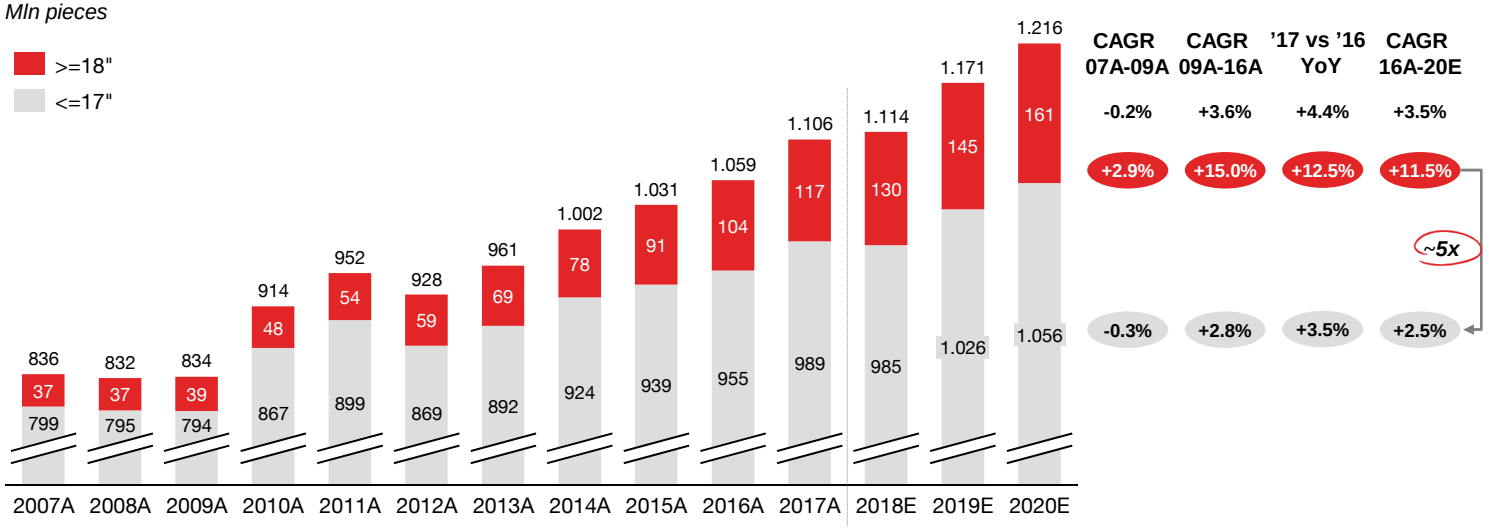
KEY INVESTMENT HIGHLIGHTS_

1. Strategic Position in a Profitable and Resilient Sector with Growth Potential
2. Leadership Position in High Value Markets
3. Iconic Brand with Focus on Consumer Engagement Beyond Tyres
4. Solid Business Relationship with Prestige and Premium Car Makers
5. Pioneering Technological Innovation
6. Growing High Value Footprint
7. Experienced Management Team
8. Strong Financial Profile

1 STRATEGIC POSITION IN A PROFITABLE AND RESILIENT SECTOR WITH GROWTH POTENTIAL_

GLOBAL REPLACEMENT TYRE MARKET

Mln pieces



The Global Tyre Market Has Proved Resilience to Past Economic Cycles

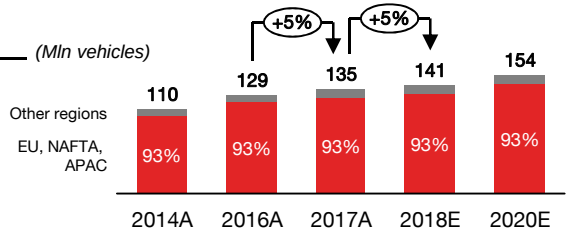
Source: Company elaborations based on third party data relative to car market and on data provided by local associations of tyre producers. Based on IPO data, FY 2018E updated with 1H 2018 results

❷ STRONG FOCUS ON PRESTIGE & PREMIUM GEOGRAPHIES_

PRESTIGE & PREMIUM CAR PARC

- Expected to reach 154 Mln vehicles in 2020
- Europe, APAC and NAFTA ~**93%** of total parc by 2020

(Mln vehicles)

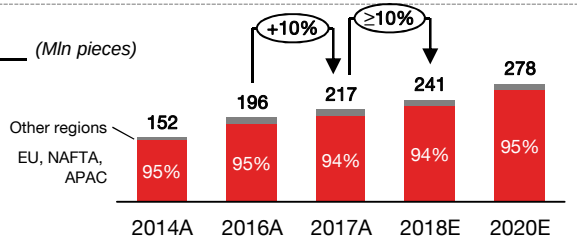


	CAGR 14A–16A	CAGR 16A–20E
	+8.3%	+4.6%
	+8.5%	+4.5%

≥18'' O.E. + REPLACEMENT TYRE MARKET

- Expected to reach 278 Mln tyres in 2020
- Europe, APAC and NAFTA contributing **95%**

(Mln pieces)



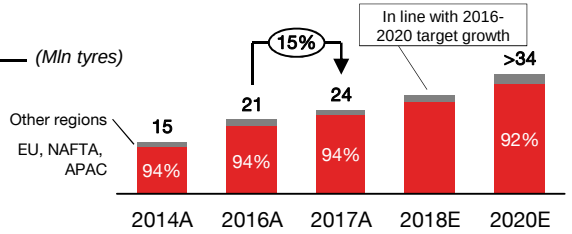
	CAGR 14A–16A	CAGR 16A–20E
	+13.3%	+9.1%
	+13.6%	+9.2%

~5x ≤17" CAGR (+1.7%)

≥18'' PIRELLI O.E. + REPLACEMENT VOLUMES

- Focus segments and regions reflect the market
- Aiming to continue to outperform the market in 2016-2020

(Mln tyres)



	CAGR 14A–16A	CAGR 16A–20E
	+19.5%	≥13%
	+19.3%	

Source: Company elaborations based on third party data relative to car market and on data provided by local associations of tyre producers. Based on IPO data, FY 2018E updated with 1H 2018 results

❷ LEADERSHIP POSITION IN HIGH VALUE MARKETS_

	EUROPE	NAFTA	APAC	LATAM
PRESTIGE	GLOBAL LEADER			
NEW PREMIUM[1] REPLACEMENT	LEADER[4]	AMONG TOP 4 IN USA Leader in marked tyres	LEADER IN CHINA	LEADER IN BRAZIL
RADIAL TYRES FOR MOTO[2]	GLOBAL LEADER			
PREMIUM TYRES[3] FOR MOTO[2]	LEADER[4]	THIRD	LEADER	LEADER

1. Car tyres with rim size ≥18"; 2. Data referred to Pirelli and Metzeler brands combined; 3. Radial, Custom Touring, Off Road and Sport Touring X-ply with speed index ≥H; 4. Perimeter includes Italy, Spain, France, UK and Germany. Source: Pirelli estimates on third party data

❸ ICONIC BRAND GLOBALLY RECOGNISED_

PERFORMANCE	INNOVATION	HERITAGE	CULTURE & LIFESTYLE	DESIGN

❸ ICONIC BRAND GLOBALLY RECOGNISED[1]_

AWARENESS | CONSIDERATION | CONVERSION | PURCHASE | POST-PURCHASE

Sponsorships

New partnership with Luna Rossa

Competitions

111 years of motorsport experience

Consumer engaging innovations

234k people engaged through Velo content (>+30% vs 1H'17)

Flagship stores

New P Zero World in Monte Carlo

Digital editorial content

pirelli.com

~3 mln sessions on corporate website (+21% vs. 1H'17)

Culture and Lifestyle

Pirelli HangarBicocca

PIRELLI CALENDAR

Pirelli.com visits 2x during calendar launch

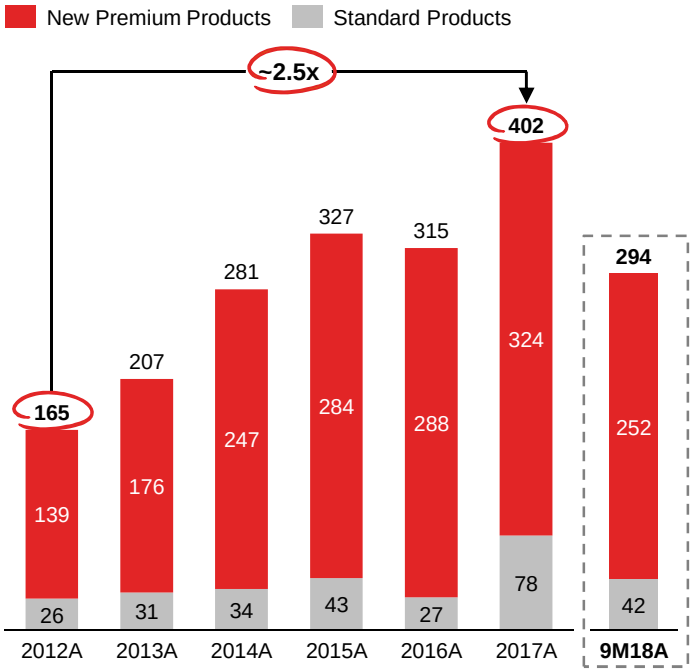
PIRELLI

DATA-DRIVEN PERSONALIZATION OF CONSUMER JOURNEYS THROUGH ADVANCED CRM

1. 1H 2018 figures

4 SOLID BUSINESS RELATIONSHIP WITH PRESTIGE AND PREMIUM CAR MAKERS_

PIRELLI YEARLY NEW HOMOLOGATIONS

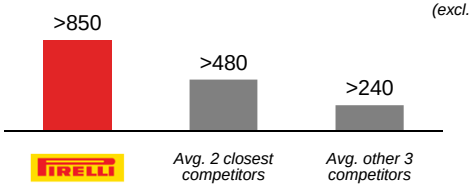


1. Specialty tyres includes Run-Flat, PNCS, Seal-Inside, Racing and Collection

WIDEST MARKED HOMOLOGATED PORTFOLIO

of ≥18'' OE-marked items, German product list June 2018

Tier 1 panel (excl. Nokian)



9M18 HOMOLOGATIONS ≥18" HIGHLIGHTS

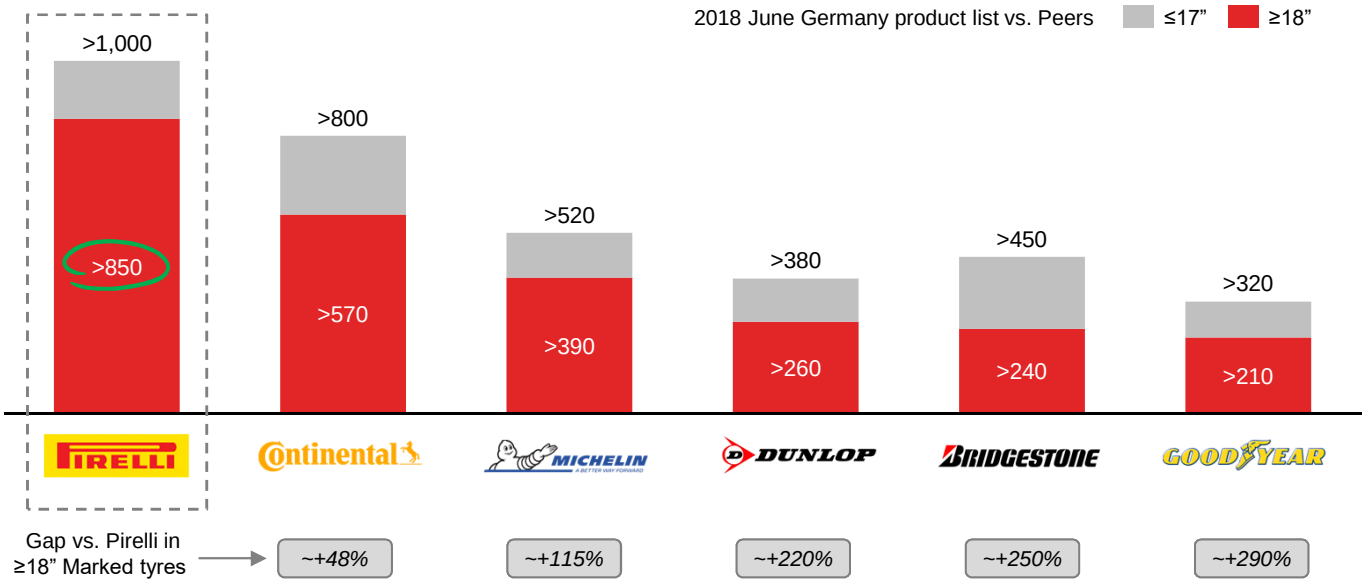
~ 50%	≥20" tyres weight
~ 45%	Specialty tyres[1] weight
~ 16%	Prestige tyres weight
2x	Electric / Hybrid portfolio Δ YoY

APAC ON-GOING PROJECTS

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

❹ PIRELLI LEADER IN O.E. MARKED TYRES…_

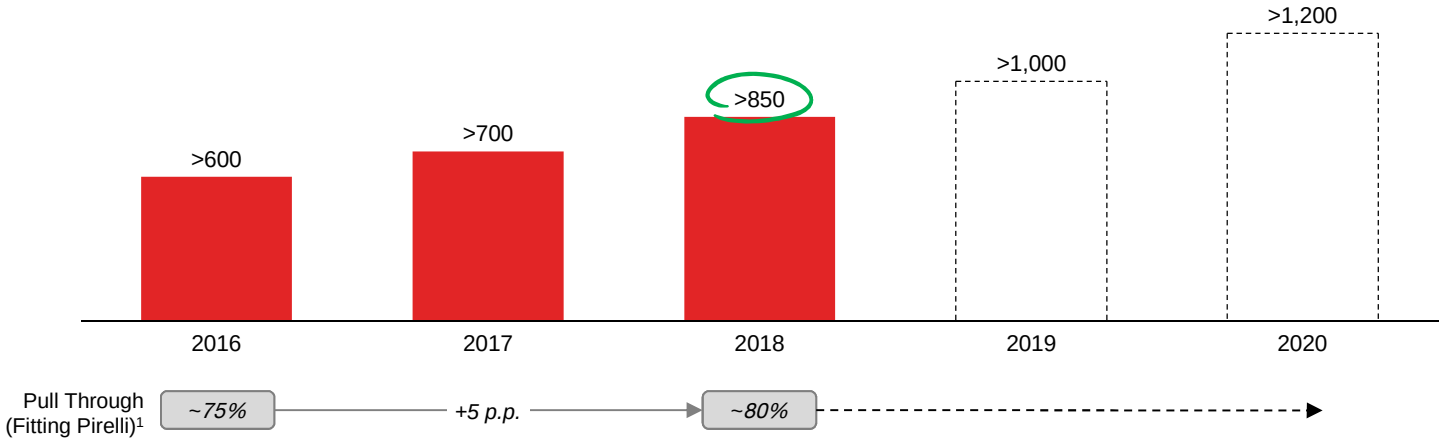
2018 MARKED TYRES PORTFOLIO[1]



1. TIER 1 excluding Nokian. Source: German Product list June 2018

❹ …CONSTANTLY INCREASING ITS PORTFOLIO AND PULL-THROUGH RATE…_

PIRELLI MARKED TYRES PORTFOLIO YEARLY TREND ≥18”



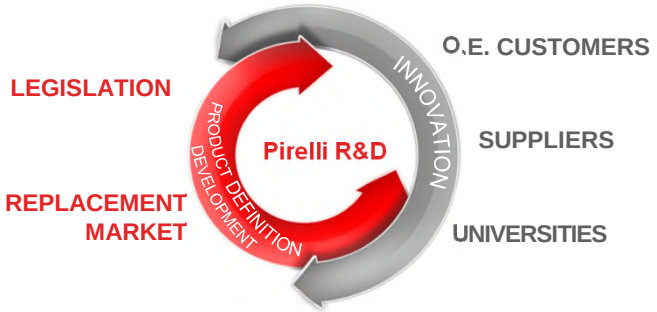
- The co-development with OEMs gives Pirelli the **visibility of future trends** in automotive
- The growing number of homologations allows Pirelli to better cover its target market, with an **increase in pull though share**

- Increase in pull through has its levers in outstanding **product quality**, good **availability**, a **distribution** setup to cover target areas in which Prestige and Premium car parc is concentrated, and a strong focus and preparation of our **Salesforce**

1. The propensity of consumers to keep the same product as provided in the original equipment when replacing a tyre.

❺ BEST-IN-CLASS R&D PLATFORM_

R&D OPEN INNOVATION PLATFORM BUILT ON A HOLISTIC MODEL…



31 collaboration projects with University

20 JDAs and more than **50 NDAs** with suppliers/universities

Over 100 co-operations with Premium OEMs projects on cutting edge technology

Unique **motorsport know-how**

Over **150 external projects** on Materials, Process, Software and Electronics
~ 6,100 patents as of 2017 year end
~7.3% of High Value revenues devoted to R&D in the last four years

…ACHIEVING TECHNOLOGICAL INNOVATION

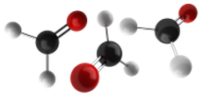
PRODUCTS

- **Homologation portfolio:** ~2,360 High Value homologation as of September 2018
- **Wide offer on Specialties and SuperSpecialties**
- Advanced **Virtual Modeling**

PROCESSES

- **Next generation MIRS[1]**
- **New mixing technology**
- **Wide adoption of automation**

MATERIALS



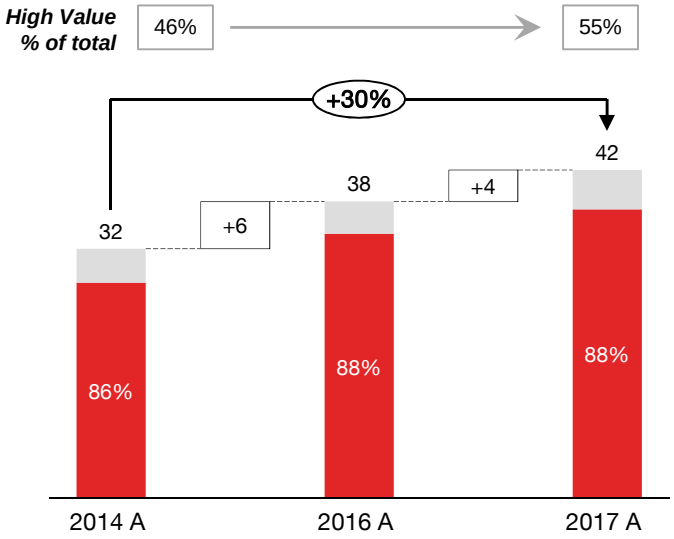
- **Exclusive Bi-functional Polymers**
- **Innovative Natural Nanofibers**
- **New «Hybrid» Reinforcing Materials**
- **Development of renewable materials**
- **Material Modeling for Performance Prediction**

1. Modular Integrated Robotized System

❻ GROWING HIGH VALUE MANUFACTURING AND RETAIL FOOTPRINT_

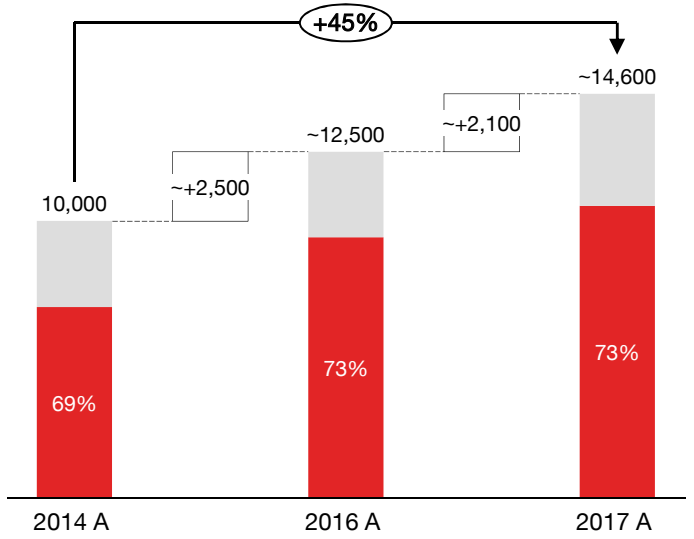
STRONG CAR CAPACITY INCREASE ON ≥18''

Mln pieces



IMPROVED MARKET PENETRATION

 # PoS



LATAM, MEAI, Russia Car ≥18'' EU, NAFTA, APAC Car ≥18''

*Source: FY 2017. FY 2014 and 2016 consolidated financial statements consumer business only *Integer results might not reflect actual sum due to rounding*

❼ EXPERIENCED MANAGEMENT TEAM_

CEO has been managing Pirelli for the last

26 years

Senior Management Team average tenure in Pirelli

18 years

International Management Team

29 nationalities

Research & Development

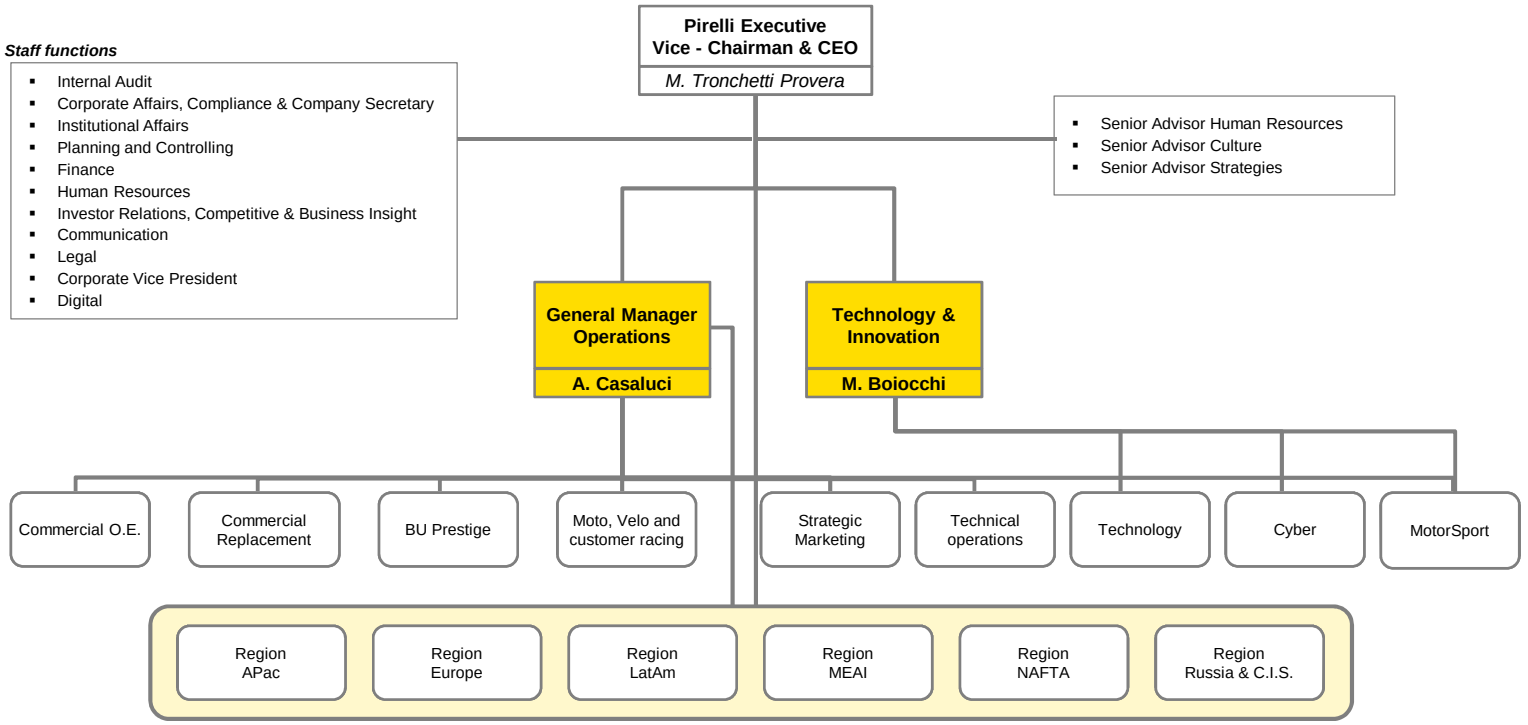
>1,800 people

Global and local “talents”

>680

Source: Pirelli Internal data as of March 2018

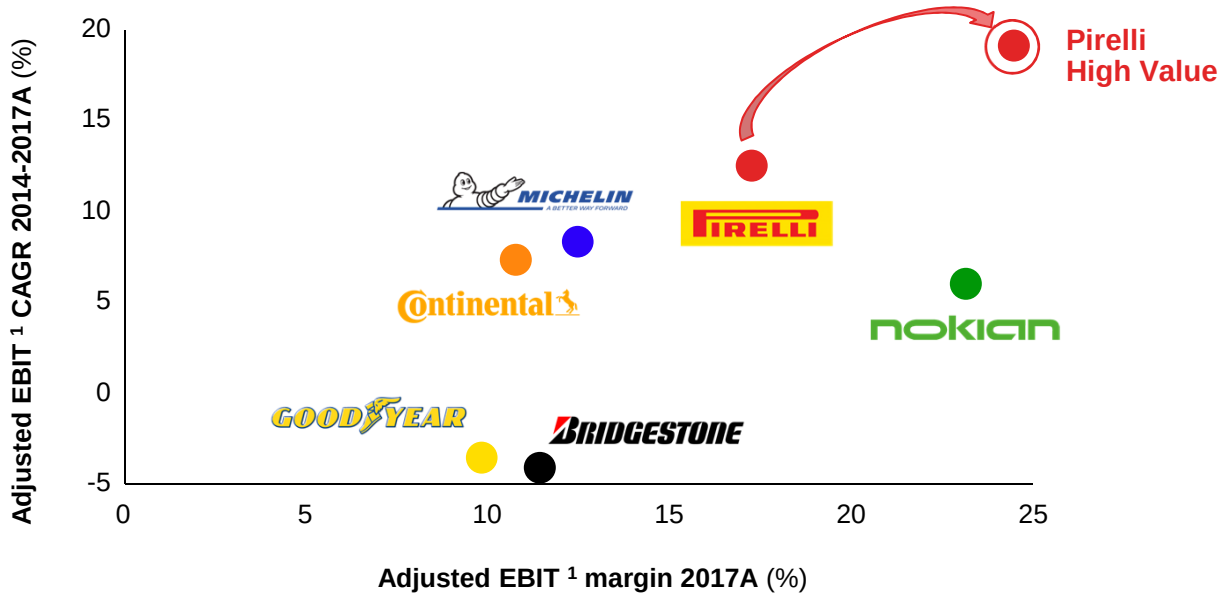
❼ NEW ORGANIZATIONAL STRUCTURE_



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

❽ STRONG FINANCIAL PROFILE

TIER 1 2017A ADJ. EBIT MARGIN AND 2014A-2017A ADJ. EBIT GROWTH



*Source: company annual reports; Note: for Pirelli Consumer carve out data was used; **Adjusted excluding PPA amortization, non recurring, one-off and extraordinary items*

AGENDA

1. PIRELLI BUSINESS MODEL

2. 9M'18 FINANCIAL RESULTS

3. FY 2017 FINANCIAL RESULTS

4. STRATEGY AND PLAN 2017-2020

- **4a.** PIRELLI AT A GLANCE
- **4b.** KEY INVESTMENT HIGHLIGHTS
- **4c. MARKET AND COMPETITION**
- **4d.** HIGH VALUE STRATEGY: LEVERS AND REGIONAL DEPLOYMENT
- **4e.** HIGH VALUE STRATEGY: START-UPS
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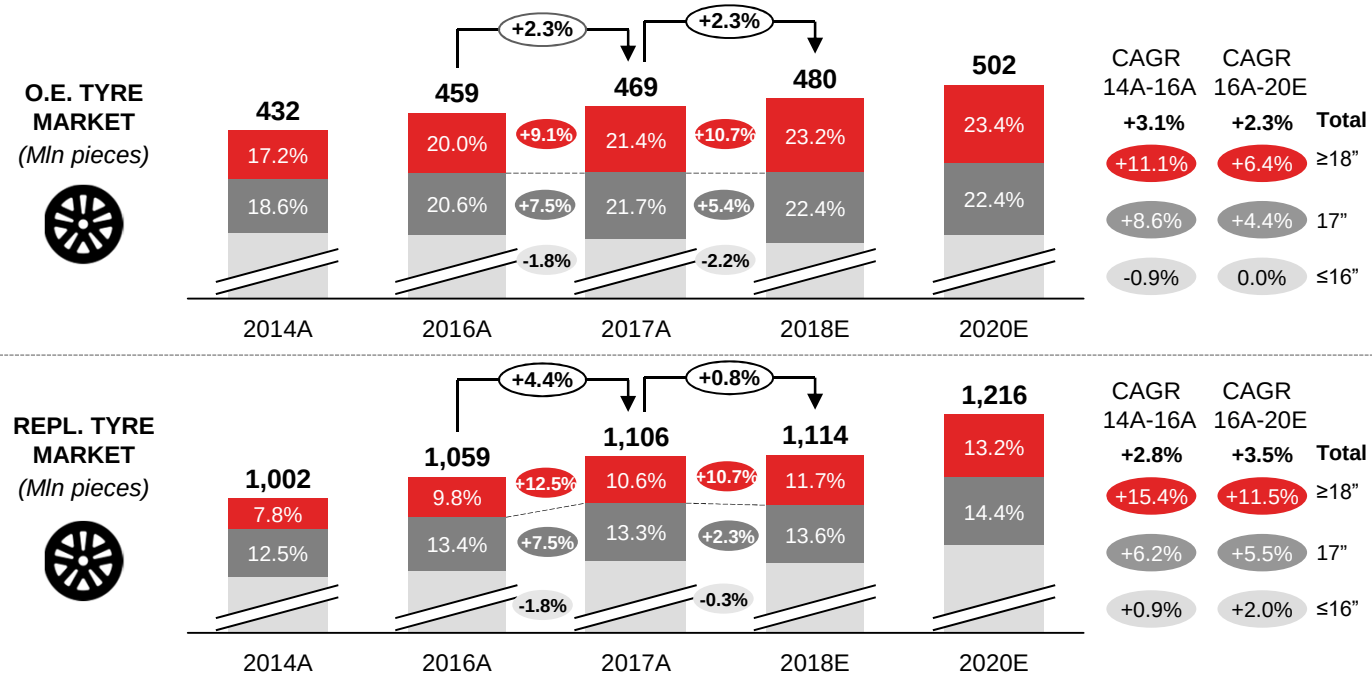
- **4g.** STANDARD PROGRAMS
- **4h.** TARGETS 2020

5. GOVERNANCE

6. SUSTAINABILITY

7. APPENDIX

TYRE MARKET SHIFTING TOWARDS HIGHER RIMS_



Premium growth to continue outpacing Non-Premium growth both in O.E. and Replacement

Source: Company elaborations based on third party data relative to car market and on data provided by local associations of tyre producers. 2014A, 2016A and 2020E data based on IPO plan, 2018 updated with 1H 2018.

KEY DRIVERS OF GLOBAL HIGH VALUE TYRE MARKET GROWTH_

1

Penetration of Premium & Prestige cars

2

Increase in number of homologations

3

Growing demand for specialties

4

Rising penetration of SUVs

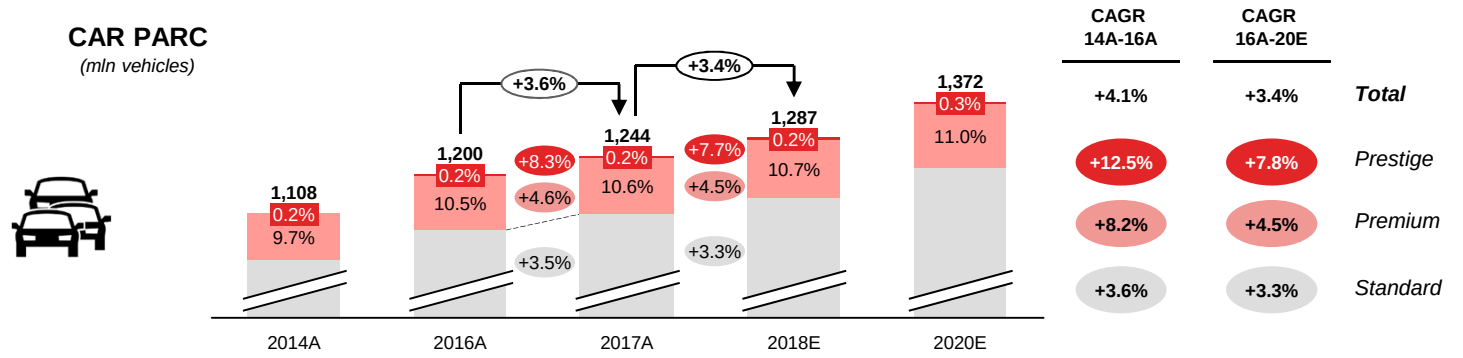
5

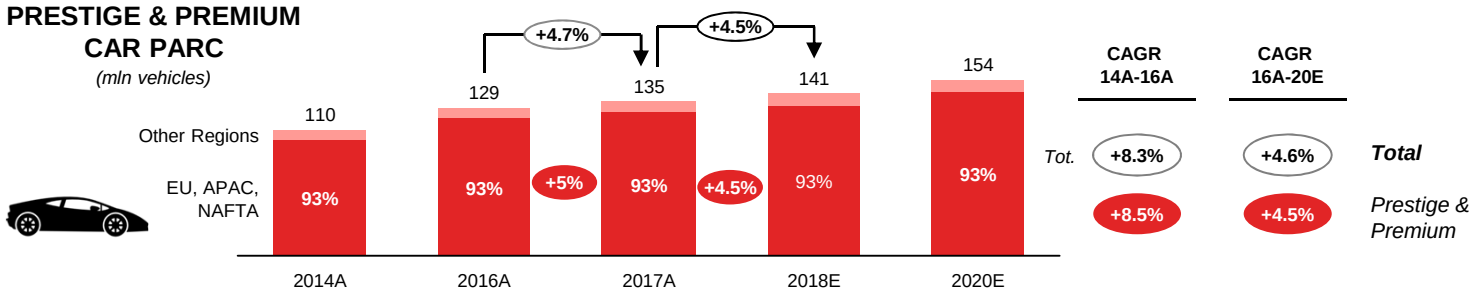
Car evolution

6

New Car technologies

DRIVER 1: RISING PENETRATION OF PREMIUM & PRESTIGE CARS_



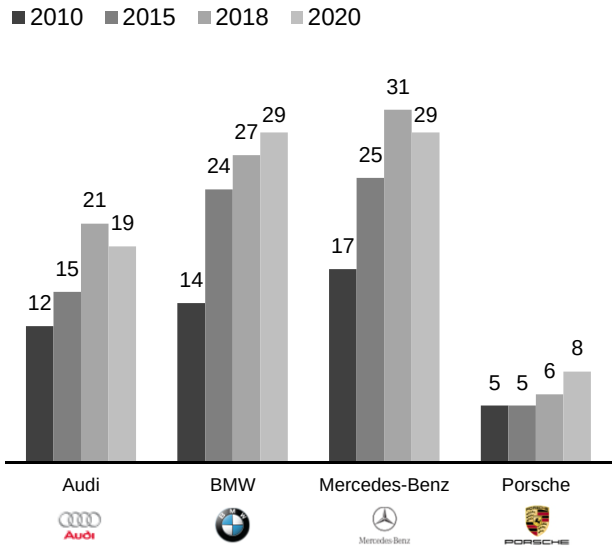


Source: Company elaborations based on third party data relative to car market and on data provided by local associations of tyre producers. 2014A, 2016A and 2020E data based on IPO plan

DRIVER 2: INCREASE IN NUMBER OF HOMOLOGATIONS (1/2)_

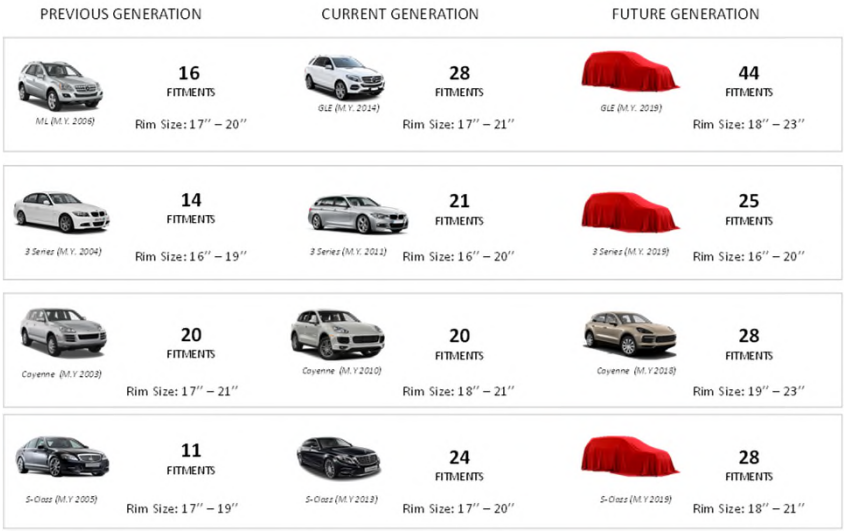
INDIVIDUALIZATION LEADING TO MORE VEHICLE MODELS…

Number of Models by OEM [1]



…AS WELL AS MORE FITMENTS PER MODEL

Illustrative example



Source: Company elaborations based on third party data relative to car market and on data provided by local associations of tyre producers;
1. Only includes model derivatives of which more than 5,000 units are sold in a year

DRIVER 3: GROWING DEMAND FOR SPECIALTIES_

PRODUCTS

Specialties

RUNFLAT

SEAL INSIDE™

NOISE CANCELLING SYSTEM™

Super Specialties

CYBER CAR

COLOR EDITION

CONNESSO™

Specialties

RACING TYRES

COLLECTION TYRES

MAINLY REQUESTED BY **CAR MANUFACTURERS**

MAINLY REQUESTED BY **END CUSTOMERS**

KEY BENEFITS

- Car manufacturing cost reduction
- Total mobility approach
- Improved safety
- Better performance
- Higher car appeal

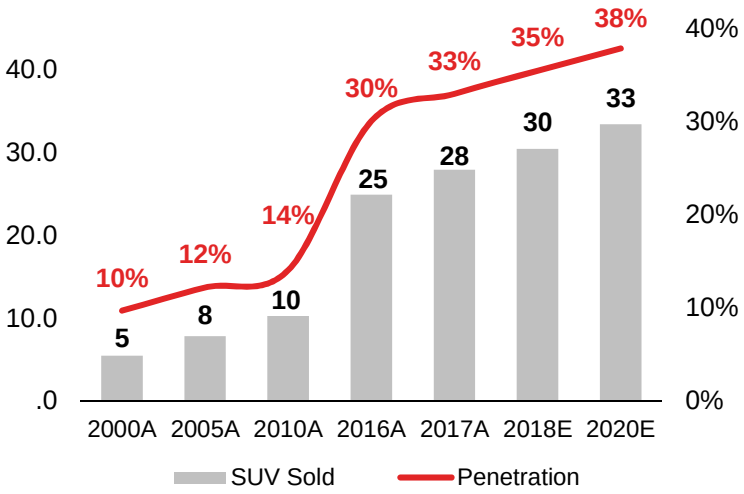
- Satisfaction of specific needs
- Distinctive luxury product
- Advanced digital technology

Expanding Range Of Homologations Supports High Value Market

DRIVER 4 & 5: RISING SUV PENETRATION AND CAR DEVELOPMENT TOWARDS HIGHER RIMS_

RISING SUV PENETRATION[1]

SUV sales (Mln vehicles and weight on total sales), Worldwide



BMW M5 SERIES

	M5 E-28	M5 E-34	M5 E-39	M5 E-60	M5 F-10	M5 F-90
	1985-1987	1988-1995	1998-2003	2006-2011	2011-2017	2018 >
HP	286	315	400	507	560	n.a.
Front Fitment	225/60 VR 15	235/45 ZR 17	245/40 ZR 18	255/40 ZR 19	265/35 ZR 20	275/35 ZR 20
Rear fitment	225/60 VR 15	255/40 ZR 17	275/35 ZR 18	285/35 ZR 19	295/30 ZR 20	285/35 ZR 20

Source: Company elaborations based on third party data relative to car market and on data provided by local associations of tyre producers. 1. June 2018 figures

DRIVER 6: NEW CAR TECHNOLOGIES_

PRESTIGE & PREMIUM CAR EVOLVES IN FOUR MAIN DIRECTIONS

		2020E	2025E	
Connected	Share of parc	30%	52%	✓
	Share of registrations	71%	99%	
Electric	Share of parc	3%	8%	✓
	Share of registrations	12%	21%	
Shared	Share of miles driven	3%	5%	✓
Autonomous[1]	Share of parc	1%	8%	✓
	Share of registrations	3%	30%	

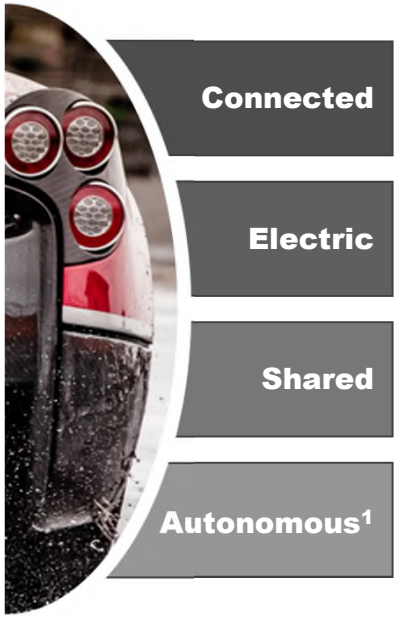
PIRELLI IS RESPONDING WITH SPECIFIC SOLUTIONS

Monitoring of tyres' conditions, including wear and load, via smartphone or car electronics	Connesso Cyber Car
Homologation of «Green» tyres (A-label RR), specifically designed for electric cars	Ultra Low Rolling Resistance
Cloud based solutions for fleets, enabling TCO reduction and higher uptime of vehicles	Cyber Fleet
Integrated real-time analysis of tyres and car performance, for the safest autonomous drive	Cyber Tyre

1Figures refers to autonomous driving levels 3, 4, 5
Note. "Connected" refers to cars with mobile data connection (e.g. 2G, 3G, LTE), which might be provided by either embedded car systems or car hardware paired with external devices (e.g. smartphone)
All data refers to Prestige & Premium cars
Source: company analysis on consulting and investment banks research reports

DRIVER 6: CONNECTED PRESTIGE & PREMIUM CAR_

PRESTIGE & PREMIUM CAR EVOLVES IN FOUR MAIN DIRECTIONS



		2020E	2025E
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Shared	Share of miles driven	3%	5%
Autonomous[1]	Share of parc	1%	8%
	Share of registrations	3%	30%

CONNECTED CAR CONSUMERS HAVE ALL TYPES OF **INFORMATION AVAILABLE, APART** FROM THEIR **TYRES**…
…AND THEY ARE VERY **INTERESTED IN CONNECTED TYRES**

Pirelli consumer survey

PIRELLI SPECIFIC SOLUTIONS

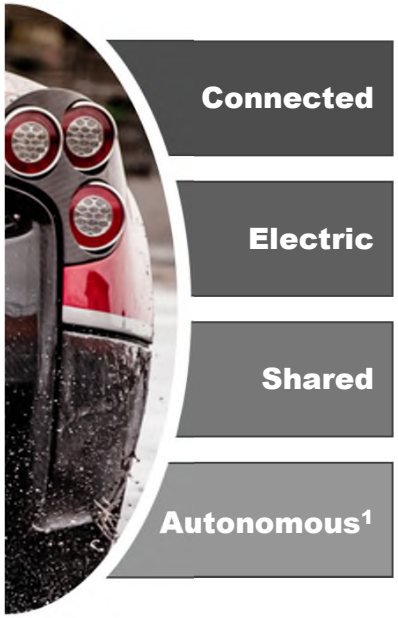
CONNESSO CYBER CAR

- The new technological frontier of the intelligent tyre for the replacement and O.E. market
- Tyre parameters sent to an app or to car electronics
- Several services will be available

Note. "Connected" refers to cars with mobile data connection (e.g. 2G, 3G, LTE), which might be provided by either embedded car systems or car hardware paired with external devices (e.g. smartphone)
All data refers to Prestige & Premium cars
Source: company analysis on consulting and investment banks research reports

DRIVER 6: ELECTRIC PRESTIGE & PREMIUM CAR_

PRESTIGE & PREMIUM CAR EVOLVES IN FOUR MAIN DIRECTIONS



		2020E	2025E
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	Share of registrations	71%	99%
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	Share of registrations	12%	21%
Shared	Share of miles driven	3%	5%
Autonomous[1]	Share of parc	1%	8%
	Share of registrations	3%	30%

ELECTRIC VEHICLES DEMAND
VERY COMPLEX TYRES…
…RAISING THE BAR FOR **TECHNOLOGY AND INNOVATION**

Higher load	Lower Rolling R.	Higher grip	Lower noise

PIRELLI SPECIFIC SOLUTIONS

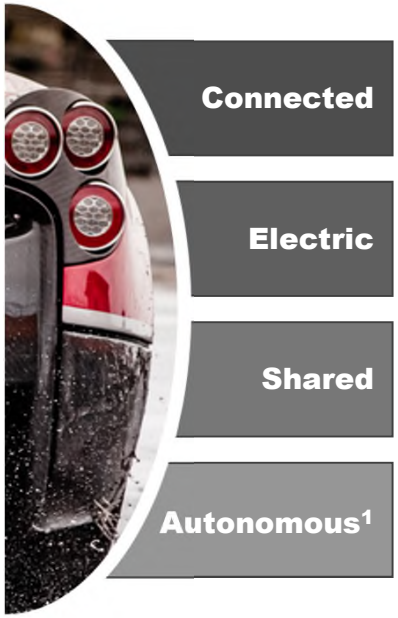
Ultra Low Rolling Resistance

- Development of “Green” tyres with low rolling resistance and high performance
- Partner with traditional brands moving into electric, pure established electric brands and new electric players

Note. “Connected” refers to cars with mobile data connection (e.g. 2G, 3G, LTE), which might be provided by either embedded car systems or car hardware paired with external devices (e.g. smartphone)
All data refers to Prestige & Premium cars
Source: company analysis on consulting and investment banks research reports

DRIVER 6: SHARED PRESTIGE & PREMIUM CAR_

PRESTIGE & PREMIUM CAR EVOLVES IN FOUR MAIN DIRECTIONS



		2020E	2025E
Connected	Share of parc	30%	52%
	Share of registrations	71%	99%
Electric	Share of parc	3%	8%
	Share of registrations	12%	21%
Shared	Share of miles driven	3%	5%
Autonomous[1]	Share of parc	1%	8%
	Share of registrations	3%	30%

MORE **PREMIUM & PRESTIGE** CAR MAKERS **ENTERING SHARED MOBILITY** SPACE

24/7 availability	**Lower cost per mile** (Higher car Accessibility)	**Higher Car Usage** (more Miles Driven)	**More Tyres needed** (with faster replacement)

PIRELLI SPECIFIC SOLUTIONS

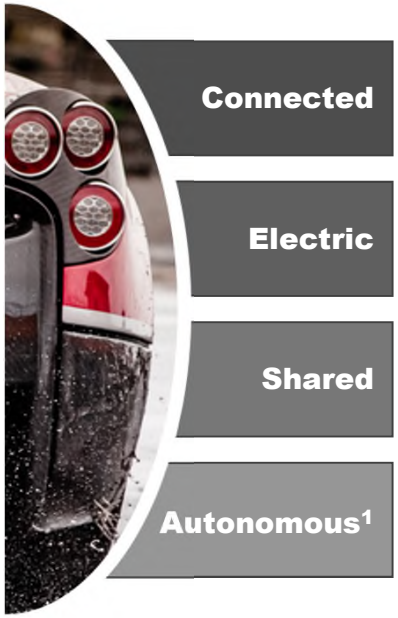
CYBER FLEET

- Platform designed for fleets with Web Portal and apps supported by Pirelli cloud
- Leverage on intelligent tyre information
- Solution designed to support Total Cost of Ownership reduction

Note. "Connected" refers to cars with mobile data connection (e.g. 2G, 3G, LTE), which might be provided by either embedded car systems or car hardware paired with external devices (e.g. smartphone)
All data refers to Prestige & Premium cars
Source: company analysis on consulting and investment banks research reports

DRIVER 6: AUTONOMOUS PRESTIGE & PREMIUM CAR_

PRESTIGE & PREMIUM CAR EVOLVES IN FOUR MAIN DIRECTIONS



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	Share of registrations	3%	30%

AUTONOMOUS DRIVING WILL NEED **NEW RELIABLE SYSTEMS** *NOT ONLY TO "SEE" BUT ALSO TO* **"FEEL" THE ROAD**...COMBINED WITH THE MAX LEVEL OF **SAFETY**

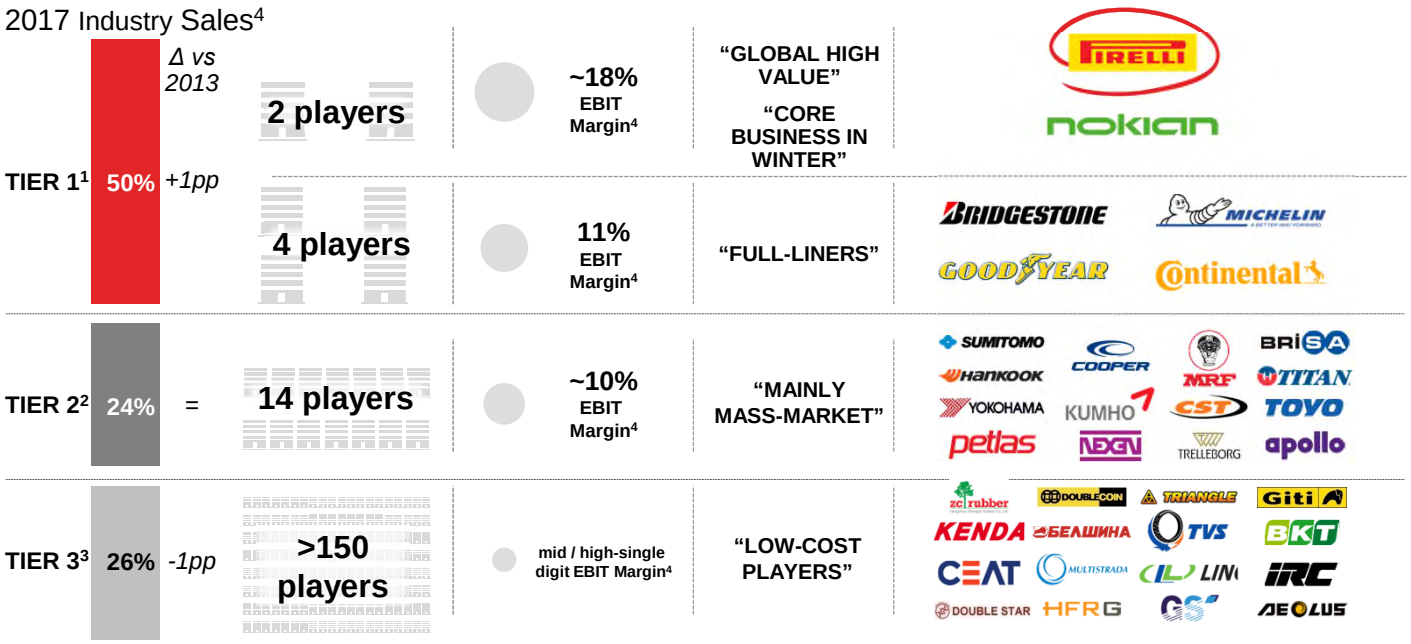
PIRELLI SPECIFIC SOLUTIONS

CYBER TYRE

- Integrated real-time analysis of tyres and car performance
- Highest reliability to guarantee safety
- Future evolution of the "Cyber Car", with advanced features and improved performance

1. Figures refers to autonomous driving levels 3, 4, 5
Note. "Connected" refers to cars with mobile data connection (e.g. 2G, 3G, LTE), which might be provided by either embedded car systems or car hardware paired with external devices (e.g. smartphone)
All data refers to Prestige & Premium cars
Source: company analysis on consulting and investment banks research reports

TYRE COMPETITIVE ARENA: TIER1 ONE PLAYERS LEADING THE INDUSTRY WITH DIFFERING ROLES_



Tier 1 Players Maintaining Their Grip on Half of the Market

[1]Tier 1 panel: Bridgestone, Michelin, Goodyear, Continental, Pirelli, Nokian; [2]Tier 2 panel: Sumitomo, Yokohama, Hankook, Cheng Shin, Cooper, Kumho, Toyo, MRF, Apollo, Nexen, Titan, Brisa, Mitas, Trellleborg; [3]Tier 3 panel: remaining companies; [4]2017E Group financials (consensus estimates

TIER 1 COMPARISON: PIRELLI PLAYING A VERY DIFFERENT GAME VS. EUROPEAN "FULL-LINERS"_

2017A figures	Consumer Focus[1]	Business Model[1] (replacement)	Brand Focus	Key Brands[2]	R&D Expenditure[1] (on Sales)	Product portfolio[3]: High value ≥18"	# of Marked Tyre Homologations[3]	Distribution coverage[1]	Geographical Sales Concentration[4]	Global manufacturing footprint[5]
PIRELLI	100%	74%	– Strong brand: – Performance – Motorsport – Italian flair	PIRELLI	4.1% o/w HV 6.5%	~1,210 o/w ~410 SUV	~1,020 o/w ≥18" ~850	~14,600 PoS	17% 8% 42% 18% 15%	High Cost Low Cost
MICHELIN	57%	75%[6]	– Visibility beyond tyres – Motor sport	MICHELIN	2.9%	~820 o/w ~240 SUV	~520 o/w ≥18" ~390		25% 38% 37%	High Cost Low Cost
			– More mass market oriented	BFGoodrich Kleber warrior …						
Continental	~80%[6]	71%	– German technology	Continental	2.6%	~1,040 o/w ~400 SUV	~800 o/w/ ≥18" ~570		11% 6% 26% 57%	High Cost Low Cost
			– More mass market oriented	GENERAL GT Koosier Barum …						

■ Europe ■ NAFTA ■ APAC ■ LATAM □ RoW

Pirelli Totally Focused on Consumer Business, High Value Products and Final Consumer Leader on Prestige, on ≥18" in Europe and China

1. Source: 2017 data from peers financial results presentation, Tires for Continental (data from factbook 2017); 2. Source: 2017 factbook for Continental, company presentation for Michelin; 3. Source: Germany wholesaler / dealer product list (May 2018); 4. Group data for Michelin, Tires for Continental; 5. Source: Pirelli elaboration on company official data: 2017 registration document for Michelin (data refers to Group total capacity), 2017 factbook for Continental (data refers to Passenger capacity only); 6. Source: broker's estimates; 7. 2016 data

TIER 1 COMPARISON: PIRELLI PLAYING ALSO A VERY DIFFERENT GAME VS. NOKIAN…_

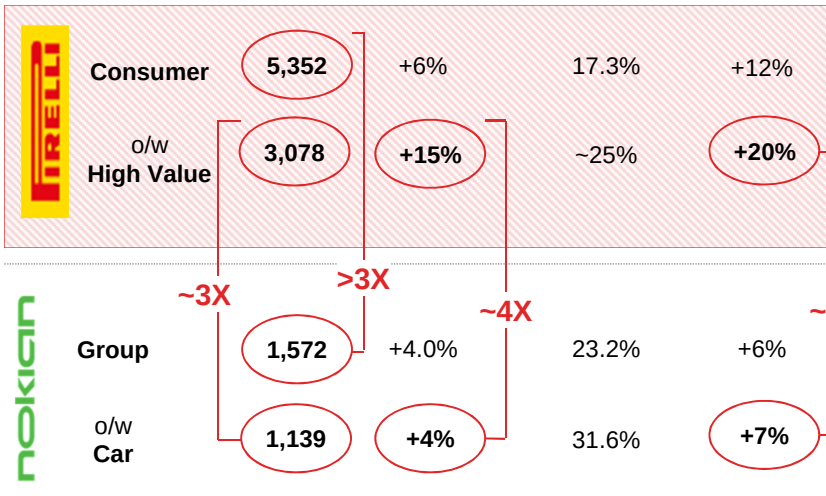
2017A figures	Consumer Focus[1]	Business Model[1] (replacement)	Brand Focus[2]	Key Brands[2]	R&D expenditure[1] (on Sales)	Product portfolio[3]: High value ≥18"	# of Marked Tyre Homologations[3]	Product portfolio[4]: Winter Range	Distribution coverage[1]	Geographical Sales Concentration[1]	Global manufacturing footprint[5]
PIRELLI	100%	74%	– Strong brand: – Performance – Motorsport – Italian flair	PIRELLI	4.1% o/w HV 6.5%	~1,200 o/w ~410 SUV	1,020 o/w ≥18" ~850	– "Mild" Winter (Europe): ~400 – "Extreme" Winter[4]" (Nordics): ~130, currently improving it	~14,600 PoS	8% 42% 17% 15% 18% EU+NA+AP 75% Europe NAFTA APAC LATAM Nordics Russia Other Europe RoW	High Cost Low Cost
nokian	89%[6]	100%	– Long-lasting reputation in Winter tyres – Regional focus	nokian	1.4%	~180 o/w ~110 SUV	n.a.	– "Mild" Winter (Europe) ~210 – "Extreme" Winter[4]" (Nordics): ~370	~3,450 PoS	1% 39% 11% 28% 21% Russia & Nordics 60% Europe NAFTA APAC Nordics Russia Other Europe LATAM RoW	High Cost Low Cost

Pirelli Consumer Business and High Value focus, Captive in Growing SUV Demand

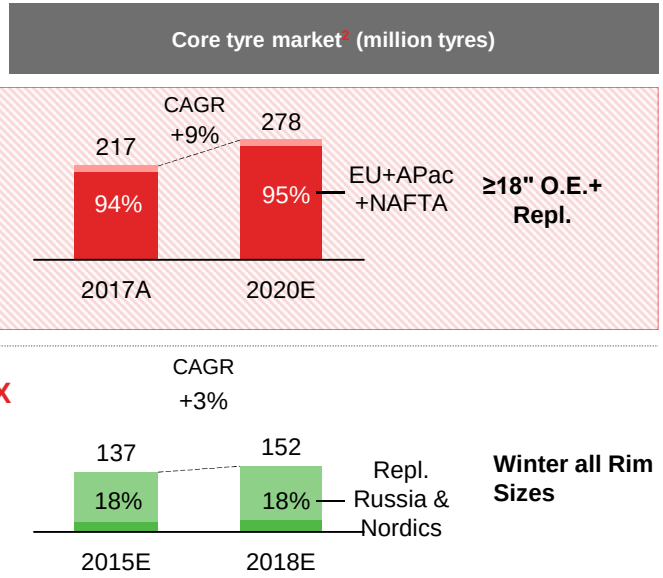
1. Source: 2017 data from peers financial results presentation; 2. Source: company website; 3. Source: Germany wholesaler / dealer product list (May 2018); 4. Source: Sweden wholesaler / dealer product list (2018); 5. Pirelli elaboration on Nokian official data (2017 results presentation); 6. Sum of Passenger Car and Vianor business units on total group sales

...WITH DIFFERENT PAST FINANCIAL PERFORMANCE, MARKET SPACE & SPEED_

MAIN FINANCIALS



MARKET SPACE



Pirelli Wider Geographical Exposure and High Value Focus Lead to Faster Growth

Source: company data; 1 Adjusted EBIT excluding PPA amortization, non recurring, one-off, extraordinary items, start-up costs; 2 Pirelli: internal estimates of ≥18" (O.E. + Repl.) world tyre market; Nokian: Winter Repl. world tyre market, and o/w Russia and Nordics (from 2015 Investor Day)

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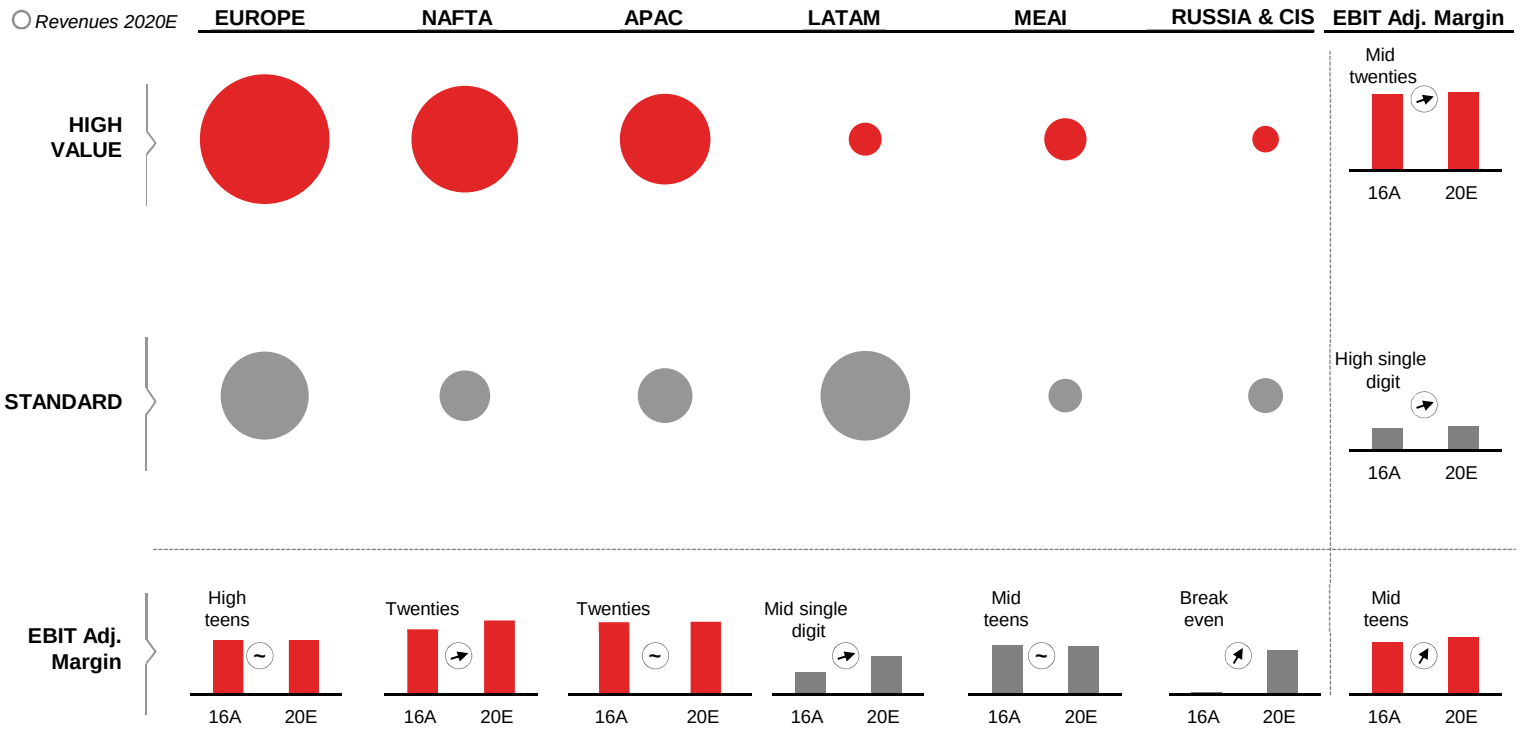
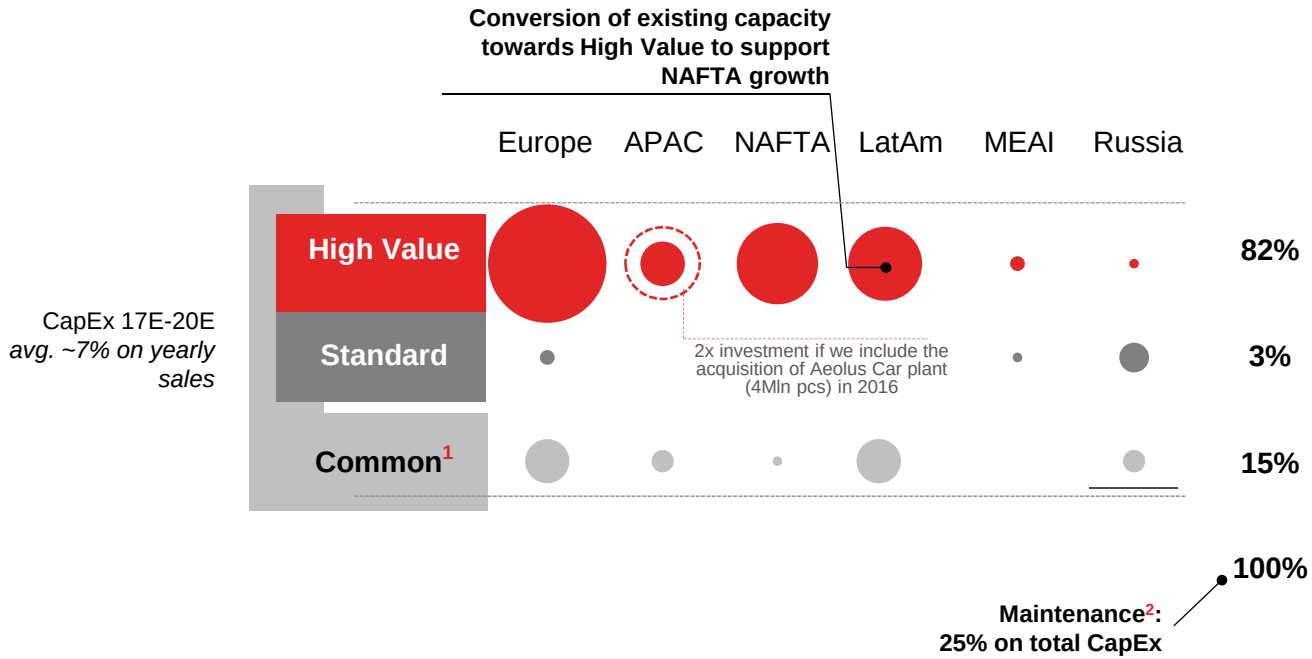
“VALUE MAP” GUIDING OUR PRIORITIES_

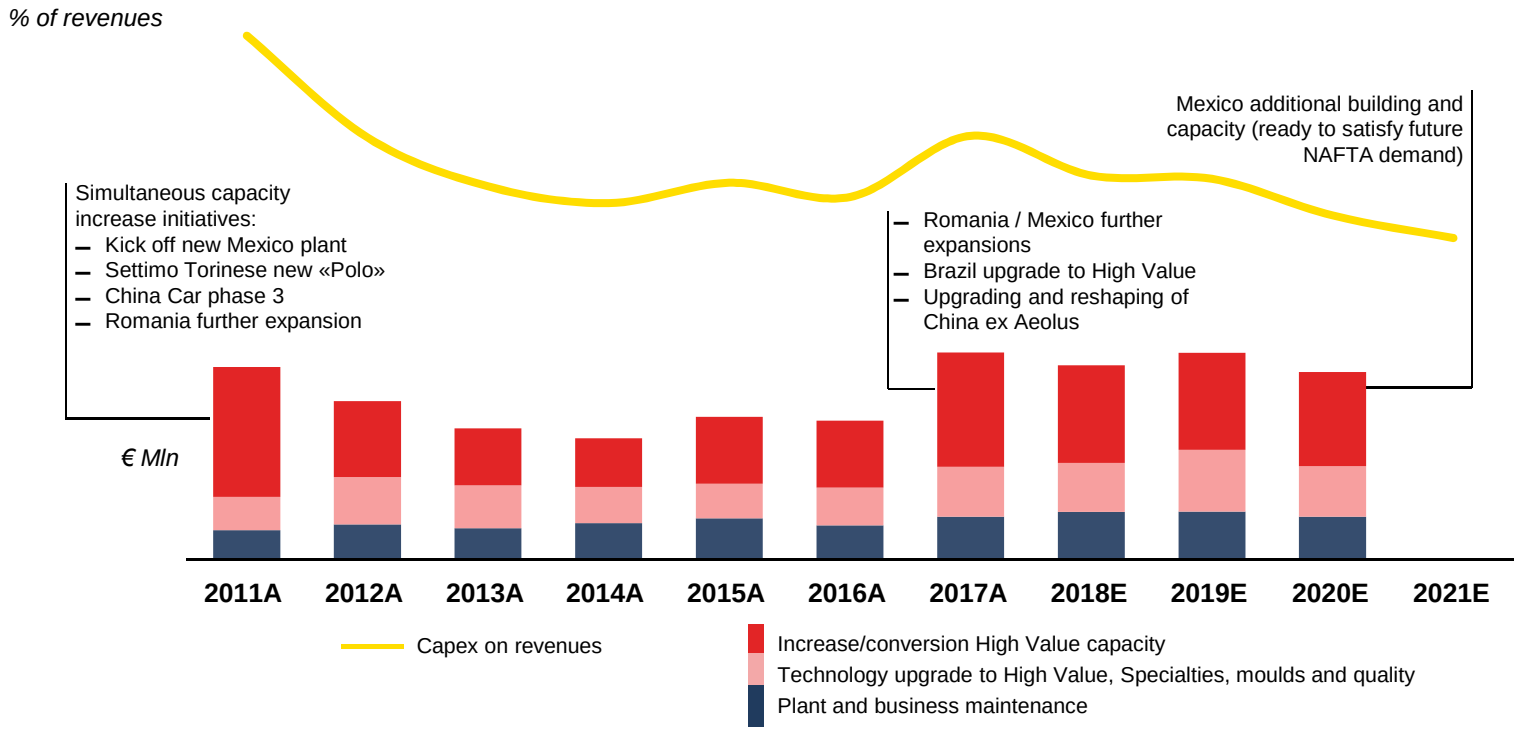


2017E-2020E STRATEGIC RESOURCE ALLOCATION, FOCUSED ON HIGH VALUE_



1. Digital, Logistics, Commercial, etc.; 2. Baseload HSE and loss prevention, R&D, IT, Logistics and other

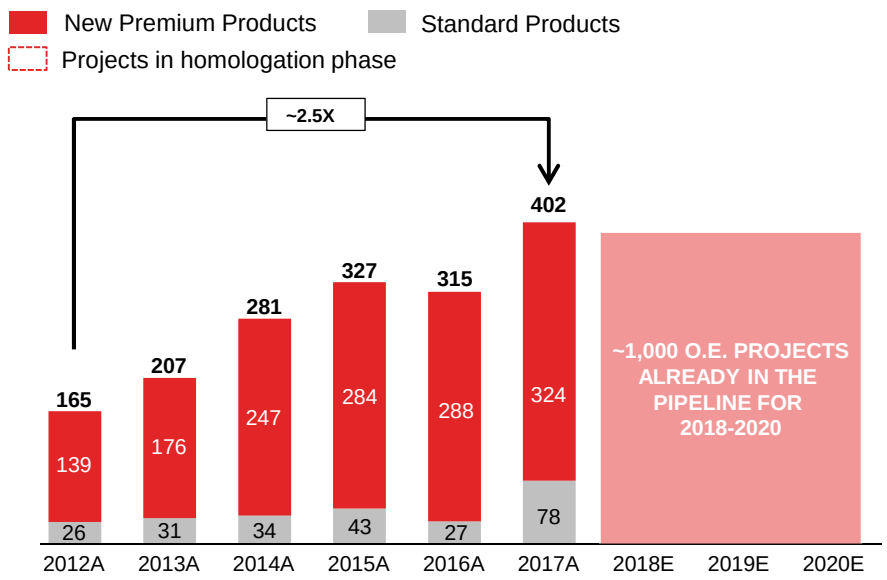
CAPEX / REVENUES OVER TIME_



Source: Pirelli consumer figures 2011-2013, carve-out 2014-2016

KEY STRATEGIC LEVER #1: ACCELERATING HOMOLOGATION PIPELINE_

YEARLY TREND - ITEMS



KEY BENEFITS OF HOMOLOGATIONS

- Strengthen competitiveness in Replacement thanks to “pull through effect”
- Provide visibility in advance on future Car Manufacturers demand
- Support product innovation and co-development of cutting edge technology

Homologation Portfolio Almost Doubled in the Last 5 Years

Source: company data

KEY STRATEGIC LEVER #2: NEW PRODUCT INNOVATION_

IN 2017-2020 TIMEFRAME:

18 **new product lines**

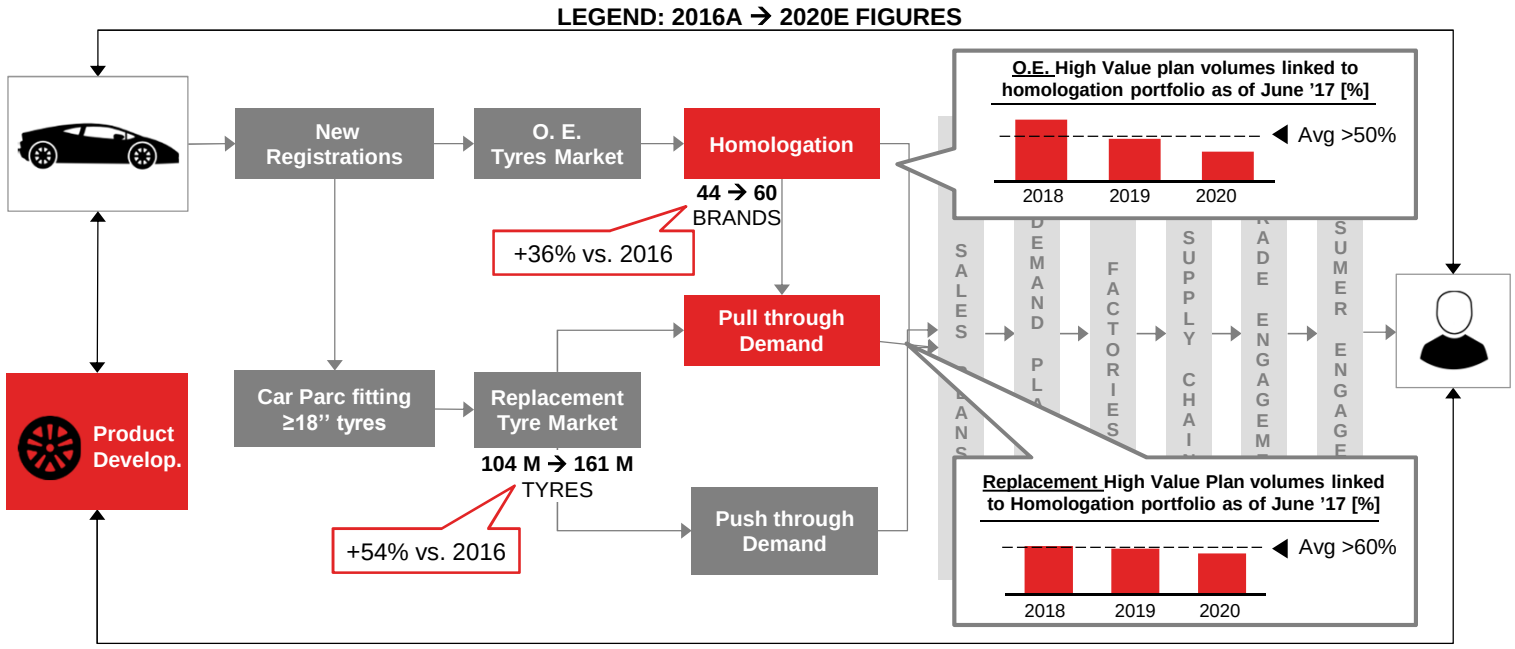
vs 14 in past period

~+20%
Different sizes YoY

of which:

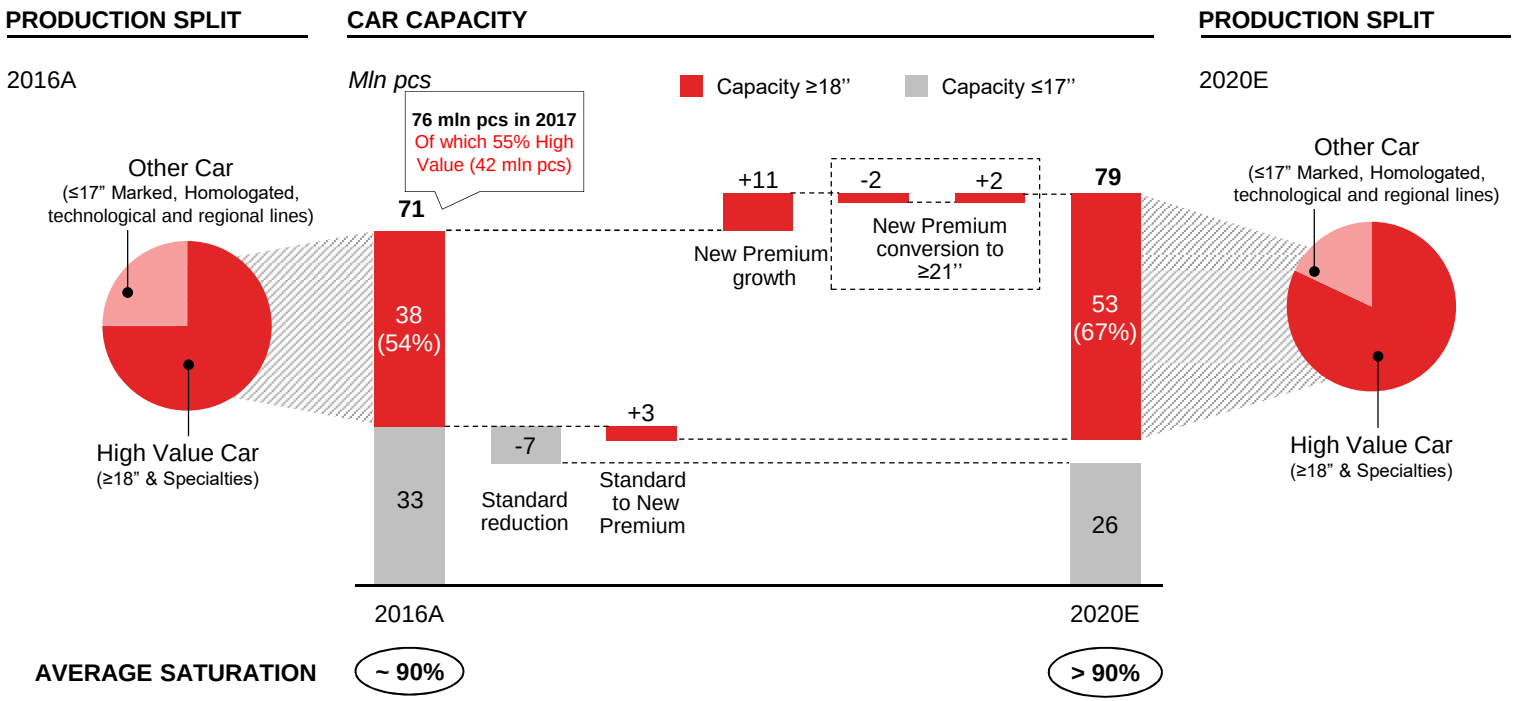
SALES AREA		SEASONALITY		TECHNOLOGIES	
9	**9**	**6**	**12**	**9**	**9**
Global	**Regional**	**Winter**	**Summer & All Season**	**Specialties**	**Traditional**

LEVERS #1 AND #2 WILL HELP US CAPTURE A HIGHLY PREDICTABLE AND COPIOUS TYRE DEMAND FOR ≥18''…_



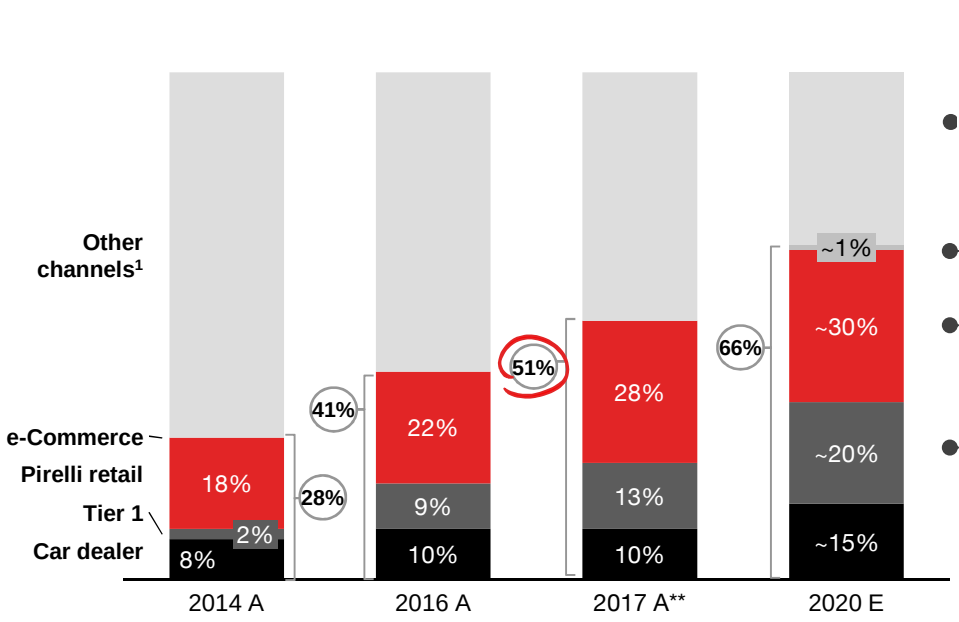
…To the point that >60% of our Replacement High Value Volumes (and >50% our O.E. High Value Volumes) in our Three Year Plan to 2020 are already linked to our current (30th June) Homologation Portfolio

STRATEGIC LEVER #3: SHIFTING CAR CAPACITY TO HIGH VALUE_



Note: rounding might occur

STRATEGIC LEVER #4: MORE CONTROL OVER LAST MILE FOR PUSH THROUGH AND INCREASE COVERAGE OF CAR DEALERS FOR PULL THROUGH_



Increase control on Demand and Pricing

- Specialized eTailers MarketPlaces Chains eCommerce → Develop on-line channel through own properties and partnership with eTailers
- Brand eCommerce
- Own Retail eCommerce → Increase penetration through coverage and share of wallet
- Specialized eTailers → Improve Collaboration and data sharing
- ~10% → Leverage Pull-trough on New Premium and Specialties

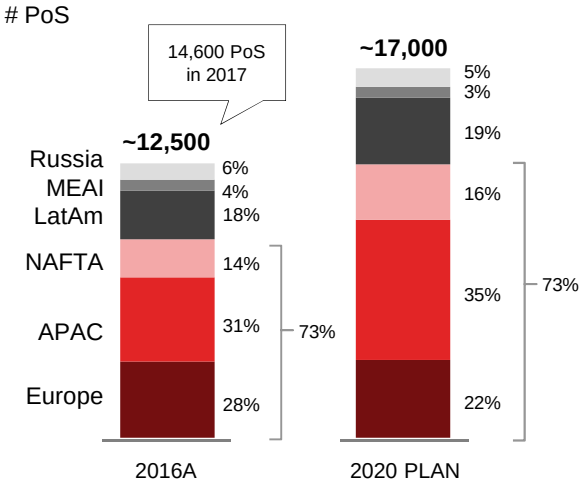
Sales On-line across channels

[1]*Other wholesale (not Tier 1), Other retail chains, Competitor equities, etc.*
*** 2017 split restated*

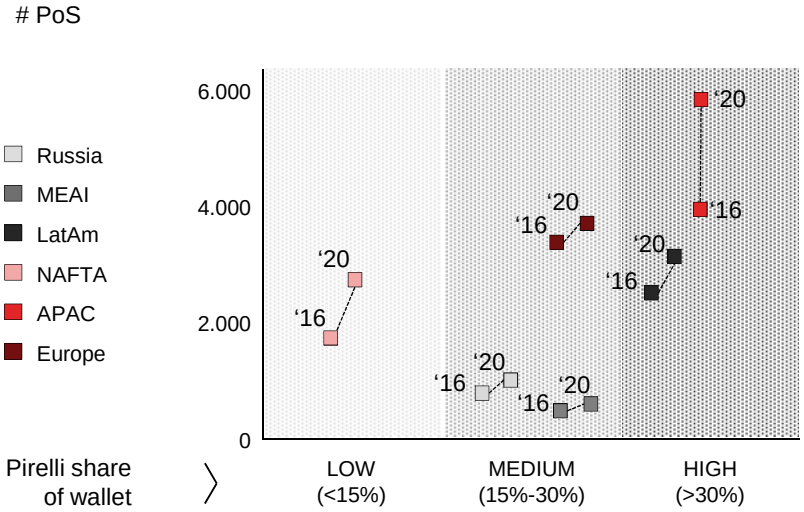
Source: Pirelli Trade Marketing (April 2018)

STRATEGIC LEVER #4: RETAIL NETWORK EXPANDING, MAINLY IN APAC AND NAFTA_

2017-2020 PLAN



ROADMAP 2017-2020: COVERAGE AND SHARE OF WALLET

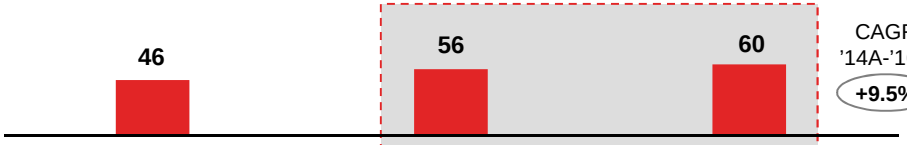


2017-2020 Key Strategy

- Continuous increase in APAC
- Expand distribution network in NAFTA
- Strong positioning as **Tyre Expert** with a **high Premium Network** recognition in **mature Regions**

EUROPEAN MARKET_

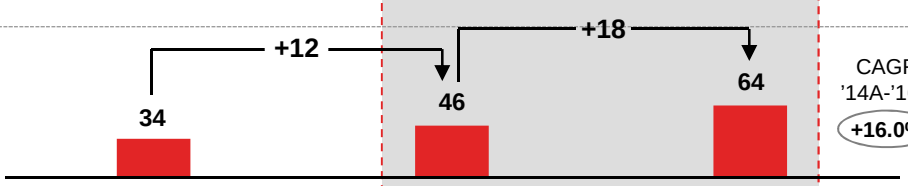
PRESTIGE & PREMIUM CAR PARC
(Mln vehicles)



CAGR '14A-'16A **+9.5%**

CAGR '16A-'20E **+1.8%**

≥18''O.E. + REPL. TYRE MARKET
(Mln pieces)



CAGR '14A-'16A **+16.0%**

CAGR '16A-'20E **+8.7%**

Expected competitive dynamics

PRODUCT

- O.E. marking
- Rim sizes growing
- Seasonality: Winter-Summer and All Season
- Extended mobility: Run Flat, Self Sealing

TRADE

- Trade consolidation
- Specialties now important for differentiation
- Car dealers gaining market share

CONSUMER

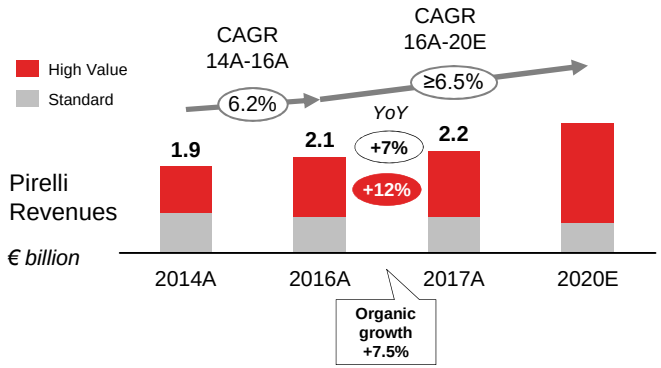
- Fleet highlights:
  - 20% company fleets
  - 8% leasing companies
  - 2% rent a car
- More online access, but buying offline

Note: 2014A, 2016A, 2020E data based on IPO plan

EUROPE PLAN_

PIRELLI EUROPE TODAY

- Prestige Market Leader
- Partner of Premium Car Makers, #1 in marked tyre homologations
- Cutting edge products
- ~3,900 PoS[1]
- Market Share replacement ≥18'': close to 20%



EUROPE STRATEGY

OEM relationships

- Reinforce Prestige leadership
- Maintain position in Premium segment
- Expand collaborations in relevant EV projects

Product lines

- Grow Specialties, Super Specialties and new Premium

Distribution

- PoS expansion focused on Franchising
- Strengthen High Value price positioning
- Deploy Tier 1 integration to improve mix and business predictability

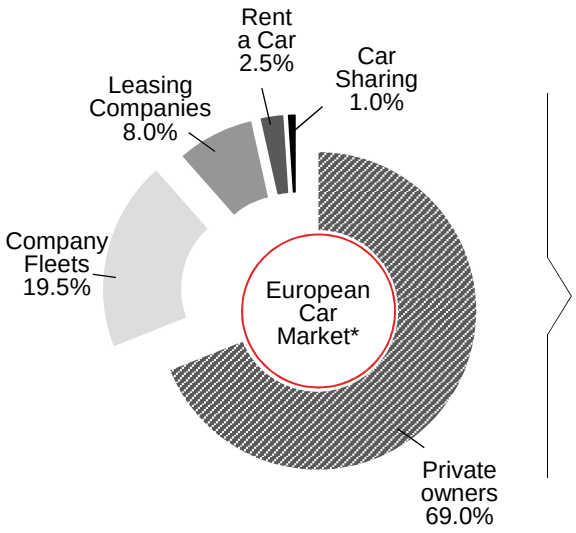
Consumer engagement

- Target New Premium and Prestige consumers with PZero World Shops
- Enhance consumer engagement and retention via:
  - Digital and CRM
  - Events sponsorships and new contents
  - Connesso and PZero Velo to attract new segments

1. 2017 data; Note: 2014A, 2016A, 2020E data based on IPO plan

PIRELLI: FLEET STRATEGY_

FLEETS & PRIVATE CONSUMERS GO TO MARKET - EUROPE



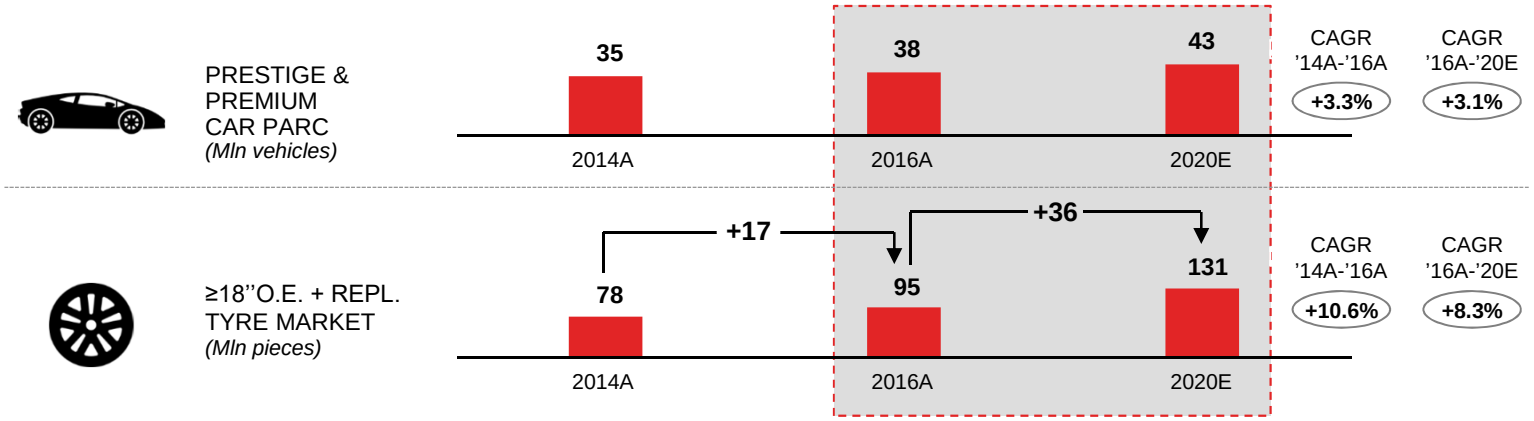
PIRELLI STRATEGY BY CHANNEL

	TREND	MIX
Leasing Companies — **Pirelli partner** supplier of all **key** global **players**** — **Premium brand**, mix-oriented offer — Integrated **tyre and service proposition** – Pirelli-controlled retail — **WEB-Platform** dedicated solution - B2Fleet portal — **CONNESSO – CYBERFLEET** opportunities for B2B and B2C	↗	↗
Company Fleets — Pirelli **selective approach**: **targeting Premium** car parc — Leveraging Premium & Prestige O.E. pull-through with retail coverage — **CONNESSO – CYBERFLEET** opportunities	↗	↗
Rent a Car — **No focus on tyre service** to consumers — Channel not sensitive to distinctive service/product offer	→	↘
Car Sharing — Developing channel, **Pirelli selective approach** — **Urban/low mix** → not aligned with Pirelli high-end consumer strategy	↑	↘

**Excudes imports: CAR, 4x4, Light Truck and Runflat tyres (**) LeasePlan, ALD, Alphabet, Arval, Daimler Financial Services*

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

NAFTA MARKET_



Expected competitive dynamics

PRODUCT

- Largest 18''+ market (55% of worldwide volumes), continuously growing
- For the great majority "all season" market
- Investment in capacity
- Import from China down vs 2014 due to duties

TRADE

- Independent Tyre Dealers strongest distribution channel
- Car Dealers gaining Market Share, while mass merchandiser decline
- Market highly concentrated within Top Player

CONSUMER

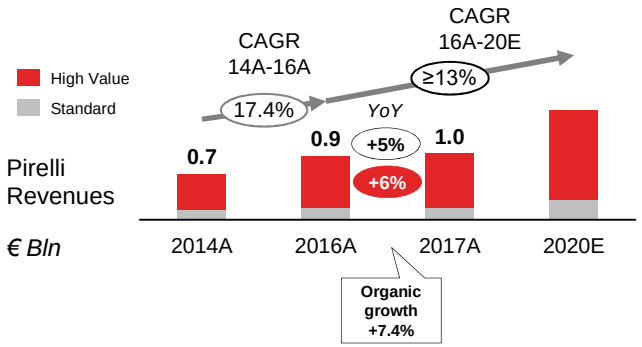
- Service demanding, mainly checking online – buying offline
- Brands starting selling on-line
- Higher digital marketing investments targeting millennials

** Crossover Utility Vehicle; Note: 2014A, 2016A, 2020E data based on IPO plan*

NAFTA PLAN_

PIRELLI NAFTA TODAY

- Prestige & European Premium Market Leader
- O.E. selective approach
- Solid and profitable Local for local industrial footprint entirely focused on high-value production
- «All-season» product portfolio well perceived by the market
- Distribution focused on Premium customers and car dealers
- Retail affiliation targeted at Premium locations



NAFTA STRATEGY

OEM relationships

- O.E. growth with key partners in HV segment and new EV players

Product lines

- New product lines introduction completing All Season and SUV-CUV* and all season
- Grow Specialties, Super Specialties (Connesso) and new Premium

Manufacturing

- Growing capacity in Mexico
- LATAM plants conversions to HV

Distribution

- Widen distribution to Premium retailers in Premium areas
- Expand cooperation with Tier1 Customers
- Car Dealer business expansion
- Winter regional growth
- Strengthen High Value price positioning

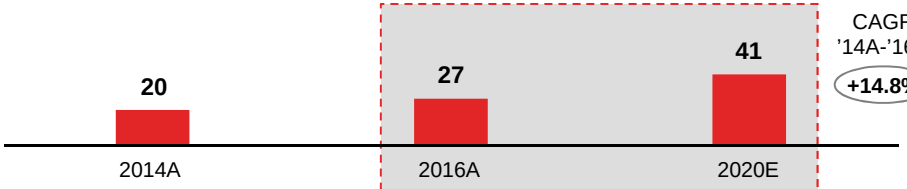
Consumer engagement

- Consumer Engagement and Retention, with:
  - Digital and CRM leveraging on strong Brand advocacy
  - Strong Partnership with eTailers
  - Connesso and PZero Velo to attract new segments

** Sport Utility Vehicle and Crossover Utility Vehicle (**) Run Flat, Seal Inside, Pirelli Noise Cancelling System; Note: 2014A, 2016A, 2020E data based on IPO plan*

APAC MARKET_

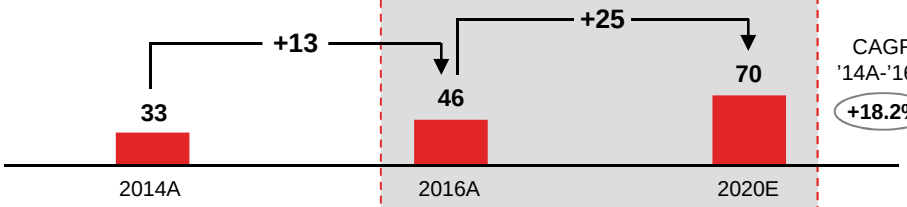
PRESTIGE & PREMIUM CAR PARC
(Mln vehicles)



CAGR '14A-'16A **+14.8%**

CAGR '16A-'20E **+11.1%**

≥18''O.E. + REPL. TYRE MARKET
(Mln pieces)



CAGR '14A-'16A **+18.2%**

CAGR '16A-'20E **+11.4%**

Expected competitive dynamics

PRODUCT

- ≥18'' market confirms double digit growth rate
- SUV and Electric segments fastest growing
- Investment for Local-for-local production to catch joint ventures with car producers

TRADE

- Distribution channel mostly based on wholesalers
- From network development and maintenance to network management
- Car Dealer channel gaining market share and starting regional tyre programs

CONSUMER

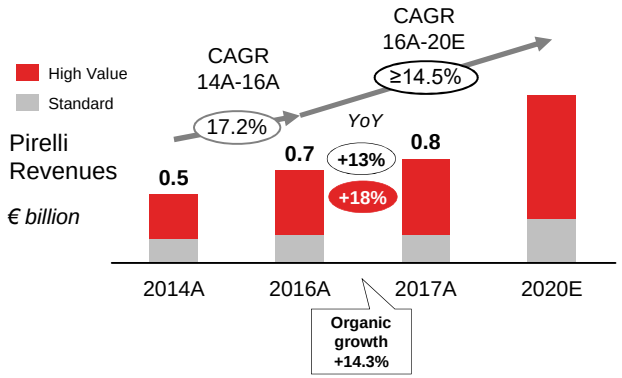
- Shift from product to experience
- Digitalization of customer journey
- Start of on-line sales

Note: 2014A, 2016A, 2020E data based on IPO plan.

APAC PLAN_

PIRELLI APAC TODAY

- Very successful overall growth story
- Solid partner of Premium Car Makers
- Significant Network Expansion Strategy, supported by geo-marketing
- #2 in Top of Mind in China



APAC STRATEGY

OEM relationships

- Consolidate leadership with Premium car makers
- Diversification of OEMs client base

Product lines

- Undisputed leader in Run Flat through O.E. pull-through
- Fast growing in other specialties (colored, PNCS)
- Grow Prestige sales in China

Manufacturing

- Increase fast and cost-efficient capacity to catch growth opportunities

Distribution

- Enhance trade engagement enlarging network and increasing quality network
- Transfer China retail development best practice to South East Asia

Consumer engagement

- Focus communication to new Premium and Prestige consumers

Note: 2014A, 2016A, 2020E data based on IPO plan

PIRELLI WELL POSITIONED IN EMERGING HIGH VALUE MARKETS_

	PRESTIGE & PREMIUM CAR PARK				NEW PREMIUM TYRE REPLACEMENT MARKET		PIRELLI PRESTIGE MARKET SHARE	PIRELLI ≥*18"* MARKET SHARE
	2016 Mln vehicles	2016 % of Total	2020 Mln vehicles	2020 % of Total	2016 Mln Tyre	2020 Mln Tyre	2017	2017
RUSSIA & CIS	3.4	6.1%	3.8	6.6%	2.5	3.3	GLOBAL LEADER	high single digit
MEAI	4.3	4.5%	5.7	4.8%	3.7	5.1		twenties
LATAM	1.1	1.5%	1.4	1.8%	1.4	1.8		mid teens

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4. STRATEGY AND PLAN 2017-2020

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5. GOVERNANCE

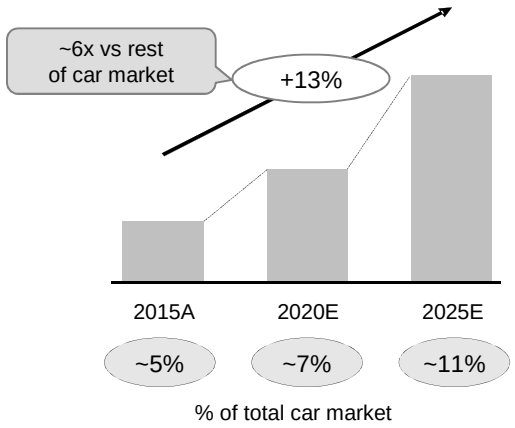
6. SUSTAINABILITY

7. APPENDIX

2020E-2025E SCENARIO: CAR SERVICES MARKET_

CAR SERVICES MARKET

$ billion, global market size



SERVICES MARKET GROWS FAST IN MULTIPLE SEGMENTS

Apps and services
Full library of applications from third parties

Alternative business models
Autonomous vehicle sharing, new service offerings, etc.

Data analytics
Connected cloud processing, data feeds for manufacturers

Pirelli is Positioning Itself in Order to Be the First Tyre Player Offering a Consumer App & Services

Source: Management elaboration based on several consulting and investment banks research reports

76% OF END USERS WOULD LIKE DATA ABOUT THEIR TYRES_

KEY CUSTOMER CONCERNS ARE:

WORRIED PARENT

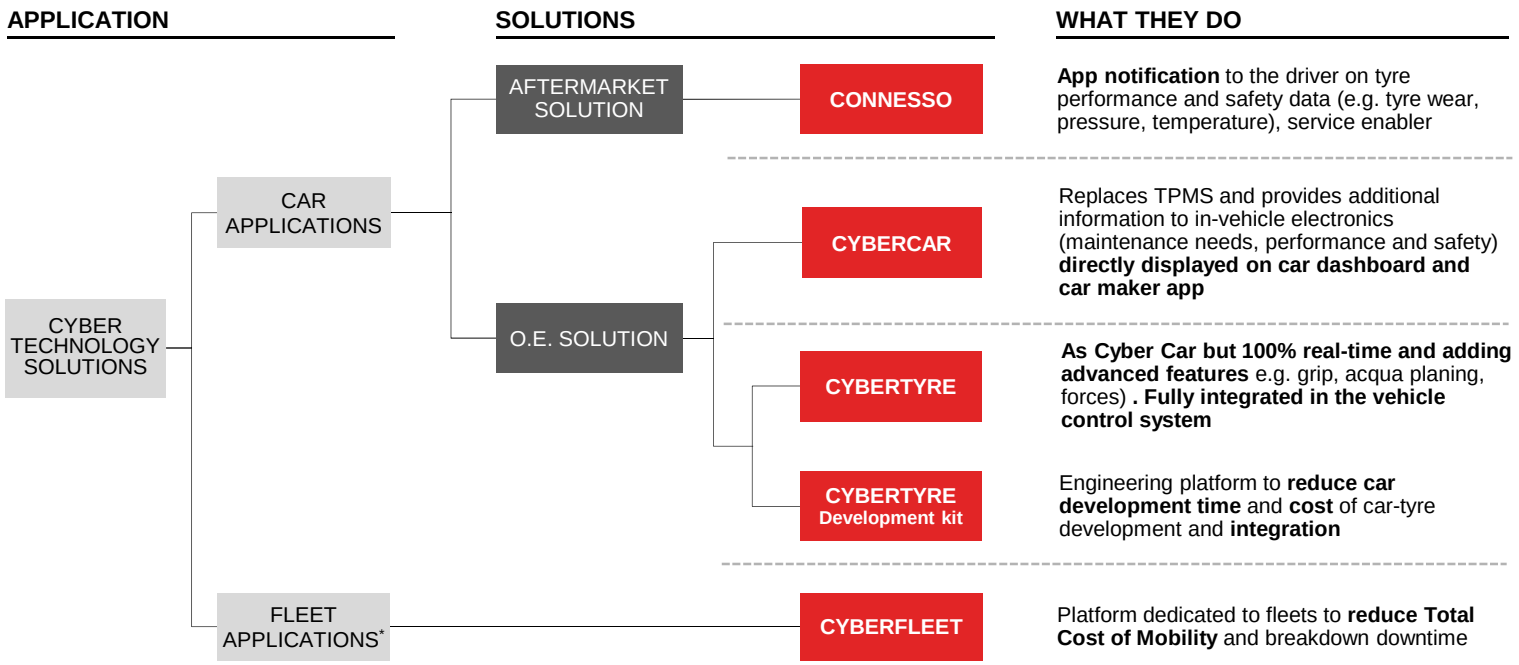
ON-THE-GO PROFESSIONAL

WEEKEND RACER

SAFETY	COMFORT	INTEGRATION WITH SMARTPHONE	TIME	PERFORMANCE	VALUE FOR MONEY	CONVENIENCE	TYRE INFO

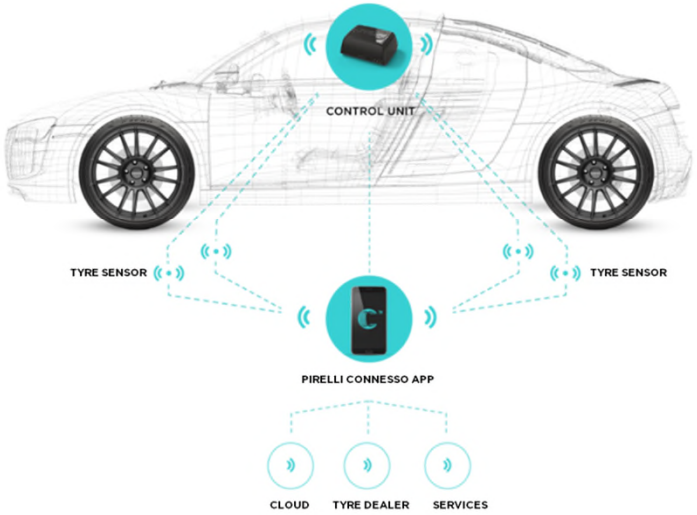
Source: Pirelli survey and Management elaboration based on consulting research reports

CYBER TECHNOLOGY LAUNCHING 5 NEW PLATFORMS_



*Passenger cars, commercial vehicles; **Total Cost of Ownership*

PIRELLI CONNESSO™: HOW IT WORKS_



FEATURES AND BENEFITS

TYRE PRESSURE
- Keep the pressure of tyres at the optimal level to improve the efficiency and performance of your car.

TYRE TEMPERATURE
- Check sensorised tyre temperature anytime and everywhere.

TYRE WEAR
- Monitor tyre tread depth and increase safety and performance.

FILL MODE
- View real-time pressure readings on tyre fill with easy check recommended levels.

PIRELLI CONCIERGE
- To find the perfect solution for all of the tyre related service needs, including: balancing, rotation, alignment, tyre change, appointment booking, as well as car pick-up and drop off.

CONNESSO CLUB
- To access exclusive contents and keep updated on the latest Pirelli news and events.

CYBER CAR : HOW IT WORKS_

ALERTS & FUNCTIONALITIES

- PRESSURE INFO & ALERTS
- TIRE TEMPERATURE INFO AND ALERTS
- PRESSURE LOSS
- EXCESSIVE TREAD WEAR
- TIRE AGEING AND MILEAGE
- ACTIVE LABELLING
- FILL MODE
- STATIONARY MODE

CLOUD

INTEGRATED IN OEM VEHICLE AND APPS

TIRE DATA

- TIRE ID
- PRESSURE
- TEMPERATURE
- TIRE WEAR

SENSORS

END USER

BENEFITS

PREDICTIVE MAINTENANCE

- OPERATIONAL EFFICIENCY
- BETTER STOCK MANAGEMENT
- TYRE MANAGEMENT
- VEHICLE SCHEDULED MAINTENANCE
- TYRES RECOMMENDATIONS

BREAKDOWN ASSISTANCE

- ALARMS NOTIFICATION
- ROAD ASSISTANCE

2020-2025 SCENARIO: URBANIZATION_

NEW MOBILITY PARADIGMS (INTEGRATED, ACTIVE, AFFORDABLE) WILL LEAD LOCAL AUTHORITIES TO CURB PRIVATE CAR USAGE

Single lane capacity[1]	What is going to happen?	What will it look like?
Car	Car restrictions will become standard and cars will be used for the first / last mile	
Bike	Citizens will demand broader access to urban areas for leisure and cultural activities	
Bus	Local authorities will optimize space use by shifting users towards public transport	

Pirelli Intends to Expand its Offer to Hybrid and Electric Car Tyres, Connectivity Solutions[2], and Bike Tyres

1Number of users per hour on a 3.5m road lane. In picture, from top to bottom: Stockholm, New York, Buenos Aires
2E.g., CyberFleets; Source: World Business Council for Sustainable Development

2020-2025 SCENARIO: GENERATIONAL TURNOVER_

NEW GENERATIONS BECOME AN IMPORTANT LONG-TERM TARGET

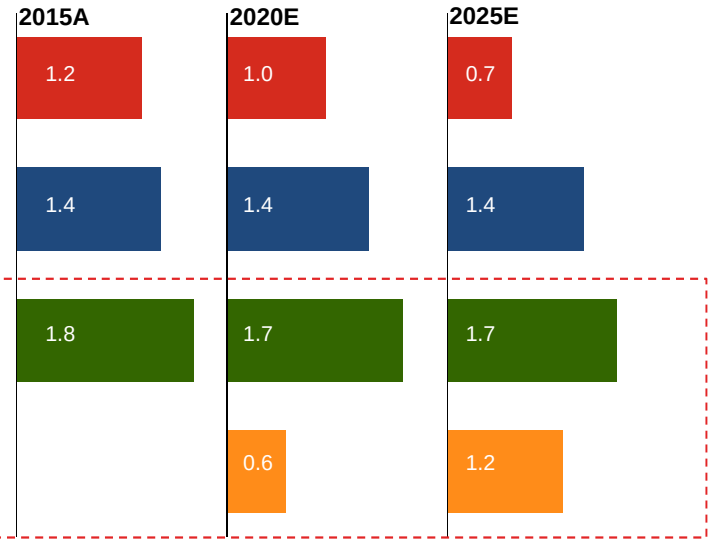
World population 20 to 70 years old (Bln)

Baby boomers (1945-1964)
- "Climb corporate ladder"
- Buy now, pay later

Generation X (1965-1979)
- "Rely on yourself"
- Cautious and conservative

Millennials/Gen. Y (1980-1994)
- "Appreciate work life balance"
- Earn to spend

Generation Z (1995-?)
- "Stay connected"
- Grown up during 2008 crisis



Pirelli is already engaging millennials through appealing storytelling on social media

Source: UN WPP 2015, Web research

“VELO” SUPPORTING CONSUMER-CENTRIC APPROACH_

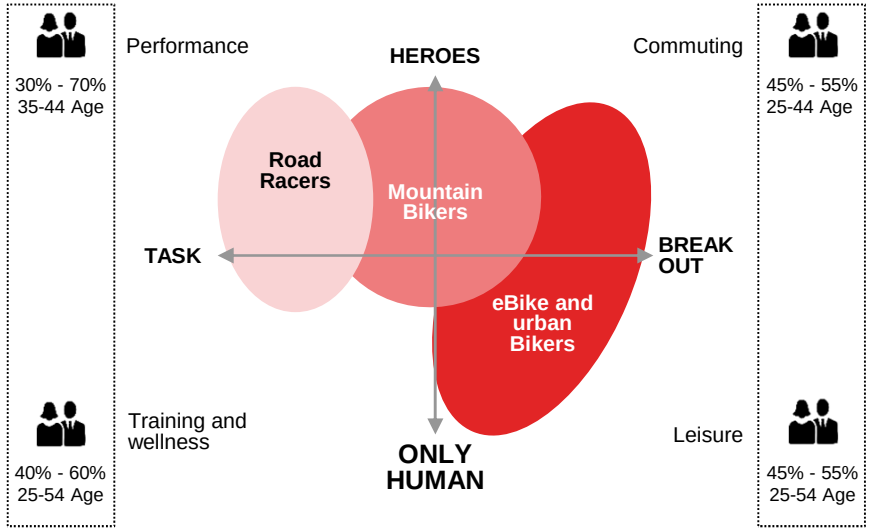
CREATES INTERACTION WITH NEW CONSUMER TARGET AND CONSOLIDATES PRESENCE IN ESTABLISHED SEGMENTS

CONSUMER MAP

CURRENT CONSUMER TARGET:

- Pirelli consumers: additional product for a comprehensive offer
- Prospects: create awareness around Pirelli (Velo as a new entry point into Pirelli world)

Pirelli Car consumers: average age 50 years, 30% F-70% M gender split



NEW CONSUMER TARGET:

- Younger audience
- More balanced gender
- Conscious about new mobility solutions
- Social networker
- Modern and trendy lifestyle

PIRELLI “VELO” FOCUSES ON PREMIUM_

CAPITALIZE INTERNAL ASSETS AND INNOVATE TO SUPPORT OUR COMPETITIVE ADVANTAGE

HOW WE ARE PLAYING

Stand-alone profitable business
At the end of the 3y plan profitability in line with the Premium arena
Premium price positioning

Capitalize organization best practices
Product excellence; E-commerce infrastructure; Prestige delivery model

Fully integrated inter-functional team
Average age: 30 years
50% from cycling industry, 50% Pirelli
40% female, 60% male

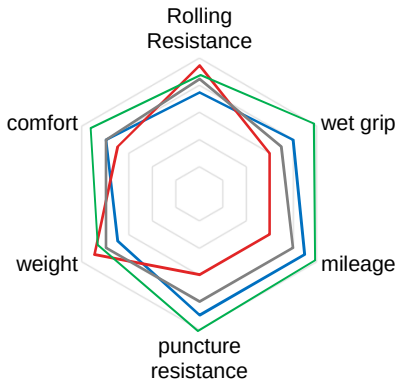
Innovative Go-To-Market:
40% online, 60% traditional

WHERE WE ARE COMPETING

Product Strategy: Racing First, Ebike to Follow Key Mobility Trends.
Target Top Competitors Across Segments.

P ZERO VELO: OUR ROAD OFFER IS NOW COMPLETE_

KEY CHARACTERISTICS



CYCL-E: DEVELOPED FOR E-BIKES TO CATCH NEW MOBILITY TRENDS_

DOWNTOWN
For urban cycling

GRANTURISMO
For the city and beyond

CROSSTERRAIN
For unpaved roads

KEY CHARACTERISTICS

Custom developed and designed with the premium e-bike manufacturer Stromer

Meant for that ever-increasing number of cyclists that use an e-bike not only in the city but also for their touring or trekking activities

Safety and driving pleasure in every situation, guaranteeing:

- maximum puncture resistance
- handling and reliability of a motorcycle tyre
- energy saving thanks to low rolling resistance

Committed to sustainable mobility, using a compound that incorporates rubber crumb from recycled car tyres

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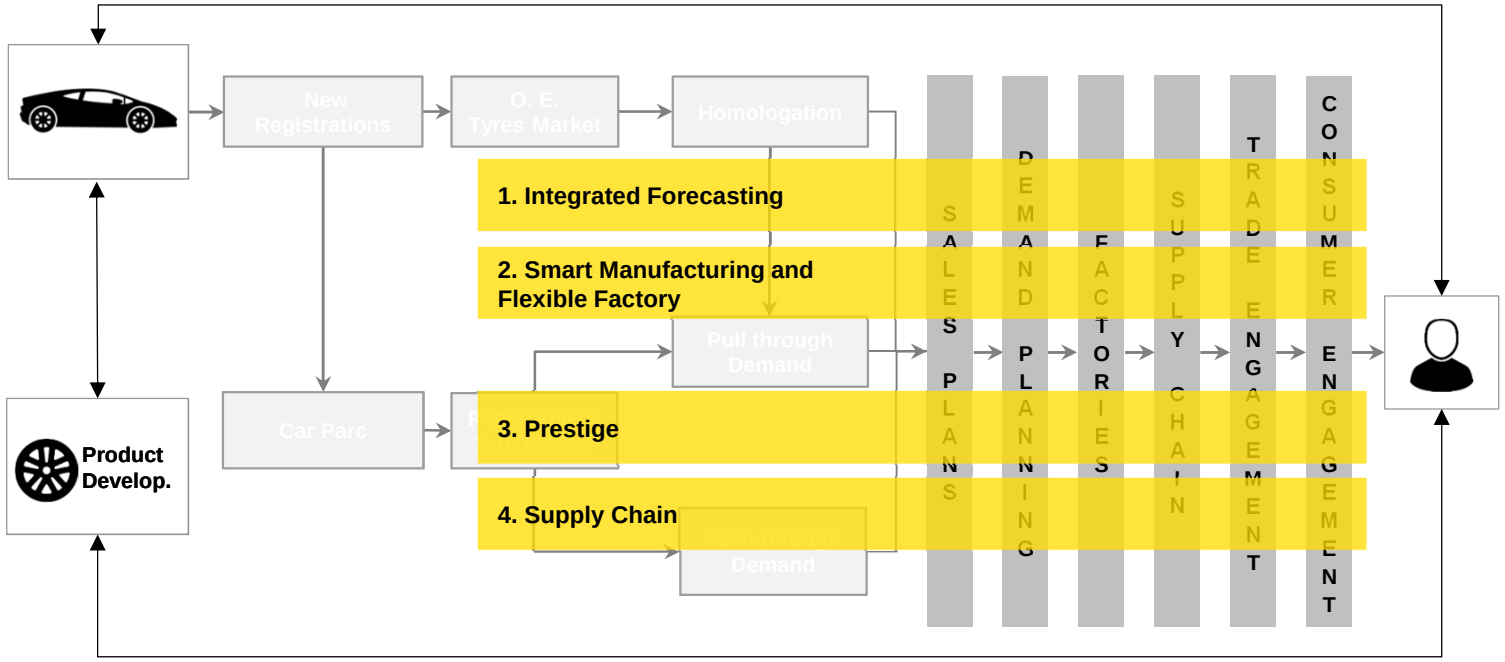
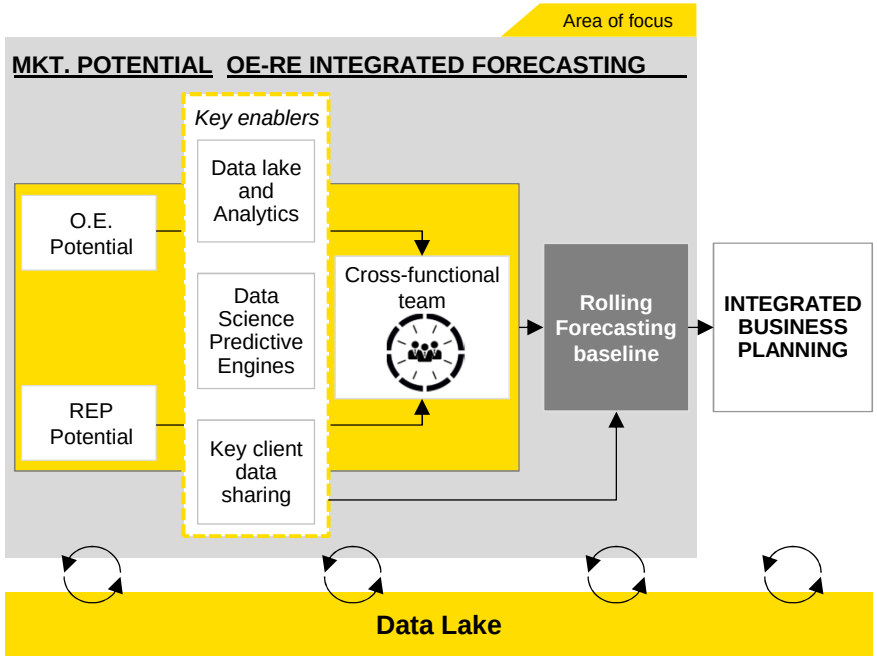
4 KEY DIGITALLY ENABLED TRANSFORMATION PROGRAMS, SUPPORTING HORIZONTAL PROCESSES_



O.E. - REPLACEMENT INTEGRATED FORECASTING, ENABLED BY PREDICTIVE MODELLING & ANALYTICS, SOLID BASELINE FOR INTEGRATED B.P._

Integrated forecasting



KEY BENEFITS

- Increased rolling **Demand Planning Accuracy**
- **Back Order** and **Service Level** improvement
- Minimization of **Lost Orders**
- Optimization of **Purchasing Costs**
- Optimization of **Allocation and Logistic flows**
- Increased **Demand Planning Reliability**
- Minimization of **Bottlenecks** and **Plant Transfers**
- Reduction of **O.E. Arising** / **Obsolescence**
- Optimization of investment in **capacity** and **critical processes**

Short-medium term

Long term

DIGITAL TRANSFORMATION IN MANUFACTURING RESPONDING TO MARKET EVOLUTION_

Smart manuf.
& flex. factory

MARKET

PRODUCT COMPLEXITY

NCS | Colored | RF | SI | Connesso

STRATEGIC VISION

PLANT MISSION

DIGITAL TRANSFORMATION

PROGRAMS

Focus of following slides

DESIGN TO COST

NEW PREMIUM CAPACITY

SMART MANUFACTURING

FLEXIBLE FACTORY

BENEFITS

COMPLEXITY MANAGEMENT

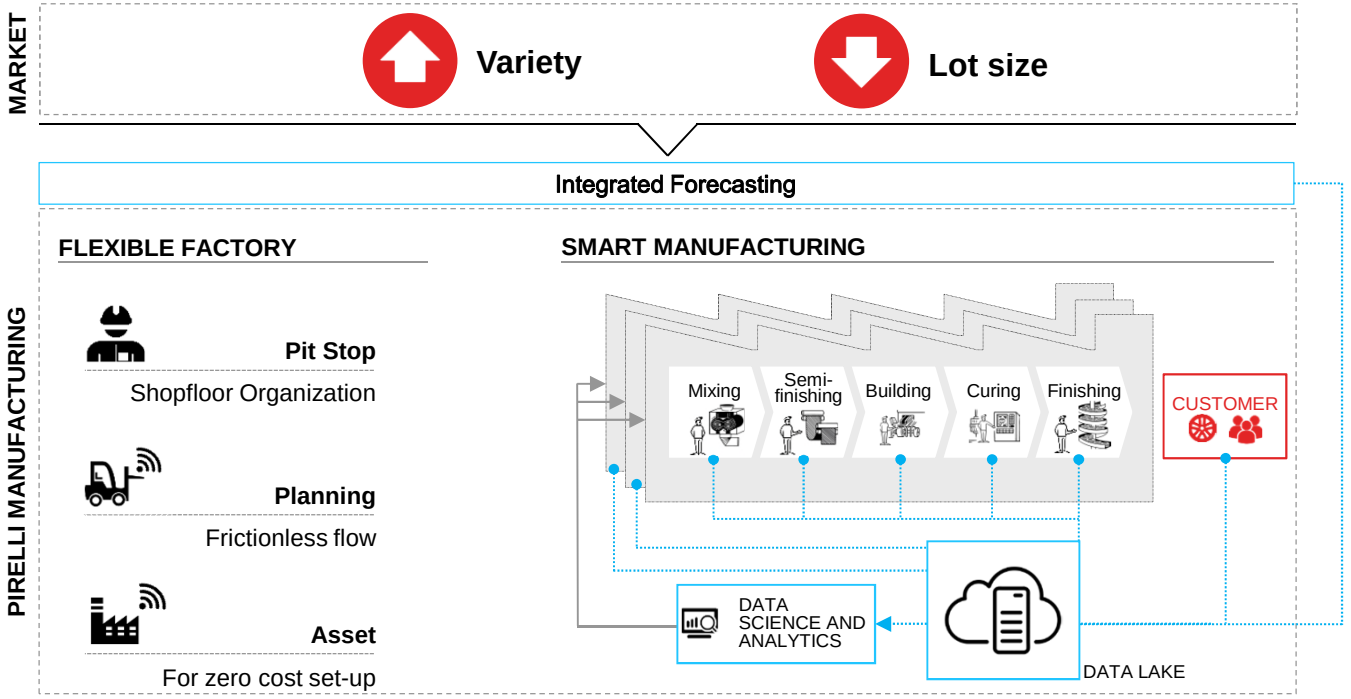
NEW PREMIUM MIX

PRODUCTIVITY

FLEXIBILITY

MANUFACTURING DIGITAL TRANSFORMATION: DELIVERING BETTER SERVICE WHILE MANAGING COMPLEXITY_

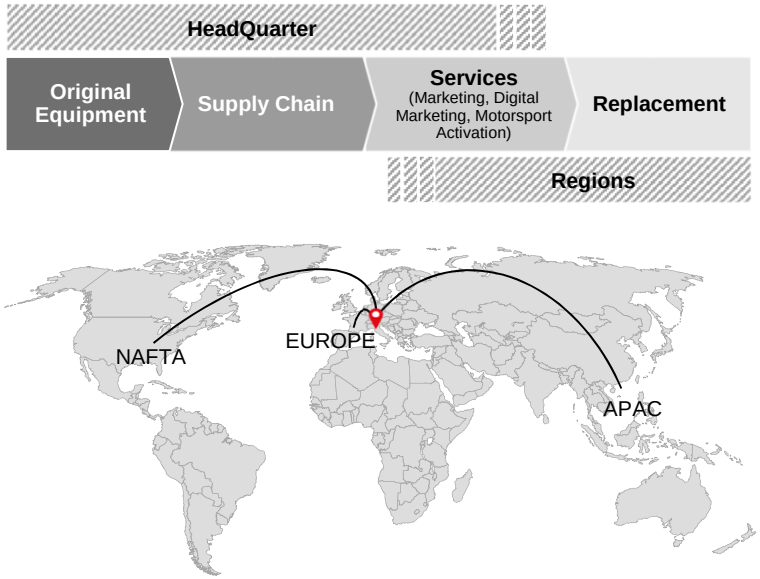
Smart manuf. & flex. factory



PRESTIGE CORE TEAM LEVERAGING ON FUNCTIONAL PROJECTS & LOCAL SKILLS TO REACH TARGETS_

Prestige

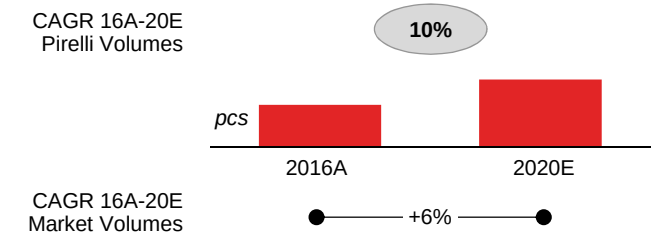
"OVERLAY UNIT" COVERING THE WHOLE VALUE CHAIN, INTERFACING WITH KEY FUNCTIONS AND REGIONS…



…AND LEVERAGING ON DIGITAL AND BEST PRACTICES

Digital marketing | Analytics on car parc | Predictive forecast | Retail | Cyber Tyre

PRESTIGE (O.E. + REPLACEMENT)



FIVE SUPPLY CHAINS SUPPORTING SPECIFIC BUSINESS AREAS_

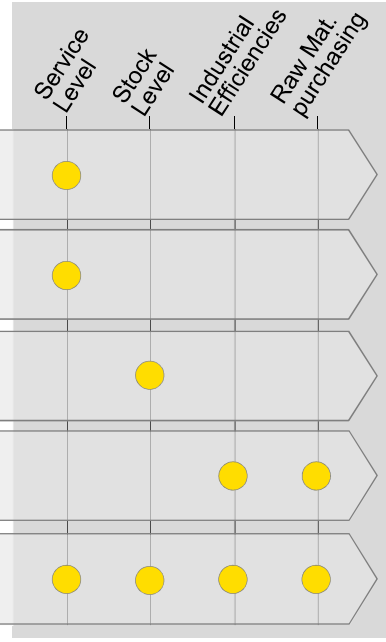
Supply Chain

Moto and Velo businesses will leverage the best practices of Car Supply Chain

New predictive forecasting tool

		MAIN FOCUS	KPI
A	Specialties	Improve customer retention through B2C	— Customize to order — # end-users activations
B	Prestige	Improve on-shelf daily availability	— Mix coverage — FCST predictivity
C	O.E.	Improve CAR makers forecast through predictive forecasting tools	— On time delivery — FCST predictivity
D	Tier 1	Improve demand predictability	— % on sales 18'' and up — Fill rate
E	Repl.	improve unpredictable demand forecasting through predictive forecasting tools	— Cost to serve — Improve FCST accuracy

IMPACTS ON



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1. PIRELLI BUSINESS MODEL

2. 9M'18 FINANCIAL RESULTS

3. FY 2017 FINANCIAL RESULTS

4. STRATEGY AND PLAN 2017-2020

- **4a.** PIRELLI AT A GLANCE
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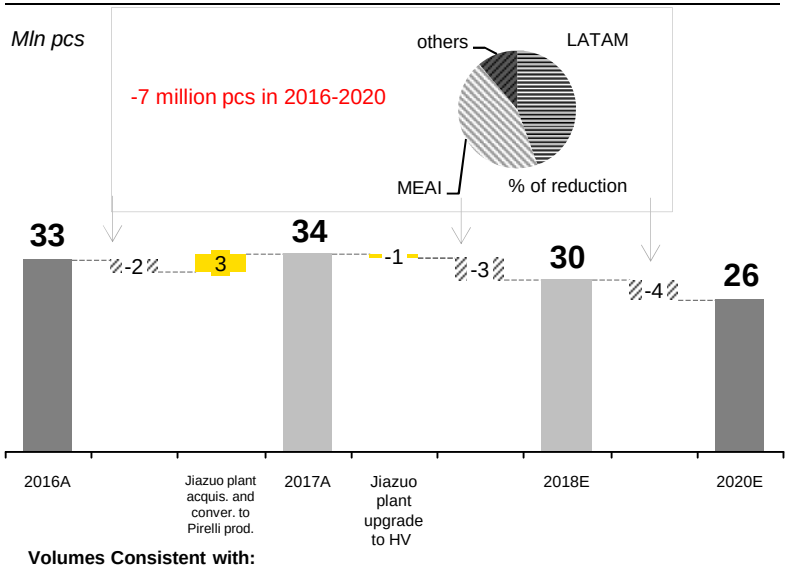
STANDARD CAPACITY REDUCTION, 2017 ACHIEVEMENTS AND 2018 PRIORITIES

STANDARD CAPACITY EVOLUTION 2016-2020



Volumes Consistent with:

- Requests from O.E. Customers with Premium and Standard Range
- Retailers assortment
- Geographic car parc peculiarities (LatAm, Russia)
- Progressive upgrade of Jiaozuo (former Aeouls Car) into Pirelli brand production

2017 ACHIEVEMENTS

- **Mix improvement**
  - Phasing out of legacy brands in Russia (e.g. Amtel)
  - Pruning of lower rim sizes in Europe and South America
- **Limiting low value** O.E. contracts
- **Profitability improvement**:
  - Russia and CIS EBIT margin at «Low- teen» vs. «low single digit in 2016
  - South America: high single digit profitability, improving YoY

2018 PRIORITES

LatAm:

- Cut standard production and conversion to High Value
- Focus on high mix, exploiting increasing SUV penetration (+15% SUV registration CAGR in 16-20)

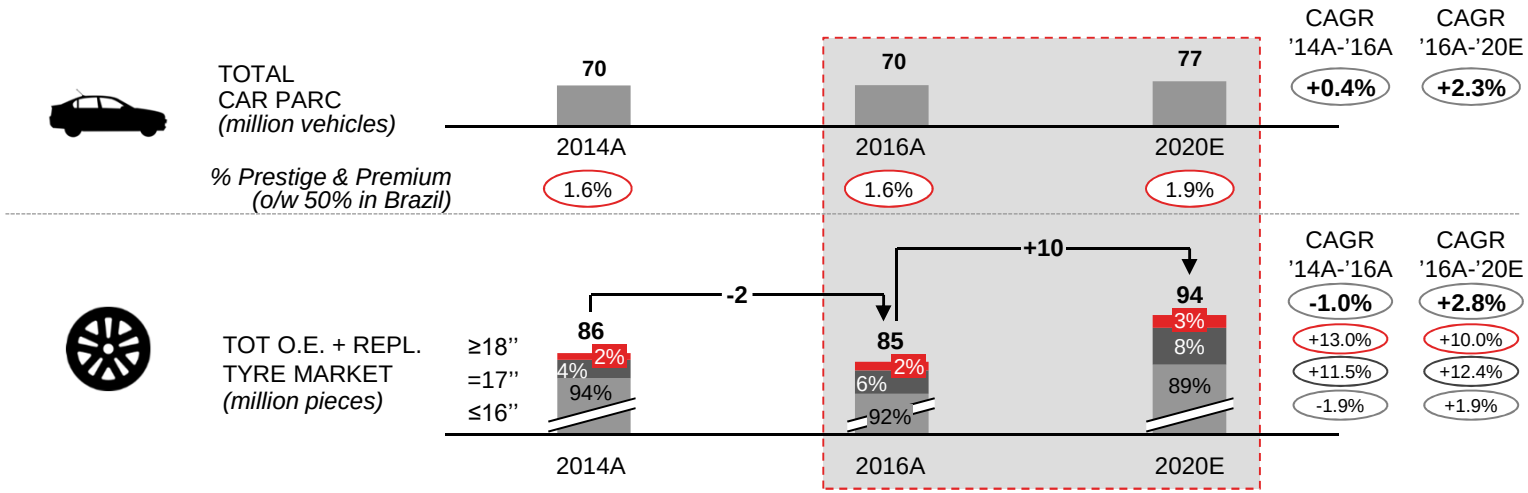
MEAI

- Progressive reduction of Standard production
- Increasing weight of High Value sales (already >50% in 2017)

Russia:

- Focus on Pirelli mix to improve share in ≥17'' with an increasing weight of locally produced High Value tyre
- Strengthening price positioning

REGION DEPLOYMENT LATAM_



PRODUCT

- Premium growing at a moderate pace
- European OEM investments still on going (Audi, Land Rover)

TRADE

- Migration from Mono-brand to Multi-brand retail

CONSUMER

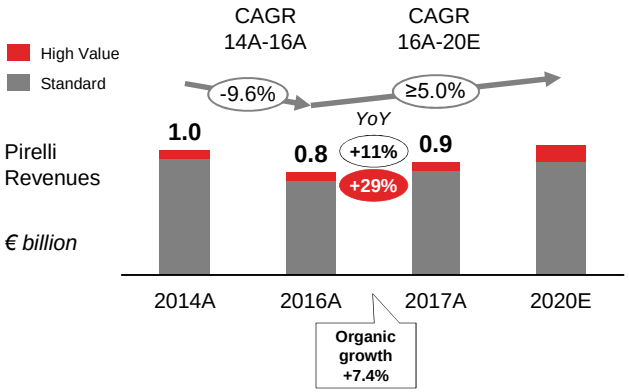
- Digital becomes more important

Note: 2014A, 2016A, 2020E data based on IPO plan

LATAM PLAN_

PIRELLI LATAM TODAY

- Brand #1 Top of Mind (since 14 years)
- Strong presence in O.E., moving to Premium fitments and SUV
- Relevant retail network with >2,700 PoS[1]
- Growing coverage in Multi-brand channel

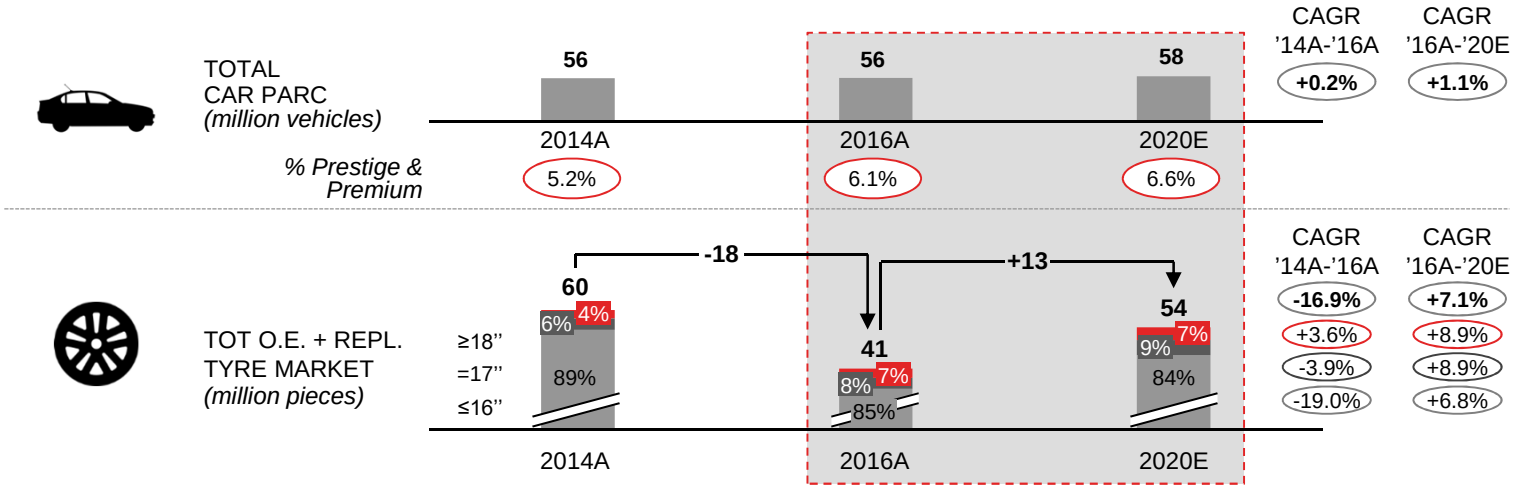


LATAM STRATEGY

- Brazil to become an integrated source for NAFTA
  - Avoiding Mexico concentration
  - Ramping up ≥18" capacity further from existing plant
- Cut standard production capacity, and low value O.E. contracts
- Capacity ready to capture High Value growth when materializes
- Launch of extensive cost containment plan

1. 2017 data; Note: 2014A, 2016A, 2020E data based on IPO plan

REGION DEPLOYMENT RUSSIA & CIS_



PRODUCT

- Seasonal markets, with winter share of ~65%, linked with new car registrations
- In winter products, high share of studded (~75%) and friction (~20%) segments
- Increasing share of second brands

TRADE

- Car dealers still marginal but with growing trend
- Consolidation of tyre dealer chains linked with top distributors
- All main customers developed their online shops

CONSUMER

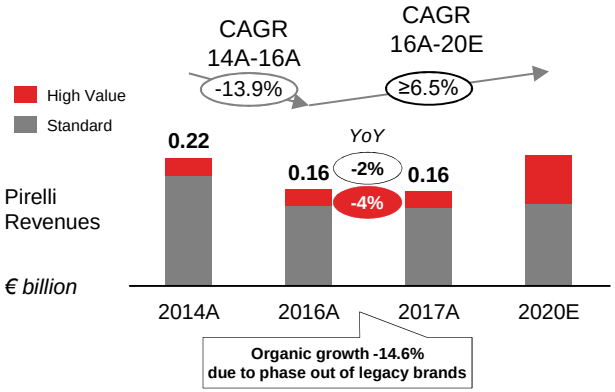
- Increasing search for information and purchase of tyres online
- In retail, purchase still driven by dealers' recommendations

Note: 2014A, 2016A, 2020E data based on IPO plan.

RUSSIA & CIS PLAN_

PIRELLI TODAY

- Recognized as **Premium / Sport** brand fitted on high-end cars
- Winter image improvement through **Ice Hockey World Championship** sponsorship
- 2 local production plants
- >800 PoS, with qualified Marketing support[1]
- **Partnership** in distribution



RUSSIA STRATEGY

- **Improving mix:**
  - Phasing out of legacy brands
  - Focus on Pirelli high mix to improve share in ≥17”
- Winter range extension
- Strengthening price positioning
- Export flexibility: correct balance between local / export sales according to FX trend
- Extend network focusing on strategic locations and partnership with Rosneft
- Co-marketing with Prestige / Car Dealers

1. 2017 data ; Note: 2014A, 2016A, 2020E data based on IPO plan

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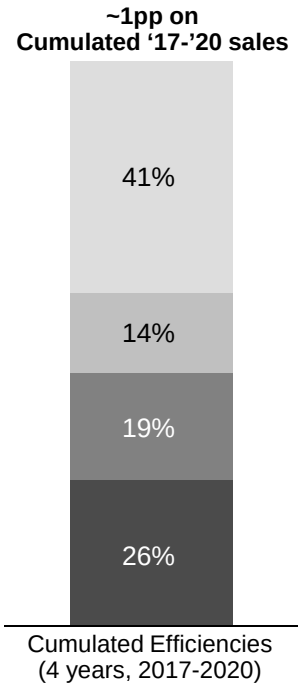
IPO TARGETS_

€ million

	2016A	2020E
Revenues	**4,976**	**≥ 9% CAGR 16-20**
High Value weight on Revenues	*55%*	*~63%*
Adjusted EBITDA margin[1]	**21.7%**	**~ 23% ÷ ~ 24%**
Adjusted EBIT margin[2,3]	**17.0%**	**~ 18.5% ÷ ~ 19.5%**
High Value weight on EBIT	*81%*	*~ 85%*
CapEx on Revenues	**~ 6.8%**	**~ 7.0%** on average '17-20
Net financial position/ Adjusted EBITDA	**4.6X**	**< 2.0X**
ROI[4]	**27%**	**~ 35%**

1 EBITDA margin adjusted excluding non recurring, one-off and extraordinary items; 2 EBIT margin adjusted excluding PPA amortization, non recurring, one-off and extraordinary items; 3 Margin to be impacted by start-up costs up to 1% in 2017 and 2018; 4 ROI calculated as EBIT Adjusted / average Net Invested Capital w/o financial assets and intangibles from PPA

COST EFFICIENCY PLAN WILL FURTHER STRENGTHEN OUR COMPETITIVENESS_



MATERIALS

- Raw materials cost optimization
- Product simplification
- Tyre weight reduction

LABOUR

- Productivity improvement thanks to Smart Manufacturing and Flexible Factory programs
- Process streamlining

OTHERS

- Energy efficiency thanks single machine efficiency (SmartME program)
- Optimized cost control

ALLOCATION MIX

- Higher volume allocated to low cost plants

TAX RATE AT IPO _

IPO PERIMETER	2014	2015	2016
Tax rate post adjustments[1]	32%	32%	31%

STRATEGIC PLAN ADJUSTED TAX RATE (17-20)	
Tax Rate before tax incentives 17 – 20	~ 34%
ACE & Patent Box[2] incentives (perpetual)	~ -6%
Indicative Strategic Plan Tax rate	**< 30%**

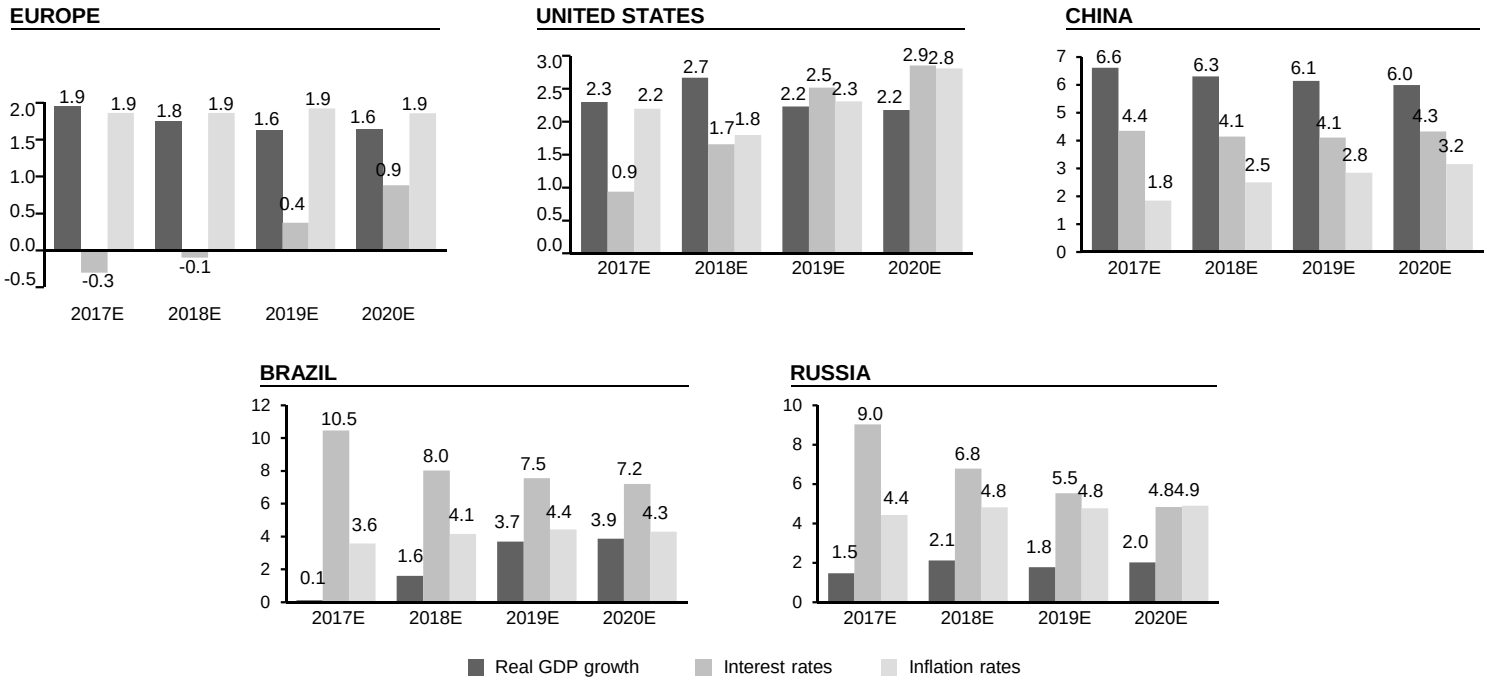
PIRELLI'S APPROACH TO TAX IN THE STRATEGIC PLAN

- ***Tone at the top:*** The Board of Pirelli is engaged in the development of appropriate tax policy principles and in the implementation of internal **tax control systems**, to ensure that the financial and reputational risks associated with taxation are fully identified and evaluated
- ***Transparency and cooperation with Tax Authorities:*** Pirelli aims to develop strong and long lasting relationships with tax authorities based on transparency and trust. Where applicable, we are considering available forms of **enhanced cooperation** with the relevant tax authorities and **advanced pricing agreements** for transfer pricing where we operate in accordance with best-practice rules
- **De Risking:** Pirelli's approach is aimed at achieving an overall **de-risking** in tax affairs with undisputable long-term benefits; our target is to be «**Prestige**» in tax as well

1. Adjusted to consider (i) Income/Loss from Equity Investments (ii) Venezuela deconsolidation and hyperinflation impact, (iii) write-off of the deferred tax assets in 2015
2. A.C.E.: Italian Allowance for Corporate Equity; Patent Box: tax relief on intangible income

BUSINESS PLAN - GDP, INTEREST, INFLATION ASSUMPTIONS AT IPO_

%



Source: IHS Markit regional macro outlook June 2017

BUSINESS PLAN – FOREX AND RAW MATERIAL ASSUMPTIONS AT IPO_

FOREX

	2017E	2018E	2019E	2020E
EUR/USD	1.084	1.050	1.100	1.150
USD/CNY	6.891	7.300	7.400	7.400
USD/BRL	3.180	3.550	3.650	3.750
EUR/RUB	62.054	64.050	70.400	73.600

RAW MATERIALS

	2017E	2018E	2019E	2020E
Natural rubber ($US/metric ton)	1,912	2,200	2,500	2,800
Butadiene (€/metric ton)	1,547	1,800	2,000	2,100
Brent ($US/barrel)	58.00	61.46	64.51	67.16

Source: FOREX Consensun March 2017, Oil: Reuters monthly-April 2017; Natural rubber: management assumption based on external studies

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PIRELLI GOVERNANCE AFTER RE-LISTING_

BY-LAWS

Pirelli By-Laws shall set forth that the corporate governance of Pirelli will be ***inspired to the international best practices***

Technological know-how *is to remain* ***owned by Pirelli*** *and* ***never to be transferred*** *to any third parties, unless approved by an overwhelming majority equal to* ***90% of Pirelli shareholders***

In line with Pirelli fundamental legacy, traditions and entrepreneurial culture, ***Pirelli headquarters*** *is to* ***remain in Milan*** *(Italy) unless approved by an overwhelming majority equal to* ***90% of Pirelli shareholders***

One-fifth *of the board* ***appointed by minority shareholders***

BOARD OF DIRECTORS

Highly qualified *Members and suitable mix of competences and* ***key role of independent directors:*** *the majority of the Board is made up of Independent Directors*

Internal committees in line with the best practices *of international and Italian listed companies, with independent directors having a key role.*

Transactions with related parties *to be governed by principles and procedures in line with the* ***best practices*** *with a key role of the Committee for Related Parties Transactions*

SHAREHOLDERS AGREEMENT

The partnership recognize that (i) Pirelli is a company specialised in high quality and technology products, (ii) the loyalty, professional competence and expertise of the management as key factor for the success and growth of Pirelli and its business

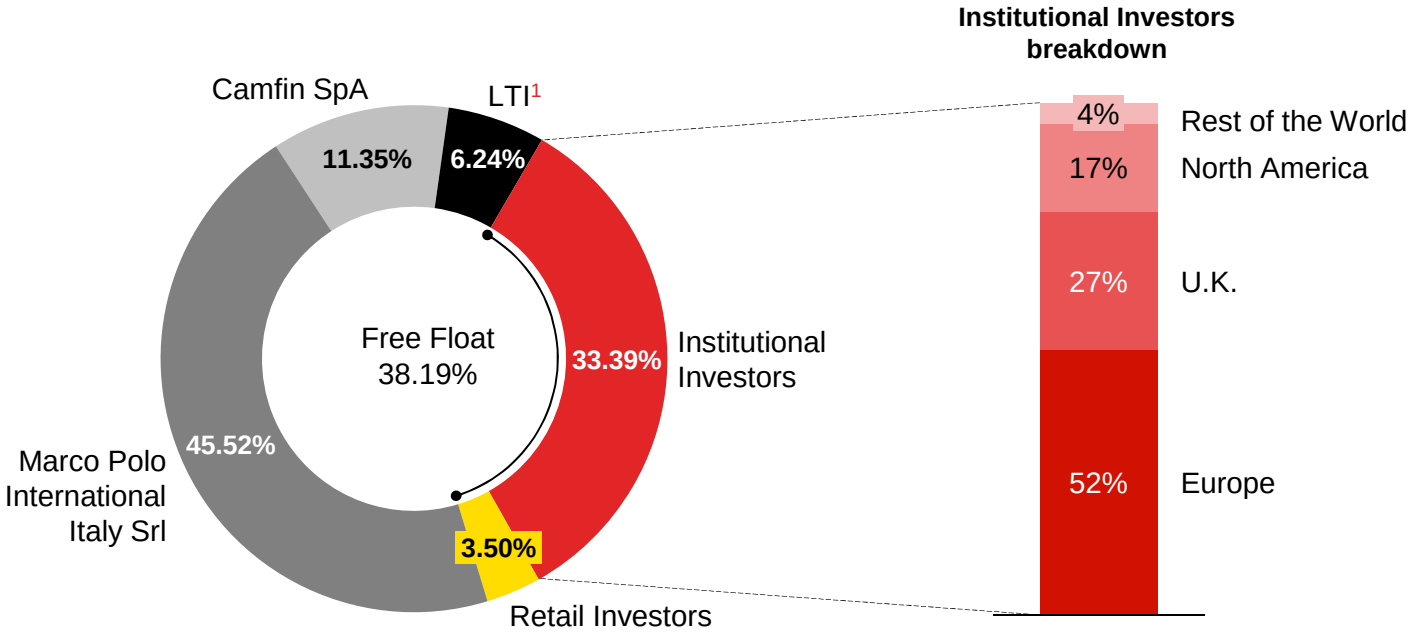
Pivotal role of the top management to maintain its ***quality standards****, essential to preserve and value Pirelli industrial history*

Pirelli Chief Executive Officer *to lead top management and ensure Pirelli business culture continuity*

Pirelli Recruiting and Career Plans and its incentive schemes to ***match management and shareholders interests****. Incentive plan targets consistent with Pirelli New Strategic Plan (e.g.: cumulated profitability),*
and in line with the best practices for listed Companies (e.g.: TSR, sustainability)

Leading role of Marco Tronchetti Provera in the designation of his successor

PIRELLI SHAREHOLDER STRUCTURE_



Note: last updated 04 September 2018; source: NASDAQ, Libro soci Pirelli

1. Long-Term Investments Luxembourg S.A.; stake transferred to a third party, subject to a "Repurchase Agreement". Such third party committed to transfer back to LTI, when due, the ownership of the same number of Pirelli stocks and to do everything is in its power to exercise the right to vote, subject to the transaction, according to the voting instructions given by LTI each time.

REMUNERATION SYSTEM_

Pirelli remuneration system is governed by a specific Policy to be approved by the Shareholders' meeting (May 15, 2018)

- Guidelines on compensation mix for senior Management:
  - fixed component: no more than 60% of Total Annual Direct Compensation at target
  - annual MBO: no less than 20% of the fixed component at target level
  - medium-long term variable compensation: at least 60% of the total variable compensation at target level
  - all variable components are capped
- No golden parachutes
- No severance agreements
- Clawback clauses in both MBO and LTI plans
- Non-compete agreement
- Four-years Retention Plan: to guarantee the continuity of management (also after the CEO Office's expiration)

LONG-TERM INCENTIVE PLAN HIGHLIGHTS_

New long-term incentive plan 2018-2020

- Cash, long-term incentive plan aligned with the 2017-2020 Industrial Plan
- On/Off condition to access the plan, linked to Deleveraging and 4 objectives with different weights *(see following slide)*
- Bonus at target level defined as percentage of base salary; pay-out cap is 2x bonus at target level, entry level pay-out is 0.75x bonus at target level.

LONG-TERM INCENTIVE PLAN OBJECTIVES_

New long-term incentive plan 2018-2020

> On/off condition: Net Financial Position / Adjusted EBITDA ratio < 2x as of December 31st, 2020 – in line with the Industrial Plan target

Objective	Weight	Value at target
Absolute TSR	40%	+48.4%[1] - equal to an annualized return of 14.1%
Relative TSR	20%	Pirelli performance aligned to the weighted average of the peers' performance (Nokian, Michelin, Continental)
Average adj. EBIT margin[2]	30%	2018-2020 avg. Pirelli adjusted EBIT margin[2] consistent with the Industrial Plan
Sustainability Index	10%	Pirelli ranking in Dow Jones Sustainability World Index ATX Auto Component sector. Pay-out subject to the achievement of at least one of the other 3 targets

1. (2H 2020 average stock price – 4Q 2017 average stock price + dividends paid) / 4Q 2017 average stock price; Pirelli 4Q average stock price: €6.9 (Source Bloomberg)
2. Before restructuring costs, non recurring items and PPA amortization

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5. SUSTAINABILITY

5a. PIRELLI SUSTAINABILITY MODEL

5b. ACHIEVEMENTS

5c. EVOLVING CONTEXT & KEY INDUSTRY TRENDS

5d. SUSTAINABILITY PLAN: RETURN ON CAPITAL

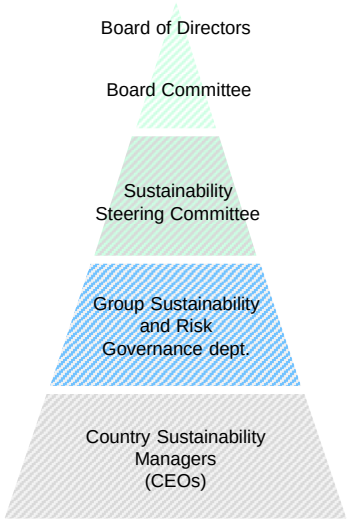
- Growth
- Productivity
- Risk Management

PIRELLI SUSTAINABILITY MODEL_

PIRELLI MULTI-STAKEHOLDER SUSTAINABILITY MODEL ALIGNS TO

United Nations Global Compact | ISO 26000 SOCIAL RESPONSIBILITY | AA1000 Stakeholder Engagement Standard 2nd EDITION

GOVERNANCE



MANAGEMENT

Quality
ISO 9001
IATF 16949
ISO/IEC 17025

Labour and Social
OHSAS 18001
Standard SA8000® (Reference Std)

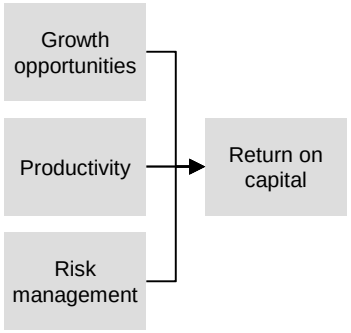
Environment
ISO 14001
ISO 14040
ISO 14064

Anti-Bribery
ISO 37001

Purchasing
ISO 20400

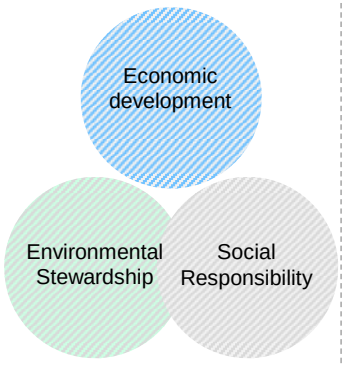
PLAN

Using the "Value Driver Model"** to better assess and communicate the financial impact of sustainable strategies.



REPORTING*

Sustainable performance is integrated in the Group Annual Report:



**Using Global Reporting Initiative (GRI –Standards), Comprehensive option; principles of integrated reporting contained in the Framework of the International Integrated Reporting Council (IIRC), Assurance Engagements, ISAE 3000 – Assurance Engagement on GHG ISAE 3000; **Tool developed by the UN Global Compact and UN Principles for Responsible Investment (PRI).*

A COMPREHENSIVE CORPORATE POSITIONING & INTERNATIONAL ENGAGEMENT_

MAIN GROUP POLICIES*

- The Values and the Ethical Code
- Code of Conduct and Premium Integrity Program
- Antitrust and Fair Competition
- Equal Opportunities
- Health, Safety and Environment
- Human Rights
- Product Stewardship
- Quality
- Green Sourcing
- Social Responsibility for Occupational Health, Safety, Rights and Environment
- Tax
- Personal Data Protection
- Corporate Lobbying
- Whistleblowing
- Intellectual Property
- Sustainable Natural Rubber

ADVOCACY: PLAYER WITHIN MAIN INTERNATIONAL ORGANIZATIONS IMPACTING ON SUSTAINABLE DEVELOPMENT

- United Nations Global Compact LEAD
- World Business Council for Sustainable Development**
- Corporate Social Responsibility Europe***
- European Occupational Safety and Health Agency (EU-OSHA)****

Key Global sustainability issues

**Published on Pirelli's website in multiple languages and communicated to all employees in their local language; **Member of the Tire Industry Project Group (TIP) and of the SiMPlify Project on Sustainable Mobility; ***Member of the Board; ****Campaign partner.*

AGENDA_

- **5. SUSTAINABILITY**
  - **5a.** PIRELLI SUSTAINABILITY MODEL
  - **5b. ACHIEVEMENTS**
  - **5c.** EVOLVING CONTEXT & KEY INDUSTRY TRENDS
  - **5d.** SUSTAINABILITY PLAN: RETURN ON CAPITAL
    - Growth
    - Productivity
    - Risk Management

2017 MAJOR ACHIEVEMENTS_

- **Green performance revenues* 2017: 42%** on total tyre revenues (vs. 40% in 2016 and vs. 5% in 2009)
- Issuance of **new Pirelli** «Sustainable Natural Rubber Policy»
- Compliance of Pirelli **Purchasing Model with ISO 20400** confirmed by third party (Feb. 2018)
- Compliance of Pirelli **Anti-Corruption Management System** with **ISO 37001** confirmed by third party (Feb. 2018)
- Pirelli awarded **Global Sustainability Leader of Auto Components** Industry and Gold Class Company with a score of 83 points vs. sector average of 42** (Feb. 2018)

- ***Average* Rolling resistance** of Pirelli car tyres reduced by **-15%** vs. 2009
- **Specific energy consumption -4%** vs. 2016 and **-15%** vs. 2009
- **CO_2 specific emissions -4%** vs. 2016 and **-9%** vs. 2009
- **Specific water withdrawal -14%** vs. 2016 and **- 62%** vs. 2009
- Towards «**zero waste to landfill**»: **93%** of waste recovered in 2017 (+1% vs. 2016 and +24% vs. 2009)
- **Renewable Energy**: around **43%** of purchased electricity came from renewable sources*** (+5% vs. 2016)

- **International Stakeholder Consultations** on Natural Rubber Policy
- **National Stakeholder Consultations** on Sustainability Plans (Russia and Argentina)
- **Accident frequency index reduction: -18%** vs. 2016 and **-83%** vs. 2009
- **Training days per capita: 8** average days per capita
- **Supplier Sustainability risk assessment**; 83 ESG**** audits performed by independent party; total number of non-conformities found on-site decreased by 16% compared to 2016

** Figure obtained by weighing the value of sales of Green Performance tyres on the total value of sales of Group tyres. Green Performance products identify tyres that Pirelli produces throughout the world and that fall only under rolling resistance and wet grip classes A, B, C according to the labeling parameters set by European legislation; ** Sustainability Yearbook 2018 (by RobecoSAM –Analysts for Dow Jones Sustainability indexes); ***Internal evaluation on International Energy Agency (IEA) data considering Pirelli geographical breakdown;**** Environmental, Social and Governance.*

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EVOLVING CONTEXT & KEY INDUSTRY TRENDS_

SOCIO – DEMO TRENDS

- Purchasing power growth
- Digitalization
- Growing urbanization

MOBILITY EVOLUTION

Travel	Urban life	Transfer	Commuting
• Higher income and autonomous capabilities will increase miles driven	• Car sharing will reduce cars on the streets • Autonomous driving will increase mobility demand including elderly and impaired	• Thanks to autonomous driving capabilities, cars will compete with trains and planes on long distance trips	• Smart-working and multimodal transport will reduce private car use for daily commuting

CAR EVOLUTION*

Connected	Autonomous	Shared	Electric
• 83% of total car sales in 2025 • 99% of Premium & Prestige cars	• 12% of total car sales in 2025** • 30% of Premium and Prestige sales in 2025**	• Only 1% of car sales but 5% of miles driven in 2025	• 10% of total sales in 2025 • 21% of Premium and Prestige sales in 2025

**Research reports, Pirelli estimate; ** From level 3 (the driver can safely turn its attention away from the driving task but still be prepared to intervene) to level 5 (fully autonomous vehicle).*

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- **5d. SUSTAINABILITY PLAN: RETURN ON CAPITAL**
  - Growth
  - Productivity
  - Risk Management

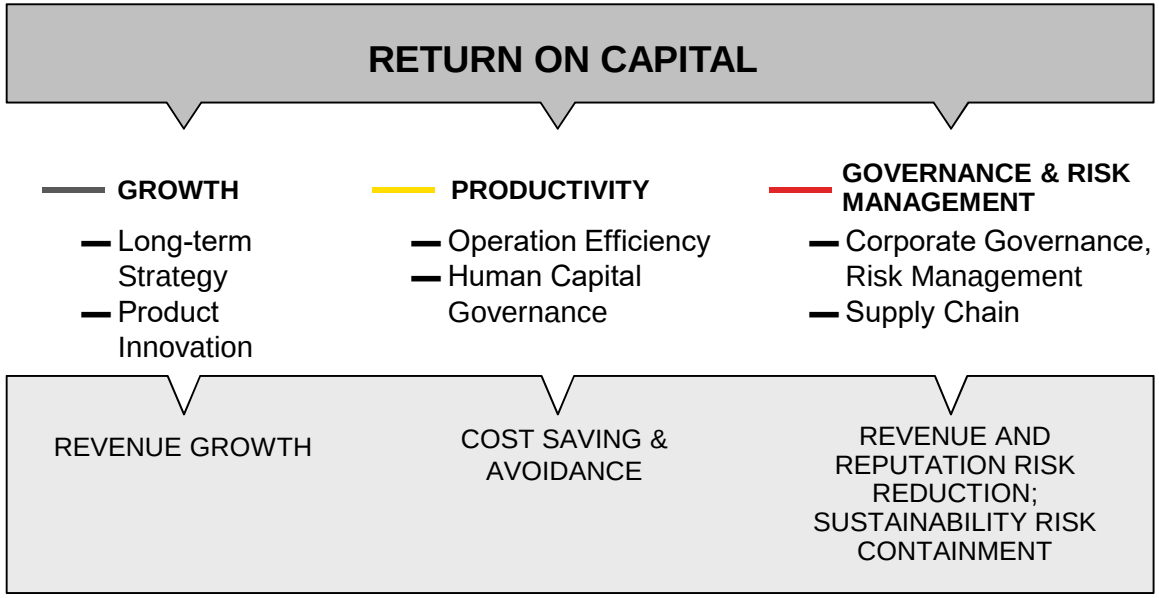
SUSTAINABILITY PLAN_

The Plan 2020 with selected target 2025:

- was drafted and is presented according to **Pirelli Value Driver Model**, with a **Return on Capital** approach
- **integrates Group Industrial Plan** and its **High Value** development strategy
- **replaces previous** 2013-2017 **Sustainability Plan** with selected targets 2020 (vs. 2009)
- maintains **2009** as base reference year to allow long-term numerical trends to be appreciated
- **impacts on 12 UN SDGs** (Sustainable Development Goals 2030) set forth by the United Nations: following slides show which SDGs are related to the targets therein described

RETURN ON CAPITAL: PIRELLI VALUE DRIVER MODEL*_

Sustainability Plan Structure



** Pirelli model is inspired to the Value Driver Framework of the UN-PRI (United Nations - Principles for Responsible Investment) and UN Global Compact, aimed at supporting dialogue between investors and operations on ESG themes*

SUSTAINABILITY LEVERS IN PIRELLI INDUSTRIAL PLAN_

INDUSTRIAL PLAN 2017-2020	SUSTAINABILITY PLAN 2017-2020 with selected target 2025
TOP LINE GROWTH ***HIGH VALUE FOCUS*** • O.E. HOMOLOGATION PIPE LINE • PRODUCT INNOVATION • SHIFTING CAR CAPACITY TO HIGH VALUE • CONSUMER CENTRIC APPROACH	• Green Performance revenues 2020 for High Value Products : >65% on total revenues • Product performance – car: noise -15%, rolling resistance -20%, wet grip +15% within 2020 vs 2009 • Raw materials: for selected segments Pirelli will double the share of renewable materials and reduce the fossil based materials by 30% within 2025 vs 2017 • Natural Rubber value chain: implementation of Pirelli Policy, ESG risk-based approach, traceability upstream • Future Mobility: Cyber Technology with PIRELLI CONNESSO™, Cyber Tyre™ ,Cyber™ Fleet • Business Velo: looking to future mobility & high performance
COST COMPETITIVENESS ***TRANSFORMATION PROGRAMS*** • INTEGRATED FORECASTING • SMART MANUFACTURING & FLEXIBLE FACTORY • DESIGN TO COST • ENHANCED SUPPLY CHAIN • UPGRADING MANUFACTIRING ASSET	• People: shift to digital, agile and cross-functional mindset • Training: ≥7 man / days per employee per year • Target Zero Workplace Accidents: Frequency Index reduction by 87% within 2020 vs 2009 • Growing investment in operational risk mitigation: double digit CAGR • Reduce energy consumption by 19% within 2020 vs 2009 • Reduce CO_2 emission by 17% within 2020 vs 2009 • Towards zero waste to landfill • Reduce water withdrawal by 66% within 2020 vs 2009

RETURN ON CAPITAL

AGENDA_

5. SUSTAINABILITY

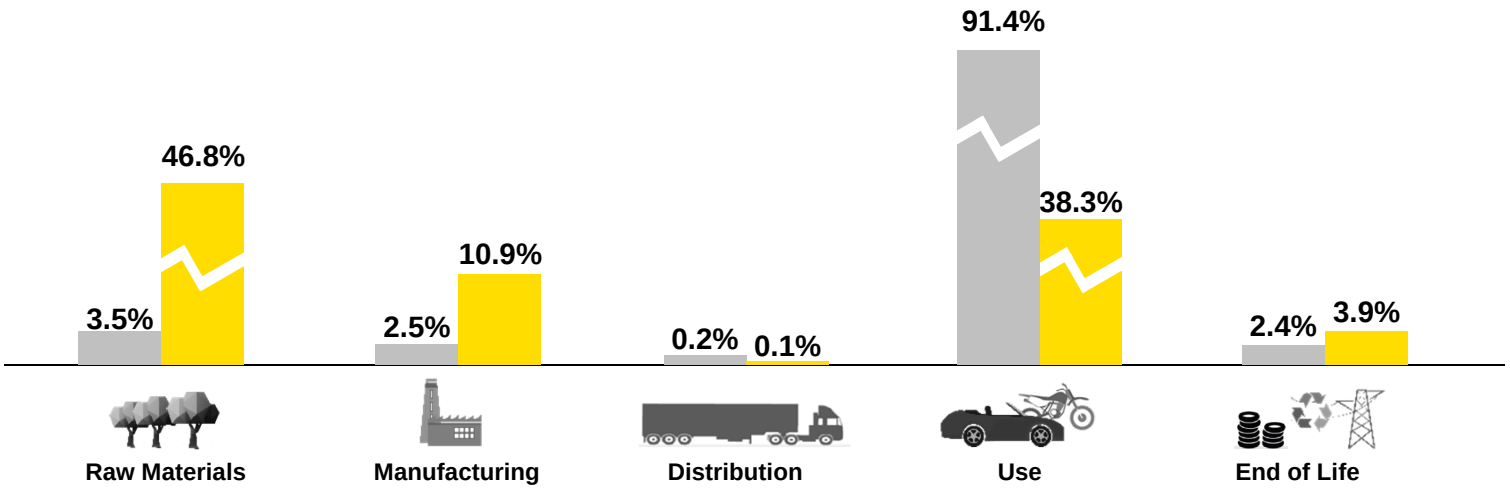
- **5a.** PIRELLI SUSTAINABILITY MODEL
- **5b.** ACHIEVEMENTS
- **5c.** EVOLVING CONTEXT & KEY INDUSTRY TRENDS
- **5d. SUSTAINABILITY PLAN: RETURN ON CAPITAL**
  - **Growth**
  - Productivity
  - Risk Management

GROWTH: ALIGNING STRATEGY TO FOOTPRINT_

Pirelli Carbon & Water Life Cycle Assessment

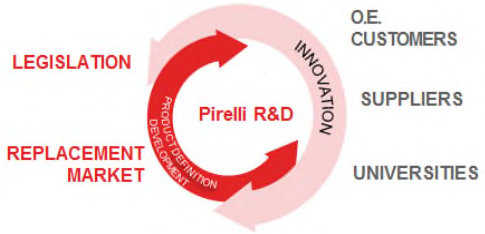
GWP *Global Warming Potential*

WD *Water Depletion*



GROWTH: PRODUCT INNOVATION_
*Renewable Materials**

AN R&D OPEN INNOVATION PLATFORM BUILT ON A HOLISTIC MODEL

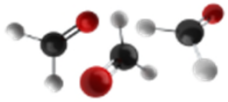


AN R&D ROADMAP DRIVEN BY RENEWABLE* RAW MATERIALS

- INNOVATIVE NATURAL NANOFIBERS
  for high performance tyres
- BIORESINS
  research on new cost-effective grades
- TAILORED LIGNIN
- HIGH PERFORMANCE SILICA FROM RICE HUSK
- FUNCTIONALIZED POLYMERS
  Research of innovative grades that guarantee reduced environmental impact in terms of fuel consumption, greater driving safety and improved production efficiency

By 2025 (vs. 2017) for Specific Products Segments Pirelli aims to:

- **Double the share of Renewable Raw Materials**
- **Reduce the Fossil-Based Materials by -30%**



**Renewable Natural Resources are natural resources that, after exploitation, can return to their previous stock levels by natural processes of growth or replenishment. (source: OECD glossary definition at https://stats.oecd.org/glossary/detail.asp?ID=2290)*

GROWTH: PRODUCT INNOVATION_

Intercepting shifts in Market Expectations

PRESTIGE & PREMIUM CAR EVOLVES IN 4 DIRECTIONS

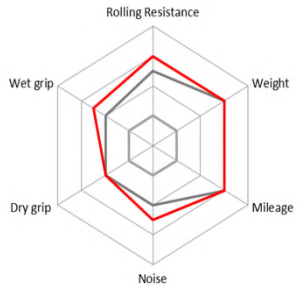
TYRE HAS TO EVOLVE AS WELL

PIRELLI IS RESPONDING WITH SPECIFIC SOLUTIONS

Connected	Monitoring of tyres' conditions, including wear and load, via smartphone or car electronics	PIRELLI CONNESSO CYBER CAR
Autonomous	Integrated real-time analysis of tyres and car performance, for the safest autonomous drive	CYBER TYRE
Shared	Cloud-based solutions for fleets, enabling TCO reduction and higher uptime of vehicles	CYBER FLEET
Electric	Homologation of «Green» tyres (A-label RR), specifically designed for electric cars	***R**unflat* ***U**ltra **L**ow **R**olling **R**esistance* *Pirelli **N**oise **C**ancelling **S**ystem*

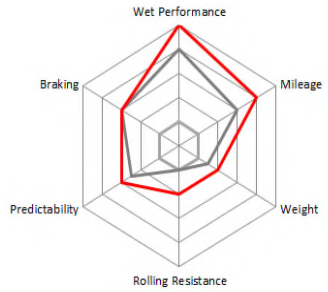
GROWTH: TYRE DEVELOPMENT_

Car



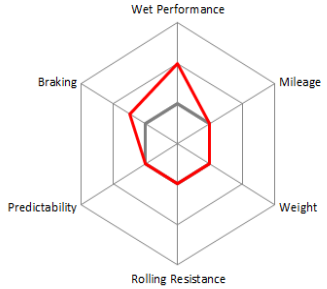
CAR base year 2009	Today	→	2020
Rolling Resistance	-15%	→	-20%
Wet Grip	+10%	→	+15%
Noise	-10%	→	-15%
RR HIGH VALUE*	-10%	→	-14%

Moto



MOTO base year 2009	Today	→	2020
Rolling Resistance	0%	→	-10%
Wet Performance	+30%	→	+40%
Mileage	+20%	→	+30%

Velo

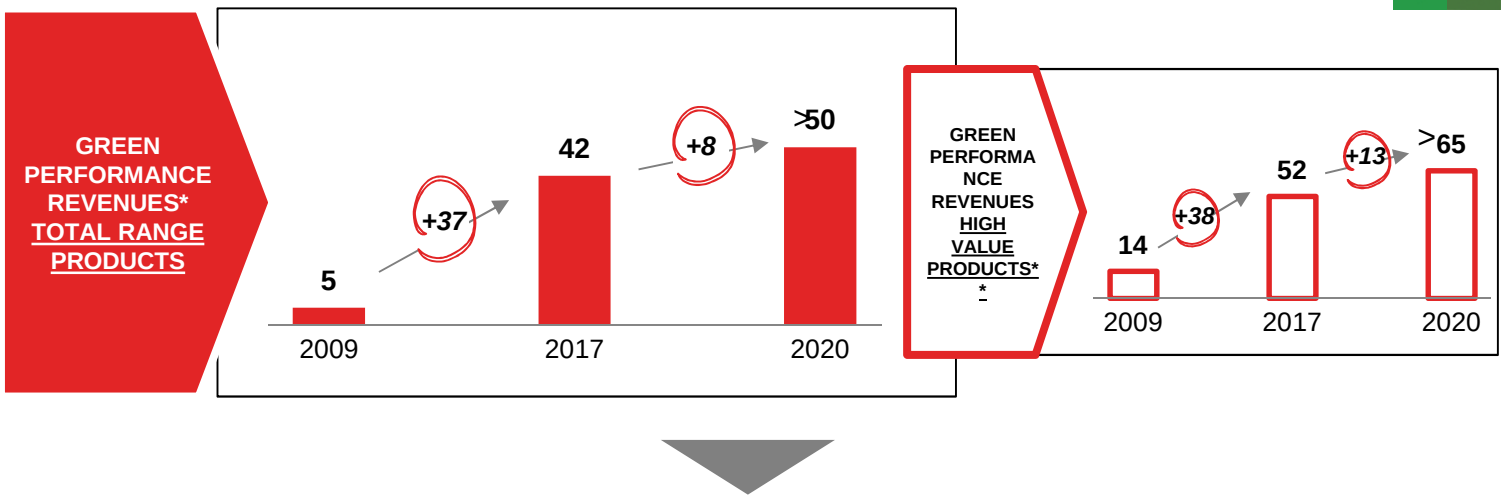


VELO base year 2017**	Today	→	2020
Rolling Resistance	0%	→	0%
Wet Performance	0%	→	+10%
Braking	0%	→	+5%

Less rolling resistance	Less CO_2 emissions
Less noise	Better living environment
Increased mileage	Increased tyre life
Less weight	Less impact on natural resources

** Focus on HIGH VALUE products including RIM18+ and «specialties» (Run-Flat, PNCS, Seal Inside with rim ≤ 17); ** 2017: stating year of Velo Business.*

GROWTH: GREEN PERFORMANCE REVENUES_



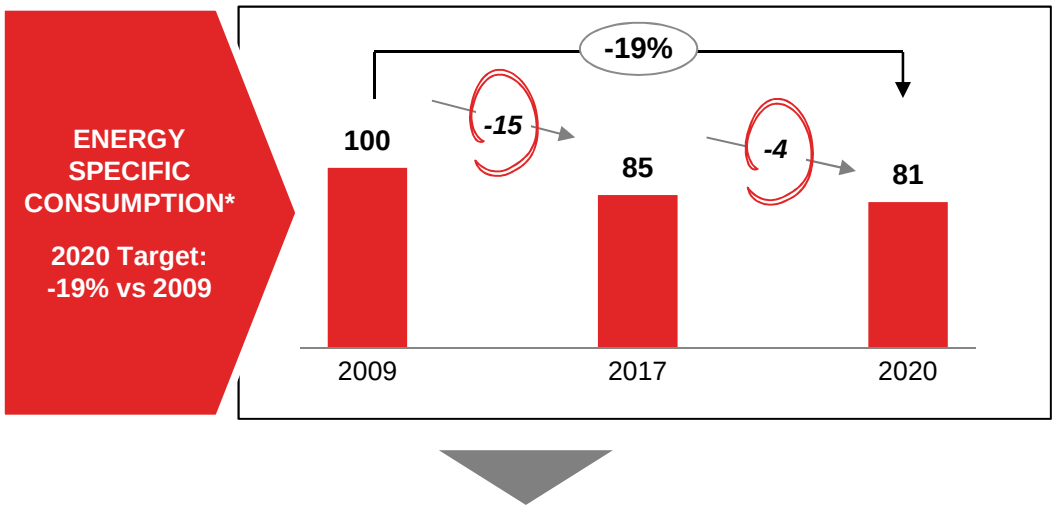
- Figure calculated by applying the EU-label regulation to all tyre products sold WW
- Criteria to categorize the Green Performance products: Rolling Resistance and Wet Grip that falls ONLY in A, B, C classes

** Figures calculated in % by weighing the value of sales of Green Performance Products on the total value of Group sales; ** Focus on HIGH VALUE products including RIM18+ and «specialties» (Run-Flat, PNCS, Seal Inside with rim ≤17")*

AGENDA_

- **5. SUSTAINABILITY**
  - **5a.** PIRELLI SUSTAINABILITY MODEL
  - **5b.** ACHIEVEMENTS
  - **5c.** EVOLVING CONTEXT & KEY INDUSTRY TRENDS
  - **5d. SUSTAINABILITY PLAN: RETURN ON CAPITAL**
    - Growth
    - **Productivity**
    - Risk Management

PRODUCTIVITY: PROCESS EFFICIENCY_
Energy Consumption

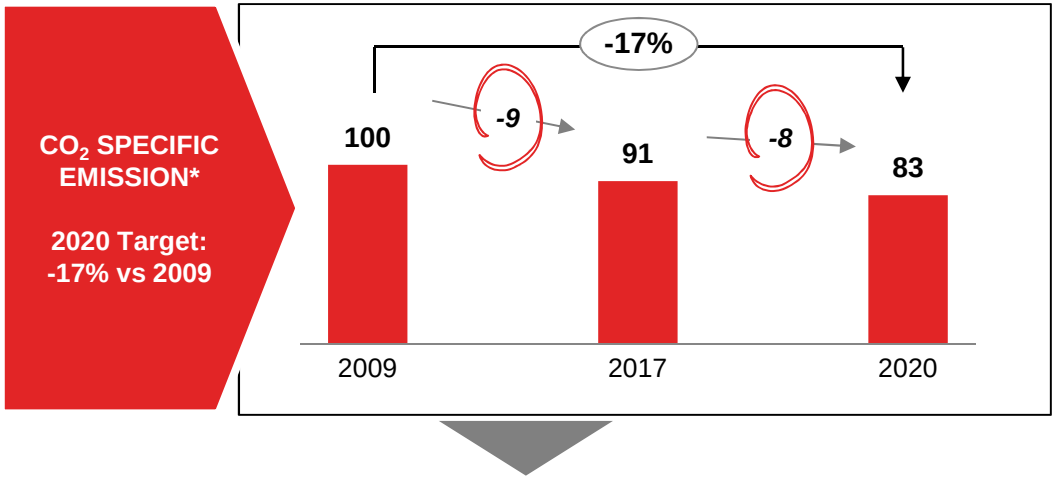


- Energy specific consumption in 2017 vs. 2009: -15%
- Target 2020 : energy specific consumption -19% vs. 2009

** Value calculated in % and normalized on tons of produced tyres*

PRODUCTIVITY: PROCESS EFFICIENCY_

CO_2 Emissions & Renewables

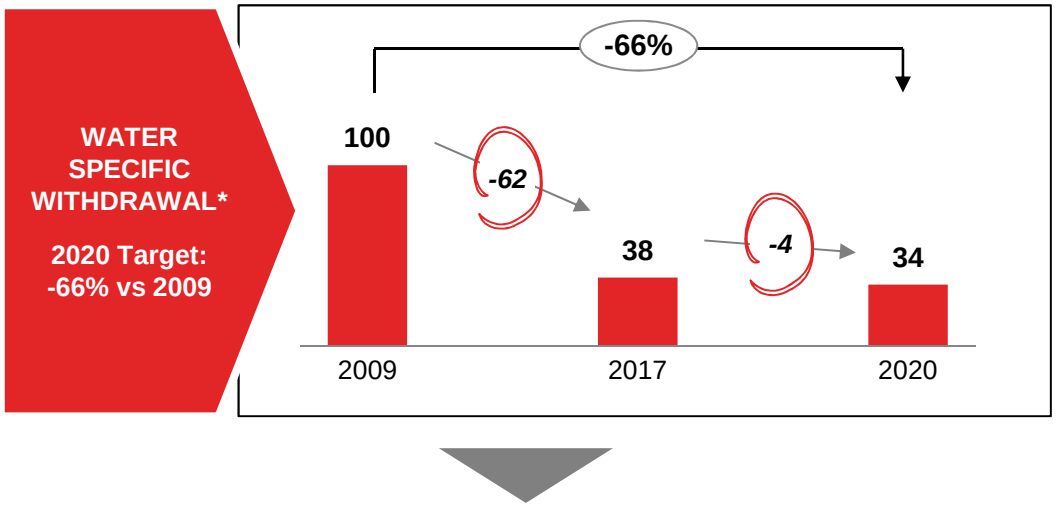


- CO_2 specific emissions in 2017 vs. 2009: -9%. Positive impacts from steam generated from biomass, and from the use of renewable electrical energy;
- In 2017 around 43% of the electricity purchased by the Company came from renewable sources** (+5% vs. 2016);
- Target 2020: CO_2 specific emissions -17% vs. 2009

** Value calculated in % and normalized on tons of produced tyres; ** Internal evaluation based on Pirelli specific projects and International Energy Agency (IEA) data considering Pirelli geographical breakdown*

PRODUCTIVITY: PROCESS EFFICIENCY_

Water Withdrawal

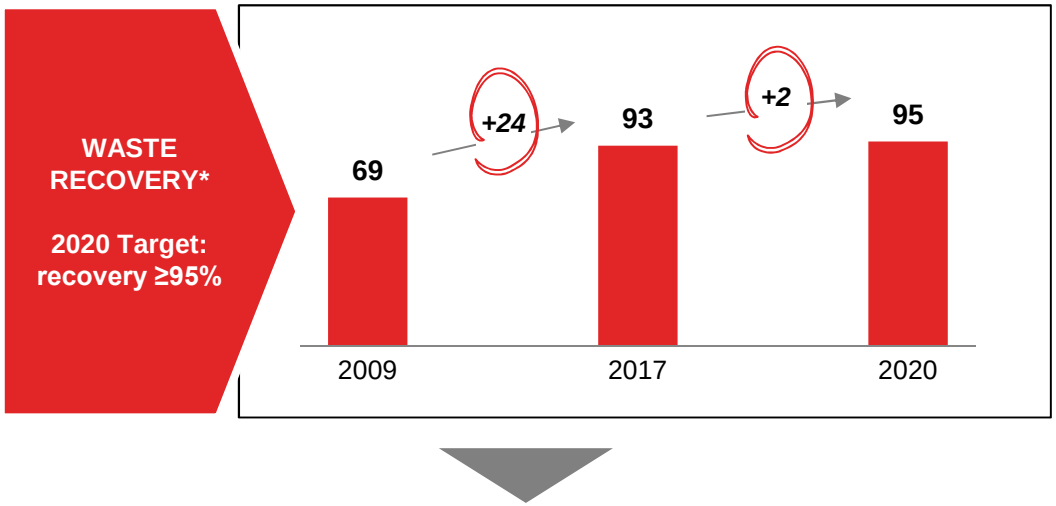


- Water specific withdrawal in 2017 vs 2009: -62% (around 60 million cubic meters of water saved since 2009)
- Target 2020 : water specific withdrawal -66% vs 2009 (estimated 100 million cubic meters of water saved in the decade 2009-2020)

** Value calculated in % and normalized on tons of produced tyres*

PRODUCTIVITY: PROCESS EFFICIENCY_

Waste Recovery



- Waste recovered (on total waste) in 2017 vs. 2009: 93% (+24% vs. 2009)
- Target 2020 : *towards no waste to landfill* with a recovery rate ≥95%

** Value calculated in % and normalized on tons of produced tyres*

PRODUCTIVITY: HUMAN CAPITAL CULTURE_
Digital Transformation

A Digital, Agile, Cross-functional and Responsible Mind-set supporting Pirelli long-term development

CULTURE & EDUCATION

- Customer centric with focus on products
- Trust and transparency
- Adaptiveness to respond to changes and capture value

WAY OF WORKING

- Work horizontally
- Open collaboration
- Agile to stress customer centric and iterative approach

DATA & TECHNOLOGY

- Sharing information
- Single source of truth
- Technical excellence practices
- Flexible technology stack

PRODUCTIVITY: HUMAN CAPITAL GOVERNANCE_

DIALOGUE & ENGAGEMENT

- As from 2018: introduction of new “Sustainable Engagement Index” to measure employees satisfaction

OCCUPATIONAL HEALTH & SAFETY

- Safety Culture focused on reaching «Zero Accident »
- Target 2020: reduction of accident frequency index (IF) by -87% vs. 2009 (2017 Performance: -83% vs 2009)

REMUNERATION

- ESG Targets integrated in management* annual and long-term incentives

DIVERSITY

- Historically, a multi-cultural” Company: 89.5% employees work outside Italy
- 53% of Senior Management experienced at least an assignment abroad during her/his career
- Women in the Board of Directors: 29%
- Women in management positions: 21.6%

WELFARE

Group Welfare Guidelines applied throughout the Group

- 4 pillars: lifestyle, support for families, working life and working environment, leisure time

TRAINING & DEVELOPMENT

- Average training days per capita / year ≥7
- 90% of employees involved in at least 1 training program/year
- Focus on developing skills and competences strategically supporting digital transformation

**Applied to the generality of Group top management and executives*

AGENDA_

5. SUSTAINABILITY

- **5a.** PIRELLI SUSTAINABILITY MODEL
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  - Growth
  - Productivity
  - **Risk Management**

RISK MANAGEMENT: SUPPLY CHAIN SUSTAINABILITY_

Full compliance of Purchasing Model with ISO 20400 provisions attested*

STEPS

SELECTION + QUALIFICATION/HOMOLOGATION ESG**	CONTRACTUAL STAGE	ONSITE THIRD-PARTY AUDIT
ESG assessment questionnaire	Sustainability Clause	— >500 audits from 2009 to 2017 — checklist derived from SA8000®, sustainability contractual obligations, local law

ENGAGEMENT

- ESG** yearly training Campaign
- CDP*** Supply Chain **2020 target: 90%** response rate of raw materials suppliers (2017 rate: 71%)
- Sustainability Supplier Award
- Joint Development Agreements on Innovative and Renewable Raw Materials.

FOCUSING ON THE ORIGIN OF THE VALUE CHAIN

SUSTAINABLE NATURAL RUBBER POLICY
ON-GOING CONSULTATION WITH

- NGOs
- Suppliers
- Customers
- Development Agencies
- Multilateral Organisations

**Third Party Opinion released in February 2018 by SGS Italy S.p.A; **ESG: environmental, social, governance; ***CDP: Carbon Disclosure Project*

RISK MANAGEMENT: PIRELLI NATURAL RUBBER SUSTAINABILITY POLICY (OCTOBER 2017)_

The Policy…

- is the result of one year and a half analysis, **consultation and engagement** process with key international Stakeholders
- imports **governance models** from major international reference documents and tools
- targets **transparency and traceability** of the whole supply chain upstream, with a **risk-based** approach

….and is based on substantial pillars:

- Protection of **labour and human rights**, local **community development,** prevention of **conflict related to land ownership**
- **No Deforestation, No Burn, No Peat, No land grabbing; Ecosystems protection through land planning**
- a **call to co-operation and constructive dialogue among Stakeholders** playing a material role in natural rubber value chain
- encouragement to invest in solid and **internationally recognized forms of certifications**
- transparent **reporting** on implementation **results**

...in 2018

- **Release of the Policy Implementation Manual (drafted with the contribution of key stakeholders) and on-site training**
- **Deforestation risk mapping through innovative digital tools**
- **Traceability and ESG risk evaluation activities through local engagement**

RISK MANAGEMENT: ENTERPRISE RISK MANAGEMENT_

A Holistic Approach: Stretching from Sustainability to External Risks

REPUTATIONAL AND SUSTAINABILITY RISKS

EXTERNAL RISKS*

External risks refer to events whose occurrence is outside the Company's control (i.e. country risk-macroeconomic volatility)

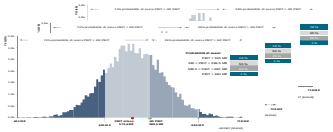
SCENARIO ANALYSIS OF KEY MACRO GEOPOLITICAL EVENTS

LOW EXPOSURE TO HIGH RISK COUNTRY

STRATEGIC RISKS*

Strategic risks refer to events that stem from business. The correct management of such risks is a source of competitive advantage, or otherwise, the cause of failing to achieve planned targets

MONTECARLO SIMULATION TO ASSESS EXPECTED VOLATILITY



EBIT TARGET IN LINE WITH RISK APPETITE

OPERATIONAL RISKS*

Operational risks refer to events generated by the organisational structure. Assuming these risks do not produce any competitive edge. (i.e. ICT-HSE-Loss Prevention and Business Continuity-Compliance)

ANNUAL OPERATIONAL RISK ASSESSMENT

DOUBLE DIGIT CAGR INVESTMENT IN RISK MITIGATION

**Some risk clusters may be transversal to more areas*

AGENDA

1. PIRELLI BUSINESS MODEL

2. 9M'18 FINANCIAL RESULTS

3. FY 2017 FINANCIAL RESULTS

4. STRATEGY AND PLAN 2017-2020

- **4a.** PIRELLI AT A GLANCE
- **4b.** KEY INVESTMENT HIGHLIGHTS
- **4c.** MARKET AND COMPETITION
- **4d.** HIGH VALUE STRATEGY: LEVERS AND REGIONAL DEPLOYMENT
- **4e.** HIGH VALUE STRATEGY: START-UPS
- **4f.** TRANSFORMATION PROGRAMS
- **4g.** STANDARD PROGRAMS
- **4h.** TARGETS 2020

5. GOVERNANCE

6. SUSTAINABILITY

7. APPENDIX

AGENDA_

6. APPENDIX

6a. HISTORICAL FINANCIALS

KEY FINANCIAL HIGHLIGHTS_

€ million	2014A	2015A	2016A	2017A
Revenues adjusted	**4,480**	**4,785**	**4,976**	**5,352**
% YoY		*7%*	*4%*	*+8%*
EBITDA Adjusted w/o start-up costs	**890**	**1,021**	**1,082**	**1,175**
Margin %	*20%*	*21%*	*22%*	*22%*
EBIT Adjusted w/o start-up costs	**654**	**769**	**844**	**927**
Margin %	*15%*	*16%*	*17%*	*17%*
EBIT Adjusted	**654**	**769**	**844**	**876**
Margin %	*15%*	*16%*	*17%*	*16%*
Net income Adjusted	**281**	**388**	**297**	**387**
Margin %	*6%*	*8%*	*6%*	*7%*
Capex	**297**	**349**	**340**	**489**
As % of revenues	*7%*	*7%*	*7%*	*9%*
EBITDA Adjusted - CapEx	**592**	**672**	**742**	**686**
Cash conversion ratio %	*67%*	*66%*	*69%*	*58%*

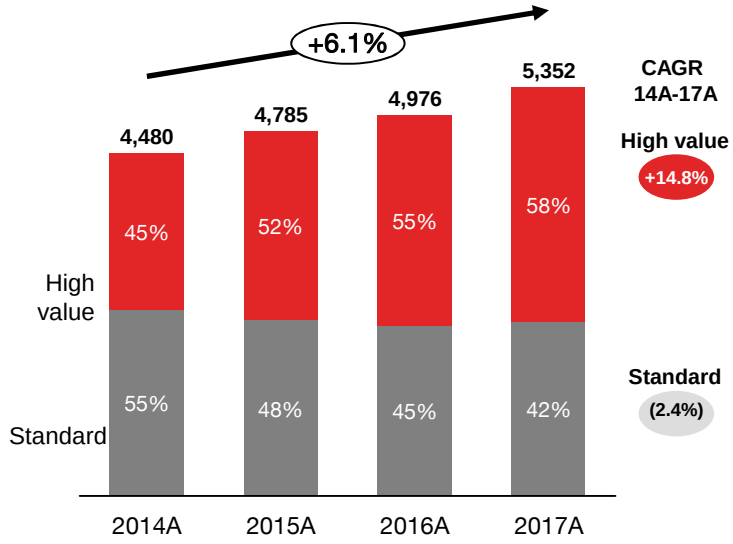
Due to higher capex in 2017

Note: carve-out historical financials adjusted, i.e. before amortization of PPA, non recurring items and restructuring costs; restated with Steelcord among discontinued operations (2014) and net of Venezuela deconsolidation impact (both 2014 and 2015). Cash conversion ratio defined as (EBITDA Adjusted-CapEx) / EBITDA Adjusted

BEST IN CLASS TOP LINE GROWTH DRIVEN BY HIGH VALUE AND INDUSTRY LEADING PRICE/MIX_

REVENUES ADJUSTED

€ million



ORGANIC REVENUES GROWTH

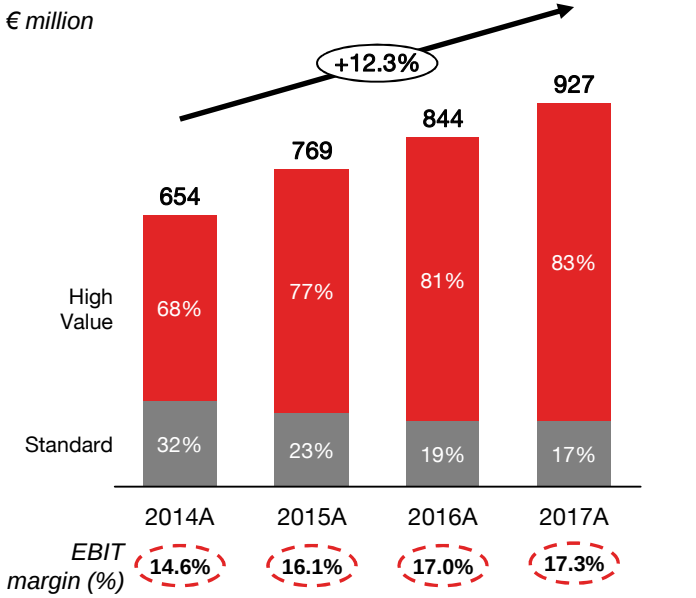
%

	2015A vs. 2014A	2016A vs. 2015A	2017A vs. 2016A
Δ Volumes	0.7%	3.5%	1.0%
- o/w High Value volumes	*17.1%*	*15.5%*	*12.5%*
Δ Price/Mix	4.1%	3.4%	6.9%
Δ Exchange rate	2.0%	(4.4%)	(0.7%)
Δ Perimeter (Aeolus and others carve-out)	0.0%	1.5%	0.4%
Δ Revenues	**6.8%**	**4.0%**	**7.6%**

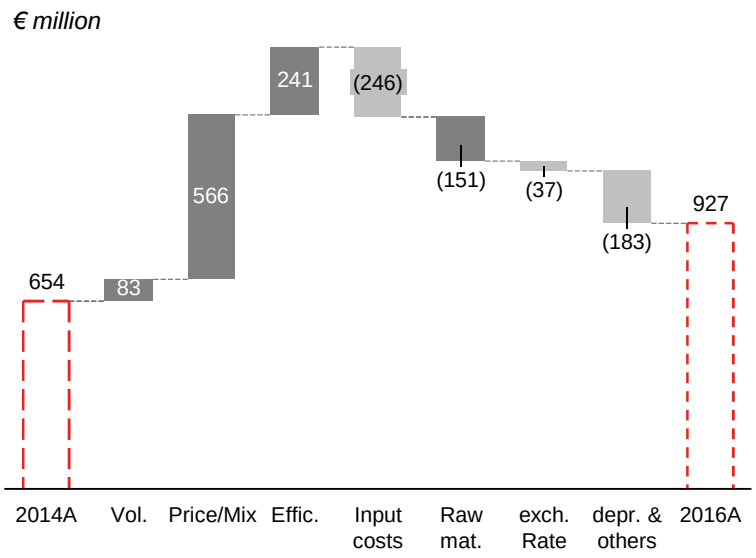
Note: carve-out historical financials adjusted, i.e. before amortization of PPA, non recurring items and restructuring costs; restated with Steelcord among discontinued operations (2014) and net of Venezuela deconsolidation impact (both 2014 and 2015)

HIGH VALUE FOCUS WITH TANGIBLE IMPACT ON MARGIN_

EBIT ADJUSTED



EBIT ADJUSTED W/O START-UP COSTS BRIDGE



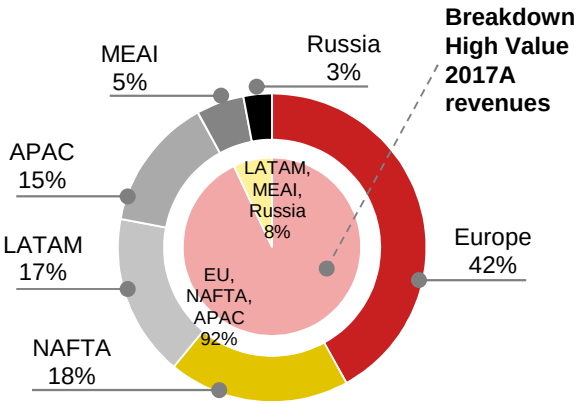
Relentless Push Towards High Value Drives Growth Outperformance and Margin Expansion

Note: carve-out historical financials adjusted, i.e. before amortization of PPA, non recurring items and restructuring costs; restated with Steelcord among discontinued operations (2014) and net of Venezuela deconsolidation impact (both 2014 and 2015)

DIVERSIFIED GEOGRAPHIC EXPOSURE WITH FOCUS ON PRESTIGE AND PREMIUM REGIONS_

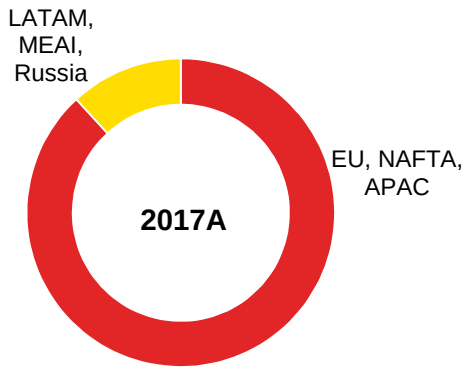
2017A REVENUES ADJUSTED BY GEOGRAPHY

%



2017A EBIT ADJUSTED BY GEOGRAPHY

%

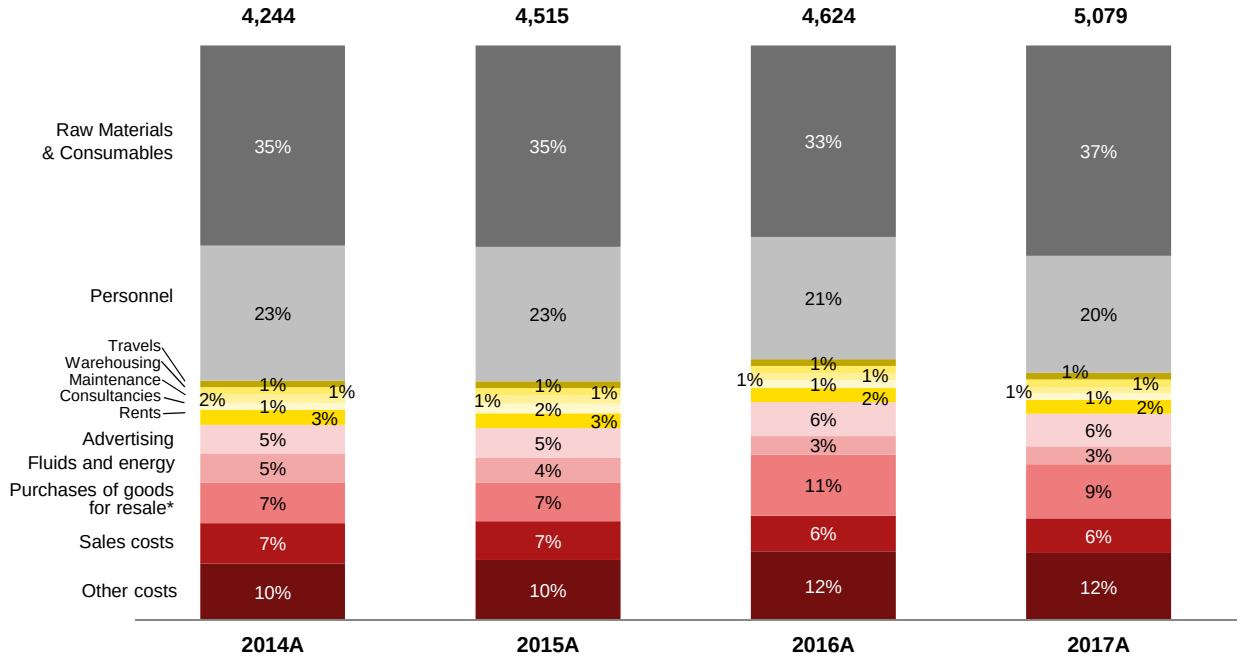


Focus on Prestige and Premium geographies: Europe, NAFTA & APAC represent ~93% of the Global Prestige and Premium car parc and ~94% of the Global Tyre Market ≥18'' in 2017

COST STRUCTURE_

OPERATING COSTS BREAKDOWN

€ million, % on Total

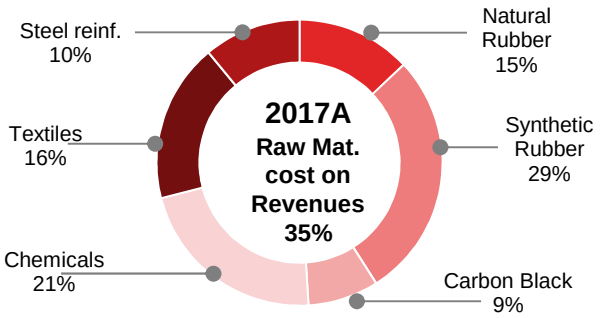


*Note: data not adjusted; * off/take car Turkey and moto Brazil*

FOCUS ON RAW MATERIALS_

RAW MATERIAL COSTS BREAKDOWN & TREND

% on total raw mat. costs

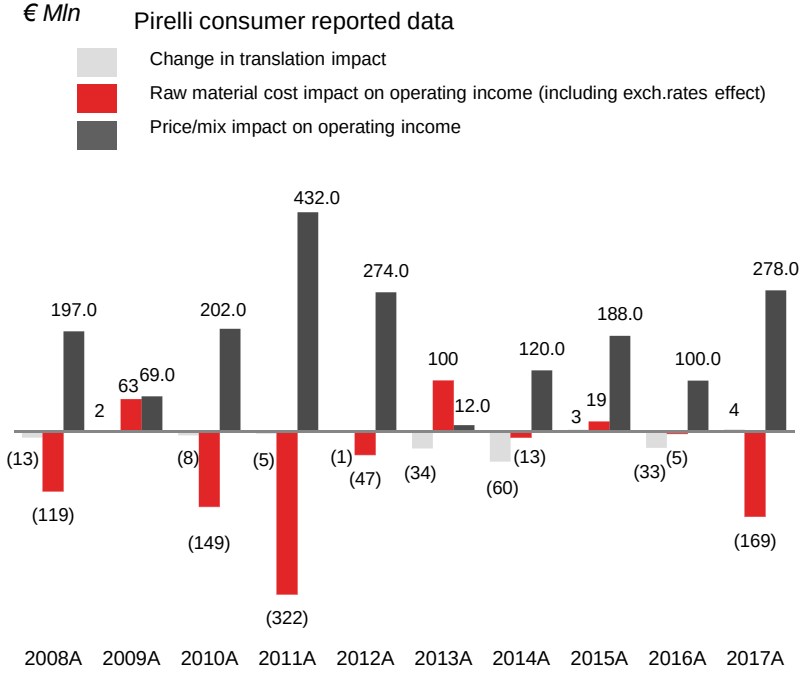


Average quotation of Commodities

	2014A	2015A	2016A	2017A
NATURAL RUBBER *(US$/ton)*	1,711	1,369	1,378	1,651
BUTADIENE *(EUR/ton)*	944	656	644	1,112
OIL *(US$/barrel)*	99.5	53.6	45	54.9

STRONG TRACK RECORD ON OFFSETTING RAW MAT. AND FOREX

€ Mln



Pirelli Managerial account

HISTORICAL BALANCE SHEET _

BALANCE SHEET (2014, 2015 AND 2016 CARVE-OUT CONSUMER CONSOLIDATED FIGURES)

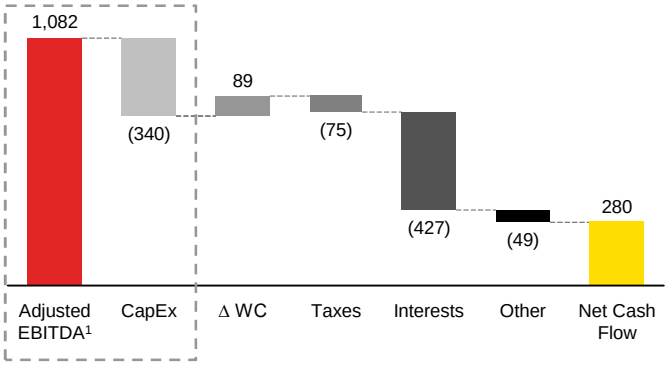
€ Mln	**2014A**	**2015A**	**2016A**	**2017A**
Tangible assets	2,114.5	2,074.7	2,925.5	2,980.3
Intangible assets	674.1	657.3	5,996.4	5,893.7
o/w goodwill	*577.3*	*572.7*	*1,877.4*	*1,877.4*
Other non current assets	740.5	614.0	566.6	590.8
Total non current assets	3,529.1	3,346.1	9,488.5	9,464.8
Current assets	2,699.2	2,607.7	3,449.7	3,208.4
Assets held for sale	44.0	0.0	0.0	60.7
TOTAL ASSETS	**6,272.3**	**5,953.8**	**12,938.2**	**12,733.9**
Shareholders' Equity	1,850.5	1,636.4	2,633.4	4,177.0
o/w Group's Equity	*1,796.9*	*1,582.6*	*2,569.6*	*4,116.8*
Non current liabilities	2,351.8	1,755.6	7,789.4	5,646.7
Current liabilities	2,057.4	2,561.8	2,515.4	2,910.2
Liabilities related to assets held for sale	12.6	0.0	0.0	0.0
Total Liabilities	**4,421.8**	**4,317.4**	**10,304.8**	**8,556.9**
TOTAL EQUITY AND LIABILITIES	**6,272.3**	**5,953.8**	**12,938.2**	**12,733.9**

HISTORICAL CASH FLOW STATEMENT (2017 vs 2016)_

CASH FLOW BRIDGE (2016)

€ Mln

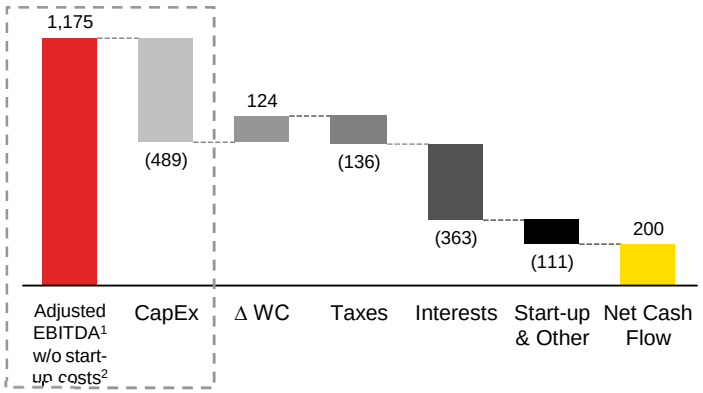
€ 742 Mln -> 68.6% CONVERSION RATE



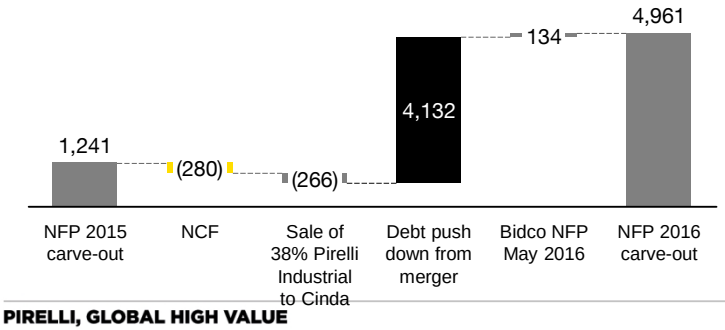
CASH FLOW BRIDGE (2017)

€ Mln

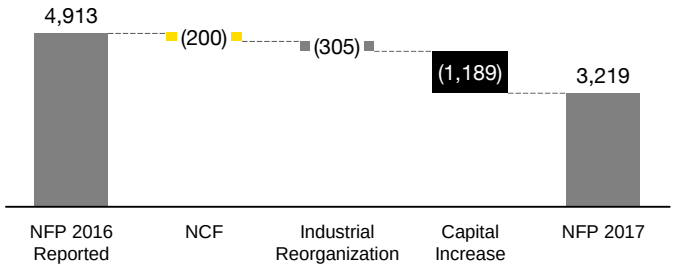
€ 686 Mln -> 58% CONVERSION RATE



2016



2017

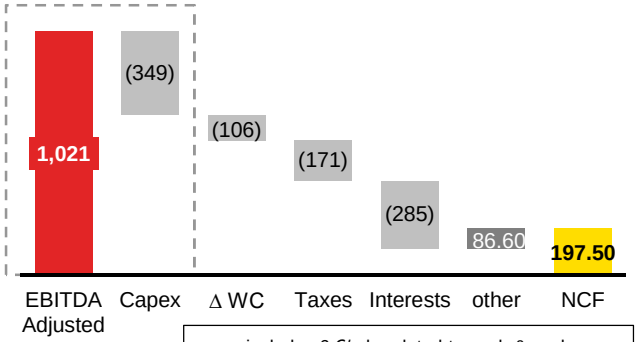


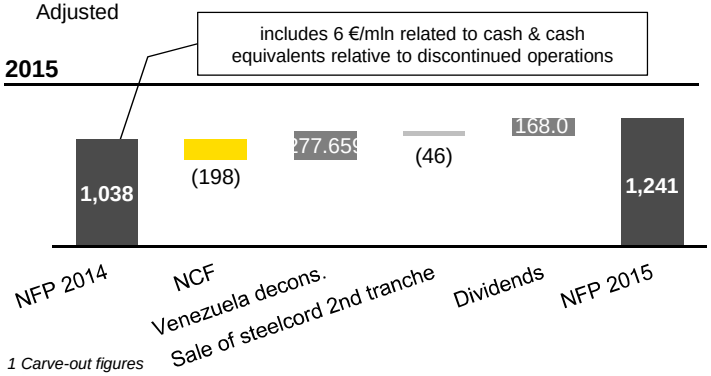
HISTORICAL CASH FLOW STATEMENT1 (2016 vs 2015)_

CASH FLOW BRIDGE (2015)

€ Mln

€ 672 Mln -> 65.7% CONVERSION RATE

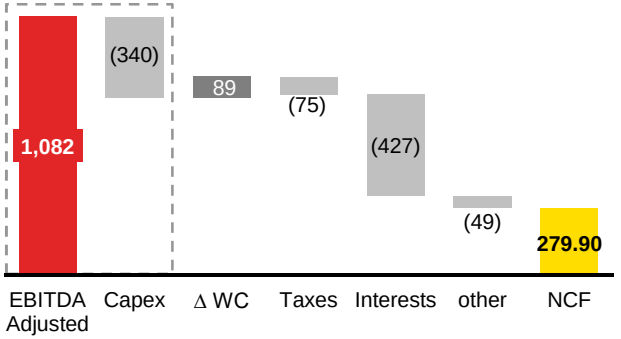


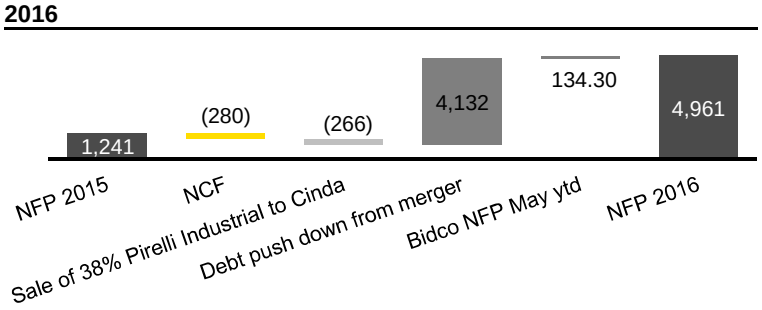


CASH FLOW BRIDGE (2016)

€ Mln

€ 742 Mln -> 68.6% CONVERSION RATE



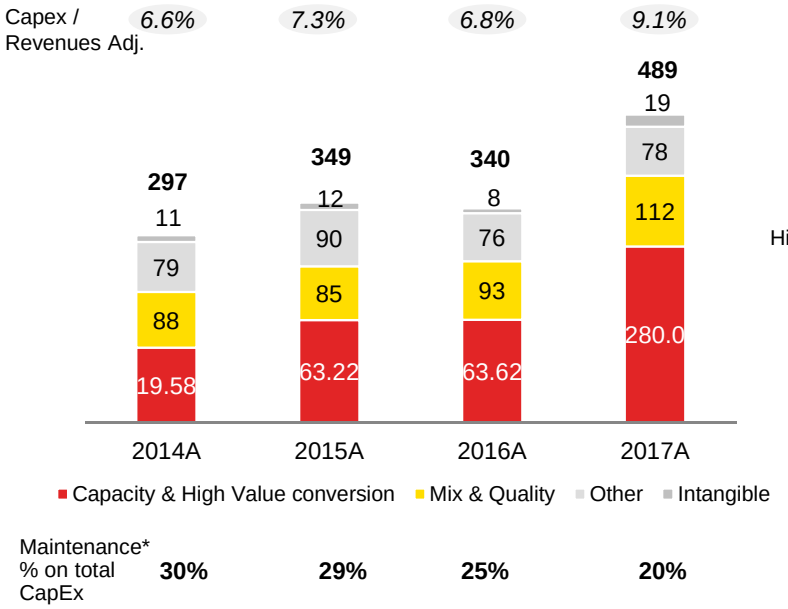


1 Carve-out figures

INVESTMENT FOCUSED ON HIGH VALUE TO DRIVE FUTURE GROWTH_

CAPEX 2014-2017

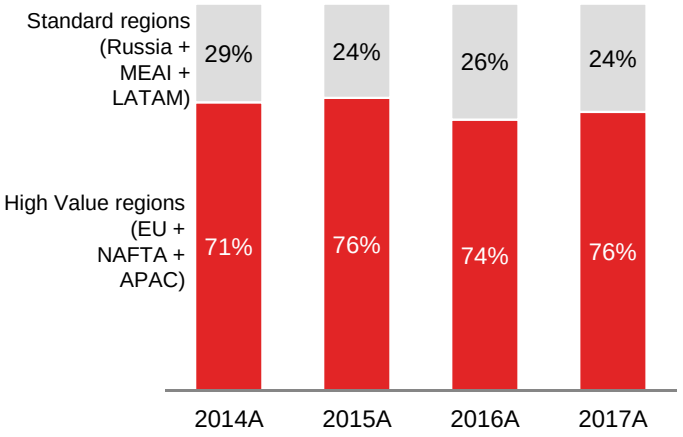
€ Mln



Maintenance* % on total CapEx	30%	29%	25%	20%

TANGIBLE CAPEX BREAKDOWN BY GEOGRAPHY

€ Mln, %

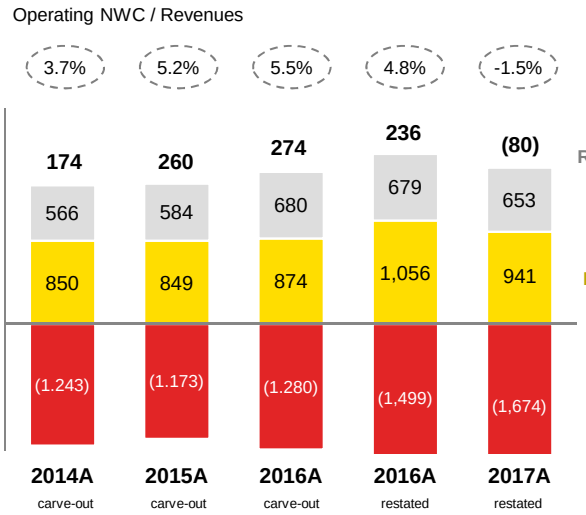


** Baseload HSE and loss prevention, R&D, IT, Logistics and other*

WORKING CAPITAL MANAGEMENT_

NET OPERATING WORKING CAPITAL DEVELOPMENT

€ million



	2014A carve-out		2015A carve-out		2016A carve-out		2016A restated		2017A restated	
	Days	Rotation	**Days**	Rotation	**Days**	Rotation	**Days**	Rotation	**Days**	Rotation
RECEIVABLES	**44**	8.2	**42**	8.6	**49**	7.3	**49**	7.3	**44**	8.2
INVENTORIES	**66**	5.5	**61**	5.9	**63**	5.7	**76**	4.7	**63**	5.7
PAYABLES	**26.7%***	2.6	**23.4%***	3.0	**25.7%***	2.8	**30.1%***	2.4	**31.3%***	2.4

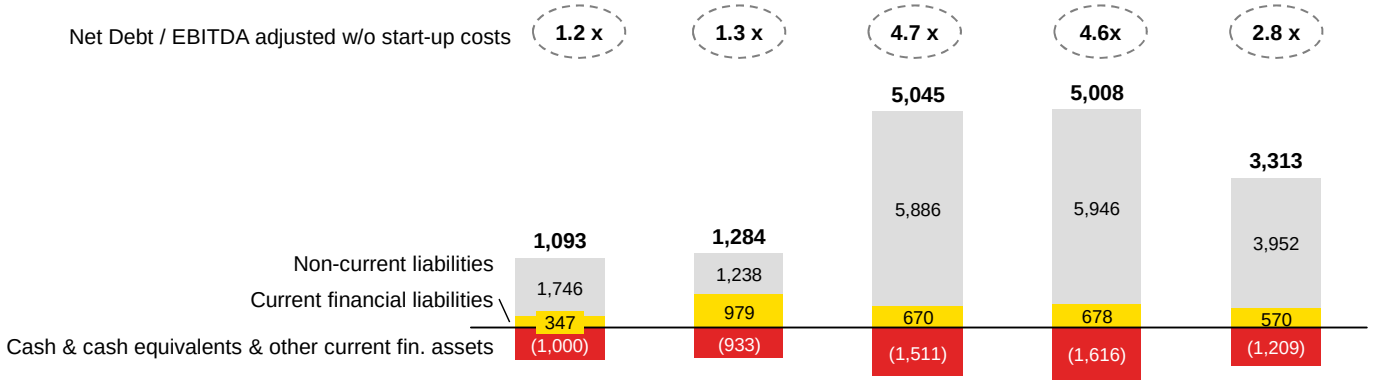
— Seasonal products campaign (mainly winter tyres) leads to a lower level of 4Q working capital, consistently with the wider industry

Note: Net operating working capital defined as Inventories + Trade receivables - Trade payables.
*Days Receivables defined as Receivables/Revenues*360; Rotation of Receivables defined as Revenues/Receivables.*
*Days Inventories defined as Inventories/Revenues*360; Rotation of Inventories defined as Revenues/inventories..*
** Payables / Revenues; Rotation of Payables defined as (Raw Material & Consumables (net of ch. inventories) + Other Costs) / Payables.*

NET DEBT EVOLUTION_

€ million

TREND 2014 - 2017

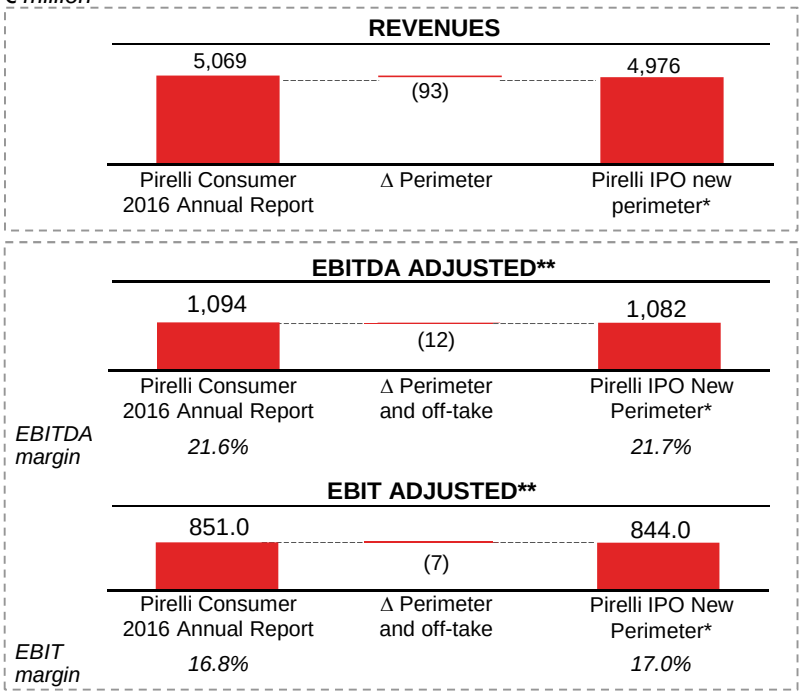


NET DEBT – NFP RECONCILIATIONS & TREND 2014 – 2017

	2014A carve out	2015A carve out	2016A carve out	2016A reported	2017A reported
Net Debt	**1,093**	**1,284**	**5,045**	**5,008**	**3,313**
Other non-current financial receivables	(49)	(44)	(85)	(95)	(95)
Net Debt adjusted	**1,044**	**1,241**	**4,961**	**4,913**	**3,218**
Cash & cash equivalents related to discontinued operations	(6)				
Net Financial Position	**1,038**	**1,241**	**4,961**	**4,913**	**3,218**

FROM 2016 CONSUMER ANNUAL REPORT VIEW TO 2016 IPO NEW PERIMETER_

€ million



FY 2016 results were restated to better reflect the final result of the Industrial Business separation, progressively effective during 2016 and 2017

- The change perimeter mostly refers to sales related to industrial business from consumer entities not yet fully separated in 2016

- The difference in EBIT and EBITDA includes both:
  - Delta perimeter, and
  - Off-take costs related to moto production in Brazil and car production in Turkey in Prometeon's plants

** Carve-out; ** Before ammortization of PPA, non recurring items and restructuring costs*

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