

PIRELLI, GLOBAL HIGH VALUE



COMPANY PRESENTATION – MAY 2018



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(1/2)

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Non-IFRS and Other Performance Measures

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

Pirelli management has identified a number of "Alternative Performance Indicators" ("APIs"). These APIs (i) are derived from historical results of Pirelli & C. S.p.A. and are not intended to be indicative of future performance, (ii) are non-IFRS financial measures and, although derived from the Financial Statements, are unaudited and (iii) are not an alternative to financial measures prepared in accordance with IFRS.

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

In addition, this Presentation includes certain measures that have been adjusted by us to present operating and financial performance net of any non-recurring events and non-core events. The adjusted indicators are EBITDA adjusted, EBITDA adjusted without start up costs, EBIT, EBIT adjusted, EBIT adjusted without start up costs,, net income adjusted.

In order to facilitate the understanding of our financial position and financial performance, this Presentation contains other performance measures, such as Fixed Assets related to continuing operations, Provisions, Operating Working Capital related to continuing operations, Net Working Capital related to continuing operations, Net Financial (liquidity) / debt Position.

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

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

AGENDA

1. 1Q'18 FINANCIAL RESULTS

2. FY 2017 FINANCIAL RESULTS

3. STRATEGY AND PLAN 2017-2020

3a. PIRELLI AT A GLANCE

3b. KEY INVESTMENT HIGHLIGHTS

3c. MARKET AND COMPETITION

3d. HIGH VALUE STRATEGY: LEVERS AND REGIONAL DEPLOYMENT

3e. HIGH VALUE STRATEGY: START-UPS

3f. TRANSFORMATION PROGRAMS

3g. STANDARD PROGRAMS

3h. TARGETS 2020

4. GOVERNANCE

5. SUSTAINABILITY

6. APPENDIX

KEY MESSAGES_



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

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



CONSISTENT EXECUTION OF OUR STRATEGY:

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



FY'18 OUTLOOK:

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

AGENDA_

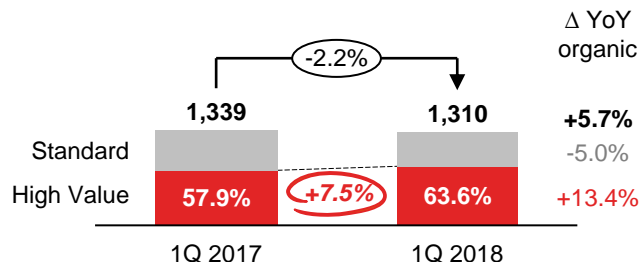
1Q'18 RESULTS HIGHLIGHTS & FY'18 OUTLOOK

1Q'18 RESULTS IN DETAIL

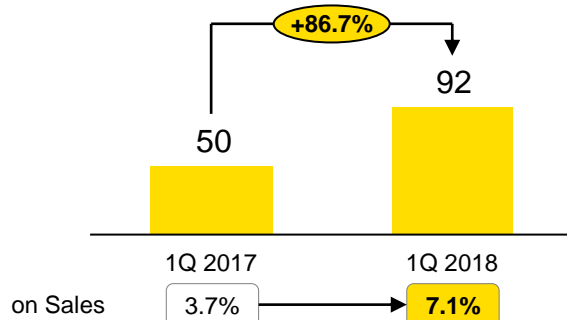
APPENDIX

1Q 2018 RESULTS HIGHLIGHTS_

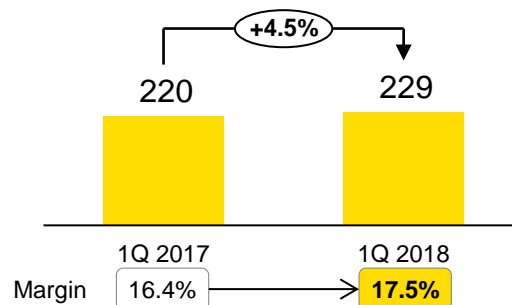
REVENUES



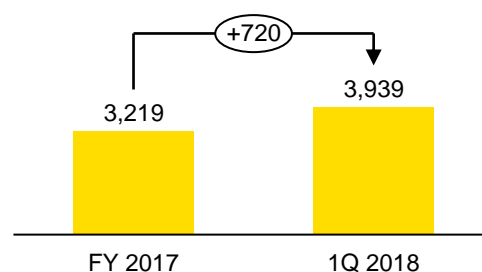
NET INCOME before discontinued operations



EBIT ADJ.¹ w/o start-up costs²



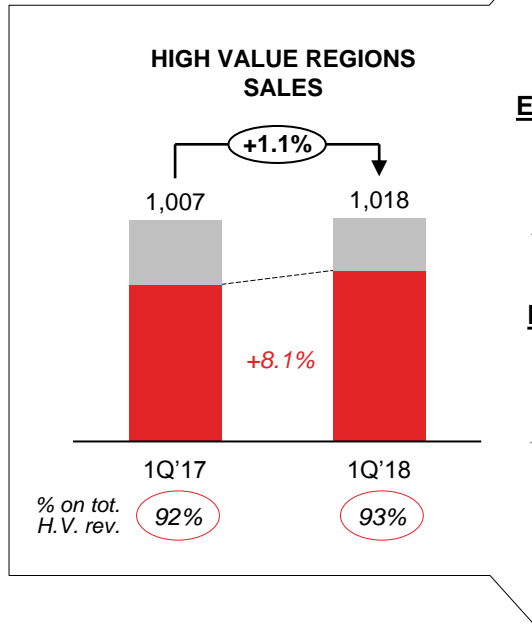
NET FINANCIAL POSITION



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

1Q 2018 PERFORMANCE BY HIGH VALUE REGIONS_

€ million



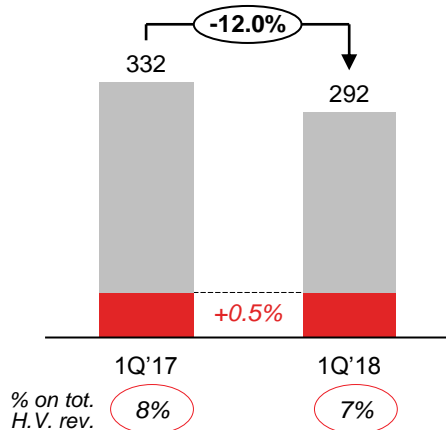
	SALES		Δ <i>org.</i> YoY % <i>growth</i>		EBIT adj. margin ¹	KEY HIGHLIGHTS
	1Q'17	1Q'18				
EUROPE	570 (43%)	578 (44%)	+1.3%	+3.1% -14.0%	Mid-teens	<ul style="list-style-type: none"> Strengthening High Value position, with market share increase Proactive reduction of Standard in the less profitable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

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

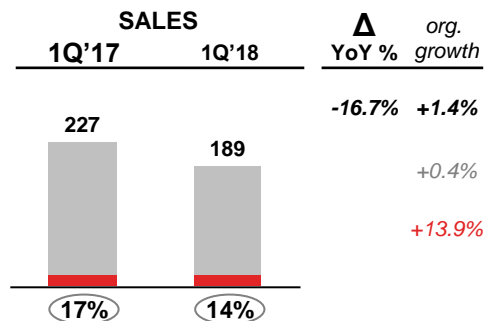
1Q 2018 PERFORMANCE BY STANDARD REGIONS_

€ million

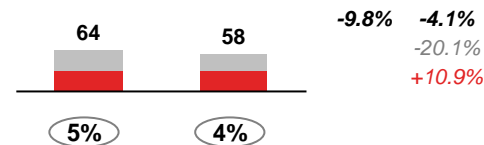
STANDARD REGIONS SALES



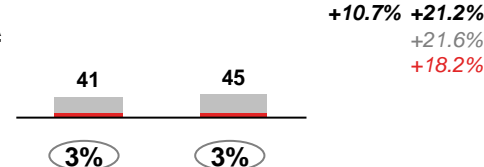
LATAM



MEA



RUSSIA & C.I.S.



KEY HIGHLIGHTS

- Accelerated exit from less profitable products within the Standard segment
- Increased exports to North America
- Market share increase in High Value
- Reduction of less profitable segments and strong growth High Value
- Currency volatility in the area (especially in Turkey)
- Mix improvement drove the strong profitability increase

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

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

1Q 2018 achievements

I

PILLAR 1: HIGH VALUE

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

II

PILLAR 2: TRANSFORMATION PROGRAMS

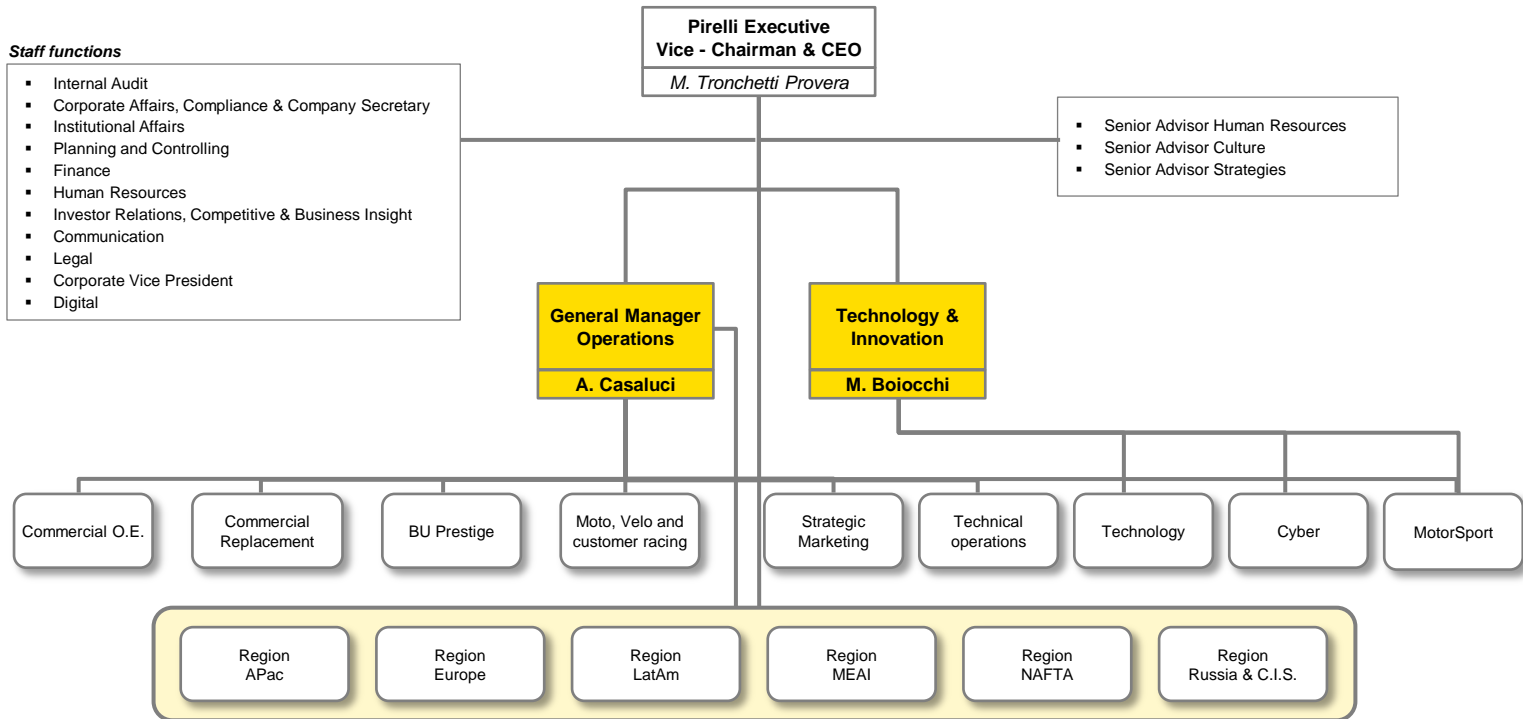
- All 4 programs in line with IPO plan
- Integrated Forecasting: first pilots of predictive forecasting tools showing encouraging results
 - Smart Manufacturing and Flexible Factory: people engagement program proceeding
 - Prestige: new production planning approach raising service level
 - Supply Chain: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

III

PILLAR 3: STANDARD CAPACITY REDUCTION

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

...SUPPORTED BY NEW A ORGANIZATIONAL STRUCTURE_

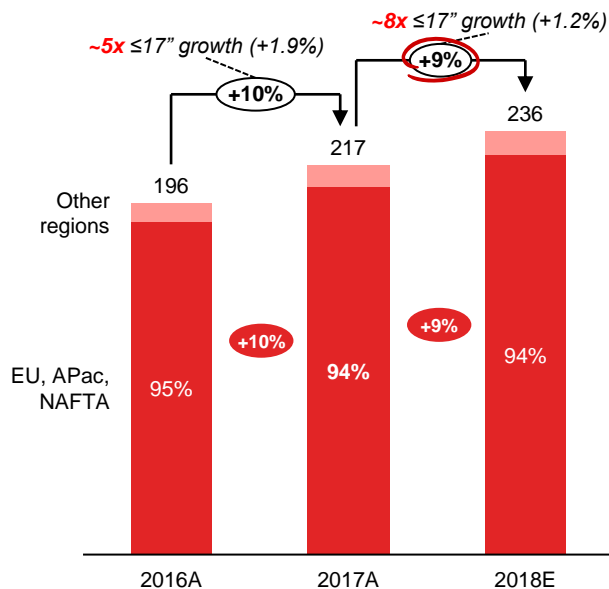


Greater operational effectiveness by assigning all the key levers to the General Manager Operations

2018 HIGH VALUE MARKET OUTLOOK CONFIRMED_

O.E. + REPLACEMENT $\geq 18''$ TYRE MARKET

(million tyres)



EUROPE



- High-single digit growth, well balanced between O.E. and Replacement

NAFTA



- High-single digit growth, mainly driven by solid replacement demand, OE recovering from 2017, growing at a mid-single digit rate

APAC



- Strong growth (Mid-teens), supported by robust Premium and Prestige car park increase

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

PIRELLI, GLOBAL HIGH VALUE

COMPANY PRESENTATION - MAY 2018

FY 2018 OUTLOOK UPDATE_

€ million

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

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

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

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

AGENDA_

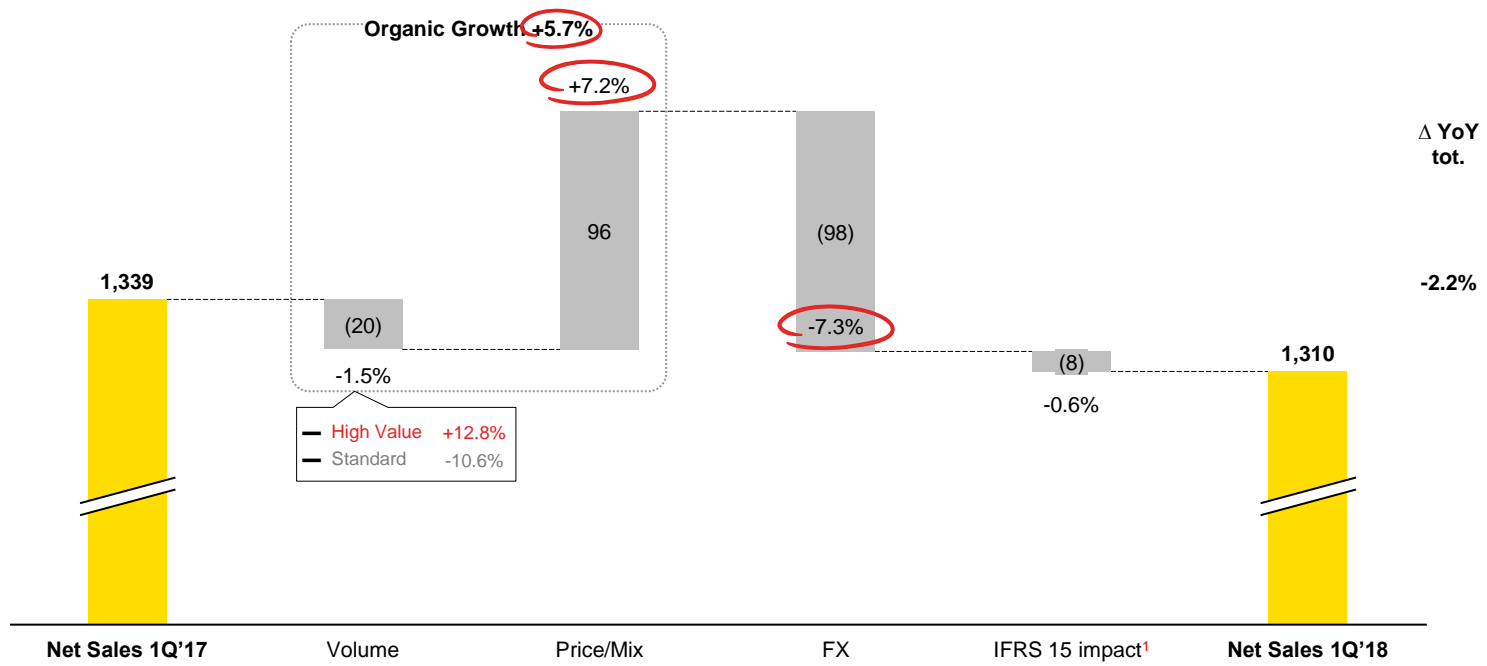
1Q'18 RESULTS HIGHLIGHTS & FY'18 OUTLOOK

1Q'18 RESULTS IN DETAIL

APPENDIX

1Q 2018 NET SALES BRIDGE_

€ million

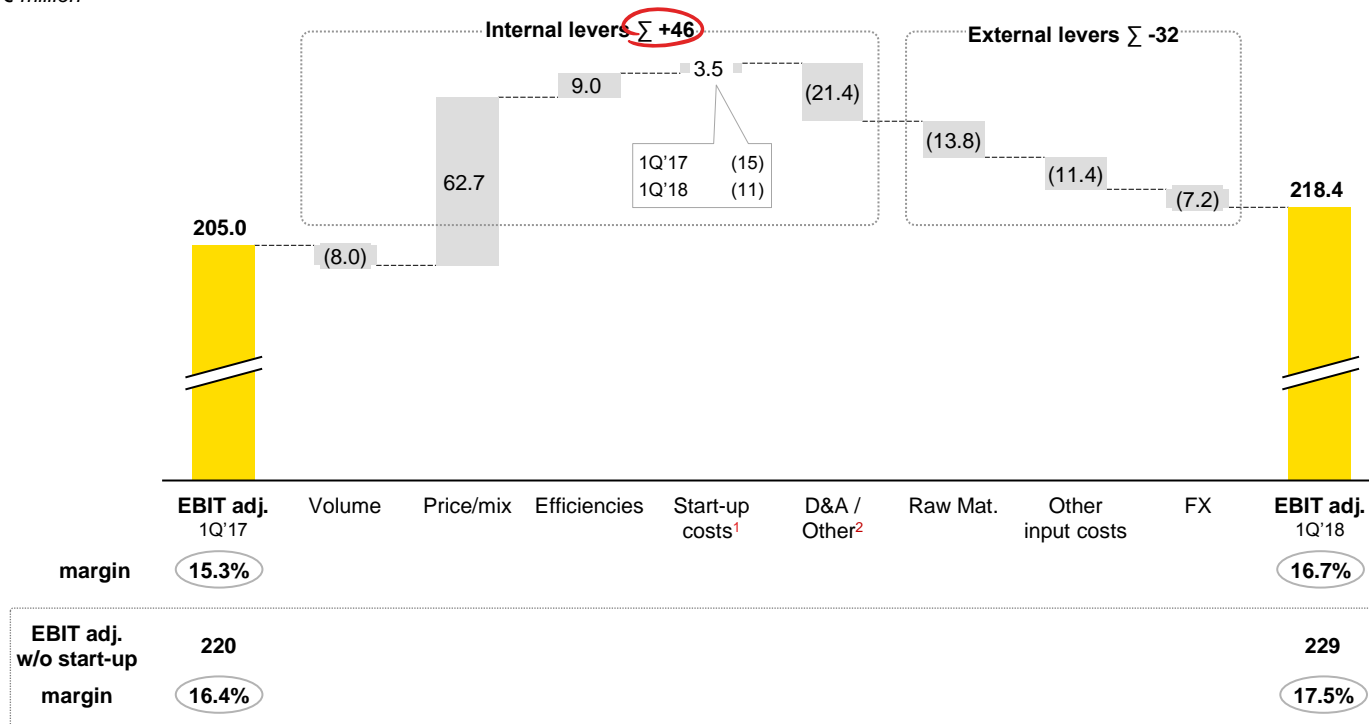


¹ In accordance with IFRS 15 (starting from January 1st, 2018), some costs for variable considerations paid or payable to indirect customers and mainly linked to achieving sale targets are recognized as a reduction of revenues



1Q 2018 OPERATING PERFORMANCE

€ million



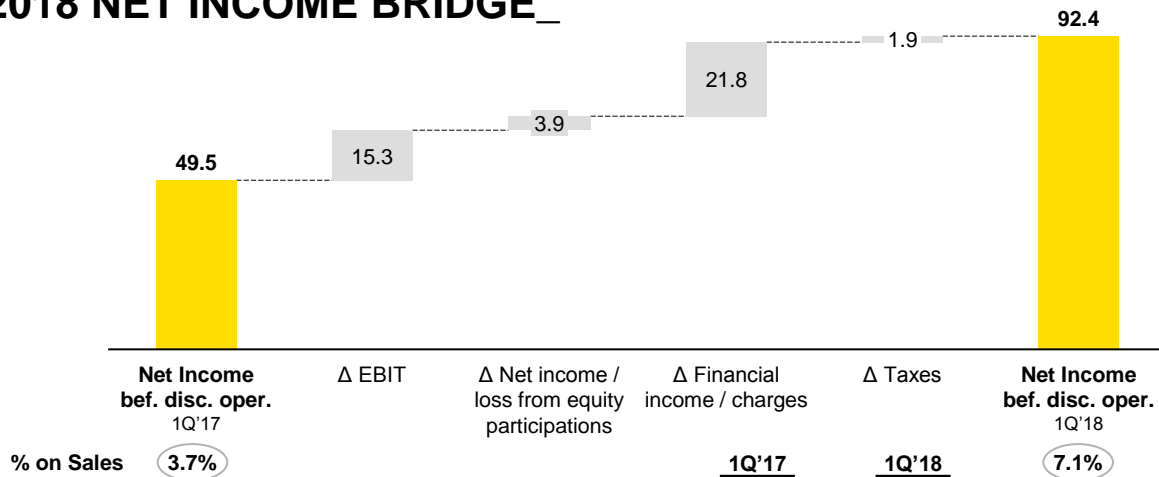
¹ Aeolus Car, Velo, Cyber & digital transformation; ² Other costs related to high value development

PIRELLI, GLOBAL HIGH VALUE

COMPANY PRESENTATION - MAY 2018

1Q 2018 NET INCOME BRIDGE__

€ million

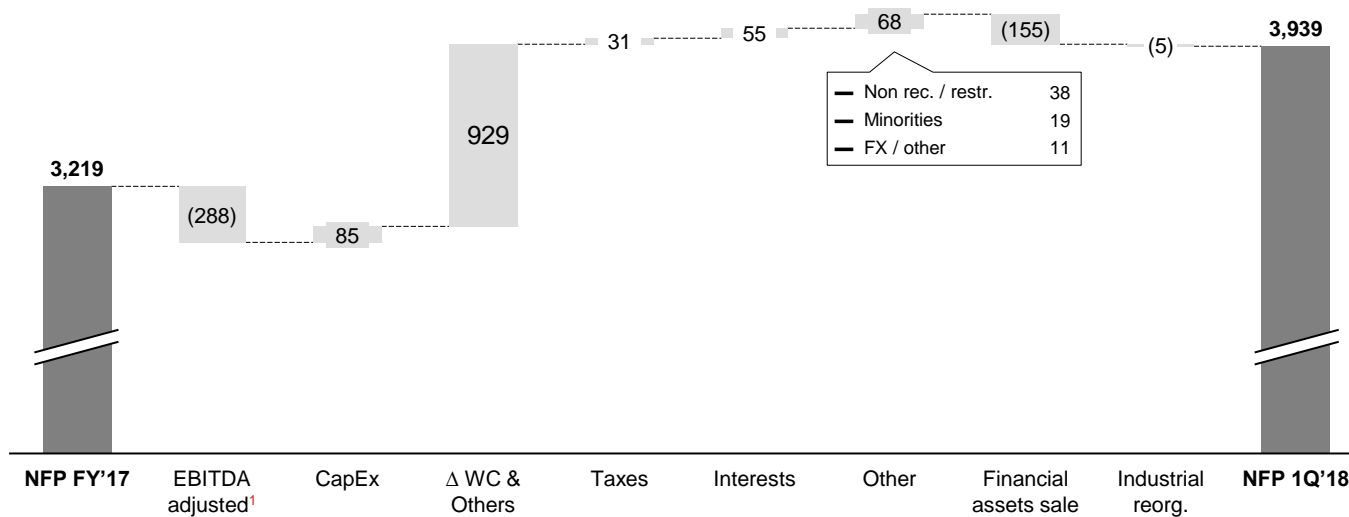


	1Q'17	1Q'18
Net Income	50	92
PPA amortization	+26	+29
Non recurring / restr. costs / other adj.	+10	+6
Non recurring fin. expenses	0	-6 ¹
Taxes impact	-10	-7
Net income adjusted	76	113

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

1Q 2018 CASH FLOW AND NET FINANCIAL POSITION_

€ million

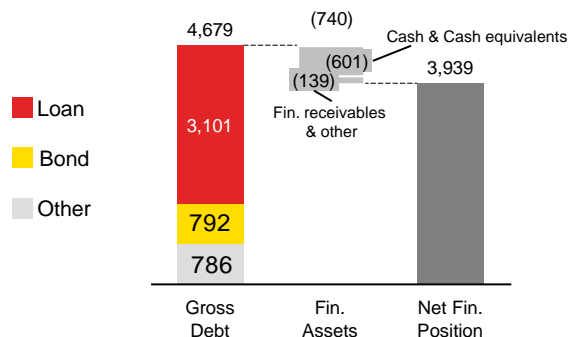


¹ Before amortization of PPA, non-recurring items, restructuring costs and other adjustments

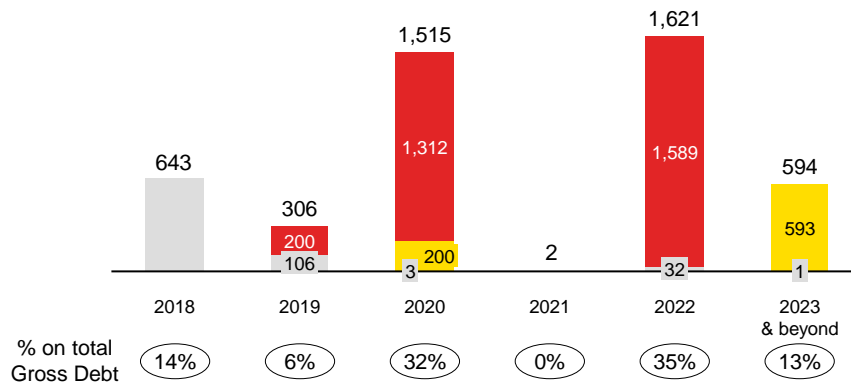
CURRENT CAPITAL STRUCTURE (MARCH 2018)

€ million

NET FINANCIAL POSITION



GROSS DEBT MATURITY



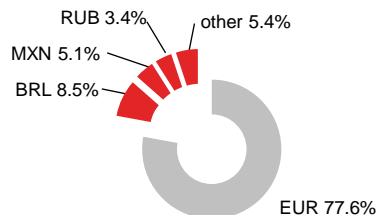
LIQUIDITY PROFILE

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

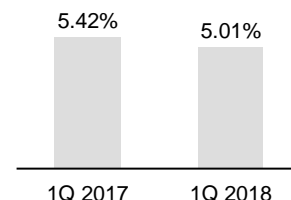
¹ Covers ~2.2 years of forthcoming maturities

PIRELLI, GLOBAL HIGH VALUE
COMPANY PRESENTATION - MAY 2018

BREAK-DOWN BY CURRENCY



COST OF DEBT



AGENDA_

1Q'18 RESULTS HIGHLIGHTS & FY'18 OUTLOOK

1Q'18 RESULTS IN DETAIL

APPENDIX

1Q 2018 RESULTS HIGHLIGHTS

€ million	1Q '17 reported	1Q '18 reported	Δ YoY	1Q Highlights
Revenues	1,339.3	1,310.3	-2.2%	Solid organic growth on the back of: <ul style="list-style-type: none"> — Sound High Value volumes (+12.8% in 1Q'18, +17.1% in Q'17), with market share increase in all Regions — Strong price/mix (+7.2%) — Negative FX, with the EUR strengthening vs. USD and the volatility of emerging countries currencies
Organic Growth ¹			+5.7%	
High Value Revenues	775.4	833.9	+7.5%	
Organic Growth ¹			+13.4%	
% on total Revenues	57.9%	63.6%	+5.7 p.p.	
EBITDA adjusted w/o start-up costs²	281.7	298.0	+5.8%	
Margin	21.0%	22.7%	+1.7 p.p.	EBIT adj. improvement, with internal levers more than compensating for rising raw mat. costs, inflation and other costs related to business development
EBITDA adjusted ³	270.4	288.1	+6.5%	
Margin	20.2%	22.0%	+1.8 p.p.	
EBIT adjusted w/o start-up costs²	219.5	229.4	+4.5%	
Margin	16.4%	17.5%	+1.1 p.p.	
EBIT adjusted ³	205.0	218.4	+6.5%	
Margin	15.3%	16.7%	+1.4 p.p.	Decreasing financial charges, thanks to the improving financial profile of the company after the recent refinancing <ul style="list-style-type: none"> — Tax rate in line with FY'18 target
EBIT	168.7	184.0	+9.1%	
Margin	12.6%	14.0%	+1.4 p.p.	
Results from Equity Investments	(3.1)	0.8		
Financial Income / (Charges)	(77.0)	(55.2)		
EBT	88.6	129.6		
Tax Rate	44.1%	28.7%		
Net Income before disc. operations	49.5	92.4		
Net Income adjusted before disc. operations	75.7	113.3		

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

PIRELLI, GLOBAL HIGH VALUE

COMPANY PRESENTATION – MAY 2018

1Q PIRELLI BALANCE SHEET_

€ million	31/03/2017	31/12/2017	31/03/2018
Fixed assets related to continuing operations	9,214	9,121	8,958
Inventories	925	941	940
Trade receivables	1,045	653	876
Trade payables	(1,062)	(1,674)	(1,062)
Operating net working capital related to continuing operations	908	(80)	754
Other receivables / payables	158	(42)	90
Net Working Capital related to continuing operations	1,066	(122)	844
Net invested capital held for sale	78	60	51
Total net invested capital	10,358	9,059	9,853
Equity	3,003	4,177	4,268
Provisions	1,830	1,663	1,646
Net Financial Position	5,525	3,219	3,939
Total financing and shareholders' equity	10,358	9,059	9,853
<i>Attributable net equity</i>	<i>2,929</i>	<i>4,117</i>	<i>4,206</i>

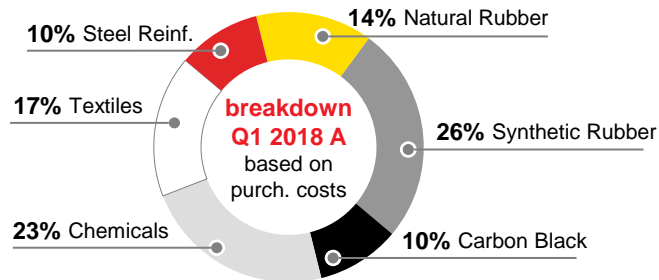
FY PIRELLI GROUP CASH FLOW__

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

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

2018E RAW MATERIAL GUIDANCE

€ million



raw mat.
34% on Sales

AVERAGE QUOTATION OF COMMODITIES

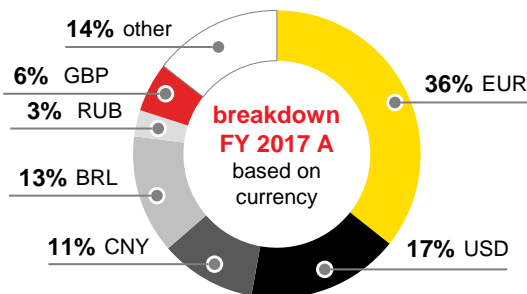
	2017 A	2018 E March guidance	Δ YoY
Natural Rubber TSR20 (\$ / tonne)	1,651	~1.650	flat
Brent Oil (\$ / barrel)	54.9	~75	+37%
Butadiene EU (€ / tonne)	1,112	~1,200	+7%
		Feb. 2018 guidance Nat. Rubber ~ 1,800 Brent Oil ~68 Butadiene ~1,200	











AVERAGE COST OF GOODS SOLD OF COMMODITIES

	2017 A	2018 E March guidance	2018E EBIT impact
	~1,700	~1.550	~+22
	51	68	~90
	~1,100	~1,030	~+15
Raw Mat. subtotal			~53
FX impact			~24
TOT. IMPACT			~77

2018E FOREX GUIDANCE

€ million

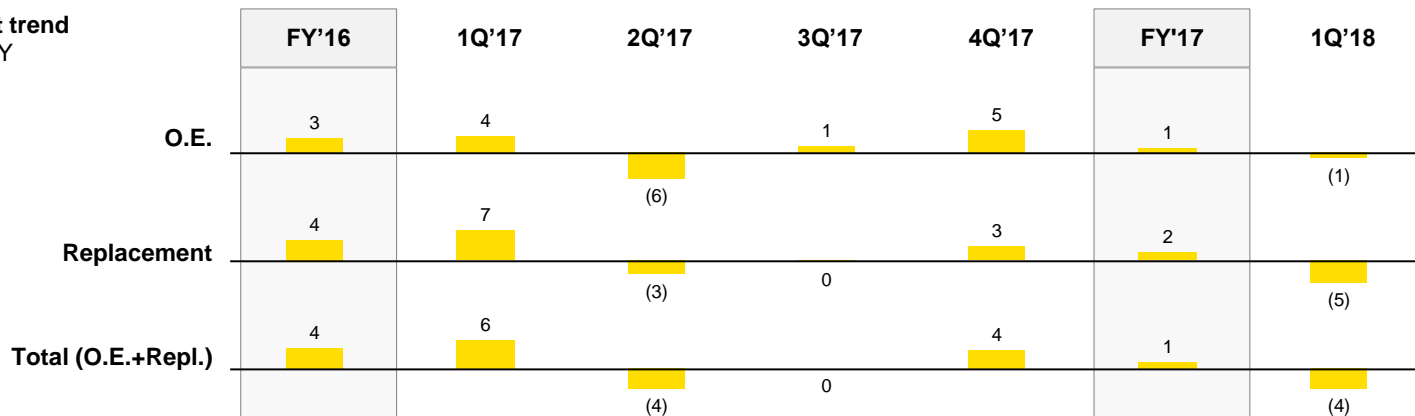


MAIN AVERAGE EXCHANGE RATES	2017 A	2018 E March guidance	Δ YoY	Δ YoY vs EUR	2018E Feb guidance
EUR / USD  / 	1.130	1.215	-7%	-7%	~1,17
USD / CNY  / 	6.752	6.340	+6%	-1%	~6.85
USD / BRL  / 	3.193	3.420	-1%	-13%	~3.4
EUR / RUB  / 	65.850	74.440	-11.5%	-11.5%	~71.37
EUR / GBP  / 	0.876	0.880	0%	0%	~0.91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

KEY CAR MARKET TRENDS: EUROPE_

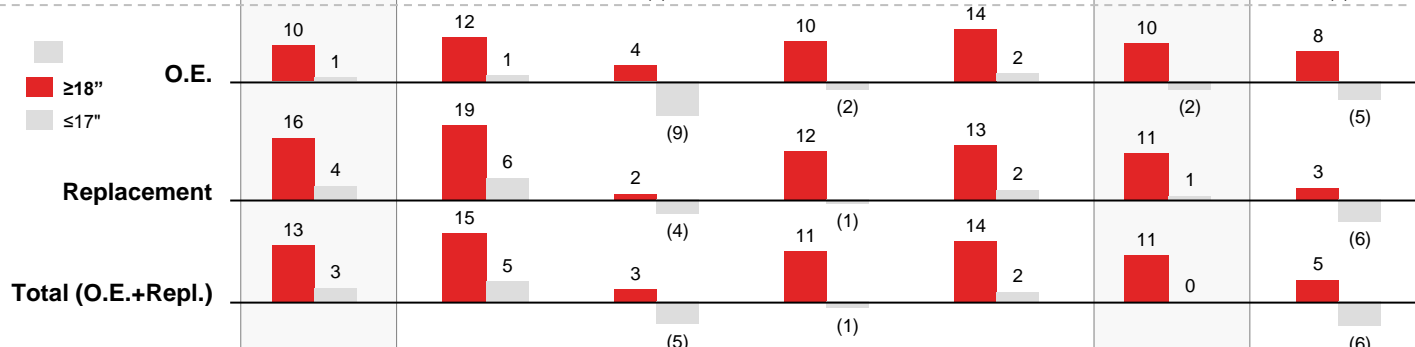
Market trend
Δ% YoY

Total Car market



New Premium & Standard

 ≥18"
 ≤17"



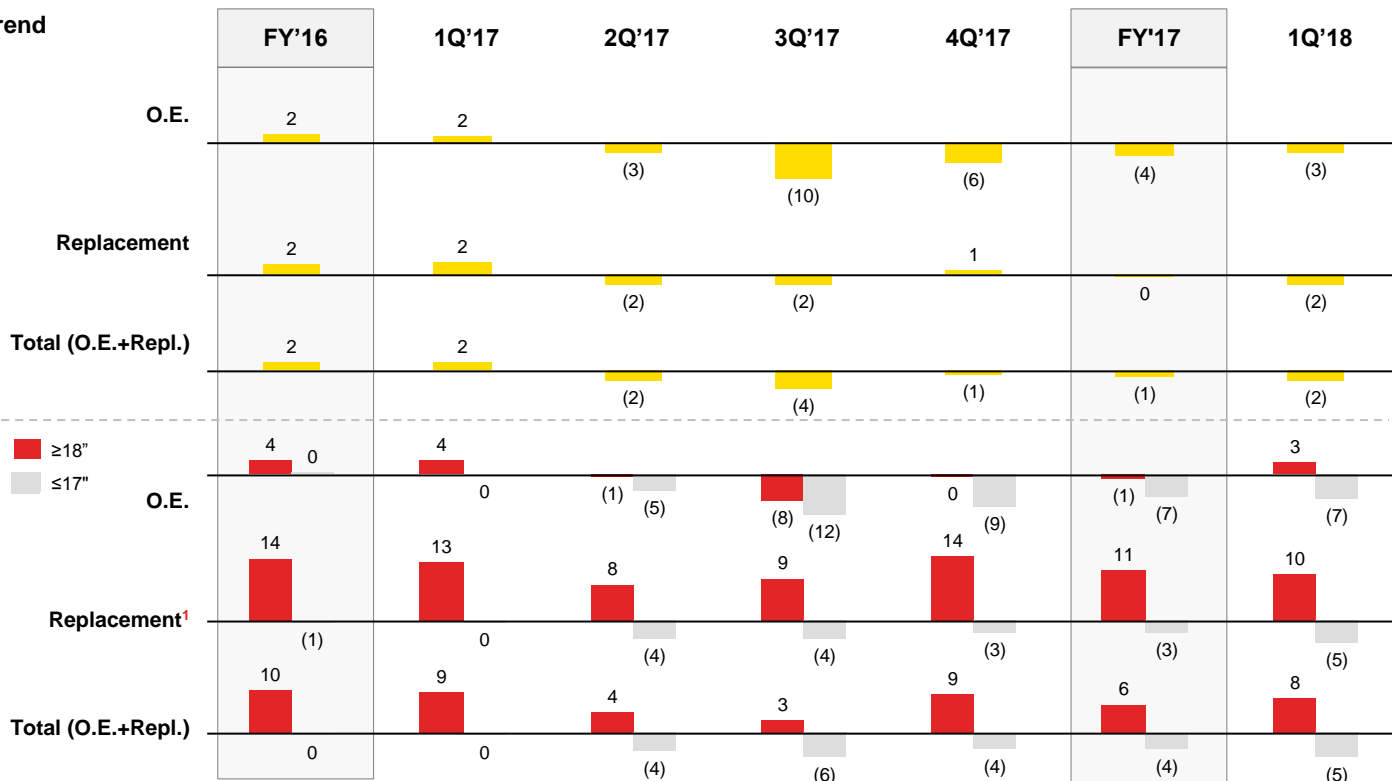
Source: Pirelli tyre market estimates based on main data provider for the Region; historical market data may be subject to restatement

KEY CAR MARKET TRENDS: NAFTA

Market trend
Δ% YoY

Total Car market

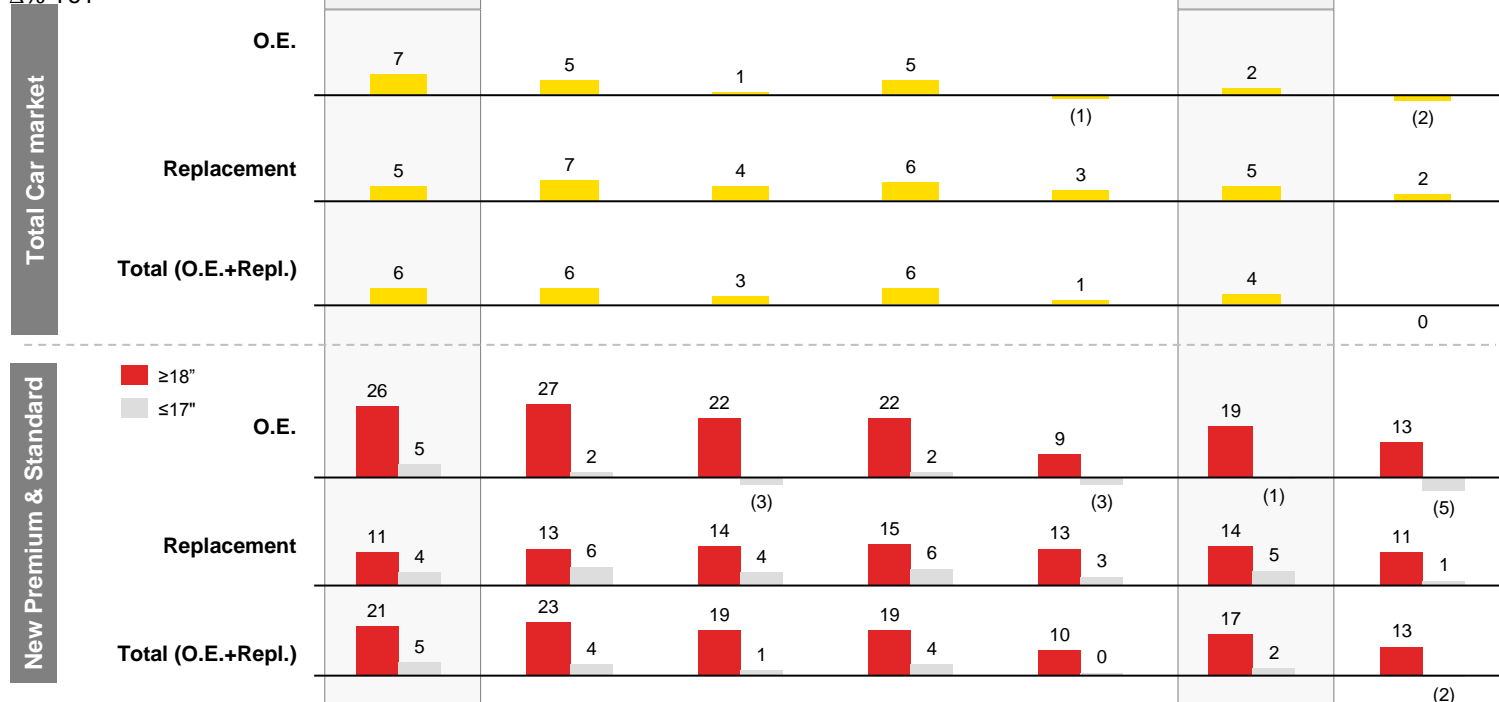
New Premium & Standard



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

KEY CAR MARKET TRENDS: APAC_

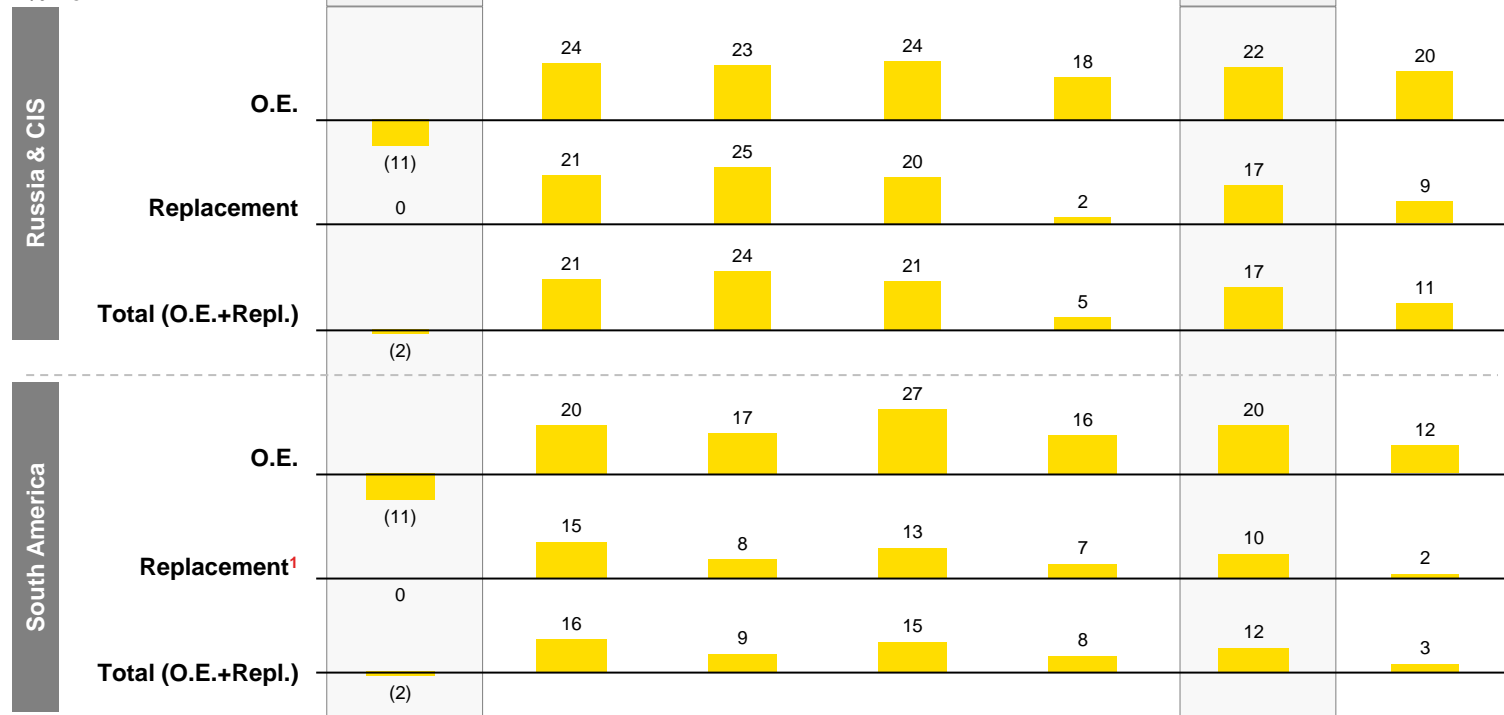
Market trend
Δ% YoY



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

KEY MARKET TRENDS: RUSSIA & CIS AND SOUTH AMERICA_

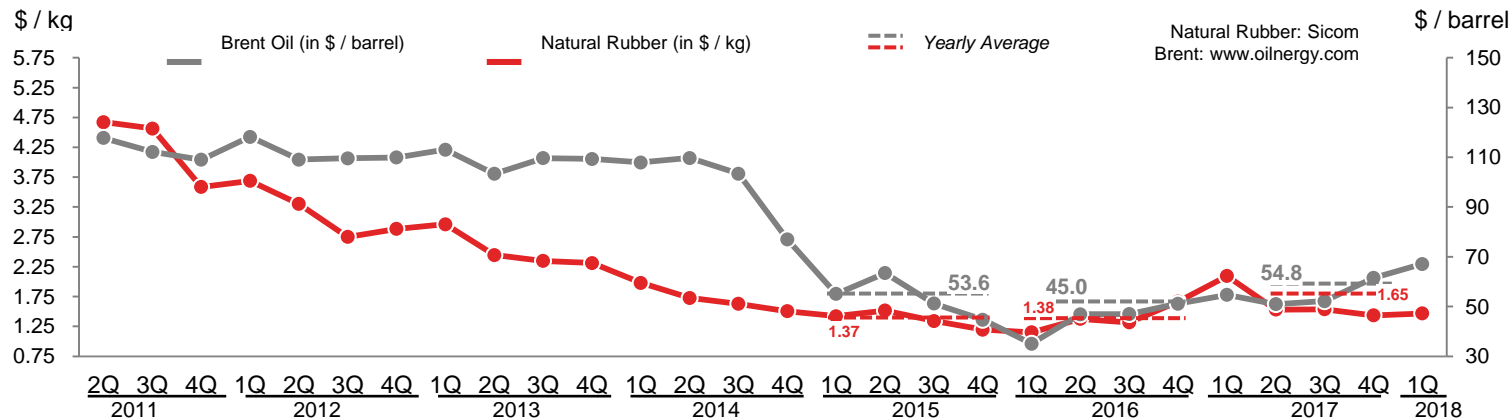
Market trend
Δ% YoY



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

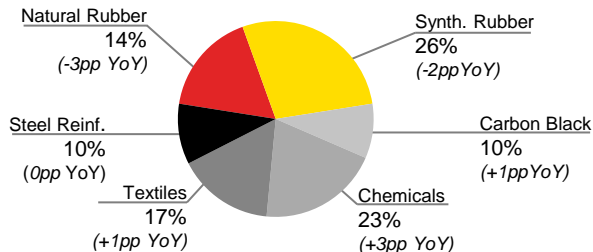
RAW MATERIAL COSTS TREND AND MIX

MAIN RAW MATERIALS PRICE TREND

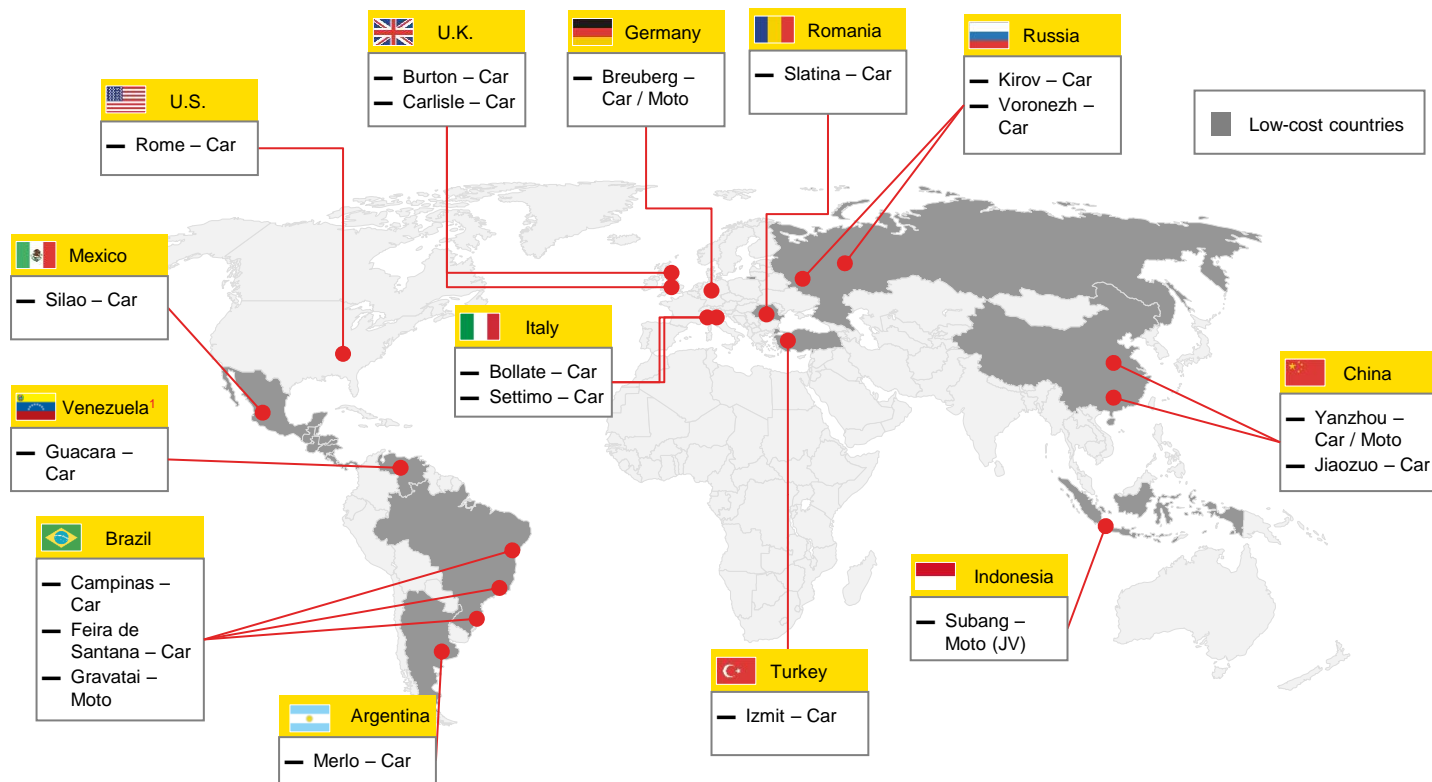


1Q 2018 MIX (BASED ON PURCHASING COST)

34%
Raw mat. costs
on sales



PIRELLI MANUFACTURING FOOTPRINT AS OF MARCH 31ST 2018



¹ Not consolidated since December 2016

PIRELLI, GLOBAL HIGH VALUE
COMPANY PRESENTATION - MAY 2018

AGENDA

1. 1Q'18 FINANCIAL RESULTS

2. FY 2017 FINANCIAL RESULTS

3. STRATEGY AND PLAN 2017-2020

3a. PIRELLI AT A GLANCE

3b. KEY INVESTMENT HIGHLIGHTS

3c. MARKET AND COMPETITION

3d. HIGH VALUE STRATEGY: LEVERS AND REGIONAL DEPLOYMENT

3e. HIGH VALUE STRATEGY: START-UPS

3f. TRANSFORMATION PROGRAMS

3g. STANDARD PROGRAMS

3h. TARGETS 2020

4. GOVERNANCE

5. SUSTAINABILITY

6. 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: $\geq +13\%$ 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_

1. FINANCIAL RESULTS FY 2017

1a. PLAN DELIVERY IN 2017 AND 2018 OUTLOOK




1b. SUSTAINABILITY PLAN UPDATE

1c. REVIEW OF 2017 RESULTS

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2017 RESULTS HIGHLIGHTS_

€ million

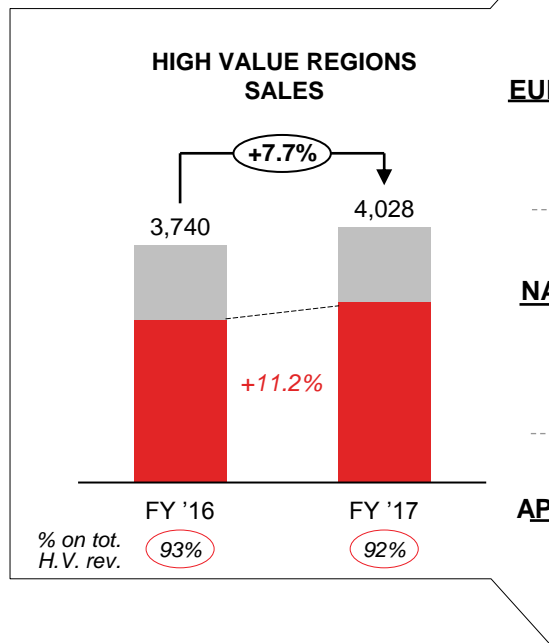
	2016A	2017E	2017A	
				
		target @ 6-Nov-18	YoY	
Revenues	4,976	~+9% YoY	5,352	+7.6%
<i>HV Revenues</i>	<i>2,754</i>		<i>3,078</i>	<i>+11.8%</i>
<i>HV weight on tot. revenues</i>	<i>55%</i>	<i>>57%</i>	<i>57.5%</i>	
Adjusted EBIT w/o start-up¹	844	~930	927	+9.7%
<i>Margin</i>	<i>17.0%</i>		<i>17.3%</i>	
<i>High Value weight</i>	<i>81%</i>	<i>~83%</i>	<i>~83%</i>	
Adjusted EBIT	844	~880	876	+3.8%
Net Income Consumer	164		263	+61%
Net Financial Position	4,961		3,219	
<i>NFP / adj. EBITDA w/o start-up costs</i>	<i>4.6X</i>	<i><3X</i>	<i>2.7X</i>	
CapEx on Revenues	6.8%	~9%	9.1%	

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

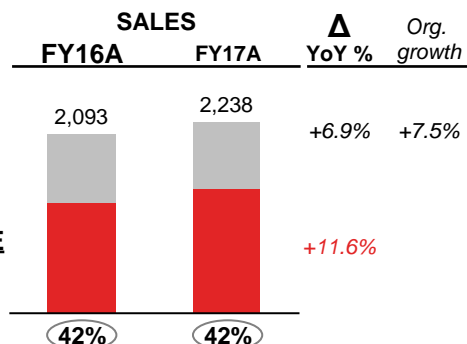
¹ EBIT adjusted excluding PPA amortization, non recurring, one-off, extraordinary items and start-up costs;

2017 PERFORMANCE BY HIGH VALUE REGION

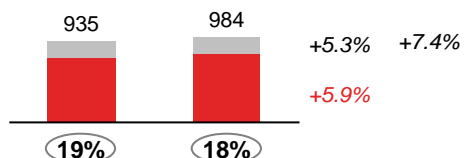
€ million



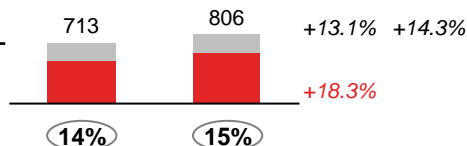
EUROPE



NAFTA



APAC



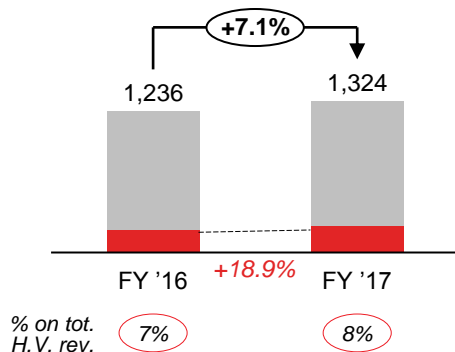
EBIT adj. margin ¹	KEY HIGHLIGHTS
Mid-teens	<ul style="list-style-type: none"> Consolidated leadership on High Value Standard exposure decreasing
Twenties	<ul style="list-style-type: none"> Sound performance, despite O.E. market slowdown High Value sales +8% net of FX with products introduction (All-Season) and further retail penetration
Twenties	<ul style="list-style-type: none"> Strong High Value performance, driven by Prestige and Premium pull-through (especially on Run-Flat) Expansion into new channels (i.e. Car Dealer, online)

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

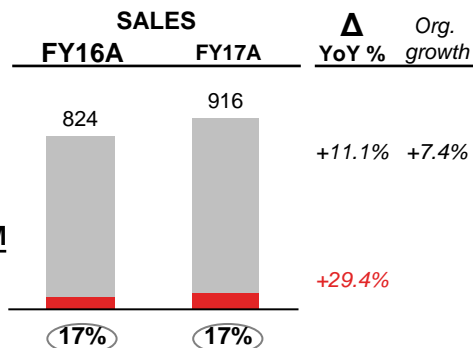
2017 PERFORMANCE BY STANDARD REGION_

€ million

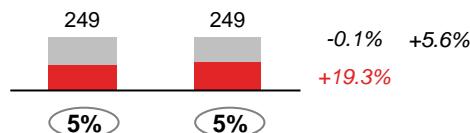
STANDARD REGIONS SALES



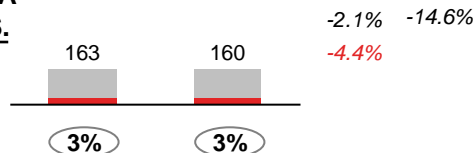
LATAM



MEAI



RUSSIA & C.I.S.



EBIT adj. margin¹

KEY HIGHLIGHTS

High-single digit

- Continuous mix improvement among Standard products
- Export to NAFTA to support H.V. growth
- Increasing profitability YoY

Mid-teens

- Positive organic growth dented by FX headwind (mainly Turkish Lira)
- Strong High Value sales, especially in the Gulf area

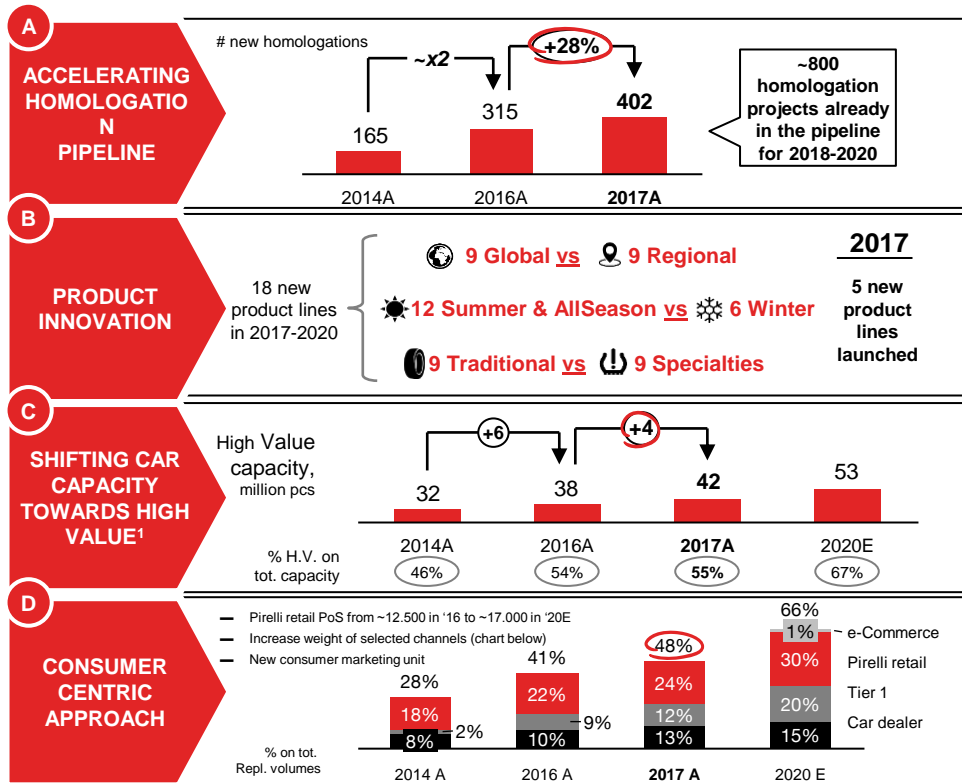
Low-teens

- Progressive reduction of Standard volumes & sales continues, with profitability improvement YoY
- High Value trend impacted by lower imports due to strong demand in Europe

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

PILLAR 1: HIGH VALUE 2017 ACHIEVEMENTS AND 2018 PRIORITIES_

1



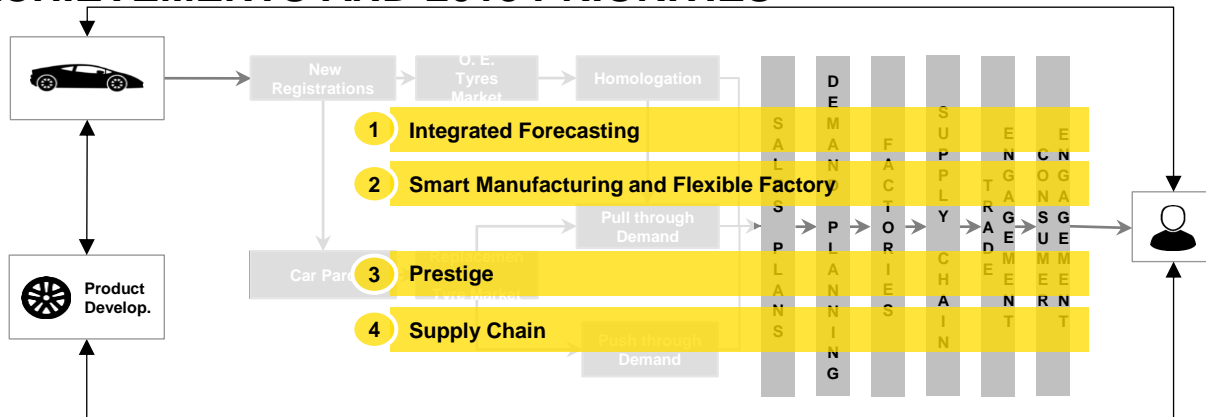
2018 PRIORITIES

- High Value (mainly $\geq 19''$ 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 Note: More details on Pirelli capacity in appendix section

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

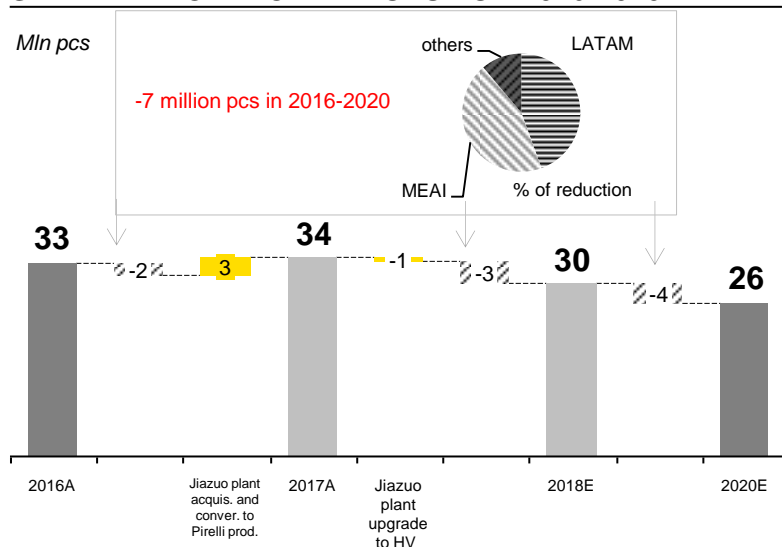
PIRELLI, GLOBAL HIGH VALUE

COMPANY PRESENTATION - MAY 2018

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 Jiazuo (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 PRIORITIES

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:

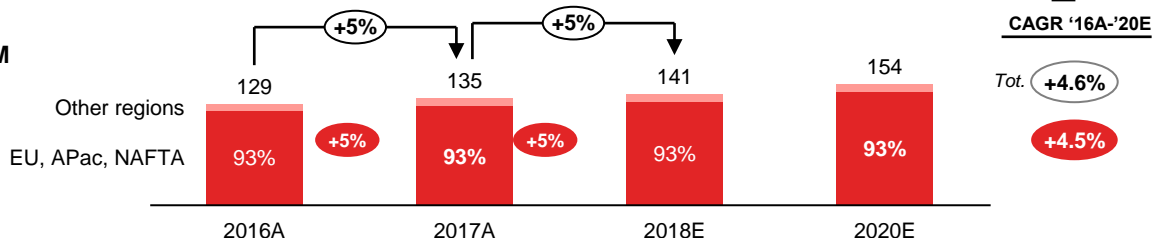
- Focus on Pirelli mix to improve share in ≥17" with an increasing weight of locally produced High Value tyre
- Strengthening price positioning

2018 HIGH VALUE MARKET OUTLOOK IN LINE WITH OUR PLAN

PRESTIGE & PREMIUM CAR PARC



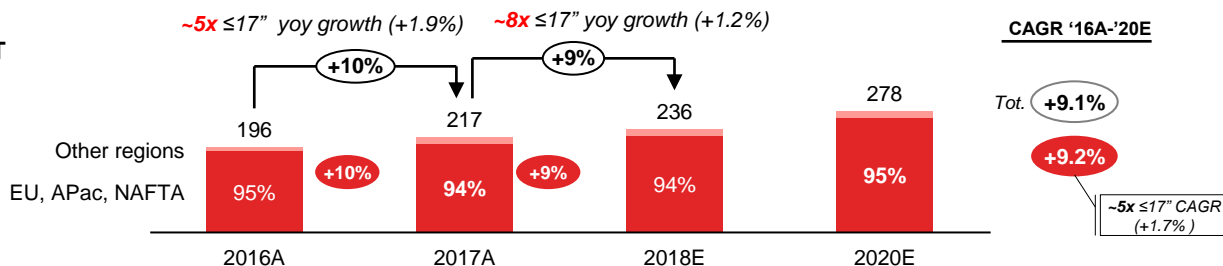
(million vehicles)



O.E. + REPLACEMENT ≥18" TYRE MARKET



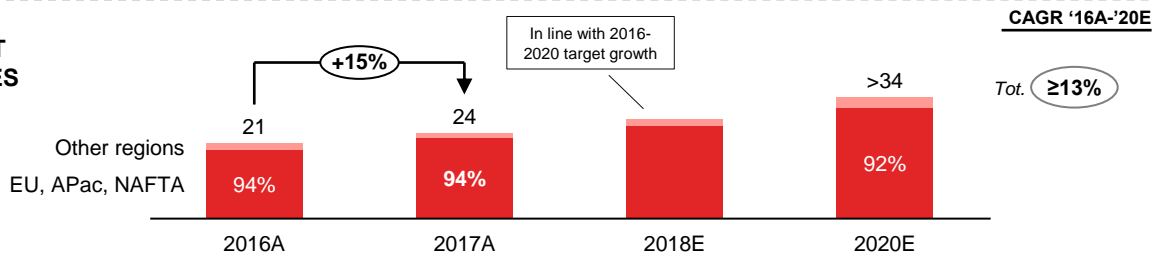
(million tyres)



O.E. + REPLACEMENT ≥18" PIRELLI VOLUMES



(million tyres)



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

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

2018E⁴

Revenues	5,352	≥+6% YoY ~+10% Net of FX
<i>High Value weight</i>	58%	~60%
Adjusted EBIT w/o start-up¹	927	>€ 1,0 bln
<i>High Value weight</i>	~83%	≥83%
<i>Start-up costs</i>	50	~40
Adjusted EBIT²	876	~€1,0 bln
Net financial position / Adjusted EBITDA w/o start-up costs³	2.7X	~2.3X
CapEx on Revenues	9.1%	~8%

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

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

AGENDA_

1. FINANCIAL RESULTS FY 2017

1a. PLAN DELIVERY IN 2017 AND 2018 OUTLOOK

1b. SUSTAINABILITY PLAN UPDATE

1c. REVIEW OF 2017 RESULTS

1d. 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 CO₂ specific emissions reduction	-9%	-4%	-17%
 Specific energy consumption reduction	-15%	-4%	-19%
 ~43% of the electricity we buy comes from renewable sources²		+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 ESG³ 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 20400⁴
-  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 Daw Jones Sustainability Index

AGENDA_

1. FINANCIAL RESULTS FY 2017

1a. PLAN DELIVERY IN 2017 AND 2018 OUTLOOK

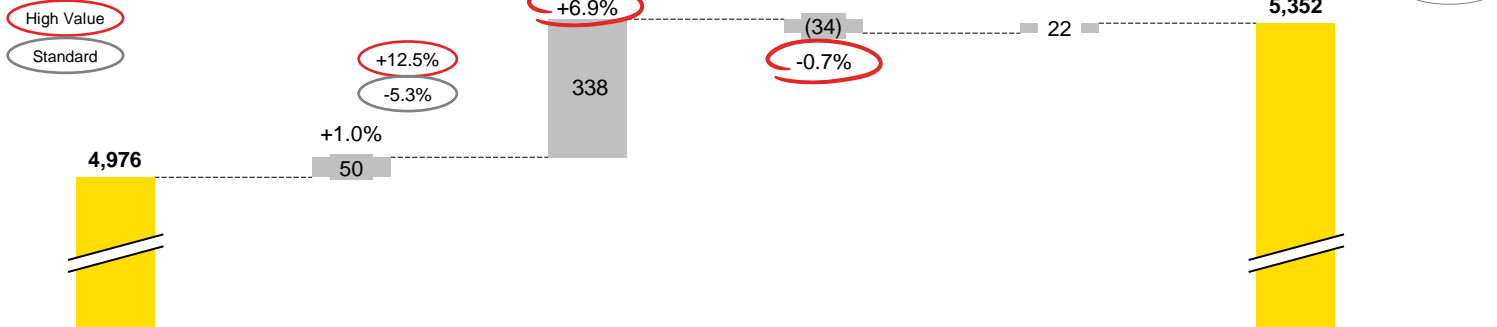
1b. SUSTAINABILITY PLAN UPDATE

1c. REVIEW OF 2017 RESULTS

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FY 2017 NET SALES BRIDGE

€ million



Net Sales FY '16 restated

Volume

Price/Mix

FX

Perimeter¹

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

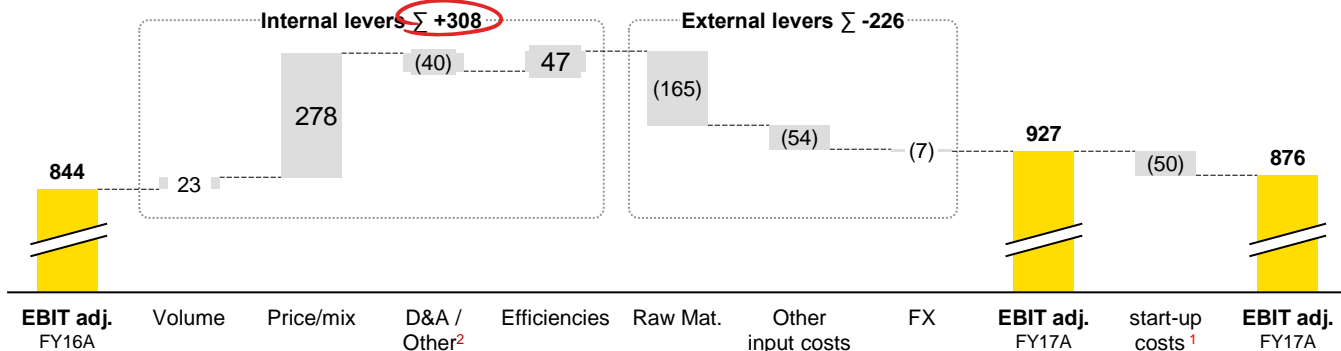
PIRELLI, GLOBAL HIGH VALUE

COMPANY PRESENTATION - MAY 2018

FY / 4Q 2017 OPERATING PERFORMANCE

€ million

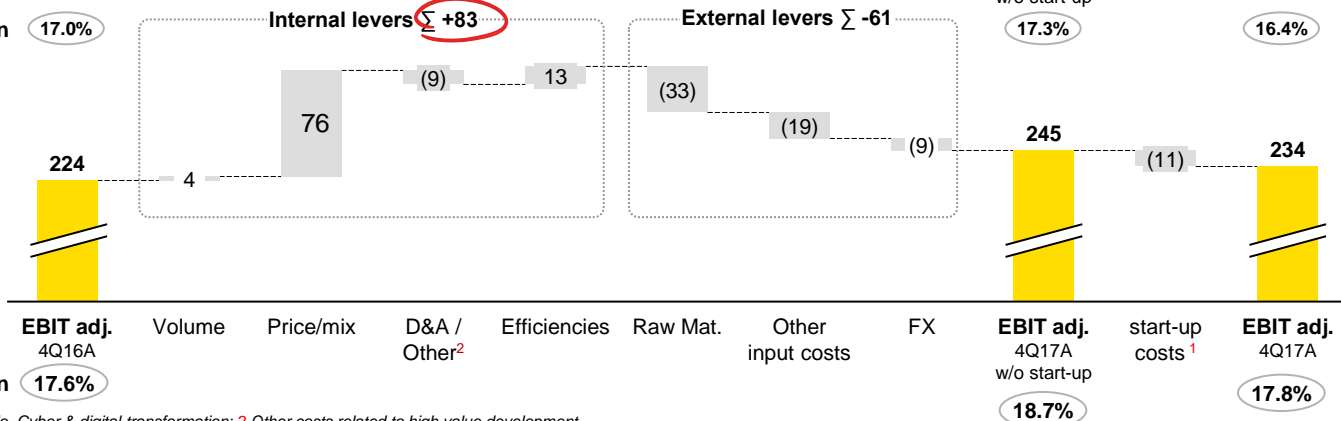
FY



4Q

margin

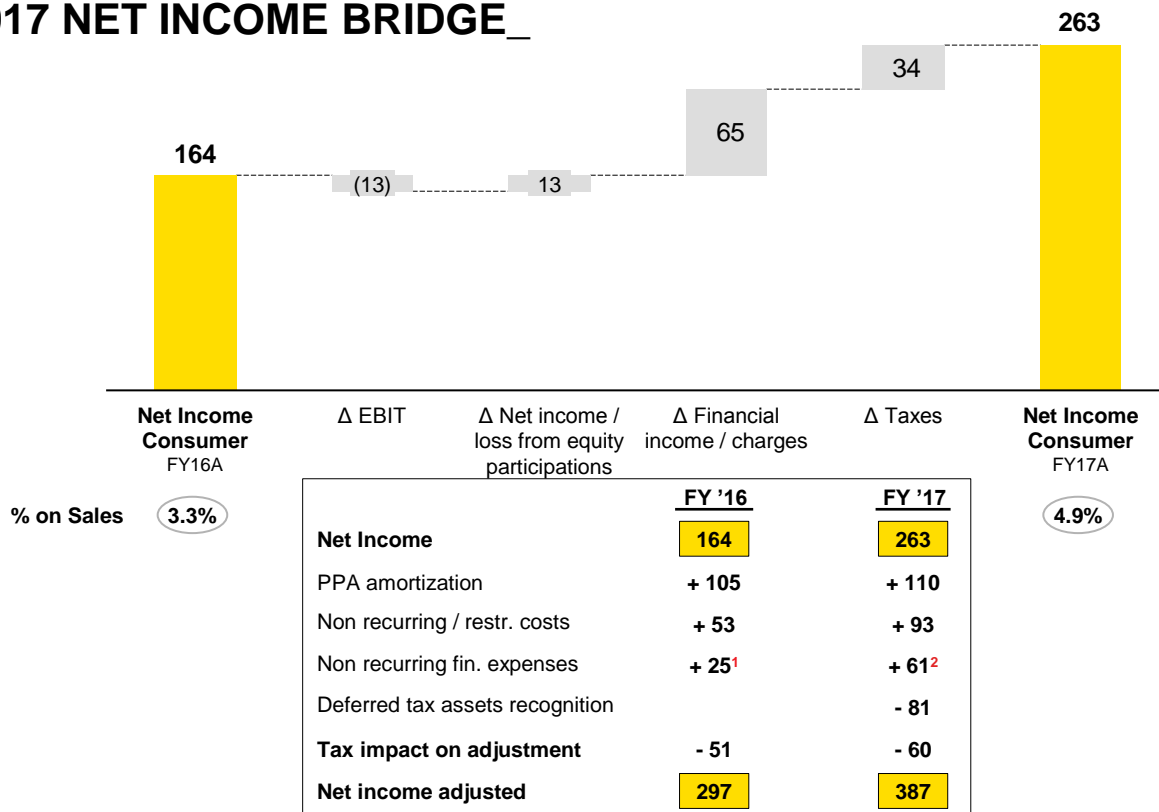
17.0%



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

FY 2017 NET INCOME BRIDGE__

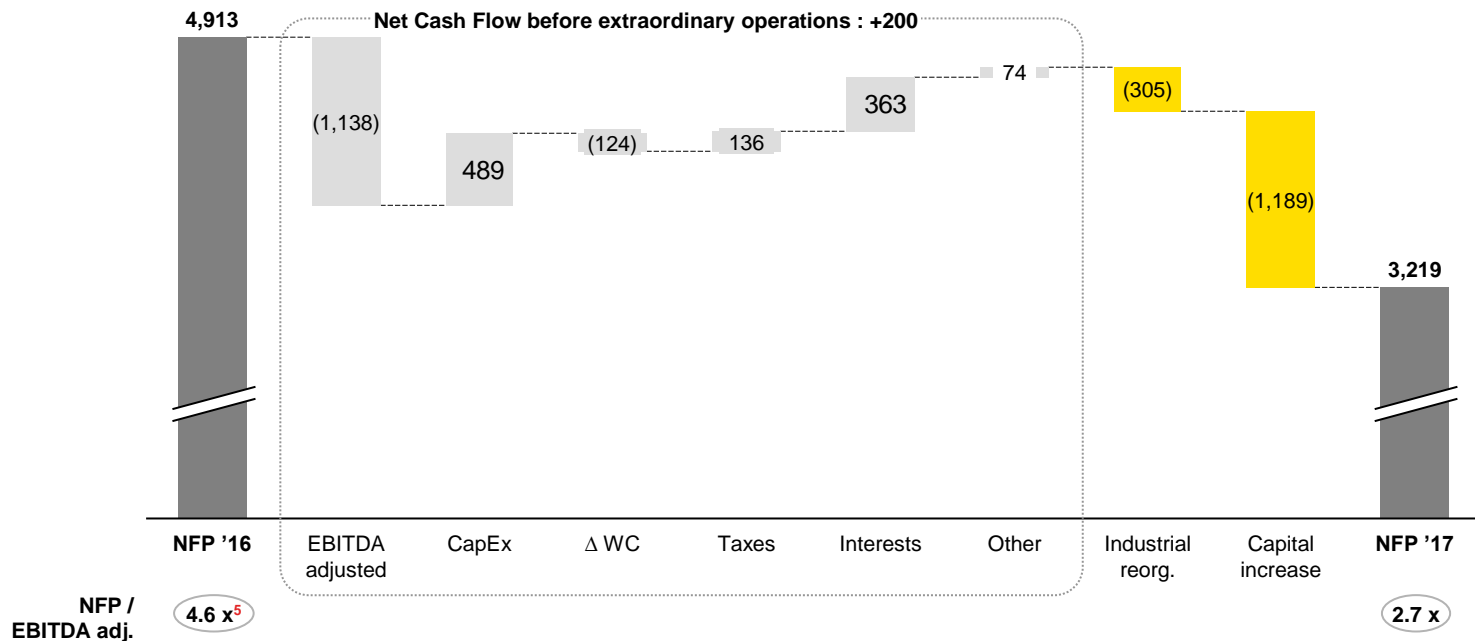
€ million



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

FY 2017 CASH FLOW AND NET FINANCIAL POSITION__

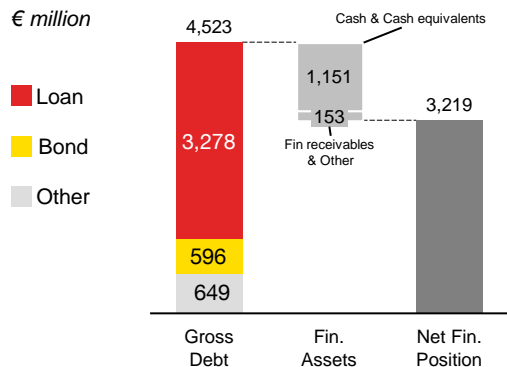
€ million



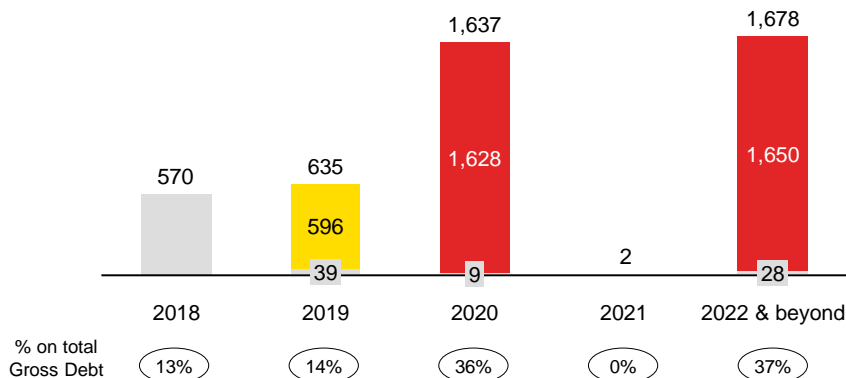
¹ reported; ² before non-recurring items and restructuring costs; ³ Industrial reorg: partial debt push down to Prometeon; ⁴ Capital Increase made by Marco Polo; ⁵ 2016 ratio calculated using the NFP relative to the sole Consumer business equal to €4,961 million

CURRENT CAPITAL STRUCTURE (DECEMBER 2017)

NET FINANCIAL POSITION



GROSS DEBT MATURITY

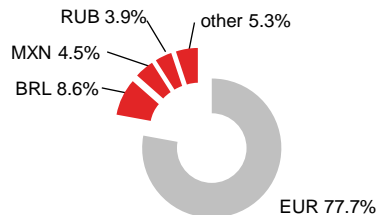


LIQUIDITY PROFILE

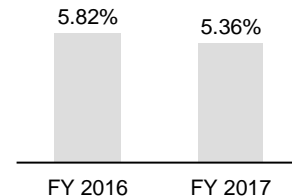
Liquidity position	1,151
Total committed lines not drawn	700
Liquidity margin¹	1,851

¹ covers ~ 2.4 years of forthcoming maturities

BREAK-DOWN BY CURRENCY



COST OF DEBT



AGENDA_

1. FINANCIAL RESULTS FY 2017

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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 costs²	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 costs²	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;

PIRELLI, GLOBAL HIGH VALUE

COMPANY PRESENTATION – MAY 2018

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 costs²	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 costs²	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

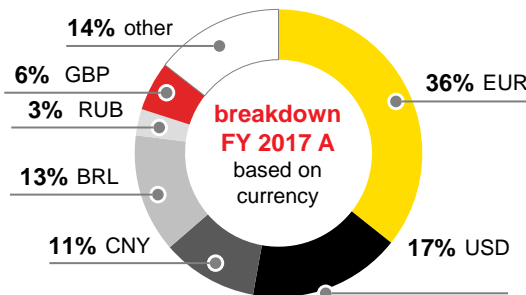
FY PIRELLI GROUP CASH FLOW__











	FY '16 restated	FY '17
€ million		
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 Pneucac 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 GUIDANCE¹

€ million

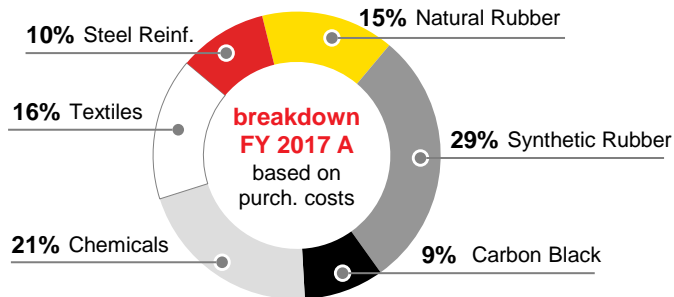


MAIN AVERAGE EXCHANGE RATES		2017 A	2018 E	Δ YoY	Δ YoY vs EUR	2018E IPO plan
EUR / USD	 / 	1.130	~1.17	-4%	-4%	~1,05
USD / CNY	 / 	6.752	~6.85	-1%	-5%	~7.3
USD / BRL	 / 	3.193	~3.4	-6%	-9%	~3.55
EUR / RUB	 / 	65.85	~71.37	-8%	-8%	~64.05
EUR / GBP	 / 	0.876	~0.91	-4%	-4%	~0.87
TOT. IMPACT ON SALES			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

¹ As of February 26th, 2018

2018E RAW MATERIAL GUIDANCE¹

€ million



Raw mat.
35% on Sales

AVERAGE QUOTATION OF COMMODITIES

Natural Rubber TSR20

(\$ / tonne)

Brent Oil

(\$ / barrel)

Butadiene EU

(€ / tonne)

	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

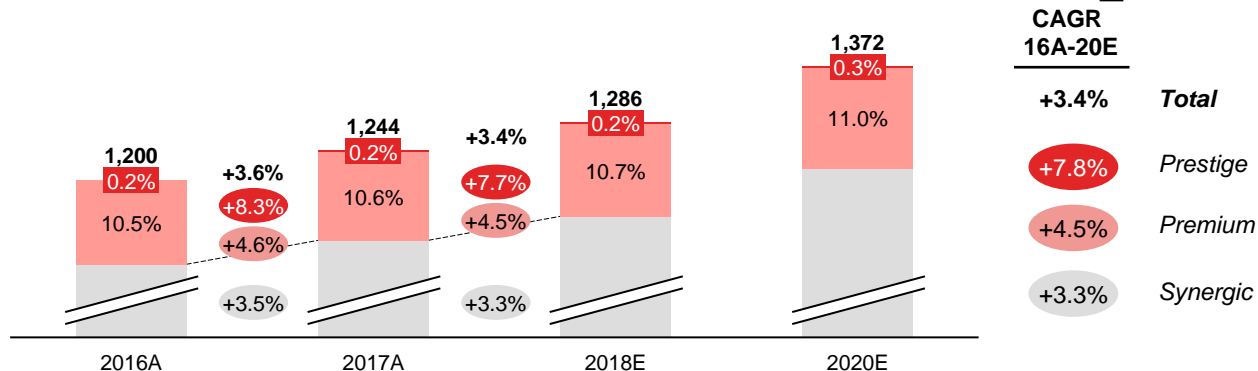
~-95

~78% of production in low-
cost countries

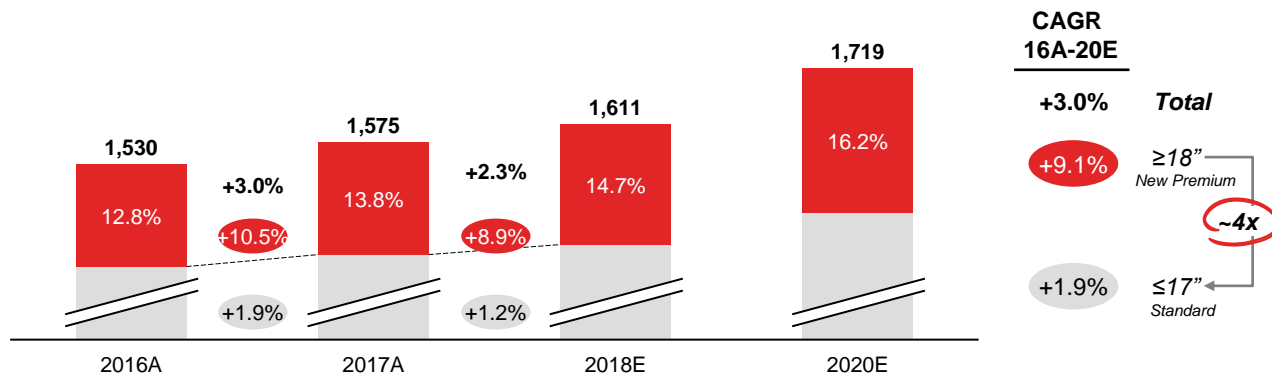
¹ As of February 26th, 2018

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

CAR PARC
(million vehicles)

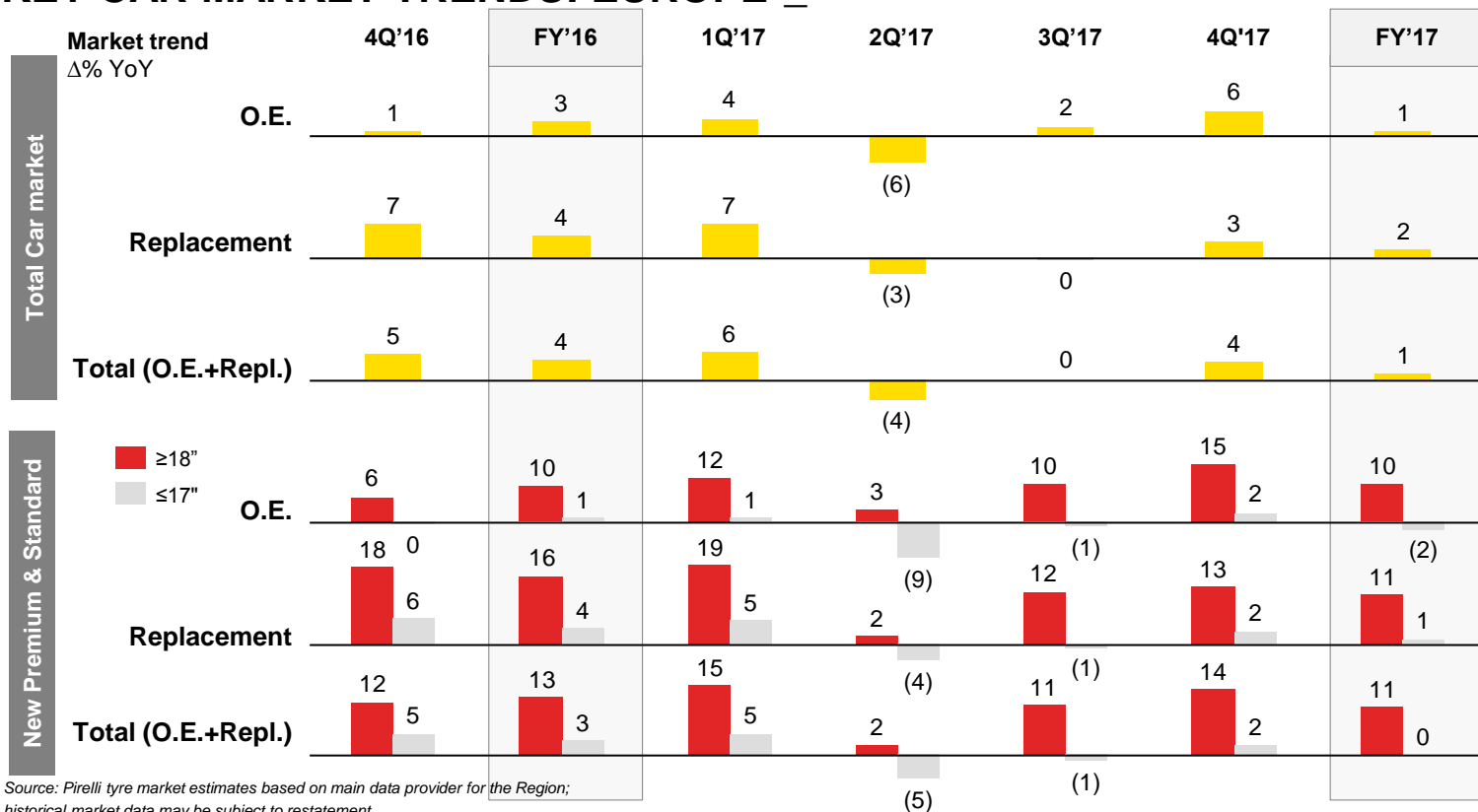


TYRE MARKET
(million tyres)

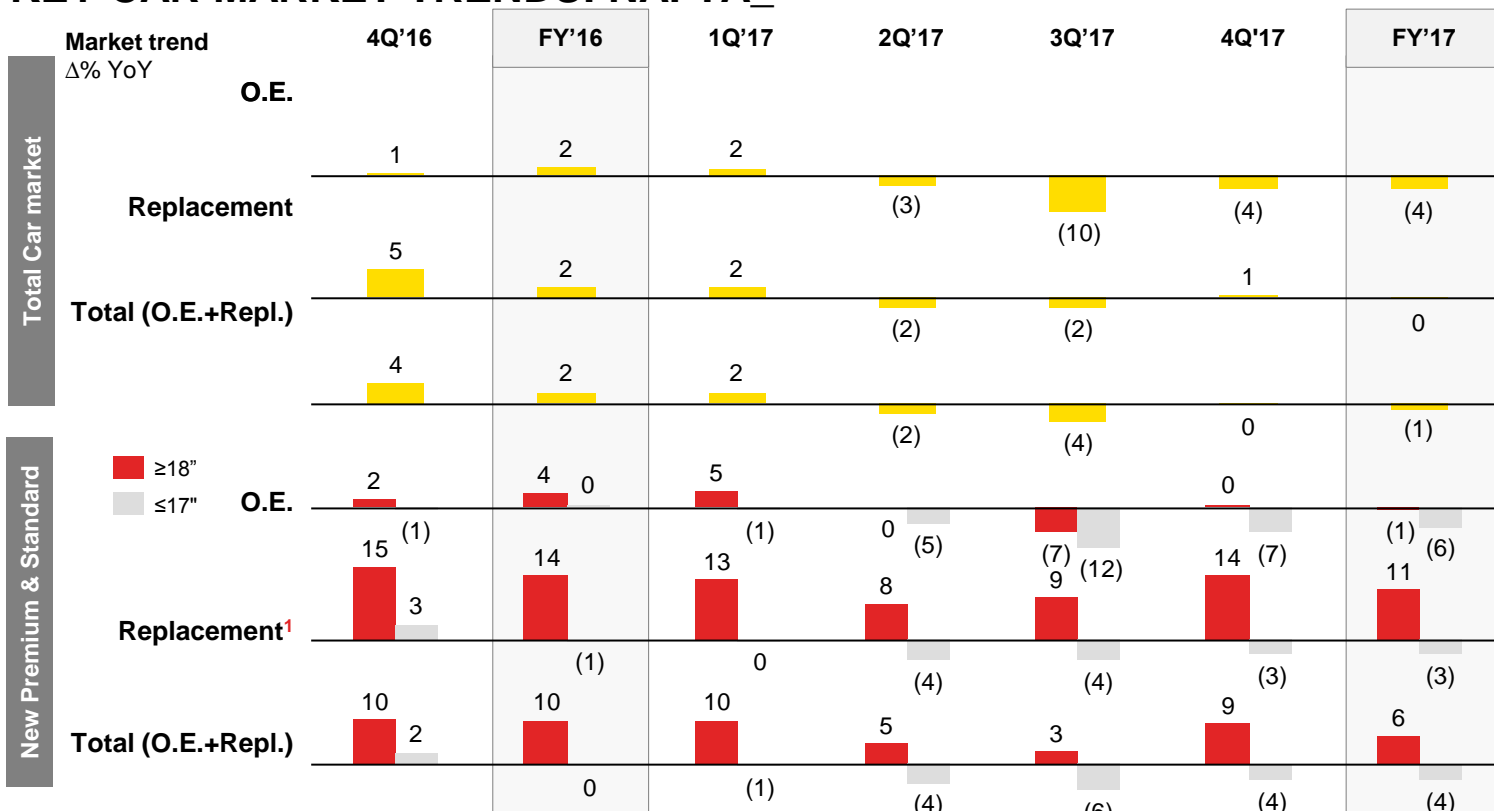


Source: Company elaborations based on third party data relative to car market and on data provided by local associations of tyre producers

KEY CAR MARKET TRENDS: EUROPE¹

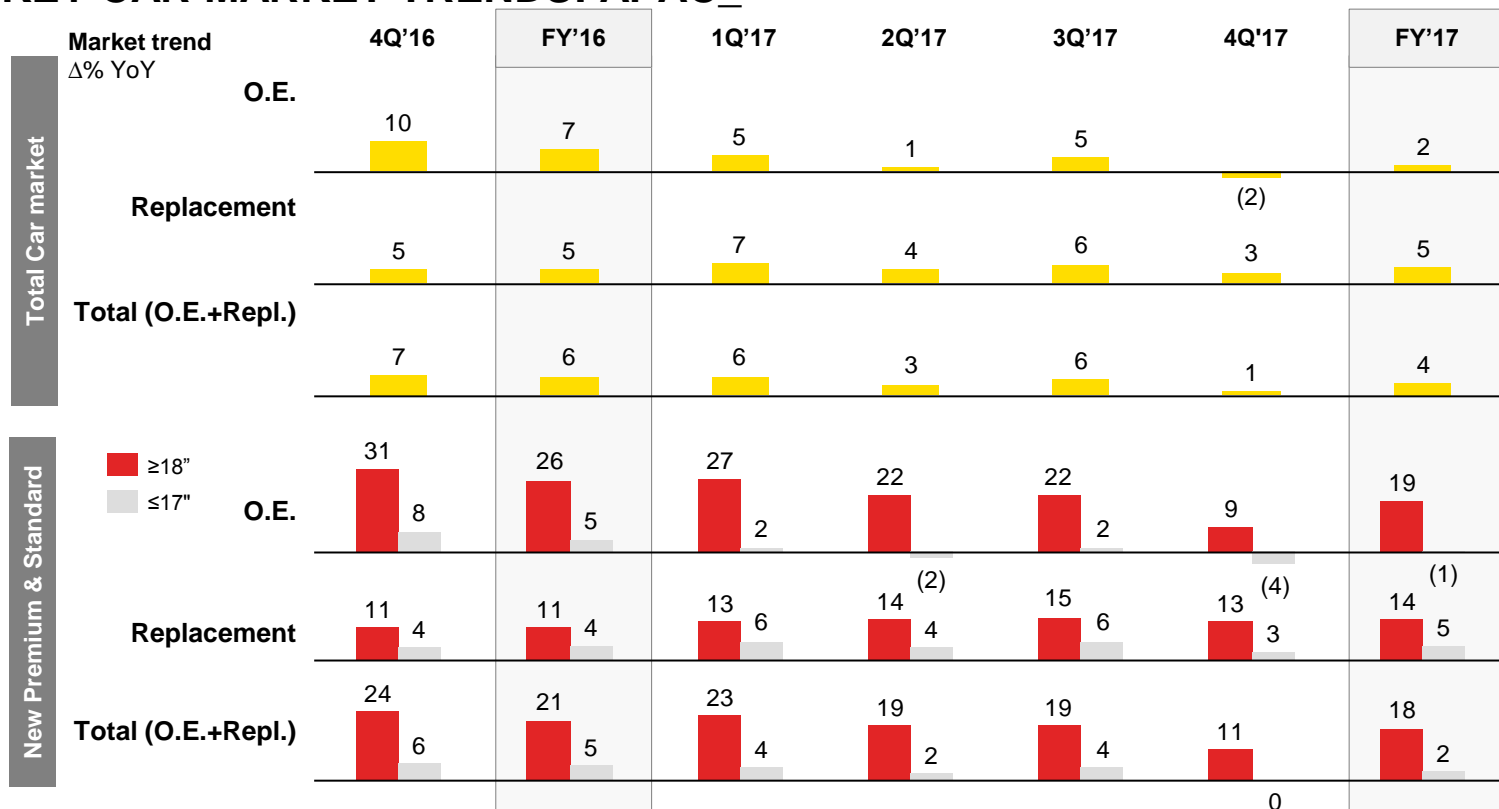


KEY CAR MARKET TRENDS: NAFTA



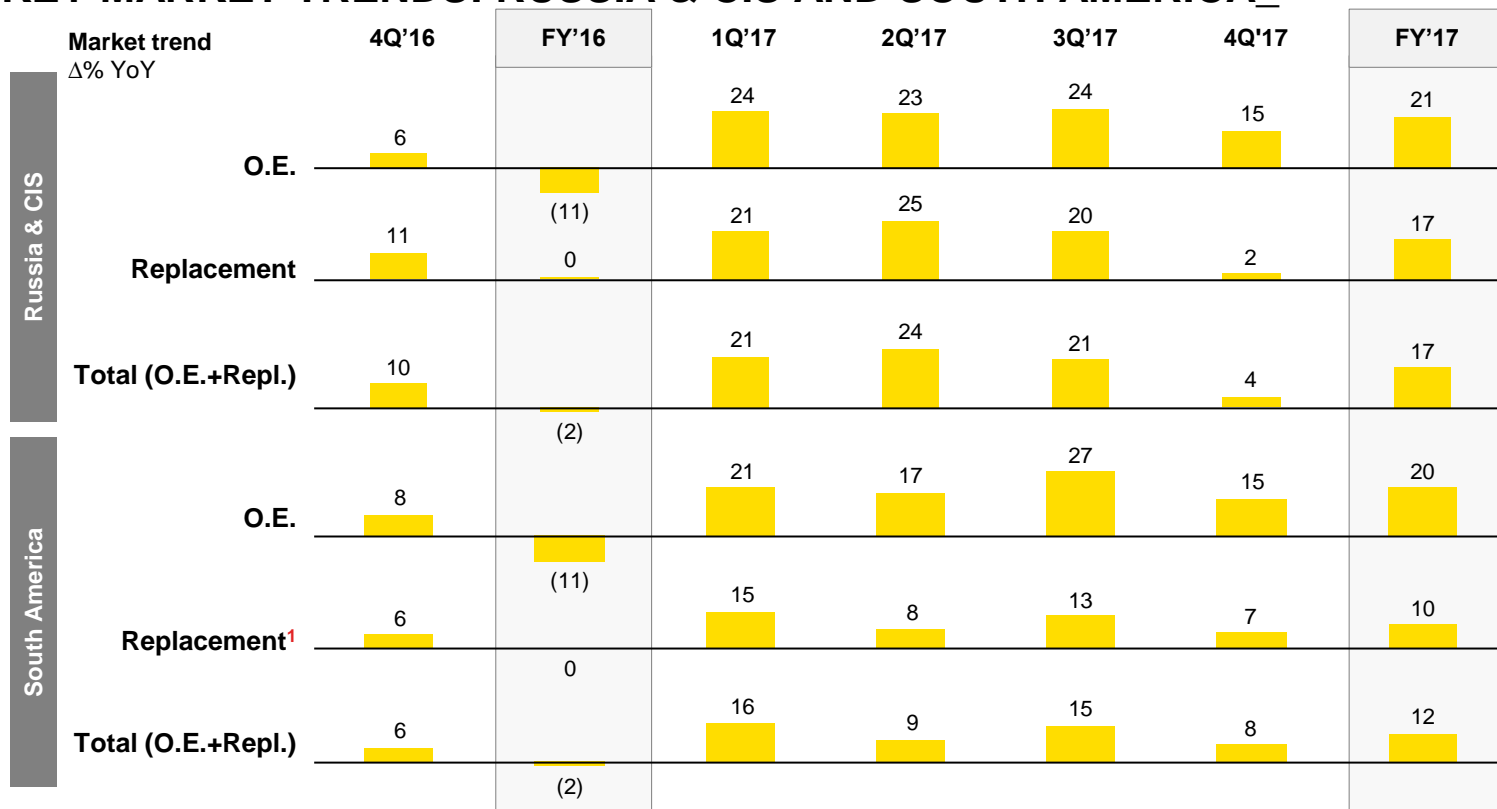
Source: Pirelli tyre market estimates based on main data provider for the Region; historical market data may be subject to restatement; ¹ NAFTA Replacement includes imports

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

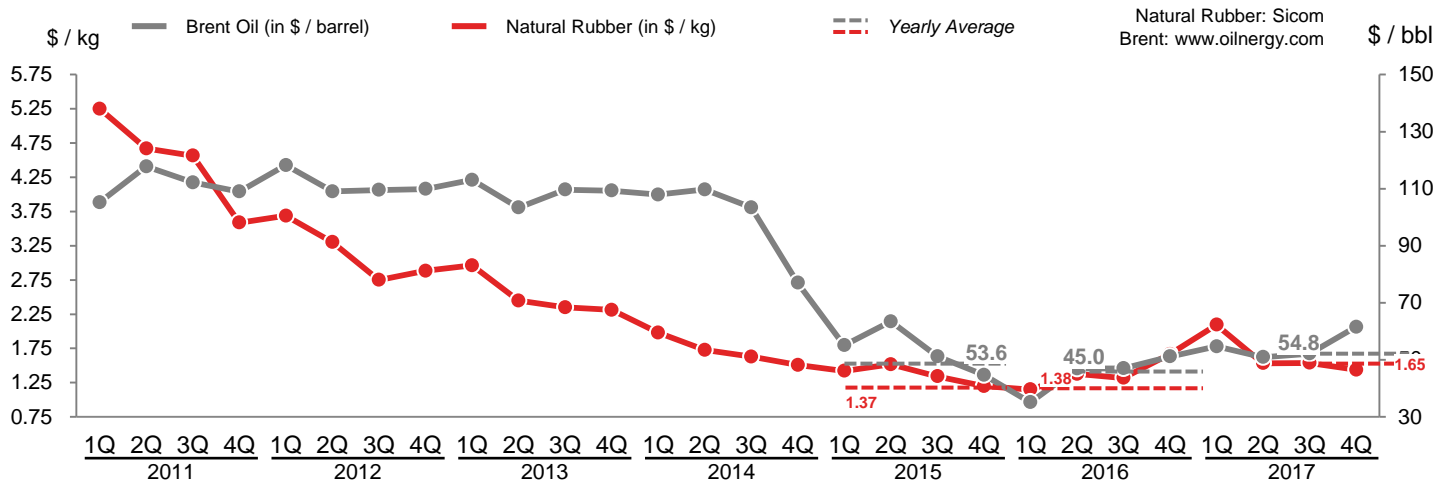
KEY MARKET TRENDS: RUSSIA & CIS AND SOUTH AMERICA



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

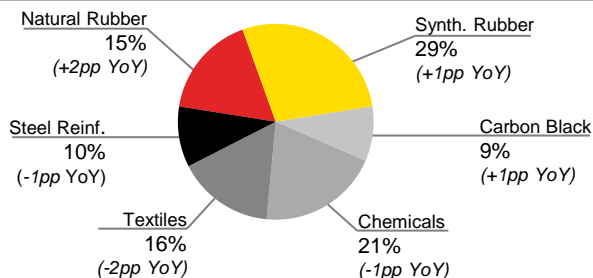
RAW MATERIAL COSTS TREND AND MIX

MAIN RAW MATERIALS PRICE TREND

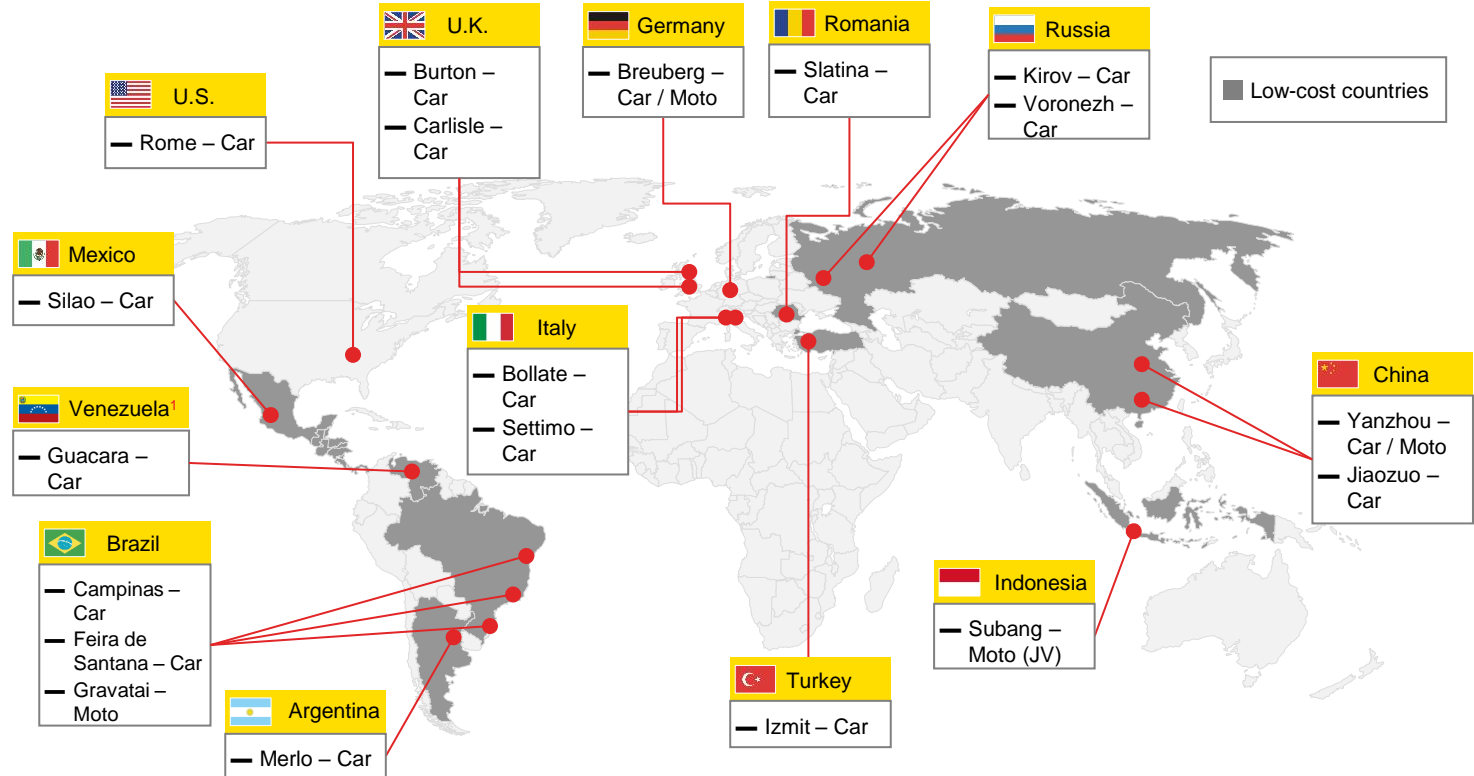


FY 2017 MIX (BASED ON PURCHASING COST)

35%
Raw mat. costs
on sales



PIRELLI MANUFACTURING FOOTPRINT AS OF DECEMBER 31ST 2017



¹ Not consolidated since December 2016



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3e. HIGH VALUE STRATEGY: START-UPS

3f. TRANSFORMATION PROGRAMS

3g. STANDARD PROGRAMS

3h. TARGETS 2020

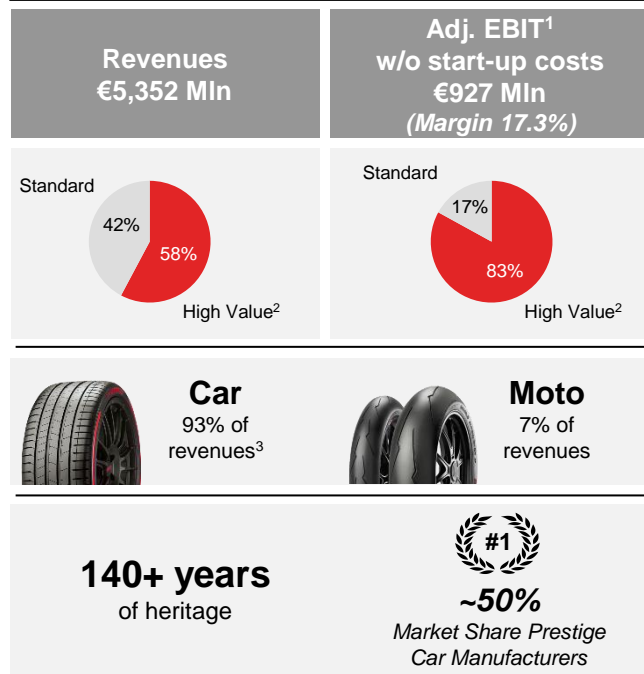
4. GOVERNANCE

5. SUSTAINABILITY

6. APPENDIX

PIRELLI AT A GLANCE (2017A)_

GLOBAL PREMIUM TYRE LEADER WITH UNIQUE FOCUS ON CONSUMER SEGMENT



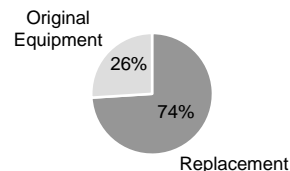
¹Excluding non recurring, one-off and extraordinary items;

²Include prestige, new premium (≥18"), specialties and super specialties;

³Percentage based on 2017 Consumer revenues net of Moto only

Source: FY 2017 financial statements consumer business only, Pirelli estimates on third party data

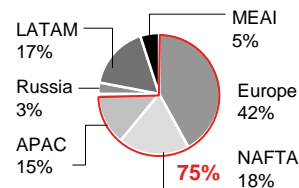
REVENUE BY CHANNEL



Long standing partnership with

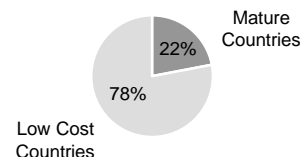
and exclusive **F1** supplier

REVENUE BY REGION



14,600 PoS
 In 160+ countries

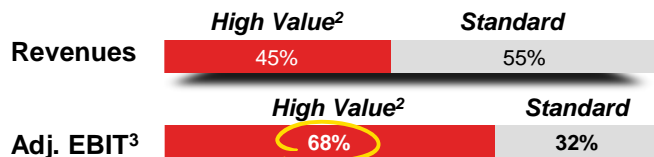
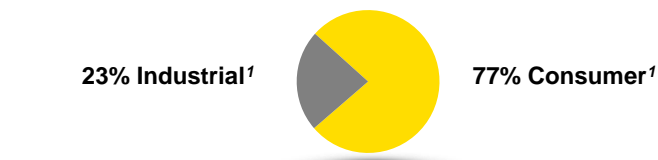
PRODUCTION CAPACITY



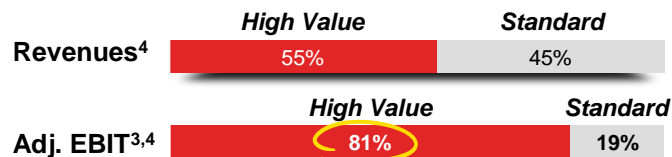
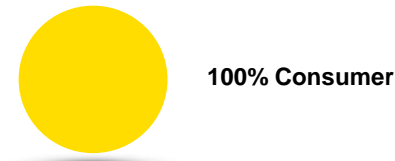
19 plants
 in 13 countries

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

2014A



2016A



15%

Adj. EBIT³
Margin

Enhanced Financial Profile with a
Significantly Improved Profitability

17%

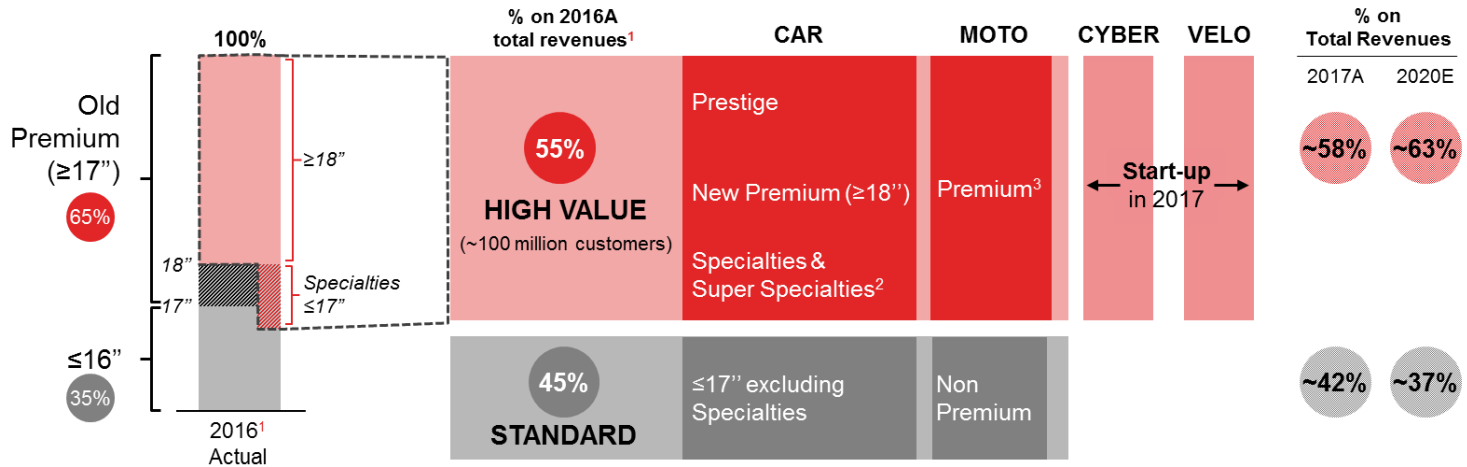
Adj. EBIT³
Margin

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

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

HIGH VALUE PRODUCTS PORTFOLIO_

	PRODUCTS	KEY CHARACTERISTICS	KEY PARTNERSHIPS
Specialties	 RUNFLAT	<ul style="list-style-type: none"> Allows continuous driving in the event of a puncture Special reinforcements on the shoulder, maintaining stability and control 	  
	 SEAL INSIDE™	<ul style="list-style-type: none"> Prevents air pressure loss in the event of a puncture Layer of mastic on the inner upholstery 	 
	 NOISE CANCELLING SYSTEM™	<ul style="list-style-type: none"> Reduces noise generated by rolling of the tyre Terry cloth inside the inner upholstery 	  
	 RACING TYRES	<ul style="list-style-type: none"> PZERO™ <i>TROFEO R</i>: designed for "Track Days" PZERO™ <i>Slick</i> and <i>Rain</i>: designed for major championships PZERO™, SCORPION™, SOTTOZERO™: designed for rallies 	    
	 COLLECTION TYRES	<ul style="list-style-type: none"> Built with modern materials while maintaining original appearance 	
Super Specialties	 COLOR EDITION	<ul style="list-style-type: none"> Possibility of customizing tyres with colours chosen by the consumer Offered in 7 standard colours and additional <i>Bespoke</i> colours 	confidential partners
	 CONNESO™	<p>"Intelligent tyres" which connect with the consumer:</p> <ul style="list-style-type: none"> 4 in-tyre sensors transfer data to a Control Unit CONNESO™ App returns the driver information about pressure, wear and temperature 	confidential partners
	 CYBER CAR	<p>Advanced tyre sensor integrated into car electronics</p> <ul style="list-style-type: none"> 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

AGENDA

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3a. PIRELLI AT A GLANCE

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3c. MARKET AND COMPETITION

3d. HIGH VALUE STRATEGY: LEVERS AND REGIONAL DEPLOYMENT

3e. HIGH VALUE STRATEGY: START-UPS

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KEY INVESTMENT HIGHLIGHTS_

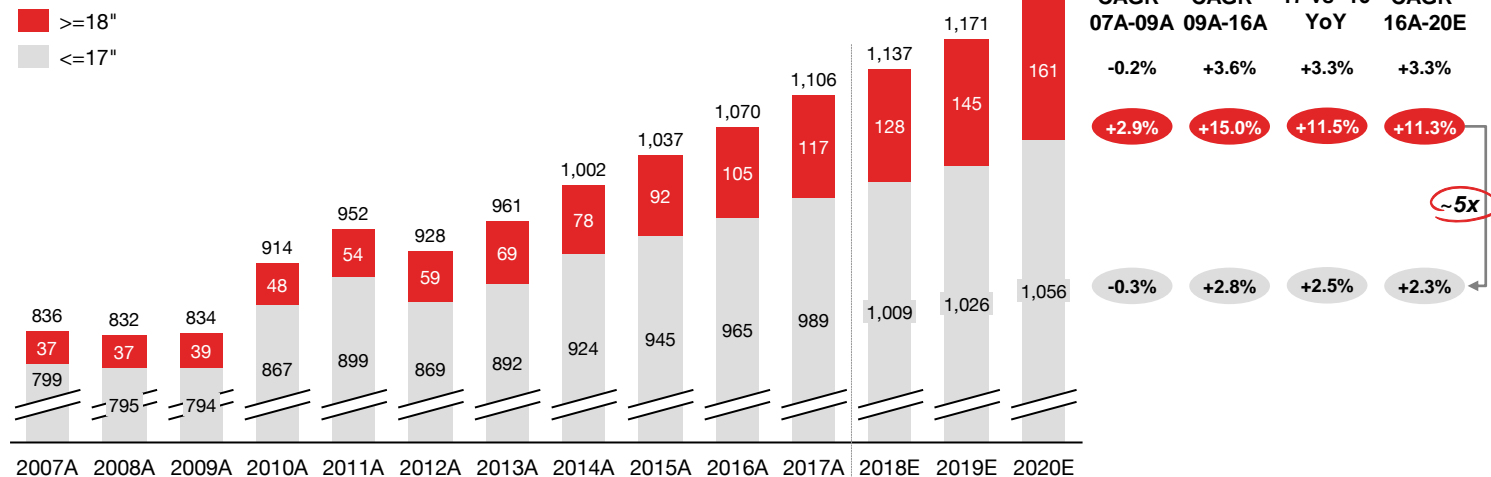


- 1 Strategic Position in a Profitable and Resilient Sector with Growth Potential
- 2 Leadership Position in High Value Markets
- 3 Iconic Brand with Focus on Consumer Engagement Beyond Tyres
- 4 Solid Business Relationship with Prestige and Premium Car Makers
- 5 Pioneering Technological Innovation
- 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

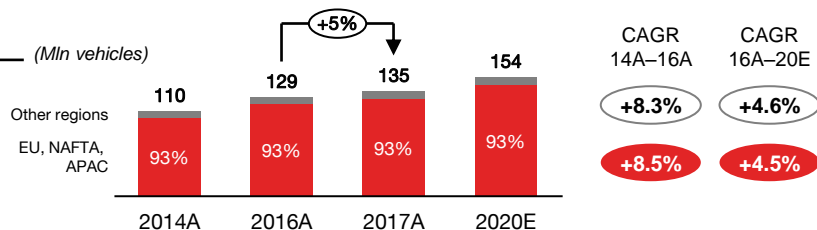
Source: Company elaborations based on third party data relative to car market and on data provided by local associations of tyre producers. 2015-2018 figures restated.

② STRONG FOCUS ON PRESTIGE & PREMIUM GEOGRAPHIES_

PRESTIGE & PREMIUM CAR PARC



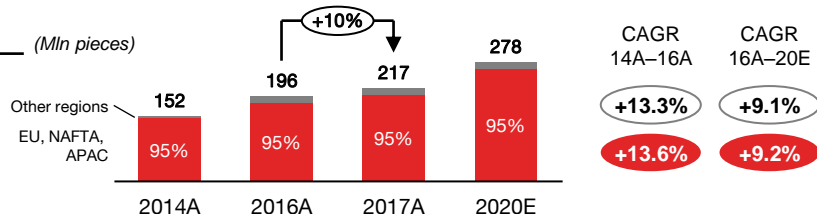
- Expected to reach 154 Mln vehicles in 2020
- Europe, APAC and NAFTA ~93% of total parc by 2020



≥18" O.E. + REPLACEMENT TYRE MARKET



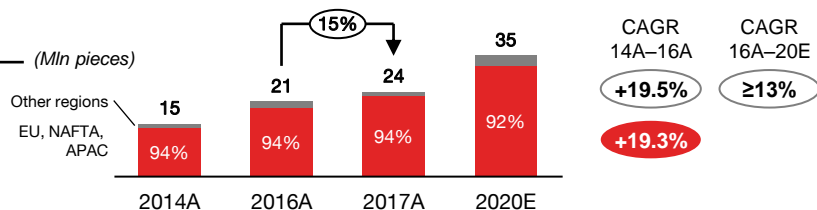
- Expected to reach 278 Mln tyres in 2020
- Europe, APAC and NAFTA contributing 95%



≥18" PIRELLI O.E. + REPLACEMENT VOLUMES











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



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

② LEADERSHIP POSITION IN HIGH VALUE MARKETS_

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

¹Car tyres with rim size $\geq 18"$; ²Data referred to Pirelli and Metzeler brands combined; ³Radial, Custom Touring, Off Road and Sport Touring X-ply with speed index $\geq H$;

⁴Perimeter includes Italy, Spain, France, UK and Germany

Source: Pirelli estimates on third party data

③ ICONIC BRAND GLOBALLY RECOGNISED_



PERFORMANCE

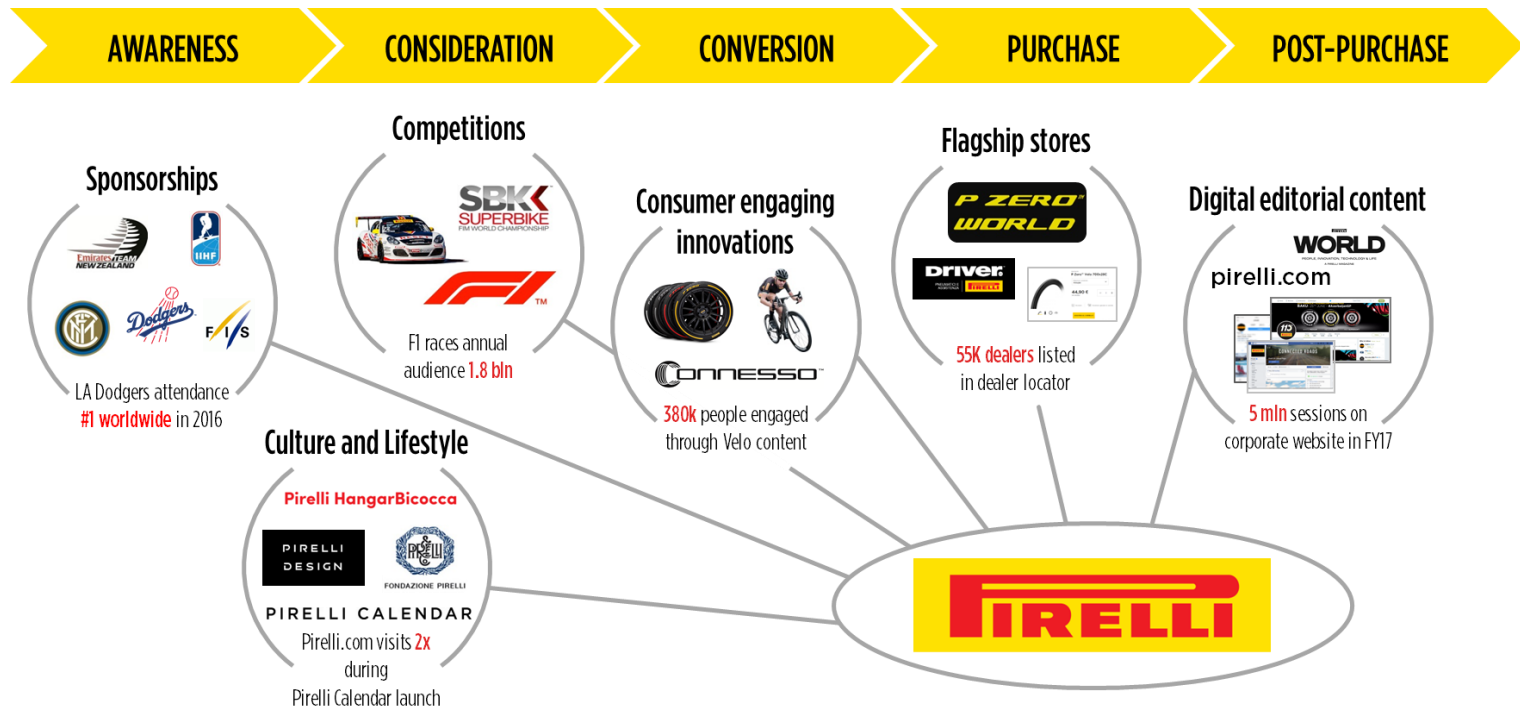
INNOVATION

HERITAGE

**CULTURE &
LIFESTYLE**

DESIGN

③ ICONIC BRAND GLOBALLY RECOGNISED¹_

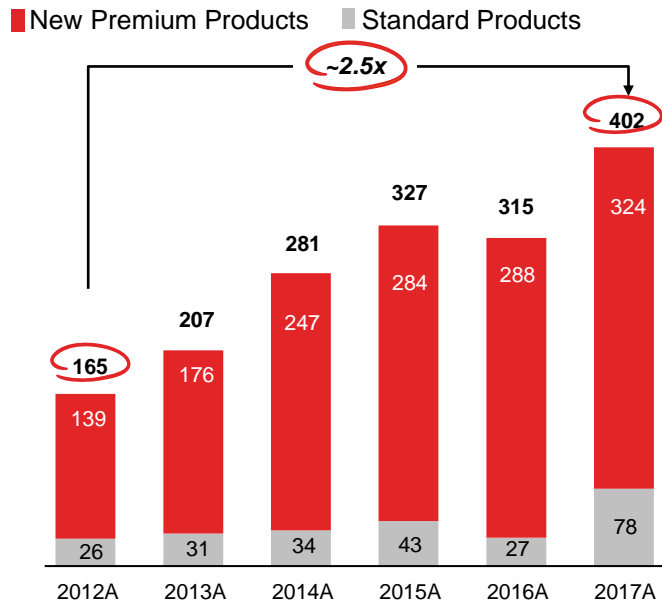


DATA-DRIVEN PERSONALIZATION OF CONSUMER JOURNEYS THROUGH ADVANCED CRM

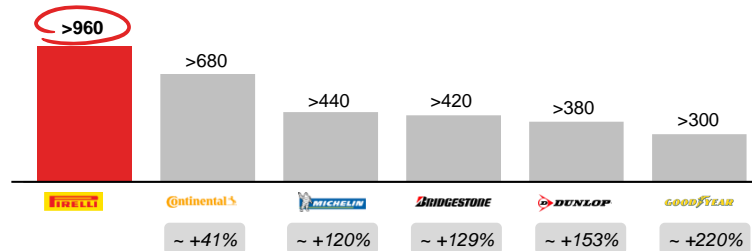
¹ 2017A figures

4 SOLID BUSINESS RELATIONSHIP WITH PRESTIGE AND PREMIUM CAR MAKERS

PIRELLI YEARLY HOMOLOGATIONS

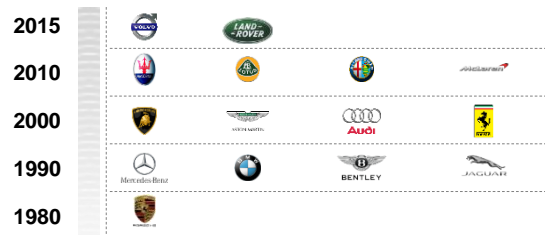


OF MARKED TYRES HOMOLOGATIONS*



MARKED TYRES TIMELINE

OE marked tyres, introduced with Porsche in the 80s, are now requested by all top car manufacturers to help customers finding the right tyre for their car



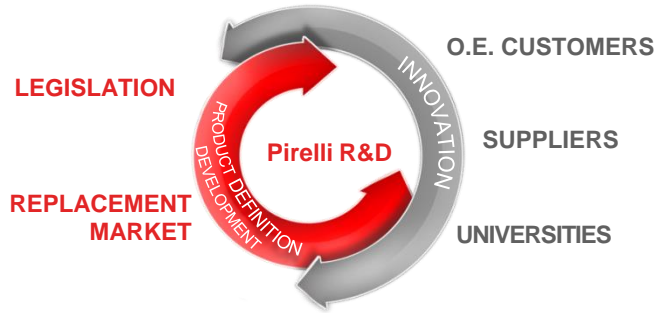
Example of marked



* Source: Germany wholesaler / dealer product list (January 2018)

5 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

¹ Modular Integrated Robotized System

PIRELLI, GLOBAL HIGH VALUE
 COMPANY PRESENTATION – MAY 2018

...ACHIEVING TECHNOLOGICAL INNOVATION

PRODUCTS



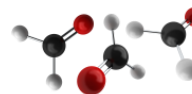
- Homologation portfolio: >2,150 prestige & premium items as of December 2017
- Wide offer on Specialties and SuperSpecialties
- Advanced Virtual Modeling

PROCESSES



- Next generation MIRS¹
- New mixing technology
- Wide adoption of automation

MATERIALS

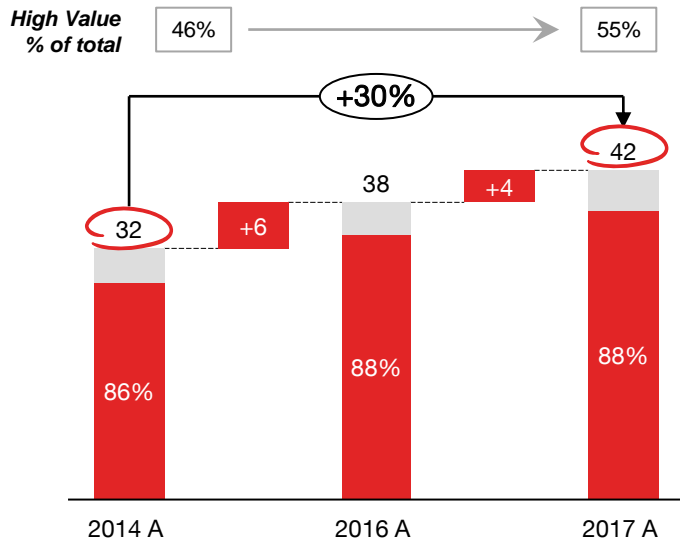


- Carbon Nanotubes
- Innovative Natural Nanofibers
- Functionalize Lignin
- Development of renewable materials

⑥ HIGH VALUE MANUFACTURING AND RETAIL FOOTPRINT_

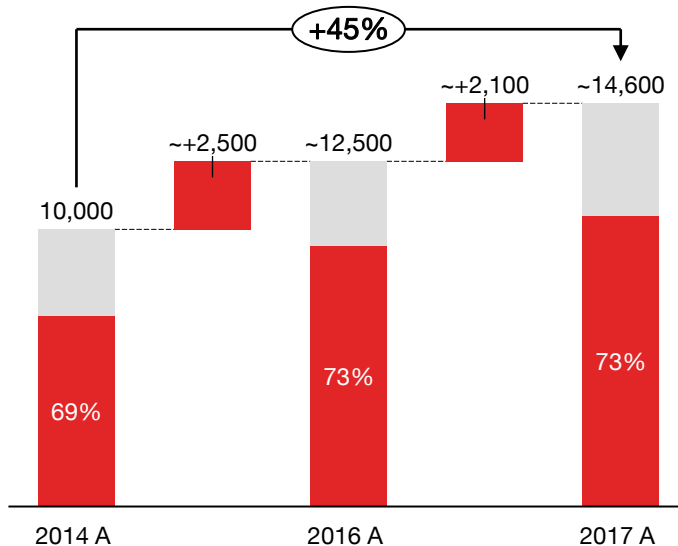
STRONG CAR CAPACITY INCREASE ON ≥18"

Mln pieces



IMPROVED MARKET PENETRATION

PoS



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

7 EXPERIENCED MANAGEMENT TEAM_



CEO has been managing Pirelli for the last

26 years



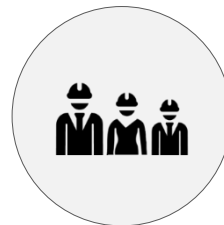
Senior Management Team average tenure in Pirelli

18 years



International Management Team

29 nationalities



Research & Development

>1,800 people



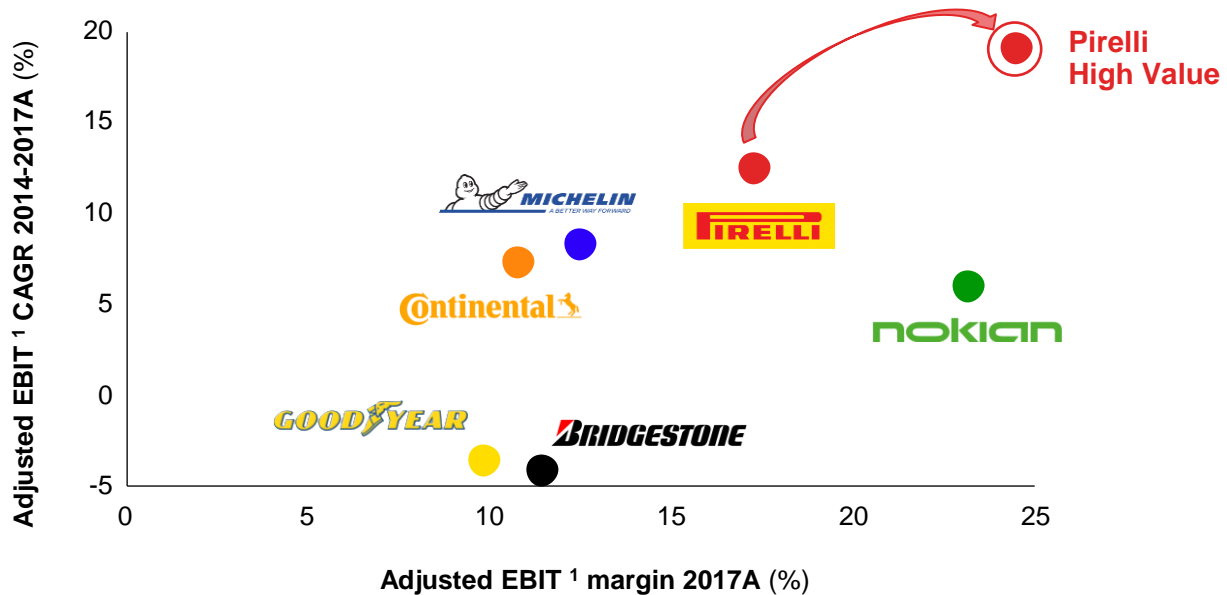
Global and local "talents"

>680

Source: Pirelli Internal data as of March 2018

8 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

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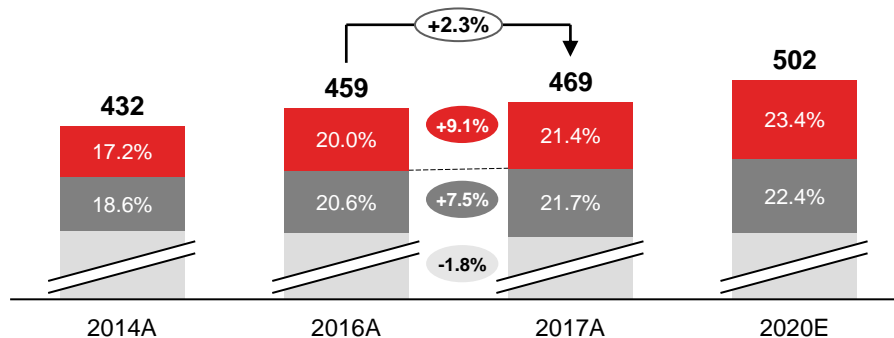
4. GOVERNANCE

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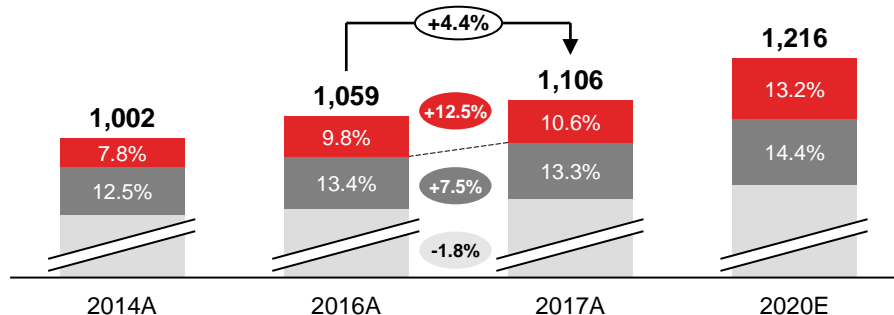
TYRE MARKET SHIFTING TOWARDS HIGHER RIMS_

O.E. TYRE MARKET (Mln pieces)



CAGR 14A-16A	CAGR 16A-20E	Total
+3.1%	+2.3%	≥18"
+11.1%	+6.4%	17"
+8.6%	+4.4%	≤16"

REPL. TYRE MARKET (Mln pieces)



CAGR 14A-16A	CAGR 16A-20E	Total
+2.8%	+3.5%	≥18"
+15.4%	+11.5%	17"
+6.2%	+5.5%	≤16"

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.

KEY DRIVERS OF GLOBAL HIGH VALUE TYRE MARKET GROWTH_



1

**Penetration of
Premium &
Prestige cars**



2

**Increase in
number
of homologations**



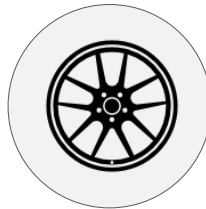
3

**Growing demand
for specialties**



4

**Rising
penetration
of SUVs**



5

Car evolution



6

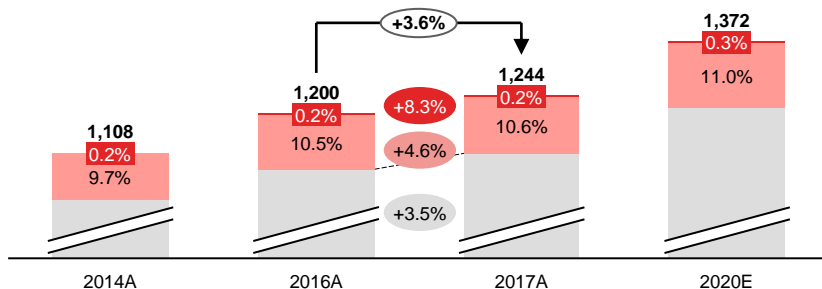
**New Car
technologies**



DRIVER 1: RISING PENETRATION OF PREMIUM & PRESTIGE CARS_

CAR PARC

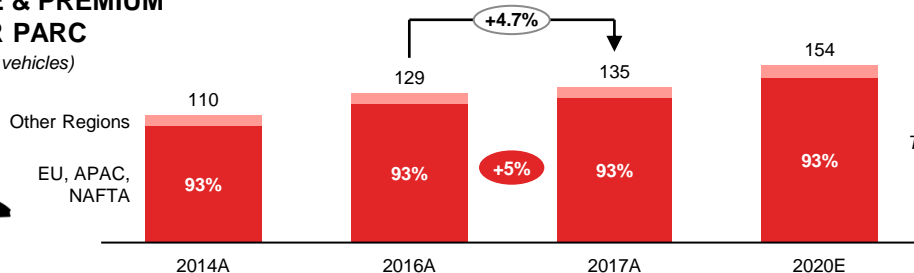
(mln vehicles)



	CAGR 14A-16A	CAGR 16A-20E	
	+4.1%	+3.4%	Total
	+12.5%	+7.8%	Prestige
	+8.2%	+4.5%	Premium
	+3.6%	+3.3%	Standard

PRESTIGE & PREMIUM CAR PARC

(mln vehicles)



	CAGR 14A-16A	CAGR 16A-20E	
Tot.	+8.3%	+4.6%	Total
	+8.5%	+4.5%	Prestige & Premium

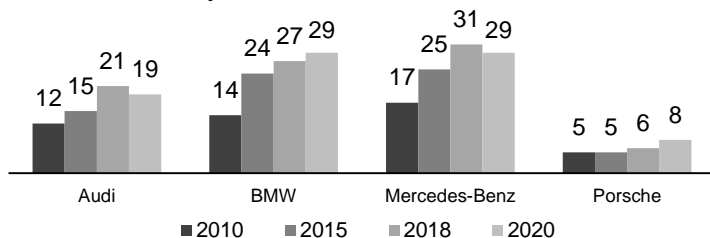
Source: Company elaborations based on third party data relative to car market and on data provided by local associations of tyre producers. 2014A, 2016A and 2020E data based on IPO plan.



DRIVER 2 & 3: INCREASE IN NUMBER OF HOMOLOGATIONS AND IN DEMAND FOR SPECIALTIES

INDIVIDUALIZATION LEADING TO MORE VEHICLE MODELS...

Number of Models by OEM ¹



...AS WELL AS MORE FITMENTS PER MODEL

Porsche SUVs illustrative example



MY 2010

Cayenne

8²

18"- 21"



MY 2013

Macan

28²

18"- 21"

Expanding Range Of Homologations Supports High Value Market

PRODUCTS

Specialties		RUNFLAT	MAINLY REQUESTED BY CAR MANUFACTURERS
		SEAL INSIDE™	
		NOISE CANCELLING SYSTEM™	
		RACING TYRES	
Super Specialties		COLLECTION TYRES	MAINLY REQUESTED BY END CUSTOMERS
		COLOR EDITION	
		CONNESO™	



KEY BENEFITS

- Car manufacturing cost reduction
- Total mobility approach
- Higher car appeal
- Satisfaction of specific needs
- Distinctive luxury product
- Advanced digital technology



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

¹Only includes model derivatives of which more than 5,000 units are sold in a year

PIRELLI, GLOBAL HIGH VALUE

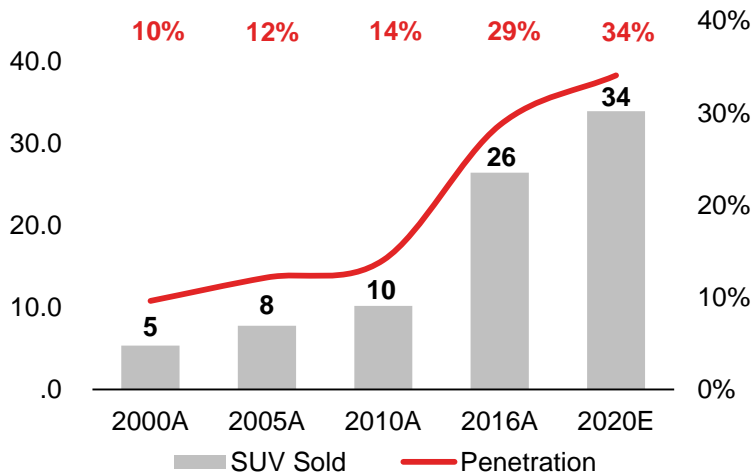
COMPANY PRESENTATION - MAY 2018









DRIVER 4 & 5: SUV POPULARITY AND CAR DEVELOPMENT TOWARDS HIGHER RIMS

RIISING SUV PENETRATION

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



BMW M5 SERIES

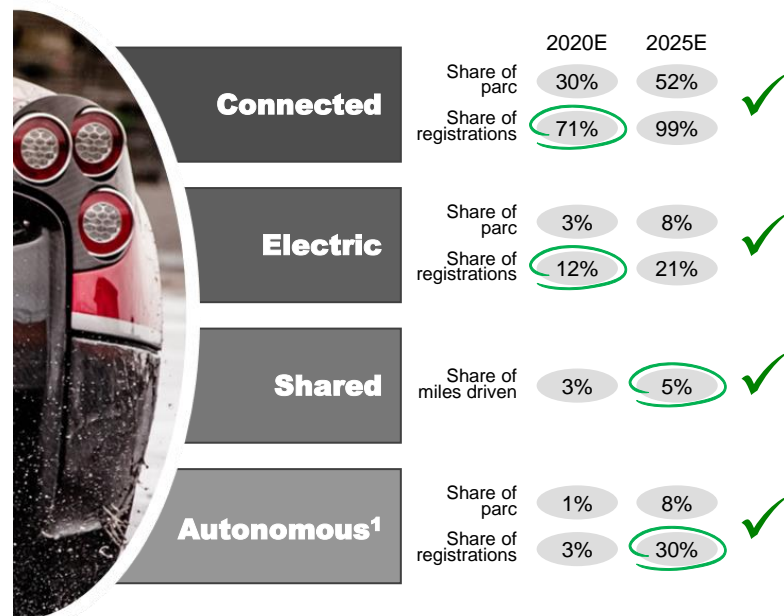
	M5 E-28	M5 E-34	M5 E-39	M5 E-60	M5 F-10	M5 F-90
	1985-1987	1988-1995	1998-2003	2006-2011	2011-2017	2018 >
						
HP	286	315	400	507	560	n.a.
Front Fitment	225/60 VR 15	235/45 ZR 17	245/40 ZR 18	255/40 ZR 19	265/35 ZR 20	275/35 ZR 20
Rear fitment	225/60 VR 15	255/40 ZR 17	275/35 ZR 18	285/35 ZR 19	295/30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



DRIVER 6: NEW CAR TECHNOLOGIES_

PRESTIGE & PREMIUM CAR EVOLVES IN FOUR MAIN DIRECTIONS



PIRELLI IS RESPONDING WITH SPECIFIC SOLUTIONS

Monitoring of tyres' conditions, including wear and load, via smartphone or car electronics



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



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)

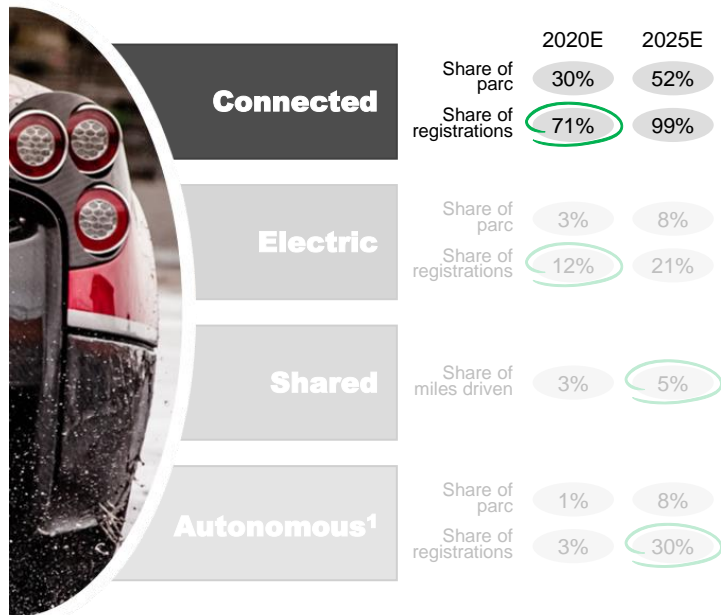
All data refers to Prestige & Premium cars

Source: company analysis on consulting and investment banks research reports



DRIVER 6: CONNECTED PRESTIGE & PREMIUM CAR__

PRESTIGE & PREMIUM CAR EVOLVES IN FOUR MAIN DIRECTIONS



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



PIRELLI SPECIFIC SOLUTIONS



- 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)

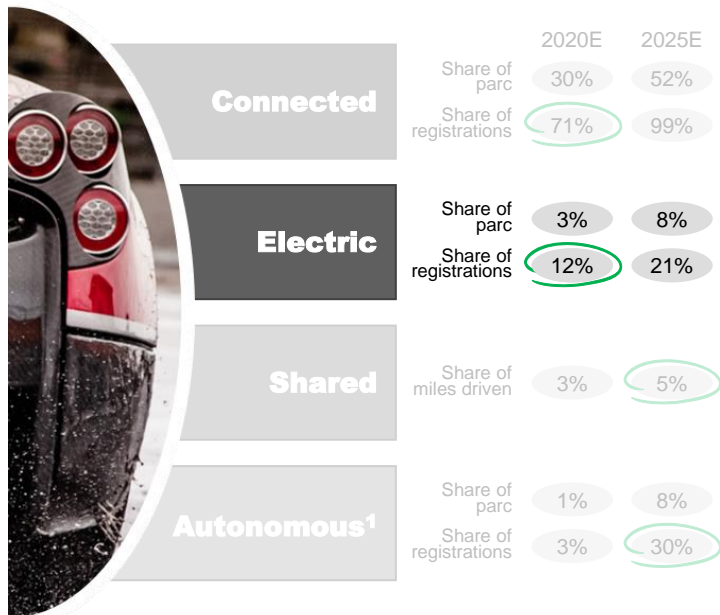
All data refers to Prestige & Premium cars

Source: company analysis on consulting and investment banks research reports



DRIVER 6: ELECTRIC PRESTIGE & PREMIUM CAR_

PRESTIGE & PREMIUM CAR EVOLVES IN FOUR MAIN DIRECTIONS



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)

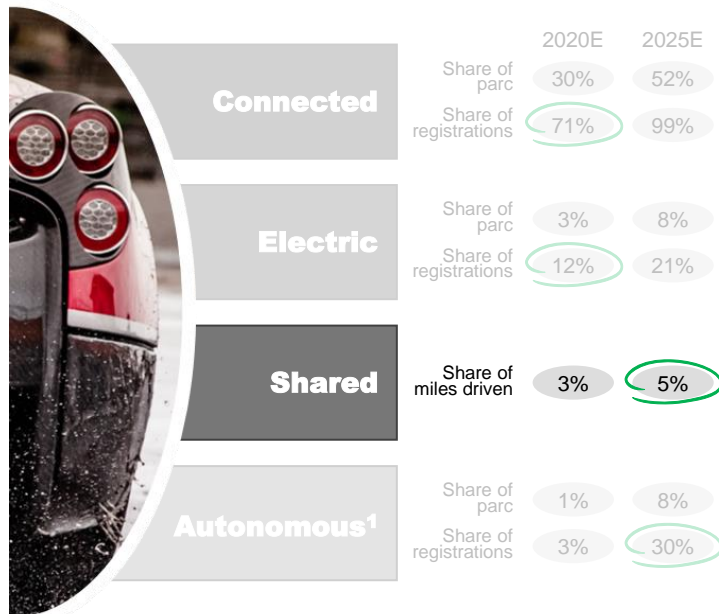
All data refers to Prestige & Premium cars

Source: company analysis on consulting and investment banks research reports



DRIVER 6: SHARED PRESTIGE & PREMIUM CAR

PRESTIGE & PREMIUM CAR EVOLVES IN FOUR MAIN DIRECTIONS



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)

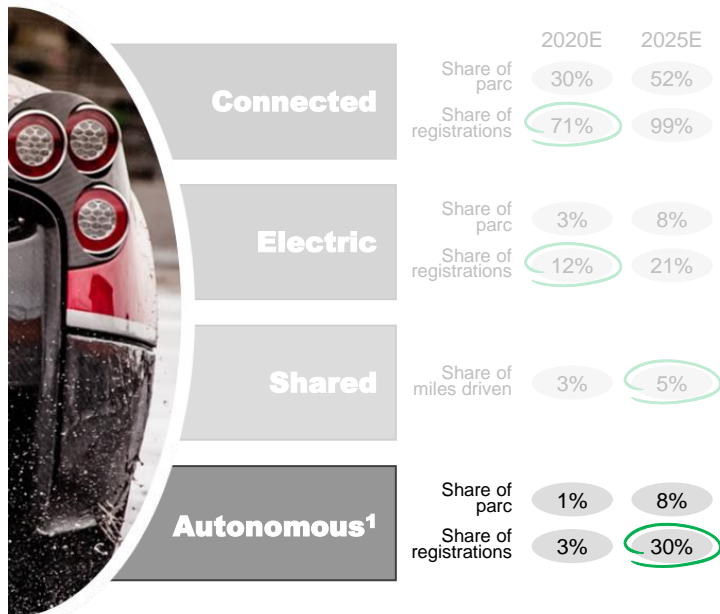
All data refers to Prestige & Premium cars

Source: company analysis on consulting and investment banks research reports



DRIVER 6: AUTONOMOUS PRESTIGE & PREMIUM CAR_

PRESTIGE & PREMIUM CAR EVOLVES IN FOUR MAIN DIRECTIONS



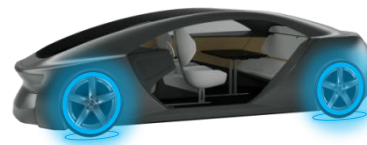
1. Figures refers to autonomous driving levels 3, 4, 5

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

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



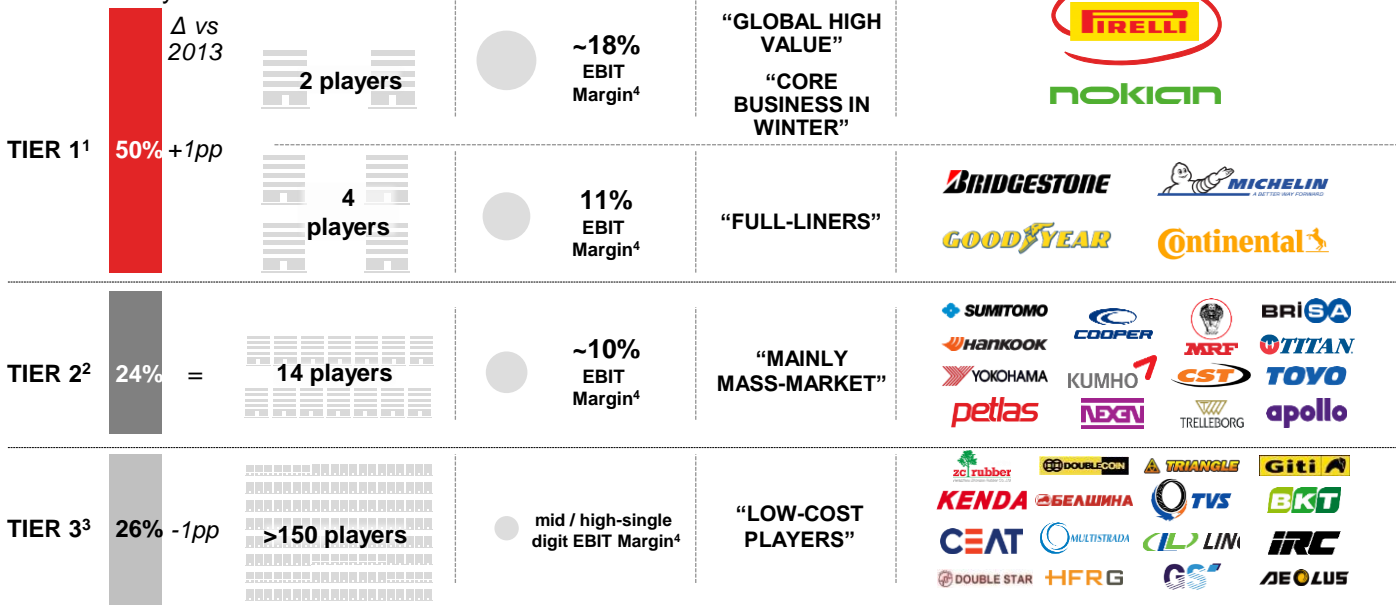
PIRELLI SPECIFIC SOLUTIONS



- 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

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

2017 Industry Sales⁴






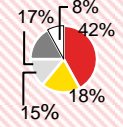







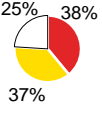







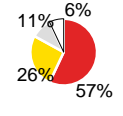

Tier 1 Players Maintaining Their Grip on Half of the Market

¹Tier 1 panel: Bridgestone, Michelin, Goodyear, Continental, Pirelli, Nokian; ²Tier 2 panel: Sumitomo, Yokohama, Hankook, Cheng Shin, Cooper, Kumho, Toyo, MRF, Apollo, Nexen, Titan, Brisa, Mitas, Trelleborg; ³Tier 3 panel: remaining companies; ⁴2017E Group financials (consensus estimates)

PIRELLI, GLOBAL HIGH VALUE

COMPANY PRESENTATION – MAY 2018

TIER 1 COMPARISON: PIRELLI PLAYING A VERY DIFFERENT GAME VS EUROPEAN “FULL-LINERS”





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
 100%	74%	<ul style="list-style-type: none"> Strong brand: Performance Motorsport Italian flair 		4.1% o/w HV 6.5%	~1,150 o/w ~380 SUV	~970 o/w ≥18" ~800	~14,600 PoS 		
 57%	75% ⁶	<ul style="list-style-type: none"> Visibility beyond tyres Motor sport More mass market oriented 	   	2.9%	~740 o/w ~200 SUV	~450 o/w ≥18" ~330			
 ~80% ⁶	71%	<ul style="list-style-type: none"> German technology More mass market oriented 	   	2.3% ⁷	~870 o/w ~320 SUV	~690 o/w/ ≥18" ~480			

■ 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

¹Source: 2017 data from financial results presentation, Tires for Continental (data from factbook 2017); ²Source: 2017 Factbook for Continental, company presentation for Michelin; ³Source: Germany wholesaler / dealer product list (January 2018); ⁴ Group data for Michelin, Tires for Continental; ⁵Source: 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); ⁶Source: broker's estimates; ⁷2016 data

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

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
	100%	74%	<ul style="list-style-type: none">Strong brand:PerformanceMotorsportItalian flair		4.1% o/w HV 6.5%	~1,150 o/w ~380 SUV	~970 o/w ≥18" ~800 – “Mild” Winter (Europe): ~500 – “Extreme” Winter ⁴ : Nordics ~110, Russia ~230; currently improving it	~14,600 PoS 		
<div>■ Europe ■ NAFTA □ APAC □ LATAM ■ Nordics ■ Russia ■ Other Europe ■ RoW</div>										
	89% ⁶	100%	<ul style="list-style-type: none">Long-lasting reputation in Winter tyresRegional focus		1.3% ⁷	~180 o/w ~100 SUV	2 (o/w ≥18") – “Mild” Winter (Europe) ~250 – “Extreme” Winter ⁴ : Nordics ~300, Russia ~410	~3,450 PoS 		
<div>■ Europe ■ NAFTA □ APAC ■ Nordics ■ Russia ■ Other Europe ■ LATAM □ RoW</div>										

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

¹Source: 2017 data from financial results presentation; ²Source: company website; ³Source: Germany wholesaler / dealer product list (January 2018); ⁴Source: Russia / Nordics wholesaler / dealer product list (2017); ⁵Pirelli elaboration on Nokian official data (2017 results presentation); ⁶Sum of Passenger Car and Vianor business units on total group sales; ⁷2016 data

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

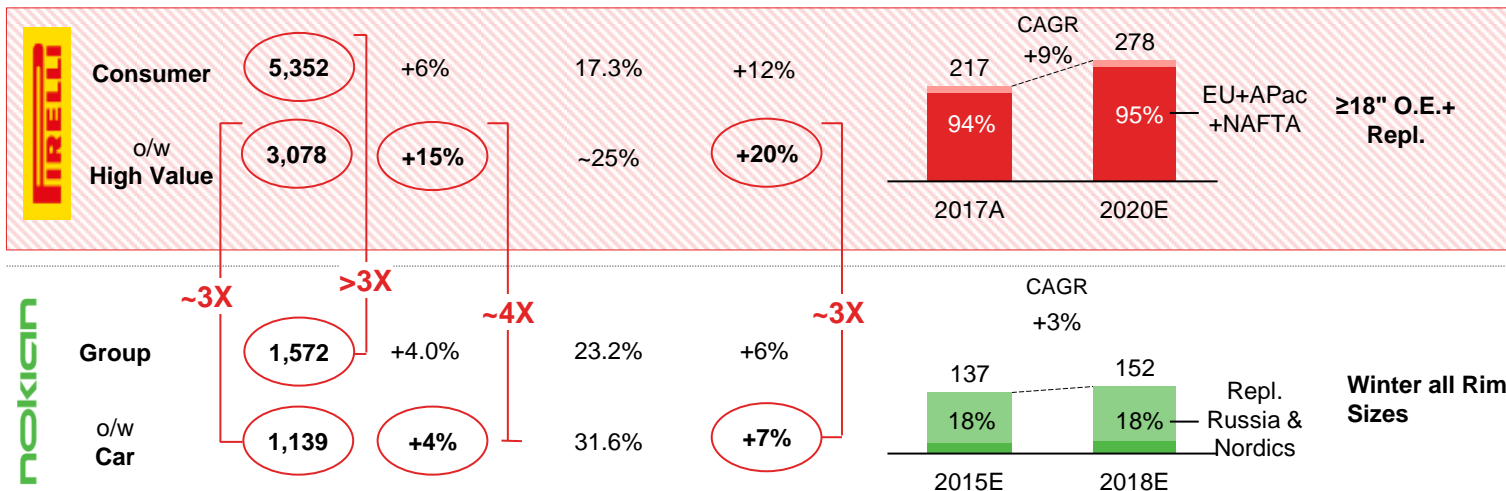
MAIN FINANCIALS

€ mln

	2017A Revenues	14A-17A CAGR	2017A Adj. EBIT ¹ margin	14A-17A CAGR
--	-------------------	-----------------	--	-----------------

MARKET SPACE

Core tyre market* (million tyres)



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)

AGENDA

1. 1Q'18 FINANCIAL RESULTS

2. FY 2017 FINANCIAL RESULTS

3. STRATEGY AND PLAN 2017-2020

3a. PIRELLI AT A GLANCE

3b. KEY INVESTMENT HIGHLIGHTS

3c. MARKET AND COMPETITION

3d. HIGH VALUE STRATEGY: LEVERS AND REGIONAL DEPLOYMENT

3e. HIGH VALUE STRATEGY: START-UPS

3f. TRANSFORMATION PROGRAMS

3g. STANDARD PROGRAMS

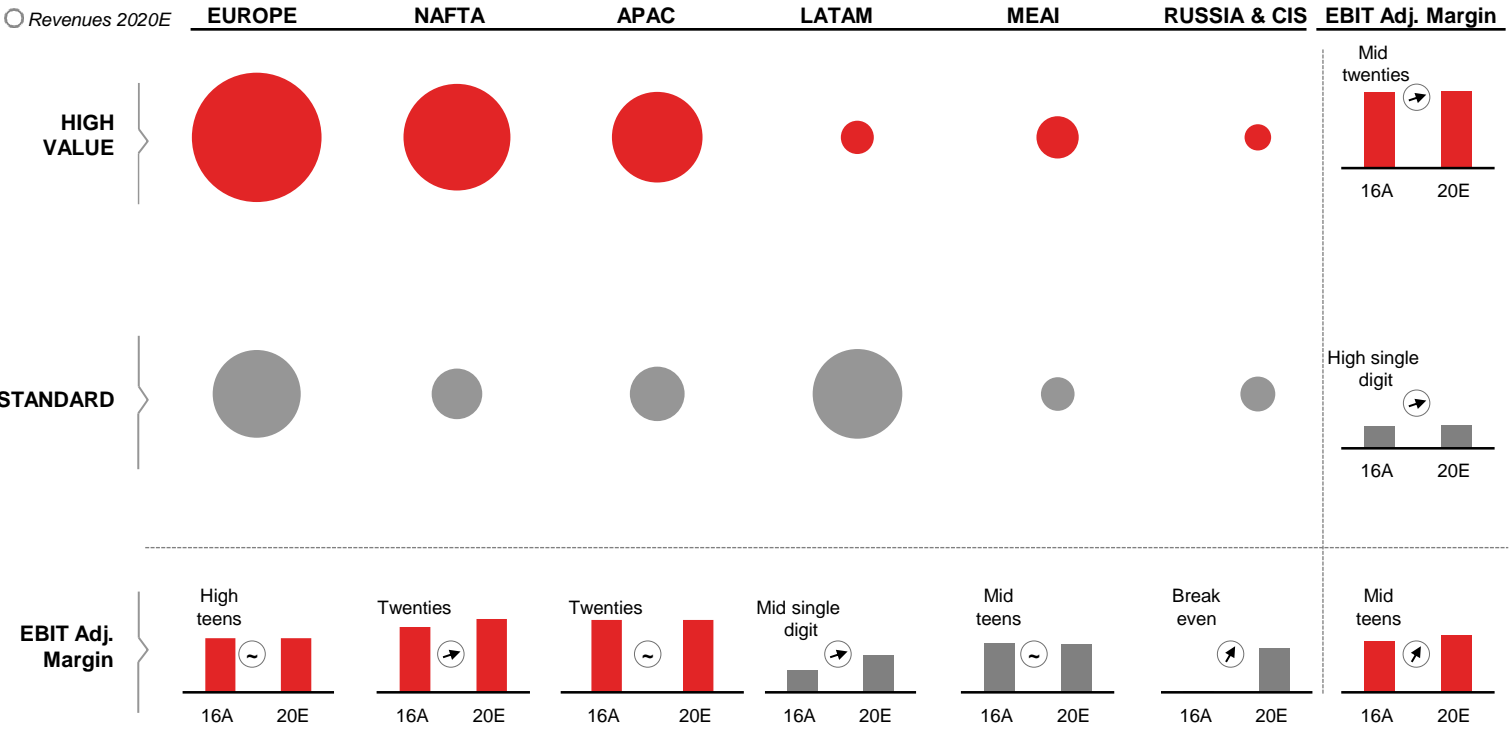
3h. TARGETS 2020

4. GOVERNANCE

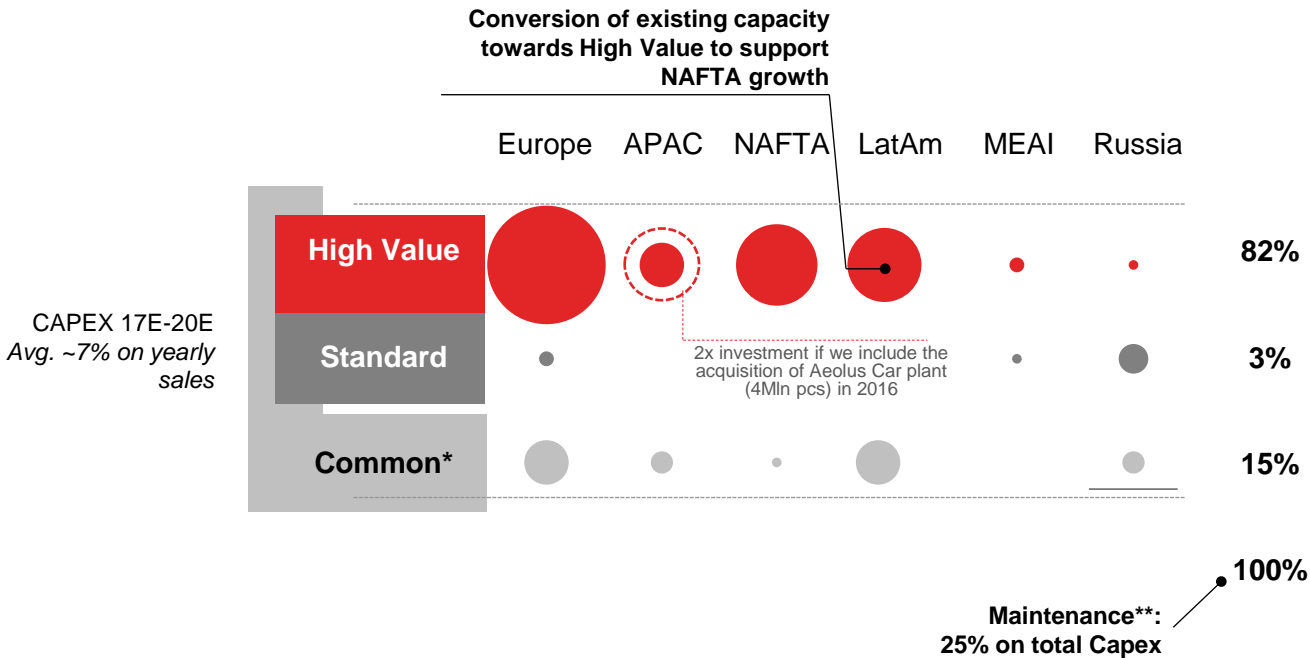
5. SUSTAINABILITY

6. APPENDIX

“VALUE MAP” GUIDING OUR PRIORITIES_



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

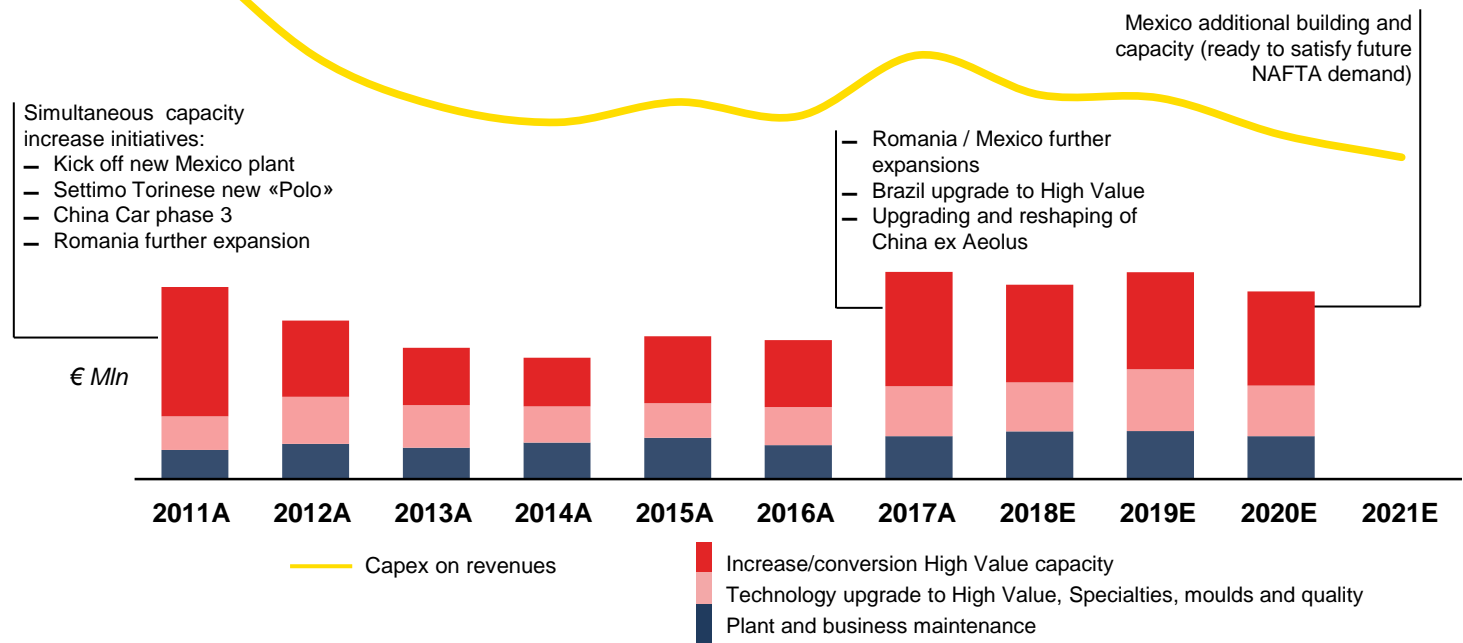


* Digital, Logistics, Commercial, etc.; ** Baseload HSE and loss prevention, R&D, IT, Logistics and other



CAPEX / REVENUES OVER TIME_

% of revenues

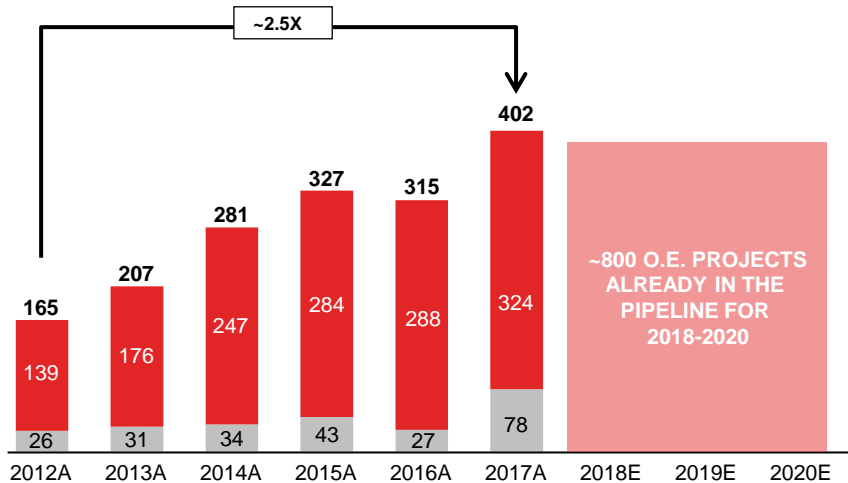
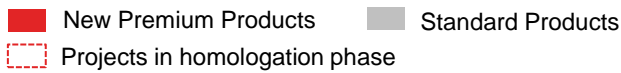


Source: Pirelli consumer figures 2011-2013, carve-out 2014-2016



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



~+20%
Different sizes YoY

vs 14 in past period

of which:

SALES AREA

9

Global



9

Regional



SEASONALITY

6

Winter



12

Summer &
All Season



TECHNOLOGIES

9

Specialties



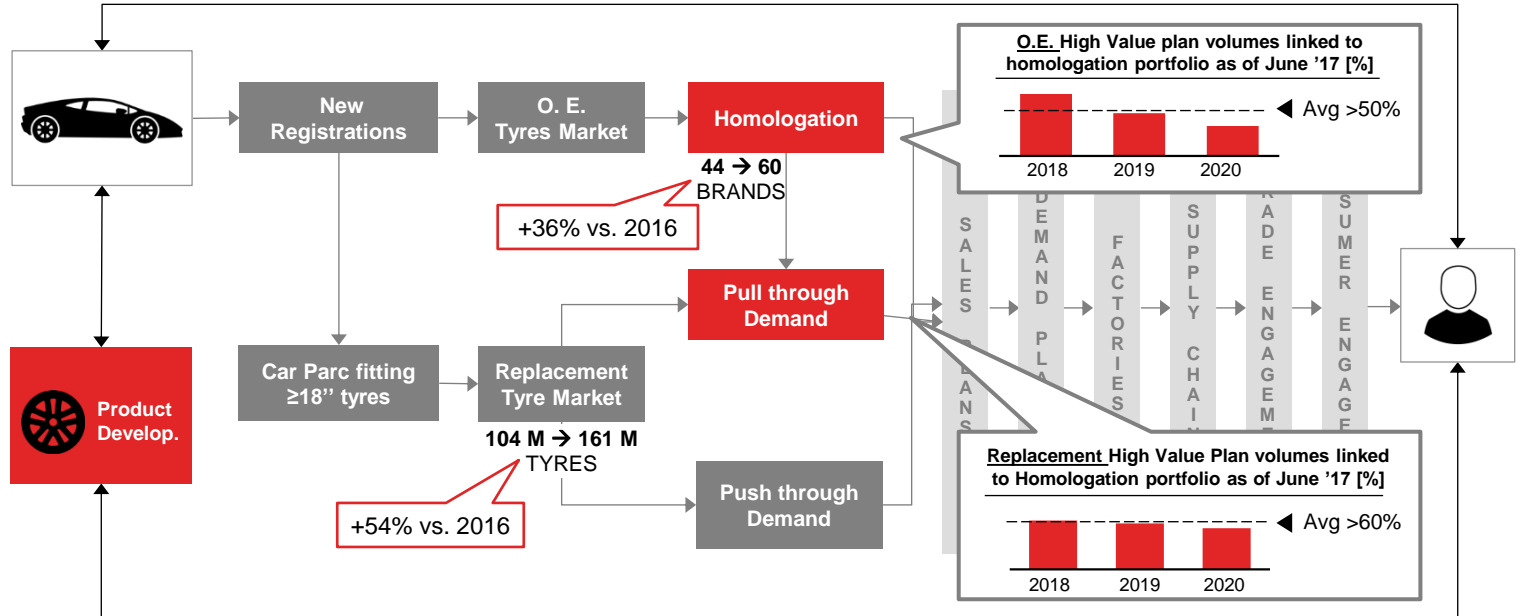
9

Traditional



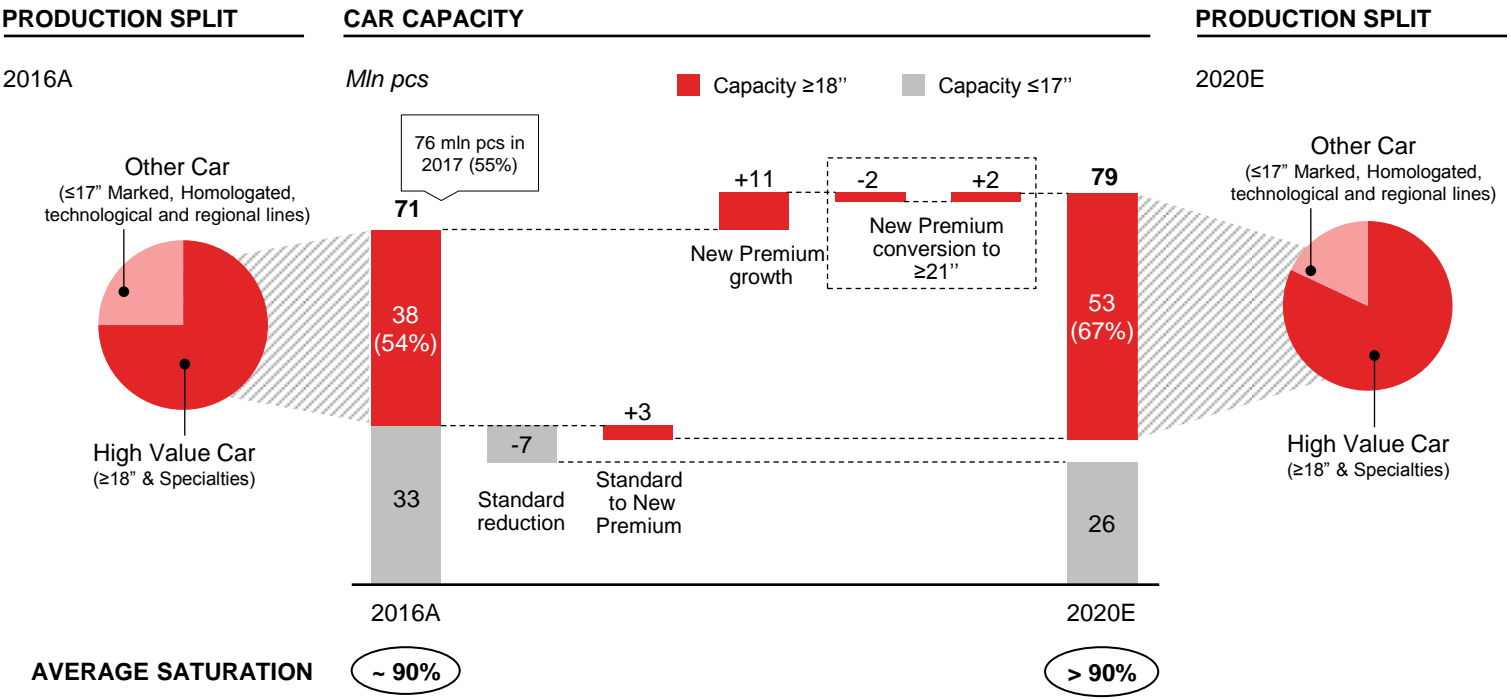
LEVERS #1 AND #2 WILL HELP US CAPTURE A HIGHLY PREDICTABLE AND COPIOUS TYRE DEMAND FOR ≥18"...

LEGEND: 2016A → 2020E FIGURES



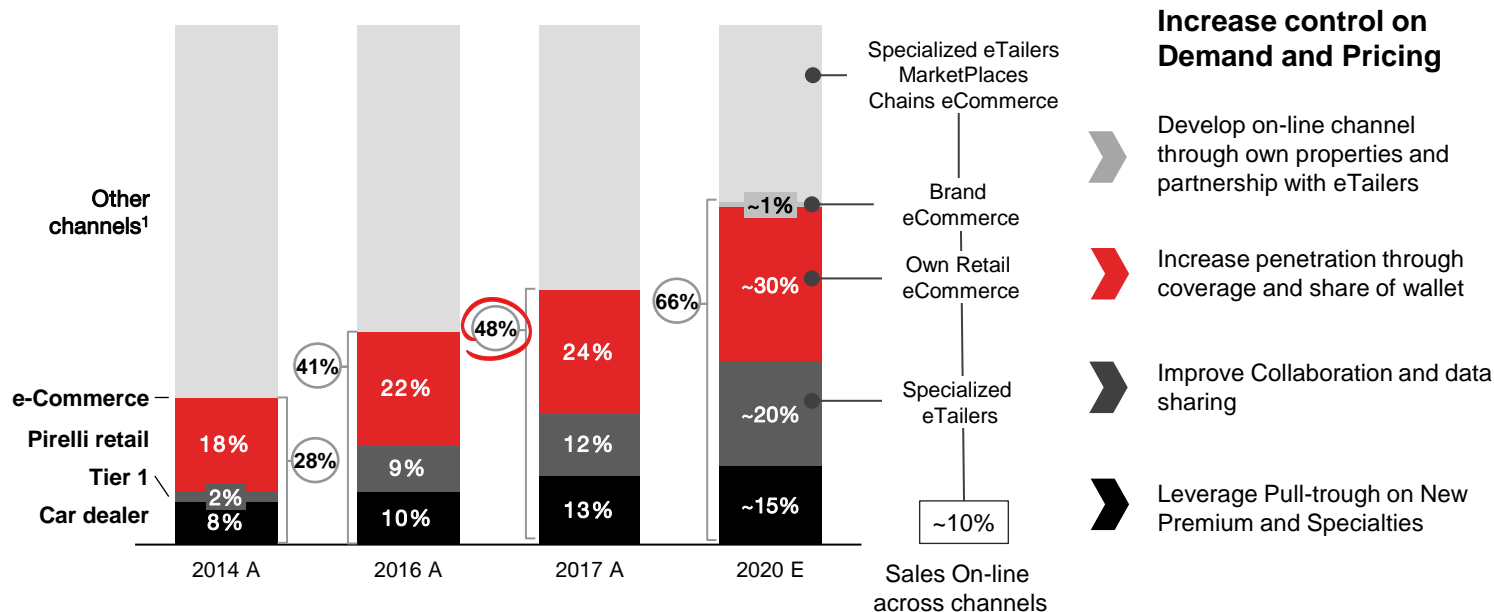
...To the point that >60% of our Replacement High Value Volumes (and >50% our O.E. High Value Volumes) in our Three Year Plan to 2020 are already linked to our current (30th June) Homologation Portfolio

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_

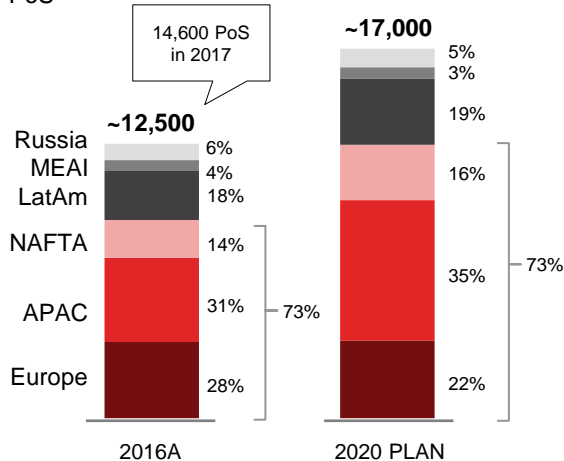


¹Other wholesale (not Tier 1), Other retail chains, Competitor equities, etc.

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

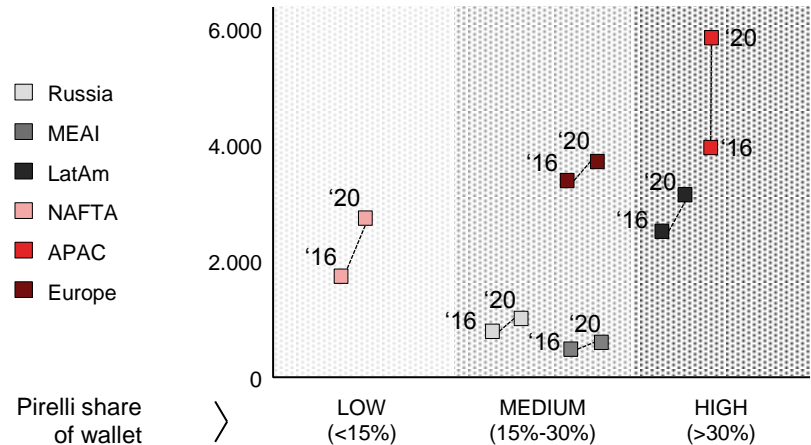
2017-2020 PLAN

PoS



ROADMAP 2017-2020: COVERAGE AND SHARE OF WALLET

PoS



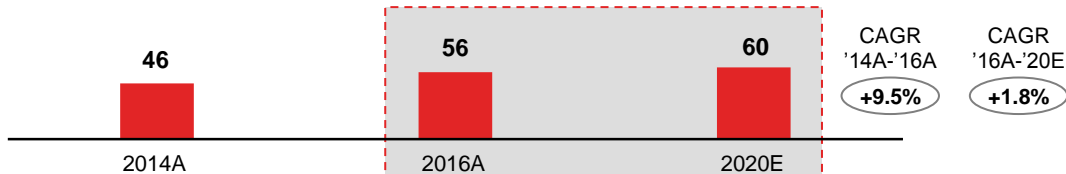
2017-2020 Key Strategy

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

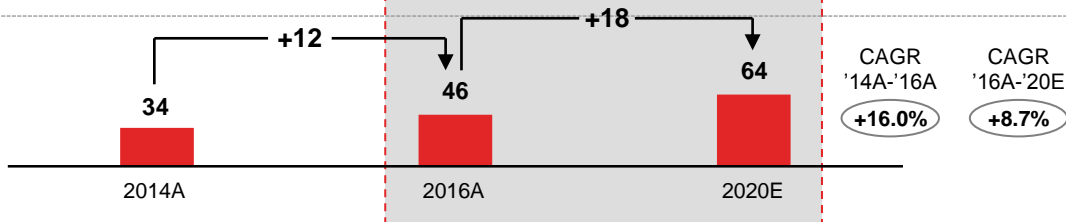
EUROPEAN MARKET_



**PRESTIGE & PREMIUM
CAR PARC**
(Mln vehicles)



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



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

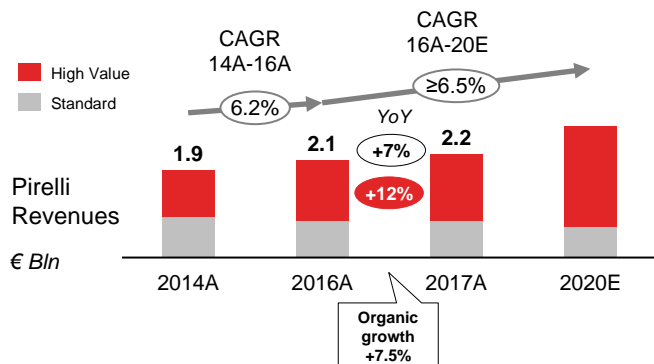
- Fleet highlights:
 - 20% company fleets
 - 8% leasing companies
 - 2% rent a car
- More online access, but buying offline

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 PoS¹
- Market Share replacement $\geq 18''$: close to 20%



1. 2017 data

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

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

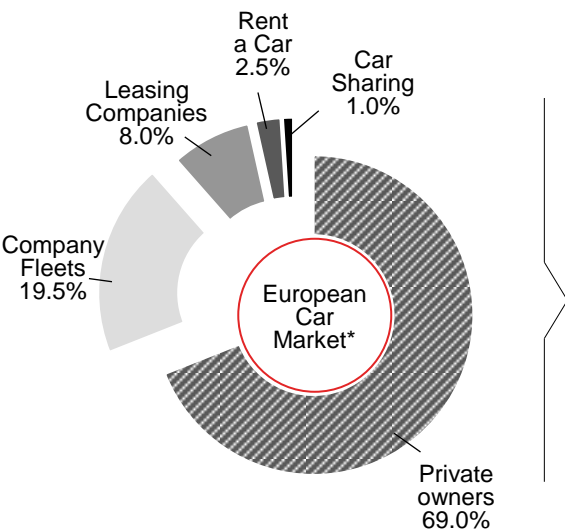
- PoS expansion focused on Franchising
- Strengthen High Value price positioning
- Deploy Tier 1 integration to improve mix and business predictability

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

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
- **CONNESO – 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
- **CONNESO – 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



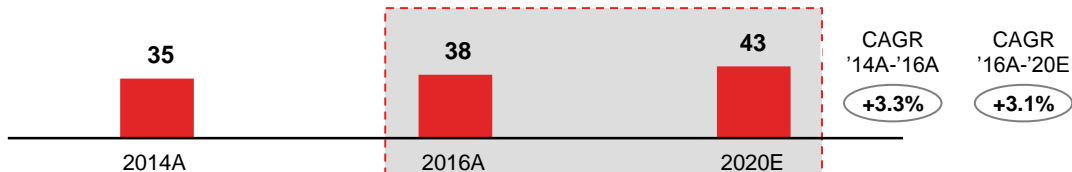
Excludes imports: CAR, 4x4, Light Truck and Runflat tyres () LeasePlan, ALD, Alphabet, Arval, Daimler Financial Services
Source: Company elaborations based on third party data relative to car market and on data provided by local associations of tyre producers*



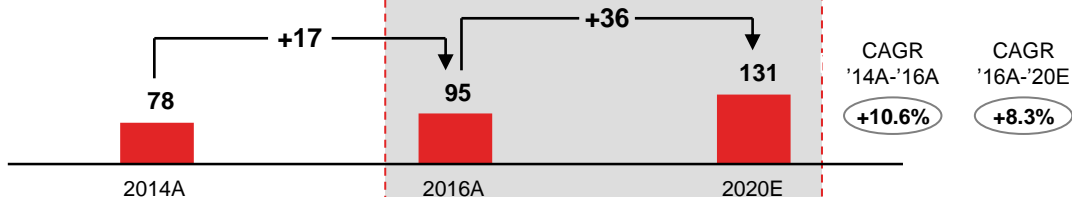
NAFTA MARKET_



**PRESTIGE &
PREMIUM
CAR PARC**
(Mln vehicles)



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



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.

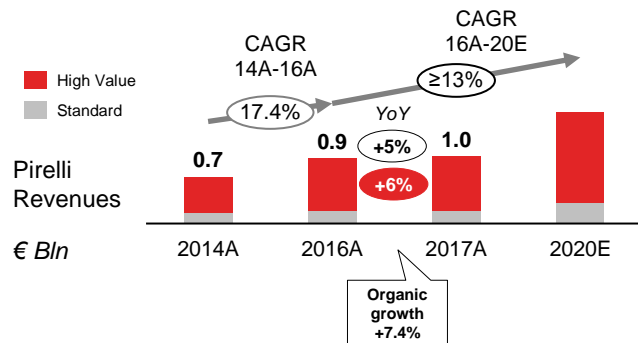
PIRELLI, GLOBAL HIGH VALUE

COMPANY PRESENTATION – MAY 2018

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



* Sport Utility Vehicle and Crossover Utility Vehicle (**) Run Flat, Seal Inside, Pirelli Noise Cancelling System.

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

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

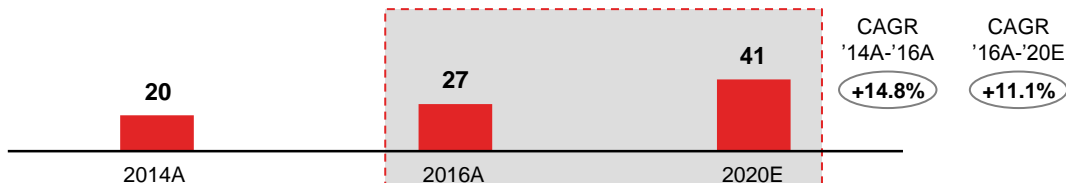
Consumer engagement

- 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

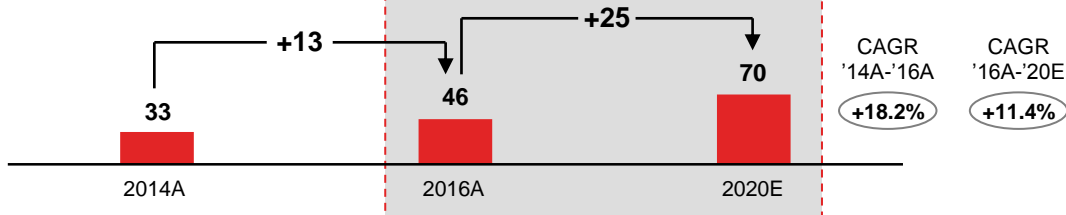
APAC MARKET_



**PRESTIGE &
PREMIUM
CAR PARC**
(Mln vehicles)



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



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

Expected competitive dynamics

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

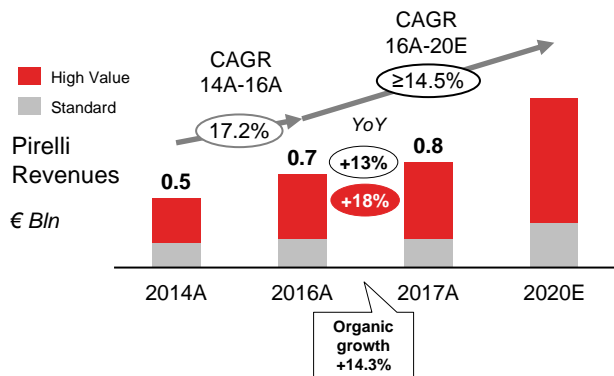
PIRELLI, GLOBAL HIGH VALUE

COMPANY PRESENTATION - MAY 2018

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



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

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

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	2016	2016
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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3e. HIGH VALUE STRATEGY: START-UPS

3f. TRANSFORMATION PROGRAMS

3g. STANDARD PROGRAMS

3h. TARGETS 2020

4. GOVERNANCE

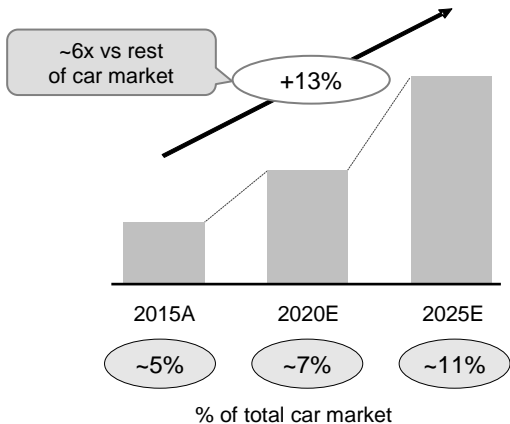
5. SUSTAINABILITY

6. APPENDIX

2020E-2025E SCENARIO: CAR SERVICES MARKET_

CAR SERVICES MARKET

\$ Bln, 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**



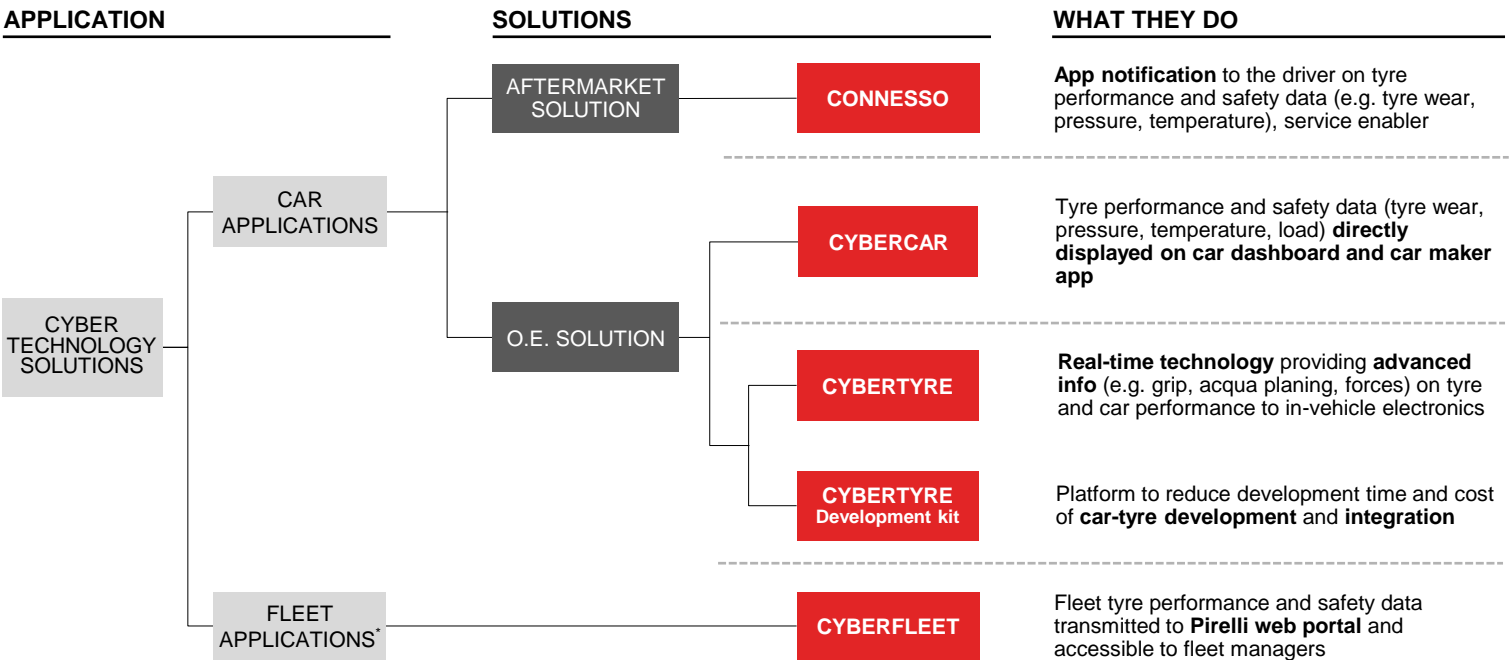
CONVENIENCE



TYRE INFO

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

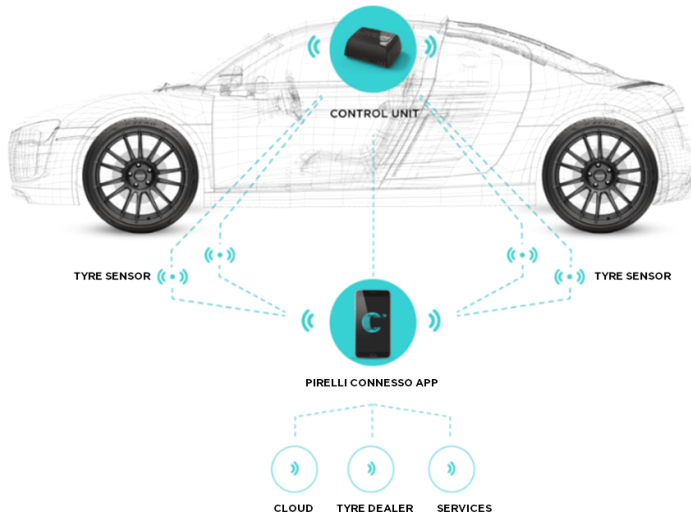
CYBER TECHNOLOGY LAUNCHING 5 NEW PLATFORMS_



**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.

CYBERTM CAR : HOW IT WORKS_

ALERTS & FUNCTIONALITIES

- PRESSURE INFO & ALERTS
- TIRE TEMPERATURE INFO AND ALERTS
- TIRE AGEING AND MILEAGE
- TREAD WEAR INFO & ALERTS
- ACTIVE LABELLING
- FILL MODE
- VEHICLE CONTROLS BASED UPON TIRE DATA
- STATIONARY MODE
- SEASONAL CHANGE ALERT
- EV BATTERY RESIDUAL MILEAGE

TIRE DATA

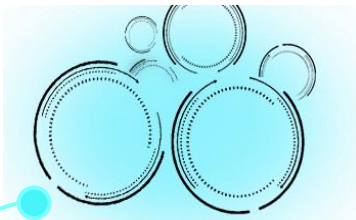
- PRESSURE
- TEMPERATURE
- TIRE ID
- VERTICAL LOAD
- TIRE WEAR
- AUTOLOCATION

SENSORS



INTEGRATED IN OEM VEHICLE AND APPS

END USER



CLOUD

BENEFITS

- CYBERCAR INCLUDES TPMS FUNCTIONALITIES
- AVAILABILITY OF DETAILED TIRE INFO
- IMPROVEMENT OF CAR SAFETY AND PERFORMANCES
- SCHEDULED TIRE MAINTENANCE
- ENHANCED CUSTOMER EXPERIENCE AND TIME SAVING
- CUSTOMER TAILOR MADE OFFER
- REMOTE TIRE DATA CHECK
- OPTIMIZED CUSTOMER ASSISTANCE

2020-2025 SCENARIO: URBANIZATION_

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

Single lane capacity¹

Car



What is going to happen?

Car restrictions will become standard and cars will be used for the first / last mile

What will it look like?



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



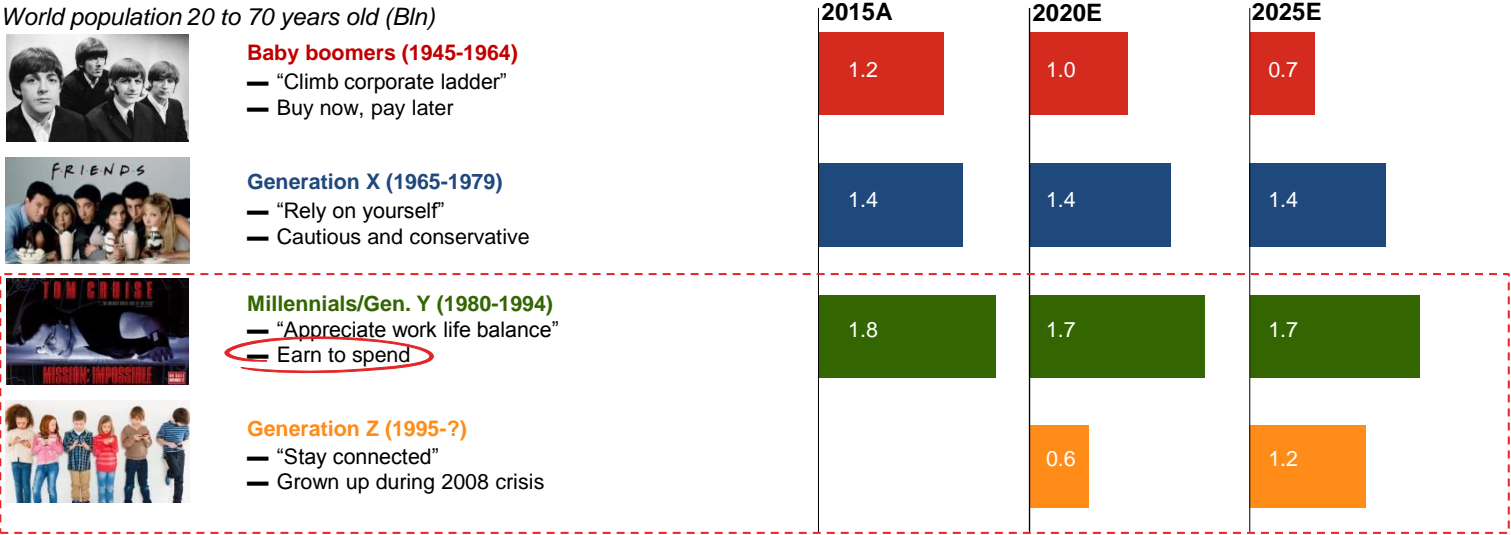
Pirelli Intends to Expand its Offer to Hybrid and Electric Car Tyres, Connectivity Solutions², and Bike Tyres

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



Pirelli is already engaging millennials through appealing storytelling on social media

Source: UN WPP 2015, Web research

“VELO” SUPPORTING CONSUMER-CENTRIC APPROACH_

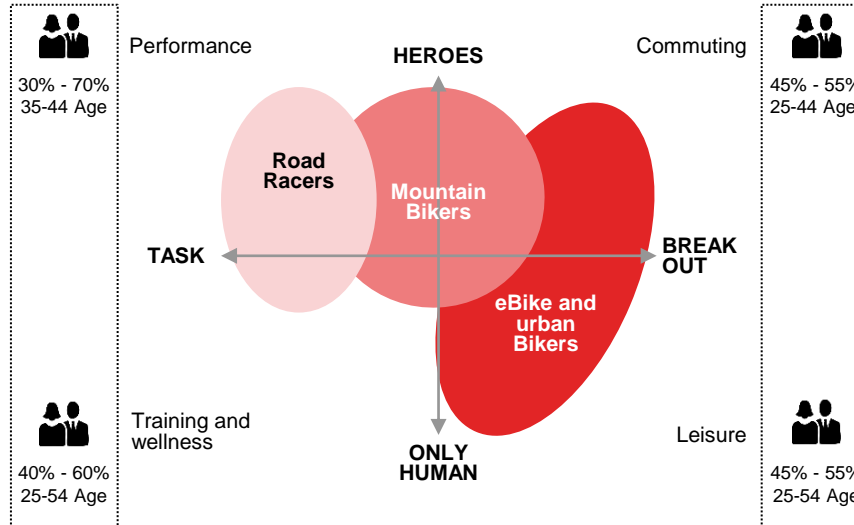
CREATES INTERACTION WITH NEW CONSUMER TARGET AND CONSOLIDATES PRESENCE IN ESTABLISHED SEGMENTS

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% eCommerce, 60% traditional

WHERE WE ARE COMPETING



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

THE P ZERO VELO PRODUCT FAMILY: THE FIRST TO BE LAUNCHED_



P ZERO[®] VELO

AHEAD OF THE LIMITS

Train. Race. Win.



P ZERO[®] VELO TT

AHEAD OF THE CLOCK

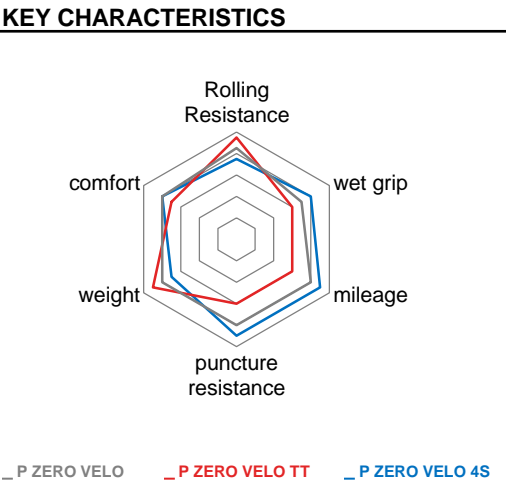
Designed for speed.



P ZERO[®] VELO 4S

AHEAD OF THE ELEMENTS

Unbeatable performance, all year round.



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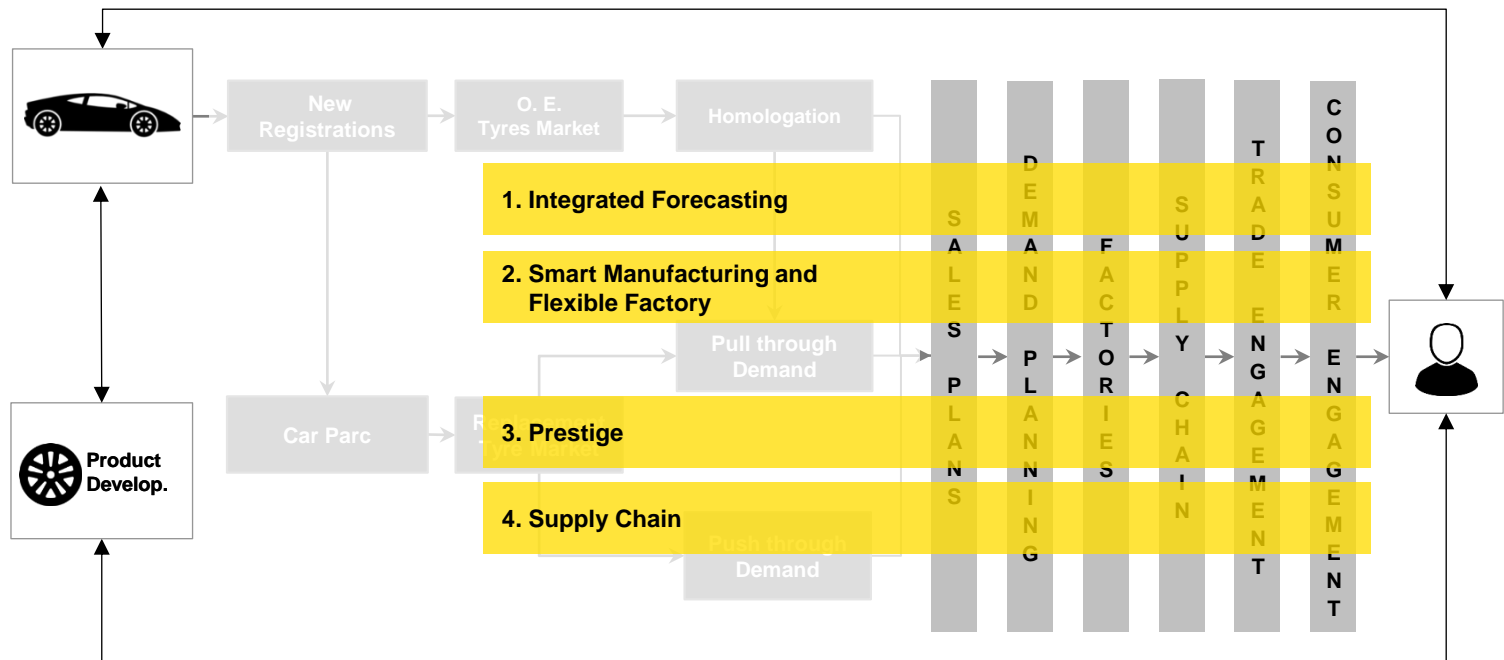
3h. TARGETS 2020

4. GOVERNANCE

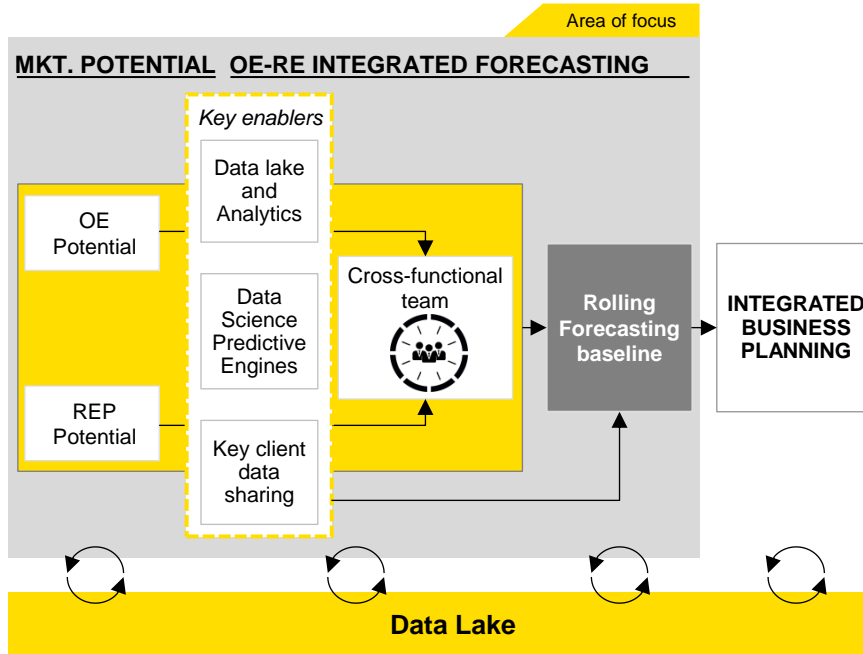
5. SUSTAINABILITY

6. APPENDIX

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._



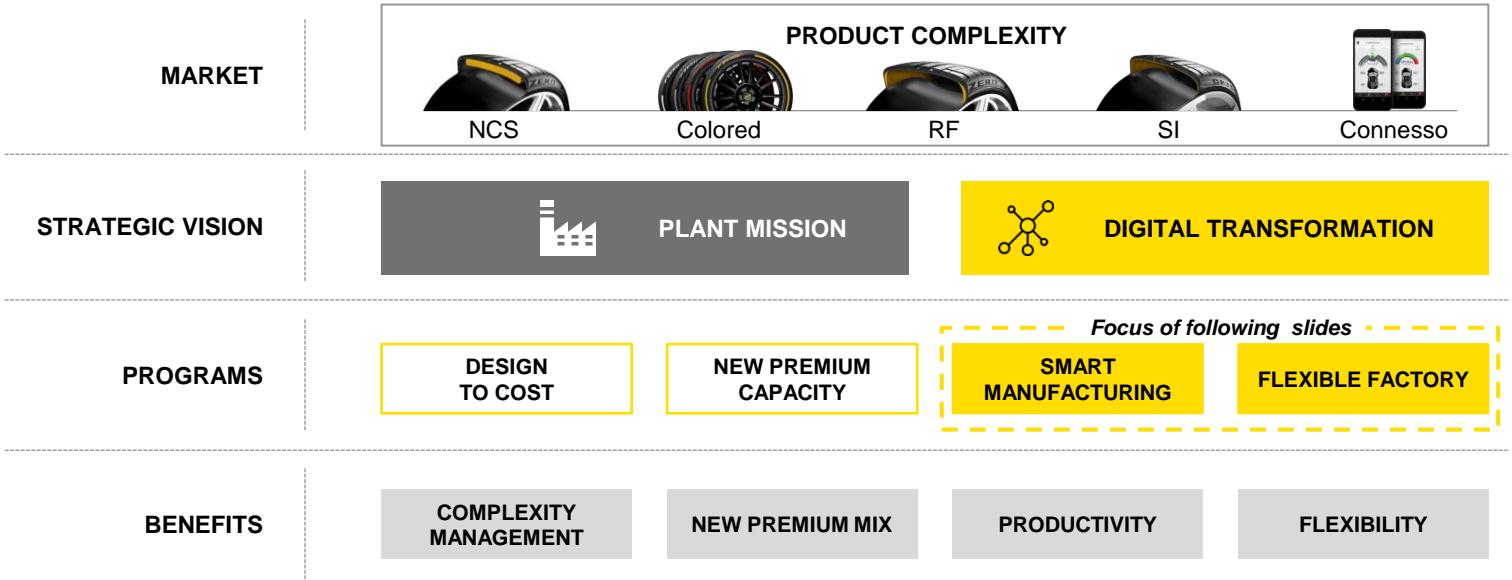
KEY BENEFITS

- 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**

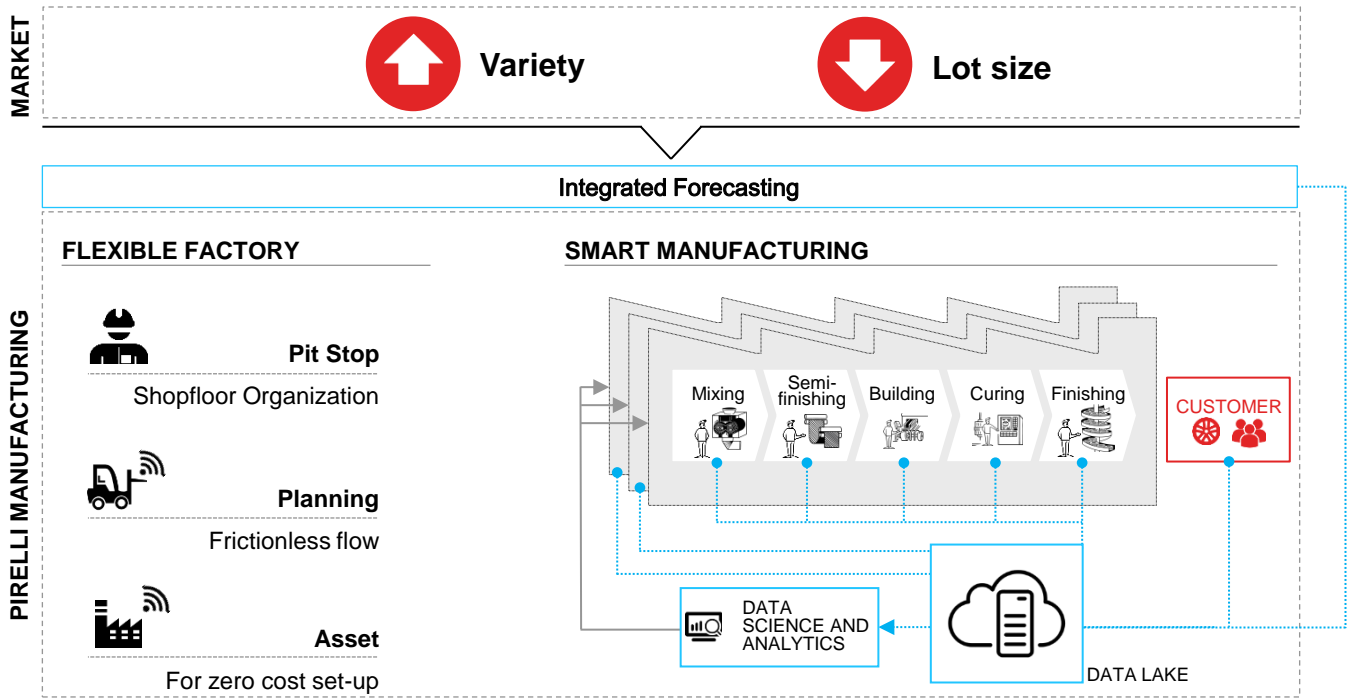
Short-medium term

Long term

DIGITAL TRANSFORMATION IN MANUFACTURING RESPONDING TO MARKET EVOLUTION_



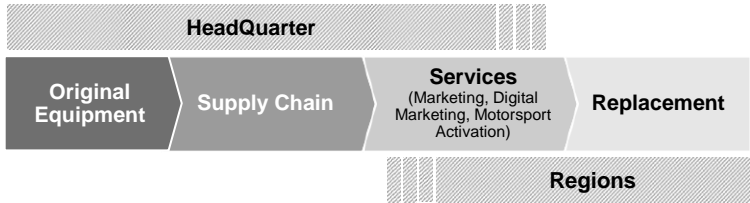
MANUFACTURING DIGITAL TRANSFORMATION: DELIVERING BETTER SERVICE WHILE MANAGING COMPLEXITY_



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



“OVERLAY UNIT” COVERING THE WHOLE VALUE CHAIN, INTERFACING WITH KEY FUNCTIONS AND REGIONS...



...AND LEVERAGING ON DIGITAL AND BEST PRACTICES



PRESTIGE (O.E. + REPLACEMENT)

CAGR 16A-20E
Pirelli Volumes

10%

pcs

2016A

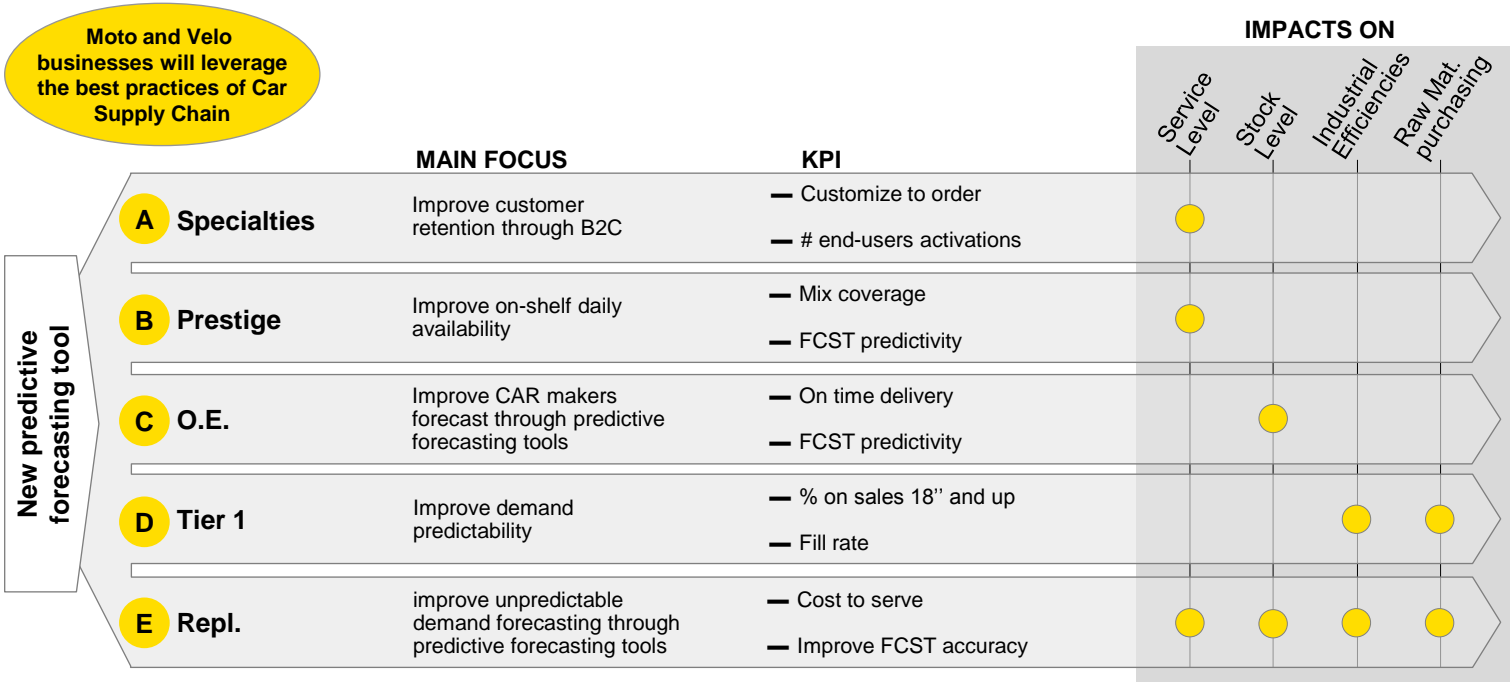
2020E

CAGR 16A-20E
Market Volumes

+6%



FIVE SUPPLY CHAINS SUPPORTING SPECIFIC BUSINESS AREAS_



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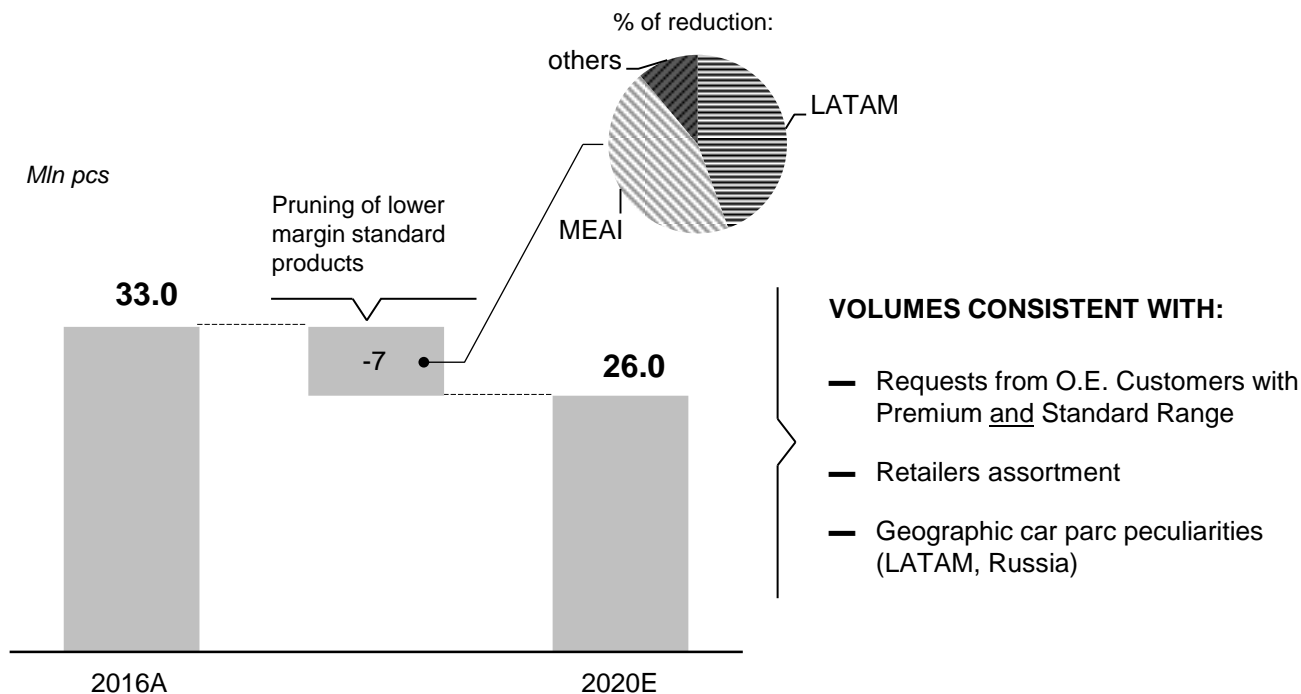
3h. TARGETS 2020

4. GOVERNANCE

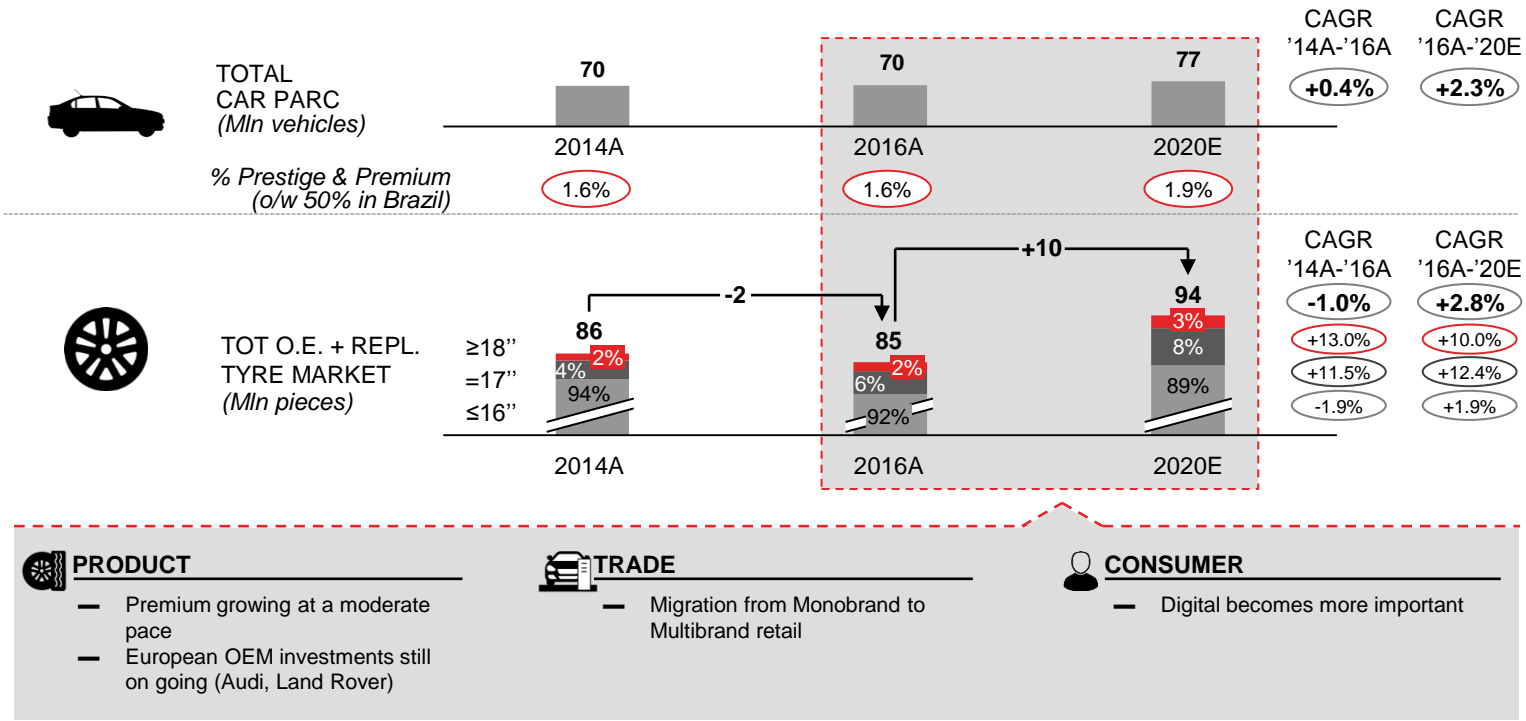
5. SUSTAINABILITY

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CONTINUOUSLY REDUCING CAPACITY IN STANDARD CAR TYRES_



REGION DEPLOYMENT LATAM_



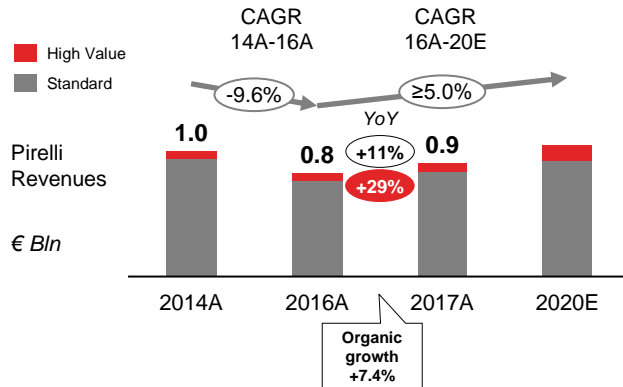
Note: 2014A, 2016A, 2020E data based on IPO plan.



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 PoS¹
- Growing coverage in Multibrand channel



1. 2017 data

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

LATAM STRATEGY

- Brazil to become an integrated source for NAFTA
 - Avoiding Mexico concentration
 - Ramping up $\geq 18''$ 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

REGION DEPLOYMENT RUSSIA & CIS_



TOTAL
CAR PARC
(Mln vehicles)

% Prestige &
Premium

56
2014A

5.2%

56
2016A

6.1%

58
2020E

6.6%

CAGR
'14A-'16A
+0.2%

CAGR
'16A-'20E
+1.1%



TOT O.E. + REPL.
TYRE MARKET
(Mln pieces)

≥18"
=17"
≤16"

60
6% 4%
89%
2014A

41
8% 7%
85%
2016A

54
9% 7%
84%
2020E

CAGR
'14A-'16A
-16.9%

CAGR
'16A-'20E
+7.1%

+3.6%

+8.9%

-3.9%

+8.9%

-19.0%

+6.8%



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

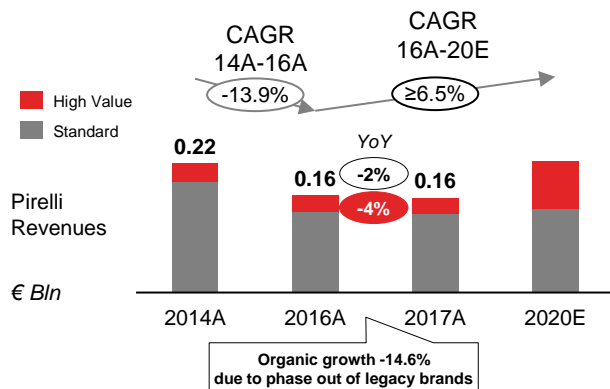
- Increasing search for information and purchase of tyres online
- In retail, purchase still driven by dealers' recommendations

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 support¹
- **Partnership** in distribution



1. 2017 data

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

RUSSIA STRATEGY

- **Improving mix:**
 - Phasing out of legacy brands
 - Focus on Pirelli high mix to improve share in $\geq 17''$
- 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

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TARGETS_

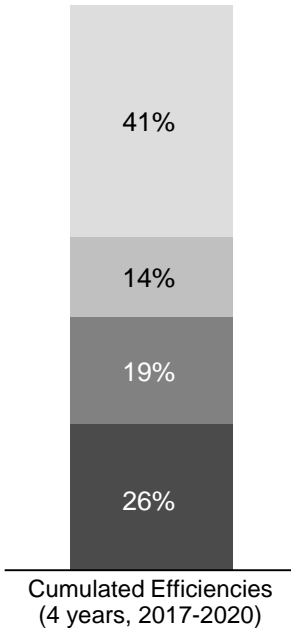
€ Mln

	2016A	2020E
Revenues <i>High Value</i> weight on Revenues	4,976 55%	≥ 9% CAGR 16-20 ~63%
Adjusted EBITDA margin ¹	21.7%	~ 23% ÷ ~ 24%
Adjusted EBIT margin ^{2,3} <i>High Value</i> weight on EBIT	17.0% 81%	~ 18.5% ÷ ~ 19.5% ~ 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__

~1pp on
Cumulated '17-'20 sales



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_

IPO PERIMETER	2014	2015	2016
Tax rate post adjustments*	32%	32%	31%

STRATEGIC PLAN ADJUSTED TAX RATE (17-20)	
Tax Rate before tax incentives 17 – 20	~ 34%
ACE & Patent Box** 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.

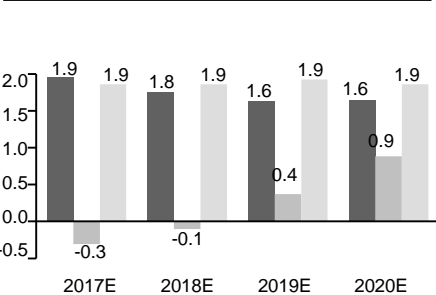
*Adjusted to consider (i) Income/Loss from Equity Investments (ii) Venezuela deconsolidation and hyperinflation impact, (iii) write-off of the deferred tax assets in 2015

** A.C.E.: Italian Allowance for Corporate Equity; Patent Box: tax relief on intangible income

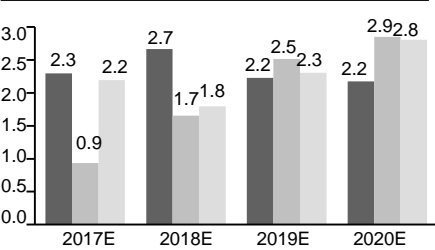
BUSINESS PLAN - GDP, INTEREST, INFLATION ASSUMPTIONS_

%

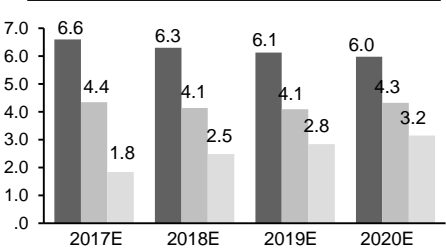
EUROPE



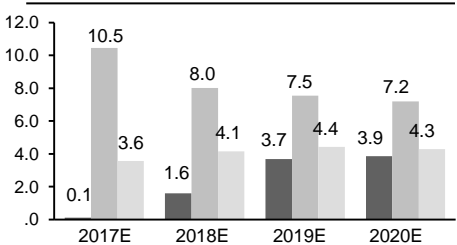
UNITED STATES



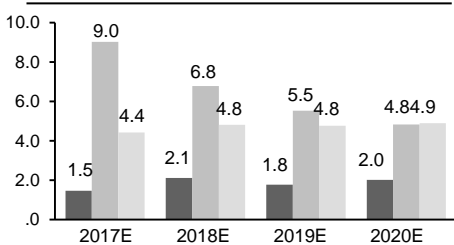
CHINA



BRAZIL



RUSSIA



■ Real GDP growth ■ Interest rates ■ Inflation rates









Source: IHS Markit regional macro outlook June 2017



BUSINESS PLAN – FOREX AND RAW MATERIAL ASSUMPTIONS_



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 Consensus 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 has been **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

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; payout cap is 2x bonus at target level, entry level payout 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%* - 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**	30%	2018-2020 avg Pirelli Adjusted Ebit margin** consistent with the Industrial Plan
Sustainability Index	10%	Pirelli ranking in Dow Jones Sustainability World Index ATX Auto Component sector. Payout subject to the achievement of at least one of the other 3 targets

* (H2 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)

** Before restructuring costs, non recurring items and PPA amortization



AGENDA

1. 1Q'18 FINANCIAL RESULTS

2. FY 2017 FINANCIAL RESULTS

3. STRATEGY AND PLAN 2017-2020

3a. PIRELLI AT A GLANCE

3b. KEY INVESTMENT HIGHLIGHTS

3c. MARKET AND COMPETITION

3d. HIGH VALUE STRATEGY: LEVERS AND REGIONAL DEPLOYMENT

3e. HIGH VALUE STRATEGY: START-UPS

3f. TRANSFORMATION PROGRAMS

3g. STANDARD PROGRAMS

3h. TARGETS 2020

4. GOVERNANCE

5. SUSTAINABILITY

6. APPENDIX

AGENDA_

4. SUSTAINABILITY

4a. PIRELLI SUSTAINABILITY MODEL

4b. ACHIEVEMENTS

4c. EVOLVING CONTEXT & KEY INDUSTRY TRENDS

4d. SUSTAINABILITY PLAN: RETURN ON CAPITAL

Growth

Productivity

Risk Management

PIRELLI SUSTAINABILITY MODEL

PIRELLI MULTI-STAKEHOLDER SUSTAINABILITY MODEL ALIGNS TO

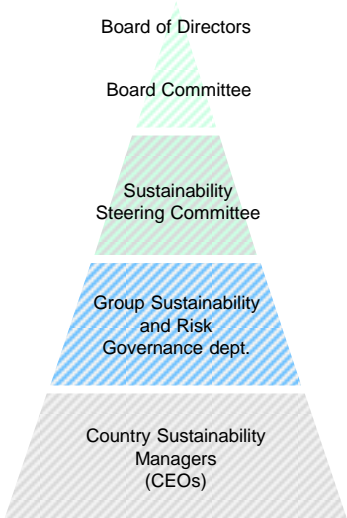


United Nations
Global Compact

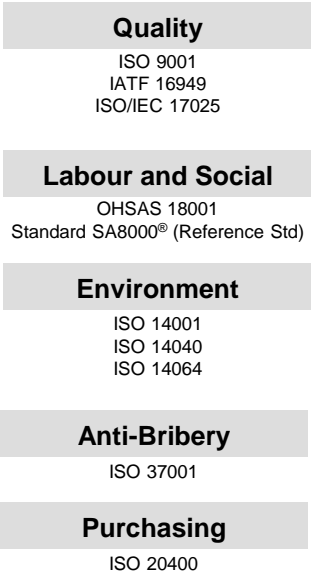


AA1000
Stakeholder Engagement Standard
2nd EDITION

GOVERNANCE

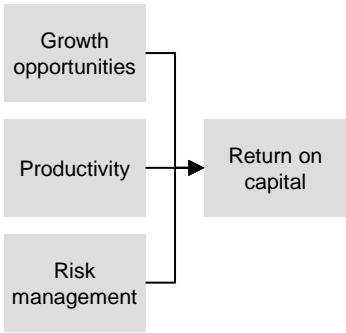


MANAGEMENT



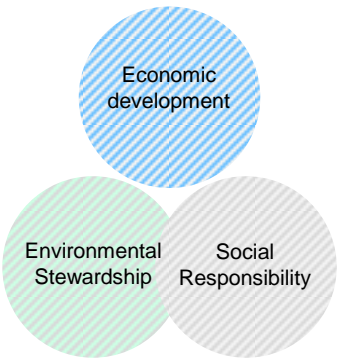
PLAN

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*



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_

4. SUSTAINABILITY

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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)



- **Avg Rolling resistance** of Pirelli car tyres reduced by **-15%** vs 2009
- **Specific energy consumption -4%** vs 2016 and **-15%** vs 2009
- **CO₂ 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.

AGENDA_

4. SUSTAINABILITY

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Growth

Productivity

Risk Management

EVOLVING CONTEXT & KEY INDUSTRY TRENDS_

SOCIO – DEMO TRENDS

Purchasing power growth

Digitalization

Growing urbanization

MOBILITY EVOLUTION

Travel

- Higher income and autonomous capabilities will increase miles driven

Urban life

- Car sharing will reduce cars on the streets
- Autonomous driving will increase mobility demand including elderly and impaired

Transfer

- Thanks to autonomous driving capabilities, cars will compete with trains and planes on long distance trips

Commuting

- Smart-working and multimodal transport will reduce private car use for daily commuting

CAR EVOLUTION*

Connected

- 83% of total car sales in 2025
- 99% of Premium & Prestige cars

Autonomous

- 12% of total car sales in 2025**
- 30% of Premium and Prestige sales in 2025**

Shared

- Only 1% of car sales but 5% of miles driven in 2025

Electric

- 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).

AGENDA_

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Productivity

Risk Management

SUSTAINABILITY PLAN_

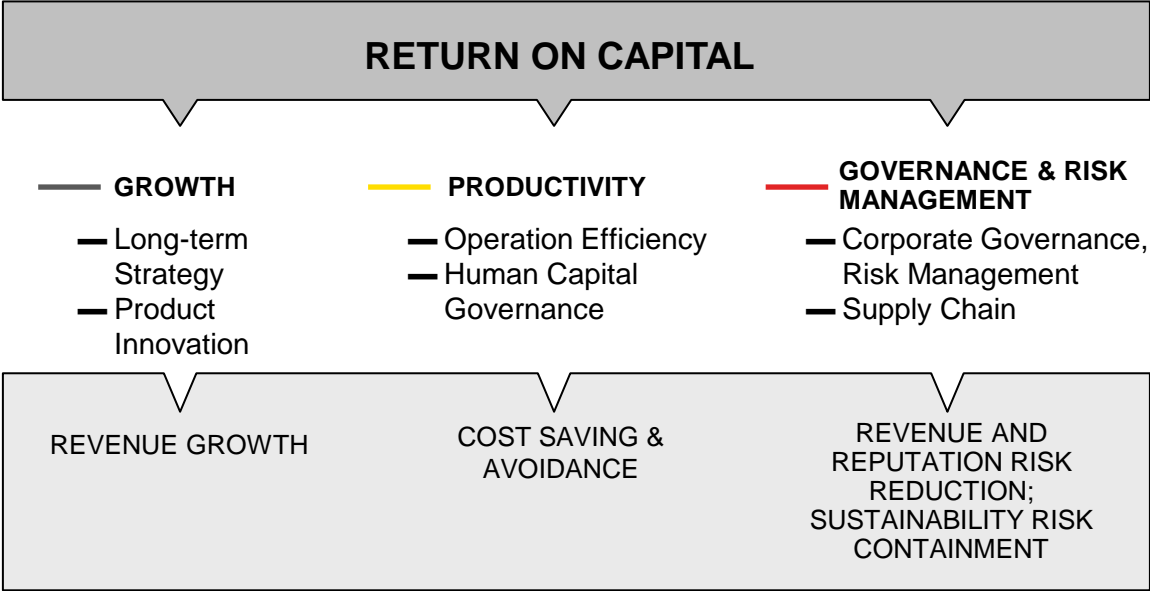
The Plan 2020 with selected target 2025:

- 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

TOP LINE GROWTH

HIGH VALUE FOCUS

- O.E. HOMOLOGATION PIPE LINE
- PRODUCT INNOVATION
- SHIFTING CAR CAPACITY TO HIGH VALUE
- CONSUMER CENTRIC APPROACH

COST COMPETITIVENESS

TRANSFORMATION PROGRAMS

- INTEGRATED FORECASTING
- SMART MANUFACTURING & FLEXIBLE FACTORY
- DESIGN TO COST
- ENHANCED SUPPLY CHAIN
- UPGRADING MANUFACTURING ASSET

SUSTAINABILITY PLAN 2017-2020 with selected target 2025

- 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

- 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 CO₂ 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_

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Growth

Productivity

Risk Management

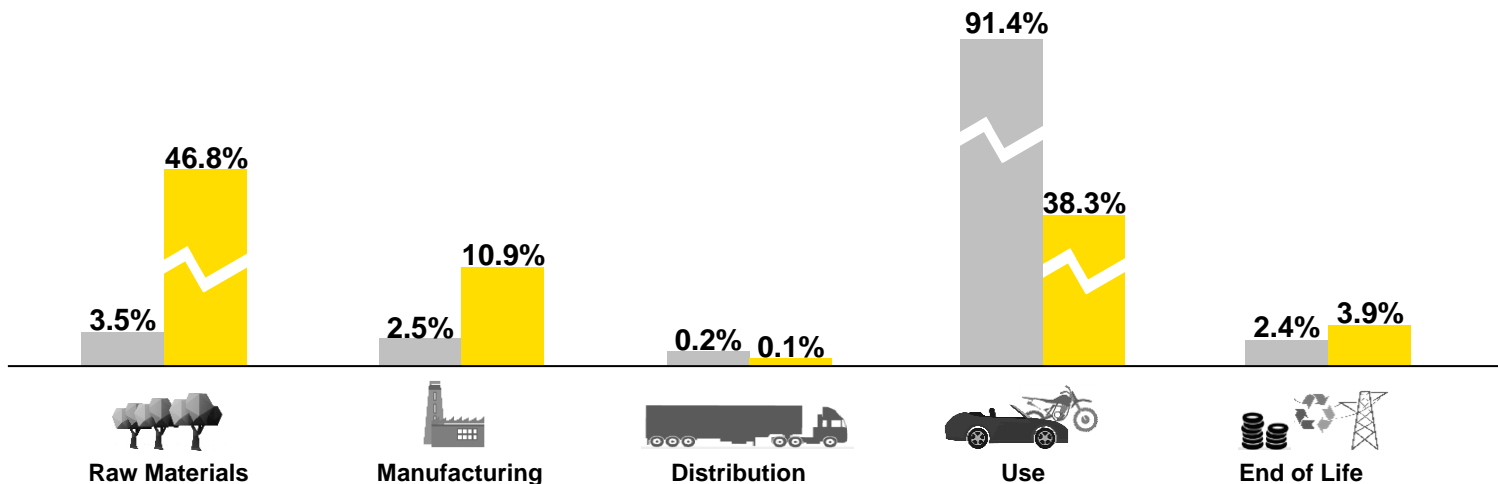
GROWTH: ALIGNING STRATEGY TO FOOTPRINT_

Pirelli Carbon & Water Life Cycle Assessment



GWP Global Warming Potential

WD Water Depletion

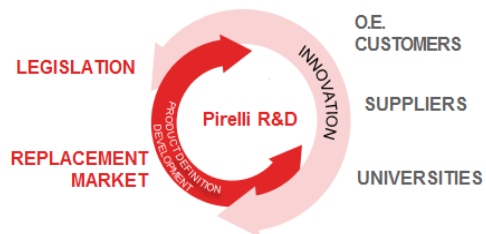


GROWTH: PRODUCT INNOVATION_

Renewable Materials*



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

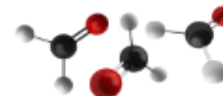


AN R&D ROADMAP DRIVEN BY RENEWABLE* RAW MATERIALS

- 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 Piorelli aims to:

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



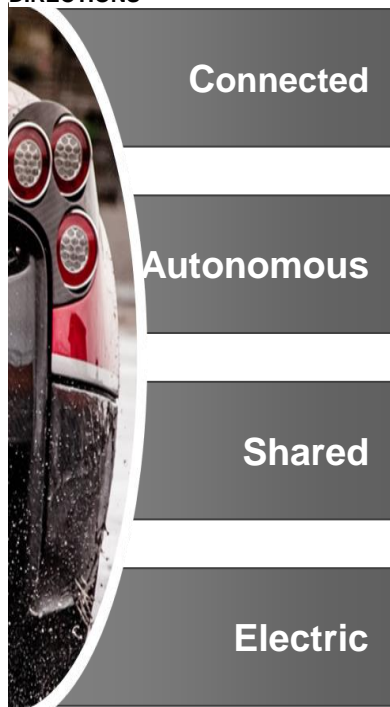
**Renewable Natural Resources are natural resources that, after exploitation, can return to their previous stock levels by natural processes of growth or replenishment.
(source: OECD glossary definition at <https://stats.oecd.org/glossary/detail.asp?ID=2290>)*

GROWTH: PRODUCT INNOVATION_

Intercepting shifts in Market Expectations



PRESTIGE & PREMIUM CAR EVOLVES IN 4 DIRECTIONS



TYRE HAS TO EVOLVE AS WELL

Monitoring of tyres' conditions, including wear and load, via smartphone or car electronics

Integrated real-time analysis of tyres and car performance, for the safest autonomous drive

Cloud-based solutions for fleets, enabling TCO reduction and higher uptime of vehicles

Homologation of «Green» tyres (A-label RR), specifically designed for electric cars

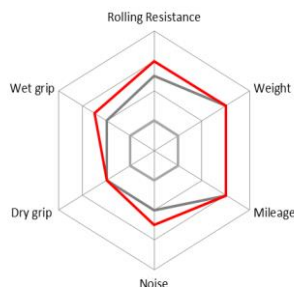
PIRELLI IS RESPONDING WITH SPECIFIC SOLUTIONS



GROWTH: TYRE DEVELOPMENT_

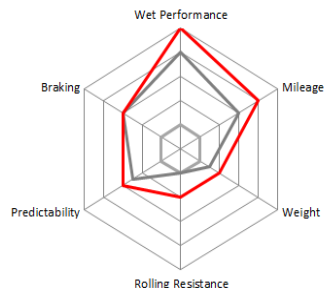


Car



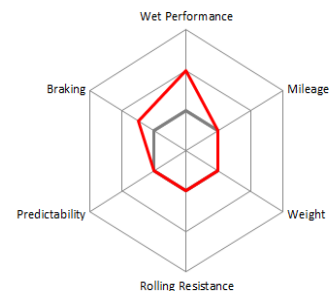
CAR base year 2009	Today	→	2020
Rolling Resistance	-15%	→	-20%
Wet Grip	+10%	→	+15%
Noise	-10%	→	-15%
RR HIGH VALUE*	-10%	→	-14%

Moto



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

Velo



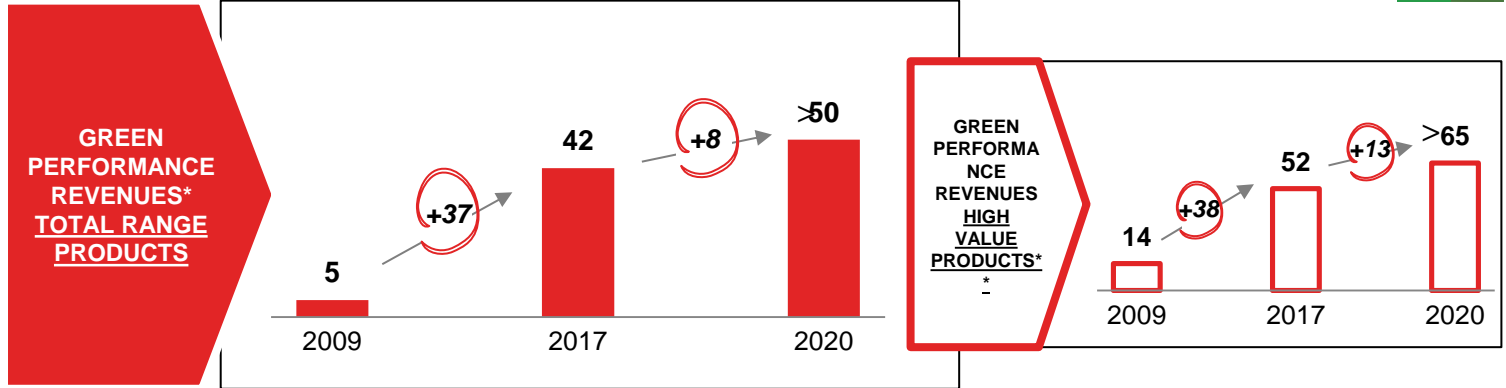
VELO base year 2017**	Today	→	2020
Rolling Resistance	0%	→	0%
Wet Performance	0%	→	+10%
Braking	0%	→	+5%

Less rolling resistance
 Less noise
 Increased mileage
 Less weight

Less CO₂ emissions
 Better living environment
 Increased tyre life
 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_

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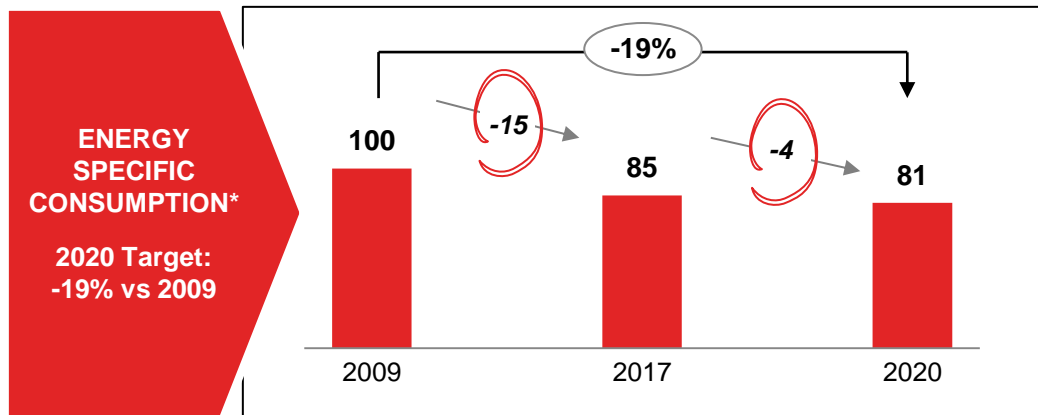
Growth

Productivity

Risk Management

PRODUCTIVITY: PROCESS EFFICIENCY_

Energy Consumption

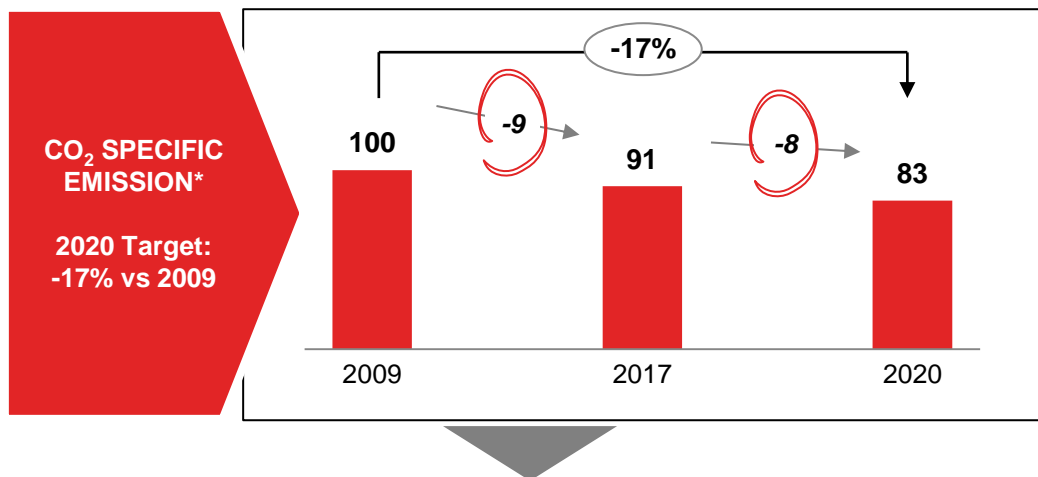


- Energy specific consumption in 2017 vs 2009: -15%
- Target 2020 : energy specific consumption -19% vs 2009

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

PRODUCTIVITY: PROCESS EFFICIENCY_

CO₂ Emissions & Renewables

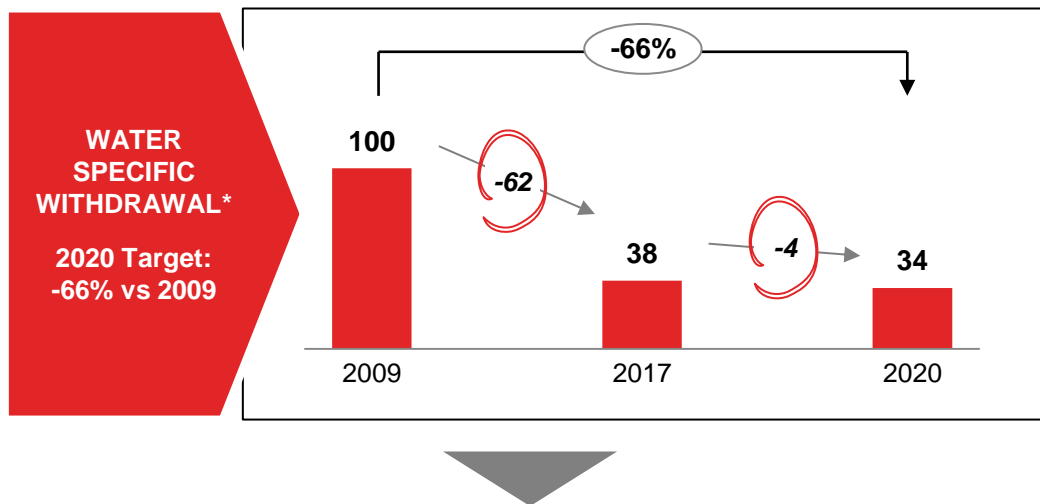


- CO₂ specific emissions in 2017 vs 2009: -9%. Positive impacts from steam generated from biomass, and from the use of renewable electrical energy;
- In 2017 around 43% of the electricity purchased by the Company came from renewable sources** (+5% vs 2016);
- Target 2020: CO₂ specific emissions -17% 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

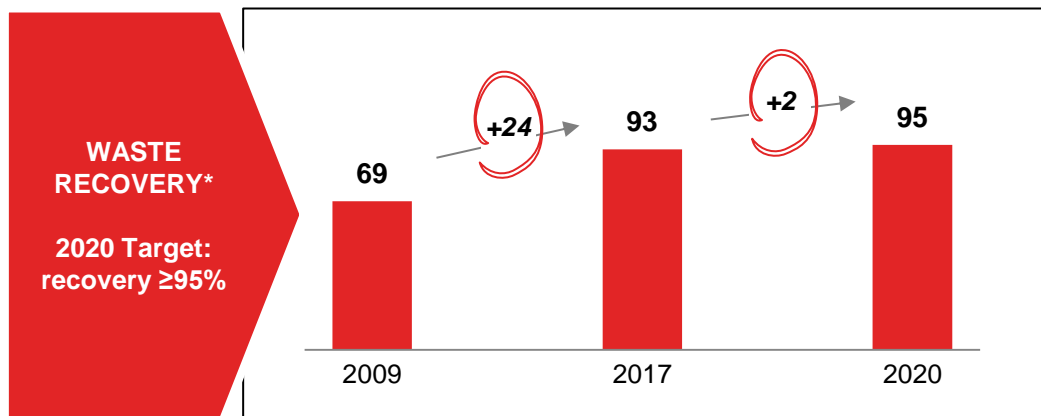


- Water specific withdrawal in 2017 vs 2009: -62% (around 60 million cubic meters of water saved since 2009)
- Target 2020 : water specific withdrawal -66% vs 2009 (estimated 100 million cubic meters of water saved in the decade 2009-2020)

* 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 $\geq 95\%$

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

PRODUCTIVITY: HUMAN CAPITAL CULTURE_ *Digital Transformation*



A Digital, Agile, Cross-functional and Responsible Mindset 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_

4. SUSTAINABILITY

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Growth

Productivity

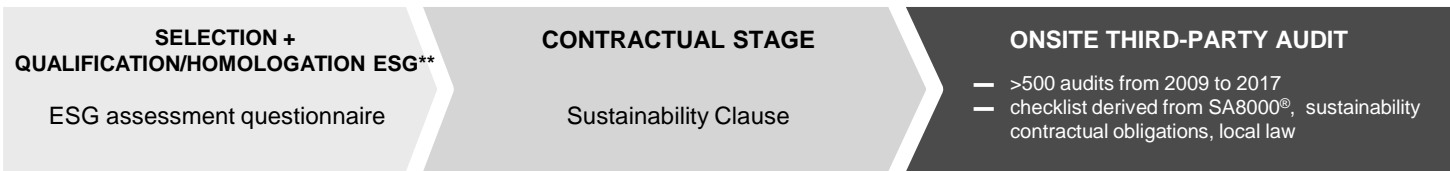
Risk Management

RISK MANAGEMENT: SUPPLY CHAIN SUSTAINABILITY_



*Full compliance of Purchasing Model with ISO 20400 provisions attested**

STEPS



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 ONGOING 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

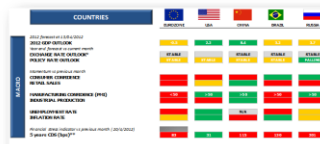
REPUTATIONAL AND SUSTAINABILITY RISKS

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



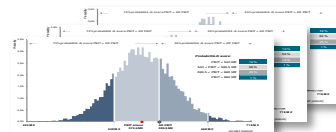
**LOW
EXPOSURE TO
HIGH RISK
COUNTRY**

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

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AGENDA_

4. APPENDIX

4a. PIRELLI EVOLUTION TO DATE

4b. HISTORICAL FINANCIALS

PIRELLI EVOLUTION TO DATE: PREMIUM FOCUS STARTED MANY YEARS AGO_



PIRELLI STARTED ITS JOURNEY IN PREMIUM CONSUMER TYRES YEARS AGO:



Building new Premium Plants in key regions (China, Mexico, Romania) and conversion from standard to Premium capacity

+18 Mln pcs
Premium capacity in 11-15



Building strong relationships with Premium car OEMs

+9pp Mkt Share on
European Premium OEMs



Investing in the “Premium geographies”

- Europe
- NAFTA
- APAC

1.3 € Bln, 72% of Consumer
Capex 11-15



Pirelli is the first mover in embracing “Premiumisation” of the Consumer tyre market (since London Plan 2013)

PIRELLI EVOLUTION TO DATE: CHEMCHINA PARTNERSHIP_

2010 - 2015

NOVEMBER 2015

2016 - 2017

Q4 2017

Pirelli Consumer “first mover” in Premium

ChemChina Partnership and Pirelli taken private

Becoming a pure High Value Consumer tyre player

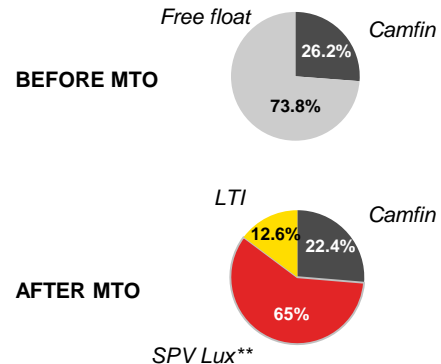
IPO

Successful Mandatory Tender Offer led by ChemChina, Camfin and LTI

ChemChina-Pirelli partnership:

- Pivotal role of Pirelli Management
- Focus on Consumer as core business
 - Acceleration in Premium
 - Conversion of Aeolus capacity to support China growth
- Industrial business separation, leaving exposure to the resilient consumer demand

PIRELLI SHAREHOLDERS STRUCTURE*



* Simplified shareholding structure: Camfin, LTI and SPV stake in Pirelli through Marco Polo; ** Investment vehicle participated by ChemChina (75%) and Silk Road Fund (25%), a Chinese \$40 Bln long-term Investment fund

PIRELLI EVOLUTION TO DATE: REINFORCEMENT OF CONSUMER ORGANIZATION DURING DELISTING PERIOD__

2010 - 2015

NOVEMBER 2015

2016 - 2017

Q4 2017

Pirelli Consumer “first mover” in Premium

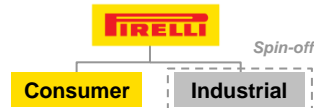
ChemChina Partnership and Pirelli taken private

Becoming a pure High Value Consumer tyre player

IPO

SPIN – OFF OF THE INDUSTRIAL SEGMENT (B2B BUSINESS)

PRE – INDUSTRIAL REORGANIZATION (2016)



Spin-off



MARCH 2017



100% Consumer

WHAT HAS BEEN DONE IN 1H 2017

Consumer business

- Rationalization of the organization with a leaner structure and more integrated regions reporting to CEO
- New functions to fully capture new opportunities
 - Consumer Marketing, Digital, Data Science, Cyber, Velo
- Integration of Aeolus Car plant, with immediate Jiaozuo plant upgrade, to be ready to capture growth opportunities in China

AGENDA_

4. APPENDIX

4a. PIRELLI EVOLUTION TO DATE

4b. HISTORICAL FINANCIALS

KEY FINANCIAL HIGHLIGHTS_

€ Mln	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%

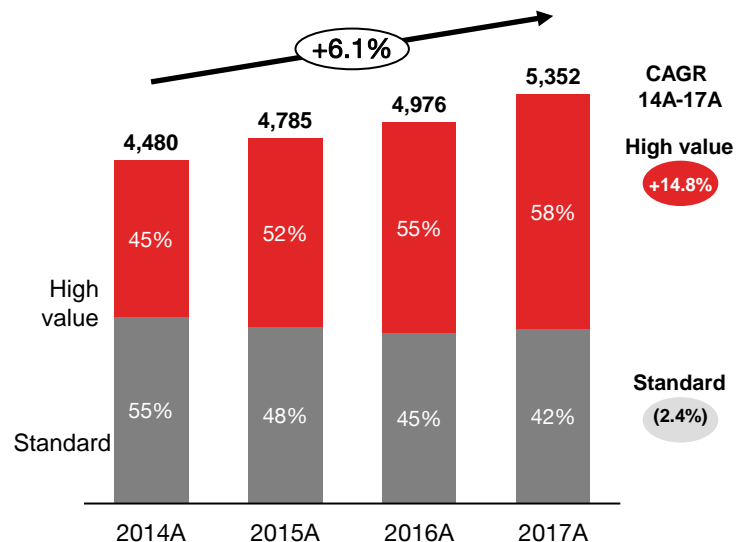
Due to higher
capex in 2017

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

€ Mln



ORGANIC REVENUES GROWTH

%

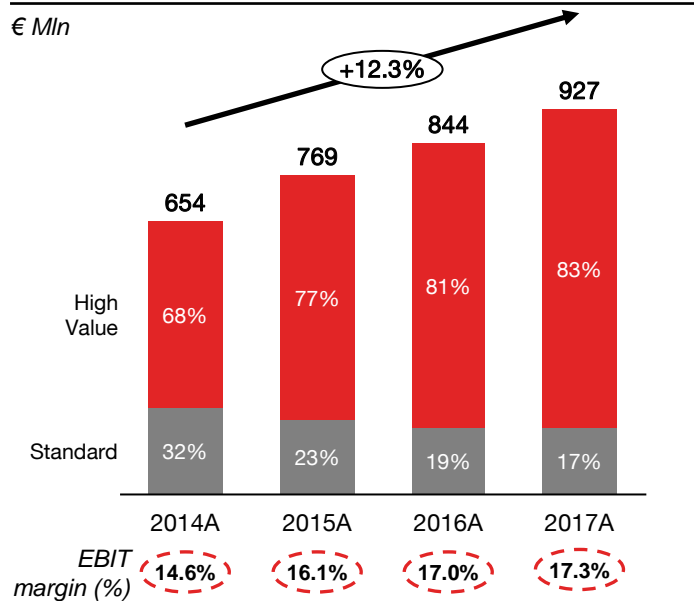
	2015A vs. 2014A	2016A vs. 2015A	2017A vs. 2016A
Δ Volumes	0.7%	3.5%	1.0%
- o/w High Value volumes	17.1%	15.5%	12.5%
Δ Price/Mix	4.1%	3.4%	6.9%
Δ Exchange rate	2.0%	(4.4%)	(0.7%)
Δ Perimeter (Aeolus and others carve-out)	0.0%	1.5%	0.4%
Δ Revenues	6.8%	4.0%	7.6%

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_

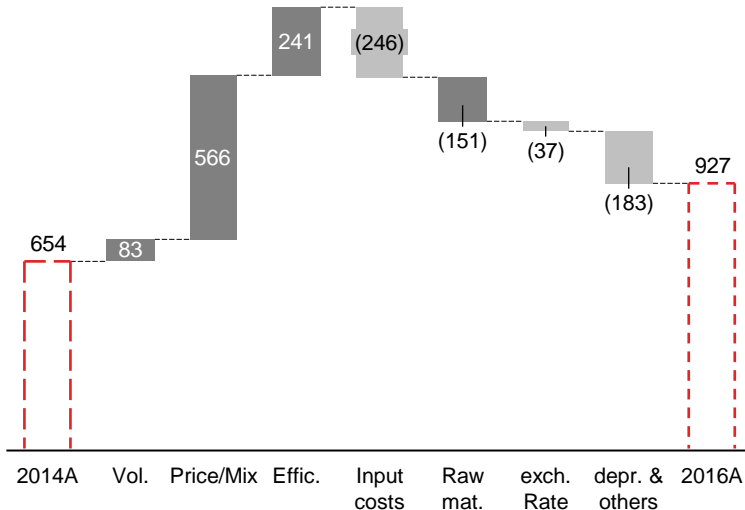
EBIT ADJUSTED

€ Mln



EBIT ADJUSTED W/O START-UP COSTS BRIDGE

€ Mln

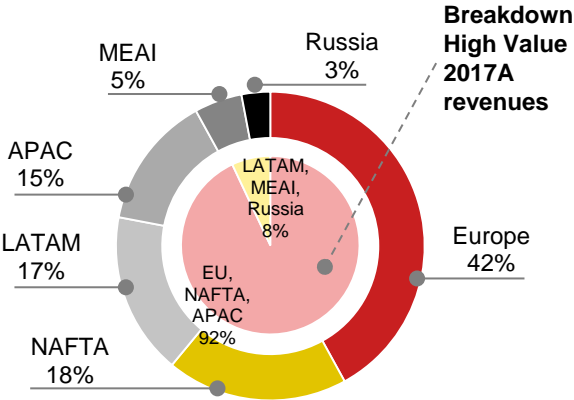


Relentless Push Towards High Value Drives Growth Outperformance and Margin Expansion

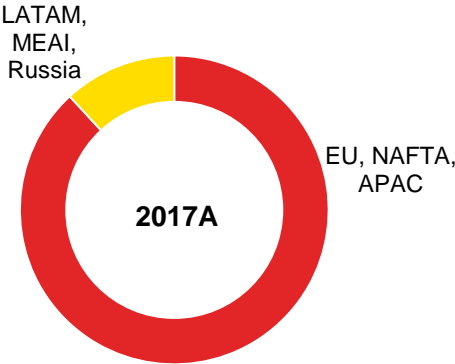
Note: carve-out historical financials adjusted, i.e. before amortization of PPA, non recurring items and restructuring costs; restated with Steelcord among discontinued operations (2014) and net of Venezuela deconsolidation impact (both 2014 and 2015)

DIVERSIFIED GEOGRAPHIC EXPOSURE WITH FOCUS ON PRESTIGE AND PREMIUM REGIONS_

2017A REVENUES ADJUSTED BY GEOGRAPHY
%



2017A EBIT ADJUSTED BY GEOGRAPHY
%

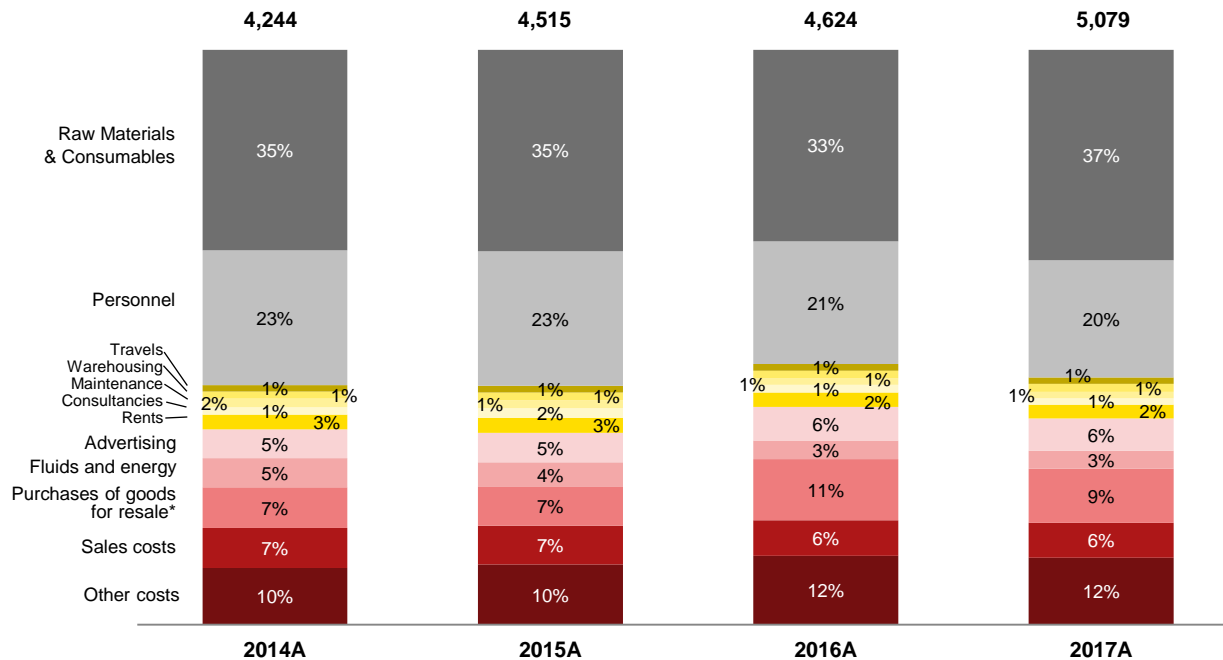


Focus on Prestige and Premium geographies: Europe, NAFTA & APAC represent ~93% of the Global Prestige and Premium car parc and ~94% of the Global Tyre Market ≥18” in 2017

COST STRUCTURE_

OPERATING COSTS BREAKDOWN

€ Mln, % on Total



Note: data not adjusted

* off/take car Turkey and moto Brazil

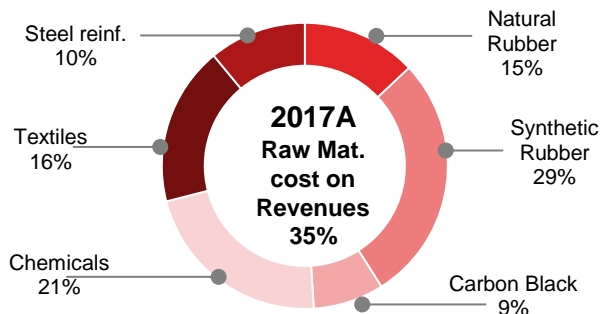
PIRELLI, GLOBAL HIGH VALUE

COMPANY PRESENTATION - MAY 2018

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

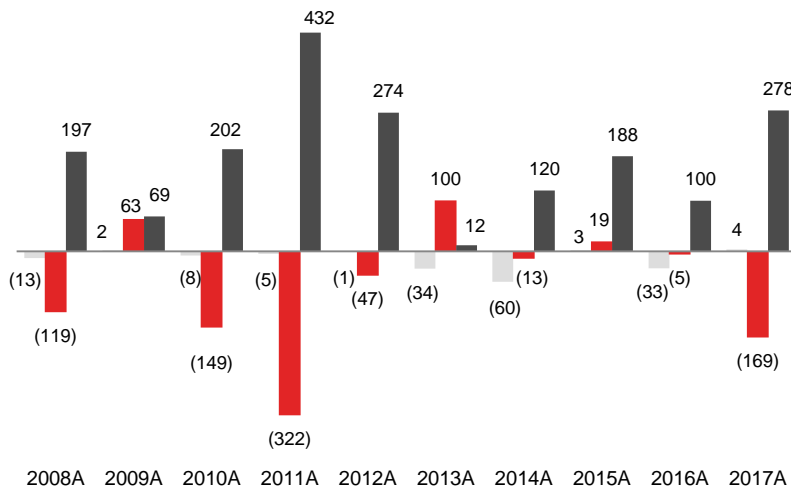
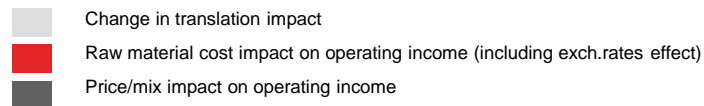
Pirelli Managerial account

PIRELLI, GLOBAL HIGH VALUE
COMPANY PRESENTATION - MAY 2018

STRONG TRACK RECORD ON OFFSETTING RAW MAT. AND FOREX

€ Mln

Pirelli consumer reported data



HISTORICAL BALANCE SHEET _

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

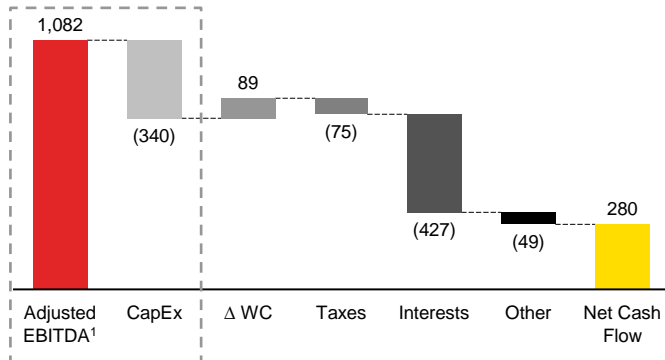
€ Mln	2014A	2015A	2016A	2017A
Tangible assets	2,114.5	2,074.7	2,925.5	2,980.3
Intangible assets	674.1	657.3	5,996.4	5,893.7
<i>o/w goodwill</i>	577.3	572.7	1,877.4	1,877.4
Other non current assets	740.5	614.0	566.6	590.8
Total non current assets	3,529.1	3,346.1	9,488.5	9,464.8
Current assets	2,699.2	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
<i>o/w Group's Equity</i>	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)_

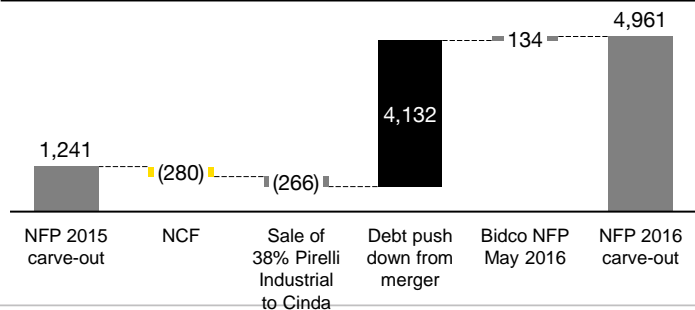
CASH FLOW BRIDGE (2016)

€ Mln

€ 742 Mln -> 68.6% CONVERSION RATE



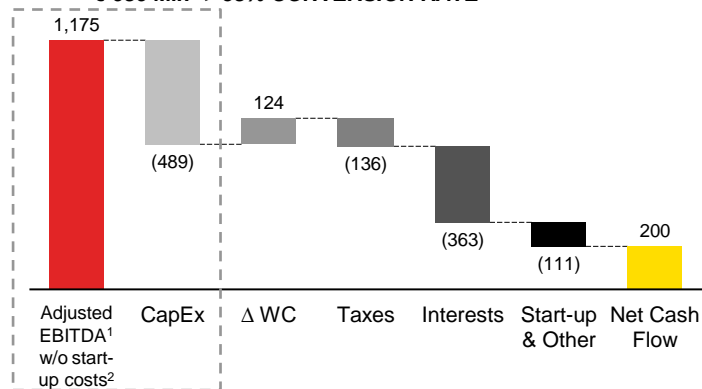
2016



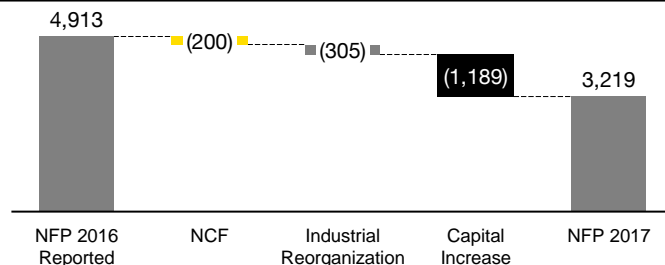
CASH FLOW BRIDGE (2017)

€ Mln

€ 686 Mln -> 58% CONVERSION RATE



2017

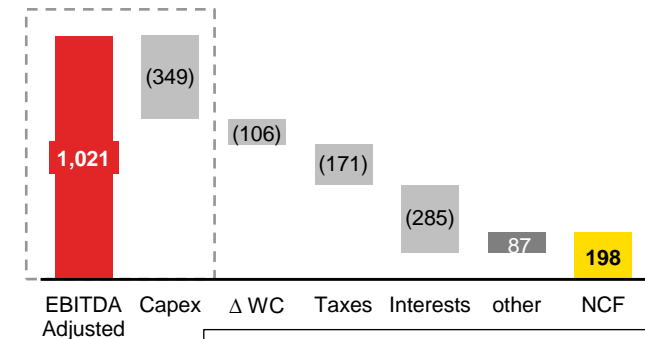


HISTORICAL CASH FLOW STATEMENT¹ (2016 vs 2015)

CASH FLOW BRIDGE (2015)

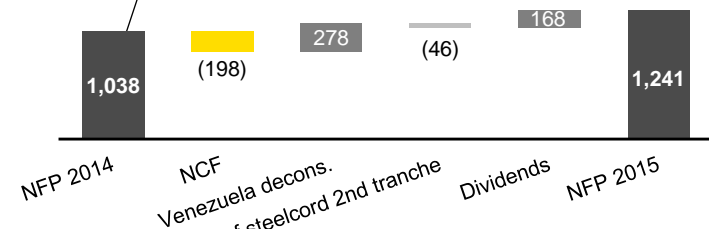
€ Mln

€ 672 Mln -> 65.7% CONVERSION RATE



2015

includes 6 €/mln related to cash & cash equivalents relative to discontinued operations



¹ Carve-out figures

PIRELLI, GLOBAL HIGH VALUE

COMPANY PRESENTATION - MAY 2018

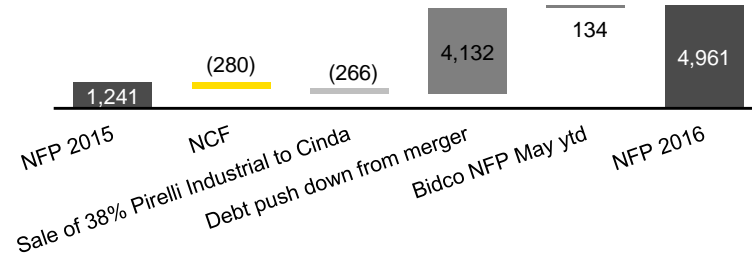
CASH FLOW BRIDGE (2016)

€ Mln

€ 742 Mln -> 68.6% CONVERSION RATE



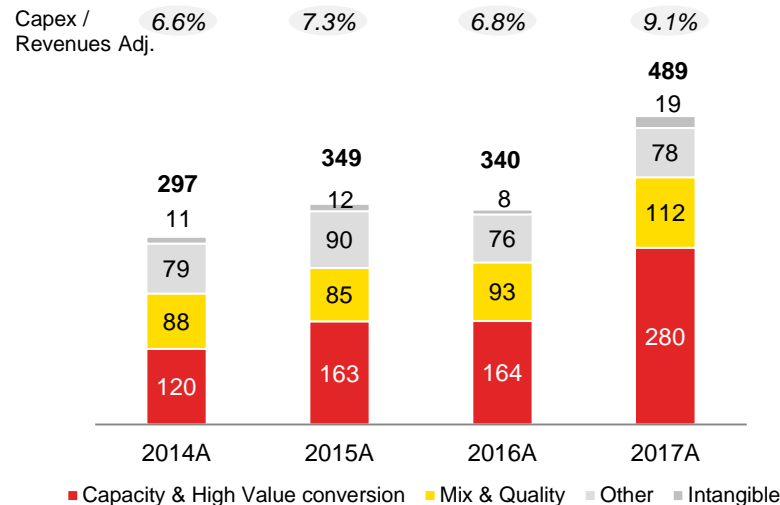
2016



INVESTMENT FOCUSED ON HIGH VALUE TO DRIVE FUTURE GROWTH_

CAPEX 2014-2017

€ Mln

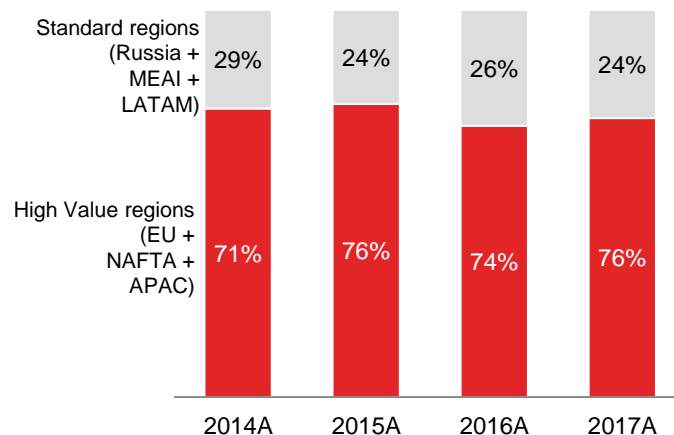


Maintenance*
% on total
capex

30% 29% 25% 20%

TANGIBLE CAPEX BREAKDOWN BY GEOGRAPHY

€ Mln, %



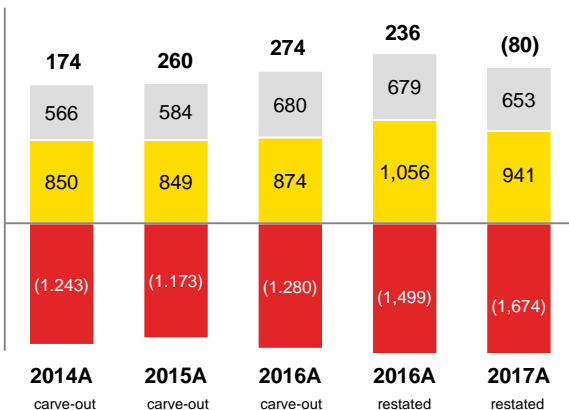
* Baseload HSE and loss prevention, R&D, IT, Logistics and other

WORKING CAPITAL MANAGEMENT

NET OPERATING WORKING CAPITAL DEVELOPMENT

€ Mln

Operating NWC / Revenues



	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.

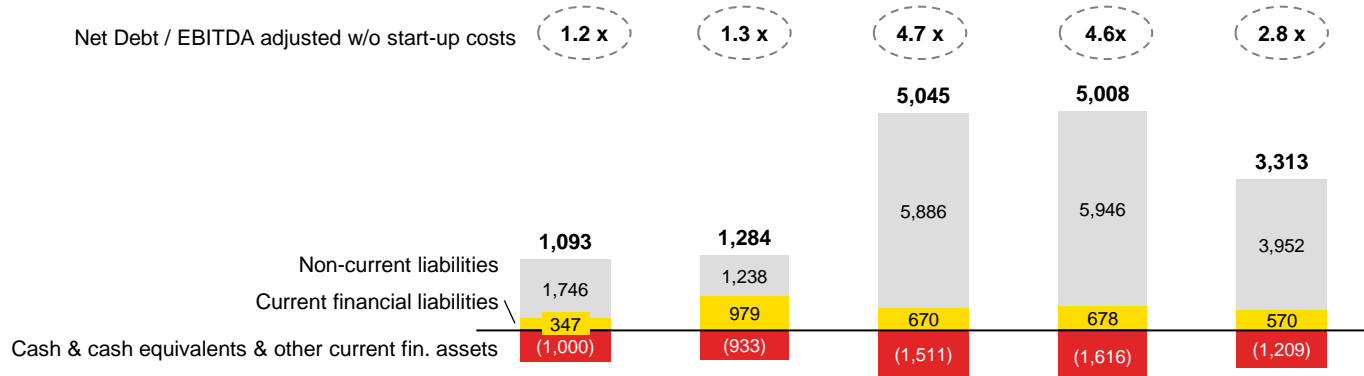
PIRELLI, GLOBAL HIGH VALUE

COMPANY PRESENTATION - MAY 2018

NET DEBT EVOLUTION

€ million

TREND 2014 - 2017

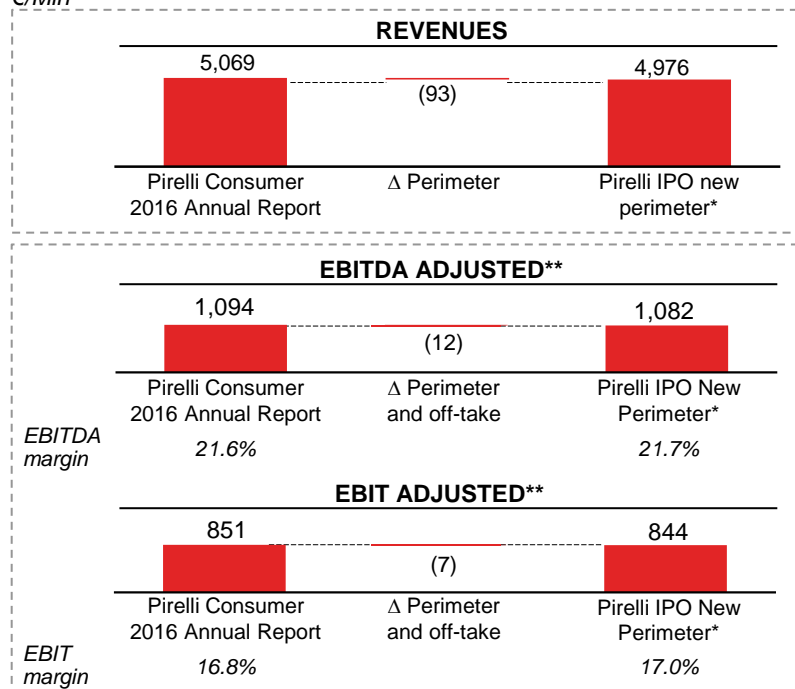


NET DEBT – NFP RECONCILIATIONS & TREND 2014 – 2017

	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_

€/Mln



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 amortization of PPA, non recurring items and restructuring costs

