

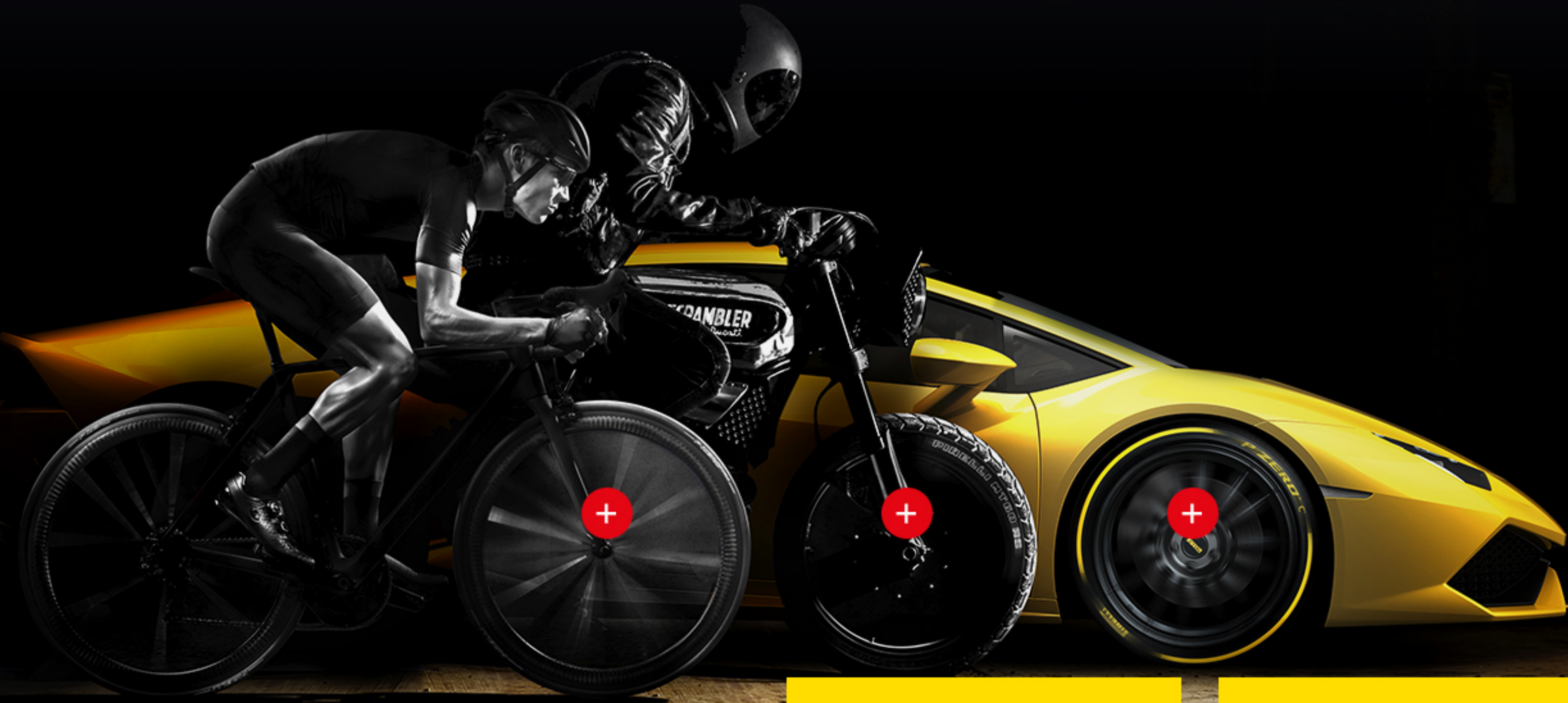
A composite image showing a cyclist in a yellow and black jersey, a motorcyclist in a dark jacket and helmet, and a silver Bentley Continental GT driving on a winding road through a mountainous landscape. The text "PIRELLI, GLOBAL HIGH VALUE" is overlaid in the center.

PIRELLI, GLOBAL HIGH VALUE

THE ONLY **PURE CONSUMER** GLOBAL TYRE COMPANY



OUR RANGE OF PRODUCTS, FOCUSED ON **HIGH VALUE: CAR**



PRESTIGE



Tyres developed in conjunction with Prestige car manufacturers

NEW PREMIUM



Tyres with a rim size equal to or greater than 18 inches

SPECIALITIES



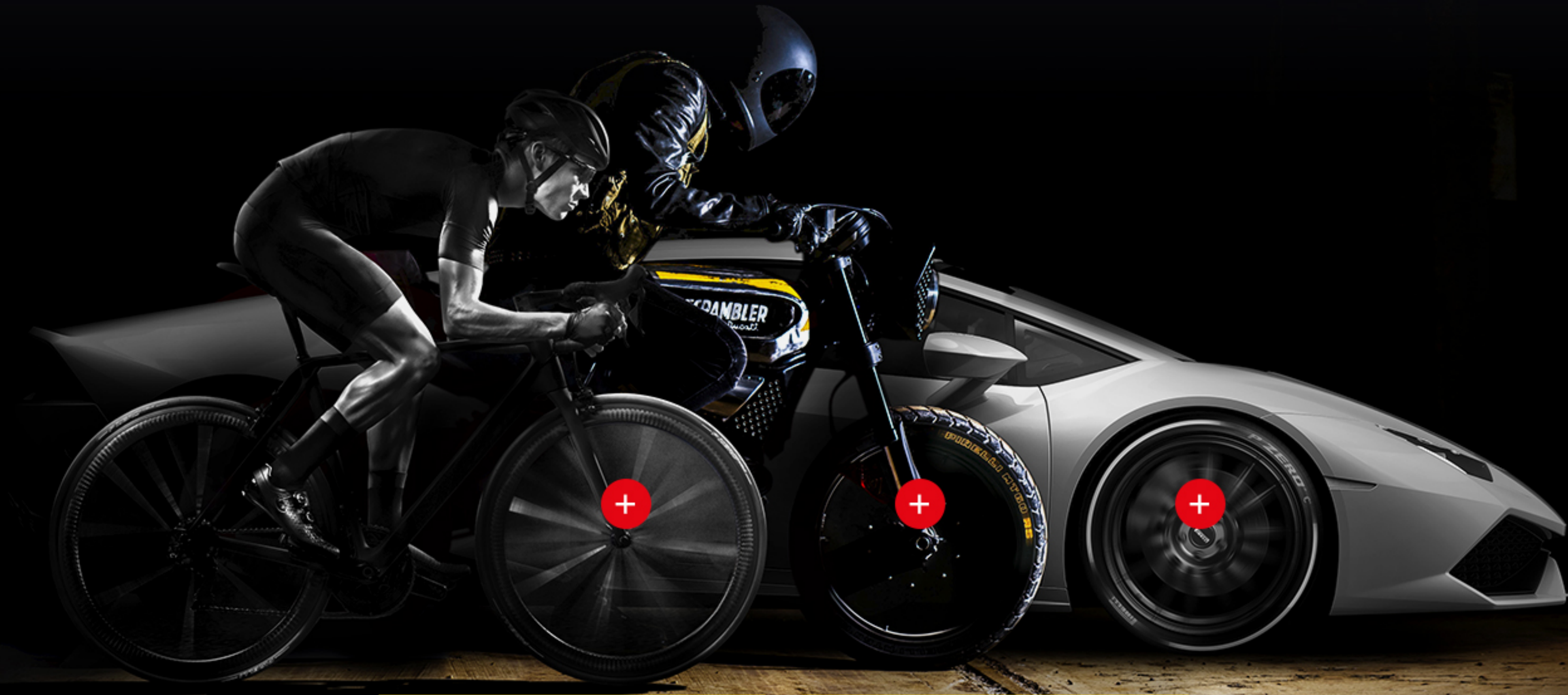
High-tech tyres that meet the needs of specific applications (e.g. Runflat tyres)

SUPER SPECIALTIES



High-tech tyres tailored to the end-consumer (e.g. "Color Edition" tyres)

OUR RANGE OF PRODUCTS, FOCUSED ON **HIGH VALUE**: MOTO



RADIAL



Motorcycles and scooters tyres with radial design

PREMIUM



Motorcycle tyres that ensure high performance both on and off the road

OUR RANGE OF PRODUCTS, FOCUSED ON **HIGH VALUE: VELO**



ROAD RACE



Tyres providing high performance for road use

URBAN



Tyres dedicated to high end urban bicycles, including electric bicycles

KEY STRENGTHS: WHAT SETS US APART

01

EXPOSED TO
HIGH GROWTH SEGMENT

02

LEADERSHIP POSITION IN
HIGH VALUE

03

ICONIC BRAND ECOSYSTEM

04

PARTNERSHIPS WITH
CARMAKERS

05

CUTTING EDGE
TECHNOLOGY

06

GROWING HIGH
VALUE FOOTPRINT

07

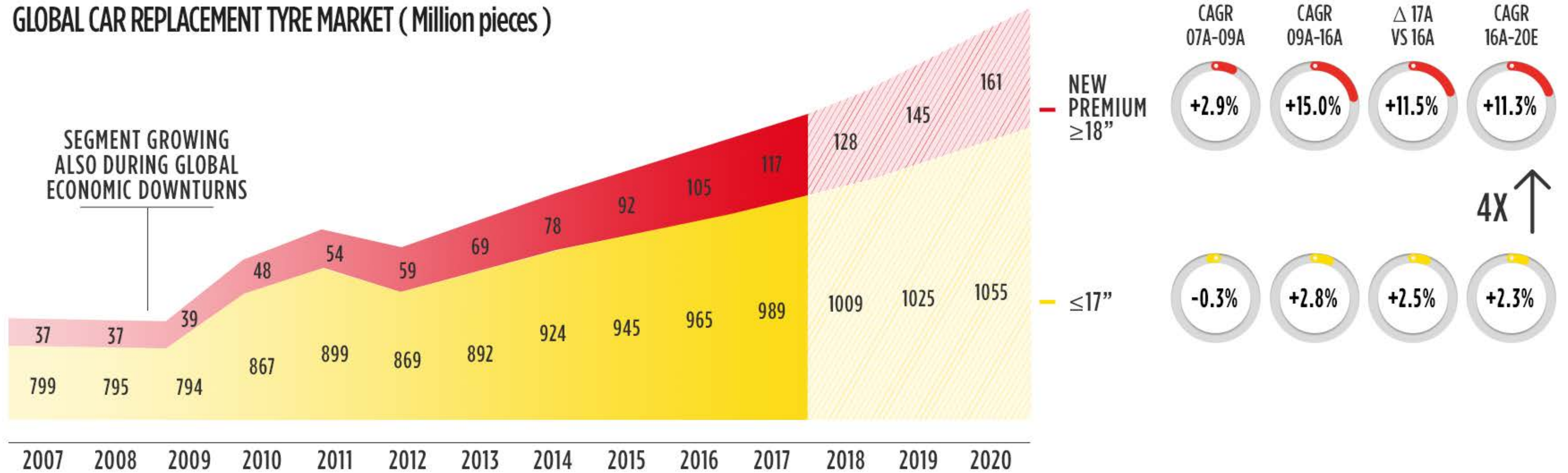
EXPERIENCED
MANAGEMENT

08

SUPERIOR
FINANCIAL PROFILE

01. STRATEGIC POSITION IN A PROFITABLE AND RESILIENT SECTOR WITH GROWTH POTENTIAL

GLOBAL CAR REPLACEMENT TYRE MARKET (Million pieces)

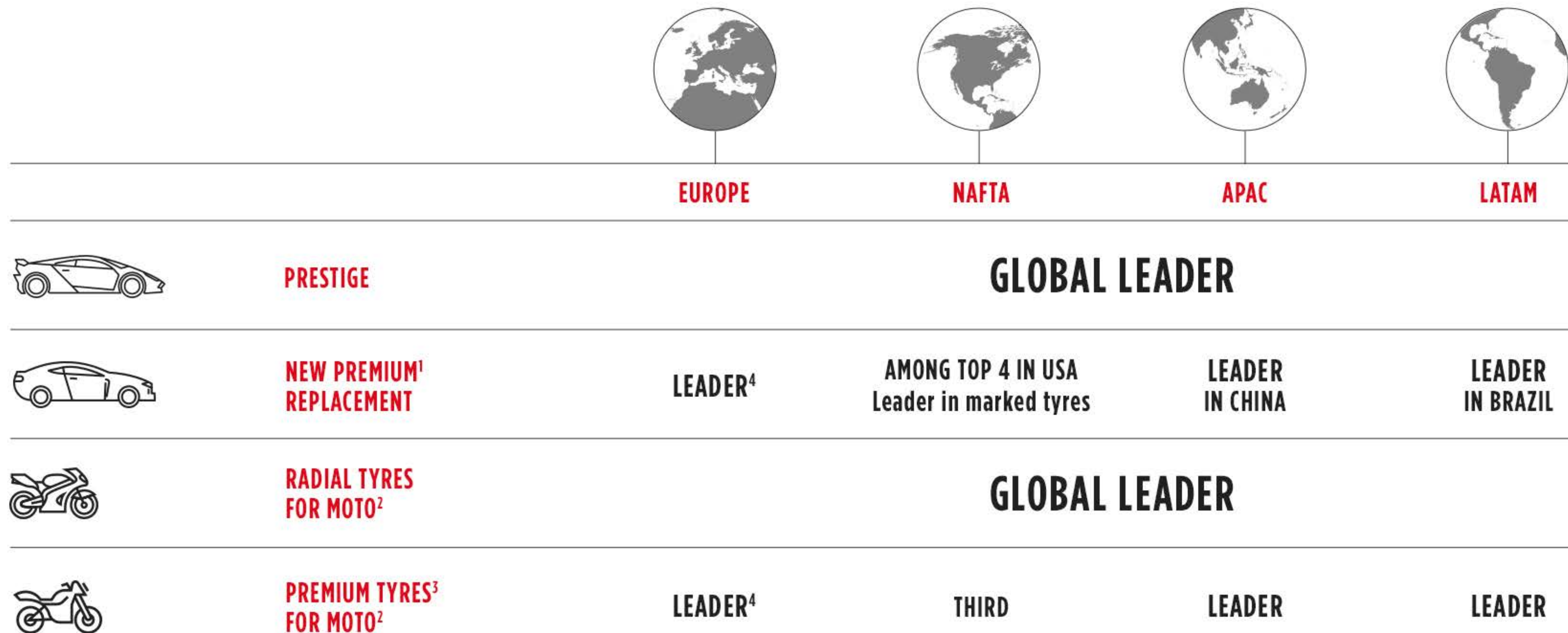


KEY DRIVERS OF GLOBAL HIGH VALUE TYRE MARKET GROWTH

- Penetration of Premium & Prestige cars
- Increase in number of homologations
- Growing demand for Specialities
- Rising penetration of SUVs
- Car design evolution
- New car technologies

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

02. LEADERSHIP POSITION IN HIGH VALUE MARKETS



1. Car tyres with rim size $\geq 18"$ | 2. Data referred to Pirelli and Metzeler brands combined | 3. Radial, Custom Touring, Off Road and Sport Touring X-ply with speed index $\geq H$ | 4. Perimeter includes Italy, Spain, France, Uk and Germany

Source: Pirelli estimates on third party data

03. ICONIC BRAND, GLOBALLY RECOGNISED



PERFORMANCE

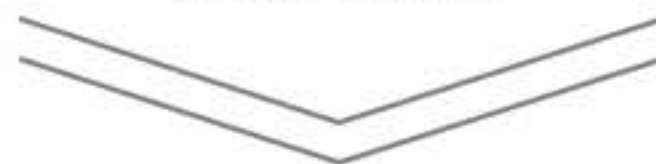
INNOVATION

HERITAGE

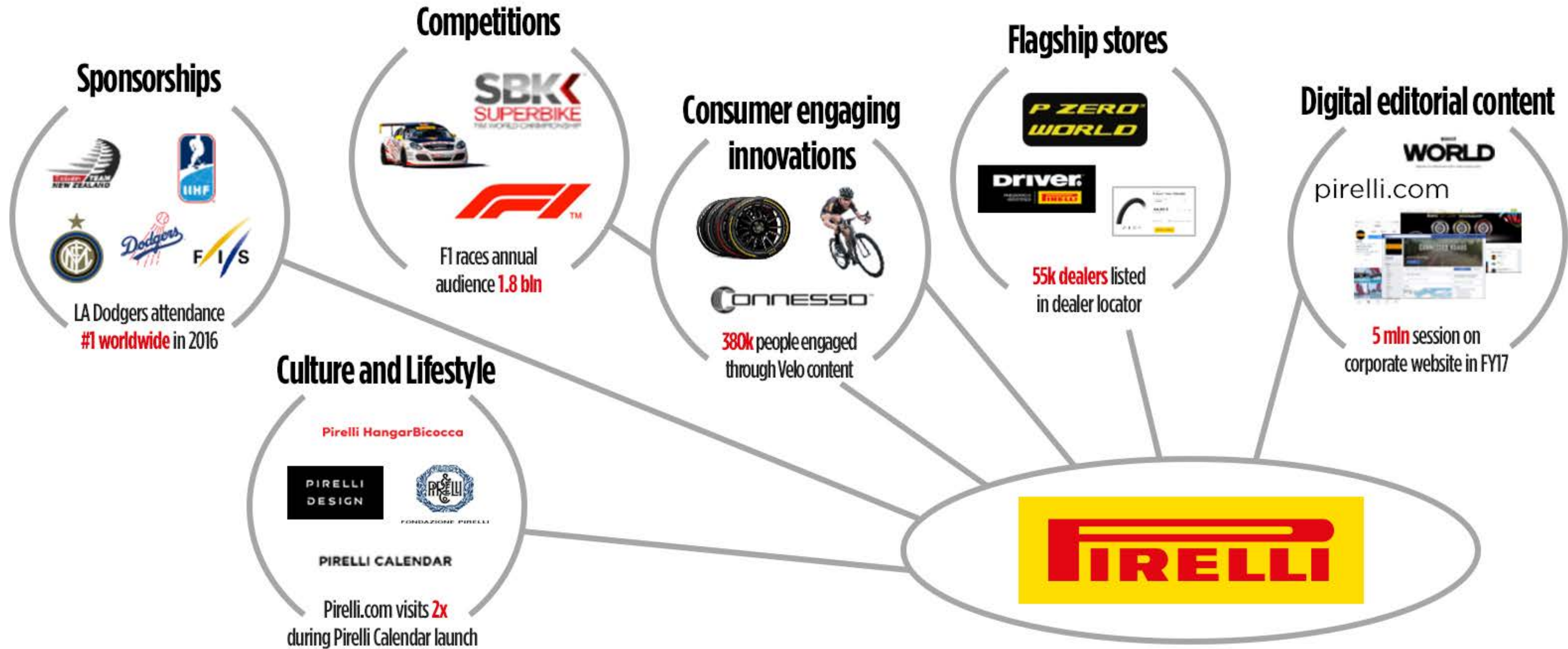
CULTURE & LIFESTYLE

DESIGN

READ MORE



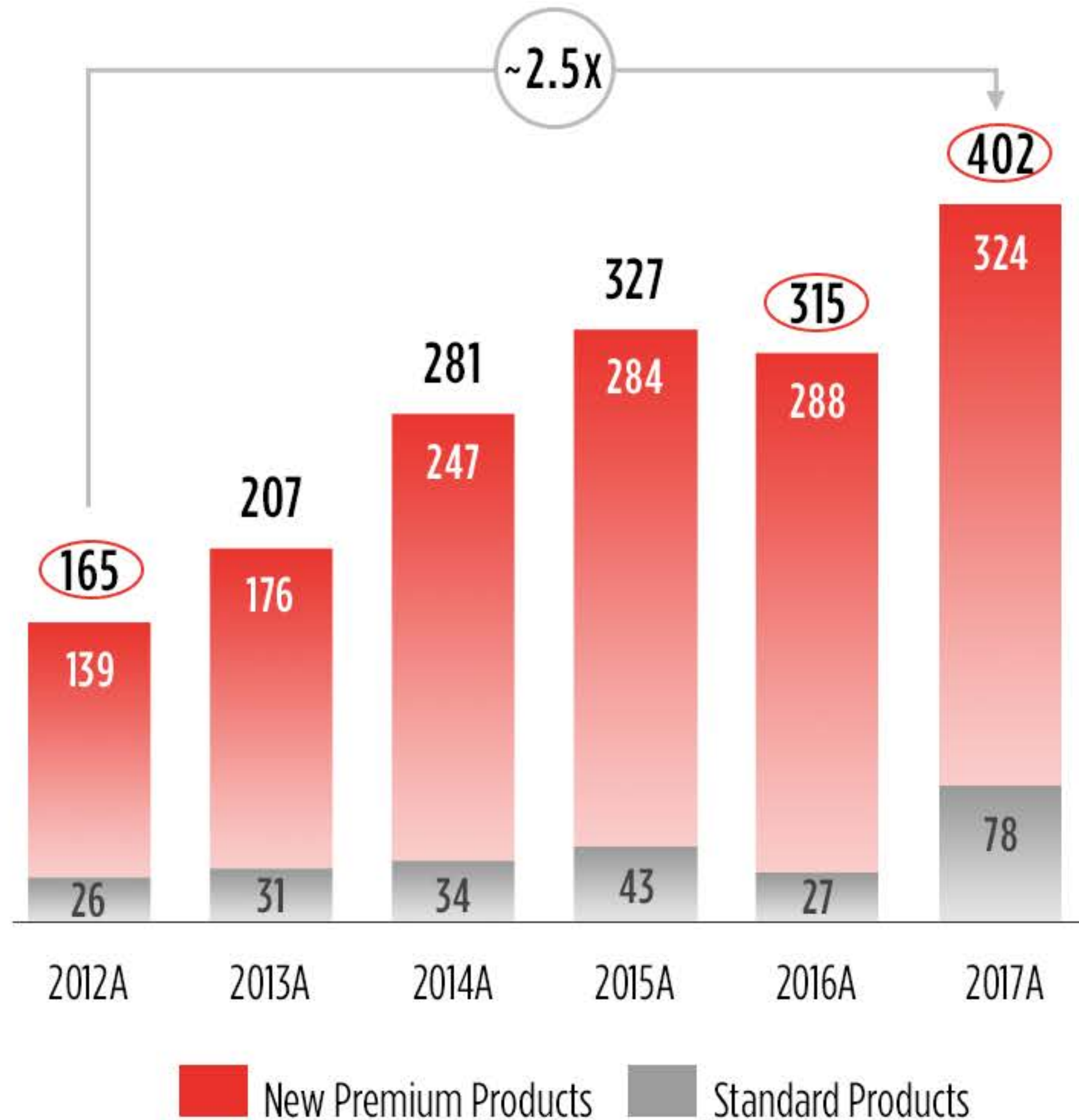
03. CONSUMER ENGAGEMENT HEAVILY CAPITALIZING ON BRAND ASSETS



DATA-DRIVEN PERSONALIZATION OF CONSUMER JOURNEYS THROUGH ADVANCED CRM

04. SOLID BUSINESS RELATIONSHIPS WITH PRESTIGE AND PREMIUM CAR MAKERS

PIRELLI YEARLY HOMOLOGATIONS



NUMBER OF MARKED TYRES HOMOLOGATIONS



MARKED TYRES TIMELINE

Marked tyres, introduced with Porsche in the 80s, are now requested by most Prestige and Premium car manufacturers to help customers finding the right tyre for their car.



Source: the number of marked tyres homologations is determined on the basis of the products commercialized in the German market, the broadest market in Europe with regard to supply, according to January 2018 price list.

05. BEST IN CLASS R&D PIONEERING TECHNOLOGICAL INNOVATION

INTEGRATED R&D PLATFORM BUILT ON A HOLISTIC MODEL...

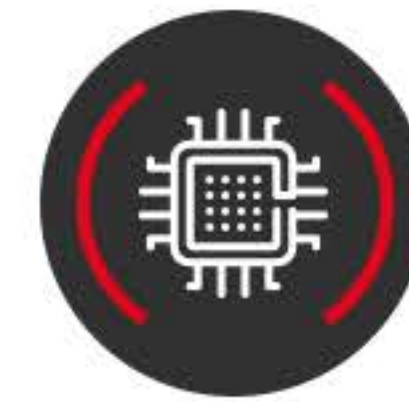


...ACHIEVING TECHNOLOGICAL INNOVATION



PRODUCTS

- **High Value homologation portfolio:** >2,150 products as of December 2017
- **Motorsport** performance and safety in consumer tyres
- Advanced Virtual **Modeling**



PROCESSES

- **Next generation MIRS** (Modular Integrated Robotized System)
- **New mixing technology**
- **Wide adoption of automation**



MATERIALS

- **Carbon Nanotubes**
- **Innovative Natural Nanofibers**
- **Development of renewable materials**

~7.3%

OF HIGH VALUE REVENUES
DEVOTED ON AVERAGE TO R&D
IN THE LAST 4 YEARS

~6,100

PATENTS
AS OF DECEMBER 2017

+150

EXTERNAL PROJECTS ON
MATERIALS, PROCESS, SOFTWARE
AND ELECTRONICS

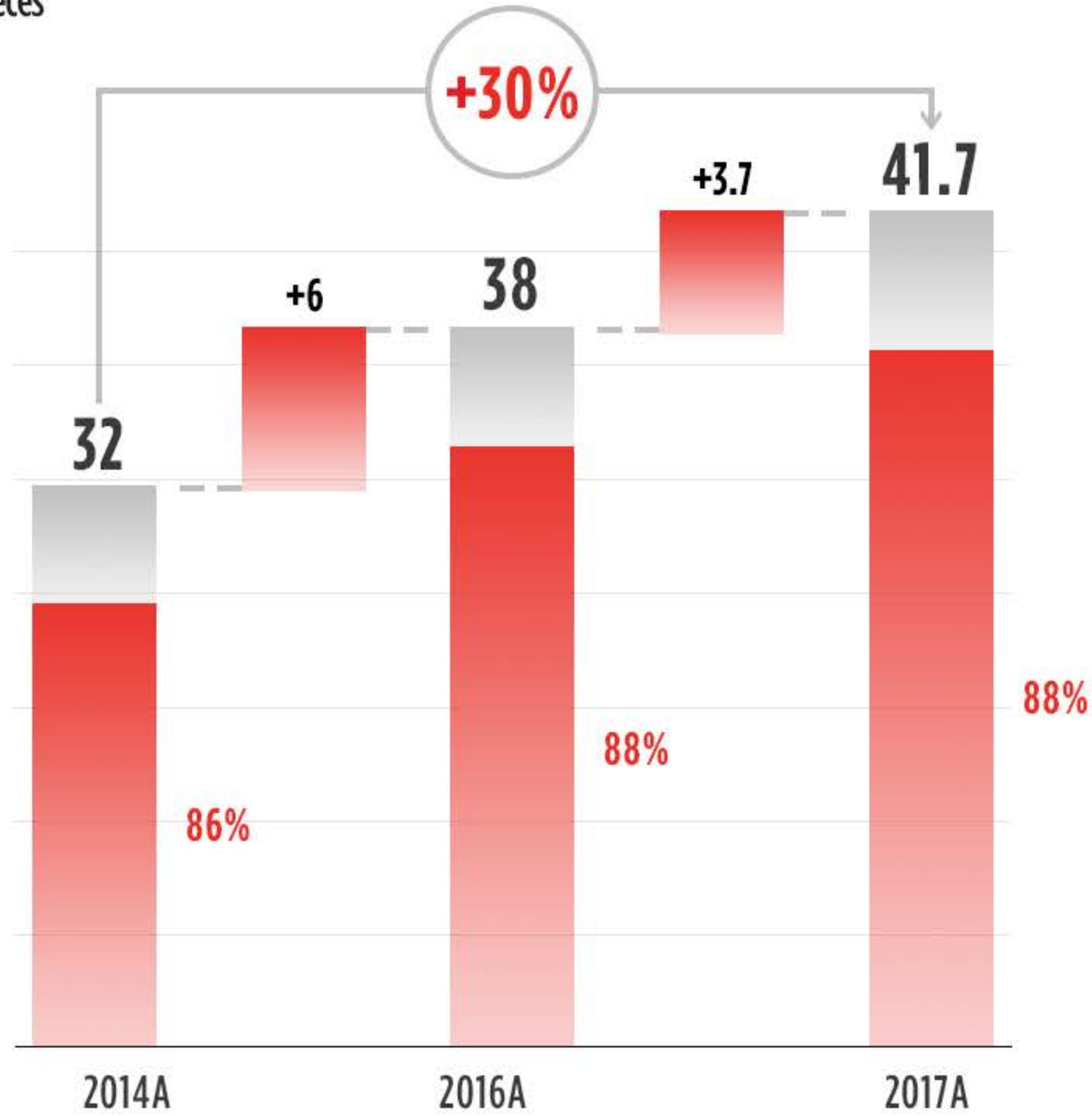
+100

COOPERATION PROJECTS WITH
PREMIUM OEMS

06. GROWING HIGH VALUE MANUFACTURING AND RETAIL FOOTPRINT

STRONG CAR CAPACITY INCREASE IN $\geq 18''$

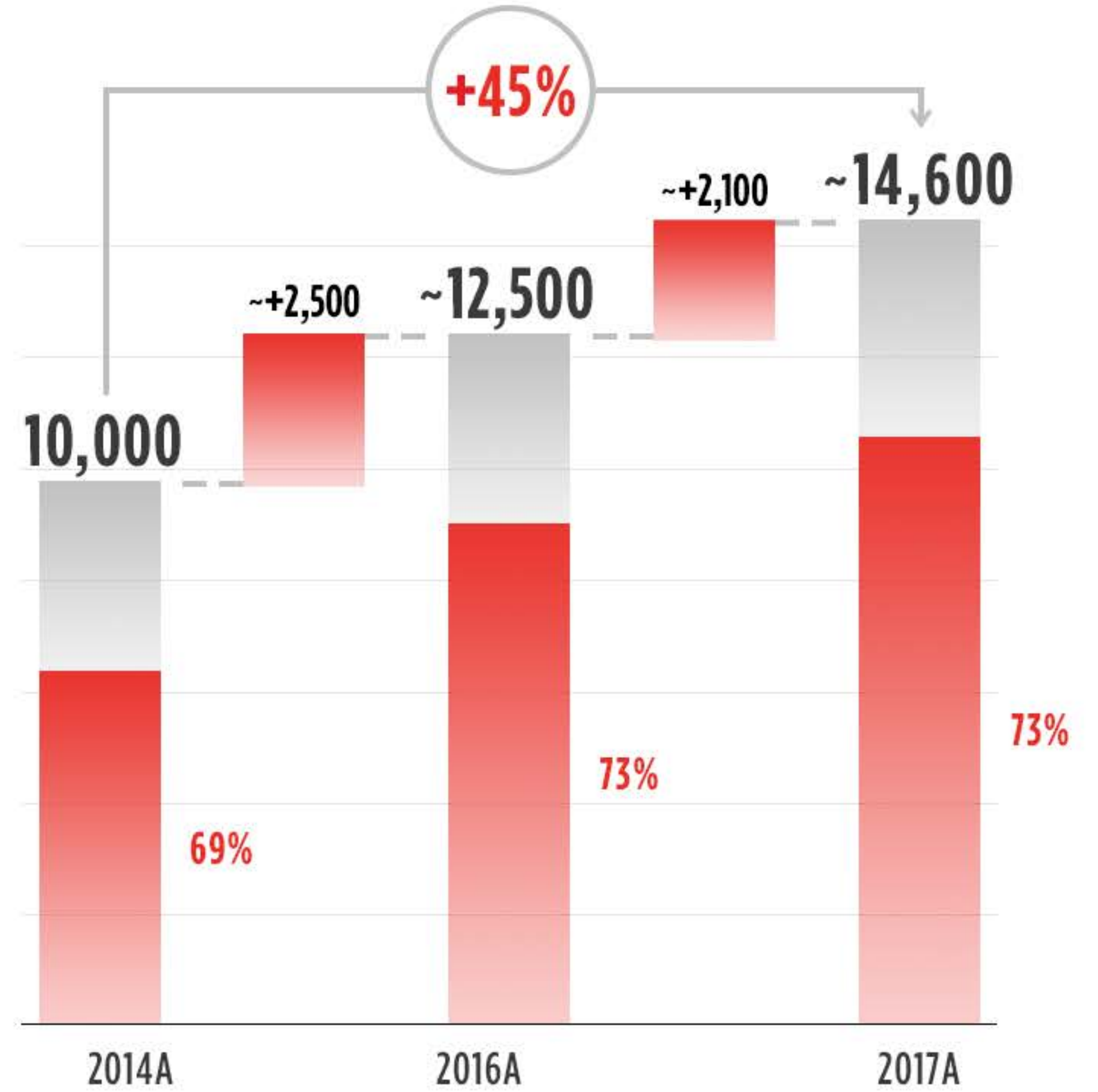
Million pieces



— EU, APAC, NAFTA CAR $\geq 18''$ — LATAM, MEAI, RUSSIA CAR $\geq 18''$

IMPROVED MARKET PENETRATION

PoS



— EU, APAC, NAFTA POS — LATAM, MEAI, RUSSIA POS

07. EXPERIENCED MANAGEMENT TEAM



CEO has been managing
Pirelli for the last
25 YEARS



16 YEARS
Senior Management Team
average tenure in Pirelli



26
NATIONALITIES
International
Management Team

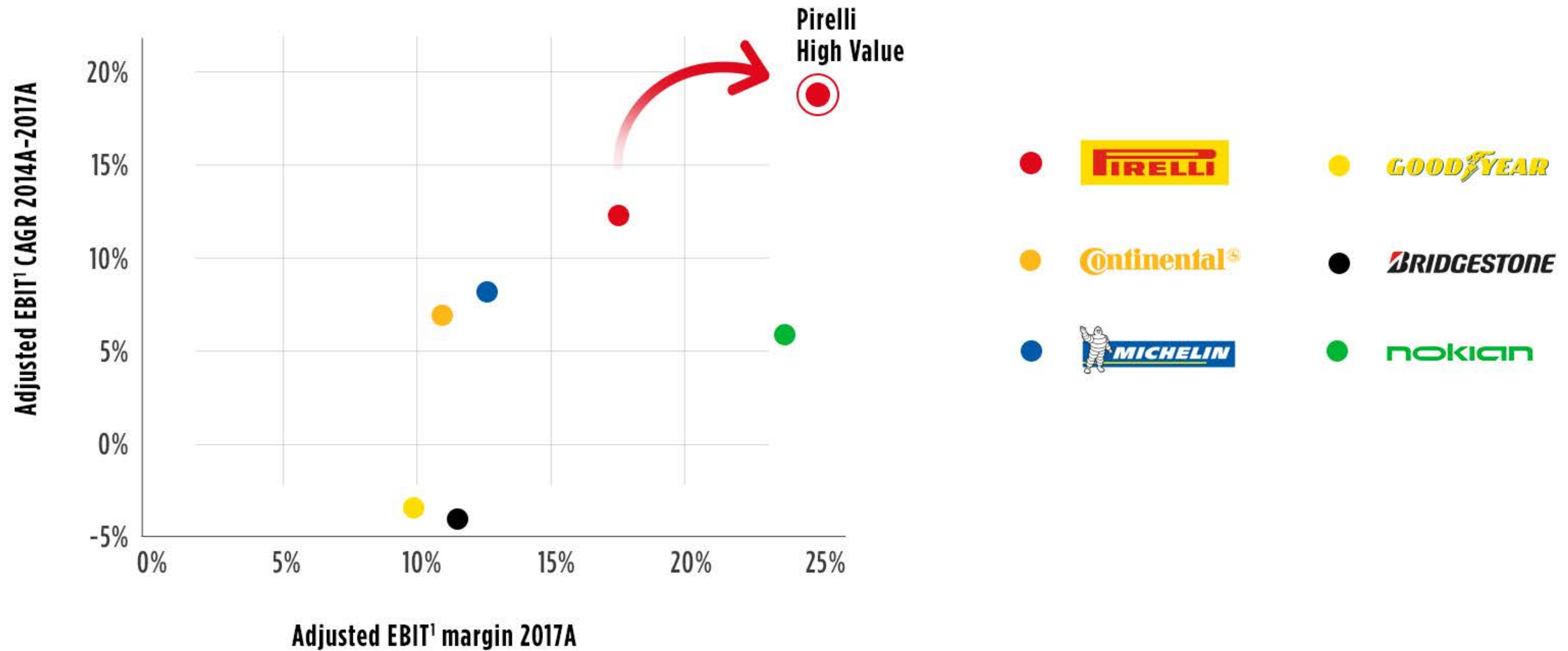


~1,800
PEOPLE
Research
& Development



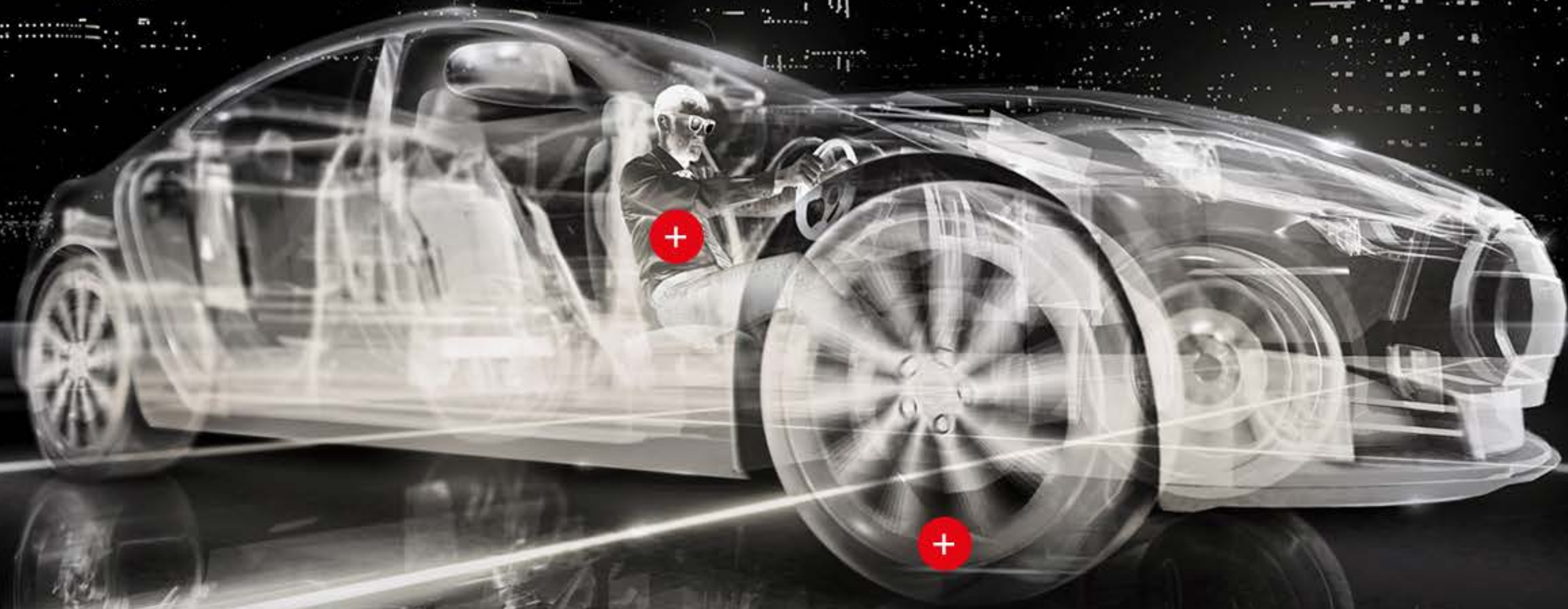
> 680
Global and local
“talents”

08. STRONG FINANCIAL PROFILE AND GROWTH POTENTIAL



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

A LONG TERM VISION SHAPES OUR STRATEGY



NEW MOBILITY PARADIGMS EMERGING IN URBAN AREAS: INTEGRATED, ACTIVE, AFFORDABLE

SINGLE LANE CAPACITY¹

CAR



BIKE



BUS



WHAT IS GOING TO HAPPEN?

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

Citizens will demand broader access to urban areas for leisure and cultural activities

Local authorities will optimize space use by shifting users towards public transport

WHAT WILL IT LOOK LIKE?



PIRELLI INTENDS TO EXPAND ITS OFFER TO HYBRID AND ELECTRIC CAR TYRES, CONNECTIVITY SOLUTIONS AND BIKE TYRES

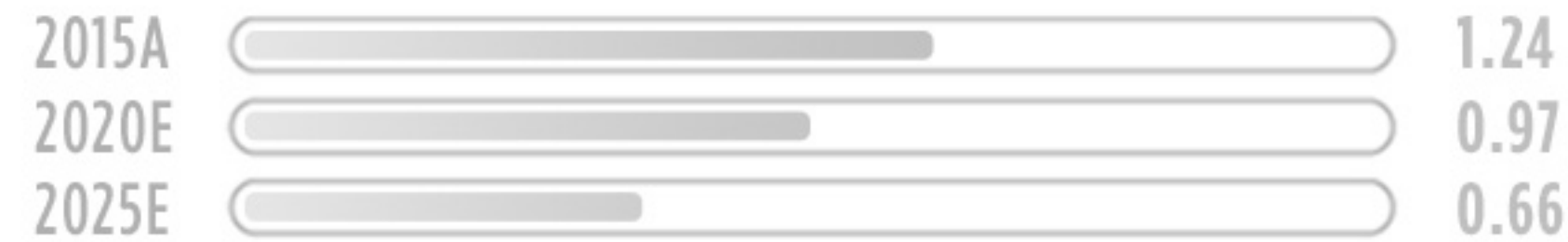
1. Number of users per hour on a 3.5m road lane. Source: World Business Council for Sustainable Development

NEW GENERATIONS BECOME AN IMPORTANT LONG-TERM TARGET

WORLD POPULATION 20 TO 70 YEARS OLD (BLN)



BABY BOOMERS (1945-1964)
 “Climb corporate ladder”
 Buy now, pay later



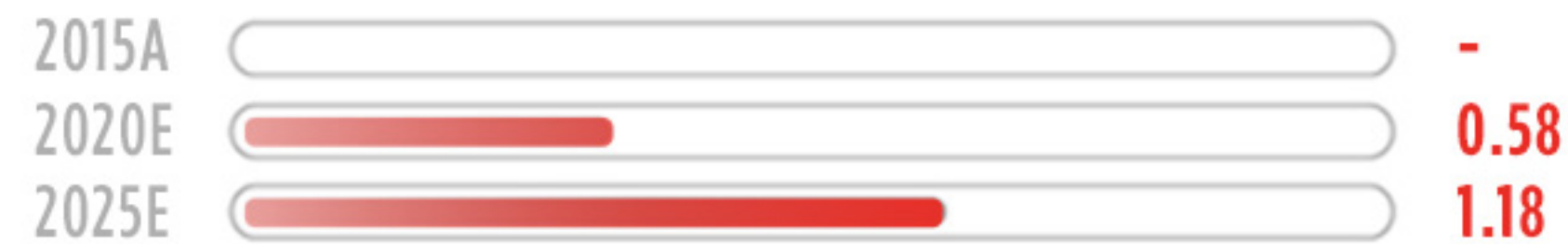
GENERATION X (1965-1979)
 “Rely on yourself”
 Cautious and conservative



MILLENNIALS / GEN. Y (1980-1994)
 “Appreciate work life balance”
 Earn to spend



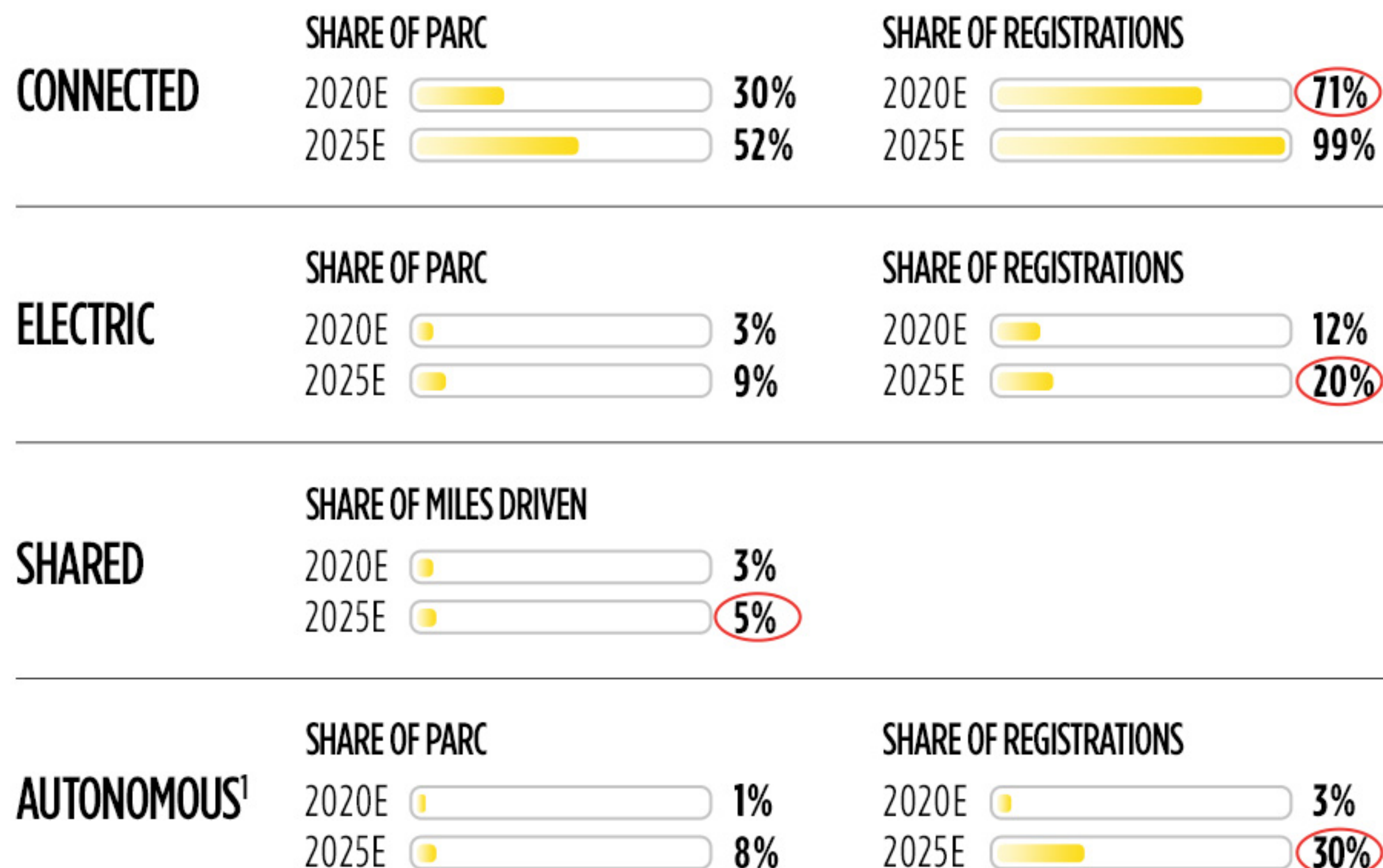
GENERATION Z (1995-?)
 “Stay connected”
 Grown up during 2008 crisis



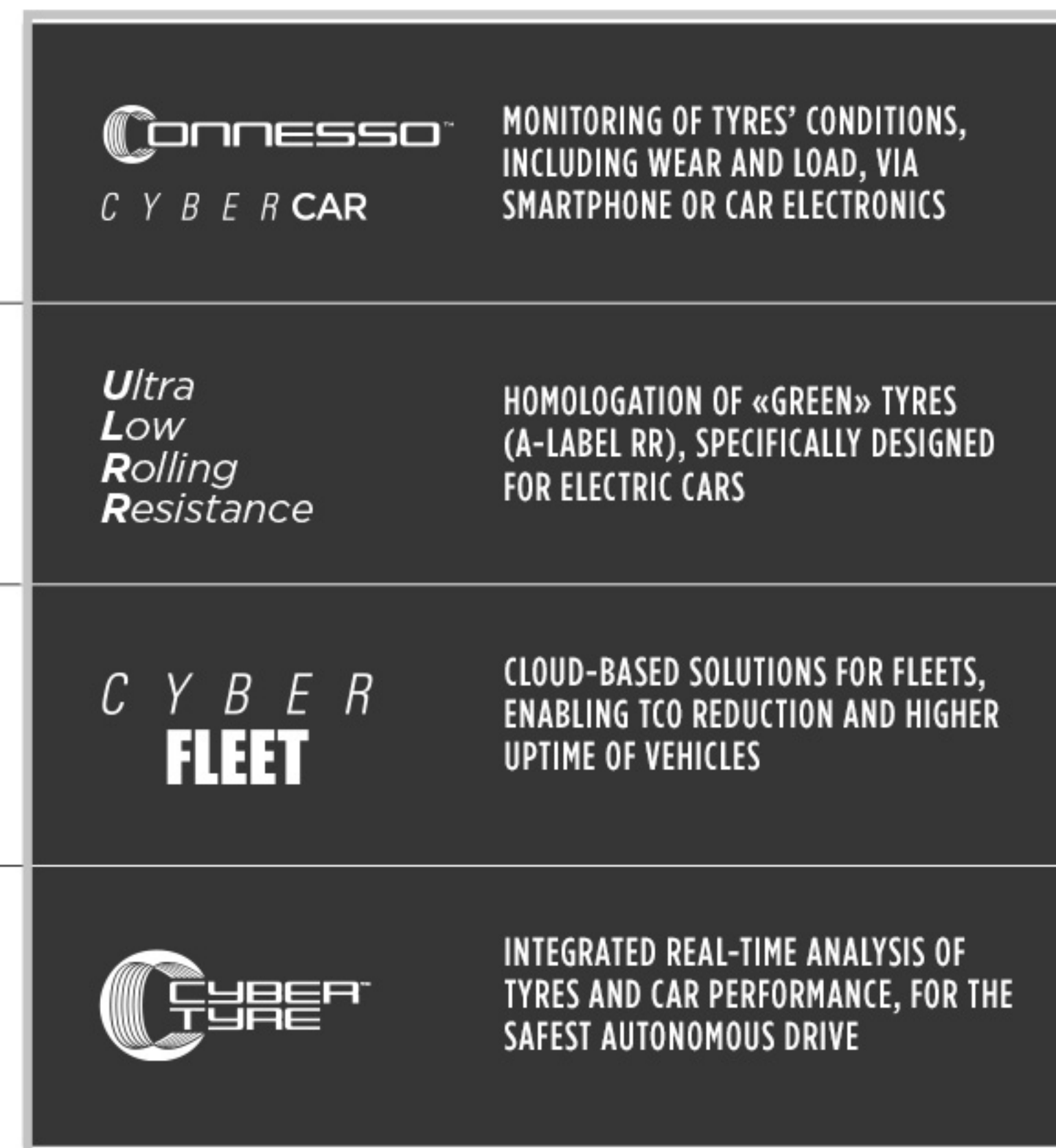
PIRELLI IS ALREADY ENGAGING MILLENNIALS THROUGH APPEALING STORYTELLING ON SOCIAL MEDIA

CAR OF THE FUTURE: CONNECTED, ELECTRIC, SHARED AND AUTONOMOUS

PRESTIGE & PREMIUM CAR EVOLVES IN FOUR MAIN DIRECTIONS



PIRELLI RESPONSE



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)

OUR STRATEGY, BASED ON THREE PILLARS

**HIGH VALUE
FOCUS**

[DISCOVER MORE >>](#)

**TRANSFORMATION
PROGRAM**

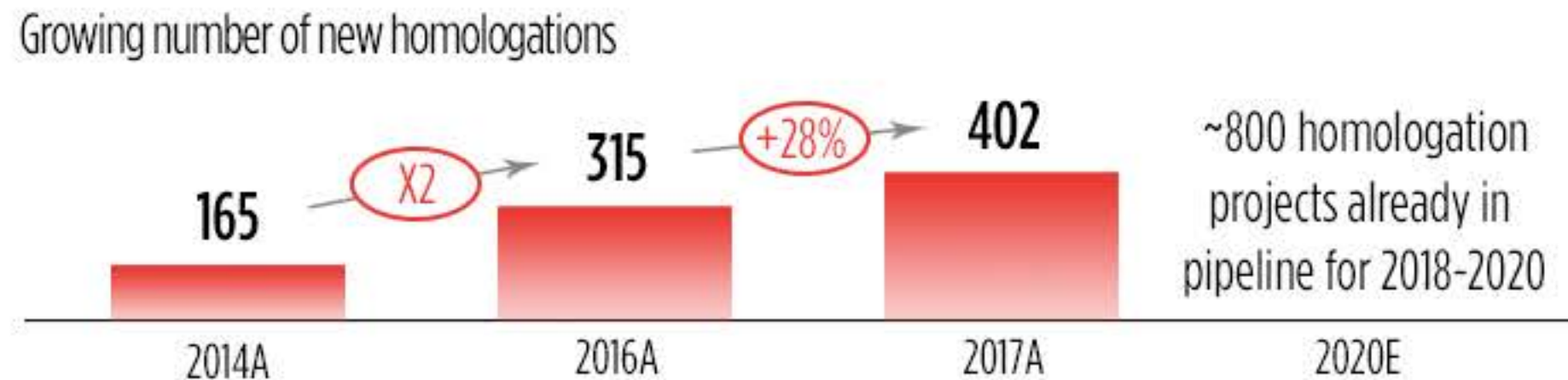
[DISCOVER MORE >>](#)

**STANDARD
REDUCTION**

[DISCOVER MORE >>](#)

PILLAR 1: FOCUS ON HIGH VALUE

ACCELERATE HOMOLOGATION PIPELINE



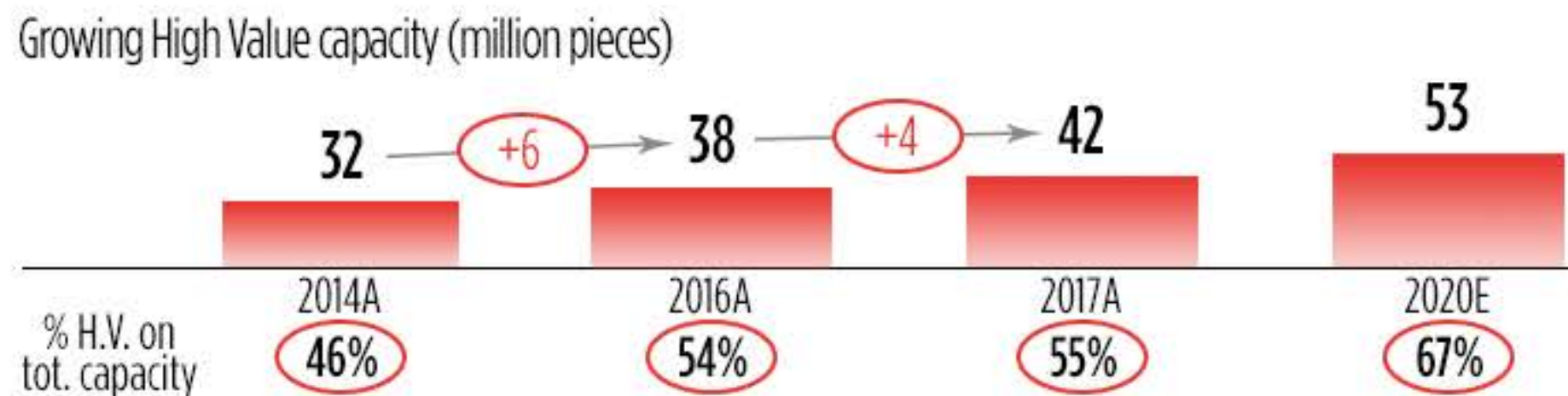
We are building additional business relationships with Prestige and Premium car manufacturers, while further strengthening those already in place, to accelerate the homologation pipeline which will provide visibility over future demand and will foster the co-development of cutting edge technologies.

NEW PRODUCT INNOVATION



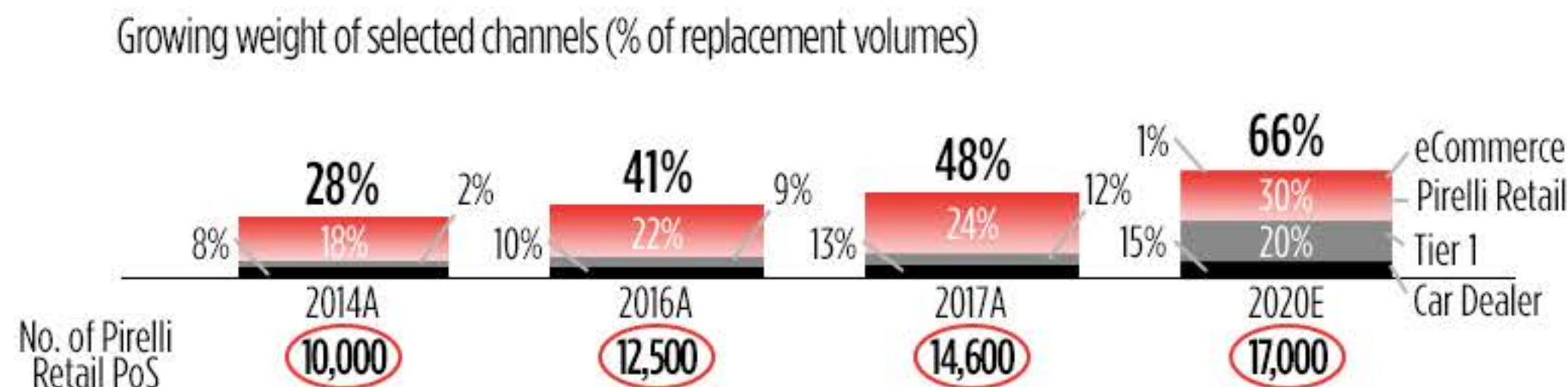
18 new product lines are in the pipeline to 2020, covering global and regional lines, traditional and Specialities, summer and winter tyres. New launches will strengthen our product range and our brand, increase the intrinsic and perceived value of our products, and support our pricing strategy.

SHIFTING CAR CAPACITY TOWARDS HIGH VALUE



We intend to reconvert Standard capacity into High Value capacity (>3 million pieces) and to develop additional High Value capacity (>11 million pieces), while moving gradually towards higher rim sizes within the High Value segment.

CONSUMER CENTRIC APPROACH



We are increasing our presence in the distribution channels which are closer to the end customer: by improving control over the last mile we will increase visibility on demand and control over pricing.

PILLAR 2: TRANSFORMATION PROGRAM WITH 4 KEY INITIATIVES

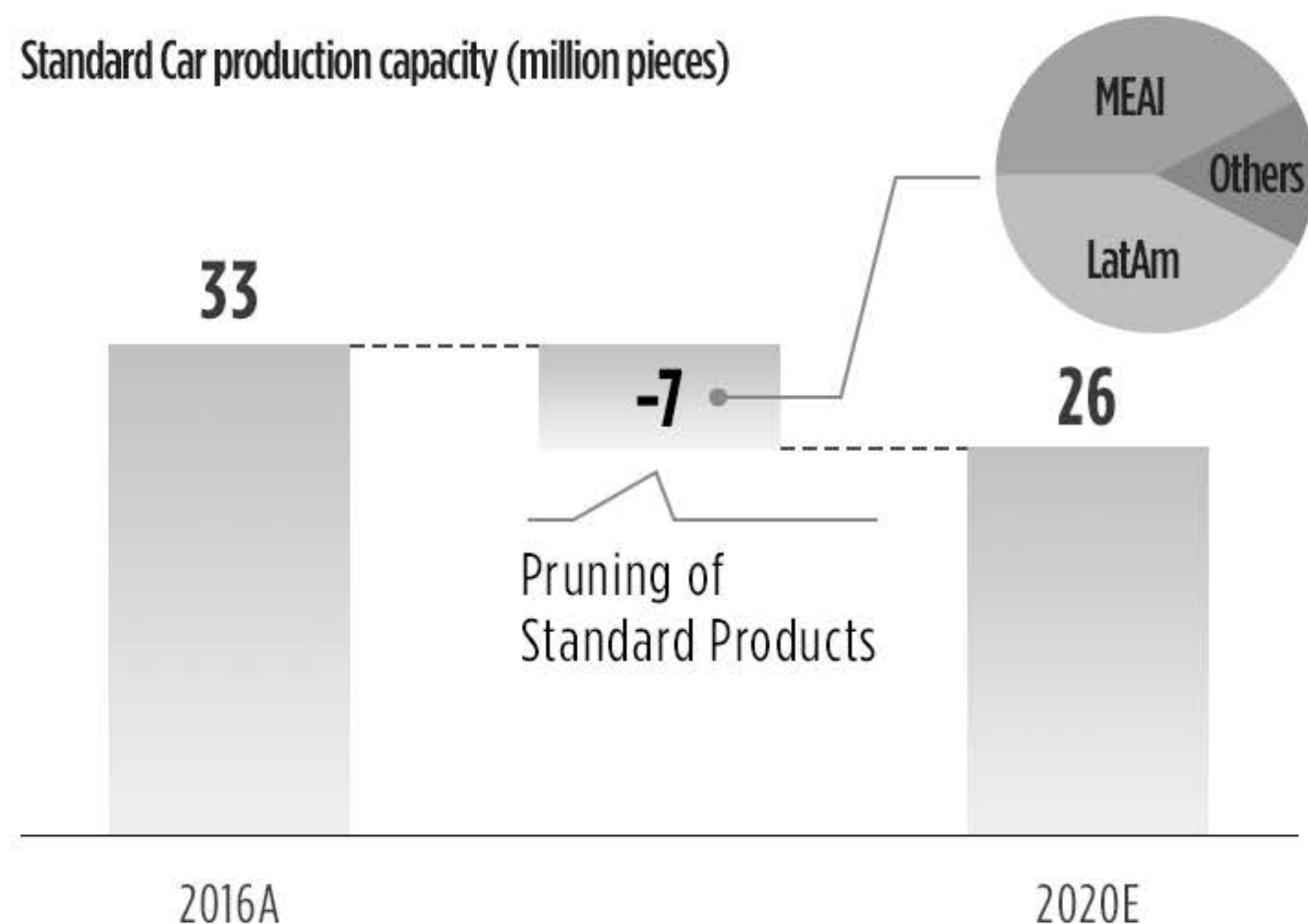


- | | | |
|----------|---|---|
| 1 | INTEGRATED FORECASTING | New integrated management of O.E and Replacement along the whole vehicle life-cycle, supported by predictive / forecasting tools, to optimize investments in capacity and in stock. |
| 2 | SMART MANUFACTURING AND FLEXIBLE FACTORY | Use of Internet-of-Things data to optimize process and labour yields, and introduction of new digital processes to better cope with increasingly fragmented and diversified demand. |
| 3 | PRESTIGE | Convergence of all key levers to optimize Prestige performance in a specific Business Unit. |
| 4 | SUPPLY CHAIN | Support of business areas through 5 specific supply chains (Specialties, Prestige, O.E., Tier 1 and Replacement), which will be shortened both in terms of cross-over time and reaction time. |

PILLAR 3: REDUCE STANDARD CAPACITY AND IMPROVE PROFITABILITY

REDUCING STANDARD CAPACITY ...

Standard Car production capacity (million pieces)



Volumes Consistent with:

- Request from O.E Customer with Premium and Standard Range
- Retailers assortment
- Geographic car parc peculiars (LatAm, Russia)
- Progressive upgrade of Jiazuo (former Aeouls car) into Pirelli brand production

... WHILE IMPROVING PROFITABILITY

Improving mix

- Phasing out legacy brands
- Pruning of lower rim sizes

Strengthening **price positioning**

Limiting low value O.E. contracts

Launch of extensive **cost containment plan**

Brazil to become an integrated **source for NAFTA**

- Avoiding Mexico concentration
- Ramping up ≥ 18 " capacity further from existing plant

Capacity ready to capture High Value local growth when it materializes

OUR TARGETS

	2016A	2017A	2020E
REVENUES High Value weight on Revenues	€ 5.0 Bn ~55%	€ 5.3 Bn ~58%	≥9% CAGR 16-20 ~63%
ADJUSTED EBITDA MARGIN¹	21.7%	22.0%	~23% ÷ 24%
ADJUSTED EBIT MARGIN¹ High Value weight on EBIT	17.0% ~81%	17.3% ~83%	~18.5% ÷ 19.5% ~85%
CAPEX ON REVENUES	~6.8%	9.1%	~7% AVG 17-20
NFP/ADJUSTED EBITDA¹	4.6X	2.7X	< 2.0X
ROI²	27%	28%	~35%

1. Adjusted EBITDA and Adjusted EBIT margins without start-up costs, impact of start-up costs on EBIT in 2017 and 2018 is 1%

2. ROI calculated as Adjusted divided by average Net Invested Capital without financial assets and intangibles from PPA