PIRELLI, GLOBAL HIGH VALUE
THE ONLY **PURE CONSUMER** GLOBAL TYRE COMPANY

**CONSUMER CENTRIC APPROACH ACROSS ALL PIRELLI WORLD**

- Brand Ecosystem
- Creative Innovation
- Bespoke Products
- Agile Manufacturing
- Consumer Engagement
- Digital Services
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)

SEGMENT GROWING ALSO DURING GLOBAL ECONOMIC DOWNTURNS

NEW PREMIUM ≥18"

CAGR 07A-09A
+2.9%

CAGR 09A-16A
+15.0%

△ 17A Vs 16A
+11.5%

CAGR 16A-20E
+11.3%

NEW PREMIUM ≤17"

CAGR 07A-09A
-0.3%

CAGR 09A-16A
+2.8%

△ 17A Vs 16A
+2.5%

CAGR 16A-20E
+2.3%

4X


799 795 794 867 899 869 892 924 945 965 989 1009 1025 1055

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

<table>
<thead>
<tr>
<th>Category</th>
<th>Europe</th>
<th>NAFTA</th>
<th>APAC</th>
<th>LATAM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prestige</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New Premium¹ Replacement</td>
<td></td>
<td>Leader³</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Radial Tyres for Moto²</td>
<td></td>
<td>Leader³</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Premium Tyres³ for Moto²</td>
<td></td>
<td>Leader³</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Global Leader**

- Leaders among top 4 in USA
- Leader in marked tyres
- Leader in China
- Leader in Brazil

---

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

Source: Pirelli estimates on third party data
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

-2.5x

<table>
<thead>
<tr>
<th>Year</th>
<th>New Premium Products</th>
<th>Standard Products</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012A</td>
<td>165</td>
<td>26</td>
</tr>
<tr>
<td>2013A</td>
<td>176</td>
<td>31</td>
</tr>
<tr>
<td>2014A</td>
<td>281</td>
<td>34</td>
</tr>
<tr>
<td>2015A</td>
<td>284</td>
<td>43</td>
</tr>
<tr>
<td>2016A</td>
<td>288</td>
<td>27</td>
</tr>
<tr>
<td>2017A</td>
<td>324</td>
<td>78</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>New Premium Products</th>
<th>Standard Products</th>
</tr>
</thead>
</table>

NUMBER OF MARKED TYRES HOMOLOGATIONS

<table>
<thead>
<tr>
<th>Tyre Manufacturer</th>
<th>Homologations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pirelli</td>
<td>&gt;960</td>
</tr>
<tr>
<td>Continental</td>
<td>&gt;680</td>
</tr>
<tr>
<td>Michelin</td>
<td>&gt;440</td>
</tr>
<tr>
<td>Bridgestone</td>
<td>&gt;420</td>
</tr>
<tr>
<td>Dunlop</td>
<td>&gt;380</td>
</tr>
<tr>
<td>Goodyear</td>
<td>&gt;300</td>
</tr>
</tbody>
</table>

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.

Example of marked

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...

- Legislation
- Replacement market
- O.E. Customer
- Supplier
- Universities

 nah product definition development
 nah Innovation

~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

...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
06. GROWING HIGH VALUE MANUFACTURING AND RETAIL FOOTPRINT

**Strong Car Capacity Increase in ≥18”**

- **Month 2014A**: 32 million pieces (86%)
- **Month 2016A**: 38 million pieces (88%)
- **Month 2017A**: 41.7 million pieces (88%)

**Improved Market Penetration**

- **Month 2014A**: EU, APAC, NAFTA, Car ≥18” (10,000, 69%)
- **Month 2016A**: LATAM, MEAI, Russia, Car ≥18” (~12,500, 73%)
- **Month 2017A**: ~14,600, 73%

**Month 2014A**: EU, APAC, NAFTA POS (~2,500, 69%)
**Month 2016A**: LATAM, MEAI, Russia POS (~2,100, 73%)
07. EXPERIENCED MANAGEMENT TEAM

CEO has been managing Pirelli for the last 25 YEARS

26 NATIONALITIES
International Management Team

16 YEARS
Senior Management Team average tenure in Pirelli

~1,800 PEOPLE
Research & Development

> 680
Global and local “talents”
08. STRONG FINANCIAL PROFILE AND GROWTH POTENTIAL

Adjusted EBIT\(^1\) CAGR 2014A-2017A

Adjusted EBIT\(^1\) margin 2017A

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

<table>
<thead>
<tr>
<th>SINGLE LANE CAPACITY</th>
<th>WHAT IS GOING TO HAPPEN?</th>
<th>WHAT WILL IT LOOK LIKE?</th>
</tr>
</thead>
<tbody>
<tr>
<td>CAR</td>
<td>Car restrictions will become standard and cars will be used for the first / last mile</td>
<td></td>
</tr>
<tr>
<td>BIKE</td>
<td>Citizens will demand broader access to urban areas for leisure and cultural activities</td>
<td></td>
</tr>
<tr>
<td>BUS</td>
<td>Local authorities will optimize space use by shifting users towards public transport</td>
<td></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Generation</th>
<th>2015A</th>
<th>2020E</th>
<th>2025E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Baby Boomers (1945-1964)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>“Climb corporate ladder”</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buy now, pay later</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.24</td>
<td>0.97</td>
<td>0.66</td>
<td></td>
</tr>
<tr>
<td>Generation X (1965-1979)</td>
<td>1.43</td>
<td>1.40</td>
<td>1.37</td>
</tr>
<tr>
<td>“Rely on yourself”</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cautious and conservative</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Millennials / Gen. Y (1980-1994)</td>
<td>1.76</td>
<td>1.74</td>
<td>1.73</td>
</tr>
<tr>
<td>“Appreciate work life balance”</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Earn to spend</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Generation Z (1995-?)</td>
<td>0.58</td>
<td></td>
<td>1.18</td>
</tr>
<tr>
<td>“Stay connected”</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grown up during 2008 crisis</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

# 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

<table>
<thead>
<tr>
<th>Connected</th>
<th>Share of Parc</th>
<th>Share of Registrations</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020E</td>
<td>30%</td>
<td>71%</td>
</tr>
<tr>
<td>2025E</td>
<td>52%</td>
<td>99%</td>
</tr>
</tbody>
</table>

**Pirelli Response**

- **Cyber Car**
  - Monitoring of tyres' conditions, including wear and load, via smartphone or car electronics.

- **Ultra Low Rolling Resistance**
  - Homologation of «Green» tyres (A-label or), specifically designed for electric cars.

<table>
<thead>
<tr>
<th>Electric</th>
<th>Share of Parc</th>
<th>Share of Registrations</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020E</td>
<td>3%</td>
<td>12%</td>
</tr>
<tr>
<td>2025E</td>
<td>9%</td>
<td>20%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Shared</th>
<th>Share of Miles Driven</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020E</td>
<td>3%</td>
</tr>
<tr>
<td>2025E</td>
<td>5%</td>
</tr>
</tbody>
</table>

**Cyber Fleet**

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

<table>
<thead>
<tr>
<th>Autonomous</th>
<th>Share of Parc</th>
<th>Share of Registrations</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020E</td>
<td>1%</td>
<td>3%</td>
</tr>
<tr>
<td>2025E</td>
<td>8%</td>
<td>30%</td>
</tr>
</tbody>
</table>

**Cyber Tyre**

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

---

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

TRANSFORMATION PROGRAM

STANDARD REDUCTION

DISCOVER MORE ➤

DISCOVER MORE ➤

DISCOVER MORE ➤
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.

18 new product lines are in the pipeline to 2020, covering global and regional lines, traditional and Specialties, 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.

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.

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**

**4 CROSS-FUNCTIONAL TRANSFORMATION 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)
  - 33 in 2016A
  - -7, Pruning of Standard Products
  - 26 in 2020E

VOLUMES CONSISTENT WITH:
- Request from O.E Customer with Premium and Standard Range
- Retailers assortment
- Geographic car parc peculiarities (LatAm, Russia)
- Progressive upgrade of Jiaozuo (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

<table>
<thead>
<tr>
<th>Metric</th>
<th>2016A</th>
<th>2017A</th>
<th>2020E</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>High Value weight on Revenues</td>
<td>€ 5.0 Bn</td>
<td>€ 5.3 Bn</td>
<td>≥9% CAGR 16-20</td>
</tr>
<tr>
<td>Adjusted EBITDA Margin¹</td>
<td>21.7%</td>
<td>22.0%</td>
<td>~23% ÷ 24%</td>
</tr>
<tr>
<td>Adjusted EBIT Margin¹</td>
<td>17.0%</td>
<td>17.3%</td>
<td>~18.5% ÷ 19.5%</td>
</tr>
<tr>
<td>High Value weight on EBIT</td>
<td>~81%</td>
<td>~83%</td>
<td>~85%</td>
</tr>
<tr>
<td>CAPEX on Revenues</td>
<td>~6.8%</td>
<td>9.1%</td>
<td>~7% AVG 17-20</td>
</tr>
<tr>
<td>NFP/Adjusted EBITDA¹</td>
<td>4.6X</td>
<td>2.7X</td>
<td>&lt; 2.0X</td>
</tr>
<tr>
<td>ROI¹</td>
<td>27%</td>
<td>28%</td>
<td>~35%</td>
</tr>
</tbody>
</table>

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