



PIRELLI, GLOBAL HIGH VALUE

1H 2019 RESULTS – AUGUST 1st, 2019

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

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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.

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AGENDA

1H 2019 RESULTS HIGHLIGHTS AND FY 2019 GUIDANCE

REVIEW OF 1H 2019 RESULTS AND OPERATIONAL TARGETS

APPENDIX

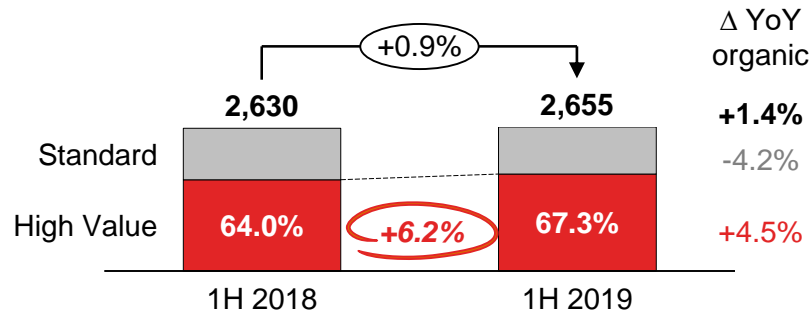
KEY MESSAGES

- Market environment deteriorating in 2Q with the Car industry experiencing a more prolonged production weakness and new technological and regulatory challenges.
- Pirelli's exposure to High Value and increased cost-cutting measures partially offset the impact of the current challenging market scenario in 1H and FY'19. Solid Cash Flow generation confirmed for the full year.
- We are implementing structural actions against the O.E. crisis by being more selective in serving OEMs, with a higher focus on OE-Replacement integrated profitability and expanding our partnerships to include new Premium and EV clients
- New 3 year Business Plan, to be released in November, will set the ground for a leaner, digitally enabled, integrated business model to serve new and more diversified Customers and Consumers.
- Governance confirmed, with ChemChina and Camfin as stable shareholders. CEO Marco Tronchetti Provera guiding Pirelli until Spring 2023.

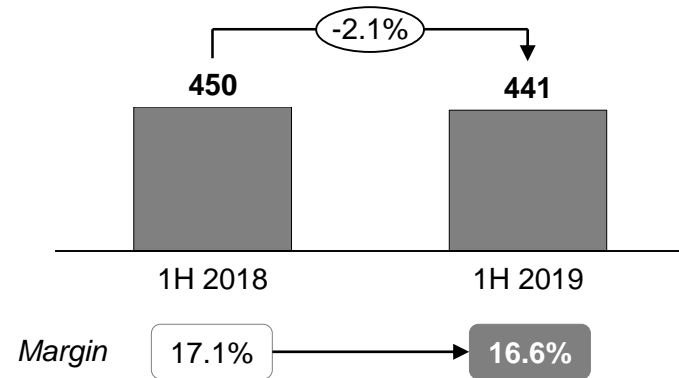
1H 2019 RESULTS HIGHLIGHTS

€ million

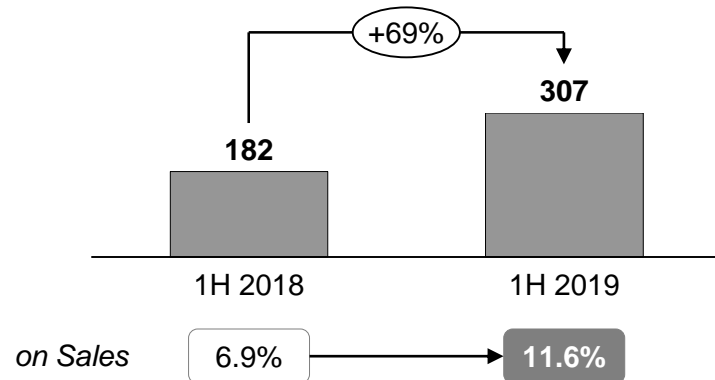
NET SALES



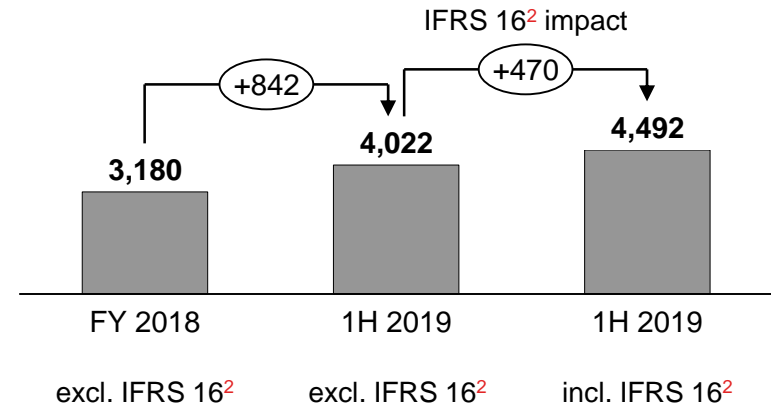
EBIT ADJUSTED.¹



NET INCOME before discontinued operations



NET FINANCIAL POSITION



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

FY 2019 OUTLOOK UPDATE (AUG '19)

2019 TARGETS

	2018A	2019E (guid. May 2019)	2019E (guid. Aug 2019)
Net Sales	€5.2 b	+3% ÷ +4%	+1.5% ÷ +2.5%
<i>High Value weight</i>	~ 64%	~ 67%	confirmed
Adjusted EBIT margin	18.4%	≥ 19%	18% ÷ 19%
<i>High Value weight on adj. EBIT¹</i>	~ 83%	~ 85%	confirmed
<i>Start-up costs</i>	€48 mln	~ €40 mln	confirmed
Net Financial Position / adj. EBITDA¹	2.49x	~ 2.1x ~2.3X incl. IFRS	2.33x ÷ 2.20x +0.17X incl. IFRS
CapEx	€463 mln	~€400 mln	~€380 mln

1. w/o start-up costs

2019 OPERATIONAL DRIVERS

	2019E (guid. May 2019)	2019E (guid. Aug 2019)
Volumes	~ -1.0%	-2.5% ÷ -2%
— o/w High Value	>+9%	+7.5% +8%
— o/w Standard	~ -11%	-12% ÷ -11.5%
Price/mix	+5.0% ÷ +5.5%	+4.5% ÷ +5%
Forex	-1.0% ÷ -0.5%	~ -0.5%
Efficiencies	~ €70 mln	confirmed
Input Costs	~ -€60 mln	confirmed
Cost cutting	~ €50 mln	~ €70 mln
Raw Mat.	~ -€85 mln	~ -€70 mln

AGENDA

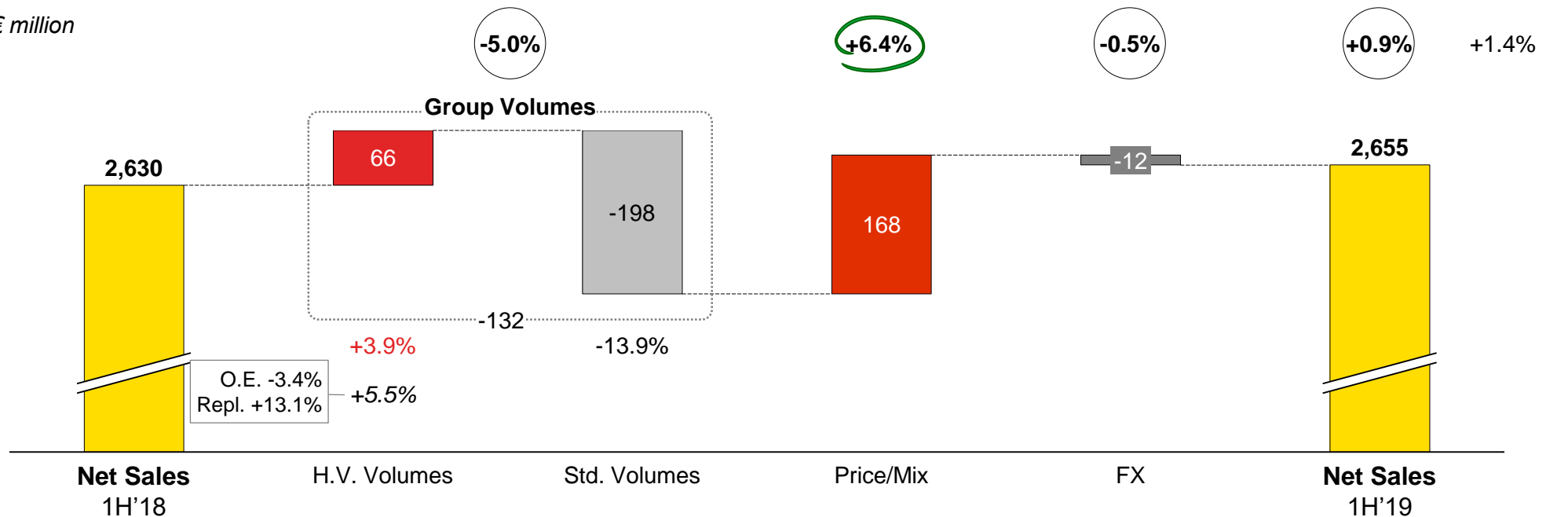
1H 2019 RESULTS HIGHLIGHTS AND FY 2019 GUIDANCE

REVIEW OF 1H 2019 RESULTS AND OPERATIONAL TARGETS

APPENDIX

1H 2019 NET SALES BRIDGE

€ million

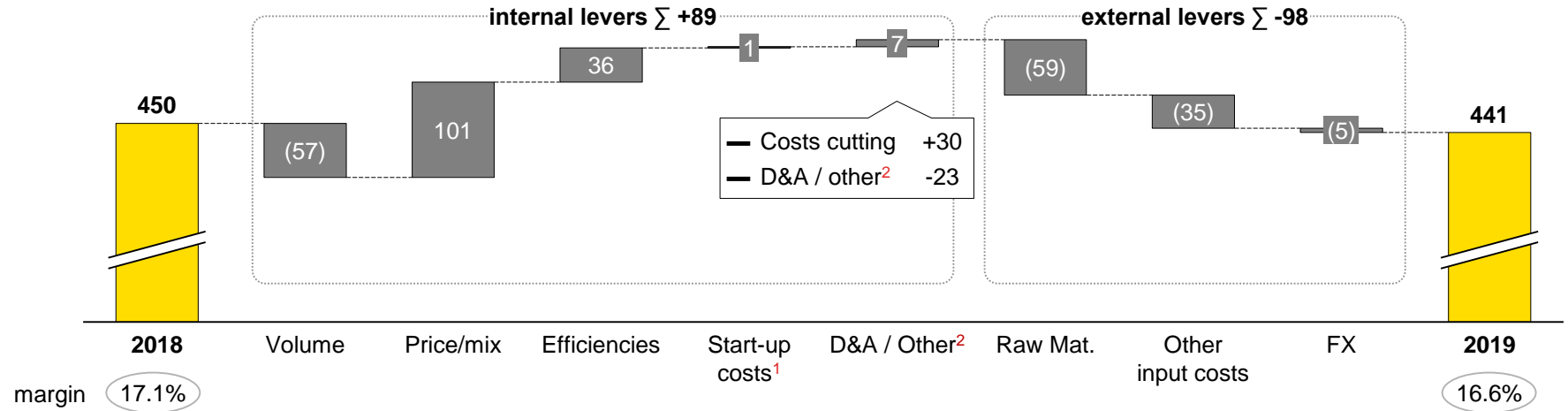


	O.E.	Repl.	High Value Car ≥18"	Standard			o/w Organic
2Q '19	-7.0%	+14.0%	+3.4% +4.2%	-11.0%	+5.1%	0.0%	+1.6%
1Q '19	+0.4%	+12.1%	+4.5% +6.7%	-16.6%	+7.7%	-0.9%	+0.3%
...							
2Q '18	+24.5%	+12.9%	+13.4% +18.0%	-12.1%	+6.2%	-6.6%	-1.9%

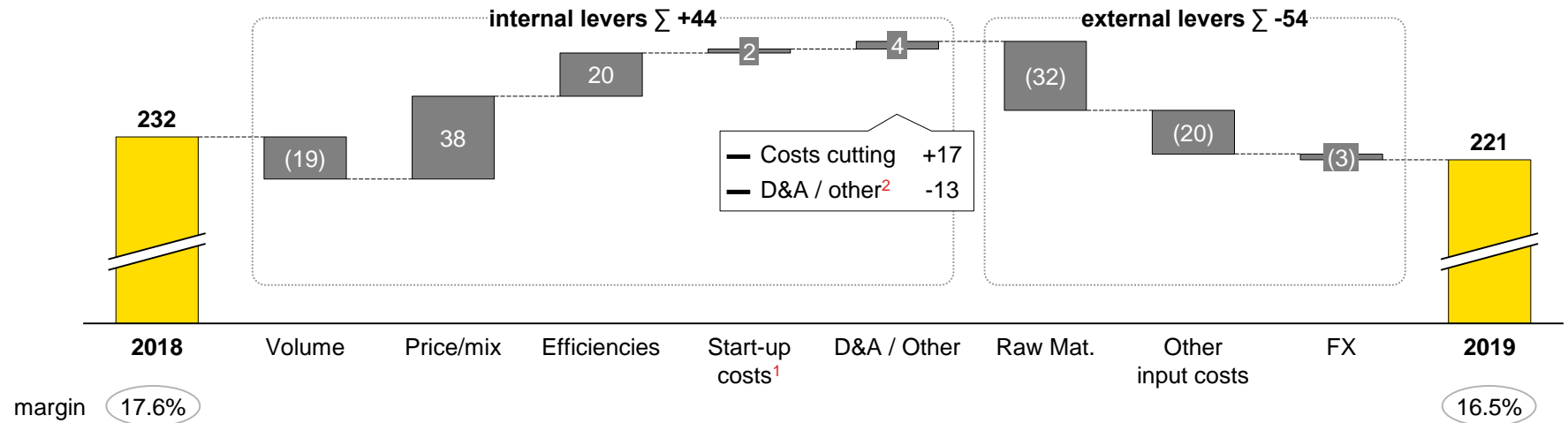
1H / 2Q 2019 ADJUSTED EBIT PERFORMANCE

€ million

1H



2Q

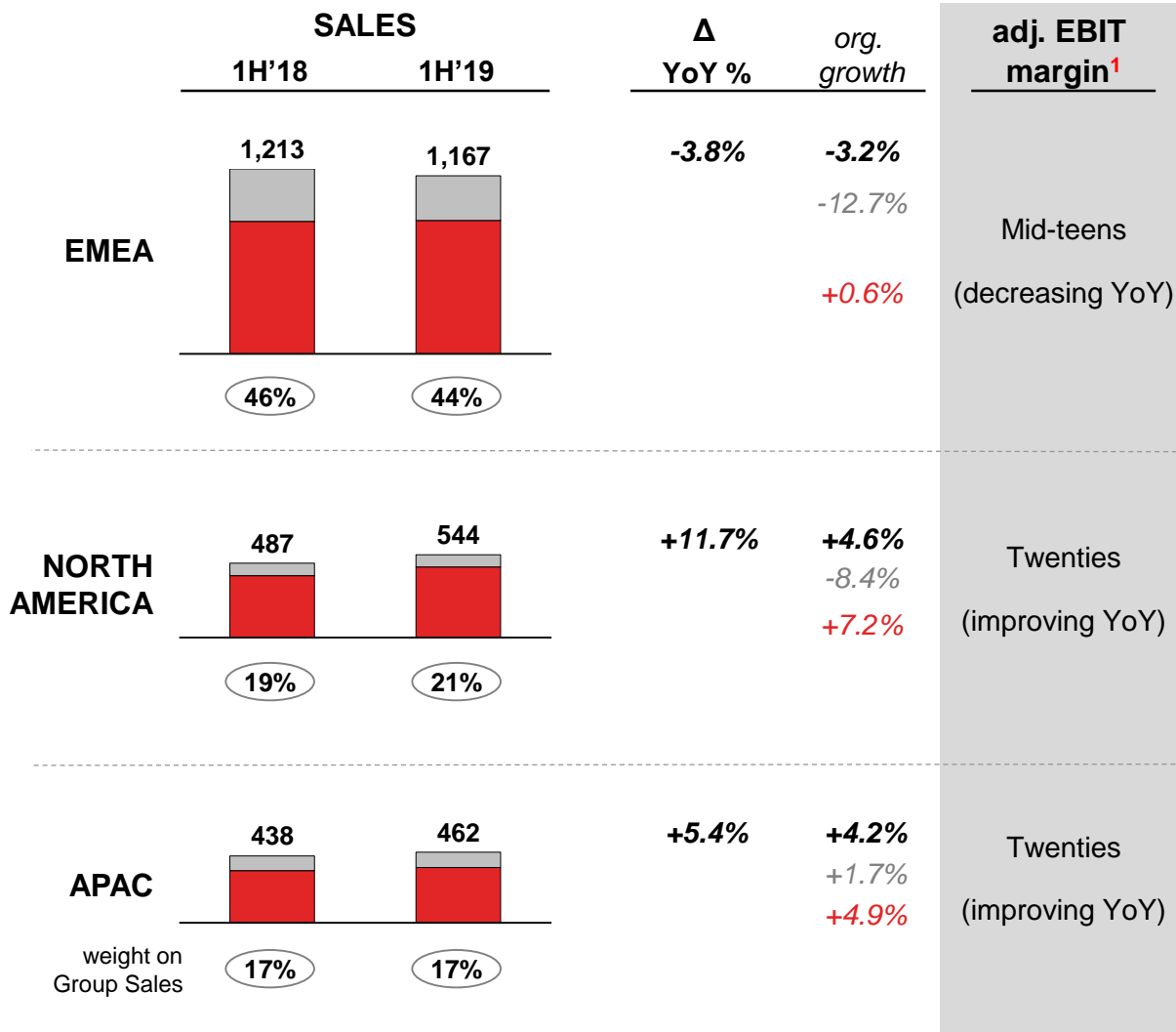
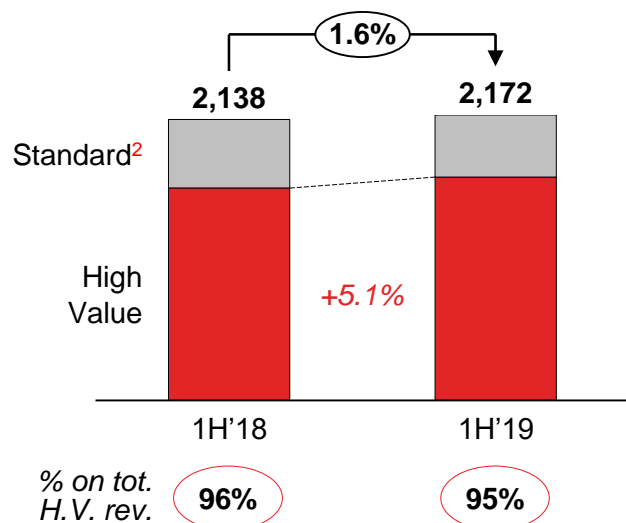


1. Digital transformation, Cyber, Velo; 2. Other costs related to High Value development

1H 2019 PERFORMANCE BY HIGH VALUE REGIONS

€ million

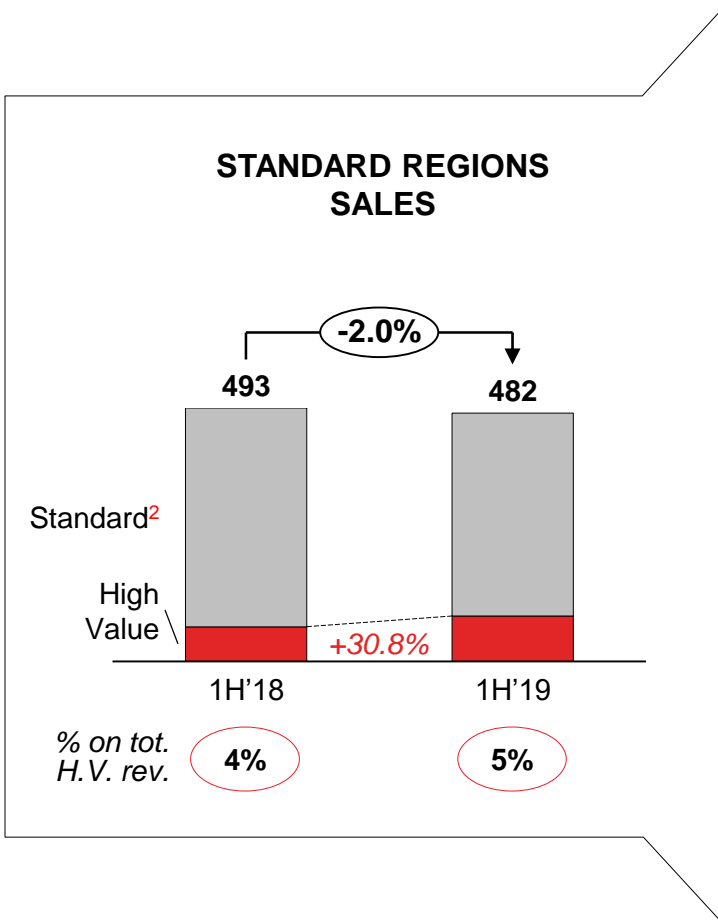
HIGH VALUE REGIONS SALES



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

1H 2019 PERFORMANCE BY STANDARD REGIONS

€ million



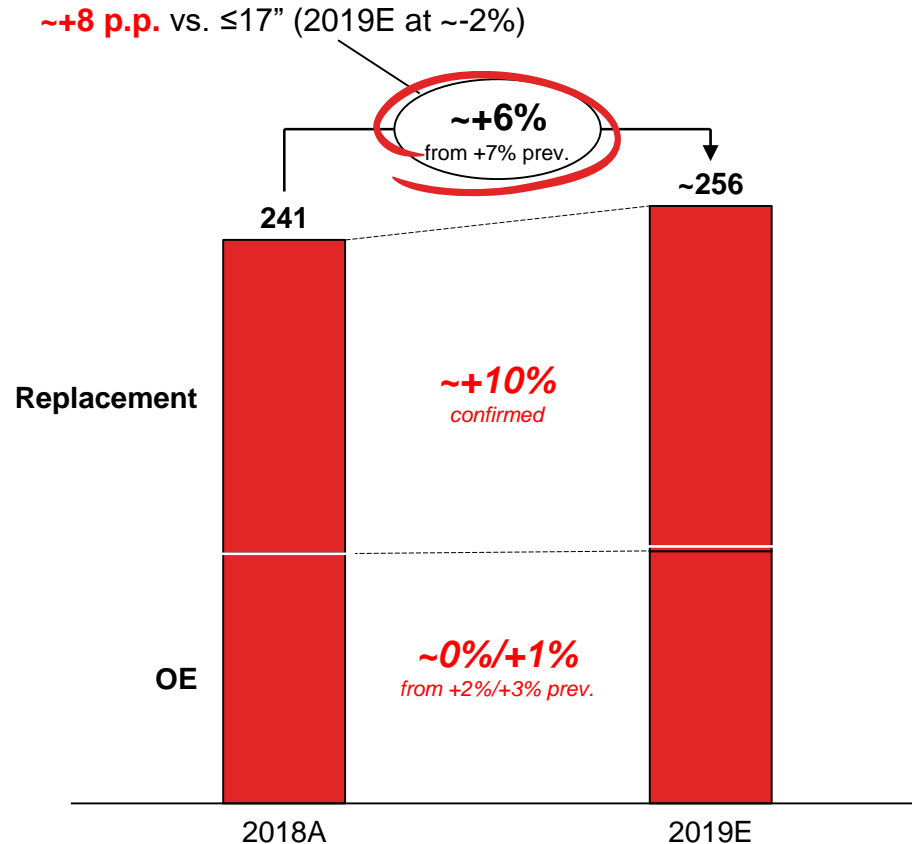
Region	SALES		Δ YoY %	org. growth	adj. EBIT margin ¹
	1H'18	1H'19			
RUSSIA & NORDICS	138	137	-0.2%	+2.5%	Mid-teens (improving YoY)
	5%	5%	-6.5%	+34.1%	
SOUTH AMERICA	355	345	-2.7%	+8.6%	High-single digit (improving YoY)
	13%	13%	+5.2%	+38.5%	

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

2019 ≥18" MARKET OUTLOOK

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

million tyres



Replacement

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

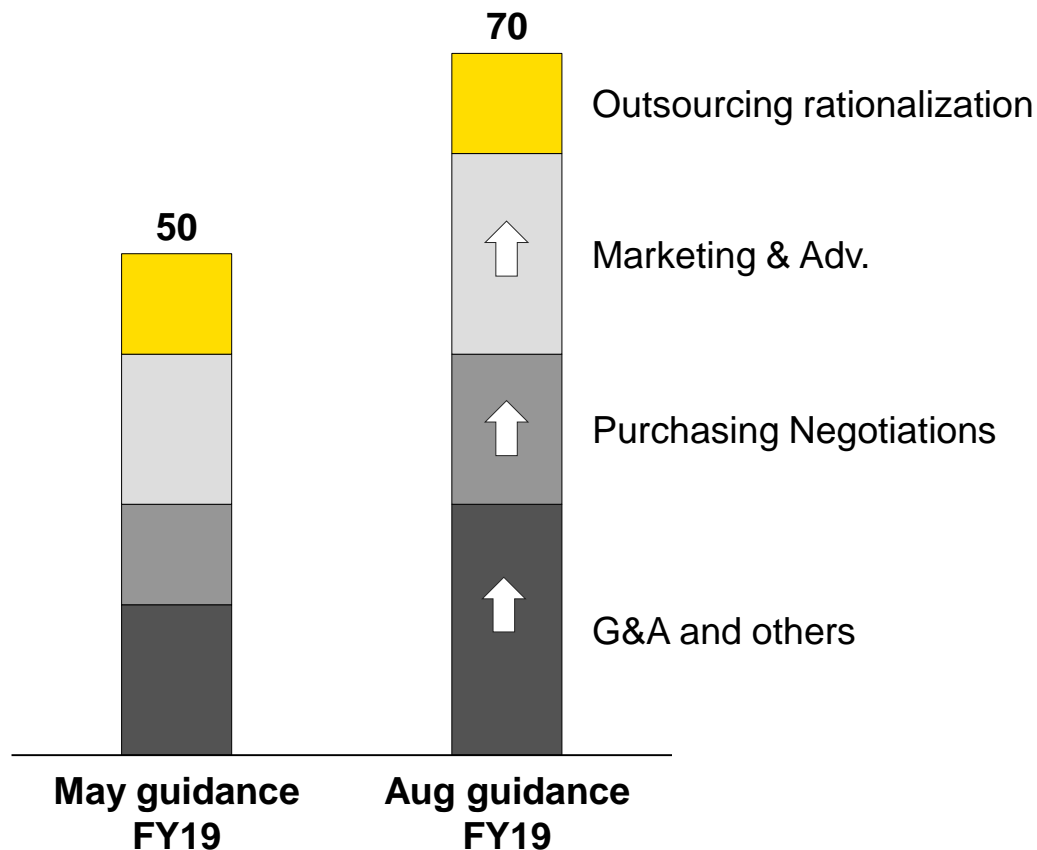
O.E.

- Negative trend in 1H Europe & APac
- Recovery in 2H with an easier YoY comparison
 - Europe supported by new Premium models launch
 - China could benefit from new car incentives (i.e. car plate loosening in Shenzhen and Guangzhou)

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

COST CUTTING FUTHER ENHANCED TO LIMIT EXTERNAL HEADWIND

€ million



ACTIONS

- Consultancies and external services (e.g. logistics and freight costs) across regions
- Standard Regions: reducing Marketing Budget
- High Value Regions: higher use of digital marketing, limiting traditional levers
- New suppliers in non-strategic items and contract renegotiations
- New travel policy, update contracts on rentals and HQ overhead

FY 2019 OUTLOOK UPDATE (AUG '19)

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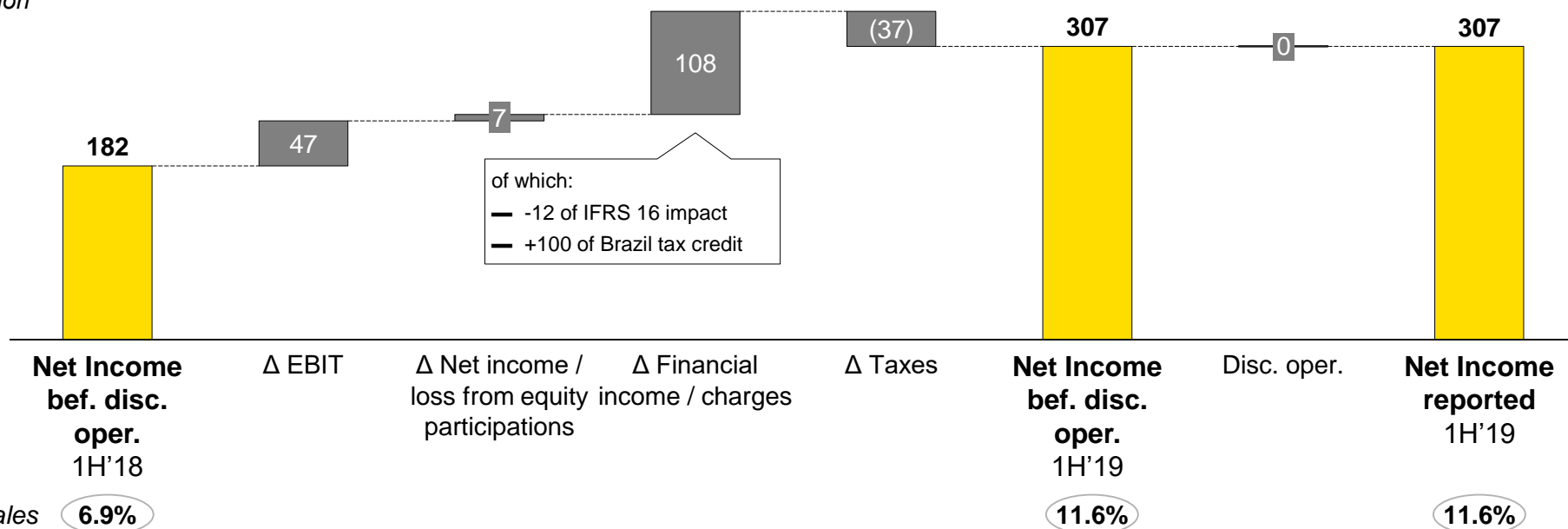
1. without start-up costs

2019 OPERATIONAL DRIVERS

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1H 2019 NET INCOME BRIDGE

€ million

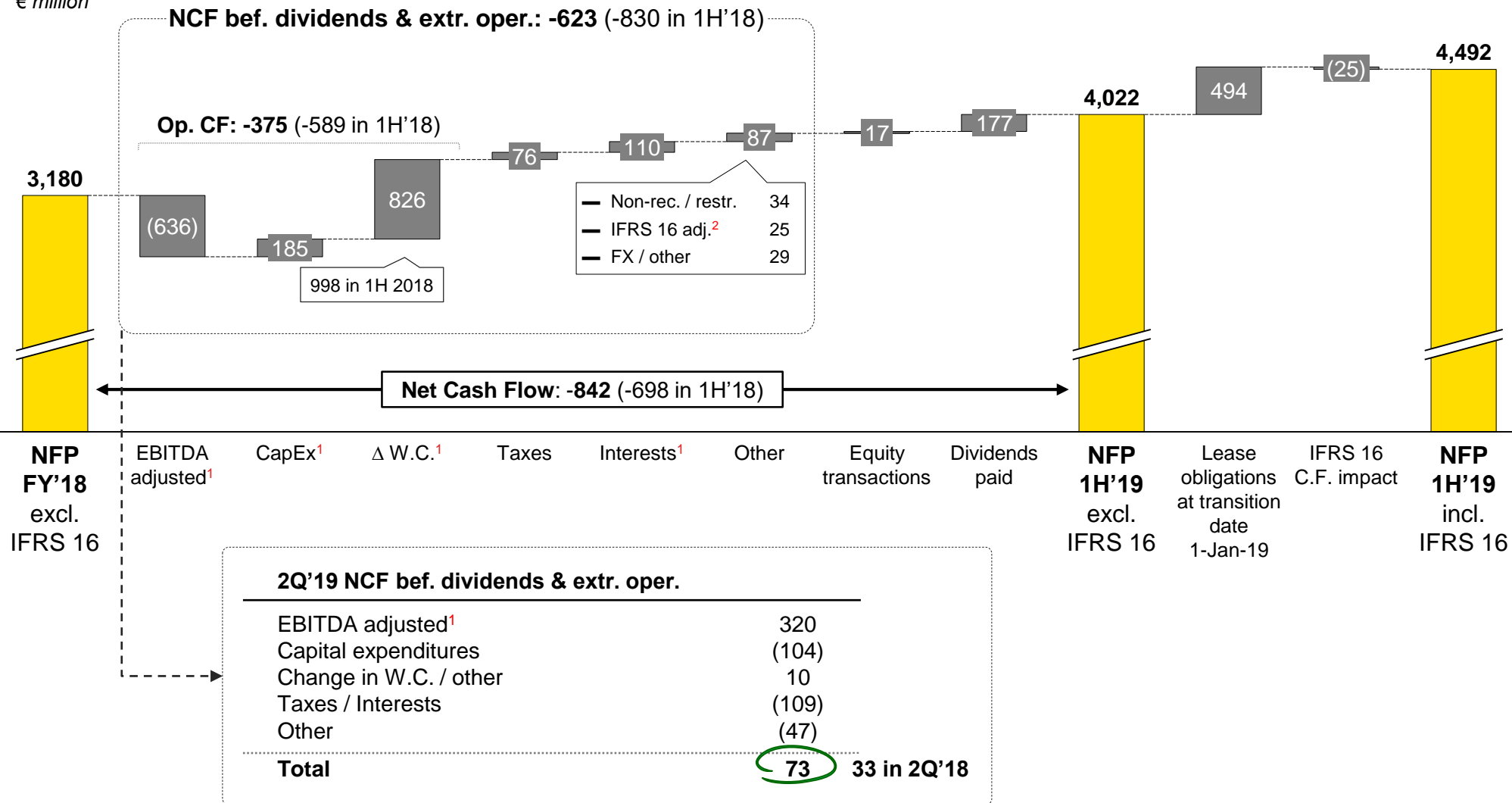


	1H'18	1H'19
Net Income before disc. oper.	182	307
PPA amortization	+57	+57
Non recurring / restr. costs / other adj.	+15	-42
One-off financial income	-3 ¹	-100
Taxes impact	-19	+33
Adj. Net income before disc. oper.	233	256

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

1H 2019 CASH FLOW AND NET FINANCIAL POSITION

€ million

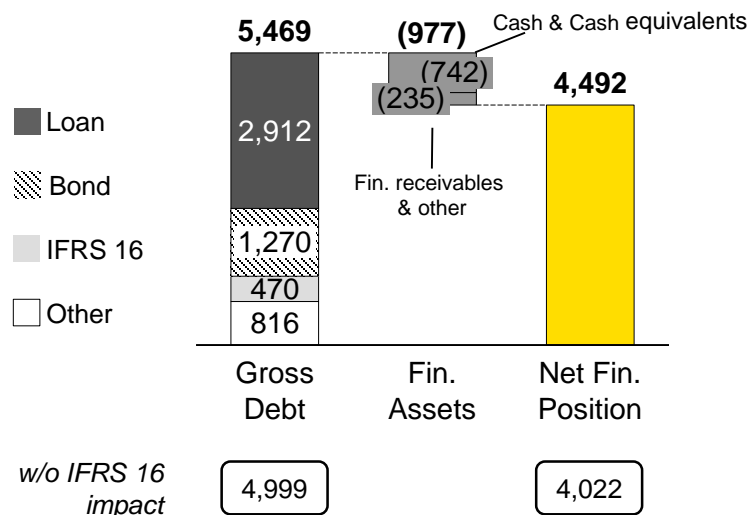


1. Including IFRS 16 impact; 2. elimination of IFRS 16 impact on Adjusted EBITDA, CapEx, Working Capital and Interests

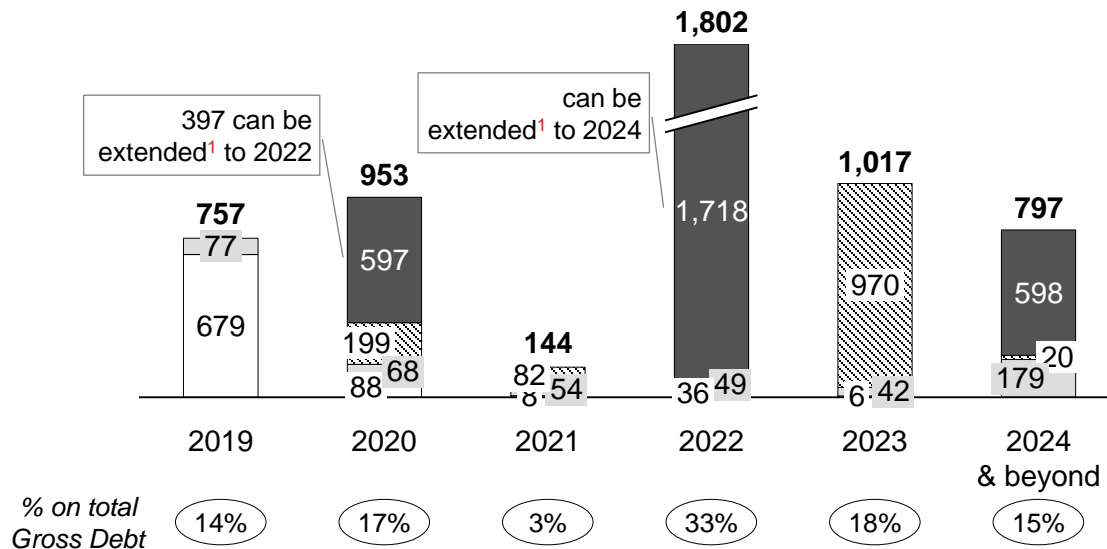
CURRENT CAPITAL STRUCTURE (JUNE 2019)

€ million

NET FINANCIAL POSITION



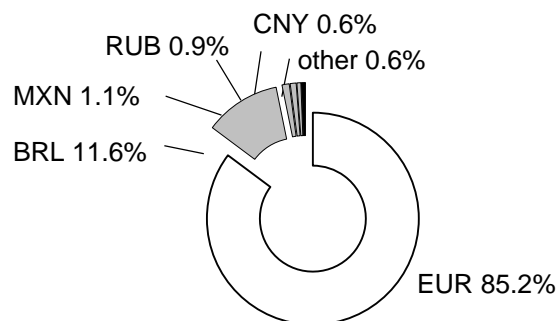
GROSS DEBT MATURITY



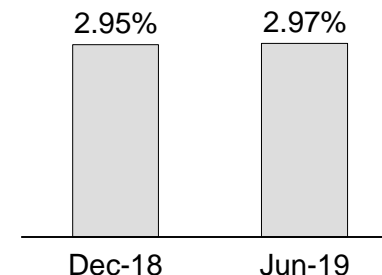
LIQUIDITY PROFILE

Liquidity position	755
Total committed lines not drawn	700
Liquidity margin²	1,455

BREAK-DOWN BY CURRENCY



COST OF DEBT (LAST 12 MONTHS)



1. Committed bank lines include a Pirelli's sole discretionary option to extend original maturities up to 2 years; 2. Covers ~1.3 years of forthcoming maturities, or ~2.5 years considering the extension option

AGENDA

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2Q / 1H 2019 RESULTS HIGHLIGHTS

€ million

	2Q'18	2Q'19	Δ YoY	1H'18	1H'19	Δ YoY
Revenues	1,320	1,341	+1.6%	2,630	2,655	+0.9%
<i>Organic Growth</i> ¹			+1.6%			+1.4%
High Value Revenues	850	893	+5.0%	1,684	1,788	+6.2%
<i>Organic Growth</i> ¹			+3.7%			+4.5%
% on total Revenues	64.4%	66.6%	+2.2 pp	64.0%	67.3%	+3.3pp
Adjusted EBITDA w/o start-up costs ²	310	331 ⁵	+6.5%	608	658 ⁵	+8.1%
Margin	23.5%	24.6%	+1.1 pp	23.1%	24.8%	+1.7 pp
Adjusted EBITDA ³	300	321 ⁵	+6.9%	588	636 ⁵	+8.2%
Margin	22.7%	23.9%	+1.2 pp	22.4%	24.0%	+1.6 pp
Adjusted EBIT w/o start-up costs ²	244	232	-5.0%	473	462	-2.3%
Margin	18.5%	17.3%	-1.2 pp	18.0%	17.4%	-0.6 pp
Adjusted EBIT ⁴	232	221	-4.5%	450	441	-2.1%
Margin	17.6%	16.5%	-1.1 pp	17.1%	16.6%	-0.5 pp
EBIT	194	241	+24.9%	378	425	+12.5%
Margin	14.7%	18.0%	+3.3 pp	14.4%	16.0%	+1.6 pp
Results from Equity Investments	(5)	0		(5)	2	
Financial Income / (Charges)	(63)	38 ^{5 6}		(118)	(10) ^{5 6}	
EBT	126	280		255	417	
Tax Rate	28.7%	26.6%		28.7%	26.4%	
Net Income before discontinued operations	89	206		182	307	
Adj Net Income before discontinued operations	119	133		233	256	

1. Excl. FX; 2. Velo, Cyber / digital transformation; 3. before non-recurring items & restructuring costs; 4. before amortization of PPA, non-recurring items & restructuring costs; 5. including the application of the new IFRS 16: in 1H 2019 +€52 million on EBITDA and -€12 million on financial expenses, in 2Q 2019 +€27 million on EBITDA and -€5 million on financial expenses; 6. including the benefit of +€100 million of the financial income from the Brazilian tax credit

1H 2019 BALANCE SHEET

€ million

	30-Jun-2018	31-Dec-2018	30-Jun-2019
Fixed assets related to continuing operations	8,881	9,018	9,016
Rights of use (IFRS 16)	n.a.	n.a.	459
<i>Inventories</i>	983	1,129	1,165
<i>Trade receivables</i>	864	628	862
<i>Trade payables</i>	(1,052)	(1,605)	(1,200)
Operating net working capital related to continuing operations	796	152	827
Other receivables / payables	113	34	311
Net Working Capital related to continuing operations	909	186	1,138
Net invested capital held for sale	39	11	1
Total net invested capital	9,829	9,215	10,614
Equity	4,323	4,551	4,664
Provisions	1,589	1,484	1,459
Net Financial Position (excl. IFRS 16)	3,917	3,180	4,022
Lease Obligations (IFRS 16)	n.a.	n.a.	470
Net Financial Position (incl. IFRS 16)	3,917	3,180	4,492
Total financing and shareholders' equity	9,829	9,215	10,614

1H 2019 CASH FLOW

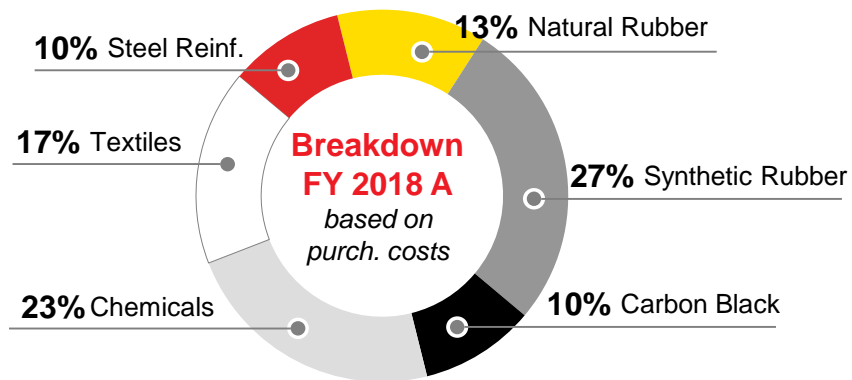
€ million

	2Q '18	2Q '19	1H '18	1H '19
Adjusted EBIT ¹	232	221	450	441
Depreciation & Amortization (excl. PPA amortization)	68	99	138	196
Capital expenditures	(94)	(104)	(179)	(185)
Change in working capital / other	(69)	10	(998)	(826)
Operating Cash Flow	137	227	(589)	(375)
Financial income / (expenses)	(63)	(62)	(118)	(110)
Taxes paid	(36)	(46)	(67)	(76)
Cash-out for non recurring items and restructuring costs	(12)	(18)	(50)	(34)
Exchange rates difference / other	6	(29)	(5)	(29)
Net cash flow before extraordinary operations	33	73	(830)	(623)
Industrial reorganization	(10)	-	(5)	-
Financial asset disposals / acquisitions	0	(0)	137	(17)
Dividends paid	-	(177)	-	(177)
IFRS 16 adj.	-	(5)	-	(25)
Net cash flow excl. IFRS 16	22	(109)	(698)	(842)

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

2019E RAW MATERIAL GUIDANCE

€ million



Raw Materials
35% on Sales

COMMODITIES - AVERAGE QUOTATION

COMMODITIES: AVERAGE COST OF GOODS SOLD

	2018 A	2019 E Aug-19 guidance	Δ YoY	2018 A	2019 E Aug-19 guidance	2019E EBIT impact
Natural Rubber TSR20 (\$ / tonne)	1,365	~1,450	6,2%	~1,400	~1,350	~+15
Brent Oil (\$ / barrel)	71.5	~67	-6,3%	~67	~70	~-10
Butadiene EU (€ / tonne)	1,011	~950	-6%	~950	~950	~0
				Raw Mat. subtotal		~+5
				FX impact		~-75
				TOT. IMPACT		~-70

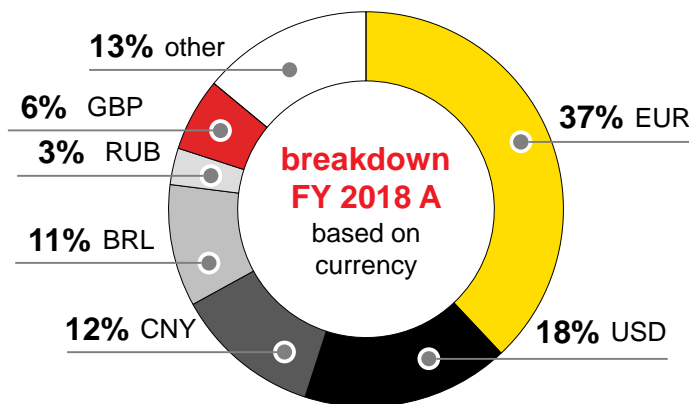
May-19 guidance











- Nat. Rubber ~ 1,400
- Brent Oil ~69
- Butadiene ~1,050

May-19 guidance
~€85 million

2019E FOREX GUIDANCE

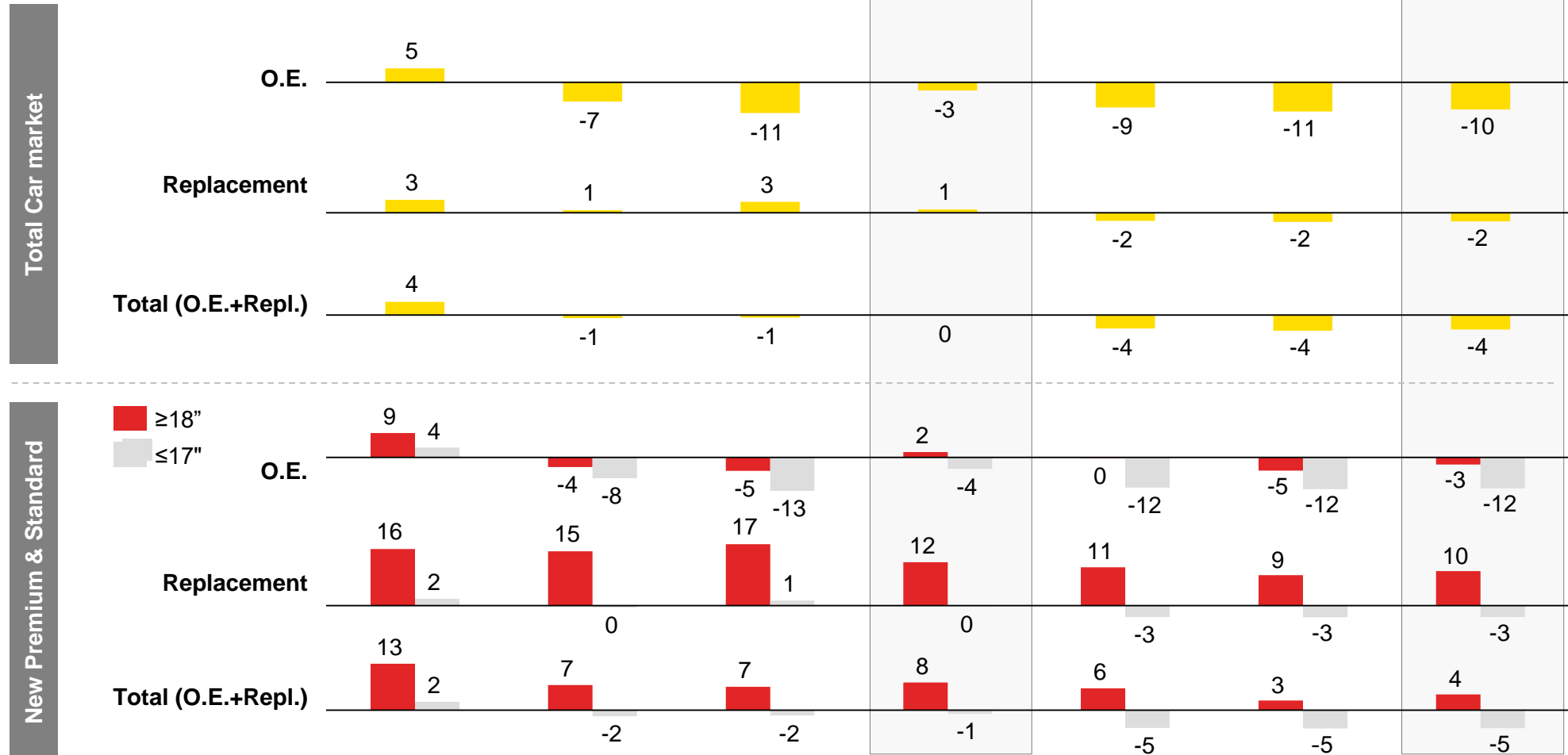
€ million



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

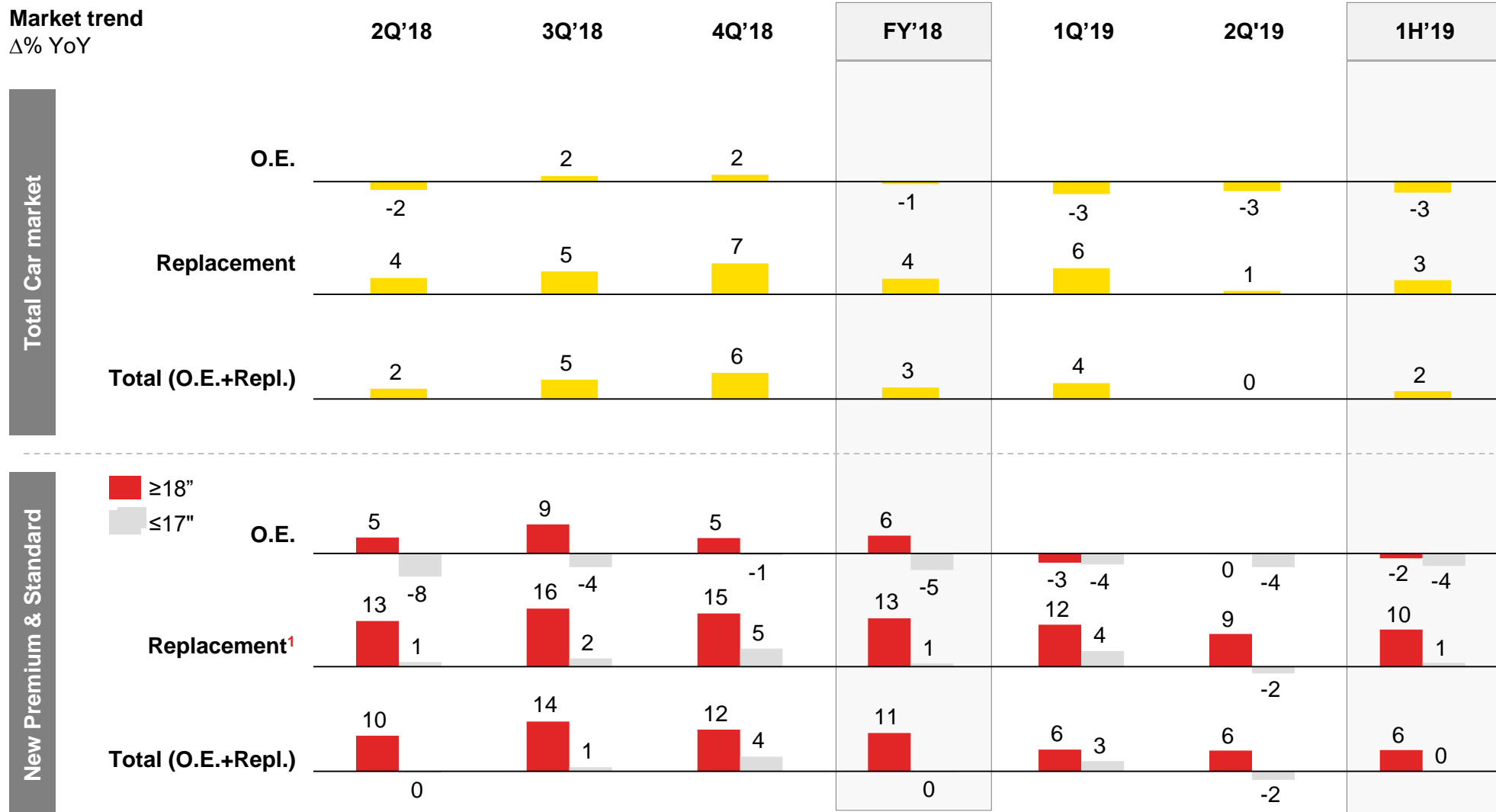
KEY CAR MARKET TRENDS: EMEA

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 CAR MARKET TRENDS: NORTH AMERICA

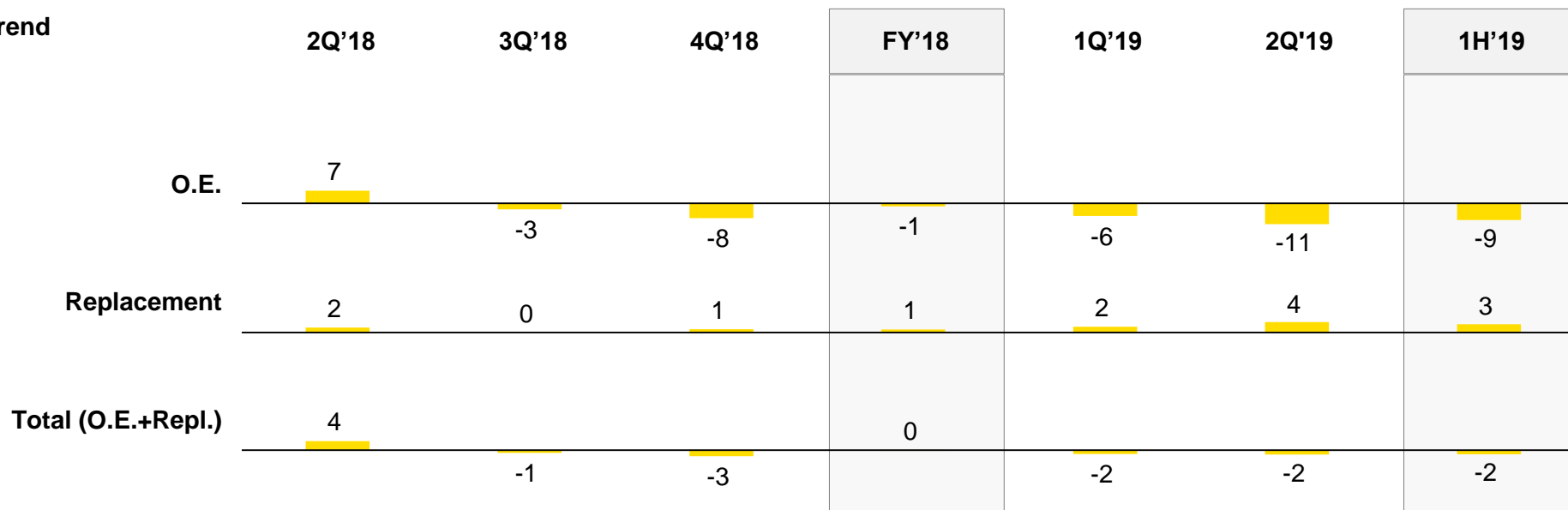


Source: Pirelli tyre market estimates based on main data provider for the Region; historical market data may be subject to restatement; 1. N. America Replacement includes imports

KEY CAR MARKET TRENDS: ASIA PACIFIC

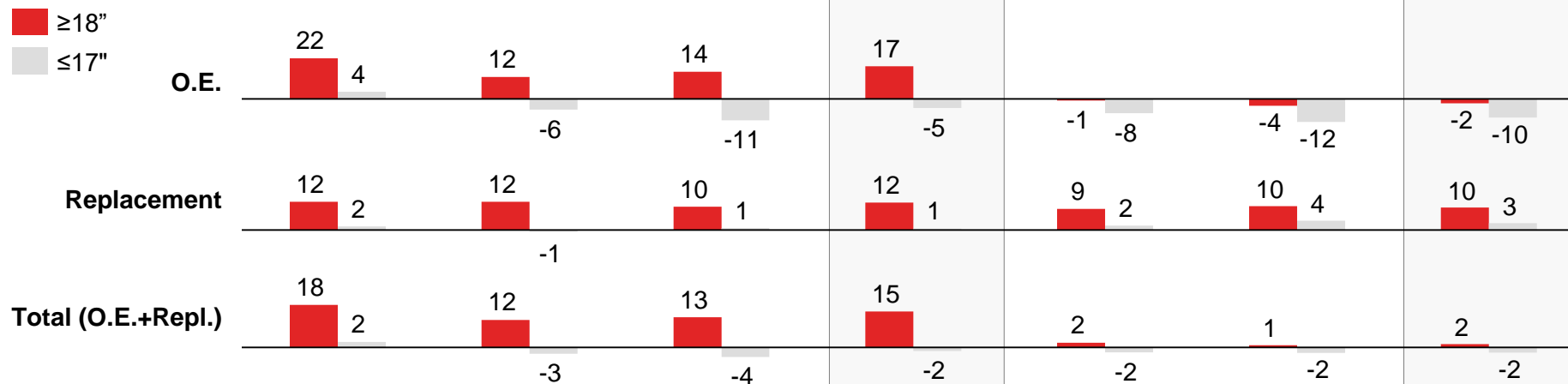
Market trend
Δ% YoY

Total Car market



New Premium & Standard

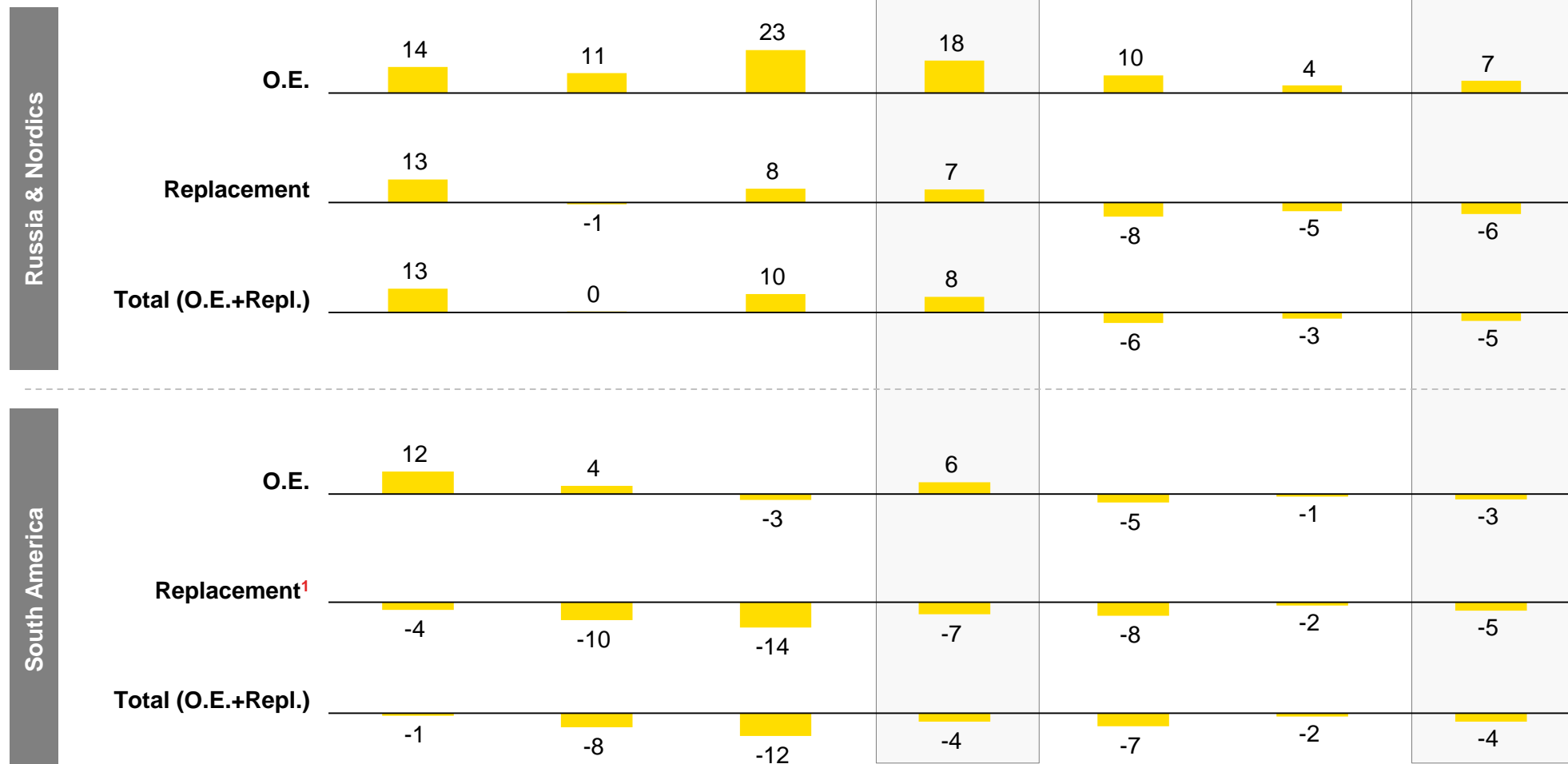
■ ≥18"
■ ≤17"



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

KEY MARKET TRENDS: RUSSIA & NORDICS / SOUTH AMERICA

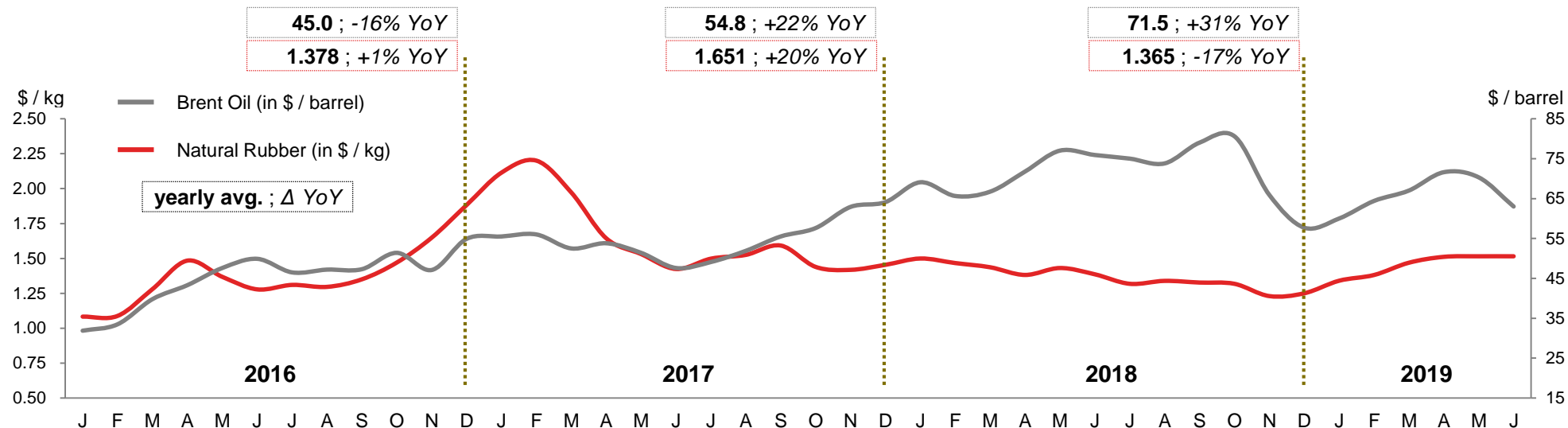
Market trend
Δ% YoY



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

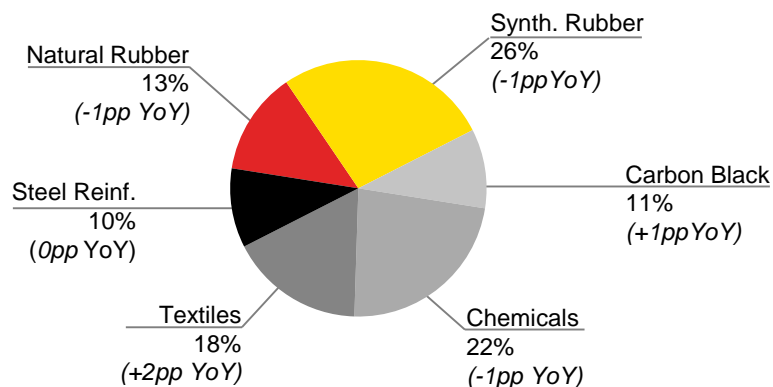
RAW MATERIAL COSTS TREND AND MIX

MAIN RAW MATERIALS PRICE TREND



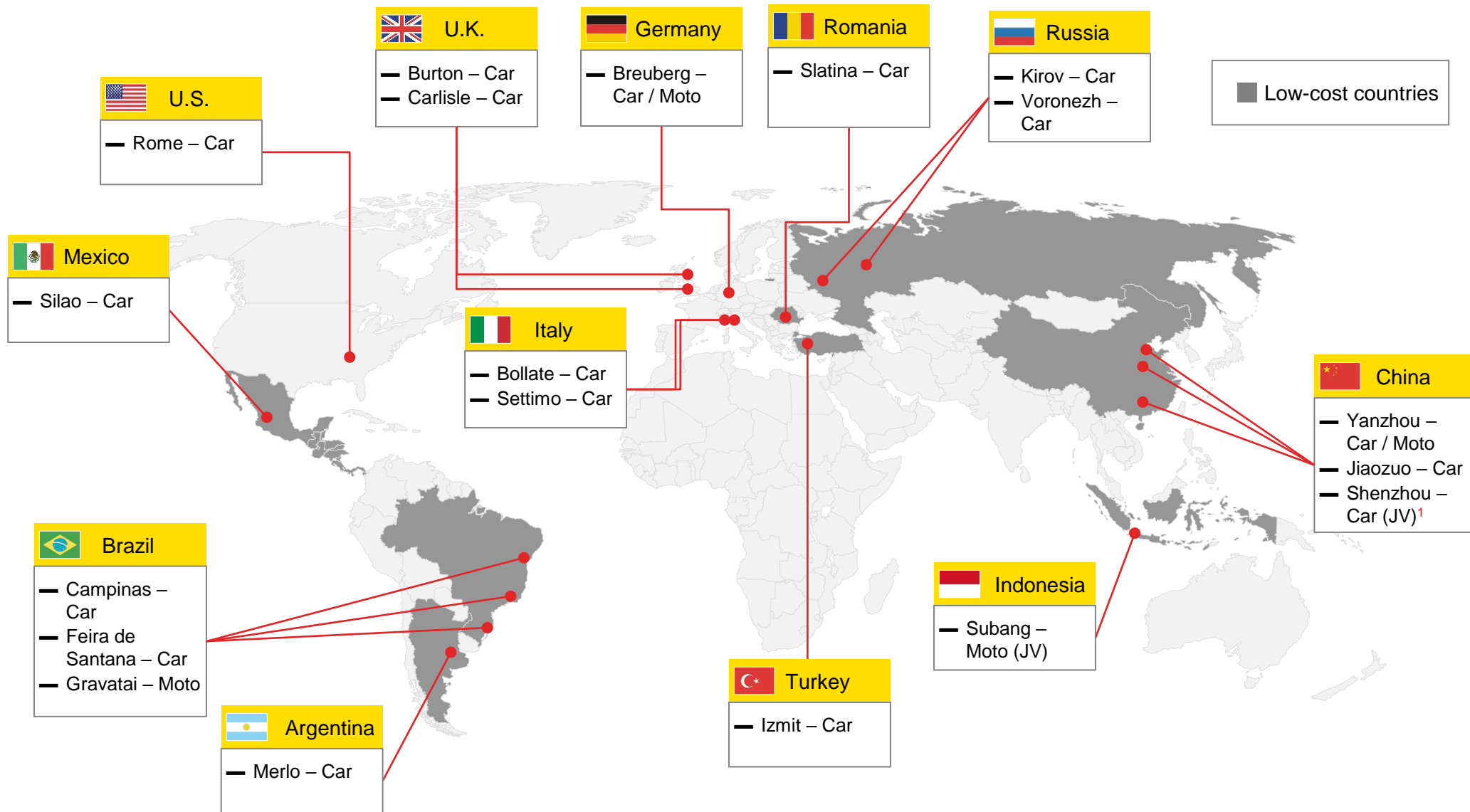
1H 2019 MIX (BASED ON PURCHASING COST)

34%
raw mat. costs
on sales



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

MANUFACTURING FOOTPRINT AS OF JUNE 30TH, 2019



1. 49% Joint Venture with the Hixih Group