

1Q 2017 Financial Results



KEY MESSAGES

> **Transformation into a pure Consumer tyre player** on-going, with the implementation of "new value generating programs" aimed at strengthening Prestige and Premium positioning and at capturing new trends in mobility

> **New value generating programs for the medium term:**

- › **conversion of Aeolus capacity into Pirelli brand** production to expediting the development of the business in China (the engine of the Premium global growth);
 - › **strengthening Prestige and Premium** position along the entire value chain (from new capacity increase up to trade and consumer engagement initiatives)
 - › **accelerated reduction in exposure to segment with low profitability**
 - › **start up of new activities** (Cyber and Velo)
-

> **Sound 1Q results:**

- › **Strong Premium outperformance** across markets, now representing 68% of sales
- › **volume growth on high value segment** more than compensating the accelerated reduction of non Premium exposure
- › **top industry price/mix improvement**
- › **solid profitability** with adjusted EBIT improvement backed by internal levers (price/mix, volume and efficiencies)

EBIT margin YoY trend (15.3% in 1Q 2017 vs 17.2% in 1Q 2016) reflects the impact of the above mentioned new value generating programs and the time lag between price increases (effective from April 1st 2017) and raw material costs hike

AGENDA

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1Q 2017 RESULTS

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APPENDIX

PIRELLI KEY FINANCIAL RESULTS

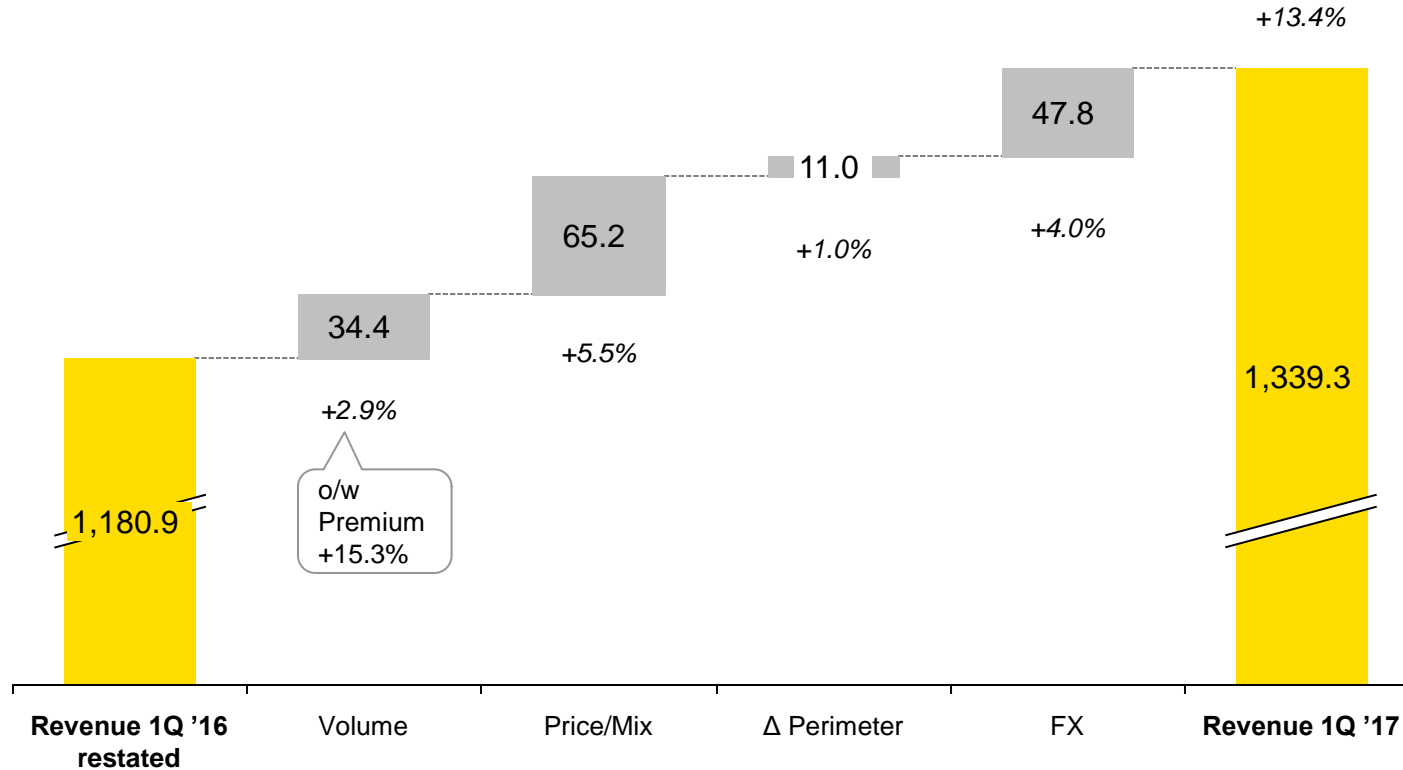
€ million

	1Q '16 reported	1Q '16 restated ¹	1Q '17	Δ vs 1Q '16 restated ¹	1Q Highlights
Revenues	1,436.0	1,180.9	1,339.3	+13.4%	Sound organic growth sustained by: <ul style="list-style-type: none"> ▶ strengthening on Premium ▶ top industry price/mix (+5.5%) ▶ volume growth (+2.9%) despite the accelerated exit from non-Premium
<i>Organic Growth²</i>				+8.4%	
EBITDA before non recurring items & restr. costs	290.0	261.5	270.3	+3.4%	
<i>Margin</i>	20.2%	22.1%	20.2%	-1.9 p.p.	
EBIT adjusted ³	215.5	203.6	205.0	+0.7%	<ul style="list-style-type: none"> ▶ EBIT improvement, with internal levers which more than compensated rising raw mat. costs, inflation and other costs related to business development ▶ PPA: additional amortization, due to allocation of purchasing price paid by Marco Polo, arising from Pirelli / Marco Polo merger
<i>Margin</i>	15.0%	17.2%	15.3%	-1.9 p.p.	
Amortization from PPA	0.0	(26.2)	(26.2)		
Non recurring items & restr. costs	(15.3)	(11.3)	(10.1)		
EBIT	200.2	166.1	168.7	+1.5%	
<i>Margin</i>	13.9%	14.1%	12.6%	-1.5 p.p.	
Results from Equity Investments	(42.5)	(42.5)	(3.1)		<ul style="list-style-type: none"> ▶ Decreasing financial charges, thanks to lower cost of debt (5.42% vs. 5.98% in 1Q '16); 1Q '16 results was impacted by the extinction of the U.S. Private Placement bond loan
Financial Income / (Charges)	(82.7)	(133.7)	(77.0)		
EBT	75.0	(10.1)	88.6		
<i>Tax Rate</i>	46.1%	n.m.	44.1%		
Net income before disc. operations	40.4	(30.4)	49.5		
Discontinued operations	0.0	(19.7)	(76.6)		
Net Income	40.4	(50.1)	(27.1)		
Attributable Net Income	39.8	(50.7)	(27.9)		

¹ Industrial in disc. Operations; ² Excluding exchange rate effects and perimeter change; ³ Before amortization of PPA, non recurring items and restructuring costs

REVENUES BRIDGE

Δ YoY change
(in € million and %)



Top line quality improving:

- ▶ +15.3% Premium volumes growth more than offsetting the Non Premium trend (-9.2%) due to the accelerated exit from low profitability segments
- ▶ price/mix acceleration vs previous quarters (+5.5% vs. +3.6% of Consumer in 4Q 2016, +4.5% in 3Q 2016) thanks to product and geographical mix improvement, and price increases in emerging markets

1Q 2017 PERFORMANCE BY REGION

Group Sales

Group EBIT Margin adjusted²

€ million

Δ YoY

Organic growth¹

Total 1,180.9

1,339.3 13.4%

+8.4%

15.3% (-1.9 pp YoY)

- ▶ Discounting the impact of “new value generating programs” and the time lag between price increases and raw material costs hike

Europe

45%

42%

+7.9%

+8.9%

Europe

Mid-teens

- ▶ Solid Premium performance

NAFTA

18%

19%

+16.5%

+13.7%

NAFTA

Twenties

- ▶ Top group profitability backed by a successful Premium strategy

37%

39%

+18.7%

+5.3%

-16.9%

+3.8%

+22.7%

-3.2%

Russia

High-single digit

- ▶ Russia: accelerated exit from low profitable segment

MEAI

Mid-teens

- ▶ MEAI: solid performance despite the Turkish Lira devaluation

APac

Twenties

- ▶ APac: top group profitability supported by the strong Premium development

South America

Mid-single digit

- ▶ S. America: accelerated exit from low profitable segment, conversion to Premium on-going, increased export to N. America

Russia & CIS

3%

5%

+14.3%

MEAI

5%

14%

+2.4%

APac

13%

17%

+26.6%

South America

16%

17%

+18.8%

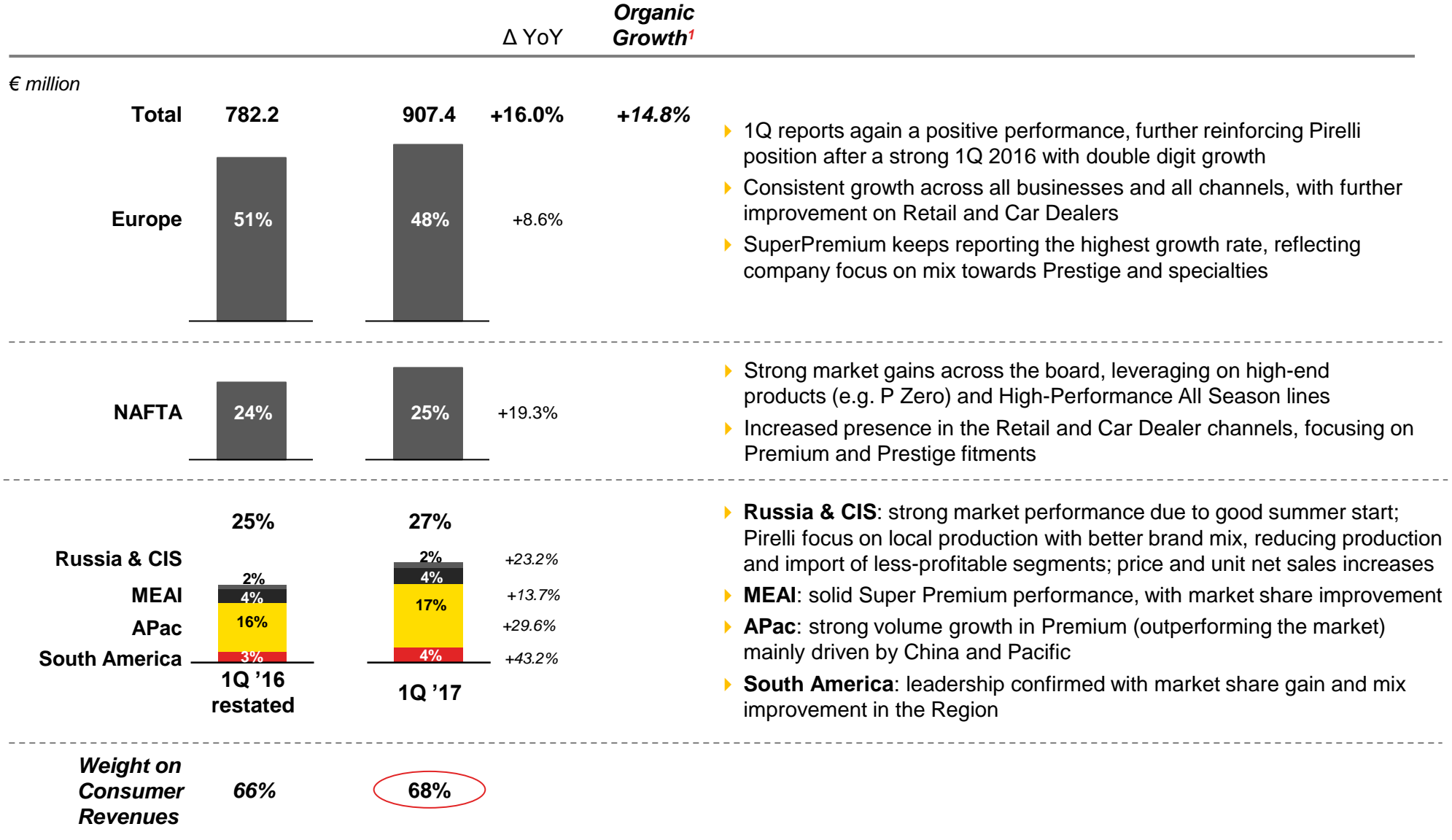
1Q '16

restated

1Q '17

¹ Excluding exchange rate effects and perimeter change; ² before amortization of PPA, non-recurring items and restructuring costs

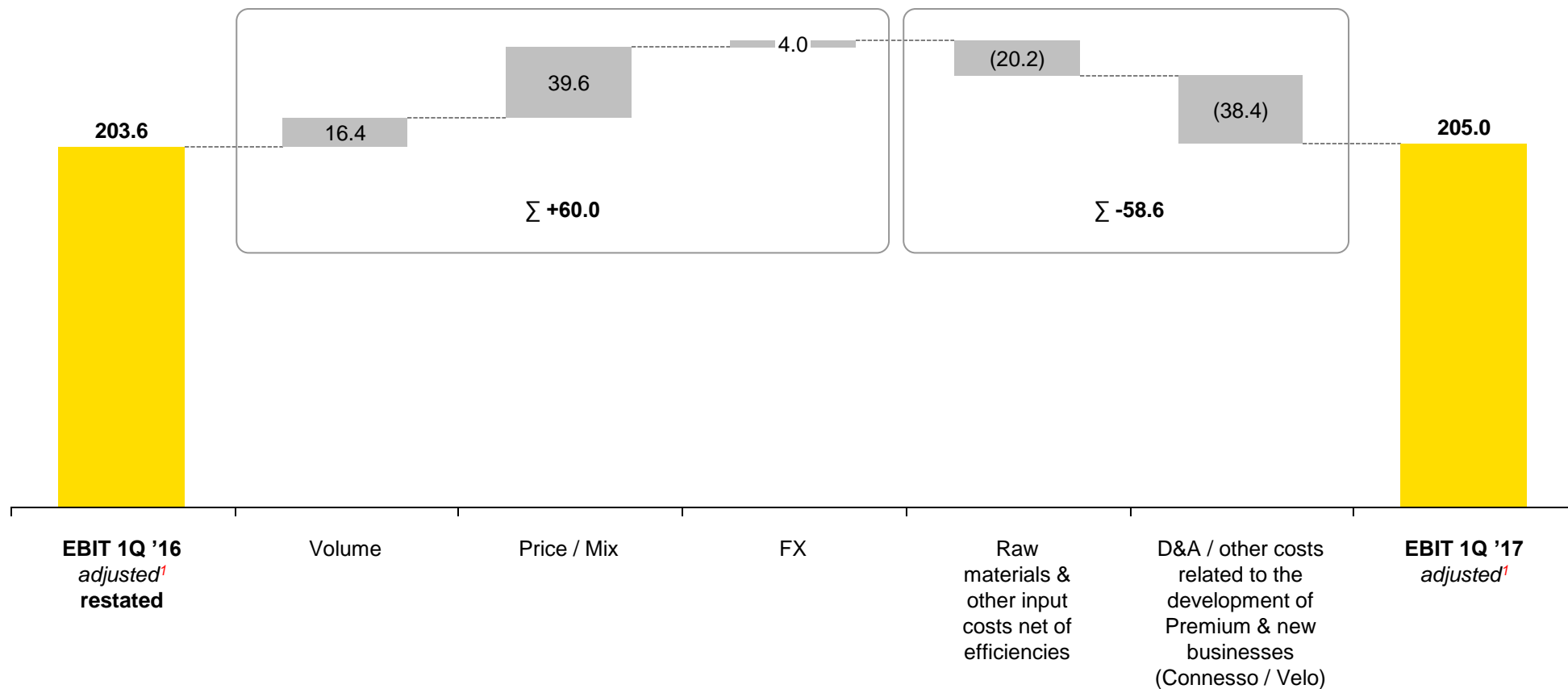
1Q 2017 PREMIUM PERFORMANCE BY REGION



¹ Excluding exchange rate effects

OPERATING PERFORMANCE

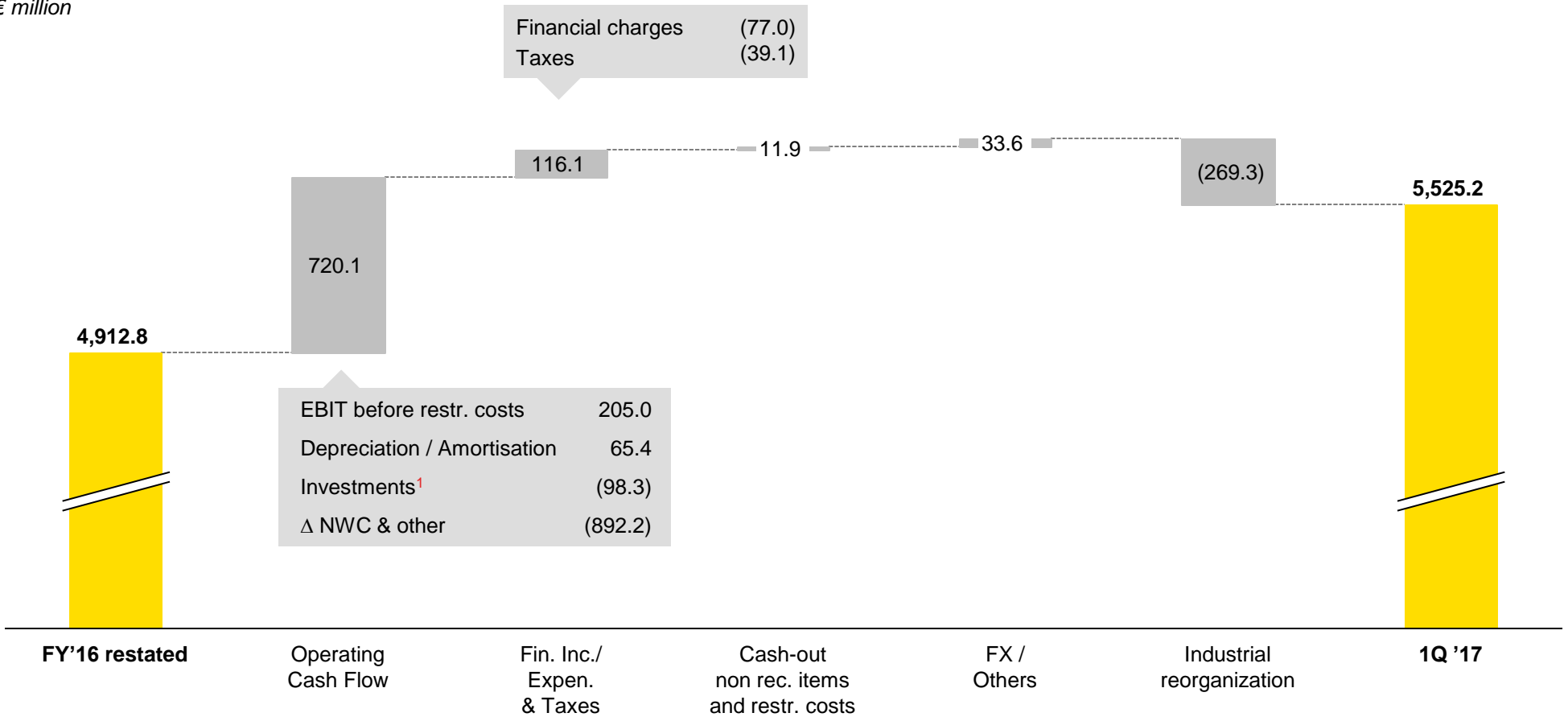
€ million



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

1Q 2017 NET FINANCIAL POSITION

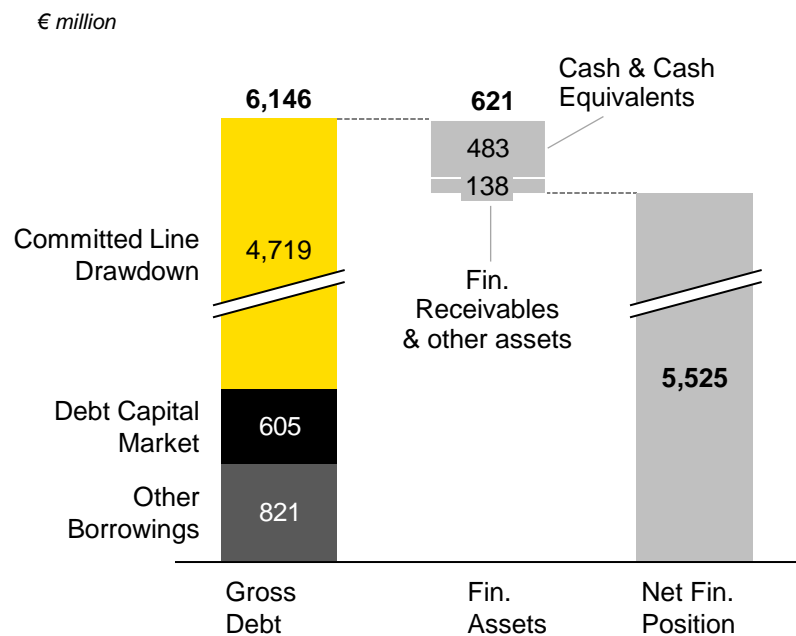
€ million



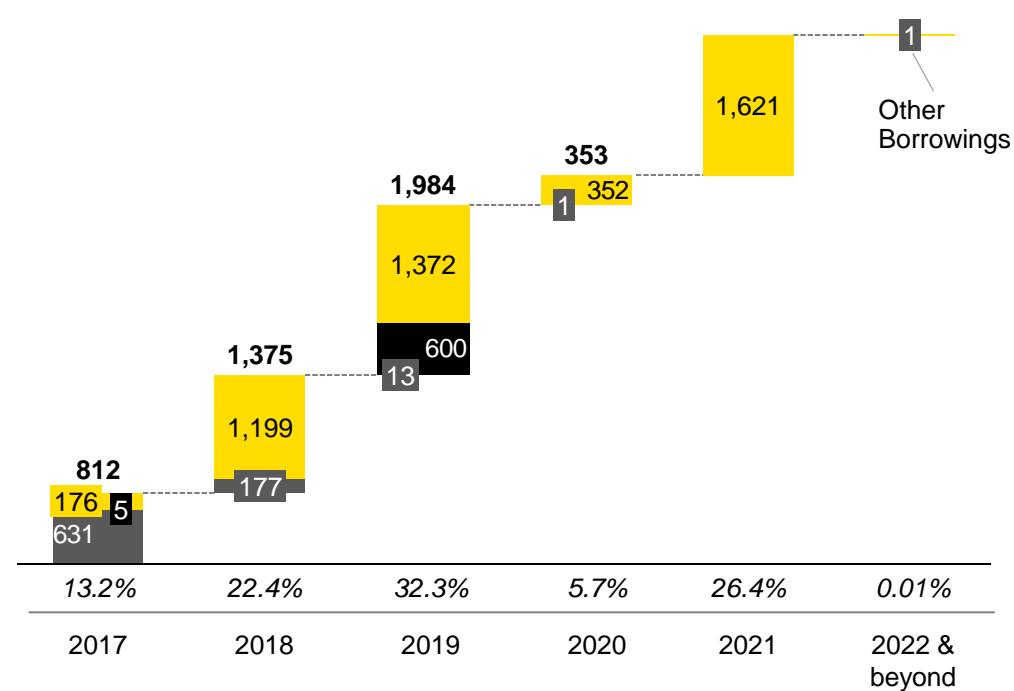
¹ Tangible and intangible investments

PIRELLI DEBT STRUCTURE AS OF MARCH 31, 2017

Net Financial Position



Gross Debt Maturity



Liquidity Profile

€ million

Liquidity position	482.9
Total committed lines not drawn due 2020	914.1
Liquidity Margin	1,397.0

Debt Profile

- ▶ Cost of debt 5.42%
- ▶ Gross debt profile: ~70% Fixed and ~30% Floating
- ▶ Average debt maturity: ~2.4 years

AGENDA

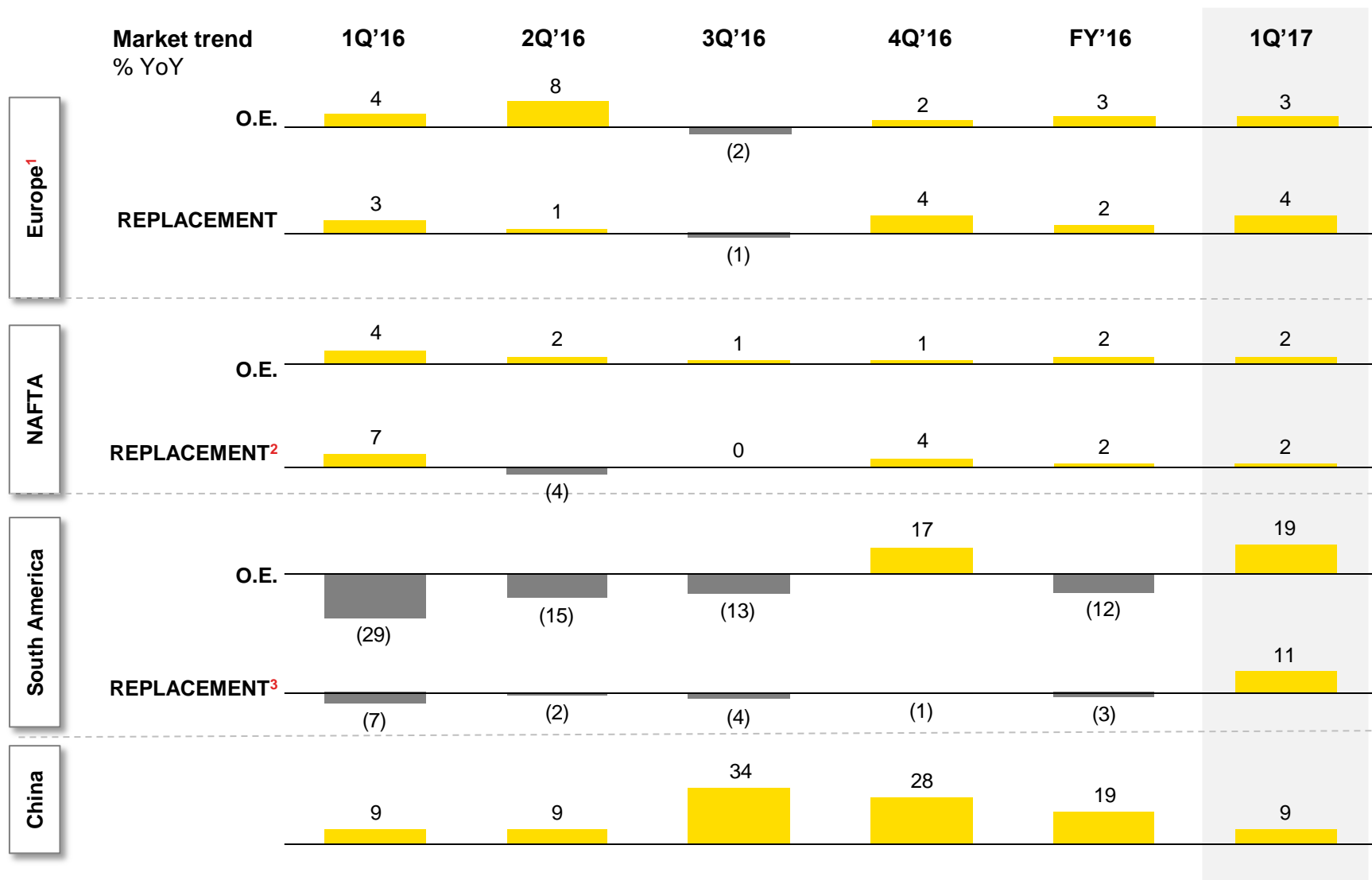
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1Q 2017 RESULTS

2

APPENDIX

CONSUMER BUSINESS: KEY MARKET TRENDS



¹ Russia excluded, Turkey excluded; ² NAFTA Replacement includes imports; ³ South America Replacement restated to include Brazilian imports

Source: Local tyre manufacturer associations

PIRELLI BALANCE SHEET

<i>€ million</i>	31/12/2016¹	31/03/2017
Fixed assets related to continuing operations	10,299.2	9,213.6
Inventories	1,055.6	925.5
Trade receivables	679.3	1,044.8
Trade payables	(1,498.5)	(1,062.2)
Operating net working capital related to continuing operations	236.4	908.1
Other receivables / payables	(310.7)	118.3
Net Working Capital related to continuing operations	(74.3)	1,026.4
Net invested capital held for sale	-	118.3
Net invested capital	10,224.9	10,358.3
Equity	3,274.9	3,002.9
Provisions	2,037.2	1,830.2
Net Financial Position	4,912.8	5,525.2
Total financing and shareholders' equity	10,224.9	10,358.2
<i>Attributable Net Equity</i>	<i>3,134.1</i>	<i>2,929.1</i>

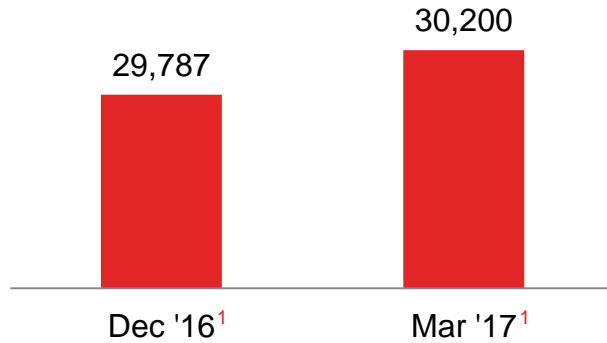
¹ Reported

PIRELLI GROUP CASH FLOW

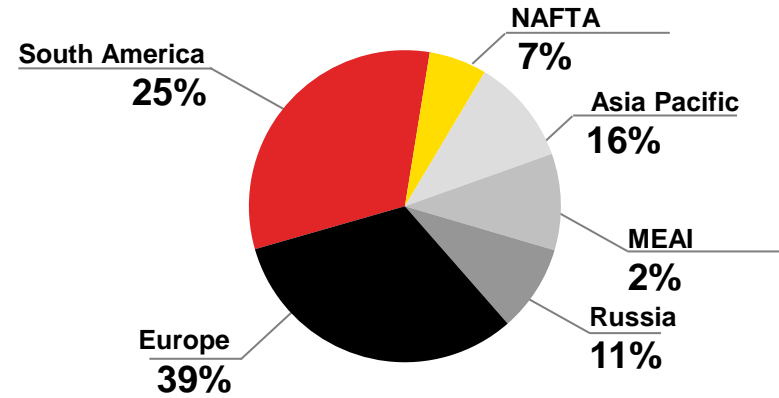
	1Q '16 reported	1Q '17
EBIT before non recurring items & restructuring costs	203.6	205.0
Amortization and depreciation	57.9	65.4
Capital expenditures	(70.0)	(98.3)
Change in working capital / other	(783.8)	(892.2)
Operating Cash Flow	(592.3)	(720.1)
Financial income / expenses	(133.7)	(77.0)
Fiscal charges	(20.3)	(39.1)
Net operating cash flow	(746.3)	(836.2)
Financial investments / disinvestments	(5.2)	(1.7)
Release deferred tax liabil. incl.in fiscal charges	(6.4)	(6.6)
Minorities	-	(5.5)
Other dividends paid	-	-
Cash-out for non recurring items & restructuring costs	(17.7)	(11.9)
Exchange rates difference / other	(62.7)	(19.8)
Net cash flow before dividend paid/extraordinary operations	(838.3)	(881.7)
Industrial reorganization	59.3	269,3
Net cash flow	(779.0)	(612.4)

MARCH 2017 PIRELLI PEOPLE

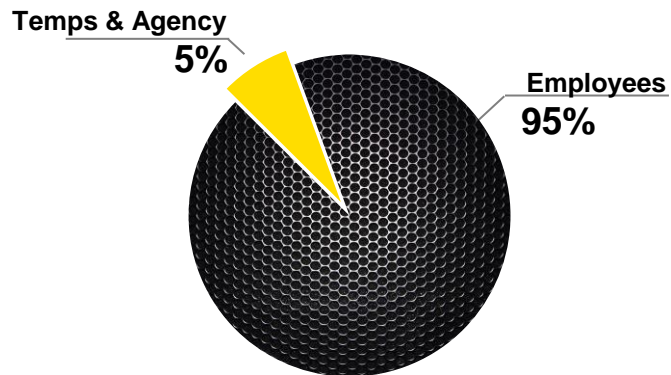
Headcount



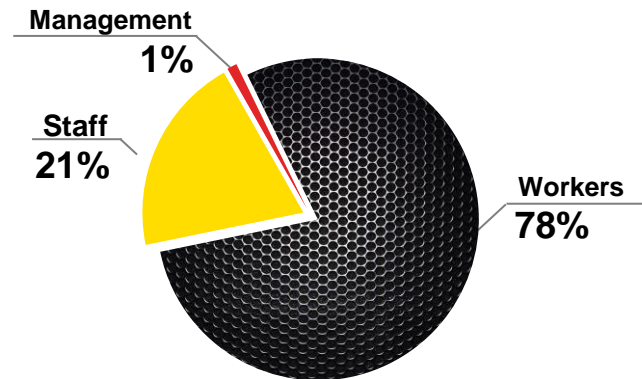
People by Region



People by Contract

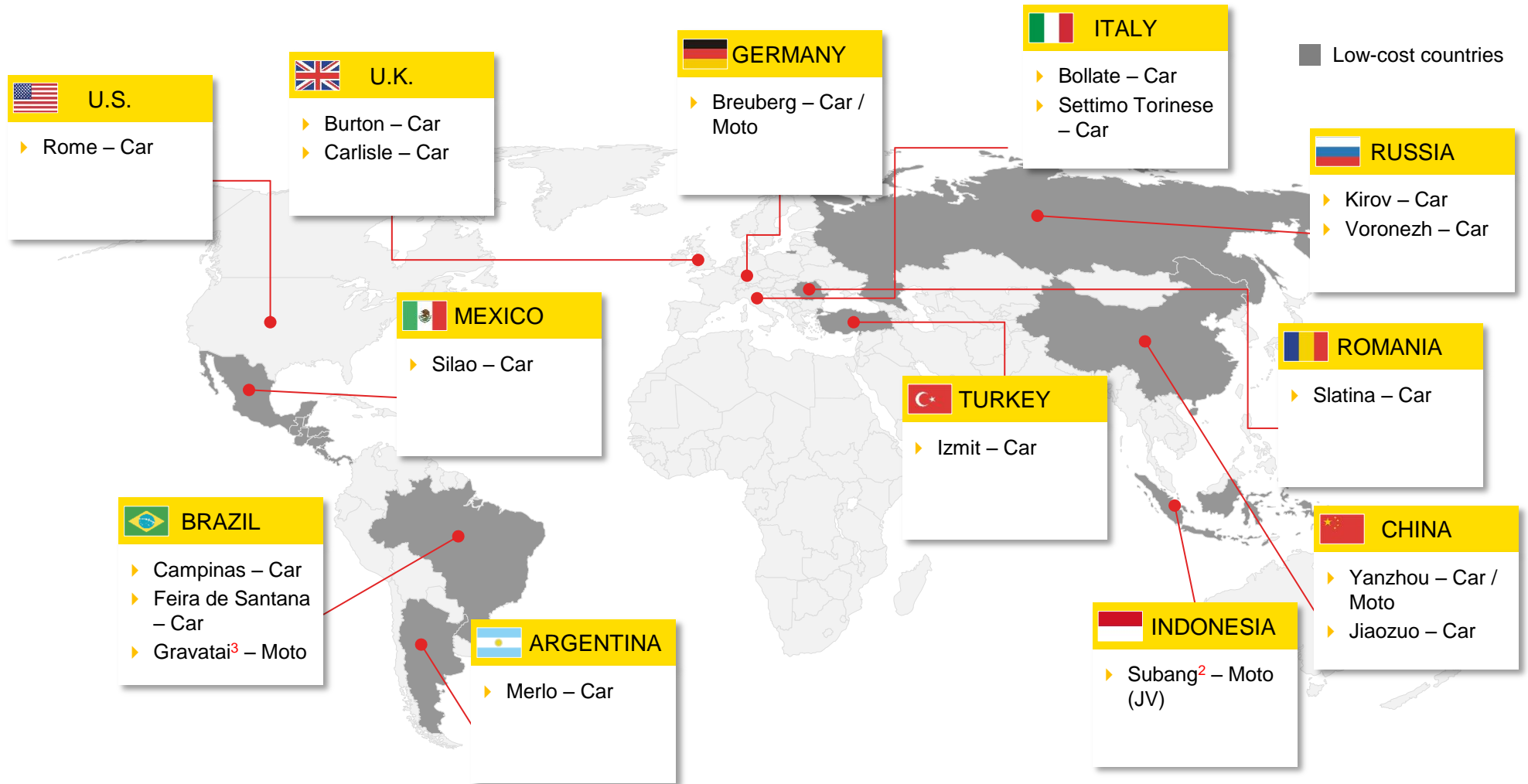


People by Cluster



¹ Without Venezuela headcount, including Aeolus Consumer headcount

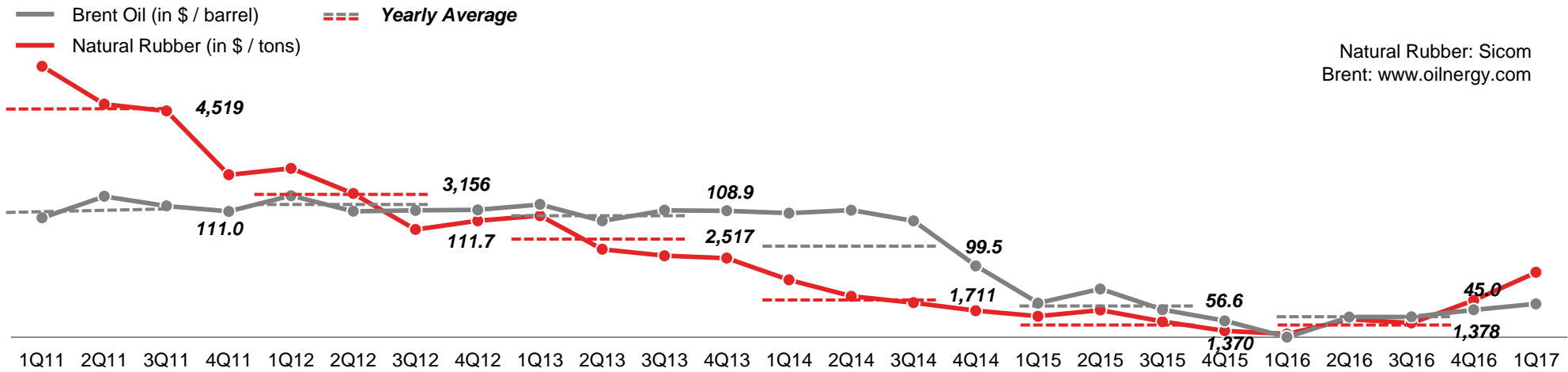
PIRELLI PLANTS IN THE WORLD¹ AS OF MARCH 31ST 2017



¹ Excluding Venezuela, deconsolidated since 31st December, 2015; ² Joint Venture - not consolidated line by line; ³ production capacity in off-take

RAW MATERIALS

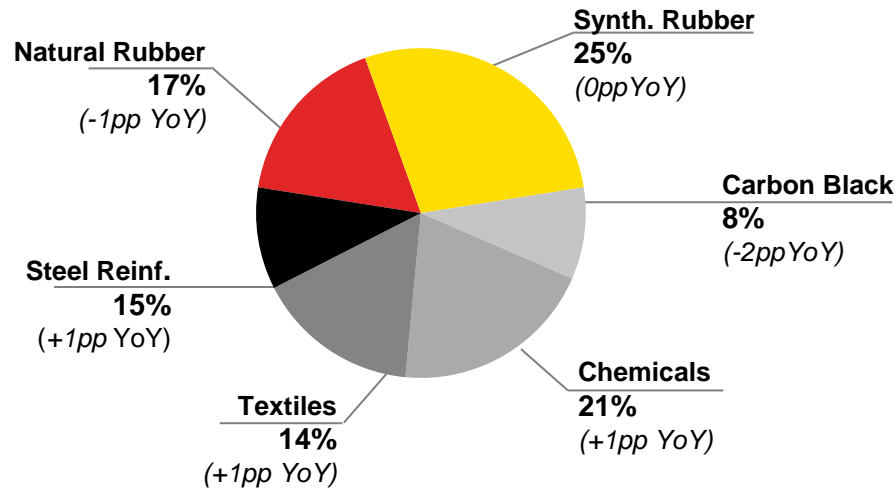
Raw Material Price Trend



1Q 2017 Mix (Based on Purchasing Cost)

34%

Raw mat. costs on sales



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