



**CHEMCHINA**

**中国化工橡胶有限公司**

China National Tire & Rubber Co., Ltd.

# The Pirelli-CNRC Integration

## Business Model and Integrated Business Plan

Milan, April 2016

**Preliminary – For discussion only**

# Agenda

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- **Annex 1 – Business plan and business model per region**
- **Annex 2 – TBR OE Channel Strategy**
- **Annex 3 – Manufacturing assessment**

# Agenda

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- **Annex 1 – Business plan and business model per region**
- Annex 2 – TBR OE Channel Strategy
- Annex 3 – Manufacturing assessment

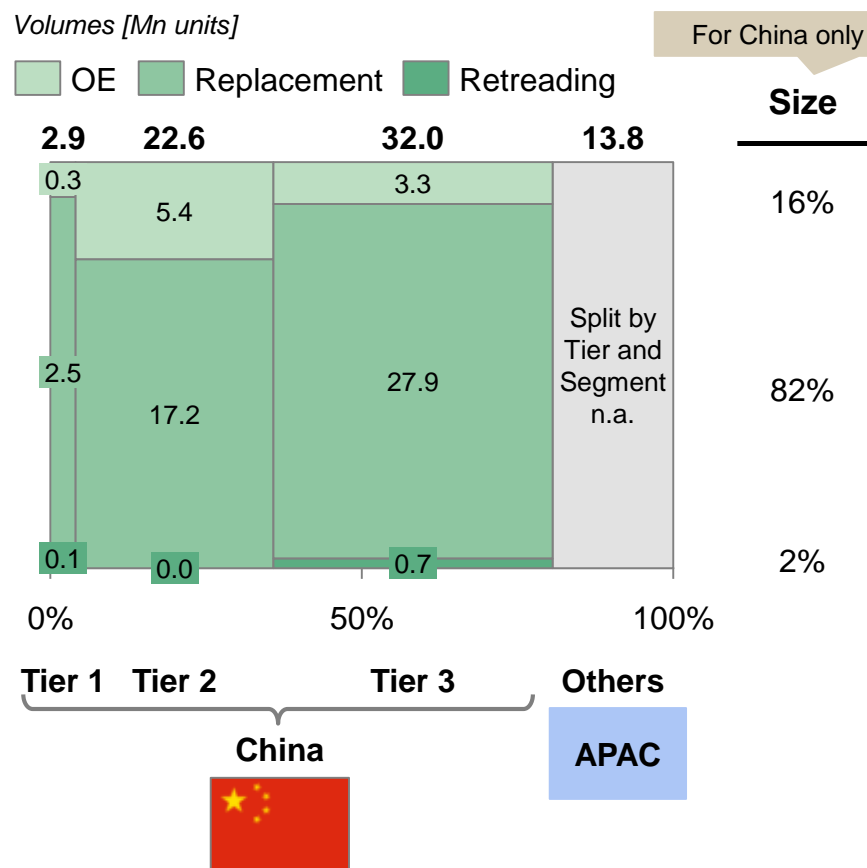
# Annex 1 – Business plan and business model per region

## APAC TBR Market

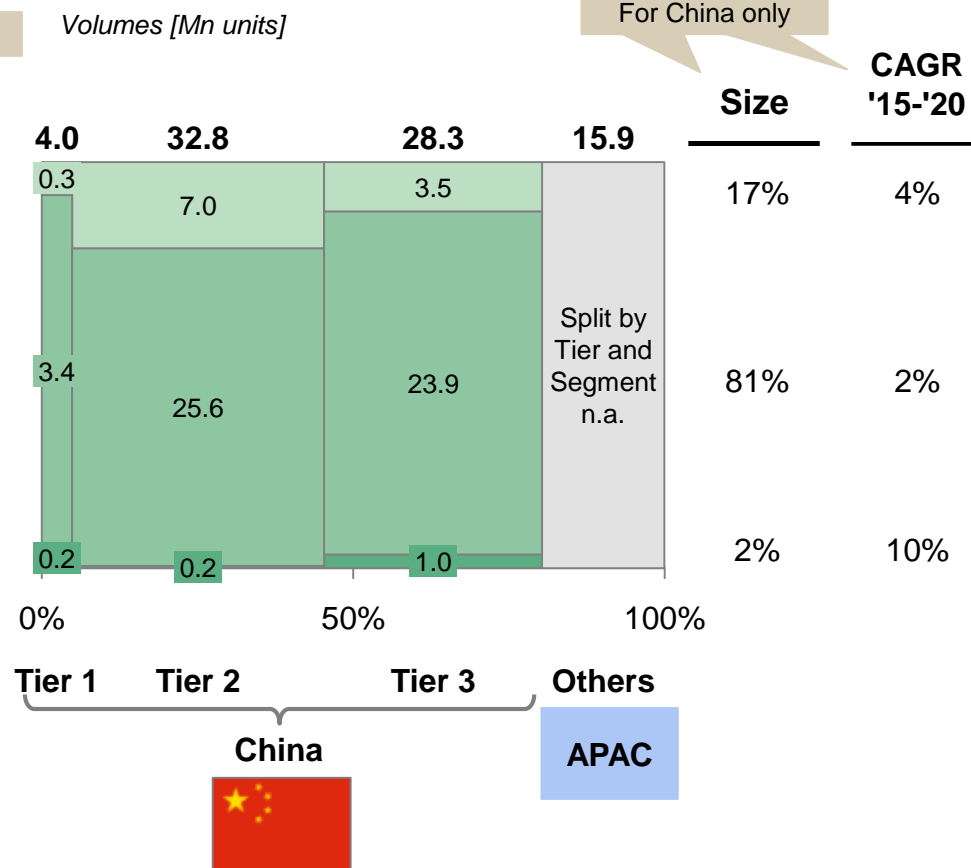
# APAC TBR: a 71 Mn units market

TBR Mn units, 2015-2020

## APAC TBR market 2015: 71.3 Mn units



## APAC TBR market 2020: 81.0 Mn units



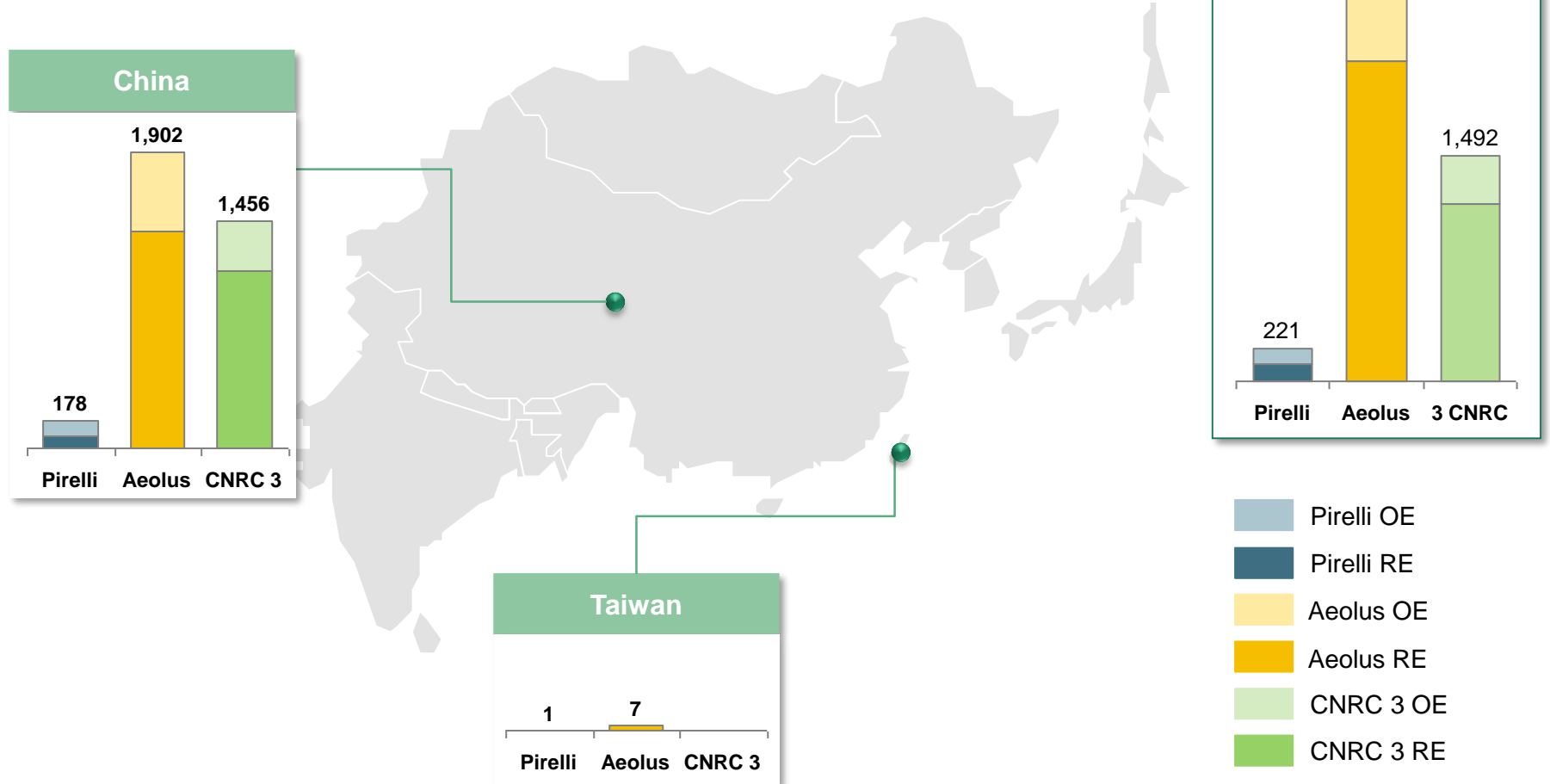
Note: Other APAC includes: Pacific (2015: 1.6Mn; 2020: 1.8Mn), Far East (2015: 5.1Mn; 2020: 6.0Mn), Japan (2015: 7.1Mn; 2020: 8.1Mn). Split by tier only for China  
 Source: Pirelli data; Expert interviews; EIU statistics; IHS '15; BCG analysis



# Central / East Asia - Pirelli and 4CNRC TBR Sales volume

2015 Sales volumes (K units) for Pirelli – 2014 volumes for Aeolus and 3CNRC

Preliminary estimate



1. Does NOT include India

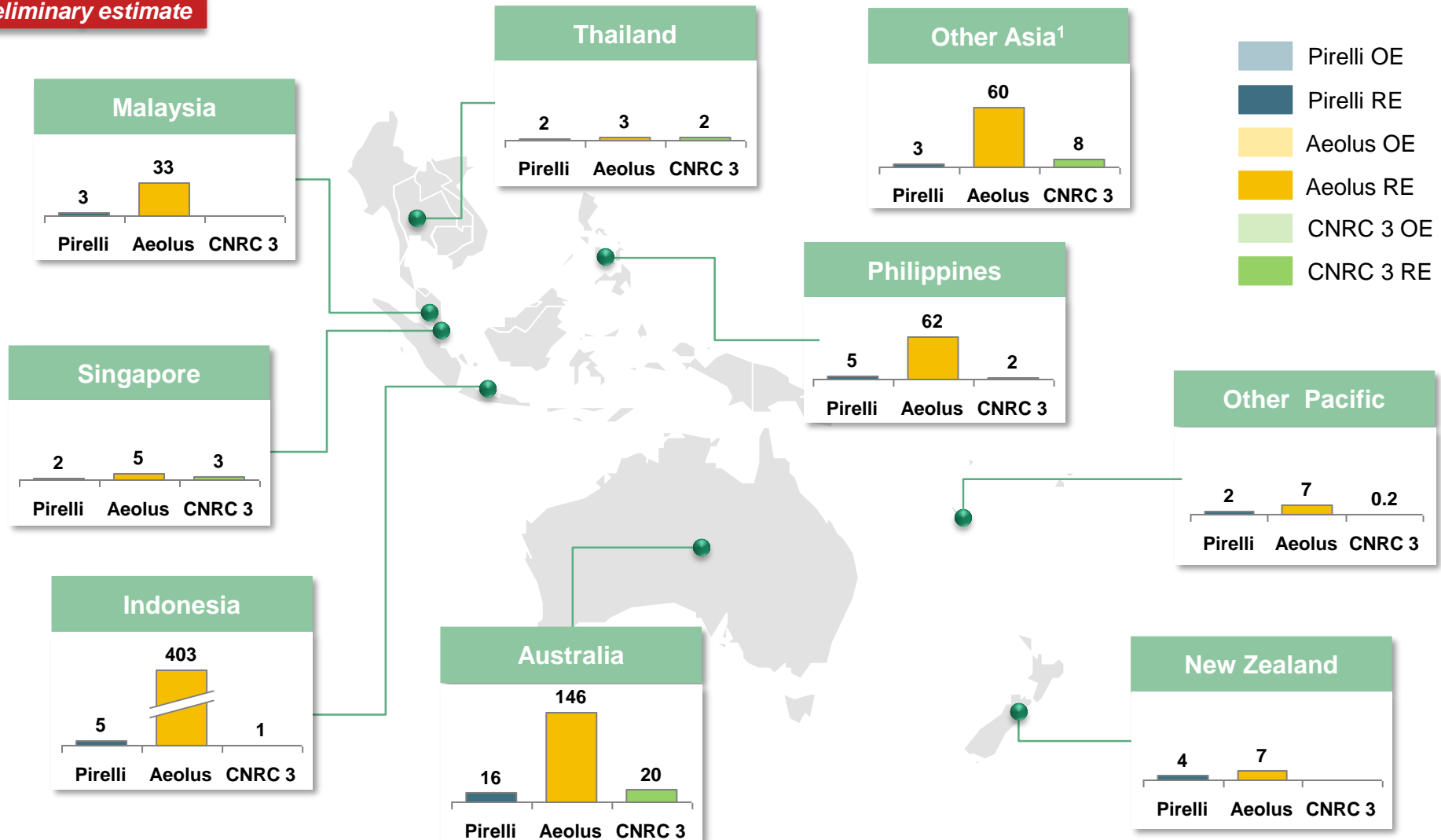
Notes: 2015 FY sales volumes.

Source: Pirelli BU industrial, CNRC, BCG analysis

# S.East Asia / Pacific - Pirelli and 4CNRC TBR Sales volume

2015 Sales volumes (K units) for Pirelli – 2014 volumes for Aeolus and 3CNRC

Preliminary estimate









1. Other Asia: Cambodia, Hong Kong, Japan, Laos, Mongolia, Myanmar, South Korea, Vietnam  
Notes: 2015 FY sales volumes.

Source: Pirelli BU industrial, CNRC, BCG analysis

# Pirelli and 4CNRC Product and Market synergies

Preliminary estimate

	Initiatives	$\Delta$ Volume (K units)	$\Delta$ Price (%)	$\Delta$ EBIT (M\$)
<b>Product synergy</b> 	<b>3 CNRC</b> <ul style="list-style-type: none"> <li>Increase export price w/ improved product reliability</li> </ul>	-	+9%-15% <sup>1</sup> price increase	+0.7 M\$ EBIT increase
	 <ul style="list-style-type: none"> <li>To be explored</li> </ul>	-	-	-
	 <ul style="list-style-type: none"> <li>To be explored</li> </ul>	-	-	-
<b>Market synergy</b> 	<b>3 CNRC</b> <ul style="list-style-type: none"> <li>To be explored</li> </ul>	-	-	-
	 <ul style="list-style-type: none"> <li>To be explored</li> </ul>	-	-	-
	 <ul style="list-style-type: none"> <li>Leverage Aeolus' resources in Indonesia and Philippines</li> </ul>	+13k incremental units	-	+0.0 M\$ EBIT increase
		<b>+13k units</b>		<b>+0.8 M\$ EBIT</b>

1. 9% for Indonesia and 15% for rest of APAC

Source: Pirelli and 4CNRC data; Output from Pirelli – CNRC war room meetings; BCG analysis

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# Annex 1 – Business plan and business model per region

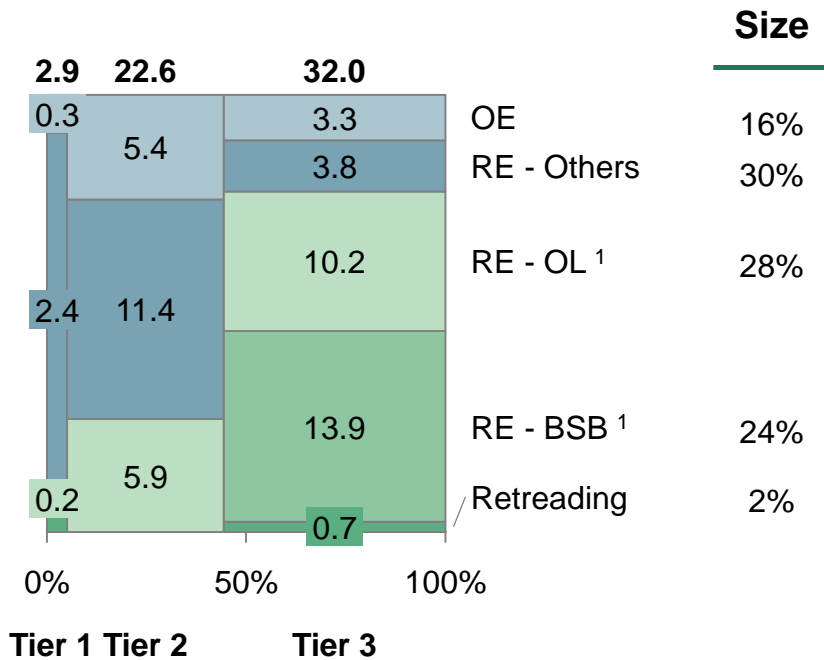
APAC TBR Market

## China

# China TBR: a 57.5 Mn units market in 2015

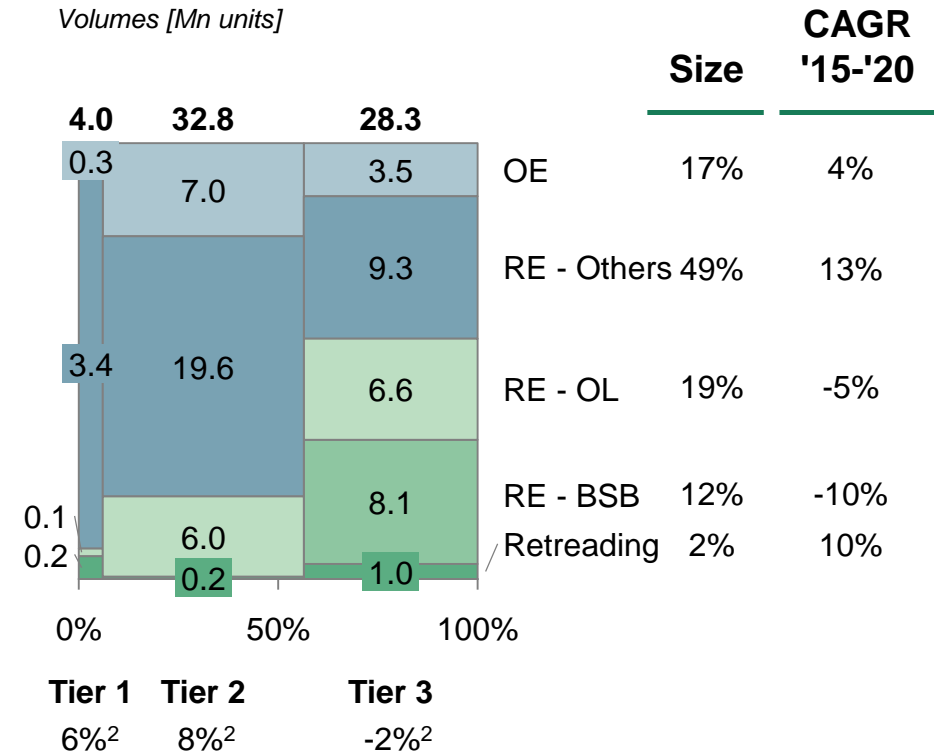
China TBR market 2015: 57.5 Mn units

Volumes [Mn units]



China TBR market 2020: 65.1 Mn units

Volumes [Mn units]



1) Tier 2 the fastest growth segment, 2) Tier 3 shrinking, 3) OE a tier 2&3 game, 4) Overloading & Busanbao to remain significant in RE, 5) Retreading relevance to remain low

1. In reality, there is overlap between BSB and OL, i.e., some customers buy busanbao tyres for overloading uses. 2. CAGR 2015-2020 by tier

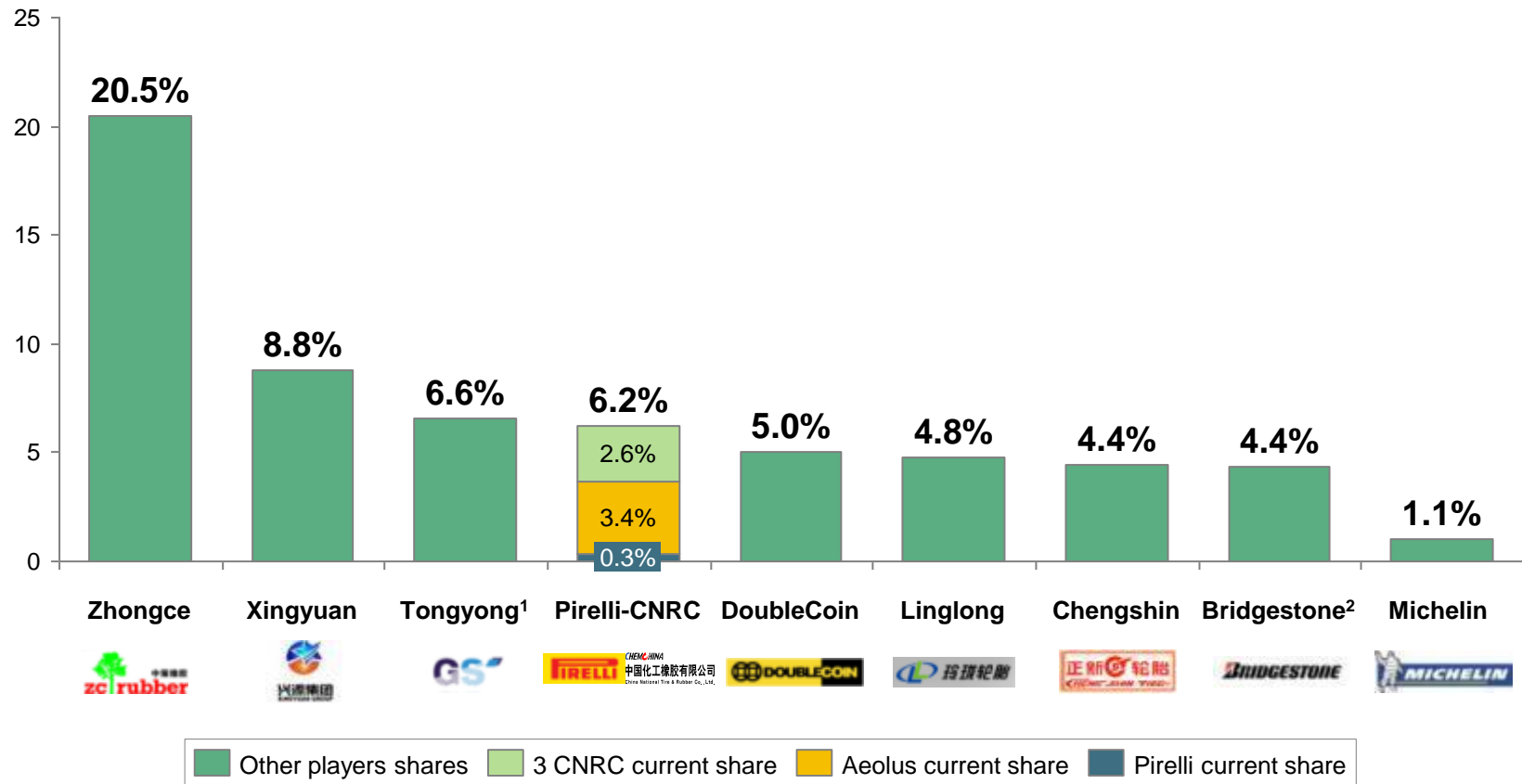
Source: Pirelli data, Expert interviews, BCG analysis





# Pirelli – CNRC market share positioning vs. top players

Total market share % '15, OE + RE

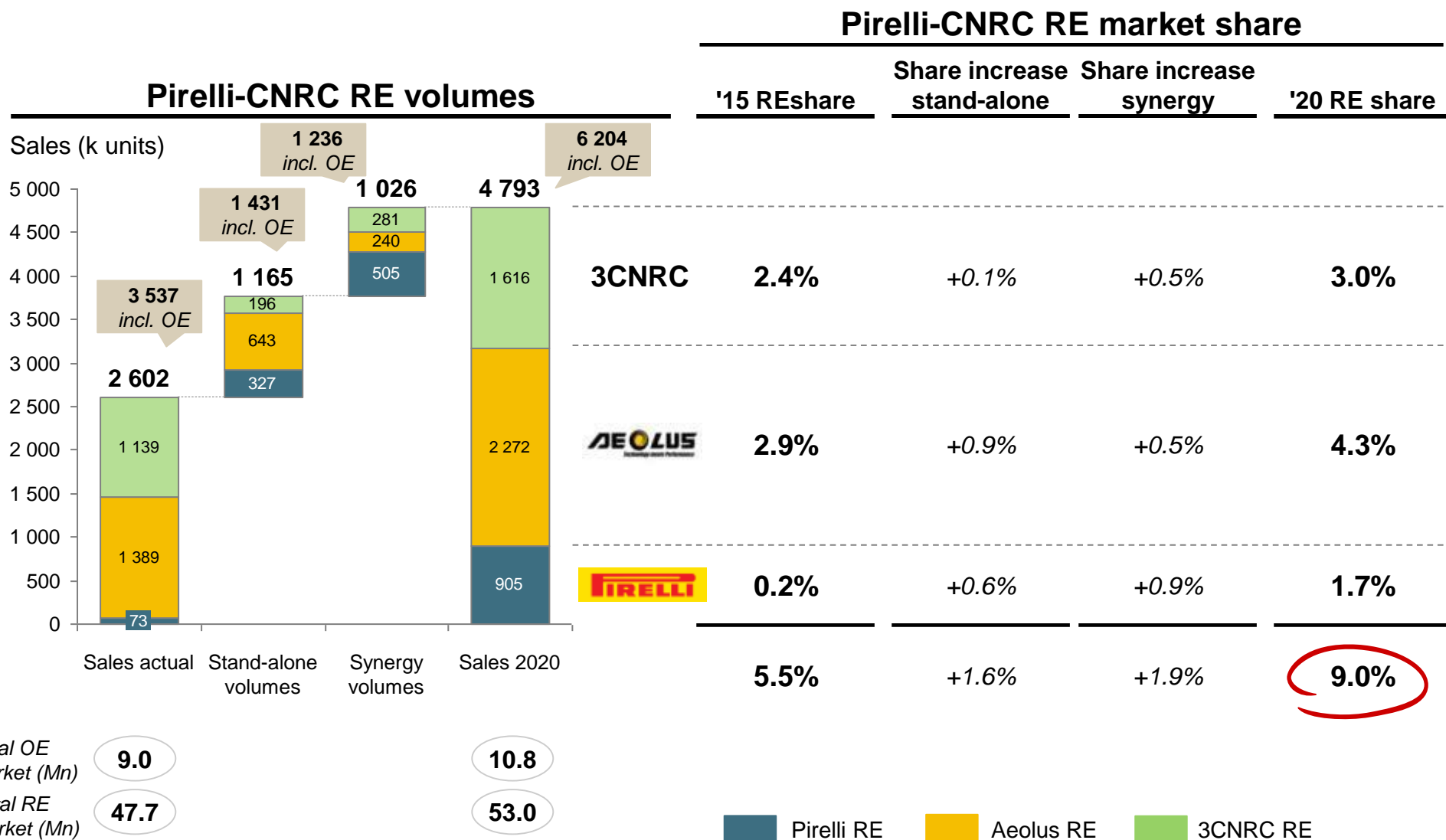


1. The major brand is Hongdou; 2. Include Firestone  
Source: Pirelli Industrial, Aeolus, 3CNRC data; BCG analysis



# China: RE market share evolution by 2020

Pirelli-CNRC gaining ~3.5% market share



Note: 2015 Sales volumes.

Source: Pirelli Industrial, Aeolus, 3CNRC data; BCG analysis



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# Pirelli and 4CNRC product and market synergies

Preliminary estimate

		Initiatives	$\Delta$ Volume (K units)	$\Delta$ Price (%)	$\Delta$ EBIT (M\$)
<b>Product synergy</b>  	3 CNRC	<ul style="list-style-type: none"> <li>Process stabilization to improve BSB product</li> <li>Increase SB replacement products positioning</li> </ul>	Growth driven by enhanced product quality  • +210 k incremental units	• +15% price increase	• 30.3 M\$ EBIT increase
	AEOLUS	<ul style="list-style-type: none"> <li>Improve Heavy Duty offering price</li> <li>Improve other RE offering</li> <li>Target BUS OEs with higher quality product (impact both volume and price)</li> </ul>		• +20% • +15% • +~5% <sup>1</sup> price increase	• 11.8 M\$ • 22.2 M\$ EBIT increase
	PIRELLI	<ul style="list-style-type: none"> <li>Premium offering</li> </ul>		-	• +16% price increase
<b>Market synergy</b>  	3 CNRC	<ul style="list-style-type: none"> <li>Leverage CNRC-Pirelli combined strength to enhance market coverage</li> </ul>	• +281 k incremental units	-	• 1.3 M\$ EBIT increase
	AEOLUS	<ul style="list-style-type: none"> <li>Leverage CNRC-Pirelli combined strength to enhance market coverage</li> </ul>	• +240 k incremental units	-	• 2.9 M\$ EBIT increase
	PIRELLI	<ul style="list-style-type: none"> <li>Increase sales in China RE by expanding and strengthening D1 and retailer network</li> <li>Increase OE sales by leveraging CNRC relations</li> </ul>	• +505 k incremental units	-	• 3.0 M\$ EBIT increase
			<b>+1 236k units</b>		<b>+87.4 M\$ EBIT</b>

# Annex 1 – Business plan and business model per region

## Europe TBR Market



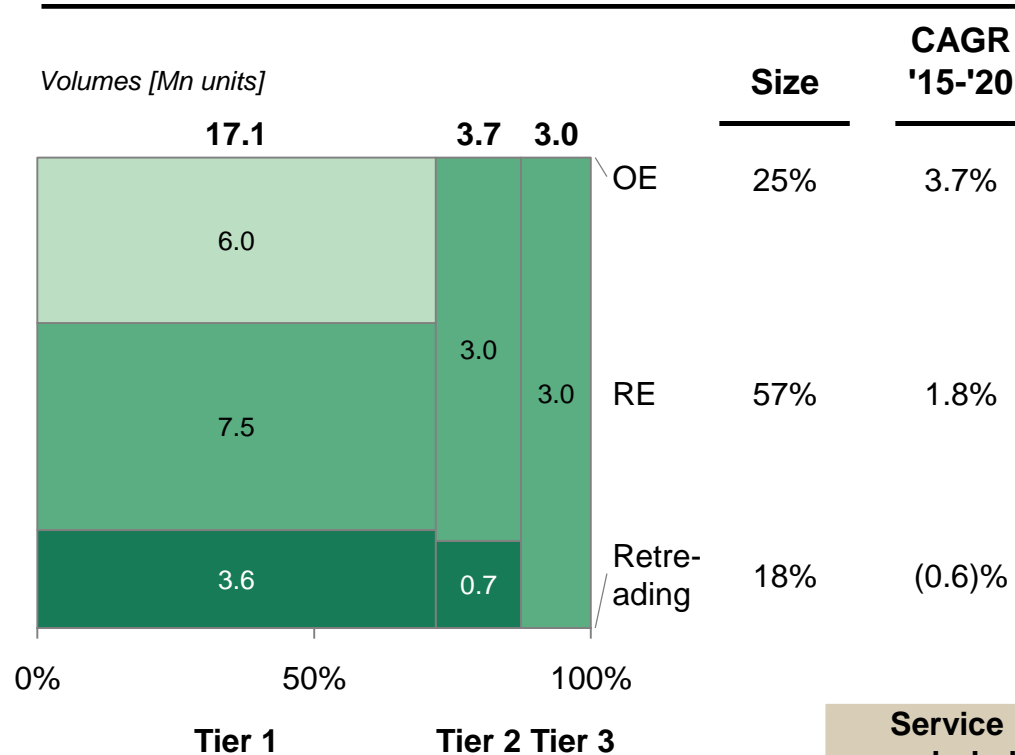
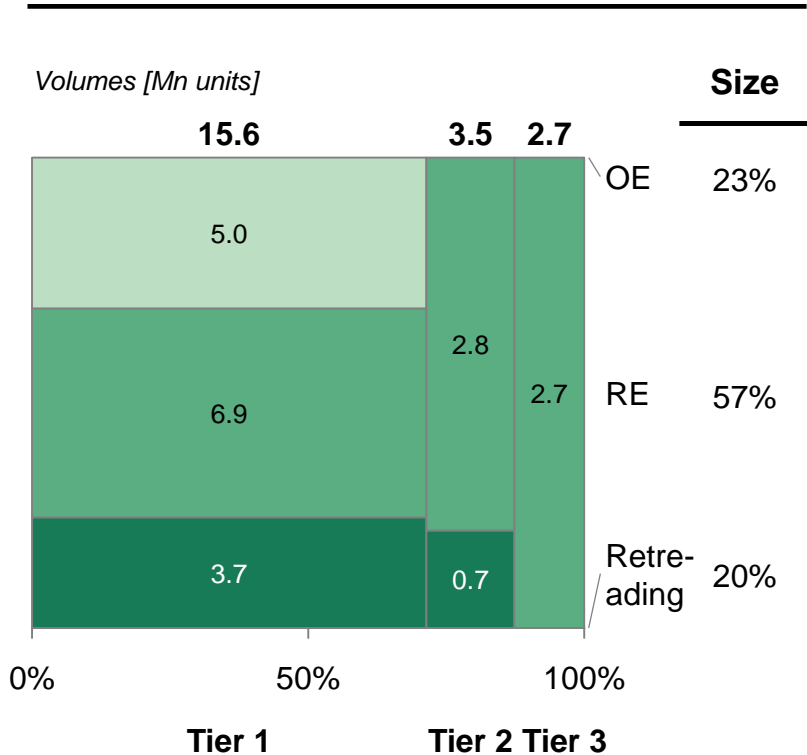
# Europe TBR: a 22 Mn units market

TBR Mn units, 2015-2020

Not including Russia

## EU TBR market 2015: 21.8 Mn units

## EU TBR market 2020: 23.8 Mn units



Service excluded

Total market CAGR '15-'20: ~2%

1) Slightly growing market; 2) Highly premium; 3) Retreading accounting for 1/5 market



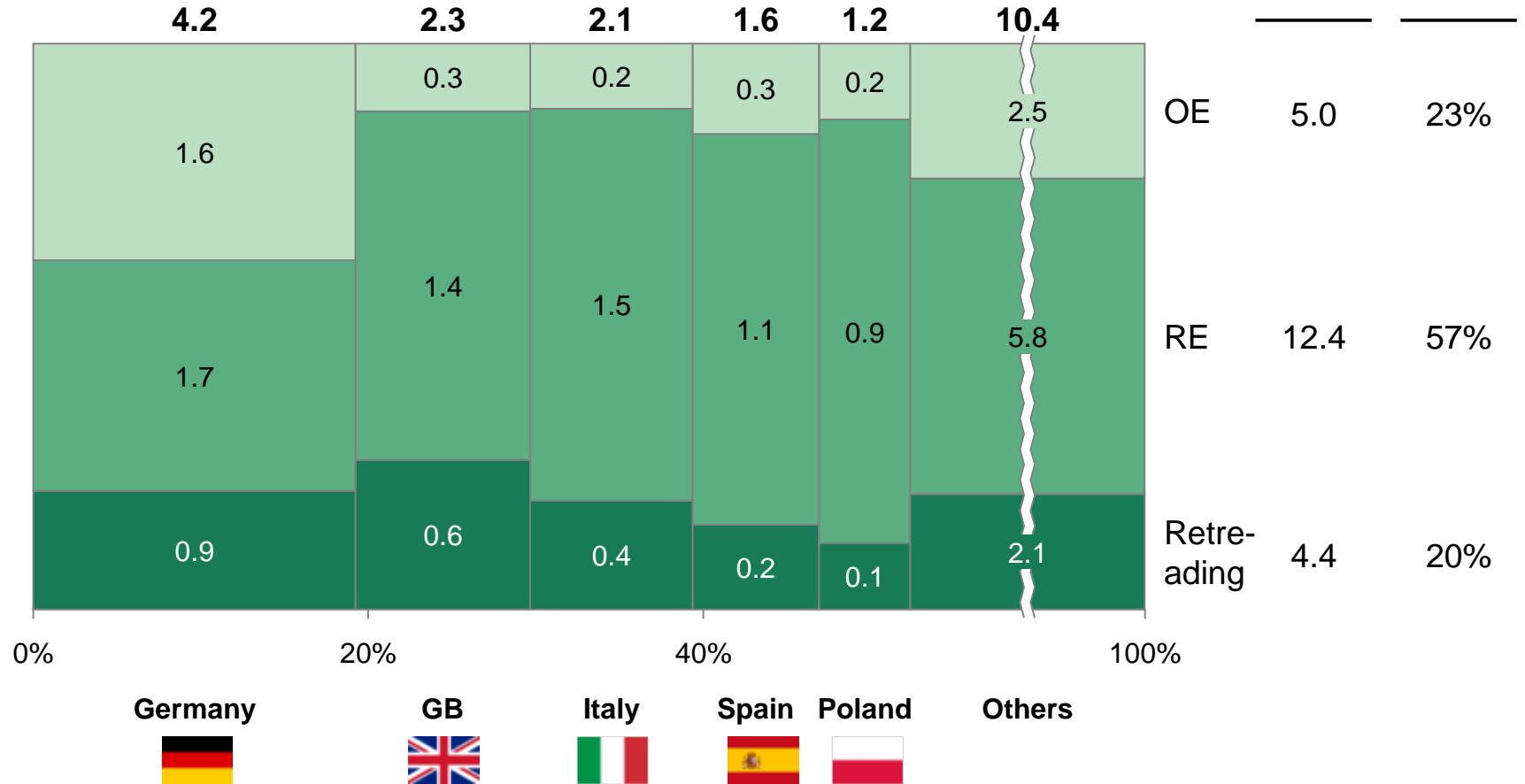


# Europe TBR market by country in 2015

Not including Russia

Total: 21.8M units

Volumes [Mn units]





# Europe TBR competitive landscape divided in 3 Tiers

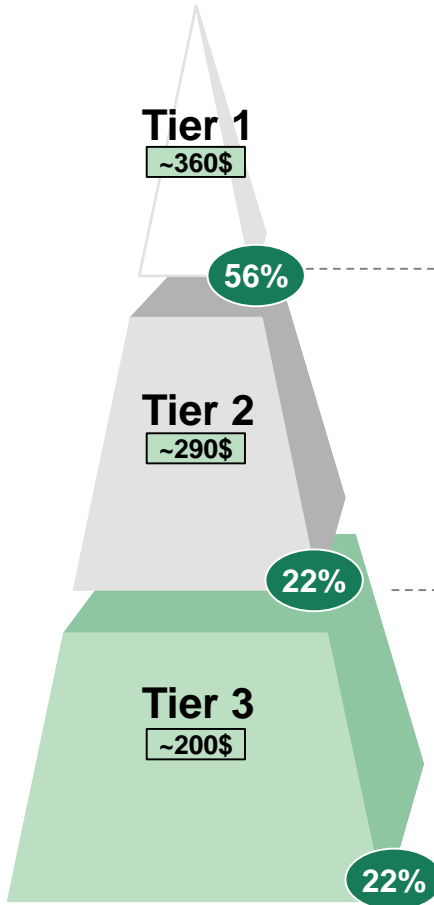
Tier 1 players with ~56% market share (Pirelli ~5%), while Aeolus ~4% market share as Tier 3

Not including Russia

## Market Tiers

## Key brands

## Market share RE ('15E)



	Units (k)	Share by Tier	Share by Tot market
• Michelin	~2.257	~30%	~18%
• Bridgestone	~1.385	~20%	~11%
• Continental	~945	~14%	~8%
• Hankook	~650	~10%	~5%
• Goodyear	~649	~10%	~5%
• Pirelli	~555	~9%	~5%
• Dunlop	~382	~6%	~3%
• Sava	~450	~17%	~4%
• Fulda	~358	~14%	~3%
• Kormoran	~285	~11%	~2%
• Firestone	~271	~10%	~2%
• Barum	~257	~10%	~2%
• Riken	~193	~7%	~2%
• Teamstar	~165	~6%	~1%
• Semperit	~138	~5%	~1%
• Formula	~64	~2%	~1%
• Other	~619	~17%	~4%
• Aeolus	~496	~17%	~4.0%
• Giti	~340	~12%	~2.7%
• Kumho	~140	~5%	~1.1%
• Double Happiness	~117	~4%	~0.9%
• ZC rubber	~105	~4%	~0.8%
• Linglong	~100	~4%	~0.8%
• Doublestar	~60	~2%	~0.5%
• Fullrun	~60	~2%	~0.5%
• Sumitomo	~50	~2%	~0.4%
• Torque	~45	~2%	~0.4%
• Sailun	~40	~1%	~0.3%
• Other	~1072	~41%	~9.3%

Total RE 12.4 Mn units ('15)

Source: Pirelli EU Business Plan '15; Experts Interviews, BCG Analysis

x\$ Sell-in price to dealers by Tier (RE best estimate)

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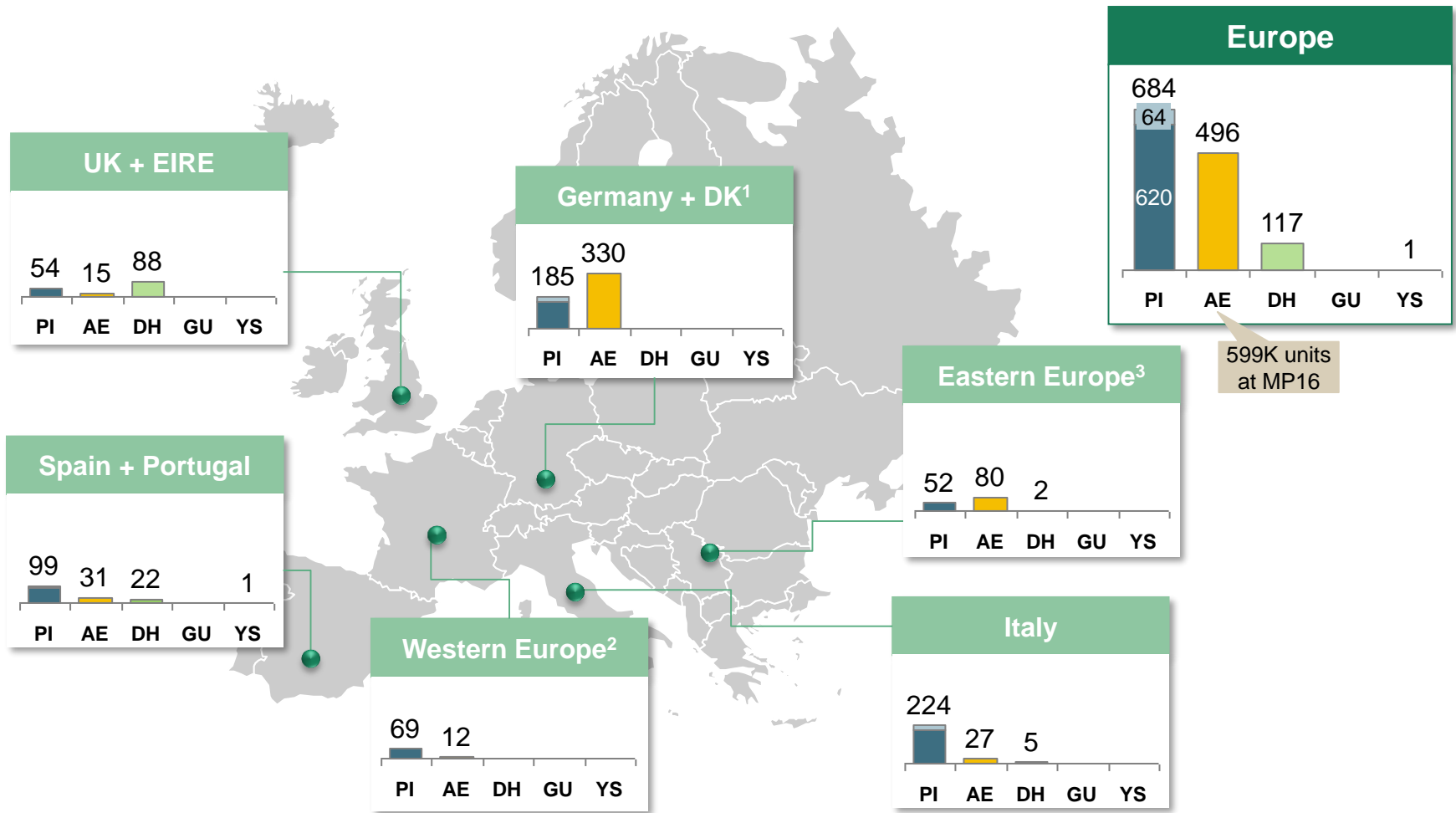
For discussion only - Data to be taken as draft





# Europe TBR – Pirelli and 4 CNRC Sales volume

2015 Sales volumes (K units)



To be discussed with Aeolus representatives differences btw invoicing and actual sales location

1. Germany, Denmark, Scandinavia, Poland, Baltics; 2. France, Austria, Swiss, Holland, Belgium;  
 3. Hungary, Czech Republic, Slovakia, Montenegro, Bosnia, Bulgaria, Croatia, Romania, Slovenia, Greece, Serbia, Mecedonia, Kosovo,  
 Source: Pirelli BU industrial, Aeolus, CNRC, BCG analysis

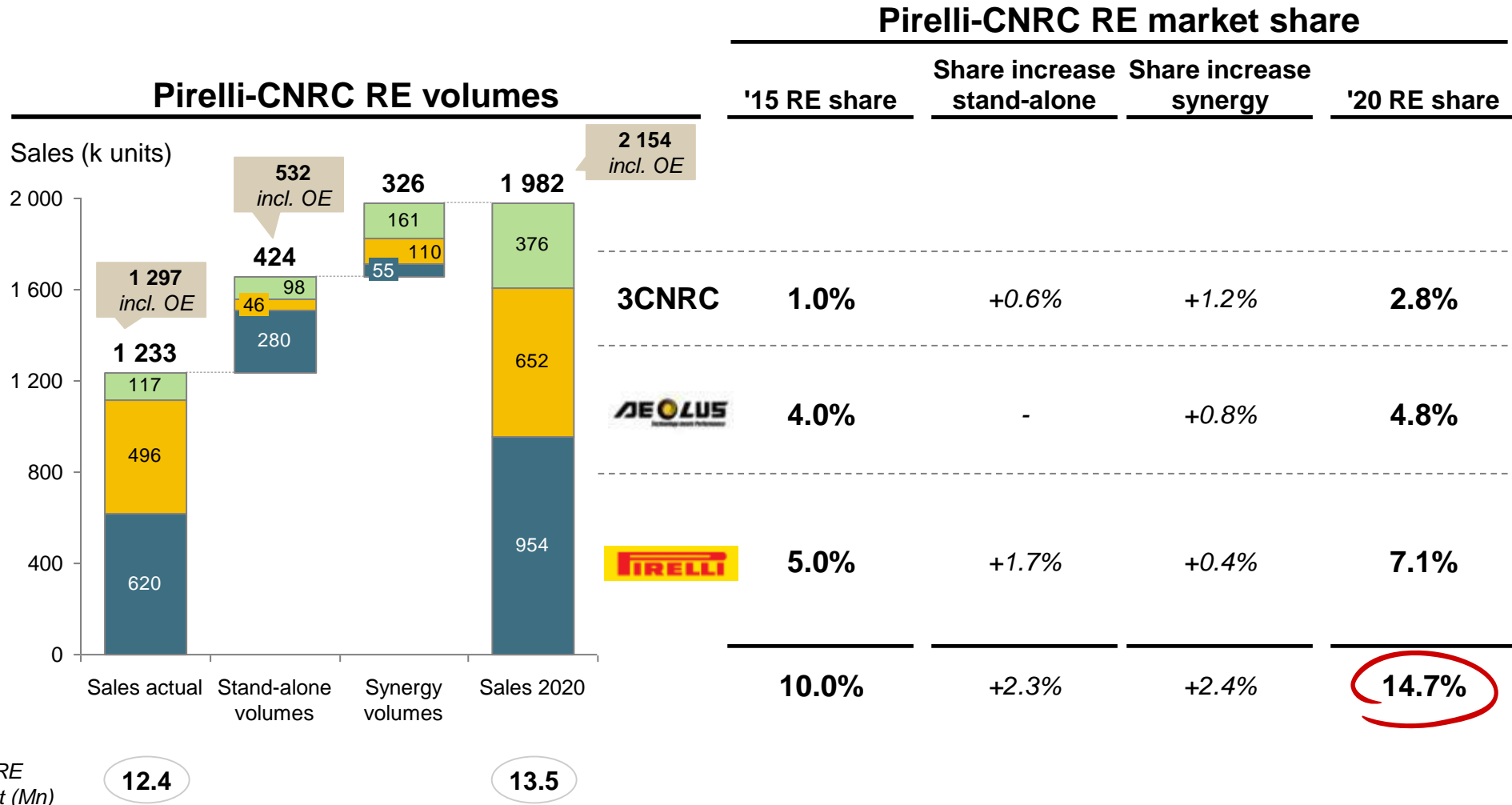




# Europe: RE market share evolution by 2020

Pirelli-CNRC gaining ~4.7% RE market share

Not including Russia



Note: 2015 FY Sales volumes.

Source: Pirelli Industrial, Aeolus, 3CNRC data; BCG analysis

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# Pirelli and 4CNRC Product and Market synergies

**Preliminary estimate**

		<b>Initiatives</b>	<b>Δ Volume (K units)</b>	<b>Δ Price (%)</b>	<b>Δ EBIT (M\$)</b>
<b>Product synergy</b>  	<b>3 CNRC</b>	<ul style="list-style-type: none"> <li>Increase 3CNRC price point in EU to match Sailun / top Tier 3 player</li> </ul>	-	+15% <i>price increase</i>	+8.1 M\$ <i>EBIT increase</i>
	<b>AEOLUS</b>	<ul style="list-style-type: none"> <li>Increase Aeolus price point in EU to match GT</li> </ul>	-	+10-20% <sup>1</sup> <i>price increase</i>	+13.6 M\$ <i>EBIT increase</i>
	<b>PIRELLI</b>	<ul style="list-style-type: none"> <li>To be explored</li> </ul>	-	-	-
<b>Market synergy</b>  	<b>3 CNRC</b>	<ul style="list-style-type: none"> <li>Evaluate distribution of 3CNRC product (YS / DH) leveraging on Pirelli network potentially through a rebranding strategy</li> </ul>	+161 k <i>incremental units</i>	-	+0.6 M\$ <i>EBIT increase</i>
	<b>AEOLUS</b>	<ul style="list-style-type: none"> <li>Leverage on Pirelli distribution network to promote Aeolus (and Windpower) products</li> </ul>	+110 k <i>incremental units</i>	-	+1.0 M\$ <i>EBIT increase</i>
	<b>PIRELLI</b>	<ul style="list-style-type: none"> <li>Pirelli leveraging on 4CNRC distribution network</li> </ul>	+55 k <i>incremental units</i>	-	+1.2 M\$ <i>EBIT increase</i>
			<b>+326 k units</b>		<b>+24.5 M\$ EBIT</b>

1. 20% in UK and Italy, 15% in Germany, 10% in other Europe.

Source: Pirelli and 4CNRC data; Output from Pirelli – CNRC war room meetings; BCG analysis

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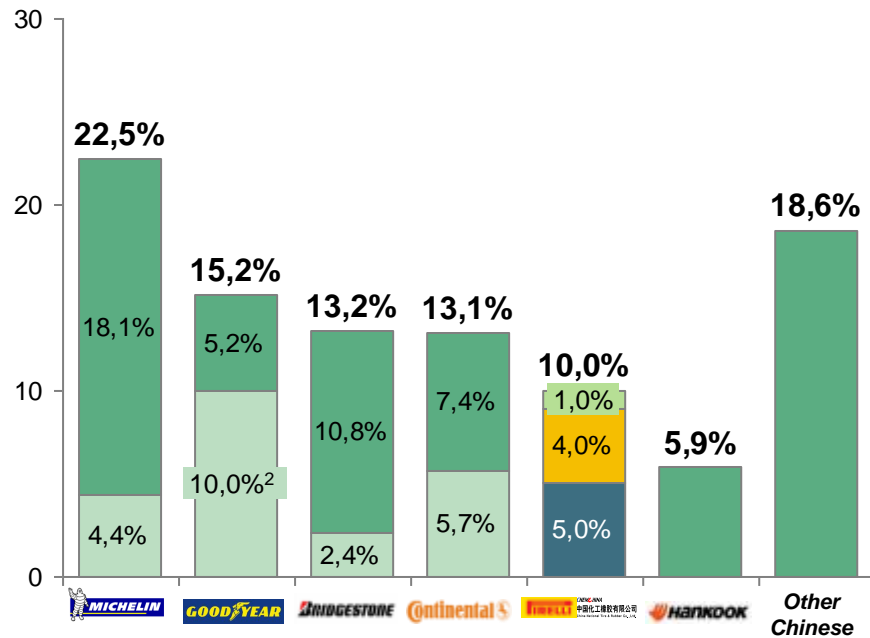




# Pirelli – CNRC market share positioning Vs top players

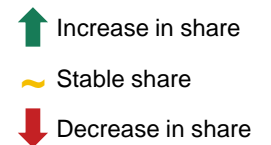
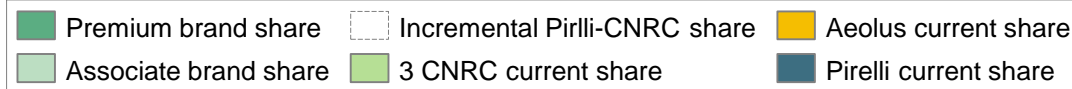
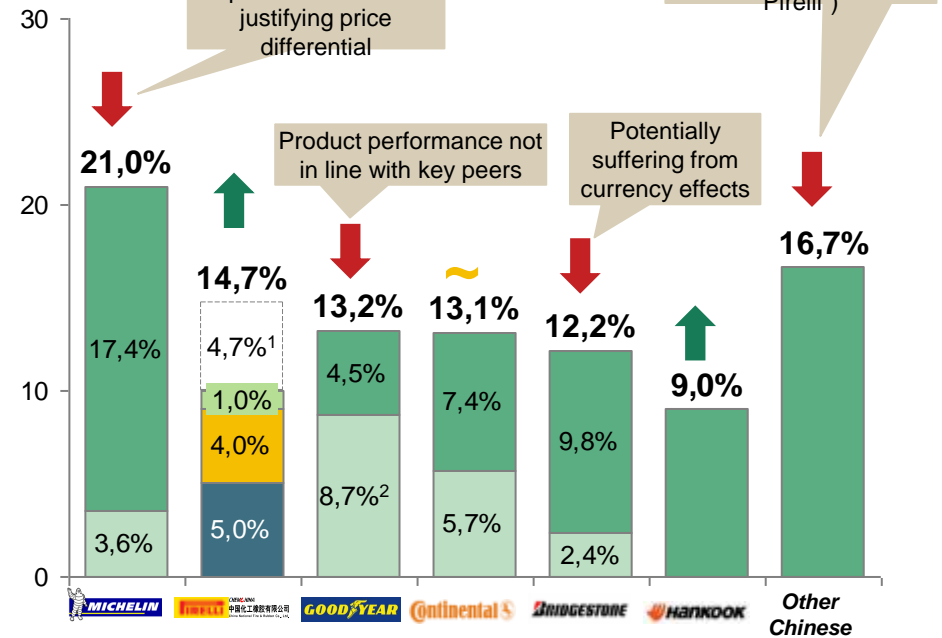
## Market share RE '15

Market share '15  
(only RE)



## Market share RE '20 (Est.)

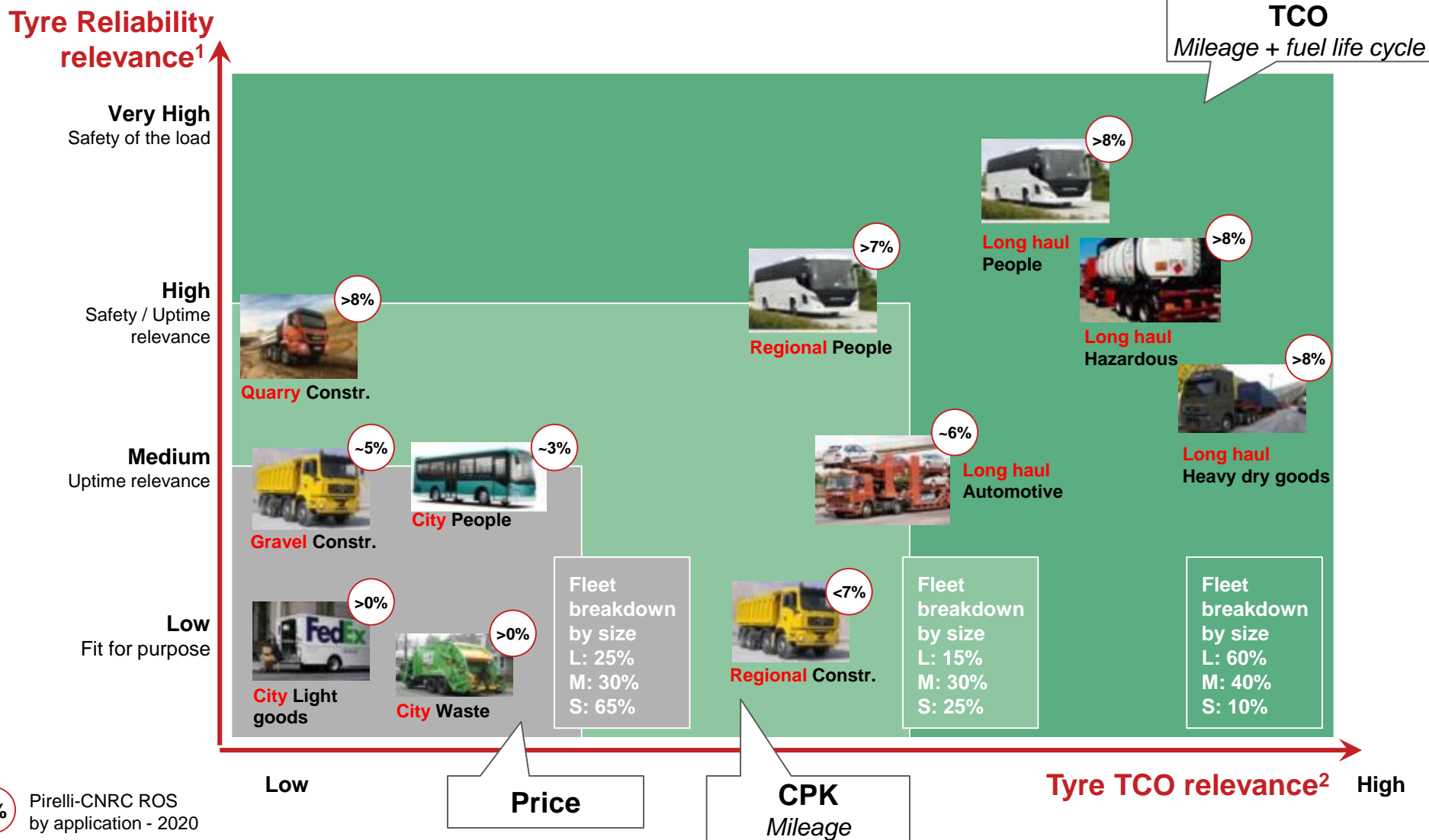
Market share '20Est.  
(only RE)



1. Of which 2.3% from stand alone growth and 2.4% from synergy increase 2. Including Dunlop  
Source: Pirelli Industrial, Aeolus, 3CNRC data; BCG analysis



# Fleets segmentation by buying criteria



x%  
Pirelli-CNRC ROS  
by application - 2020

1. Relevance of the tyre reliability for the mission/application  
 2. Tyre TCO represents the total fleet cost influenced by tyres (tyres, tyre maintenance, tyre related fuel cost)  
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# Go-to-market strategy for premium-led and cost efficient

## Go-to-market approach – 2020

## Key takeaways

Buying criteria	Premium-led			Total fleets		
	Price	CPK <i>Mileage</i>	TCO <i>Mileage + fuel life cycle</i>			
Large	Dealer + Fleet specialist + KAM <sup>1</sup> on call 70	Dealer + Fleet specialist + KAM <sup>1</sup> on call 100	Key Account Manager + Dealer 200	35k	Key Account Manager	KAM <sup>1</sup> serving large and very large fleets (market potential of ~50k tyres / year) 4-5 KAM <sup>1</sup> required in 2020
Medium	Dealer (through distributor)	Dealer + Fleet specialist 200	Dealer + Fleet specialist 500	210k	Dealer + Fleet specialist	Sales through dealers network requiring strengthening of #PoS and average share of wallet Fleet specialist employed by dealer with training and incentives by PI
Small	Dealer (through distributor)	Dealer (through distributor)	Dealer + Fleet specialist Niche	345k	Dealer (through distributor)	Current Aeolus distributors network to be retained in counties with strong presence

Cost efficient

# Number of fleets to be targeted and monitored

1. Key account manager  
Source: NTCW project; Expert interview; BCG analysis  
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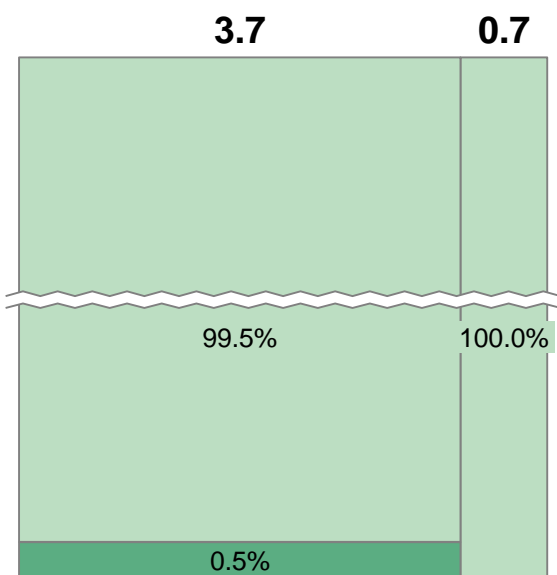


# Retread growth driven by Tier 1

All steel only, Mn units

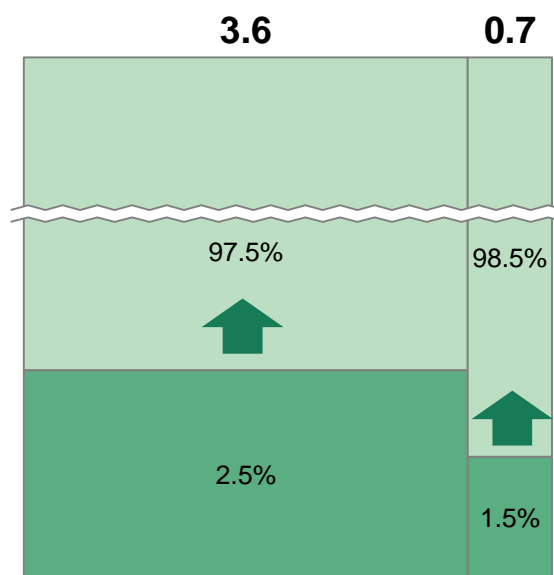
## Retread market 2015

Total Ret. vol: 4.4M units



## Retread market 2020

Total Ret. vol: 4.3M units



## Key takeaways

### Tier 1

Strong focus on increase Pirelli tyres retreadability through Novateck and Novatread offering in Europe.

### Tier 2

Focus also on retreadability of Tier 2 tyres to sustain market position of Formula and Aeolus brand.

### Tier 3

No presence of Tier 3 retread market in EU

Tier 1                      Tier 2

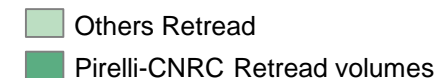
Market Retread / RE ratio                      53%                      26%

PI-CNRC Retread / RE ratio                      3%                      -

Tier 1                      Tier 2

Market Retread / RE ratio                      49%                      23%

PI-CNRC Retread / RE ratio                      10%                      11%







# Services assessment – Pirelli vs. Michelin

TCO lever	Service	Description	MP2016		2020E		Profitability impact
Product lifecycle	Retreading	<ul style="list-style-type: none"> <li>Tyre second-life guarantee</li> <li>Casing collection and management</li> <li>Cold/hot retreading services</li> </ul>	Novatread/Novateck	Remix Recamic	Novatread/Novateck	Novatread/Novateck	Profit (<5%)
	Casing mgmt.		Marangoni/Service Partner	Michelin / Service Partner	Marangoni/Service Partner	Marangoni/Service Partner	Cost
Tyre management	Fitment service	<ul style="list-style-type: none"> <li>Continuous check at fleets' hubs</li> <li>Manual tyre monitoring</li> <li>TCO improvement through tyre management</li> </ul>	Via Central Billing	Euromaster	Via Central Billing	Via Central Billing	Null
	Tyre Inspection		Fleet Check	ICheck	Fleet Check	Fleet Check	Cost
	Reporting		Fleet Check	IManage	Fleet Check	Fleet Check	Cost
Fuel savings	TPMS	<ul style="list-style-type: none"> <li>Continuous automatic tyre monitoring</li> </ul>	Cyber	WABCO	Cyber	Cyber	Profit (<10%) <sup>1</sup>
	Drivers' training		N/A	Michelin Academy	OEMs partnership	OEMs partnership	Cost
Uptime increase	Breakdown services	<ul style="list-style-type: none"> <li>24/7 Breakdown intervention</li> </ul>	CQ24	Michelin EuroAssist	CQ24	CQ24	Cost
Financing cost	Leasing & Financing	<ul style="list-style-type: none"> <li>Financial support for fleets</li> <li>Back-office support for fleets</li> </ul>	Credityre4	Leasing Solution	Credityre4	Credityre4	Profit (<5%) <sup>2</sup>
	PPK		Service Partner	Euromaster	Service Partner	Service Partner	Null

○ Low coverage ● High coverage Proprietary company Outsourced service

1. Profit % on service supplied 2. Profit % on tyre average price  
Source: NTCW project; Expert interview; BCG analysis

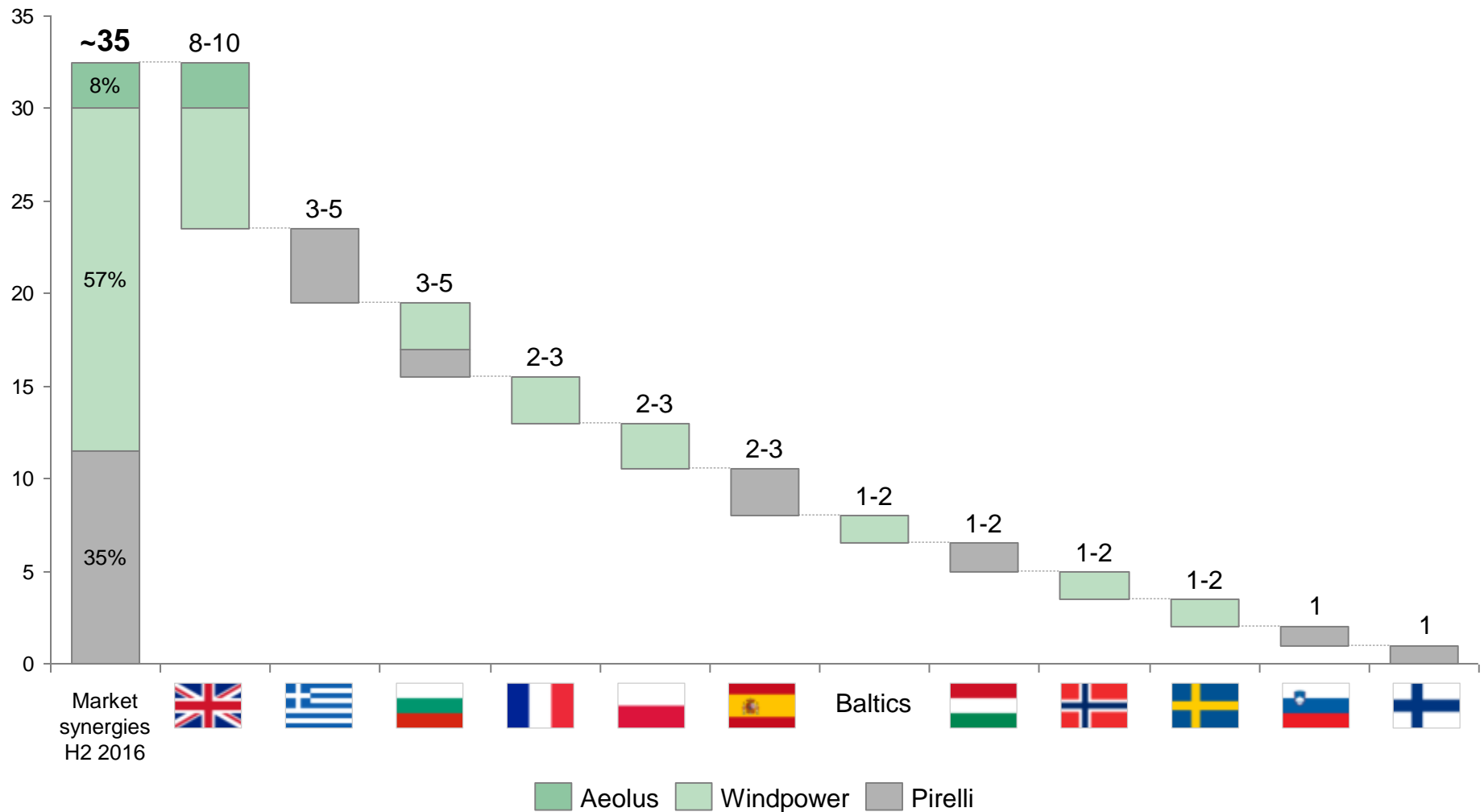




# Quick Wins H2 2016 for Pirelli-CNRC in EU

Market volume synergies, k units

K units, H2 '16



Note: UK including EIRE

Source: Output of commercial workshop Pirelli-CNRC (March '16)

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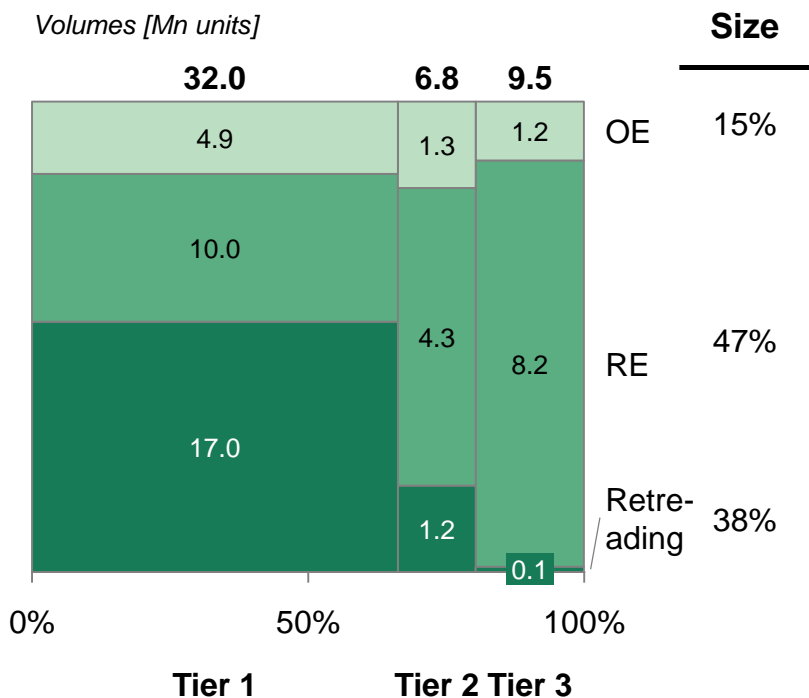
# Annex 1 – Business plan and business model per region

## NAFTA TBR Market

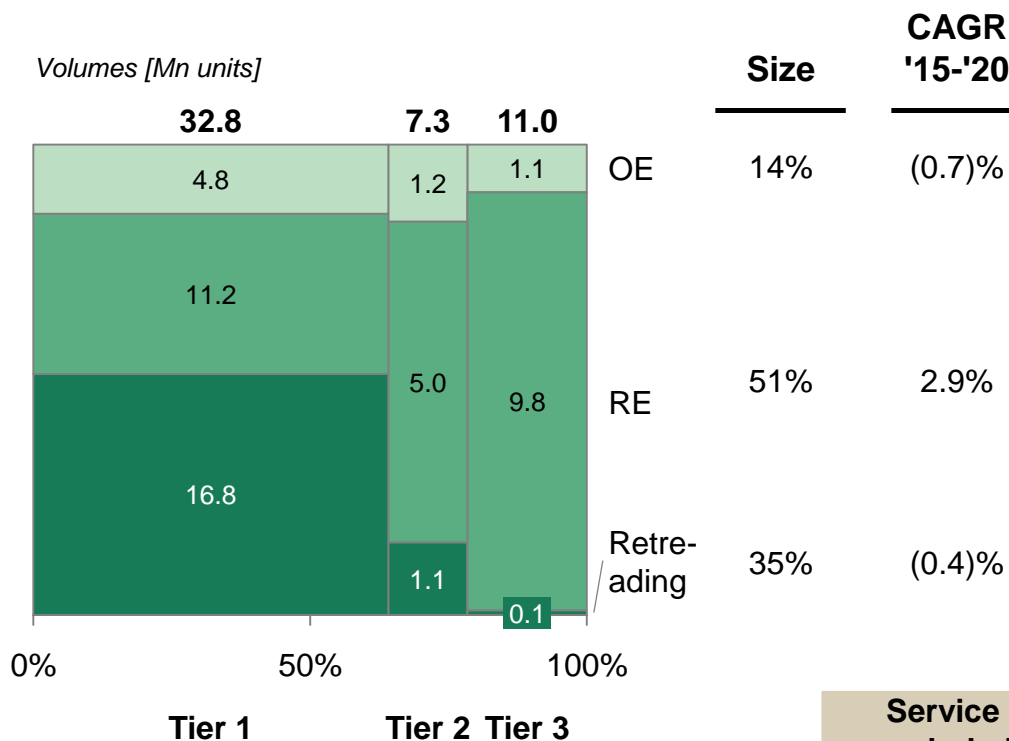
# NAFTA TBR: a 48 Mn units market

TBR Mn units, 2015-2020

## NAFTA TBR market 2015: 48.2 Mn units



## NAFTA TBR market 2020: 51.0 Mn units



Service excluded

Total market CAGR '15-'20: ~1.1%

1) Slightly growing market; 2) Highly premium; 3) Retreading accounting for 2/5 market

Note: Tier 3 and Tier 4 aggregated for US and Mexico.

Source: Pirelli US and Canada business Plan; MTD January 2015; Expert interviews; EIU statistics; IHS '15; BCG analysis

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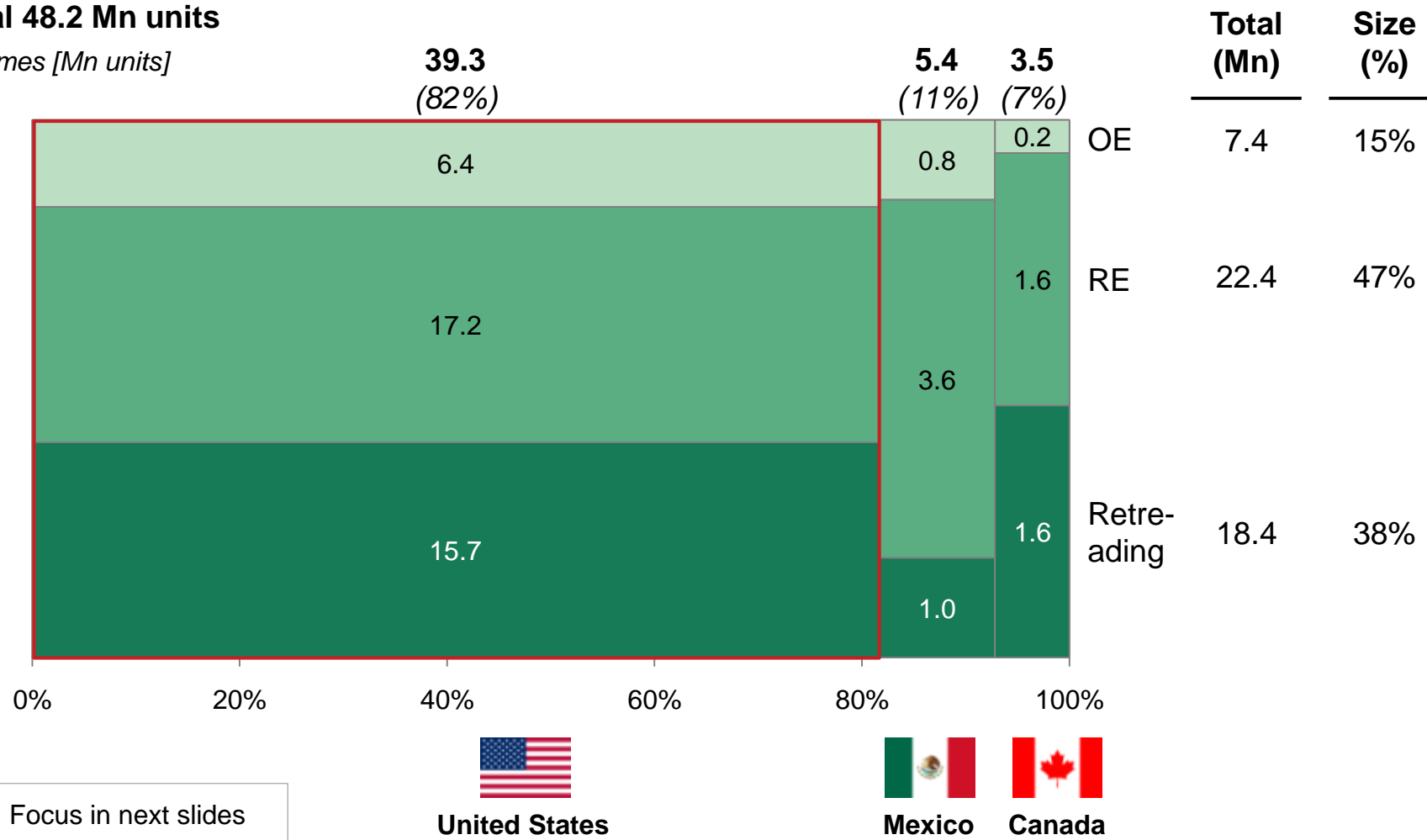
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# NAFTA TBR market by country in 2015

**Total 48.2 Mn units**

Volumes [Mn units]

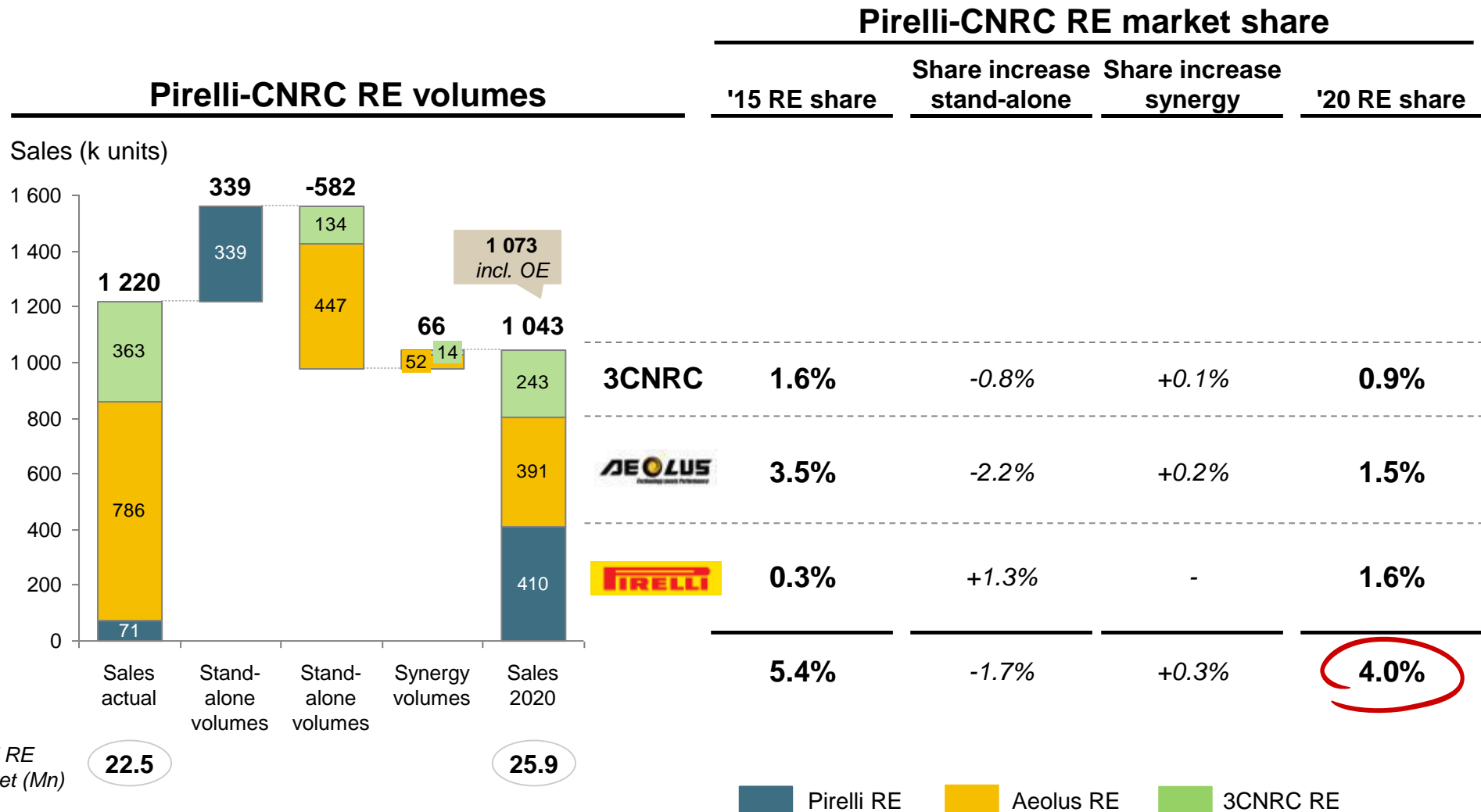


  Focus in next slides



# RE market share evolution by 2020

Pirelli gaining ~1.3% RE market share, while 4CNRC losing presence due to duties introduction



Note: 2015 Sales volumes.

Source: Pirelli Industrial, Aeolus, 3CNRC data; BCG analysis



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# Pirelli and 4CNRC Product and Market synergies

Preliminary estimate

		Initiatives	$\Delta$ Volume (K units)	$\Delta$ Price (%)	$\Delta$ EBIT (M\$)
<b>Product synergy</b> 	3 CNRC	<ul style="list-style-type: none"> <li>To be explored</li> </ul>	-	-	-
	AEOLUS	<ul style="list-style-type: none"> <li>Increase Aeolus price point in Canada and Mexico to match benchmark competitor</li> </ul>	-	+4%-20% <sup>1</sup> price increase	+5.6 M\$ EBIT increase
	PIRELLI	<ul style="list-style-type: none"> <li>To be explored</li> </ul>	-	-	-
<b>Market synergy</b> 	3 CNRC	<ul style="list-style-type: none"> <li>3CNRC leverage on Pirelli existing Mexican distribution network</li> </ul>	+14 k incremental units	-	~0 M\$ EBIT increase
	AEOLUS	<ul style="list-style-type: none"> <li>Aeolus leverage on Pirelli existing Mexican distribution network</li> </ul>	+52 k incremental units	-	~0 M\$ EBIT increase
	PIRELLI	<ul style="list-style-type: none"> <li>To be explored</li> </ul>	-	-	-
			<b>+66 k units</b>		<b>+5.6 M\$ EBIT</b>

1. 4% in Mexico, 20% in Canada.

Source: Pirelli and 4CNRC data; Output from Pirelli – CNRC war room meetings; BCG analysis

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# Annex 1 – Business plan and business model per region

NAFTA TBR Market

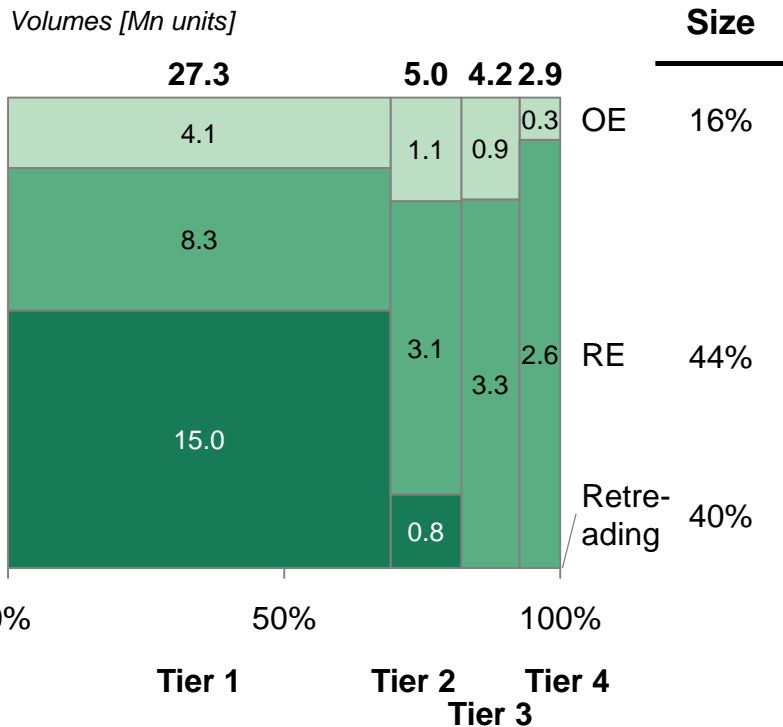
## United States



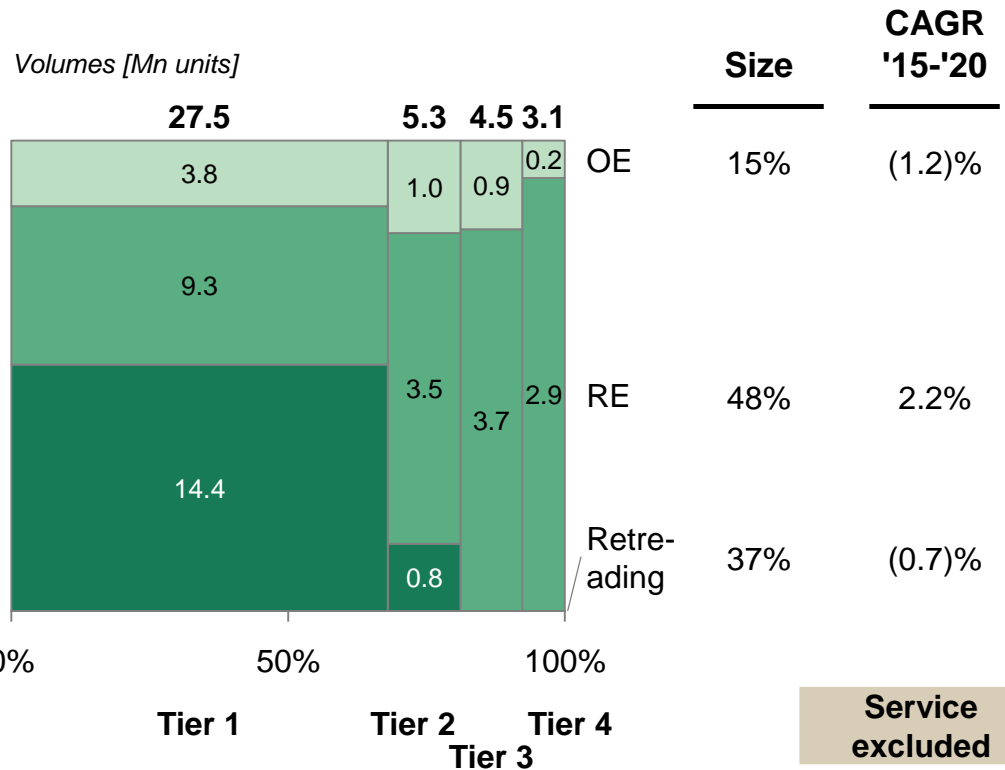


# US TBR: a 39-40 Mn units market

## US TBR market 2015: 39.4 Mn units



## US TBR market 2020: 40.5 Mn units



Service excluded

Total market CAGR '15-'20: ~0.5%

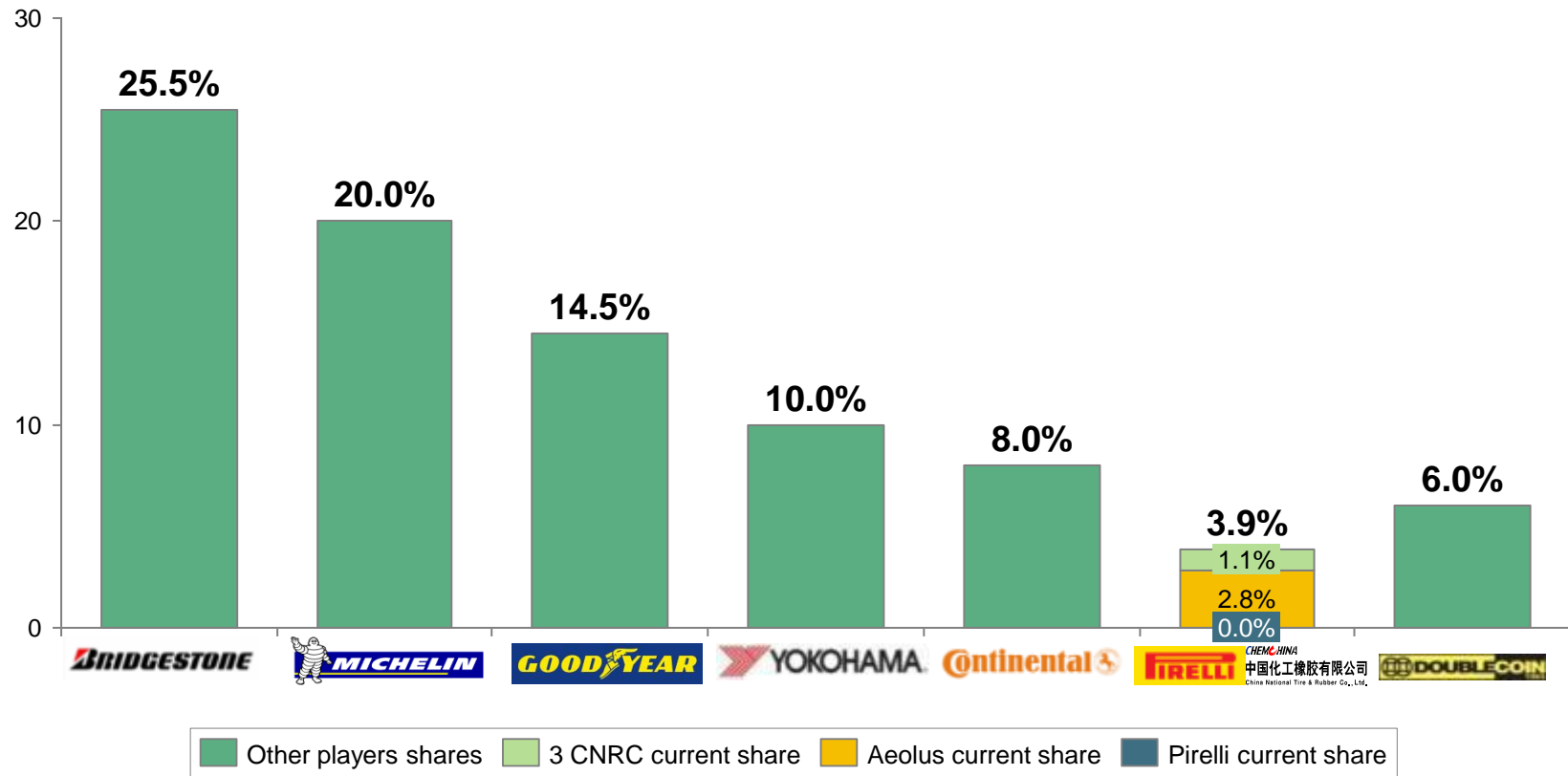
1) Stable market; 2) Highly premium and 4 Tiers perceived; 3) Retreading accounts for 2/5 market





# Pirelli – CNRC market share positioning vs. top players

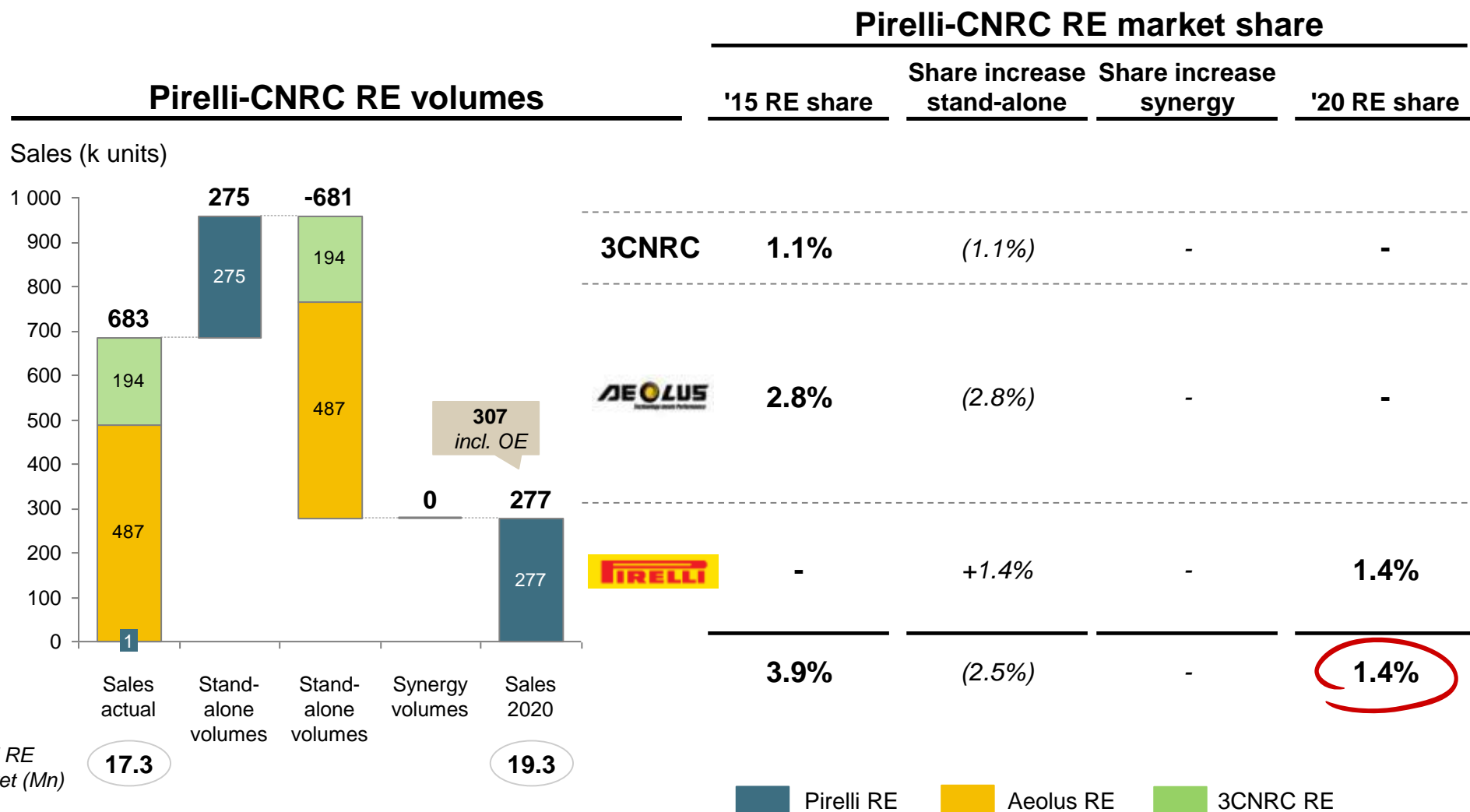
Market share % '15  
(only RE)





# US market share evolution by 2020

Pirelli gaining 1.4% RE market share while 4CNRC not present in 2020 due to duties introduction



Note: 2015 Sales volumes.

Source: Pirelli Industrial, Aeolus, 3CNRC data; BCG analysis

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# Fleets segmentation by buying criteria

**Tyre Reliability relevance<sup>1</sup>**

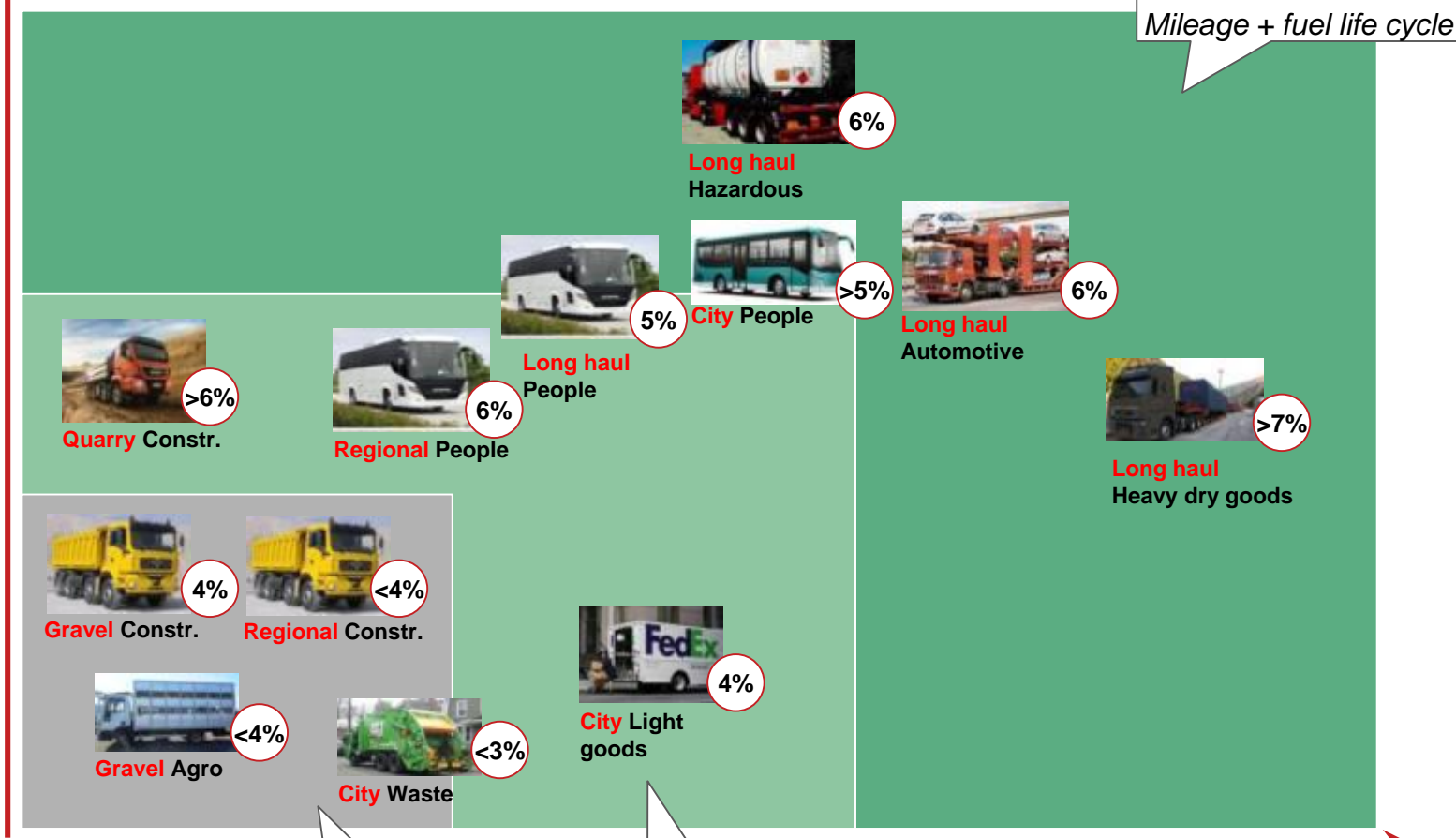
**TCO**  
Mileage + fuel life cycle

**Very High**  
Safety of the load

**High**  
Safety / Uptime relevance

**Medium**  
Uptime relevance

**Low**  
Fit for purpose



x%  
Pirelli-CNRC ROS  
by application - 2020

**Price**

**CPK**  
Mileage

**Tyre TCO relevance<sup>2</sup>** High

1. Relevance of the tyre reliability for the mission/application  
 2. Tyre TCO represents the total fleet cost influenced by tyres (tyres, tyre maintenance, tyre related fuel cost)  
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# Go-to-market strategy in US

## Go-to-market approach – 2020

Buying criteria	Price	CPK <i>Mileage</i>	TCO <i>Mileage + fuel life cycle</i>
Large	<b>National Account System</b> Key Account Managers		
Medium	<b>Dealers distribution network</b>		
Small	Dealer specialist		

## Key takeaways

**Key Account Managers**

3 Key Accounts required by 2020

Key Accounts focused on large fleets to be served through National Account System starting from 2020

**Dealer specialist**

14 Dealer Specialists by 2020

Dealer Specialists s establishing relationship with national dealers

18 separate regional servicing dealers - Target dealers network: ACTN group





# Pirelli with no direct retread volumes by 2020

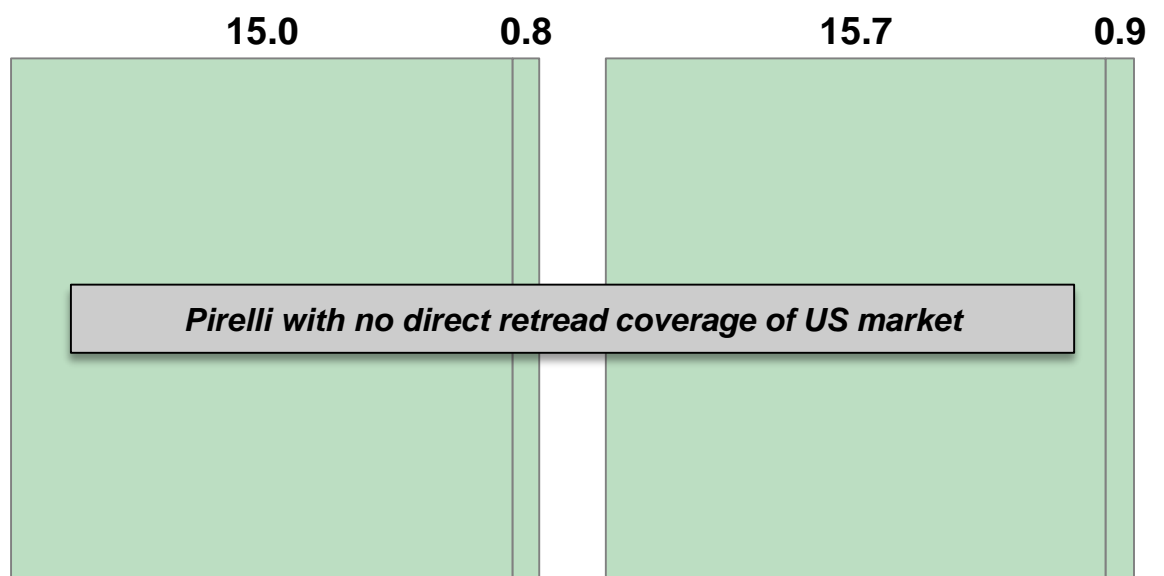
## Retread market 2015

## Retread market 2020

## Key takeaways

Total Ret. vol: 15.8M units

Total Ret. vol: 16.6M units



*Pirelli with no direct retread coverage of US market*

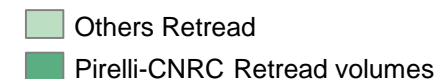
### Pirelli strategy in Retread in the US

Pirelli focus in the first 5 years should be on introducing a product line fully retreadable for end customers

Pirelli should not focus on direct retread with own bands and process due to lock-in of >90% of retreaders in the market

Potential of Pirelli retread bands and process introduction after 2020

	Tier 1	Tier 2	Tier 1	Tier 2
<b>Market Retread / RE ratio</b>	181.0%	25.1%	168.9%	25.7%
<b>PI-CNRC Retread / RE ratio</b>	N/A	N/A	N/A	N/A



Note: Retread market estimate at 2020 considering scenario with anti-dumping duties on Chinese RE tyres

Source: Pirelli BP 2016 – 2020; Expert interview; BCG analysis












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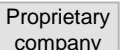




# Services assessment

TCO lever	Service	Description	2020E 	Profitability impact
Product lifecycle	Retreading	<ul style="list-style-type: none"> <li>Tyre second-life guarantee</li> <li>Casing collection and management</li> <li>Cold/hot retreading services</li> </ul>	Service N/A 	-
	Casing mgmt.		Service N/A 	-
Tyre management	Fitment service	<ul style="list-style-type: none"> <li>Continuous check at fleets' hubs</li> <li>Manual tyre monitoring</li> <li>TCO improvement through tyre management</li> </ul>	Service N/A 	-
	Tyre Inspection		Service N/A 	-
	Reporting		Fleet Check 	Cost
Fuel savings	TPMS	<ul style="list-style-type: none"> <li>Continuous automatic tyre monitoring</li> </ul>	Cyber 	Profit (<10%)
	Drivers' training		Service N/A 	-
Uptime increase	Breakdown services	<ul style="list-style-type: none"> <li>24/7 Breakdown intervention</li> </ul>	CQ24 	Null
Financing cost	Leasing & Financing	<ul style="list-style-type: none"> <li>Financial support for fleets</li> <li>Back-office support for fleets</li> </ul>	Service N/A 	-
	PPK		Service N/A 	-

○ Low coverage ● High coverage

 Proprietary company  
 Outsourced service

Source: NTCW project; Expert interview; BCG analysis

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# Annex 1 – Business plan and business model per region

## LatAm TBR Market



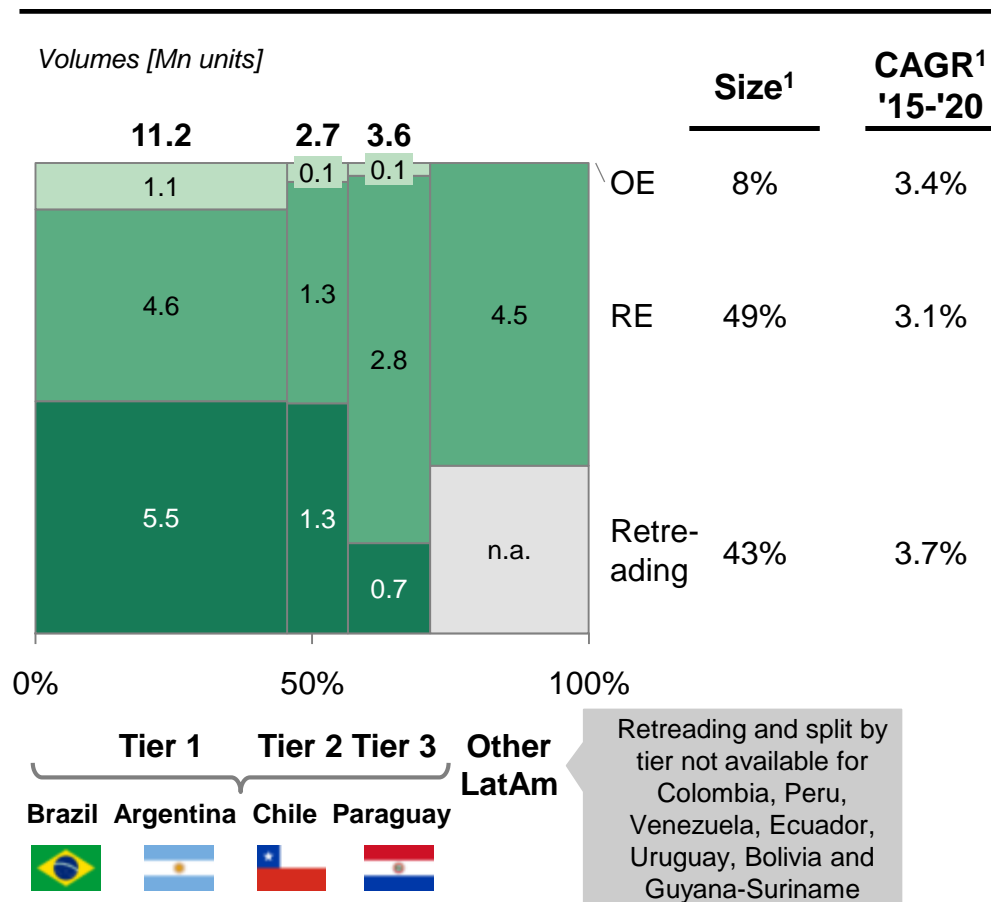
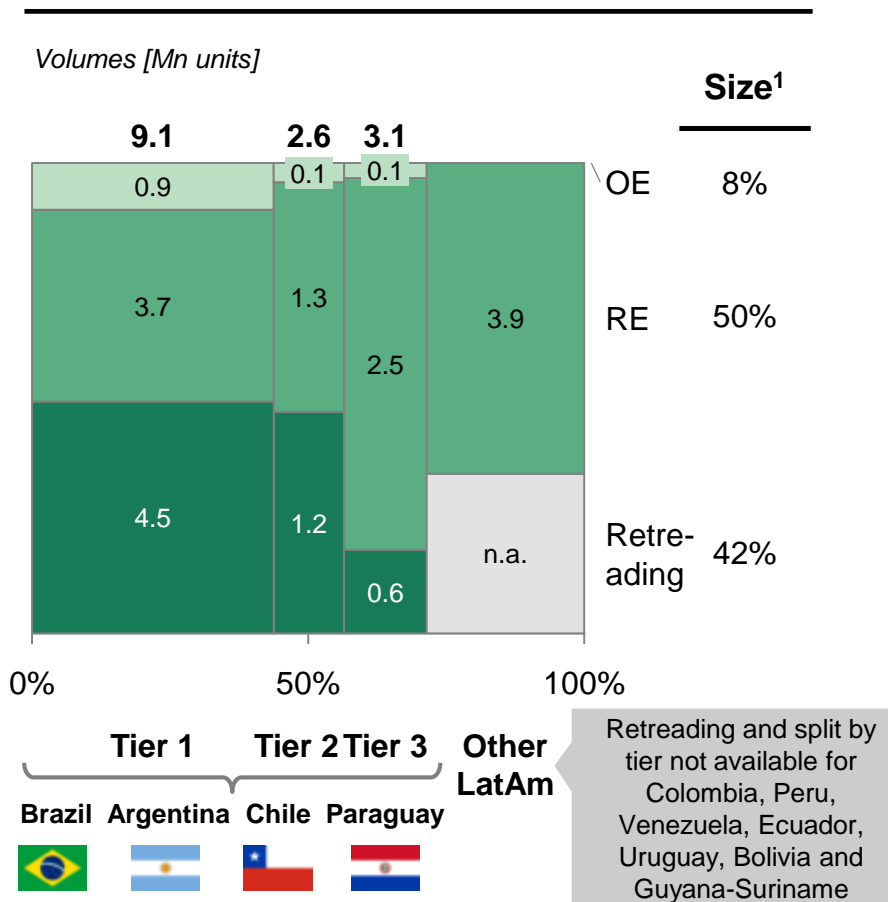
# LatAm TBR market

OE and RE accounting for 12.4 Mn units in 2015

Service excluded

## LatAm TBR market 2015

## LatAm TBR market 2020



1. Only for Brazil, Chile, Paraguay, Argentina.

Note: LatAm including: Brazil, Chile, Paraguay, Argentina, Colombia, Peru, Venezuela, Ecuador, Uruguay, Bolivia, Guyana-Suriname.

Source: Pirelli LatAm business Plan; MTD January 2015; Expert interviews; EIU statistics; IHS '15; BCG analysis

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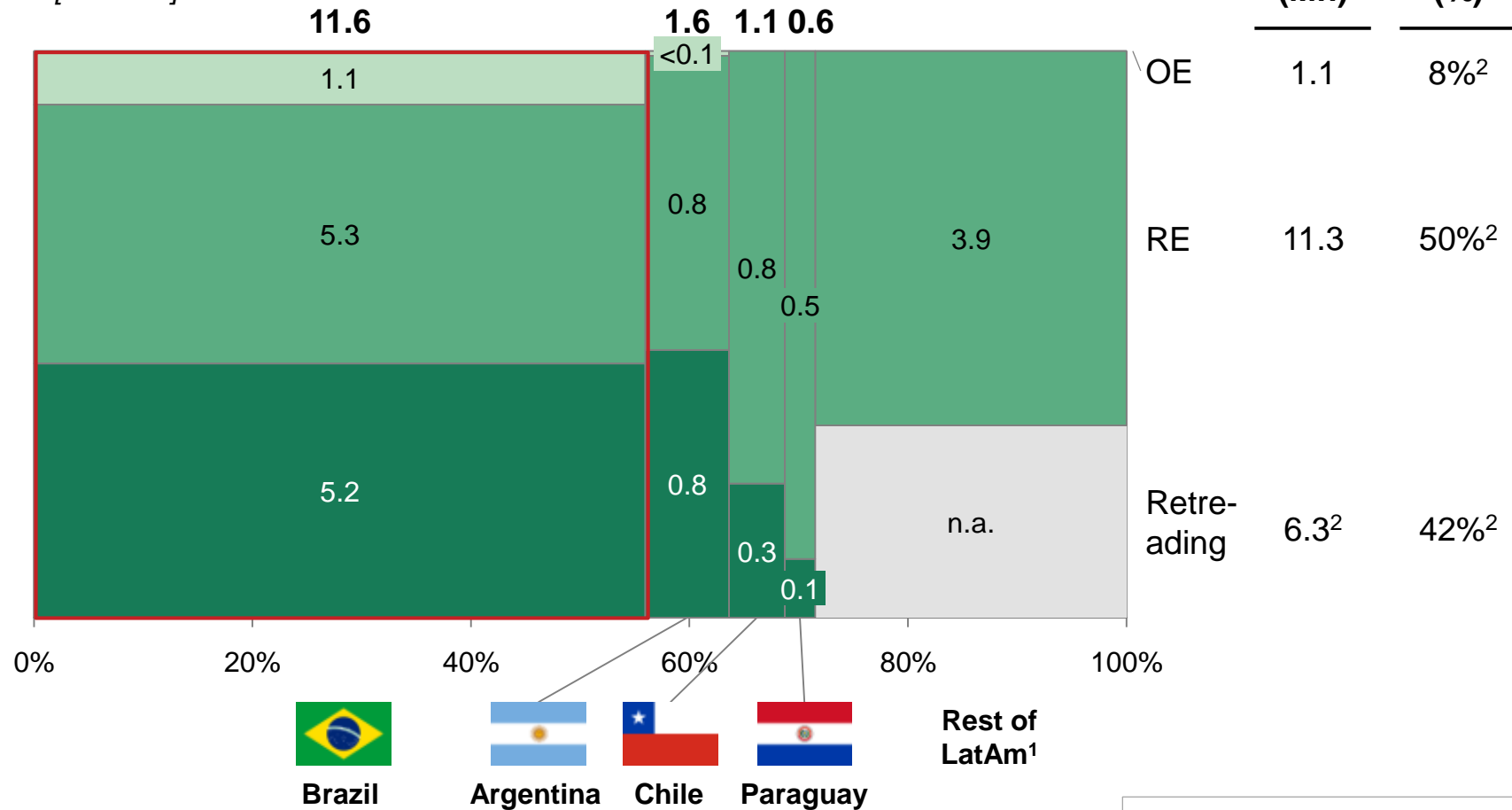
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# LatAm TBR market by country in 2015

Total OE + RE: 12.4 Mn units

Volumes [Mn units]



  Focus in next slides

1. Rest of LatAm includes Colombia, Peru, Venezuela, Ecuador, Uruguay, Bolivia, Guyana-Suriname.

2. Only for Brazil, Chile, Paraguay, Argentina.

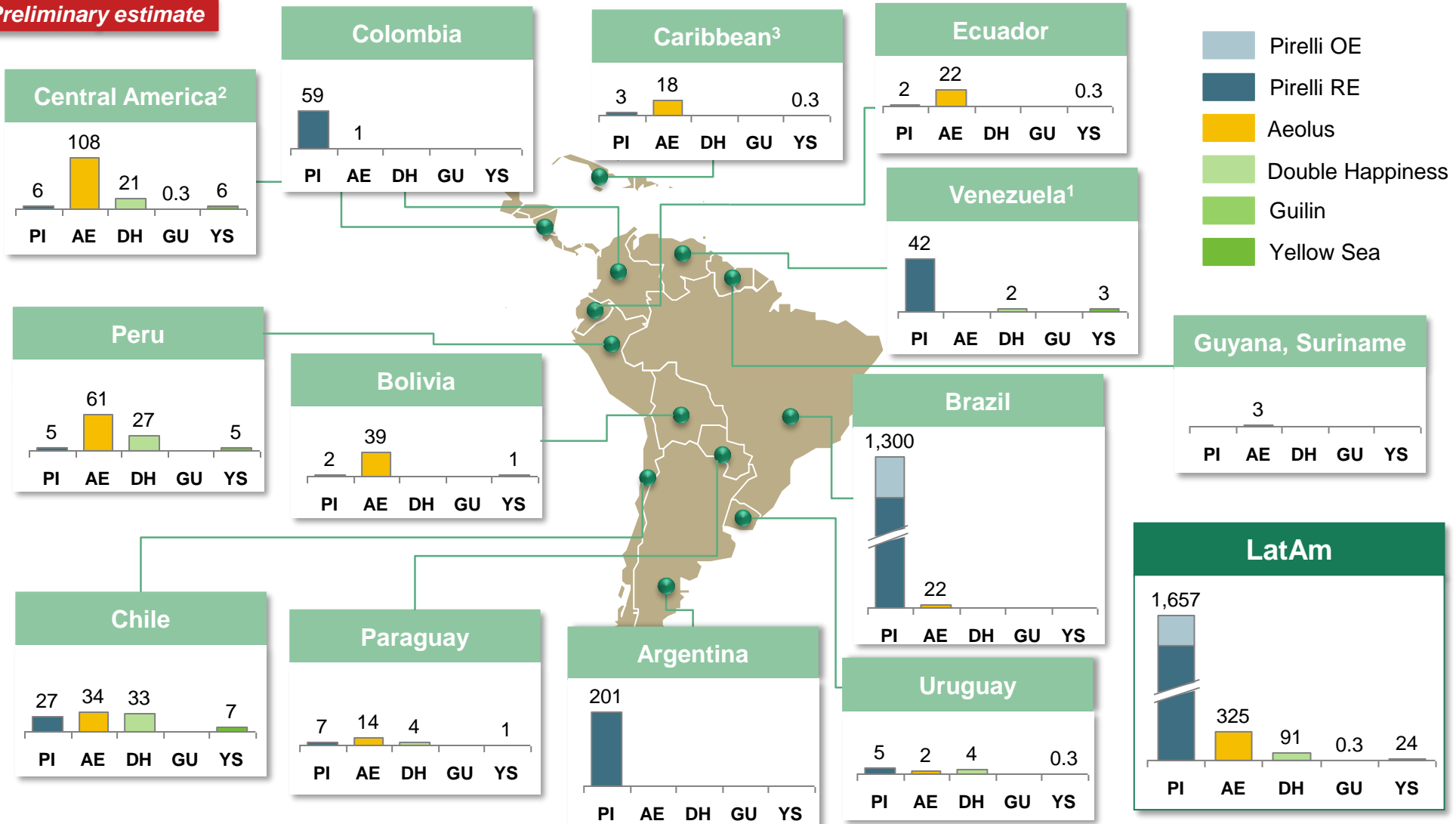
Source: Pirelli LatAm business Plan; MTD January 2015; Expert interviews; EIU statistics; IHS '15; BCG analysis



# LatAm: Pirelli, Aeolus and 3CNRC Sales

2015 TBR Sales volumes (K units)

Preliminary estimate



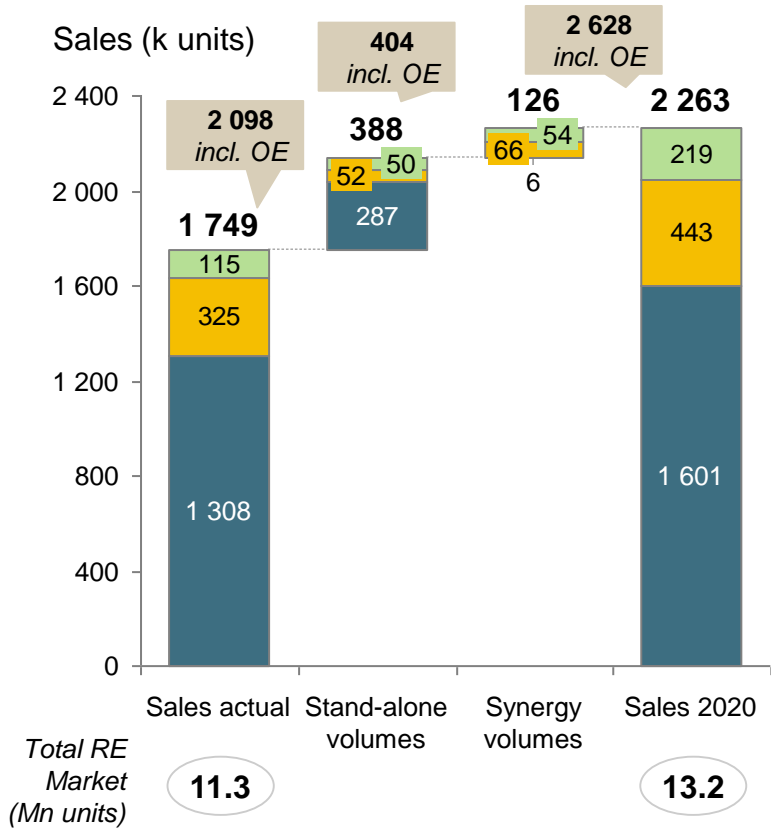
1. Including Venezuela Export for Pirelli. 2. Belize, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Panama. 3. Cuba, Haiti, Dominican Republic, Jamaica, Trinidad e Tobago, Bahamas, Barbados, Saint Lucia, Martinique, other small Caribbean.

Source: Pirelli BU industrial, Aeolus, 3CNRC, BCG analysis

# RE market share evolution by 2020

Pirelli-CNRC gaining ~1.7% market share

## Pirelli-CNRC RE volumes



## Pirelli-CNRC RE market share







	'15 RE share	Share increase stand-alone	Share increase synergy	'20 RE share
3CNRC	1.0%	+0.3%	+0.4%	1.7%
AEOLUS	2.9%	-	+0.5%	3.4%
PIRELLI	11.6%	+0.5%	-	12.1%
<b>Total</b>	<b>15.5%</b>	<b>+0.8%</b>	<b>+0.9%</b>	<b>17.2%</b>

■ Pirelli RE 
 ■ Aeolus RE 
 ■ 3CNRC RE

Note: 2015 FY Sales volumes.  
 Source: Pirelli Industrial, Aeolus, 3CNRC data; BCG analysis  
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# Pirelli and 4CNRC Product and Market synergies

Preliminary estimate

	Initiatives	$\Delta$ Volume (K units)	$\Delta$ Price (%)	$\Delta$ EBIT (M\$)
<b>Product synergy</b> 	<b>3 CNRC</b> <ul style="list-style-type: none"> <li>To be explored</li> </ul>	-	-	-
	 <ul style="list-style-type: none"> <li>Price increase to move Aeolus to tier 2 in Brazil</li> </ul>	-	+10% <sup>1</sup> price increase	+0.9 M\$ EBIT increase
	 <ul style="list-style-type: none"> <li>To be explored</li> </ul>	-	-	-
<b>Market synergy</b> 	<b>3 CNRC</b> <ul style="list-style-type: none"> <li>Increase volumes on products not affected by antidumping rules</li> <li>Leverage on Pirelli image and distribution network</li> </ul>	+54 k incremental units	-	+0.0 M\$ EBIT increase
	 <ul style="list-style-type: none"> <li>Increase volumes on products not affected by antidumping rules</li> <li>Leverage on Pirelli image and distribution network</li> </ul>	+66 k incremental units	-	+0.2 M\$ EBIT increase
	 <ul style="list-style-type: none"> <li>Leverage on Aeolus and 3CNRC distribution network to increase Pirelli sales</li> </ul>	+6 k incremental units	-	+0.2 M\$ EBIT increase
		<b>+126 k units</b>		<b>+1.4 M\$ EBIT</b>

1. Brazil only.

Source: Pirelli and 4CNRC data; Output from Pirelli – CNRC war room meetings; BCG analysis

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# Annex 1 – Business plan and business model per region

LatAm TBR Market

## Brazil

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