



1H 2020 RESULTS

Milan, August 5th, 2020

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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 include EBIT, EBIT margin, EBITDA, EBITDA 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 margin adjusted, EBIT adjusted, EBIT margin adjusted, Net Income adjusted, Net Income adjusted margin.

In order to facilitate the understanding of our financial position and financial performance, this Presentation contains other performance measures, such as CapEx (Capital Expenditures) or Investments in property, plant & equipment, Operating working capital related to continuing operations, Net Financial (liquidity) / debt Position, Net financial (liquidity)/debt position without IFRS 16, Operating net cash flow, Net cash flow and Net cash flow before dividends.

These measures are not indicative of our historical operating results, nor are they meant to be predictive of future results.

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KEY MESSAGES

- > **FY 2020 outlook confirmed, with High Value proving again its resilience**
- > **Competitiveness Program and “Covid Actions” in line with Plan, mitigating 2Q slowdown impact**
- > **CO-CEO appointment to further accelerate our Transformation Program towards a leaner, faster and more profitable company**
- > **Solid Cash Flow generation in FY 2020 despite worsening FX and Raw Materials**

AGENDA

1 2020 OUTLOOK

2 MARKET AND PIRELLI PERFORMANCE

3 1H 2020 FINANCIAL REVIEW

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2020 OUTLOOK CONFIRMED, WITH H.V. PROVING ITS RESILIENCE

●—First Outlook—● ●—Outlook @1Q—● ●—Outlook @2Q—●

2020E (Apr) Δ YoY % 2020E (May) Δ YoY % 2020E (Aug) Δ YoY %

CAR PRODUCTION (million cars)



	2020E (Apr)	Δ YoY %	2020E (May)	Δ YoY %	2020E (Aug)	Δ YoY %	
TOTAL			69.3	-22%	69.5	-22%	✓ confirmed
PRESTIGE & PREMIUM			9.9	-17%	10.3	-14%	
SYNERGIC			59.4	-23%	59.2	-23%	

CAR TYRE MARKET (million tyres)



	2020E (Apr)	Δ YoY %	2020E (May)	Δ YoY %	2020E (Aug)	Δ YoY %	
TOTAL	1,275	-19%	1,247	-20%	1,274	-19%	✓ confirmed
≥18"	222	-14%	218	-15%	226	-13%	<ul style="list-style-type: none"> • 1H -28% • 2H -10%
≤ 17"	1,050	-20%	1,029	-21%	1,047	-20%	

CAR TYRE VOLUMES (million tyres)

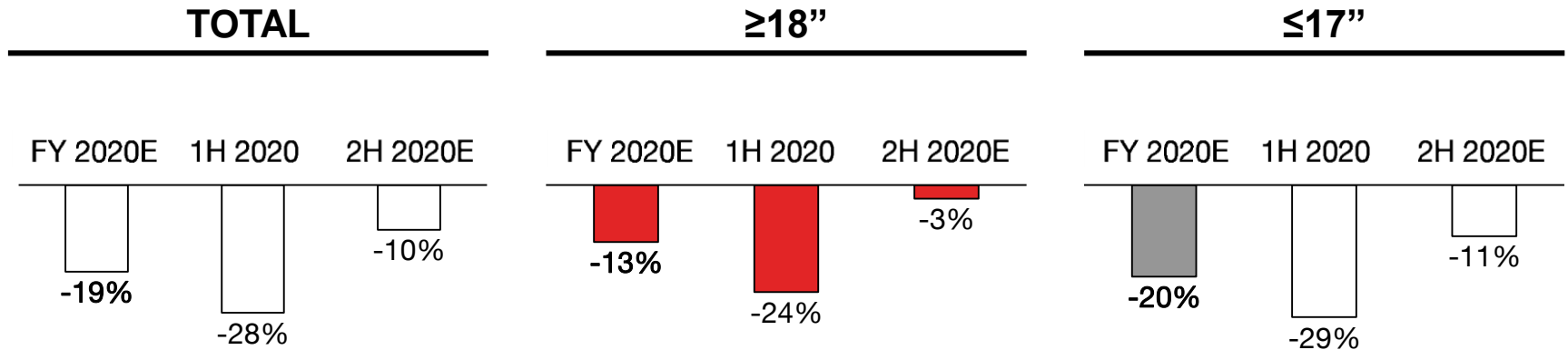


	2020E (Apr)	Δ YoY %	2020E (May)	Δ YoY %	2020E (Aug)	Δ YoY %	
TOTAL	53	-18%	52	-19%	52	-19%	✓ confirmed
≥18"	27	-11.5%	27	-12.5%	27	-12.5%	<ul style="list-style-type: none"> • 1H -30.5% • 2H -7%
≤ 17"	27	-24%	26	-25%	26	-25%	

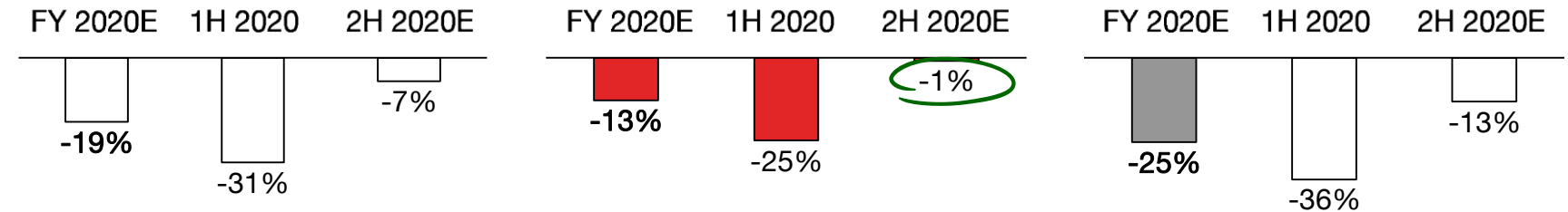
IN ≥18” PLANNING TO REACH ALMOST 2019 LEVELS IN 2H DESPITE THE TOUGH EXTERNAL SCENARIO



CAR TYRE MARKET
(Δ YoY)



CAR TYRE VOLUMES
(Δ YoY)



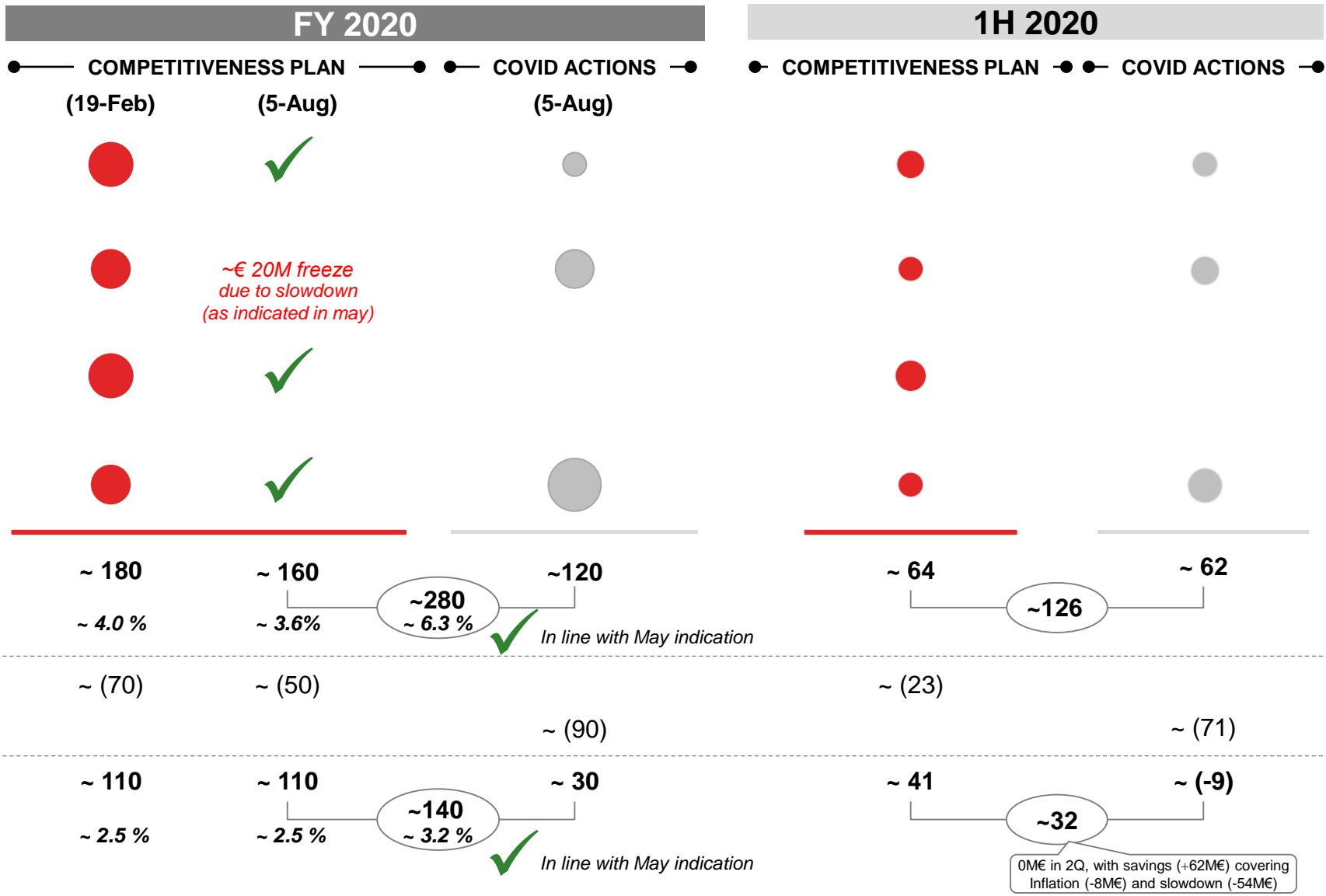
- > 1H: Repl. Destocking in EU and USA
- > 2H: almost reaching 2019' level thanks to APAC expansion

- > 1H: Pirelli LATAM Standard exposure weighing on reduction
- > 2H: Normalization with pruning of unprofitable channel / customers



PIRELLI COMPETITIVENESS PROGRAM AND «COVID ACTIONS» PROGRESSING AS PLANNED

€ million

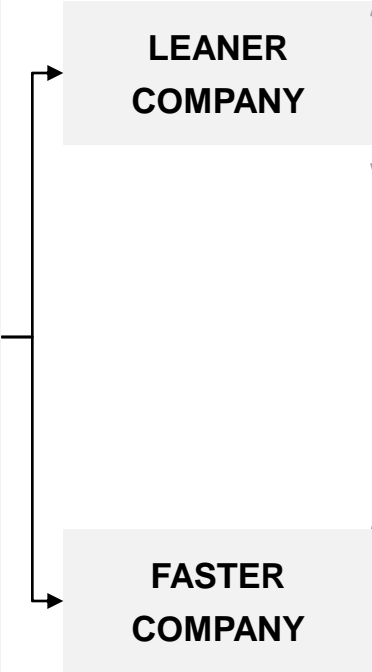


A FURTHER REACHING TRANSFORMATION IS UNDERWAY

PIRELLI TRANSFORMATION: KEY HIGHLIGHTS

- > Each working Group is multidisciplinary:
Business + People & Organization + Technology
- > Target Operating Model is composed by 14 integrated interfunctional journeys, covering the entire value chain from Consumer to Supplier.
- > Processes and Workflow Enabled by 4 Integrated Cloud Based Digital Platforms
- > AI Models Integrated in processes, to optimize allocations and work as early warning systems
- > Program is Consumer & Customer centric, with customer management processes among as first wave priorities

SUMMARY OBJECTIVES



SELECTED EXAMPLES OF PROGRESS UNDER WAY

- >85% adoption of Smart Working technologies
- New CRM adopted by >90% of the workforce in pilot countries
- >15% of 2019 product codes frozen / removed from production and sales plans
- Shared service-center for staff functions completed in Brazil
- ~300 sizes already tested with virtualized design and target costing
- Collaborative online sales conversion rate 4x in pilot country thanks to “click to buy” project
- Increasing monthly mix coverage in plants: +10pp in best-in-class facilities
- >70% of clients in Brazil sharing sell-out data



NEW ORGANIZATIONAL STRUCTURE TO MAXIMIZE OPERATIONAL EFFECTIVENESS

KEY MISSION

M. Tronchetti Provera
EXECUTIVE VICE-CHAIRMAN AND CEO

- > Strategic Planning & Control
- > Approval of Corporate Policies, Initiatives and Projects
- > Representation of Management and Board to General Public, Institutions, Shareholders and Investors

A. Papadimitriou
GENERAL MANAGER CO-CEO

- > Accelerated execution of the Transformation Program, and achievement of the relative Targets

A. Casaluci
GENERAL MANAGER OPERATIONS

- > Day to Day Operations, Line Functions (R&D, Manufacturing, Supply Chain, Sales, Marketing) and Regions



2020 TARGETS UPDATE

2020 KEY TARGETS

€ billion

	2019 A	@ 13-May 2020 E	@ 5-Aug 2020 E
Net Sales	5.3	~4.3 ÷ ~4.4	~4.15 ÷ ~4.25
adj. EBIT margin	0.9 17.2%	~14% ÷ ~15%	~12% ÷ ~13%
CapEx	0.39	~0.13	confirmed
Net Cash Flow bef. Dividends	0.33	~0.23 ÷ ~0.26 assuming no div.	~0.19 ÷ ~0.22 assuming no div.
Net Financial Position (IFRS 16)	3.5	~3.3	confirmed

	@ 13-May 2020 E	@ 5-Aug 2020 E
Volumes	~ -18% ÷ -20%	confirmed
• o/w High Value	~ -14%	✓
• o/w Standard	~ -26%	✓
Price/mix	~ +2%	confirmed
Forex	~ -2%	~ -4%
Efficiencies (net of inflation)	~ +€110m	confirmed
Raw Mat.	~ +€15m	~ -€10m
Cost Cutting (Covid Actions)	~ +€120m	confirmed
Slowdown	~ -€90m	confirmed
Other costs	~ -€50m	~ -€70m

AGENDA

1 2020 OUTLOOK

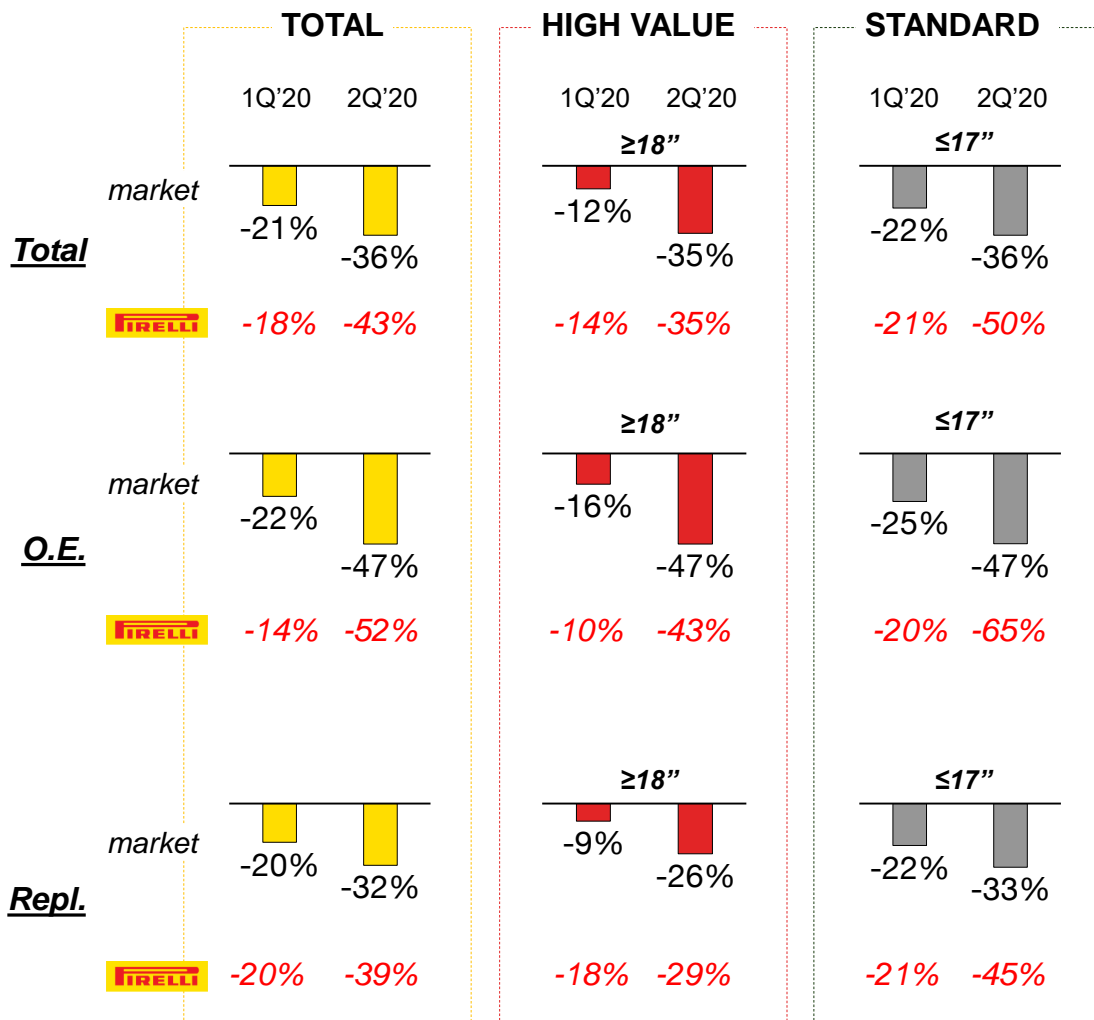
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FULL IMPACT OF LOCKDOWN MEASURES IN 2Q 2020

1Q-2Q MARKET SCENARIO AND PIRELLI VOLUMES



2Q KEY TRENDS PIRELLI PERFORMANCE

High Value

- > O.E. over-performing market through portfolio diversification (Apac and NA)
- > Repl. almost aligned to mkt. after 1Q trade destocking in EU and NA
 - Solid performance in Apac, with share increase in China
 - EU trade destocking completed in April
 - Underperforming in US, with destocking proceeding and lock downs impacting more the areas with higher concentration of Premium & Prestige Cars
- > Price trend in line with expectations

Standard

- > Highly impacted by Latam weakness (2Q Pirelli volumes ~-70%), with reduction of lower rims/less profitable mass market channels

CHALLENGING OUTLOOK IN 2H CONFIRMED

GLOBAL TYRE MARKET (OE+REPL)

Of which
O.E.

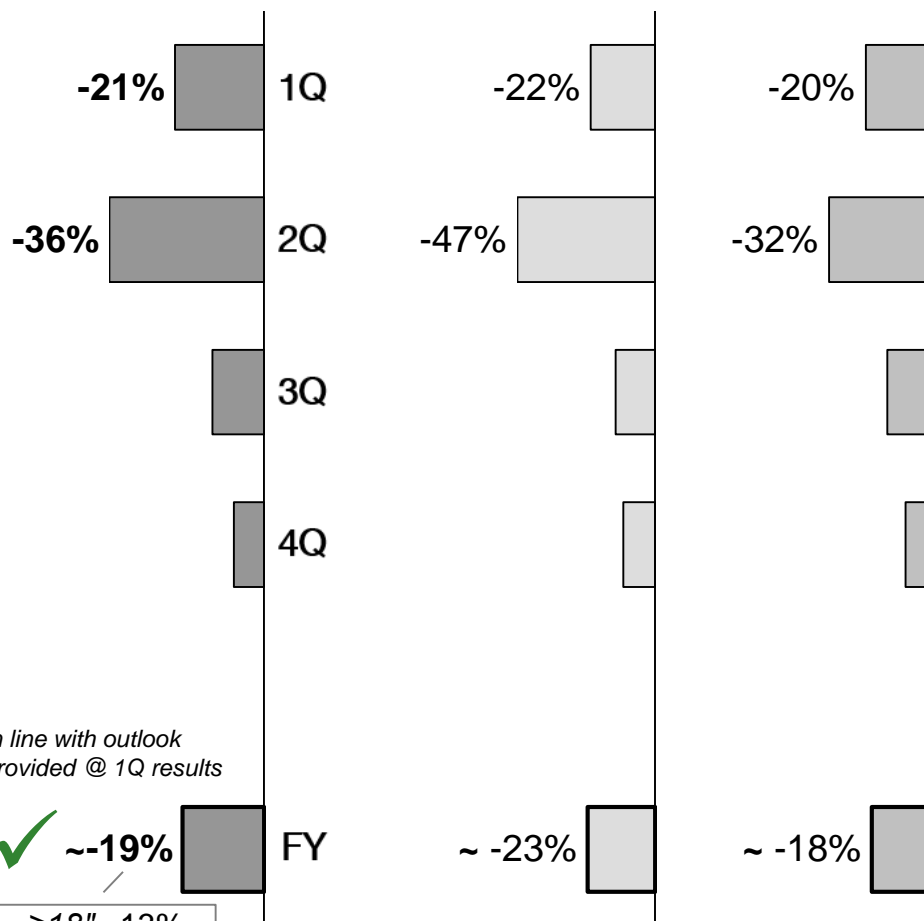
Of which
REPL.

KEY TRENDS IN 2H TYRE MARKET DEMAND

Δ YoY %

Δ YoY %

Δ YoY %



In line with outlook provided @ 1Q results



~-19%

FY

≥18" -13%
≤17" -20%

Assuming no 2nd wave of COVID

Channels

- > O.E.: down double digit in line with car production
- > Repl.: down high single digit, with still a weak 3Q (slow Winter in EU and still low miles driven in US)

High Value Regions





- > APac: down mid-single digit (China rebound counterbalanced by other countries); positive Repl. ≥18"
- > EU: down double digit in both channels
- > NA: repl. down double digit, faster recovery in O.E.

Standard Regions

- > LatAm and Russia: down double digit, mainly in O.E.

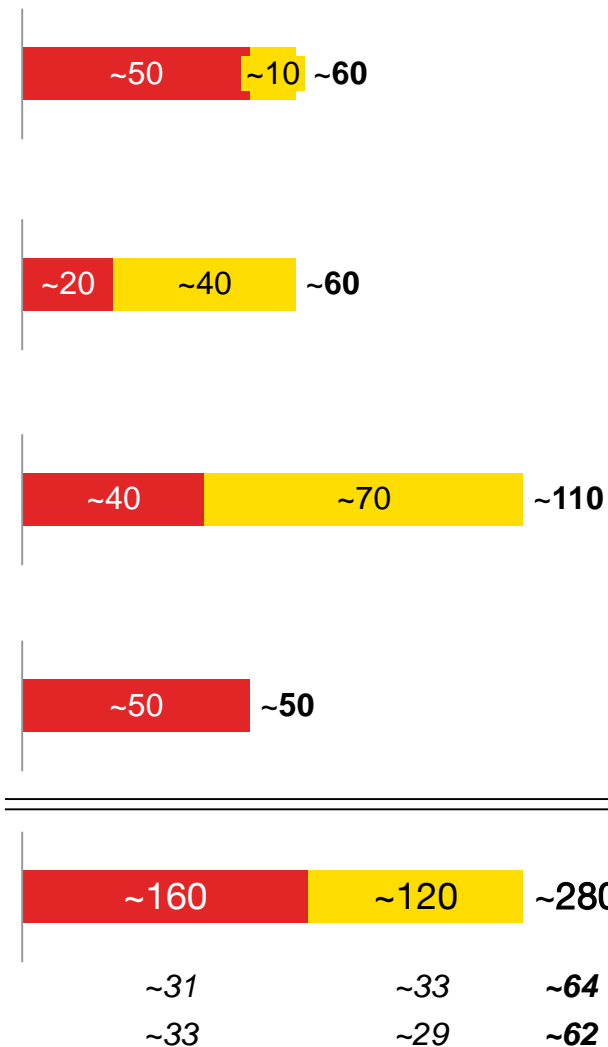
DEEP DIVE ON COMPETITIVENESS AND COVID ACTIONS

COST COMPETITIVENESS AND COVID ACTIONS

- PRODUCT COST** 
 - Product range management
 - Specification optimization and virtual prototyping
 - Material portfolio de-complexity
 - Procurement optimization
- MANUFACTURING** 
 - Quality enhancement
 - Factory material/info flow optimization
 - Cost containment in consumables, auxiliaries, indirect materials
 - Energy consumption optimization
 - Smart manufacturing
- SG&A** 
 - Marketing effort rationalization, pushing on digital
 - General & Administrative belt-tightening (tactical and structural)
 - Logistic optimization
- ORGANIZATION** 
 - Organization streamlining
 - Pay for performance
 - New Skills development

2020 GROSS BENEFITS BY PILLAR

€ million ■ Competitiveness ■ Covid



PRODUCTION SLOWDOWN TO REDUCE STOCKS WHILE STRENGTHENING SALES CHANNELS



COST COMPET. & COVID ACTIONS



PRODUCTION SLOWDOWN

- Careful Production scheduling reducing Stock levels (over -2M pcs Car finished products)
- Accelerating integration with partners to optimize level of stock
- Faster mix rotation to match clients' service level



LOWERED COMPLEXITY

- Product range optimization
- Product Modularity reducing components and waste



COMMERCIAL DEVELOPMENT



DESTOCKING 2Q

- Commercial policy aimed at keeping low stock levels with distribution partners
- In EU activity completed in April, still running in N. America



ONLINE DEVELOPMENT

- Developing ad-hoc product offer for the channel
- Fast growing in China (market 2020E ~+20% YoY), Pirelli consolidating leadership in ≥18"



TRADE SERVICE

- Developed advanced "shopping windows" in EU to book and drive store traffic
- Launched new contactless service models at the PoS

INNOVATION: LAUNCHED NEW FLAGSHIP PRODUCT CINTURATO P7



TECH- BASED INNOVATION



PRODUCT DEVELOPMENT ACCELERATION

- Product development speed-up thanks to simulation tools shortening design and testing phases
- New product features meeting evolving customer requirements towards sustainability and technology



INTRODUCTION OF NEW CINTURATO P7 FLAGSHIP PRODUCT

- 'intelligent' compound that adapts itself to temperature and driving conditions
- greater safety, efficiency and comfort

SAFETY

REDUCE THE BRAKING DISTANCE UP TO 4 METERS*

- 1 Innovative chamfer design to reduce the braking distance. Optimized void ratio and groove shapes for aquaplaning risk reduction.

AVAILABLE TECHNOLOGIES

RUN FLAT™



SEAL INSIDE™



* New Cinturato P7™ versus previous generation Cinturato P7™; size: 215/55R17.
Source: Internal tests.
Only for fuel consumption: WLTP regulation.

EFFICIENCY

REDUCE THE FUEL CONSUMPTION UP TO 4%*

- 2 Flat profile for a reduced rolling resistance and regular wear.

SUSTAINABILITY

REDUCE THE NOISE EMISSION BY 1 dB*

- 3 Increased pitch sequence for acoustic comfort and less noise emission.

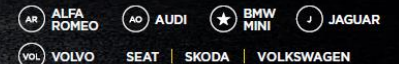
AVAILABLE TECHNOLOGY **ELEGA™**

TECHNOLOGY

NEW LEVEL OF PERFORMANCE*

- 4 Innovative design and materials to achieve new level of performance in different conditions according to the request of the best carmakers. The tread compound composition allows maximized adhesion in the footprint area to enhance the grip.

MAIN HOMOLOGATIONS



PERFORMANCES



Performances refer to Pirelli range.



1H 2020 RESULTS

Milan, August 5th, 2020



2020 TARGETS UPDATE: OPERATIONAL DRIVERS

€ billion

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Net Financial Position (IFRS 16)	3.5	~3.3	confirmed

2020 MAIN OPERATIONAL DRIVERS

	@ 13-May 2020 E	@ 5-Aug 2020 E
Volumes	~ -18% ÷ -20%	confirmed
• o/w High Value	~ -14%	✓
• o/w Standard	~ -26%	✓
Price/mix	~ +2%	confirmed
Forex	~ -2%	~ -4%
Efficiencies (net of inflation)	~ +€110m	confirmed
Raw Mat.	~ +€15m	~ -€10m
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1H 2020 RESULTS

Milan, August 5th, 2020



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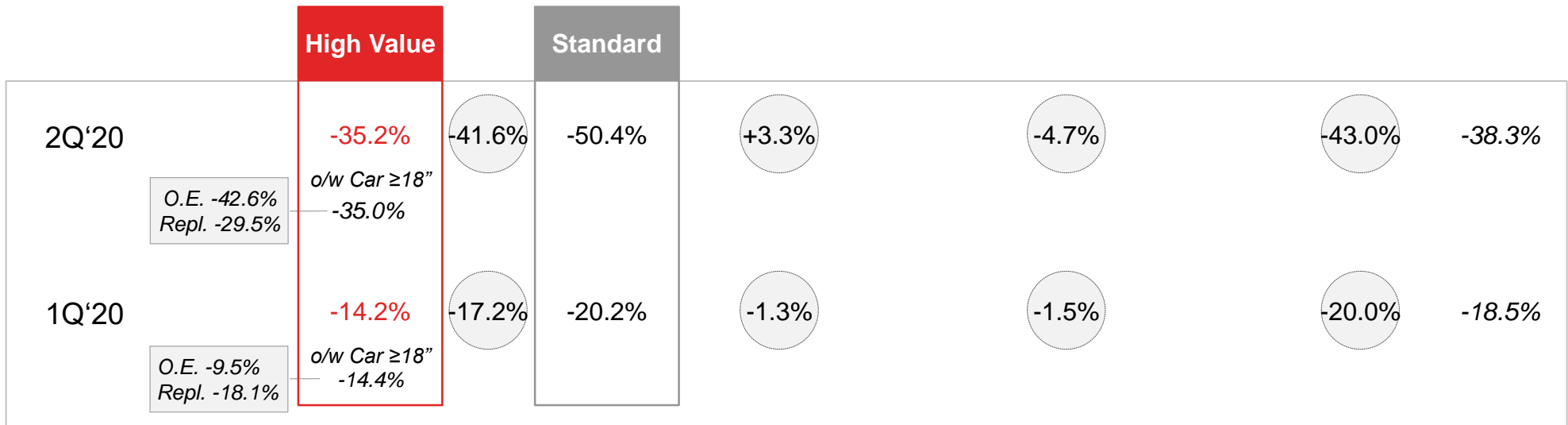
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1H 2020 NET SALES BRIDGE

€ million

o/w Organic



O.E. -25.6%
Repl. -23.8%

o/w Car ≥18"
-24.5%

O.E. -42.6%
Repl. -29.5%

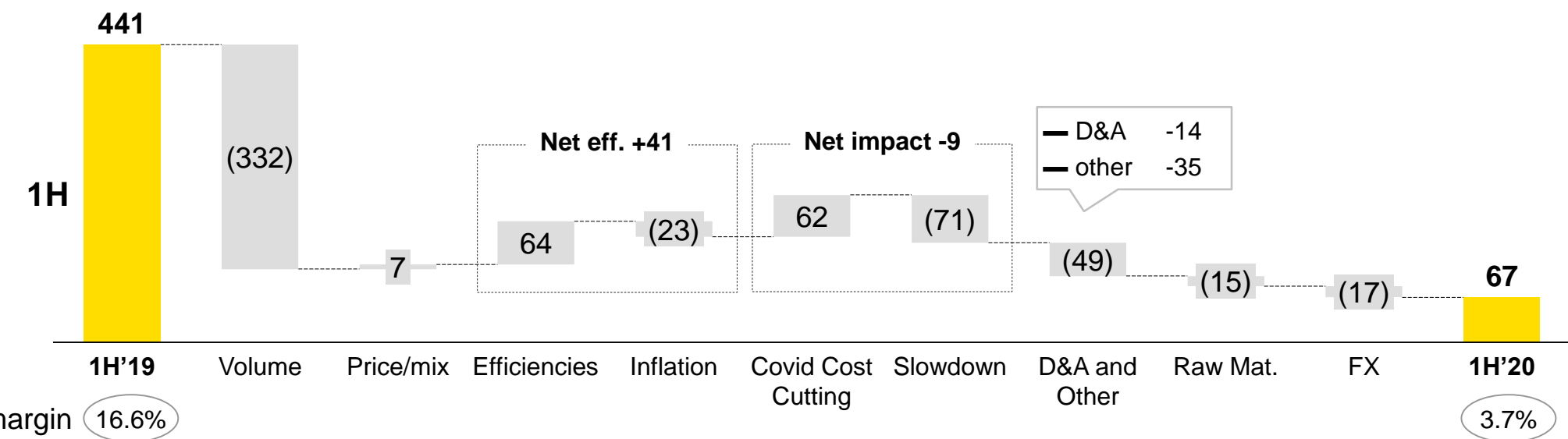
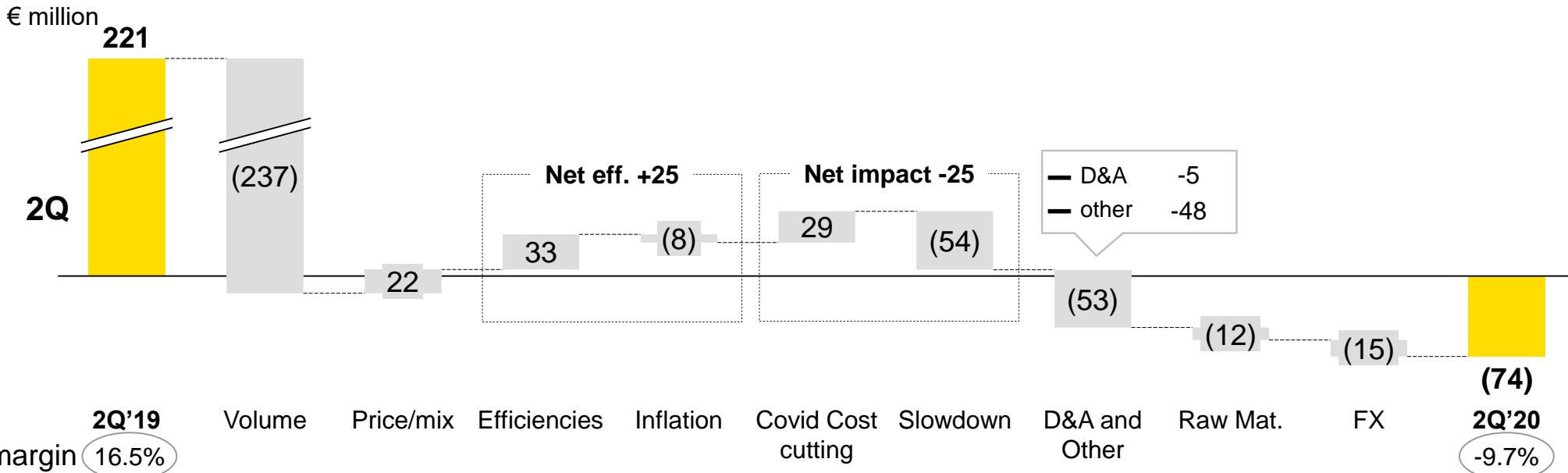
o/w Car ≥18"
-35.0%

O.E. -9.5%
Repl. -18.1%

o/w Car ≥18"
-14.4%

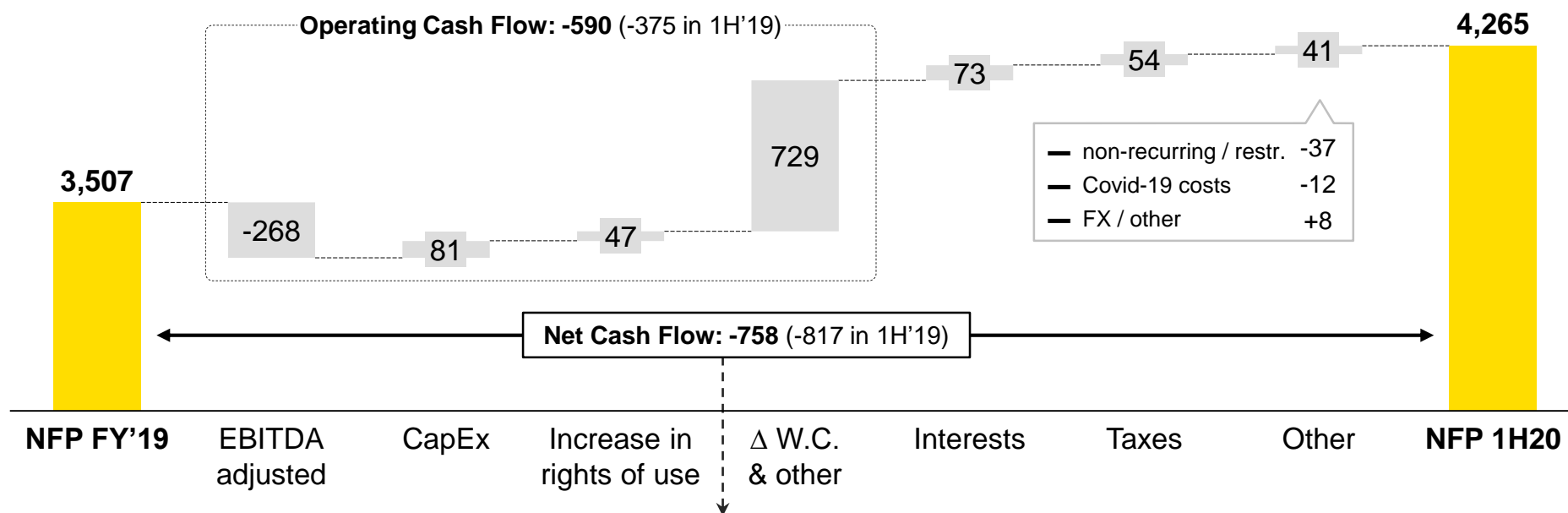


1H / 2Q 2020 ADJUSTED EBIT BRIDGE



1H 2020 CASH FLOW AND NET FINANCIAL POSITION

€ million



2Q'20 NCF	
EBITDA adjusted ¹	24
Capital expenditures	(25)
Increase in rights of use	(24)
Change in W.I.C. / other	132
Taxes / Interests	(63)
Other	(48)
Total	(4)

73 in 2Q'19

- **Strong inventories reduction** (-15% on value vs. end of March) mainly in Europe, N. America and S. America, reaching 21% on Sales¹ (22% in 1Q)
- **Trade receivables and payables** almost in line with 1Q as a % of sales¹ (13% and 19% respectively)

1H 2020 RESULTS

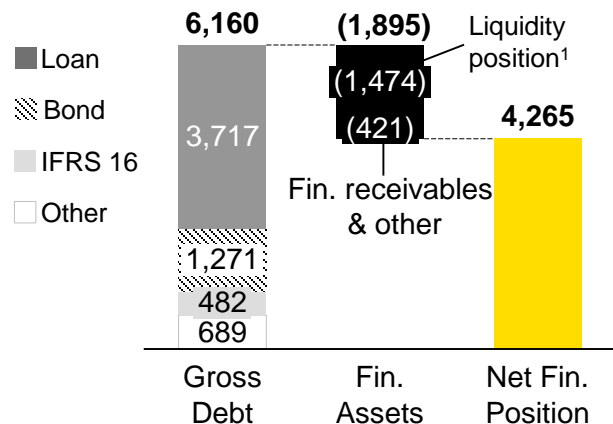
Milan, August 5th, 2020



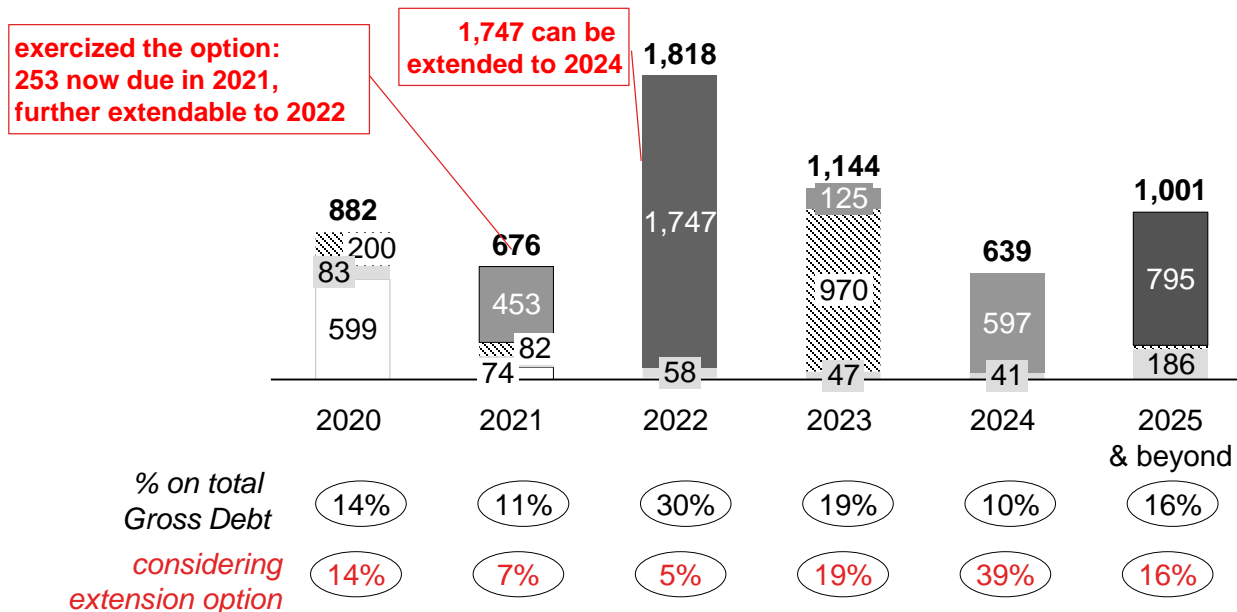
CURRENT CAPITAL STRUCTURE (JUNE 2020)

€ million

Net Financial Position



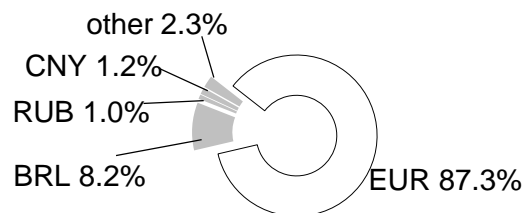
Gross Debt maturity



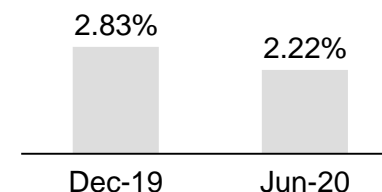
Liquidity profile

Liquidity position ¹	1,474
Committed lines not drawn	700
Liquidity margin	2,174

Break-down by currency



Cost of Debt (last 12 months)



Liquidity Margin covering maturities until 1H'23, considering the extension option

1H 2020 RESULTS

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2Q / 1H 2020 RESULTS HIGHLIGHTS

€ million

	2Q'19	2Q'20	Δ YoY	1H'19	1H'20	Δ YoY
Revenues	1,341	765	-43.0%	2,655	1,816	-31.6%
<i>Organic Growth¹</i>			-38.3%			-28.5%
High Value Revenues	893	553	-38.0%	1,788	1,286	-28.1%
<i>% on total Revenues</i>	66.6%	72.4%	+5.8pp	67.3%	70.8%	+3.5pp
EBITDA adjusted ²	321	24	-92.6%	636	268	-57.9%
<i>Margin</i>	23.9%	3.1%	-20.8pp	24.0%	14.7%	-9.3pp
EBIT adjusted³	221	(74)	n.m.	441	67	-84.9%
<i>Margin</i>	16.5%	-9.7%	-26.2pp	16.6%	3.7%	-12.9pp
PPA amortization	(29)	(29)		(57)	(57)	
Non recurring & restructuring costs	49	(42)		42	(66)	
EBIT	242	(145)		425	(57)	
<i>Margin</i>	18.0%	-19.0%		16.0%	-3.1%	
Results from Equity Investments	0	1		2	(5)	
Financial Income (Charges)	38	(41)		(10)	(73)	
EBT	280	(185)		417	(135)	
<i>Tax Rate</i>	26.6%	n.m.		26.4%	24.4%	
Net Income	206	(140)		307	(102)	
Net Income adjusted ³	133	(90)		256	(13)	

1. Excl. FX; 2. before non-recurring items & restructuring costs; 3. before amortization of PPA, non-recurring items & restructuring costs; 3. calculated by adjusting Net Income (Loss) for EBIT adjustments, net financial expenses and taxes

1H 2020 PIRELLI BALANCE SHEET

€ million

	30-June-2019	31-Dec-2019	30-June-2020
Fixed assets related to continuing operations (before IFRS 16)	9,016	9,007	8,619
Right of use IFRS 16	459	463	449
Fixed assets related to continuing operations (incl. IFRS 16)	9,475	9,470	9,068
<i>Inventories</i>	1,165	1,094	962
<i>Trade receivables</i>	862	649	628
<i>Trade payables</i>	(1,200)	(1,612)	(858)
Operating net working capital related to continuing operations	827	132	731
Other receivables / payables	244	81	145
Net Working Capital related to continuing operations	1,071	213	876
Net invested capital held for sale	1	-	-
Total net invested capital	10,547	9,683	9,944
Equity	4,664	4,827	4,404
Provisions	1,391	1,349	1,275
Net Financial Position (excl. IFRS 16)	4,022	3,024	3,782
Lease Obligations (IFRS 16)	470	483	482
Net Financial Position (incl. IFRS 16)	4,492	3,507	4,265
Total financing and shareholders' equity	10,547	9,683	9,944

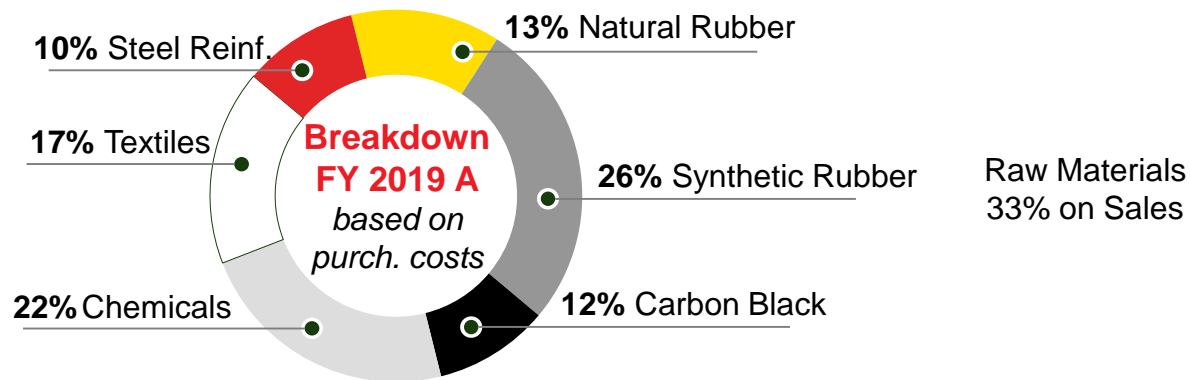
2Q / 1H 2020 PIRELLI GROUP CASH FLOW

€ million

	2Q'19	2Q'20	1H'19	1H '20
Adjusted EBIT ¹	221	(74)	441	67
Depreciation & Amortization (excl. PPA amortization)	99	98	196	201
Capital expenditure	(90)	(25)	(168)	(81)
Rights of use (IFRS 16)	(14)	(24)	(17)	(47)
Change in working capital / other	10	132	(826)	(729)
Operating Cash Flow	227	107	(375)	(590)
Financial income / (expenses)	(62)	(41)	(110)	(73)
Taxes paid	(46)	(22)	(76)	(54)
Cash-out for non recurring items and restructuring costs	(18)	(28)	(34)	(49)
Exchange rates difference / other	(29)	(20)	(29)	8
Net cash flow before dividends & extraordinary operations	72	(4)	(623)	(758)
Financial asset disposals / (acquisitions)	-	-	(17)	-
Net cash flow before dividends	72	(4)	(641)	(758)
Dividends paid	(177)	-	(177)	-
Net cash flow	(105)	(4)	(817)	(758)

2020 E RAW MATERIAL GUIDANCE

€ million

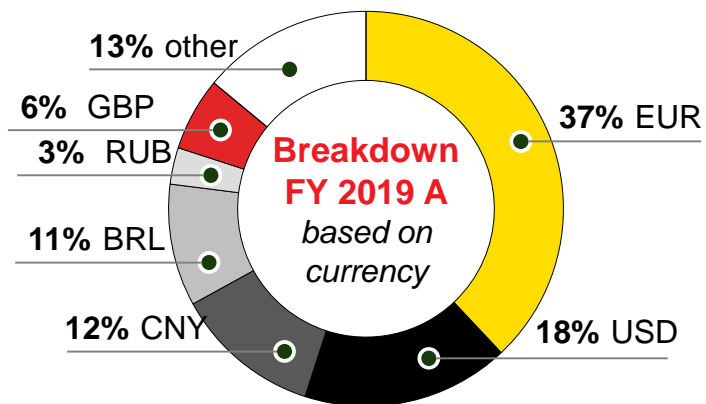


COMMODITIES: AVERAGE COST OF GOODS SOLD











	2019 A	OLD		NEW	
		2020 E May-20 guid.	2020 E EBIT impact	2020 E Aug-20 guid.	2020 E EBIT impact
Natural Rubber TSR20 (\$ / tonne)	1,381	~1,300	~+10	~1,280	~+10
Brent Oil (\$ / barrel)	67.2	~45	~+55	~49	~+45
Butadiene EU (€ / tonne)	937	~615	~+30	~570	~+35
Commod. impact			~+105		~+95
FX impact			~-90		~-105
TOT. RAW MAT. IMPACT			~+15		~-10

2020 E FOREX GUIDANCE

€ million



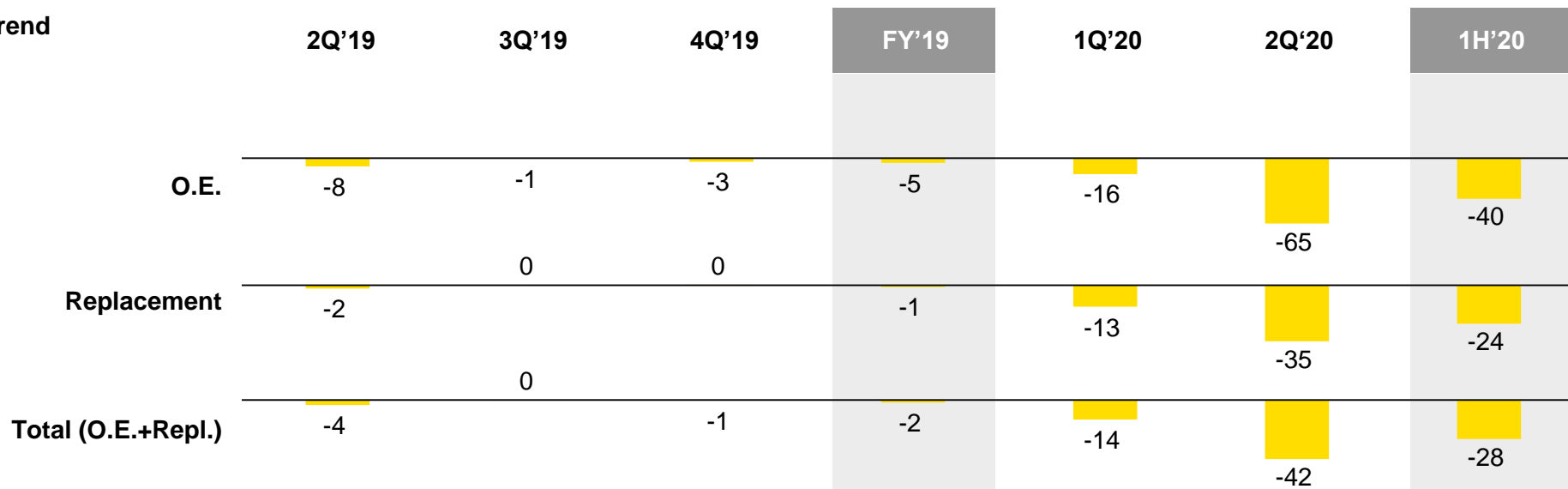
+ devaluation
- revaluation

MAIN AVERAGE EXCHANGE RATES	2019 A		2020 E <u>May-20 guid.</u>		Δ YoY vs. EUR	2020 E <u>Aug-20 guid.</u>		Δ YoY vs. EUR
	OLD	NEW	OLD	NEW		OLD	NEW	
EUR / USD  / 	1.12	1.10	-2%	1.12	-0.4%			
USD / CNY  / 	6.9	7.03	-0.4%	7.06	+2%			
USD / BRL  / 	3.95	5.08	+26%	5.16	+30%			
EUR / RUB  / 	72.4	79.3	+10%	78.9	+9%			
EUR / GBP  / 	0.88	0.89	+0.9%	0.88	+0.8%			
TOT. IMPACT ON SALES			~-2%		~-4%			

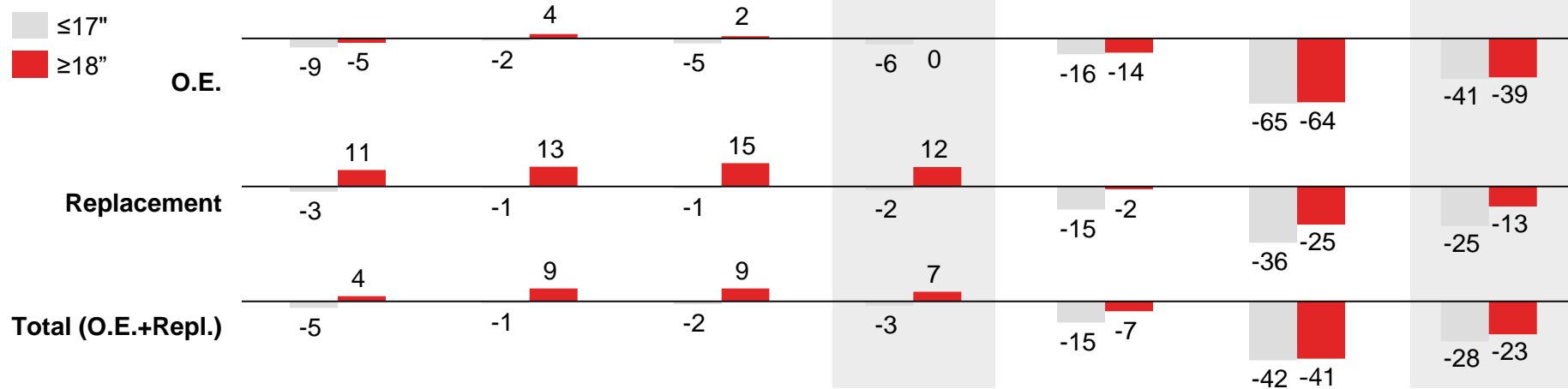
KEY CAR MARKET TRENDS: EUROPE

Market trend
Δ% YoY

Total Car market



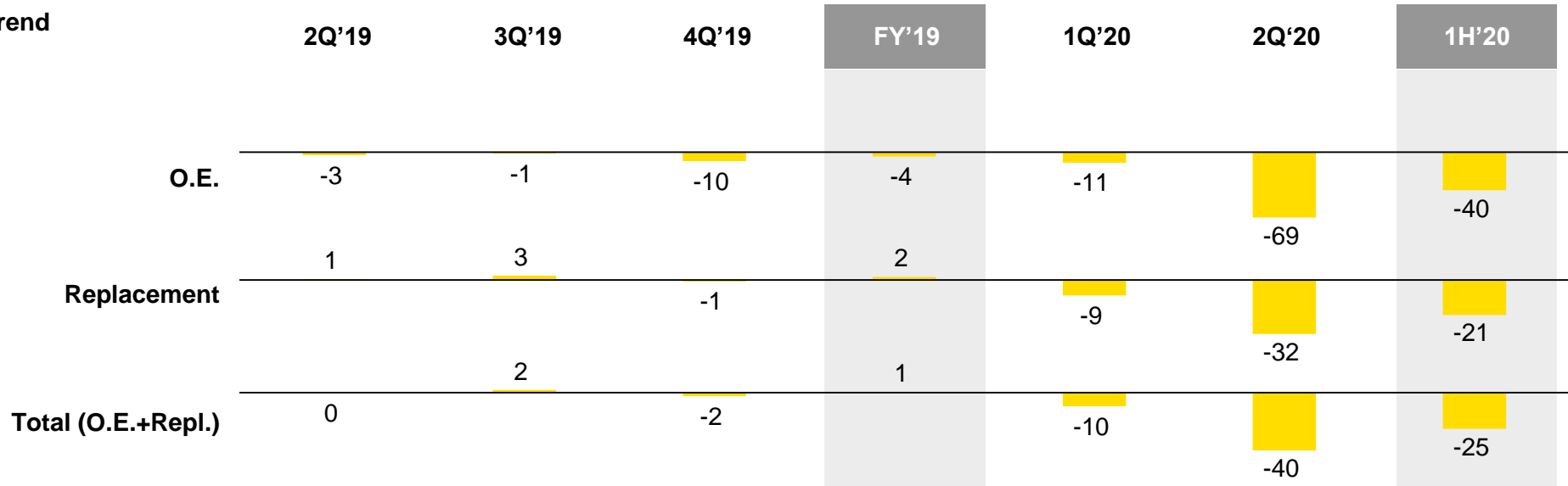
of which ≥18" & ≤17"



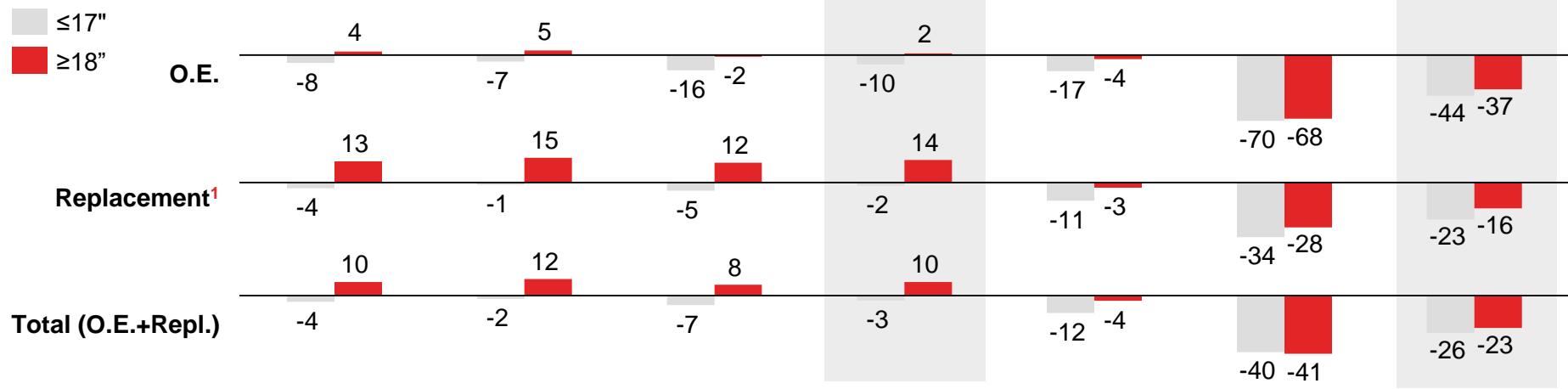
KEY CAR MARKET TRENDS: NORTH AMERICA

Market trend
Δ% YoY

Total Car market



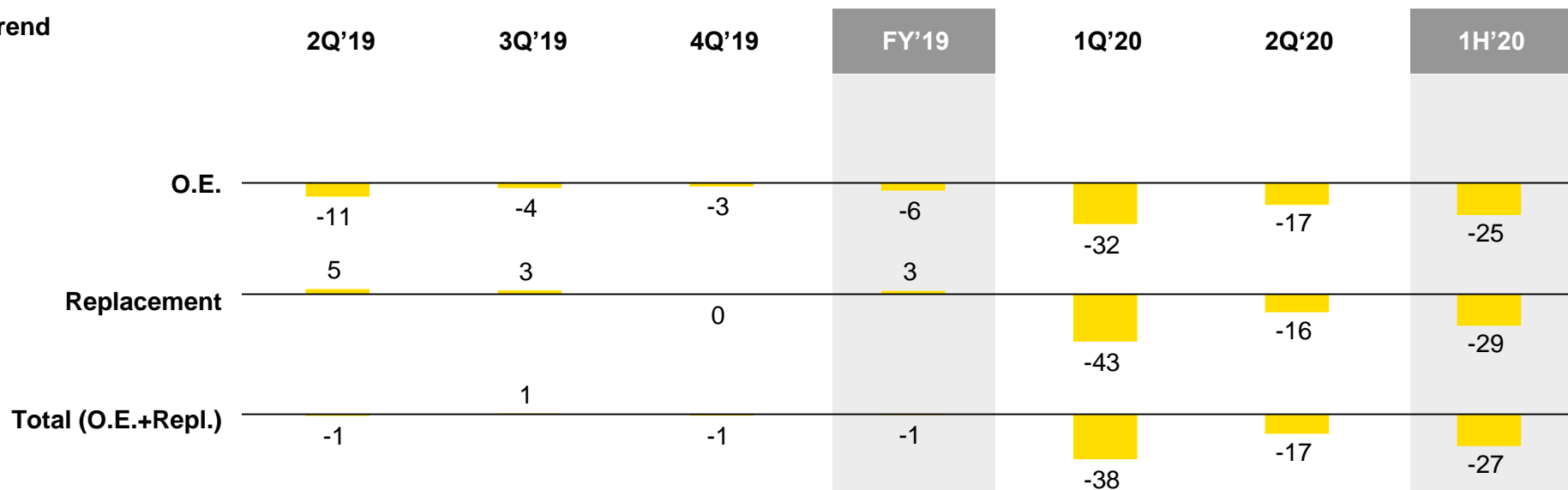
of which ≥18" & ≤17"



KEY CAR MARKET TRENDS: ASIA PACIFIC

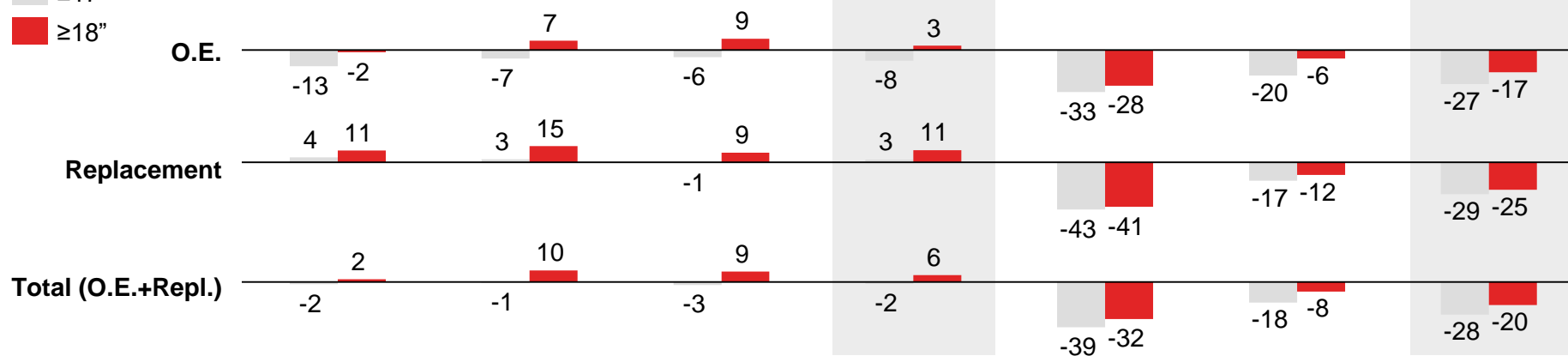
Market trend
Δ% YoY

Total Car market



of which ≥18" & ≤17"

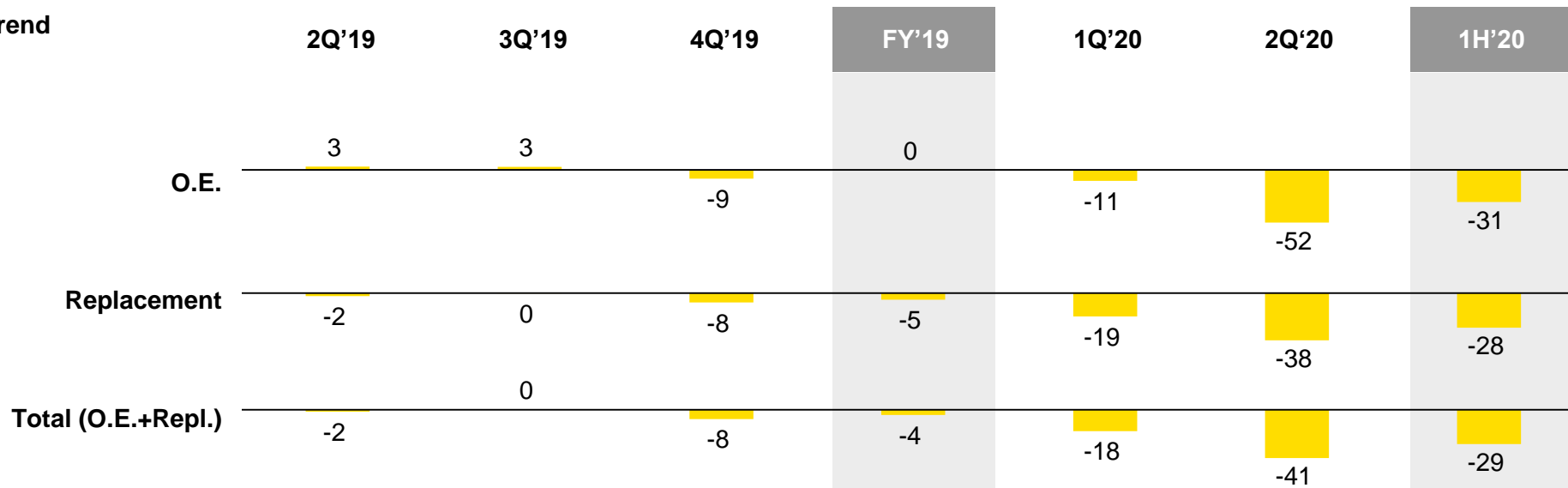
≤17"
≥18"



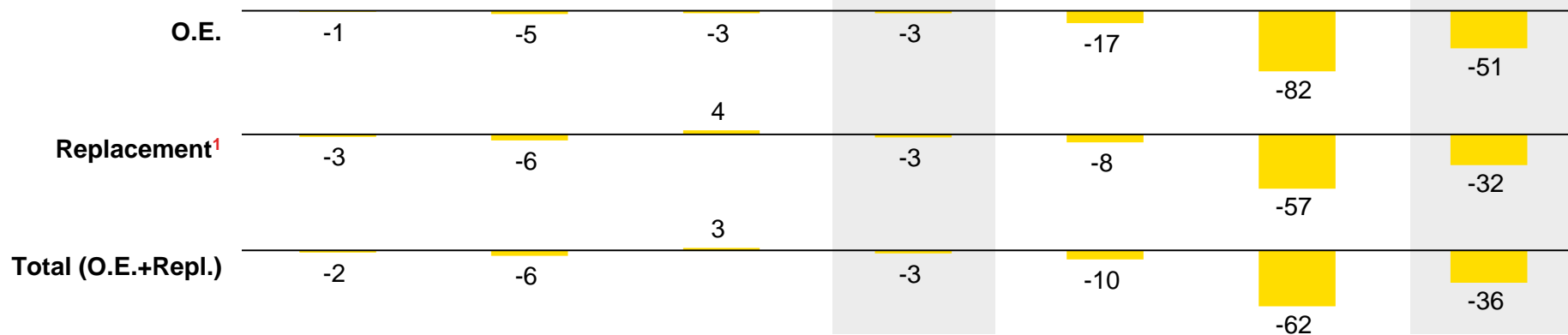
KEY MARKET TRENDS: RUSSIA & NORDICS / SOUTH AMERICA

Market trend
Δ% YoY

Russia & Nordics



South America



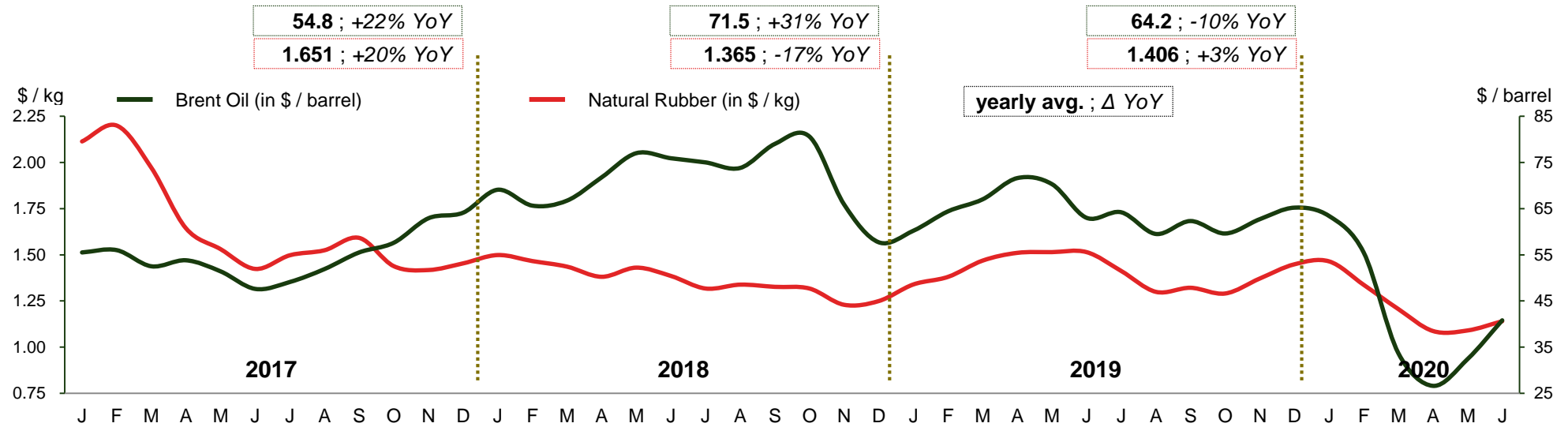
Source: Pirelli tyre market estimates based on main data provider for the Region; historical market data may be subject to restatement; 1. South America Replacement restated to include Brazilian imports

1H 2020 RESULTS
Milan, August 5th, 2020

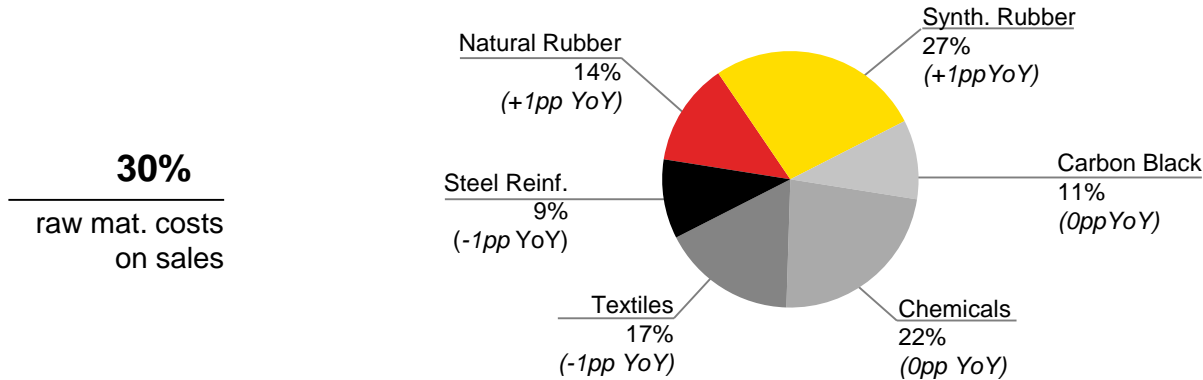


RAW MATERIAL COSTS TREND AND MIX

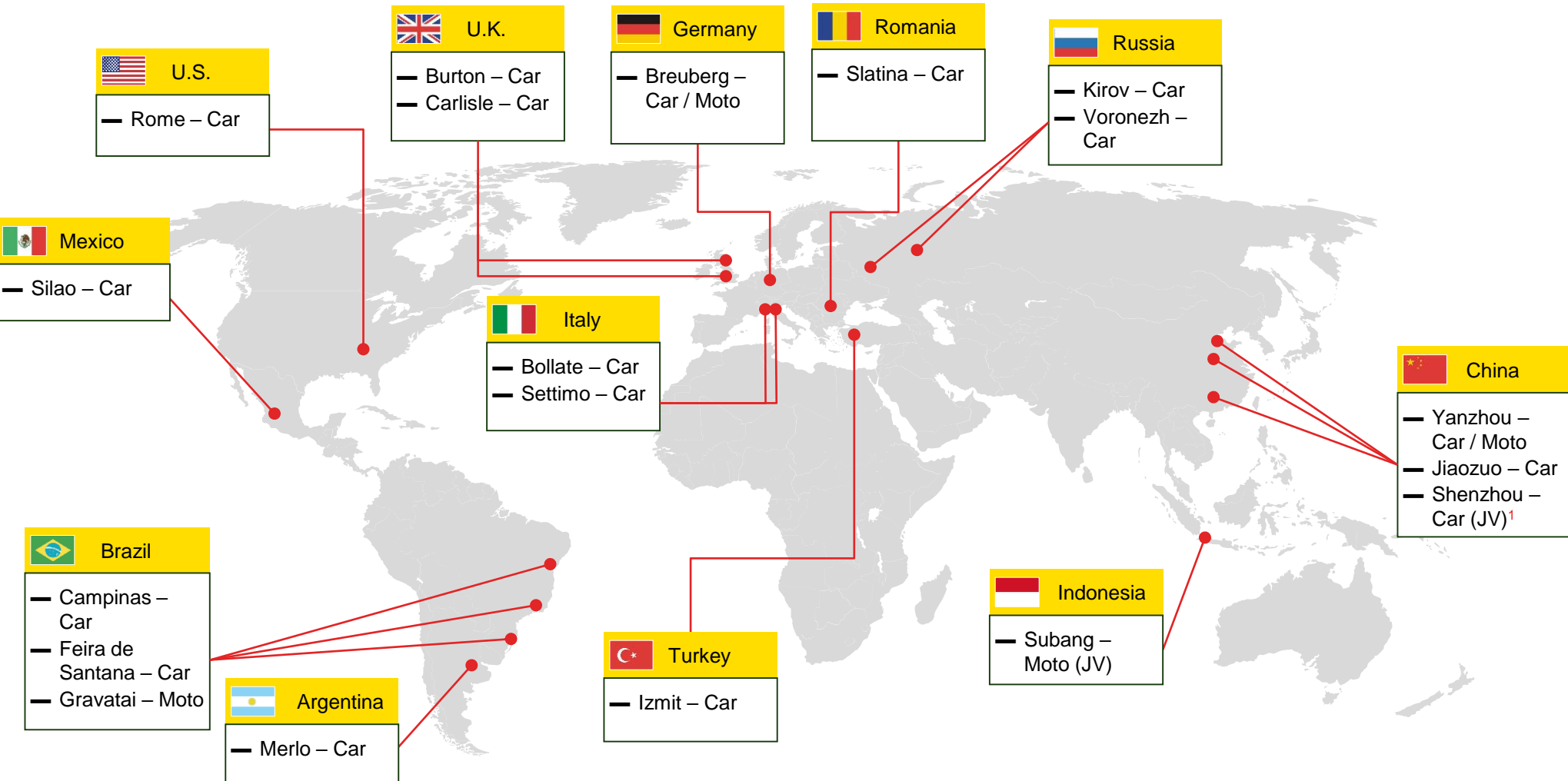
Main raw materials price trend



1H 2020 mix (based on purchasing cost)



MANUFACTURING FOOTPRINT AS OF JUNE 30TH, 2020



The word "PIRELLI" is rendered in a large, bold, white sans-serif font. Each letter is filled with a different, slightly blurred photograph of a city skyline at night, featuring illuminated buildings and streets. The letters are set against a dark blue background that also features a blurred cityscape. A thick white horizontal bar is positioned above the letters, starting from the left edge and ending with a rounded right side.

PIRELLI

1H 2020 RESULTS
Milan, August 5th, 2020

