



9M 2020 RESULTS

Milan, November 11th, 2020

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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 adjusted EBITDA, adjusted EBITDA margin, adjusted EBIT, adjusted EBIT margin, 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 Investments in tangible and intangible assets (CapEx), Increases in the Rights of Use, Operating working capital related to continuing operations, Net Financial (liquidity) / debt Position, 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.

These measures are used by our management to monitor the underlying performance of our business and operations. Similarly entitled non-IFRS financial measures reported by other companies may not be calculated in an identical manner, consequently our measures may not be consistent with similar measures used by other companies. Therefore, investors should not place undue reliance on this data.

1 KEY MESSAGES AND 2020 OUTLOOK

2 MARKET AND PIRELLI PERFORMANCE

3 9M 2020 FINANCIAL REVIEW

4 APPENDIX

> **9M Results in line with the expectations, recovering in 3Q from Covid-19 outbreak**

- High Value positioning strengthened in 3Q on both O.E. and Repl.
- Profitability back to the top of Industry
- sound cash profile, supported by lower inventories

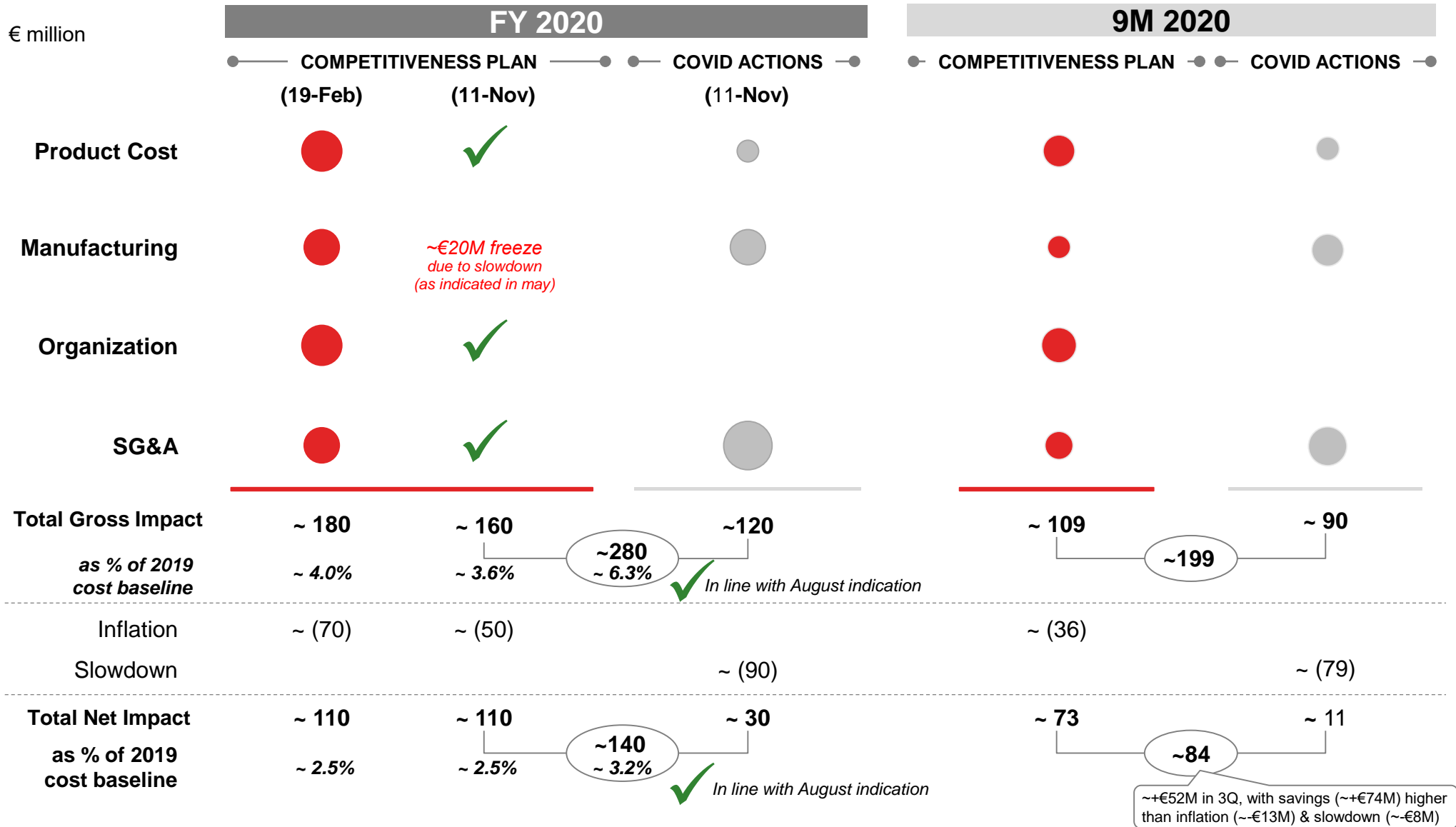
> **Competitiveness Program and “Covid Actions” in line with Plan**

- in 9M'20 reached >70% of yearly gross target
- FY'20 targets confirmed: ~€280M gross impact, ~€140M net of inflation and slowdown

> **Solid Cash Flow generation confirmed in FY'20 despite the increasing volatility of the external scenario**

> **New Industrial Plan 2021-23/25 under preparation, leveraging on a more flexible company capable of reacting to an environment of extreme uncertainty**

PIRELLI COMPETITIVENESS PROGRAM AND «COVID ACTIONS» ON TRACK



2020 TARGETS UPDATE



€ billion

2020 KEY TARGETS

	2019 A	@ 5-Aug 2020 E	@ 11-Nov 2020 E
Net Sales	5.3	~4.15 ÷ ~4.25	~4.18 ÷ ~4.23
adj. EBIT margin	0.9 17.2%	~12% ÷ ~13%	~11.5% ÷ ~12%
CapEx	0.39	~0.13	~0.14
Net Cash Flow bef. Dividends	0.33	~0.19 ¹ ÷ ~0.22 ¹ assuming no div.	confirmed ¹
Net Financial Position (IFRS 16)	3.5	~3.3	confirmed

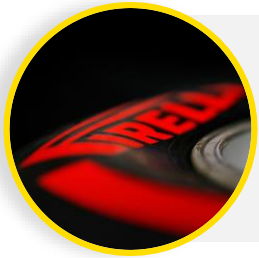
	@ 5-Aug 2020 E	@ 11-Nov 2020 E
Volumes	~ -18% ÷ -20%	~ -17% ÷ -18%
• o/w High Value	~ -14%	~ -11%
• o/w Standard	~ -26%	~ -25%
Price/mix	~ +2%	~ +1.5%
Forex	~ -4%	~ -5%
Efficiencies (net of inflation)	~ +€110m	confirmed
Raw Mat.	~ -€10m	~ -€15m
Cost Cutting (Covid Actions)	~ +€120m	confirmed
Slowdown	~ -€90m	confirmed
Other costs	~ -€70m	~ -€90m

Car ≥18": -13%

Car ≥18": -10%

1. floor of this range if payment of the EU Commission fine on the cartel of electric cables takes place in 2020, as indicated in the 28 Oct 20 Company press release





> **HIGH VALUE STRATEGY ON TARGET AND ON TRACK**



> **RESILIENCE OF OUR BUSINESS AND MANAGEMENT TEAM CONFIRMED DURING COVID 19 DISCONTINUITY**



> **THE PLAN WILL CAPTURE NEW OPPORTUNITIES WITHIN MOBILITY DISCONTINUITIES AND ENSURE PROFITABLE & SUSTAINABLE GROWTH**

AGENDA



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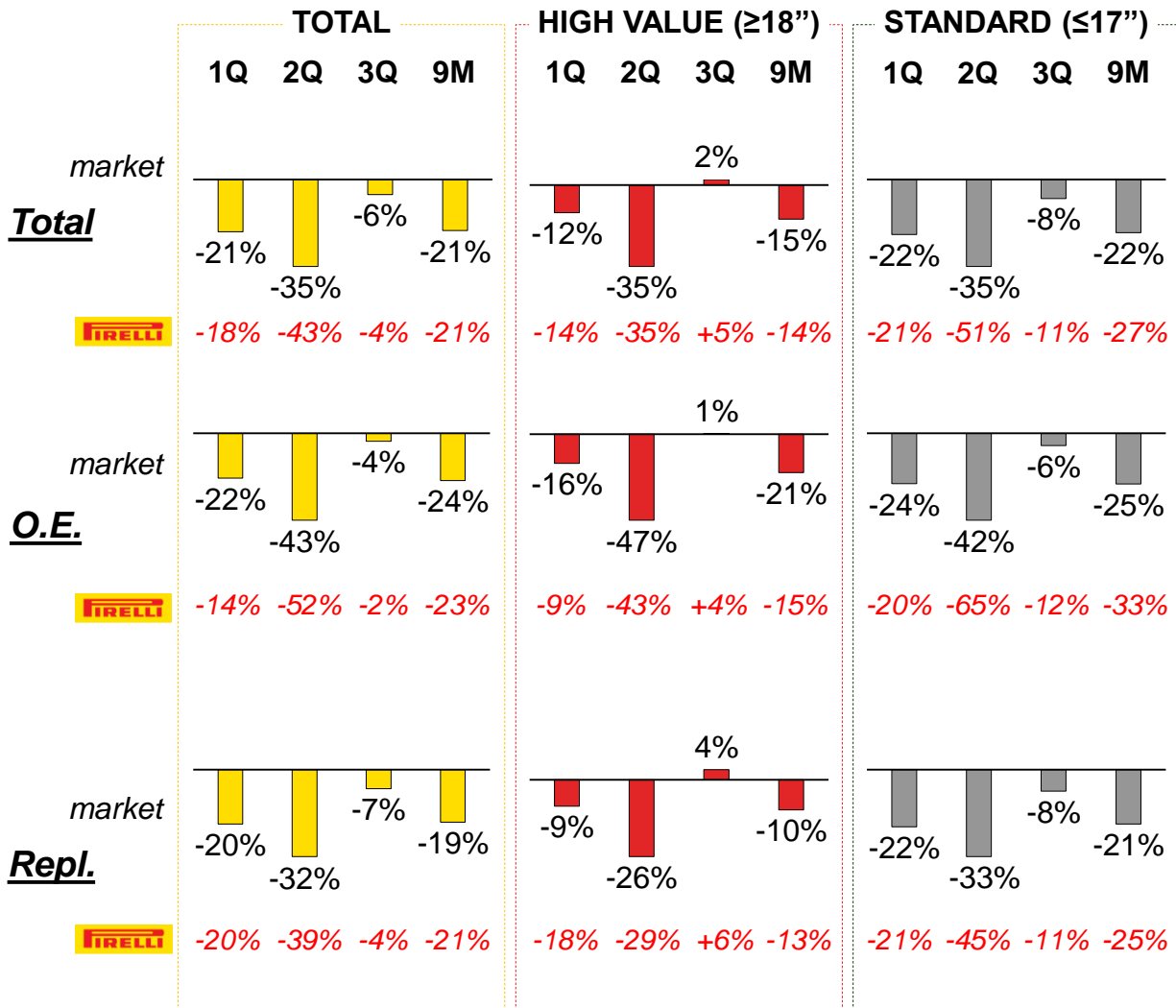
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3Q MARKET ENVIRONMENT AND PIRELLI PERFORMANCE



MARKET SCENARIO AND PIRELLI VOLUMES



3Q KEY PIRELLI PERFORMANCE

H.V.: outpacing market in both channels

> O.E.

- APac: strengthened position in China
- North America: customer base expansion

> Repl.

- APac: market share increase in China through car dealers and increased on-line penetration
- Europe: regaining share, after de-stocking, through product portfolio enrichment (e.g. Cinturato P7 and All-Season range extension)

> Standard

- Market outperformance in LatAm taking advantage of limited imports, while continuing pruning in the other Regions



GLOBAL TYRE MARKET (OE+REPL)

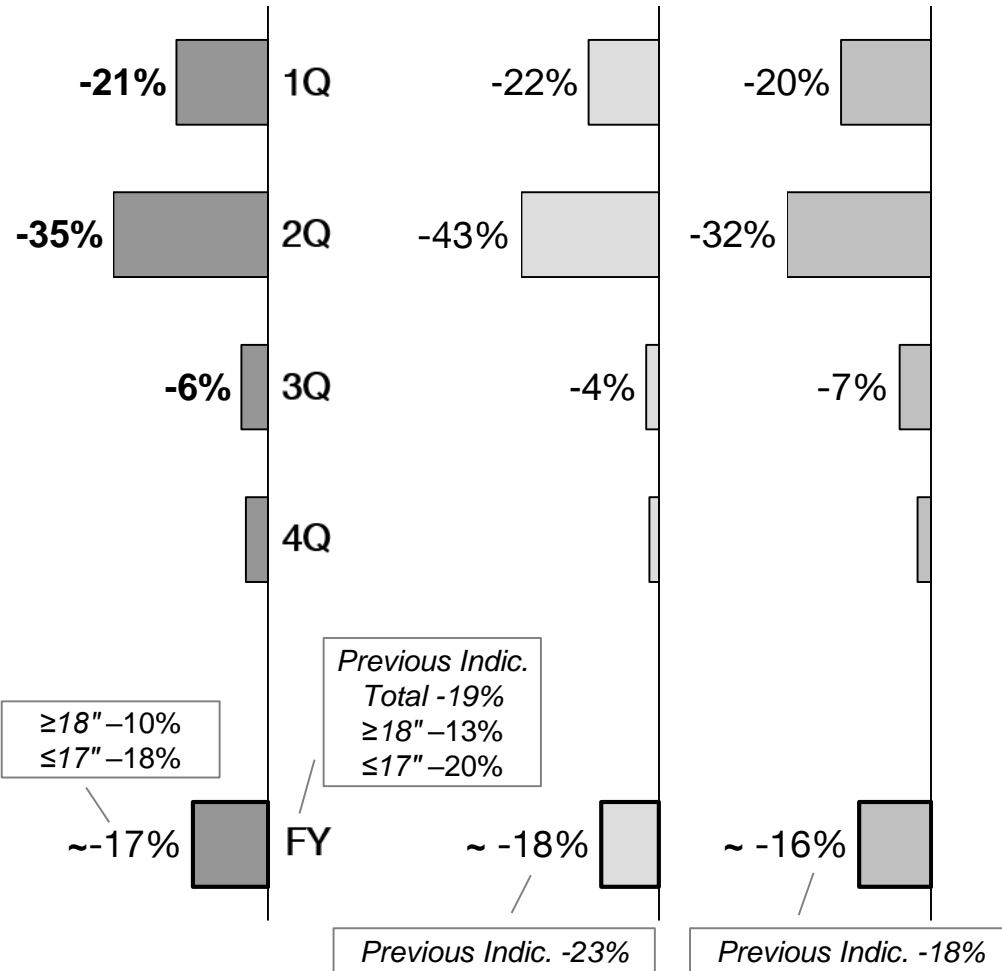
Of which
O.E.

Of which
REPL.

Δ YoY %

Δ YoY %

Δ YoY %



KEY TRENDS IN 4Q TYRE MARKET DEMAND

Cautious view on EU in light of mobility restrictions

Channels

- > O.E.: down low-single-digit, in line with 3Q
- > Repl.: down mid-single-digit with the exception of APac (improving vs. 3Q pulled by China). Europe impacted by mobility restrictions

High Value

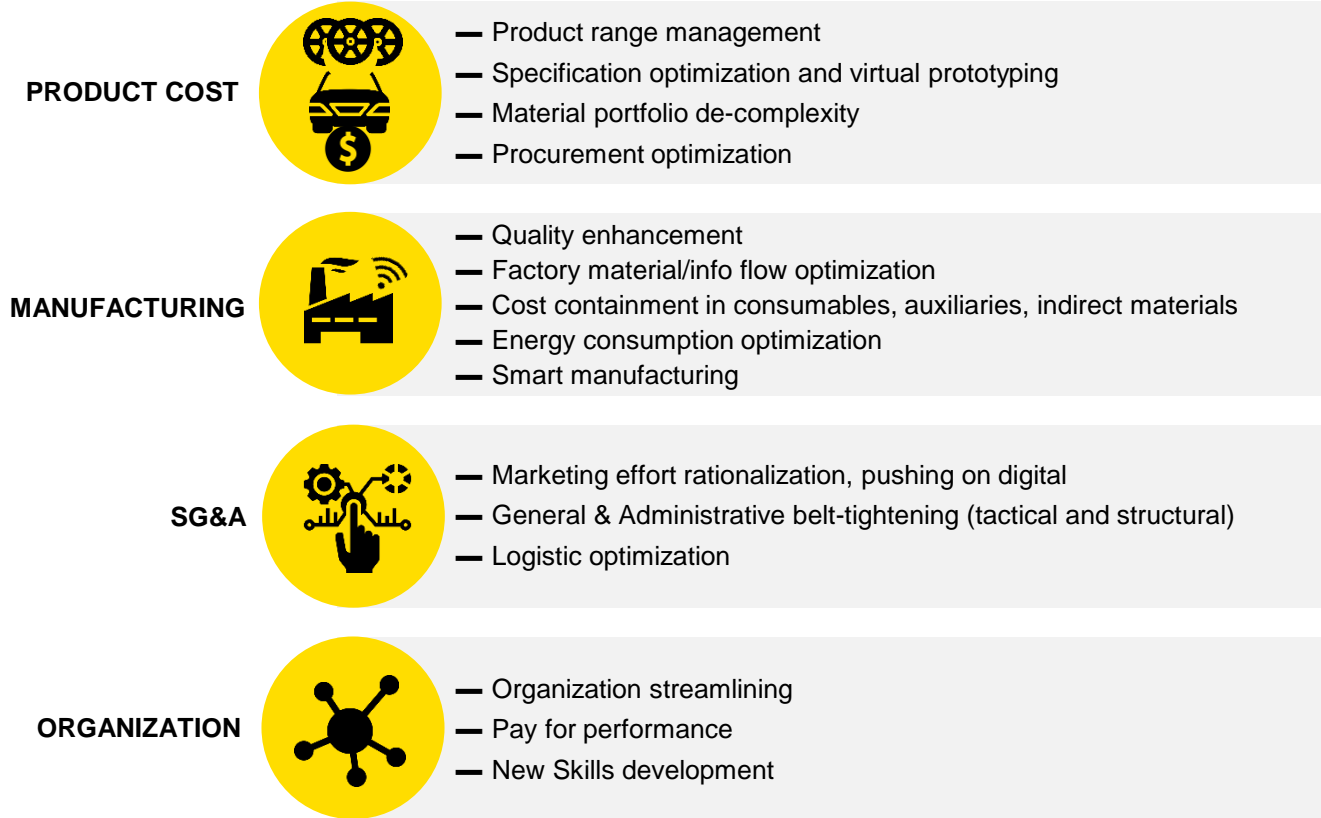
- > APac: positive trend may continue driven by China in both O.E. and Repl.
- > N.A. to keep 3Q momentum (positive low single digit)
- > EU down low single digit

Standard

- > LatAm and Russia down double-digit due to a weak economic environment

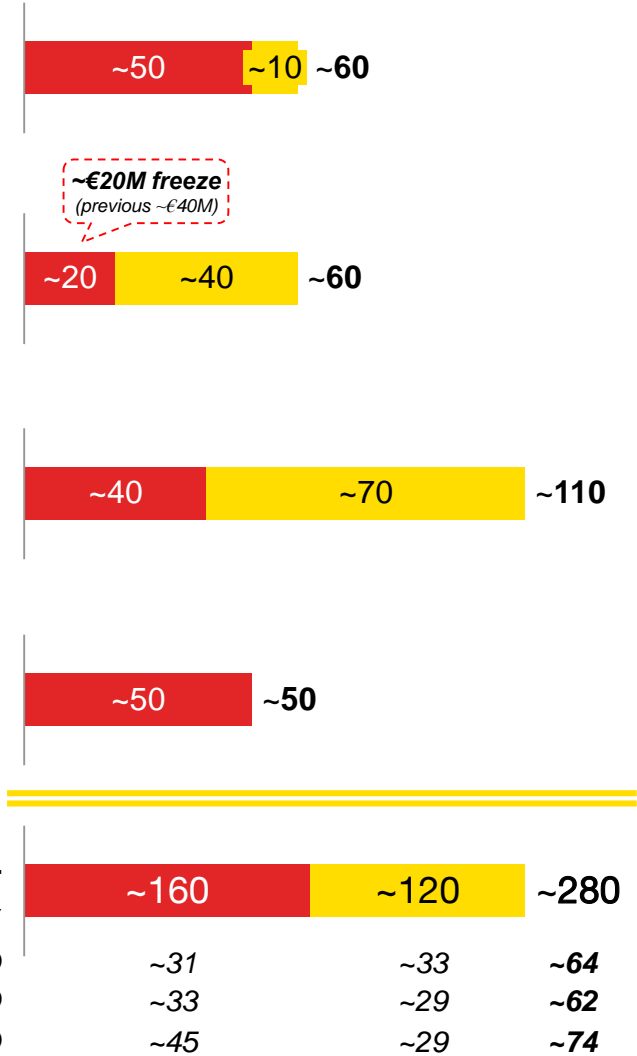
DEEP DIVE ON COMPETITIVENESS AND COVID ACTIONS

COST COMPETITIVENESS AND COVID ACTIONS



2020 GROSS BENEFITS BY PILLAR

€ million ■ Competitiveness ■ Covid



9M 2020 RESULTS

Milan, November 11th, 2020





COMMERCIAL DEVELOPMENT



IMPROVE CUSTOMER SERVICE LEVEL

- Best-in class service level in EU and N. America thanks to Business model predictability and flexibility
- Commercial policy aimed at keeping low stock levels with distribution partners



ONLINE DEVELOPMENT

- Partnership with JD.com (dedicated product line) to further accelerate in the fast-growing China Online
- China Online Sales +60% YoY in 9M, reaching a 20% weight on Repl. Sales

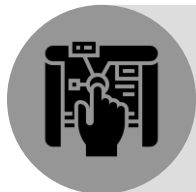


SALESFORCE APPROACH & EFFECTIVENESS

- Extending to main EU countries new digital CRM platform (completed in Italy and go live in Germany in 3Q)
- New level of effectiveness will be reached in covering retail market

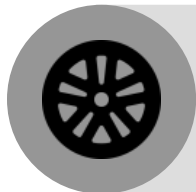


TECH- BASED INNOVATION



STRENGTHENING KEY HOMOLOGATIONS

- Increased EV penetration, ~1/3 of 3Q'20 new homologations fully dedicated to EV vehicles, achieved with both traditional EU clients (e.g. Mercedes, Audi, Porsche, VW), and major N. American and Chinese EV producers
- Starting to supply the newly launched Ford F-150 iconic model in N. America



INCREASING WINTER AND ALL-SEASON LINEUP COVERAGE

- Leading Winter marked portfolio among peers in H.V. segment (422 items, +30% Vs. closest Tier 1¹⁾)
- New range of All-Season 3PMSF² sizes for Cars and SUVs (2x growth YoY Repl. ≥18" in 3Q)

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€ billion

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2020 MAIN OPERATIONAL DRIVERS

	@ 5-Aug 2020 E	@ 11-Nov 2020 E
Volumes	~ -18% ÷ -20%	~ -17% ÷ -18%
• o/w High Value	~ -14%	~ -11%
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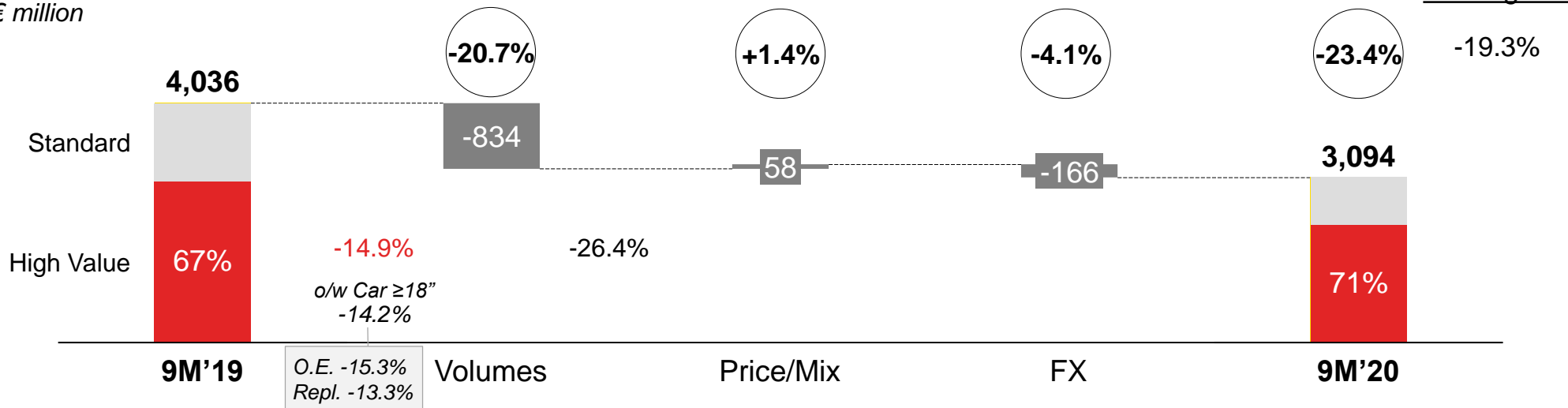
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9M 2020 NET SALES BRIDGE



€ million



	High Value	Standard				
3Q'20	+3.9% o/w Car ≥18" +5.3%	-3.8%	-11.9%	+2.3%	-6.0%	-7.5%
	O.E. +4.3% Repl. +6.1%					-1.5%
2Q'20	-35.2% o/w Car ≥18" -35.0%	-41.6%	-50.4%	+3.3%	-4.7%	-43.0%
	O.E. -42.6% Repl. -29.5%					-38.3%
1Q'20	-14.2% o/w Car ≥18" -14.0%	-17.2%	-20.2%	-1.3%	-1.5%	-20.0%
	O.E. -9.5% Repl. -17.5%					-18.5%

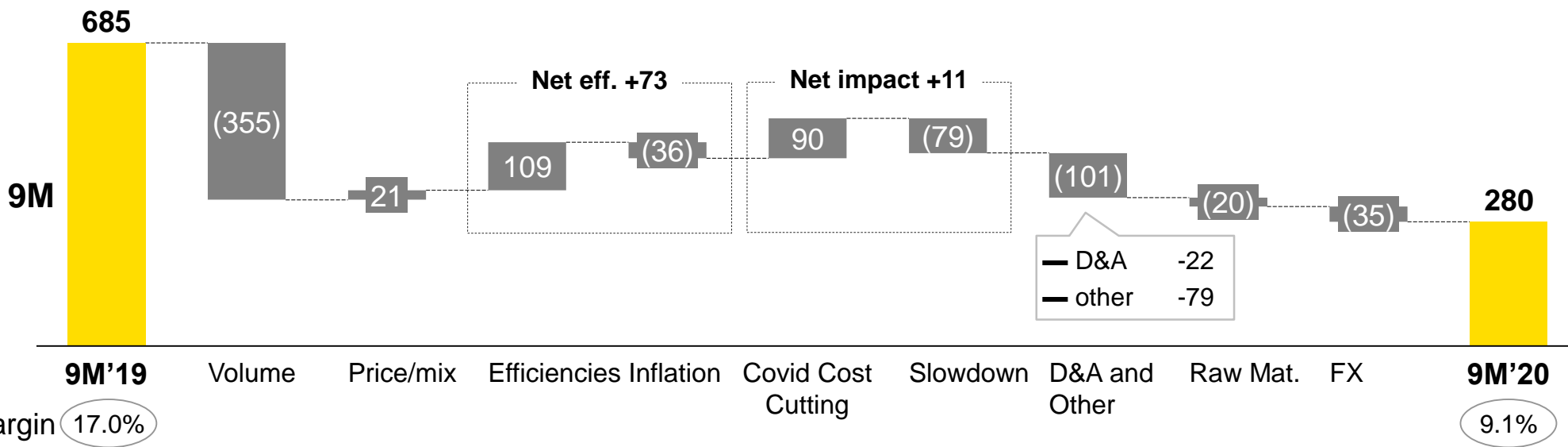
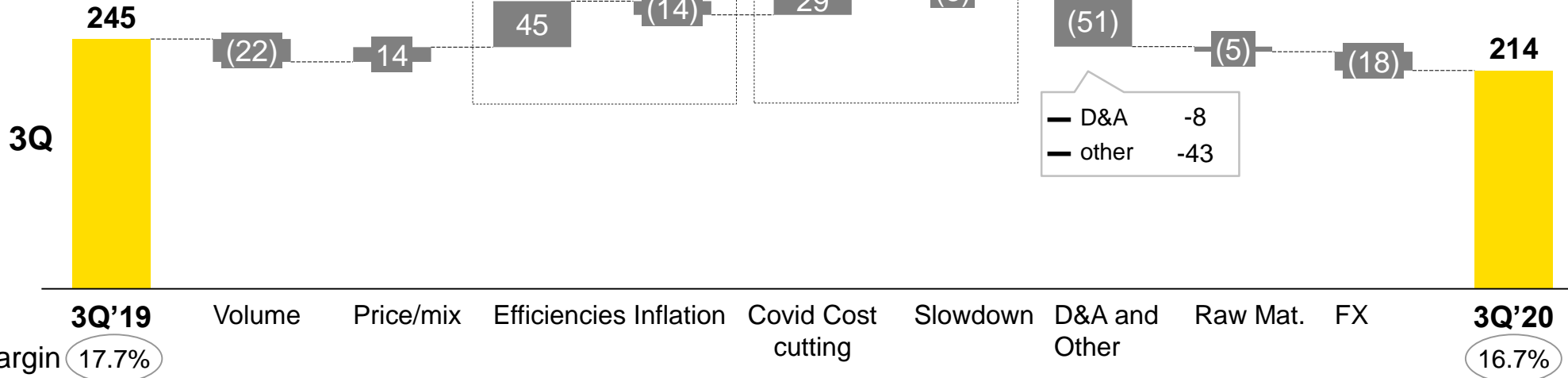
9M 2020 RESULTS

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3Q / 9M 2020 ADJUSTED EBIT BRIDGE

€ million



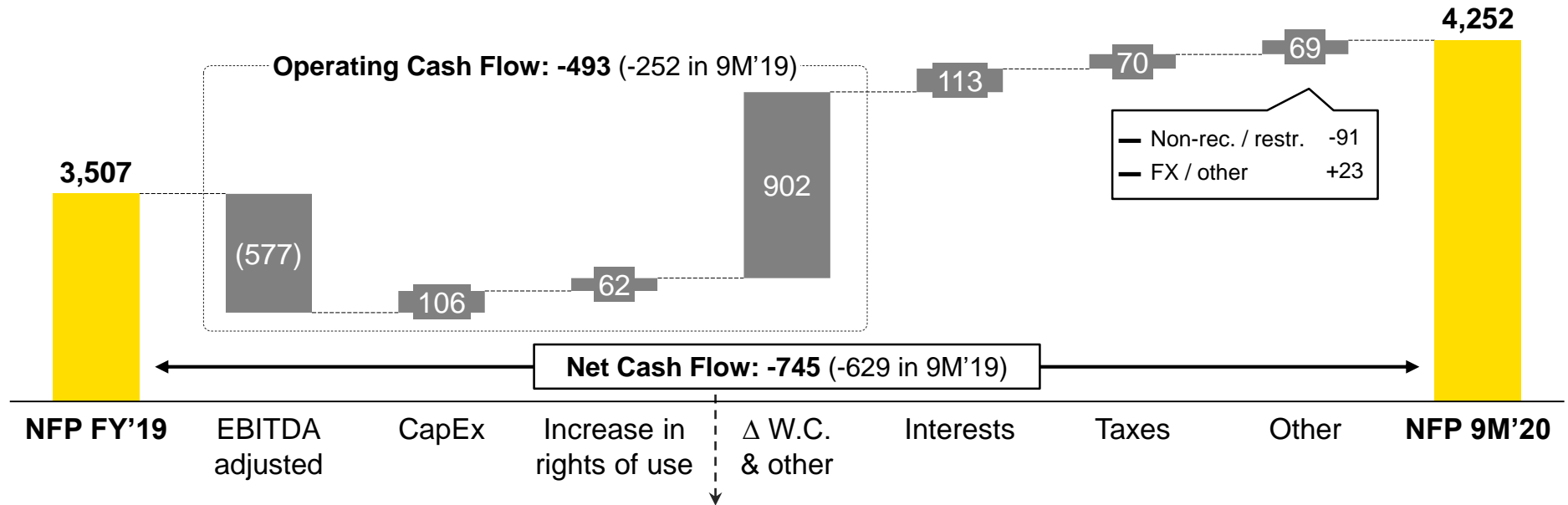
— D&A -8
— other -43

— D&A -22
— other -79



9M 2020 CASH FLOW AND NET FINANCIAL POSITION

€ million



3Q'20 NCF	
EBITDA adjusted	309
Capital expenditures	(25)
Increase in rights of use	(15)
Change in W.I.C. / other	(173)
Taxes / Interests	(56)
Other	(28)
Total	12

12 in 3Q'19

- **Strong inventories reduction** (-1.1M Car and -0.3M Moto pcs; 18.8%¹ on Sales in 9M'20 from 21%¹ in 1H'20)
- **Trade receivables:** 22%¹ on Sales in 9M'20 (from 14%¹ in 1H'20), in line with the business improvement
- **Trade payables:** basically stable QoQ, now 18%¹ on Sales in 9M'20 (from 19%¹ in 1H'20)

9M 2020 RESULTS

Milan, November 11th, 2020

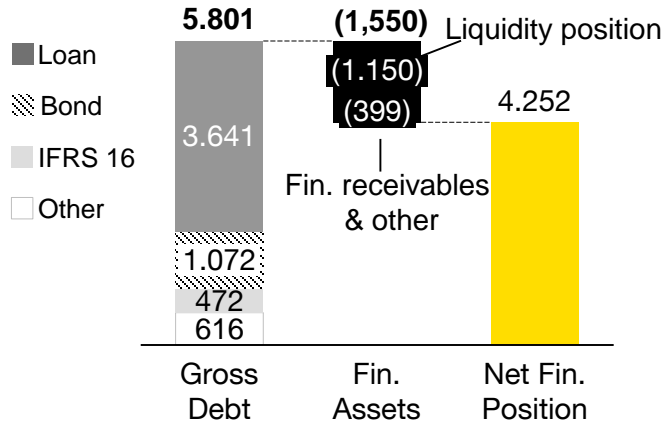


CURRENT CAPITAL STRUCTURE (SEPTEMBER 2020)

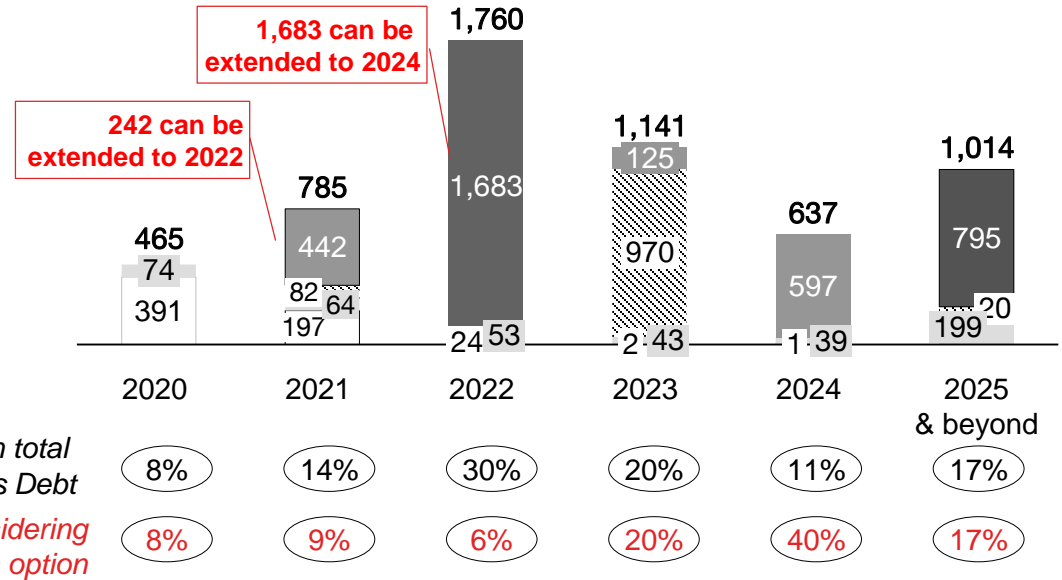


€ million

Net Financial Position



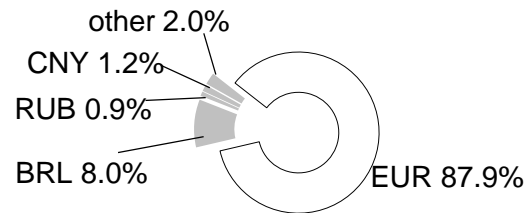
Gross Debt maturity



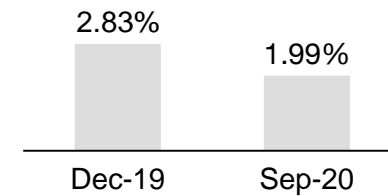
Liquidity profile

Liquidity position ¹	1,150
Committed lines not drawn	700
Liquidity margin	1,850

Break-down by currency



Cost of Debt (last 12 months)



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



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3Q / 9M 2020 RESULTS HIGHLIGHTS



€ million

	3Q'19	3Q'20	Δ YoY	9M'19	9M'20	Δ YoY
Revenues	1,382	1,277	-7.5%	4,036	3,094	-23.4%
<i>Organic Growth</i> ¹			-1.5%			-19.3%
High Value Revenues	932	918	-1.6%	2,720	2,203	-19.0%
% on total Revenues	67.5%	71.8%	+4.3pp	67.4%	71.2%	+3.8pp
EBITDA adjusted ²	342	309	-9.6%	979	577	-41.0%
<i>Margin</i>	24.8%	24.2%	-0.6pp	24.2%	18.7%	-5.6pp
EBIT adjusted ³	245	214	-12.6%	685	280	-59.1%
<i>Margin</i>	17.7%	16.7%	-1.0pp	17.0%	9.1%	-7.9pp
PPA amortization	(29)	(29)		(86)	(86)	
Non recurring & restructuring costs	(43)	(33)		(1)	(99)	
EBIT	173	152		598	96	
<i>Margin</i>	12.5%	11.9%		14.8%	3.1%	
Results from Equity Investments	(1)	(1)		1	(6)	
Financial Income (Charges)	(65)	(40)		(75)	(113)	
EBT	107	111		524	(24)	
<i>Tax Rate</i>	26.4%	24.2%		26.4%	25.0%	
Net Income	79	84		386	(18)	
Net Income adjusted ³	124	128		380	115	

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

9M 2020 PIRELLI BALANCE SHEET



€ million

	30-Sept-2019	31-Dec-2019	30-Sept-2020
Fixed assets related to continuing operations (before IFRS 16)	8,973	9,007	8,465
Right of use IFRS 16	464	463	444
Fixed assets related to continuing operations (incl. IFRS 16)	9,437	9,470	8,909
<i>Inventories</i>	<i>1,104</i>	<i>1,094</i>	<i>825</i>
<i>Trade receivables</i>	<i>976</i>	<i>649</i>	<i>949</i>
<i>Trade payables</i>	<i>(1,147)</i>	<i>(1,612)</i>	<i>(808)</i>
Operating net working capital related to continuing operations	933	132	965
Other receivables / payables	231	81	51
Net Working Capital related to continuing operations	1,164	213	1,016
Net invested capital held for sale	1	-	-
Total net invested capital	10,601	9,683	9,925
Equity	4,742	4,827	4,404
Provisions	1,379	1,349	1,269
Net Financial Position (excl. IFRS 16)	4,002	3,024	3,780
Lease Obligations (IFRS 16)	478	483	472
Net Financial Position (incl. IFRS 16)	4,480	3,507	4,252
Total financing and shareholders' equity	10,601	9,683	9,925

3Q / 9M 2020 PIRELLI GROUP CASH FLOW



€ million

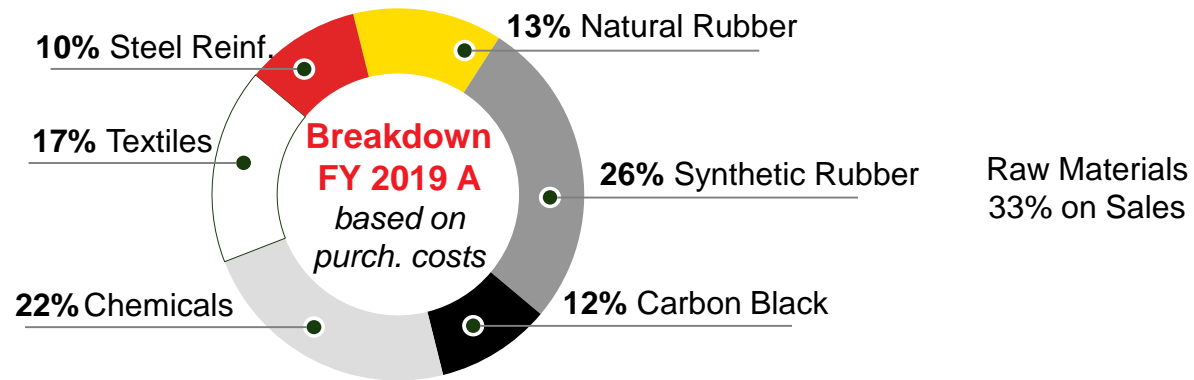
	3Q'19	3Q'20	9M'19	9M'20
Adjusted EBIT ¹	245	214	685	280
Depreciation & amortization (excl. PPA amortization)	98	96	294	297
Capital expenditure	(75)	(25)	(242)	(106)
Rights of use (IFRS 16)	(9)	(15)	(26)	(62)
Change in working capital / other	(137)	(173)	(963)	(902)
Operating Cash Flow	123	97	(252)	(493)
Financial income / (expenses)	(65)	(40)	(75)	(113)
Reverse of financial income on Brazilian tax credits	-	-	(101)	-
Taxes paid	(37)	(16)	(113)	(70)
Dividends paid to minorities	-	-	(9)	-
Cash-out for non recurring items and restructuring costs	(7)	(42)	(41)	(91)
Exchange rates difference / other	-	15	(20)	23
Net cash flow before dividends & extraordinary operations	12	12	(612)	(745)
Financial asset disposals / (acquisitions)	-	-	(17)	-
Net cash flow before dividends	12	12	(629)	(745)
Dividends paid	-	-	(177)	-
Net cash flow	12	12	(806)	(745)



2020 E RAW MATERIAL GUIDANCE



€ million



COMMODITIES: AVERAGE COST OF GOODS SOLD

	2019 A	OLD		NEW	
		2020 E Aug-20 guid.	2020 E EBIT impact	2020 E Nov-20 guid.	2020 E EBIT impact
Natural Rubber TSR20 (\$ / tonne)	1,381	~1,280	~+10	~1,270	~+15
Brent Oil (\$ / barrel)	67.2	~49	~+45	~50	~+45
Butadiene EU (€ / tonne)	937	~570	~+35	~560	~+35
Commod. impact			~+95		~+100
FX impact			~-105		~-115
TOT. RAW MAT. IMPACT			~-10		~-15

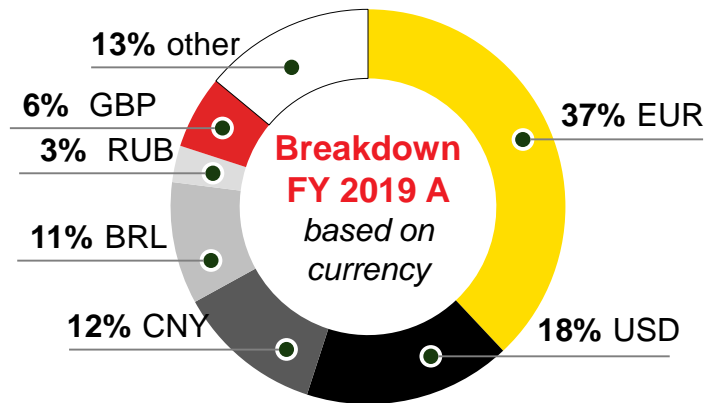
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2020 E FOREX GUIDANCE

€ million



+ devaluation
- revaluation

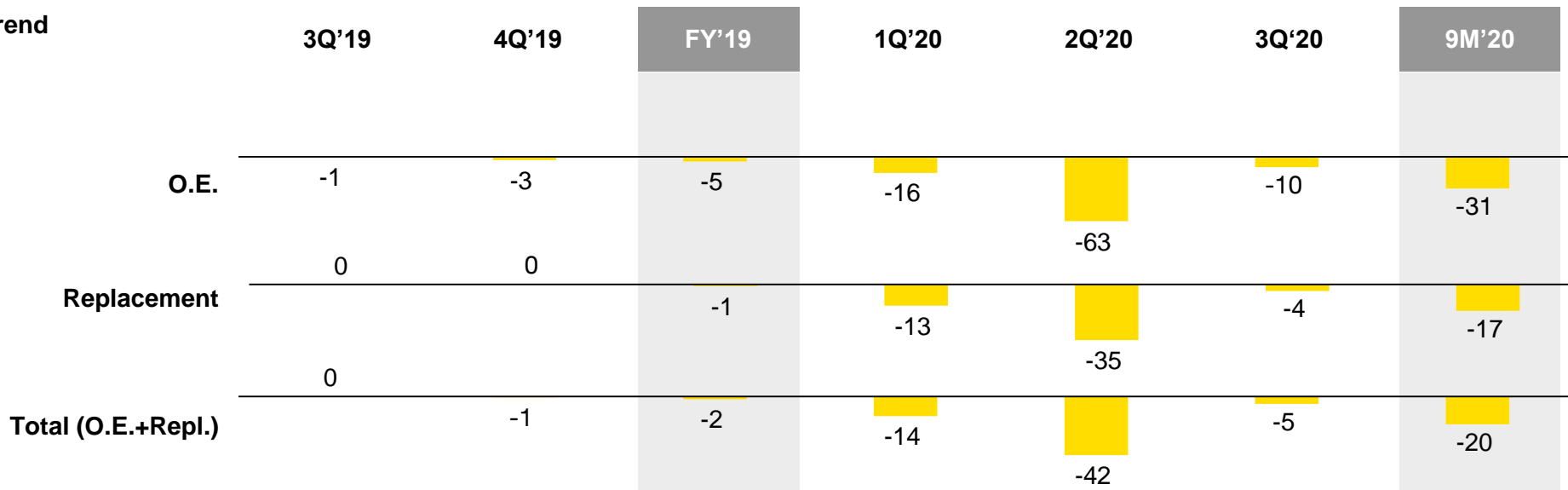
MAIN AVERAGE EXCHANGE RATES	OLD			NEW	
	2019 A	2020 E Aug-20 guid.	Δ YoY vs. EUR	2020 E Nov-20 guid.	Δ YoY vs. EUR
EUR / USD  / 	1.12	1.12	-0.4%	1.14	+1.9%
USD / CNY  / 	6.9	7.06	+2%	6.97	+1.1%
USD / BRL  / 	3.95	5.16	+30%	5.11	+29%
EUR / RUB  / 	72.4	78.9	+9%	81.4	+12%
EUR / GBP  / 	0.88	0.88	+0.8%	0.89	+1.5%
TOT. IMPACT ON SALES			~-4%	~-5%	

KEY CAR MARKET TRENDS: EUROPE

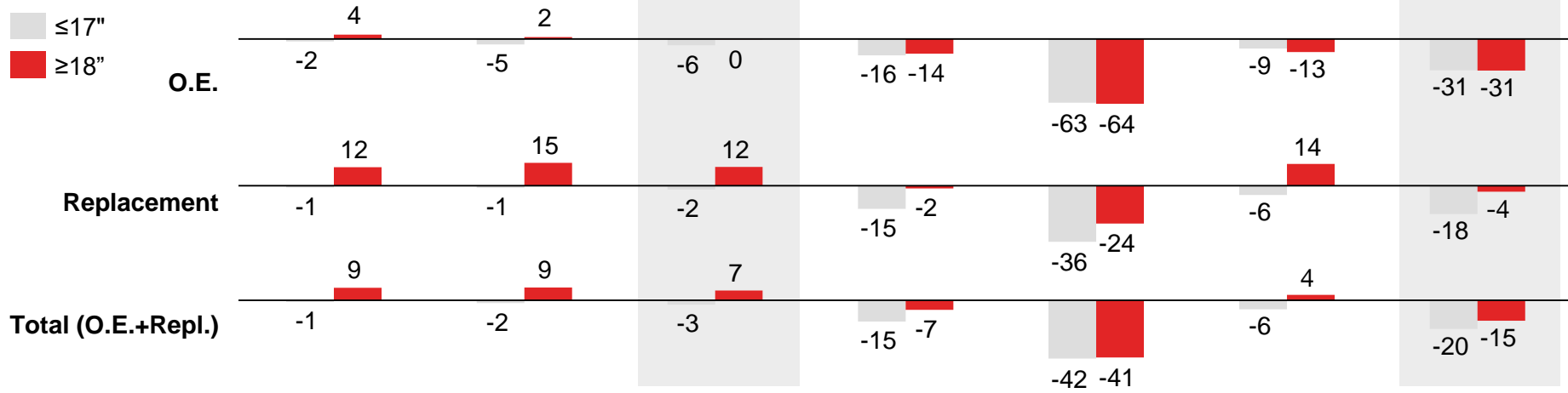


Market trend
Δ% YoY

Total Car market



of which ≥18" & ≤17"

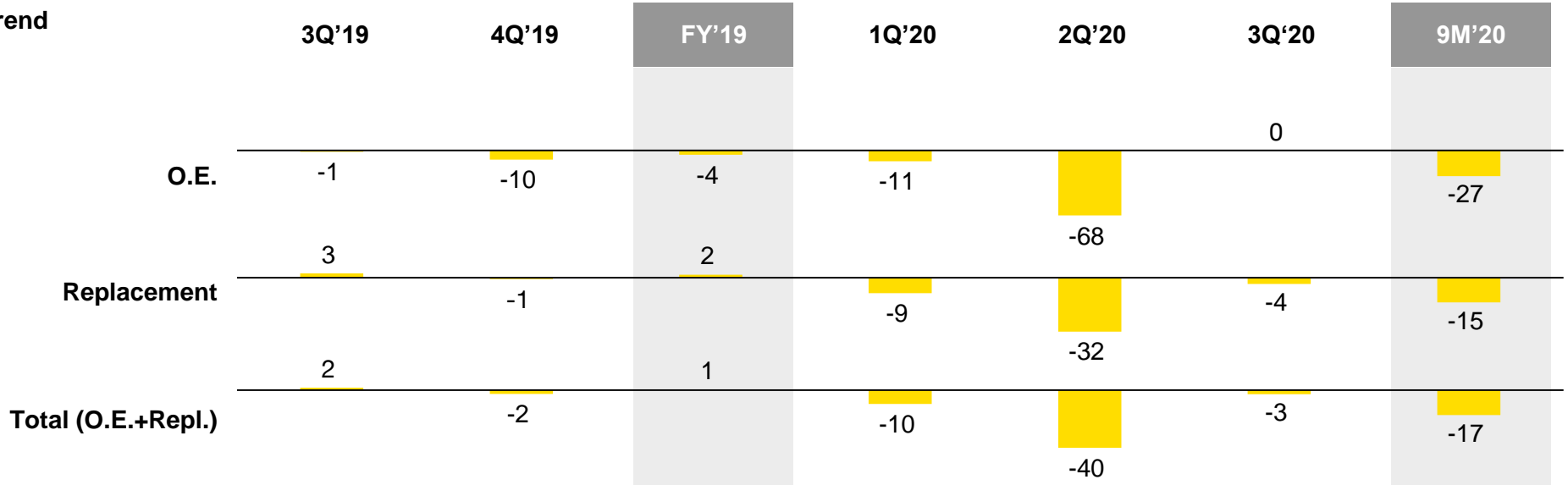


KEY CAR MARKET TRENDS: NORTH AMERICA

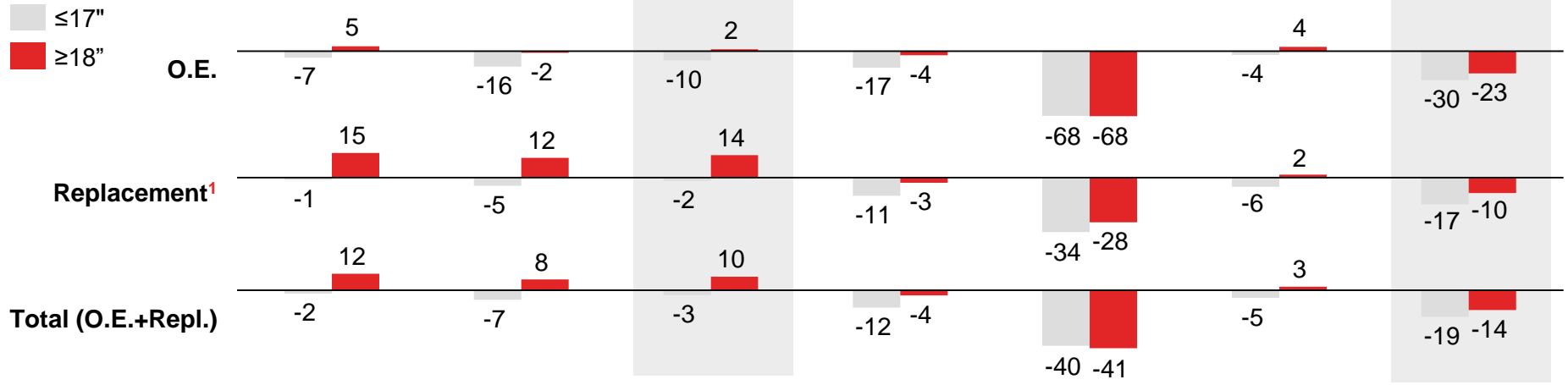


Market trend
Δ% YoY

Total Car market



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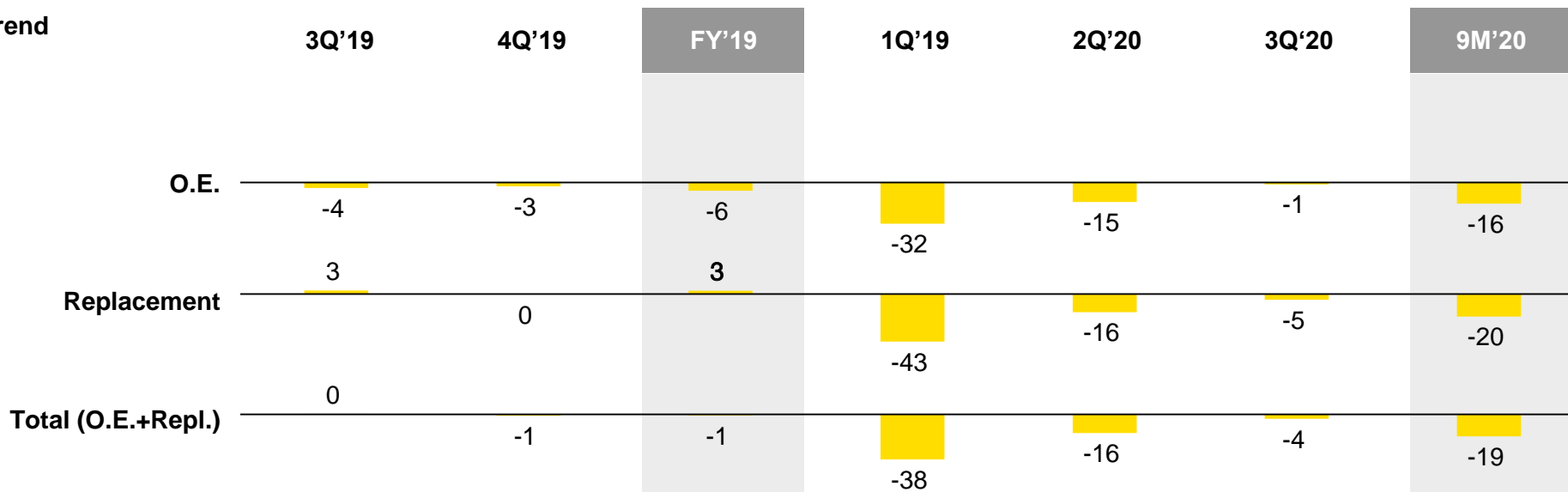


KEY CAR MARKET TRENDS: ASIA PACIFIC

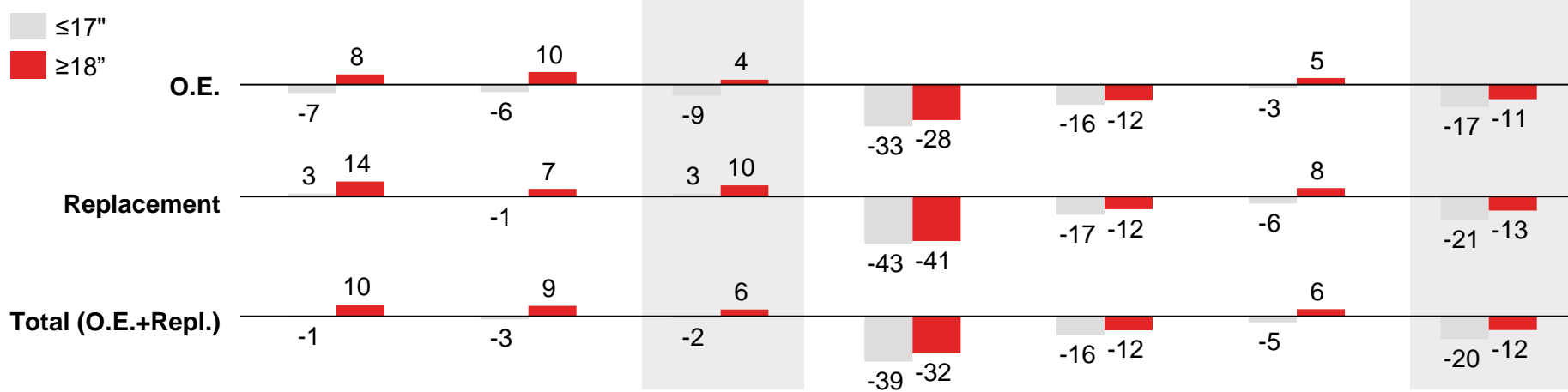


Market trend
Δ% YoY

Total Car market



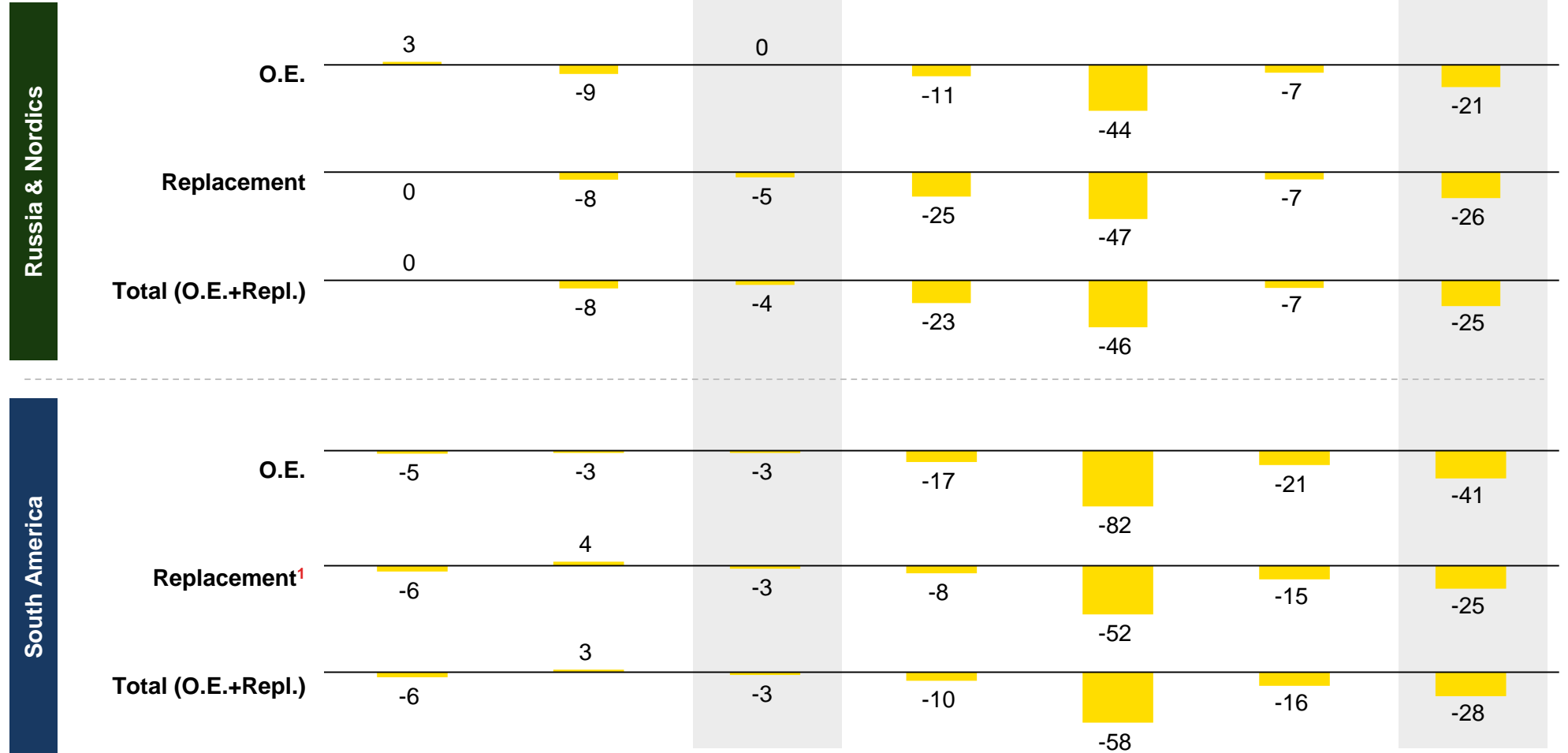
of which ≥18" & ≤17"



KEY MARKET TRENDS: RUSSIA & NORDICS / SOUTH AMERICA



Market trend
Δ% YoY

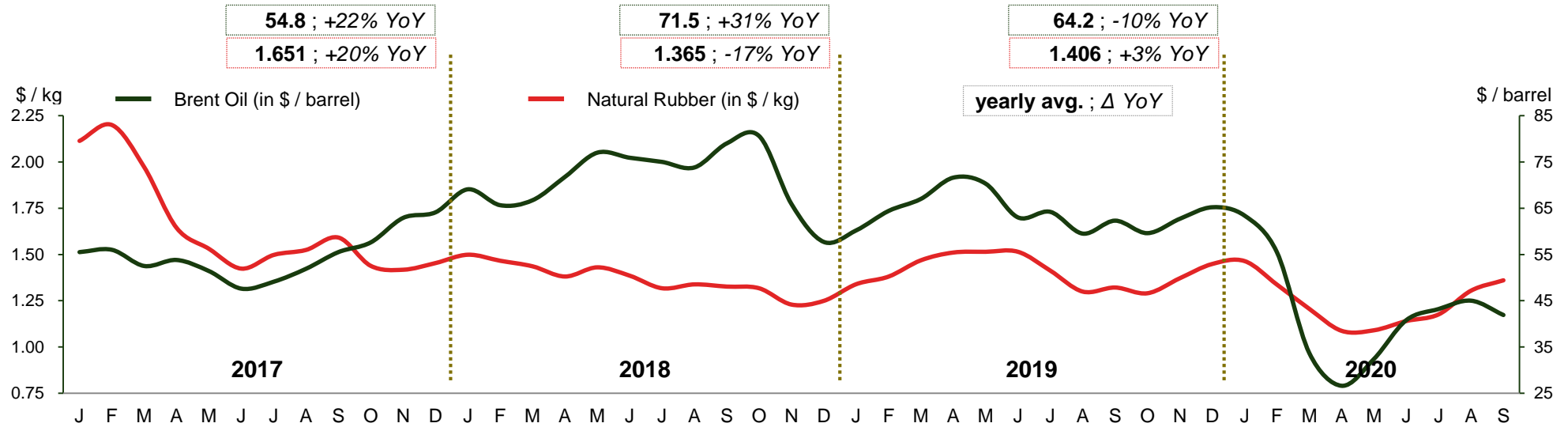


Source: Pirelli tyre market estimates based on main data provider for the Region; historical market data may be subject to restatement; 1. South America Replacement restated to include Brazilian imports

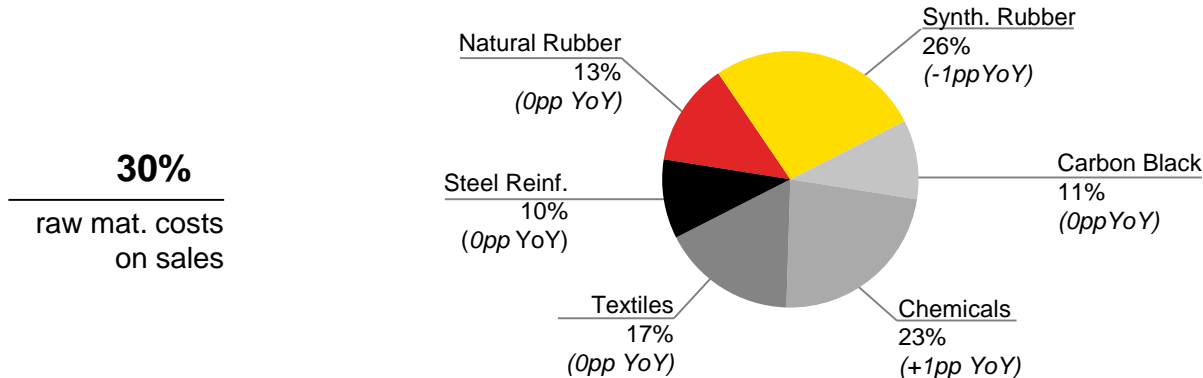


RAW MATERIAL COSTS TREND AND MIX

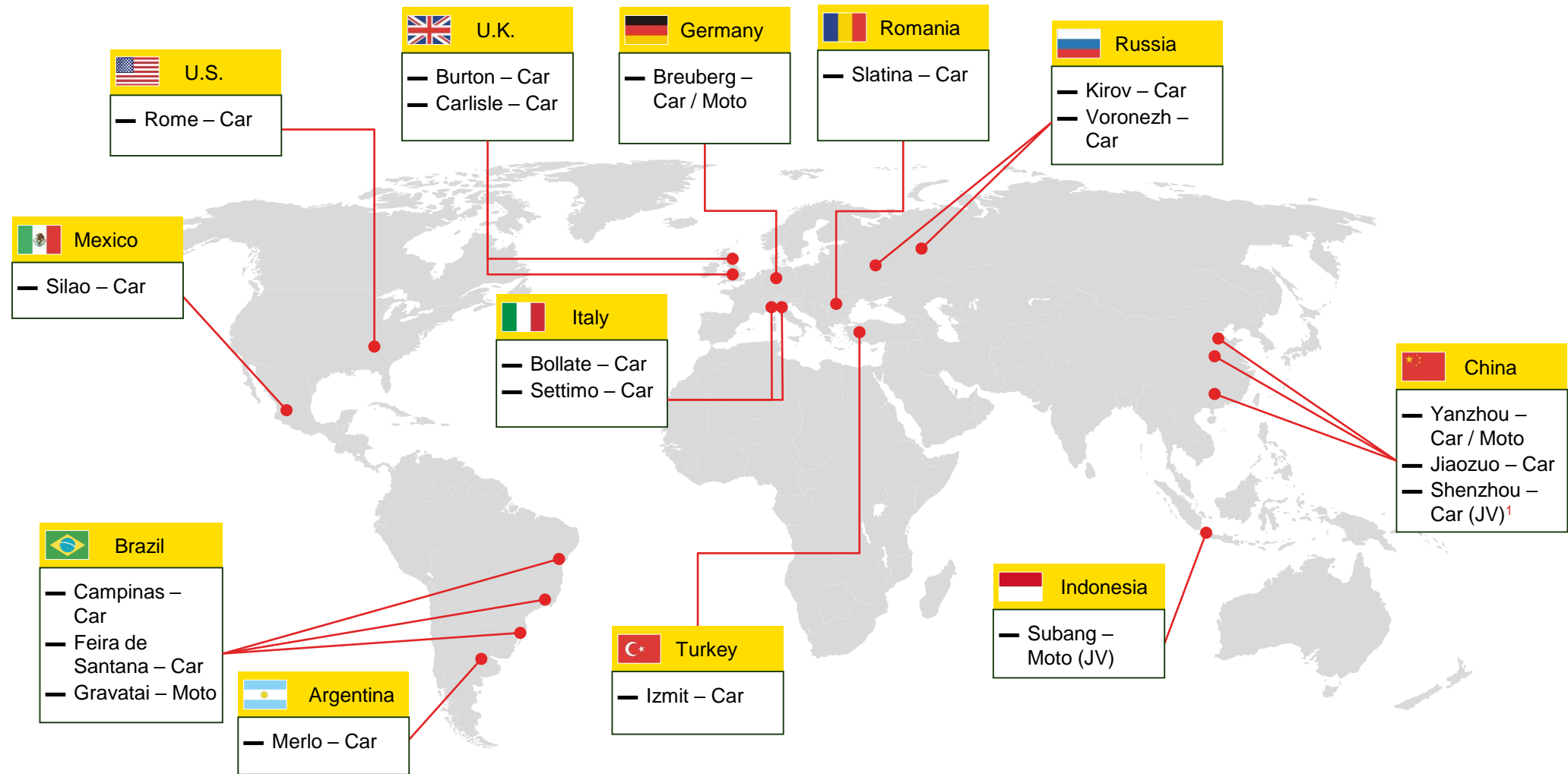
Main raw materials price trend



9M 2020 mix (based on purchasing cost)



MANUFACTURING FOOTPRINT AS OF SEPTEMBER 30TH, 2020





PIRELLI