

# 1H 2021 FINANCIAL RESULTS



Milan, August 5<sup>th</sup>, 2021



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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, EBIT adjusted and net income adjusted. In order to facilitate the understanding of our financial position and financial performance, this Presentation contains other performance measures, such as Net Financial (liquidity) / debt Position, Net cash flow before dividends and convertible bond impact, Net cash flow before dividends & extraordinary operations, Net cash flow before dividends and Net cash flow.

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## > Post Pandemic recovery accelerating

- Global GDP growth expected at >+5% CAGR '20-'22
- Strengthened demand in H.V., driven by Replacement, while O.E. impacted by chip-shortage
- Healthy pricing environment

## > Industrial Plan Key Programs progressing well

- Significant share gains in  $\geq 18$ " and  $\geq 19$ " across Regions
- Product portfolio enriched with new regional lines in EU (1Q) and N. America (2Q)
- Cost competitiveness program: ~60% of yearly target reached in 1H'21
- Plants utilization above 90%
- Pioneering a sustainable tyre FSC<sup>2</sup>-Certified, nurturing Environment & Communities

## > Strong 2Q results and positive environment drove a general upgrade in our FY Guidance

- In 2Q profitability at 15.8% (14.7% in 1H) supported by strong contribution of internal levers (volume, price/mix and efficiencies)
- Significant Net Cash Flow<sup>1</sup> generation in 2Q: €173M (13% of Sales), due to operating performance and working capital management
- Better volumes (H.V. Replacement) and higher price/mix driving upward guidance revision

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## MACRO-ECON



### Accelerating GDP recovery

>+5% GDP '21-'22 avg. growth (Ind. Plan +4.6%)  
2H Forex less volatile than in 1H

## TYRE DEMAND



### Improved High Value demand outlook

FY21E  $\geq 18$ " demand increased thanks to stronger repl.  
OE revised downwards, impacted by chip shortage

## PRICING



### Supportive pricing environment

Healthy inventories at dealers level  
Price increases being implemented across Regions

## RAW MATERIALS



### Inflationary scenario

Oil derivatives prices above expectations  
Price/mix offsetting raw material and Forex headwinds in FY

## PLAN TARGETS

## 1H MAIN ACHIEVEMENTS



### Commercial

- Capturing H.V. rebound and gaining share
- Growing exposure towards higher rims and technologies



- **Volume +16pp** vs. WW market trend in **≥18"**
- **66%** weight of **≥19"** (+3pp YoY)<sup>1</sup>, **Elect** volumes **9x** 1H'20 levels



### Innovation

- Homologations in **≥19"** and Specialties
- Speeding-up product pipeline with focus on Regional lines



- **~85%** homologations **≥19"**, **~50% Specialties**
- **New «Scorpion A.S.+3»** launched in **USA in 2Q** in addition to the 2 EU products in 1Q



### Competitiveness

- Wave 2 program: **€155M** gross savings in '21 (4% of '20 baseline), **€80M** net



- **€83M gross savings** (€50M net), in line with the expected delivery



### Operations

- Completion of footprint rationalization and volumes ramp-up to full saturation



- **Reorganization of Burton (UK) plant completed in 2Q**, now re-focused on semi-finished goods
- Plants **utilization above 90%**



### ESG

- Employees protection, safe workplace
- Develop new skills for business transf.
- Nurture Environment & Communities



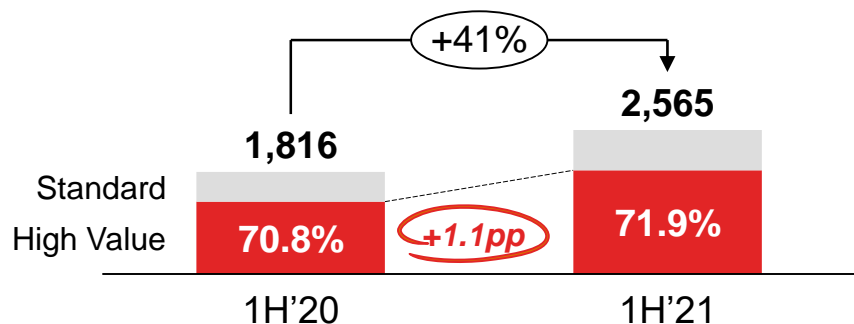
- Progressing in **Covid vaccination program** in co-operation with national authorities
- **R&D tailored graduate program** launched
- First ever **FSC<sup>2</sup>-certified tyres**

# PIRELLI 1H 2021 RESULTS HIGHLIGHTS

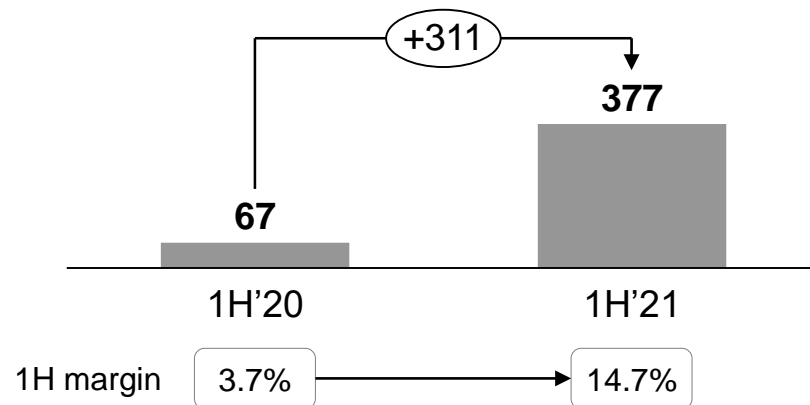


€ million

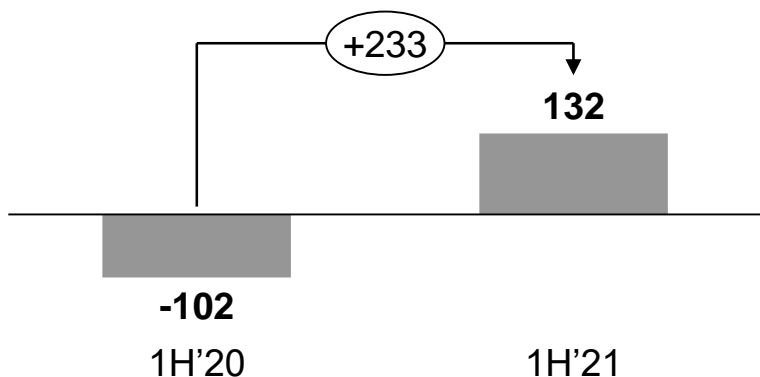
## Net Sales



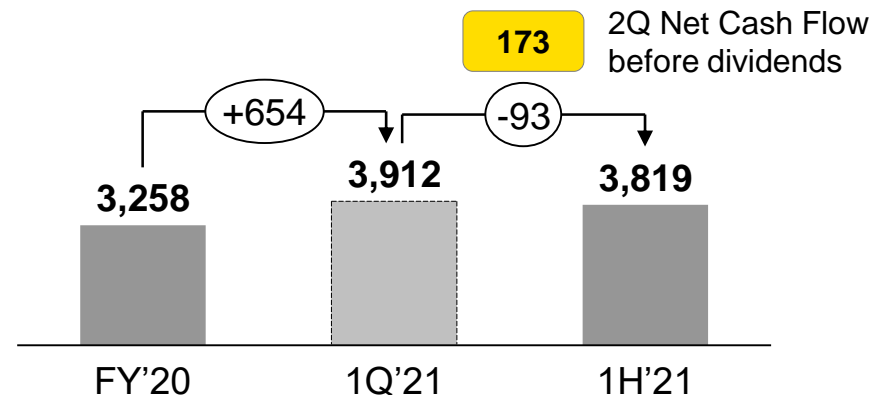
## adjusted EBIT<sup>1</sup>



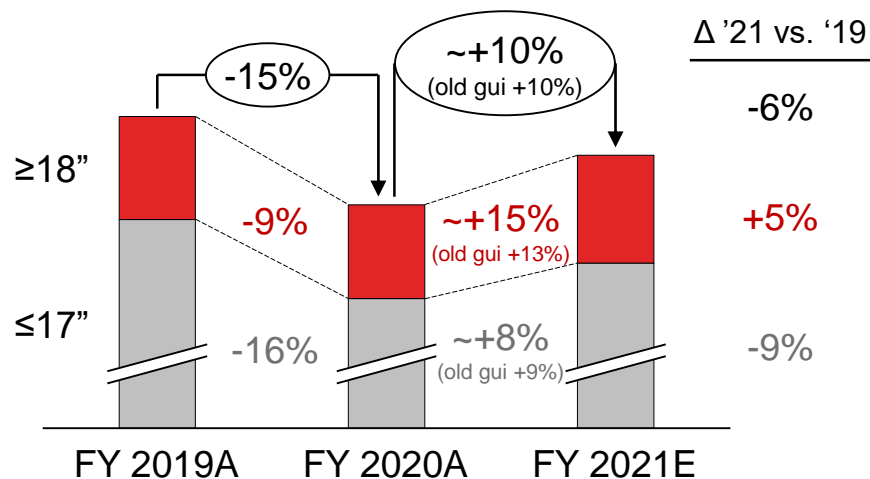
## Net Income



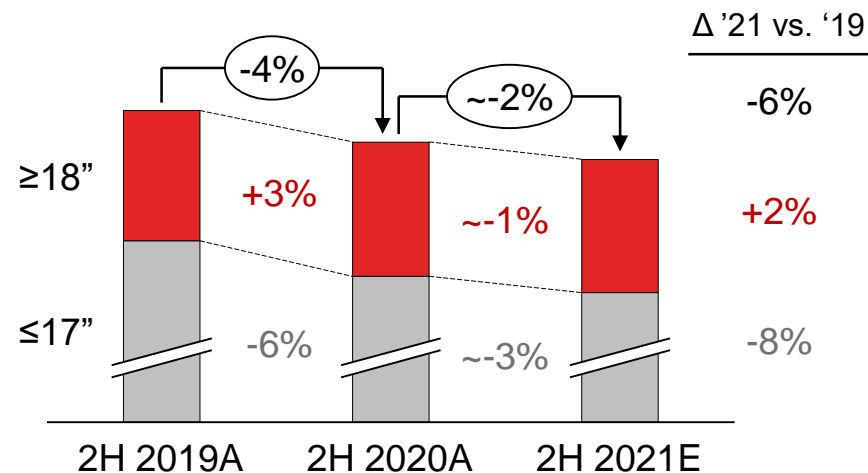
## Net Financial Position



## CAR TYRE MARKET YEARLY TREND



## CAR TYRE MARKET 2H TREND



- > 2021 market growth confirmed with a better mix:
  - stronger Repl., especially ≥18" (+18%, +6pp vs. old guid.)
  - weaker O.E. impacted by chip shortage (in ≥18" +10%, -5pp vs. old guid.)
- > FY'21e **Pirelli** ≥18" volumes higher than initial guidance, market outperform. confirmed; ≤17" growth still slightly below market

- > 2H market with cautious O.E. and tough comparison base:
  - in 2H'20 partially recovering post 1<sup>st</sup> pandemic impact
  - in 2H'19 ≥18" market (+8% YoY) stronger vs. 1H'19 (+4%)
- > **Pirelli** 2He ≥18" trend overall in line with the market, gaining share in Repl.



# PIRELLI FY 2021 TARGETS UPDATE



€ billion	2020 A	@ 31-Mar 2021 E	@ 05-Aug 2021 E
<b>Net Sales</b>	4.3	~4.7 ÷ ~4.8	~5.0 ÷ ~5.1
<b>Adj. EBIT margin</b>	11.6%	>14% ÷ ~15%	~15% ÷ ~15.5%
<b>CapEx</b> (% on Sales)	0.14 (3.3%)	~0.33 (~7%)	<b>Confirmed</b>
<b>Net Cash Flow</b> bef. Dividends	0.21 <sup>1</sup>	~0.30 ÷ ~0.34	~0.36 ÷ ~0.39
<b>Net Financial Position</b> NFP / adj. EBITDA	3.3 3.65x	~3.0 ~2.7x	<3.0 ≤2.6x
<b>ROIC</b> After taxes	10.4%	~16%	≥16%

- **Vol. +14% ÷ +15%**  
(old. guid. +11% ÷ +13%)
- **P/Mix: +4.5% ÷ +5.0%**  
(old. guid. +2.5% ÷ +3%)
- **FX: -2.5% ÷ -2.0%**  
(old. guid. -3.5%)



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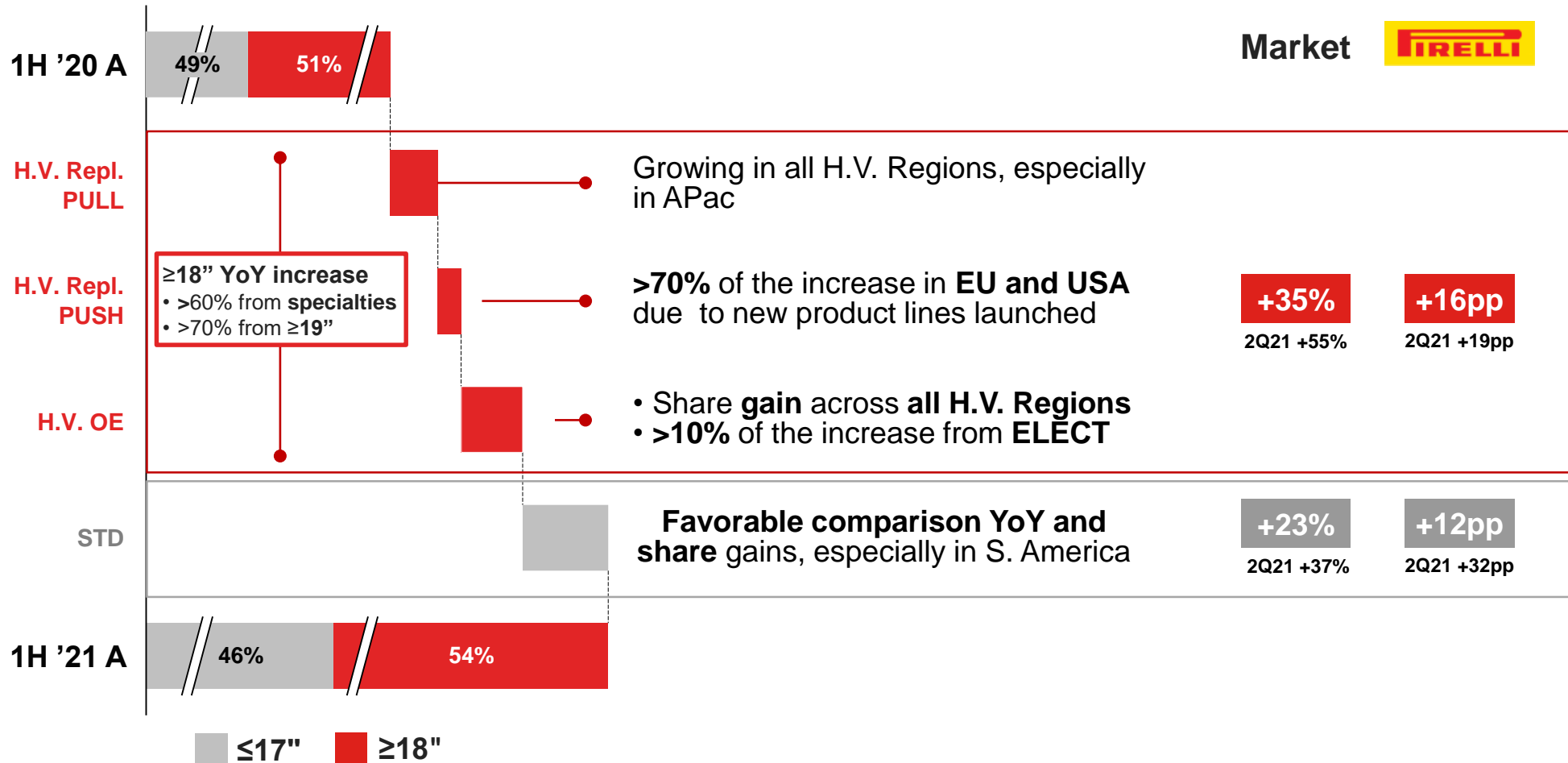
# COMMERCIAL 2Q / 1H 2021: TECHNOLOGIES BOOSTING GROWTH IN H



## 1H 2021A Volume variance (Car)

## Key Programs Highlights

## Performance vs. market



# INNOVATION PROGRAM 1H 2021: NEW HIGH LOAD TECHNOLOGY SUPPORTING GROWTH IN EV FITMENTS



## Tyre for EVs Technologically challenging

- ▶ EVs Customers looking for **Performance & Safety**
- ▶ EV tyres with challenging technological requirements:



Higher load



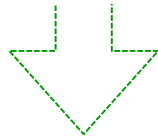
Lower Rolling Resist.



Higher grip



Lower noise



**EV SPECIALTY TYRES  
HIGHER COMPETITIVE BARRIERS**



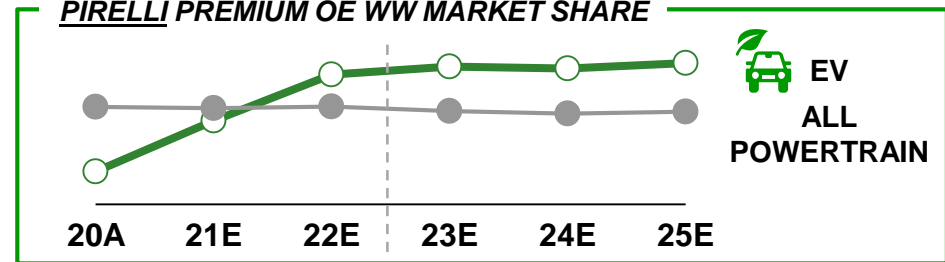
## In 1H 2021 Piorelli brought to life new HL technology



FIRST TYRE WITH THE NEW 'HL' HIGH LOAD MARKING FOR ELECTRIC OR HYBRID CARS & SUVs

- ▶ **LUCID AIR THE FIRST CAR TO USE NEW "HL TYRE"**
- ▶ THE NEW TYRE FOR THE AMERICAN ELECTRIC SEDAN **ALSO FEATURES ELECT AND PNCS TECHNOLOGIES**

**PIRELLI PREMIUM OE WW MARKET SHARE**



# INNOVATION PROGRAM 1H 2021: THE “NEW SCORPION AS PLUS 3” UNVEILED IN NORTH AMERICA, AFTER LAUNCHING EU PRODUCTS IN



**SCORPION™**  
**AS PLUS 3**

**CUV/SUV/PICK-UP**  
MOST POPULAR FITMENTS

**All Season**  
YEAR-ROUND PERFORMANCE

**70,000 mile**  
LIMITED TREAD WEAR WARRANTY



+ MILEAGE

**70,000 MILE WARRANTY\***

## Go Farther

Smooth, quiet, comfortable.  
No matter how far you go, the **Pirelli Scorpion™ AS PLUS 3** lets you to enjoy your time on the road

+ COMFORT

## Enjoy your ride

Pirelli Scorpion™ AS PLUS 3 is for those looking for a luxury premium ride, for any-distance drivers interested in enjoying a smooth, quite, comfortable ride

+ CONTROL

## Feel the road

Pirelli **Scorpion™ AS PLUS 3** grips the road for you: excellent braking, corner handling, in any season.  
Enjoy your ride: the **Pirelli Scorpion™ AS PLUS 3** works for you



**1H 2021 RESULTS**  
Milan, August 5<sup>th</sup>, 2021



# INNOVATION PROGRAM 1H 2021: WORLD PREMIERE OF FOREST STEWARDSHIP COUNCIL-CERTIFIED TYRE



**THE FSC-CERTIFIED PIRELLI P-ZERO TYRE**  
*First and only Forest Stewardship Council-certified tyres,  
containing FSC-certified natural rubber and rayon*



## WHAT DOES THE FSC CERTIFICATION ENSURE?



**FULL TRACEABILITY  
ALONG THE  
SUPPLY CHAIN**



**CONSERVATION  
OF BIOLOGICAL  
DIVERSITY**



**RESPECT OF  
HUMAN &  
LABOUR RIGHTS**

*All these aspects are verified by accredited certification bodies all along the supply chain up to Pirelli factory*



- ▶ **FSC Labelled**
- ▶ **“Perfect fit” for the new BMW X5 xDrive45e Plug-in-Hybrid**
- ▶ High performance tyres, with **A class rolling resistance** according to the European tyre label

# COMPETITIVENESS PROGRAM 1H DELIVERY IN LINE WITH FY TARGET



		Wave 1 - '20	Wave 2 - '21-22			
		FY'20	focusing on:	'21-'22	FY'21	o/w 1H'21
<b>Product Cost</b>			<ul style="list-style-type: none"> <li>▶ Modularity</li> <li>▶ Design speed and virtualization</li> </ul>		~50% in 1H	
<b>Manufacturing</b>			<ul style="list-style-type: none"> <li>▶ Footprint optimization</li> <li>▶ Industrial IOT and flexible factory</li> </ul>		mostly in 2Q (YoY recovery)	
<b>SG&amp;A</b>			<ul style="list-style-type: none"> <li>▶ Logistics network redesign and service differentiation</li> <li>▶ Procurement rationalization</li> </ul>		mostly in 2H	
<b>Organization</b>			<ul style="list-style-type: none"> <li>▶ Digital Processes and Organization transformation</li> </ul>		mostly in 2H	
<b>Total Gross Impact as% of cost baseline</b>		~€160M ~ 3.5 % of baseline '19		~€310M ~ 8.0 % of baseline '20	~€155M ~ 4.0 % of baseline '20	~€83M ~ 2.2 % of baseline '20
<b>Total Net Impact as% of cost baseline</b>		~€110M ~ 2.5 % of baseline '19		~€170M ~ 4.5 % of baseline '20	~€80M ~ 2.1 % of baseline '20	~€50M ~ 1.3 % of baseline '20



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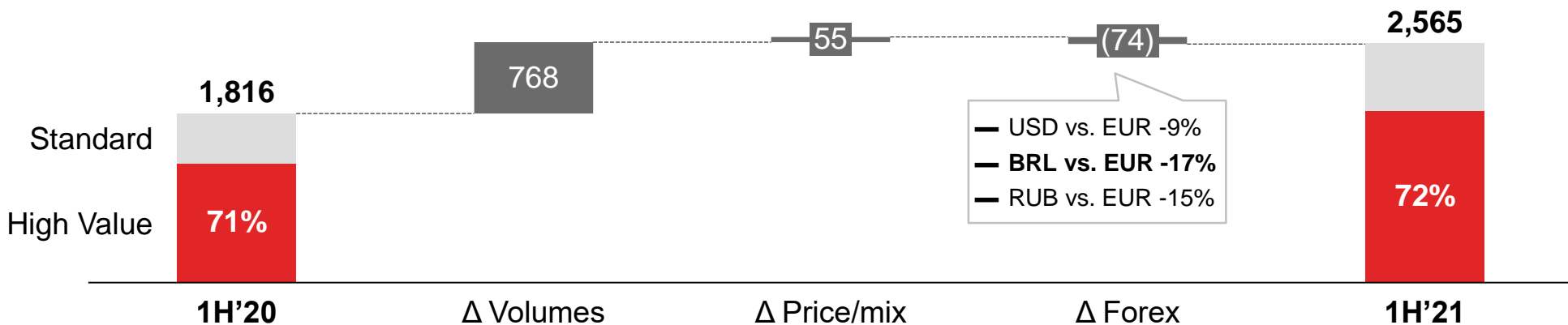
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# TOP LINE SUPPORTED BY STRONG COMMERCIAL PERFORMANCE; PRICE INCREASE EFFECTIVE IN 2Q

€ million



- USD vs. EUR -9%
- BRL vs. EUR -17%
- RUB vs. EUR -15%

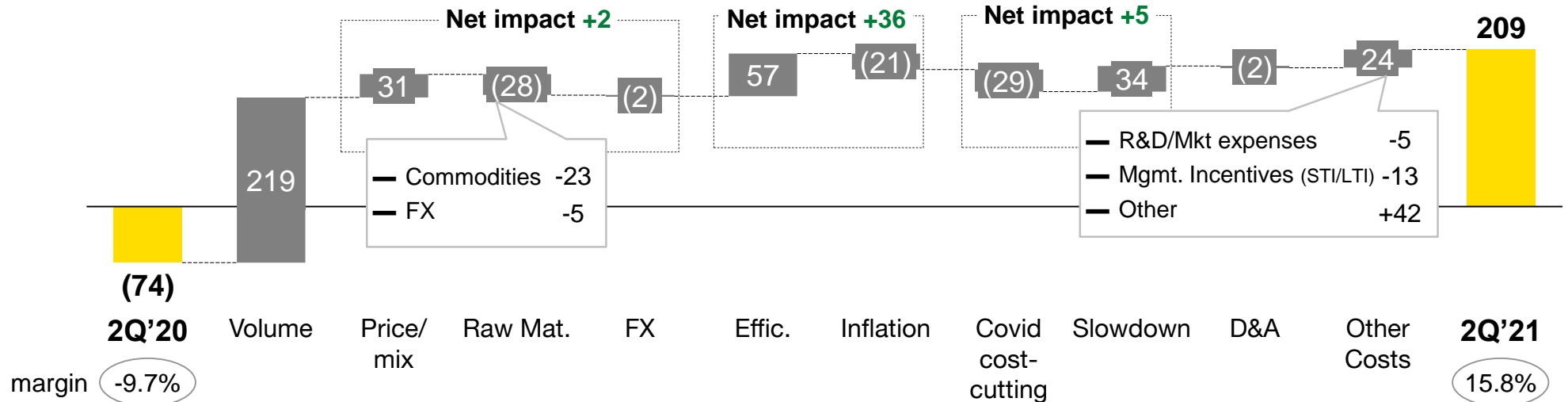
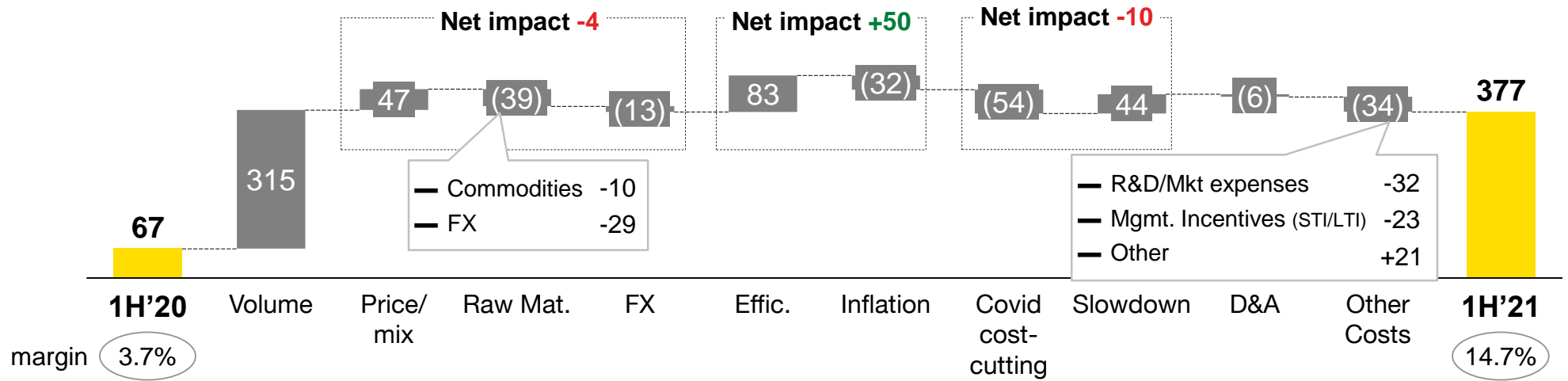
	High Value		Standard				<i>o/w Organic</i>
<b>1H'21</b>	<b>+46.3%</b> o/w Car ≥18" +51%	+42.3%	+38.3%	+3.0%	-4.1%	+41.2%	+45.3%
O.E. +60% Repl. +44%							
<b>2Q'21</b>	<b>+68.8%</b> o/w Car ≥18" +74%	+69.9%	+72.9%	+4.0%	-1.3%	+72.6%	+73.9%
O.E. <sup>1</sup> +98% Repl. <sup>1</sup> +60%							
<b>1Q'21</b>	<b>+29.3%</b> o/w Car ≥18" +33%	+22.2%	+15.4%	+2.3%	-6.1%	+18.4%	+24.5%
O.E. +36% Repl. +31%							



<sup>1</sup> Car ≥18" 2Q'20: -35%, -43% OE, -30% Repl

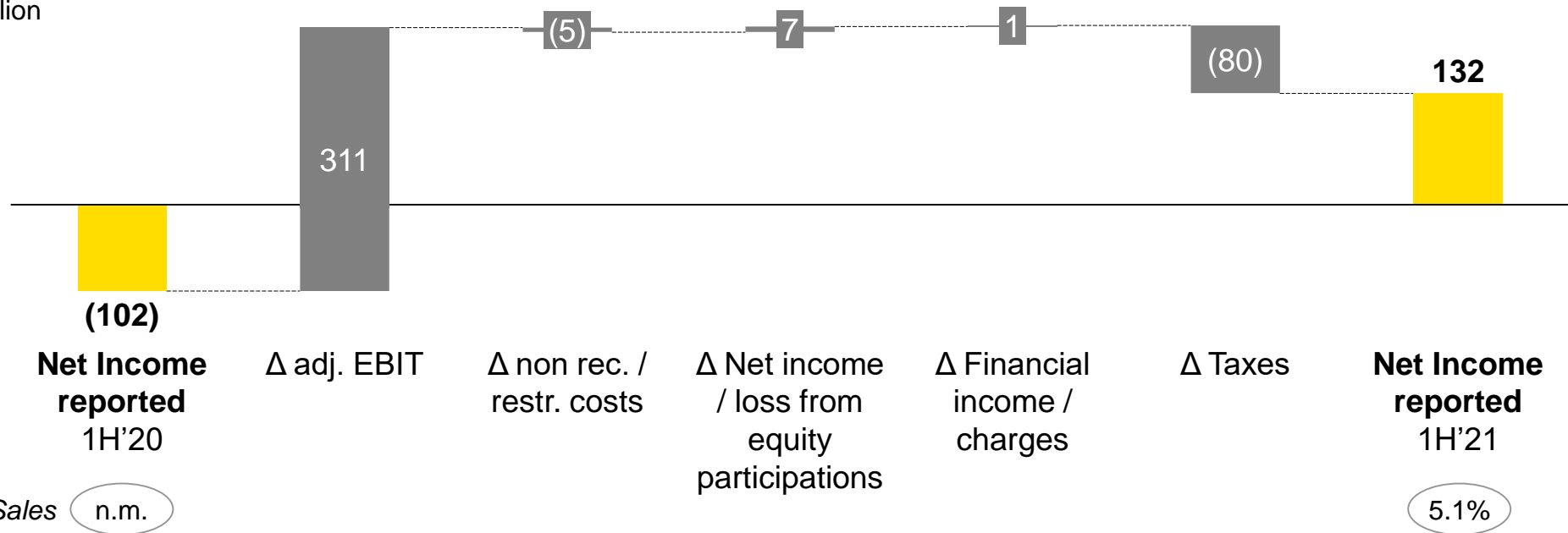
# STRONG INTERNAL LEVERS CONTRIBUTION LEADING TO A PROFITABILITY IMPROVEMENT

€ million



# 1H 2021 NET INCOME BRIDGE

€ million



	1H'20	1H'21
<b>Net Income reported</b>	<b>-102</b>	<b>132</b>
PPA amortization	+57	+57
Non recurring / restr. costs / other adj.	+66	+72
Taxes impact	-35	-36
<b>Adj. Net Income</b>	<b>-13</b>	<b>224</b>

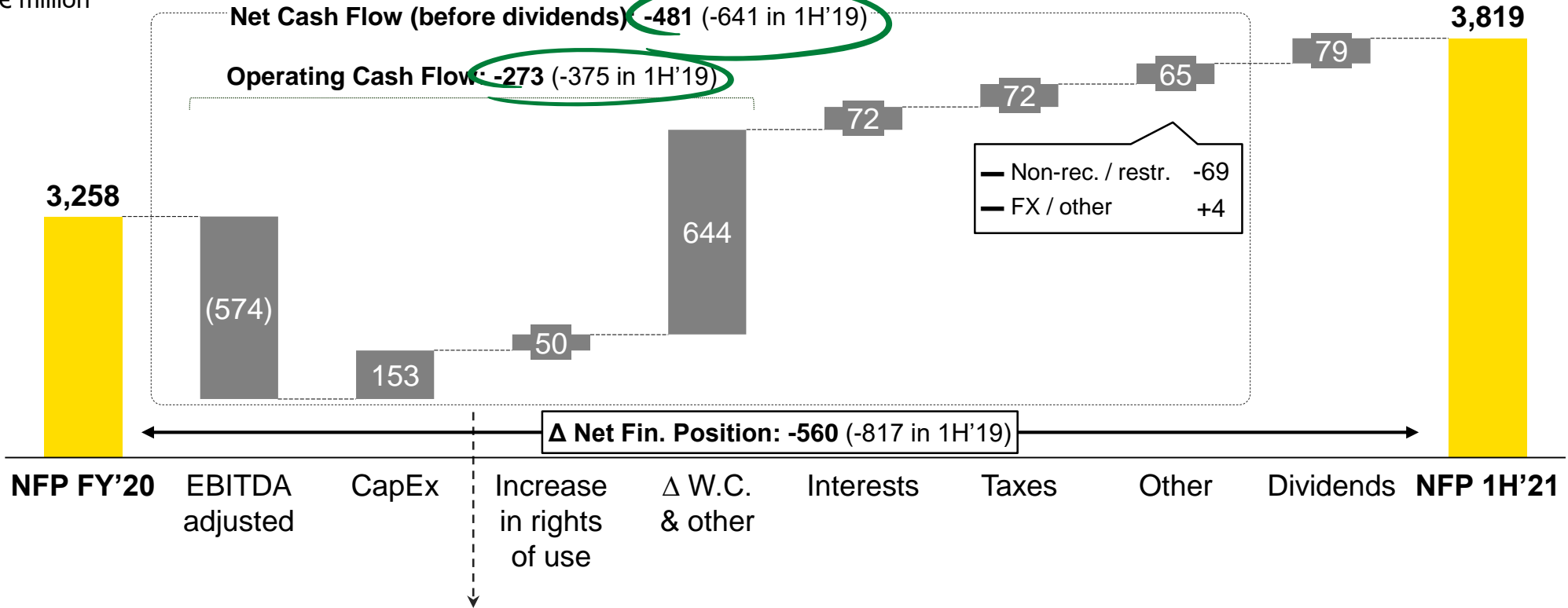
incl. 26 of COVID-19 direct costs (for 1H'20 Non recurring / restr. costs / other adj.)

incl. 9 of COVID-19 direct costs (for 1H'21 Non recurring / restr. costs / other adj.)

# CASH FLOW TREND BETTER VS 1H19 DUE TO WORKING CAPITAL MG



€ million



- Non-rec. / restr. -69  
 - FX / other +4

## 2Q'21 Net C.F. (before dividends)

EBITDA adjusted	307
Capital expenditures	-63
Increase in rights of use	-23
Change in WC / other	73
Taxes / Interests	-67
Other	-55
<b>Total</b>	<b>173</b>

72 in 2Q'19

- **Inventories:** 19%<sup>1</sup> on Sales in 1H'21 vs. 20%<sup>1</sup> in 1Q'21 and 22% in 1H19 ; +9% vs. 1Q'21 value –wise as a result of higher business level;
- **Trade receivables:** 16%<sup>1</sup> on Sales in 1H'21 vs. 18%<sup>1</sup> in 1Q'21 and 17%<sup>1</sup> in 1H'19; reduction is strictly connected to a general improvement in collection
- **Trade payables:** 19%<sup>1</sup> on Sales in 1H'21 in line with 1Q'21 increasing in terms of absolute value due to higher business level; 23%<sup>1</sup> on Sales in 1H'19

## 1H 2021 RESULTS

Milan, August 5<sup>th</sup>, 2021

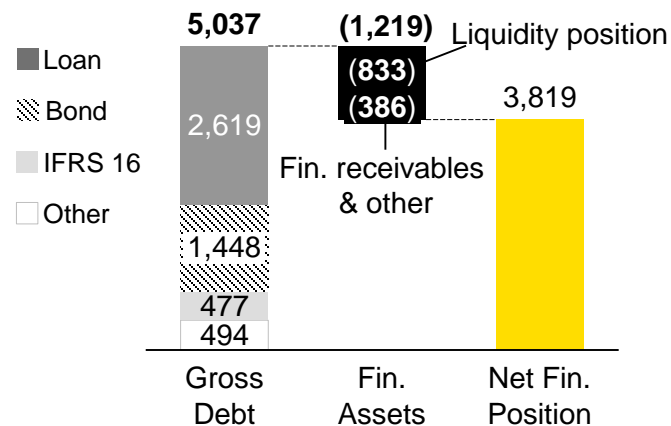


# TOTAL GROSS DEBT STRUCTURE

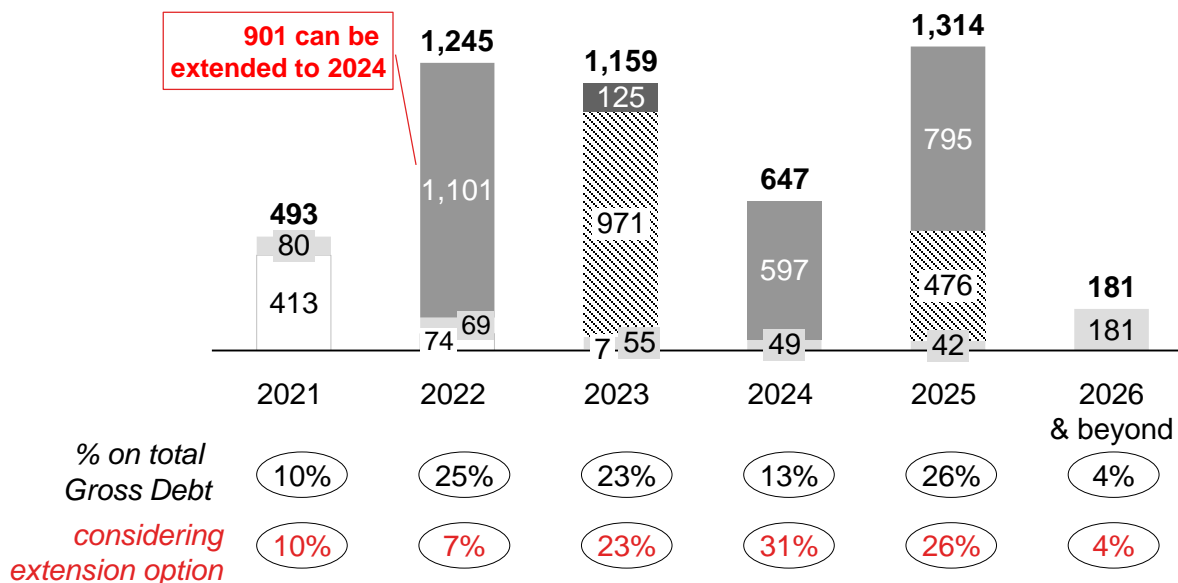


€ million

## Net Financial Position



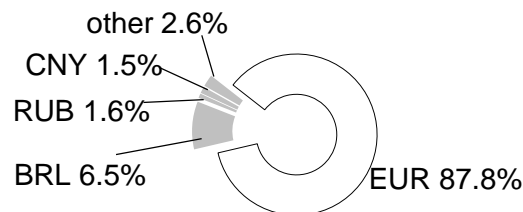
## Gross Debt maturity



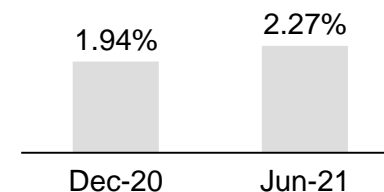
## Liquidity profile

Liquidity position <sup>1</sup>	833
Committed lines not drawn	700
<b>Liquidity margin</b>	<b>1,533</b>

## 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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# PIRELLI LEADING POSITION IN SUSTAINABILITY RANKINGS & INITIATI



Major sustainability ratings (Aug-21)	last update	score	positioning in the reference sector
Member of <b>Dow Jones Sustainability Indices</b> Powered by the S&P Global CSA	2020	84	#1 ATX Auto Components
Sustainability Award Gold Class 2021 	2021	Gold class	#1 Max score
	2020	A	#1 Max score
	2021	AA	#2 Auto Components (PI #2 / 36)
	2021	4.5 / 5	#1 Auto & Parts / Tyres
	2020	LEAD	#1 Max score
	2021	10.4	#3 Auto Components (PI #3 / 209)
	2020	B-	#1 Auto Components (PI #1 / 78)
	2020	Gold	n.a.
	2020	Advanced	#2 Automobiles (PI #2 / 40)





# PIRELLI 2Q / 1H RESULTS HIGHLIGHTS



€ million

	2Q'20	2Q'21	Δ YoY	1H'20	1H'21	Δ YoY
<b>Revenues</b>	<b>765</b>	<b>1,320</b>	<b>+72.6%</b>	<b>1,816</b>	<b>2,565</b>	<b>+41.2%</b>
<i>Organic Growth</i> <sup>1</sup>			+73.9%			+45.3%
High Value Revenues (% on total)	72.4%	71.2%	-1.2pp	70.8%	71.9%	+1.1pp
adj. EBITDA <sup>2</sup>	24	307	n.m.	268	574	n.m.
<i>Margin</i>	3.1%	23.3%	+20.2pp	14.7%	22.4%	+7.7pp
<b>adj. EBIT</b> <sup>3</sup>	<b>(74)</b>	<b>209</b>	<b>n.m.</b>	<b>67</b>	<b>377</b>	<b>n.m.</b>
<i>Margin</i>	<b>-9.7%</b>	<b>15.8%</b>	<b>+25.5pp</b>	<b>3.7%</b>	<b>14.7%</b>	<b>+11.0pp</b>
PPA amortization	(29)	(28)		(57)	(57)	
Non recurring & restructuring costs	(42)	(29)		(66)	(72)	
EBIT	(145)	151		(57)	249	
<i>Margin</i>	<b>-19.0%</b>	<b>11.5%</b>		<b>-3.1%</b>	<b>9.7%</b>	
Results from Equity Investments	1	2		(5)	2	
Financial Income (Charges)	(41)	(32)		(73)	(72)	
EBT	(185)	122		(135)	179	
<i>Tax Rate</i>	n.m.	26.4%		24.4%	26.4%	
<b>Net Income</b>	<b>(140)</b>	<b>89</b>		<b>(102)</b>	<b>132</b>	
Net Income adjusted <sup>3</sup>	(90)	130		(13)	224	

# PIRELLI BALANCE SHEET



€ million

	30-June-2020	31-Dec-2020	30-June-2021
Fixed assets (before IFRS 16)	8,619	8,423	8,446
Right of use IFRS 16	449	434	442
<b>Fixed assets (incl. IFRS 16)</b>	<b>9,068</b>	<b>8,857</b>	<b>8,888</b>
<i>Inventories</i>	962	836	957
<i>Trade receivables</i>	628	598	803
<i>Trade payables</i>	(858)	(1,268)	(967)
Operating net working capital	731	166	792
Other receivables / payables	145	(26)	(32)
<b>Net Working Capital</b>	<b>876</b>	<b>141</b>	<b>761</b>
<b>Total net invested capital</b>	<b>9,944</b>	<b>8,998</b>	<b>9,648</b>
<b>Equity</b>	<b>4,404</b>	<b>4,552</b>	<b>4,799</b>
<b>Provisions</b>	<b>1,275</b>	<b>1,187</b>	<b>1,031</b>
Net Financial Position (excl. IFRS 16)	3,782	2,793	3,342
Lease Obligations (IFRS 16)	482	466	477
<b>Net Financial Position (incl. IFRS 16)</b>	<b>4,265</b>	<b>3,258</b>	<b>3,819</b>
<b>Total financing and shareholders' equity</b>	<b>9,944</b>	<b>8,998</b>	<b>9,648</b>

# PIRELLI 2Q / 1H GROUP CASH FLOW



€ million

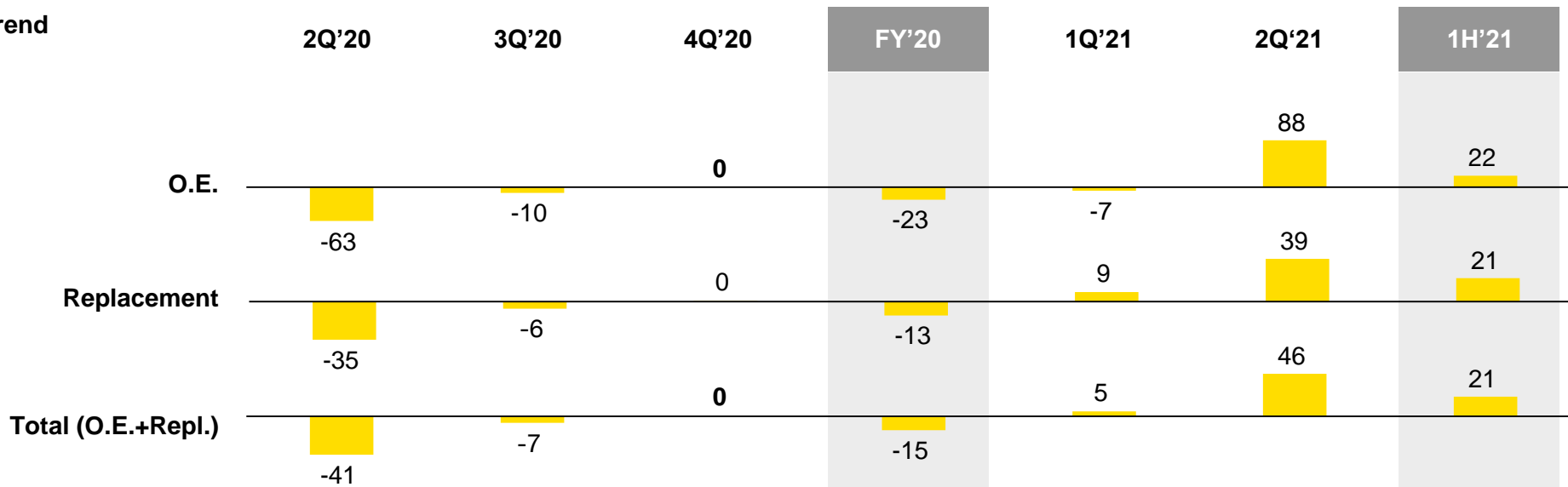
	2Q'20	2Q'21	1H'20	1H '21
Adjusted EBIT <sup>1</sup>	(74)	209	67	377
Depreciation & Amortization (excl. PPA amortization)	98	99	201	197
Capital expenditures	(25)	(63)	(81)	(153)
Rights of use (IFRS 16)	(24)	(23)	(47)	(50)
Change in working capital / other	132	73	(729)	(644)
<b>Operating Cash Flow</b>	<b>107</b>	<b>295</b>	<b>(590)</b>	<b>(273)</b>
Financial income / (expenses)	(41)	(32)	(73)	(72)
Taxes paid	(22)	(35)	(54)	(72)
Cash-out for non recurring items and restructuring costs	(28)	(40)	(49)	(69)
Exchange rates difference / other	(20)	(15)	8	1
<b>Net cash flow before dividends &amp; extraordinary operations</b>	<b>(4)</b>	<b>173</b>	<b>(758)</b>	<b>(485)</b>
Financial asset disposals / (acquisitions)	-	-	-	4
<b>Net cash flow before dividends</b>	<b>(4)</b>	<b>173</b>	<b>(758)</b>	<b>(481)</b>
Dividends paid	-	(79)	-	(79)
<b>Net cash flow</b>	<b>(4)</b>	<b>93</b>	<b>(758)</b>	<b>(560)</b>

# KEY CAR MARKET TRENDS: EUROPE

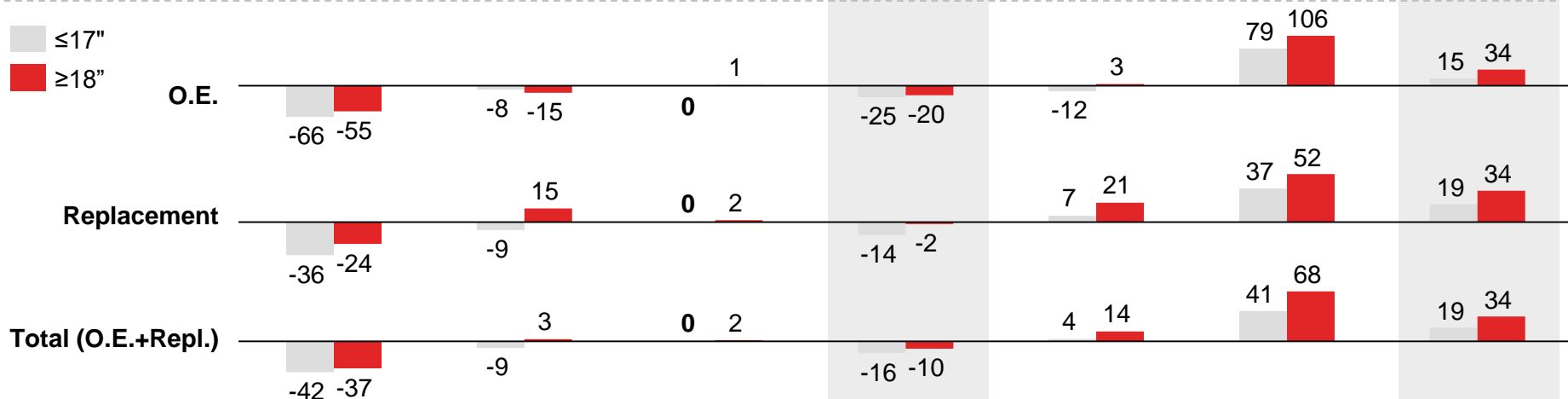


Market trend  
Δ% YoY

Total Car market



≥18" & ≤17"

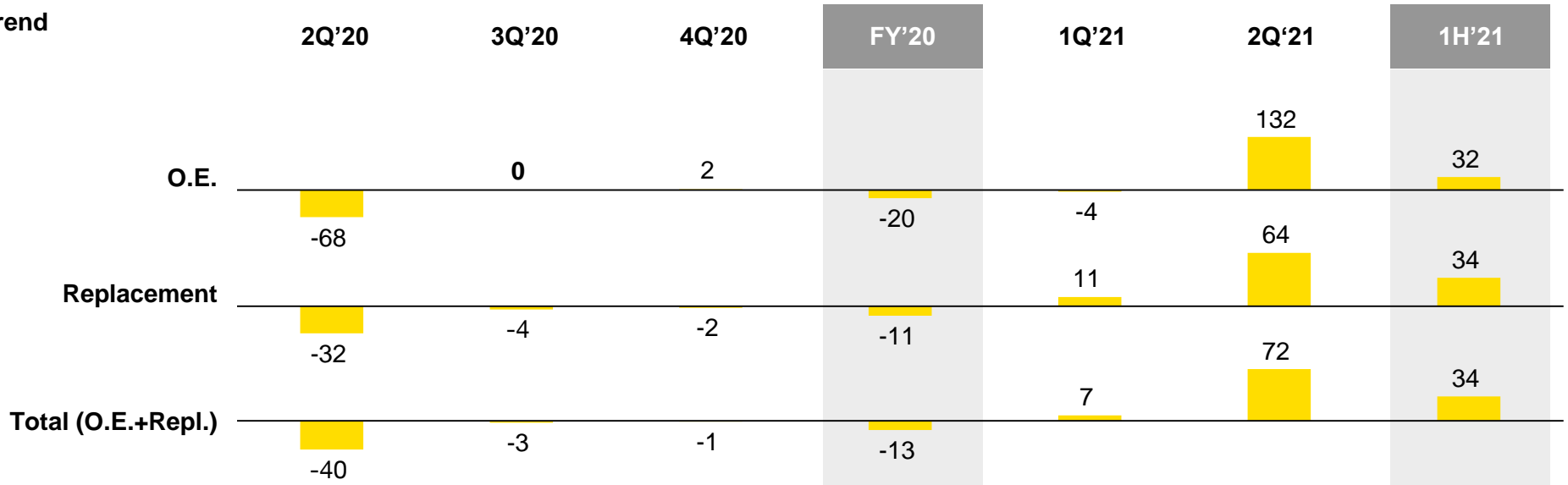


# KEY CAR MARKET TRENDS: NORTH AMERICA

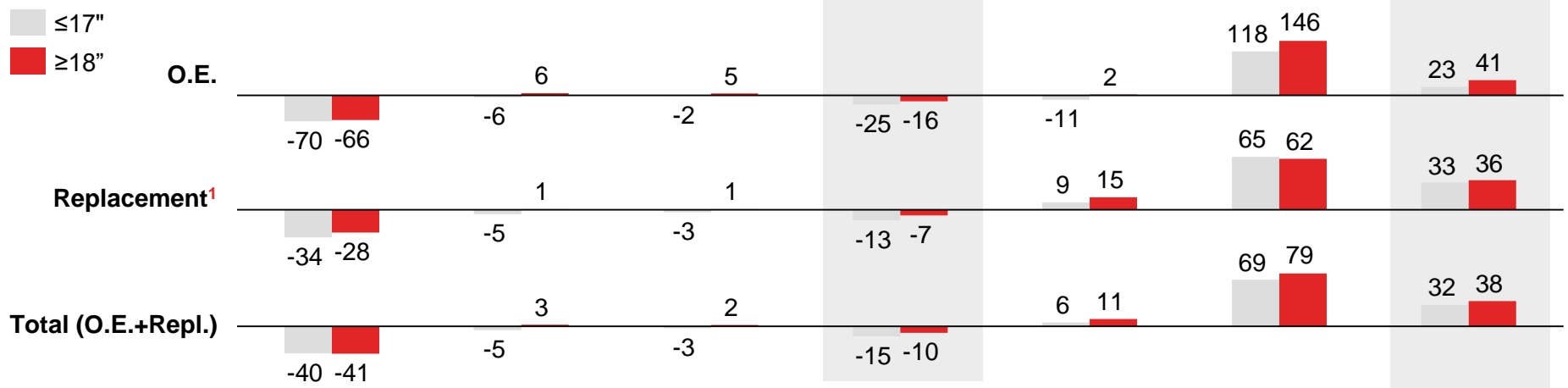


Market trend  
Δ% YoY

Total Car market



≥18" & ≤17"

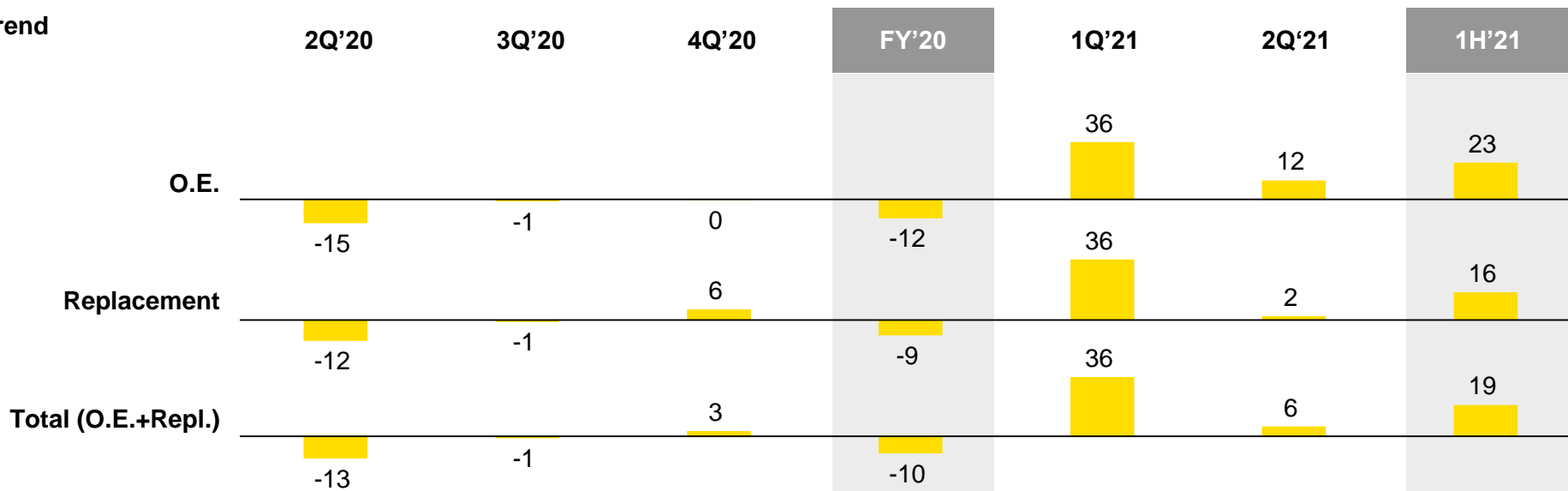


# KEY CAR MARKET TRENDS: ASIA PACIFIC

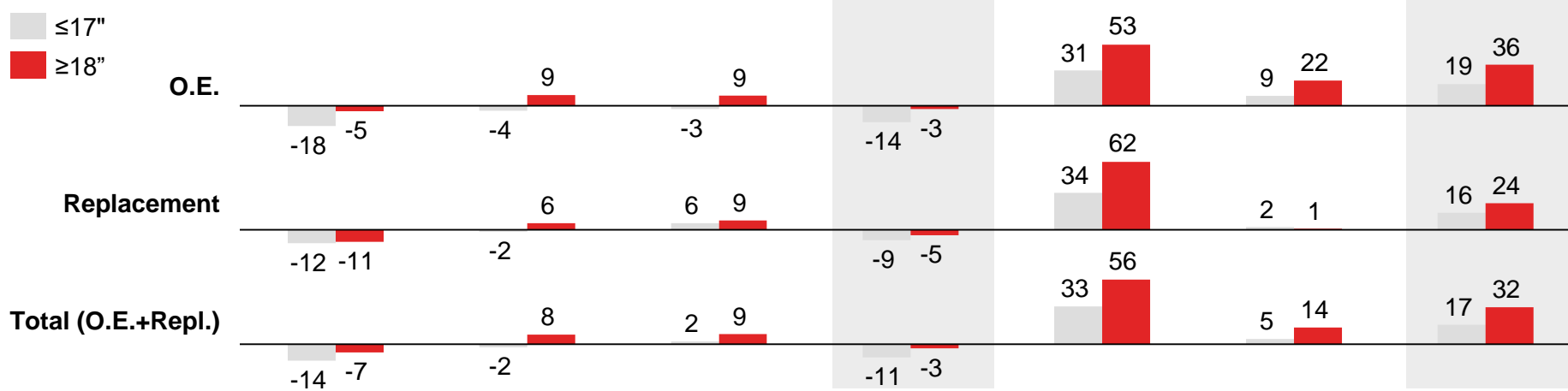


Market trend  
Δ% YoY

Total Car market



≥18" & ≤17"

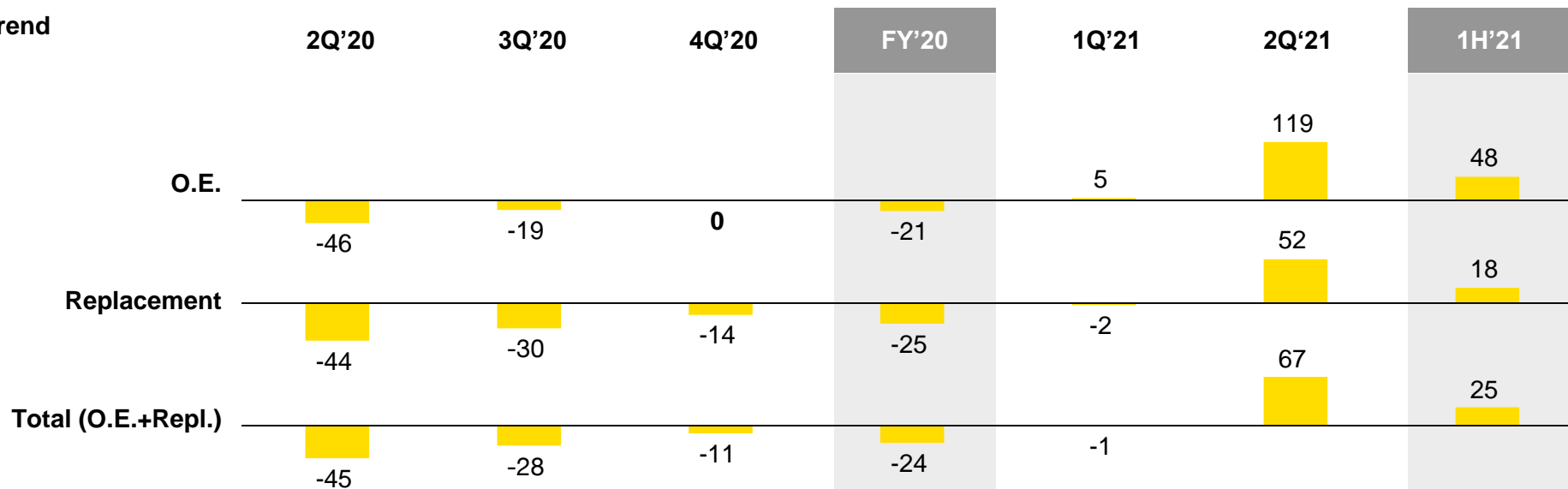


# KEY MARKET TRENDS: RUSSIA, NORDICS, MEAI / SOUTH AMERICA

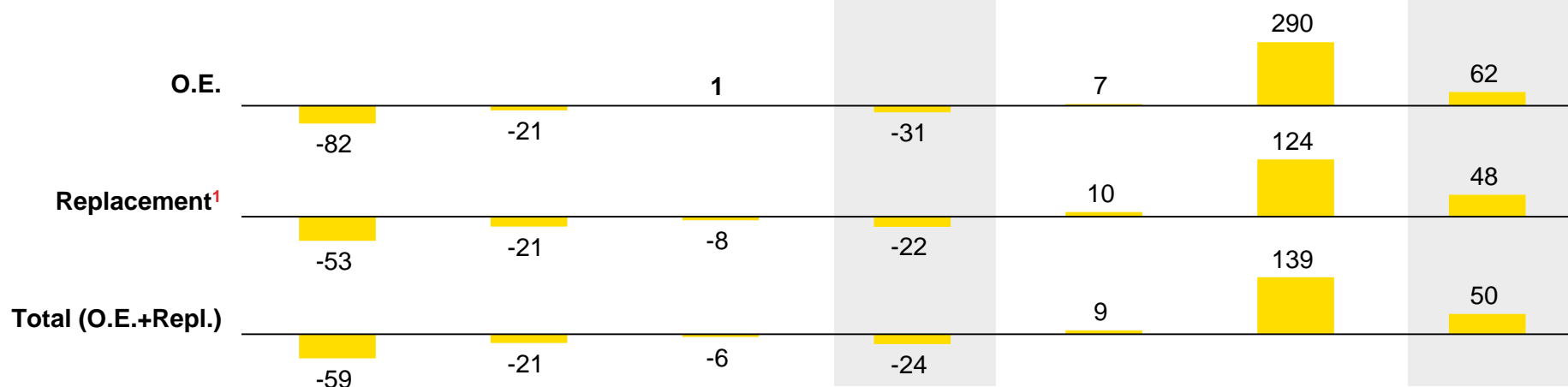


Market trend  
Δ% YoY

Russia, Nordics, MEAI



South America

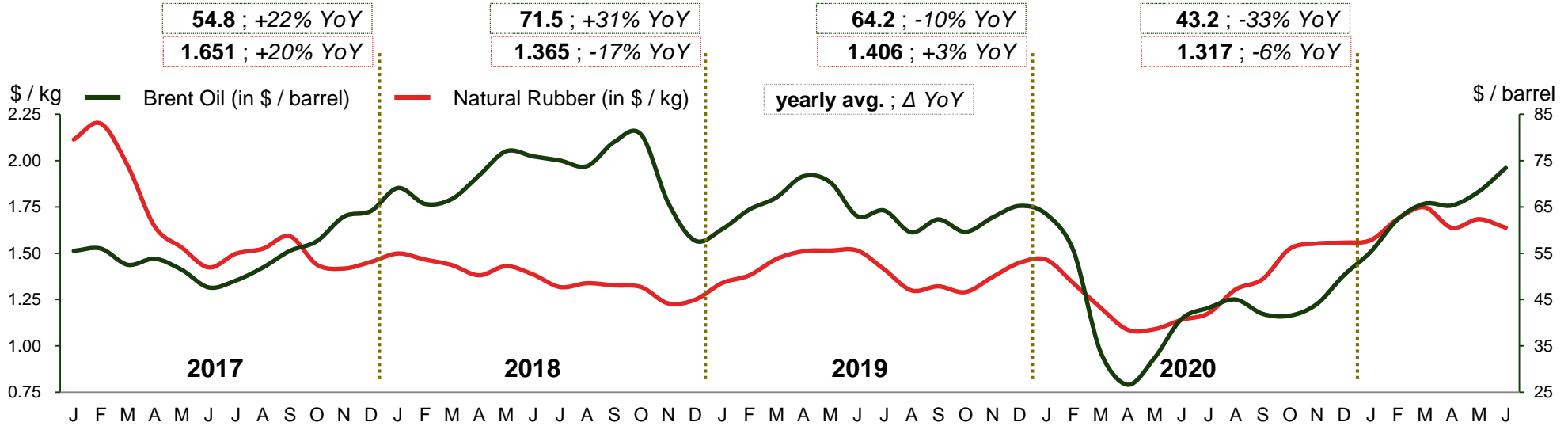


Source: Pirelli tyre market estimates based on main data provider for the Region; historical market data may be subject to restatement; 1. South America Replacement restated to include Brazilian imports

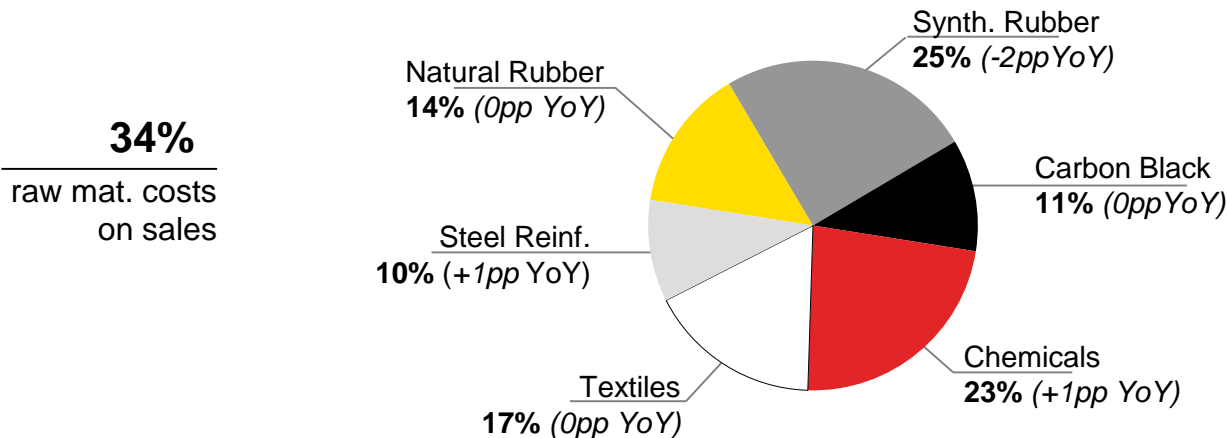


# RAW MATERIAL COSTS TREND AND MIX

## main raw materials price trend



## Pirelli 1H 2021 mix (based on purchasing cost)





# PIRELLI MANUFACTURING FOOTPRINT

