



1H 2022 Financial Results

August 4th, 2022

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The APIs presented herein are EBIT, EBIT margin, EBITDA, EBITDA margin, net income and net income margin.

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1 KEY MESSAGES

2 PIRELLI & C. – 1H'22 RESULTS

3 FY 2022 OUTLOOK AND TARGETS

4 APPENDIX

> **Strong 1H 2022 Result supported by**

- High value outperformance (market share gains across all channels; strengthening of $\geq 19''$ and EV)
- Record high price/mix fully covering raw mat. & inflation headwinds
- Better yoy cash flow trend due to efficient working capital management

> **Volatile global scenario expected to persist**

- Lower GDP growth expectation impacted by tightening financial conditions, China lockdowns and geopolitical tensions
- High Value Demand growth (+7%) confirmed, outperforming the Standard segment
- Solid price discipline to mitigate high raw mat., energy and logistics costs

> **Pirelli strategy & 2022 targets**

- Main programs implementation progressing well (continue seizing market opportunities in $\geq 19''$ and EV)
- Quick mitigation actions in response to external scenarios across regions, ensuring operational continuity
- Guidance upgrade mainly driven by price/mix

Key issues

- ▶ Easing mobility restrictions but Zero Covid policy confirmed
 - ▶ Strong impact on *GDP* (+0.4% in 2Q'22; +2.5% in 1H'22) but first signs of demand recovery in June driven by O.E.:
 - ▶ O.E. tyre¹: +31% in June vs. -43% in April, -2% in May
 - ▶ Repl. tyre¹: -15% in June vs. -37% in April, -32% in May
 - ▶ Aggressive government stimulus on the auto industry
-
- ▶ Export ban of selected raw mat to Russia and no export of finished product to EU from 10th July
 - ▶ Some of our peers announced exit plans from Russian market



Pirelli's actions

- ▶ Fully back to Shanghai office; plants saturation progressively increasing
 - ▶ Leadership position confirmed in 2Q in Car ≥18''
 - ▶ 2H strategy:
 - ▶ Replacement: pricing power to offset inflation, careful trade inventories management
 - ▶ O.E.: seizing H.V. mkt opportunities (focus on EV)
-
- ▶ Activated alternative Std. production flow from Romania and Turkey for European markets
 - ▶ Secured alternative raw mat suppliers to keep operational continuity in Russia;
 - ▶ Stabilized production focusing on local demand

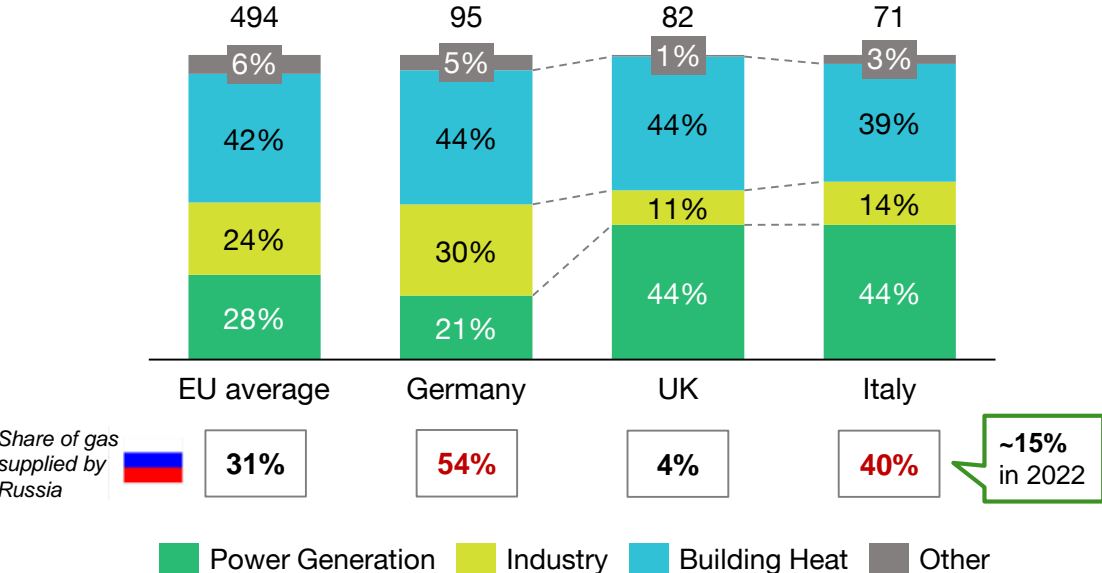
China slowdown and RU-Ukraine conflict impact on Pirelli Adj Ebit & net cash flow, indicated on May 10th 2022, confirmed

Key issue

▶ Risk mainly concentrated to Germany and Italy

Natural Gas Annual Consumption (2021 figures)

Bln of Cubic Meters



Pirelli's mitigation actions

Energy Risk Containment Committee established to closely monitor the situation and implement actions:

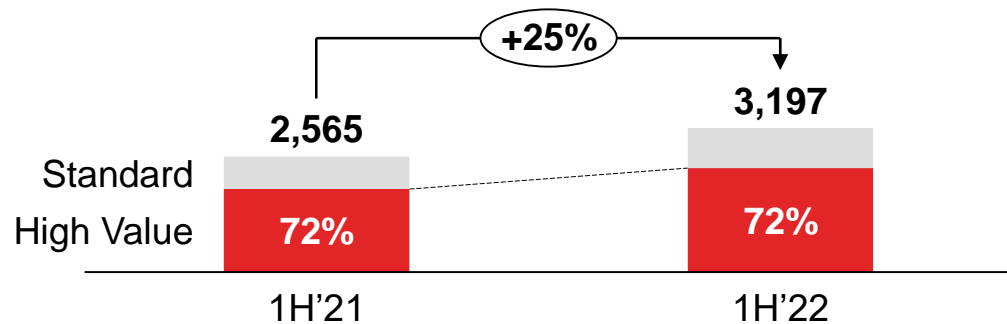
- ▶ Risk and regulatory environment tracking to implement effective mitigating actions
- ▶ Ongoing preparation to switch to alternative energy source as operational back-up plan for German and Italian plants (8 mln pcs, 11% of total car capacity)
- ▶ Energy efficient program deployment (e.g. Production peaks management, heat recovery, etc)
- ▶ Containment of risks related to suppliers

1H 2022 Results highlights

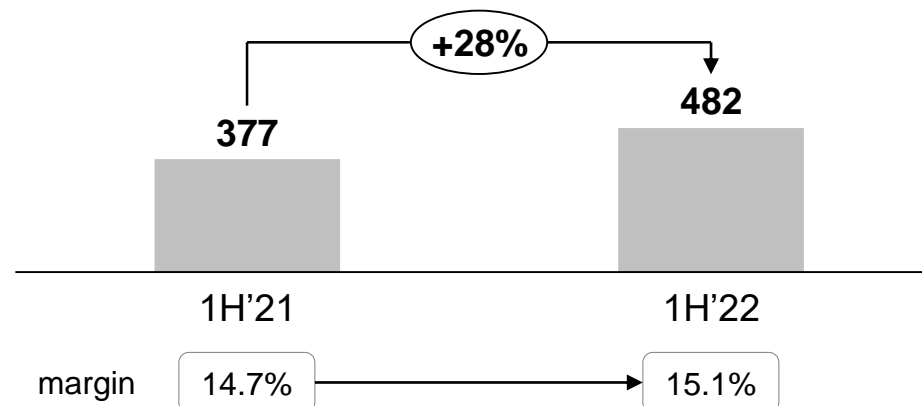
Solid delivery in a challenging environment

€ million

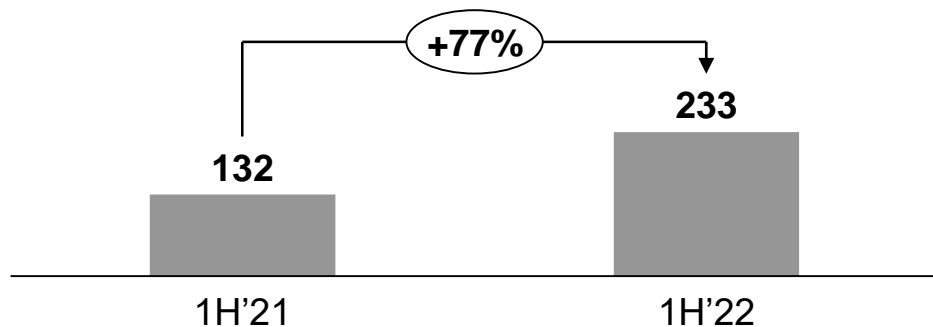
Net Sales



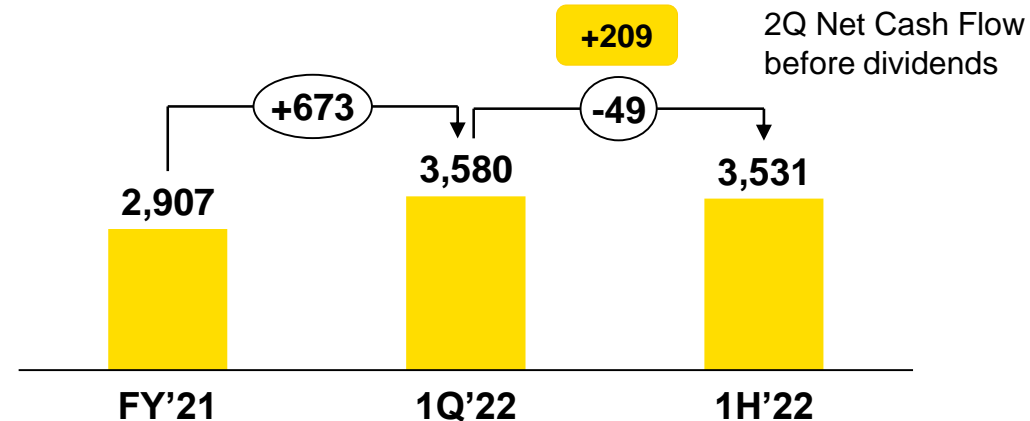
adjusted EBIT¹



Net Income








Net Financial Position



Sustainability: 1H update on our journey



Area	KPIs	2021A	2025E	1H'22 update
 SAFETY FIRST Towards zero accidents at work	Accident frequency index	0.21	<0.10	<ul style="list-style-type: none"> “Excellence in Safety” Program & continuous improvement in all plants
 PRODUCT ECO & SAFETY PERF. Improve Rolling Resistance with no compromise on safety	Rolling Res. = A/B	49%	>70%	<ul style="list-style-type: none"> Labelling: Pirelli Scorpion Summer with 100% IPcodes falling in A/B class for RR, wet grip and noise Wear rate: New Product lines already featuring an improvement up to 33% in wear rate vs. previous lines
	Wet Grip = A/B	87%	>90%	
<i>Scope: new labelled IPCodes³</i>				
 MATERIALS INNOVATION Increase the % of renewable and recycled materials	Renewable	28%	>40%	<ul style="list-style-type: none"> Virtual Development of Innovative Materials <ul style="list-style-type: none"> > 20% reduction of Material Prototypes > 30% decrease of Material Development time
	Recycled (incl. metals)	5%	>8% ⁵	
<i>Scope: tyre available on the market with the highest % of renew. & recycled</i>				
 TOWARDS DECARBONIZATION Reduce CO ₂ footprint 	Renewable electricity	62%	100%	<ul style="list-style-type: none"> SBTi¹ NET ZERO Commitment formalized in June '22 New SBTi¹ target approved in May, aligned to 1.5° scenario
	CO ₂ (abs. emissions plants)	-31% vs 2015	-42% vs 2015	
	CO ₂ (abs. emissions suppliers)	-6% vs 2018	-9% vs 2018	

ESG increased weight on Management Remuneration:

- STI (15% weight, +5pp vs 2021): Gender Balance, Eco & Safety perform. revenues², other functional ESG targets
- LTI (20% weight): CO₂ total emission reduction; S&P Dow Jones Sustainably ranking

1. Science Based Target initiative; 2. sales of Eco & Safety Performance tyres on the total value of sales of Group car tyres. Eco & Safety Performance products identify the car tyres that Pirelli produces throughout the world and that fall under rolling resistance and wet grip classes A, B, C measured according to the labelling parameters set by European legislation; 3. Identification Product Codes

1 KEY MESSAGES

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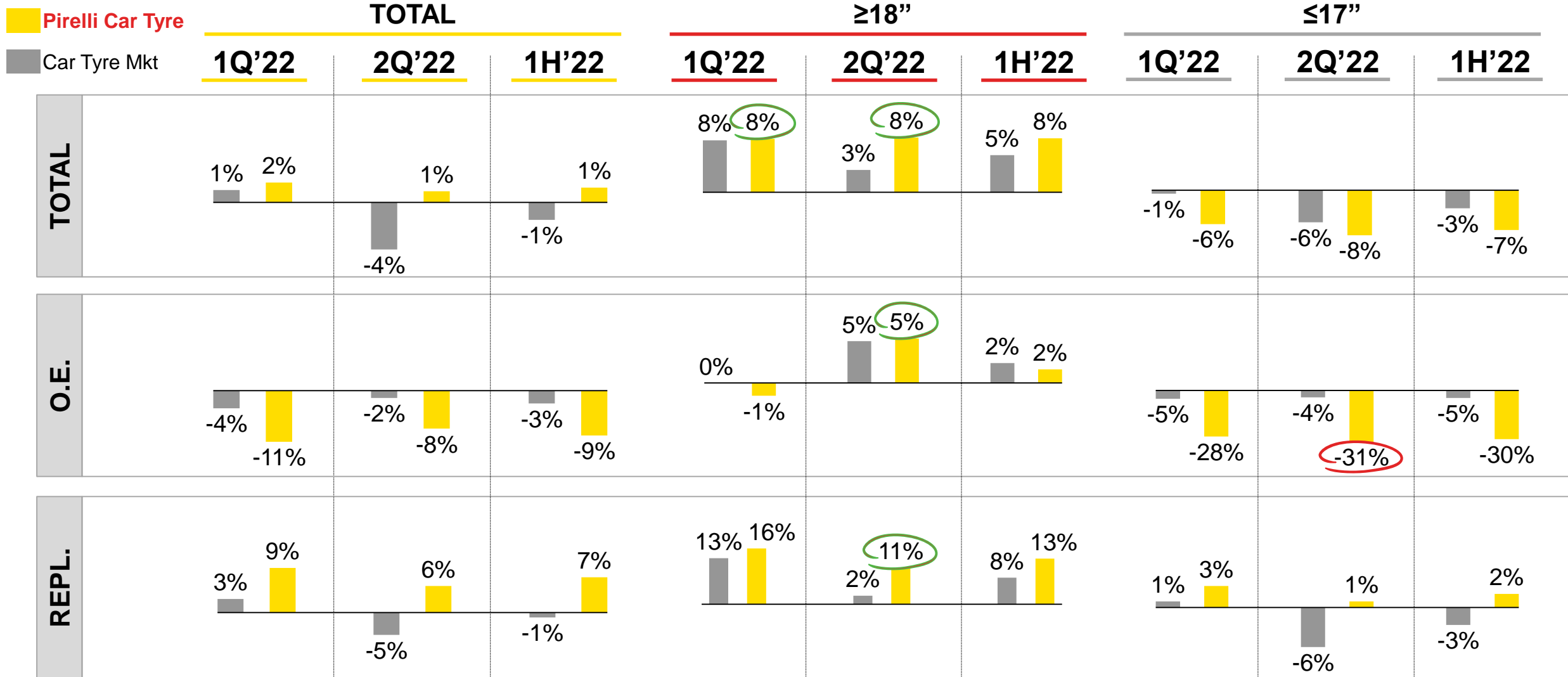
3 FY 2022 OUTLOOK AND TARGETS

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Pirelli vs. market – outperforming on High Value and on Std. Repl. confirmed in 2Q







- ▶ H.V.: share gain across channels, seizing O.E. rebound across regions and a solid Repl. demand in EU & N.A.
- ▶ Std. : more selective approach on O.E. while gaining share especially in South America



2022 Strategy implementation: 1H 2022 delivery in line with targets



Main programs	2022 targets	1H'22 main achievements
 <p>Commercial</p>	<ul style="list-style-type: none"> Focus on H.V. outperforming the market in $\geq 18''$ Replacement More selective approach to O.E. Lowering exposure to Standard 	<ul style="list-style-type: none"> Car $\geq 18''$: +8% vs. +5% of the mkt seizing: <ul style="list-style-type: none"> Repl. solid demand trend in EU and North America O.E. mkt rebound in 2Q, with strong focus on 19'' and EV Car Std. weight to $\sim 40\%$ (-3pp YoY) in line with FY target
 <p>Innovation</p>	<ul style="list-style-type: none"> Expanding homologations in $\geq 19''$ and Specialties Product renewal (+10 new Regional lines) 	<ul style="list-style-type: none"> ~ 160 new homolog. $\sim 80\% \geq 19''$, $\sim 30\%$ Specialties, mainly EV 4 new high performance products: New Scorpion for SUV (Summer, Winter, All Season), extreme winter tyre product
 <p>Competitiveness</p>	<ul style="list-style-type: none"> Progressing with Wave 2 efficiencies plan (<i>€150M gross efficiencies</i>) 	<ul style="list-style-type: none"> €52M gross savings, 35% of FY target, consistent with projects development and objectives
 <p>Operations</p>	<ul style="list-style-type: none"> Increasing High Value capacity (+2M pcs, to 53M pcs, $\sim 72\%$ of tot. Car capacity) Further improving capacity saturation 	<ul style="list-style-type: none"> Capacity deployment in line with FY target, saturation at 90% due to China and Russia in 2Q Implementation of Industrial IoT in major plants to improve production efficiency Programs launched in EU to control energy consumption

Commercial Program delivery in 1H 2022

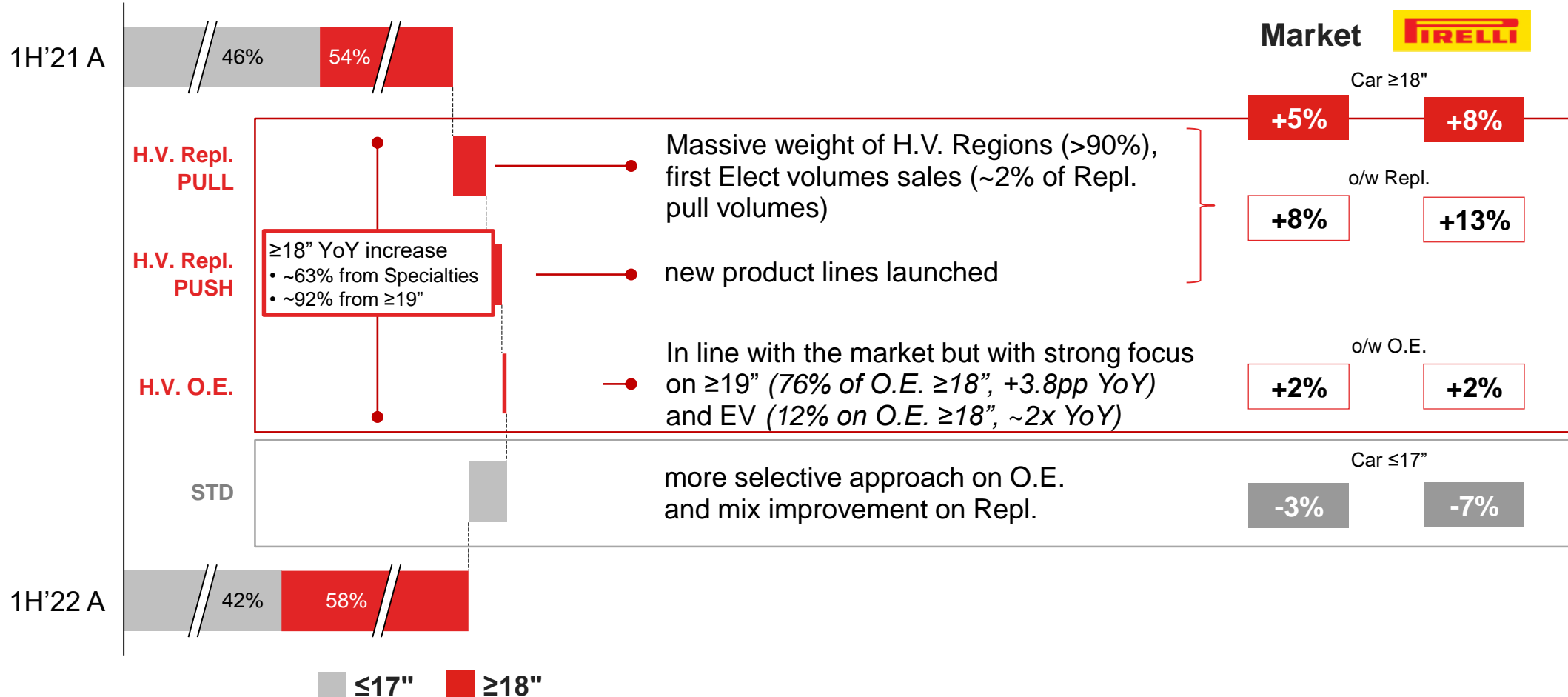
Strong over-performance driven by $\geq 19''$ & Specialties



1H 2022A volume variance (Car)

Key programs highlights

Volume trend



Innovation Program:

Ready for the new winter season focusing on higher mileage, top safety and performance



The new Scorpion Winter 2 completes the renewed range of Scorpion tyres



THE
**WINTER
GENIUS**

Winter tyre for SUVs focused on safety in all winter conditions

- 1 Outstanding wet and snow performance
- 2 High comfort and excellent mileage
- 3 Value A in wet grip

Winter tyres replacement range expanded



**ICE ZERO™
ASIMMETRICO**

Designed for Car/SUVs for the extreme rigid winter

- 1 Outstanding performance on ice and snow
- 2 Long lasting performance
- 3 Excellent noise and RR in its class

Innovation Program: update on EVs



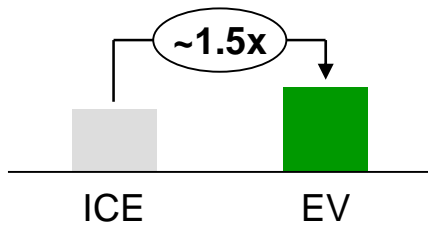
Pirelli EV homologation portfolio further enhanced

>280 EV homologations worldwide, with the following main partners¹:



Pirelli EV: 2022 expectations

Market share
O.E. high-end



Pirelli EV volumes ~2x vs. 2021

> O.E. ~80% of tot. EV volumes

Elect Replacement product portfolio enriched



ELECT

- Summer
- All season
- Winter

throughout the P Zero, Cinturato and Scorpion families

Competitiveness program progress



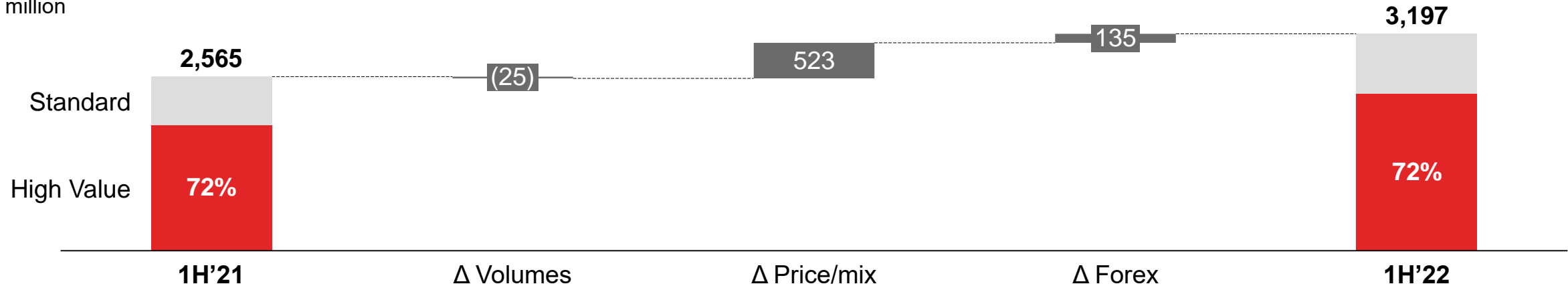
1H achievements in line with expectations and consistent with programs quarterly targets

		2021	2022 E		
		FY ACT	Focusing on:	FY GUI	1H'22 ACT
	Product Cost		<ul style="list-style-type: none"> ▶ Modularity ▶ Design speed and virtualization 	~40% in 1H	
	Manufacturing		<ul style="list-style-type: none"> ▶ Footprint optimization ▶ Industrial IOT and flexible factory 	mostly in 2H	
	SG&A		<ul style="list-style-type: none"> ▶ Logistics network redesign and service differentiation ▶ Procurement rationalization 	mostly in 2H	
	Organization		<ul style="list-style-type: none"> ▶ Digital processes and organization transformation 	50% in 1H	
Total Gross Impact as % of baseline		~€155M ~4.0% of baseline '20		~€148M ~3.3% of baseline '21	~€52M ~2.4% of baseline '21 1H

1H 2022 Net Sales bridge:

Record price/mix confirmed for the second quarter in a row; solid High Value performance

€ million

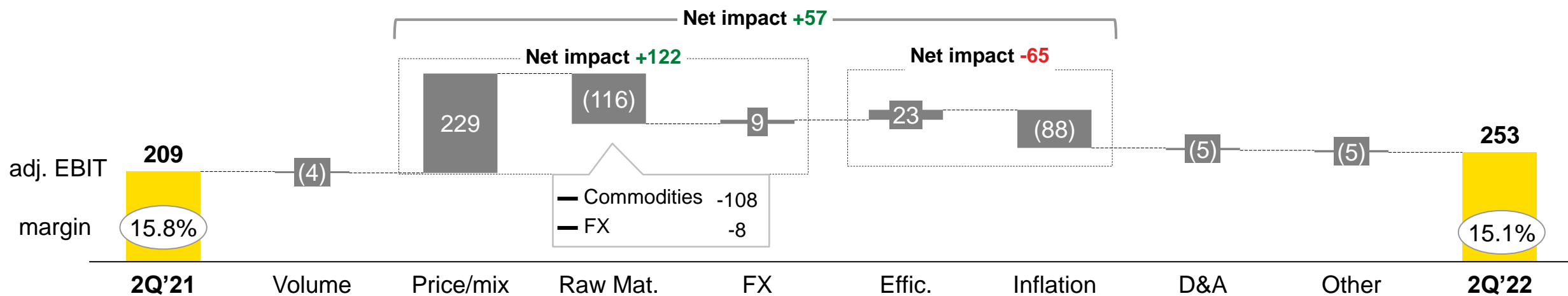
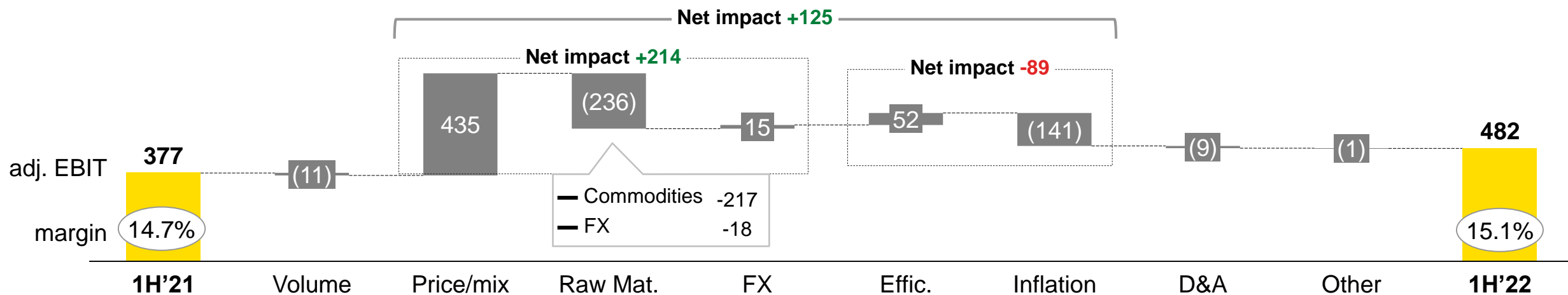


		High Value		Standard				<i>o/w Organic</i>
1H'22	O.E. +2% Repl. +13%	5.8% o/w Car ≥18" +8%	-1.0%	-8.8% Car -7% Moto -24%	+20.4%	+5.2%	+24.6%	+19.4%
2Q'22	O.E. +5% Repl. +10%	5.7% o/w Car ≥18" +8%	-0.6%	-7.9% Car -8% Moto -19%	+20.4%	+7.1%	+26.9%	+19.8%
1Q'22	O.E. -1% Repl. +16%	+5.8% o/w Car ≥18" +8%	-1.4%	-9.7% Car -6% Moto -29%	+20.4%	+3.2%	+22.2%	+19.0%

1H 2022 adjusted EBIT bridge

Profitability supported by price/mix and efficiency covering 1.3x Raw Mat & Inflation headwinds

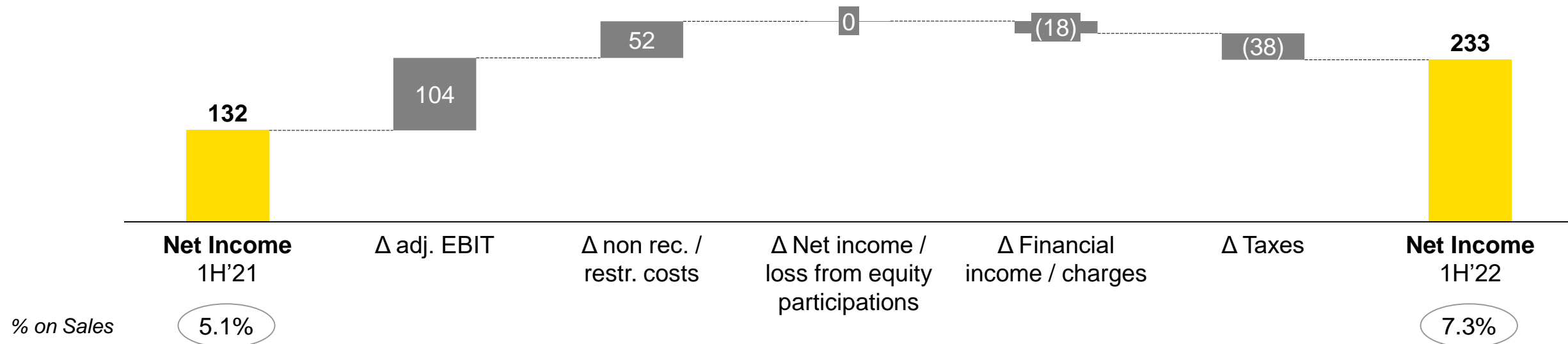
€ million



1H 2022 Net Income bridge

Earnings driven mainly by improving operating performance and lower non-rec. / restr. costs

€ million

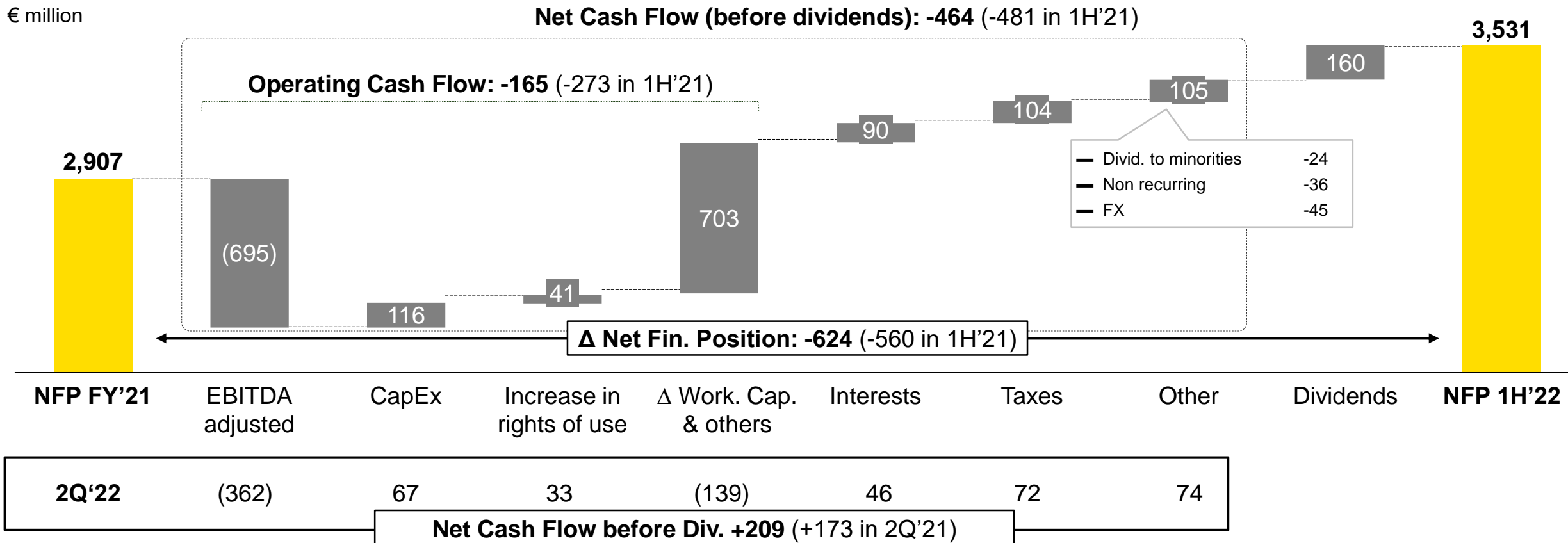


	1H 2021	1H 2022
Net income	132	233
Amortization from PPA	57	57
Non recurring items and restructuring costs	67	20
Retention plan	5	-
Taxes impact	(36)	(22)
Net income adjusted	224	288

1H 2022 Cash Flow and Net Financial Position

Better yoy cash flow trend driven by solid operating performance

€ million



1H highlights

- > Inventory at 23% on sales (+3pp vs FY'21) mainly related to an increase in raw material inventories
- > Payables at 24% (+4 pp yoy) coherently with the level of inventories and capex
- > Receivables at 16% stable yoy

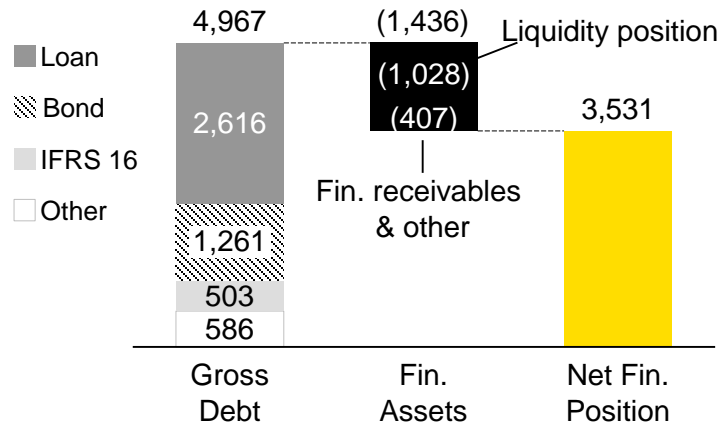
Total Gross Debt structure as of June 30th 2022



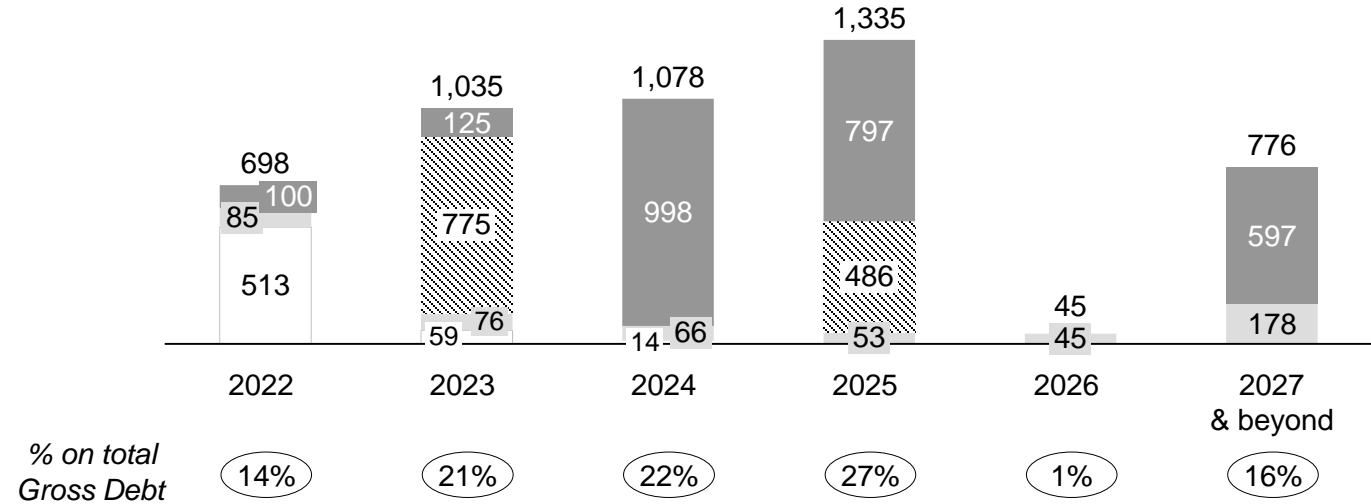
€ 2 bn of ESG financing raised in 1H2022 confirming our commitment to Sustainability
 Sound liquidity margin covering maturities until 2H 2024

€ million

Net Financial Position



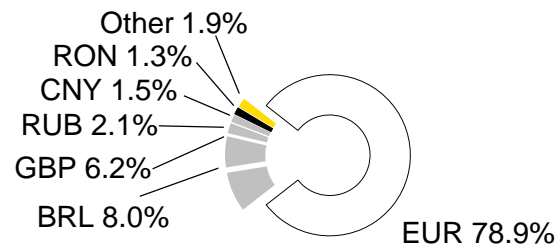
Gross Debt maturity



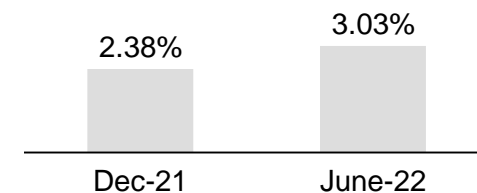
Liquidity profile

Liquidity position ¹	1,028.4
Committed lines not drawn	1,400
Liquidity margin	2,428.4

Break-down by currency²



Cost of Debt (last 12 months)



1 KEY MESSAGES

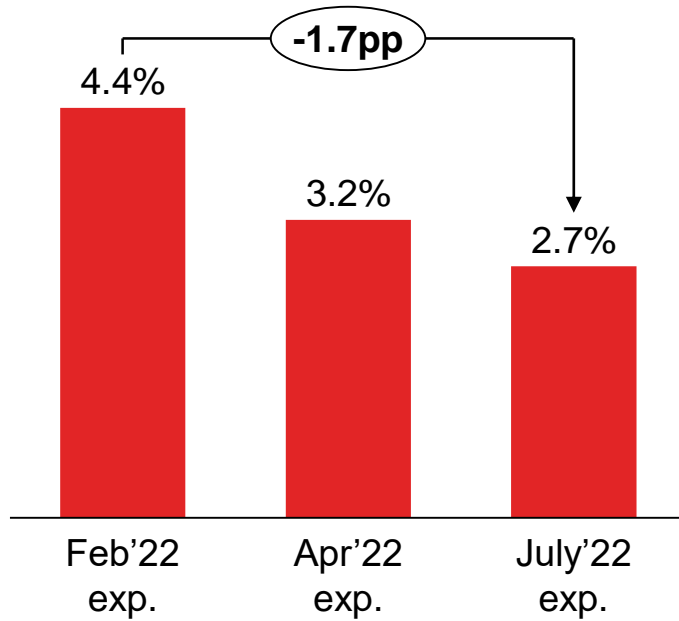
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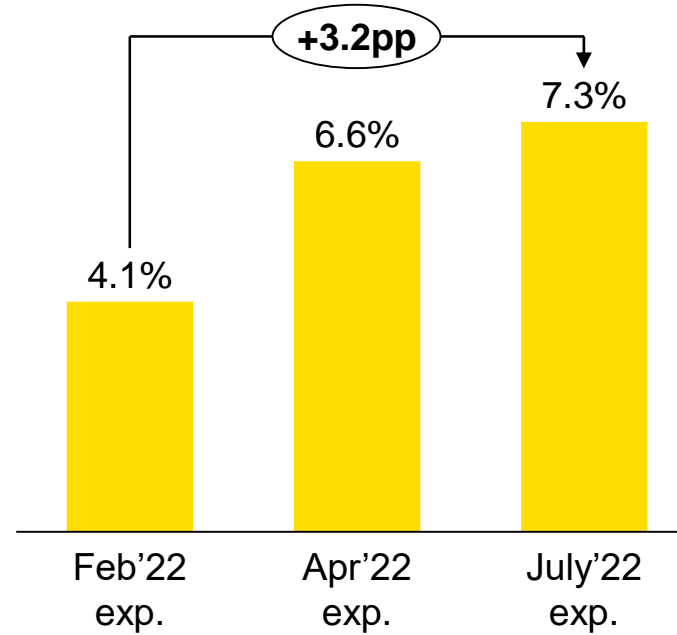
2022 external scenario update: volatility expected to persist

2022 Global GDP Growth



- ▶ Slowdown of global growth impacted by monetary tightening, supply chain disruption, geopolitical headwinds and lingering COVID outbreaks

2022 Global Inflation



- ▶ Global inflation remains at record-high level with headwinds on raw mat, energy, transportation and labour costs

OECD Consumer Confidence

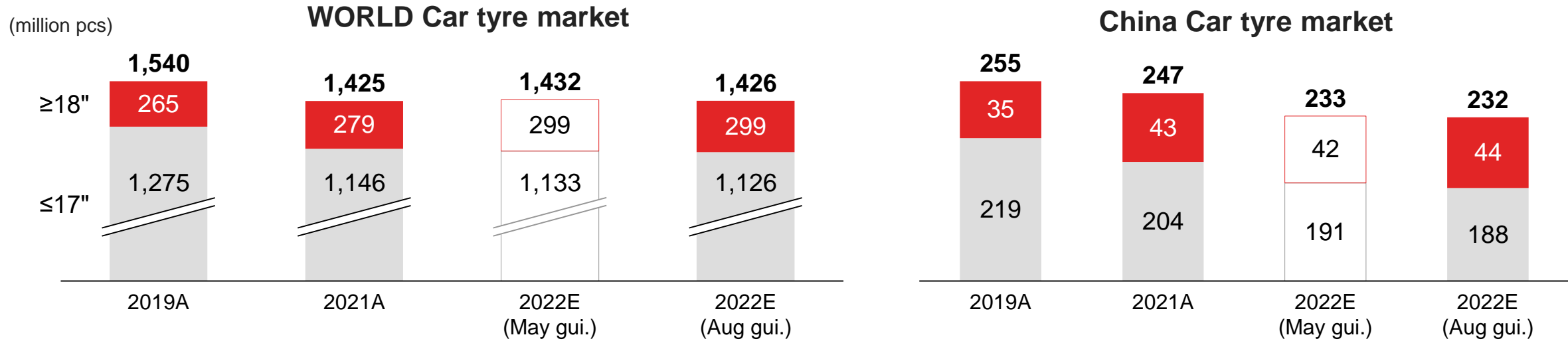
Consumer Confidence Index (CCI)



- ▶ Consumers already factoring in economic slowdown and spending power reduction

2022 Car Tyre market: High Value trend confirmed, strongly outperforming the Standard

High Value: O.E. improved trend supported by China and EU; more cautious view on China Repl.



Δ YoY ('21-'22)		
	May gui.	Aug gui.
Car total	~+0.5%	flat
O.E.	~+0.2%	~+4%
Repl.	~+0.6%	~-1%

≥18"	~+7%	~+7%
O.E.	~+8%	~+10%
Repl.	~+7%	~+5%

≤17"	~-1%	~-2%
O.E.	~-3%	~+1%
Repl.	~-1%	~-3%

Annotations: ~8pp (between Repl. and O.E. for ≥18"), ~9pp (between Repl. and O.E. for ≤17")

Δ YoY ('21-'22)		
	May gui.	Aug gui.
Car total	~-6%	~-6%
O.E.	~+0.2%	~+4%
Repl.	~-11%	~-14%

≥18"	~-3%	~+4%
O.E.	~-1%	~+11%
Repl.	~-6%	~-10%

≤17"	~-6%	~-8%
O.E.	~+1%	~+2%
Repl.	~-12%	~-15%

Annotations: ~3pp (between Repl. and O.E. for ≥18"), ~12pp (between Repl. and O.E. for ≤17")

HOW PIRELLI IS NAVIGATING THIS SCENARIO

Issues

Pirelli's actions in 2H



Demand trend

- ▶ Fully seizing HV mkt growth leveraging on:
 - a rich homologation portfolio (strong focus on EV)
 - a regional tailor-made product offering (6 new launches in 2H)
 - a high service level through 5 dedicated supply chain/digital customers integration
- ▶ Solid pricing discipline



Inflation

- ▶ Price/mix and efficiency fully offsetting raw mat and inflation
- ▶ Energy costs: hedging contracts in Europe covering most of the 2H
- ▶ Logistics: int'l shipping contracts renewed up to 1Q'23



Operations

- ▶ 2H total capacity saturation at 90% (stable vs 1H), with H.V. mitigating the lower saturation on Std. (RU)
- ▶ Energy consumption containment program launched in EU



Working Capital & Interest rate hike

- ▶ Efficient inventories management (raw mat and finished products) thanks to the strong cooperation with our clients and our manufacturing flexibility
- ▶ Limited interest rate hike impact due to a balanced fixed/floating debt mix

Pirelli FY 2022 targets update

Price/Mix and FX are driving guidance upgrade

€ billion

	2021 A	2022 E	
		Target @ 10-May-22	Target @ 4-Aug-22
Net Sales	5.33	~5.9 ÷ ~6.0	~6.2 ÷ ~6.3
adj. EBIT margin	15.3%	~15%	confirmed
CapEx <i>(% of Sales)</i>	0.35 <i>(6.5%)</i>	~0.39 <i>(~6.5%)</i>	confirmed
Net Cash Flow bef. Dividends	0.43	~0.45	~0.45 ÷ ~0.47
Net Financial Position NFP / adj. EBITDA	2.91 <i>2.40x</i>	~2.6 <i>≤2.0x</i>	confirmed
ROIC¹ Post taxes	17.6%	~19%	confirmed

- **Vol.** ~+0.5%÷~+1.5%
Confirmed
- **Price/mix** ~+13.5%÷~+14.5%
(old: +10%/+11%)
- **Forex** ~+2.5%
(old: ~flat)

1 1Q'22 KEY MESSAGES

















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A GLOBALLY ACKNOWLEDGED SUSTAINABILITY LEADERSHIP

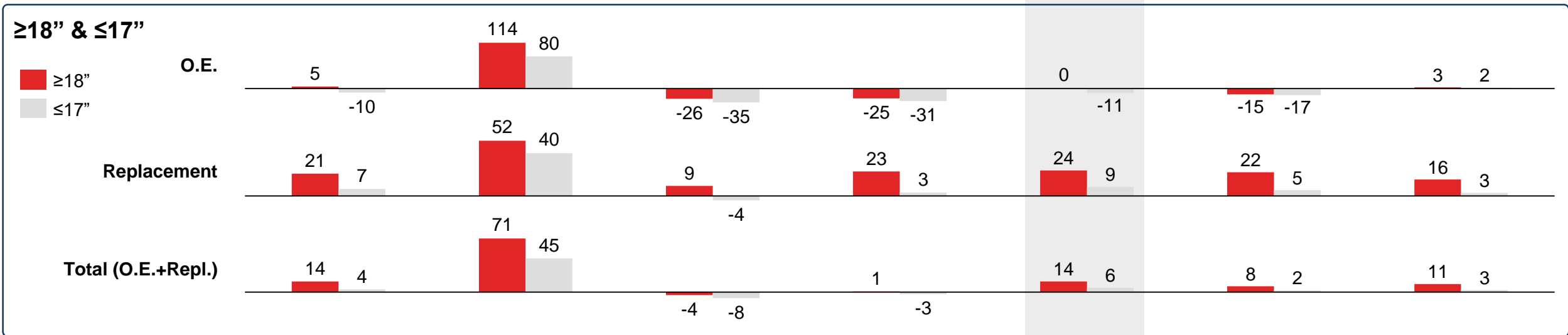
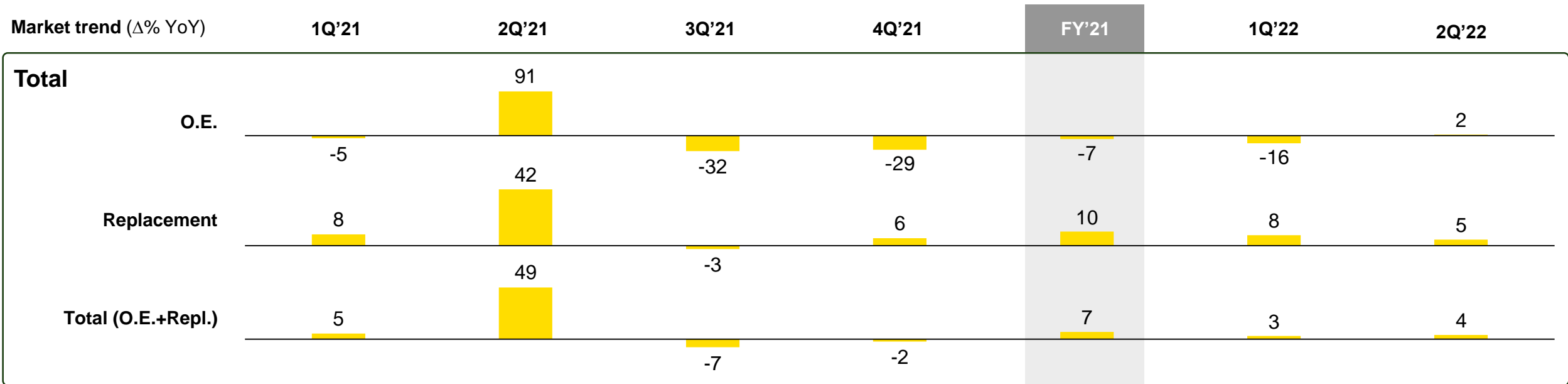
Major ratings (May-22)

	Last update	Score	Positioning in the reference sector
<p>Member of Dow Jones Sustainability Indices & Sustainability Award Gold Class 2021 Powered by the S&P Global CSA S&P Global</p>	2021 & 2022	77 – GOLD CLASS	 Top ranking ATX Auto Components
	2021	A	 Max score
	2021	Inclusion	 Max score
	2021	AA	6% of the Auto components in AA
	2021	4.5 / 5	 Top score Automobiles
	2021	LEAD	 Only Automotive Company
	2021	10.3	 Top score Tyre Sector
	2022	Platinum	 Max score
	2021	ADVANCED	 2° best score Automobile

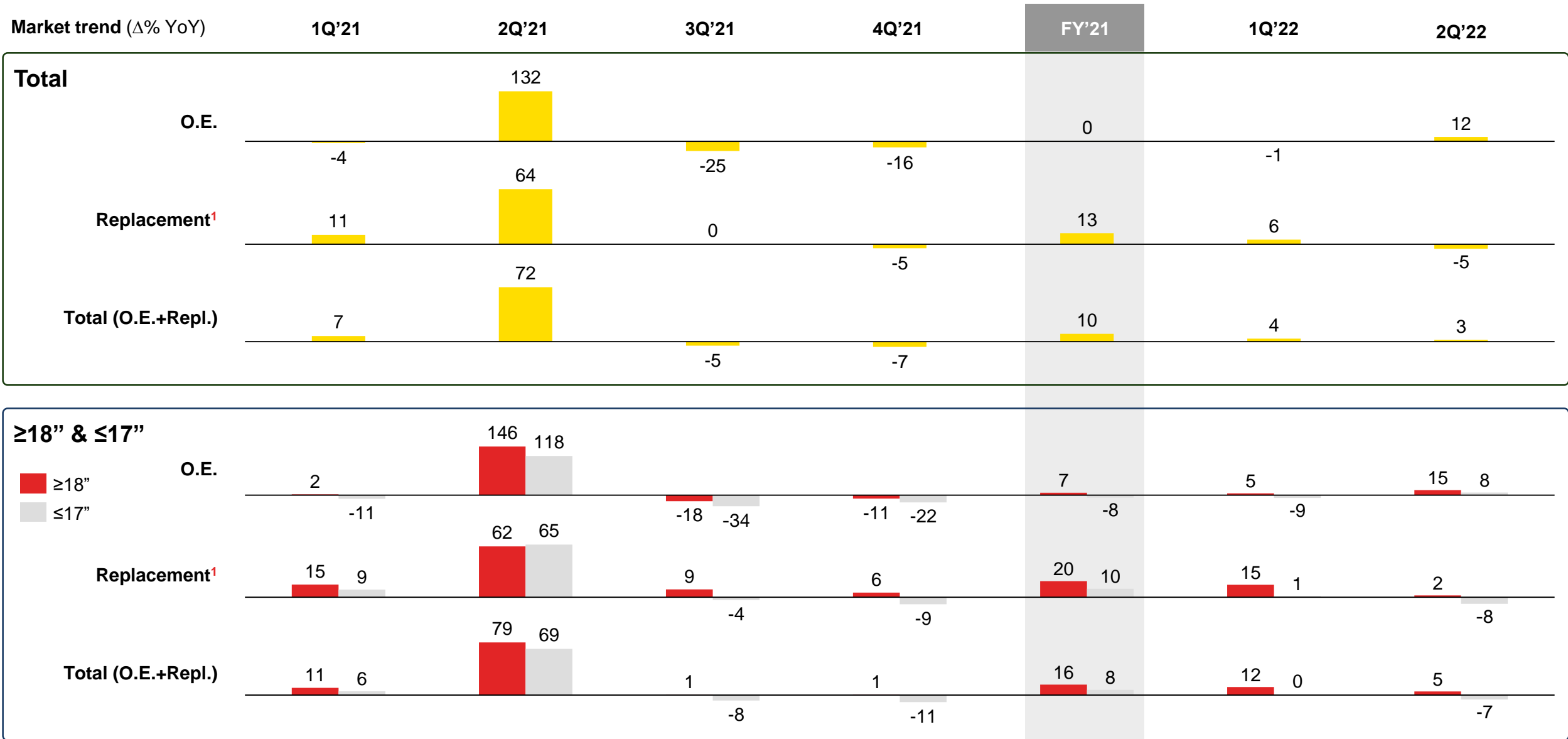


= leading the ranking or initiative

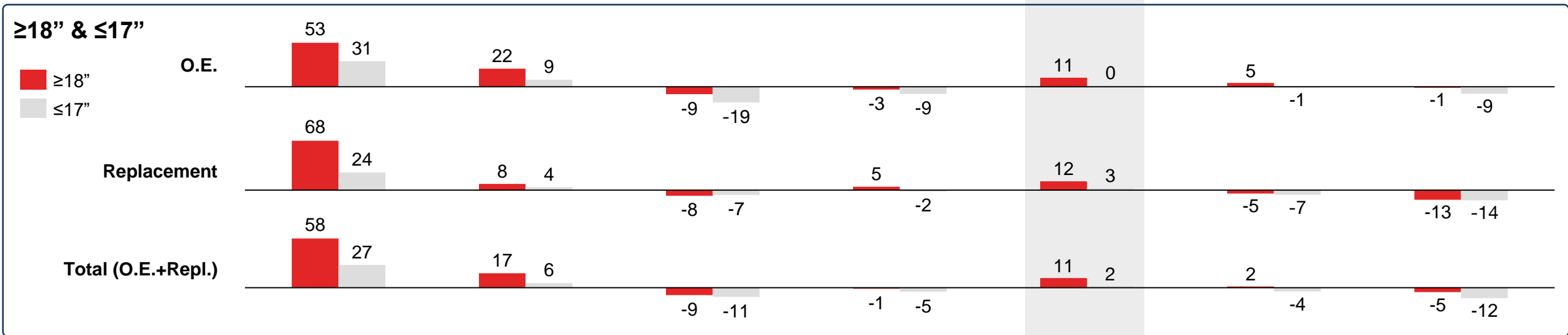
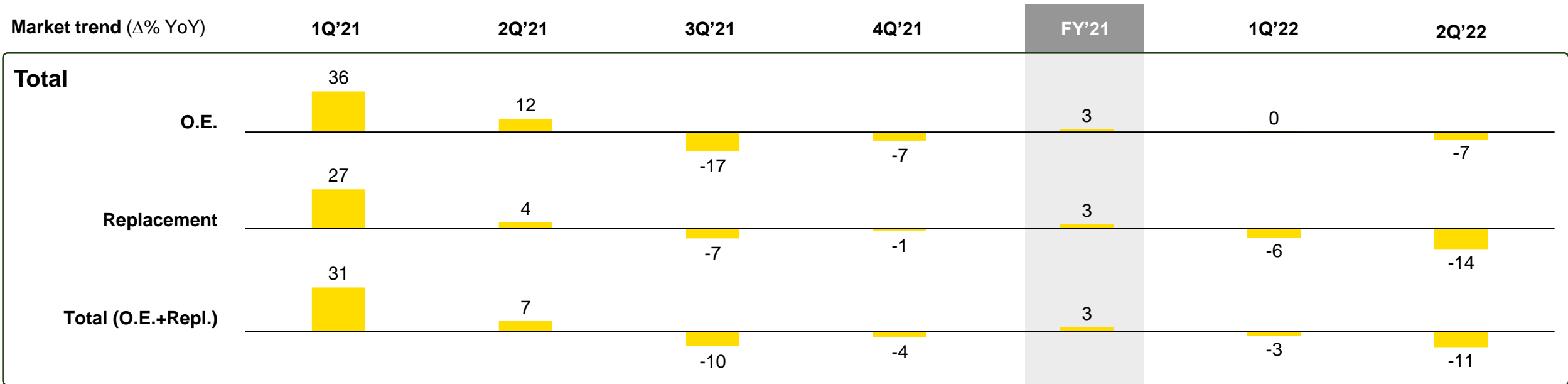
Key Car Market Trends: Europe



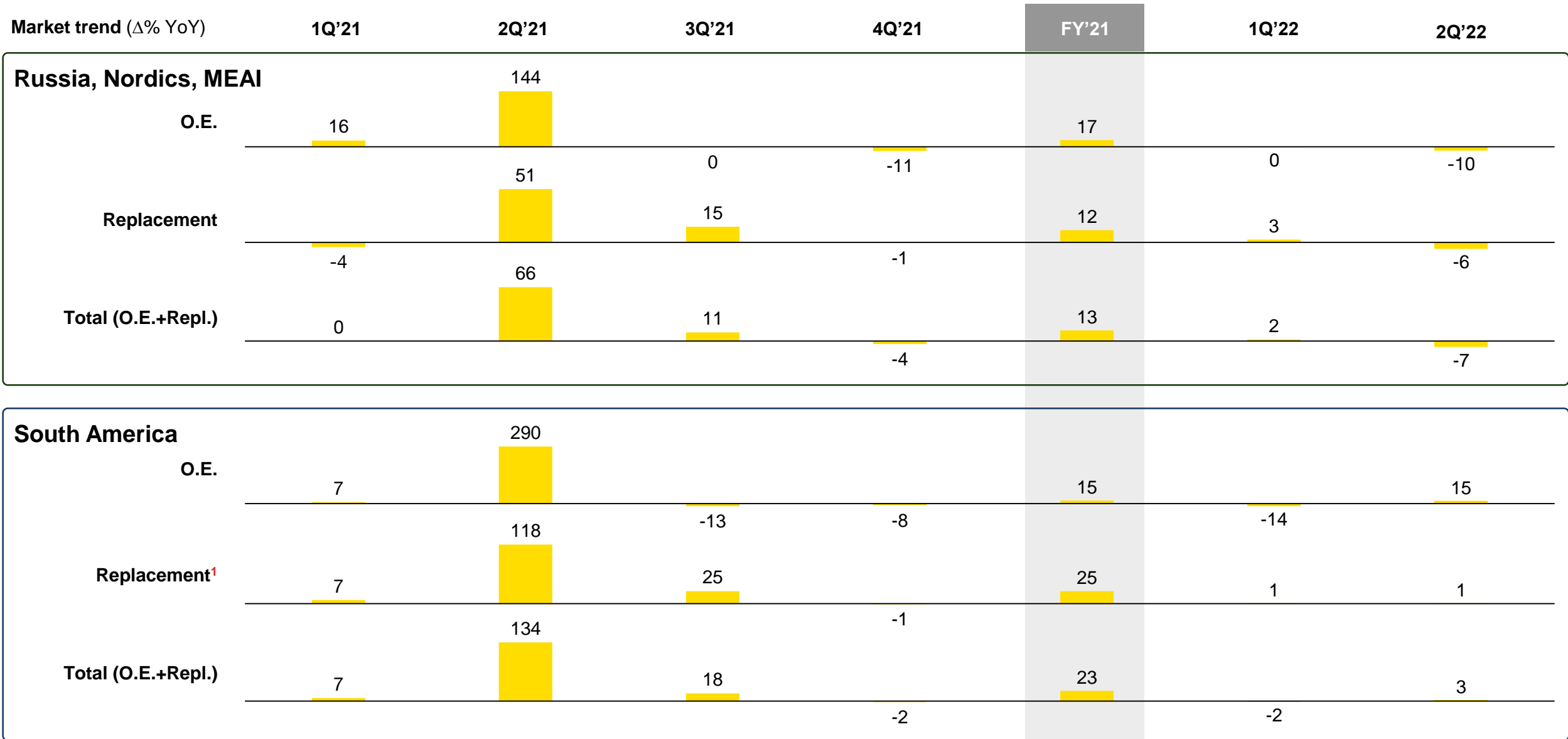
Key Car Market Trends: North America



Key Car Market Trends: Asia Pacific



Key Car Market Trends: Russia, Nordics, MEAI / South America



Pirelli financial results highlights



€ million

	1Q 2021	1Q 2022	Δ YoY	2Q 2021	2Q 2022	Δ YoY	1H 2021	1H 2022	Δ YoY
Revenues	1,245	1,521	+22.2%	1,320	1,676	+26.9%	2,565	3,197	24.6%
<i>Organic Growth¹</i>			<i>+19.0%</i>			<i>+19.8%</i>			<i>19.4%</i>
High Value Revenues (% on total)	72.6%	73.7%		71.2%	70.9%		71.9%	72.2%	
adj. EBITDA ²	267	333	+25.0%	307	362	+17.8%	574	695	21.2%
<i>Margin</i>	<i>21.4%</i>	<i>21.9%</i>	<i>+0.5 pp</i>	<i>23.3%</i>	<i>21.6%</i>	<i>-1.7pp</i>	<i>22.4%</i>	<i>21.7%</i>	<i>-0.7pp</i>
adj. EBIT³	169	229	+35.4%	209	253	+21.3%	377	482	27.6%
<i>Margin</i>	<i>13.6%</i>	<i>15.0%</i>	<i>+1.4 pp</i>	<i>15.8%</i>	<i>15.1%</i>	<i>+0.7pp</i>	<i>14.7%</i>	<i>15.1%</i>	<i>+0.4pp</i>
PPA amortization	(28)	(28)		(28)	(28)		(57)	(57)	
Non recurring & restructuring costs	(43)	(7)		(29)	(12)		(72)	(20)	
EBIT	97	193	+97.8%	151	213	+40.6%	249	405	+63.0%
<i>Margin</i>	<i>7.8%</i>	<i>12.7%</i>		<i>11.5%</i>	<i>12.7%</i>		<i>9.7%</i>	<i>12.7%</i>	
Results from Equity Investments	(0)	0.8		2.1	1.5		2.0	2.3	
Financial Income (Charges)	(40)	(44)		(32)	(46)		(72)	(90)	
EBT	57	150		121	168		179	318	
<i>Tax Rate</i>	<i>26.4%</i>	<i>26.7%</i>		<i>26.4%</i>	<i>26.7%</i>		<i>26.4%</i>	<i>26.7%</i>	
Net Income	42	110	+160.5%	89	123	+37.9%	132	233	+77.1%
Net Income adjusted ⁴	94	136		130	152		224	288	

Pirelli Balance Sheet



€ million

	30-Jun-2021	31-Dec-2021	30-Jun-2022
Fixed assets	8,888	8,912	9,017
<i>Inventories</i>	957	1,092	1,397
<i>Trade receivables</i>	803	659	936
<i>Trade payables</i>	(1,047)	(1,626)	(1,454)
Operating net working capital	712	125	879
<i>% of net sales¹</i>	14.1%	2.3%	14.7%
Other receivables / payables	48	1	100
Net working capital	761	126	979
<i>% of net sales¹</i>	15.1%	2.4%	16.4%
Total net invested capital	9,648	9,038	9,996
Equity	4,799	5,043	5,420
Provisions	1,031	1,089	1,046
Net financial position	3,819	2,907	3,531
Total financing and shareholders' equity	9,648	9,038	9,996

Pirelli Cash Flow

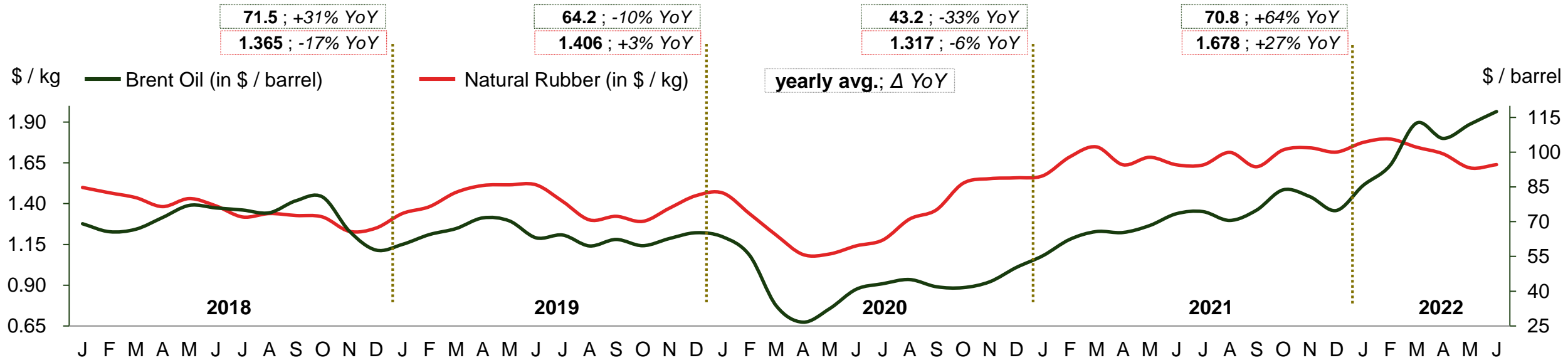


€ million

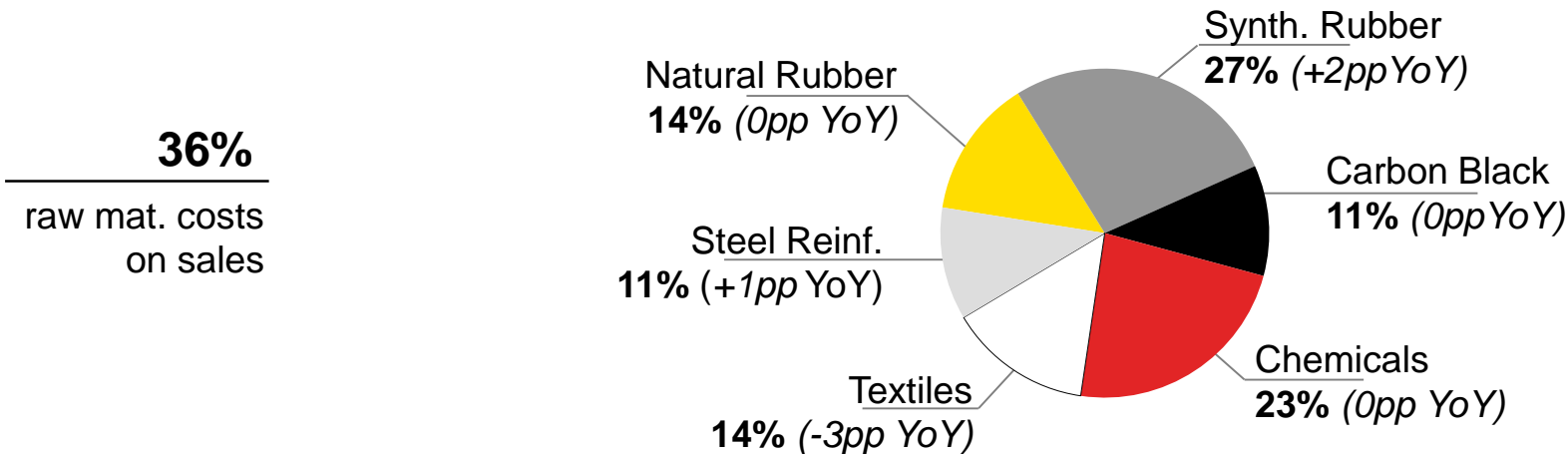
	2Q 2021	2Q 2022	1H 2021	1H 2022
Adjusted Operating income (EBIT ¹)	209	253	377	482
Amortiz. & depreciations (excl. PPA amortiz.)	99	109	197	214
Investments in tangible and intangible assets (Capex)	(63)	(67)	(153)	(116)
Increase in right of use	(23)	(33)	(50)	(41)
Change in working capital/other	73	139	(644)	(703)
Operating Cash Flow	295	401	(273)	(165)
Financial income/(expenses)	(32)	(46)	(72)	(90)
Taxes paid	(35)	(72)	(72)	(104)
Cash-out for non recurring items and restructuring costs / other	(40)	(12)	(69)	(36)
Dividend paid to minorities	-	(24)	-	(24)
Exchange rates difference/other	(15)	(38)	1	(45)
Net Cash Flow before extr. oper. / equity transactions / divid.	173	209	(485)	(464)
Extraordinary operations	-	-	4	-
Net Cash Flow before dividends	173	209	(481)	(464)
Dividends paid by Parent	(79)	(160)	(79)	(160)
Net Cash Flow	93	49	(560)	(624)

Raw Material costs trend and mix

Main raw materials price trend



Pirelli 1H 2022 mix (based on purchasing cost)



Pirelli manufacturing footprint

