

# 1H 2023 Financial Results

July 27<sup>th</sup>, 2023

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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 Position, Operating Cash Flow, Net Cash Flow before Dividends and extraordinary Operations, Net Cash Flow before Dividends, Net Cash Flow, CapEx (Capital Expenditure), Liquidity Margin and ROIC (Return On Invested Capital).

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

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**1H'23 KEY MESSAGES**

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PIRELLI & C. – 1H'23 RESULTS

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FY'23 OUTLOOK AND TARGETS

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## › **Solid 1H'23 results in a still challenging environment**

- Outperformance in ≥18" Repl. despite a softer than expected market demand
- Price/mix and efficiency covering 1.3x Raw Mat, FX & Inflation headwinds
- Sound cash flow trend in line with business seasonality; efficient stock management continues

## › **FY 2023 market outlook and targets**

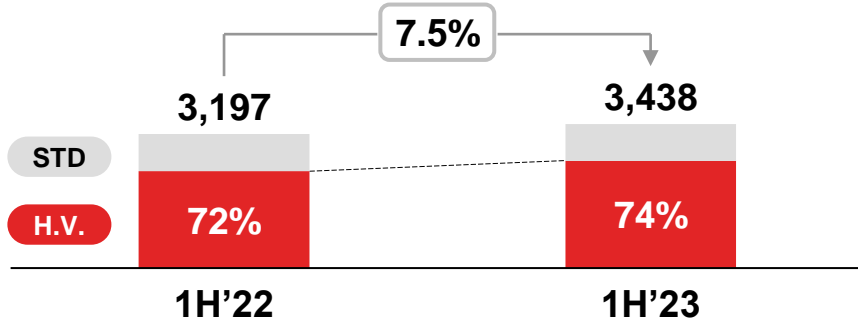
- More cautious market outlook (-2% YoY), while High Value resilience confirmed (+6pp vs. Standard)
- Stronger Price/mix driving to Ebit margin upgrade
- Adjusted Ebit and Cash generation confirmed despite a more cautious view on demand and forex

# 1H'23 Results highlights

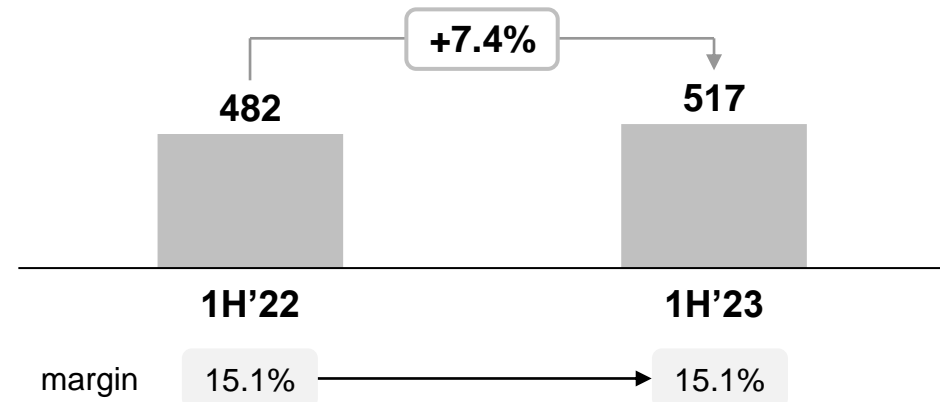
Strong operating performance confirming the resilience of our business model

€ million

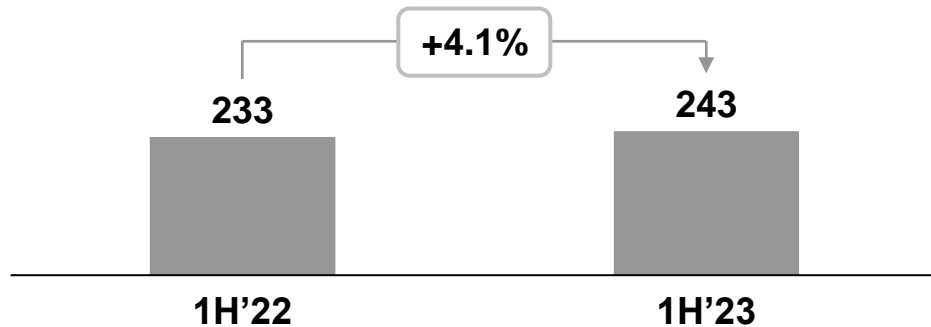
## Net Sales



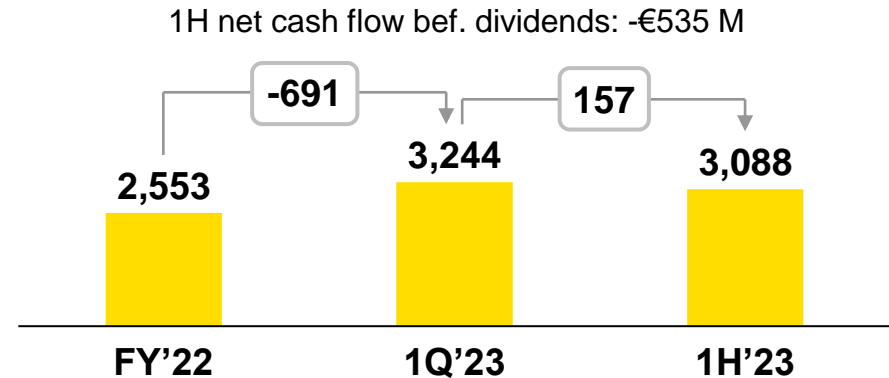
## Adjusted EBIT<sup>1</sup>



## Net Income



## Net Financial Position



<sup>1</sup> Before amortization of PPA, non-recurring items, restructuring costs & other adjustments

# Pirelli Sustainability achievements in 1H'23: for People, Planet and Mobility



Area	KPIs	2022A	2025T
<b>SAFETY FIRST</b> Towards zero accidents at work	Accident frequency index	0.20 -4.5% yoy	≤ 0.10
<b>PRODUCT ECO &amp; SAFETY PERF.</b> Improve Rolling Resistance with no compromise on Safety	Rolling Resistance/Energy Efficiency <sup>1</sup> = A/B	50%	>70%
	Wet Grip/Safety <sup>1</sup> = A/B <small>Scope: new labelled IPcodes<sup>2</sup></small>	93%	>90%
<b>MATERIALS INNOVATION</b> Increase the % of renewable and recycled materials <small>Scope: tyre available in the market with the highest % of renew. &amp; recycled<sup>3</sup></small>	Renewable	30% <sup>3</sup>	>40%
	Recycled (incl. metals)	8% <sup>3</sup>	>8%
<b>TOWARDS DECARBONIZATION</b> Reduce CO <sub>2</sub> footprint  	Renewable electricity <sup>4</sup>	74%	100%
	CO <sub>2</sub> (Pirelli abs. emissions)	-41% vs 2015 (-14% yoy)	-42% vs 2015 (SBTI 1,5°)
	CO <sub>2</sub> (Suppl. abs. emissions)	-8.9% vs 2018	-9% vs 2018 (SBTI 2°)

## 1H'23 PROGRESS

- Accident frequency index reduction and gender balance in management positions among **Short Term Incentives' KPIs**
- **Welfare portfolio enriched** - e.g. for parenthood
- **NEW P Zero E** (launched in July):
  - Triple A label on RR, WG and Noise
  - **No compromise on safety even in worn conditions**
  - First UHP with **>55% Bio-based & recycled materials and 3<sup>rd</sup> party verification<sup>5</sup> - already achieving 2025 targets**
- **Hevea-Tec (BR) acquisition**: field for innovation
- New projects on Natural Rubber, FSC® extension, L4L Supply
- **Progress exceeding expectations** thanks to:
  - Efficiency projects, *Climate Change Challenge* in Plants
  - **Engagement** with most emissive **suppliers** on CO<sub>2</sub> emission reduction

1. RR: Rolling Resistance, WG: Wet Grip and ICE, focus on new labelled IPcodes; 2. IP codes: Identification Product Codes, extra EU labelling scales are converted to EU labelling grades, for WG. ICE Pictogram is included; 3. Reference tyre: 235/45R20 100H XL S-ZERO(MO) IP 17884, official target 3% excl. Metals; 4. Figure including both share from direct procurement (51%) and national electric grid mix based on Int. Energy Agency data (23%); 5. thanks to a combination of physical segregation and mass balance approach. Depending on tyre size, bio-based and recycled content ranges between 29-31% and 25-27% respectively. Bio-based materials are natural rubber, textile reinforcements, biochemicals, bio-resins and lignin, while recycled materials are metallic reinforcements, chemicals and – through mass balance - synthetic rubber, silica and carbon black; Claim validated by Bureau Veritas

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1H'23 KEY MESSAGES

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**PIRELLI & C. – 1H'23 RESULTS**

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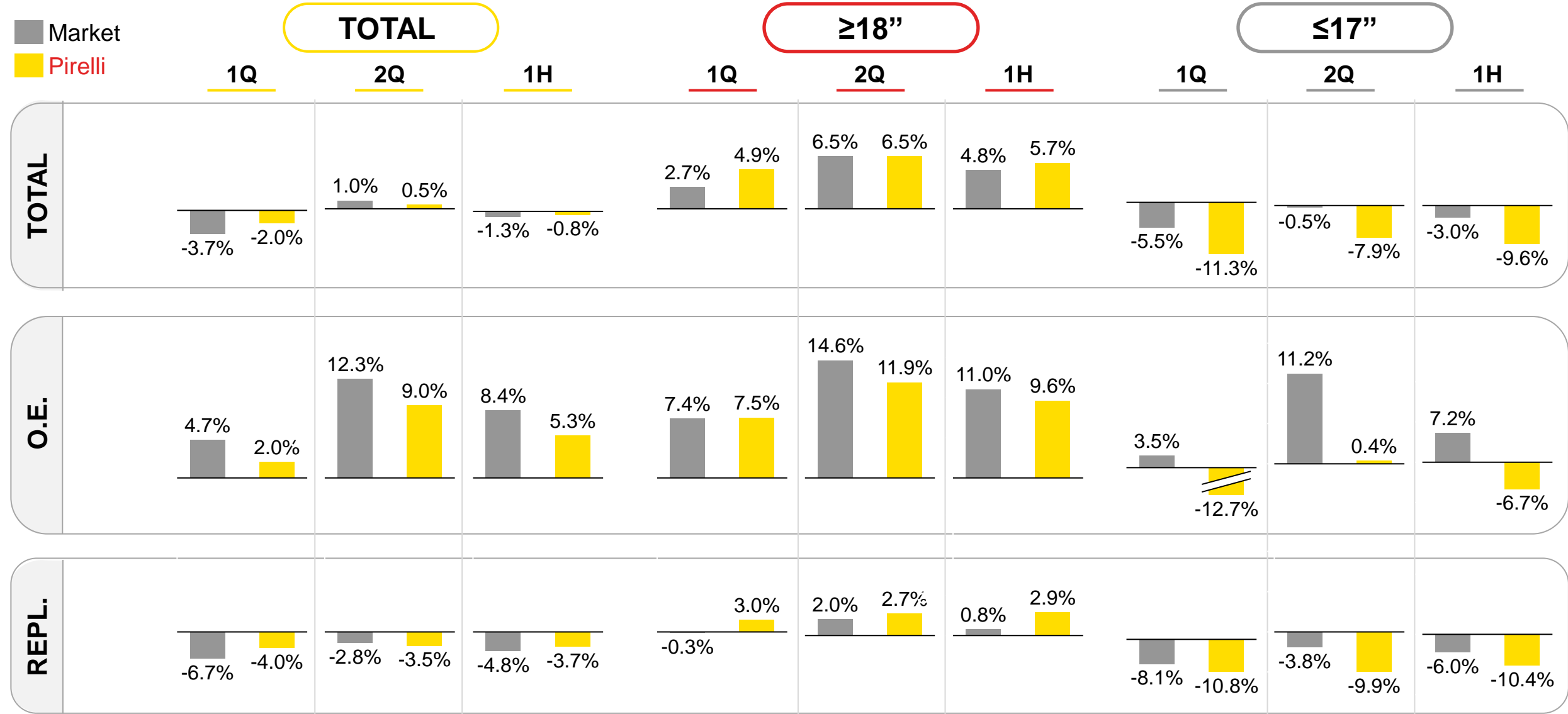
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# 2Q/1H'23 Car volumes – Pirelli vs. Market

Trend improving vs. 1Q but below expectations (destocking in EU & NA. , slow China recovery)  
 Pirelli outperformance confirmed in ≥18” driven by North America and APac





# 2023 Strategy implementation: 1H 2023 delivery in line with targets



## Commercial

- ✓ **Outperforming in Car  $\geq 18''$ :**
  - **+5.7%** vs. market +4.8%
  - strong focus on  $\geq 19''$  and EV
- ✓ **Lowering exposure to Standard**
  - Car Std weight to **~36%** (-3pp YoY) in line with FY target



## Innovation

- ✓ **Widening our OE portfolio:**
  - **~150** new car homologations (86%  $\geq 19''$ , ~50% EV)
  - **EV portfolio reaching ~400** homologations worldwide
  - OE Premium/Prestige **EV mkt share ~1.5x vs. ICE**
- ✓ **Enriching product offering:**
  - Car: **New P Zero** tyre generation for High End Consumer
  - 2 wheels: new products leveraging on racing experience



## Competitiveness

- ✓ **Delivering Wave 3 Efficiency program**
  - **~€30 mln** gross savings (30% of FY tgt) in line with programs seasonality, and
  - supported by Company digitization



## Operations

- ✓ **Improving operations and environmental footprint**
  - **~90%** capacity utilization (**~95%** in **High Value**)
  - **Hevea-Tec** acquisition, **the largest independent natural rubber processor** in Brazil

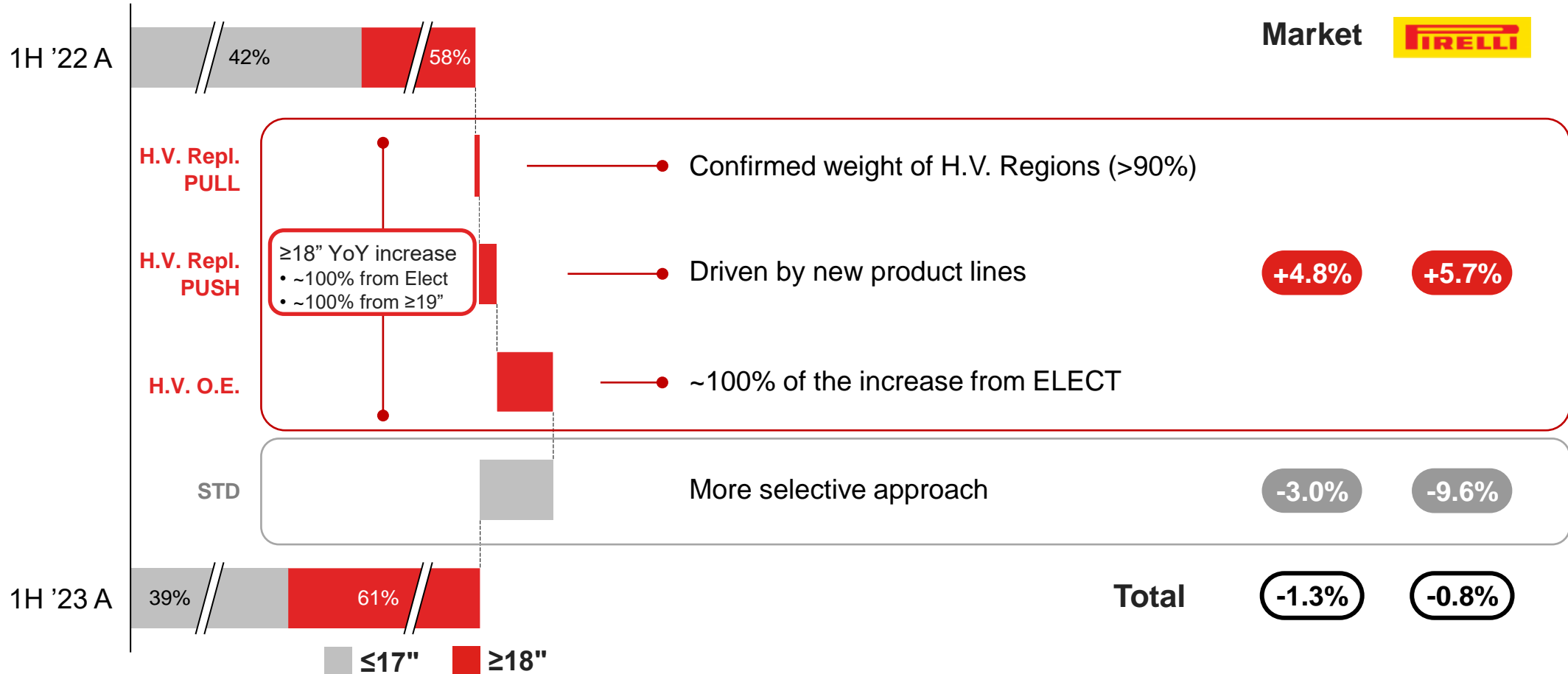
# 1H'23 Commercial program delivery

Higher weight of  $\geq 18$ " on Car Volumes, with increasing incidence of Elect and sales in US and APac

## 1H'23 A Volume variance (Car)

## Key Programs Highlights

## Volume trend



# Innovation program delivery - New P Zero™ generation

Meeting High-End Consumers demand for Safety, Performance and Sustainability

## P ZERO™ E



**100%  
ELECT**

- Designed for High-End Electrified Vehicles
- Unmatched Eco-Safety Performances
- A step towards a reduced Environmental impact

## P ZERO™ R



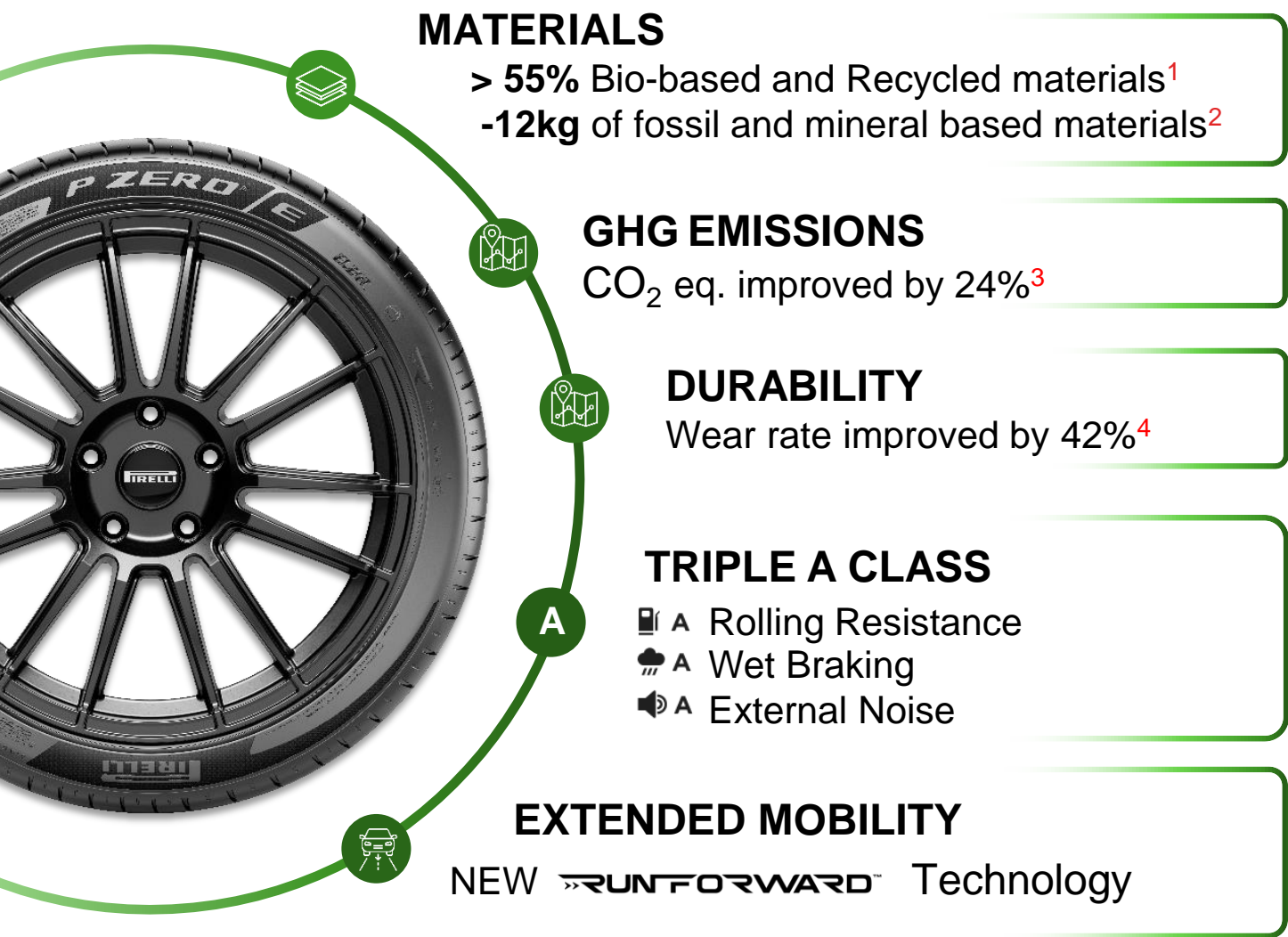
- The choice of Prestige Car Manufacturers
- Max. Road Performance & Driving pleasure
- Sporty driving and daily use

## P ZERO™ TROFEO RS



- Derived from Pirelli's Motorsport experience
- Designed for Hyper Cars and Super Cars
- Maximum Dry Performance on track

**ALL PRODUCED IN EUROPE WITH 100% RENEWABLE ENERGY<sup>1</sup>**



ISO 14021  
BUREAU VERITAS Certification

ISO 14067  
BUREAU VERITAS Certification

DEKRA

First UHP product with sustainability features verified by third party

ENERG

First UHP product in the market with triple A class on EU label on 100% range

Self supporting structure allows to continue driving up to 40km after puncture

1. Thanks to a combination of physical segregation and mass balance approach. Depending on tyre size, bio-based and recycled content ranges between 29-31% and 25-27% respectively. Bio-based materials are natural rubber, textile reinforcements, bio-chemicals, bio-resins and lignin, while recycled materials are metallic reinforcements, chemicals and - through mass balance - synthetic rubber, silica and carbon black; 2. Internal calculated by comparing the fossil-based and mineral materials associated to a set (4 tyres) of P Zero™E (235/45R189 vs same size of P Zero™ (PZ4); 3. Vs standard UHP tyre P Zero™ (PZ4 size 235/45R18), normalized by mileage, according to ISO 14026 and ISO 14067 verified by Bureau Veritas; 4. in g/1000km Vs standard UHP tyre P Zero™ (PZ4 size 235/45R18); results from the 23CPC11 report of comparative test carried out on Electric Vehicles in June 2023 by Dekra test Centre Z.A.

# Wave 3 Competitiveness programs: 1H results



Achievements in line with expectations and the seasonality of programs' delivery

		2022	2023 E		
		FY ACT	Focusing on:	FY GUI	1H ACT
	Product Cost		<ul style="list-style-type: none"> <li>Modularity</li> <li>Design speed and virtualization</li> </ul>	Equally split in 1H/2H	~50% of FY
	Manufacturing		<ul style="list-style-type: none"> <li>Industrial IoT and flexible factory</li> <li>Energy consumption</li> </ul>	producing results from 2Q	~5% of FY
	SG&A		<ul style="list-style-type: none"> <li>Logistics network redesign and service differentiation</li> <li>Procurement rationalization</li> </ul>	Equally split in 1H/2H	~50% of FY
	Organization		<ul style="list-style-type: none"> <li>Digital processes and organization transformation</li> </ul>	Equally split in 1H/2H	~70% of FY
Total Gross Impact		~€136M		~€100M	~€30M

# Operations: Pirelli to acquire 100% of Hevea-Tec



- Founded in 1999, Hevea-Tec is the largest **independent natural rubber processor** in Brazil
- **Enterprise Value:** ~€21m
- **Deal expected to close by the end of 2023**, after the approval from Antitrust authorities



## Potential Benefits



### **SUSTAINABILITY & INNOVATION R&D**

- increase the use of non-fossil-based materials in the tyres
- launch of new FSC® certified projects

### **ENHANCEMENT OF NATURAL RUBBER LOCAL FOR LOCAL SUPPLY**

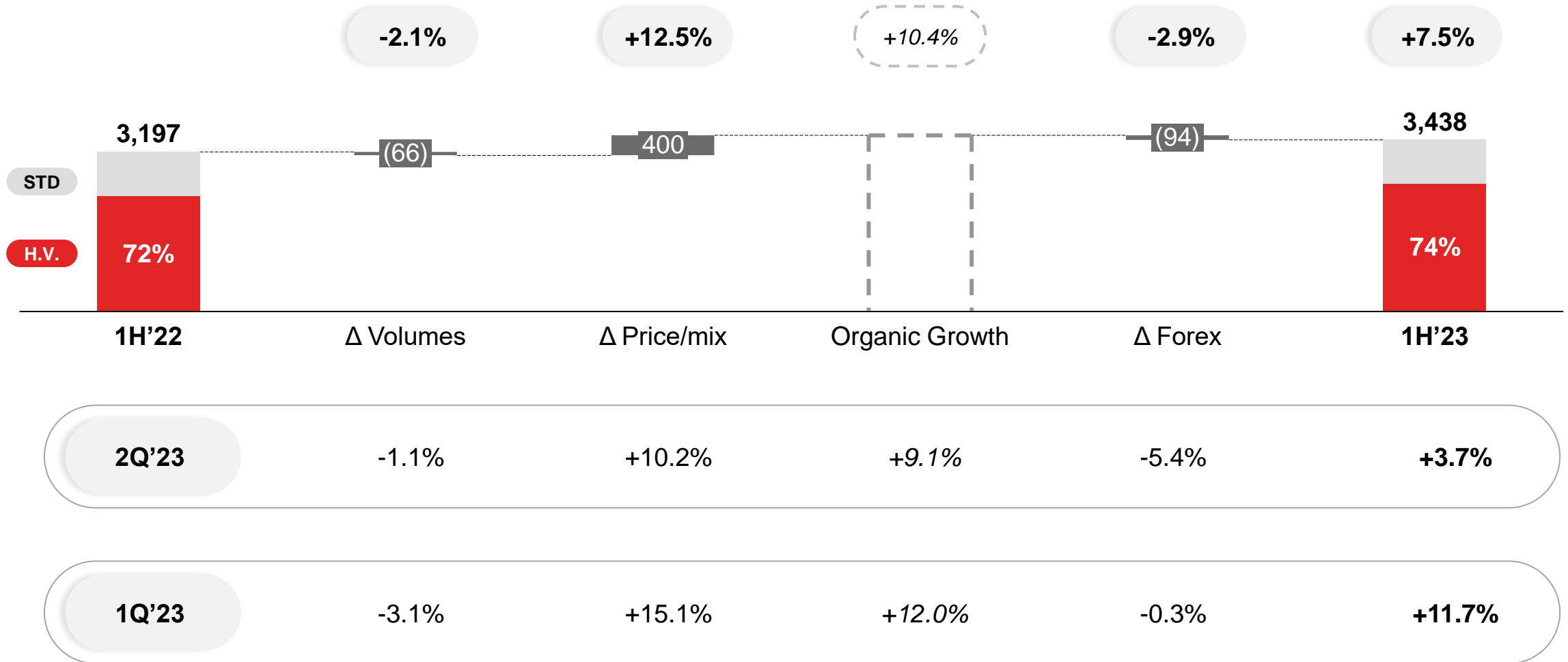
- ensure continuity of supply in the region with greater efficiency
- reduce CO<sub>2</sub> emissions

### **IMPROVE PIRELLI'S RAW MAT. STOCK MANAGEMENT**

# 1H/2Q'23 Sales bridge

Growth driven by solid price/mix improvement despite soft market demand and weak FX

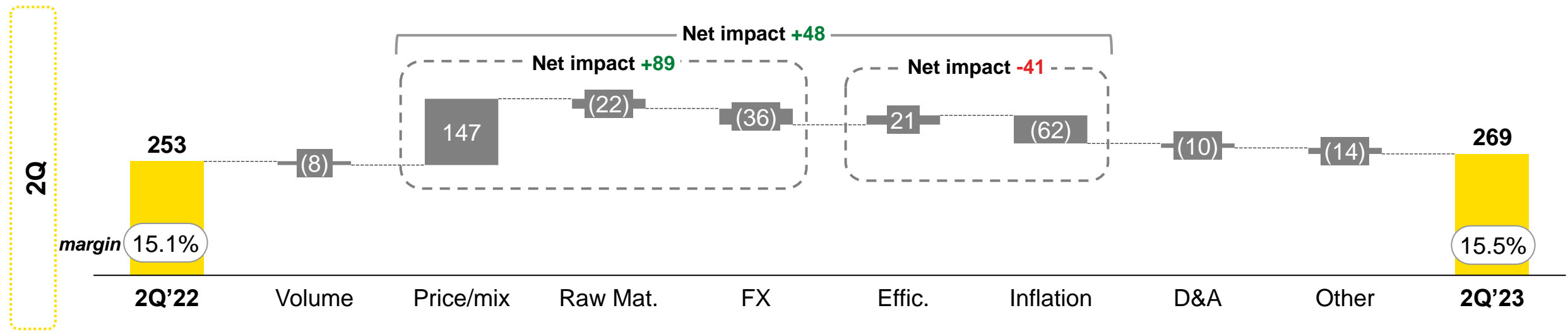
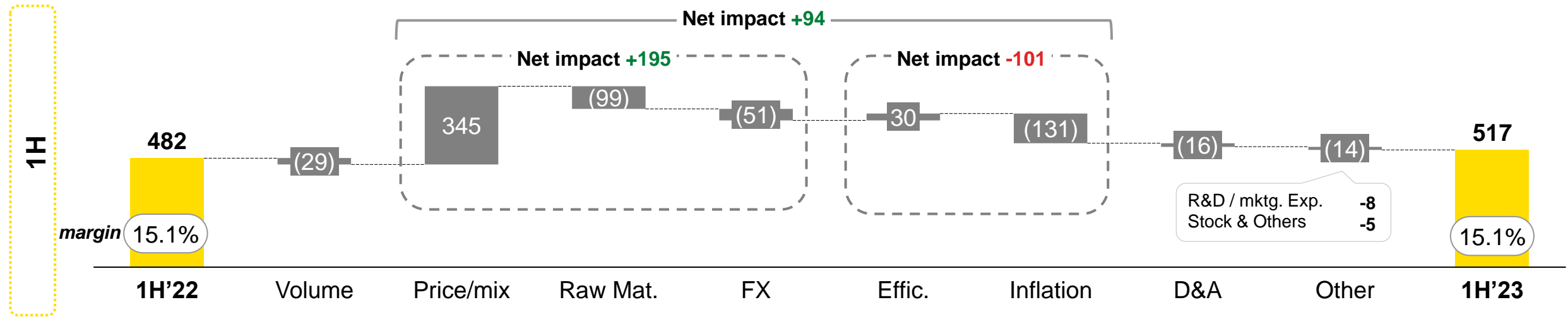
€ million



# 1H'23 adjusted EBIT bridge

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

€ million

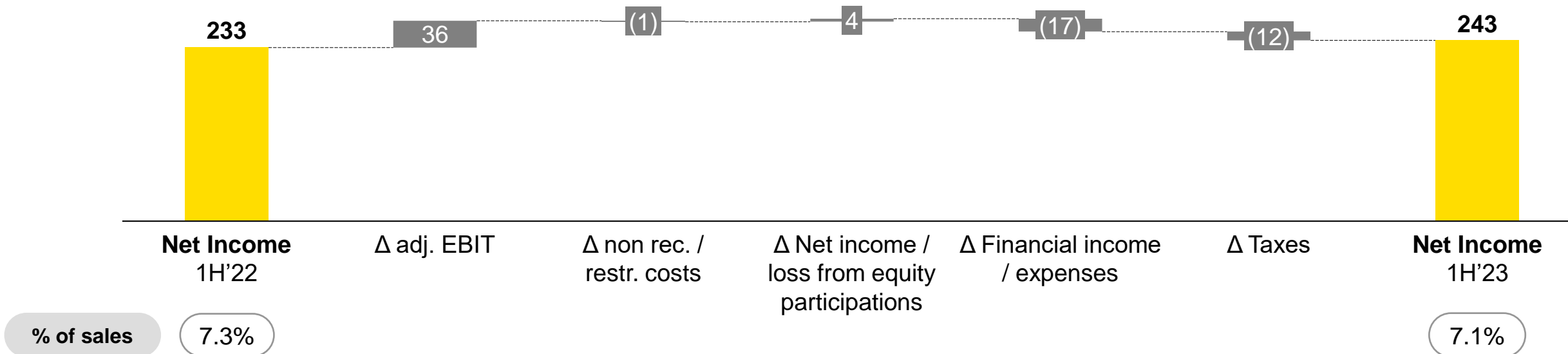




# 1H'23 Net Income bridge

Earnings driven by improving operating performance

€ million

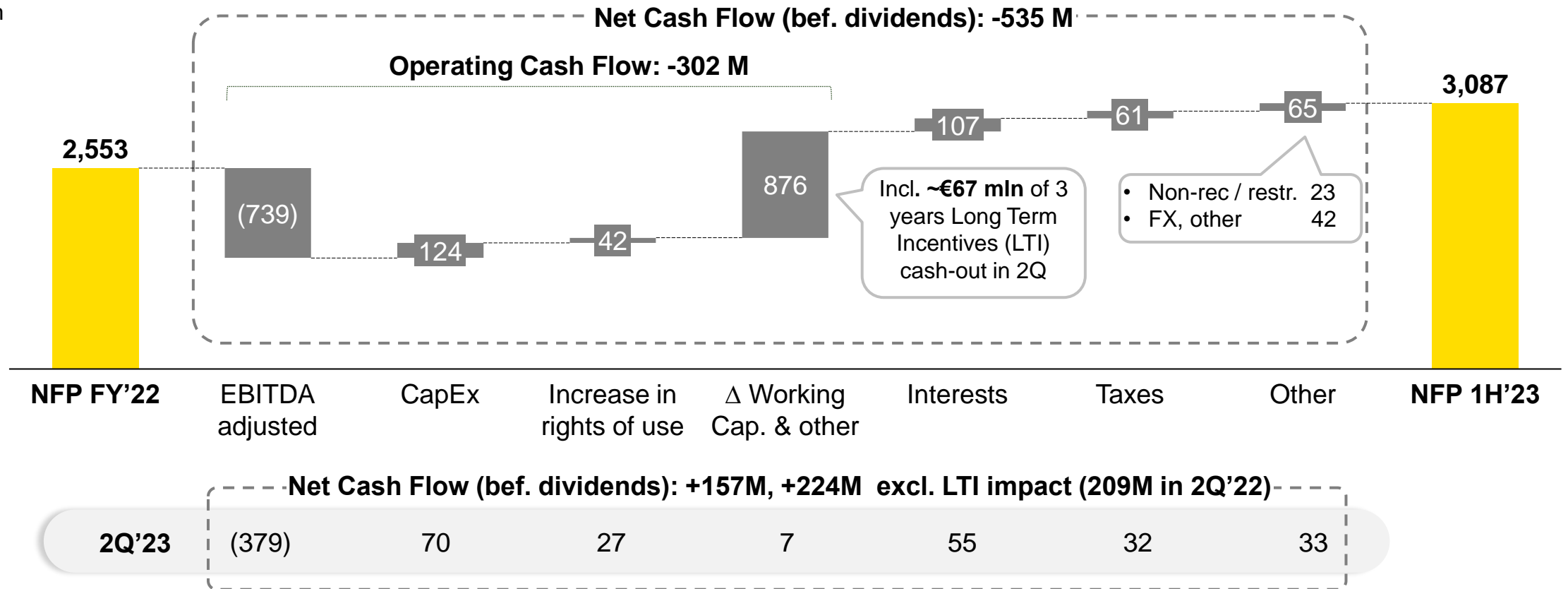


	1H 2022	1H 2023
<b>Net income</b>	<b>233</b>	<b>243</b>
Amortization from PPA	57	57
Non-recurring items and restructuring costs	20	20
Taxes impact	(22)	(22)
<b>Net income adjusted</b>	<b>288</b>	<b>298</b>

# 1H'23 Net Financial Position

Net Cash Flow bef. div. 1H'23 at -535M vs -464M in 1H'22 - stable yoy excluding LTI impact (-468M)

€ million



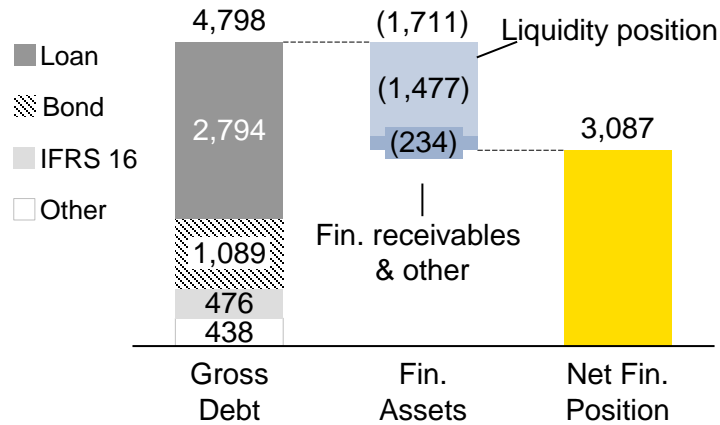
- › **Inventories** at ~20.7% of sales (~-1pp vs. 1Q23) in line with the strategy of stock reduction implemented from 1H'22
- › **Receivables** at ~13% of sales (~+3.5pp vs. FY22) showing a trend in 1H'23 substantially in line with business seasonality
- › **Payables** at ~20.5% of sales (~-4pp vs. 1H22) with trend reflecting 2022 dynamics (e.g. r/mat stock reduction); FY23 weight on sales to be flat yoy (~30%)
- › **Long Term Incentives** are related to '20-'22. From 2024 LTI will switch to "rolling" system with aligned annual impact on P&L and Cash flow

# Total Gross Debt structure as of June 30<sup>th</sup> 2023

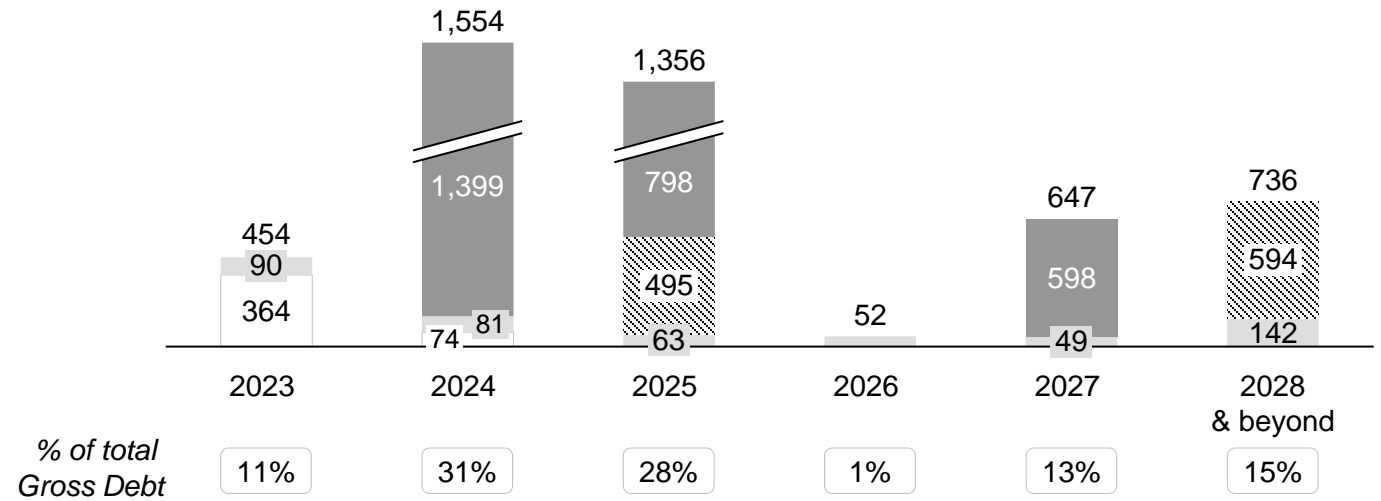
Liquidity margin fully covering debt maturities up to 2025ye. ESG-financing weight on gross debt at ~58%

€ million

## Net Financial Position



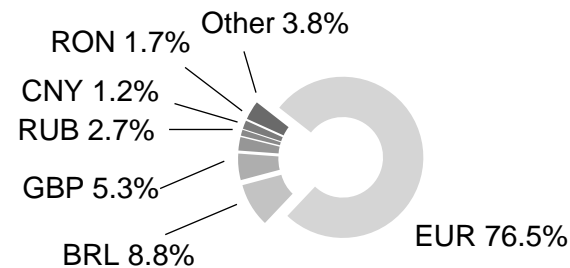
## Gross Debt maturity



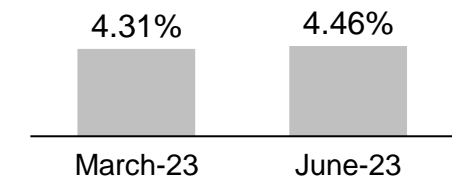
## Liquidity profile

Liquidity position <sup>1</sup>	1,477
Committed lines not drawn	1,300
<b>Liquidity margin</b>	<b>2,777</b>

## Break-down by currency<sup>2</sup>



## Cost of debt (last 12 months)



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**FY'23 OUTLOOK AND TARGETS**

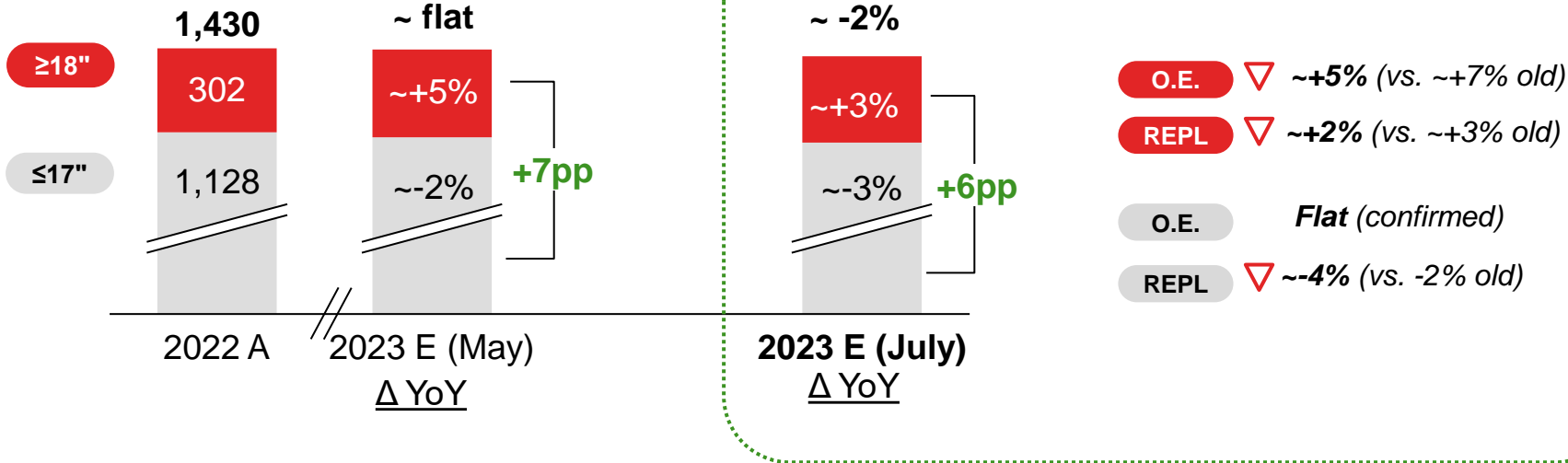
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# 2023 Global Car Tyre Market Outlook

A more cautious view due to softer trend in China and EU and weaker South American market  
 High Value resilience confirmed

Car tyre market (million pcs)



## Main highlights by segment / channel

- > **O.E. ≥18"**: a more cautious view on China recovery post pandemic
- > **Repl. ≥18"**: Softer demand trend in EU (following the trends in 1H but improving YoY in 2H) and China
- > **Car ≤17"**: demand trend on OE and Replacement reflecting a weak economic environment (South America and EU)

# FY 2023 targets: Stronger Price/mix driving to Ebit margin upgrade

Adjusted Ebit and Cash generation confirmed despite a more cautious view on demand and forex

€ billion	2022 A	2023 E	
		TARGET @11 May '23	TARGET @27 July '23
<b>Net Sales</b>	6.62	~6.6 ÷ ~6.8	~6.5 ÷ ~6.7
<b>adj. EBIT margin</b>	14.8%	>14% ÷ ~14.5%	~14.5% ÷ <15%
<b>CapEx</b> (% of Sales)	0.40 (6.0%)	~0.40 (~6%)	confirmed
<b>Net Cash Flow</b> bef. Dividends	0.52	~0.44 ÷ ~0.47	confirmed
<b>Net Financial Position</b> NFP / adj. EBITDA	2.55 1.8x	~2.35 ~1.65x ÷ ~1.7x	confirmed
<b>ROIC<sup>1</sup></b> Post taxes	20.3%	~20%	confirmed

- **Vol.:** ~-2% ÷ -1%  
(old: flat / ~+1%)
- **Price/mix:** ~+7% ÷ ~+8%  
(old: ~+4.5% ÷ ~+5.5%)
- **Forex:** ~-7% ÷ ~-6%  
(old ~-4.5% ÷ ~-3.5%)

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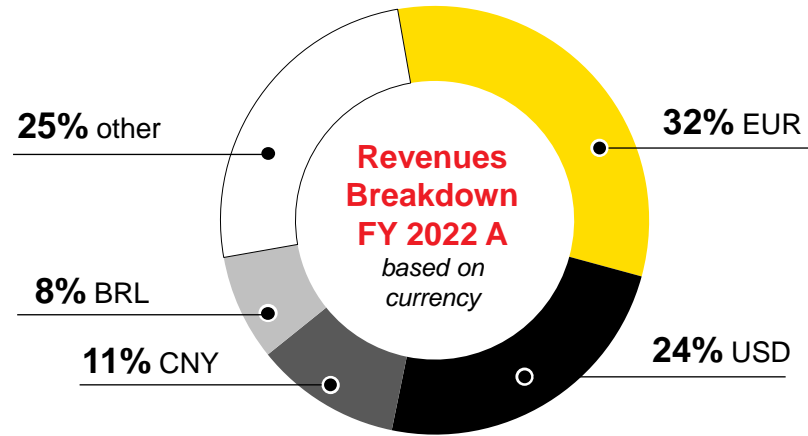
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# 2023 Forex guidance



Main avg. exchange rates	2022 A	2023 E (Jul guid)	Δ YoY (vs. EUR)	2023 E (Feb guid)	Δ YoY (vs. EUR)
EUR / USD  /	1.05	1.10	~-4%	1.08	~-2%
EUR / CNY  /	7.08	7.63	~-7%	7.50	~-6%
EUR / BRL  /	5.45	5.54	~-2%	5.73	~-5%

**TOT. IMPACT ON SALES**

~-7% ÷ -6%

~-4.5% ÷ -3.5%



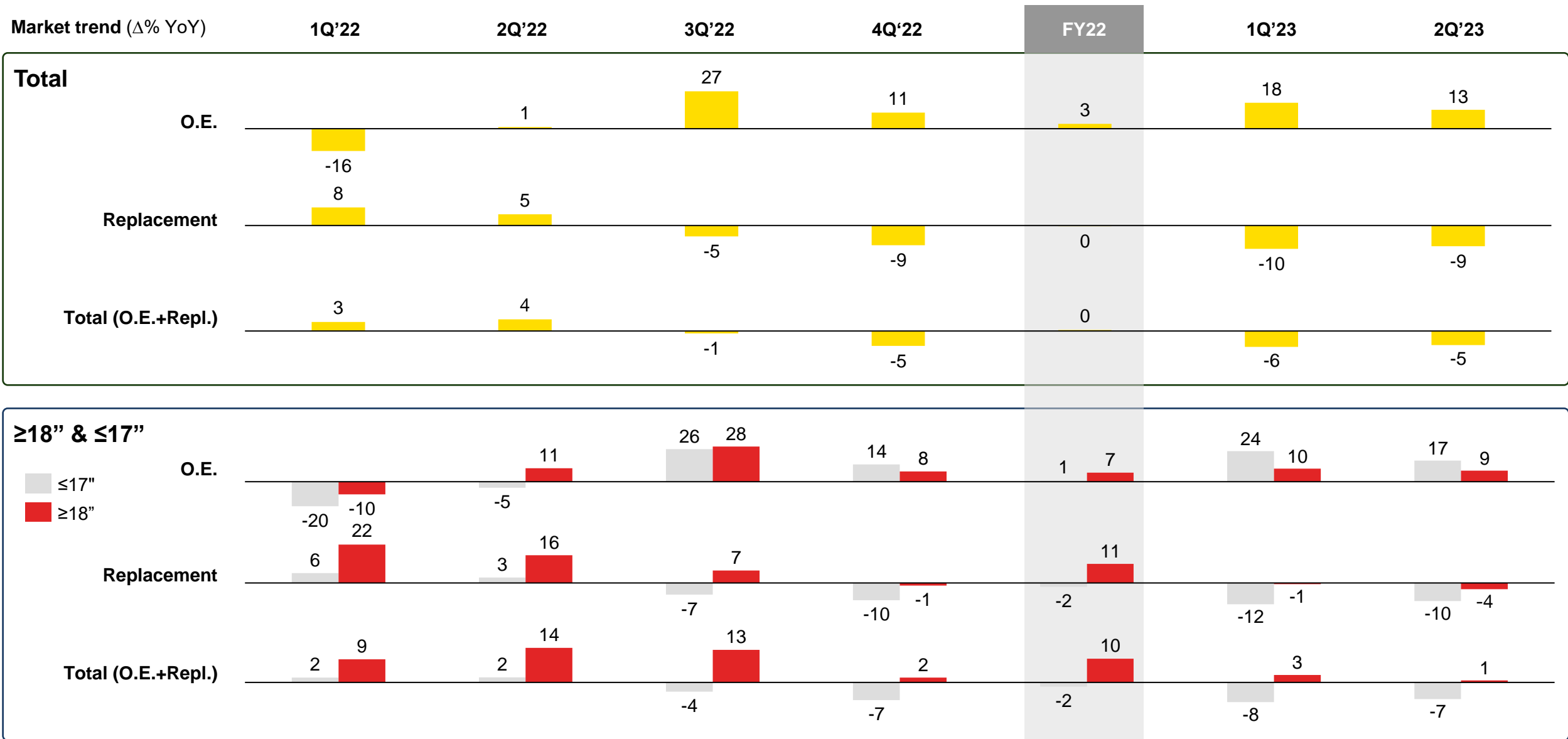
# A globally acknowledged sustainability leadership



Major ratings	Last update	Score	Positioning in the reference sector
<p>Member of <b>Dow Jones Sustainability Indices</b> Powered by the S&amp;P Global CSA</p>	2022	86	Top score ATX Auto Components
<p><b>Top 1%</b> S&amp;P Global ESG Score 2022 <b>86</b> /100</p>	2023	TOP 1% ESG	Max Score
<p><b>CDP</b> DISCLOSURE LEADER ACTION <b>A LIST 2022</b> CLIMATE</p>	2022	A	Max Score
<p><b>CDP</b> SUPPLIER ENGAGEMENT LEADER 2022</p>	2022	SUPPLIER ENGAGEMENT LEADER	Max Score
<p><b>FTSE4Good</b></p>	2023	4.5 / 5	Top score Auto parts
<p><b>SUSTAINALYTICS</b></p>	2023	11.2	Top ESG Rated
<p><b>MSCI</b></p>	2022	AA	6% of the Auto components in AA
<p><b>ecovadis</b></p>	2022	Platinum	Max score



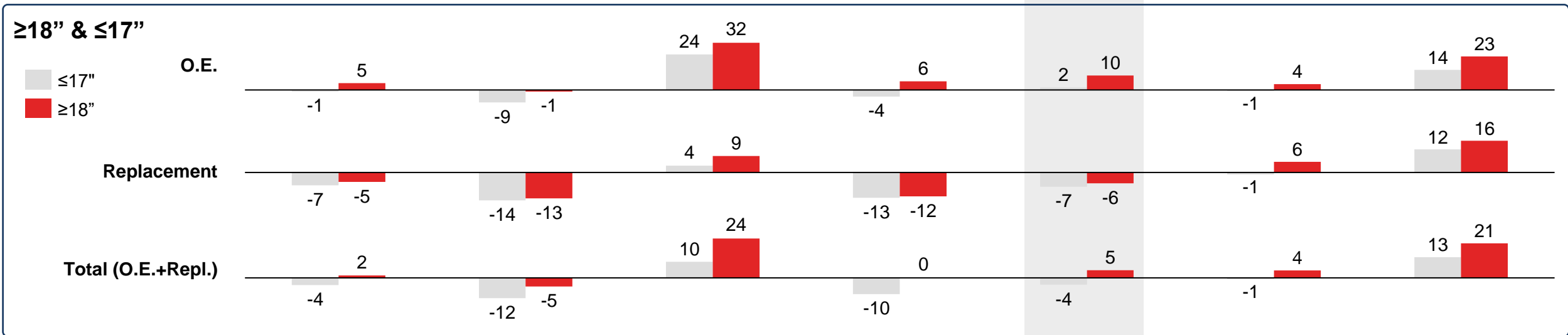
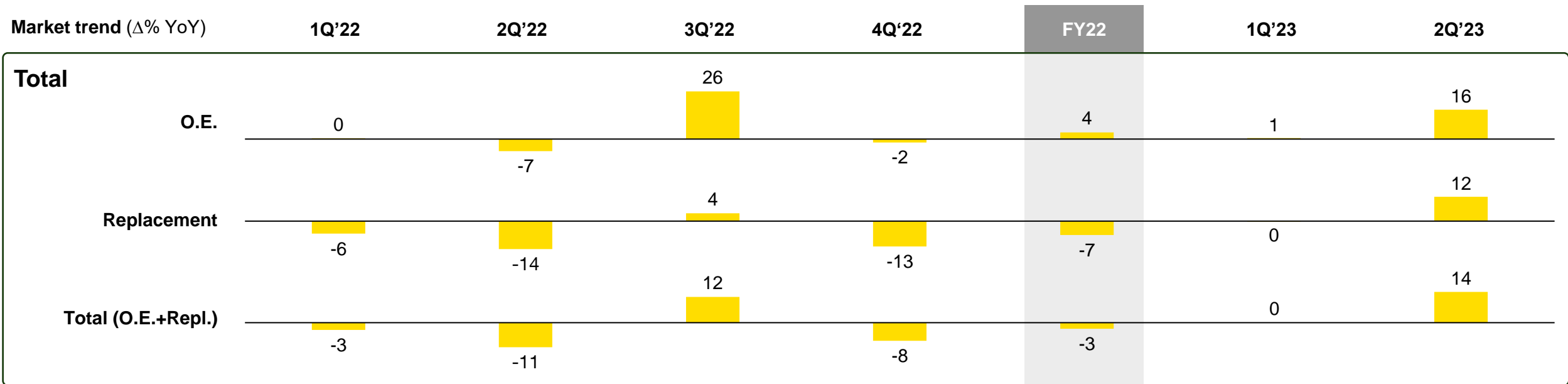
# Key Car Market Trends: Europe



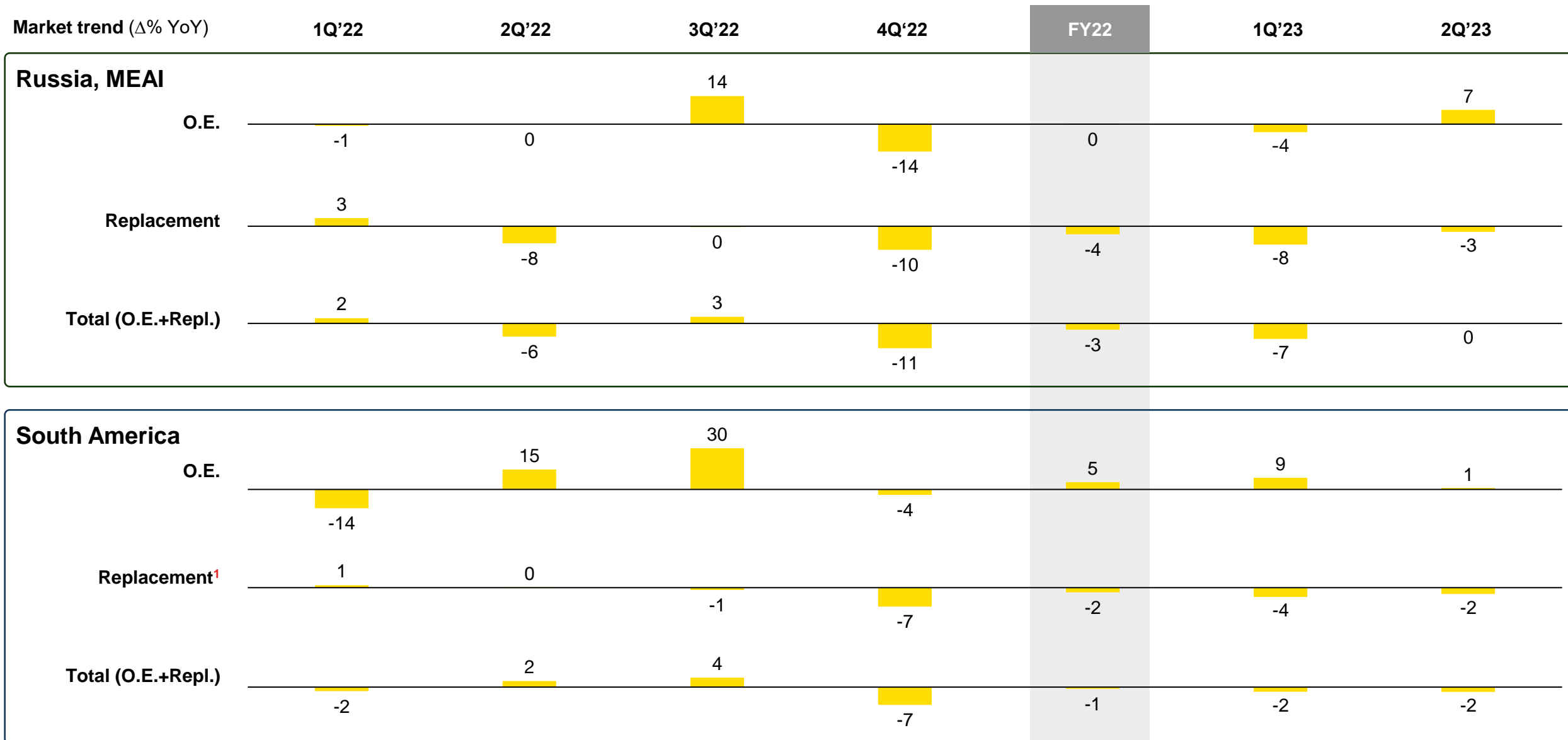
# Key Car Market Trends: North America



# Key Car Market Trends: Asia Pacific



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



# Economic results summary



€ million

	2Q 2023	2Q 2022	Δ YoY	1H 2023	1H 2022	Δ YoY
<b>Net Sales</b>	<b>1,737.8</b>	<b>1,675.9</b>	<b>+3.7%</b>	<b>3,437.5</b>	<b>3,197.0</b>	<b>+7.5%</b>
<i>Organic variation</i>			<i>+9.1%</i>			<i>+10.4%</i>
<b>adjusted EBITDA<sup>1</sup></b>	<b>379.4</b>	<b>362.2</b>	<b>+4.7%</b>	<b>739.1</b>	<b>695.3</b>	<b>+6.3%</b>
<i>% of net sales</i>	<i>21.8%</i>	<i>21.6%</i>	<i>+0.2 p.p.</i>	<i>21.5%</i>	<i>21.7%</i>	<i>-0.2 p.p.</i>
<b>reported EBITDA</b>	<b>367.9</b>	<b>350.2</b>	<b>+5.1%</b>	<b>718.6</b>	<b>675.8</b>	<b>+6.3%</b>
<i>% of net sales</i>	<i>21.2%</i>	<i>20.9%</i>	<i>+0.3 p.p.</i>	<i>20.9%</i>	<i>21.1%</i>	<i>-0.2 p.p.</i>
<b>adjusted EBIT<sup>1</sup></b>	<b>269.3</b>	<b>253.1</b>	<b>+6.4%</b>	<b>517.4</b>	<b>481.6</b>	<b>+7.4%</b>
<i>% of net sales</i>	<i>15.5%</i>	<i>15.1%</i>	<i>+0.4 p.p.</i>	<i>15.1%</i>	<i>15.1%</i>	<i>0.0 p.p.</i>
<b>reported EBIT</b>	<b>229.3</b>	<b>212.6</b>	<b>+7.9%</b>	<b>440.0</b>	<b>405.2</b>	<b>+8.6%</b>
<i>% of net sales</i>	<i>13.2%</i>	<i>12.7%</i>	<i>+0.5 p.p.</i>	<i>12.8%</i>	<i>12.7%</i>	<i>+0.1 p.p.</i>
Net income / (loss) from equity investments	3.9	1.5	n.m.	6.2	2.3	n.m.
Financial income / (expenses)	(54.7)	(46.0)	+18.9%	(106.9)	(89.6)	+19.3%
<b>EBT</b>	<b>178.5</b>	<b>168.1</b>	<b>+6.1%</b>	<b>339.3</b>	<b>317.9</b>	<b>+6.7%</b>
Taxes	(50.9)	(44.9)	+13.4%	(96.7)	(84.9)	+13.9%
Tax rate %	-28.5%	-26.7%		-28.5%	-26.7%	
<b>Net Income / (loss)</b>	<b>127.6</b>	<b>123.2</b>	<b>+3.6%</b>	<b>242.6</b>	<b>233.0</b>	<b>+4.1%</b>
Earnings / (loss) per share (€ per share)	0.12	0.11		0.23	0.22	
Net income / (loss) adjusted	156.4	152.3		298.3	287.9	

1. Adjustments refers to one-off, non recurring and restructuring expenses to the amount of €20.5M (€19.5M in 1H 2022). With reference only to EBIT, amortization of intangible assets recognized as a consequence of Business Combinations amounting to €56.9M (€56.9M in 1H 2022).

# Consolidated Balance Sheet



€ million

	30/06/2023	31/12/2022	30/06/2022
<b>Fixed assets</b>	<b>8,821.7</b>	<b>8,911.1</b>	<b>9,017.1</b>
<i>Inventories</i>	1,418.7	1,457.7	1,396.8
<i>Trade receivables</i>	895.1	636.5	936.4
<i>Trade payables</i>	(1,405.1)	(1,973.3)	(1,454.2)
Operating net working capital	908.7	120.9	879.0
<i>% of net sales<sup>1</sup></i>	13.3%	1.8%	14.7%
Other receivables / payables	(101.7)	42.3	100.2
<b>Net working capital</b>	<b>807.0</b>	<b>163.2</b>	<b>979.2</b>
<i>% of net sales<sup>1</sup></i>	11.8%	2.5%	16.4%
<b>Total net invested capital</b>	<b>9,628.7</b>	<b>9,074.3</b>	<b>9,996.3</b>
<b>Equity</b>	<b>5,455.6</b>	<b>5,453.8</b>	<b>5,419.6</b>
<b>Provisions</b>	<b>1,085.6</b>	<b>1,067.9</b>	<b>1,046.0</b>
<b>Net financial position</b>	<b>3,087.5</b>	<b>2,552.6</b>	<b>3,530.7</b>
<b>Total financing and shareholders' equity</b>	<b>9,628.7</b>	<b>9,074.3</b>	<b>9,996.3</b>
<b>Attributable net equity</b>	<b>5,335.4</b>	<b>5,323.8</b>	<b>5,268.9</b>
<b>Total net financial debt<sup>2</sup></b>	<b>3,226.8</b>	<b>2,683.8</b>	<b>3,808.1</b>

1. Last twelve months trailing revenues;

2. Total net financial debt = net financial position excluding non-current financial receivables and non-current derivative financial instruments

# Net Cash Flow



€ million

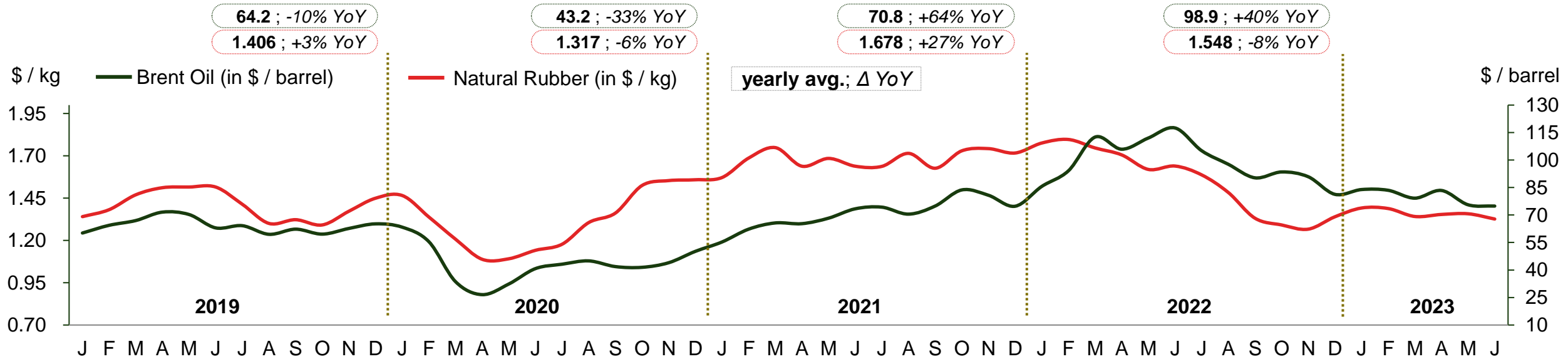
	1Q 2023	2Q 2023	1H 2023	1H 2022
Adjusted Operating income (EBIT)	248.1	269.3	517.4	481.6
Amortiz. & depreciations (excl. PPA amortiz.)	111.6	110.1	221.7	213.7
Investments in tangible and intangible assets (Capex)	(53.2)	(70.3)	(123.5)	(115.7)
Increase in right of use	(15.1)	(26.5)	(41.6)	(41.3)
Change in working capital/other	(868.8)	(6.8)	(875.6)	(703.0)
<b>Operating Cash Flow</b>	<b>(577.4)</b>	<b>275.8</b>	<b>(301.6)</b>	<b>(164.7)</b>
Financial income/(expenses)	(52.2)	(54.7)	(106.9)	(89.6)
Taxes paid	(29.0)	(32.3)	(61.3)	(104.4)
Cash-out for non recurring items and restructuring costs / other	(12.6)	(10.2)	(22.8)	(35.5)
Dividend paid to minorities	-	(3.9)	(3.9)	(24.4)
Exchange rates difference/other	(20.2)	(18.2)	(38.4)	(45.1)
<b>Net Cash Flow before extr. oper. / equity transactions / divid.</b>	<b>(691.4)</b>	<b>156.5</b>	<b>(534.9)</b>	<b>(463.7)</b>
Extraordinary operations	-	-	-	-
<b>Net Cash Flow before dividends</b>	<b>(691.4)</b>	<b>156.5</b>	<b>(534.9)</b>	<b>(463.7)</b>
Dividends paid by Parent	-	-	-	(159.9)
<b>Net Cash Flow</b>	<b>(691.4)</b>	<b>156.5</b>	<b>(534.9)</b>	<b>(623.6)</b>



# Raw material costs trend and mix



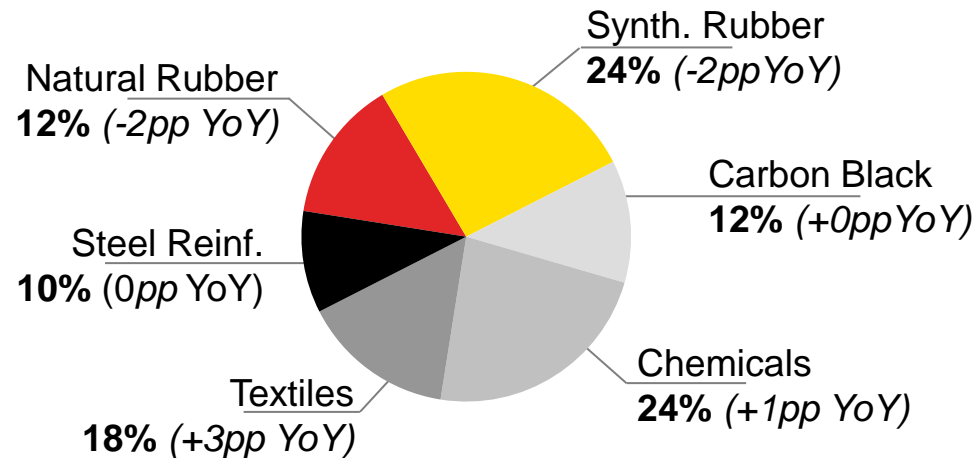
## Main raw materials price trend



## Pirelli 1H 2023 mix

based on purchasing cost

**34%**  
raw mat. costs  
on sales



# Pirelli manufacturing footprint

