

1Q 2023 Financial Results

May 11th, 2023

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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 unaudited non-IFRS financial measures derived from the Financial Statements, 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 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).

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Key Messages

- **1Q'23 performance confirming the resilience of our business model**
 - Market share gain in ≥ 18 ” driven by our product portfolio
 - Strong price/mix (+15% yoy) more than offsetting external headwinds (raw mat, inflation and FX)
 - Efficient stock management with a progressive rebalance of raw mat. stock (higher in 2022 due to supply chain risks)

- **FY 2023 outlook and targets confirmed**
 - External scenario still volatile with risk of recessions and inflationary pressures
 - High value demand ($\sim +5\%$ yoy) confirming its resilience vs. a weak Standard market (-2%)
 - All targets confirmed and supported by the delivery of our strategic programs

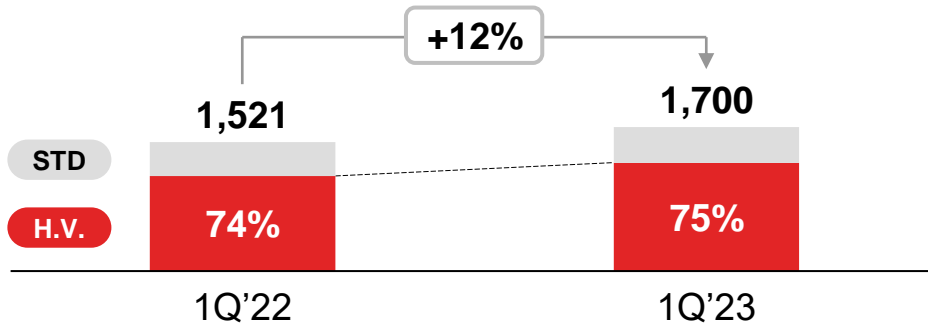
- **AGM and Industrial Plan timeline**
 - «Golden Power Procedure» final measure may be issued after the term for filing BoD renewal's slates
 - In compliance with the best Corporate Governance principles, Board will propose at the AGM, on June 29, to postpone BoD renewal to a subsequent General Meeting to be called presumably before July 31, 2023
 - Industrial Plan update is scheduled by the end of 2023. Deleverage target of 1x Net Debt/Adj. Ebitda by 2025 confirmed

1Q'23 Results highlights

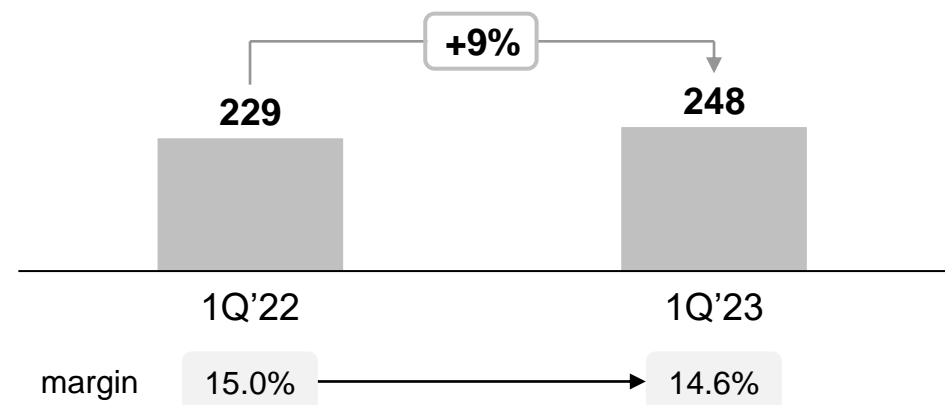
Solid quarterly delivery despite a still challenging environment

€ million

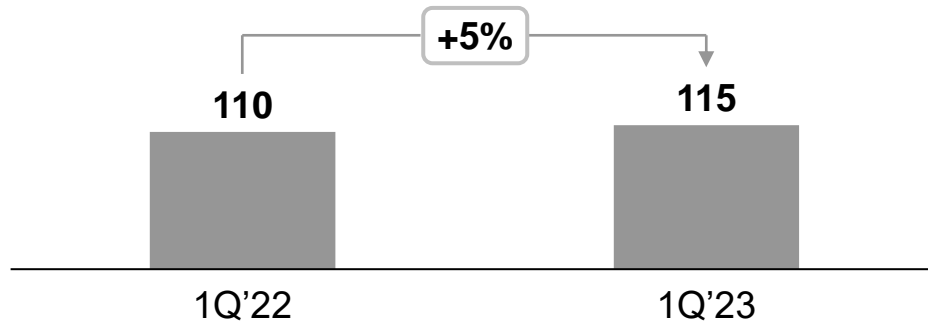
Net Sales



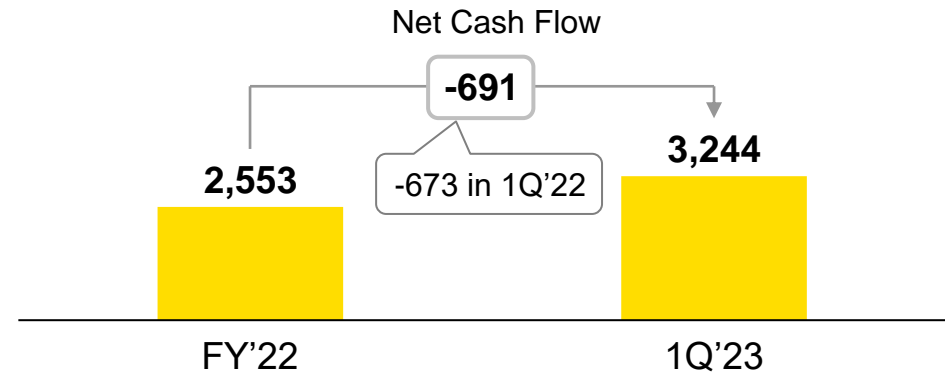
Adjusted EBIT¹







Net Income



Net Financial Position



1Q'23 update on Sustainability

Area	KPIs	2021A	2022A	2025T
 SAFETY FIRST Towards zero accidents at work	Accident frequency index	0.21 -4.5% yoy	0.20 -4.5% yoy	≤ 0.10
	Rolling Resistance/Energy Efficiency ¹ = A/B	49%	50%	>70%
 PRODUCT ECO & SAFETY PERF. Improve Rolling Resistance with no compromise on Safety	Wet Grip/Safety ¹ = A/B	87%	93%	>90%
	<i>Scope: new labelled IPCodes²</i>			
 MATERIALS INNOVATION Increase the % of renewable and recycled materials	Renewable	28%	30% ³	>40%
	Recycled (incl. metals)	5%	8% ³	>8%
<i>Scope: tyre available on the market with the highest % of renew. & recycled³</i>				
 TOWARDS DECARBONIZATION Reduce CO ₂ footprint	Renewable electricity ⁴	62%	74%	100%
	CO ₂ (Pirelli abs. emissions)	-31% vs 2015	-41% vs 2015 (-14% yoy)	-42% vs 2015 ⁵
	CO ₂ (Suppl. abs. emissions)	-6% vs 2018	-8.9% vs 2018	-9% vs 2018 ⁶



1Q'23 PROGRESS

- **Bio & Circular materials:** Strong focus in upcoming new product lines
- **Tyre Wear & Innovation:** working towards Euro7; new product lines launched in 2021-22⁷ already featuring a wear rate improvement up to 30% vs previous generation
- **Plant decarbonization:** working on renewable energy transition and energy efficiency projects
- **Leadership** on the action on climate change confirmed by **CDP** with **A rating**
- **Sustainable Finance:** first ever tyre sector benchmark sustainability-linked bond placed in January 2023

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 the 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. target approved by the Science Based Target Initiative in line with "1.5° Scenario"; 6. Target approved by the Science Based Target Initiative in line with "2° scenario"; 7. Cinturato in 2021 and Scorpion in 2022.

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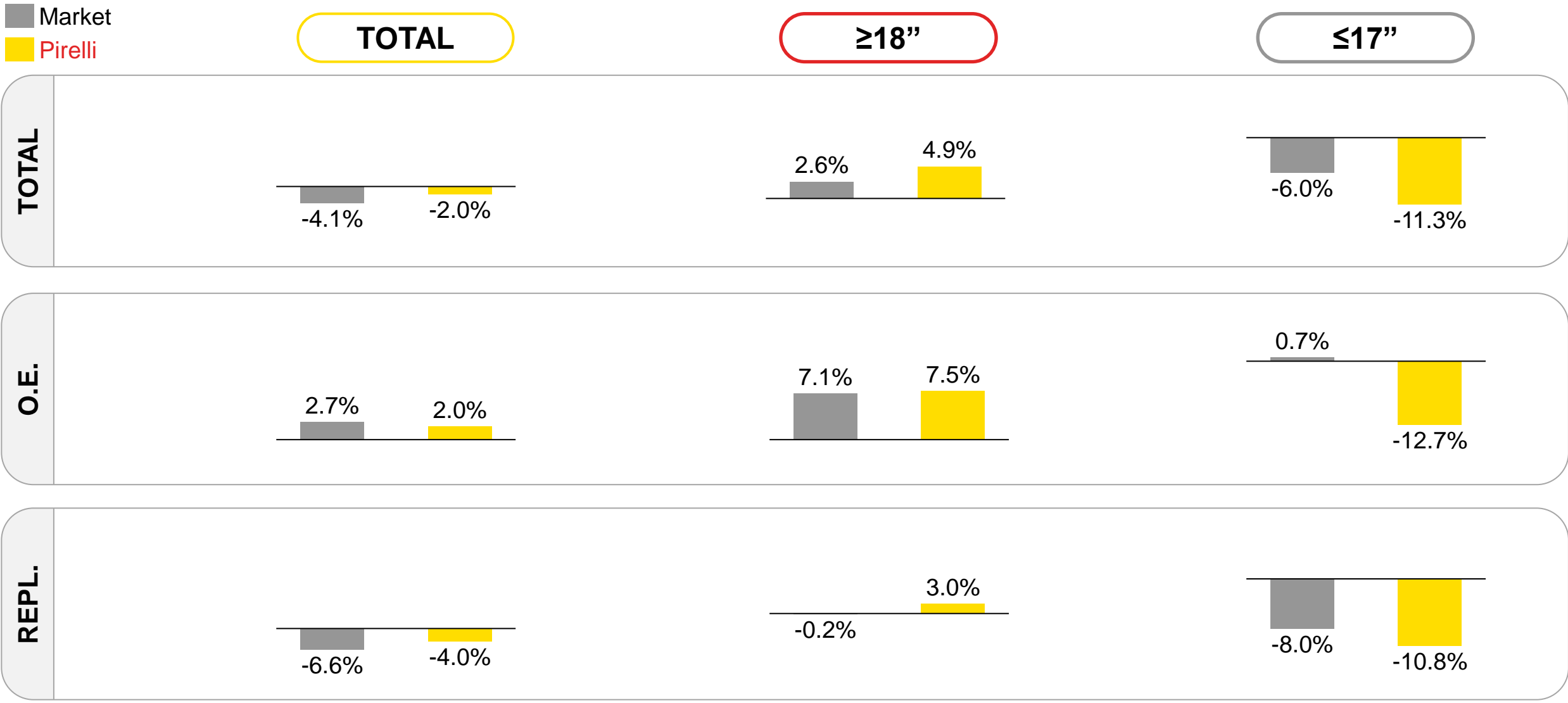
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1Q'23 Car volumes – Pirelli vs. Market

Outperformance confirmed on $\geq 18''$ driven by North America and APac



2023 Strategy implementation: 1Q'23 delivery in line with targets

Main programs



Commercial



Innovation



Competitiveness



Operations

2023 targets

- › Focus on HV, **outperforming market in $\geq 18''$**
- › More **selective approach to O.E.**
- › **Lowering exposure to Standard**

- › Expanding **homologations in $\geq 19''$ /EV & Specialties**
- › **Regional product offering** (6 launches) with strong focus on sustainability

- › **Efficiency program Wave 3:** ~€100 mln gross savings supported by Company digitization

- › **Capacity saturation** at ~90%, with H.V. mitigating the lower saturation in Std. (RU)
- › **Energy consumption** containment program, consistently with our **decarbonization strategy**

1Q'23 main achievements

- › Car $\geq 18''$: +5% vs. market +3% with:
 - solid Repl. demand across regions
 - O.E. strong focus on $\geq 19''$ and EV
- › Car Std. weight to ~36% (-4pp YoY) in line with FY target

- › ~60 new car homolog. (85% $\geq 19''$, ~70% Spec., mainly EV)
- › Car: strengthening our position in EV and sustainability
- › 2 Wheels: leveraging on our racing experience

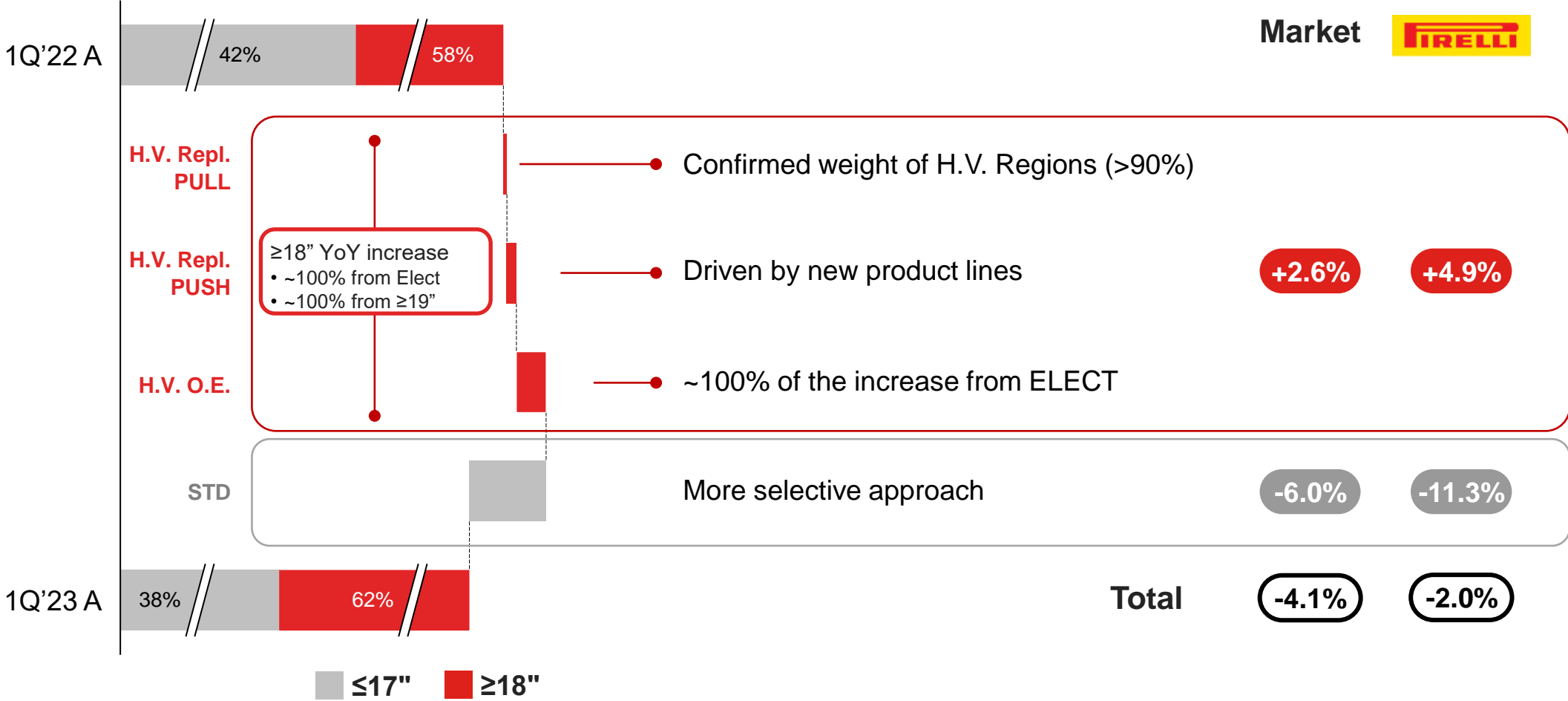
- › ~€10 mln gross savings in line with the seasonality of programs delivery

- › ~90% capacity utilization discounting China and Russia lower production level (~96% on High Value)
- › Speeding up deployment of plant decarbonization working on renewable energy transition and energy efficiency projects

1Q'23 Commercial program delivery

Higher weight of ≥18" on Car Volumes, with increasing incidence of Elect and sales in US

1Q'23A Volume variance (Car) Key programs highlights Volume trend



1Q'23 Innovation program delivery

Car : EV & Sustainability at the core

EV positioning further enhanced:



- >350 homologations worldwide
- OE Premium/Prestige EV mkt share: **1.5x vs. ICE**
- >25% of our OE ≥19" vol. (+13pp yoy)

Advancing on our product sustainability roadmap

- Strong focus on **renewable materials** in upcoming new product lines
- **Towards EURO 7** (particles emission):
 - working on stakeholders' engagement on methodology,
 - 2021-22 new product lines already featuring up to 30% wear rate improvement

2 wheels: we sell what we race



Confirmed Sole Supplier until 2026



















- Concluded the last program generation process with the 4° generation of Diablo Supercorsa
- Concentration of **Technology, Performance & Safety** born in **Superbike**



- The **fastest tubeless tyre** of the road bike range, produced in Italy and raced by our World Tour teams
- **Cutting-edge compound of polymers** created to offer an **excellent handling** and **low rolling resistance**

Wave 3 Competitiveness programs: 1Q'23 results

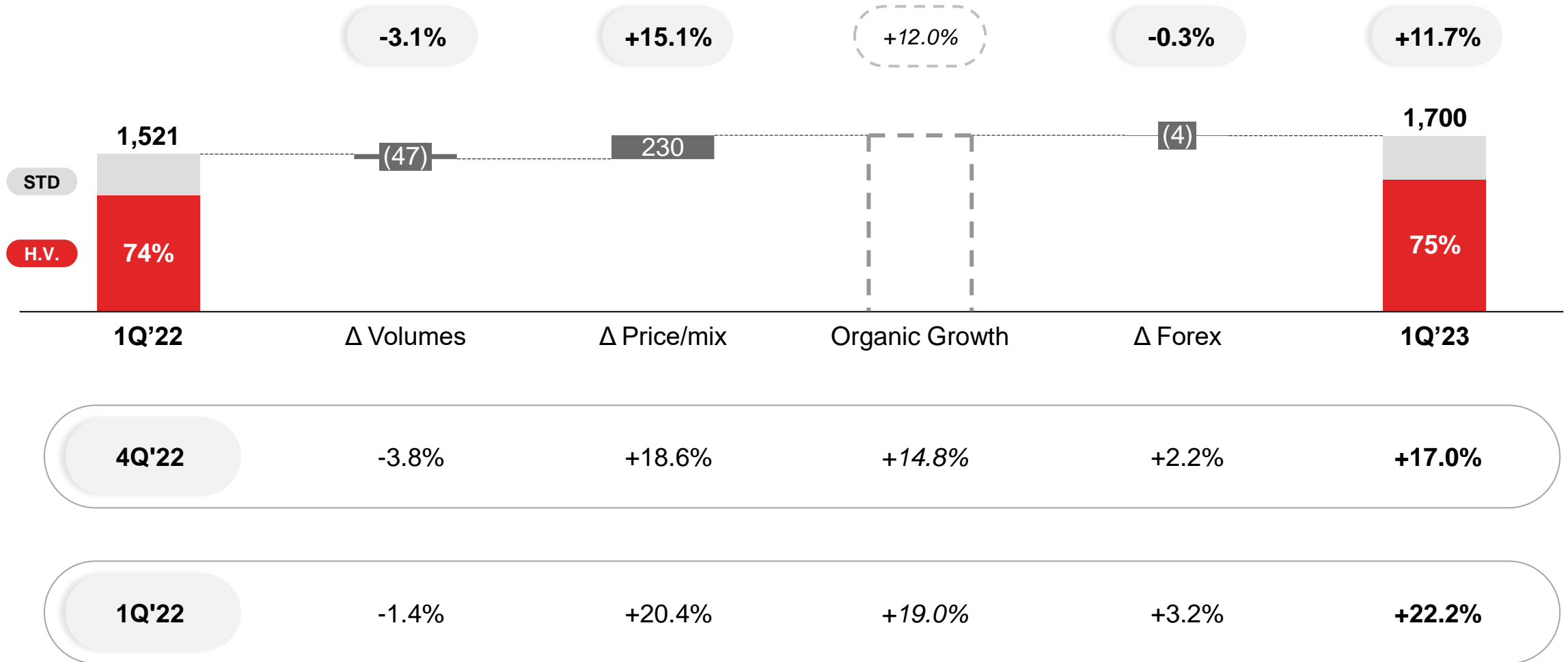
Achievement in line with expectations and the seasonality of programs' delivery

		2022	2023 E		
		FY ACT	Focusing on:	FY GUI	1Q ACT
	Product Cost		<ul style="list-style-type: none"> › Modularity › Design speed and virtualization 	 Equally split in 1H/2H	
	Manufacturing		<ul style="list-style-type: none"> › Industrial IoT and flexible factory › Energy consumption 	 producing results from 2Q	
	SG&A		<ul style="list-style-type: none"> › Logistics network redesign and service differentiation › Procurement rationalization 	 Equally split in 1H/2H	
	Organization		<ul style="list-style-type: none"> › Digital processes and organization transformation 	 Equally split in 1H/2H	
Total Gross Impact		~€136M		~€100M	~€10M

1Q'23 Sales bridge

Top line trend driven by a solid price/mix improvement

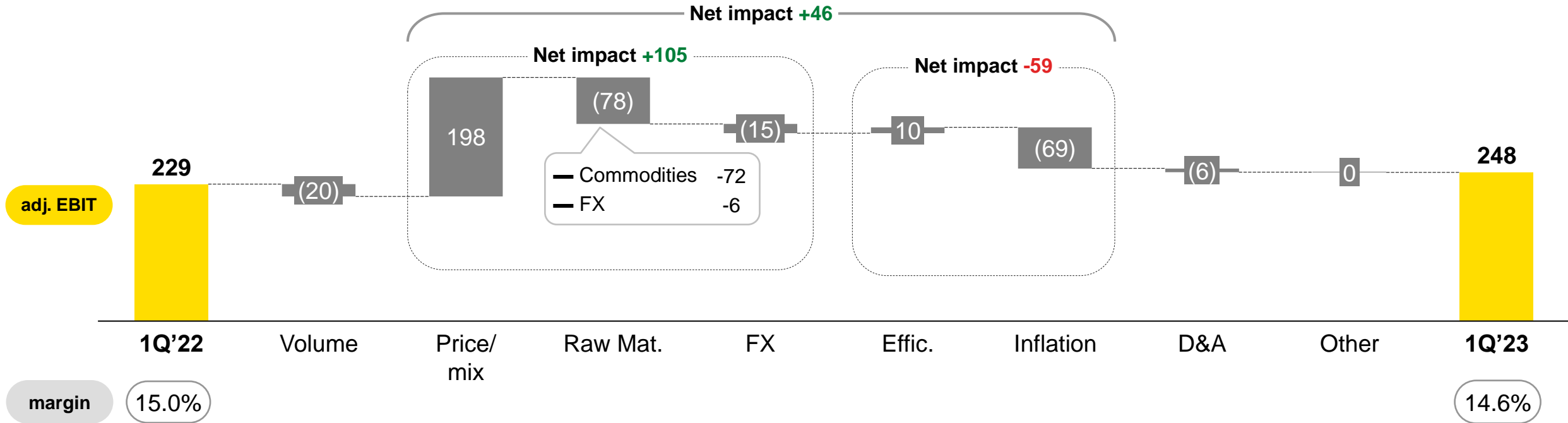
€ million



1Q'23 adjusted EBIT bridge

Profitability supported by internal levers offsetting the negative external scenario

€ million



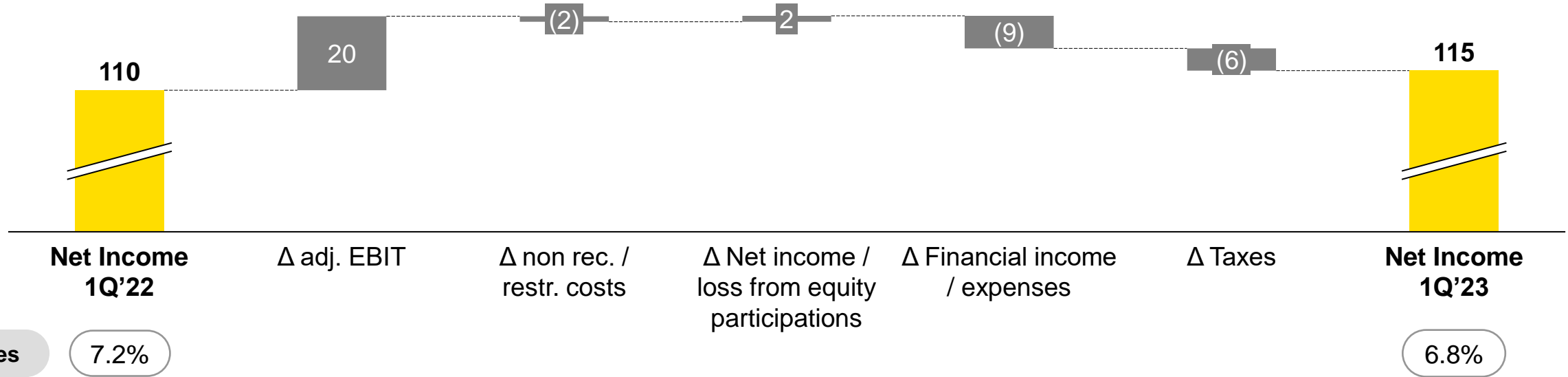
➤ Price/mix and efficiencies covering ~1.3x the raw mat., inflation and FX headwinds

➤ FX transactional effect mainly due to Mexican Peso revaluation

1Q'23 Net Income bridge

Earnings driven by improving operating performance

€ million

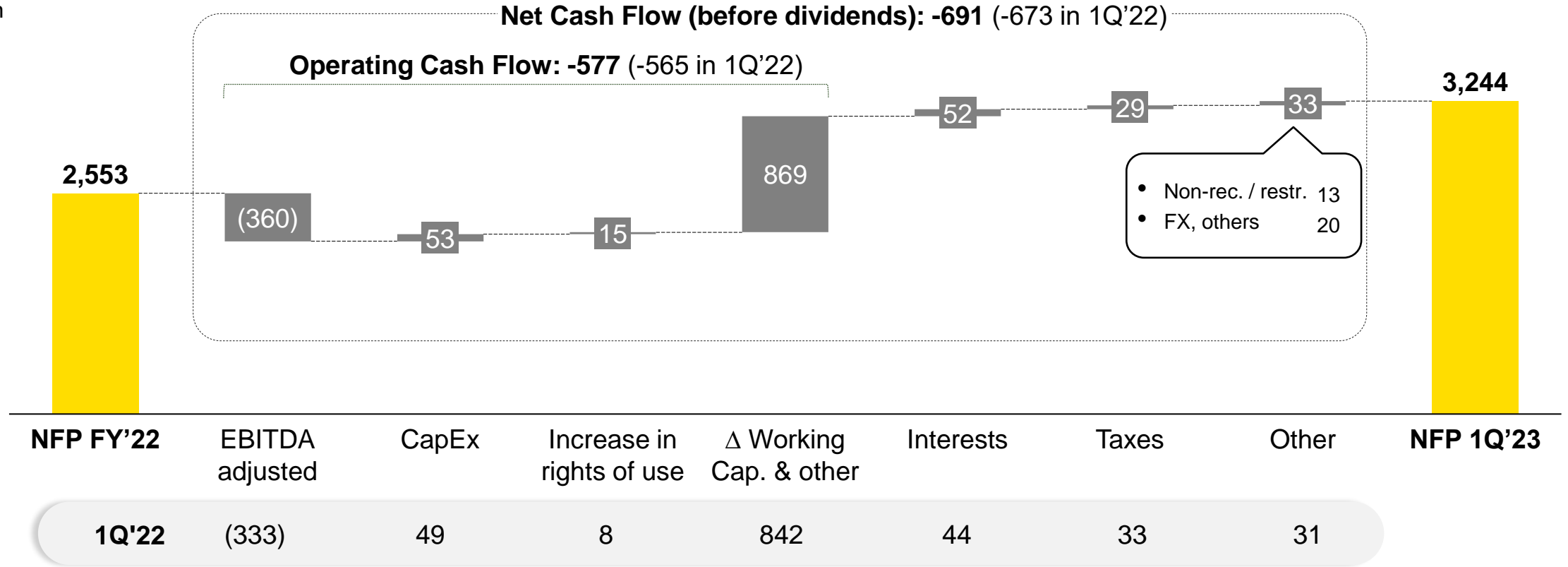


	1Q 2022	1Q 2023
Net income	110	115
Amortization from PPA	28	28
Non-recurring items and restructuring costs	8	9
Taxes impact	(10)	(11)
Net income adjusted	136	142

1Q'23 Net Financial Position

Cash Flow trend basically stable YoY and in line with business seasonality

€ million



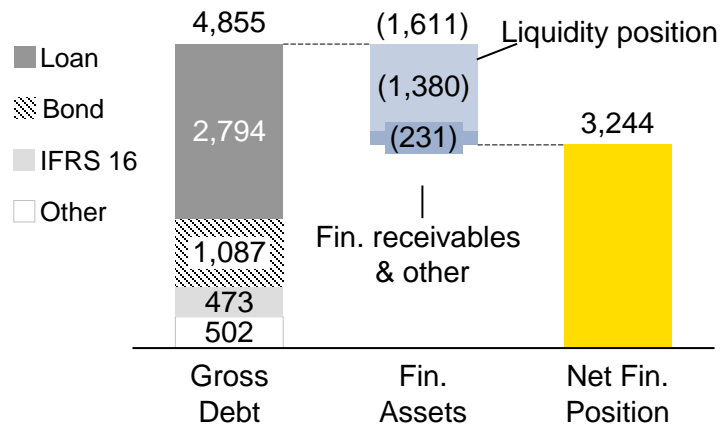
- › **Inventory at 21.5%** of sales in 1Q'23, -0.5pp vs. FY'22, mainly benefitting from raw mat inventory reduction in 1Q'23
- › **Receivables at ~14%** of sales, +4pp vs. FY'22 (+4pp in 1Q'22 vs. FY'21) in line with business seasonality
- › **Payables at ~20%** of sales (~21% in 1Q'22 and ~30% in FY'22)

Total Gross Debt structure as of March 31st 2023

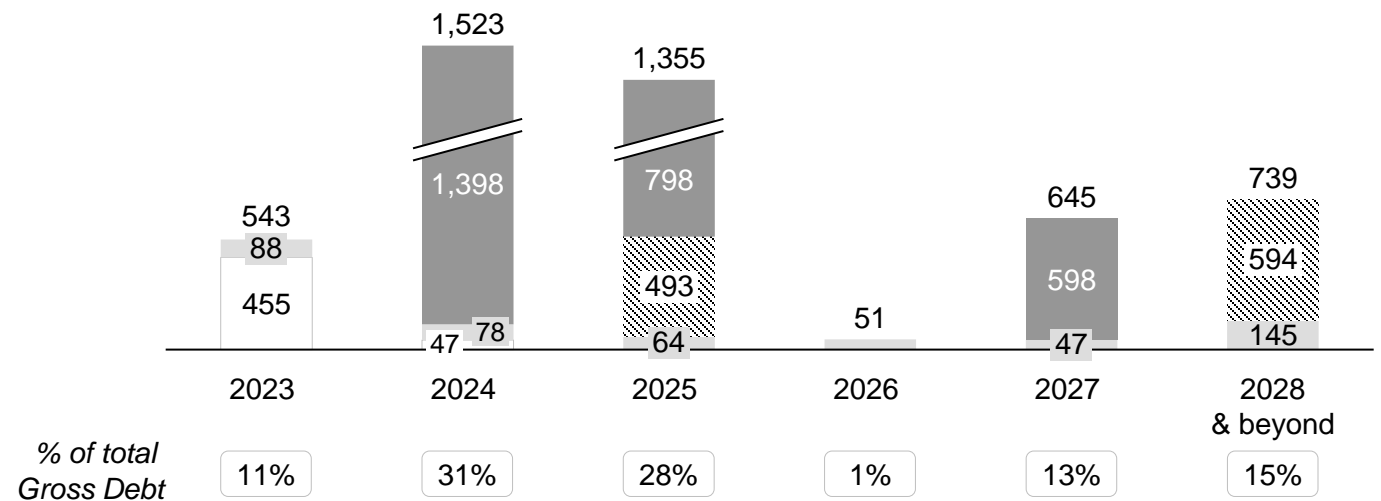
Debuts as IG-Rated company in the Debt Capital Market and Sustainability Linked space grant liquidity margin fully covering debt maturities up to 2Q'25 and reduce refinancing risk in volatile financial markets

€ million

Net Financial Position



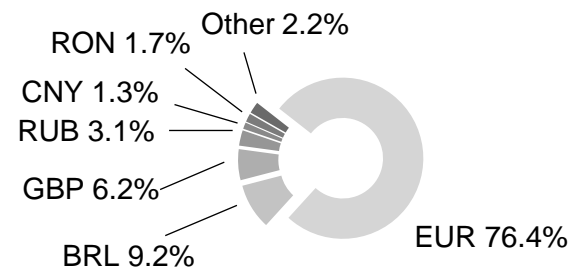
Gross Debt maturity



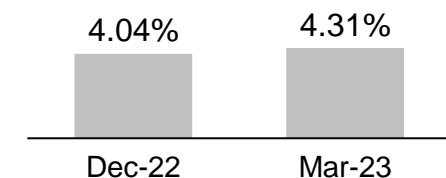
Liquidity profile

Liquidity position ¹	1,380
Committed lines not drawn	1,000
Liquidity margin	2,380

Break-down by currency²



Cost of debt (last 12 months)



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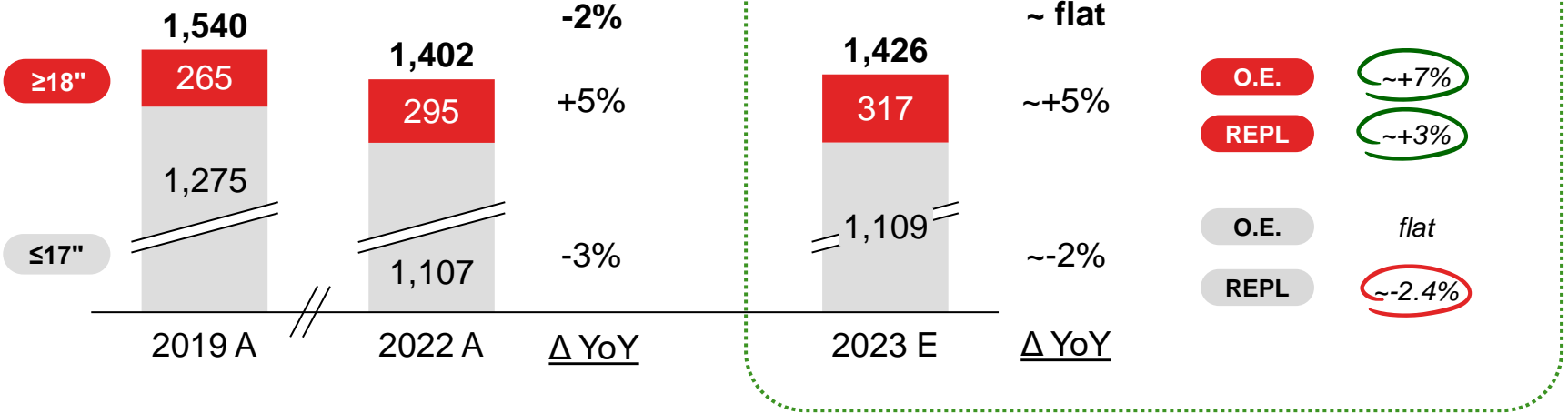
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2023 Global Car Tyre Market Outlook

High Value resilience confirmed, expected to outperform the Standard market by 7pp

Car tyre market (million pcs)



Main highlights

- > **O.E. ≥18"**: demand supported by high backlog in EU and chip shortage easing globally
- > **Repl. ≥18"**: trend in line with 2022 with a different trend across the year (softer 1H in EU, N.A. and China; rebounding in 2H)
- > **Car ≤17"**: demand trend on OE and Repl. reflecting a weak economic environment

FY 2023 Targets confirmed

€ billion

	2022 A	2023 E	
		Target @ 22-Feb -23	Target @ 11-May-23
Net Sales	6.62	~6.6 ÷ ~6.8	confirmed
adj. EBIT margin	14.8%	>14% ÷ ~14.5%	confirmed
CapEx (% of Sales)	0.40 (6.0%)	~0.40 (~6%)	confirmed
Net Cash Flow bef. Dividends	0.52	~0.44 ÷ ~0.47	confirmed
Net Financial Position NFP / adj. EBITDA	2.55 1.8x	~2.35 ~1.65x ÷ ~1.7x	confirmed
ROIC¹ Post taxes	20.3%	~20%	confirmed

- **Vol.:** flat / ~+1%
- **Price/mix:** ~+4.5% ÷ ~+5.5%
- **Forex:** ~-4.5% ÷ ~-3.5%

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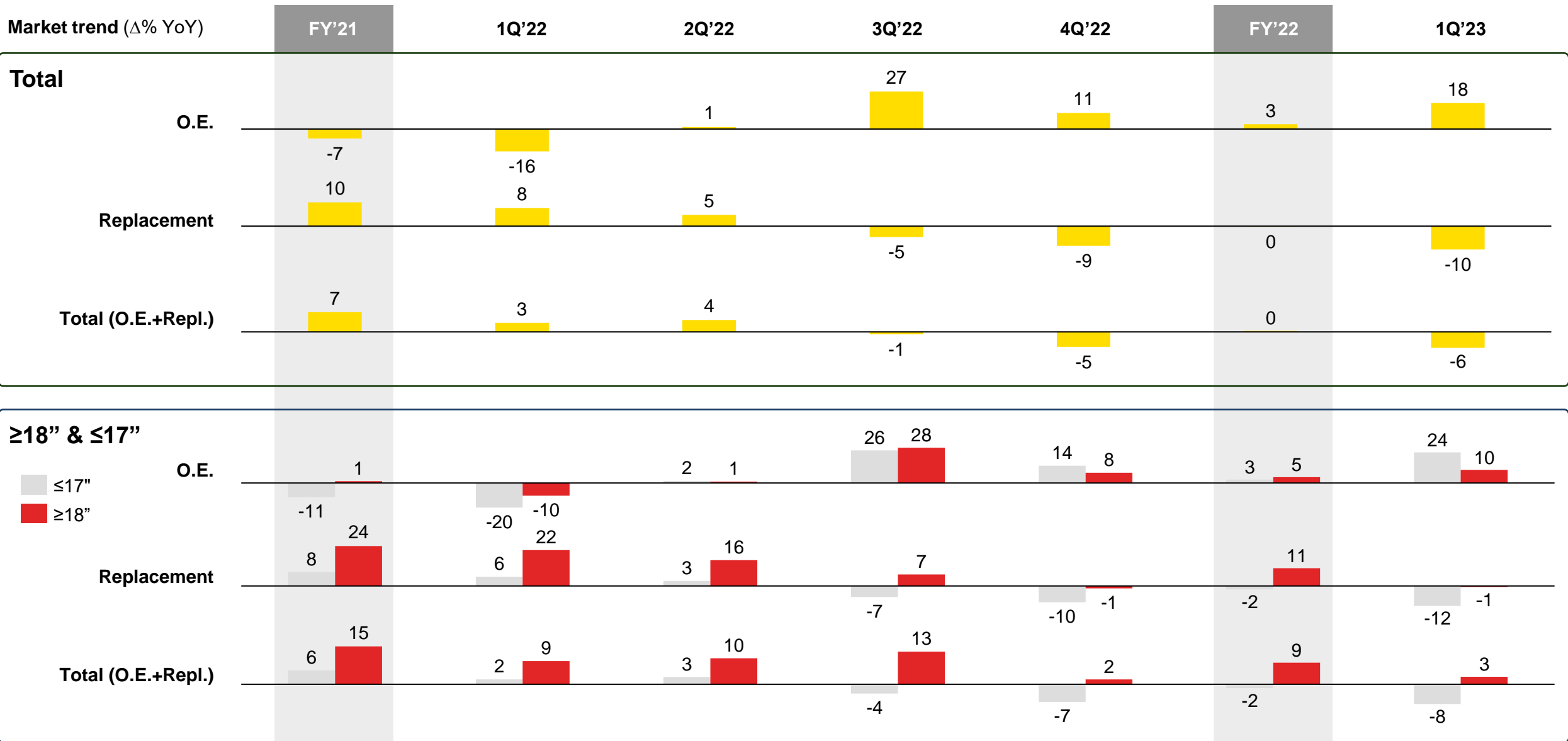
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A globally acknowledged sustainability leadership

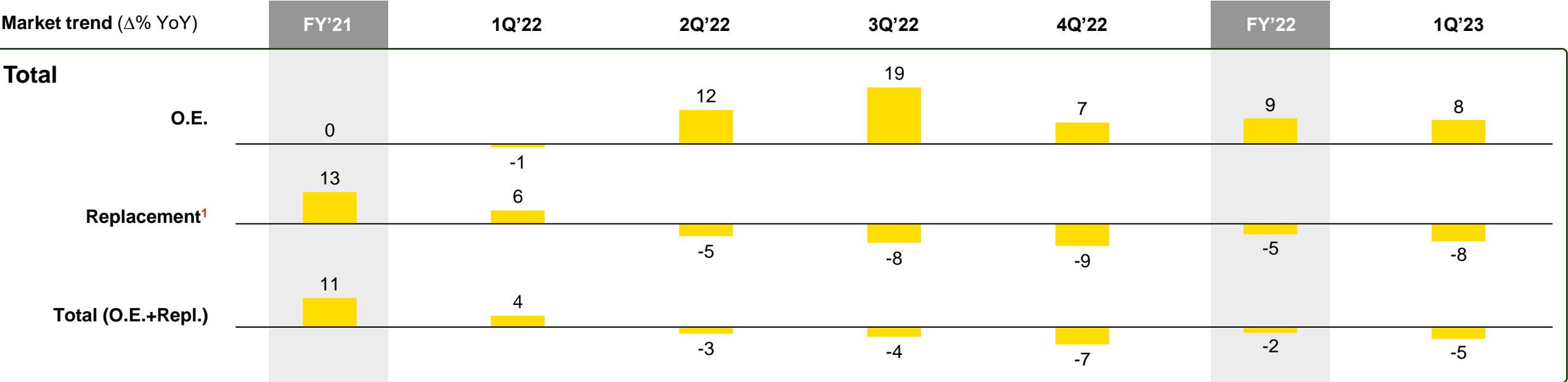
Major ratings	Last update	Score	Positioning in the reference sector
 <p>Member of Dow Jones Sustainability Indices Powered by the S&P Global CSA</p>	2022	86	 Top score ATX Auto Components
 <p>Top 1% S&P Global ESG Score 2022 86 /100</p>	2023	TOP 1% ESG	 Max Score
 <p>CDP DISCLOSURE LEADER ACTION A LIST 2022 CLIMATE</p>	2022	A	 Max Score
 <p>CDP SUPPLIER ENGAGEMENT LEADER 2022</p>	2022	SUPPLIER ENGAGEMENT LEADER	 Max Score
 <p>FTSE4Good</p>	2023	4.4 / 5	 Top score Autoparts
 <p>SUSTAINALYTICS</p>	2023	11.7	 Top ESG Rated
 <p>MSCI</p>	2022	AA	 6% of the Auto components in AA
 <p>ecovadis</p>	2022	Platinum	 Max score

Key Car Market Trends: Europe

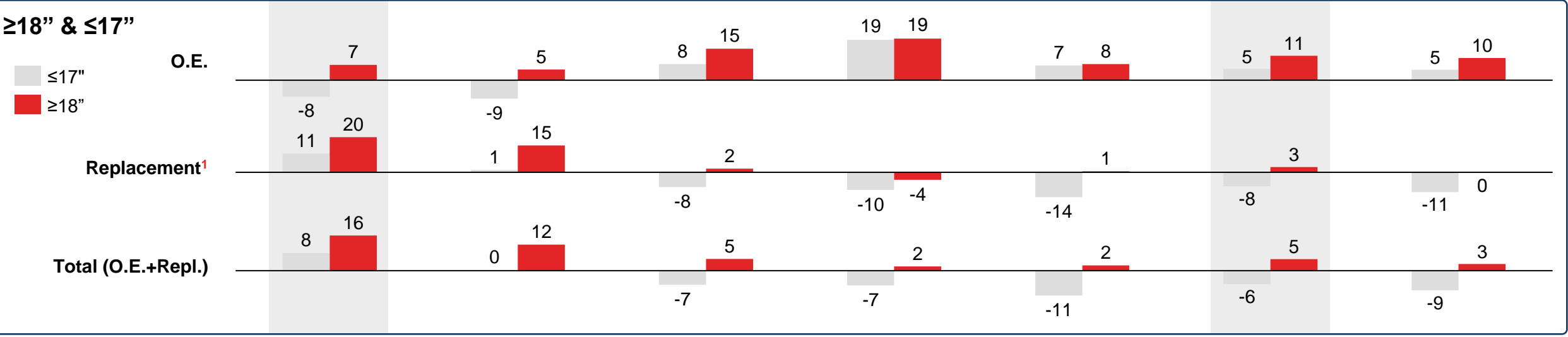


Key Car Market Trends: North America

Market trend (Δ% YoY)



≥18" & ≤17"



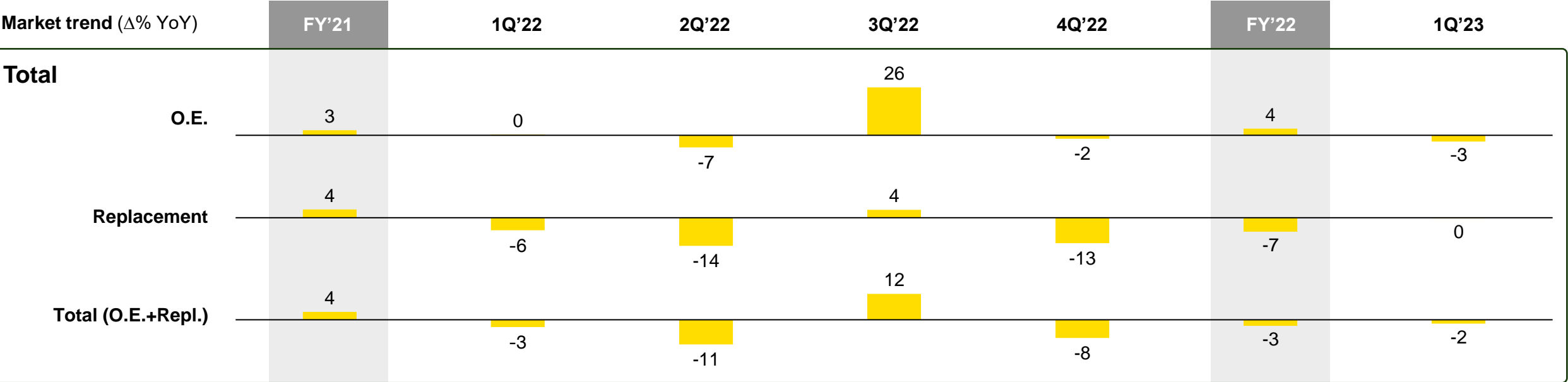
Source: Pirelli tyre market estimates based on main data provider for the Region; historical market data may be subject to restatement;

¹. N. America Replacement includes imports

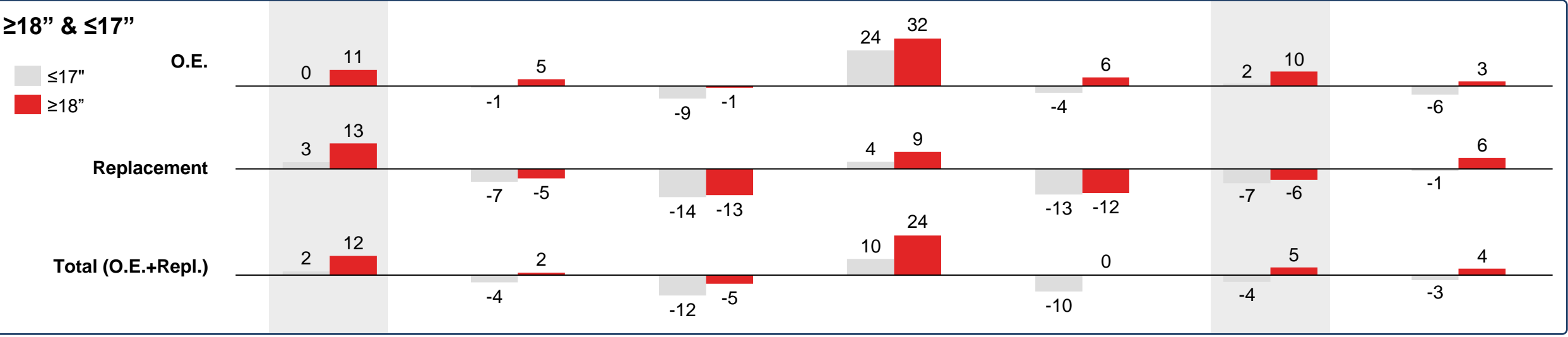


Key Car Market Trends: Asia Pacific

Market trend (Δ% YoY)



≥18" & ≤17"



Key Car Market Trends: Russia, MEAI / South America



Financial Results Highlights

€ million

	1Q 2023	1Q 2022	Δ YoY
Net Sales	1,700	1,521	+11.7%
<i>Organic Growth¹</i>			+12.0%
High Value Revenues (% on total)	75.1%	73.7%	+1.4 p.p.
adj. EBITDA ²	360	333	+8.0%
<i>Margin</i>	21.2%	21.9%	-0.7 p.p.
adj. EBIT³	248	229	+8.6%
<i>Margin</i>	14.6%	15.0%	-0.4 p.p.
PPA amortization	(28)	(28)	
Non rec. & restr. costs	(9)	(8)	
EBIT	211	193	+9.4%
<i>Margin</i>	12.4%	12.7%	-0.3 p.p.
Results from equity investments	2	1	<i>n.m.</i>
Financial income (expenses)	(52)	(44)	+19.7%
EBT	161	150	+7.3%
<i>Tax Rate</i>	-28.5%	-26.7%	
Net Income	115	110	+4.7%
Net Income adjusted ⁴	142	136	

Consolidated Balance Sheet

€ million

	31-Mar-2023	31-Dec-2022	31-Mar-2022
Fixed assets	8,855	8,911	8,911
<i>Inventories</i>	1,458	1,458	1,222
<i>Trade receivables</i>	929	637	908
<i>Trade payables</i>	(1,368)	(1,973)	(1,197)
Operating net working capital	1,019	121	933
<i>% of net sales¹</i>	15.0%	1.8%	16.6%
Other receivables / payables	5	42	111
Net working capital	1,024	163	1,044
<i>% of net sales¹</i>	15.1%	2.5%	18.6%
Total net invested capital	9,879	9,074	9,955
Equity	5,581	5,454	5,294
Provisions	1,054	1,068	1,081
Net financial position	3,244	2,553	3,580
Total financing and shareholders' equity	9,879	9,074	9,955

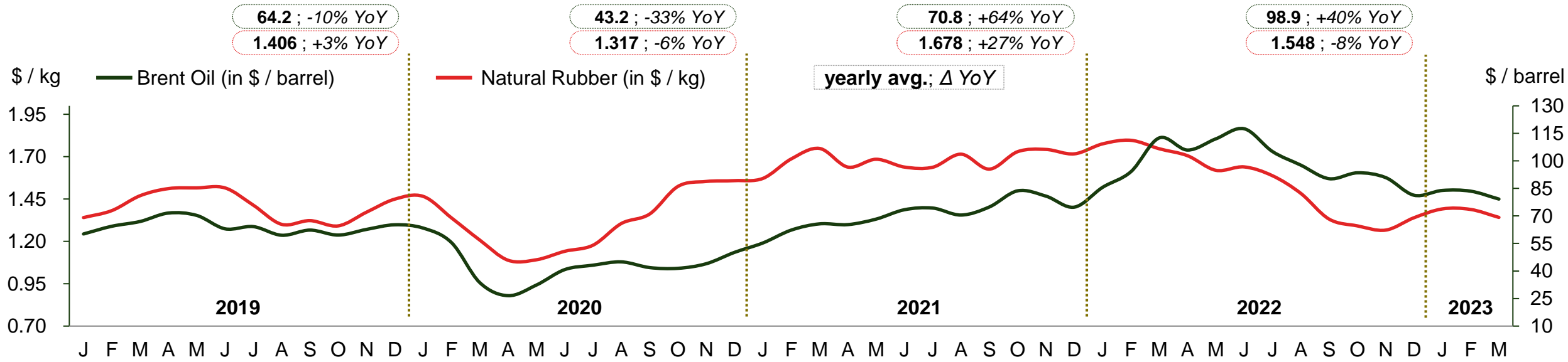
Net Cash Flow

€ million

	1Q 2023	1Q 2022
Adjusted EBIT ¹	248	229
Depreciation & Amortization (excl. PPA amortization)	112	105
Capital expenditures	(53)	(49)
Rights of use (IFRS 16)	(15)	(8)
Change in working capital / other	(869)	(842)
Operating Cash Flow	(577)	(565)
Financial income / (expenses)	(52)	(44)
Taxes paid	(29)	(33)
Cash-out for non recurring items and restructuring costs	(13)	(24)
Exchange rates difference / other	(20)	(8)
Net cash flow before dividends & extraordinary operations	(691)	(673)
Financial asset disposals / (acquisitions)	-	-
Net cash flow before dividends	(691)	(673)
Dividends paid	-	-
Net cash flow	(691)	(673)

Raw material costs trend and mix

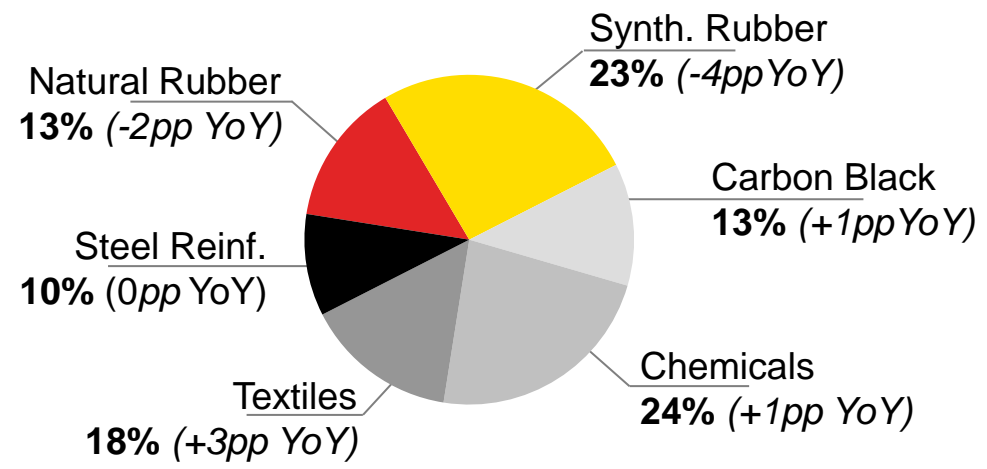
Main raw materials price trend



Pirelli 1Q 2023 mix

based on purchasing cost

36%
raw mat. costs
on sales



Pirelli manufacturing footprint

