



**2020 - 2022 INDUSTRIAL PLAN | VISION 2025**

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## **Non-IFRS and Other Performance Measures**

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 EBITDA adjusted, EBITDA margin adjusted, EBITDA adjusted without start-up costs, EBITDA margin adjusted without start-up costs, EBIT adjusted, EBIT margin adjusted, EBIT adjusted without start-up costs, EBIT margin adjusted without start-up costs.

In order to facilitate the understanding of our financial position and financial performance, this Presentation contains other performance measures, such as CapEx (Capital Expenditures) or Investments in property, plant & equipment, Operating working capital related to continuing operations, Net Financial (liquidity) / debt Position, Net financial (liquidity)/debt position without IFRS 16, 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.

# AGENDA

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PIRELLI EVOLUTION TO DATE & STRATEGIC DIRECTION

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PIRELLI STRATEGY DEPLOYMENT: PILLAR 1 – COST COMPETITIVENESS

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2020-2022 SCENARIO

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PIRELLI STRATEGY DEPLOYMENT: PILLAR 2 - COMMERCIAL DEVELOPMENT

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PIRELLI STRATEGY DEPLOYMENT: PILLAR 3 – TECHNOLOGY-BASED INNOVATION

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**2019 FINANCIAL REVIEW AND 2020-2022 TARGETS IN DETAIL**

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APPENDIX

# 2019 FINANCIAL REVIEW AND 2020-2022 TARGETS IN DETAIL

1

## 2019 FINANCIAL REVIEW

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2

## 2020-22 TARGETS IN DETAILS



# FY 2019 RESULTS IN LINE WITH GUIDANCE

1. 2019 financial review

	2018 A	2019 E (guid. Oct. 2019)	2019 A	
<b>Net Sales</b>	€5,195 mln	≥€5.3 bln	€5,323 mln	✓
<i>High Value weight</i>	~ 64%	~ 67%	67%	✓
Adjusted EBIT	€955 mln		€917 mln	
<b>Adjusted EBIT margin</b>	18.4%	>17% ÷ 17.5%	17.2%	✓
<i>High Value weight on adj. EBIT<sup>1</sup></i>	~ 83%	~ 85%	84%	
Start-up costs	€48 mln	~ €40 mln	€41 mln	✓
<b>CapEx</b>	€463 mln	~ €380 mln	€391 mln	✓
<b>Net Cash Flow bef. dividends</b>	€38 mln	~ €330 ÷ ~ €350 mln	€333 mln	✓
Net Financial Position	€3,180 mln		€3,024 mln €3,507 mln incl. IFRS 16	
<b>Net Financial Position / adj. EBITDA<sup>1</sup></b>	2.49x	~ 2.42x ÷ ~ 2.36x +0.17x incl. IFRS 16	2.42x 2.59x incl. IFRS 16	✓

1. without start-up costs

2020 - 2022 INDUSTRIAL PLAN | VISION 2025  
MILAN, 19<sup>TH</sup> FEBRUARY 2020



# FY 2019 NET SALES BRIDGE

1. 2019 financial review

€ million

o/w Organic

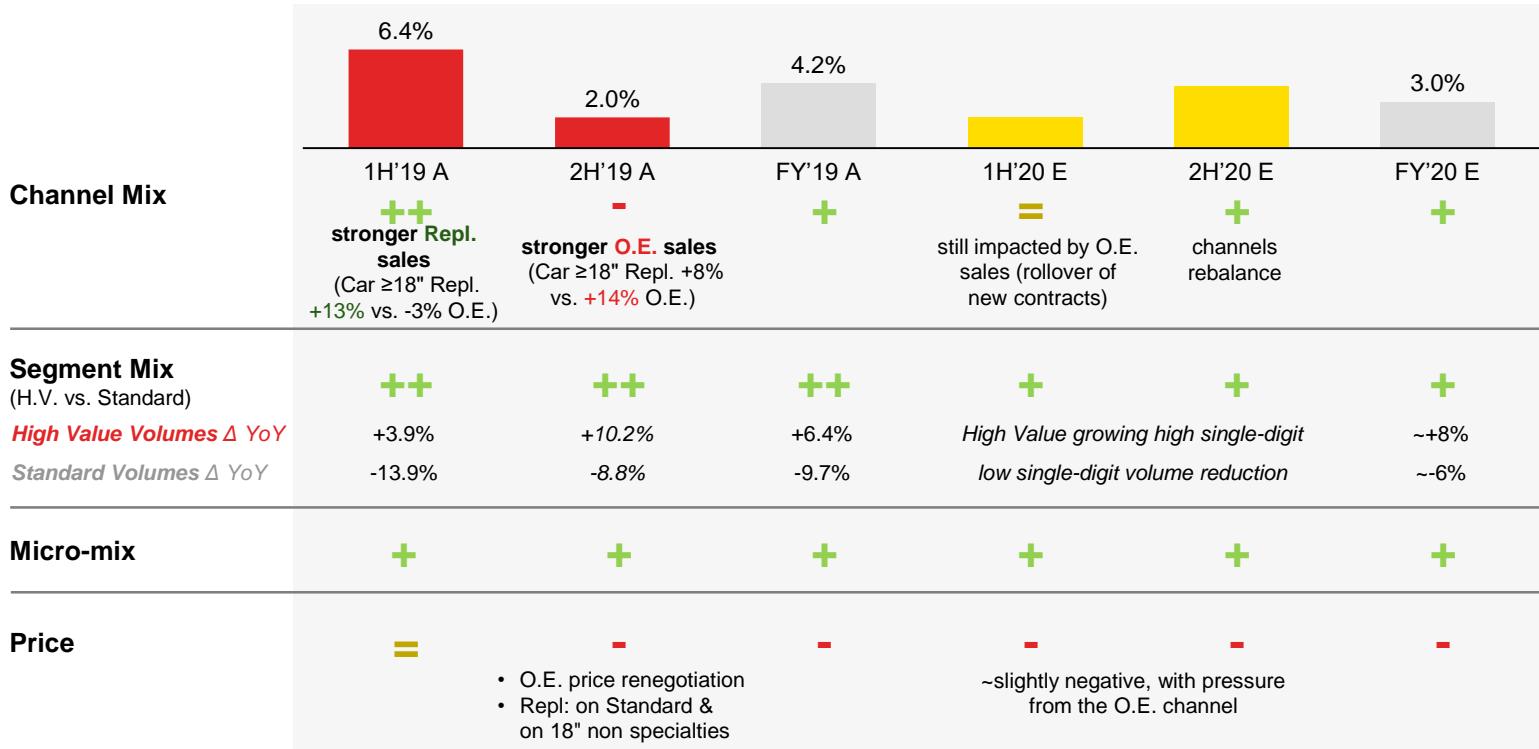


			High Value Car ≥18"		Standard				
4Q '19	O.E. +15.3% Repl. +3.5% >	+7.8% +8.7%	+1.5%	-0.7%	+0.5%	mainly negative channel mix	-0.6%	+1.4%	+2.0%
2H '19	O.E. +14.4% Repl. +8.0% >	+9.0% +10.7%	+1.0%	-4.8%	+2.0%		1.0%	+4.0%	+3.0%
1H '19	O.E. -3.4% Repl. +13.1% >	+3.9% +5.5%	-5.0%	-13.9%	+6.4%		-0.5%	+0.9%	+1.4%



# PRICE/MIX DRIVERS AND DYNAMICS IN 2019 AND 2020

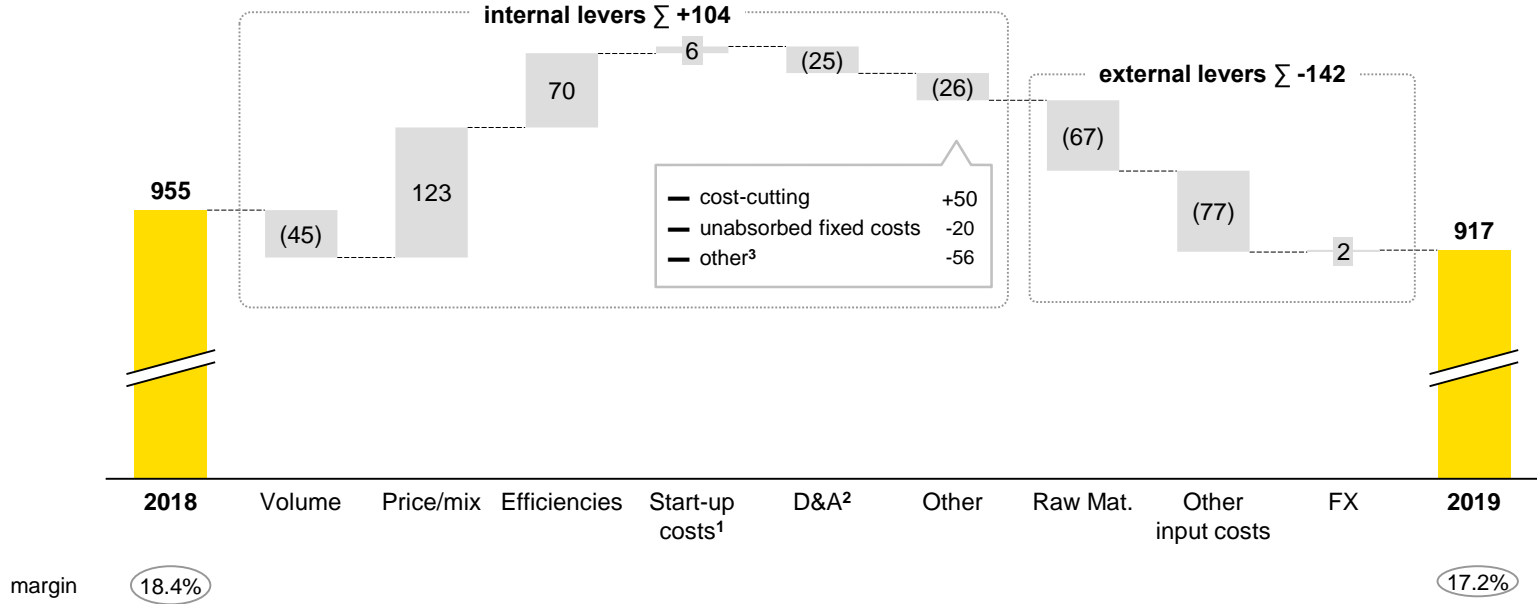
1. 2019 financial review





# FY2019 ADJUSTED EBIT PERFORMANCE

€ million



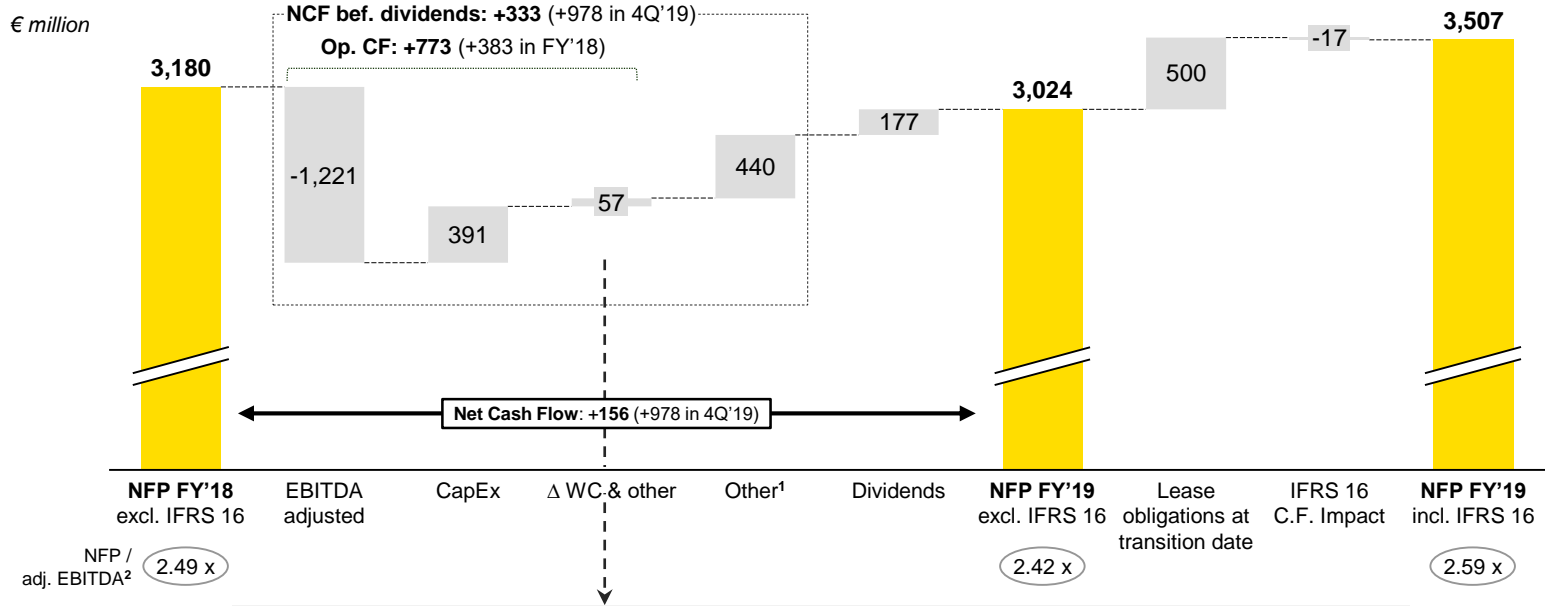
80 | 1. Digital transformation, Cyber, Velo; 2. net of FX impact; 3. other costs related to High Value development



# FY 2019 CASH FLOW AND NET FINANCIAL POSITION

1. 2019 financial review

€ million



## Main working capital dynamics in 2019

- **Inventories** back to normalized level: 20.5% on sales (21.7% in 2018);  
Inventory volume reduction -7% YoY (-23% on Standard and +5% on High Value, to ensure the high service level)
- **Trade receivables**: 12% on sales (stable YoY)
- **Trade payables**: 30% on Sales (~-1pp YoY)



# 2019 FINANCIAL REVIEW AND 2020-2022 TARGETS IN DETAIL

1

2019 FINANCIAL REVIEW

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2

**2020-22 TARGETS IN DETAILS**



# OUR 2020-2022 TARGETS ...

1. 2019 financial review

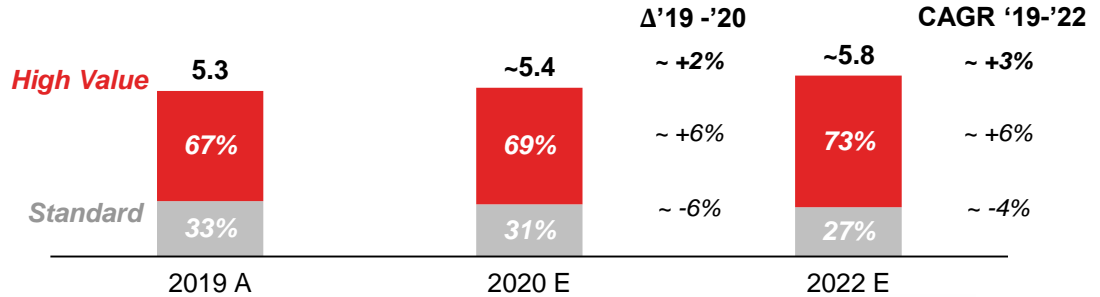
€ billion

	2019 A	2020 E	2022 E	
Net Sales	5.3	~5.4	~5.8	
Adjusted EBIT margin	0.9 17.2%	~ flat YoY	18% ÷ 19%	
CapEx	0.39	~0.3	cum. '20-'22 ~0.9	vs. cum '17-'19 ~1.3
Net Cash Flow bef. dividends	0.33	~0.4	cum. '20-'22 ~1.5	o/w ~0.5 in '21 ~0.6 in '22
Net Financial Position (IFRS 16) <sup>1</sup>	3.5	~3.3	~2.5	

# 2020-2022 REVENUES TREND

2. 2020-22 targets  
in details

€ billion



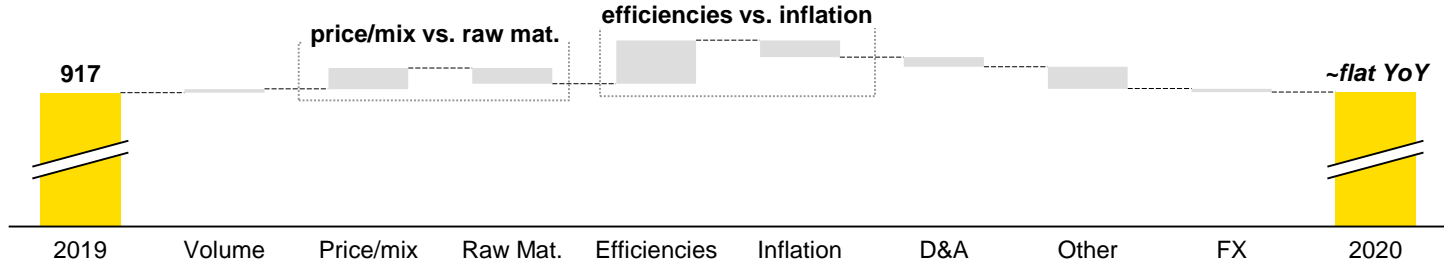
			CAGR 19-22
<b>Volumes</b>	-2.0%	~ 0% ÷ +1%	~ +1.5% ÷ +2%
<b>High Value</b>	+6.4%	~ +8%	~ +8%
<b>Standard</b>	-9.7%	~ -6%	~ -5%
<b>Price/mix</b>	+4.2%	~ +3%	~ +3%
	Lower contribution from standard reduction		
<b>Forex</b>	+0.3%	~ -2%	~ -2%



# 2020-2022 PROFITABILITY TREND

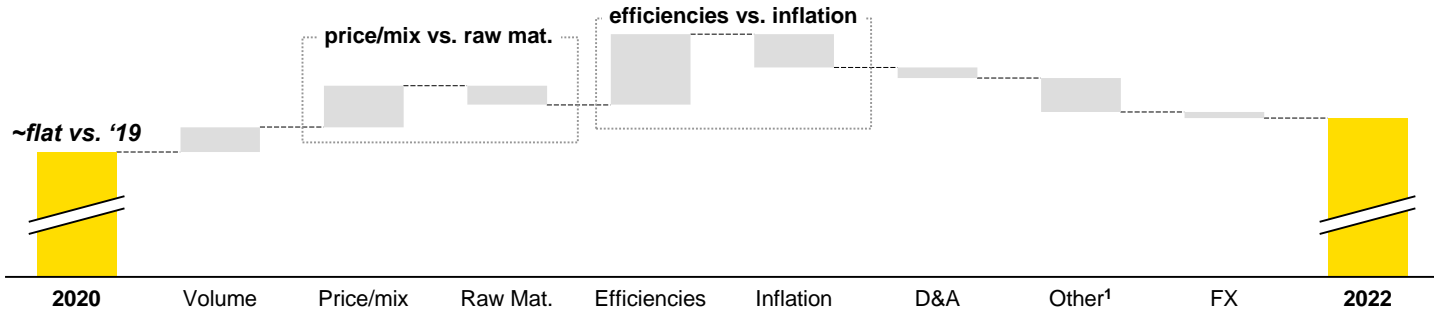
2. 2020-22 targets  
in details

€ million



EBIT margin

17.2%



18%+19%

1. other costs for the High Value development

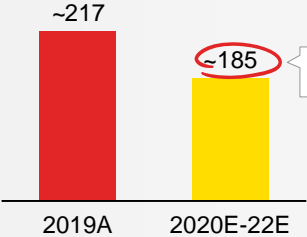


# FINANCIAL AND FISCAL MANAGEMENT

2. 2020-22 targets in details

€ million

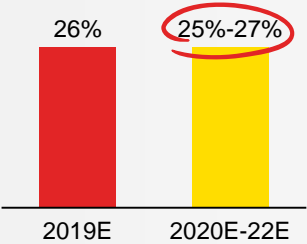
## FINANCIAL INCOME & EXPENSES<sup>1</sup>



on avg. per year

- > 100% new strategic funding will be Green or linked to our Sustainability targets
- > Option to extend the maturity of current credit lines
- > Reduction of the exposure to high-yield currencies

## 2020-2022E TAX RATE



- > Expected weighted average consolidated tax rate in line with 2019 actual tax rate
- > Tax rate guidance includes a “prudential” estimate of the Italian Patent Box renewal benefit

86 1. Including interests rates, hedging costs, hyperinflation



# 2020-22 NET CASH FLOW (BEFORE DIVIDENDS) TREND

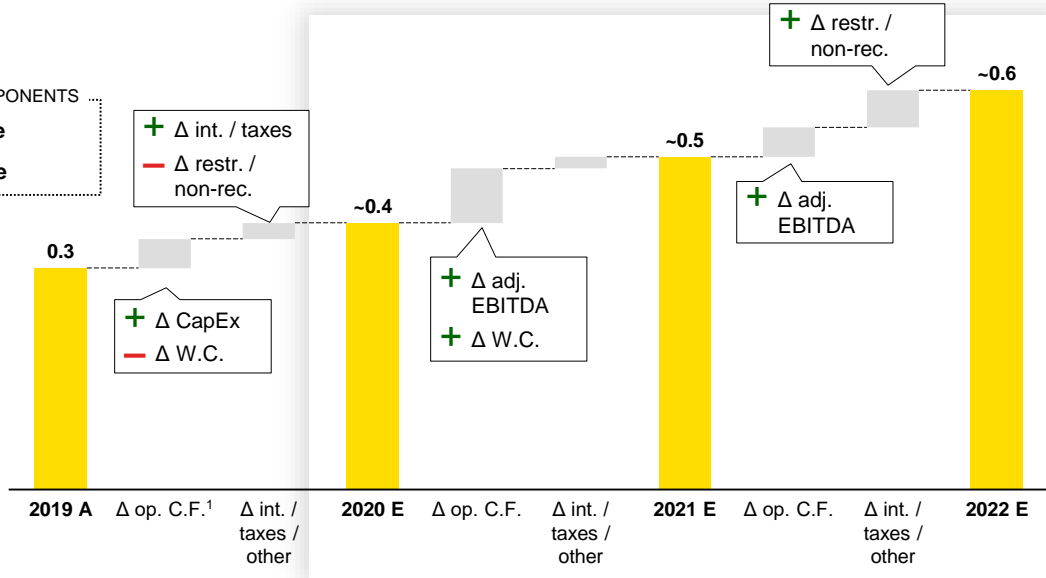
2. 2020-22 targets in details

€ billion

MAIN COMPONENTS

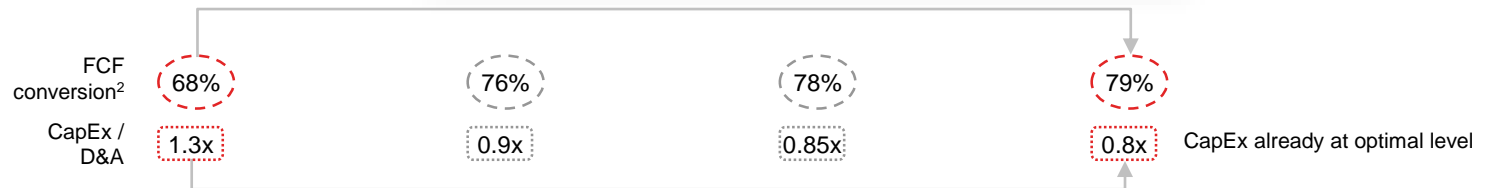
+ Positive

- Negative



**2020-22 N.C.F.**  
**~1.5 cum., o/w:**

~0.5 for dividends <sup>3</sup>	~1.0 for Debt reduction
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1. Operating Cash Flow: adj. EBITDA – CapEx – Δ working capital; 2. (EBITDA – CapEx) / EBITDA 3. assuming average 40% dividend pay-out on consolidated net income in the 2020-22 Industrial Plan

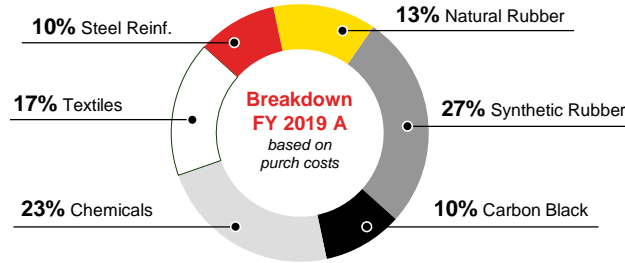




# 2020E-2022E RAW MATERIAL GUIDANCE

2. 2020-22 targets  
in details

€ million



Raw Materials 33% on Sales

## Commodities – avg. Quotation

	2019 A	2020 E	2021 E	2022 E
<b>Natural Rubber TSR20</b> (\$ / tonne)	1,407	~1,480	~1,495	~1,565
<b>Brent Oil</b> (\$ / barrel)	64.0	~64	~64	~64
<b>Butadiene Europe</b> (€ / tonne)	824	~860	~880	~920

## Commodities – avg. cost of goods sold

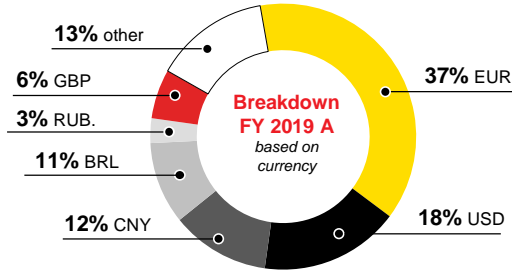
	2019 A	2020 E	2021 E	2022 E
	1,381	~1,430	~1,500	~1,545
	67.0	~63	~64	~64
	937	~820	~885	~910

## Adj. EBIT impact

Raw Mat. <sup>1</sup>	+18	~flat	~-30	~-30
FX only	-85	~-65	~-15	~-10
<b>TOTAL</b>	<b>-67</b>	<b>~-65</b>	<b>~-45</b>	<b>~-40</b>

# 2020E-2022E FOREX GUIDANCE

2. 2020-22 targets  
in details



## Main average exchange rates

	2019 A	2020 E	Δ YoY (vs. EUR)	2021 E	Δ YoY (vs. EUR)	2022 E	Δ YoY (vs. EUR)
EUR / USD  /	1.12	1.12	0%	1.14	+2%	1.18	+4%
USD / CNY  /	6.9	7.05	+2%	7.06	+2%	6.95	+2%
USD / BRL  /	3.95	4.07	+3%	4.21	+5%	4.26	+5%
EUR / RUB  /	72.4	73.0	+1%	75.0	+3%	77.0	+3%
EUR / GBP  /	0.88	0.90	+3%	0.88	-3%	0.86	-2%
<b>TOT. IMPACT ON SALES</b>			<b>~-2%</b>		<b>~-2%</b>		<b>~-2%</b>

