



1Q 2020 RESULTS

Milan, May 13th, 2020

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The APIs presented herein include EBIT, EBIT margin, EBITDA, EBITDA margin.

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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.

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KEY MESSAGES

- > **April 3rd 2020 Outlook confirmed**
 - global car tyre demand down 20% YoY
 - High Value resilience vs. Standard
 - Pirelli volume trend (-19% on total car, -12.5% on ≥ 18 "")

- > **Fully on track on “Competitiveness Program”. A second program launched to offset Covid impact and protect profitability.**

- > **Working on transforming Pirelli into a leaner and faster player ready for the new post-crisis scenario in late 2020**

AGENDA




1 2020 OUTLOOK

2 MARKET AND PIRELLI PERFORMANCE

3 1Q 2020 FINANCIAL REVIEW

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APRIL 3RD 2020 OUTLOOK CONFIRMED: WEAK CAR TYRE DEMAND, H.V. RESILIENCE, PIRELLI VOLUMES TREND

	2020E Iday (19-Feb)	Δ YoY %	2020E (May)	Δ YoY %		
CAR PRODUCTION (<i>million cars</i>)						
	TOTAL	87.4	-2%	69.3	-22%	✓
	PRESTIGE & PREMIUM	12.1	+2%	9.9	-17%	
	SYNERGIC	75.3	-2%	59.4	-23%	
CAR TYRE MARKET (<i>million tyres</i>)						
	TOTAL	1,566	~flat	1,247	-20%	✓
	≥18"	272	+6%	218	-15%	✓
	≤ 17"	1,294	-1%	1,029	-21%	✓
CAR TYRE VOLUMES (<i>million tyres</i>)						
	TOTAL	66	+2%	52	-19%	✓
	≥18"	33	+8%	27	-12.5%	
	≤ 17"	33	-4%	26	-25%	

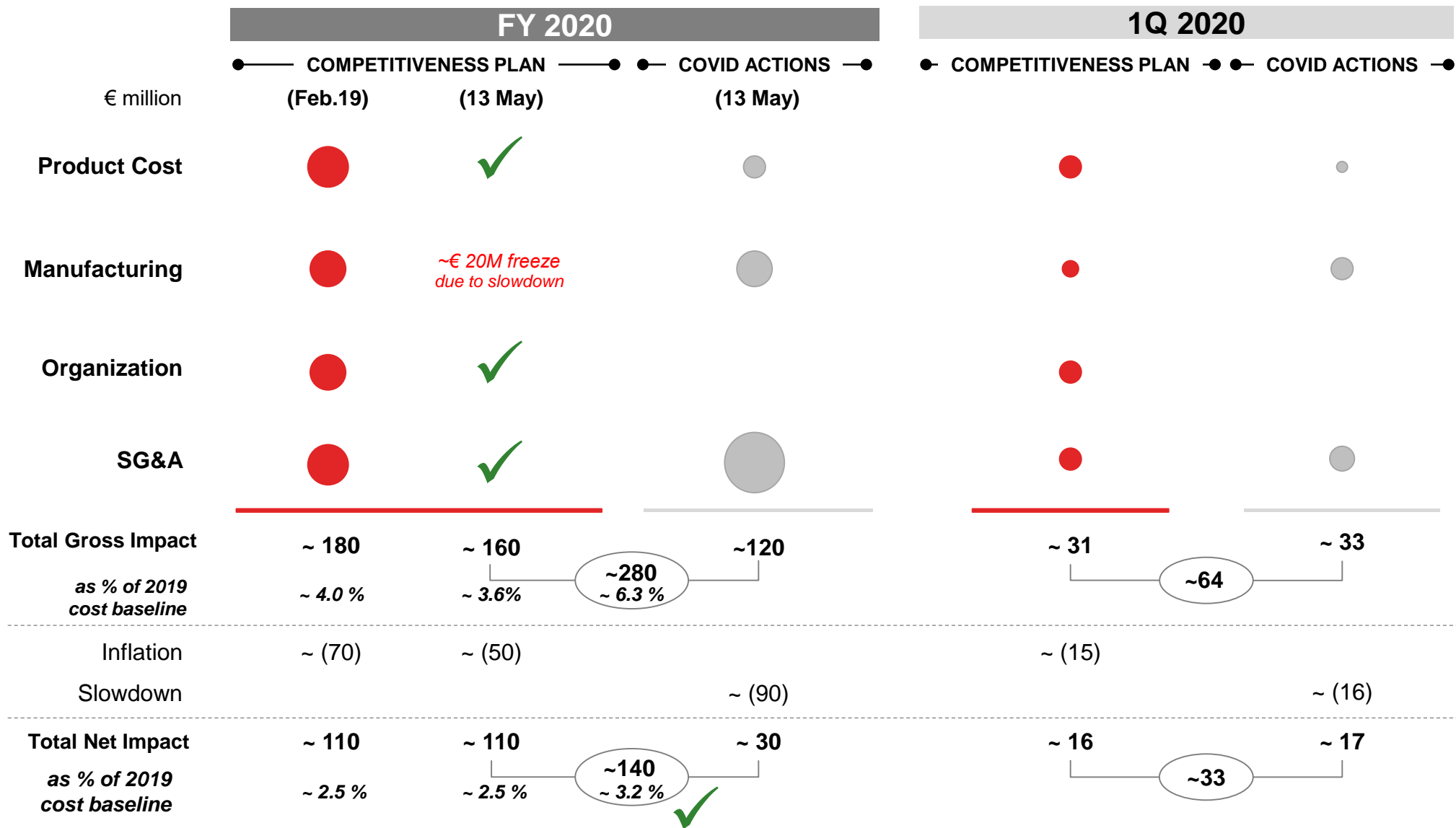
1Q 2020 Reporting takeaways

- > Trend confirmed by latest IHS estimates
- > Premium and Prestige OEMs optimistic on a 2H recovery, after a very weak 2Q
- > Market at ~-20% current reference scenario
- > H.V. resilience confirmed by trend in 1Q'20A (-12% vs. -22% of Standard)
- > Trend confirmed with a weaker 2Q and a better 2H (APac and EU Replacement)



Confirming the outlook provided in April 3rd

PIRELLI COMPETITIVENESS PROGRAM COUPLED WITH «COVID ACTIONS» TO PROTECT MARGIN, ALREADY DELIVERING IN 1Q 2020



TRANSFORMING PIRELLI INTO A LEANER AND FASTER PLAYER

Markets will take 2 years to go back to 2019 level. We are therefore working to transform Pirelli.

A LEANER COMPANY THROUGH:



- Product Range Streamlining
- Organization Simplification
- Digitalization of Processes
- Adoption of new working methods

A FASTER COMPANY THROUGH:



- Direct Connection to Consumers and Customers
- Advanced Collaborative forecasting
- Enhanced Simulation application to New Product Introduction
- Reduction of plant throughput time

2020 TARGETS CONFIRMED

€ billion

	2019 A	@ 3-Apr 2020 E	@ 13-May 2020 E
Net Sales	5.3	~4.3 ÷ ~4.4	confirmed
adj. EBIT margin	0.9 17.2%	~14% ÷ ~15%	confirmed
CapEx	0.39	~0.13	Confirmed
Net Cash Flow bef. Dividends	0.33	~0.23 ÷ ~0.26 assuming no dividends	confirmed
Net Financial Position (IFRS 16)	3.5	~3.3	confirmed

Tot. Vol.: ~-18%÷-20%

- High Value: ~-14%
- Standard: ~-26%

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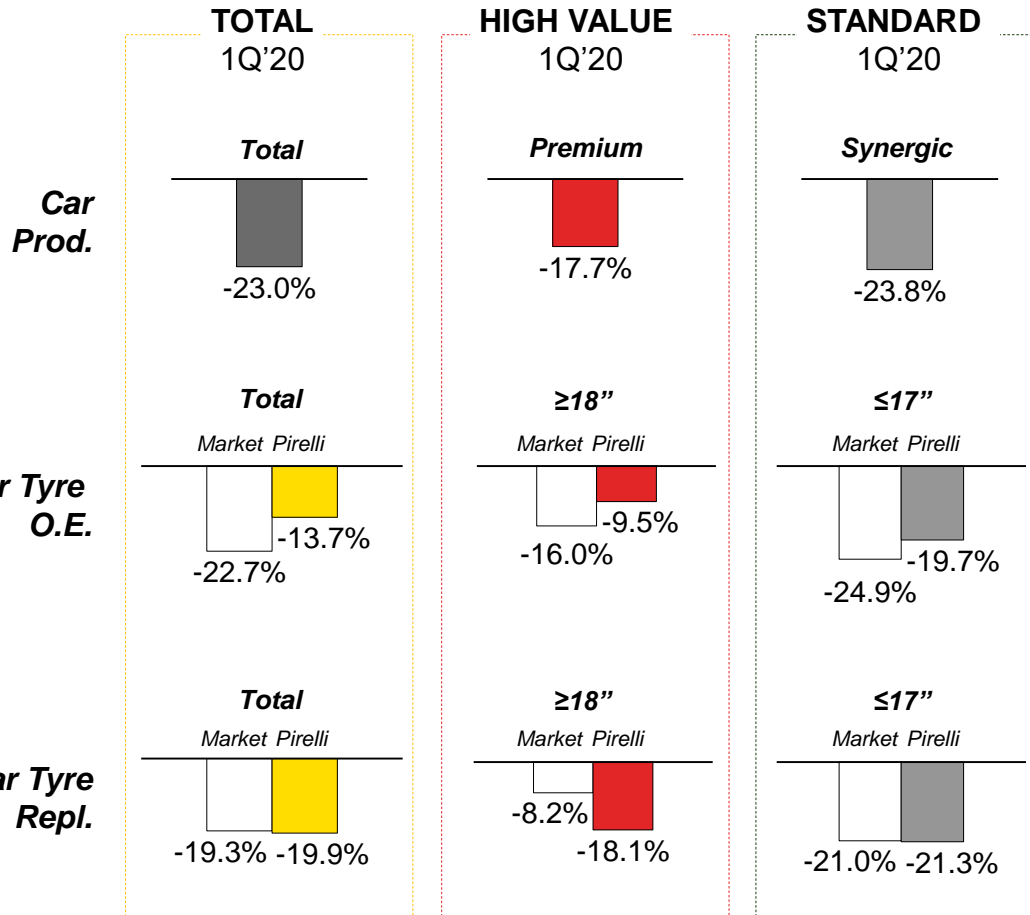
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1Q 2020 MARKET SCENARIO HEAVILY IMPACTED BY COVID-19

VERY TOUGH 1Q MARKET SCENARIO

KEY TRENDS PIRELLI PERFORMANCE



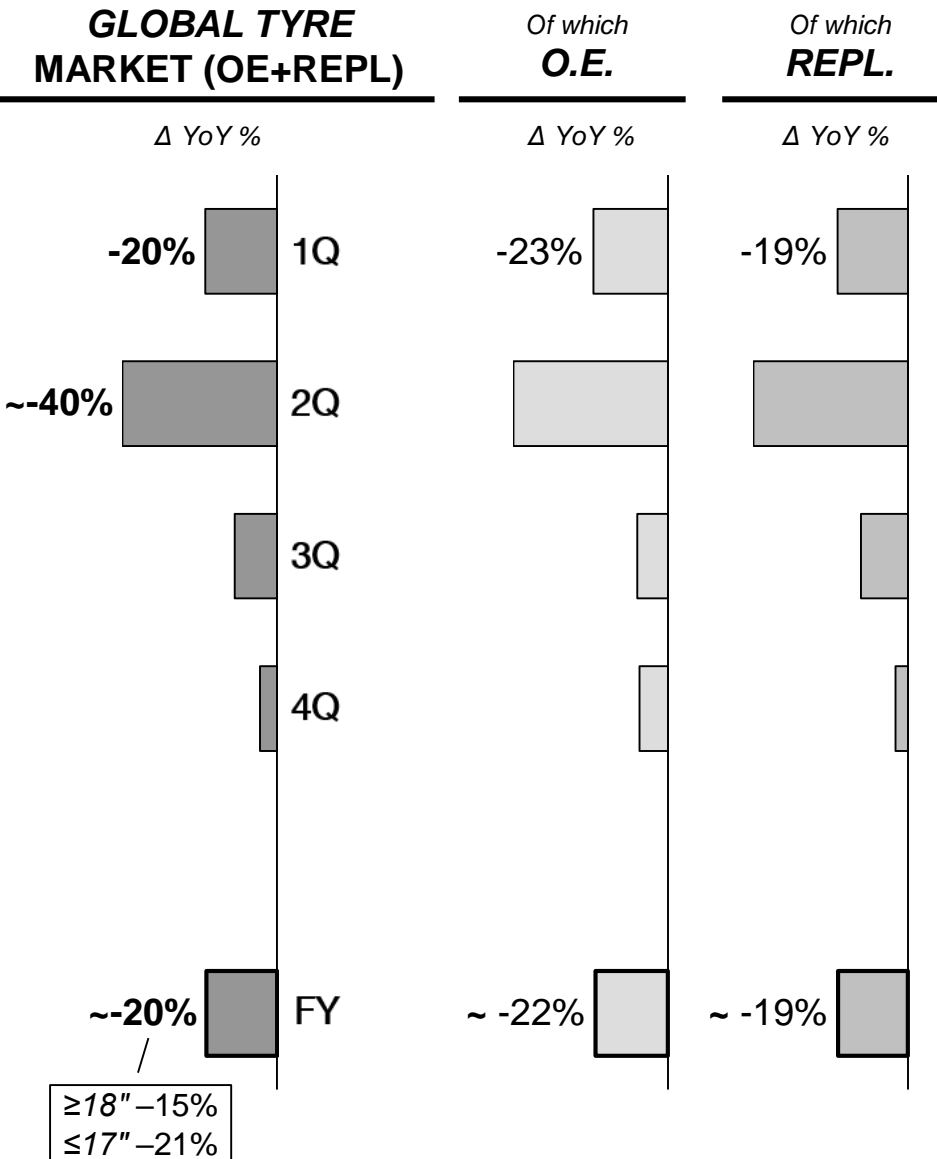
High Value

- > O.E.: over-performing market, thanks to portfolio diversification (*N. America*)
- > Replacement - trend impacted by:
 - High exposure to China (12% Group sales '19)
 - Distribution destocking in EU & N. America, to support trade and prepare re-start phase
- > Price trend in line with expectations and previous quarters dynamics

Standard

- > Decline ~ in line with market

VERY CHALLENGING OUTLOOK, TYRE MARKET DEMAND AT ~-40% IN 2Q



KEY TRENDS IN 2Q TYRE MARKET DEMAND

Channels

- > OE: <-40% globally (Car production <-45% YoY)
- > Repl: slightly better than OE, heavily impacted by lock-down measures

High Value Regions




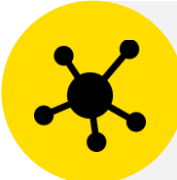
- > APac: cautious optimism in China (good April trends), but Japan and South East Asia to suffer
- > EU and N. America: facing the worst quarter of the year, with deep demand contraction especially in OE

Standard Regions

- > LatAm severely hit by lockdowns
- > Russia impacted also by Oil crisis and Ruble trend

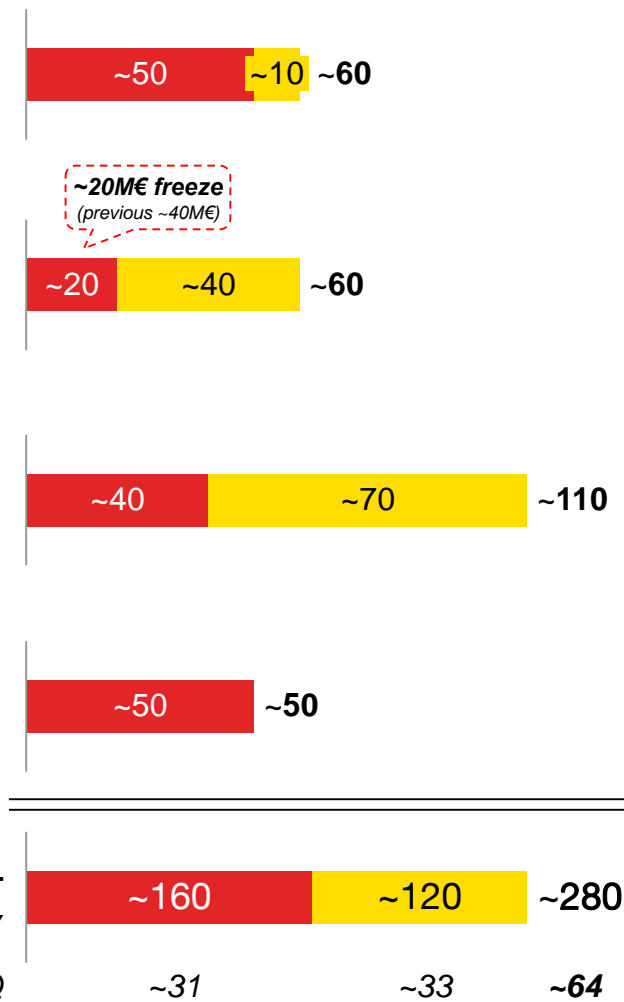
DEEP DIVE ON COMPETITIVENESS AND COVID ACTIONS

COST COMPETITIVENESS AND COVID ACTIONS

PRODUCT COST		<ul style="list-style-type: none"> — Product range management — Specification optimization and virtual prototyping — Material portfolio de-complexity — Procurement optimization
MANUFACTURING		<ul style="list-style-type: none"> — Quality enhancement — Factory material/info flow optimization — Cost containment on consumables, auxiliaries, indirect materials — Energy consumption optimization — Smart manufacturing
SG&A		<ul style="list-style-type: none"> — Marketing effort rationalization, pushing on digital — General & Administrative belt-tightening (tactical and structural) — Logistic optimization
ORGANIZATION		<ul style="list-style-type: none"> — Organization streamlining — Pay for performance — New Skills development

2020 GROSS BENEFITS BY PILLAR

€ million ■ Competitiveness ■ Covid



1Q 2020 RESULTS

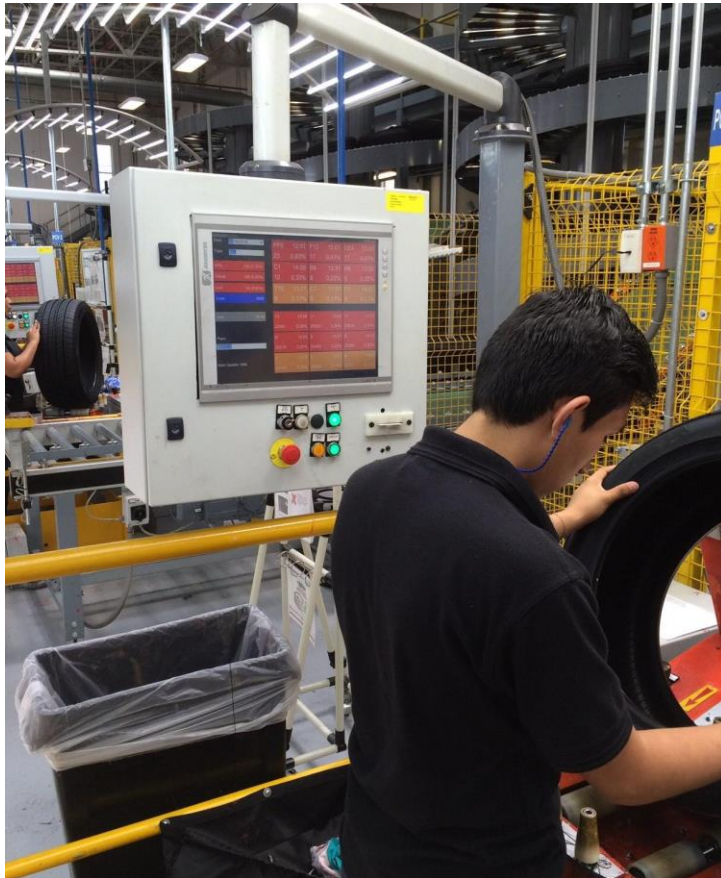
Milan, May 13th, 2020



CONTAINING PRODUCTION SLOWDOWN COSTS



COST COMPETITIVENESS AND COVID ACTIONS



Actions to mitigate the costs of reduced level of Capacity Utilization

- > Adhesion to Social Safety Net
- > Reduction of complexity cost inside plants to maximize efficiency thanks to modularity and product range simplification
- > Faster mix rotation to privilege clients' service level
- > Faster allocation of standard volumes in low cost plants
- > Quick alignment of Raw material inflow to lowered needs
- > Acceleration in Digitalization processes within Plants

ACCELERATING COMMERCIAL DEVELOPMENT AND INNOVATION



COMMERCIAL DEVELOPMENT



DESTOCKING 1Q

- Commercial policy aimed at maintaining low inventory levels with distribution partners (Mainly Europe & N. America)
- Ready for the restart of activities



CHINA EXPOSURE

- Leverage experience gained in China, where production and commercial activities are returning to normal
- China rebound supporting in next quarters given our exposure (~12% Group Sales in 2019)



TRADE

- Accelerating new clients activation in Europe and N. America
- In Germany widening client Portfolio and renewing Franchising distribution

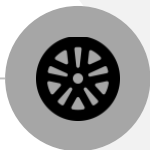


O.E.

- Client base broadening confirmed in N. America and APAC



TECHNOLOGY-BASED INNOVATION



NEW PRODUCTS INTRODUCTION

- Anticipating Product Roadmap milestones to introduce New Lines in 4Q 2020 (N. America and Europe)

2020 TARGETS: OPERATIONAL DRIVERS

€ billion

	2019 A	@ 3-Apr 2020 E	@ 13-May 2020 E
Net Sales	5.3	~4.3 ÷ ~4.4	confirmed
adj. EBIT margin	0.9 17.2%	~14% ÷ ~15%	confirmed
CapEx	0.39	~0.13	confirmed
Net Cash Flow bef. Dividends	0.33	~0.23 ÷ ~0.26 assuming no div.	confirmed
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2020 MAIN OPERATIONAL DRIVERS		2020 E
Volumes		~ -18% ÷ -20%
• o/w High Value		~ -14%
• o/w Standard		~ -26%
Price/mix		~ +2%
Forex		~ -2%
Efficiencies (net of inflation)		~ +€110m
Raw Mat.		~ +€15m
Cost Cutting (Covid Actions)		~ +€120m
Slowdown		~ -€90m

AGENDA

1 2020 OUTLOOK

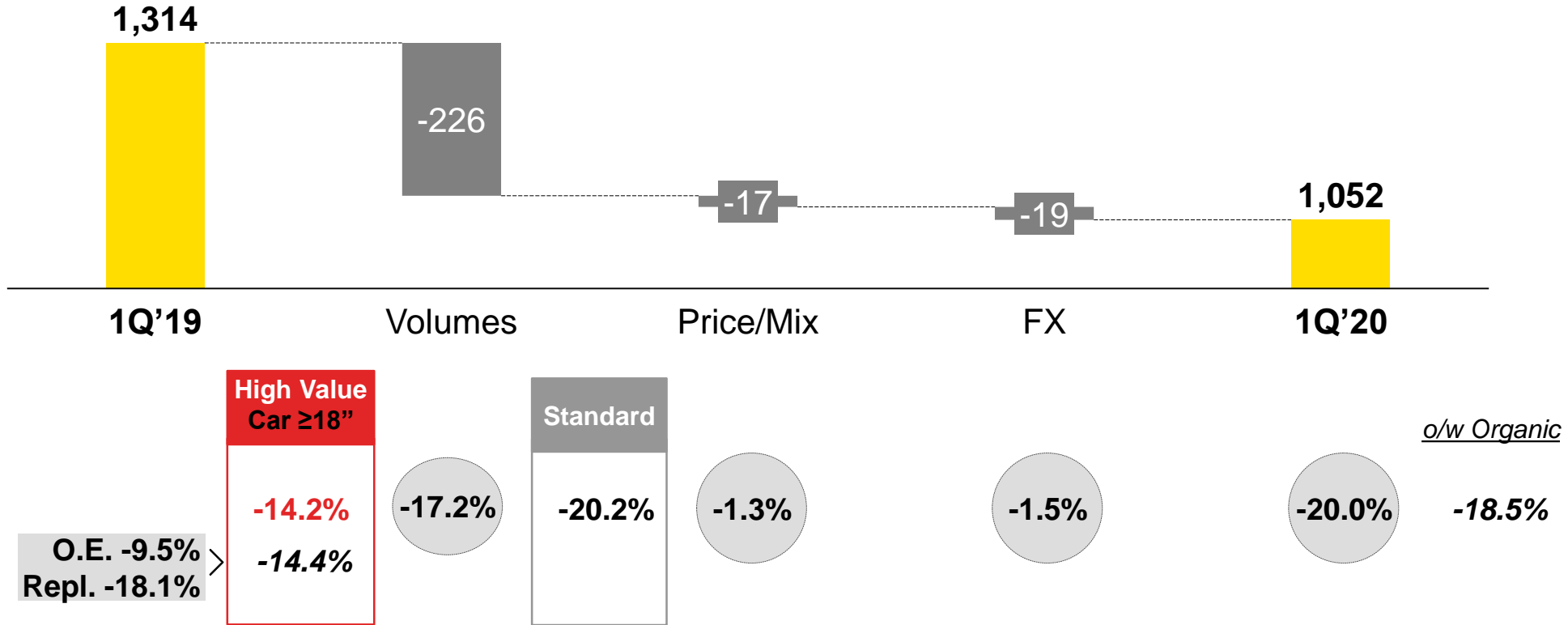
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1Q 2020 NET SALES BRIDGE

€ million

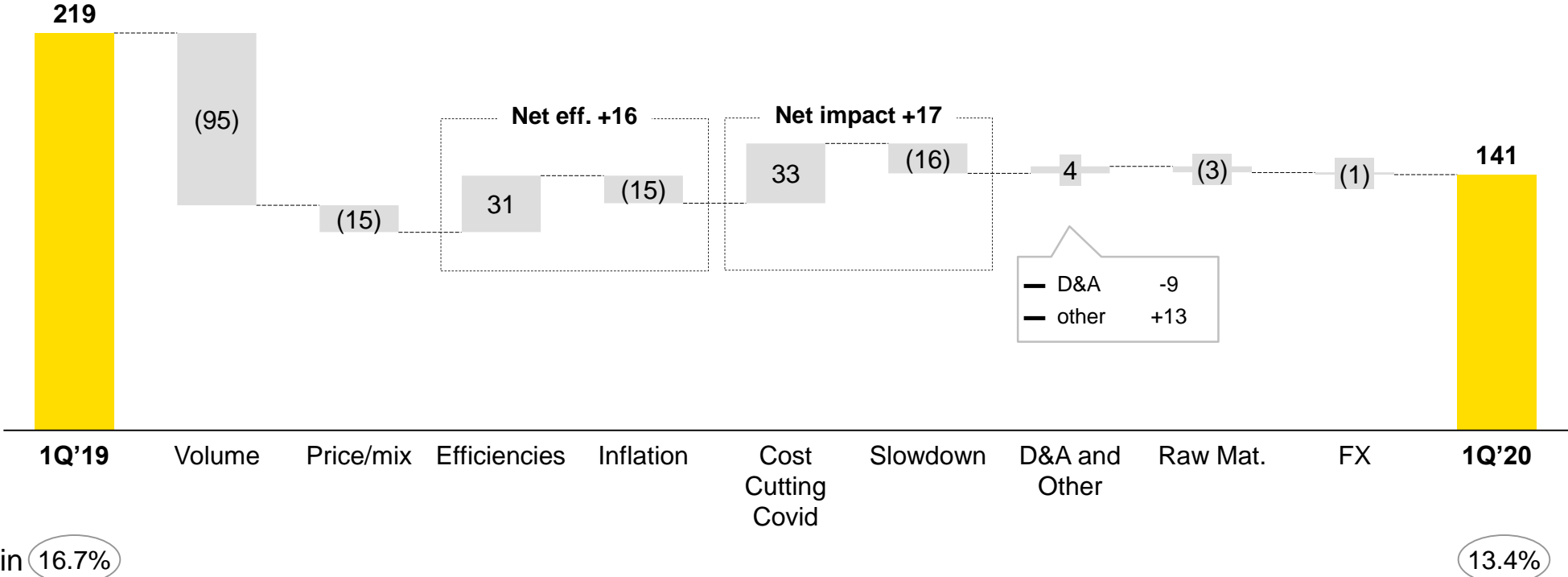


> 1Q Price/Mix performance:

- **Price** in line with 4Q'19 trend (O.E. re-negotiation and competitive dynamics on 18" non specialties)
- **Mix** impacted by both the temporary negative Channel mix (better O.E. trend) and Regional mix (lower sales in Europe, N.A. and APac vs. EM) and limited contribution from H.V. / Std. relative performance.

1Q 2020 ADJUSTED EBIT BRIDGE

€ million

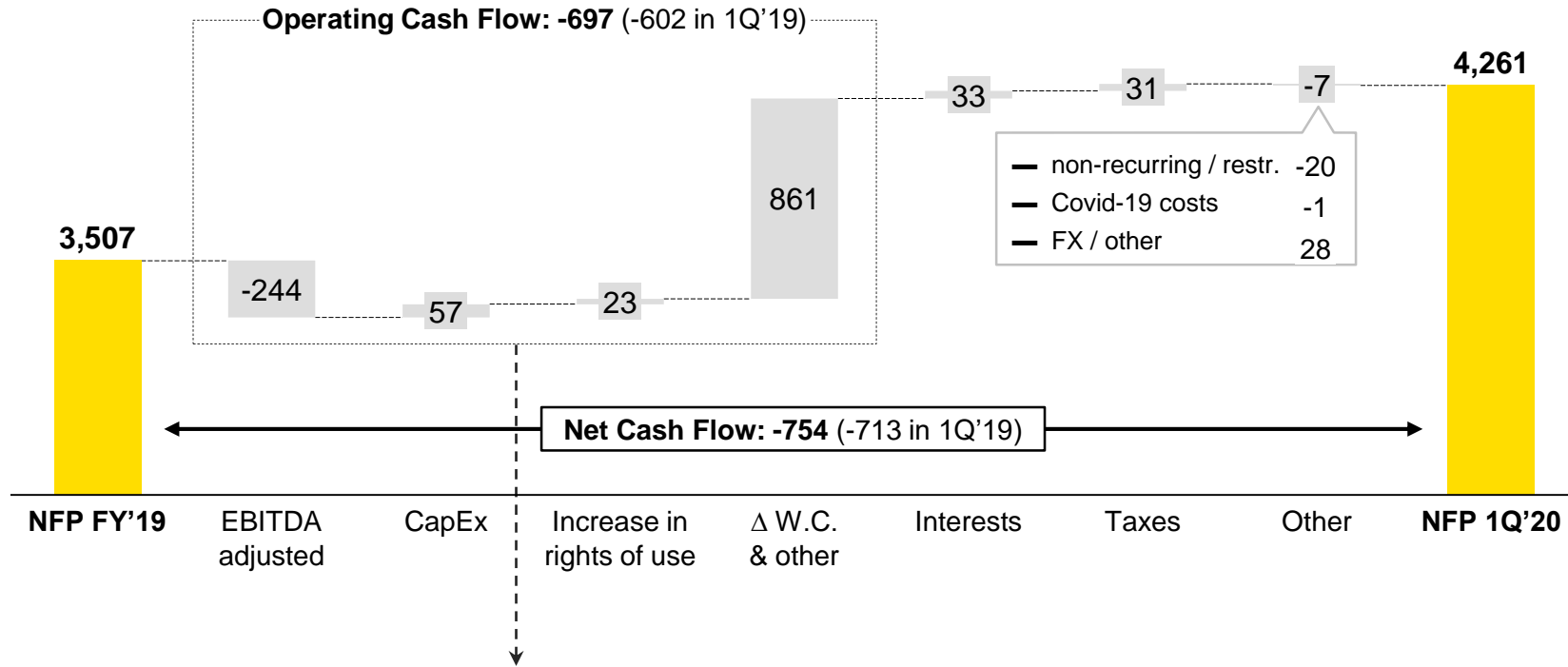


1. net of FX impact; 2. other costs related to High Value development



1Q 2020 CASH FLOW AND NET FINANCIAL POSITION

€ million



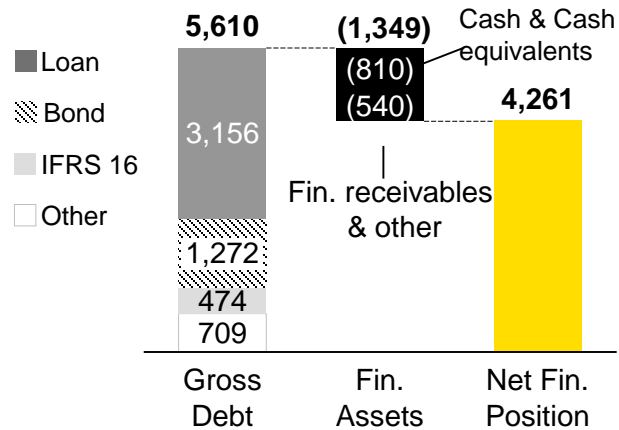
Main working capital dynamics in 1Q'20

- **Inventories:** 22%¹ on Sales (raw mat. and finished products increase, due to slowdown); on-going actions to normalize this level through the year
- **Trade receivables:** 13%¹ on Sales (16% in 1Q'19), almost stable in absolute value vs. 2019 year end
- **Trade payables:** 19%¹ on Sales (22% in 1Q'19) due to the reductions of purchases and investments in line with the new outlook

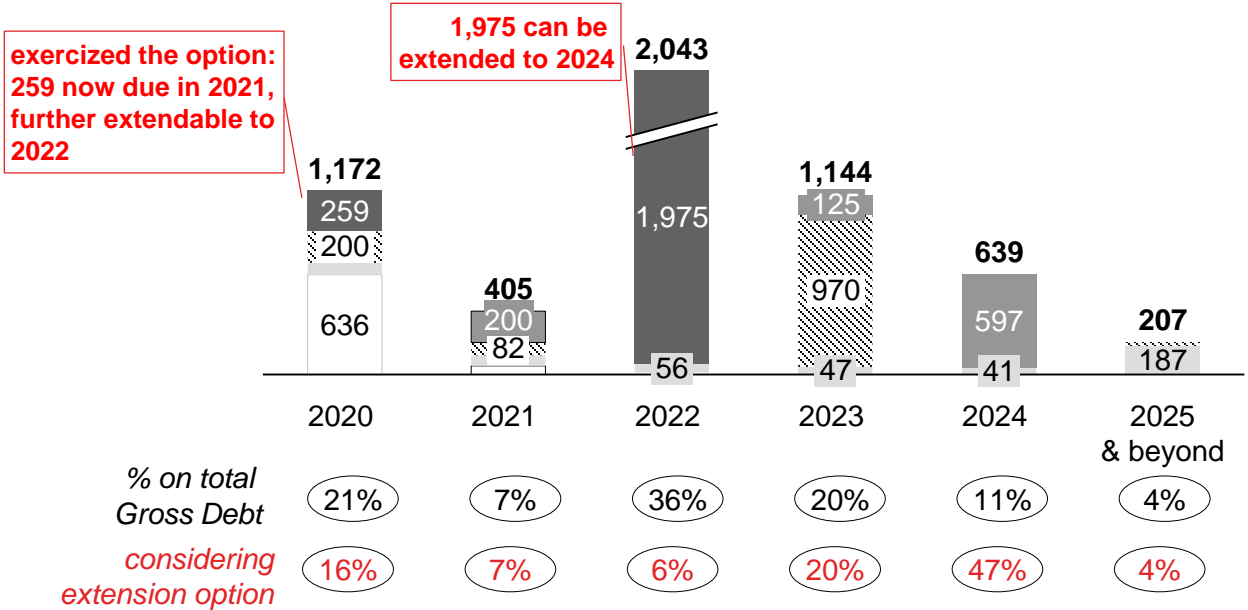
CURRENT CAPITAL STRUCTURE (MARCH 2020)

€ million

Net Financial Position



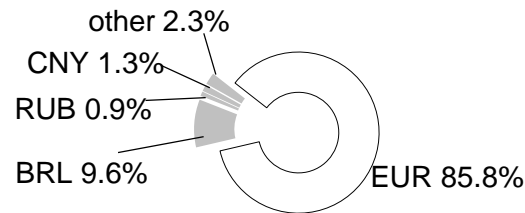
Gross Debt maturity



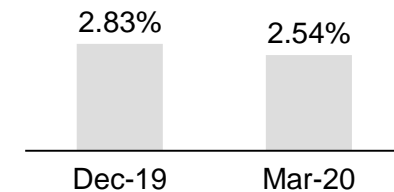
Liquidity profile

Liquidity position ¹	810
Committed lines not drawn	505
New Committed Line signed 31-Mar	800
Liquidity margin	2,115

Break-down by currency



Cost of Debt (last 12 months)



Liquidity Margin covering maturities until 1Q'23, considering the extension option

1Q 2020 RESULTS

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1Q 2020 RESULTS HIGHLIGHTS

€ million

	1Q'19	1Q'20	Δ YoY
Revenues	1,314	1,052	-20.0%
<i>Organic Growth</i> ¹			-18.5%
High Value Revenues	895	732	-18.2%
<i>% on total Revenues</i>	<i>68.1%</i>	<i>69.6%</i>	<i>+1.5 pp</i>
EBITDA adjusted ²	316	244	-22.6%
<i>Margin</i>	<i>24.0%</i>	<i>23.2%</i>	<i>-0.8 pp</i>
EBIT adjusted ³	219	141	-35.6%
<i>Margin</i>	<i>16.7%</i>	<i>13.4%</i>	<i>-3.3 pp</i>
PPA amortization	-29	-29	
Non recurring & restructuring costs	-7	-24	
EBIT	183	88	-51.7%
<i>Margin</i>	<i>13.9%</i>	<i>8.4%</i>	<i>-5.5 pp</i>
Results from Equity Investments	2	-5	
Financial Income (Charges)	-48	-33	
EBT	137	51	
<i>Tax Rate</i>	<i>26.0%</i>	<i>24.0%</i>	
Net Income	101	38	

1Q 2020 PIRELLI BALANCE SHEET

€ million

	31-March-2019	31-Dec-2019	31-March-2020
Fixed assets related to continuing operations (before IFRS 16)	9,070	9,007	8,724
Right of use IFRS 16	472	463	451
Fixed assets related to continuing operations (incl. IFRS 16)	9,542	9,470	9,175
<i>Inventories</i>	1,166	1,094	1,137
<i>Trade receivables</i>	858	649	659
<i>Trade payables</i>	(1,143)	(1,612)	(961)
Operating net working capital related to continuing operations	881	132	835
Other receivables / payables	74	81	163
Net Working Capital related to continuing operations	955	213	998
Net invested capital held for sale	1	-	-
Total net invested capital	10,498	9,683	10,173
Equity	4,688	4,827	4,590
Provisions	1,423	1,349	1,322
Net Financial Position (excl. IFRS 16)	3,913	3,024	3,787
Lease Obligations (IFRS 16)	474	483	474
Net Financial Position (incl. IFRS 16)	4,387	3,507	4,261
Total financing and shareholders' equity	10,498	9,683	10,173

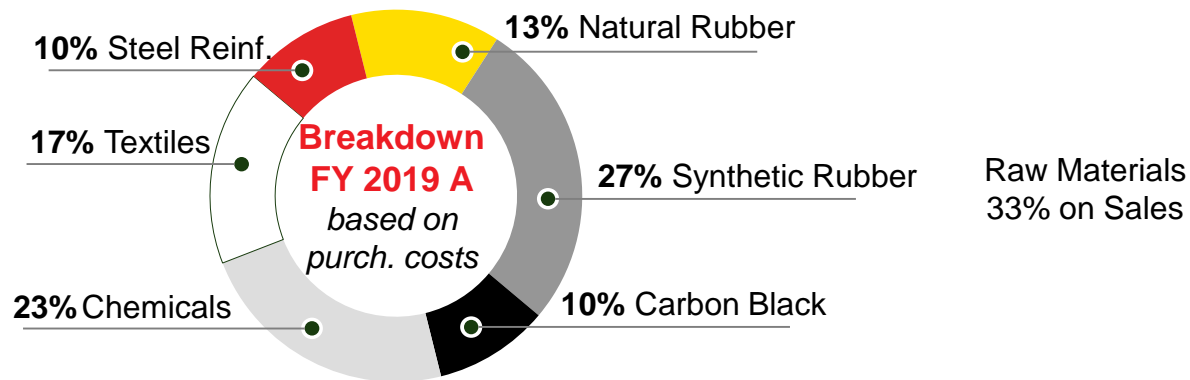
1Q 2020 PIRELLI GROUP CASH FLOW

€ million

	1Q'19	1Q '20
Adjusted EBIT ¹	219	141
Depreciation & Amortization (excl. PPA amortization)	97	103
Capital expenditures	(78)	(57)
Rights of use (IFRS 16)	(3)	(23)
Change in working capital / other	(836)	(861)
Operating Cash Flow	(602)	(697)
Financial income / (expenses)	(48)	(33)
Taxes paid	(30)	(31)
Cash-out for non recurring items and restructuring costs	(16)	(21)
Exchange rates difference / other	-	28
Net cash flow before dividends & extraordinary operations	(696)	(754)
Financial asset disposals / (acquisitions)	(17)	-
Net cash flow before dividends	(713)	(754)
Dividends paid	-	-
Net cash flow	(713)	(754)

2020 E RAW MATERIAL GUIDANCE

€ million



COMMODITIES - AVERAGE QUOTATION

COMMODITIES: AVERAGE COST OF GOODS SOLD

	2019 A	2020 E May-20 guid.	Δ YoY	2019 A	2020 E May-20 guid.	2020 E EBIT impact
Natural Rubber TSR20 (\$ / tonne)	1,407	~1,310	-7%	1,381	~1,300	~+10
Brent Oil (\$ / barrel)	64.0	~32	-42%	67.2	~45	~+30
Butadiene EU (€ / tonne)	824	~580	-32%	937	~615	~+55
				Raw Mat. subtotal		~+105
				FX impact		~-90
				TOT. IMPACT		~+15

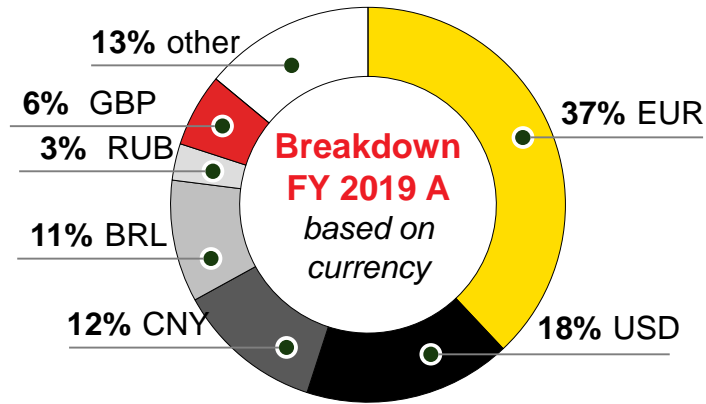
Feb-20 guidance











- Nat. Rubber ~ 1,480
- Brent Oil ~64
- Butadiene ~860

Feb-20 guidance
~€65 million

2020 E FOREX GUIDANCE

€ million



MAIN AVERAGE EXCHANGE RATES		2019 A	2020 E May-20 guid.	Δ YoY	Δ YoY vs. EUR	2020 E Feb-20 guid.
EUR / USD	 / 	1.12	1.10	-6.9%	-6.9%	1.12
USD / CNY	 / 	6.9	7.03	+6.2%	-1.0%	7.05
USD / BRL	 / 	3.95	5.08	+38.9%	+29.3%	4.07
EUR / RUB	 / 	72.4	79.3	+7.3%	+7.3%	73.0
EUR / GBP	 / 	0.88	0.89	+0.7%	+0.7%	0.90
TOT. IMPACT ON SALES					~-2%	~-2%

1Q 2020 RESULTS

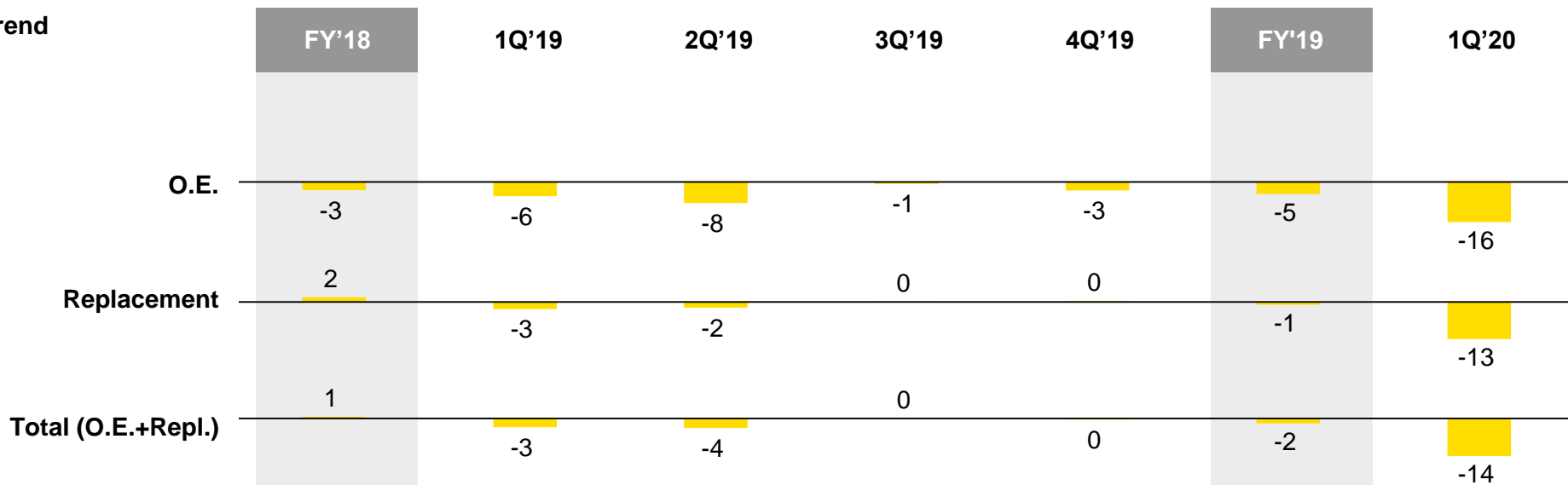
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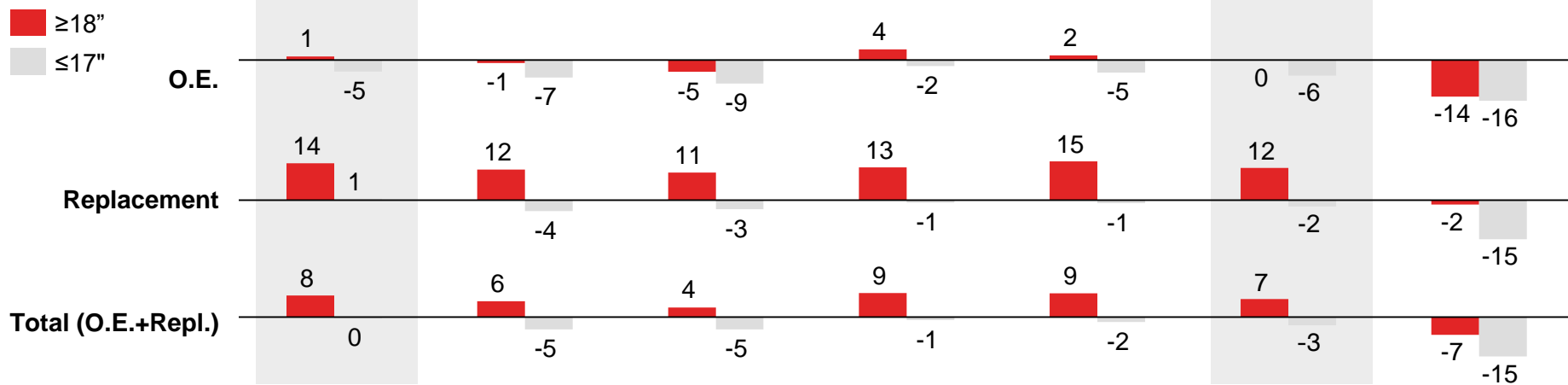
KEY CAR MARKET TRENDS: EUROPE

Market trend
Δ% YoY

Total Car market



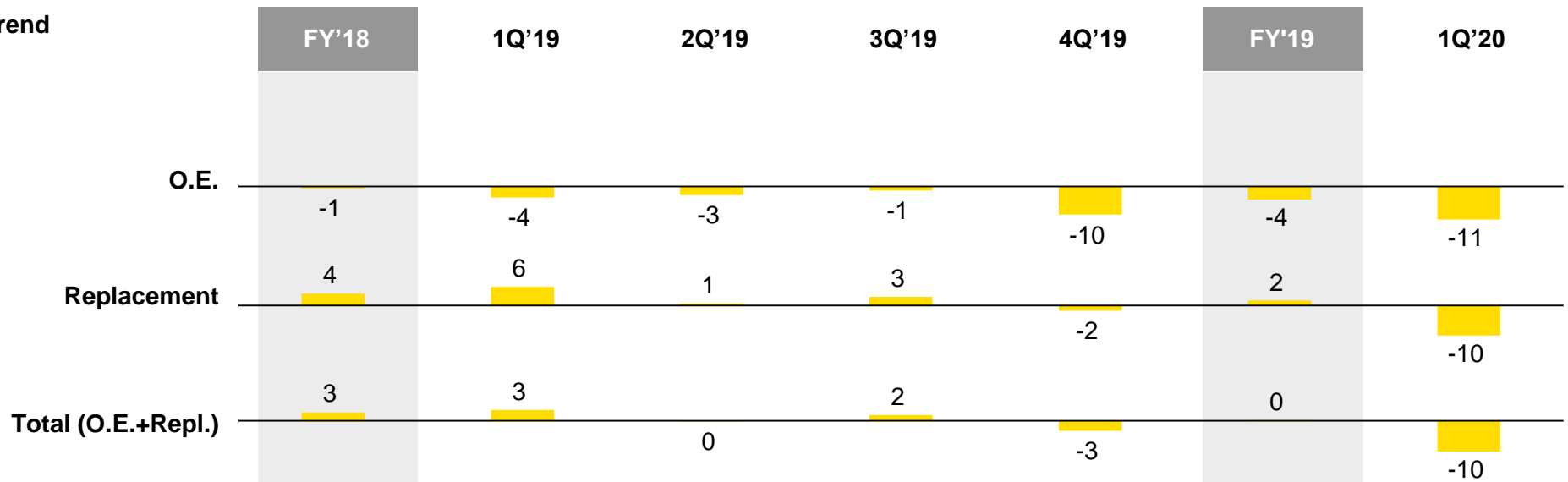
of which ≥18" & ≤17"



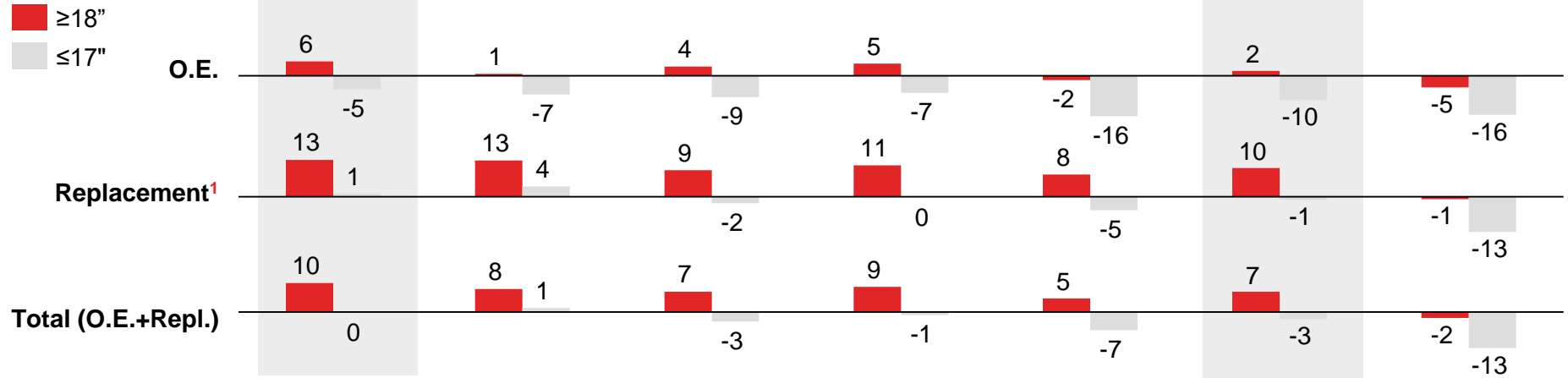
KEY CAR MARKET TRENDS: NORTH AMERICA

Market trend
Δ% YoY

Total Car market



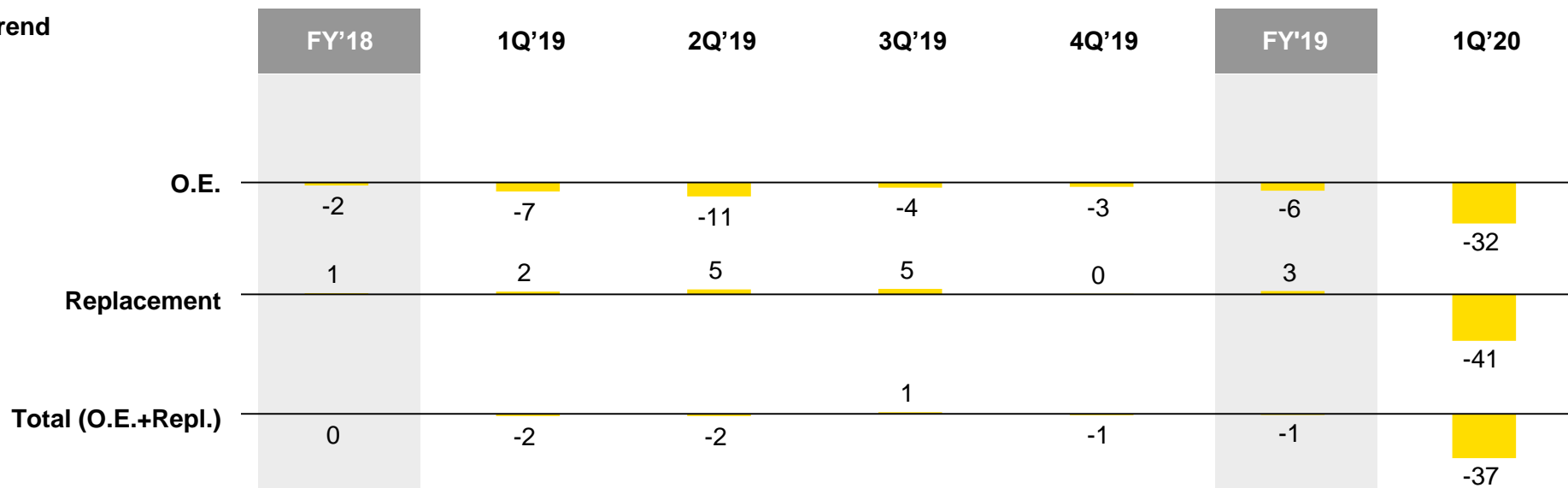
of which ≥18" & ≤17"



KEY CAR MARKET TRENDS: ASIA PACIFIC

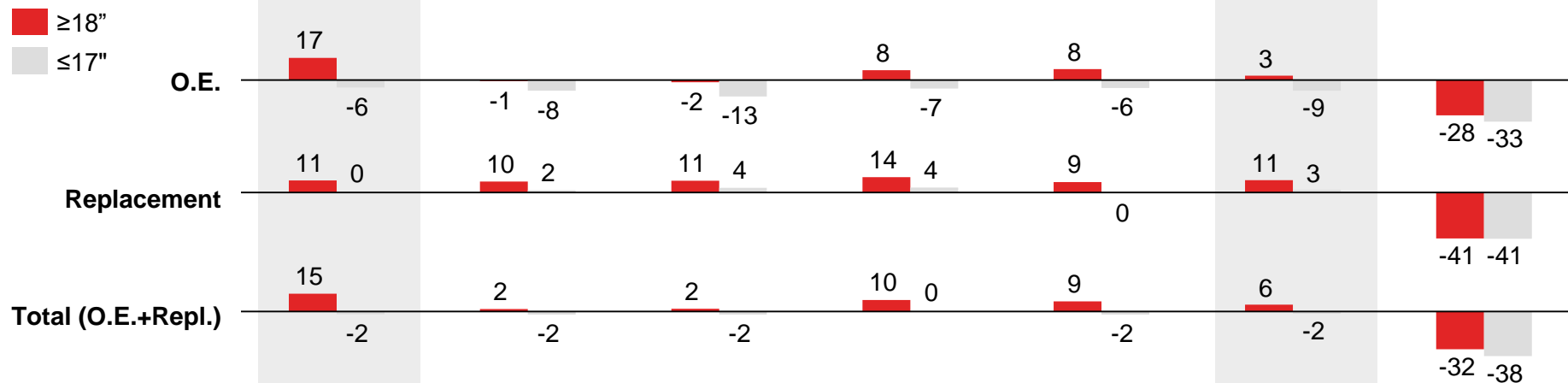
Market trend
Δ% YoY

Total Car market



of which ≥18" & ≤17"

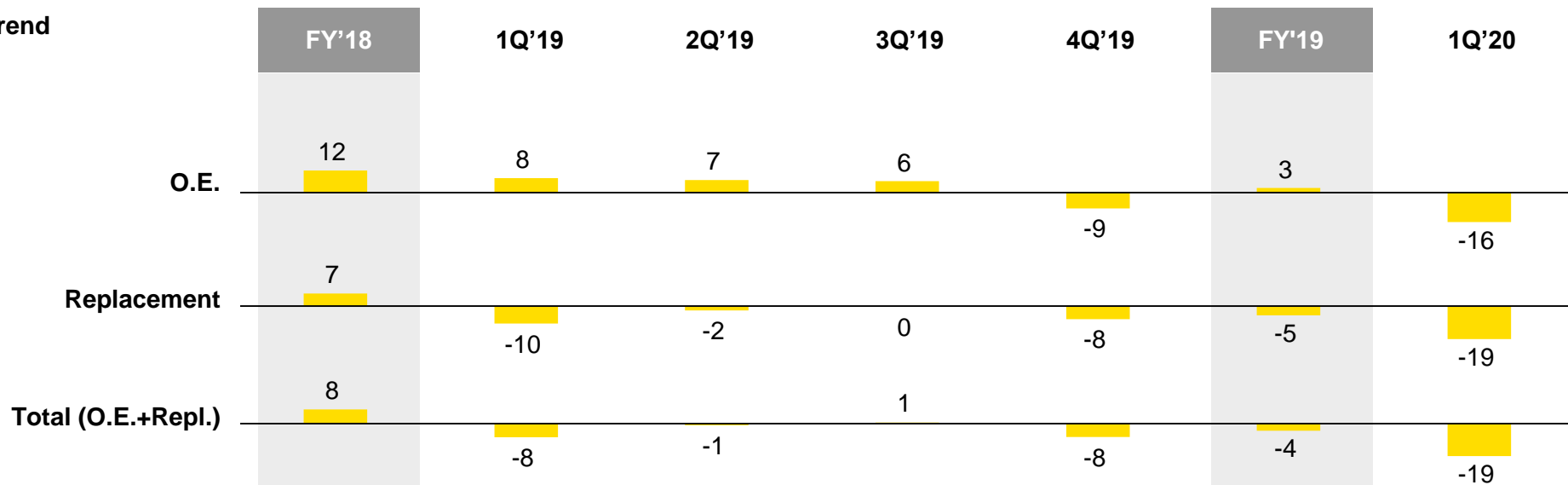
■ ≥18"
■ ≤17"



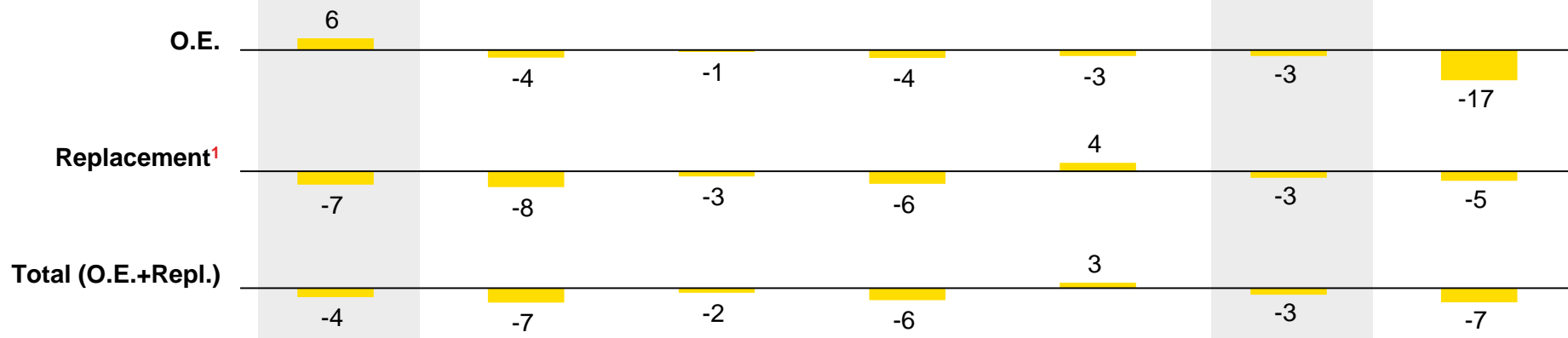
KEY MARKET TRENDS: RUSSIA & NORDICS / SOUTH AMERICA

Market trend
Δ% YoY

Russia & Nordics



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

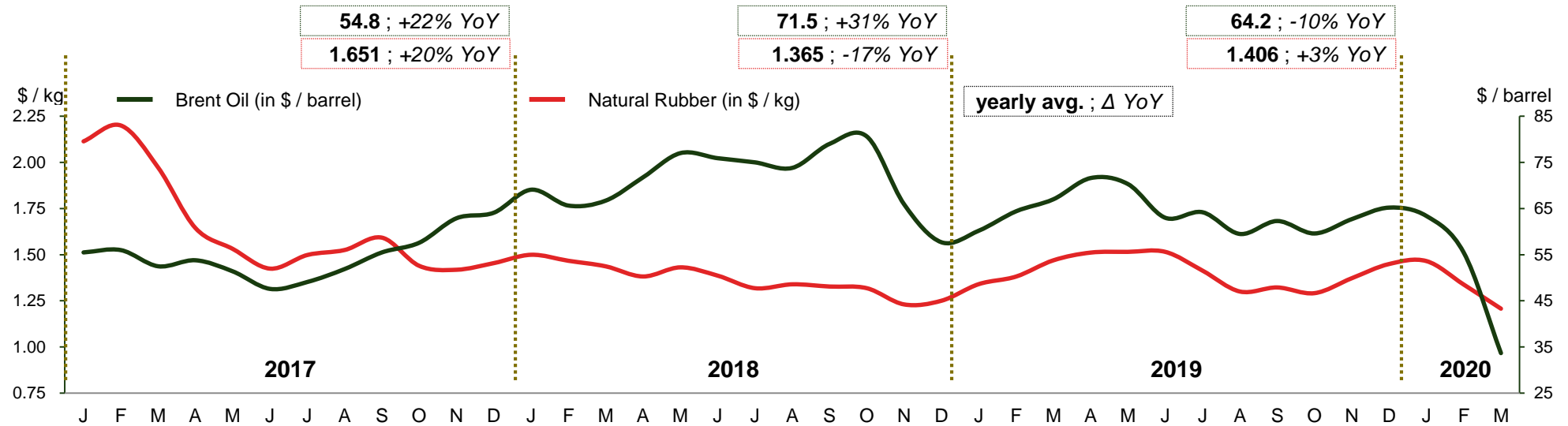
1Q 2020 RESULTS

Milan, May 13th, 2020

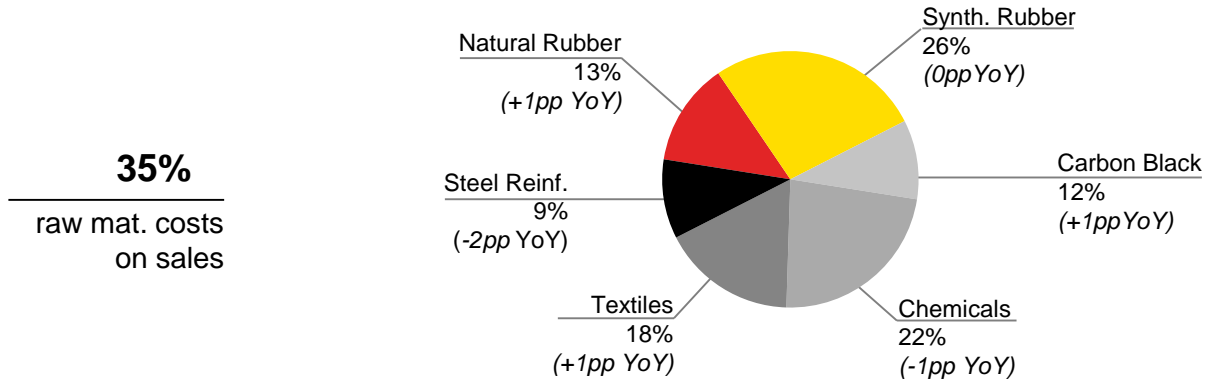


RAW MATERIAL COSTS TREND AND MIX

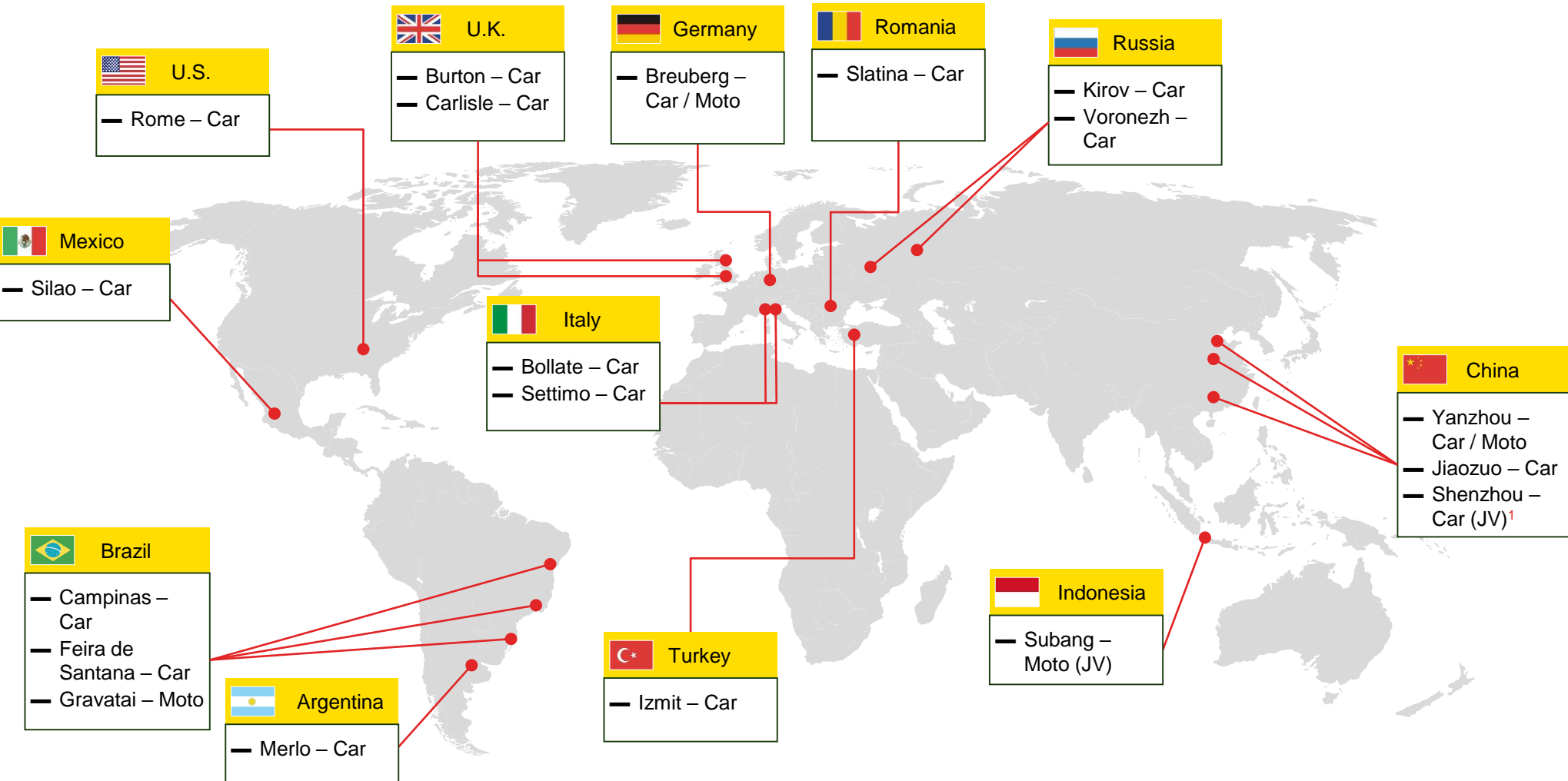
Main raw materials price trend



1Q 2020 mix (based on purchasing cost)



MANUFACTURING FOOTPRINT AS OF MARCH 31ST, 2020



The word "PIRELLI" is rendered in a large, bold, white, sans-serif font. Each letter is filled with a different vertical slice of a blurred night cityscape, featuring lights from buildings and streets. The letters are set against a dark blue background that also features a blurred cityscape. A white horizontal bar with rounded ends is positioned above the letters.

PIRELLI

1Q 2020 RESULTS
Milan, May 13th, 2020

