

9M 2023 Financial Results

November 9th, 2023

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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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Key Messages

- › **Solid 9M'23 performance:**
 - Top Price/mix in Industry and High Value positioning confirmed
 - Profitability improvement driven by internal levers
 - Positive cash generation in 3Q, thanks to our efficient stock management
- › **FY 2023 market outlook and targets**
 - Better High Value Replacement supporting the upward revision of market outlook
 - Pirelli expected to outperform market in ≥18" Repl. while further reducing the exposure to Standard
 - Guidance confirmed with profitability and cash flow at the upper end of July target range
- › **New JV with PIF – Pirelli to be the first Tier 1 tyre player to directly produce in Saudi Arabia**
- › **In consideration of the uncertainties related to the international scenario, the Industrial Plan update is postponed to March 2024.** Deleverage target confirmed at 1x Net Debt/Adj Ebitda by 2025

New JV with PIF to establish leading consumer tyre plant in Saudi Arabia

Seizing market growth opportunities as first mover among Tier 1 players



PIF supporting Saudi Arabia in creating a global automotive manufacturing hub by 2030

75% stake

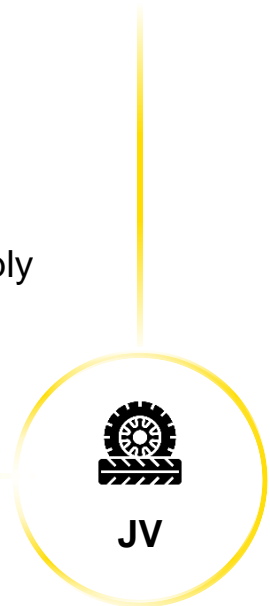
- › boosting manufacturing capabilities, infrastructure and supply chains (e.g. *JV with Hyundai, launch of Tasaru¹*)
- › investing in the future of mobility (e.g. *Ceer², Lucid*)



Strategic technology partner

25% stake

- › targeting the growing local market³
 - EV Car sales +30% CAGR by 2032
 - ≥18" car tyre market more than double by 2032
- › being the first Tier 1 tyre player to directly produce in Saudi Arabia (L4L strategy)
- › optimizing EU capacity by reducing exports to the GCC



offtake contract



Timeline⁴:

- to start production in 2026
- full capacity to be installed by the end of 2028



Capacity: 3.5 million tyres, of which:

- ~1/3 High Value car tyres under Pirelli brand
- ~2/3 high quality tyres under a local brand owned by the JV



Plant Investment: ~\$550M (Equity & Debt)

- \$56M max. equity commitment of Pirelli (neutral impact on the deleveraging targets to 2025)
- JV supported by tax incentives, Capex grant and working capital financing
- Closing of the transaction subject to the relevant authorities' approvals

1. National Automotive and Mobility Investment Company, which is dedicated to localizing automotive supply chains and manufacturing capabilities. 2. Saudi Arabia's first national electric vehicle brand 3. IHS, BCG; 4 Based on current estimates of the market growth

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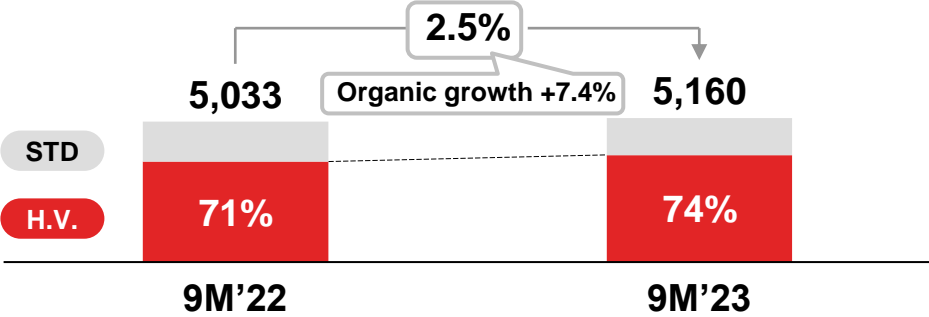
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9M'23 Financial Results highlights

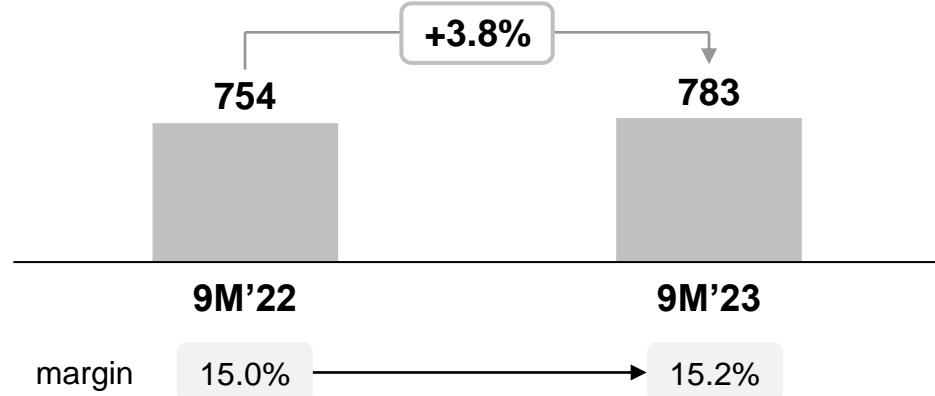
Operating performance confirming the resilience of our business model

€ million

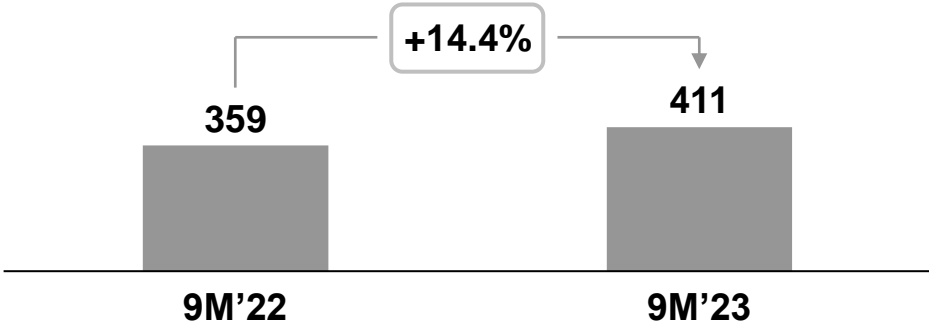
Net Sales



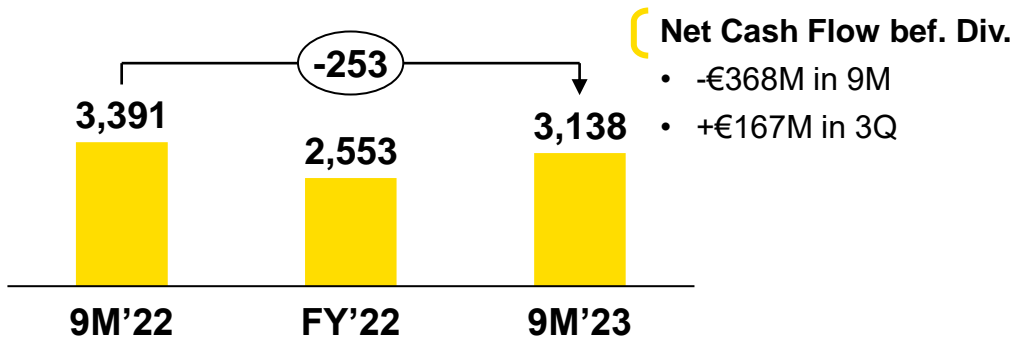
Adjusted EBIT¹



Net Income







Net Financial Position



Net Cash Flow bef. Div.
 • -€368M in 9M
 • +€167M in 3Q

¹. before amortization of PPA, non-recurring items, restructuring costs & other adjustments

Pirelli Sustainability achievements in 9M'23

Area	KPIs	2022A	2025T
 SAFETY FIRST Towards zero accidents at work	Accident Frequency Index	0.20 (-4.5% yoy)	≤ 0.10
 PRODUCT ECO & SAFETY PERF. Improve Rolling Resistance with no compromise on Safety	Energy Efficiency (RR ¹ = A/B)	50%	>70%
	Safety (WG ¹ = A/B)	93%	>90%
 MATERIALS INNOVATION Increase the % of renewable and recycled materials	Renewable%	30%³	>40%
	Recycled% (incl. metals)	8%³	>8%
 TOWARDS DECARBONIZATION Reduce CO ₂ footprint	Renewable electricity ⁴	74%	100%
	SCOPE 1+2 CO ₂ (Pirelli abs. emissions)	-41% vs 2015 (-14% yoy)	-42% vs 2015 (SBTI 1,5 ⁵)
	SCOPE 3 CO ₂ (Suppliers abs. emissions)	-8.9% vs 2018	-9% vs 2018 (SBTI 2 ⁵)



9M'23 update

Transparency for consumers

New Pirelli logo identifying tyres with ≥ 50% of bio-based and recycled materials, third party verified

New generation PZero E: the Perfect fit for Premium & Prestige Evs:

- Triple A label on RR, WG and Noise,
- Tyre Wear improvement of 42%
- First UHP with >55% Bio-based & recycled materials⁵, already achieving 2025 targets



Formula1 partnership renewed with sustainability at the core

All tyres from 2024 F1™ events will be FSC™-certified



Decarbonization journey accelerating

- Progress exceeding expectations towards new Science Based Targets (short and long term)
- Engagement of European Trade Customers on low carbon product & technologies
- High-emission suppliers engaged in decarbonization targets



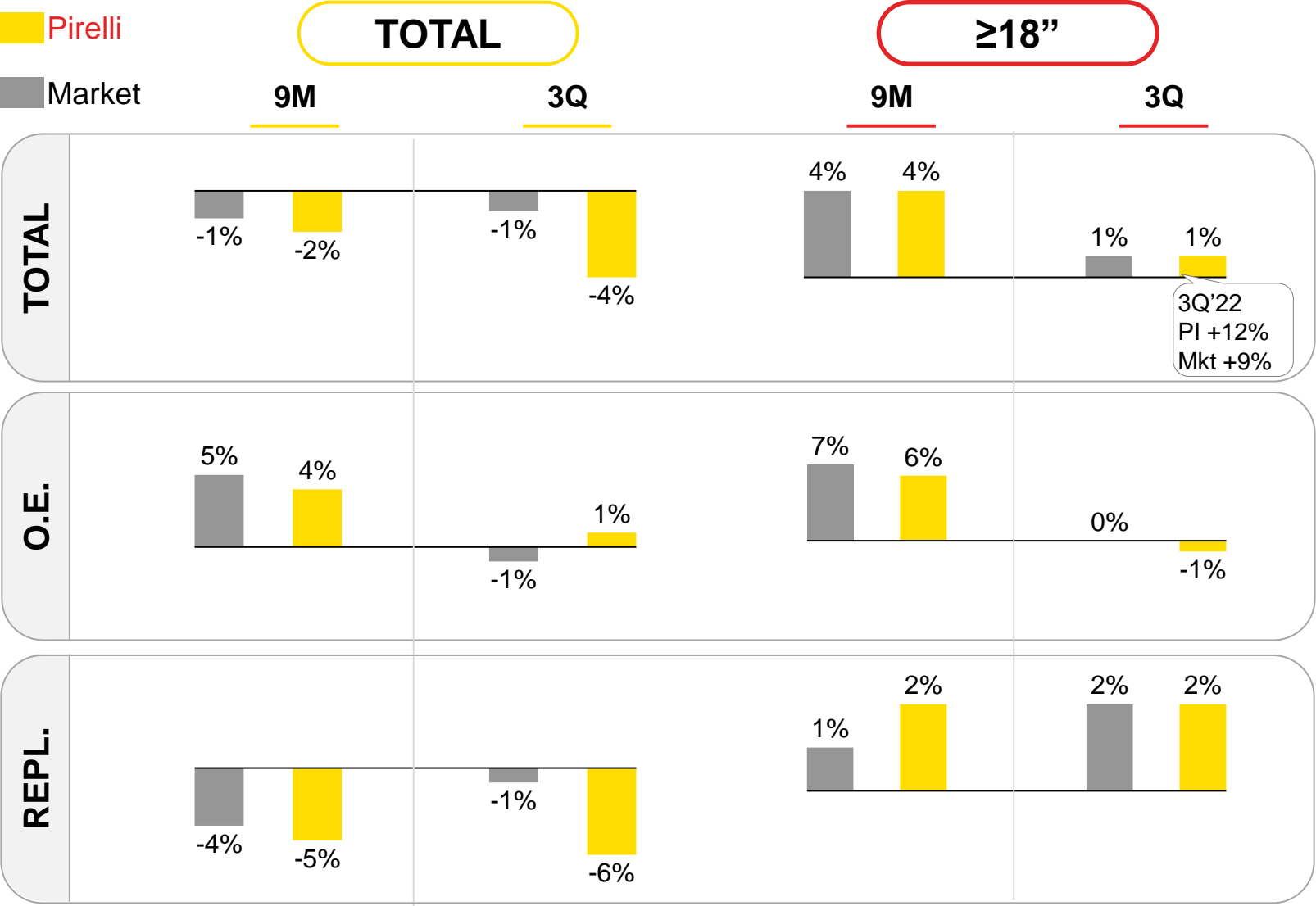
1. RR: Rolling Resistance, WG: Wet Grip and ICE, focus on new labelled IPcodes; 2. IP codes: Identification Product Codes, extra EU labelling scales are converted to EU labelling grades, for WG. ICE Pictogram included; 3. Reference tyre: 235/45R20 100H XL S-ZERO(MO) IP 17884, official target 3% excl. 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

2023 Strategy implementation: 9M 2023 delivery in line with targets



9M'23 Car Commercial program

Pursuing a selective, value-oriented strategy



3Q Highlights

- Further reduction in Car ≤17'' (-10% in 3Q vs. -2% Mkt; -10% in 9M vs. -3% Mkt)
- HV OE reflecting:
 - a selective approach (mainly in EU) with higher focus on ≥19'' and EV,
 - a comparison with a strong post-covid market rebound in China in Q3'22
- Consolidating our positioning on HV Replacement while maintaining a solid price discipline

9M'23 Innovation program - Car

ELENT

EV Leadership confirmed

OE Premium/Prestige positioning reaffirmed at Munich IAA Motorshow:

- › ~25% of the BEV cars & 30% of the plug-in hybrids equipped by Pirelli
- › Leading innovation, fitting the BMW iX5 Hydrogen with FSC tyres



Enhanced SUV positioning: Scorpion MS

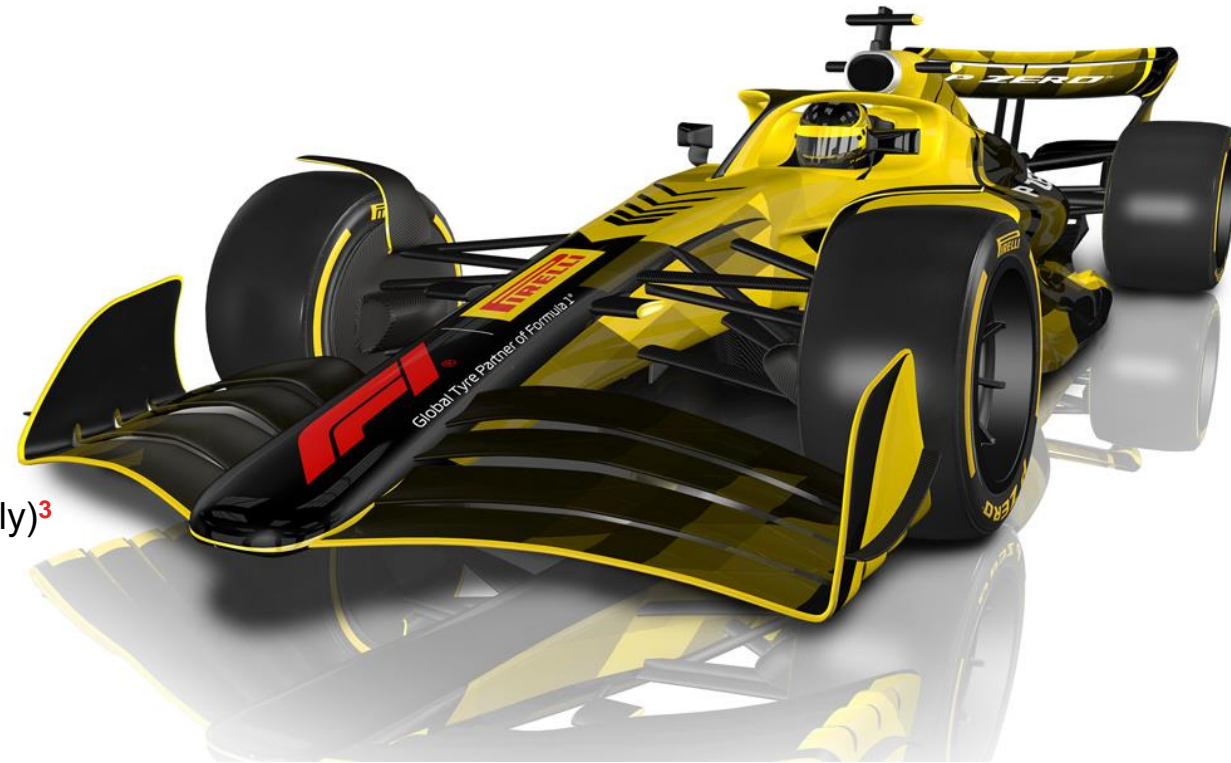
- › High performance all-season tyre created as OE for the latest SUVs generations
- › Improved **comfort**, **mileage**, and **safety** in the wet to respond to consumers' requests
- › 75% of the first homologations are for EVs, starting with the Maserati Grecale Folgore

Pirelli confirmed as Formula1® Global Tyre Partner until at least 2027

- **Pirelli's involvement in Formula1® represents:**
 - the ultimate open-air test laboratory for new technical & production solutions, and
 - the opportunity to innovate and experiment with new processes and technologies

















- **From 2024, all the F1® tyres used will be FSC¹ certified, ensuring**
 - full traceability of forest-based materials along the supply chain;
 - the preservation of biological diversity of the plantations;
 - benefits to local communities and workers

- **F1® is generating a growing interest in key markets like N.A.:**
 - 3.4M US viewers per race on average (+29% vs 2021) ²
 - 4 races across USA and Canada
 - the successful Netflix series "Drive to survive" (6.8M viewers globally) ³



9M'23 Competitiveness program

Achieved two third of target efficiencies, programs in line with expectations according to their seasonality

		2022	2023 E		
		FY ACT	Focusing on:	FY NOV GUI	9M ACT
	Product Cost		<ul style="list-style-type: none"> Modularity Design speed and virtualization 	 Equally split in quarters	 ~80% of FY
	Manufacturing		<ul style="list-style-type: none"> Industrial IoT and flexible factory Energy consumption 	 Benefits in 2H	 ~35% of FY
	SG&A		<ul style="list-style-type: none"> Logistics network redesign and service differentiation Procurement rationalization 	 Equally split in 1H/2H	 ~65% of FY
	Organization		<ul style="list-style-type: none"> Digital processes and organization transformation 	 Equally split in quarters	 ~80% of FY
Total Gross Impact		~€136M		~€95M	~€61M ~65% of FY

9M/3Q'23 Sales bridge

Solid price/mix mitigates impact of weak demand and high currency volatility

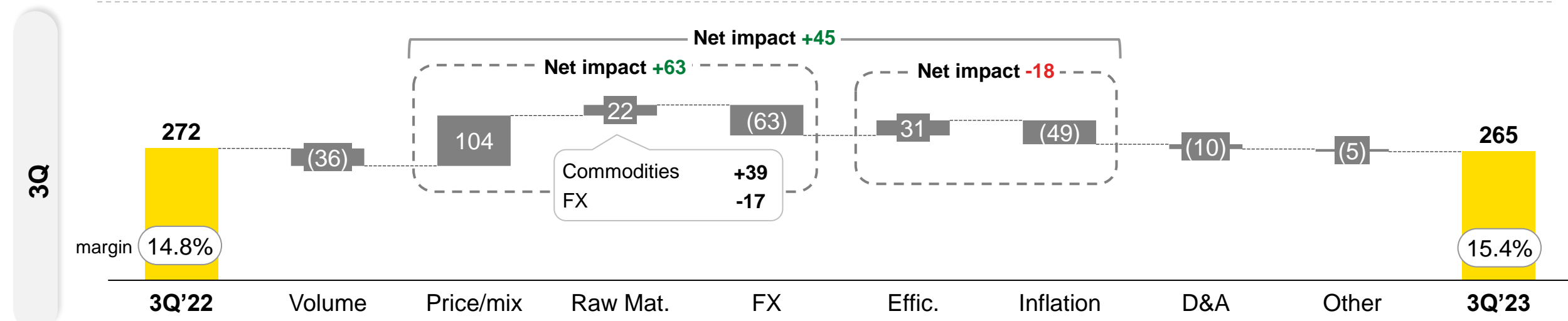
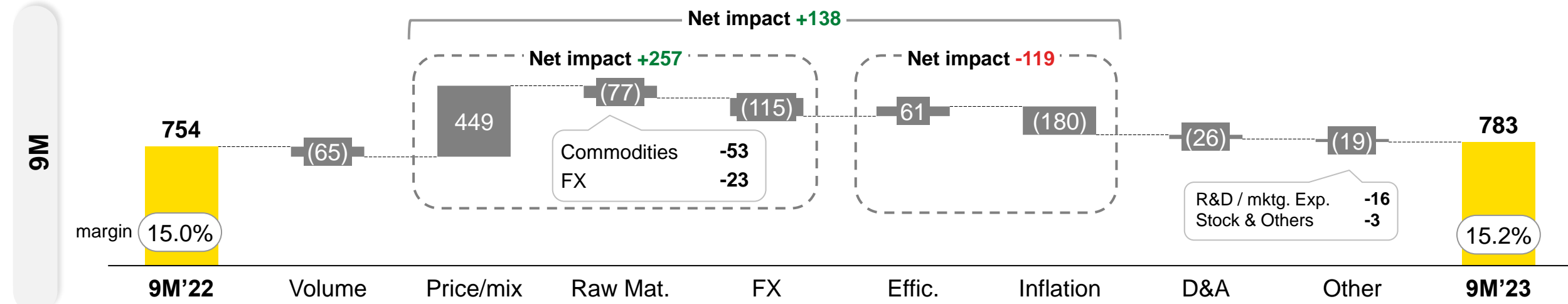
€ million



9M'23 adjusted EBIT bridge

Profitability supported by price/mix and efficiencies covering ~1.4x Raw Mat, FX & Inflation headwinds

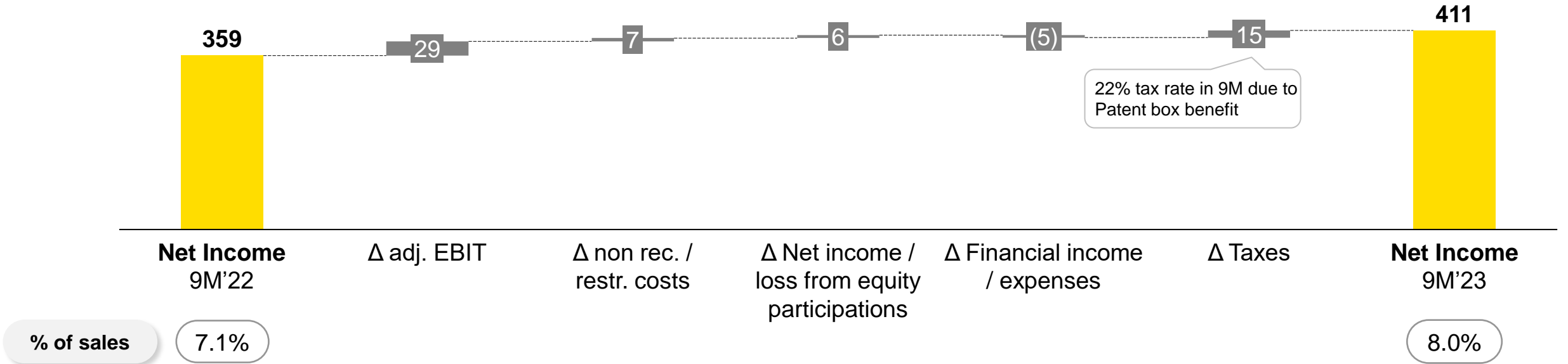
€ million



9M'23 Net Income bridge

Earnings growth (+14% yoy) supported by improving operating performance and tax benefits

€ million



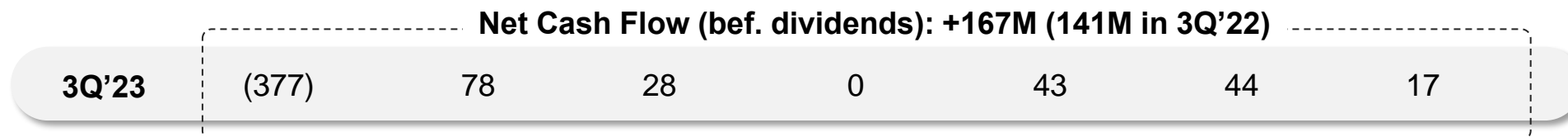
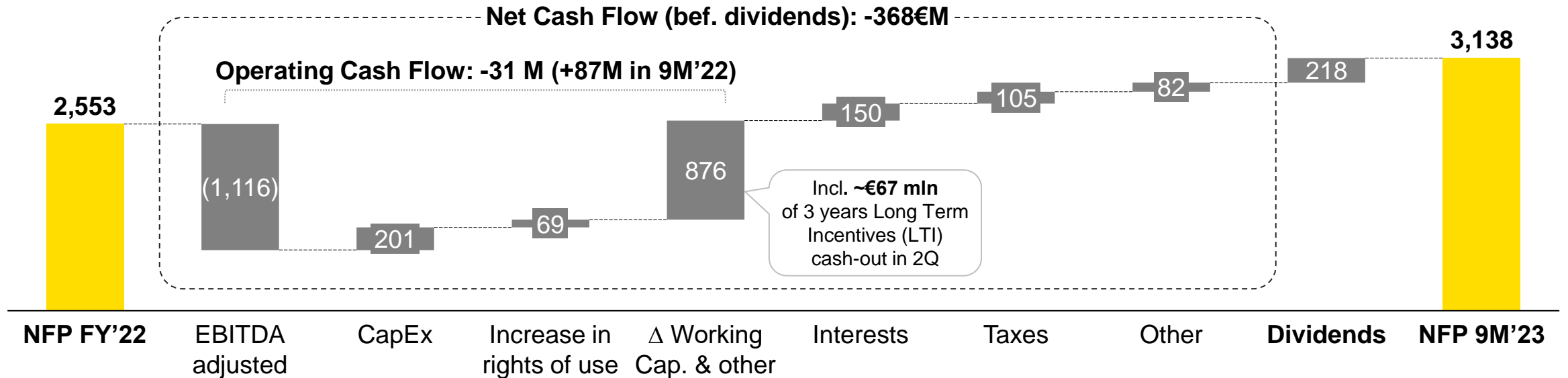
	9M 2022	9M 2023
Net income	359	411
Amortization from PPA	85	85
Non-recurring items and restructuring costs	36	29
Taxes	(35)	(72)
Net income adjusted	446	453

-€40M of patent box related to 2020-22

9M'23 Net Financial Position & NCF (before dividends)

Net Cash Flow bef. div. 9M'23 at -368M vs -323M in 9M'22 – improving €20 mln yoy excl. LTI impact

€ million



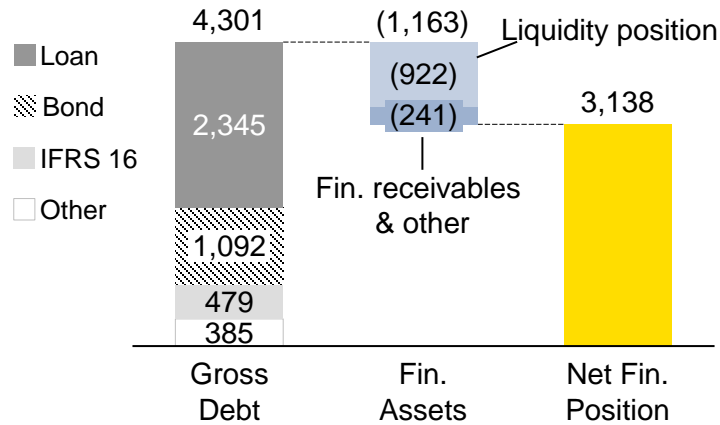
- › **Inventories** 20.4% of sales (vs 22.9% 9M '22) in line with target reduction
- › **Receivables** 16.2% of sales, increasing vs H1 13.1% (although below 9M '22) in line with business seasonality
- › **Payables** 22.0% with trend reflecting stock reduction dynamics. FY'23 weight on sales expected flat at ~30% as previous year

Total Gross Debt structure as of September 30th 2023

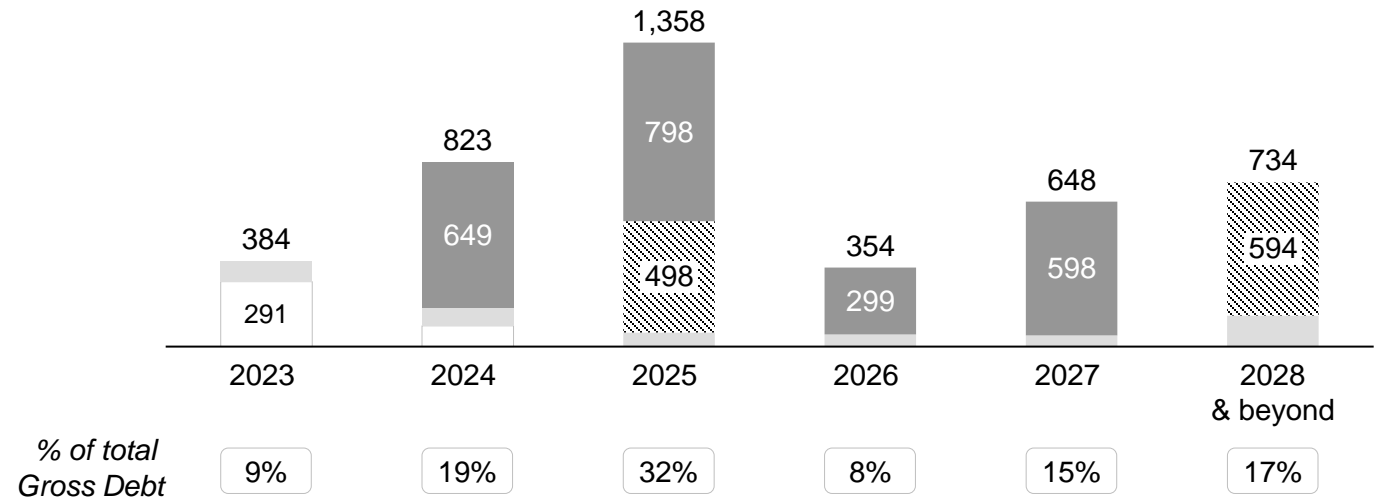
Liquidity margin fully covering debt maturities up to 2025ye. ESG-financing weight on gross debt at ~67%

€ million

Net Financial Position



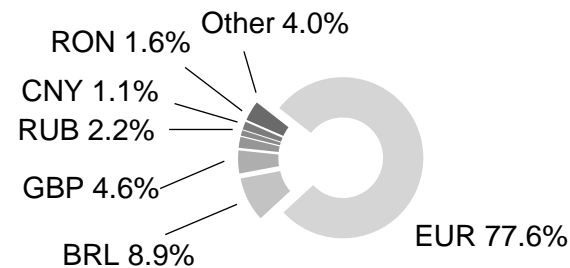
Gross Debt maturity



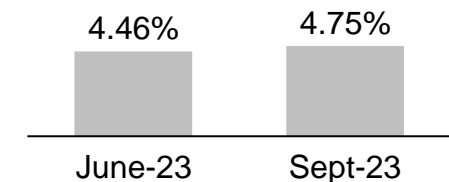
Liquidity profile

Liquidity position ¹	922
Committed lines not drawn	1,000
Liquidity margin	1,922

Break-down by currency²



Cost of debt (last 12 months)



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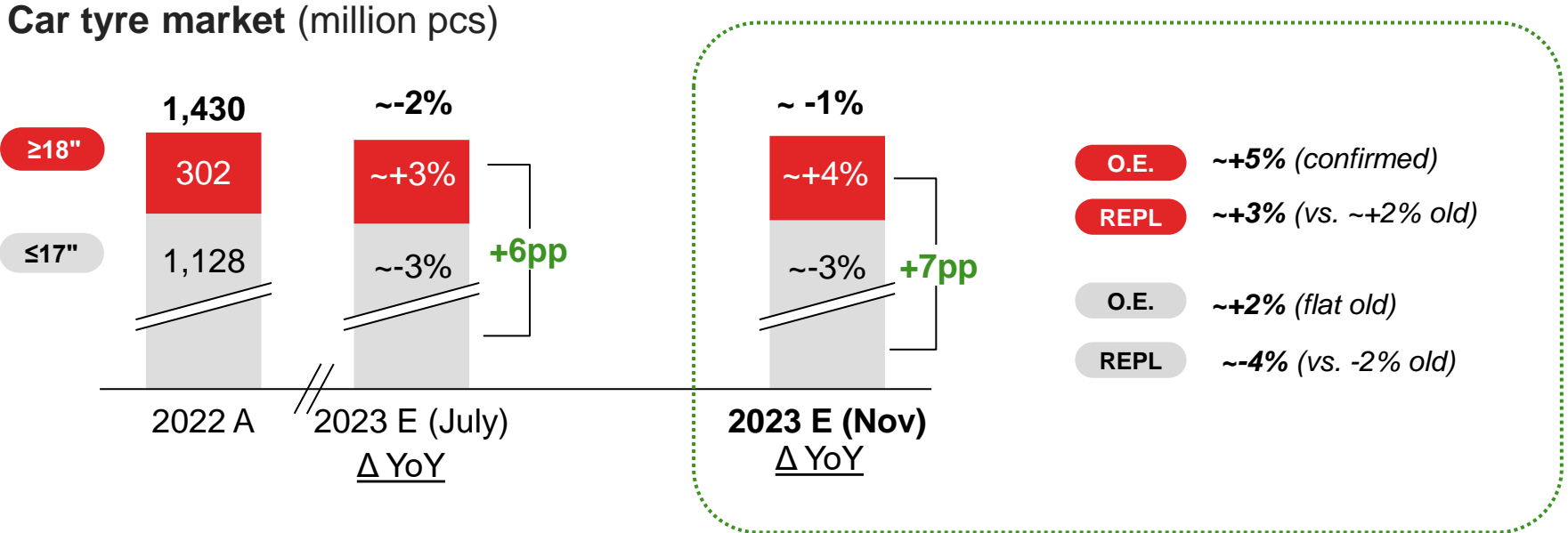
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2023 Global Car Tyre Market Outlook

Outlook marginally improved driven by High Value Replacement demand



Main highlights by segment / channel

- **O.E. ≥18"**: softer 2H trend confirmed across regions
- **Repl. ≥18"**: better outlook driven by North America, recovery confirmed in EU in 2H. Better trend in China offset by other APAC countries
- **Car ≤17"**: demand trend reflecting a weak economic environment

Pirelli expected to perform in line with the Car ≥18" market, however with a better trend in Replacement
 Further reduction in Standard vs. July guidance, is leading to -2% total Car volume in 2023 (-2%/-1% July guidance)

FY'23: guidance confirmed with profitability and cash flow in the upper side of July target range

€ billion

	2022 A	2023 E	
		TARGET @27 July '23	TARGET @09 Nov '23
Net Sales	6.62	~6.5 ÷ ~6.7	~6.6
<i>vol.</i>		-2% ÷ -1%	~-2%
<i>price/mix.</i>		~+7% ÷ ~+8%	~+8%
<i>FX</i>		~-7% ÷ ~-6%	~-6%
adj. EBIT margin	14.8%	14.5% ÷ <15%	~15%
CapEx <i>(% of Sales)</i>	0.40 <i>(6.0%)</i>	~0.40 <i>(~6%)</i>	Confirmed
Net Cash Flow bef. Dividends	0.52	~0.44 ÷ ~0.47	~0.45 ÷ ~0.47
Net Financial Position NFP / adj. EBITDA	2.55 1.8x	~2.35 ~1.65x ÷ ~1.7x	~2.33 ~1.60x ÷ ~1.65x
ROIC¹ Post taxes	20.3%	~20%	Confirmed

- Further reduction in Std
- In line with ≥18" market, however outperforming in ≥18" Repl.

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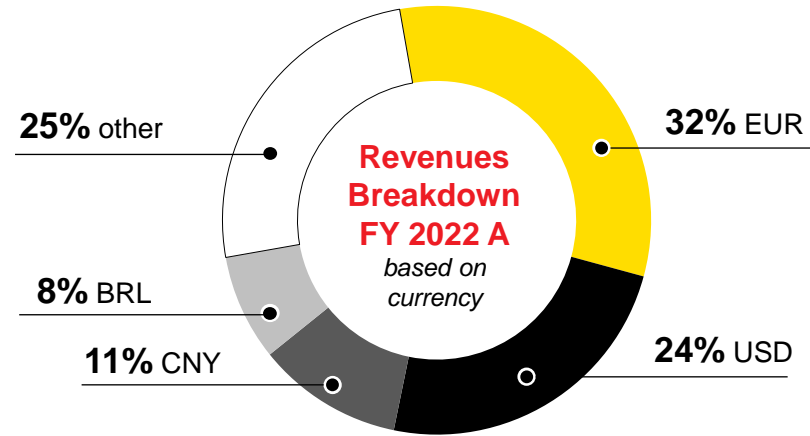
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2023 Forex guidance



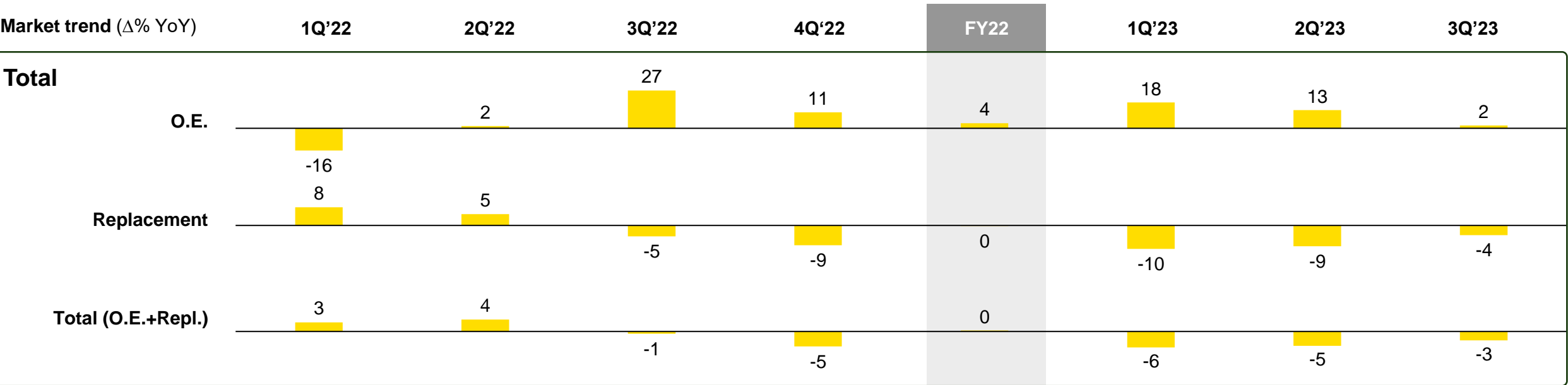
Main avg. exchange rates	2022 A	2023 E (Nov guid)	Δ YoY (vs. EUR)	2023 E (July guid)	Δ YoY (vs. EUR)
EUR / USD  / 	1.05	1.08	~-3%	1.10	~-4%
EUR / CNY  / 	7.08	7.69	~-8%	7.63	~-7%
EUR / BRL  / 	5.45	5.42	~-1%	5.54	~-2%
TOT. IMPACT ON SALES			~-6%		~-7% ÷ -6%

A globally acknowledged sustainability leadership

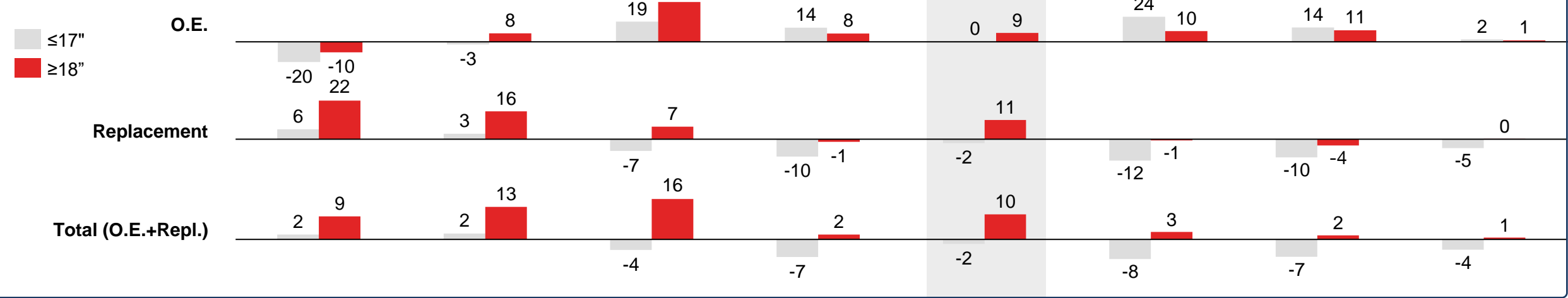
Major ratings	Last update	Score	Positioning in the reference sector
 <p>Member of Dow Jones Sustainability Indices Powered by the S&P Global CSA</p>	2022	86	 Top score ATX Auto Components
 <p>Top 1% S&P Global ESG Score 2022 86 /100</p>	2023	TOP 1% ESG	 Max Score
 <p>CDP DISCLOSURE LEADER ACTION A LIST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

Key Car Market Trends: Europe

Market trend (Δ% YoY)



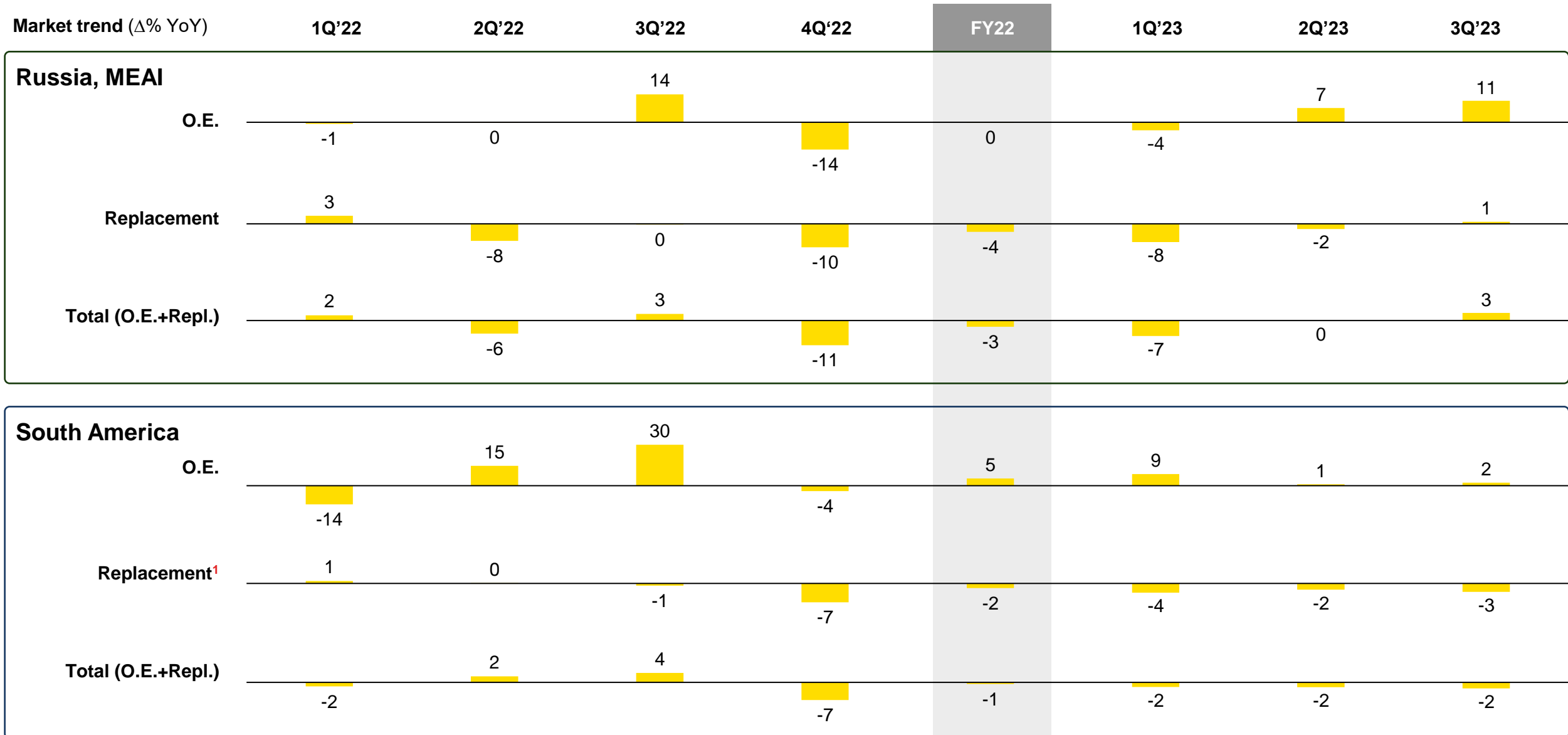
≥18" & ≤17"



Key Car Market Trends: Asia Pacific



Key Car Market Trends: Russia, MEAI / South America



Economic results summary

€ million

	3Q 2023	3Q 2022	Δ YoY	9M 2023	9M 2022	Δ YoY
Net Sales	1,722.7	1,836.3	-6.2%	5,160.2	5,033.3	+2.5%
<i>Organic variation</i>			+2.2%			+7.4%
adjusted EBITDA¹	376.7	383.9	-1.9%	1,115.8	1,079.2	+3.4%
<i>% of net sales</i>	21.9%	20.9%	+1.0 p.p.	21.6%	21.4%	+0.2 p.p.
reported EBITDA	368.3	367.4	+0.2%	1,086.9	1,043.2	+4.2%
<i>% of net sales</i>	21.4%	20.0%	+1.4 p.p.	21.1%	20.7%	+0.4 p.p.
adjusted EBIT¹	265.1	271.9	-2.5%	782.5	753.5	+3.8%
<i>% of net sales</i>	15.4%	14.8%	+0.6 p.p.	15.2%	15.0%	+0.2 p.p.
reported EBIT	228.3	227.0	+0.6%	668.3	632.2	+5.7%
<i>% of net sales</i>	13.3%	12.4%	+0.9 p.p.	13.0%	12.6%	+0.4 p.p.
Net income / (loss) from equity investments	2.7	0.8	n.m.	8.9	3.1	n.m.
Financial income / (expenses)	(43.3)	(55.5)	-22.0%	(150.2)	(145.1)	+3.5%
EBT	187.7	172.3	+8.9%	527.0	490.2	+7.5%
Taxes	(19.3)	(46.0)	-58.0%	(116.0)	(130.9)	-11.4%
Tax rate %	-10.3%	-26.7%		-22.0%	-26.7%	
Net Income / (loss)	168.4	126.3	+33.3%	411.0	359.3	+14.4%
Earnings / (loss) per share (€ per share)	0.16	0.12		0.39	0.34	
Net income / (loss) adjusted	154.8	157.9		453.1	445.8	

1. Adjustments refers to one-off, non recurring and restructuring expenses to the amount of €28.9M (€36.0M in 9M 2022). With reference only to EBIT, amortization of intangible assets recognized as a consequence of Business Combinations amounting to €85.3M (€85.3M in 9M 2022).

Consolidated Balance Sheet

€ million

	30/09/2023	31/12/2022	30/09/2022
Fixed assets	8,804.7	8,911.1	9,006.6
<i>Inventories</i>	1,376.3	1,457.7	1,464.3
<i>Trade receivables</i>	1,092.7	636.5	1,169.0
<i>Trade payables</i>	(1,484.3)	(1,973.3)	(1,625.3)
Operating net working capital	984.7	120.9	1,008.0
<i>% of net sales¹</i>	14.6%	1.8%	15.8%
Other receivables / payables	57.9	42.3	70.2
Net working capital	1,042.6	163.2	1,078.2
<i>% of net sales¹</i>	15.5%	2.5%	16.9%
Total net invested capital	9,847.3	9,074.3	10,084.8
Equity	5,632.0	5,453.8	5,646.6
Provisions	1,077.2	1,067.9	1,047.7
Net financial position	3,138.1	2,552.6	3,390.5
Total financing and shareholders' equity	9,847.3	9,074.3	10,084.8
Attributable net equity	5,504.8	5,323.8	5,487.3
Total net financial debt²	3,275.6	2,683.8	3,693.8

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

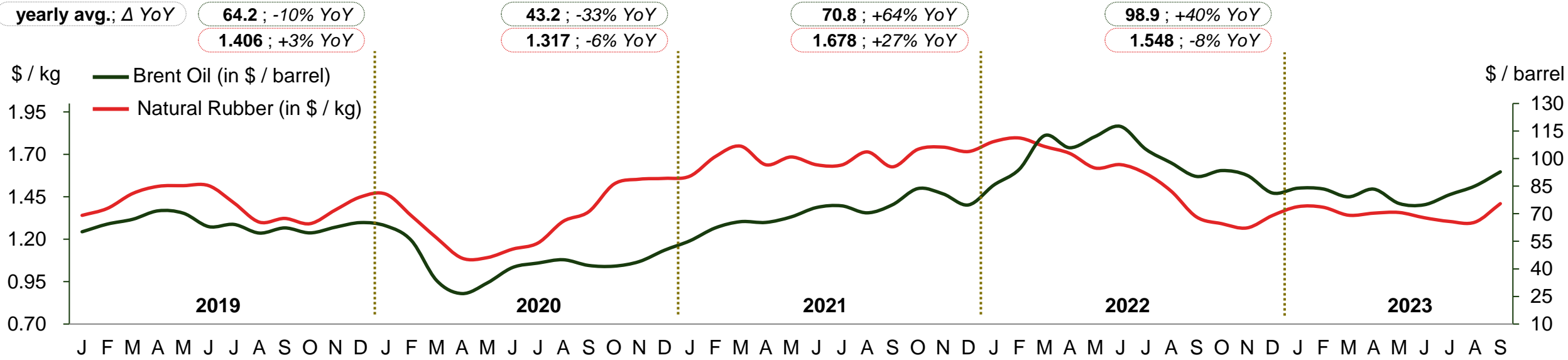
Net Cash Flow

€ million

	1Q 2023	2Q 2023	3Q 2023	9M 2023	9M 2022
Adjusted Operating income (EBIT)	248.1	269.3	265.1	782.5	753.5
Amortiz. & depreciations (excl. PPA amortiz.)	111.6	110.1	111.6	333.3	325.7
Investments in tangible and intangible assets (Capex)	(53.2)	(70.3)	(77.7)	(201.2)	(188.7)
Increase in right of use	(15.1)	(26.5)	(27.5)	(69.1)	(50.5)
Change in working capital/other	(868.8)	(6.8)	(0.4)	(876.0)	(752.6)
Operating Cash Flow	(577.4)	275.8	271.1	(30.5)	87.4
Financial income/(expenses)	(52.2)	(54.7)	(43.3)	(150.2)	(145.1)
Taxes paid	(29.0)	(32.3)	(43.8)	(105.1)	(151.2)
Cash-out for non recurring items and restructuring costs / other	(12.6)	(10.2)	(8.8)	(31.6)	(46.5)
Dividend paid to minorities	-	(3.9)	0.3	(3.6)	(24.6)
Exchange rates difference/other	(20.2)	(18.2)	(8.3)	(46.7)	(43.2)
Net Cash Flow before extr. oper. / equity transactions / divid.	(691.4)	156.5	167.2	(367.7)	(323.2)
Extraordinary operations	-	-	-	-	-
Net Cash Flow before dividends	(691.4)	156.5	167.2	(367.7)	(323.2)
Dividends paid by Parent	-	-	(217.8)	(217.8)	(160.2)
Net Cash Flow	(691.4)	156.5	(50.6)	(585.5)	(483.4)

Raw material costs trend and mix

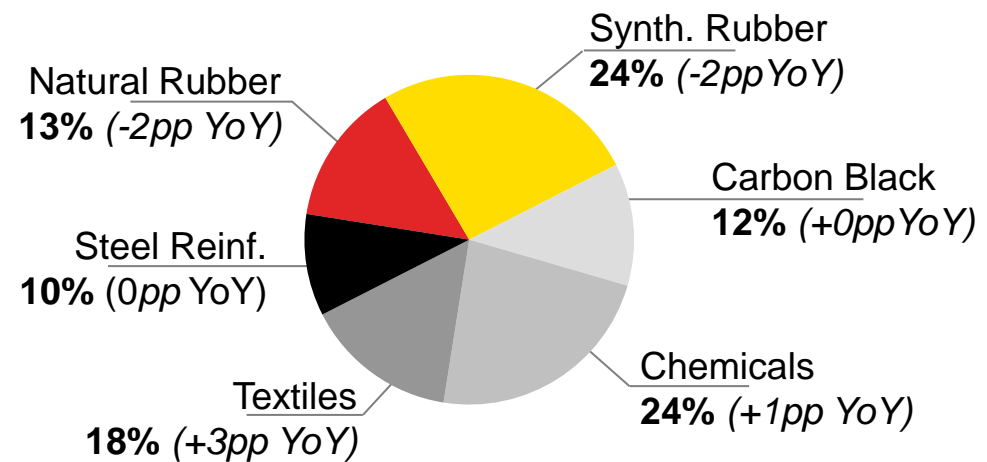
Main raw materials price trend



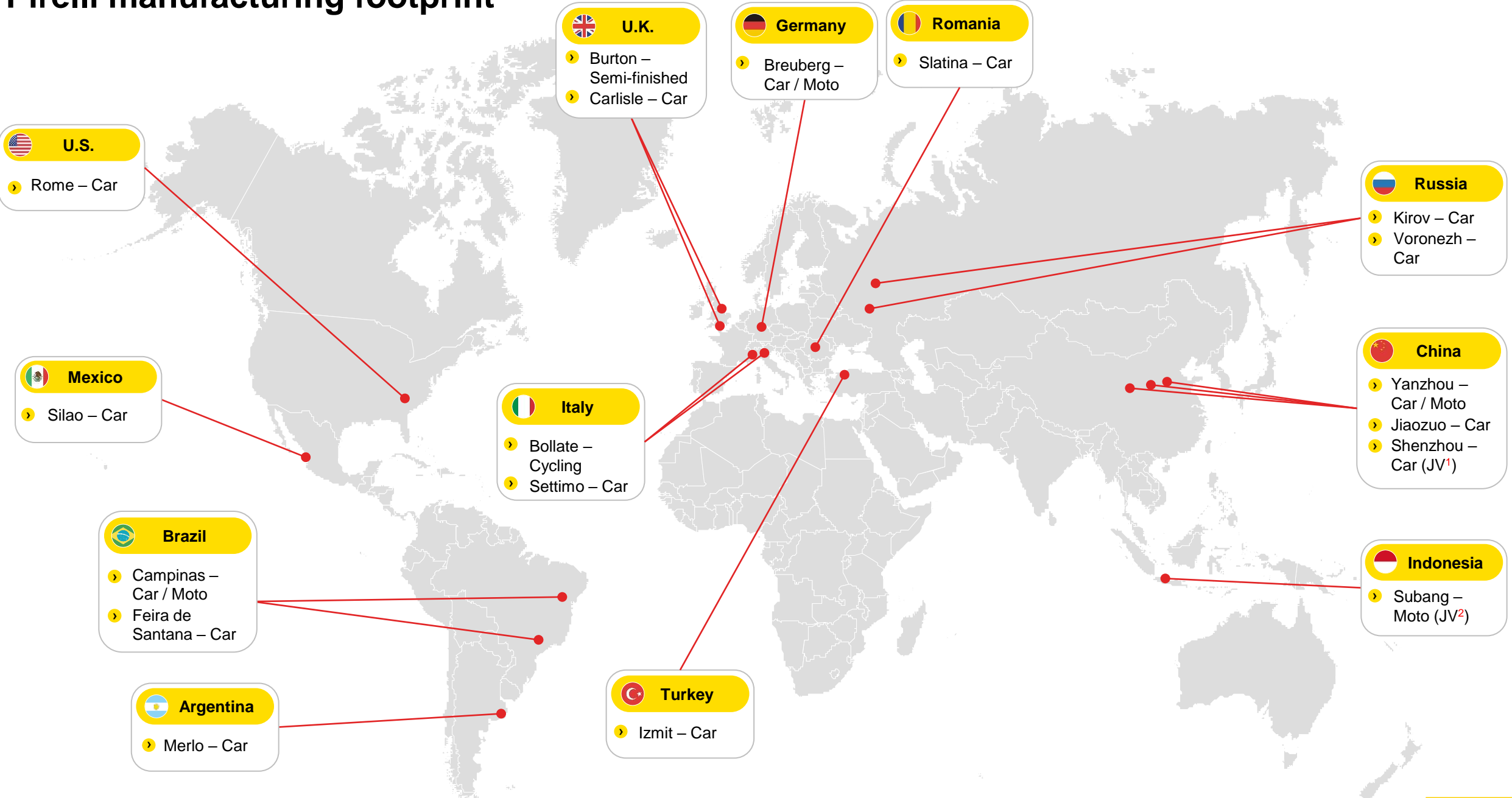
Pirelli 9M 2023 mix

based on purchasing cost

34%
raw mat. costs
on sales



Pirelli manufacturing footprint



1. 49% Joint Venture with the Hixih Group 2. 63% Joint Venture with PT Astra Otoparts