

# 9M 2021 FINANCIAL RESULTS



Milan, November 11<sup>th</sup>, 2021



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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 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 are EBIT, EBIT margin, EBITDA, EBITDA margin, net income and net income margin.

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# KEY MESSAGES

## > Industry scenario: positive outlook confirmed, but volatility is increasing

- Solid High Value Replacement demand and healthy pricing environment
- Higher volatility due to supply shortages (e.g. semi-conductor and logistics) and inflation
- Pirelli is fully seizing H.V. market recovery and anticipating external headwinds

## > Industrial Plan delivery well on track in all programs

- Commercial: outperformance confirmed in Car  $\geq 18$ "
- Innovation: product portfolio renewal on-going; increasing homologations in  $\geq 19$ " and Specialties
- Competitiveness: reached 74% of FY'21 net efficiencies target
- ESG: progressing in our decarbonisation plan targeting 100% renewable electricity<sup>1</sup> worldwide by 2025 and carbon neutrality by 2030

## > Solid 3Q results, driving the FY'21 guidance upgrade

- +10.9% price/mix in 3Q driven by price increase and mix improvement across segments
- €104 million Net Cash Flow (7.4% on Sales), supported by a tight working capital management
- Revenues and Net Cash Flow target raised, adjusted EBIT margin confirmed

# AGENDA

1 | 2021 SCENARIO, STRATEGY & TARGETS

2 | 9M 2021 MARKET AND PIRELLI PERFORMANCE

3 | 9M 2021 FINANCIALS IN DETAIL

4 | APPENDIX

# 2021 EXTERNAL SCENARIO UPDATE

## MACRO-ECON.



### Growth momentum weakening

>+5% Global GDP growth in 2021E, -0.2pp vs. Aug expectations due to supply chain disruptions & ongoing COVID outbreaks

## INFLATION



### Rising rate

Global inflation +3.7% in 2021E (Ind. Plan +2.3%) with headwinds on raw mat., energy, transportation & labour costs

## TYRE DEMAND



### High Value demand outlook confirmed

FY'21E Car ≥18" demand +12% YoY, with sound Repl. (+18%)  
O.E. revised downwards

## TYRE PRICING



### Supportive pricing environment

Additional price increases implemented in 3Q & October across Regions by all players

### Pirelli is intensifying actions with all levers to counter external headwinds, i.e.:

- I. Price/mix improvement to offset Raw Mat. and FX
- II. Competitiveness Plan to more than cover inflation increase
- III. A well structured action plan to mitigate supply chain volatility impact

# INDUSTRIAL PLAN DELIVERY, WELL ON TRACK ON ALL PROGRAMS

vs.  
Ind. Plan

## PLAN TARGETS

## 9M MAIN ACHIEVEMENTS



### Commercial

- Capture H.V. rebound & gain share
- Growing exposure to higher rims and technologies

- **Vol. +10 pp vs. Car ≥18" market**
- **66% weight of ≥19" (+3pp YoY)<sup>1</sup>**
- **Elect volumes ~10x vs. 9M'20 levels**



### Innovation

- Homologations in ≥19" and Specialties
- Speeding-up product pipeline with focus on Regional lines

- **~85% homologations ≥19", o/w ~45% Specialties**
- **Product launches on going**, with 5 new lines to tackle different regional Consumer needs (All-seasons, Winter, push-lines)



### Competitiveness

- Wave 2 program: €155M gross savings in FY'21 (4% of '20 baseline), €80M net

- **€110M gross savings (€59M net)**



### Operations

- Completion of footprint rationalization and volumes ramp-up to full saturation

- **Completed plant restructuring**, with Gravatai closure (in 3Q) and Burton reorganization (in 2Q)
- Capacity **utilization** confirmed **above 90%**



### ESG

- Progressing our decarbonization Plan
- Nurture Environment & Communities
- Leadership among ESG evaluations

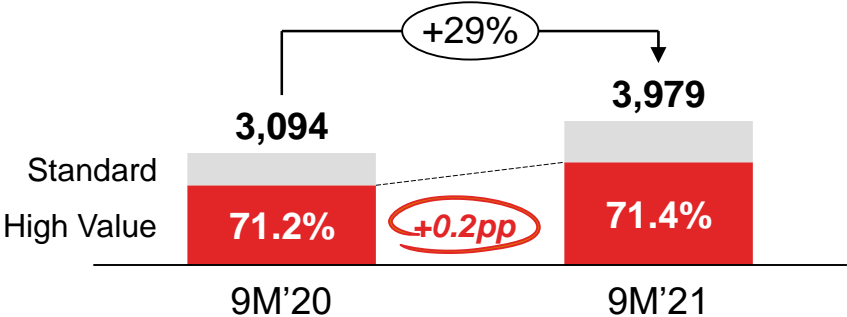
- **100% renewable power in EU<sup>2</sup>**
- **Pirelli, BMW & Birdlife project for de-forestation free natural rubber in Indonesia**
- Confirmed in the **UN Global Compact LEAD list - the only Automotive company**



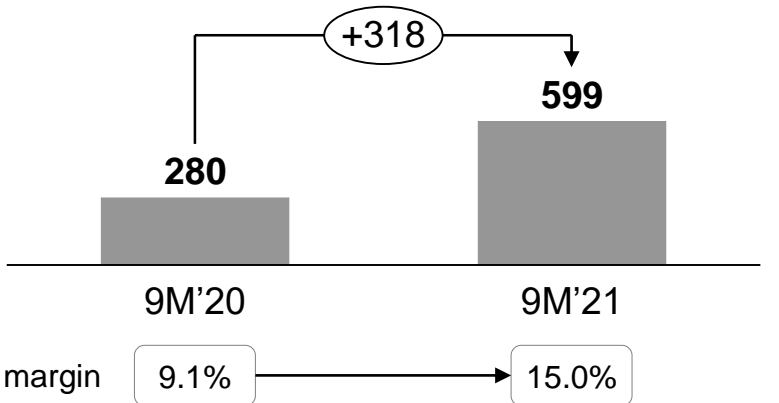
# PIRELLI 9M 2021 RESULTS HIGHLIGHTS

€ million

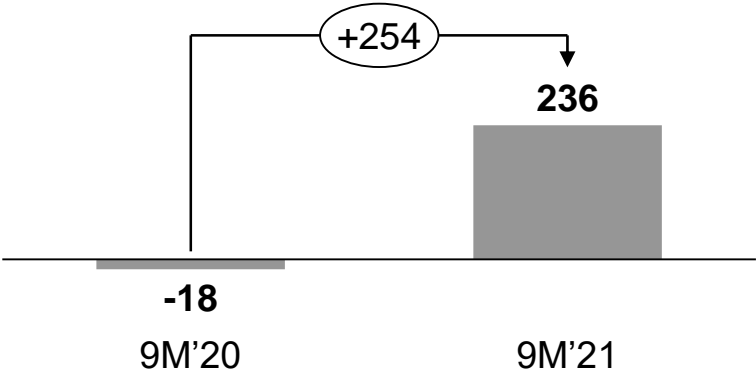
## Net Sales



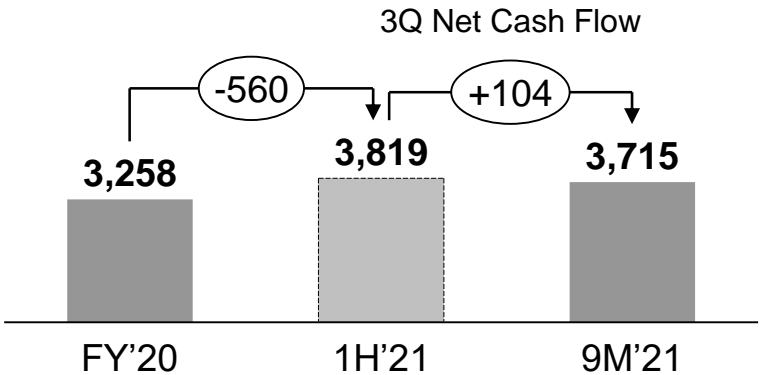
## adjusted EBIT<sup>1</sup>



## Net Income



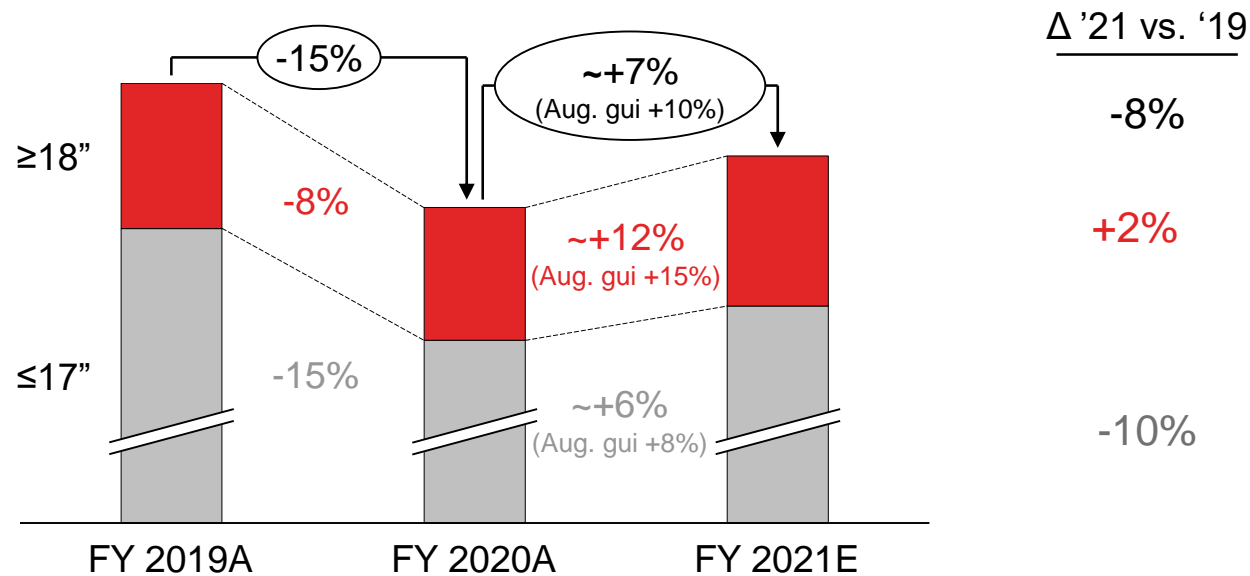
## Net Financial Position



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



# FY 2021 CAR TYRE MARKET OUTLOOK UPDATE



## > Lower 2021 Car market growth, mainly due to weaker O.E.

- **O.E. impacted by chip shortage** (O.E. total -1% YoY vs. +6% Aug. outlook; O.E. ≥18\"/>
- **Repl. ≥18\"/>**

## > **Pirelli 2021E volumes growth confirmed** (~+14%÷~+15% YoY) benefitting from exposure to High Value where we are gaining share.



# PIRELLI FY 2021 TARGETS UPDATE

€ billion

	2020 A	@ 5-Aug 2021 E	@ 11-Nov 2021 E
<b>Net Sales</b>	4.3	~5.0 ÷ ~5.1	~5.1 ÷ ~5.15
<b>adj. EBIT margin</b>	11.6%	~15% ÷ ~15.5%	<b>confirmed</b>
<b>CapEx</b> (% of Sales)	0.14 (3.3%)	~0.33 (~7%)	~0.33 (~6.5%)
<b>Net Cash Flow</b> bef. Dividends	0.21 <sup>1</sup>	~0.36 ÷ ~0.39	~0.39 ÷ ~0.41
<b>Net Financial Position</b> NFP / adj. EBITDA	3.3 3.65x	<3.0 ≤2.6x	<b>confirmed</b>
<b>ROIC</b> Post taxes	10.4%	≥16%	<b>confirmed</b>

- **Volumes** ~+14% ÷ ~+15%  
(Aug. guid. *confirmed*)
- **Price/mix** ~+7%  
(Aug. guid. ~+4.5% ÷ ~+5%)
- **FX** ~-2%  
(Aug. guid. ~-2.5% ÷ ~-2%)

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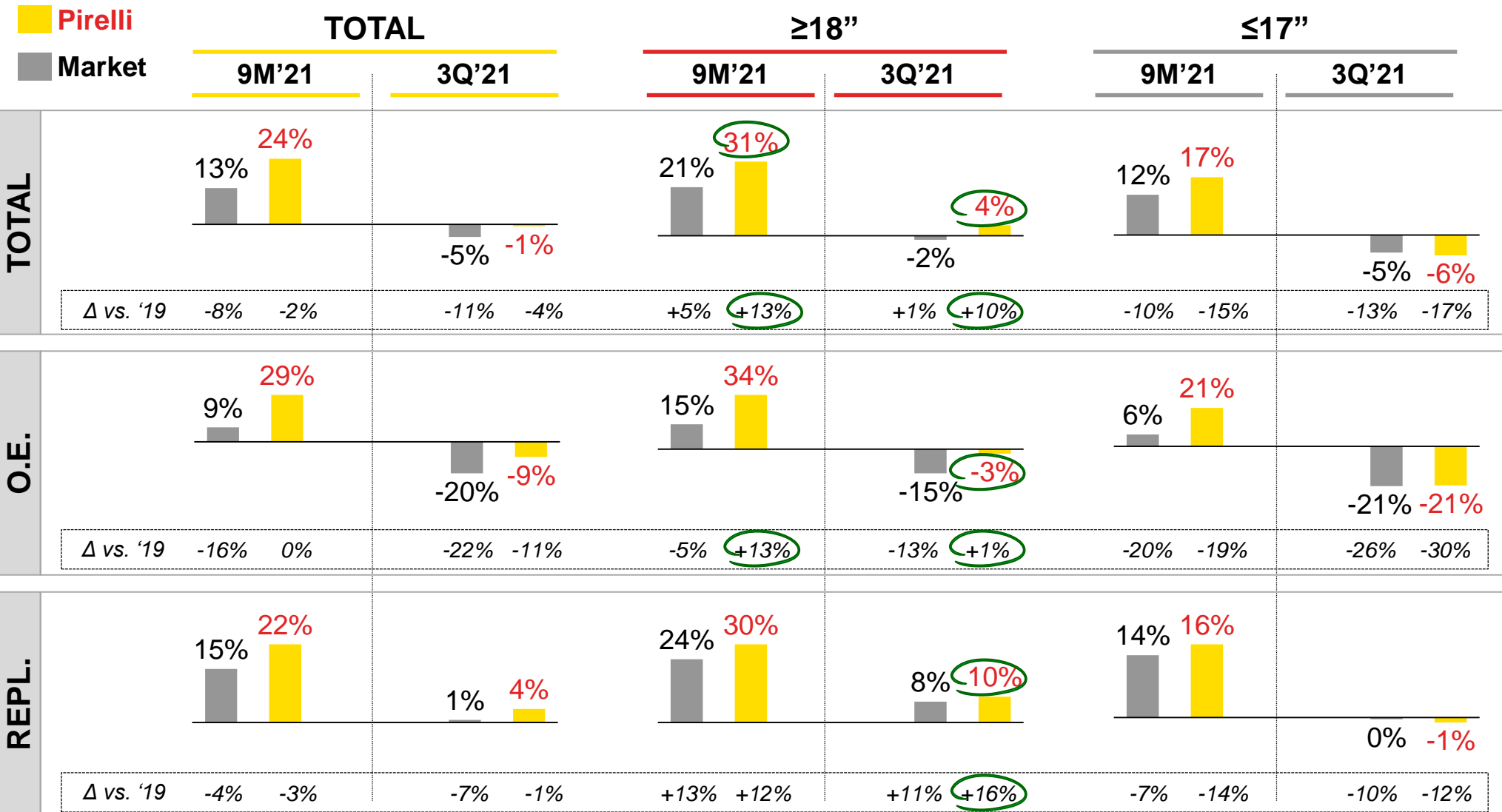
2 | **9M 2021 MARKET AND PIRELLI PERFORMANCE**

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# CAR TYRE MARKET AND PIRELLI PERFORMANCE

H.V. market > 2019 level, with solid Repl. demand; O.E. impacted by chip shortage  
 Pirelli outperformance confirmed in 3Q, despite a tough comparison base



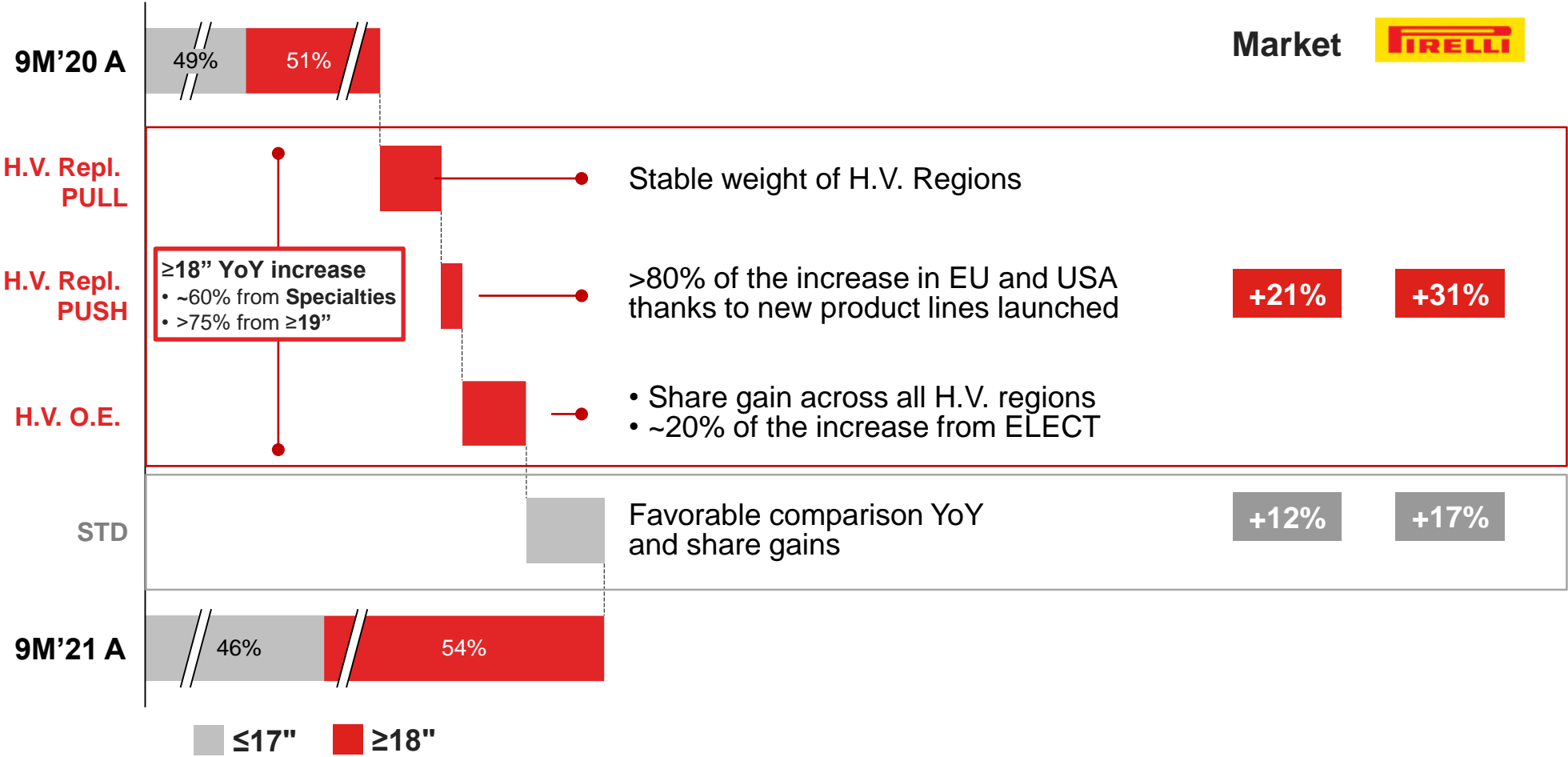
# COMMERCIAL PROGRAM PROGRESS

Strong over-performance mainly driven by  $\geq 19''$  and Specialties

## 9M 2021A Volume variance (Car)

## Key Programs Highlights

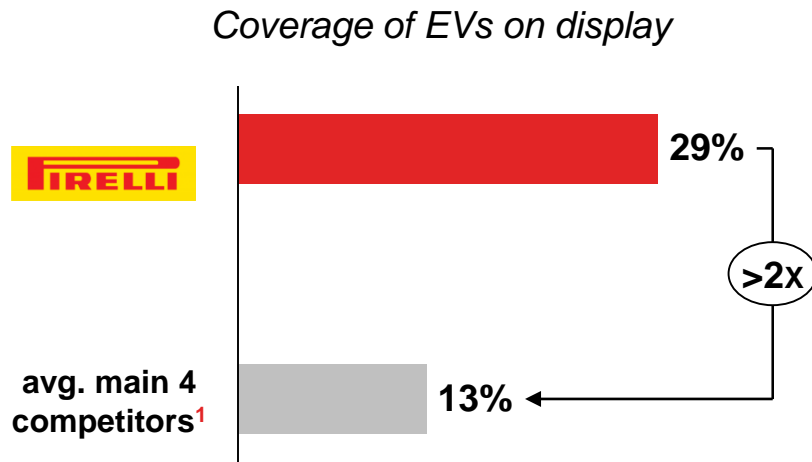
## Volume trend






# INNOVATION PROGRAM PROGRESS (1/2)

World's leading OEMs in Munich motor show chose Pirelli tyres for their EV cars

## Leader in EV at Munich Motor show



## Key partner of the most important Premieres

	Porsche Taycan		BMW iX BMW i4 BMW the iX
	ID.4 GTX ID.5 GTX		EQE 350 Maybach S680 EQG
	Mach-E GT		Air
	EV400 AWD		Grandsphere Concept
	polestar		Precept Vision

## Pirelli FSC-certified tyres on display for the first time



BMW iX5 Hydrogen  
275/35R22 P-zero FSC + 315730R22 P zero

Pirelli P Zero - with FSC-certified natural rubber & rayon - fitted on:

- New BMW iX5 Hydrogen
- BMW X5 xDrive45e Plug-In Hybrid

# INNOVATION PROGRAM PROGRESS (2/2)

in 3Q, completed the Cinturato family renewal

**Cinturato™**  
**WINTER 2**

**SAFETY AND COMFORT**  
IN WINTER CONDITIONS



- Winter tyre for medium-sized cars and CUVs
- More Safety and Comfort with extendable tyre sipes, a Pirelli pioneered technology
- More mileage thanks to an innovative compound
- Developed with virtual simulation
- Eco-friendly tyre: low R. Resistance (B/C on EU label), low noise (A/B on EU label)



The Elect-marked Cinturato Winter 2 is available in selected sizes....



SEAL INSIDE™

.....as well as on Pirelli's cutting-edge Seal Inside technology.



The Cinturato Winter 2 offers market-leading performance in all sorts of winter weather, as proven by renowned German certification board TÜV SÜD, which has awarded Pirelli's new tyre its Performance Mark<sup>1</sup>

**9M 2021 RESULTS**

Milan, November 11<sup>th</sup>, 2021



# ESG: PIRELLI, BIRDLIFE & BMW FOR DEFORESTATION FREE RUBBER IN INDONESIA

*An additional milestone in our natural rubber sustainability journey, after producing the first ever FSC certified tyre in 2Q*

**3-year partnership project in Hutan Harapan rainforest** (island of Sumatra), home to ~1,350 different animal species



## Objectives:

- conserving a deforestation-free area of 2,700 hectares
- improving indigenous communities' quality of life
- promoting women's rights
- improving natural rubber quality
- Protecting endangered animal species



## **Project Activities** - in line with Global Platform of Sustainable Natural Rubber<sup>1</sup> goals

- Agroforestry
- Care and protection of animals
- Local community engagement & female empowerment
- Forest protection
- Good Agricultural practices
- Traceability and use of sustainable natural rubber

# COMPETITIVENESS PROGRAM PROGRESS

9M'21 efficiencies delivery in line with Industrial Plan targets

		Wave 1 - '20	Wave 2 - '21-22			
		FY'20	focusing on:	'21-'22	FY'21	o/w 9M'21
Product Cost			<ul style="list-style-type: none"> <li>▶ Modularity</li> <li>▶ Design speed and virtualization</li> </ul>		~50% in 1H	
Manufacturing			<ul style="list-style-type: none"> <li>▶ Footprint optimization</li> <li>▶ Industrial IOT and flexible factory</li> </ul>		mostly in 2Q (YoY recovery)	
SG&A			<ul style="list-style-type: none"> <li>▶ Logistics network redesign and service differentiation</li> <li>▶ Procurement rationalization</li> </ul>		mostly in 2H	
Organization			<ul style="list-style-type: none"> <li>▶ Digital Processes and Organization transformation</li> </ul>		mostly in 2H	
<b>Total Gross Impact as% of cost baseline</b>		~€160M ~3.5% of baseline '19		~€310M ~8.0% of baseline '20	~€155M ~4.0% of baseline '20	~€110M ~2.9% of baseline '20
<b>Total Net Impact as% of cost baseline</b>		~€110M ~2.5% of baseline '19		~€170M ~4.5% of baseline '20	~€80M ~2.1% of baseline '20	~€59M ~1.6% of baseline '20



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2 | 9M 2021 MARKET AND PIRELLI PERFORMANCE

**3 | 9M 2021 FINANCIALS IN DETAIL**

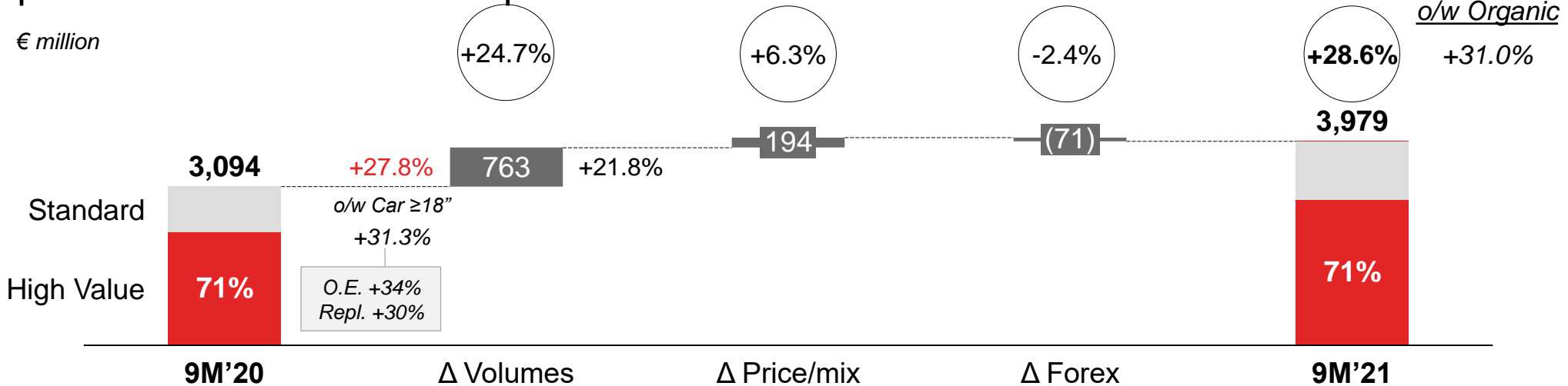
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# 9M 2021 NET SALES BRIDGE

Top line supported by strong commercial performance; record 3Q price/mix driven by price increases and mix improvement

€ million

*o/w Organic*



	High Value	Standard					
<b>3Q'21</b>	+1.8%	-0.4%	-2.6%	+10.9%	+0.2%	+10.7%	+10.5%
	o/w Car ≥18"						
	+4.4%						
	O.E. -3%						
	Repl. +10%						
<b>2Q'21</b>	+68.8%	+69.9%	+72.9%	+4.0%	-1.2%	+72.6%	+73.8%
	o/w Car ≥18"						
	+73.9%						
	O.E. <sup>1</sup> +98%						
	Repl. <sup>1</sup> +60%						
<b>1Q'21</b>	+29.3%	+22.2%	+15.4%	+2.3%	-6.1%	+18.4%	+24.5%
	o/w Car ≥18"						
	+33.3%						
	O.E. +36%						
	Repl. +31%						

9M 2021 RESULTS

Milan, November 11<sup>th</sup>, 2021

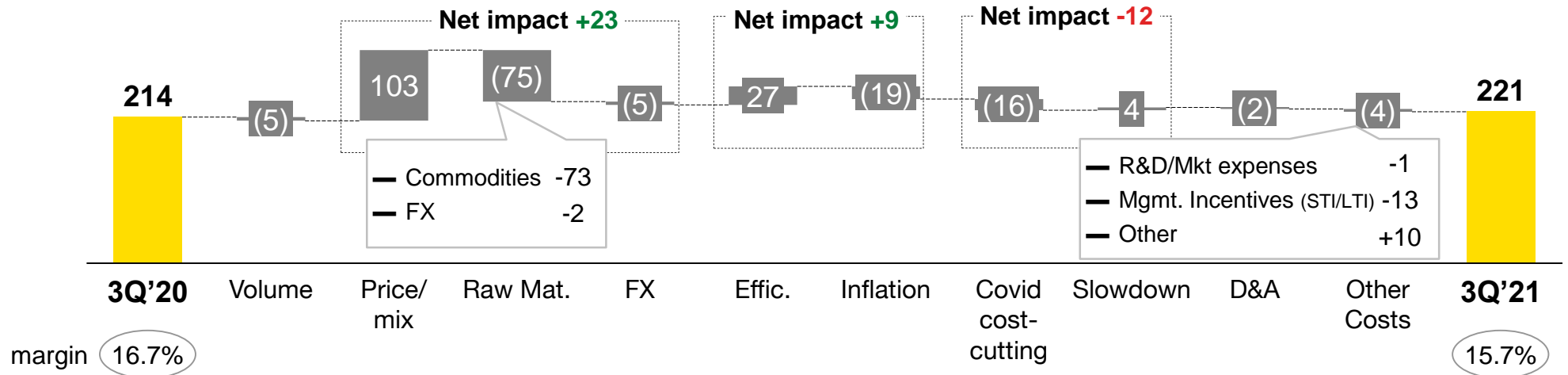
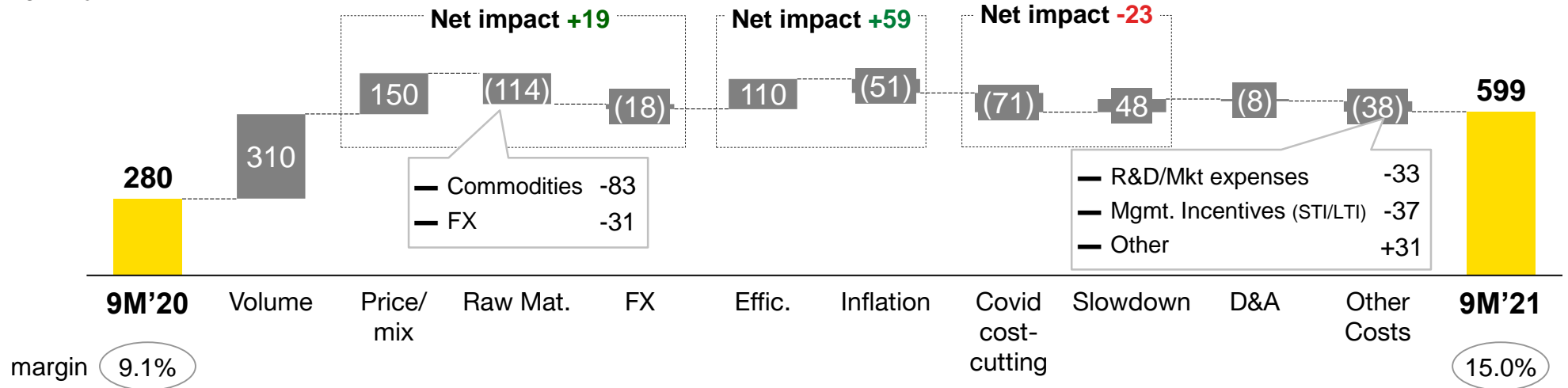


1. Car ≥18" 2Q'20: -35%, -43% O.E., -30% Repl.

# 9M / 3Q 2021 ADJUSTED EBIT BRIDGE

Strong Internal levers contribution offsetting external headwinds, 3Q margin YoY trend impacted by the reversal of 2020 COVID actions

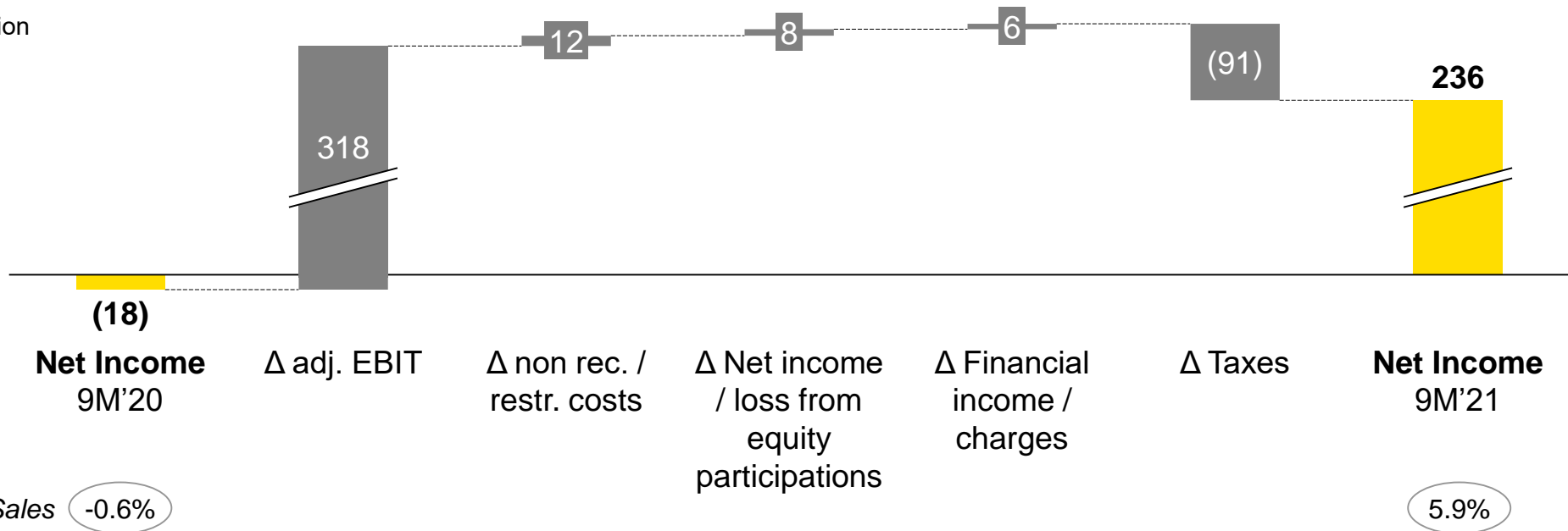
€ million



# 9M 2021 NET INCOME BRIDGE

Earnings driven by improving operating performance

€ million



	9M'20	9M'21
<b>Net Income reported</b>	<b>-18</b>	<b>236</b>
PPA amortization	+86	+85
Non recurring / restr. costs / other adj.	+99	+87
Taxes impact	-52	-49
<b>Adj. Net Income</b>	<b>115</b>	<b>360</b>

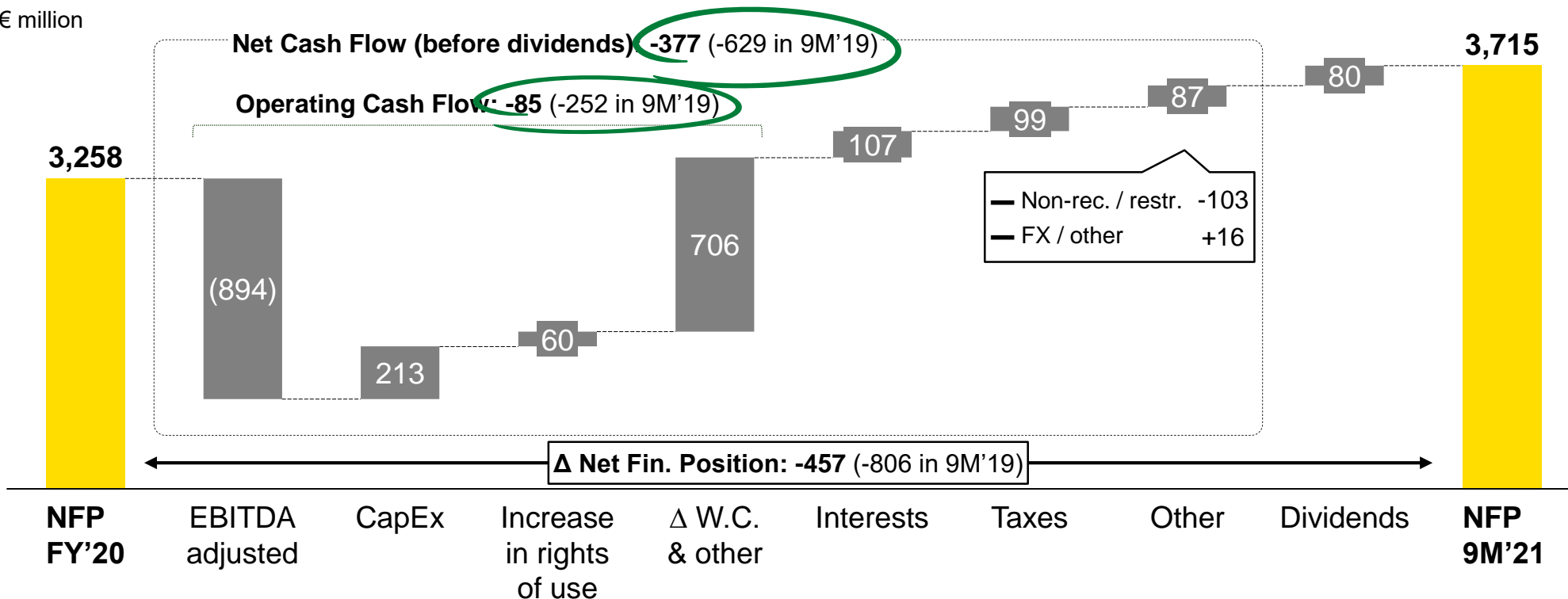
incl. 33 of COVID-19 direct costs (for Non recurring / restr. costs / other adj. in 9M'20)

incl. 13 of COVID-19 direct costs (for Non recurring / restr. costs / other adj. in 9M'21)

# 9M'21 NET FINANCIAL POSITION

Cash Flow better vs. 9M'19, due to Working Capital management

€ million



## 3Q'21 Net C.F. (before dividends)

EBITDA adjusted	320
Capital expenditures	-61
Increase in rights of use	-10
Change in WC / other	-62
Taxes / Interests	-62
Other	-22
<b>Total</b>	<b>104</b>

12 in 3Q'19

## 9M'21 Working Capital trend

- **Inventories** at 19%<sup>1</sup> of Sales stable YoY and vs. 1H'21 (-2pp vs. 9M'19)
- **Trade receivables** at 18%<sup>1</sup> of Sales (stable vs. 9M'19) increasing in 3Q due to the seasonality of the business
- **Trade payables** at 20%<sup>1</sup> of Sales (22%<sup>1</sup> in 9M'19), increasing in 3Q coherently with the recovery of the business

9M 2021 RESULTS

Milan, November 11<sup>th</sup>, 2021

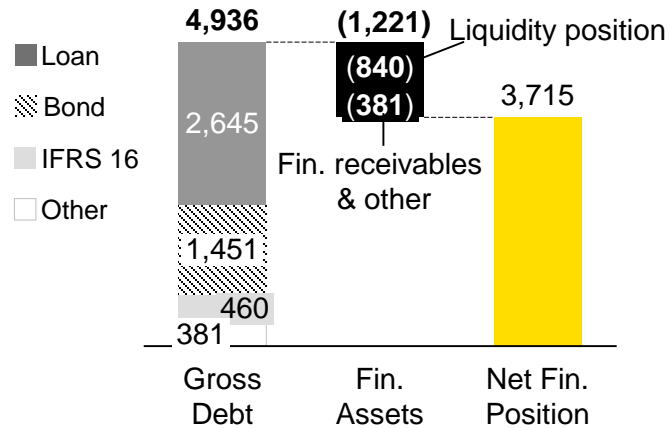


# PIRELLI CAPITAL STRUCTURE AS OF SEPT. 30<sup>TH</sup> 2021

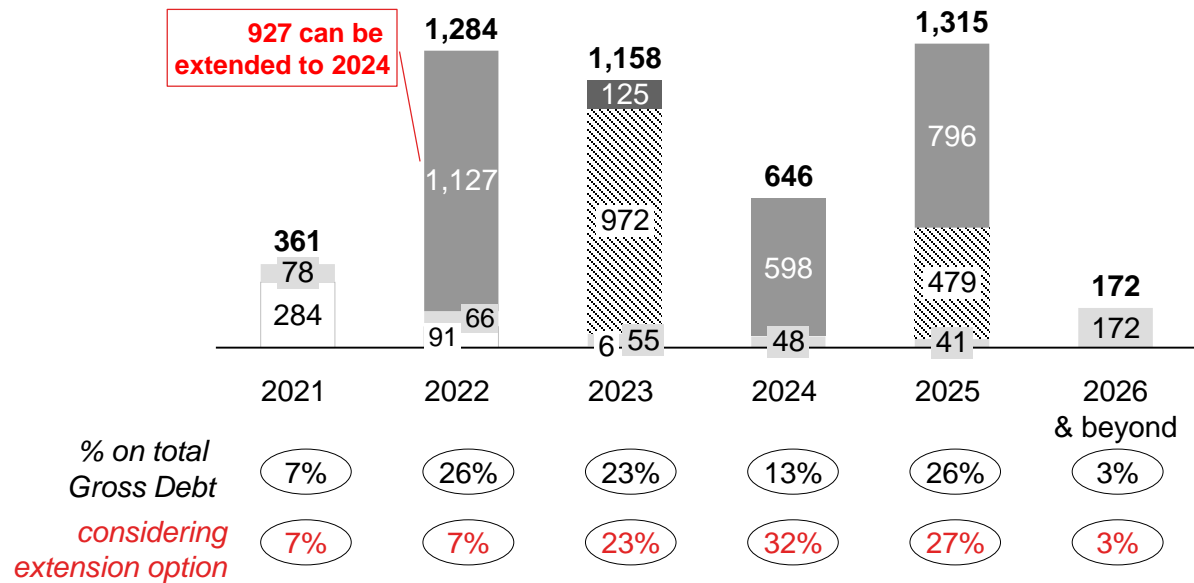
Liquidity Margin covering maturities until 1H'23, considering the extension option  
 Cost of debt trend in line with FY'21 assumptions

€ million

## Net Financial Position



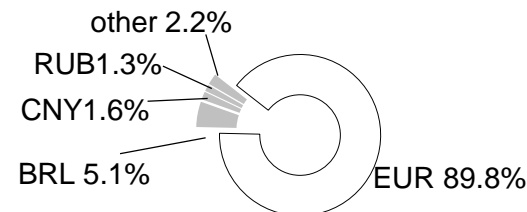
## Gross Debt maturity



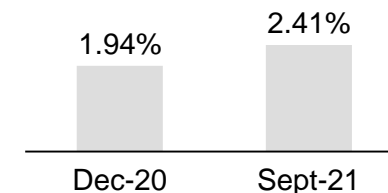
## Liquidity profile

Liquidity position <sup>1</sup>	840
Committed lines not drawn	700
<b>Liquidity margin</b>	<b>1,540</b>

## Break-down by currency



## Cost of Debt (last 12 months)



9M 2021 RESULTS

Milan, November 11<sup>th</sup>, 2021



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# PIRELLI LEADING POSITION IN SUSTAINABILITY RANKINGS & INITIATIVES

Major sustainability ratings (Nov-21)	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>	2020	84	<b>#1</b> ATX Auto Components
 <p><b>Sustainability Award</b> Gold Class 2021 <b>S&amp;P Global</b></p>	2021	Gold class	<b>#1</b> Max score
 <p><b>CDP</b> DISCLOSURE INSIGHT ACTION</p>	2020	A	<b>#1</b> Max score
 <p><b>MSCI</b></p>	2021	AA	<b>#2</b> Auto Components (PI #2 / 36)
 <p><b>FTSE4Good</b></p>	2021	4.5 / 5	<b>#1</b> Auto & Parts / Tyres
 <p><b>United Nations Global Compact</b></p>	2021	LEAD	<b>#1</b> Max score
 <p><b>SUSTAINALYTICS</b></p>	2021	10.4	<b>#3</b> Auto Components (PI #3 / 209)
 <p><b>ISS ESG</b></p>	2020	B-	<b>#1</b> Auto Components (PI #1 / 78)
 <p><b>ecovadis</b></p>	2021	Platinum	n.a.
 <p><b>V.E</b></p>	2020	Advanced	<b>#2</b> Automobiles (PI #2 / 40)



# PIRELLI 3Q / 9M RESULTS HIGHLIGHTS

€ million

	3Q'20	3Q'21	Δ YoY	9M'20	9M'21	Δ YoY
<b>Revenues</b>	<b>1,277</b>	<b>1,414</b>	<b>+10.7%</b>	<b>3,094</b>	<b>3,979</b>	<b>+28.6%</b>
<i>Organic Growth<sup>1</sup></i>			+10.5%			+31.0%
High Value Revenues	918	997	+8.7%	2,203	2,842	+29.0%
adj. EBITDA <sup>2</sup>	309	320	+3.5%	577	894	+54.9%
<i>Margin</i>	24.2%	22.6%	-1.6pp	18.7%	22.5%	+3.8pp
<b>adj. EBIT<sup>3</sup></b>	<b>214</b>	<b>221</b>	<b>+3.6%</b>	<b>280</b>	<b>599</b>	<i>n.m.</i>
<b><i>Margin</i></b>	<b>16.7%</b>	<b>15.7%</b>	<b>-1.0pp</b>	<b>9.1%</b>	<b>15.0%</b>	<b>+5.9pp</b>
PPA amortization	(29)	(28)		(86)	(85)	
Non recurring & restructuring costs	(33)	(15)		(99)	(87)	
EBIT	152	178		96	426	
<i>Margin</i>	11.9%	12.6%		3.1%	10.7%	
Results from Equity Investments	(1)	(0)		(6)	2	
Financial Income (Charges)	(40)	(35)		(113)	(107)	
EBT	111	142		(24)	321	
<i>Tax Rate</i>	24.2%	26.4%		25.0%	26.4%	
<b>Net Income</b>	<b>84</b>	<b>105</b>		<b>(18)</b>	<b>236</b>	
Net Income adjusted <sup>3</sup>	129	136		115	360	

# PIRELLI BALANCE SHEET

€ million

	30-Sept-2020	31-Dec-2020	30-Sept-2021
Fixed assets (before IFRS 16)	8,465	8,423	8,396
Right of use IFRS 16	444	434	427
<b>Fixed assets (incl. IFRS 16)</b>	<b>8,909</b>	<b>8,857</b>	<b>8,823</b>
<i>Inventories</i>	825	836	974
<i>Trade receivables</i>	949	598	939
<i>Trade payables</i>	(808)	(1,268)	(1,044)
Operating net working capital	965	166	869
Other receivables / payables	51	(26)	(29)
<b>Net Working Capital</b>	<b>1,016</b>	<b>141</b>	<b>840</b>
<b>Total net invested capital</b>	<b>9,925</b>	<b>8,998</b>	<b>9,662</b>
<b>Equity</b>	<b>4,404</b>	<b>4,552</b>	<b>4,911</b>
<b>Provisions</b>	<b>1,269</b>	<b>1,187</b>	<b>1,036</b>
Net Financial Position (excl. IFRS 16)	3,780	2,793	3,256
Lease Obligations (IFRS 16)	472	466	459
<b>Net Financial Position (incl. IFRS 16)</b>	<b>4,252</b>	<b>3,258</b>	<b>3,715</b>
<b>Total financing and shareholders' equity</b>	<b>9,925</b>	<b>8,998</b>	<b>9,662</b>

# PIRELLI 3Q / 9M GROUP CASH FLOW

€ million

	3Q'20	3Q'21	9M'20	9M'21
Adjusted EBIT <sup>1</sup>	214	221	280	599
Depreciation & Amortization (excl. PPA amortization)	96	99	297	295
Capital expenditures	(25)	(61)	(106)	(213)
Rights of use (IFRS 16)	(15)	(10)	(62)	(60)
Change in working capital / other	(173)	(62)	(902)	(706)
<b>Operating Cash Flow</b>	<b>97</b>	<b>188</b>	<b>(493)</b>	<b>(85)</b>
Financial income / (expenses)	(40)	(35)	(113)	(107)
Taxes paid	(16)	(27)	(70)	(99)
Cash-out for non recurring items and restructuring costs	(42)	(33)	(91)	(103)
Exchange rates difference / other	15	11	23	12
<b>Net cash flow before dividends &amp; extraordinary operations</b>	<b>12</b>	<b>104</b>	<b>(745)</b>	<b>(381)</b>
Financial asset disposals / (acquisitions)	-	-	-	4
<b>Net cash flow before dividends</b>	<b>12</b>	<b>104</b>	<b>(745)</b>	<b>(377)</b>
Dividends paid	-	(1)	-	(80)
<b>Net cash flow</b>	<b>12</b>	<b>103</b>	<b>(745)</b>	<b>(457)</b>

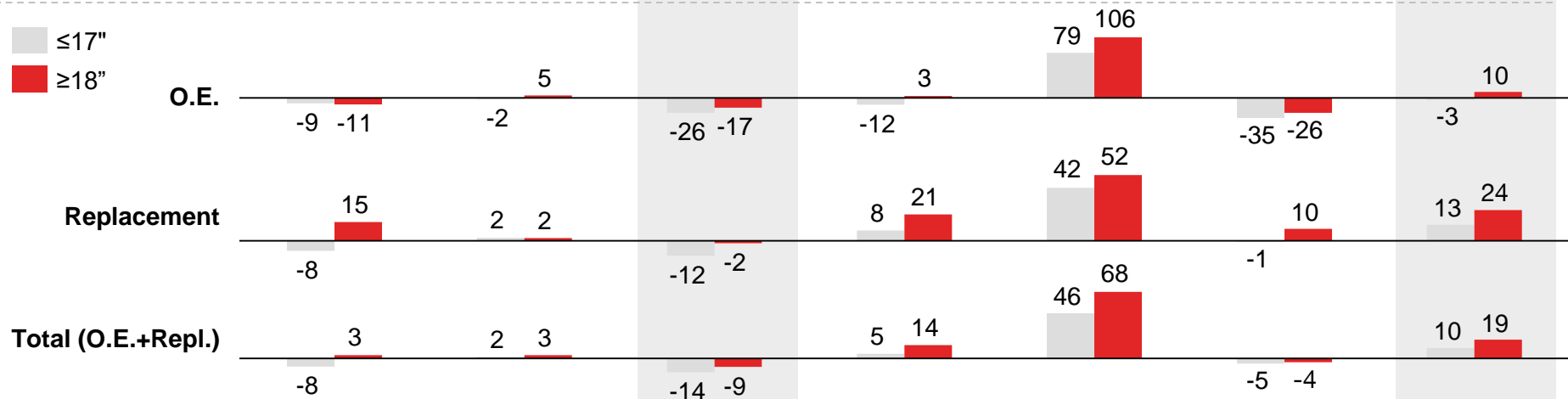
# KEY CAR MARKET TRENDS: EUROPE

Market trend  
Δ% YoY

Total Car market



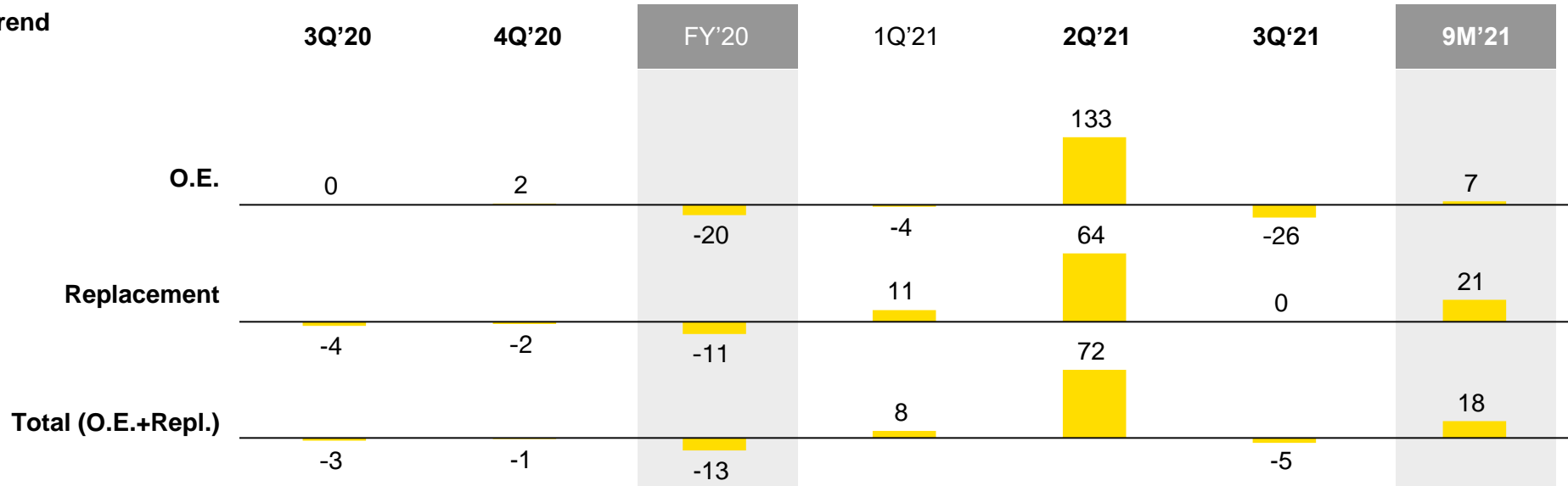
≥18" & ≤17"



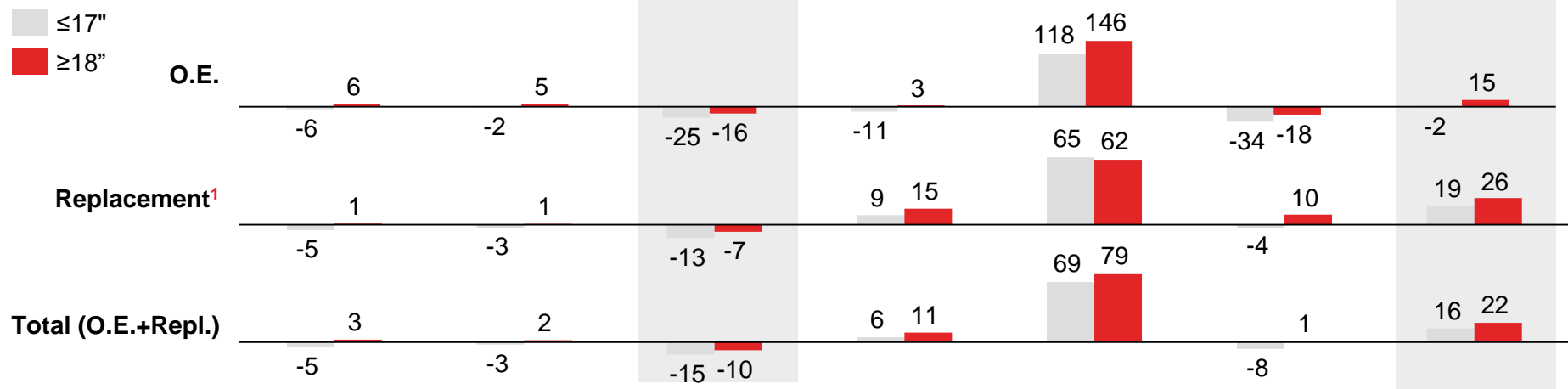
# KEY CAR MARKET TRENDS: NORTH AMERICA

Market trend  
Δ% YoY

Total Car market



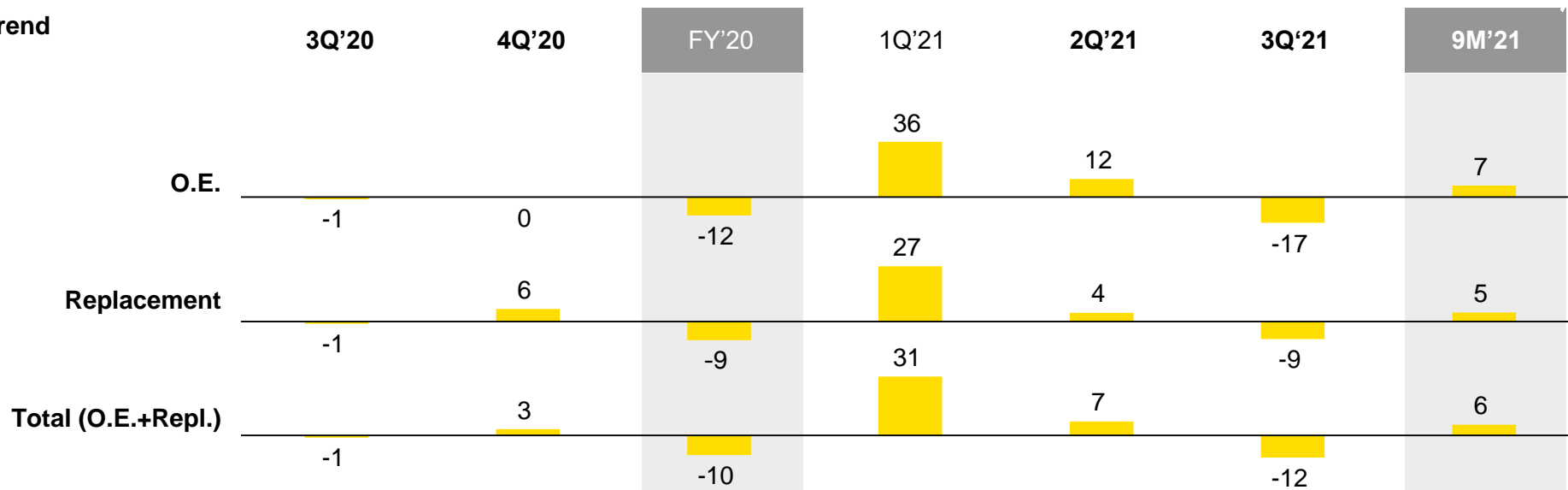
≥18" & ≤17"



# KEY CAR MARKET TRENDS: ASIA PACIFIC

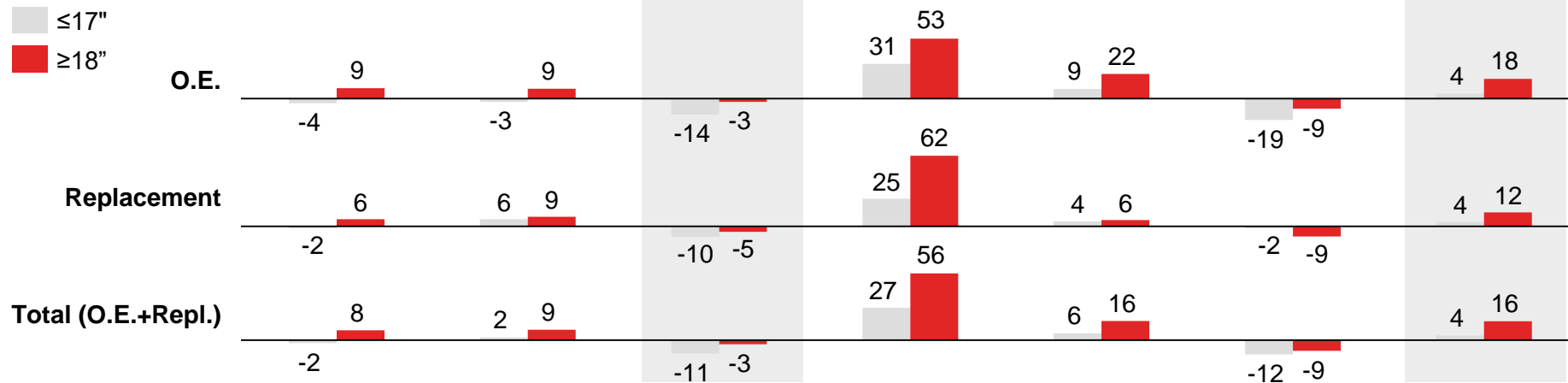
Market trend  
Δ% YoY

Total Car market



≥18" & ≤17"

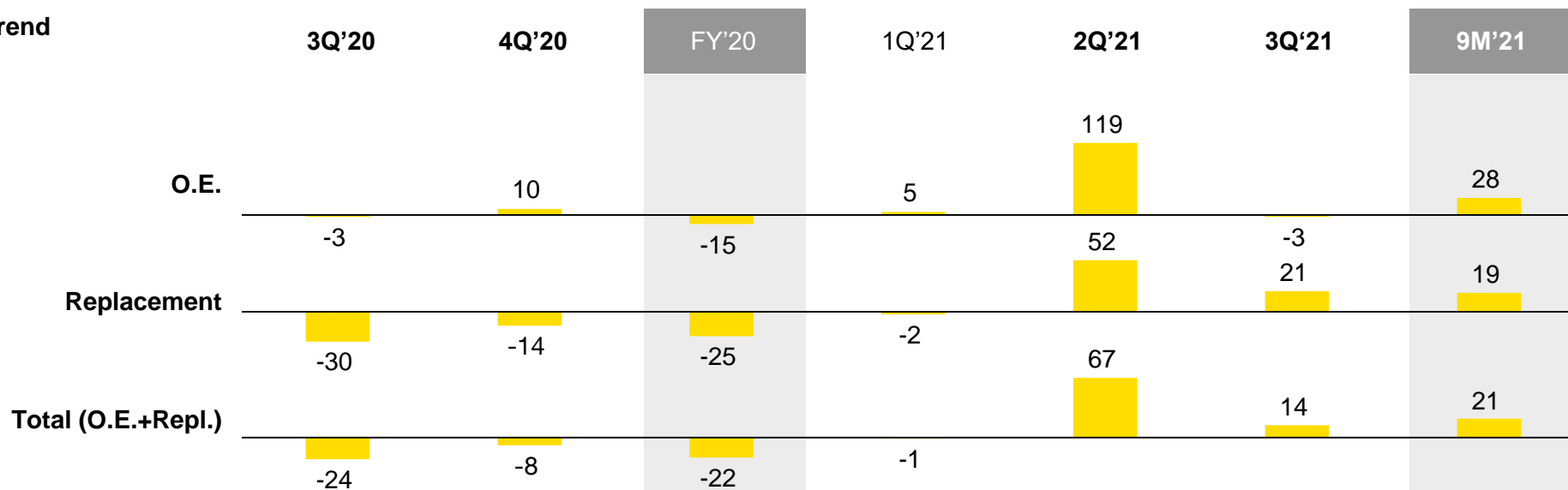
≤17"  
≥18"



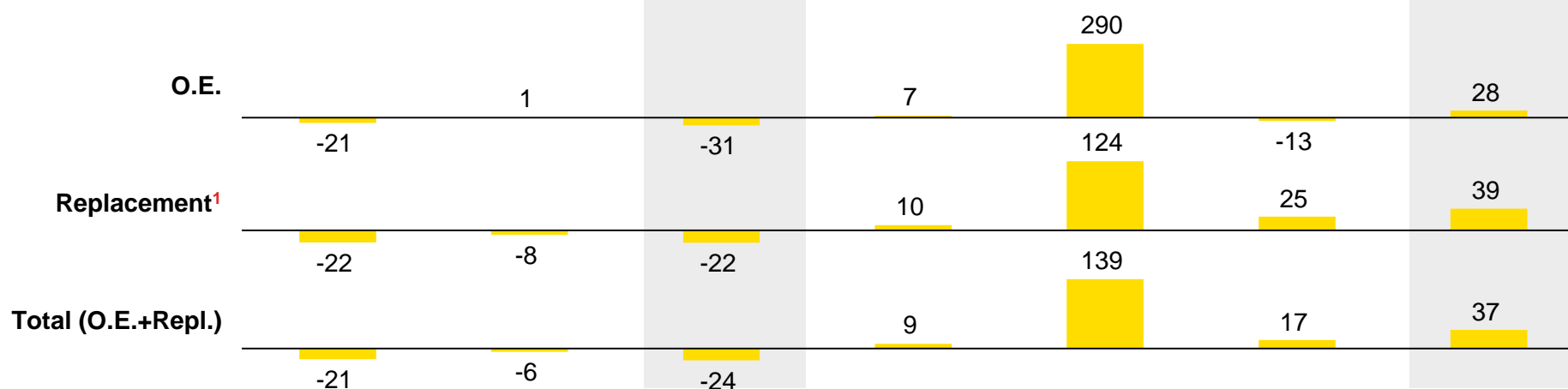
# KEY MARKET TRENDS: RUSSIA, NORDICS, MEAI / SOUTH AMERICA

Market trend  
Δ% YoY

Russia, Nordics, MEAI



South America

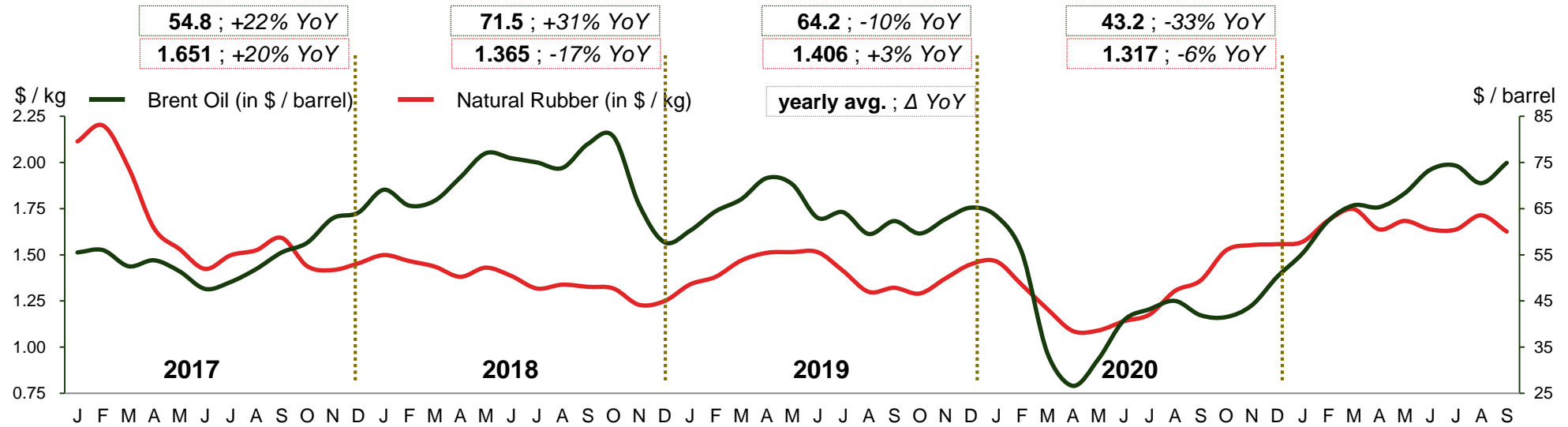


Source: Pirelli tyre market estimates based on main data provider for the Region; historical market data may be subject to restatement; 1. South America Replacement restated to include Brazilian imports

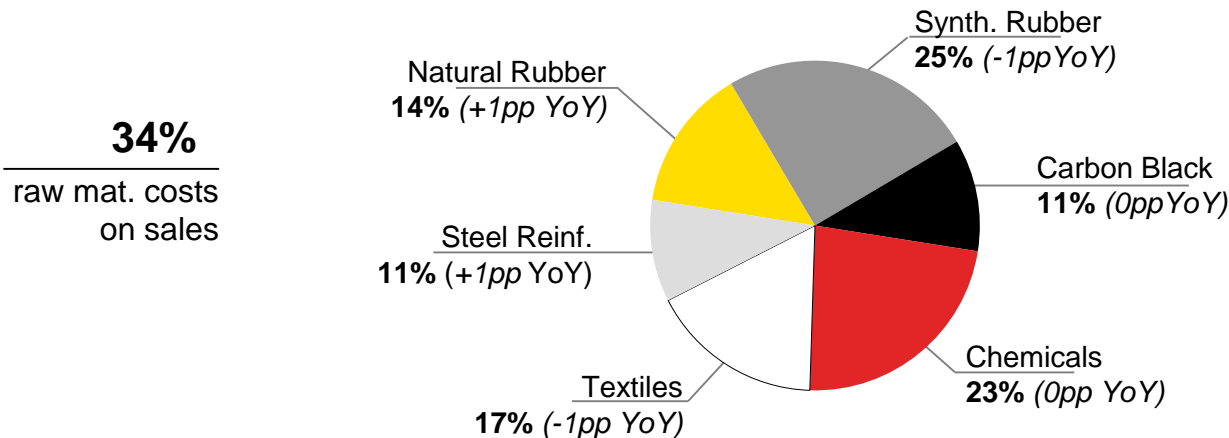


# RAW MATERIAL COSTS TREND AND MIX

## main raw materials price trend



## Pirelli 9M 2021 mix (based on purchasing cost)



9M 2021 RESULTS

Milan, November 11<sup>th</sup>, 2021





# PIRELLI MANUFACTURING FOOTPRINT

