



2020 - 2022 INDUSTRIAL PLAN | VISION 2025

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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.

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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.

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AGENDA

PIRELLI EVOLUTION TO DATE & STRATEGIC DIRECTION

PIRELLI STRATEGY DEPLOYMENT: PILLAR 1 – COST COMPETITIVENESS

2020-2022 SCENARIO

PIRELLI STRATEGY DEPLOYMENT: PILLAR 2 - COMMERCIAL DEVELOPMENT

PIRELLI STRATEGY DEPLOYMENT: PILLAR 3 – TECHNOLOGY-BASED INNOVATION

2019 FINANCIAL REVIEW AND 2020-2022 TARGETS IN DETAIL

APPENDIX

BUSINESS MODEL STRENGTHENED THROUGH 3 KEY PROGRAMS, BACKED BY A MORE CONTAINED INVESTMENT

 **COST
COMPETITIVENESS**

 **COMMERCIAL
DEVELOPMENT**

 **TECHNOLOGY BASED
INNOVATION**



Contained Investment Program

HIGHER FREE CASH FLOW GENERATION



01. COST COMPETITIVENESS: 2 WAVES, REACHING ~510 M€ EFFICIENCY IMPROVEMENT GROSS OF INFLATION

	WAVE 1 - 2020			WAVE 2 – 2021-2022		
	Gross impact		focusing on:	Gross impact	focusing also on:	Gross impact
Product Cost	~ 160 M€	>	<ul style="list-style-type: none"> Product range management Specification optimization Purchasing cost optimization 	~ 50 M€	<ul style="list-style-type: none"> Modularity Design speed 	~ 110 M€
Manufacturing	~ 160 M€	>	<ul style="list-style-type: none"> Smart Manufacturing Quality enhancement 	~ 40 M€	<ul style="list-style-type: none"> Footprint optimization Flexible factory 	~ 120 M€
SG&A	~ 100 M€	>	<ul style="list-style-type: none"> Belt-tightening on spending Marketing effort optimization 	~ 40 M€	<ul style="list-style-type: none"> Logistic optimization 	~ 60 M€
Organization	~ 90 M€	>	<ul style="list-style-type: none"> Organization streamlining Pay for performance New Skills development 	~ 50 M€	<ul style="list-style-type: none"> Digital Processes and Organization transformation 	~ 40 M€
Total Gross Impact	~ 510 M€			~ 180 M€		~ 330 M€
as % of 2019 cost baseline	~ 11.5 %			~ 4.0 %		~ 7.5 %
Total Net Impact¹	~ 290 M€			~ 110 M€		~ 180 M€
as % of 2019 cost baseline	~ 6.5 %			~ 2.5 %		~ 4.0 %

PRODUCT COST PILLARS – PLAN 2020-2022

PRODUCT RANGE MANAGEMENT



- Value based product portfolio
- Push lines design to value

SPECIFICATION OPTIMIZATION



- **Activities on the existing and future product range** to maximize performance and reduce product cost:
 - Tyre structure simplification
 - Weight reduction

MODULAR APPROACH TO TYRE DESIGN



- Material portfolio **de-complexity with rationalization of semi-finished components**

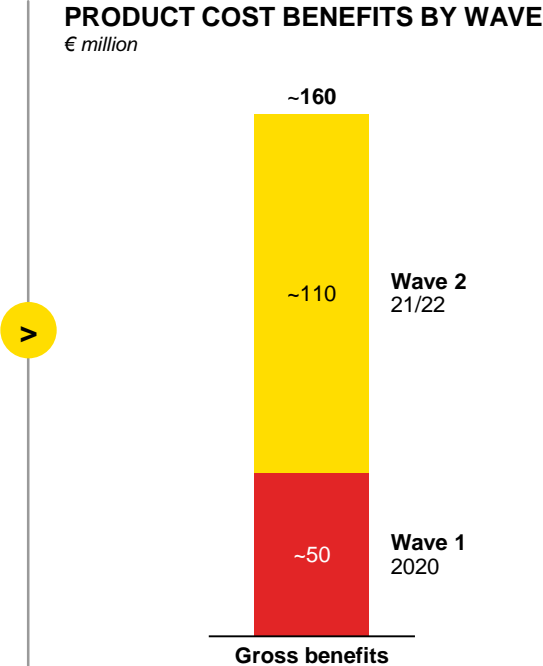
PROCUREMENT OPTIMIZATION



- **LT agreements with strategic suppliers** powered by shared tech roadmaps
- **Rationalization of supplier portfolio**

PRODUCT COST BENEFITS BY WAVE

€ million



MANUFACTURING PILLARS – PLAN 2020-2022

FOOTPRINT OPTIMIZATION



- **Reorganization** (Brazil), Italy plant conversion (to H.V.) creating **Velo Hub**
- **Local-for-local production** through regional source mix in low cost country

FLEXIBLE FACTORY



- **New production processes** oriented to flexibility
- Factory material/info **flow optimization** (-11% WIP Reduction in 2022)

SMART MANUFACTURING



- Connected Factory with **real time / predictive analysis, adaptive production planning and digital-enhanced operator capability**

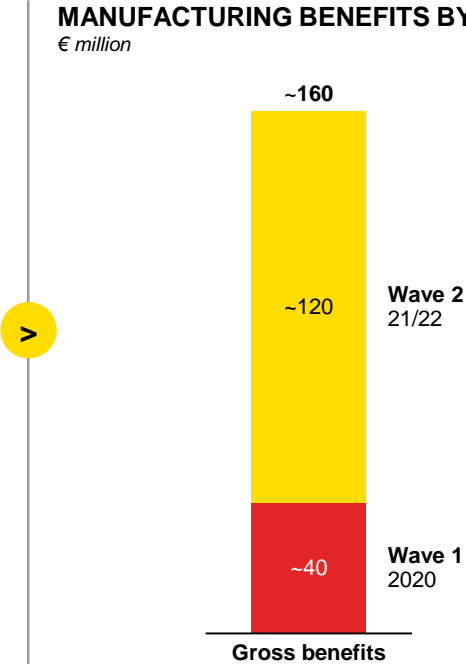
QUALITY ENHANCEMENT



- **"Zero Defect Manufacturing": predict and prevent** defects through design for quality and data analytics (-20% total Waste reduction by '22)

MANUFACTURING BENEFITS BY WAVE

€ million



SG&A PILLARS – PLAN 2020-2022

MARKETING & SALES



- Reduce effort in **awareness initiatives** in the consumer journey, **favoring conversion actions**
- **Advanced digital marketing tools** reducing customer acquisition cost

GENERAL & ADMINISTRATIVE



- Structural belt-tightening on **professional services, travel, HQ overheads and Service Level Agreements** across regions

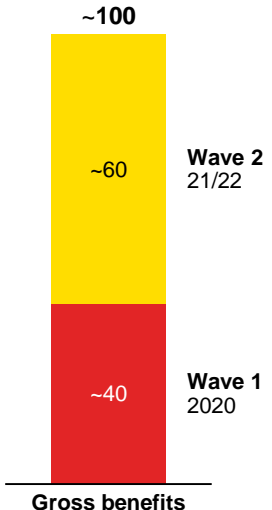
LOGISTICS




- **Logistic network redesign**
- Distribution optimization through a **service level segmentation**

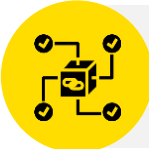
SG&A BENEFITS BY WAVE


€ million



ORGANIZATION PILLARS – PLAN 2020-2022

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ORGANIZATION STREAMLINING — **Business processes reengineering** supported by new ways of working enabled by the digital transformation
- 

NEW SKILLS DEVELOPMENT — Changing the mix of the available capabilities through **reskilling program and development of digital skills**
- 

PAY FOR PERFORMANCE — **Enhancement of the incentive schemes effectiveness**, increasing the weight of the variable remuneration on the total compensation

ORGANIZATION BENEFITS BY WAVE

€ million

