Pirelli & C. S.p.A.
1H 2025 Results
Conference call transcript

July 31st, 2025

Marco Tronchetti Provera - *Executive Vice Chairman*

Key messages

1H'25 results: solid execution in a challenging external environment

- Sound organic growth: +4.4% YoY supported by our commercial performance
- Best-in-class Profitability: internal levers successfully offset FX, raw mat/inflation and tariffs impacts
- Solid cash flow generation in 2Q due to Operating Performance & disciplined Working Capital Management

FY 2025 outlook and targets update:

- The external context remains volatile, with uncertainties on tariffs and greater-than-expected depreciation of the USD
- Consumer Demand still holding, with High Value outperforming Standard
- Profitability and cash targets confirmed thanks to a solid organic growth and the effectiveness of our tariffs' mitigations plan

PIRELLI 1H 2025 RESULTS
Thursday, 31 July, 2025

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Good evening, Ladies and Gentlemen,

The results for the first half of 2025 once again confirm the resilience of our business model, which continues to generate value in a complex and challenging external environment.

We close the semester with strong results, expected higher than our peers. We stand out for:

- **organic growth of 4.4%,** driven by a solid commercial performance;
- **improved profitability**, thanks to the effectiveness of internal levers, which more than offset the negative impacts of the external environment;
- **solid cash generation**, supported by the operational performance and disciplined working capital management;
- and, finally, **significant progress in sustainability**, a core element of our strategy.

Geopolitical and trade tensions continue to weigh on the outlook for 2025.

Recent estimates point to a slowdown in global economic growth (+2.4% GDP in 2025 compared to +2.8% in 2024), which is even more pronounced in the United States (+1.4% compared to +2.8% in 2024). In addition, global inflation of 3.2% and 2.7% in the United States.

High volatility is expected in exchange rates. Concerns about the US economic outlook, uncertainties about FED policies and high US public debt have pushed the dollar to its lowest level against the euro in four years. This trend will continue to be uncertain and the relation between the US dollar and the different currencies remains volatile. We have seen a revaluation of the US dollar lately.

The agreement on tariffs between the EU and the USA, which is going to be ratified in the coming days,

- on the one hand, reduces uncertainty and prevents a trade escalation, while
- on the other hand, imposes significant costs on exports and is expected to fuel inflationary pressures.

In this context, the ability to react is crucial. As Mr. Casaluci will illustrate, we are taking concrete measures to manage risks and seize opportunities.

We are continuing with our commercial strategy focused on strengthening in the High Value segment, which is proving its resilience with expected mid-single digit growth also for the second half of the year.

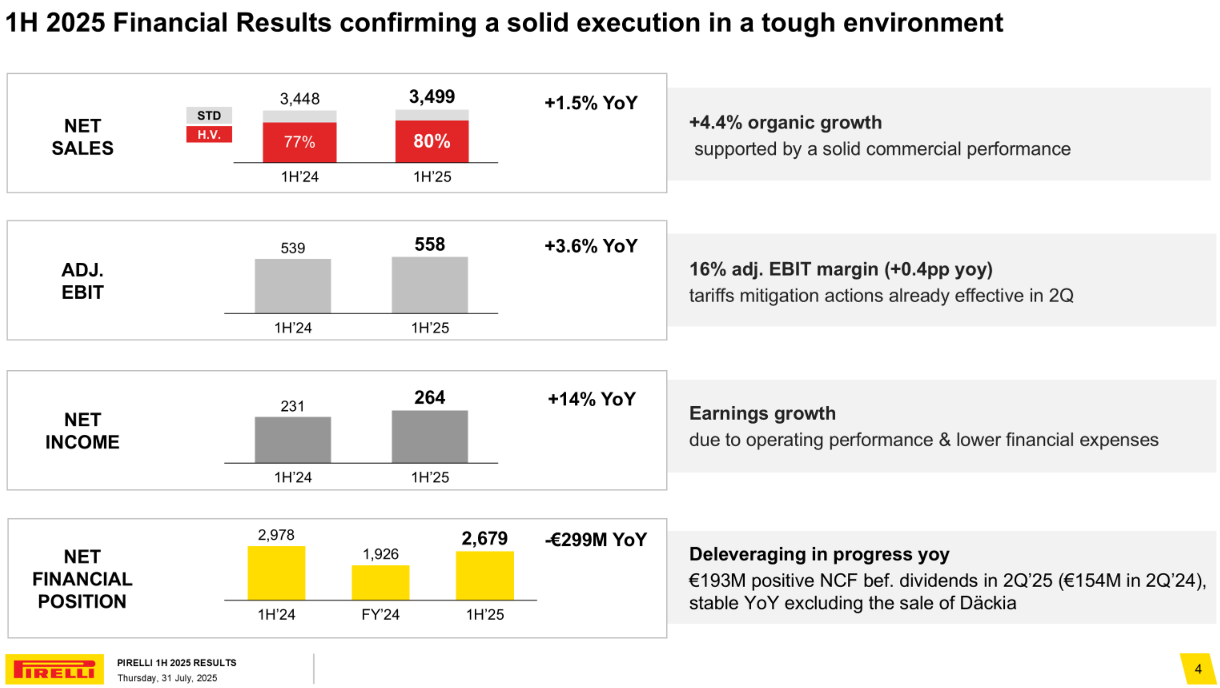
The continuous improvement in price/mix will allow us to offset the higher negative impact of exchange rates on profitability, while our tariff mitigation plan has already delivered positive results in the second quarter, and we expect further benefits in the second half of the year.

Based on the results achieved in the first half and considering the high volatility of the external scenario, we have updated our expectations for the year, confirming our targets:

- profitability, with an adjusted Ebit margin around 16%, and
- cash, with Net Cash Flow before dividends of approximately 550 million euro

Now, I give the floor to Mr. Casaluci

Andrea Casaluci - *Chief Executive Officer*



Thank you, Mr Tronchetti, and good evening, everyone.

Pirelli closes the first half of 2025 with results among the best in the industry:

- **Revenues of approximately 3.5 billion euro, +4.4% excluding FX,** due to the success of our commercial strategy;
- **Profitability** at 16%, up year-on-year, supported by the effectiveness of internal levers, with the tariff mitigation plan already in place from the second quarter.
- **Net profit significantly improved** to +14% thanks to lower financial expenses.
- **The deleveraging process is progressing**, with a year-on-year reduction in debt of 300 million euro. Solid cash generation before dividends in the second quarter: 193 million euro, stable year-on-year when we exclude the impact of the sale of Däckia to CTS.

1H 2025 Sustainability results in line with the long term plan

PEOPLE	**-3%** **Accident Frequency Index**[1] *vs FY 24*	Driven by a continuous focus on health & safety
CLIMATE	**- 16.5%** **yoy** **Scope 1+2 emissions** **Scope 3 absolute emissions on track with 2025 target** *(- 27% vs 2018)*	Progressing towards our target **NET ZERO by 2040** (Scope 1+2+3) - *SBTi approved*
PRODUCT	**>70%** **Bio-based and Recycled Materials** on best product (*P-Zero developed for JLR*)	**Maximum transparency for consumers:** - **FSC™** [2] and **ISCC™** certified - Pirelli logo for bio-based & recycled materials[3] - Claim verified by third party vs ISO14021[4]
NATURE	**-7.2%** **Water specific withdrawal**[5] **(group)** *vs FY 24*	Water dependency reduction – a key priority in our Biodiversity action plans

Leading the tyre sector in major Sustainability Rankings & Initiatives

Member of Dow Jones Sustainability Indices Powered by the S&P Global CSA · Top 1% · CDP A List 2024 · CDP 2024 · SUSTAINALYTICS · Corporate ESG Performance Prime rated by ISS ESG · PLATINUM Top 1% ecovadis Sustainability Rating JAN 2025

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1. Frequency Index calculated on 1.000.000 worked hours;
2. Promotional license code FSC™003618 t .
3. Pirelli logo identifying products containing at least 50% of bio-based and recycled materials.
4. Claim verified at start of productions.
5. Specific water withdrawal is the amount of water withdrawn (m3) per ton of finished product produced (tyres) in the timeframe considered..

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Significant progress was also achieved on Sustainability:

- **the accident rate was reduced by 3%** compared to the end of 2024, thanks to actions to prevent accidents and raise awareness about safety at work;
- the decarbonisation plan continues in line with the Net Zero target for 2040. Energy efficiency and machinery electrification projects have led to a **reduction in our absolute emissions of 16.5% year-on-year. The reduction of Scope 3 emissions** is in line with 2025 target;
- in co-operation with Jaguar Land Rover, we developed the first tyre with over **70% bio-based and recycled materials**;
- finally, still on the environmental front, we **reduced water withdrawal at Group level by 7.2%** compared to the end of 2024.

These results confirm our global leadership in the sector, as recognised by the most important indices like S&P Global Sustainability Yearbook 2025, where we are the only Tyre maker ranking in the “Top 1%”.

Let us now take a closer look at our performance.

We **strengthened our leadership** by implementing strategic programmes.

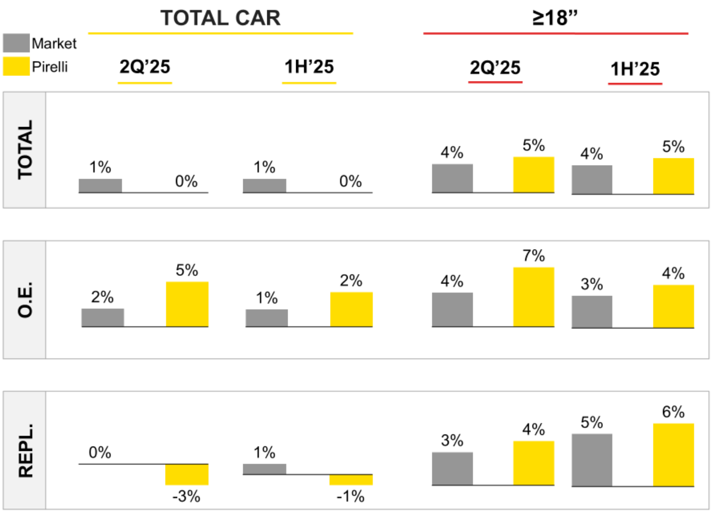
As we will see in the next few slides:

- we **strengthened our position in the High Value segment;**
- we **consolidated the technological leadership,** especially by introducing new products, enlarging the homologations portfolio and accelerating the Cyber Tyre development;
- at the same time, we continued with **operational efficiency programs to support profitability**, which is confirmed to be **the highest in the industry among Tier 1**.

COMMERCIAL

Strengthening our leadership in the High Value Market

Gaining share on Car ≥18'' in both channels, while further reducing the exposure to Standard



2Q'25 HIGHLIGHTS

MARKET

- **Total:** slightly positive demand driven by OE (strong growth in China); flat Replacement
- **HV:** resilience confirmed in both channels

PIRELLI PERFORMANCE

High Value: in line with 1Q

- OE: strong performance driven by APAC and North America, strengthening our presence with local OEMs for High End models
- Replacement: market share gain across Regions

Standard: accelerating selective strategy

- Reducing exposure to Standard (Pirelli -11% in 2Q vs flat market; -7% in 1Q vs. +1% mkt) mainly in South America

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Source: Pirelli market estimates based on third party and market data from tyre-makers associations

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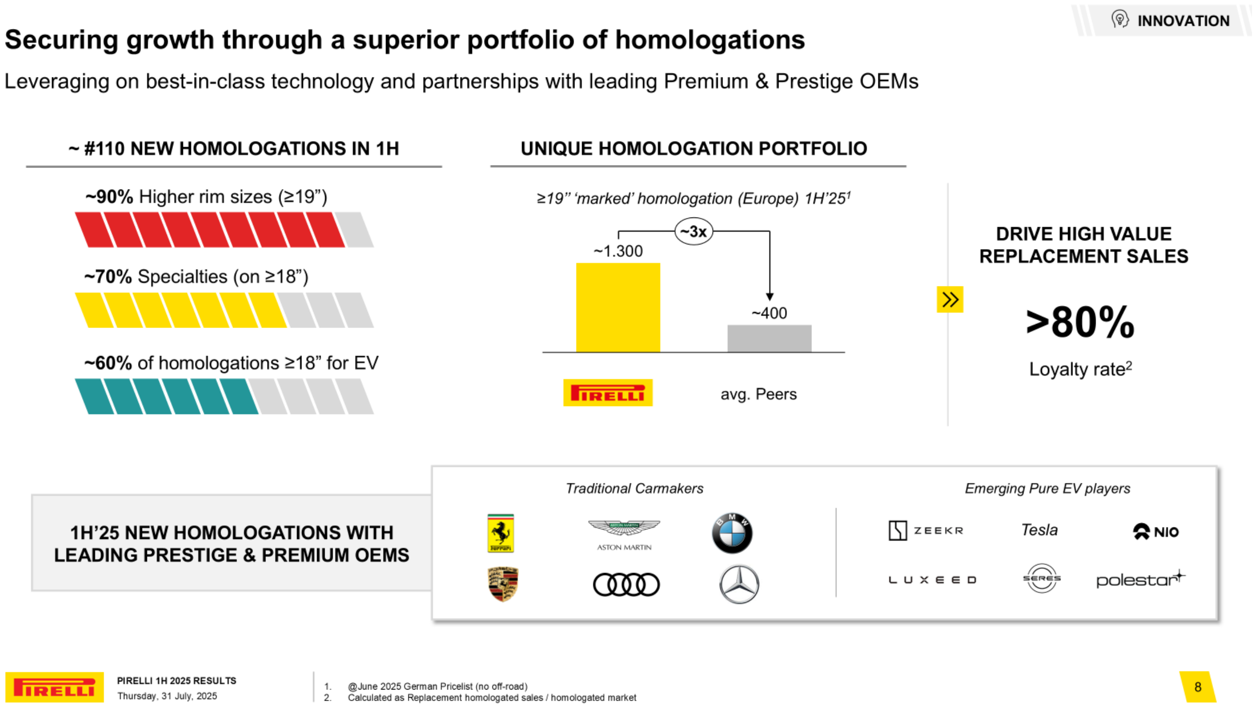
The first half of 2025 confirmed the effectiveness of our **commercial strategy,** with growth in Car ≥18" exceeding that of the market.

We gained market share in both channels:

- in **Original Equipment,** particularly in APAC and North America, due to the strengthening of partnerships with local carmakers;
- in **Replacement**, we outperformed the market in all Regions, leveraging the effectiveness of our pull-through strategy and product innovation.

In Car ≤17", we continue to reduce our exposure, in particular in South America, where we accelerated our exit from less profitable distribution channels.



Let's now move to the innovation programmes that helped boost our technological leadership.

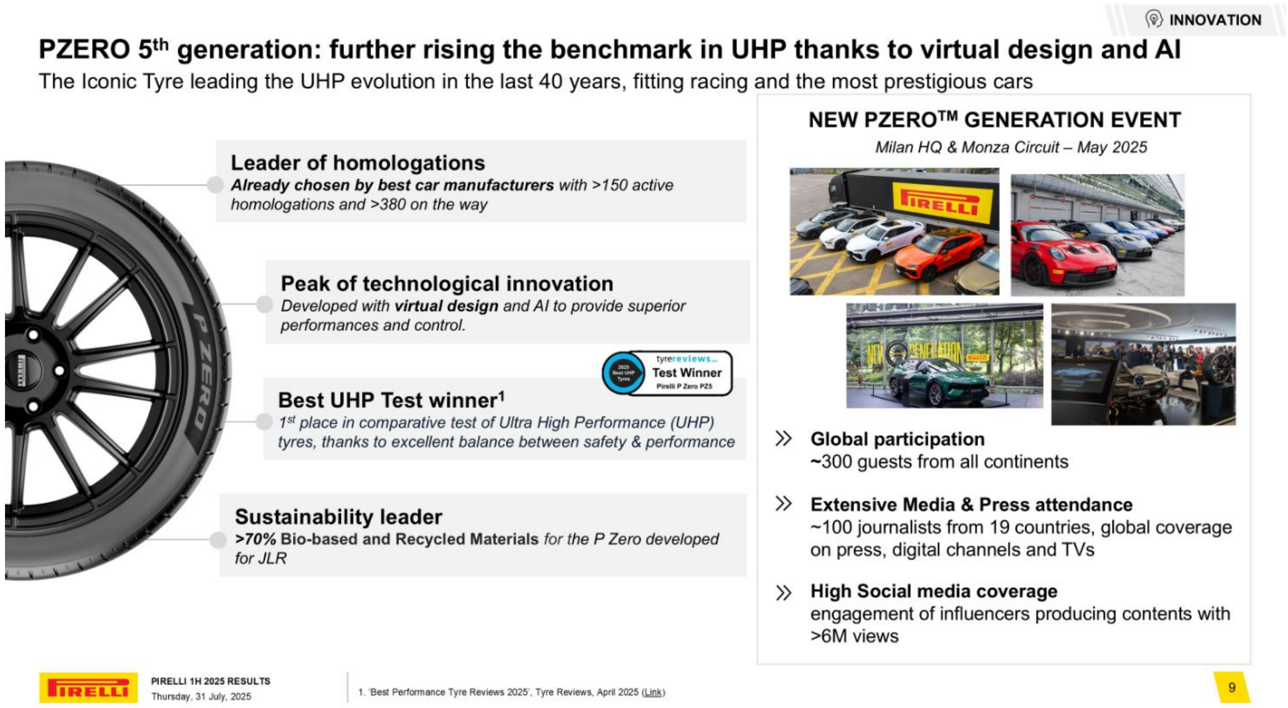
In the first six months of this year, we got around **110 new technical homologations**, focused on 19'' and above, Specialties and EVs.

These were obtained from

- leading Premium and Prestige OEMs, like Ferrari, Porsche, BMW and Aston Martin, and
- Pure EV car makers, such as Tesla, Zeeker, Nio, Aito Seres and Lucid.

We have the broadest portfolio of marked homologations: around 1,300 in Car 19" and above, more than three times the average of our peers.

These results lay the foundations for future growth in High Value Replacement, due to a loyalty rate that remains around 80%.



Let's move on to product innovation – slide 9.

At the beginning of May, we presented the **fifth generation of P Zero**, a *'brand in brand'* that, in the last 40 years, has been a synonymous for Ultra High Performance. Developed from our experience in motorsport, P Zero has always been able to anticipate the needs of the Premium and Prestige segments.

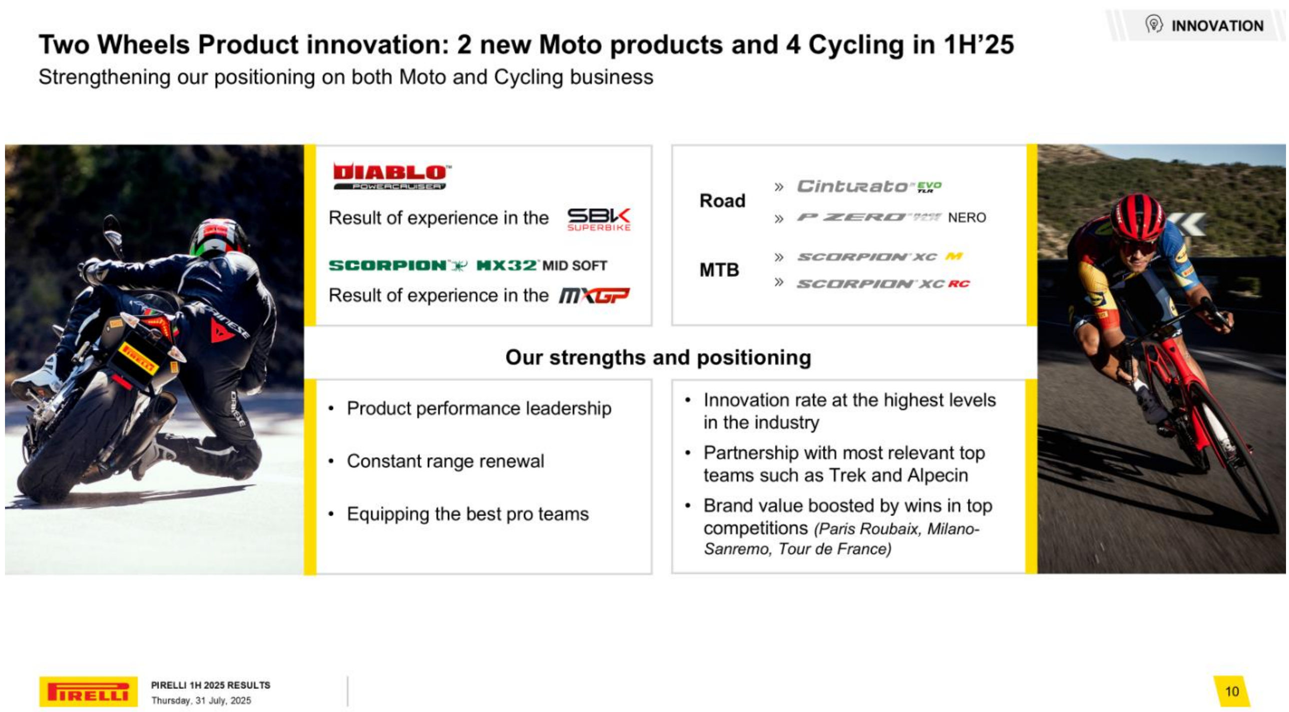
The market has already responded positively: over 150 homologations have already been obtained, more than 380 planned, and the product has been chosen by most important Premium and Prestige car manufacturers.

The most advanced artificial intelligence and *virtual design* techniques were used to develop the fifth generation.

This allowed us to test every single detail of the product well in advance, optimise development times and improve grip, braking and handling, both on dry and wet roads.

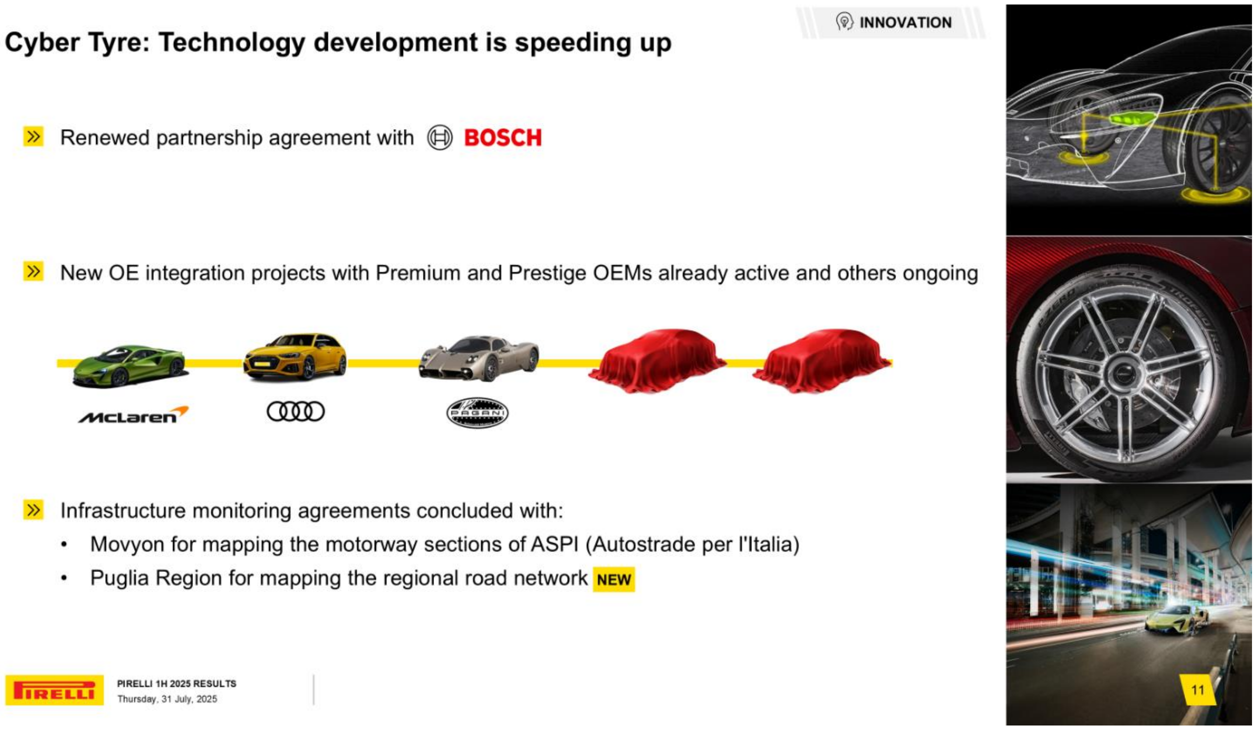
TyreReviews awarded the new Pzero best UHP tyre, as it offers the highest levels of performance and safety.

Furthermore, as testimony of Pirelli's ongoing commitment to sustainability, the version of Pzero developed for Jaguar Land Rover is made from more than 70% natural and recycled materials.



In the **two-wheel** business, our offering expanded with the launch of **two motorcycle tyres** and **four dedicated to cycling**.

- For motorcycles, where Pirelli is the leader in the High Value segment, we expanded our range with *Diablo Powercruiser* and *Scorpion MX 32,* both results of our experience in racing, where we equip the best teams.
- In **cycling**, innovation continues with the launch of *Cinturato Evo TLR*, *P Zero Race TLR Nero* and two new versions of *Scorpion XC*. Here too, the drive for innovation comes from the world of racing, where we collaborate with the best professional teams, like Trek and Alpecin. The success of Pirelli products is proven by recent wins in the most prestigious competitions, such as *Paris Roubaix*, *Milano-Sanremo* and several legs of the *Tour de France*.

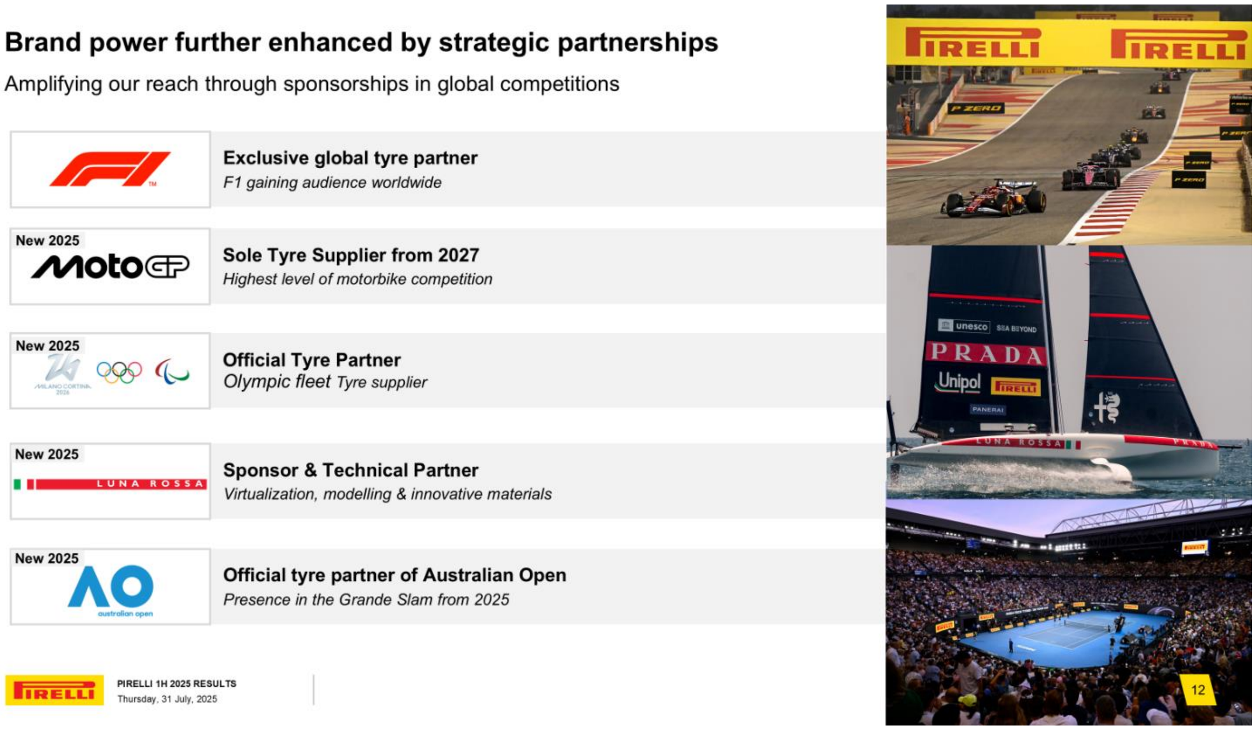


Finally, we accelerated the development of Cyber Tyre by implementing several projects:

- The partnership with **Bosch**, started in 2024, was renewed and technological co-operation strengthened.
- Our Cyber Tyre is already integrated in Premium and Prestige vehicles, and, at the same time, further projects are being assessed.

In addition, agreements and contracts were signed for infrastructure monitoring.

- The first agreement was signed with **Movyon** (a company of the Autostrade per l'Italia Group) for the mapping of motorway sections managed by ASPI.
- An agreement has been signed with the **Puglia Region** to implement an innovative monitoring system for the regional road network. This system will combine:
  - data collected from tyres, processed by the Pirelli Cyber Tyre hardware and software system;
  - visual data collected with Univrses technology, using on board cameras;
  - “sensor fusion” software and algorithms that will provide integrated mapping of asphalt and road signs, creating a detailed map of roads and their state of repair.



In addition to innovation, our **brand is one of the key factors driving the choice of High-Value customers.**

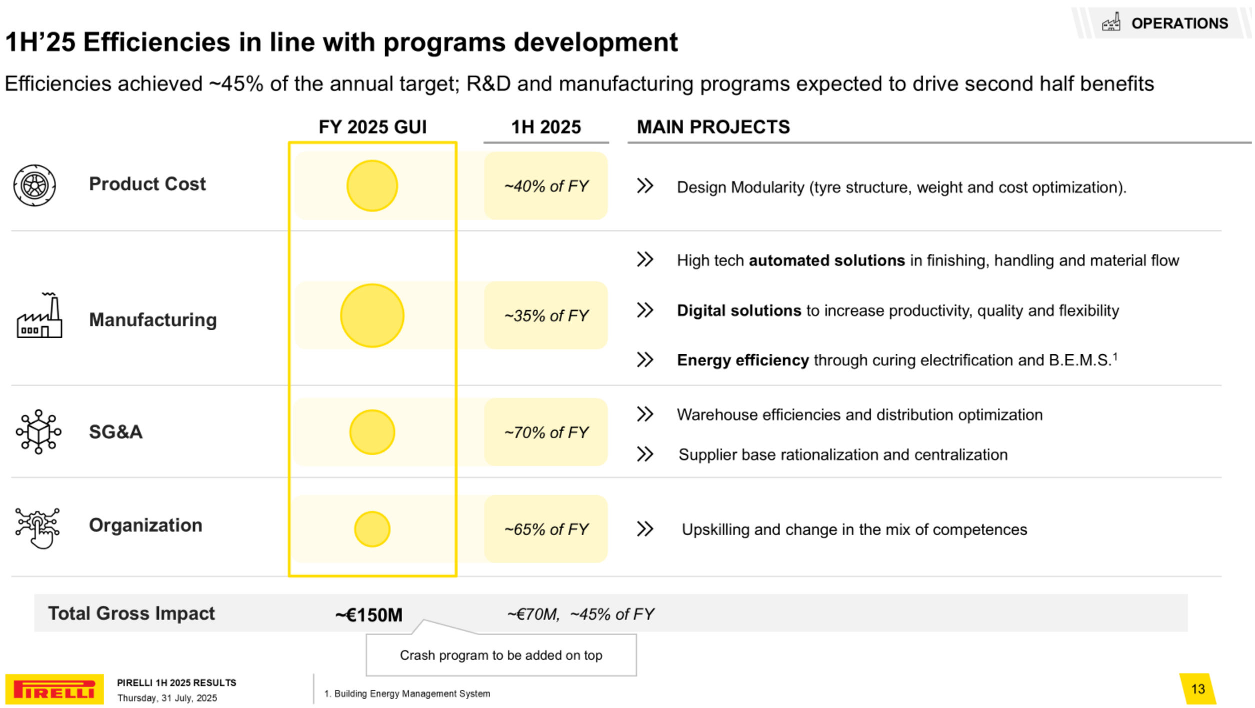
Through new strategic partnerships with major international sporting competitions, we are aiming to further increase the visibility of our brand.

Formula 1 plays a key role in this, with strong growth globally and especially in the United States.

2025 also saw the **renewal and expansion of our partnerships in the world of sport, such as:**

- the 2026 Winter Olympics and Paralympics in Milano-Cortina;
- Moto GP, where Pirelli will be the sole tyre supplier from 2027;
- Luna Rossa, where we are continuing our collaboration as Sponsor and Technical Partner, and
- the Australian Open Tennis Championship.

All this contributes to making the Pirelli brand increasingly **distinctive**, internationally recognised as **a synonymous for Performance, Sport and High Technology**.



Let us now turn to the Operations programmes that have contributed to improving our profitability.

In the first half of the year, they generated gross efficiencies of €70 million, 45% of the FY target.

The greatest benefits came from the Manufacturing and Product Cost programs, through increasing automation in factories, reduced energy consumption and innovation in product design.

Both programmes are set to accelerate further in the coming months, in line with projects' development, and will be the main sources of efficiency gains in the second half of the year.

The SG&A and Organisation projects are also making a positive contribution, with benefits deriving from:

- the rationalisation of the supply chain and optimisation of logistics, and
- the digitalisation of processes and upskilling of personnel.

OPERATIONS

Focus on Manufacturing Program: transformation leading current and future efficiencies

Leveraging on automation & digitization to improve our manufacturing performance

development phase   execution phase

Smart Manufacturing

CONTROL TOWER

Benefits: real-time monitoring of factory data to optimize operations & boost efficiency (quality, waste, interruptions)

DIGITAL TWIN

Benefits: enhancing capabilities & plant efficiency (faster developments, predictive maintenance, waste reduction)

Energy efficiency

CURING ELECTRIFICATION

Benefits : -80% energy consumption in curing phase for each press (kWh/pcs)

B.E.M.S.[1]

Benefits: centralized, real-time monitoring and optimization of energy consumption

Automation

INTRALOGISTICS & STOCK HANDLING

Benefits: higher efficiency, remote & flexible control of handling system

Process Innovation

TYRE DEFECT DETECTION

Benefits: higher precision, faster processes

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1. Building Energy Management System

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Let's focus on the Manufacturing program, which will continue to play a key role in future efficiency programmes.

We are paving the way for the factory of the future, making our plants increasingly competitive, efficient and sustainable. Automation, digitisation and electrification will enable us to optimise production processes, reduce operating costs and improve the Group's profitability in the medium term.

The transformation of our factories develops along four strategic axes:

1. **"Smart Manufacturing"**, which, through the virtualisation and digitisation of control systems, will enable the real-time monitoring of the plant KPIs, the optimisation of processes and the development of innovative solutions in a very short time;
2. **energy efficiency,** through the ongoing electrification of the curing phase and the adoption of continuous monitoring systems for intelligent consumption control;
3. **process innovation**, through advanced technologies such as the *Tyre Defect Detection* system, which uses AI and computer vision to identify and analyse defects with greater precision; and finally
4. **automation,** which we are adopting in the handling of products in the factory, with benefits in terms of efficiency, traceability but also safety.

OPERATIONS

Enhancing our Supply Chain: more resilient, sustainable and customer-oriented

Leveraging on Integrated approach, local-for-local, digitization and suppliers' engagement

MAIN PROJECTS	KEY HIGHLIGHTS
» **End-to-End Value Chain approach**	Building end-to-end **integrated business planning** from procurement to consumer sales thanks to integrated digital platforms supported by **AI-powered algorithms.** 
» **Local-for-Local production**	**86%** Local-for-local footprint, enhancing operational resilience
» **Sustainable Value Chain**	Driving supplier base towards **Decarbonization targets of 2030** (scope 3): re-cycle raw materials and green energy sourcing as levers of competitiveness and innovation
» **Logistics Excellence**	**Service coverage** already at **98%** in 24h Working to **improve efficiency**, optimize processes through **distribution network** re-design and **automation** (e.g. virtual network warehouse, AGV handling, Control tower) 

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Last but not least, we're still working on making our supply chain even more resilient.

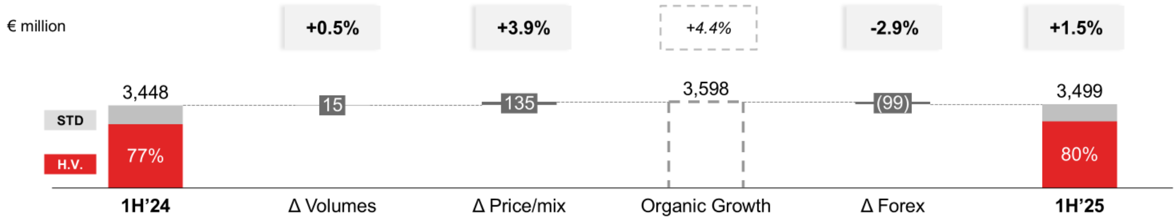
- **We're developing an integrated planning system** that goes from the raw material supplier to the end consumer to ensure a faster response time.
- **Our footprint is now 86% local-for-local**, which helps us reduce logistics risks and response time. The US remain the only area with a low local-for-local supply.
- **We are promoting the transition to a sustainable value chain,** with the aim of reducing environmental impact and increasing transparency throughout the supply chain, in line with our 2040 Net Zero targets.
- **And finally, logistics excellence**; we already guarantee 98% coverage of all requests within 24 hours, and we will continue to optimise flows to improve customer service and keep operating costs down.

I will now hand over to Mr Bocchio.

<u>Fabio Bocchio - *Chief Financial Officer*</u>

1H 2025 Sales bridge

Mid-single-digit organic growth supported by a solid commercial performance



1Q'25	+0.8%	+3.9%	*+4.7%*	-1.0%	**+3.7%**
2Q'25	+0.1%	+3.9%	*+4.0%*	-4.7%	**-0.7%**

» **Volumes:** High Value growth more than offsetting Standard decline

» **Price/Mix:** improvement driven by consistent product mix enhancement and slight price contribution

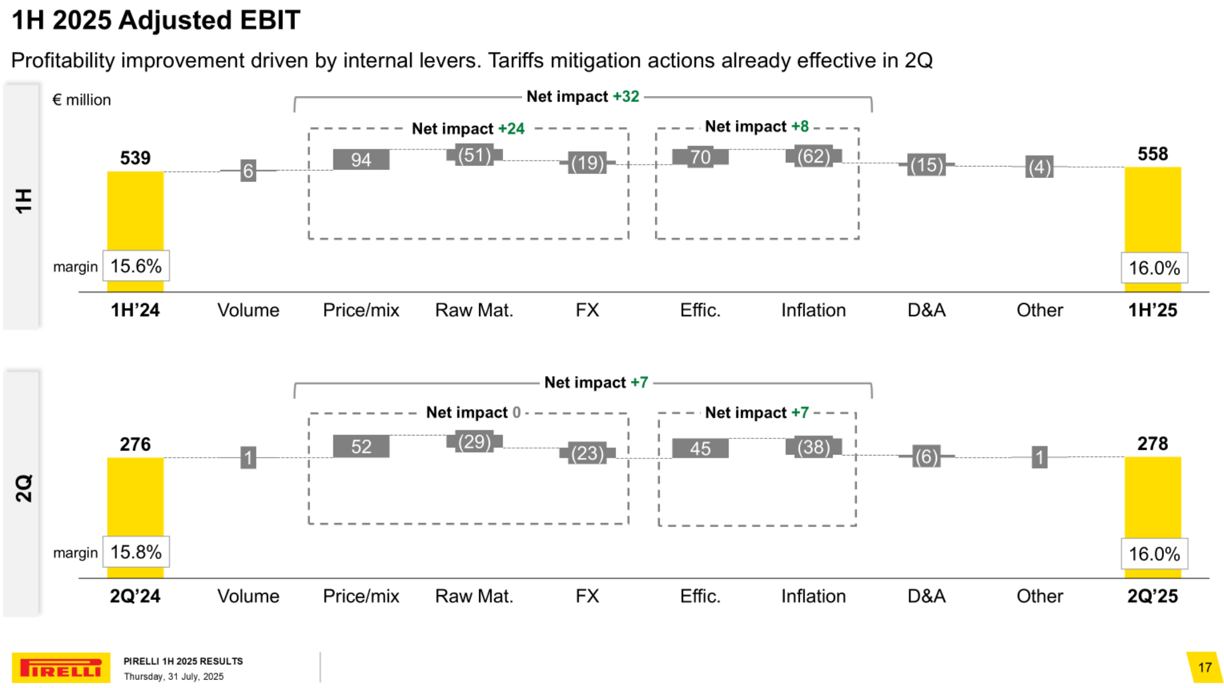
» **Forex trend:** headwinds due to USD and emerging market currencies depreciation

Thank you, Mr Casaluci,

Let us now turn to the dynamics that shaped our performance in the first half of 2025 compared to the same period of last year.

Solid commercial performance resulted into an organic growth of +4.4%.

- **Volumes** were positive (+0.5%), with growth in the High Value segment more than offsetting the reduction in exposure to Standard. High Value now accounts for approximately 80% of total sales, up 3 percentage points compared to previous year.
- The **price/mix** improved (+3.9%), mainly supported by the Product and Region mix and marginally by the price component. The latter reflects:
  - the indexation of Original Equipment prices to raw material costs, and
  - the first commercial renegotiations in response to US tariffs.
- On the other hand, the impact of exchange rates was negative 2.9%, affected by the sharp depreciation of the US dollar and the volatility of emerging market currencies against the euro.



As shown in slide 17, in the first half, profitability improved by 0.4 percentage points yoy, reaching 16%.

In the first half of 2025, **Adjusted EBIT** was €558 million, up 3.6% due to the effectiveness of internal levers.

More specifically:

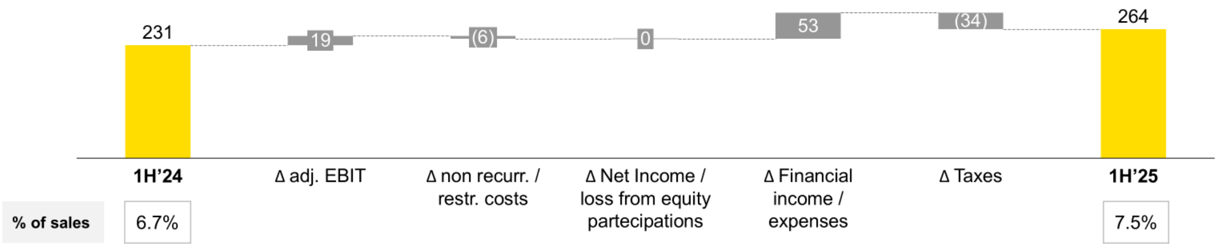
- The positive contribution of **price/mix** for €94 million more than offset the increase in the cost of **raw materials** for €51 million and the **negative impact of exchange rates** for -€19 million due to the dynamics already described.
- The balance between **efficiencies** and inflation was positive, thanks to the acceleration of competitiveness programmes in the second quarter.
- Finally, the contribution of **volumes** for +€6 million limited the impact of **depreciation and amortisation** (negative for €15 million) and **other costs** (negative for €4 million).

It should be noted that on May 3rd came into force the US tariffs of 25% on imports of car tyres from Europe and Brazil, as well as universal tariffs on motorcycle and cycling tyres with different percentages depending on the country of production. The overall impact of these tariffs in the first half of the year was €15 million, but thanks to the mitigation measures in place, the net impact was negative by €6 million. This figure is included in the bridge in this slide under the item "*Other*".

1H 2025 Net Income

Earnings growth supported by operating performance and lower financial expenses

€ million



» **Financial Income & Expenses:** -€123M (-€176M in 1H'24) due to lower non-cash items

» **Taxes:** higher than 1H'24 which was benefitting from positive effect of tax litigation settlement in addition to Patent Box incentive

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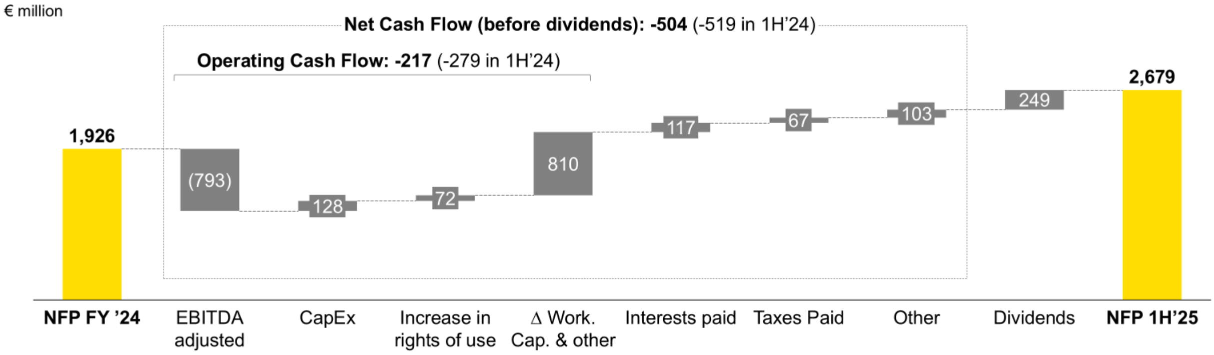
Let us now review the performance of **Net Profit,** which was €264 million, up from €231 million in the first half of 2024. This trend reflects:

- the improvement in **operating performance** of €19 million, whose dynamics **I** have just described;
- a slight increase in non-recurring costs of €6 million due to higher layoff and write-off charges; and
- **a reduction in net financial expenses** of €53 million, mainly attributable to a lower non-monetary impact related to hyperinflation accounting.

Finally**, the increase in taxes** of €34 million compared to the first half of 2024 is due to an unfavourable year-on-year comparison, as the value for the first half of 2024 included the benefits of the patent box and the impact of the positive settlement of tax disputes.

1H 2025 Net Financial Position

Net Cash Flow in line with business seasonality. Däckia divestment (~€43M) partially offsetting FX and tariffs impact



2Q'25	(394)	68	43	(55)	68	35	42

Net Cash Flow (before dividends): +193 (+154 in 2Q'24)

» **NWC:** Inventories at ~21% on sales, stable YoY. Receivables (~13% on sales) and Payables (~14% on sales) substantially in line with 1H 2024

» **Other:** including positive effect from M&A activities and FX impact

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Pirelli closed the first half of 2025 with a negative **Net Financial Position** of approximately € 2.68 billion.

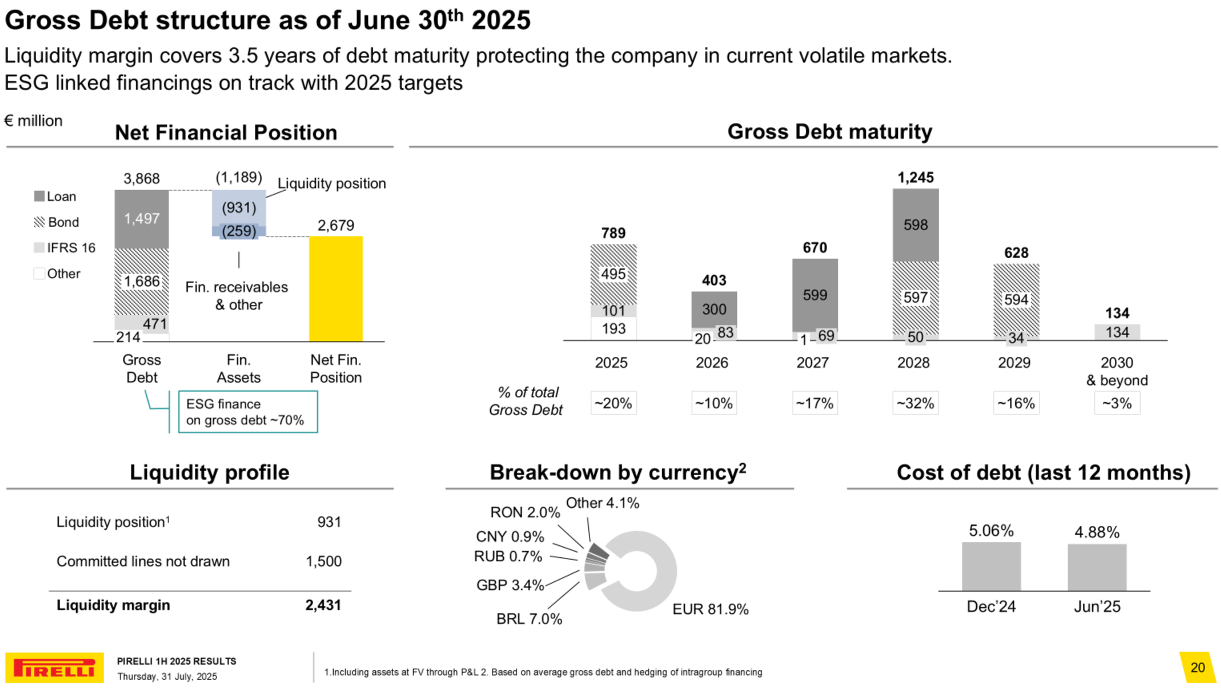
Operating Net Cash Flow was -€ 217 million, in line with the seasonality of the business and improving by € 62 million compared to the first half of 2024. This was mainly supported by:

- the operating performance commented in the previous slides; and
- lower working capital absorption due to efficient inventory management and the usual seasonality of trade receivables and trade payables, which accounted respectively 13% and 14% of revenues.

Net cash flow before dividends, at -€ 504 million, was affected by the impact of tariffs and currency devaluations, as well as extraordinary transactions completed during the first six months of the year:

- + €43 million from the sale of Däckia
- - €19 million relating to other transactions, the main one being the capital contribution payment to the joint venture with the Public Investment Fund (PIF) of Saudi Arabia.

Net cash flow before dividends in the second quarter of 2025 was positive at €193 million. Excluding the aforementioned positive effect relating to the sale of Däckia to CTS, it was essentially in line with the figure for the second quarter of 2024, which was €154 million.



Let's now move to slide number 20.

As of 30 June 2025, the **gross debt of the Group was approximately € 3.87 billion**.

Considering financial assets of approximately € 1.19 billion, the net financial position was therefore approximately € 2.68 billion.

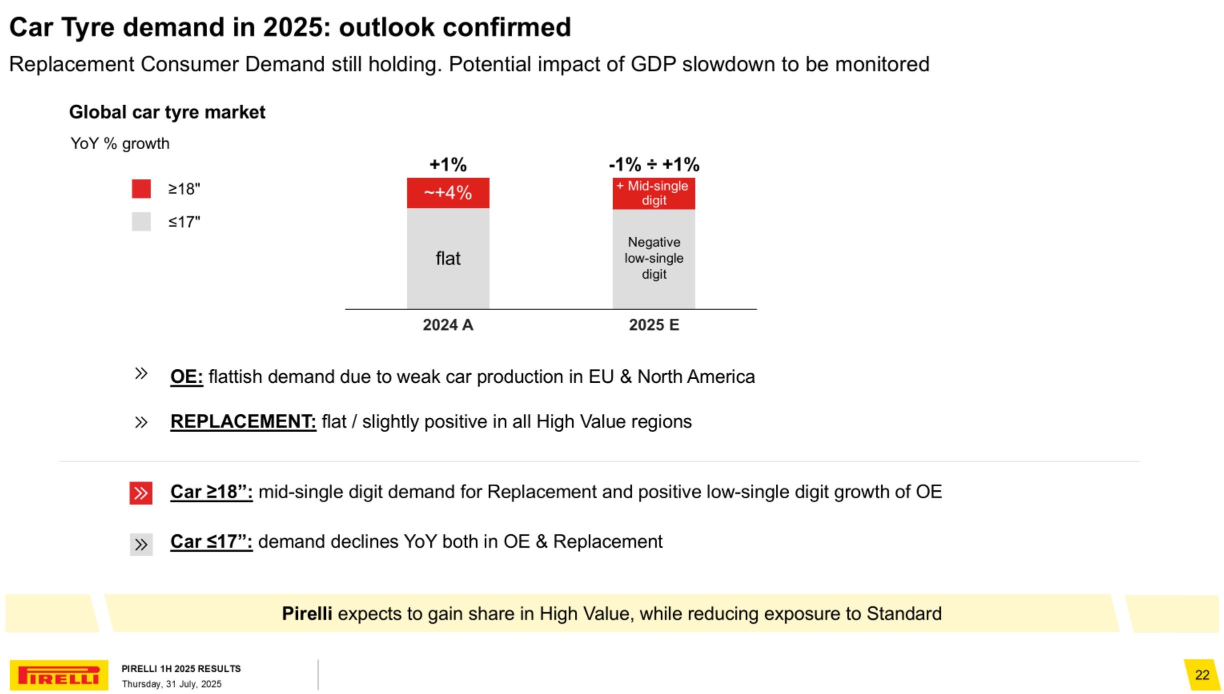
The liquidity margin is € 2.4 billion, of which € 1.5 billion in committed credit lines not drawn. This margin covers debt maturities for approximately **3 and a half years, that is until Q4 2028.**

The **cost of debt calculated over the last 12 months** stood at **4.88%,** down from 5.06% at the end of last year. The reduction is attributable to the decline in interest rates in the eurozone.

Finally, at the end of last June, **sustainable finance** continues to account for approximately **70% of the Group's gross debt**, or **84.4% if we consider the holding company's debt, in line with the 100% target announced for the end of 2025.**

And I hand back over to Mr Casaluci.

Andrea Casaluci - *Chief Executive Officer*



Thank you, Mr Bocchio.

Let's now turn to the market outlook for 2025.

We confirm a substantially flat Car Tyre market (~-1% to +1%).

High Value remains the most resilient segment, with mid-single-digit growth expected, in line with the first half.

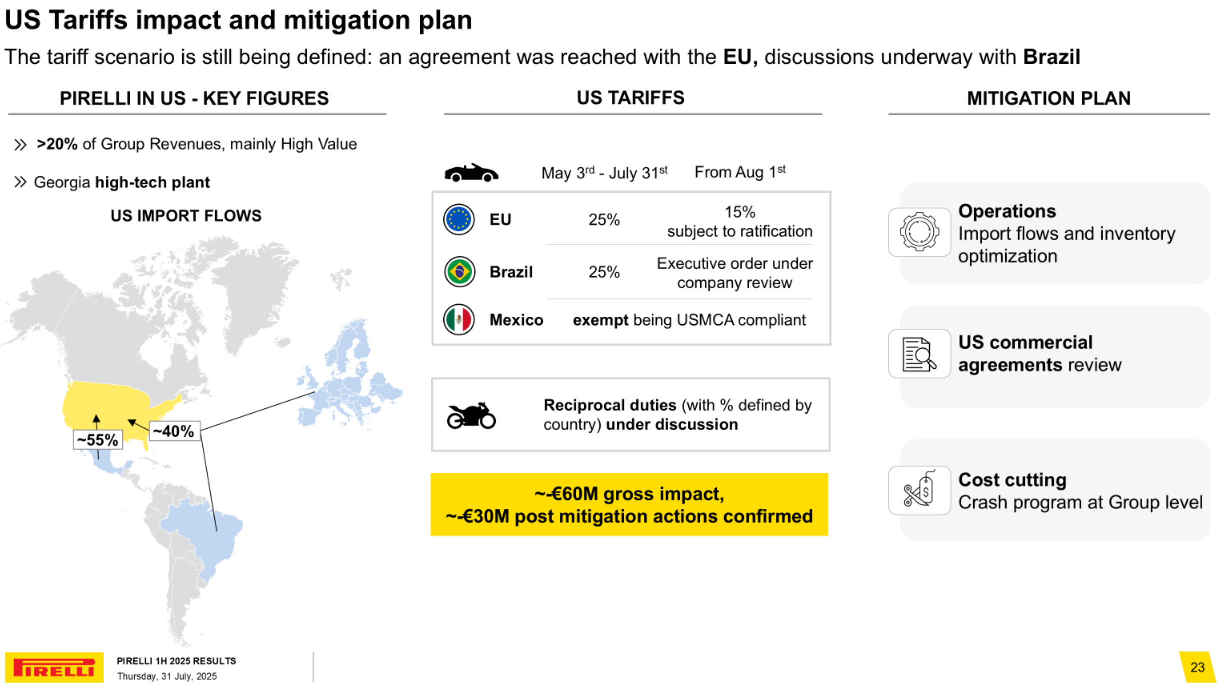
In car ≤17'', demand for the year is expected to decline by *low-single-digit*.

In this scenario, Pirelli confirms its strategy of strengthening the Car ≥18" segment with market share gain in both channels.

In the second half,

- in **Original Equipment, we will benefit** from the reinforced partnerships with Premium local manufacturers both in Apac and North America;
- In Replacement 18'' and up, we target to outperform the market.

Finally, in Car 17'' and below, we continue to reduce the exposure to the less profitable products and channels.



The tariff scenario is still evolving: an agreement was reached between Europe and the US administration on July 27th. Meanwhile, regarding Brazil, Pirelli is analyzing the measure concerning the tariffs announced on July 30th to verify its application to the various product segments.

Based on current regulations, the US tariff scenario is as follows:

- **25%** on car tire imports from Europe from May 3rd to July 31st, and **15%** from August 1st, subject to ratification.
- **25%** from May 3rd on imports from Brazil. The measure announced yesterday by the US administration is currently under analysis. From a preliminary internal analysis, it appears that car tyres continue to be subject to a 25% tariff while motorcycles are subject to 50%;
- no tariffs on imports from Mexico as our products are USMCA compliant;
- finally, universal tariffs on imports of motorcycle and bicycle tyres from all countries, with different percentages depending on the source.

In this context, in light of the uncertainties on Brazil, we confirm the gross impact of approximately €60 million for the year, €30 million following the mitigation plan implementation, already launched in the second quarter, so €30 million net impact.

FY 2025 Targets update: Profitability and Cash confirmed despite higher FX impact, thanks to solid organic growth and tariffs mitigation plan

€ billion	2024 Act	2025 May Guidance	2025 July Guidance
Net Sales	**6.77**	**~ 6.8 ÷ 7.0**	**~ 6.7 ÷ 6.8**
Adj. EBIT Margin	**15.7%**	**~ 16%**	**~ 16%**
CapEx *% of Sales*	**0.42** *6.1%*	**~ 0.42** *~ 6%*	**~ 0.42** *~ 6%*
Net Cash Flow *bef. Dividends*	**0.53**	**~ 0.55 ÷ 0.57**	**~ 0.55**
Net Financial Position *NFP / adj. EBITDA*	**1.93** *1.27x*	**~ 1.6** *~ 1.0x*	**~ 1.6** *~ 1.0x*
ROIC*	**23.2%**	**~ 23%**	**~ 23%**

Volumes: ~ +1% (old +1% ÷ +2%)
Price/Mix: ~ +3% ÷ +3.5% (old +2% ÷ +3%)
Organic Growth: ≥ 4% (confirmed)
Forex: ~-4.5% ÷ -4% (old: -2.5% ÷ -1.5%)

July guidance includes current tariffs scenario, previously reflected by the low end of May guidance range

PIRELLI 1H 2025 RESULTS
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(*) Net Invested Capital adjusted for goodwill and PPA intangibles and Tax rate adjusted in FY2023 for 2020-2022 Patent Box impact

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Let us now move on to our targets.

Despite le worsening of the Forex scenario compared with May expectations, we confirm our targets for profitability and cash flow, due to the solid organic growth and the effectiveness of the mitigation plan.

For the FY 2025, we forecast revenues between ~6.7 and ~6.8 billion euro:

- volumes growing by approximately +1%;
- price/mix improving between ~+3.0% and ~+3.5% compared to the +2% to +3% previously indicated; and
- negative exchange rate impact now expected at ~-4.5% to -4% compared to the previous ~-2.5% to ~ -1.5%;

Profitability is expected to be 16%, with the improved price/mix and the mitigation plan helping to reduce the impact of tariffs and the more negative exchange rates.

The guidance implies an Adjusted EBIT of approximately €1.080 million at the midpoint, in line with the figure indicated in May in case of tariffs application for the rest of the year.

Investments are confirmed at ~€420 million (~6% of revenues).

Cash generation of approximately €550 million is confirmed, as well as the resulting deleverage target.

I now give the floor to Mr Tronchetti for the final remarks.

Marco Tronchetti Provera - *Executive Vice Chairman*

Thank you, Mr. Casaluci,

The first half results confirm the effectiveness of our strategy, which has produced solid results despite the difficult external context.

We have faced the challenges from the environment with determination, reacting quickly and in a coordinated manner. This confirms our adaptability and the strength of our business model.

Thanks to a clear vision, strong execution capabilities, and the de-risking actions we are implementing, we look to the future with confidence. We are ready to face the external complexities and to outperform our peers:

- both in terms of profitability
- and cash generation.

This will allow us to achieve our deleverage target by year-end, ensuring greater flexibility and laying solid foundations for growth in the coming years.

This ends our presentation.

We may open the Q&A session.

Questions & Answers

<u>Akshat Kacker – *J.P. Morgan*</u>

Good evening. Akshat from J.P. Morgan. I have three questions, please.

- The first one is a clarification on tariffs. So if I understand you correctly, you have reiterated the gross and net impact from tariffs for this year. Despite mentioning that, we have lower tariffs from Europe into the US, down from 25% to 15% and that your initial assessment on Brazil is that it stays at 25%. So could you just tell me how is the gross and net impact, the same as your previous assessment? That's the first question.
- The second one is on pricing. We have clearly seen an improvement on the profit bridge in the second quarter. Could you talk about the general inventory situation in Europe and North America as you see it today? And what is your pricing or commercial strategy as you go into the second half, please?
- And the last one is on the Standard business. Could you just generally talk about the changing market dynamics in the South American market, particularly the Brazilian market, and what that means for your Standard business going forward and the margins? Thank you so much.

<u>Andrea Casaluci - *Chief Executive Officer*</u>

Yes, thank you for your questions. So, tariff impacts are based on our estimation done in May, where we were expecting a 25% from Europe imports, now moving from 25% to 15%, which is anyhow something that is still to be finally confirmed by executive orders.

The situation will improve in the second half from August on - not the entire second half - but not significantly because we already paid the 2025 starting from May till end of July, and we already have stocks partially covering the demand of the following months.

So, of course, there is an improvement, but not meaningful and partially compensated by the worsening scenario of the duties from Brazil. All in all, we are confirming the expectation done in May. Clearly, we welcome the news of the reducing from 25% to 15% also because this will benefit on the next year impact, but there is a high level of volatility.

Pricing-wise, in our price mix of the first half, we have a slightly positive impact, mainly driven by the Original Equipment indexation because of the raw material negative trend of the previous months. All in all, we see a price discipline all around. Clearly, in the United States, the duties on import, considering that the total demand of the country is around 300 million tyres on a yearly basis, and the installed capacity is around 170 million tyres. It is logic to imagine an inflationary environment, but it is too early to arrive at any kind of conclusion on that. So we are monitoring carefully.

As far as Standard is concerned, we are accelerating our exit strategy of the Standard in the less profitable channel in South America, both in Brazil and Argentina. I would say mainly in Argentina, because the imported tyres from Asia are increasing. And so we face a tradedown accelerated in the region, and having still opportunity to reduce our exposure to

Standard, we are accelerating. This is the main reason why you see a slightly lower performance in terms of volume compared to our previous guidance. Thank you.

<u>Monica Bosio – *Intesa San Paolo*</u>

Good evening, and thanks for taking my questions. I have three questions.

The first is, if you can remind me what is your capacity production in Brazil? And how much is Standard, and how much is High Value? And what will be the strategy from now on? I'm just wondering, as you are exiting the less profitable distribution segment, are you willing to convert part of the Standard capacity into High Value? Or alternatively, are you going to restructure some capacity production in Brazil? That's my first question.

The second one is on the Original Equipment market in USA. I was wondering if you have seen some pre-buy effect in the first half, also in the second quarter. And what are you expecting for the Original Equipment market in the last part of the year? Because, according to most of the providers, the US market should go down in the fourth quarter.

And the very last question is on the raw material impact, it was roughly €51 million in the first half. Should we expect a reversal in the second half? So, if you can indicate us the total impact for the full year? Thank you very much.

<u>Andrea Casaluci - *Chief Executive Officer*</u>

Thank you also for your question. Our total production capacity in Brazil today is around 11 million tyres, 50% already converted in High Value, while 50% still remaining in Standard. And of course, our target is to accelerate the conversion of the Standard capacity into High Value. We don't have restructuring plans in the coming years. I remind you that we already did restructuring in 2019 in Brazil, and we closed one factory in Rio Grande do Sul. And today we have our actual footprint that we do consider the right one. Both supporting the conversion into High Value of the local demand, which is already visible in the roadmap of the carmakers in Brazil and the export into United States.

As far as United States market is concerned, we see a second half of the year with an High Value market remaining mid single digit positive, with an Original Equipment improving its performance, moving from negative into positive, also thanks to a favorable comparison versus last year. You probably remind that in the last months of 2024 the Original Equipment in United States lost a lot of volumes because the carmakers decided to reduce the stock in the trade. And so we see the opportunity of recovery in the Original Equipment. While the Replacement, we do expect it to remain around a mid-single-digit growth in the second half, exactly as it happened in the first half. We haven't seen significant pre-buying behavior in the customers. Maybe something in April before the application of the duties that started in May, but then with a negative impact on May, June. So all in all, the second quarter, I would say, it has been a stable trend.

Raw material impact in the second half is expected to be slightly negative. Of course, is improving compared to first half, where it has been, €51 million negative headwind. We do expect a slightly negative impact on the second half. Thank you.

<u>Thomas Besson – *Kepler Cheuvreux*</u>

Thank you very much. Good evening. I have a couple of questions as well, please.

Firstly, could you give us an update on the topic of the first half, which has been your attempt to change the stake of your larger shareholder or, let's say, the willingness to have them lower their stake, to have the possibility to not be eventually seen as controlled by a Chinese investor. Is there anything new on that front? Because, unless I missed it, I didn't hear anything on the topic.

And my second question is on some of the non-operating lines of your P&L. Could you just confirm what we should expect for 2025 in terms of net financial charges and tax rates? Thank you.

<u>Marco Tronchetti Provera - *Executive Vice Chairman*</u>

Thank you for your question. On shareholder structure and control no news for the time being. The discussions are ongoing and we expect that at the end the company could continue without any restriction to its growth in any region. So we are dealing with this, and we are in an open dialogue. Until now, there is nothing new. There is nothing urgent and nothing new. There is the certainty that this problem will be solved.

Thank you. Then I leave the floor to Mr. Bocchio.

<u>Fabio Bocchio - *Chief Financial Officer*</u>

Thank you. Related to the non-operative lines below the adjusted EBIT, we can confirm that the non-recurring is expected to be in the ballpark between €55 million to €60 million for the full year. Financial charges, we are expecting to be between €220 million to €230 million, and we confirm our original guidance for the tax rate, which will be between 28% to 30% on the full year.

<u>Stephen Benhamou – *Exane BNP*</u>

Yes, good evening everyone. I have three questions, if I may.

The first one is regarding the efficiency gains. So can you please elaborate on the Crash program coming on the top of the efficiency gains and what could be the contribution in H2?

The second question is regarding the price mix, so can you please give us the breakdown between price and mix in Q2? And you revised up your price mix objectives for the full year. So how much of this is a structural versus temporary? This is my second question.

And the last question is regarding the Cyber Tyre. So you did a focus today on these tyres. So can you please give us an indication of the contribution of those tyres globally and in the US in terms of volumes and revenues? Thank you.

Andrea Casaluci - *Chief Executive Officer*

Thank you. So, as far as the efficiency program, we have divided in two, as we presented, the gross efficiency program which has been already part of our initial plan, counting for around €150 million is divided among the different plans presented:

- product cost that, on the full-year base, is roughly €60 million,
- another €50 million roughly coming from manufacturing,
- around €20 million from organization impact, and
- around €20 million from the SG&A.

This is a ~€150 million gross efficiency already part of our plan. On top of that, we have faster cost-tightening activities all around the world to support us in the mitigation plan. And here we are talking about cost discipline and cost reduction at 360 degrees in all Regions, not necessarily concentrated in the United States, because we are asking to all the countries to support the mitigation plan with positive results so far. So we are on track with this.

Price mix, the impact in the first half of the price is slightly positive as I said before due to the Original Equipment indexation. And all in all, the major driver in the first half has been the product mix, with roughly 2.5 percentage points out of the 3.9 percentage points. And we also had a positive region mix of roughly 1 point, mainly due to the acceleration of the exit strategy in the Standard segment in South America, already mentioned. If we target the full year, as we presented in our guidance, we do expect an implicit second half, between 2% and 2.5% improvement with a stable performance on the product mix. And in this case, we do expect a slightly negative channel mix impact because we do expect the recovery of the Original Equipment, mainly driven by North America and Europe, in the second half. Price remains slightly positive with a reduction of the indexation impact of the Original Equipment because of the well-known trend of raw material.

Cyber Tyre we don't communicate the numbers in detail. But in terms of impact it is still minimum because it is a technology in the introduction phase. We do expect significant growth in terms of penetration in the coming years. We are working with a lot of carmakers to introduce the technology, and these will be well explained during our next Industrial Plan. Thank you.

Martino De Ambroggi – *Equita*

Thank you. Good evening everybody. Again, on the issue for the major shareholder. If I remember correctly, the government had a time limit of July, today, to provide a decision on the Golden Power exercise. Am I wrong?

Marco Tronchetti Provera - *Executive Vice Chairman*

Thank you for the question. I think that the process is ongoing, and so we believe that, being also August, starting from tomorrow, a time in which obviously there are a lot of people going on holiday, including us, we believe that it will be postponed for another month or two. There is no specific time limit because it is in the hands of the government and the Golden Power office that are continuing their deep analysis, and they are listening to many different sources. So I think that we'll skip August and we will go to September. That's my view.

<u>Martino De Ambroggi – *Equita*</u>

Okay. And considering there are still too many moving parts for tariff, what's the likelihood to see extra CapEx to fix the imbalance in your footprint, considering the current definition of tariffs, if any?

<u>Marco Tronchetti Provera - *Executive Vice Chairman*</u>

There is no extra CapEx. In the plan that will be presented, we will see the evolution of the investments, which will remain within the framework or the percentage of sales that we had until now. So there are, for the time being, no extraordinary investments.

When we talk about new capacity, new investments, these investments are deployed in the next years, so will be year after year absorbed. And we don't have a different policy of investment now. And we don't need, as far as we can see, any possible extraordinary investment. Thank you.

<u>Martino De Ambroggi – *Equita*</u>

Thank you. And very last, on pricing in North America, I don't know if you can provide any additional comment on the pricing environment in this area.

<u>Andrea Casaluci - *Chief Executive Officer*</u>

No, it's too early to have a clear understanding. The only comment we can do is a general comment, based on what I said before, that the total installed capacity in US is around 170 million tyres, while the total demand of the market on a yearly basis is 300 million. So if the duties will remain, it's logic to imagine an inflationary environment. But till now, no major information.

We are evaluating the commercial conditions customer by customer, both in replacement and original equipment, because, as you can imagine, is not only question of price, is also related to the incoterms, to the stock level, so we are in a phase of evaluation of everything, but you can imagine is very early, we are in the first stage, because the duties with Europe, for example, are even not yet finally confirmed by the US administration, so everything is under development.

<u>Christoph Laskawi – *Deutsche Bank*</u>

Good evening. Thank you for taking my questions. The first one, again, coming back to the topic of tariffs. Assuming that the 15% from Europe into US are confirmed and 25% from Brazil as well, do you have the ability, or would it make sense also with regards to production costs in the two regions, to shift more volumes from Europe into the US and sort of lower the exports from Brazil? Is this potentially a sizable mitigation opportunity that you have? Or because of again cost imbalances or obviously shipping, etcetera, it doesn't make sense. Would be great if you could comment on that.

And then a clarification question on pricing, and sorry to come back to that. Did I understand it correctly that you say essentially pricing slight positive in H2 as in H1, despite indexation fading. And as a delta of that, obviously, Replacement pricing would be slightly positive?

And then last question, just on the inventory situation in the US, has the tariff had any more significant implications for the inventory there, or is it basically as you saw it before? Thank you.

Andrea Casaluci - *Chief Executive Officer*

So, thank you for your questions. Yes, we have a certain degree of flexibility in the allocation among Brazil, Mexico, and Europe, and we are trying to optimize the global supply chain for United States. And in case the environment will remain as per today, so 15% duties from Europe and 25% on car tyres from Brazil, we will try to optimize the different source of production for United States. Nevertheless, Mexico will remain by far the most important source of production for us, representing roughly 55% of the sold volumes in the United States, and I remind that this is so far a duty-free area for the USMCA-compliant product.

On price, we don't give a disclosure on the second half, between price and mix. What I can tell you is that the Original Equipment indexation will be less significant compared to the first half, and so it is in reduction. That's logic because it's linked to the trend of the raw material.

Inventories in the United States today are - I would say - at a normal level, we don't see major impact of the duties because there has been, as I said before, a slight anticipation on the pre-buying approach in April, compensated by a rebalance of the inventories during the months of May and June. Thank you so much.

Gianluca Bertuzzo – *Intermonte*

Hello, good evening, and thank you for taking my questions. I have a couple on tariffs.

The first one relates to the spare capacity in Mexico. As you said, it is a duty-free country. What is the level of flexibility you have here to increase exports?

And second one still on tariffs, but to the competitive environment. Where do you see Pirelli positioned in this environment? I mean, it seems that you maybe have some disadvantages to more localized players. But at the same time, you may be at an advantage compared to other players of the market. Can you maybe provide us a description, a framework for that? Thank you.

Andrea Casaluci – *Chief Executive Officer*

Yes, thank you so much. Mexico today, for Pirelli, is fully saturated. You can imagine, has been always the case, but now even more. So, we have two activities in place. The first is we could keep on growing in terms of capacity, it was already in our Industrial Plan. So we are still investing in production capacity growth in Mexico. And this is a mid-long-term plan. In the short term, we are trying to reduce as much as possible all the production done in Mexico not dedicated to United States. So, we are trying to free capacity of production today, address it to markets different than US, like Europe or Mexico itself. And to reallocate this demand to other plants, not being subject to duties.

I would say, compared to the other players, I would consider Pirelli more or less on an average situation. There are players able to satisfy their demand with the local capacity in United States, there are players even more exposed to duties than us. Clearly, for us is key, the USMCA agreement and to assure that Mexico remains not subject to duties. In this environment, I feel that we are in an average situation compared to our competitors.

Marco Tronchetti Provera - *Executive Vice Chairman*

Thank you. So, this ends our presentation, and happy summer to everybody, and I wish you a very good evening.