



PRESS RELEASE

The Board of Pirelli & C. S.p.A. approves results to 31 March 2019

The economic, asset and financial data to March 31, 2019 were formulated applying the IFRS 16 Leases accounting principle, which establishes a new way of accounting with regard to leasing contracts, with significant effects particularly on the representation of Group net financial debt and EBITDA. It should be noted that the comparative 2018 data have not been restated.

Results to 31 March 2019

- Revenues at 1,313.8 million euro, +1.2% at the organic level
- High Value Revenues: +7.3% to 895 million euro (+5.3% at the organic level) thanks to strengthening in all regions. Accounting for 68.1% of sales, up from 63.6% on 31 March 2018
- High Value Volumes: +4.5%, of which +6.7% volumes from Car 'New Premium' (≥ 18 inches). Volumes growth of 12.1% of New Premium in the Replacement Channel
- Price/mix: +7.7% supported by growing weight of High Value and improvement in product and channel mix
- Ebit Adjusted before start-up costs at 230.7 million euro (229.4 million in first quarter 2018) with an Adjusted Ebit margin before start-up costs of 17.6% (17.5% on 31 March 2018)
- Adjusted Ebit at 219.2 million euro (218.4 million on 31 March 2018), with an Adjusted Ebit margin of 16.7% (unchanged from 31 March 2018)
- Net profit from continuing operations: +9.7% to 101.4 million euro (92.4 million euro on 31 March 2018)
- Net Financial Position, excluding the impact of the IFRS 16 accounting principle, negative 3,913.0 million euro (-4,387.3 million euro including the 474.3 million euro impact of IFRS16), an increase from 3,180.1 million euro on 31 December 2018 because of the usual seasonality in working capital but an improvement compared with 3,938.9 million euro on 31 March 2018 which benefitted from the impact shareholdings and extraordinary operations of 141.8 million euro.
- Net cash flow before extraordinary operations/participations improved, with cash absorption down by 162.2 million euro compared with 31 March 2018.

2019 Forecast

- Revenues in 2019 are expected to grow by between 3% and 4% (previous indication 4% to 6%) because of the prolonged weakness of demand in Original Equipment
- High Value confirmed at around 67% of revenues, an improvement from 64% in 2018
- Improvement of profitability confirmed: 2019 adjusted Ebit margin foreseen at $\geq 19\%$ (prior indication around 19%), compared with 18.4% in 2018.

- High Value confirmed at around 85% of Adjusted Ebit before start-up costs compared with 83% in 2018
- Investments in 2019 at around 400 million euro (previous target around 430 million euro) consistent with the new market scenario
- Ratio between Net Financial Position and Adjusted Ebitda before start-up costs, estimated at around 2.1x at end 2019 (2.3x including IFRS16 impact)

Milan, 14 May 2019 - The Board of Directors of Pirelli & C. S.p.A. met today and reviewed the results for the three months ended on 31 March 2019, which confirmed the resilience of the business model focused on High Value and saw growth in all the main economic indicators.

In particular, the first quarter of 2019 was characterized by:

- **Organic revenue growth** of +1.2%, thanks to the **strengthening registered in all regions in the High Value segment**, which today represents 68.1% of total revenues (+4.5 percentage points compared with 63.6% in first quarter 2018). High Value volumes posted growth of +4.5%, in a context that saw a fall in car production and a slowdown of the Premium Moto market. In this context, Pirelli nevertheless improved its market share in New Premium Car (+6.7% Pirelli sales' volumes of Car $\geq 18''$ compared with market growth of 5.2%) in particular in the Replacement channel (+12.1% Pirelli volume growth $\geq 18''$, compared with 10.5% for the market);
- **Further reduction of exposure to the Standard segment**, with a decline in volumes of 16.6% because of the acceleration of the exit from lower profit and smaller rim size products in the context of a general softening of the Standard market. The combined effect of the High Value and Standard trends resulted in a fall in overall volumes of 6.5%;
- **Improvement of price/mix**, at +7.7% because of the growing weight of the high end, the progressive improvement of the product and channel mix and price increases in emerging markets and North America to offset exchange rate volatility;
- **Implementation of efficiency program** (16.4 million euro in first quarter 2019, equal to 1.2% of revenues) which more than offset production cost inflation (-14.9 million euro);
- **Ongoing implementation of costs' recovery actions** (12.8 million euro in first quarter 2019) in answer to Standard's worsening market trend, particularly in emerging countries;

Sales

Revenues (euro millions)	31/03/2019	% of total	31/03/ 2018	% of total	Variation y/y	Variation y/y Organic
High Value	895.0	68.1%	833.9	63.6%	+7.3%	+5.3%
Standard	418.8	31.9%	476.4	36.4%	-12.1%	-6.0%
Total	1,313.8	100%	1,310.3	100%	+0.3%	+1.2%

Revenues amounted to 1,313.8 million euro with an organic growth of 1.2% compared with the first quarter of 2018 thanks to the positive performance of the *High Value* segment. The total variation in revenues was +0.3% including exchange rate effects and the adoption of the IAS 29 accounting principle to take account of Argentina's high inflation (for a total impact of -0.9%).

Revenue variants		31/03/ 2019
Volumes		-6.5%
	<i>of which High Value</i>	
	+4.5%	
	<i>of which Standard</i>	-
	16.6%	
Price/Mix		+7.7%
Exchange rates/IAS 29 Argentina		-0.9%
Total variations		+0.3%

High Value revenues were 895 million euro, with growth of 7.3% compared with the same period in 2018 (+5.3% organic growth excluding the positive effect of exchange rates of +2.0%), equal to 68.1% of total revenues, up from 63.6% in the first quarter of 2018.

Volumes in the High Value segment saw growth of 4.5% while volumes of **Car New Premium tyres above 18 inches** grew by 6.7% (market performance +5.2%), with improvements in market shares in the main geographic regions. In particular, there was volume growth in the Replacement channel of 12.1%, while in Original Equipment it was +0.4% because of market weakness in Emea, Apac and North America.

The difference in volume growth between **High Value** compared with **Car ≥ 18 inches** stems from the slowdown in demand for **Specialties ≤17"**, mainly in Original Equipment, in line with the decline in car production, the slowdown of the Premium moto market, Original Equipment in Europe, and the Replacement channel in North America, impacted by the difficult climate conditions which led to the postponement of buying decisions.

Total **volumes** decreased by 6.5% which was the result of increases in **High Value** volumes on the one hand and the 16.6% fall in **Standard** volumes on the other. The performance in the Standard segment reflects a fall in demand in all markets (global Standard car performance -3.1%) and Pirelli's decision to continue to reduce volumes of products of lower profitability.

Marked improvement in **price/mix** (+7.7% in first quarter 2019), underpinned by the growing weight of **High Value**, from improvements to the mix in the **Standard** segment and price increases in emerging markets and North America to offset exchange rate volatility and the performance of raw material costs.

The performance of exchange rates was negative, mainly because of exchange volatility in emerging markets which, together with the application of the IAS 29 accounting principle to take account of high inflation in Argentina, had a negative impact of -0.9% in the first quarter of 2019.

Profitability

Profitability* (euro millions)	31/03/2019	% of revenues	31/03/2018	% of revenues	Variation y/y
Adjusted Ebitda before start-up costs	327.0	24.9%	298.0	22.7%	+9.7%
Adjusted Ebitda	315.6	24.0%	288.1	22.0%	+9.5%
Adjusted Ebit before start-up costs	230.7	17.6%	229.4	17.5%	+0.6%
Adjusted Ebit	219.2	16.7%	218.4	16.7%	+0.4%

*beginning from 1 January 2019, leasing rents, previously included in Ebitda, are included as debt reduction for leasing (in the capital quota) and among financial charges (for the interest quota). At the same time, included in Ebit are amortizations for usage rights for goods under lease, initially booked as an asset in the balance sheet against leasing debts.

Adjusted Ebitda before start-up costs on 31 March 2019 was 327 million euro (302 million euro excluding IRFS 16 impact), an increase of 9.7% compared with 298 million euro in the same period of 2018 (+1.3% excluding IRFS 16 impact). Ebitda includes a 25 million euro benefit stemming from the application – beginning from 1 January 2019 - of the new IFRS 16 accounting principle that establishes a new way of accounting for leasing contracts.

Adjusted ebit before start-up costs grew by 0.6% to 230.7 million euro compared with 229.4 million euro in the same period a year earlier. The **adjusted ebit margin before start-up costs** was 17.6%, substantially in line with the 17.5% of the same period in 2018.

Adjusted ebit was 219.2 million euro (218.4 million euro in first quarter 2018) with a margin of 16.7%, in line with the first quarter of 2018. Internal levers (price/mix, efficiencies and costs reduction programs) offset the impacts linked to the deterioration of the external scenario (raw materials, exchange rates, inflation, weakness of the Original Equipment market in EMEA, Apac and North America) and the fall in volumes in the Standard segment.

In particular:

- the improvement of price/mix (62.7 million euro) contributed to the reduction of the impact from higher raw material prices (-27 million euro) and the volatility of exchange rates (-2.1 million euro), as well as the effect of volumes' decline (-37.7 million euro);
- industrial efficiencies (16.4 million euro, 1.2% of revenues) more than compensated for costs' inflation (-14.9 million euro);
- the cost reduction plan of 12.8 million euro to counter the fall in sales in the Standard segment, particularly in Brazil, more than compensated for the increase in amortizations and other costs linked to the development of *High Value* (-8.9 million euro);
- start-up costs (mainly relating to the Cyber business and company's digital transformation) were slightly higher (+0.5 million euro to 11.5 million euro compared with 11 million euro in first quarter 2018).

Ebit totaled 183.1 million euro (184.0 million euro in first quarter 2018) and included amortizations of intangible assets, identified in the context of PPA, of 28.7 million euro (in line with first quarter 2018), and non-recurring and restructuring costs of 5.1 million euro (2.4 million euro in first quarter 2018), and 2.3 million euro of charges related to the retention plan (3.3 million in first quarter 2018).

The **result from shareholdings** was positive two million euro, an improvement from +0.8 million euro in the first quarter of 2018.

Net financial charges decreased by 7.1 million euro (from 55.2 million euro in the first quarter of 2018 to 48.1 million euro in the first quarter of 2019) as a result of lower losses on exchange rates (which had impacted the first quarter of 2018, as a consequence of the devaluation in Argentina) and lower financial charges connected to coverage operations in Brazil which more than offset higher leasing charges (6.7 million euro) stemming from the application of the new IFRS 16 – Leases accounting principle.

The **net result for continuing operations** was 101.4 million euro, an increase of 9.7% from 92.4 million euro in the first quarter of 2018.

Performance by region

With the aim of accelerating the implementation of the business model focused on High Value, Pirelli has adopted a new organizational structure at the regional level composed of five regions rather than six. In addition to Apac, North America (previously denominated Nafta) and Latam, the two new macro-regions are:

- **Emea** (Europe, Middle East, Africa): this area includes Gulf countries, markets with growing exposure to High Value;
- **Russia and Nordics**: this area groups markets that are very similar, with the goal of exploiting production and commercial synergies, in particular regarding *Winter*.

Revenues (<i>euro millions</i>)	31/03/2019	% of total 31/03/2019	% of total 31/03/2018	Variation y/y	Variation y/y organic
Emea	598.7	45.6%	46.8%	-2.3%	-1.6%
North America	269.8	20.5%	18.6%	+10.8%	+2.8%
Apac	214.2	16.3%	15.3%	+6.8%	+4.4%
Latam	167.2	12.7%	14.4%	-11.7%	+3.3%
Russia & Nordics	63.9	4.9%	4.9%	-0.8%	+5.0%
Total	1,313.8	100%	100%	+0.3%	+1.2%

At the geographic level, the **Emea** region, in the first quarter of 2019, registered an organic variation in revenues of -1.6% (-2.3% including the effect of exchange rates of -0.7 percentage points) because of registration decreases in Car registrations and Moto in Europe in the first quarter. Pirelli, however, improved its market share both in Original Equipment Car $\geq 18''$ – thanks to its diversified homologation portfolio – and the Replacement channel, thanks the *pull-through* effect. The challenges of the Original Equipment market notwithstanding, *High Value* revenues saw organic growth of 2.0%. On the other hand, the reduction of exposure to less profitable *Standard* products continued, with revenues at the organic level decreasing by 10.8%. Profitability was *Mid-teens*, a slight decrease compared with the first quarter of 2018 and reflects the slowdown in the Original Equipment channel.

North America posted organic revenues growth of +2.8% (+10.8% including the positive +8.0 percentage points effect of exchange rates) driven by *High Value* (+6.4% organic growth) and in particular by growth in the Replacement channel, with an increase in market share thanks to the success of specialties $\geq 18''$ and *All Season* products. Profitability (adjusted Ebit margin) improved by over two percentage points to the

Twenties level (*High-teens* in first quarter 2018), thanks to the growing weight of the high-end, efficiency actions on costs and progressive strengthening of the dollar.

Apac posted organic revenue growth of 4.4% (+6.8% including forex, positive impact 2.4 percentage points) and confirmed its position as the region with the highest profitability (adjusted Ebit margin in the *Twenties*), an improvement for the year earlier. Revenues saw organic growth driven by High Value (+6.1%), mainly in the Replacement channel thanks to the *pull through* effect and a widening commercial presence with over 4,500 points of sale. Sales of Standard declined (-1.5% organic variation) with a fall in sales of rim sizes ≤ 17 inches in a context of market weakness in this segment.

Latam recorded an organic variation in revenues of +3.3% (the overall variation was -11.7%, including exchange rate effects and the application of high inflation accountancy in Argentina in total negative -15 percentage points) impacted above all by the 16.6% decline in volumes. This trend reflects the weakness of the market (total market -7% in first quarter 2019), the continuation of the focus on mix, with the reduction of sales of lower profit and smaller rimmed *Standard* products, and the destination of some production for export to the North American market. The price/mix saw a marked improvement (+20.0% in the first quarter) thanks to price increases in Brazil, which took place in the fourth quarter, and the great improvement in the product mix. Profitability (adjusted *Ebit margin*) was *High-single digit*, a slight gain compared with the first quarter of 2018, because of efficiency actions and mix improvement and reconversion.

The **Russia and Nordics** region registered organic revenue growth of 5.0% (-0.8% with the negative forex effect of -5.8 percentage points) thanks to the strategic focus on more profitable segments and the market's recovery. This combination of factors had a positive impact on the quarter's results with organic High Value revenue growth of 37.4% (+32.4% growth including the negative exchange rate impact of -5 percentage points) and an organic reduction of Standard revenues of 5.3% (-11.2% including forex). There was a significant improvement in profitability compared with the first quarter of 2018 (adjusted Ebit margin *Double-digit* against *Mid-single-digit* in first quarter 2018).

Net financial position and cash flow

The **Net Financial Position**, excluding the impact of the new IFRS 16 accounting principle, was negative 3,913.0 million euro (-4,387.3 million euro including the impact of IFRS16 of 474.3 million euro), an increase from 3,180.1 million euro on 31 December 2018 due to the usual seasonality of working capital but an improvement compared with 3,938.9 million euro on 31 March 2018, which benefitted from the 141.8 million euro impact of the disposal of participations and extraordinary operations (mainly due to the sale of the stake in Mediobanca).

The **net cash flow before extraordinary operations/participations**, was negative 700.0 million euro, an improvement of 162.2 million euro compared with the same period a year earlier (-862.2 million euro) thanks to:

- improved management of operating cash (124.5 million euro less cash absorption)
- lower financial, non-recurring and restructuring charges (37.7 million euro)

In detail, the **net cash flow from operations** in the first quarter of 2019 was negative 601.5 million euro, an improvement of 124.5 million euro compared the figure for the year earlier period (-726.0 million euro) and reflects:

- Investments before IRFS 16 of 78.0 million euro (85.3 million euro in first quarter 2018), 81.2 million euro including the impact from the application of the new IRFS 16 principle. Investments are mainly to increase High Value capacity in Europe and North America, the strategic reconversion of Standard capacity into High Value in Brazil and the constant improvement of mix and quality in all factories;
- The absorption of cash linked to the usual seasonality of working capital and other of 836.0 million euro. This absorption was lower than the figure in the first quarter of 2018 (-928.8 million euro) also thanks to recovery actions on working capital announced on the occasion of the publication of 2018 results.

The performance of working capital and other in the first quarter of 2019 benefitted from:

- The continuation of improvement of the conditions of payment towards suppliers, and
- The launch of recovery actions on commercial credits, through the realignment of the terms of payment for the main Dealers in Brazil, temporarily extended at the end of 2018 because of the difficult market conditions.

In particular, inventories registered a volume reduction of 2%, with:

- A decline of 11% in Standard products, in line with the recovery plan announced at the beginning of the year, and
- An increase of 5% in High Value products, to ensure a better level of service to final customers.

This improvement in warehouse mix and the impact of exchange rates resulted in a slight increase of inventories in terms of value.

Total cash flow in the first quarter of 2019 was negative 717.2 million euro and included, as well, the impact of operations on participations that took place during the quarter. In the first quarter of 2018 the total cash flow was negative 720.4 million euro and included the positive impact of operations on participations and extraordinary operations for 141.8 million euro (mainly because of the disposal of the stake held in Mediobanca).

2019 Forecasts

<i>Figures in euro millions</i>	2018	2019
Revenues	5,194.5	~+3%/+4%
<i>Weight of High Value on revenues</i>	64%	~67%
Volumes	-3,1%	~ -1%
<i>High Value Volumes</i>	+11%	>+9%
<i>Standard Volumes</i>	-14%	~ -11%
Price/Mix	+6.8%	+5%/+5.5%
Exchange rates	-5.9%	-1%/-0.5%
Adjusted Ebit Margin	18.4%	≥19%
<i>Start-up costs</i>	48	~40
Net financial position / Adjusted Ebitda before start-up costs	2.49X	~2.1X
		~ 2.3X incl. IFRS16
CapEx	463	~400

The market's performance in the first months of the year reveal a prolonged weakness in demand in Original Equipment. In particular, in the New Premium segment (tyres with rim sizes of ≥18 inches), the Original Equipment market in 2019 is expected to grow by between +2% and +3%, compared with the previous estimate of +5%. For the Replacement market ≥18 inches, however, double-digit growth (+10%) is confirmed. Given these dynamics, the New Premium market is expected to post total growth of around 7% (previous estimated +8%).

On the basis of this scenario, Pirelli is revising its estimates for High Value volumes which are now expected to grow by over 9% (previous indication around +11%), a level that is however above the market's growth:

- In Original Equipment thanks to a diversified portfolio of homologations and new supply contract in North America and Apac in the second half
- In Replacement leveraging the pull-through effect (83% in 2018).

Standard segment volumes have also been revised, with the decline foreseen at -11% (prior indication - 9%/-10%), given the market's weakness and the accelerated exit from less profitable products.

Total volumes are expected to decrease by about -1% (prior guidance +0%, +1%).

The company confirms expectations of improved price/mix (+5%/+5.5%) and exchange rates (-1%/-0.5%).

The forecasts for 2019 hence are:

- Revenue growth of between 3% and 4% (previous indication +4% to +6%) compared with 5,194.5 million euro in 2018, supported by the strengthening of High Value (confirmed at ~67% of revenues)
- Profitability growth, with an adjusted Ebit margin foreseen at $\geq 19\%$ (previous indication 19%) compared with 18.4% in 2018, supported by improvement in internal levers (price/mix and cost efficiencies)
- Weight of High Value on adjusted Ebit before start-up costs at ~85% (in line with the prior indication)
- Debt reduction with a ratio between Net Financial Debt and adjusted Ebitda before start-up costs at around 2.1x (2.49 at end 2018), around 2.3x including the impact of the adoption of the new IFRS16 accounting principle
- Investments of around 400 million euro (previous indication 430 million euro), consistent with the new market scenario.

Events after 31 March 2019

On **8 April 2019**, the sentence of the Federal Regional Tribunal of the First Region (T.R.F.-1 with headquarters in Brasilia) - which recognized the right of Pirelli's Brazilian subsidiary Pirelli Pneus Ltda. to exclude the ICMS (State Tax on Operations levied on the delivery of goods and interstate and inter-municipal transport and communication services) from the calculation basis of the PIS and COFINS social contributions for the period 2003-2014 - became final (res judicata).

Following the sentence, of which the market was informed on **1 April 2019**, there will be a positive non-recurring impact in the income statement on the net result of approximately 107 million euro, made up of:

- positive impact on the Operating Result (Ebit) of around 80 million euro
- positive impact on Financial Proceeds of about 82 million euro
- negative fiscal impact of around -55 million euro

The benefits in terms of group cash flow are expected in the 5-year period 2020-2024.

On **May 13, 2019**, Pirelli announced the reorganization of its production footprint in Brazil to improve competitiveness in the Country through the creation of a hub for the production of High Value Car, Motorsport and Moto tyres in Campinas, to which the production of moto tyres will be transferred from Gravataí. The Company foresees an investment plan of 120 million euro in the period 2019-2021 for the modernization and reconversion of production plants from Standard to High Value, and the ongoing improvement of the mix and quality of the factories of Campinas (San Paolo), and Feira de Santana (Bahia). The resources relative to the reorganization are mainly derived from the signing of the fiscal agreement for the Patent Box, in October of 2018, which, as then announced, go towards the further focus on High Value and a quicker reduction of the standard segment. The strengthening of Campinas will permit the hiring of around 300 people by 2022 and, with the goal of finding an agreement with unions during the period of the production transfer from Gravataí to Campinas, all possible actions will be taken to mitigate the social impacts at Gravataí, which today employs around 900 people.

Conference call

The results to 31 March 2019 will be illustrated today, 14 May 2019, at 18.30 via conference call with the participation of Executive Vice Chairman and CEO of Pirelli & C. SpA, Marco Tronchetti Provera, and the top management. Reporters will be able to follow the call, without the possibility of asking questions, by dialing **+39 02 805 88 27**. The presentation will also be webcast – in real time – at www.pirelli.com in the Investors section, where the slides will also be available.

The intermediate results for operations to 31 March 2019 will be available to the public by the end of today at the company's legal headquarters, as well as on the Company website (www.Pirelli.com) and on the eMarket storage mechanism (www.emarketstorage.com).

The Manager in charge of preparing the corporate accounting documents of Pirelli & CSpA, Mr. Francesco Tanzi, declares pursuant to paragraph 2 of article 154 bis of the Consolidated Law on Finance that the accounting information contained in this press release corresponds to the documentary results, books and accounting records.

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Pirelli – Economic data to 31.03.2019

<i>(In millions of euro)</i>	1Q 2019	1Q 2018
Net sales	1,313.8	1,310.3
EBITDA adjusted without start-up costs (°)	327.0	298.0
% of net sales	24.9%	22.7%
EBITDA adjusted (°°)	315.6	288.1
% of net sales	24.0%	22.0%
EBITDA (°°°)	308.2	282.4
% of net sales	23.5%	21.6%
EBIT adjusted without start-up costs (°)	230.7	229.4
% of net sales	17.6%	17.5%
EBIT adjusted	219.2	218.4
% of net sales	16.7%	16.7%
Adjustment: - amortisation of intangible assets included in PPA	(28.7)	(28.7)
- non-recurring, restructuring expenses and other	(7.4)	(5.7)
EBIT	183.1	184.0
% of net sales	13.9%	14.0%
Net income (loss) from equity investments	2.0	0.8
Financial income/(expenses) (°°°)	(48.1)	(55.2)
Net income (loss) before tax	137.0	129.6
Tax expenses	(35.6)	(37.2)
Tax rate %	(26.0%)	(28.7%)
Net income (loss) related to continuing operations	101.4	92.4
Earnings/(loss) per share related to continuing operations (in euro per share)	0.098	0.090
Net income (loss) related to continuing operations adjusted	123.4	113.3
Net income (loss) related to discontinued operations	-	(3.3)
Total net income (loss)	101.4	89.0
Net income attributable to owners of the Parent Company	97.6	90.4

(°) Start-up costs refer to contribution to EBITDA and EBIT (amounting to euro 11.4 millions (euro 9.9 millions in 1Q 2018) and euro 11.5 millions (euro 11.0 millions in 1Q 2018) respectively of the Cyber and Velo activities and costs sustained for the digital transformation of the Group.

(°°) Adjustments refer to non recurring and restructuring expenses amounting to euro 5.1 millions (euro 2.4 millions in 1Q 2018) and expenses relative to the retention plan approved by the Board of Directors on February 26, 2018 amounting to euro 2.3 millions (euro 3.3 millions in 1Q 2018)

(°°°) The item includes for 2019, the impacts deriving from the application for the new accounting standard IFRS 16 - Leases to the amount of euro 25 million on EBITDA and euro -6.7 million on financial expenses

Pirelli – balance sheet data to 31.03.2019

(In millions of euro)	03/31/2019	12/31/2018	03/31/2018
Fixed assets related to continuing operations without IFRS 16	9,069.7	9,017.8	8,958.2
Right of use IFRS 16	472.4	n/a	n/a
Fixed assets related to continuing operations	9,542.1	9,017.8	8,958.2
Inventories	1,165.5	1,128.5	940.2
Trade receivables	858.4	628.0	875.9
Trade payables	(1,142.5)	(1,604.7)	(1,062.5)
Operating working capital related to continuing operations	881.4	151.8	753.6
% of net sales (*)	16.8%	2.9%	14.4%
Other receivables/other payables	133.3	34.3	89.9
Net working capital related to continuing operations	1,014.7	186.1	843.5
% of net sales (*)	19.3%	3.6%	16.1%
Net invested capital held for sale	0.8	10.7	51.3
Net invested capital	10,557.6	9,214.6	9,853.0
Equity	4,687.9	4,550.9	4,267.6
Provisions	1,482.4	1,483.6	1,646.5
Net financial (liquidity)/debt position without IFRS 16	3,913.0	3,180.1	3,938.9
Lease obligations IFRS 16	474.3	n/a	n/a
Total Net financial (liquidity)/debt position	4387,3	3,180.1	3,938.9
Equity attributable to owners of the Parent Company	4,603.9	4,468.1	4,205.7
Investments in property, plant and equipment and intangible assets without IFRS16	78.0	463.4	85.3
Investments in property, plant and equipment and intangible assets IFRS16	3.2	n/a	n/a
Research and development expenses	62.6	219.0	56.3
% of net sales	4.8%	4.2%	4.3%
Research and development expenses - High Value	57.3	202.9	51.3
% on sales High Value	6.4%	6.1%	6.2%
Employees (headcount at end of period)	31,697	31,489	31,267
Industrial sites (number)	19	19	19

(*) during interim periods net sales are annualised

Cashflow statement

(In millions of euro)	1Q	
	2019	2018
EBIT adjusted	219.2	218.4
Amortisation and depreciation (excluding PPA amortisation)	96.5	69.7
Investments in property, plant and equipment and intangible assets without IFRS16	(78.0)	(85.3)
Investments in property, plant and equipment IFRS16	(3.2)	n.a.
Change in working capital/other	(836.0)	(928.8)
Operating net cash flow	(601.5)	(726.0)
Financial income/(expenses)	(48.1)	(55.2)
Taxes paid	(30.1)	(31.1)
Cash Out for non-recurring and restructuring expenses/other	(16.0)	(38.2)
Differences from foreign currency translation/other	(4.3)	(11.7)
Net cash flow before extraordinary operations and equity transactions	(700.0)	(862.2)
Industrial reorganization	-	5.3
Disposals/(Acquisition) of equity transactions	(17.2)	136.5
Net cash flow (*)	(717.2)	(720.4)
Net cash flow without IFRS 16	(732.9)	-

* The item at March 31, 2019 refers to the change in Net Financial Position calculated by including lease obligations both at 01.01.2019 and 03.31.2019 for leasing recorded due to the application of the new standard IFRS 16 - Leases

ALTERNATIVE PERFORMANCE INDICATORS

This document, in addition to the financial measures provided for by the International Financial Reporting Standards (IFRS), also includes measures derived from the latter even though not provided for by the IFRS (Non-GAAP Measures). These measures are presented in order to allow for a better assessment of the results of the Group's operations and should not be considered as alternatives to those required by the IFRS.

In particular, the Non-GAAP Measures used were as follows:

- **EBITDA:** is equal to the EBIT, but which excludes the depreciation and amortisation of property, plant and equipment and intangible assets. The EBITDA is used to measure the ability to generate earnings from operations, excluding the impact of investments;
- **EBITDA adjusted:** is an alternative measure to the EBITDA which excludes non-recurring and restructuring expenses, and expenses relative to the retention plan approved by the Board of Directors on February 26, 2018;
- **EBITDA adjusted without start-up costs:** is equal to the EBITDA adjusted but excludes the contribution to the EBITDA (start-up costs) of the *Cyber* and *Velo* Activities and costs sustained for the digital transformation of the Group. The EBITDA adjusted without start-up costs is an alternative measure to the EBITDA adjusted which excludes start-up costs;
- **EBITDA adjusted without start-up costs without IFRS 16:** is equal to the EBITDA adjusted without start-up costs but excludes the impact deriving from the application of the new accounting standard IFRS – Leases;
- **EBITDA margin:** this is calculated by dividing the EBITDA by revenues from sales and services (net sales). This measure is used to evaluate operational efficiency, excluding the impacts arising from investment activities;
- **EBITDA margin adjusted:** this is calculated by dividing the EBITDA adjusted by revenues from sales and services (net sales). This measure is used to evaluate operational efficiency, excluding the impacts arising from investments, operating costs attributable to non-recurring and restructuring expenses, and expenses relative to the retention plan approved by the Board of Directors on February 26, 2018;
- **EBITDA margin adjusted without start-up costs:** this is calculated by dividing the EBITDA adjusted without start-up costs by revenues from sales and services (net sales). This is an alternative measure to the EBITDA margin adjusted which excludes start-up costs;
- **EBIT:** is an intermediate measure, which is derived from the net income (loss) which excludes the net income (loss) from discontinued operations, taxes, financial income, financial expenses and net income (loss) from equity investments. The EBIT is used to measure the ability to generate earnings from operations, including the impact arising from investments;
- **EBIT adjusted:** is an alternative measure to the EBIT which excludes the amortisation of intangible assets relative to assets recognised as a consequence of Business Combinations, operational costs attributable to non-recurring and restructuring expenses, and expenses relative to the retention plan approved by the Board of Directors on February 26, 2018;
- **EBIT adjusted without start-up costs:** is equal to the EBIT adjusted but excludes the contribution to the EBIT (start-up costs) of the *Cyber* and *Velo* Activities and costs sustained for the digital transformation of the Group. The EBIT adjusted without start-up costs is an alternative measure to the EBIT adjusted which excludes start-up costs;
- **EBIT margin:** this is calculated by dividing the EBIT by revenues from sales and services (net sales). This measure is used to evaluate operational efficiency;
- **EBIT margin adjusted:** this is calculated by dividing the EBIT adjusted by revenues from sales and services (net sales). This measure is used to evaluate operational efficiency, but excludes the amortisation of intangible assets relative to assets recognised as a consequence of Business Combinations, operating costs attributable to non-recurring and restructuring expenses, and expenses relative to the retention plan approved by the Board of Directors on February 26, 2018;
- **EBIT margin adjusted without start-up costs:** this is calculated by dividing the EBIT adjusted without start-up costs by revenues from sales and services (net sales). This is an alternative measure to the EBIT margin adjusted which excludes start-up costs;
- **Net income (loss) related to continuing operations adjusted:** this is calculated by excluding the following items from the net income (loss) related to continuing operations:
 - o the amortisation of intangible assets relative to assets recognised as a consequence of Business Combinations, operating costs attributable to non-recurring and restructuring expenses and expenses relative to the retention plan approved by the Board of Directors on February 26, 2018;
 - o non-recurring income/costs recognised under financial income and expenses;
 - o non-recurring costs/income recognised as a tax item, as well as the tax impact relative to the adjustments referred to in the previous points.

This is used to measure net profitability, excluding the impact of the items referred to in the previous points.

- **Fixed assets related to continuing operations:** this measure is constituted of the sum of the items, "*Property, plant and equipment*", "*Intangible assets*", "*Investments in Associates and Joint Ventures*" and "*Other financial assets at fair value through other Comprehensive Income*" and "*Other financial assets at fair value through the Income Statement*". Fixed assets related to continuing operations represent non-current assets included in the net invested capital;
- **Fixed assets related to continuing operations without IFRS 16:** this measure is calculated by excluding the rights of use detected in the application of the new standard IFRS 16 - Leases, from fixed assets related to continuing operations;
- **Net operating working capital related to continuing operations:** this measure is constituted by the sum of the items, "*Inventories*", "*Trade receivables*" and "*Trade payables*". It is used to measure the financial stability of commercial activities.
- **Net working capital related to continuing operations:** this measure consists of the operating working capital and of other receivables and payables and derivative financial instruments not included in the net financial (liquidity)/debt position.

The measure represents short-term assets and liabilities included in the net invested capital, and is used to measure short-term financial stability;

- **Net invested capital assets held for sale:** this measure is constituted by the difference between *"Assets held for sale"* and *"Liabilities held for sale"*. Net invested capital assets held for sale is used to measure net assets relative to assets held for sale;
- **Net invested capital:** this measure is constituted by the sum of (i) fixed assets related to continuing operations, (ii) net working capital related to continuing operations, and (iii) net invested capital assets held for sale. Net invested capital is used to represent the investment of financial resources;
- **Average net invested capital:** this measure consists of the average between the net invested capital at the beginning and end of the period, excluding investments in Associated companies and Joint Ventures, *"Other financial assets at fair value through other Comprehensive Income"*, *"Other non-current financial assets at fair value through the Income Statement"* and the intangible assets relative to assets recognised as a consequence of Business Combinations. This measure is used to calculate the ROI;
- **Provisions:** this measure is constituted by the sum of *"Provisions for liabilities and charges (current and non-current)"*, *"Employee benefit obligations (current and non-current)"* and *"Provisions for deferred taxes"*. The item provisions represents the total amount of liabilities due to obligations of a probable but not certain nature;
- **ROI:** this is calculated as the ratio between the EBIT adjusted and the average net invested capital. The ROI is used as to measure the profitability of invested capital;
- **Net financial debt:** this is calculated pursuant to the CONSOB Communication dated July 28, 2006, and in compliance with Recommendations ESMA/2013/319. Net financial debt represents the borrowings from banks and other financial institutions net of cash and cash equivalents, *"Other financial assets at fair value through the Income Statement"*, *"Current financial receivables"* (included in the item *"Other receivables"*) and, current derivative financial instruments included in the total net financial (liquidity)/debt position (included under current assets as *"Derivative financial instruments"*);
- **Total net financial (liquidity)/debt position:** this measure represents the net financial debt less *"Non-current financial receivables"* (included in the non-current assets item *"Other receivables"*) and non-current derivative financial instruments included in the net financial position (included under non-current assets as *"Derivative financial instruments"*). Total net financial (liquidity)/debt position is an alternative measure to net financial debt which includes non-current financial assets;
- **Net financial (liquidity)/debt position without IFRS 16:** this measure is calculated by excluding leasing obligations detected during the application of the new standard IFRS 16 – Leases, from the total net financial (liquidity)/debt position;
- **Net financial (liquidity)/debt position without IFRS 16 / EBITDA adjusted without start-up costs without IFRS 16:** this is calculated as the ratio between the total net financial (liquidity)/debt position without IFRS 16 and the EBITDA adjusted without start-up costs without IFRS. This is used to measure the sustainability of debt;
- **CapEx (Capital Expenditures) or Investments in property, plant & equipment and intangible assets without IFRS 16 and Investments in property, plant & equipment IFRS 16:** these are respectively calculated as the (i) sum of investments (increases) in intangible assets and investments (increases) in property, plant and equipment, excluding the increases relative to the rights of use and (ii) the increases relative to the rights of use detected during the application of the new standard IFRS 16 – Leases. This measure represents the total amount of investments in property, plant and equipment and intangible assets;
- **Impact of depreciation on investments:** is calculated by dividing the investments (increases) in property, plant and equipment with the depreciation for the period. The ratio of investments to depreciation is used to measure the ability to maintain or restore amounts for property, plant and equipment.