



2020 - 2022 INDUSTRIAL PLAN | VISION 2025

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(1/2)

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The APIs presented herein include EBIT, EBIT margin, EBITDA, EBITDA margin.

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PIRELLI 2020-22 INDUSTRIAL PLAN, 2025 VISION - AGENDA

TIME	TOPIC	SPEAKER
MORNING SESSION		
11:30 – 13:00	1. Pirelli Evolution to date & Strategic Direction	M. Tronchetti Provera , Executive V. Chairman & CEO
	2. 2020-2022 Scenario	A. Casaluci , General Manager Operations
	3. Pirelli Strategy deployment: Pillar 1 - Cost Competitiveness	A. Casaluci , General Manager Operations
13:00 – 13:20	Q&A	
AFTERNOON SESSION		
14:30 – 15:40	4. Pirelli Strategy deployment: Pillar 2 - Commercial Development	M. Bussacchini , SVP Commercial Operations
	5. Pirelli Strategy deployment: Pillar 3 – Technology-based Innovation	P. Misani , SVP Research & Development
	6. 2019 Financial review and 2020-2022 Targets in detail	M. Sala , EVP - Chief Planning & Controlling Officer
15:40 – 16:10	Q&A	
16:10 – 16:15	Closing Remarks	M. Tronchetti Provera , Executive V. Chairman & CEO



AGENDA

PIRELLI EVOLUTION TO DATE & STRATEGIC DIRECTION

PIRELLI STRATEGY DEPLOYMENT: PILLAR 1 – COST COMPETITIVENESS

2020-2022 SCENARIO

PIRELLI STRATEGY DEPLOYMENT: PILLAR 2 - COMMERCIAL DEVELOPMENT

PIRELLI STRATEGY DEPLOYMENT: PILLAR 3 – TECHNOLOGY-BASED INNOVATION

2019 FINANCIAL REVIEW AND 2020-2022 TARGETS IN DETAIL

APPENDIX

PIRELLI EVOLUTION TO DATE & STRATEGIC DIRECTION

1

EVOLUTION TO DATE

2

IMPLICATIONS FROM 2020-2022 SCENARIO

3

STRATEGIC GUIDELINES & KEY 2020-2022 PROGRAMS

4

2020-2022 TARGETS AND ENABLERS

5

2025 VISION



PIRELLI HAS SUCCESSFULLY PURSUED A UNIQUE CONSUMER POSITIONING AND BUSINESS MODEL FOCUSED ON HIGH VALUE

HIGH VALUE (HV)



- Premium and Prestige Car drivers fitting $\geq 18''$
- Focus on 3 HV Regions: Europe, USA and Apac

STANDARD (STD)



- Standard presence reduction
- Trimming low profitability range

COMPETITIVE BARRIERS



Strong Relationship with Most demanding OEMs

1

Cutting-edge Technology

2

Iconic Brand

3

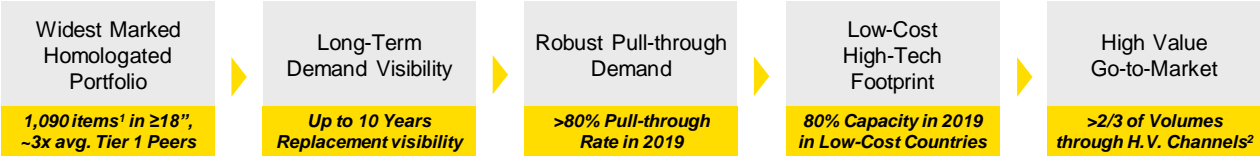
Selective Distribution

4

Low-Cost High-Tech Production Footprint

5

BUSINESS MODEL



2 | 1. source German Product List (Pricat) @ Jan 2020; 2. Car Dealer, Tier 1 Wholesalers, Pirelli Retail, channels over which we exercise a greater control




PIRELLI FORECASTS AND VOLUME PERFORMANCES IN ≥18" PROVED CORRECT

1. Evolution
to Date


HIGH VALUE


	2019 IPO ¹	2019A		
PREMIUM & PRESTIGE (mln cars)				
	CAR PROD.	13	12	
	CAR PARC	~ 150	> 150	
≥18 CAR TYRE MARKET (mln tyres)				
		~ 255	~ 255	
≥18 CAR TYRE VOLUMES (mln tyres)				
		~ 30	~ 30	

UNFORESEEN EVENT

 Challenging pricing environment on ≥18" non-specialties due to OE crisis




PIRELLI COUNTERMEASURES

 OEs portfolio diversification (new N. America and APac contracts in 2H 2019)

 Price protection in ≥18" Specialties (~50% of H.V. sales)

...WHILE RAPID DECREASE ON ≤17" WAS NOT FULLY FORESEEN

STANDARD

	2019 IPO ¹	2019A	
STANDARD CAR PRODUCTION (mln cars)			
	~ 86	~ 77	✘
≤17 CAR TYRE MARKET (mln cars)			
	~ 1,400	~ 1,300	✘
	-100 (o/w 62% OE)		
≤17 CAR TYRE VOLUMES (mln tyres)			
	44	34	✘
	-10 o/w -1 mln on Specialties ≤17"		

UNFORESEEN EVENTS

2018

- > South America economic crisis resulting in severe Standard Tyre demand contraction since 2H (-12% Repl. Car ≤17" market in 2H2018; -5.8% in 1H2019)
- > EMEA and Russia more radical reduction with respect to the IPO plan (second brands and lower rim-sizes pruning)

2019

- > Weaker Synergic car production caused unsaturation and competitive pressure

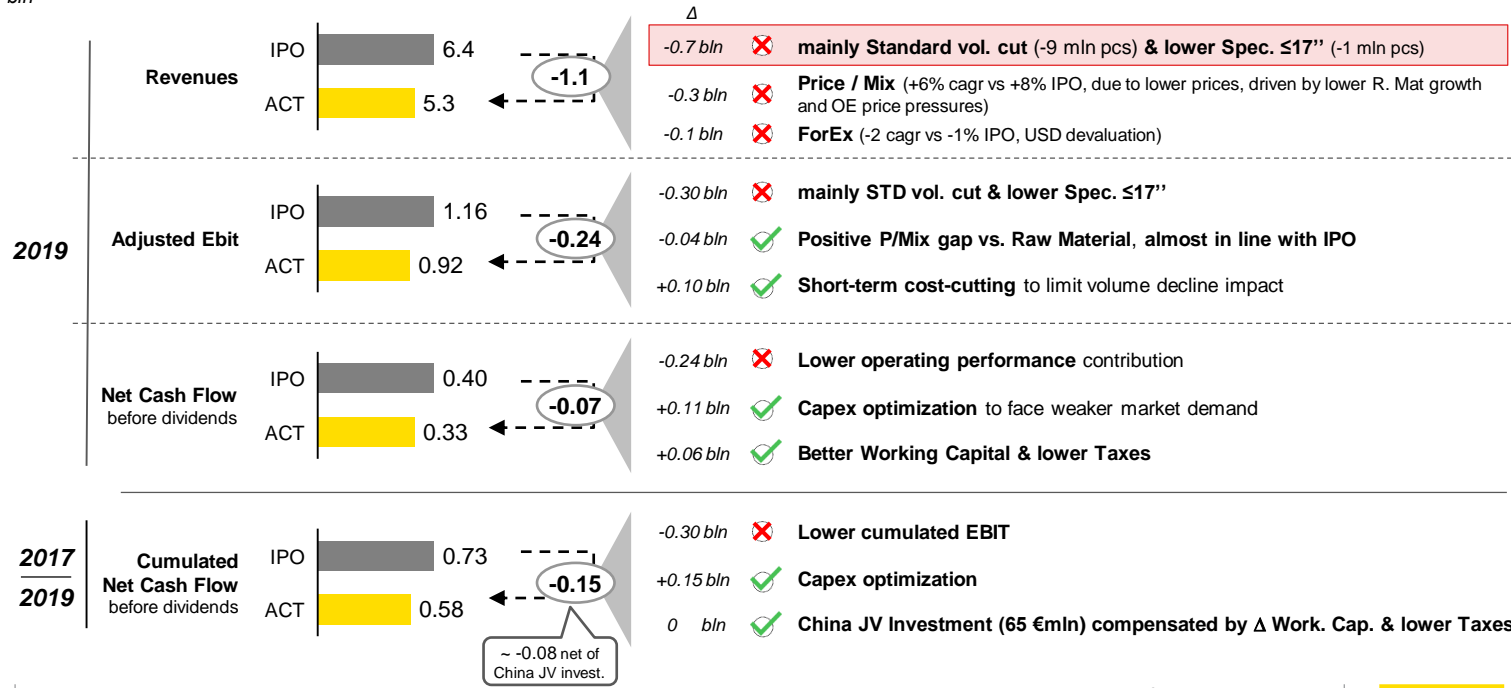
PIRELLI COUNTERMEASURES

- > Footprint rationalization (Brazil)
- > Faster standard volume reduction than previously planned, especially in EU, keeping a socially responsible approach; footprint conversion (Italy)
- > Short-Term cost-cutting actions, leading to more structural savings in 2020-22 plan

MORE GENERALLY, GAP IN STANDARD VOLUMES EXPLAINING KEY VARIANCE WITH IPO PLAN

IPO¹ VS ACTUAL

€/ bln



PIRELLI ESG LEADERSHIP ACKNOWLEDGED BY THE MARKET

TOP-OF-THE-INDUSTRY ESG RATINGS



Global Sector Leader in the S&P
Dow Jones Sustainability Indexes



Awarded sector Gold Class 2020
in S&P Sustainability Yearbook



A-List in Carbon
Disclosure Project 2019



Sector top rating



Global Compact
LEAD company 2019

PIRELLI DISTINCTIVE FACTORS

- > Comprehensive corporate positioning on key global sustainability challenges, beyond materiality
- > Management model complying with most demanding ESG standards¹
- > ESG targets are:
 - Group wide
 - Tangible
 - Challenging and realistic
 - Competitive deadlines
- > Complete and transparent Reporting

EVOLUTION TO DATE SUM UP



- > PURSUE HIGH VALUE APPROACH...
- > ...WITH A HIGHER OE/HOMOLOGATION SELECTIVITY



- > KEEP PRUNING LOW RIM STANDARD



- > ACCELERATE STRUCTURAL COST COMPETITIVENESS PROGRAM
- > LOWER CAPEX INTENSITY IN NEW PLAN AS HV CAPACITY ALREADY IN PLACE



- > LEVERAGE ON SUSTAINABLE APPROACH TO GAIN COMPETITIVE ADVANTAGE BY ANTICIPATING FUTURE CHALLENGES

PIRELLI EVOLUTION TO DATE & STRATEGIC DIRECTION

- 1 EVOLUTION TO DATE
- 2 IMPLICATIONS FROM 2020-2022 SCENARIO**
- 3 STRATEGIC GUIDELINES & KEY 2020-2022 PROGRAMS
- 4 2020-2022 TARGETS AND ENABLERS
- 5 2025 VISION

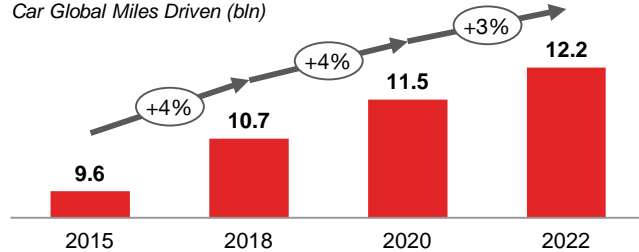


NO MAJOR DISCONTINUITY IN «HIGH-END» MOBILITY IN THE NEXT 36 MONTHS

2. Implications from 2020-2022 scenario

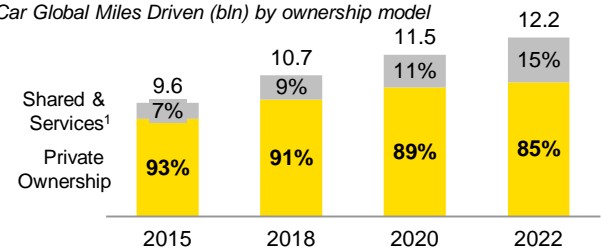
MILES DRIVEN GROWING CONSTANTLY

Car Global Miles Driven (bln)



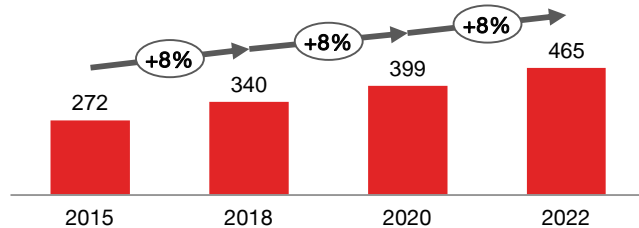
PRIVATE CAR STILL DOMINANT

Car Global Miles Driven (bln) by ownership model



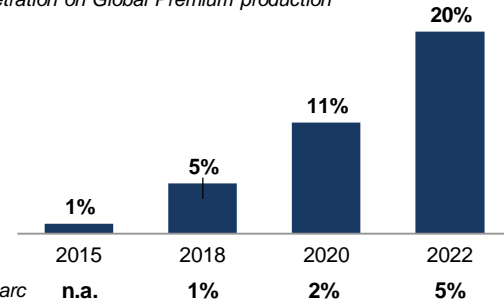
«HIGH-END» CONSUMERS GROWING

Global # of Households with > \$75k annual Income



ELECTRIC CARS GROWING SHARE (PREMIUM)

% EV² Penetration on Global Premium production



1. Category includes Car Sharing, Ride-Hailing, Rental Fleets, Private and Company Leasing Cars; 2. EVs include BEV (Battery Electric Vehicles) and PHEV (Plug-in Electric Vehicles)

% EV on Global Parc

n.a. 1% 2% 5%

2020 - 2022 INDUSTRIAL PLAN | VISION 2025
MILAN, 19TH FEBRUARY 2020

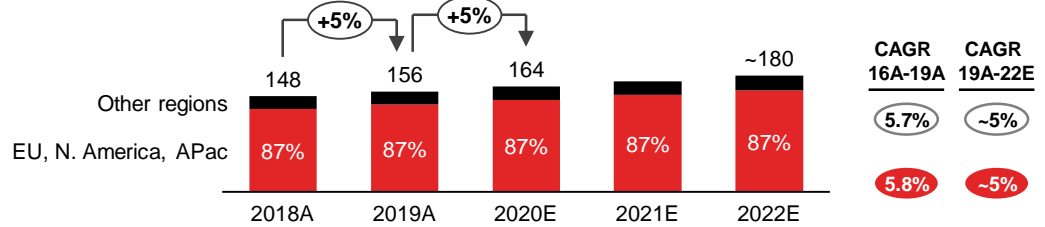


RESILIENT GROWTH OF HIGH VALUE TYRE DEMAND

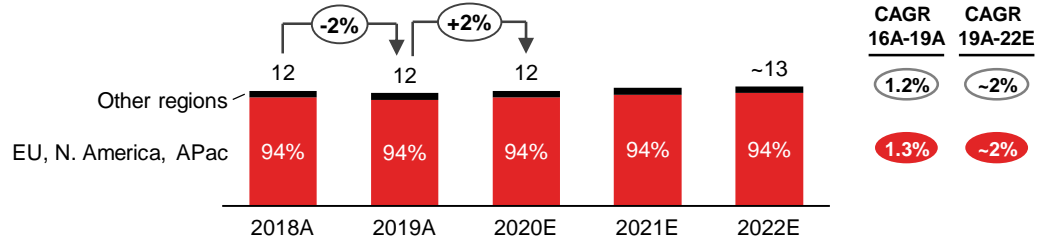
2. Implications from 2020-2022 scenario



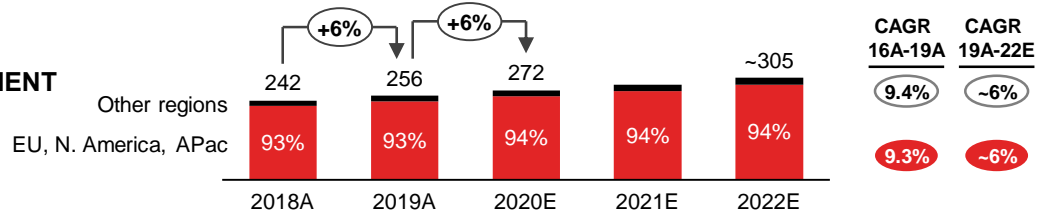
PRESTIGE & PREMIUM CAR PARC (million vehicles)



PRESTIGE & PREMIUM CAR PRODUCTION (million vehicles)



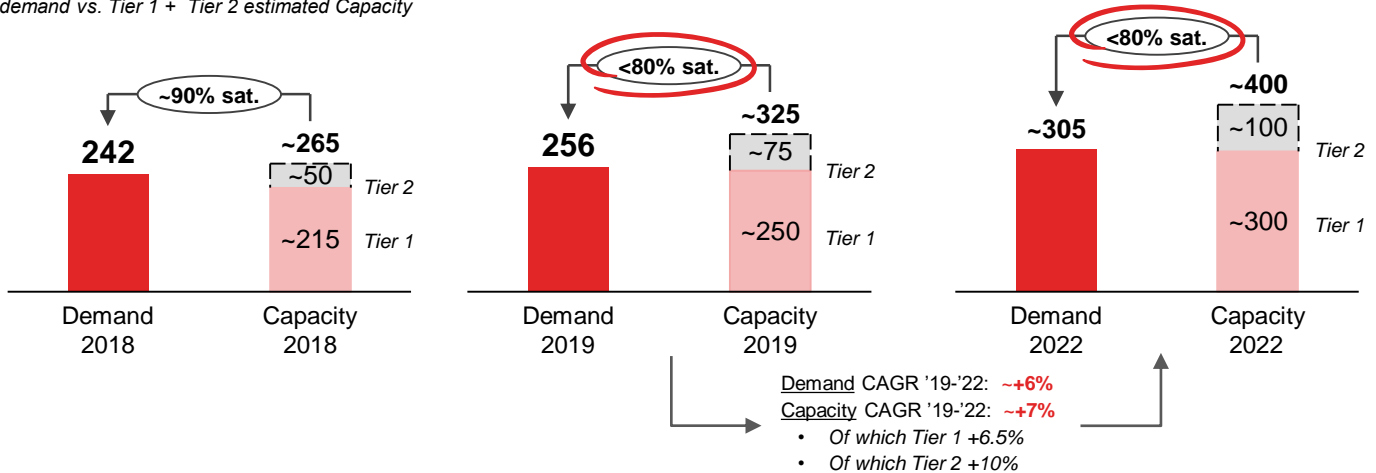
≥18" O.E. + REPLACEMENT TYRE MARKET (million tyres)



HIGH VALUE OVERCAPACITY IN 2019 WILL PERSIST, UNLESS PLAYERS POSTPONE PROGRAMS

≥18" NOMINAL CAPACITY VS. MARKET DEMAND (2018-2019-2022) - ESTIMATES

≥18" demand vs. Tier 1 + Tier 2 estimated Capacity



SEVERAL RESTRUCTURING PROGRAMS ALREADY ANNOUNCED AND MORE LIKELY TO COME, BUT FOCUSED ON STANDARD

Source: Company elaborations based on third party and associations of tyre producers for car market data; Company elaborations and estimates based on public announcements and third party data for Car Capacity data; for 2019-2022 period assuming all new capacity installed is ≥18" and deployment according to latest available public announcements (possible slowdowns in capacity deployment not included in figures)

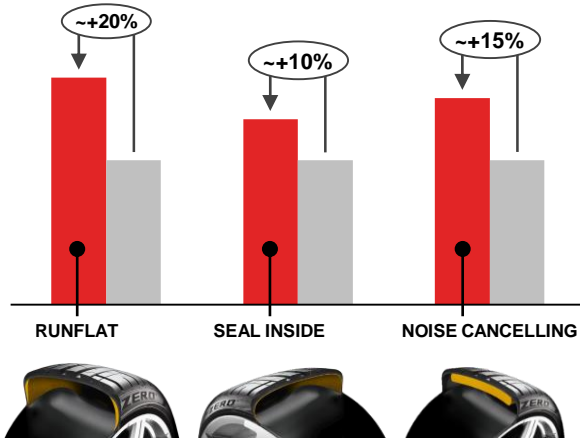


TECHNOLOGY & BRAND CAN LIMIT PRICE PRESSURE IN HIGH VALUE

TECHNOLOGIES (E.G. RUNFLAT, PNCS, SEAL INSIDE) WITH HIGHER ADDED VALUE

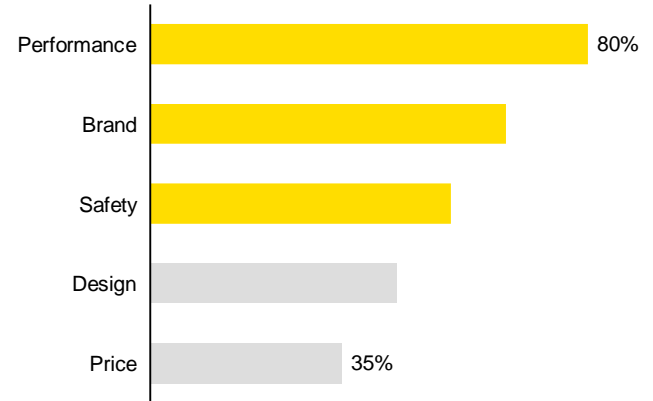
€ Sell-out price for tyre, same Product Line, Specialty vs. non-Specialty

■ Specialty ■ Non-Specialty



PREMIUM CONSUMERS MAINLY LOOK FOR PRODUCT PERFORMANCE, BRAND AND SAFETY

Product choice factor analysis 2019, Premium target (EU) % replies "important" and "very important" (scale 1-5)



Source: Pirelli Survey on CRM contacts (2019)

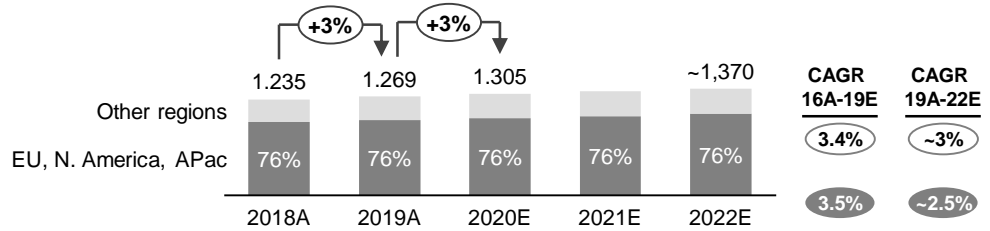
TECHNOLOGY FOR EVs ANOTHER KEY COMPETITIVE BARRIER

17" THE ONLY SEGMENT GROWING IN STANDARD

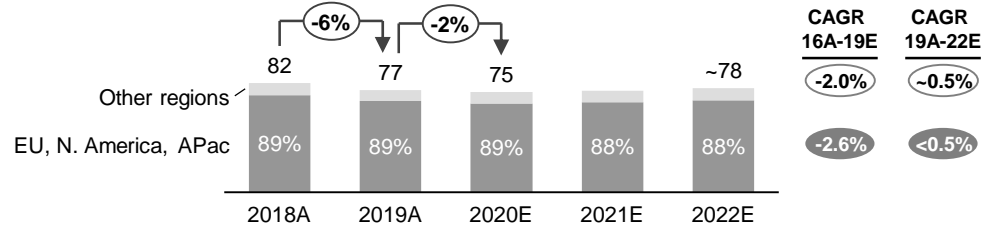
2. Implications from 2020-2022 scenario



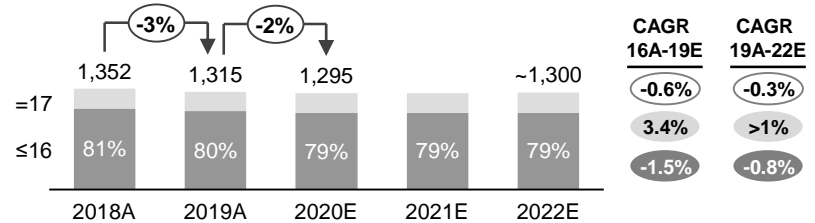
SYNERGIC CAR PARC (million vehicles)



SYNERGIC CAR PRODUCTION (million vehicles)



≤17" O.E. + REPLACEMENT TYRE MARKET (million tyres)



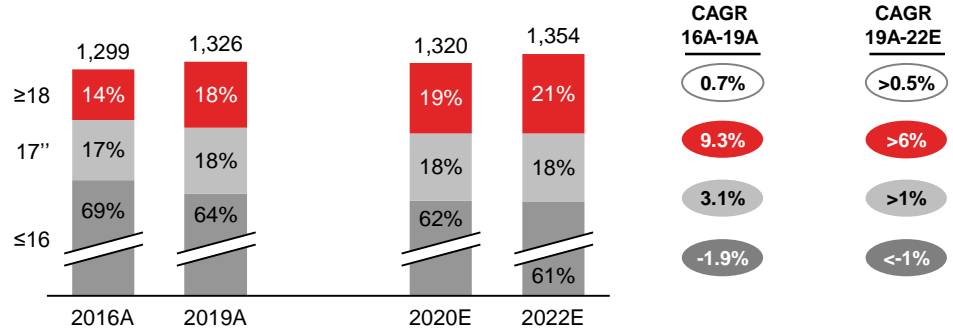
MARKET DEMAND CONTINUOUSLY REPOSITIONING TOWARDS HIGH END SEGMENTS

2. Implications from 2020-2022 scenario



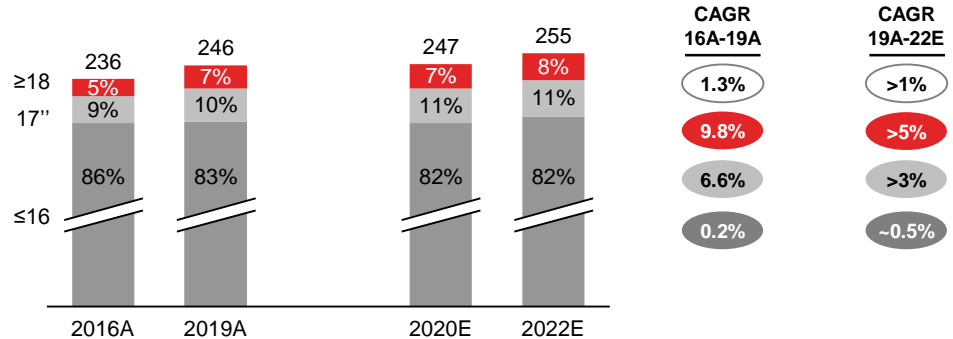
HV REGIONS (EU, NA, APAC)

(million tyres)



STANDARD REGIONS (ALL OTHER REGIONS)

(million tyres)



EVOLUTION TO DATE

- > Pursue High value approach...
- > ...With a higher OE/homologation selectivity
- > Keep pruning low-rim Standard
- > Accelerate structural Cost Competitiveness Program
- > HV capacity already in place: low capex-intensity in New Plan
- > Leverage on Sustainable approach to gain competitive advantage

2020-2022 SCENARIO IMPLICATIONS

- > RESILIENT HIGH VALUE DEMAND
- > OVERCAPACITY/PRICE PRESSURE
- > INNOVATION AND BRAND LEADERS CAN LIMIT COMPETITIVE PRESSURE
- > STANDARD 17" IS A GROWING MARKET WITH DOUBLE-DIGIT REPLACEMENT PROFITABILITY

PIRELLI EVOLUTION TO DATE & STRATEGIC DIRECTION

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STRATEGIC GUIDELINES & KEY 2020-2022 PROGRAMS

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2025 VISION



STRATEGIC GUIDELINES 2020-2022

3. Strategic guidelines &
key 2020-2022 programs



> HIGH VALUE IS PIRELLI'S "TRUE NORTH"



RAISE COMPETITIVE BARRIERS FASTER:

- > – Sustainability-driven innovation
- Brand
- Structural cost competitiveness
- Speedy capture of opportunities through data-rich insights



> REPOSITION IN STANDARD, WITH LOW-COST SOURCES IN LATAM & RUSSIA

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

3. Strategic guidelines & key 2020-2022 programs

 **COST
COMPETITIVENESS**

 **COMMERCIAL
DEVELOPMENT**

 **TECHNOLOGY-BASED
INNOVATION**



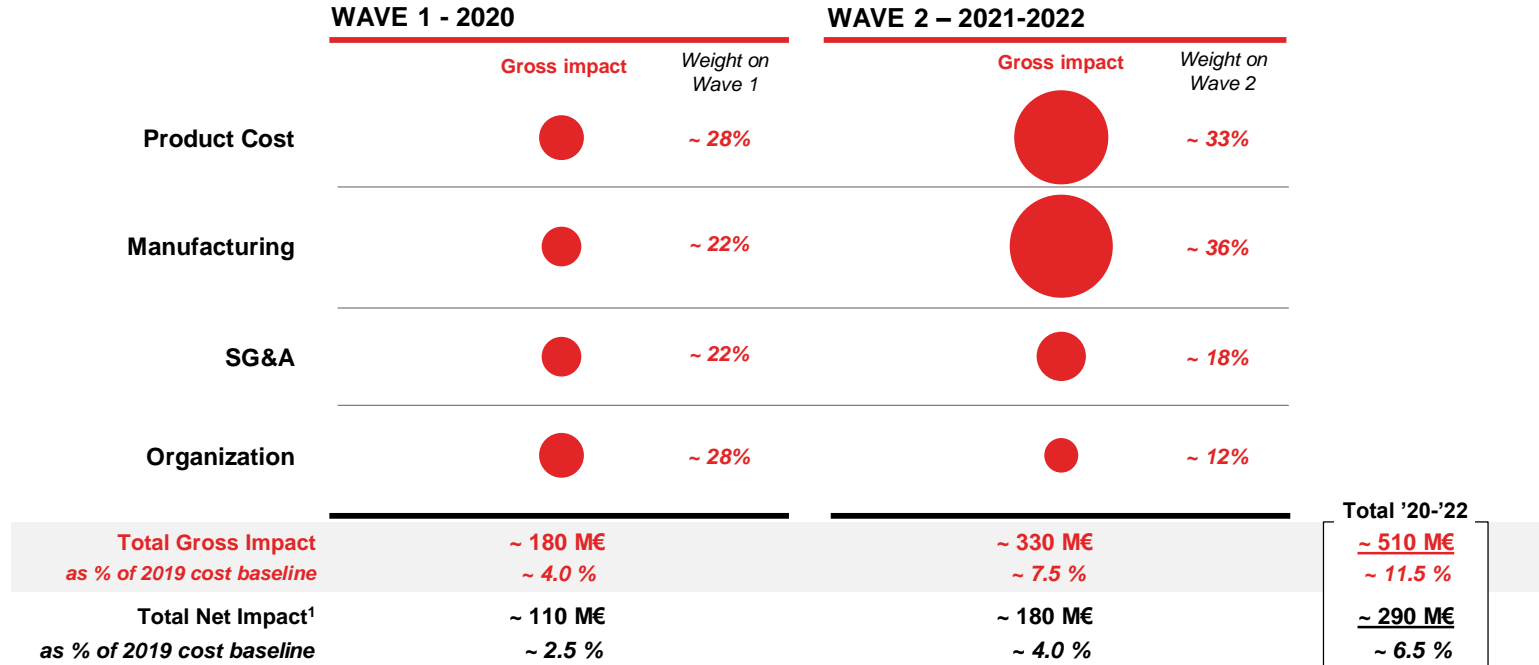
Contained Investment Program

HIGHER FREE CASH FLOW GENERATION



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

3. Strategic guidelines & key 2020-2022 programs



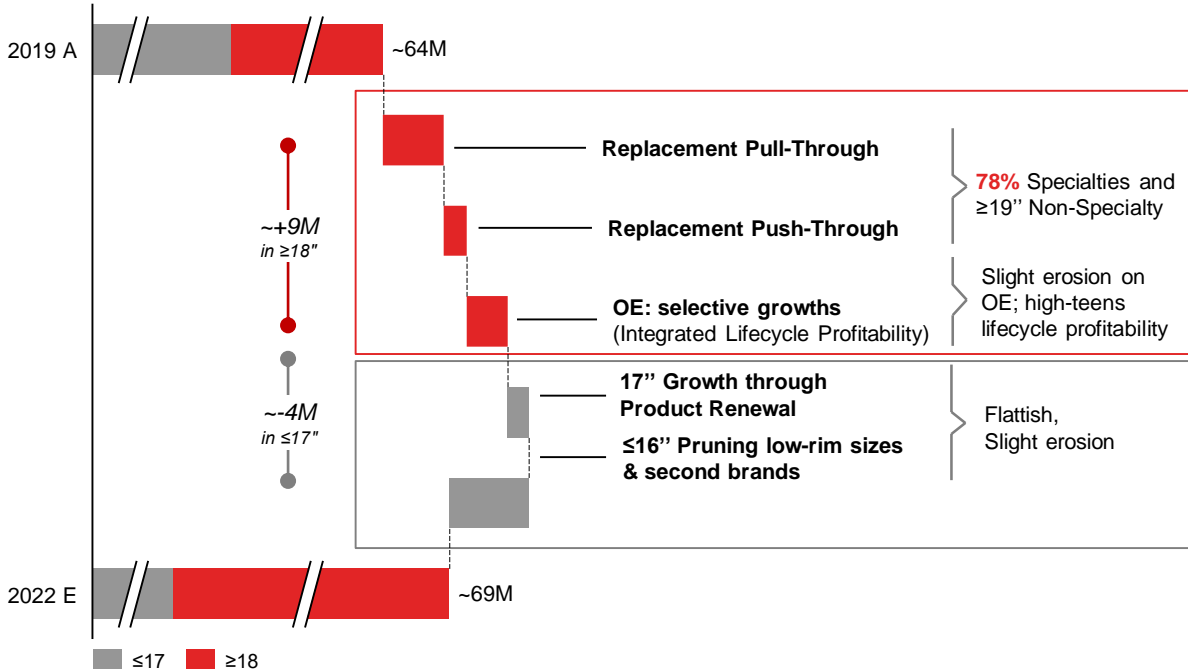
02. COMMERCIAL DEVELOPMENT

VOLUME VARIANCE (CAR)

KEY PROGRAMS

PRICE POLICY

COST IMPROVEMENTS



- > Product & Manufacturing Cost Reduction
- > Time-to-Market reduction
- Major Cost reduction:**
- > Footprint (Bollate)
- > Low Cost Plants (Kirov, Campinas)
- > Efficiency

03. TECHNOLOGY-BASED INNOVATION: ACCELERATING PRODUCT INNOVATION

3. Strategic guidelines &
key 2020-2022 programs

PRODUCT

Fast-pace product renewal

- HV homologated product families renewed, with Specialties available in most of the new Product Lines
- 15 push-through lines, regionalized



~+40% New Product Lines
in '20-'22 vs. '17-'19

DEVELOPMENT & ENGINEERING

New Development & Engineering approach, derived from F1 & Motorsport data driven experience

- Reduced time-to-market
- Modularity & Commonality Virtualization in Design & Testing



-30% development time

NEW TECHNOLOGIES

Working in parallel on Medium-term opportunities

- ELECT EV "Marked" portfolio
- Entering the second stage of Cyber Innovation



>1/3 2020-2022
homologations
projects on EVs

APPROACH

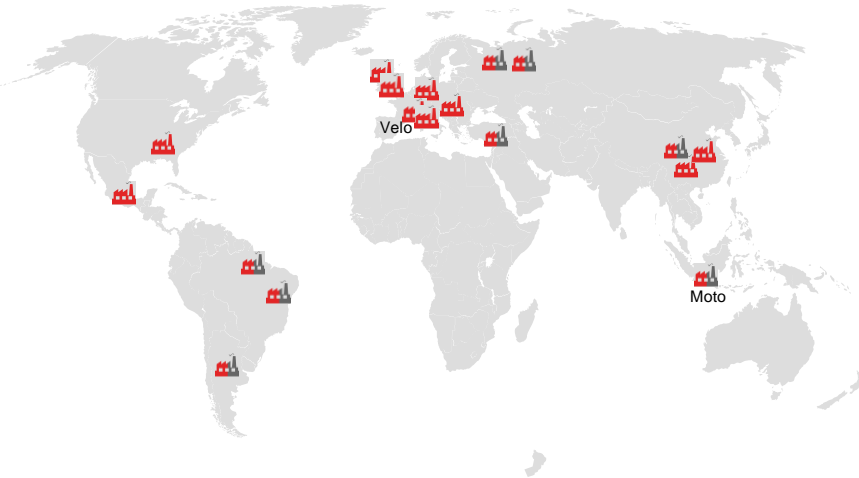
Product roadmap led by an eco & safe design approach from cradle to grave

- Significant increase in the use of renewable and recycled materials, and decrease of fossils
- Max technological trade-off between low environmental impact and safety performances
- Consumer portfolio accompanying the transition towards smart and micro-mobility
- Supply chain co-operating in the development of high added value solutions, resilient in ESG risk management

HIGH TECH AND ECO-EFFICIENT MANUFACTURING FOOTPRINT

3. Strategic guidelines & key 2020-2022 programs

PIRELLI MANUFACTURING FOOTPRINT: HIGH-TECH & ECO-EFFICIENT



Full High Value Capacity



HV/Std Capacity

IN 2022 18 PLANTS (~82% LOW COST COUNTRY)

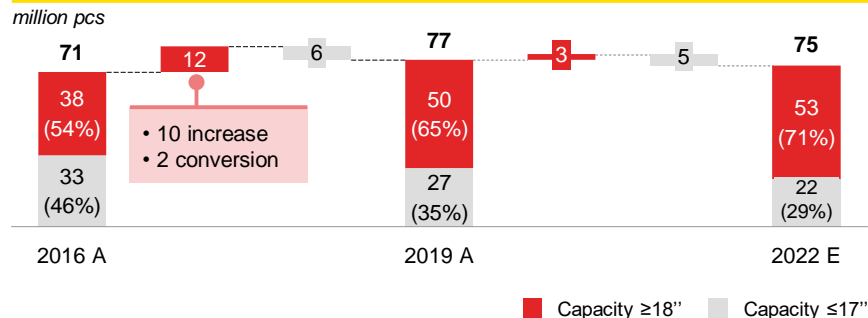
- > 9 Car Fully High Value, of which 6 new / robotized
- > Bollate Plant converted to Premium Velo
- > 2 Production Hubs in Low Cost Countries serving closer High Value markets: Latam for N. America and Russia for Europe

AN INDUSTRIAL ENVIRONMENTAL FOOTPRINT SUBSTANTIALLY REDUCING

- > 100% renewable electricity worldwide by 2025
- > Group Carbon Neutrality by 2030
- > Commitment to the Science Based Target initiative, in alignment with our CO₂ emissions reduced strategy
- > Excellence in water management
- > Zero waste to landfill

ALREADY REACHED OPTIMAL CAPACITY IN HIGH VALUE, LEADING TO A CONTAINED INVESTMENT PLAN

CAR CAPACITY

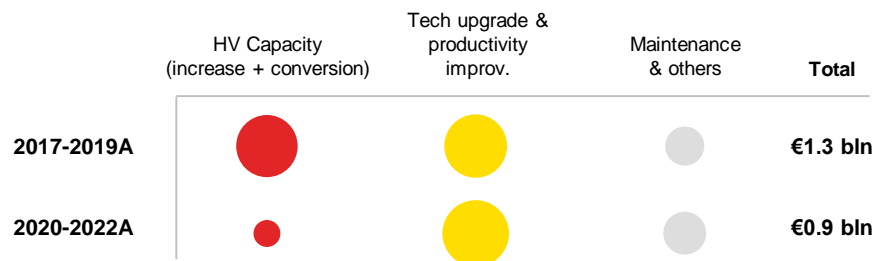


HIGH VALUE CAPACITY CONSISTENT WITH DEMAND

- HV Capacity already increased strongly in 2017-2019 (Europe, China and Mexico)
- 2020-2022 further HV Capacity mainly from Conversion

STANDARD CAPACITY REDUCTION: -11m pcs in 6 years mainly in Emea & LatAm. Saturation ~90% in 2022 (70% in 2019)

CAPEX PLAN



2020-2022 INVESTMENT PROJECTS HIGHLIGHTS

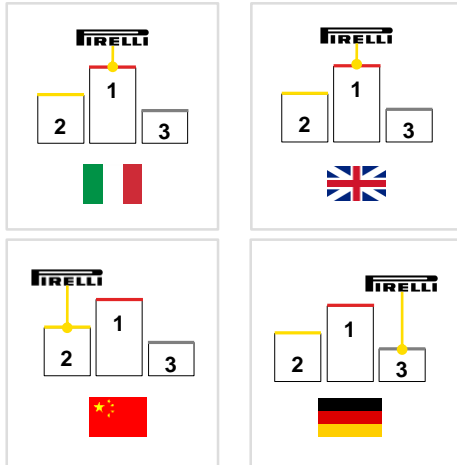
- Focus on Specialties and mix/quality improvement
- Ongoing Restructuring Plan (Italy & Brazil)

REINFORCING OUR ICONIC BRAND FOR PREMIUM CONSUMERS

3. Strategic guidelines & key 2020-2022 programs

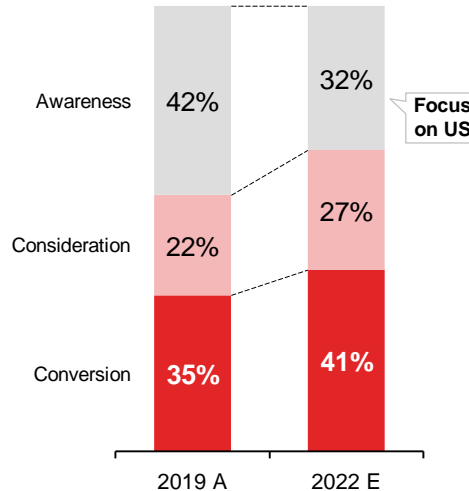
ALWAYS IN TOP 3 POSITIONS IN KEY MARKETS

2019 Pirelli Brand Tracking Premium Consumers¹



MOVING EFFORTS DOWN THE CONSUMER JOURNEY

Pirelli Global Brand Investments in Consumer Journey funnel, 2019 and 2022



BRAND INITIATIVES RELEVANT FOR PREMIUM CONSUMERS

Sponsorships



¹ Considering several parameters: Top-of-Mind Brand, Brand Awareness, Brand Consideration and Brand Conversion (Top Choice)



PIRELLI EVOLUTION TO DATE & STRATEGIC DIRECTION

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2020-2022 TARGETS

€ billion

	2019 A	2020 E	2022 E	
Net Sales	5.3	~5.4	~5.8	
adj. EBIT margin	0.9 17.2%	~ flat YoY	18% ÷ 19%	
CapEx	0.39	~0.3	cum. '20-'22 ~0.9	vs. cum '17-'19 ~1.3
Net Cash Flow bef. Dividends	0.33	~0.4	cum. '20-'22 ~1.5	o/w ~0.5 in '21 ~0.6 in '22
Net Financial Position (IFRS 16) ¹	3.5	~3.3	~2.5	

1. Assuming average 40% dividend pay-out on consolidated net income in the 2020-22 Industrial Plan

PIRELLI REMUNERATION SYSTEM ALLIGNED WITH INDUSTRIAL PLAN

REMUNERATION STRUCTURE to be approved by the Shareholders' Meeting (June 18, 2020)

COMPENSATION MIX FOR KEY MANAGEMENT

FIXED COMPONENT

- No more than 50% of Total Annual Direct Compensation on reaching all objectives at target level

SHORT-TERM INCENTIVE *(1/3 of total variable compensation)*

- Cash incentive based on key Financial objectives (Group Adj. Ebit, Net Income, Net Cash Flow before dividends) and Sustainability (Eco-Safety Performance¹ Revenues)
- On/off condition: Group Net Cash Flow before dividends
- 25% deferred to the next year

LONG-TERM INCENTIVE PLAN 2020-22 *(2/3 of total variable compensation)*

- Cash plan based on **3 key objectives**: Relative **TSR** vs. Tier1 peers; 2020-22 Cumulated Group **Net Cash Flow before dividends**; on-going inclusion in **Sustainability** Indices (Dow Jones Sustainability World Index ATX Auto Component sector, CDP scoring)
- **Rolling plan**: every year starting a new 3-year period
- **Payment** in 2023 and at the end of each 3-year vesting period

ALL **VARIABLE** COMPONENTS ARE **CAPPED**

NON-COMPETITIVE AGREEMENT

CLAW-BACK CLAUSES KEY MANAGEMENT
IN BOTH MBO AND LTI PLANS

1. Eco-Safety Performance products, previously named "green performance products", identify car tyres that Pirelli produces throughout the world and that fall only under rolling resistance and wet grip classes A, B, C according to the labeling parameters set by European legislation

GOVERNANCE CONFIRMED BY RENEWED SHAREHOLDERS' AGREEMENT

BY-LAWS



Pirelli By-Laws shall be **inspired by international best practices**



Pirelli Technological know-how never be transferred unless approved by **90% of Pirelli shareholders**



Pirelli headquarters shall remain in Milan (Italy) unless approved by **90% of Pirelli shareholders**



One-fifth of the Board shall be **appointed by minority shareholders**

BOARD OF DIRECTORS



Board made of highly qualified Members with a suitable mix of skills.

Independent directors shall be the majority of the Board



Focus on **Diversity value**: gender, age, seniority, nationality, educational background and work-experience



Internal committees in line with the best practices, with independent directors having a key role.



Transactions with related parties to be governed by **best International practices** with a key role of the Committee for Related Parties Transactions

SHAREHOLDERS AGREEMENT



The partnership acknowledges: (i) Pirelli is a company specialised in high quality and technology products, (ii) loyalty, professional skills and expertise of the management, key factor for the Company success and business growth



Pivotal role of the top management to maintain **quality standards**, to preserve and value Pirelli industrial legacy



Pirelli Chief Executive Officer to lead top management and ensure **Pirelli business culture continuity**



Pirelli Recruiting, Career Plans and incentive schemes to **match management and shareholders interests**. Incentive plan targets consistent with Pirelli Strategic Plan, and in line with the best practices for listed Companies (e.g.: TSR, sustainability)



Leading role of Marco Tronchetti Provera in the designation of his successor

PIRELLI EVOLUTION TO DATE & STRATEGIC DIRECTION

- 1 EVOLUTION TO DATE

- 2 IMPLICATIONS FROM 2020-2022 SCENARIO

- 3 STRATEGIC GUIDELINES & KEY 2020-2022 PROGRAMS

- 4 2020-2022 TARGETS AND ENABLERS

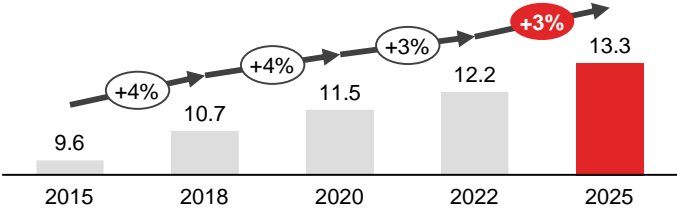
- 5 2025 VISION**



KEY DYNAMICS IN 2025

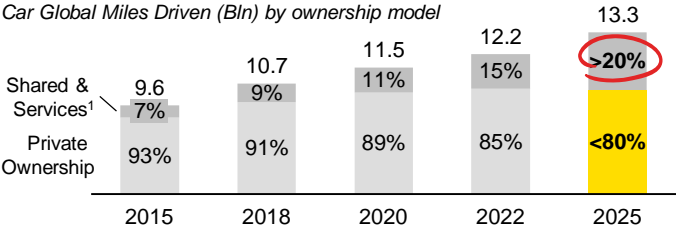
MILES DRIVEN KEEP GROWING CONSTANTLY

Car Global Miles Driven (Bln)



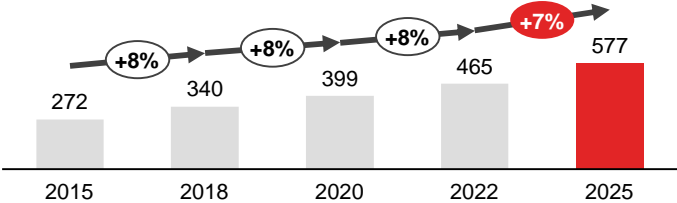
SHARED & SERVICES GETTING RELEVANT

Car Global Miles Driven (Bln) by ownership model



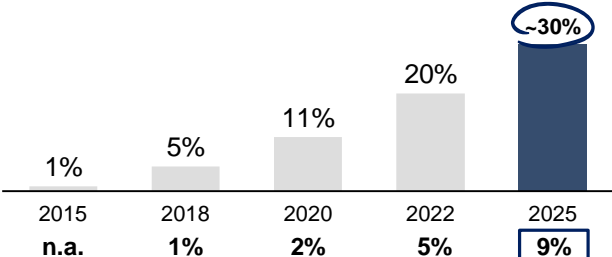
«HIGH-END» CONSUMERS KEEP GROWING

Global # of Households with > \$75k annual Income

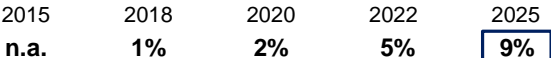


ELECTRIC CARS RELEVANT ALSO IN REPLACEMENT

% EV² Penetration on Global Premium & Prestige production



% EV on Global Parc




1. Category includes Car Sharing, Ride-Hailing, Rental Fleets, Private and Company Leasing Cars; 2. EVs include BEV (Battery Electric Vehicles) and PHEV (Plug-in Electric Vehicles)



CAR TRENDS '2020-'2025: SOLUTIONS FOR ELECTRIC & CONNECTED

MARKET PENETRATION (%) IN PRESTIGE & PREMIUM



ELECTRIC

Prestige & Premium

	PRODUCTION	PARC
2020E	~11%	~2%
2025E	~30%	~9%




CONNECTED


Prestige & Premium

	PRODUCTION	PARC
2020E	~71%	~30%
2025E	~all	~52%

PIRELLI SOLUTIONS



- OE Partnership with top-end OEMs and start-up innovators **over 1/3 of OE Homologations pipeline**
- **ELECT**: Distinctive Marking Strategy to ensure BEV Tyre Replacement with tyre designed for BEVs



- First phase of technology Development and testing in F2/Motorsport completed
- Entered an industrialization phase, with Premium OE Partners and an open ecosystem of Partners in Semiconductors, Manufacturers and Tyre makers

Note: "Connected" refers to cars with mobile data connection (e.g. 2G, 3G, LTE), which might be provided by either embedded car systems or car hardware paired with external devices (e.g. smartphone), "Electric" refers to BEV / PHEV
 Source: company analysis on consulting and investment banks research reports



CORONAVIRUS DISEASE (COVID-19) – PREVENTION AND READINESS

GROUP MEASURES

- Travels to and from China are blocked and all travels to APAC are discouraged.
- APAC expatriates were returned to their homeland together with their families.
- All personnel coming back from China cannot return to workplace before 15 days after the day of arrival.
- A 24/7 hotline with specialized medical support is available.
- Continuous monitoring of the disease evolution in direct connection with national and international Organizations.
- Availability of prevention and emergency kits (e.g. masks, hand sanitizer dispensers, increased cleaning frequency of workplaces).
- Sanitizing and disease prevention training for all employees.

FOCUS CHINA

- Body temperature checks applied to all people entering Pirelli facilities.
- In addition, employees are checked twice during their shift.
- All employees must wear approved masks (provided by Pirelli).
- All incoming trucks are disinfected before entering the factories.
- The workplaces are disinfected every 3 hours.
- First aid rescue team linked with authorized hospitals has been established.
- All employees receive regular pay.
- Smart-working is encouraged.

ALL OTHER COUNTRIES

- Adopt all Group measures.
- Availability of prevention and emergency kits.
- Continuous monitoring of specific Country's disease evolution.

SUPPORT TO CHINA

- 5 Million RMB donated to Coronavirus Relief Efforts through the Yanzhou Charity Federation of Jining city, Shandong Province.
- 90,000 N95 masks, 350,000 general medical masks, 500 thermometers, and 86,000 gloves sent directly to China from Italy, Germany, Mexico, Argentina.

PREVENTION

Coronavirus: things to know

Symptoms
Cough, Sore throat, Fever, Shortness of breath, Loss of taste or smell, Fatigue, Headache, Muscle aches, Diarrhea, Nausea or vomiting.

COVID-19
A respiratory illness caused by the novel coronavirus SARS-CoV-2. It is highly contagious and spreads through respiratory droplets and contact with contaminated surfaces.

SPREAD
First evidence in Wuhan, China. Transmission from person to person. Contamination of surfaces.

PREVENTION
Wash hands frequently with soap and water for at least 20 seconds. Avoid touching your face. Wear a mask. Maintain social distancing. Clean and disinfect frequently touched surfaces.



CONSTANT MONITORING

World Health Organization

CDC
CENTERS FOR DISEASE CONTROL AND PREVENTION

Ministero della Salute





CORONAVIRUS DISEASE (COVID-19) – PRELIMINARY SENSITIVITY ANALYSIS


PIRELLI IN CHINA



 Yanzhou Car / Moto –
Shandong province

 Shenzhou Car (JV) –
Shandong province

 Jiaozuo Car –
Henan province

 Full High Value Capacity

 High Value/ Standard Capacity

2019 Total Capacity: ~14 mln car pcs, 1.4 mln Moto pcs
% of Export: ~25% mainly within Apac

CHINA CONTRIBUTION:

- ~12% Group Sales
- **High teens weight on Group Adj EBIT**

CURRENT SITUATION

- Temporary closure of 2 plants;
Yanzhou is running at low capacity utilization
- Shanghai office (APAC HQ) closed. Region managed by Tokyo and Singapore offices.
- No delays in export and flows guaranteed today. Alternative flows identified and available. **No problems world wide for Chinese components and Raw Material with alternative sources already activated.**

ESTIMATED IMPACT

- **In 1Q lower business seasonality (New Chinese Year);**
- Current February Sales Volume -80% vs normal business activity; March projection in recovery to -30% vs normal business activity.
- **Impact of ~ -€30 million on 1Q adj. EBIT, expected to be offset during the year** (easing raw mat and pricing pressure with lower overseas supply)
- Should the emergency be extended to 2Q, an update will be provided with 1Q results in May, on both impacts and additional countermeasures

AGENDA

PIRELLI EVOLUTION TO DATE & STRATEGIC DIRECTION

PIRELLI STRATEGY DEPLOYMENT: PILLAR 1 – COST COMPETITIVENESS

2020-2022 SCENARIO

PIRELLI STRATEGY DEPLOYMENT: PILLAR 2 - COMMERCIAL DEVELOPMENT

PIRELLI STRATEGY DEPLOYMENT: PILLAR 3 – TECHNOLOGY-BASED INNOVATION

2019 FINANCIAL REVIEW AND 2020-2022 TARGETS IN DETAIL

APPENDIX

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

 **COST
COMPETITIVENESS**

 **COMMERCIAL
DEVELOPMENT**

 **TECHNOLOGY BASED
INNOVATION**



Contained Investment Program

HIGHER FREE CASH FLOW GENERATION


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


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


1. Net of inflation


PRODUCT COST PILLARS – PLAN 2020-2022

- PRODUCT RANGE MANAGEMENT**

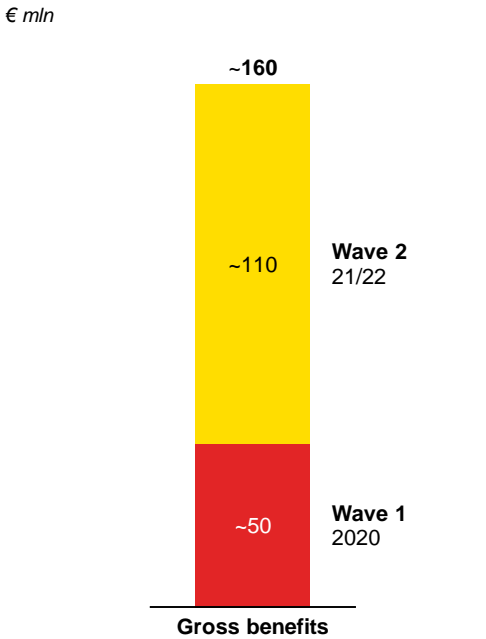

 - Value based product portfolio
 - Push lines design to value
- SPECIFICATION OPTIMIZATION**


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


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


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

PRODUCT COST BENEFITS BY WAVE



MANUFACTURING PILLARS – PLAN 2020-2022

FOOTPRINT OPTIMIZATION



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

FLEXIBLE FACTORY



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

SMART MANUFACTURING



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

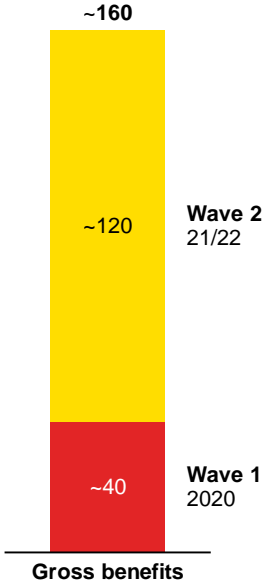
QUALITY ENHANCEMENT



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

MANUFACTURING BENEFITS BY WAVE

€ mln



SG&A PILLARS – PLAN 2020-2022

MARKETING & SALES



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

GENERAL & ADMINISTRATIVE



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

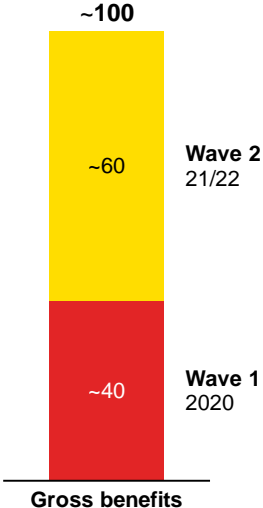
LOGISTICS



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


SG&A BENEFITS BY WAVE

€ mln

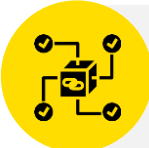


ORGANIZATION PILLARS – PLAN 2020-2022


- ORGANIZATION STREAMLINING**



— **Business processes reengineering** supported by new ways of working enabled **by the digital transformation**
- NEW SKILLS DEVELOPMENT**



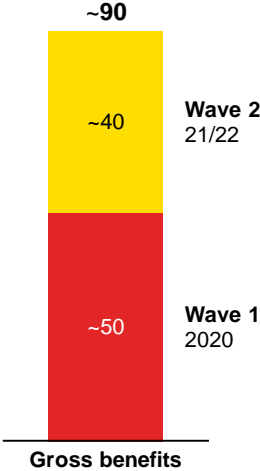
— Changing the mix of the available capabilities through **reskilling program and development of digital skills**
- PAY FOR PERFORMANCE**



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

ORGANIZATION BENEFITS BY WAVE

€ mln





AGENDA

PIRELLI EVOLUTION TO DATE & STRATEGIC DIRECTION

PIRELLI STRATEGY DEPLOYMENT: PILLAR 1 – COST COMPETITIVENESS

2020-2022 SCENARIO

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PIRELLI STRATEGY DEPLOYMENT: PILLAR 3 – TECHNOLOGY-BASED INNOVATION

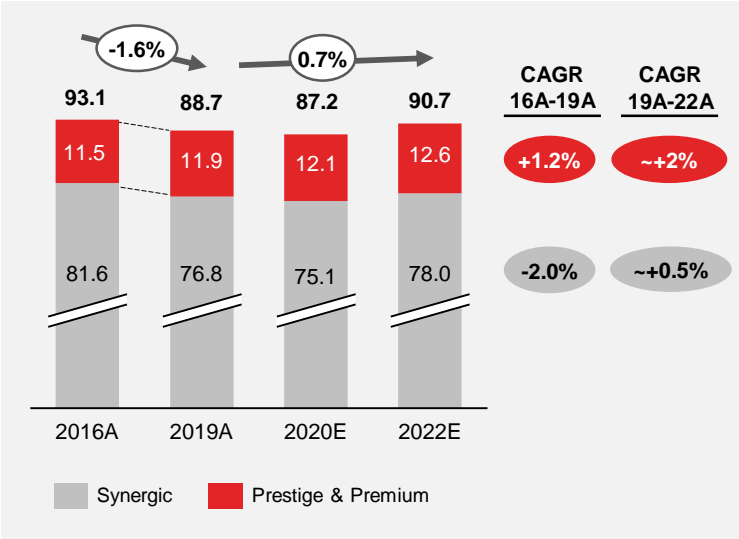
2019 FINANCIAL REVIEW AND 2020-2022 TARGETS IN DETAIL

APPENDIX

CAR SALES IN DOWNTURN CYCLE, HOWEVER CARS FITTING ≥18” TYRES GROWING AT HIGHER RATE

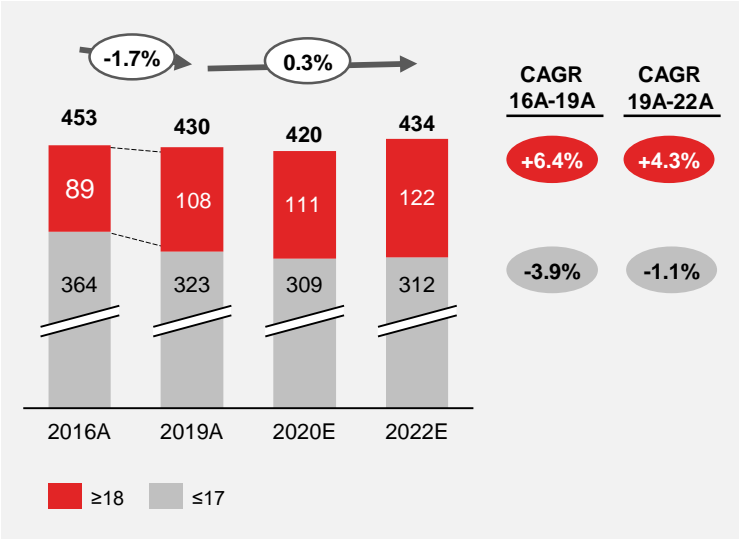
WORLD CAR PRODUCTION

mln vehicles



WORLD OF TYRE MARKET

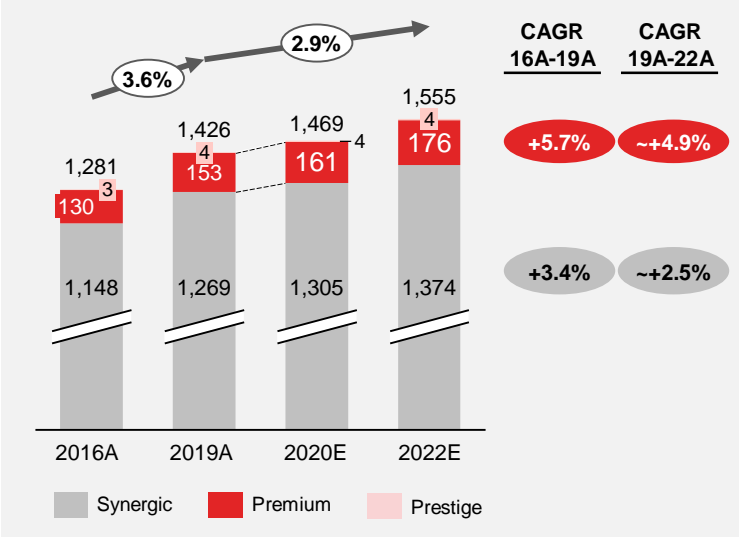
mln tyres



HIGH VALUE REPLACEMENT TYRE MARKET: RESILIENT ALSO IN A MORE DIFFICULT SCENARIO

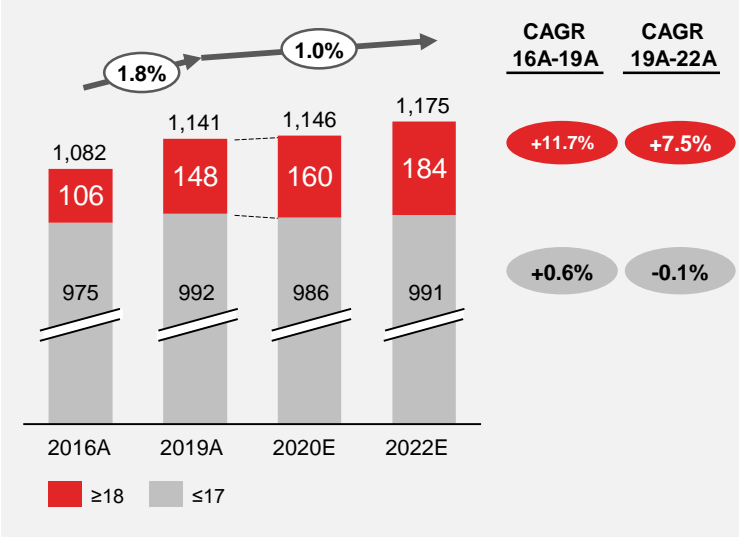
WORLD CAR PARC

mln vehicles



WORLD REPLACEMENT TYRE MARKET

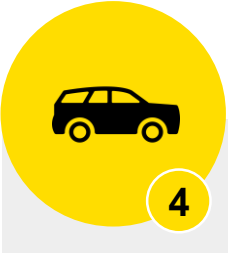
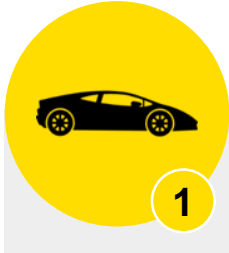
mln tyres



Source: IHS november 2019, Company elaborations based on third party and associations of tyre producers market data



KEY DRIVERS OF GLOBAL HIGH VALUE MARKET GROWTH



Confirmed	Penetration of Premium & Prestige cars	Increase in number of homologations	Growing demand for specialties	Rising penetration of SUVs	New Car technologies
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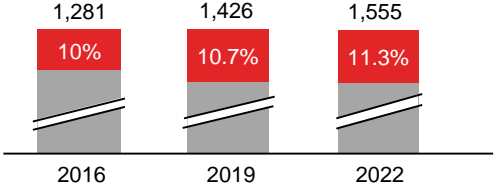
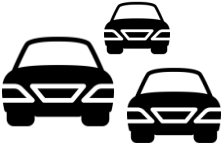
NEW	Synergic "Premiumization"	Car Platform modularity	Adding new specialties	SUV further segmentation	Electric and Connected acceleration Autonomous and Sharing slow down
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DRIVER 1: PENETRATION OF PREMIUM & PRESTIGE CARS AND PREMIUMIZATION OF SYNERGIC

PREMIUM/PRESTIGE PENETRATION ON TOTAL CAR PARC

mln vehicles



**CAGR
16A-19A**

+5.7%

+3.4%

**CAGR
19A-22A**

~+5%

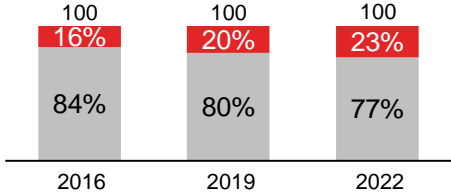
~+2.5%

*Premium
Prestige*

Synergic

NEW SYNERGIC CARS FITTING 18”+ TYRES

% on 100% index



- High-end range of Synergic OEMs is the fast growing segment in the next 3 years
- From 2018 to 2022 over 80% of the tyre market growth in 18+ segment is driven by Synergic vehicles

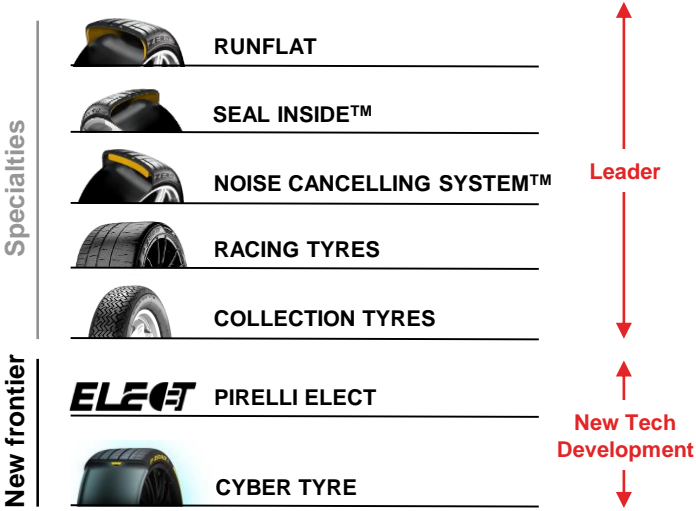
KEEP LEADERSHIP IN PREMIUM/PRESTIGE AND EXPAND OFFER ON «PREMIUMIZED» SYNERGIC

Source: IHS and Company elaborations based on third party and associations of tyre producers car market data, restated vs. Nov.17 estimates (wider perimeter), minor restatements on past data may occur;



DRIVER 3: GROWING DEMAND FOR SPECIALTIES

PRODUCTS



CONSUMER FOCUS AND NEEDS SEGMENTATION

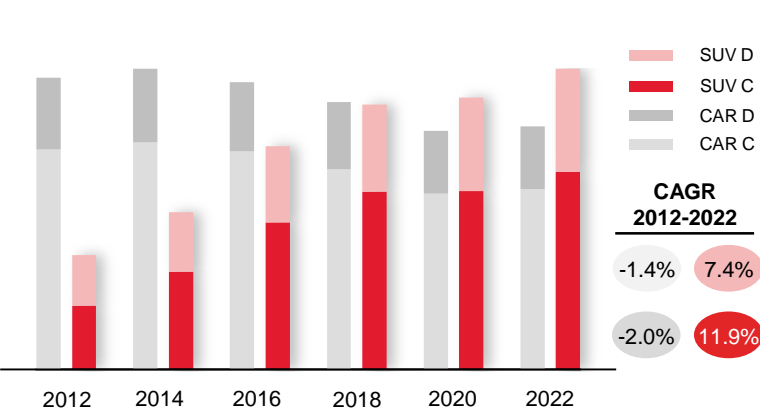


REINFORCING LEADERSHIP ON SPECIALTIES ADDRESSING SPECIFIC CUSTOMER SEGMENTS



DRIVER 4: RISING SUV AND CUV PENETRATION

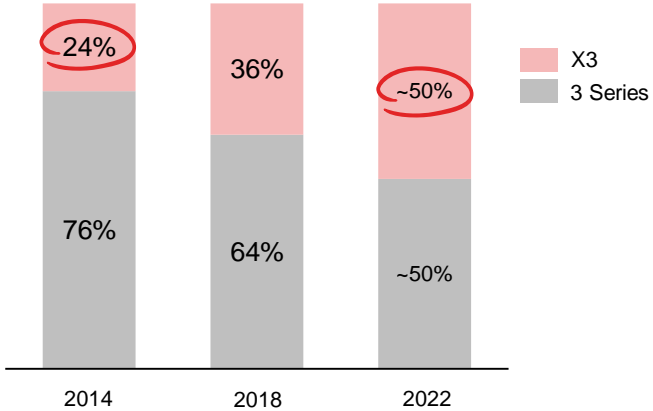
WORLD CAR REGISTRATIONS: SUVS AND CUVS ARE REPLACING SEDANS



Avg Fitment 17"
 ≈ 30% of the car parc is 18up



EXAMPLE: 3-SERIES AND X3 WORLD CAR REGISTRATIONS







Avg Fitment 19"
 ≈ 60% of the car parc is 18up

5 NEW SUV LINE LAUNCHED IN 2016-2019, 10 FORESEEN IN 2020-2022




DRIVER 5: ELECTRIC AND CONNECTED CARS THE KEY TRENDS


MARKET PENETRATION (%) IN PRESTIGE & PREMIUM

	REGISTRATION	PARC
ELECTRIC 	2025E -30%	9%
CONNECTED 	2025E ~all	~52%
SHARED 	2025E n.m.	4%
AUTONOMOUS¹ 	2025E n.m.	n.m.


TYRE MARKET NEEDS




Higher load




Lower Rolling R.



Higher grip









Lower noise



- Monitoring and interaction with car connected devices
- Integrated real-time analysis of tyres and car performance

PIRELLI SOLUTIONS

- OE Partnership with Top-end OEMs and start-up innovators
- Distinctive Marking Strategy to ensure BEV Tyre Replacement with tyre designed for BEVs
- Launched a connected In-Tyre solution for track amateur drivers
- Working with confidential OEM partners on in-tyre Homologated sensors

LONG-TERM TRENDS

R&D and Innovation projects activated

1. Figures refers to autonomous driving levels 4, 5
 Note: "Connected" refers to cars with mobile data connection (e.g. 2G, 3G, LTE), which might be provided by either embedded car systems or car hardware paired with external devices (e.g. smartphone), "Electric" refers to BEV / PHEV

All data refers to Prestige & Premium cars;
 Source: company analysis on consulting and investment banks research reports





AGENDA

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PIRELLI STRATEGY DEPLOYMENT: PILLAR 3 – TECHNOLOGY-BASED INNOVATION

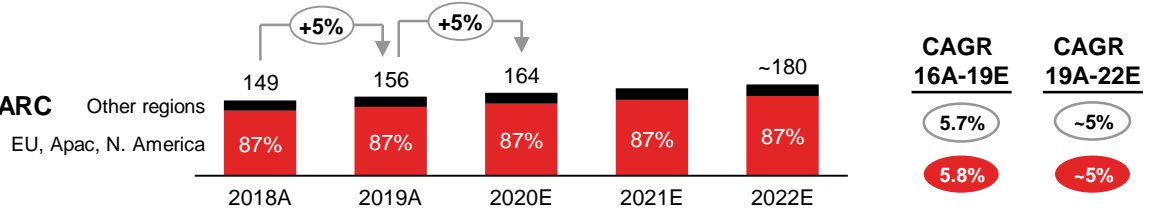
2019 FINANCIAL REVIEW AND 2020-2022 TARGETS IN DETAIL

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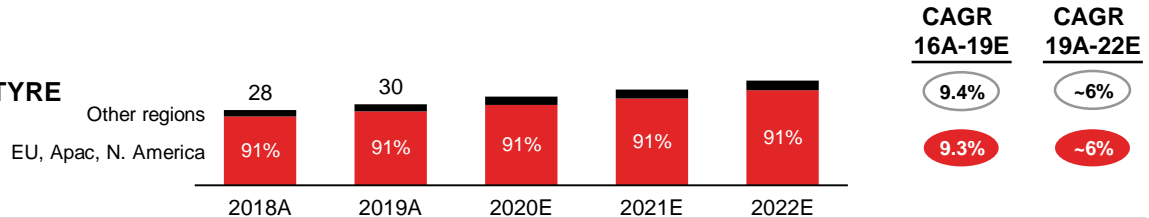
2020-2022 HIGH-VALUE SCENARIO: PIRELLI EXPECTED TO OUTPERFORM MARKET GROWTH BY ~3PP



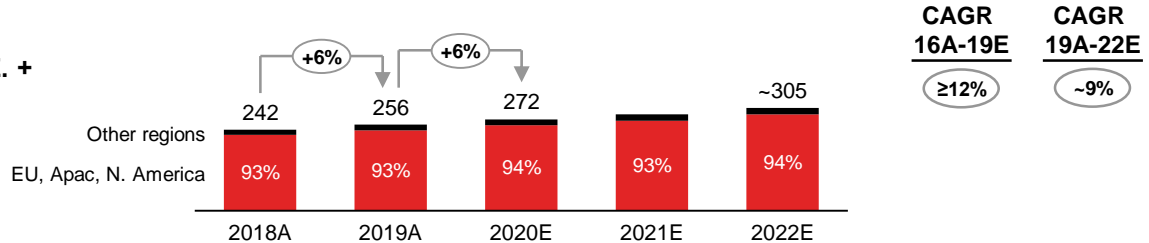
PRESTIGE & PREMIUM CAR PARC (million vehicles)



≥18" O.E. + REPLACEMENT TYRE MARKET (million tyres)



≥18" PIRELLI O.E. + REPLACEMENT VOLUMES (million tyres)



TOP LINE GROWTH KEY DRIVERS

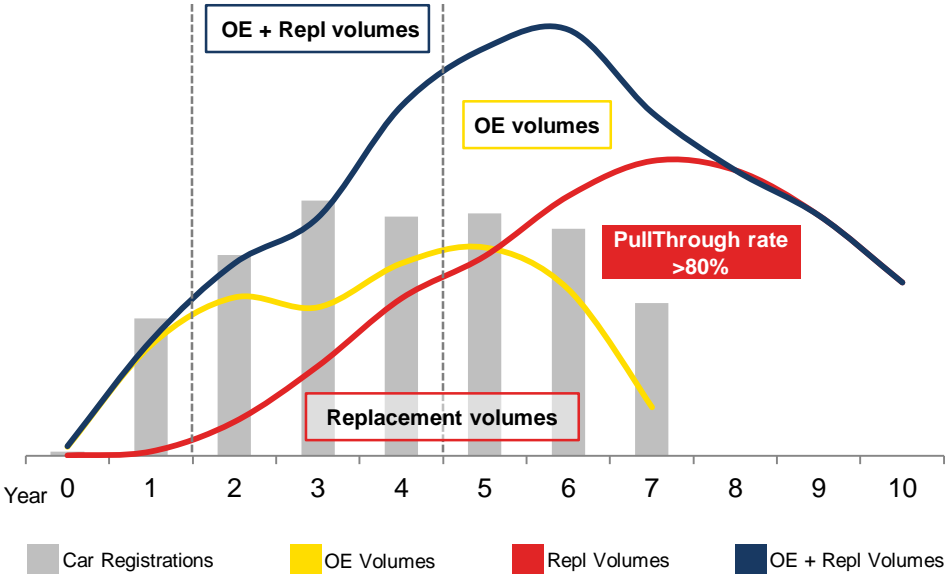
1 Reinforce leadership in the HV Premium Replacement driven by our core business model based on OE pull-through and enhanced with analytics and big-data

2 Expand in the HV Synergic Replacement, covering emerging market and consumer needs through new products

3 Consolidate leadership in Premium and Prestige OE, being more selective on higher rims and new powertrain vehicles
Expand and diversify OE customer base to improve our penetration in USA and China

4 Plan a consistent landing point on Standard, strongly reducing in HV regions and improving in price/mix

PULLTHROUGH IS PIRELLI'S CONSOLIDATED BUSINESS MODEL



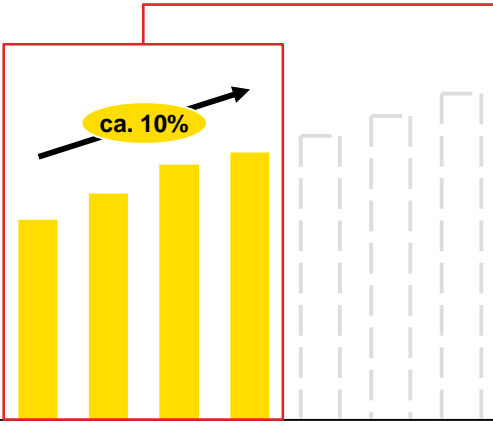
- Keep the **leadership in the Premium** segment focusing on technologically advanced products: Marked tyres, Specialties, EV tyres
- Leverage on **geo-localized** analytical coverage to further improve Pull-Through rate on cars fitting Pirelli tyres (~80% today)
- Exploit market data analytics to enable **salesforce transformation** towards a customer consultancy approach



PAST HOMOLOGATIONS ARE GENERATING A GROWING POTENTIAL IN THE PLAN HORIZON



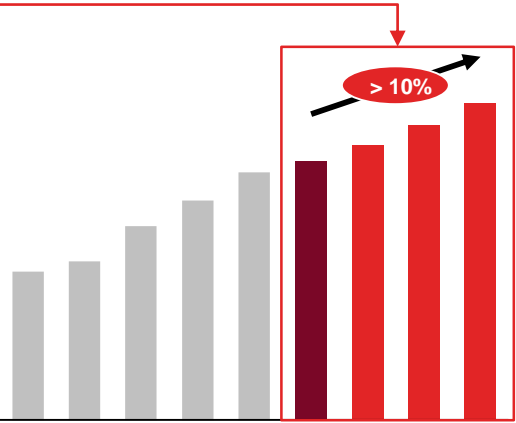
≥18" PIRELLI SALES @ OE



288 324 421 447

NEW HOMOLOGATIONS ≥18

≥18" REPLACEMENT TYRE MARKET FITTING PIRELLI



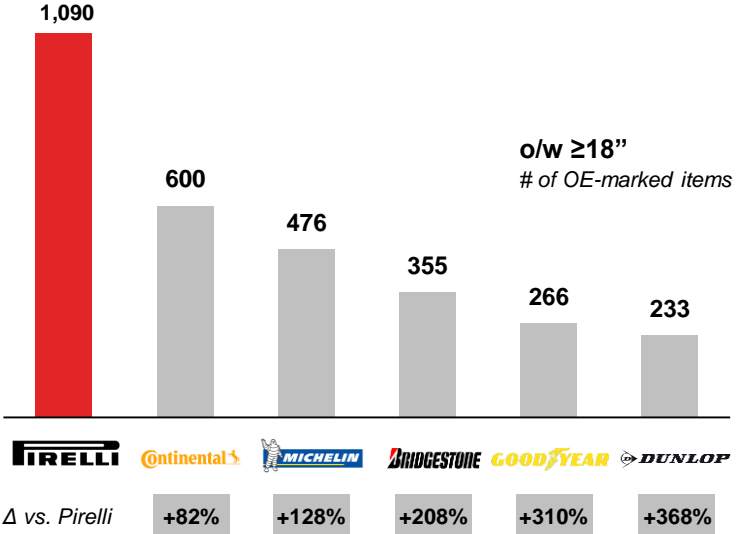
≥18" REPLACEMENT TYRE MARKET

CAGR 19A-22E

+7.5%



PIRELLI HAS AN UNDISPUTED LEADERSHIP ON PREMIUM AND PRESTIGE MARKED TYRES IN THE ≥18" ARENA



PRESTIGE



OF WHICH SOLE SUPPLIER



PREMIUM ≥ 18"



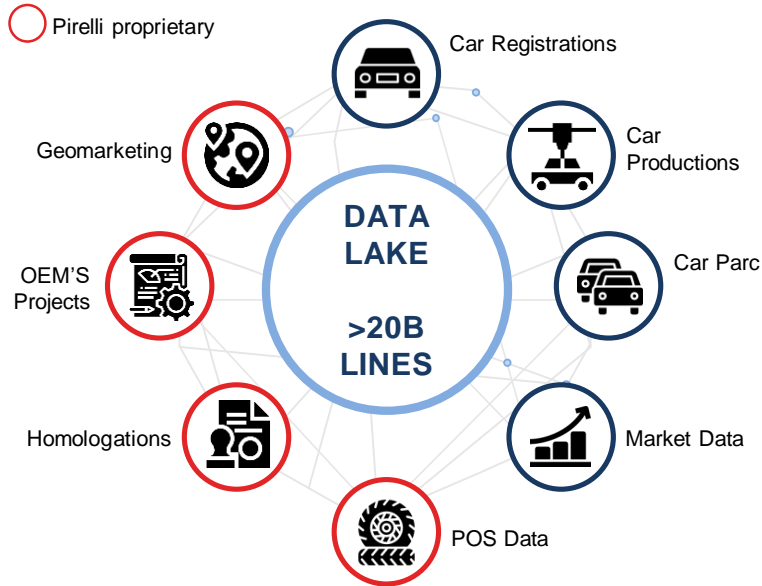
54 | Number of marked IP codes vs. premium competitors
Source: German Product List (Pricat) @ January 2020



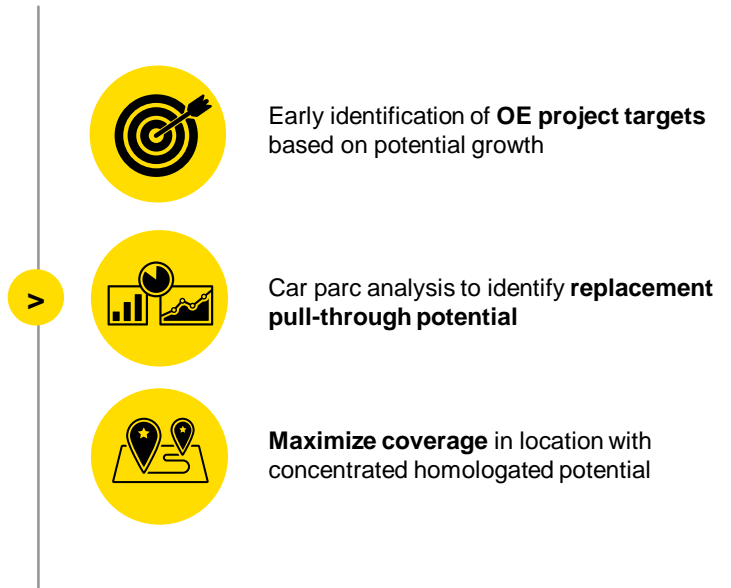
STRONG RELATIONSHIP WITH OES ALLOWS TO ENHANCE GO-TO-MARKET EFFECTIVENESS, THROUGH BIG DATA AND ADVANCED ANALYTICS



BIG DATA TO COMBINE COUNTLESS DATA SOURCES



CUSTOMER CENTRIC PREDICTIVE CAPABILITIES



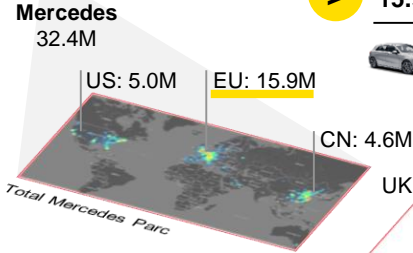
TAKE “PULL-THROUGH STRATEGY” TO A NEW “PRECISION LEVEL”



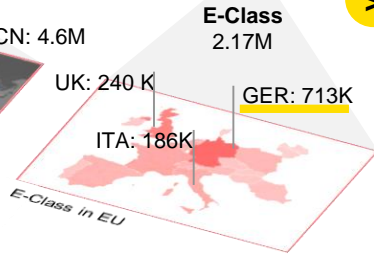
Premium car parc: 160 mln cars



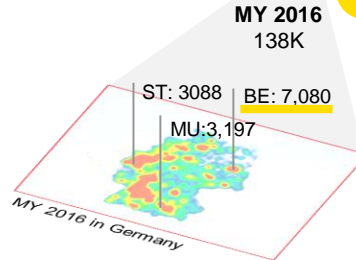
Mercedes-EU car parc:
15.9 mln cars



Mercedes E-Class GERMANY:
713K cars



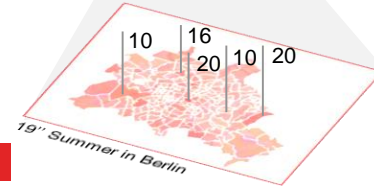
Mercedes E-Class (MY 2016)
BERLIN: 7,080 cars



From Car Parc to
Tyre Potential

19"
1,164 tyres

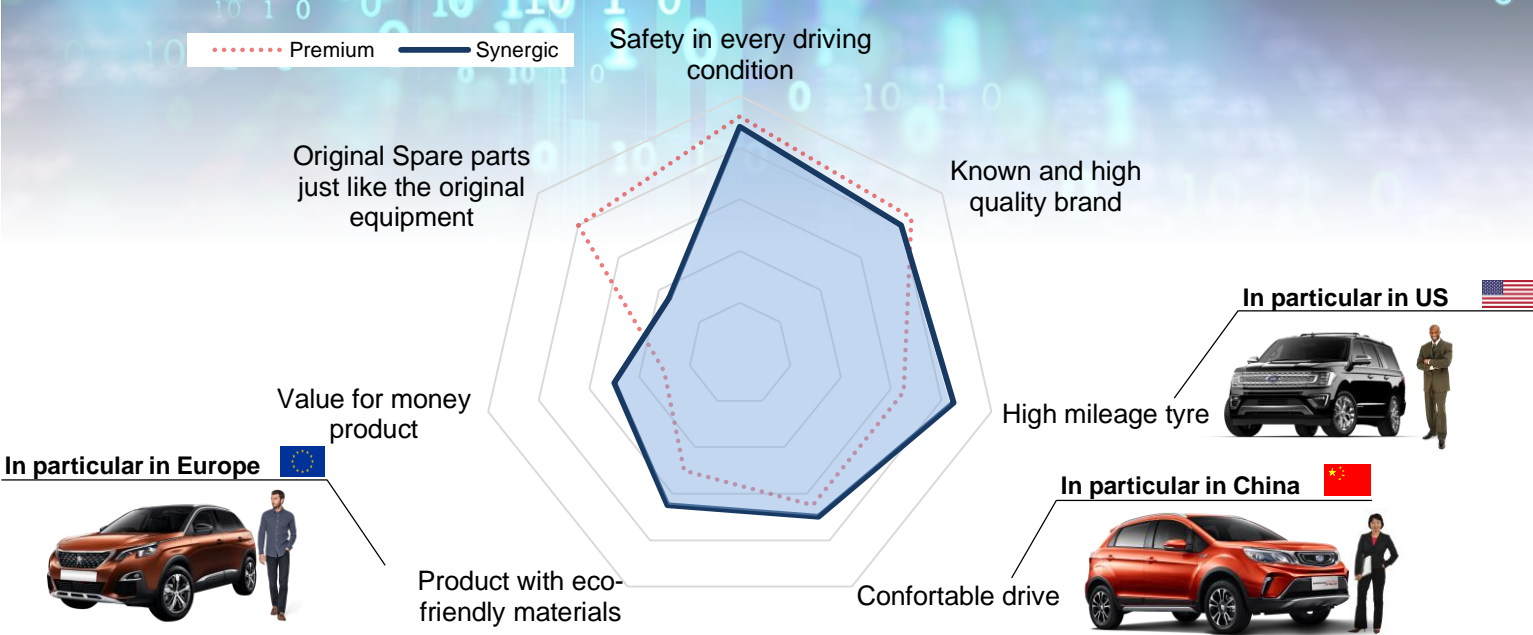
764 ☀️ **400** ❄️



TOOL AVAILABLE IN OUR SALESFORCE.COM PLATFORM



EXPANDING HIGH VALUE BOUNDARIES USING BIG DATA TO IDENTIFY HIGH-END SYNERGIC CONSUMER NEEDS



THROUGH A DEDICATED PRODUCTS PORTFOLIO WITH EXPECTED DOUBLE-DIGIT PROFITABILITY



THE DISTRIBUTION NETWORK WILL COHERENTLY SUPPORT THE REPLACEMENT REGIONAL STRATEGY



1

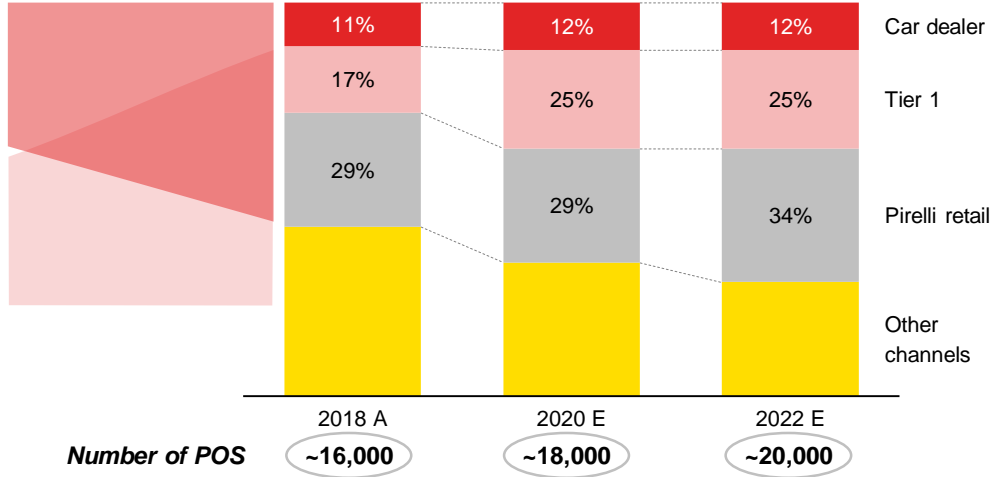
Reinforce leadership in the HV Premium Replacement

- Continuous focus on car dealers and high-end retails

2

Expand presence in the HV Synergic Replacement

- Complete range to be competitive across all channels, and mainly to retail



- Strong presence in car-dealers through leadership in homologations
- Redesign presence on major Tier 1 distributors
- Long-standing agreements with Fleets



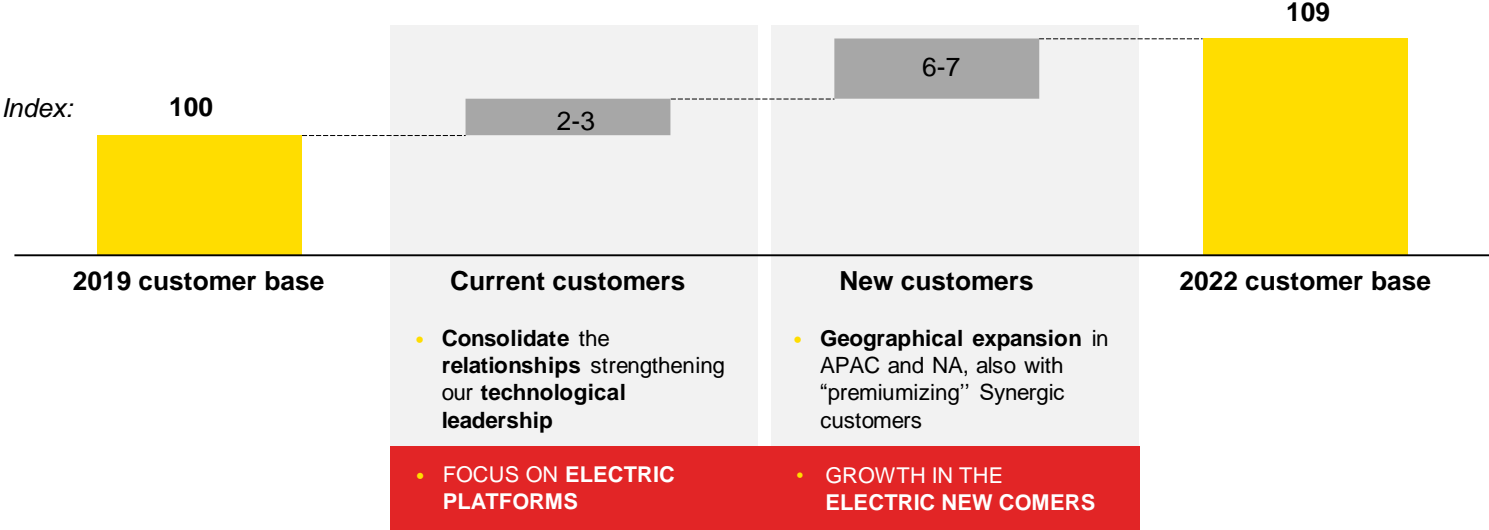
- Solid double digit growth on Top 5 Tier 1 players in US
- Established share in tyre manufacturers JVs



- Strong presence in car-dealers through leadership in homologations
- Established retail network in Tier 1 cities, expanding in Tier 2 cities
- Exploiting e-commerce channel



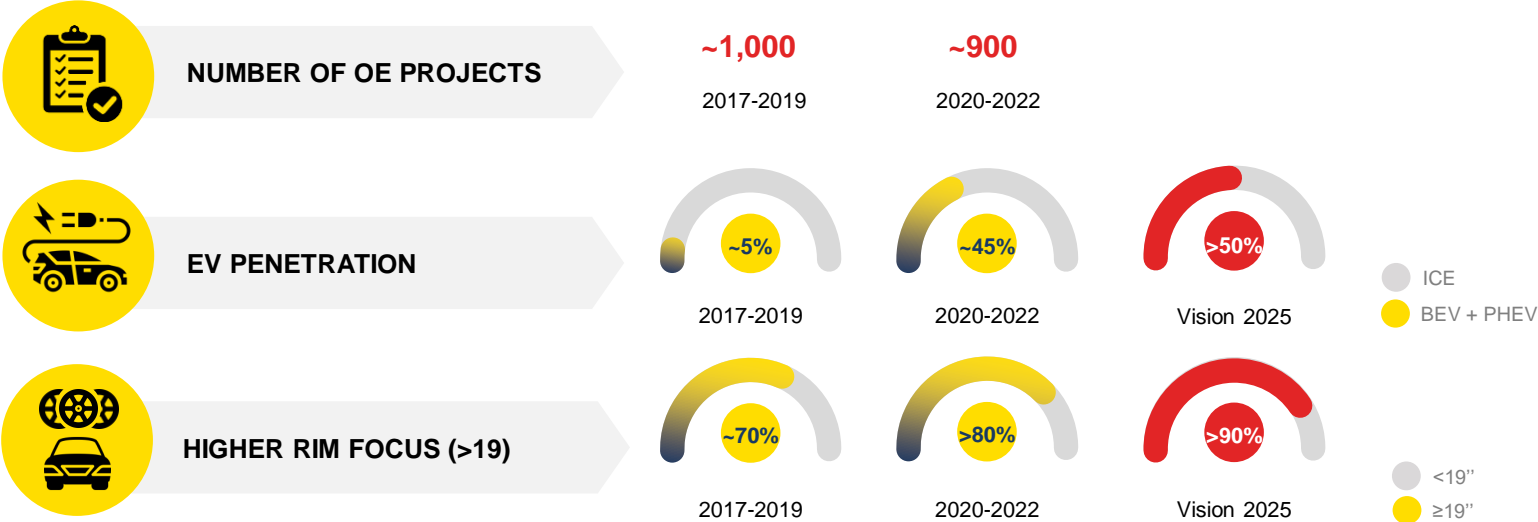
2020-22 ORIGINAL EQUIPMENT: FOLLOWING OUR CUSTOMERS GLOBALLY, EXPANDING THE CUSTOMER BASE



AS A RESULT, PIRELLI'S LEADERSHIP POSITION STRENGTHENS



HOMOLOGATIONS

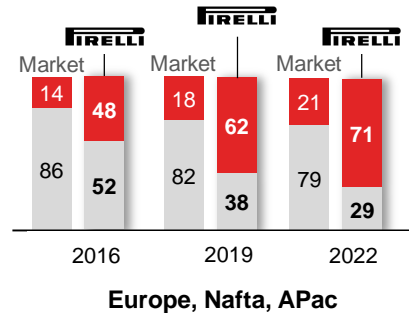


STANDARD: CAR TYRE REDUCTION PLAN CONTINUES, AT A LOWER PACE



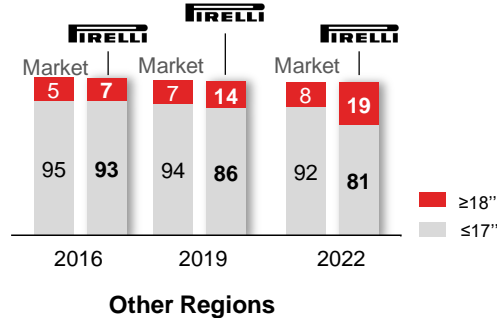
HV REGIONS

% of Volume by Region Cluster



STANDARD REGIONS

% of Volume by Region Cluster



TOTAL STANDARD

Market Standard	CAGR 16-19	CAGR 19-22
	-0.6%	-0.3%

Pirelli	CAGR 16-19	CAGR 19-22
	-9.0%	~-4%

LANDING POINT @ 2022

% of Standard on Total

	2016	2019	2022
Volume	68%	53%	43%
Net Sales	48%	35%	30%



THREE KEY LEVERS TO MAXIMIZE VALUE

PRODUCT MIX IMPROVEMENT



- Mix **shift towards 17"** (~+1.5 mln, in line with market growth)
- **Exit** from 13" and second brands (except in Latam and Russia)
- Focus on **more profitable** segments (SUV, All Season)

INDUSTRIAL FOOTPRINT OPTIMIZATION



- **Competitive** sourcing (Kirov, Campinas, Jiaozuo)
- Industrial mission **re-focus** (Bollate)
- **Efficiency** programs across the board

BETTER PRICE POINT



- Reduction strategy coherent with **price protection**
- Focus on segments **less exposed** to tier-2 and tier-3 competition

>

**EBIT MARGIN FROM
SINGLE TO DOUBLE
DIGIT**



AGENDA

PIRELLI EVOLUTION TO DATE & STRATEGIC DIRECTION

PIRELLI STRATEGY DEPLOYMENT: PILLAR 1 – COST COMPETITIVENESS

2020-2022 SCENARIO

PIRELLI STRATEGY DEPLOYMENT: PILLAR 2 - COMMERCIAL DEVELOPMENT

PIRELLI STRATEGY DEPLOYMENT: PILLAR 3 – TECHNOLOGY-BASED INNOVATION

2019 FINANCIAL REVIEW AND 2020-2022 TARGETS IN DETAIL

APPENDIX

INNOVATION AND PRODUCT DEVELOPMENT STRATEGIC PILLARS

1. Accelerated
product innovation

1. ACCELERATED PRODUCT INNOVATION



PLAN 2020-2022

2020

2021

2022

VISION 2025

2025

- Product roadmap 2020 – 2022
- Innovation for 360° sustainability

2. COST COMPETITIVENESS



- Product cost
- Product modularity
- Design speed

3. INNOVATION FOCUS ON SUSTAINABLE MOBILITY



- Material innovation
- Technology innovation

ACCELERATED PRODUCT ROADMAP IN 2020-2022, WITH 20 NEW LINES

1. Accelerated product innovation

PULL LINES



5

- Strengthen OE leadership (~2x homologation vs. best competitor)
- Focus on High Mix for Selective OE
- Wide and deep product range
- Specialties



PUSH LINES



15

- Growing all-season lines
- Support regional lines (5 USA, 3 APAC)
- Focus on Safety & Mileage (USA)
- Focus on Safety & Comfort (APAC)
- Focus Safety & Eco Labels (EU)

INNOVATION SPEED

2017 - 2019

14
lines



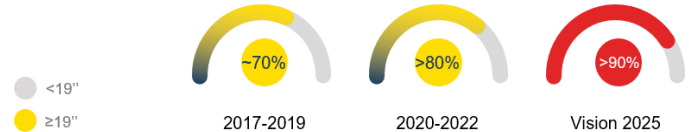
2020 - 2022

20
lines

>40%
acceleration

SELECTIVE OE APPROACH

Higher Rim Focus (>19")



SPECIALTIES

4
ELEKT

9
PNCS

12
SEAL INSIDE

14
RUN FLAT



PRODUCTS LAUNCHED IN PLAN WILL BE "SUSTAINABILITY-DRIVEN"

SOCIAL SUSTAINABILITY CUSTOMER

Safety performance

- Wet grip
- Driving stability
- Extended mobility

Sustainable performance

- Rolling resistance
- Noise emission
- Wear efficiency



BUSINESS COMPANY

Competitiveness

- Design for value
- Modularity approach:
product
standardization

Design Speed

- Tyre modelling
- Virtual
Performance
Simulation

ECO-SUSTAINABILITY ENVIRONMENT

Sustainable Materials

- Recycle material
- Renewable material
- Fossil base material
reduction

Sustainable Product lifecycle

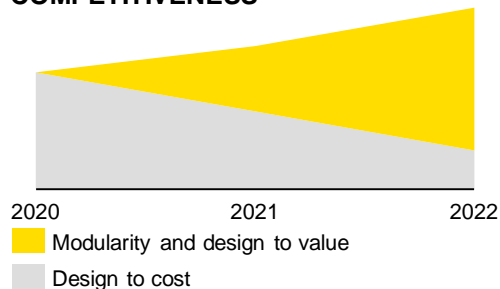
- Wear rate reduction
- Weight reduction

Sustainable production

- Production process
CO₂ footprint reduction

PRODUCT COST COMPETITIVENESS BASED ON NEW DESIGN PRINCIPLES

PRODUCT COMPETITIVENESS



Product range management

- Value based product portfolio
- Push lines **design to value**



Specification optimization

- Tyre structure simplification
- Tyre weight reduction



Modular approach tyre design

- Material portfolio **decomplexity**
- Semi-finished **components rationalization**



Procurement Optimization

- **LT agreements** with strategic suppliers
- **Rationalization** of supplier portfolio



Supporting **Waste reduction** and manufacturing **Productivity increase**

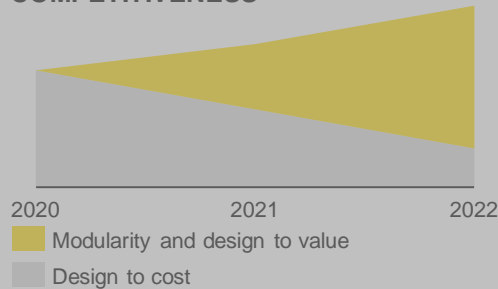
2020 - 2022

**-10%
Product
Cost
(~160 M€)**

**FULL
POTENTIAL
IN 2025**

PRODUCT COST COMPETITIVENESS BASED ON NEW DESIGN PRINCIPLES

PRODUCT COMPETITIVENESS



- Product range management**
- Value based product portfolio
 - Push lines **design to value**



- Specification optimization**
- Tyre structure simplification
 - Tyre weight reduction



- Modular approach tyre design**
- Material portfolio **decomplexity**
 - Semi-finished **components rationalization**



- Procurement Optimization**
- **LT agreements** with strategic suppliers
 - **Rationalization** of supplier portfolio



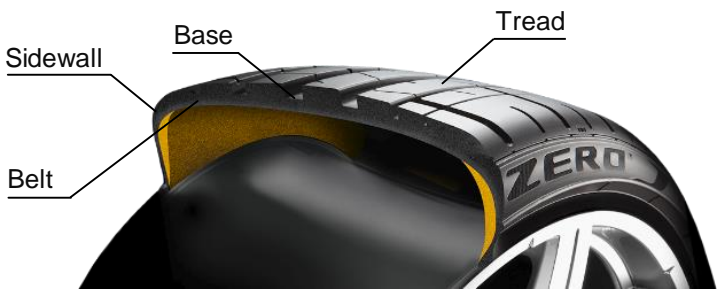
- Supporting **Waste reduction** and manufacturing **Productivity increase**


2020 - 2022

-10%
Product
Cost
(~160 M€)


**FULL
POTENTIAL
IN 2025**

MODULARITY WILL POSITIVELY REDUCE PLANT-LEVEL COMPLEXITY COSTS




- 

Modularity Concept:

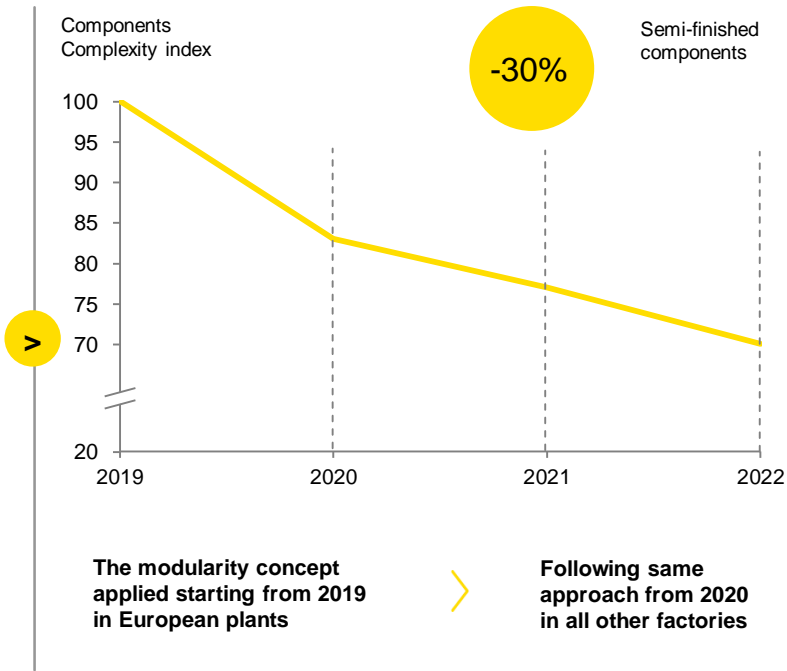
 - Reduce variety of tyre components
- 

Complexity:

 - To manage 500 SKUs in a factory are produced 3,500 unique semi-finished components are produced on average
- 

European plants are managing the highest complexity level:

 - 71% of overall product portfolio
 - 100% of prestige products



FULL VIRTUAL PRODUCT DEVELOPMENT TO IMPROVE TIME-TO-MARKET AND REDUCE COSTS

DEVELOPMENT PHASE

DESCRIPTION



TYRE MODELLING

Virtual modelling & Parametric design

- Material performance prediction
- New design guidelines for modularity
- Performance linked with product cost



TYRE PROPERTIES

Virtual tyre test

- Tyre performance prediction
- Virtual prototype iteration



VEHICLE PERFORMANCE SIMULATION

Performance prediction simulator

- Virtual spec tuning for specific car models
- Virtual outdoor test iteration
- Strong partnership with car makers (co-design)

TIME TO MARKET



PROTOTYPE COSTS



DESIGN FOR SUSTAINABILITY: ACCELERATING THE INTRODUCTION OF NEW AND INNOVATIVE "GREEN INGREDIENTS"

3. Innovation focus on sustainable mobility

Product eco & safety-design

RAW MATERIALS

- Recycled materials increase
- Renewable materials increase
- Fossil-based materials reduction

MANUFACTURING

- Materials & Natural resource efficiency
- Process environmental targets (SBTI)*
- Group carbon neutrality by 2030

USE

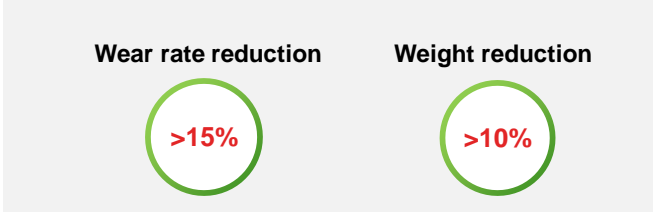
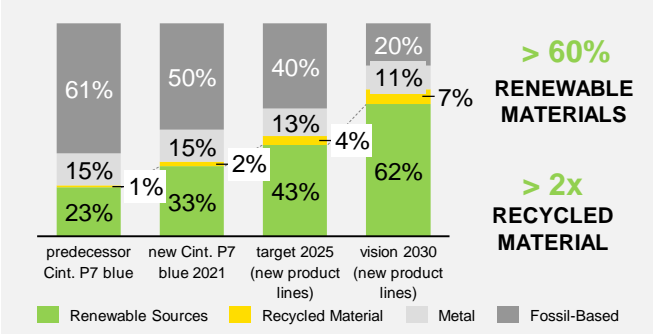
- Rolling resistance reduction
- Weight & Wear rate reduction
- Wet grip further increase

END OF LIFE

- Chemical recycling using innovative process to ensure the quality of secondary raw materials for closed loop

Circular economy

TARGET ON NEW PRODUCT LINES



*Science Based Target Initiative commitment



TECHNOLOGY INNOVATION: SPECIFIC TECHNOLOGIES DEVELOPED TO MEET NEW “EV” REQUIREMENTS

3. Innovation focus on sustainable mobility

PLAN 2020-2022



- Battery Range Extension
- Higher Vehicle Mass
- Higher Torque
- Higher Comfort



- Ultra Low Rolling Resistance
- High Load Capacity
- Braking & Traction Grip with Improved Wear Rate
- Low Air born and Solid born Rolling Noise

10% reduced RR → 2% Extended Battery Range (WLTP Cycle = Only Straight Running)

Improve RR in Real Driving Conditions (RR in Cornering up to 5 times higher)

Specific tyre shape to optimize aerodynamic Interaction with Vehicle



74
BEVs AND PHEVs
HOMOLOGATIONS
(TILL 2019)



286
BEVs AND PHEVs
PROJECTS
(CURRENTLY ONGOING,
~400 FORESEEN BY 20-22)



CYBER ENTERING NEW PHASE

3. Innovation focus on sustainable mobility

IN A CONNECTED FUTURE, TYRE INTELLIGENCE IS THE ONLY ONE SOURCED DIRECTLY FROM ROAD SURFACE



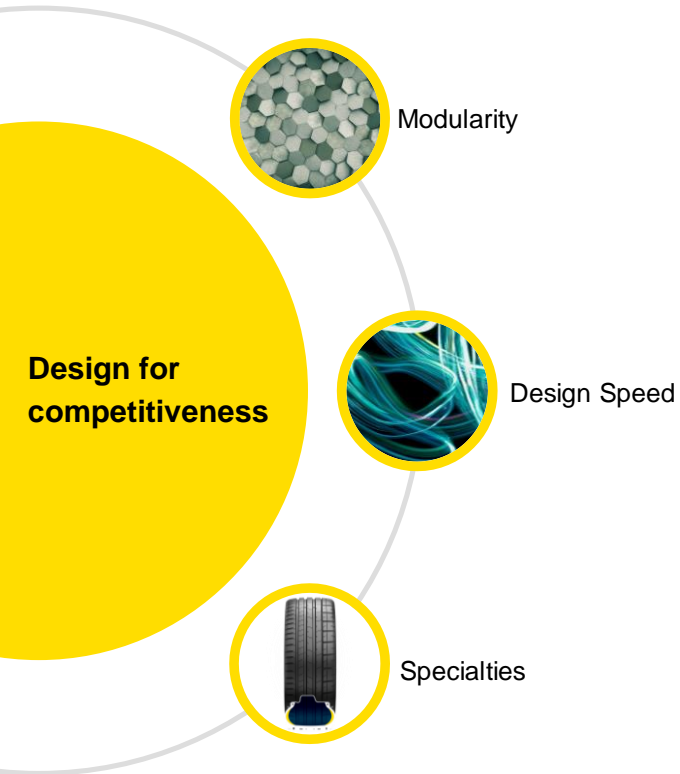
1ST PHASE: TECHNOLOGICAL DEVELOPMENT

- Technology stabilization
- Tested in F2 and Motorsport
- 2 Joint-Development prospects with Prestige OE

2ND PHASE: INDUSTRIALISATION IN AN “OPEN” PARTNERSHIP

- Scaling up with Global Partners
 - Semiconductors
 - Production and Supply Chain
- Developing solutions with large-scale Premium OE
- Creating Connected ecosystem with other Tyre Makers

**CYBER IS AN ACTIVE ELEMENT OF CONNECTIVITY
IT WILL ENHANCE DRIVER SAFETY, VEHICLE CONTROL, LIFECYCLE EMISSION REDUCTION**



AGENDA

PIRELLI EVOLUTION TO DATE & STRATEGIC DIRECTION

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2019 FINANCIAL REVIEW AND 2020-2022 TARGETS IN DETAIL

1

2019 FINANCIAL REVIEW

2

2020-22 TARGETS IN DETAILS



FY 2019 RESULTS IN LINE WITH GUIDANCE

1. 2019 financial review

	2018 A	2019 E (guid. Oct. 2019)	2019 A	
Net Sales	€5,195 mln	≥€5.3 bln	€5,323 mln	✓
<i>High Value weight</i>	~ 64%	~ 67%	67%	✓
Adjusted EBIT	€955 mln		€917 mln	
Adjusted EBIT margin	18.4%	>17% ÷ 17.5%	17.2%	✓
<i>High Value weight on adj. EBIT¹</i>	~ 83%	~ 85%	84%	
Start-up costs	€48 mln	~ €40 mln	€41 mln	✓
CapEx	€463 mln	~ €380 mln	€391 mln	✓
Net Cash Flow bef. dividends	€38 mln	~ €330 ÷ ~ €350 mln	€333 mln	✓
Net Financial Position	€3,180 mln		€3,024 mln €3,507 mln incl. IFRS 16	
Net Financial Position / adj. EBITDA¹	2.49x	~ 2.42x ÷ ~ 2.36x +0.17x incl. IFRS 16	2.42x 2.59x incl. IFRS 16	✓

1. without start-up costs

2020 - 2022 INDUSTRIAL PLAN | VISION 2025
MILAN, 19TH FEBRUARY 2020

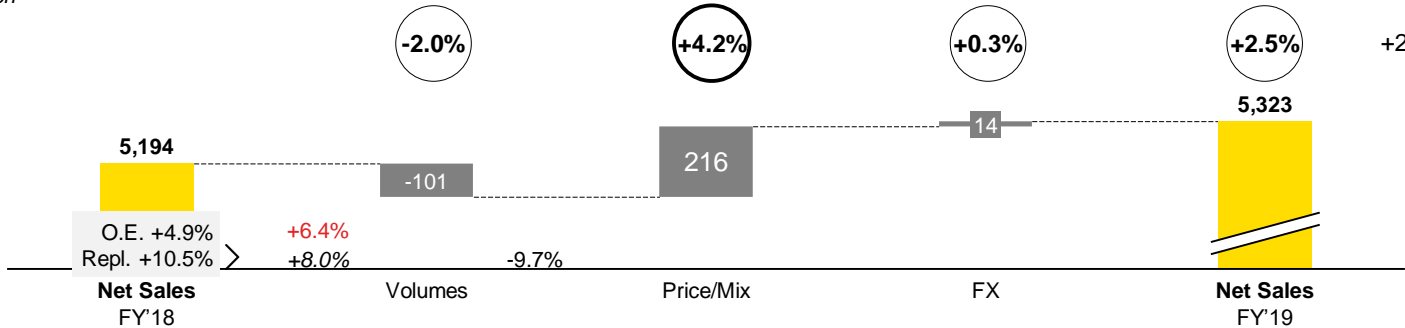


FY 2019 NET SALES BRIDGE

1. 2019 financial review

€ million

o/w Organic

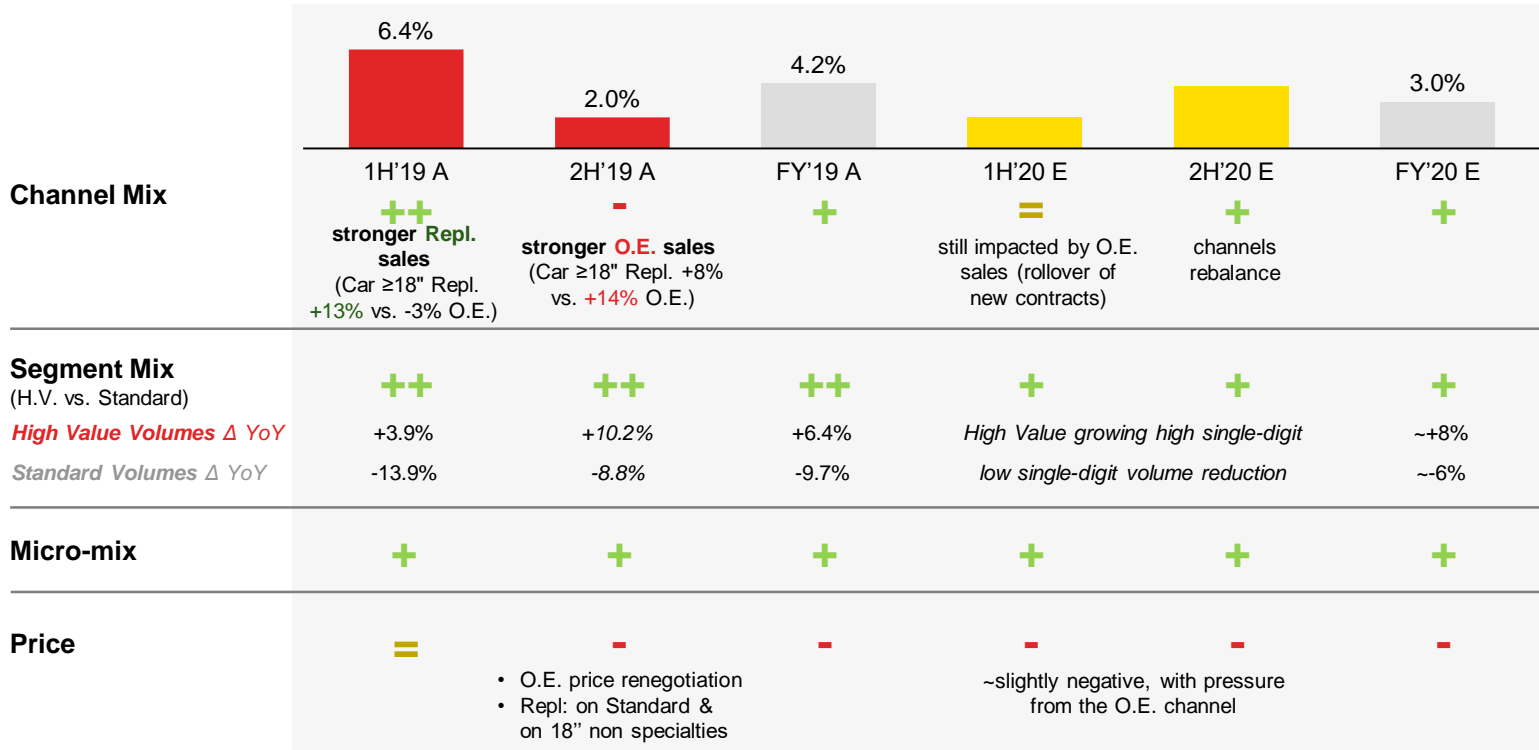


			High Value Car ≥18"		Standard					
4Q '19	O.E. +15.3% Repl. +3.5%	>	+7.8% +8.7%	+1.5%	-0.7%	+0.5%	mainly negative channel mix	-0.6%	+1.4%	+2.0%
2H '19	O.E. +14.4% Repl. +8.0%	>	+9.0% +10.7%	+1.0%	-4.8%	+2.0%		1.0%	+4.0%	+3.0%
1H '19	O.E. -3.4% Repl. +13.1%	>	+3.9% +5.5%	-5.0%	-13.9%	+6.4%		-0.5%	+0.9%	+1.4%



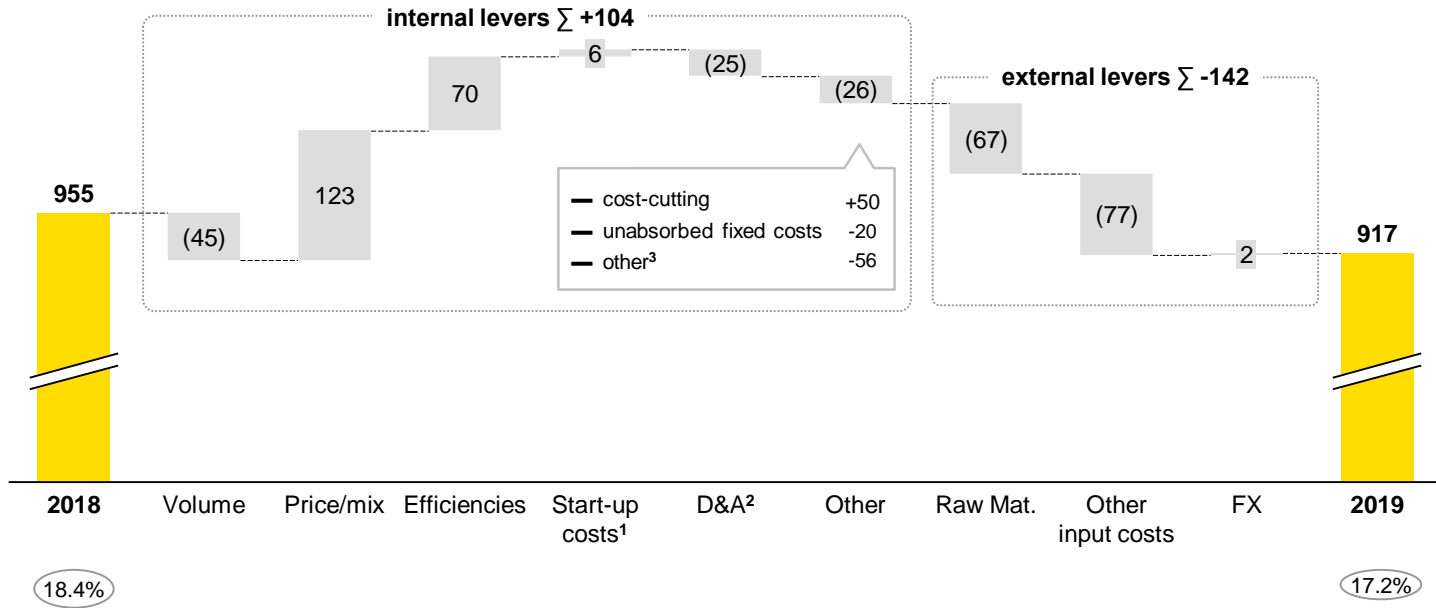
PRICE/MIX DRIVERS AND DYNAMICS IN 2019 AND 2020

1. 2019 financial review



FY2019 ADJUSTED EBIT PERFORMANCE

€ million

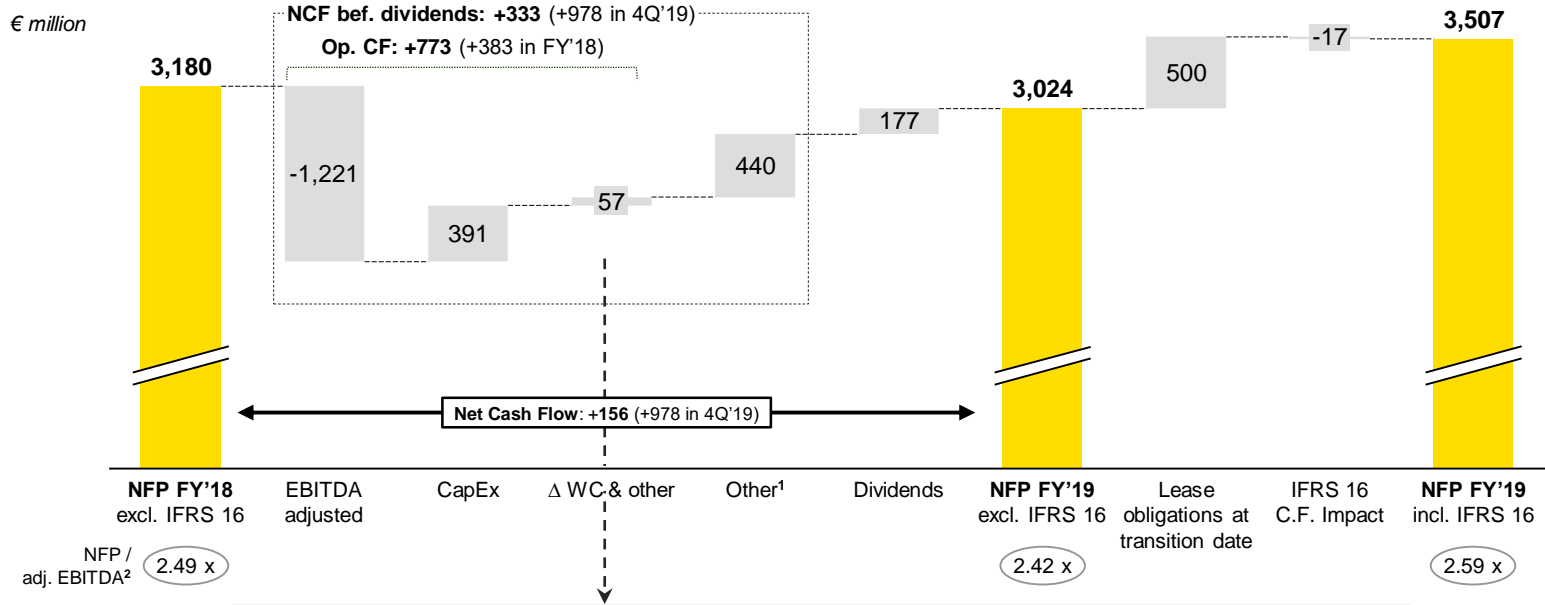


1. Digital transformation, Cyber; velo 2. net of FX impact; 3. other costs related to High Value development

FY 2019 CASH FLOW AND NET FINANCIAL POSITION

1. 2019 financial review

€ million



Main working capital dynamics in 2019

- **Inventories** back to normalized level: 20.5% on sales (21.7% in 2018);
Inventory volume reduction -7% YoY (-23% on Standard and +5% on High Value, to ensure the high service level)
- **Trade receivables:** 12% on sales (stable YoY)
- **Trade payables:** 30% on Sales (~-1pp YoY)

2019 FINANCIAL REVIEW AND 2020-2022 TARGETS IN DETAIL

1

2019 FINANCIAL REVIEW

2

2020-22 TARGETS IN DETAILS



OUR 2020-2022 TARGETS ...

1. 2019 financial review

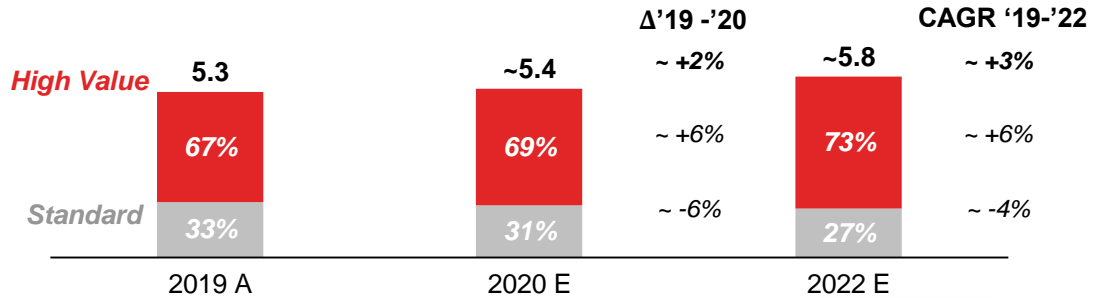
€ billion

	2019 A	2020 E	2022 E	
Net Sales	5.3	~5.4	~5.8	
Adjusted EBIT margin	0.9 17.2%	~ flat YoY	18% ÷ 19%	
CapEx	0.39	~0.3	cum. '20-'22 ~0.9	vs. cum '17-'19 ~1.3
Net Cash Flow bef. dividends	0.33	~0.4	cum. '20-'22 ~1.5	o/w ~0.5 in '21 ~0.6 in '22
Net Financial Position (IFRS 16) ¹	3.5	~3.3	~2.5	

2020-2022 REVENUES TREND

2. 2020-22 targets
in details

€ billion



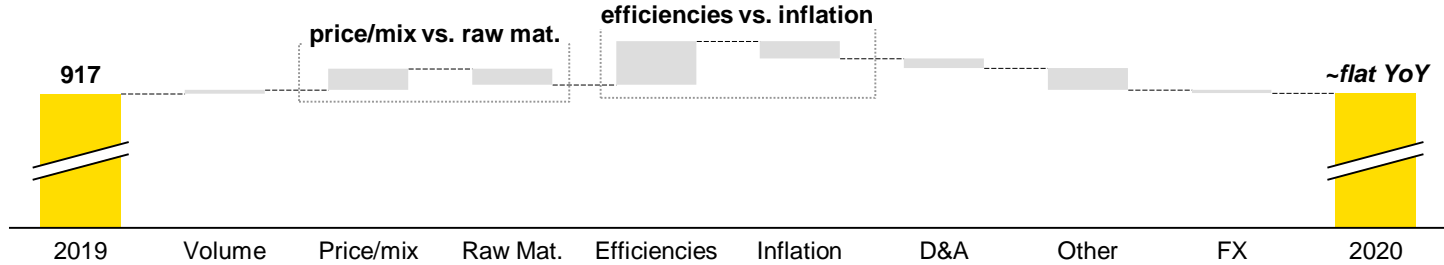
	2019 A	2020 E	CAGR 19-22
Volumes	-2.0%	~ 0% ÷ +1%	~ +1.5% ÷ +2%
High Value	+6.4%	~ +8%	~ +8%
Standard	-9.7%	~ -6%	~ -5%
Price/mix	+4.2%	~ +3%	~ +3%
Lower contribution from standard reduction			
Forex	+0.3%	~ -2%	~ -2%



2020-2022 PROFITABILITY TREND

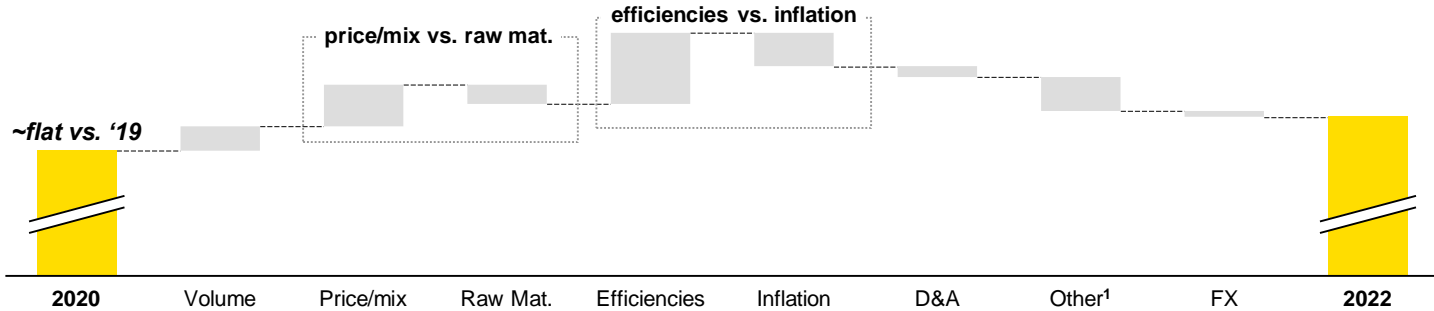
2. 2020-22 targets
in details

€ million



EBIT margin

17.2%



1. other costs for the High Value development

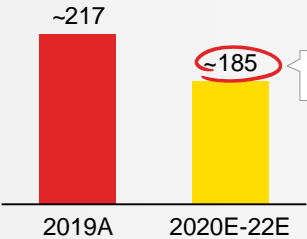


FINANCIAL AND FISCAL MANAGEMENT

2. 2020-22 targets in details

€ million

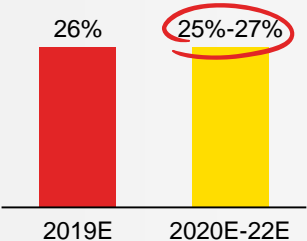
FINANCIAL INCOME & EXPENSES¹



on avg. per year

- > 100% new strategic funding will be Green or linked to our Sustainability targets
- > Option to extend the maturity of current credit lines
- > Reduction of the exposure to high-yield currencies

2020-2022E TAX RATE



- > Expected weighted average consolidated tax rate in line with 2019 actual tax rate
- > Tax rate guidance includes a “prudential” estimate of the Italian Patent Box renewal benefit

1. Including interests rates, hedging costs, hyperinflation



2020-22 NET CASH FLOW (BEFORE DIVIDENDS) TREND

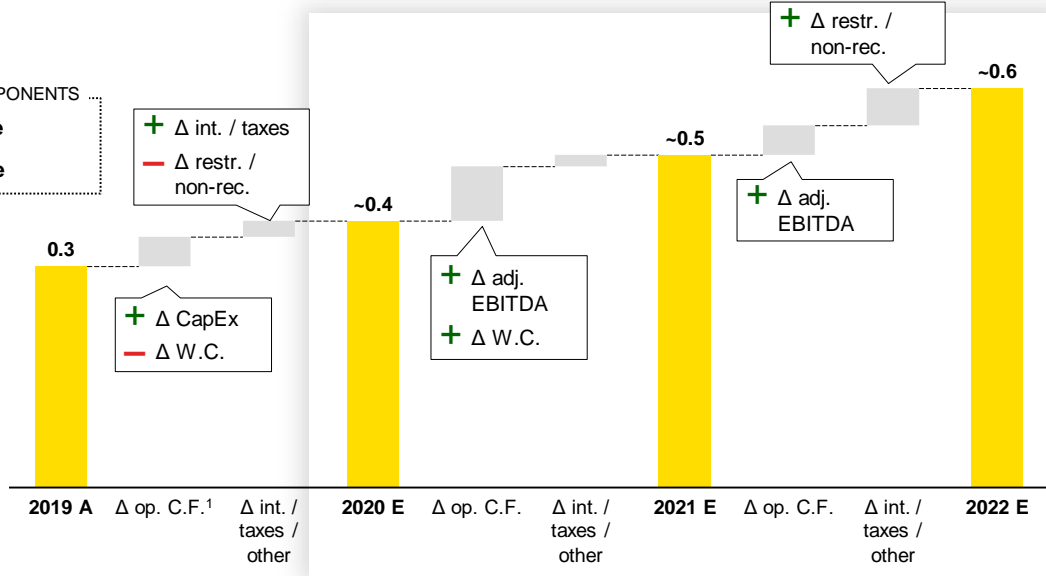
2. 2020-22 targets in details

€ billion

MAIN COMPONENTS

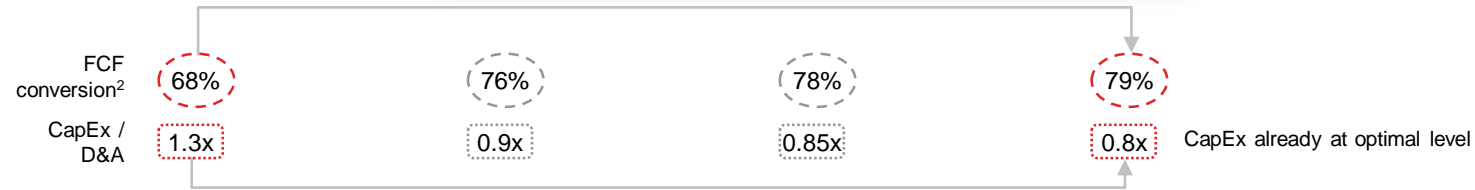
+ Positive

- Negative



2020-22 N.C.F.
~1.5 cum., o/w:

~0.5 for dividends ³	~1.0 for Debt reduction
---------------------------------	-------------------------



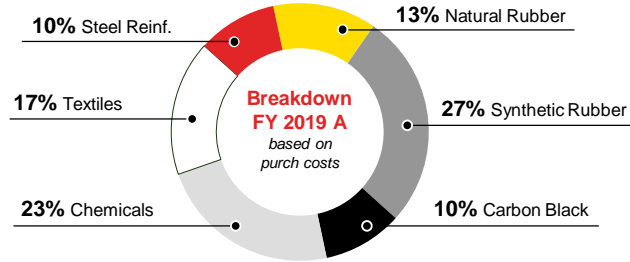
87 | 1. Operating Cash Flow: adj. EBITDA – CapEx – Δ working capital; 2. (EBITDA – CapEx) / EBITDA 3. assuming average 40% dividend pay-out on consolidated net income in the 2020-22 Industrial Plan



2020E-2022E RAW MATERIAL GUIDANCE

2. 2020-22 targets
in details

€ million



Raw Materials 33% on Sales

Commodities – avg. Quotation

	2019 A	2020 E	2021 E	2022 E
Natural Rubber TSR20 (\$ / tonne)	1,407	~1,480	~1,495	~1,565
Brent Oil (\$ / barrel)	64.0	~64	~64	~64
Butadiene Europe (€ / tonne)	824	~860	~880	~920

Commodities – avg. cost of goods sold

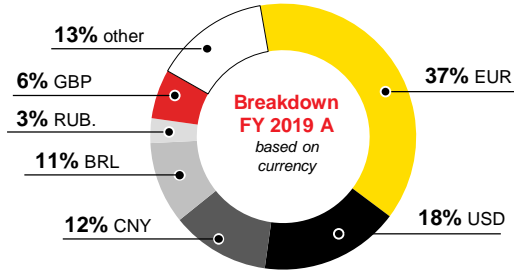
	2019 A	2020 E	2021 E	2022 E
	1,381	~1,430	~1,500	~1,545
	67.0	~63	~64	~64
	937	~820	~885	~910

Adj. EBIT impact

Raw Mat. ¹	+18	~flat	~-30	~-30
FX only	-85	~-65	~-15	~-10
TOTAL	-67	~-65	~-45	~-40

2020E-2022E FOREX GUIDANCE

2. 2020-22 targets
in details



Main average exchange rates

	2019 A	2020 E	Δ YoY (vs. EUR)	2021 E	Δ YoY (vs. EUR)	2022 E	Δ YoY (vs. EUR)
EUR / USD /	1.12	1.12	0%	1.14	+2%	1.18	+4%
USD / CNY /	6.9	7.05	+2%	7.06	+2%	6.95	+2%
USD / BRL /	3.95	4.07	+3%	4.21	+5%	4.26	+5%
EUR / RUB /	72.4	73.0	+1%	75.0	+3%	77.0	+3%
EUR / GBP /	0.88	0.90	+3%	0.88	-3%	0.86	-2%
TOT. IMPACT ON SALES			~-2%		~-2%		~-2%



AGENDA

PIRELLI EVOLUTION TO DATE & STRATEGIC DIRECTION

PIRELLI STRATEGY DEPLOYMENT: PILLAR 1 – COST COMPETITIVENESS

2020-2022 SCENARIO

PIRELLI STRATEGY DEPLOYMENT: PILLAR 2 - COMMERCIAL DEVELOPMENT

PIRELLI STRATEGY DEPLOYMENT: PILLAR 3 – TECHNOLOGY-BASED INNOVATION

2019 FINANCIAL REVIEW AND 2020-2022 TARGETS IN DETAIL

APPENDIX

APPENDIX

1 GOVERNANCE

2 SUSTAINABILITY STRATEGY & TARGETS

3 FINANCIALS

GOVERNANCE CONFIRMED BY RENEWED SHAREHOLDERS' AGREEMENT

BY-LAWS



Pirelli By-Laws shall be **inspired by international best practices**



Pirelli Technological know-how never be transferred unless approved by **90% of Pirelli shareholders**



Pirelli headquarters shall remain in Milan (Italy) unless approved by **90% of Pirelli shareholders**



One-fifth of the Board shall be **appointed by minority shareholders**

BOARD OF DIRECTORS



Board made of highly qualified Members with a suitable mix of skills.

Independent directors shall be the majority of the Board



Focus on **Diversity value**: gender, age, seniority, nationality, educational background and work-experience



Internal committees in line with the best practices, with independent directors having a key role.



Transactions with related parties to be governed by **best International practices** with a key role of the Committee for Related Parties Transactions

SHAREHOLDERS AGREEMENT



The partnership acknowledges: (i) Pirelli is a company specialised in high quality and technology products, (ii) loyalty, professional skills and expertise of the management, key factor for the Company success and business growth



Pivotal role of the top management to maintain **quality standards**, to preserve and value Pirelli industrial legacy



Pirelli Chief Executive Officer to lead top management and ensure **Pirelli business culture continuity**

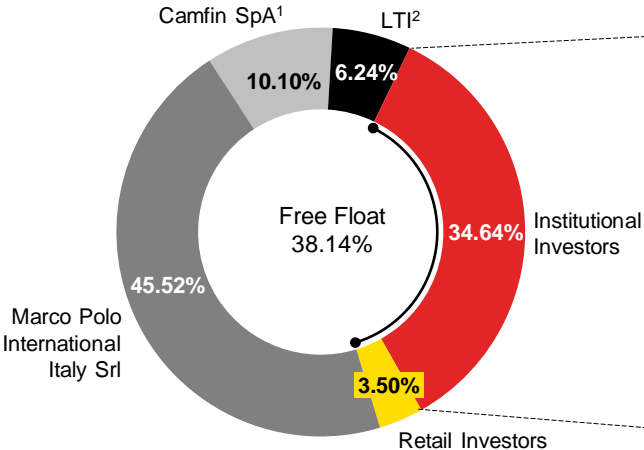


Pirelli Recruiting, Career Plans and incentive schemes to **match management and shareholders interests**. Incentive plan targets consistent with Pirelli Strategic Plan, and in line with the best practices for listed Companies (e.g.: TSR, sustainability)

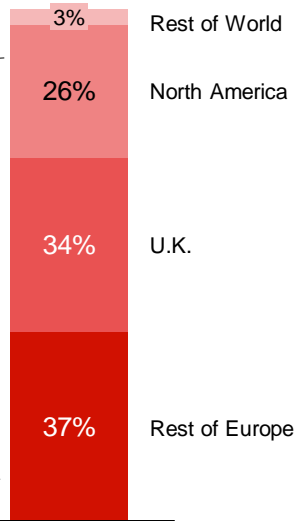


Leading role of Marco Tronchetti Provera in the designation of his successor

PIRELLI SHAREHOLDER STRUCTURE



INSTITUTIONAL INVESTORS BREAKDOWN



Source: NASDAQ, Libro soci Pirelli at December 2019

1. On September 2019 Camfin SpA has underwritten, with primary financial institutions, financial instruments denominated "Call Spread", maturing on September 2022, with 48,9 million Pirelli shares underlying equal to approximately 5% of the Pirelli's share capital. By virtue of the acquisition of these financial instruments, Camfin has the right to buy Pirelli shares at a predetermined price and increase its stake in Pirelli's share capital from 10.1% up to approximately 15%

2. Tacticum Investment S.A (formerly Long-Term Investments Luxembourg S.A.): stake transferred to a third party, subject to a "Repurchase Agreement". Such third party committed to transfer back to LTI, when due, the ownership of the same number of Pirelli stocks and to do everything is in its power to exercise the right to vote, subject to the transaction, according to the voting instructions given by LTI each time.



PIRELLI REMUNERATION SYSTEM ALLIGNED WITH INDUSTRIAL PLAN

REMUNERATION STRUCTURE to be approved by the Shareholders' Meeting (June 18, 2020)

COMPENSATION MIX FOR KEY MANAGEMENT

FIXED COMPONENT

- No more than 50% of Total Annual Direct Compensation on reaching all objectives at target level

SHORT-TERM INCENTIVE *(1/3 of total variable compensation)*

- Cash incentive based on key Financial objectives (Group Adj. Ebit, Net Income, Net Cash Flow before dividends) and Sustainability (Eco-Safety Performance¹ Revenues)
- On/off condition: Group Net Cash Flow before dividends
- 25% deferred to the next year

LONG-TERM INCENTIVE PLAN 2020-22 *(2/3 of total variable compensation)*

- Cash plan based on **3 key objectives**: Relative **TSR** vs. Tier1 peers; 2020-22 Cumulated Group **Net Cash Flow before dividends**; on-going inclusion in **Sustainability** Indices (Dow Jones Sustainability World Index ATX Auto Component sector, CDP scoring)
- **Rolling plan**: every year starting a new 3-year period
- **Payment** in 2023 and at the end of each 3-year vesting period

ALL **VARIABLE** COMPONENTS ARE **CAPPED**

NON-COMPETITIVE AGREEMENT

CLAW-BACK CLAUSES KEY MANAGEMENT
IN BOTH MBO AND LTI PLANS

1. Eco-Safety Performance products, previously named "green performance products", identify car tyres that Pirelli produces throughout the world and that fall only under rolling resistance and wet grip classes A, B, C according to the labeling parameters set by European legislation



SHORT TERM INCENTIVE PLAN OBJECTIVES

On/off condition: Group Net Cash Flow before dividends

OBJECTIVE	WEIGHT
Group Adjusted EBIT	40%
Group Net Cash Flow ¹	30%
Net Income	20%
Green performance Revenues	10%

Bonus at target level defined as percentage of base salary; pay-out cap is 2,5x bonus at target level, entry level pay-out is 0.75x bonus at target level.

25% of the bonus deferred to the next year and relevant payment subject to the achieving of the STI objectives of the following years, with a reward mechanism in case of achievement of the objectives at least at the target level.



2020-2022 LONG-TERM INCENTIVE PLAN HIGHLIGHTS

> Cash, long-term incentive plan aligned with the 2020-2022 Industrial Plan

> Rolling plan, with 3 objectives with different weights

OBJECTIVE	WEIGHT	VALUE AT TARGET
Relative TSR	40%	Pirelli performance aligned to the average of the peers' performance – Tier 1 (Nokian, Michelin, Continental, Good Year, Bridgestone).
Group Cash Flow ¹	40%	2020-2022 cumulated Pirelli Cash Flow consistent with the Industrial Plan
Sustainability Index	20%	<ul style="list-style-type: none"> • Pirelli ranking in Dow Jones Sustainability World Index ATX Auto Component sector (weight 10%); • Pirelli ranking in CDP ranking /weight 10%)

> Rolling plan: every year starting a new three-years period, with relevant targets

> Bonus at target level defined as percentage of base salary; pay-out cap is 2,6-2,9 bonus at target level, entry level pay-out is 0.75x bonus at target level.

APPENDIX

1 GOVERNANCE

2 SUSTAINABILITY STRATEGY & TARGETS

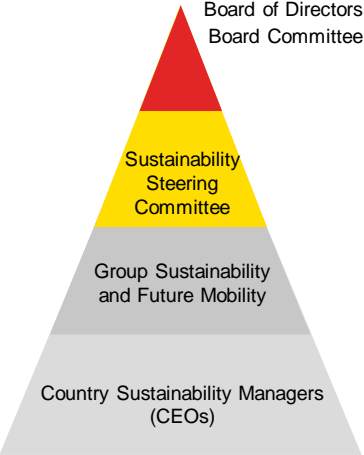
3 FINANCIALS

PIRELLI INTEGRATED MODEL



MULTI-STAKEHOLDER APPROACH

Governance



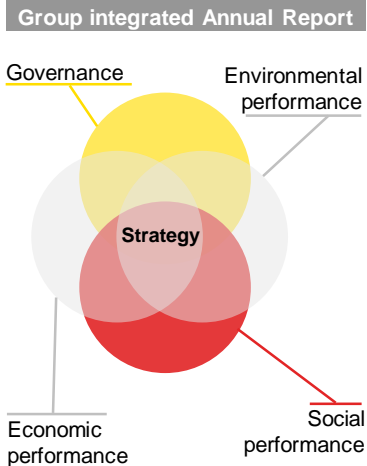
Management systems

Quality
ISO 9001 IATF 16949 ISO/IEC 17025
Labour and Social
OHSAS 18001/ISO45001 Standard SA8000® (Reference Std)
Environment
ISO 14001 ISO 14040 ISO 14064
Anti-Bribery
ISO 37001
Purchasing
ISO 20400 ¹

Planning



Reporting²












1. Attested by third party. 2. Using Global Reporting Initiative (GRI – Standards), Comprehensive option; principles of integrated reporting contained in the Framework of the International Integrated Reporting Council (IIRC), Assurance Engagements, ISAE 3000 – Assurance Engagement on GHG ISAE 3000;








KEY FIGURES & ACHIEVEMENTS 2019

KPIs¹


	2019
 Eco-Safety Performance revenues ²	55,8% 63,3% on HV ³
 Car tyres Avg. rolling resistance reduction	-18% (vs.2009)
 Accident frequency index reduction	-83% (vs.2009)
 Average training days per capita	>7 days
 Specific energy consumption reduction	-13,1% (vs.2009)
 Electricity from renewable sources ⁴	> 41%
 Specific CO ₂ emissions reduction	-10,8% (vs.2009)
 Specific water withdrawal reduction	-70% (vs.2009)
 Waste recovered	97%

PIRELLI ESG LEADERSHIP ACKNOWLEDGED BY THE MARKET

Top-of-the-industry ESG ratings

-  Dow Jones Sustainability Indexes
Global Sector Leader in the S&P Dow Jones Sustainability Indices⁵
-  SAM Sustainability Award Gold Class 2020
Awarded sector Gold Class 2020 in S&P Sustainability Yearbook
-  CDP A-List 2019 CLIMATE
A-List in CDP Climate Change 2019
-  FTSE4Good
Sector top rating
-  Global Compact LEAD 2019 PARTICIPANT
Global Compact LEAD company 2019

Pirelli distinctive factors

-  **Comprehensive corporate positioning** on key global sustainability challenges, beyond materiality
-  **Management model** complying with most demanding ESG standards⁶
-  **ESG targets** are:
 - Group wide
 - Tangible
 - Challenging and realistic
 - Set to be reached within competitive deadlines
-  **Complete and transparent Reporting**

Pirelli also included in:

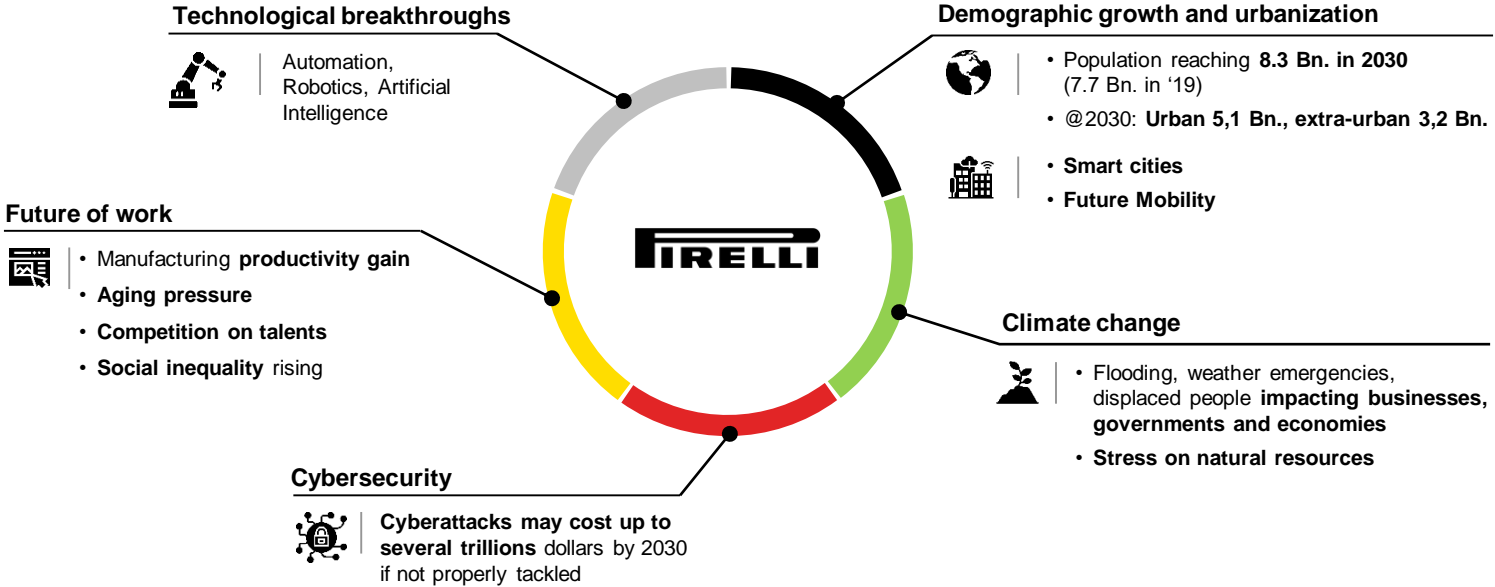


1. Preliminary unaudited data; 2. Figure is obtained by weighing the value of sales of Eco-Safety Performance car tyres on the total value of sales of Group car tyres; Eco-Safety Performance products, previously named "Green Performance Products", identify car tyres that Pirelli produces throughout the world and that fall only under rolling resistance and wet grip classes A, B, C according to the labeling parameters set by European legislation; 3. Focus on HIGH VALUE products including RIM18+ and "specialties" (Run-Flat, PNC5, Seal Inside with rim ≤17"); 4. Internal assessment based on data from the International Energy Agency (IEA) taking into account the Pirelli geographical distribution; 5. Score 2019: 85 vs sector average of 36; 6. e.g. ISO 20400, ISO 26000, AA1000, ISO 37001, etc.



GLOBAL SCENARIOS @2025-2030

OPPORTUNITIES & CHALLENGES MUST MATCH THE GLOBAL JOURNEY TOWARDS UN SDGS



INDUSTRIAL PLAN SUSTAINABILITY LEVERS

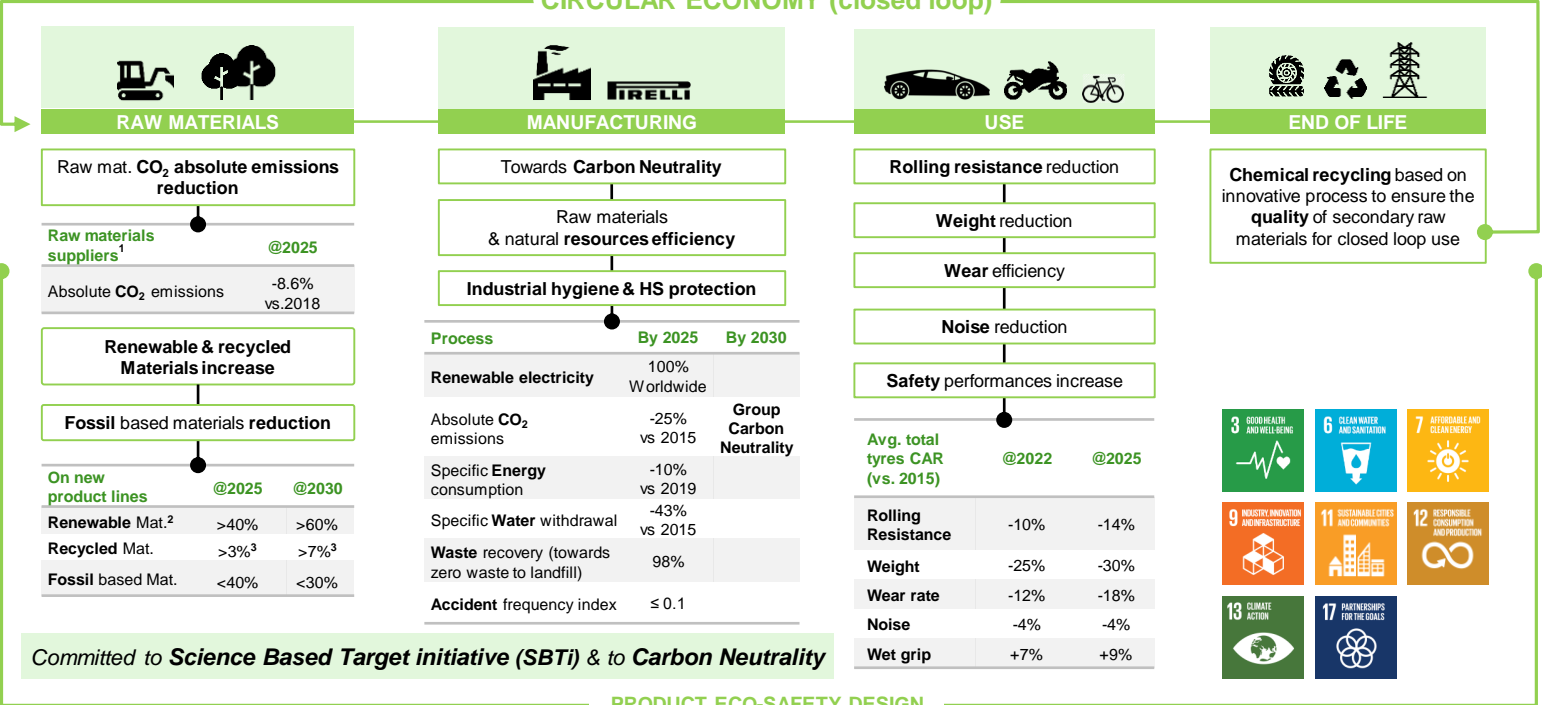
STRATEGY & TARGETS @2022-2025-2030:

- > Are embedded into Pirelli High Value & Pure Consumer strategy
- > Replace previous 2017-2020 Sustainability Plan with selected targets to 2025
- > Impact on 11 UN Sustainable Development Goals



PRODUCT SUSTAINABILITY STRATEGY 2022/2025/2030

CIRCULAR ECONOMY (closed loop)



PRODUCT ECO-SAFETY DESIGN

1. Major scope 3 emissions in product LCA (excl. use phase); 2. Renewable Natural Resources are natural resources that, after exploitation, can return to their previous stock levels by natural processes of growth or replenishment. (source: OECD glossary definition at <https://stats.oecd.org/glossary/detail.asp?ID=2290>); 3. Excluding recycled metals.



MATERIALS INNOVATION



STRATEGY

Focusing on:

- Increase Renewable¹ Materials
- Increase Recycled Materials
- Decrease Fossil Based Materials
- Quickly Anticipating Market Requirements

ACTING ON

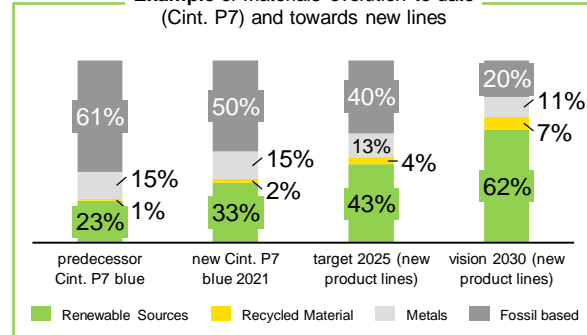
- > Reinforcements
- > Bio-Chemicals
- > Bio-Fillers
- > Polymers
- > Recycled Materials



TARGETS

- > **By 2025, on new product lines:**
 - > 40% of renewable materials
 - > 3% of recycled materials²
 - < 40% of fossil based materials
- > **By 2030, on new product lines:**
 - > 60% of renewable materials
 - > 7% recycled materials²
 - < 30% fossil based materials

Example of Materials evolution to date (Cint. P7) and towards new lines



Anticipating the impact of regulation through actions on Materials associated with Health concerns in cooperation with R&D, HSE, Procurement, Quality and Suppliers.

1. Renewable Natural Resources are natural resources that, after exploitation, can return to their previous stock levels by natural processes of growth or replenishment. (source: OECD glossary definition at <https://stats.oecd.org/glossary/detail.asp?ID=2290>); 2. Excluding recycled metals.



ECO-SAFETY PERFORMANCE INNOVATION



CAR- AVG. TOTAL GAMMA (VS. 2015)



	@2022	@2025
Rolling Resistance	-10%	-14%
Weight	-25%	-30%
Wear rate	-12%	-18%
Noise	-4%	-4%
Wet grip	+7%	+9%

MOTO- AVG. RADIAL TYRES (VS. 2015)



	@2022	@2025
Rolling Resistance	-15%	-20%
Wet grip	+21%	+25%
Mileage	+4%	+13%

VELO- AVG. TOTAL TYRES (VS. 2017)



	@2022	@2025
Rolling Resistance	-25%	-25%
Wet grip	+10%	+15%
Braking	+5%	+10%

Less rolling resistance
Less noise
Better grip
Less weight



Less CO₂ emissions
Better living environment
Higher safety
Less impact on natural resources

ECO-SAFETY PRODUCT INNOVATION



PIONEERING THE CONSUMER SPECIALTIES BUSINESS

2001



RUNFLAT
Safe & extended mobility



SEAL INSIDE™
Safe & extended mobility



PNCS™¹ APPLICATION
Noise reduction



ELECT™
Pirelli package for electric vehicles



CYBER TYRE SYSTEM
*Smart and connected mobility
5G ready*

2020

SHORT TERM DEVELOPMENT ROADMAP TO ACCELERATE CONSUMERS TRANSITION TO FUTURE MOBILITY

NEW AND DISRUPTIVE FEATURES ON:

- Rolling resistance
- Noise
- High load capacity
- Grip
- Connectivity
- Recyclability

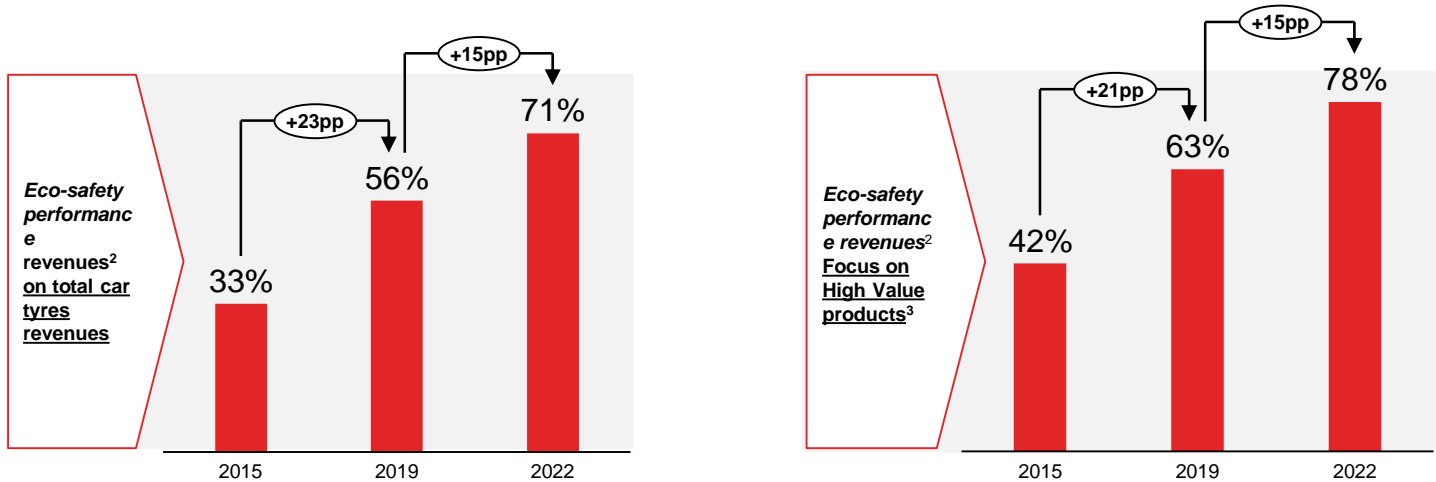
ENABLED BY NEW SIMULATOR

- From Formula 1 experience
- Development time for new tyres reduced by 30%
- Number of physical prototypes drastically reduced
- Rapid remodeling
- Maximization of co-development efficiency with car manufacturers

1. Pirelli Noise Cancelling System



ECO-SAFETY PERFORMANCE¹ REVENUES



- Criteria to categorize the Eco-Safety Performance products: Rolling Resistance and Wet Grip that falls only in A, B, C classes
- Figure calculated by applying the EU-label regulation to all car tyres sold worldwide

1. Eco-Safety Performance products, previously named "Green Performance products", identify car tyres that Pirelli produces throughout the world and that fall only under rolling resistance and wet grip classes A, B, C according to the labeling parameters set by European legislation. 2. Figure is obtained by weighing the value of sales of Eco-Safety Performance car tyres on the total value of sales of Group car tyres;

3. Focus on HIGH VALUE products including RIM18+ and «specialties» (Run-Flat, PNCS, Seal Inside with rim ≤ 17).



ECO-EFFICIENCY: TOWARDS GROUP CARBON NEUTRALITY



Committed to the Science Based Target initiative (SBTi)¹



- 25% absolute CO₂ emissions by 2025 vs. 2015



100% renewable electricity by 2025



- 10% specific energy consumption by 2025 vs. 2019



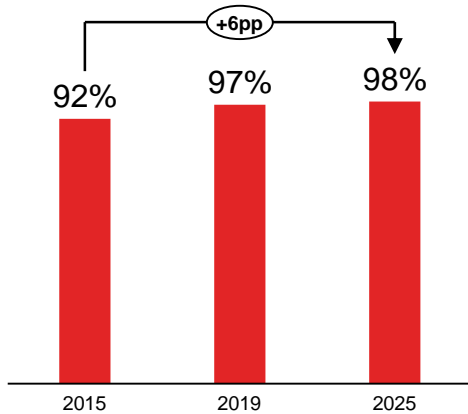
Group CARBON NEUTRALITY by 2030

1. Targets adopted by companies to reduce greenhouse gas (GHG) emissions are considered "science-based" if they are in line with what the latest climate science says is necessary to meet the goals of the Paris Agreement – to limit global warming to well-below 2°C above pre-industrial levels and pursue efforts to limit warming to 1.5°C.

ECO-EFFICIENCY: WATER, WASTE



98% OF WASTE SENT TO RECOVERY BY 2025



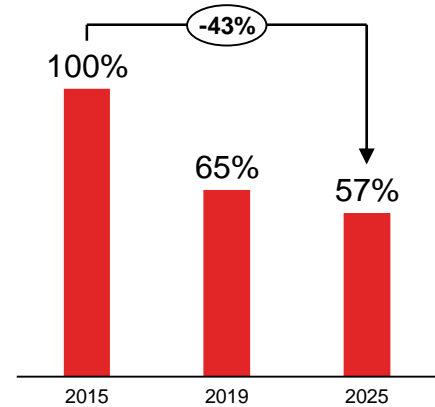
Towards zero waste to landfill vision

Single Use Plastic Free

- All Group premises: elimination of Single Use Plastic by 2021
- Production Process: progressive¹ elimination of Single Use Plastic in the respect of production processes quality preservation

1. Timing depends on the market offer of the proper alternatives to SUP directly impacting the production process quality.

- 43% SPECIFIC WATER WITHDRAWAL BY 2025 VS 2015



Excellence in water management:

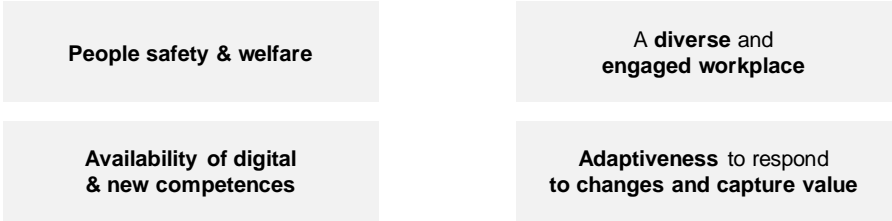
Reduce, Reuse, Recover, Recycle, Replenish (5R Principles)



HUMAN CAPITAL



ORGANIZATION PREPAREDNESS TO EMBRACE FUTURE SCENARIOS ENSURING:



THROUGH

- > **Accident frequency index reduction:** ≤ 0.15 by 2022, ≤ 0.1 by 2025
- > **Upskilling** and **reskilling** of new digital competences
- > **STEM¹ talent** attraction and innovative **recruitment marketing** solutions
- > New **smart and horizontal** ways of working and **open collaborations**
- > Sound integration of **ESG targets** into Short and Long Term Incentives²

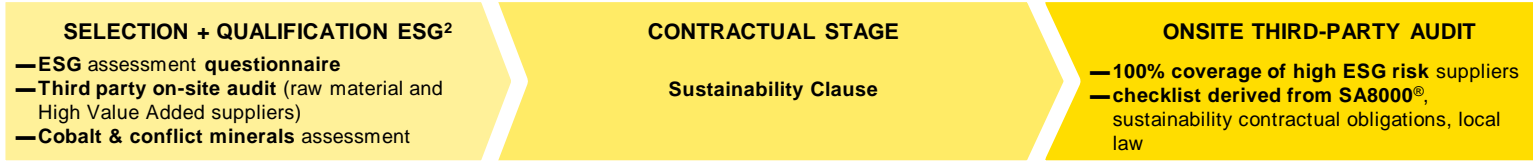
1. Science, Technology, Engineering, Mathematics
2. Applied to the generality of Group top management and executives.



SUPPLY CHAIN SUSTAINABILITY



Full compliance of Purchasing Model with **ISO 20400 provisions attested¹**



A MORE EFFICIENT AND SUSTAINABLE SUPPLY CHAIN THANKS TO

- Pirelli advanced **digitalized management systems** to monitor and manage suppliers' compliance
- Supply chain economic, social, environmental and loss prevention **risks fully embedded in Pirelli Enterprise Risk Management**
- Joint Development partnerships with third competence centers **for innovative eco & safe materials**
- Pirelli target to **reduce raw material suppliers³ CO2 absolute emissions** by 8,6% in 2025 vs 2018

Pirelli 2019-2021 **Sustainable Natural Rubber Roadmap:** ON-SITE Engagement, risk mapping and mitigation

As of the beginning of 2020:

- 100% of Pirelli purchased NR4 volumes come from suppliers trained on Pirelli Sustainable Natural Rubber Policy
- 95% of Pirelli purchased NR⁴ volumes come from suppliers which confidentially have shared information on sourcing areas
- 100% of Pirelli purchased NR⁴ volumes come from suppliers that defined a roadmap in line with Pirelli Sustainable Natural Rubber Policy

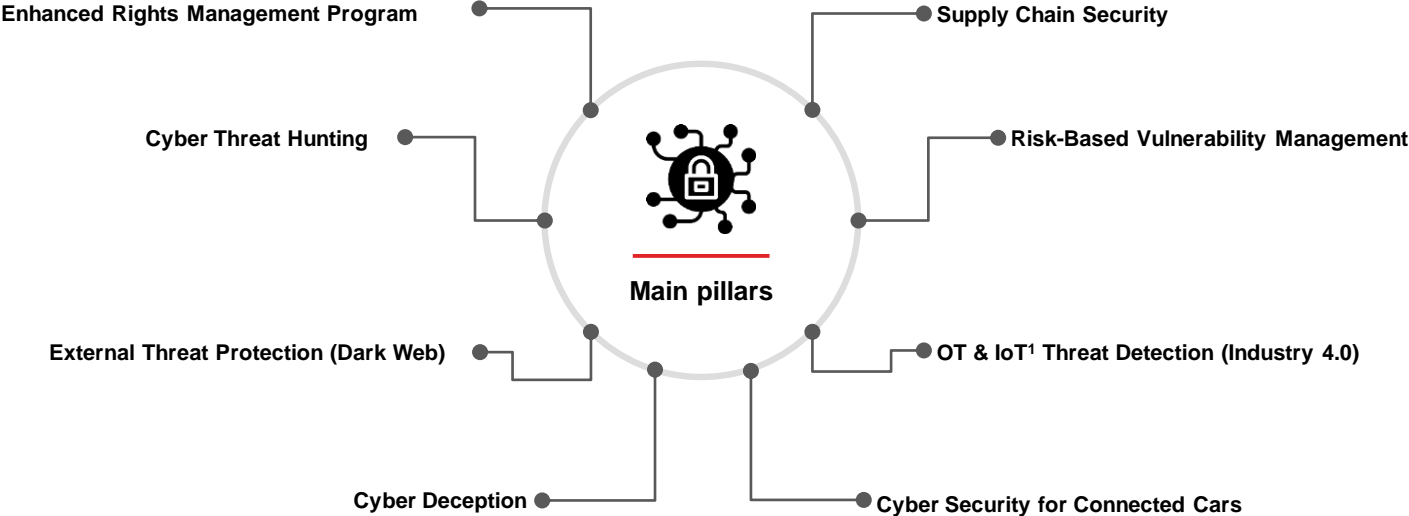
1. Third Party Opinion released in February 2018 by SGS Italy S.p.A; 2. ESG: environmental, social, governance; 3. Major scope 3 emissions in product LCA (excl. use phase); 4. Natural Rubber



SOUND CYBER SECURITY PROGRAM



A BUSINESS ENABLER TO SECURE CORPORATE OPERATIONS AND DELIVERY OF WELL-PROTECTED BUSINESS SERVICES AND QUALITY PRODUCTS TO PIRELLI CUSTOMERS



ADVOCACY AND COMMITMENT FOR ROAD SAFETY



Pirelli is Donor and Member of the Advisory Board of the United Nations Road Safety Trust Fund

Goal: provide aid to United Nations' Member States to significantly:

- reduce the number of deaths and injuries caused by traffic accidents
- reduce the economic losses resulting from such accidents

Actions: concrete projects within the **Global Plan of the Decade of Action for Road Safety**, to improve:

- road safety management capacities
- safety of road infrastructures and broader transport networks
- safety of vehicles
- road users' behavior
- post-crash care



Pirelli is Global Partner of the FIA Action for Road Safety Campaign

Goal: educate road users on the importance of respecting key road safety rules

Actions: promotion of the FIA 'Golden Rules' for road safety through all Pirelli networks



APPENDIX

1 GOVERNANCE

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2019 RESULTS HIGHLIGHTS BY QUARTER

€ million	1Q'18	1Q'19	Δ YoY	2Q'18	2Q'19	Δ YoY	3Q'18	3Q'19	Δ YoY	4Q'18	4Q'19	Δ YoY	FY'18	FY'19	Δ YoY
Revenues	1,310	1,314	+0.3%	1,320	1,341	+1.6%	1,295	1,382	+6.7%	1,269	1,287	+1.4%	5,195	5,323	+2.5%
<i>Organic Growth¹</i>			+1.2%			+1.6%			+4.1%			+2.0%			+2.2%
High Value Revenues	834	895	+7.3%	850	893	+5.0%	846	932	+10.2%	780	820	+5.1%	3,310	3,540	+6.9%
% on total Revenues	63.6%	68.1%	+4.5 pp	64.4%	66.6%	+2.2 pp	65.3%	67.5%	+2.4 pp	61.5%	63.7%	+2.2 pp	63.7%	66.5%	+2.8 pp
EBITDA adjusted w/o start-up costs ²	298	327 ⁵	+9.7%	310	331 ⁵	+6.5%	328	350 ⁵	+6.7%	343	343 ⁵	+0.1%	1,279	1,351 ⁵	+5.6%
<i>Margin</i>	22.7%	24.9%	+2.2 pp	23.5%	24.6%	+1.1 pp	25.3%	25.3%	0.0 pp	27.0%	26.7%	-0.3 pp	24.6%	25.4%	+0.8 pp
EBITDA adjusted ³	288	316⁵	+9.5%	300	321⁵	+6.9%	320	342⁵	+7.1%	327	332⁵	+1.4%	1,235	1,310⁵	+6.1%
<i>Margin</i>	22.0%	24.0%	+2.0 pp	22.7%	23.9%	+1.2 pp	24.7%	24.8%	+0.1 pp	25.8%	25.8%	0.0 pp	23.8%	24.6%	+0.8 pp
EBIT adjusted w/o start-up costs ²	229	231	+0.6%	244	232	-5.0%	259	252	-2.6%	271	244	-9.8%	1,003	959	-4.4%
<i>Margin</i>	17.5%	17.6%	+0.1 pp	18.5%	17.3%	-1.2 pp	20.0%	18.2%	-1.8 pp	21.3%	19.0%	-2.3 pp	19.3%	18.0%	-1.3 pp
EBIT adjusted ⁴	218	219	+0.4%	232	221	-4.5%	250	245	-2.2%	255	232	-8.9%	955	917	-3.9%
<i>Margin</i>	16.7%	16.7%	0.0 pp	17.6%	16.5%	-1.1 pp	19.3%	17.7%	-1.6 pp	20.1%	18.1%	-2.0 pp	18.4%	17.2%	-1.2 pp
EBIT	184	183	-0.5%	194	242	+24.9%	214	173	-19.1%	112	145	+29.6%	703	743	+5.6%
<i>Margin</i>	14.0%	13.9%	-0.1 pp	14.7%	18.0%	+3.3 pp	16.5%	12.5%	-4.0 pp	8.8%	11.3%	+2.5 pp	13.5%	14.0%	+0.5 pp

1. Excl. FX; 2. Velo, Cyber / digital transformation; 3. before non-recurring items & restructuring costs; 4. before amortization of PPA, non-recurring items & restructuring costs; 5. including the application of the new IFRS 16 on adjusted EBITDA: in FY'19 +€104 million, in 4Q'19 +€26 million, in 3Q'19 +€26 million, in 2Q'19 +€27 million, in 1Q'19 +€25 million

2020 - 2022 INDUSTRIAL PLAN | VISION 2025

MILAN, 19TH FEBRUARY 2020

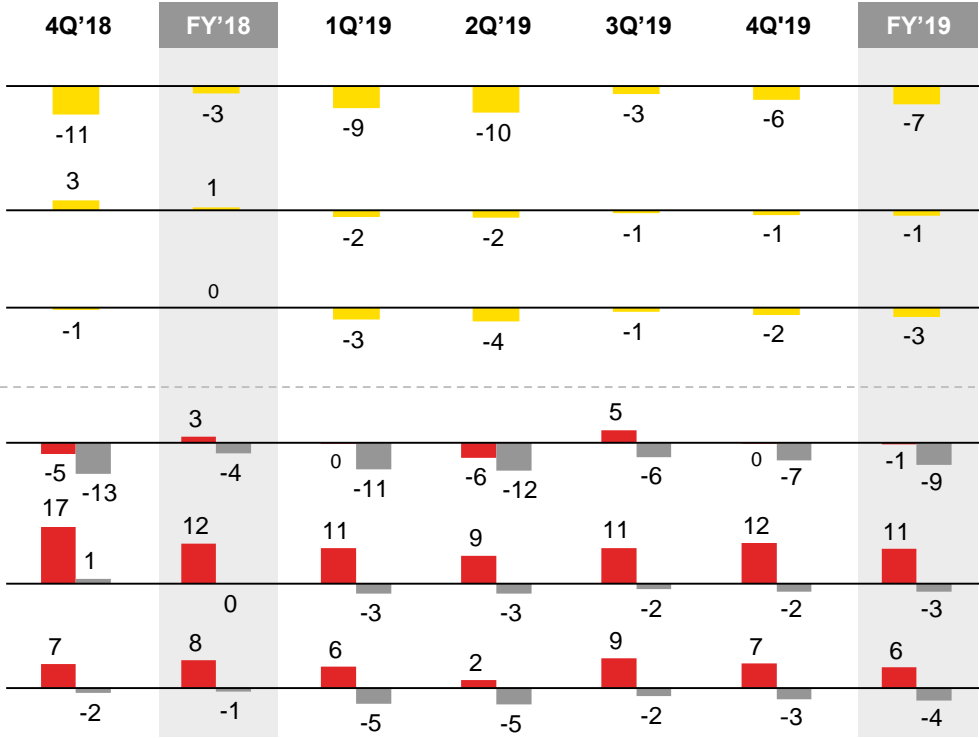


KEY CAR MARKET TRENDS: EMEA

Market trend
Δ% YoY

Total Car market

New Premium & Standard



Source: Pirelli tyre market estimates based on main data provider for the Region; historical market data may be subject to restatement



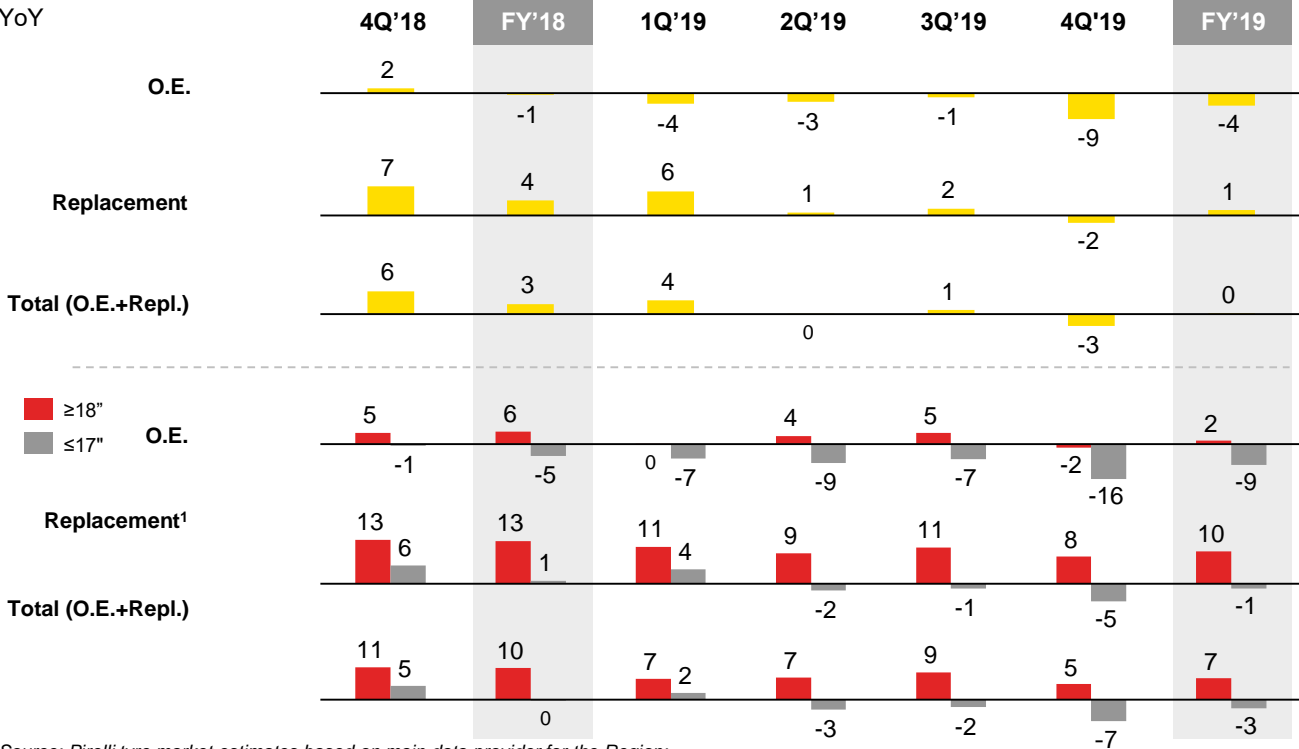
KEY CAR MARKET TRENDS: NORTH AMERICA

Market trend

Δ% YoY

Total Car market

New Premium & Standard



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



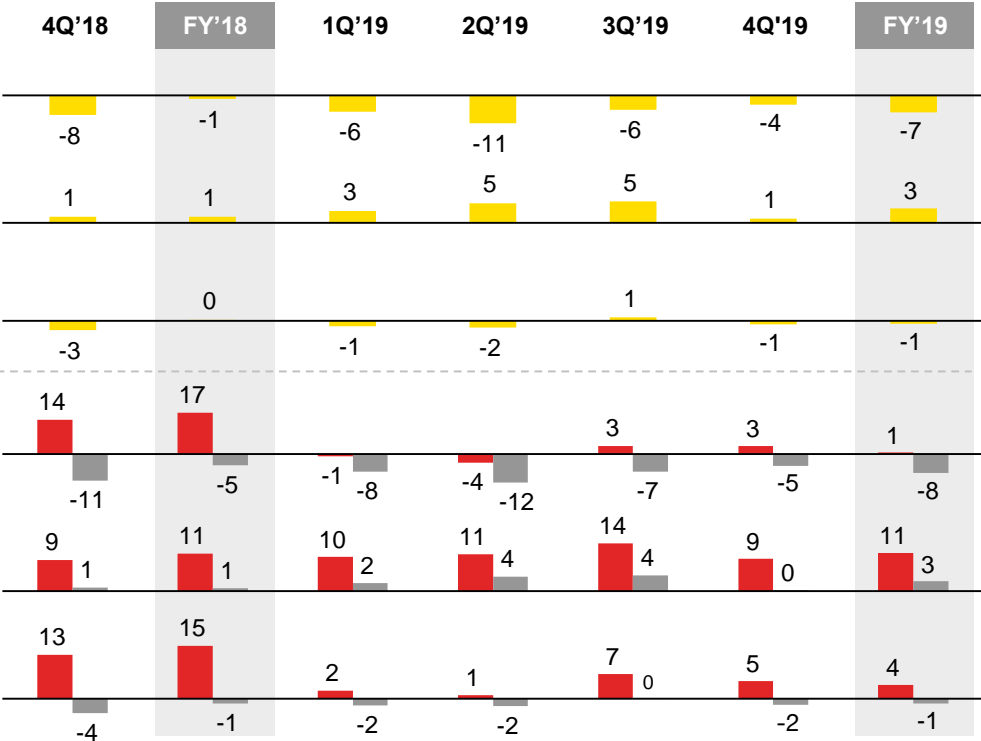
KEY CAR MARKET TRENDS: ASIA PACIFIC

Market trend

Δ% YoY

Total Car market

New Premium & Standard

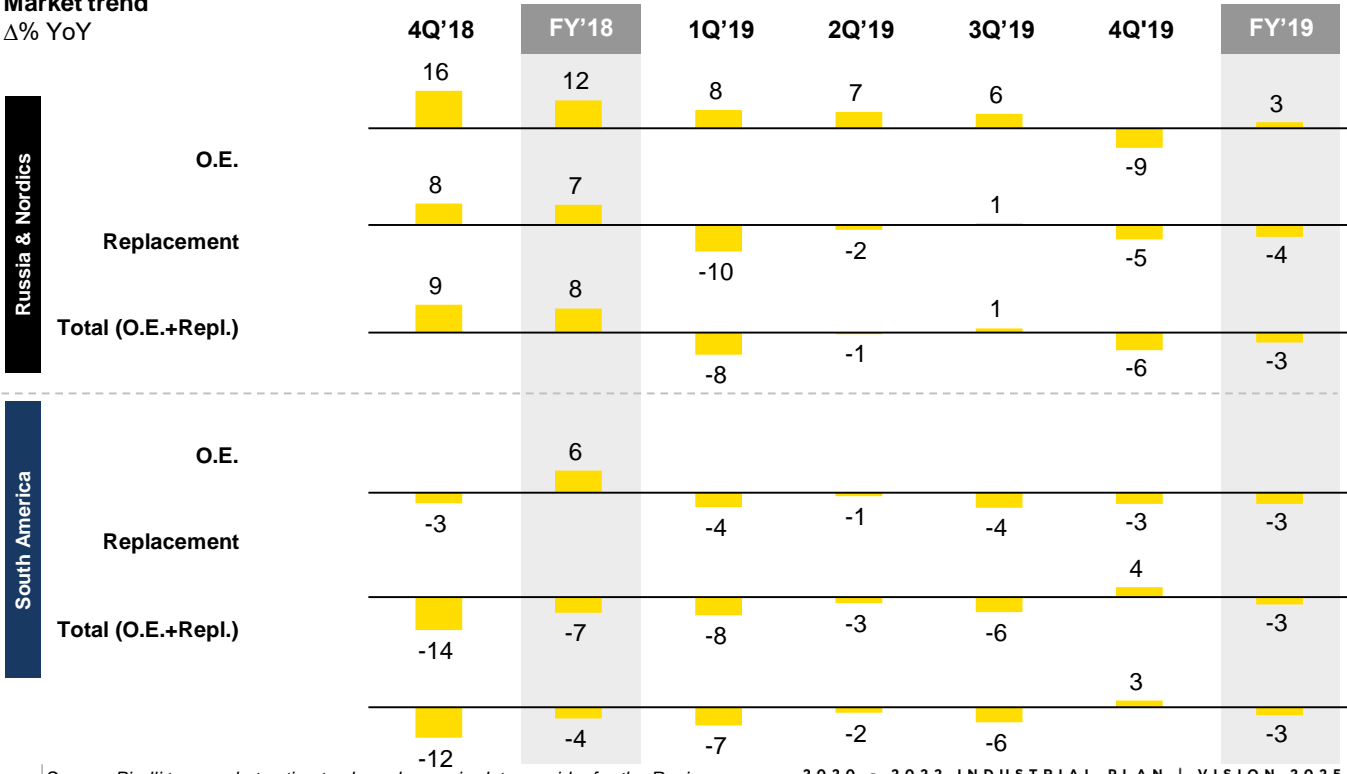


Source: Pirelli tyre market estimates based on main data provider for the Region; historical market data may be subject to restatement



KEY CAR MARKET TRENDS: RUSSIA & NORDICS / SOUTH AMERICA

Market trend
 Δ% YoY

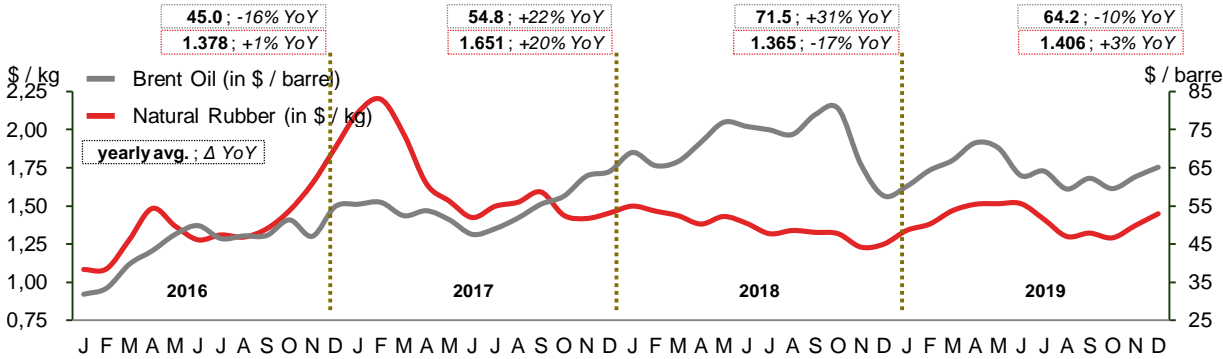


Source: Pirelli tyre market estimates based on main data provider for the Region; historical market data may be subject to restatement

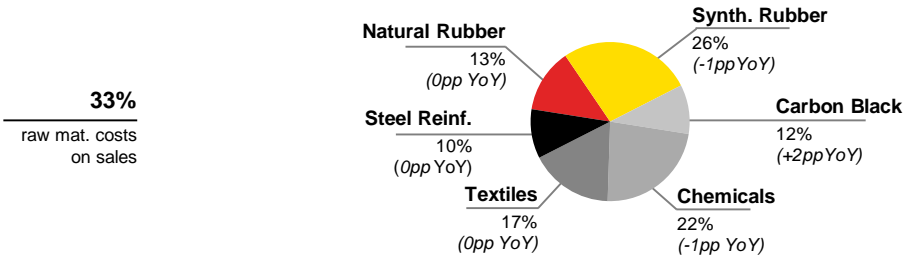


RAW MATERIAL COSTS TREND AND MIX

Main raw materials price trend



FY 2019 mix (based on purchasing cost)



119 | Source: Natural Rubber -> Sicom; Brent -> www.oilenergy.com





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