



PIRELLI MEASURES AGAINST COVID-19 AND 2020 GUIDANCE UPDATE

03 april 2020

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

In addition, this Presentation includes certain measures that have been adjusted by us to present operating and financial performance net of any non-recurring events and non-core events. The adjusted indicators are EBITDA adjusted, EBITDA margin adjusted, EBITDA adjusted without start-up costs, EBITDA margin adjusted without start-up costs, EBIT adjusted, EBIT margin adjusted, EBIT adjusted without start-up costs, EBIT margin adjusted without start-up costs.

In order to facilitate the understanding of our financial position and financial performance, this Presentation contains other performance measures, such as CapEx (Capital Expenditures) or Investments in property, plant & equipment, Operating working capital related to continuing operations, Net Financial (liquidity) / debt Position, Net financial (liquidity)/debt position without IFRS 16, Operating net cash flow, Net cash flow and Net cash flow before dividends.

These measures are not indicative of our historical operating results, nor are they meant to be predictive of future results.

These measures are used by our management to monitor the underlying performance of our business and operations. Similarly entitled non-IFRS financial measures reported by other companies may not be calculated in an identical manner, consequently our measures may not be consistent with similar measures used by other companies. Therefore, investors should not place undue reliance on this data.

AGENDA

1 **PIRELLI MEASURES AGAINST COVID-19**

2 EXTERNAL SCENARIO EVOLUTION

3 2020 GUIDANCE UPDATE

MEASURES TO PROTECT HUMAN CAPITAL

PIRELLI PREVENTION MEASURES

- Company task force in contact with all the Institutions' crisis units in each country
- HSE globally co-ordinating actions based on risk assessment
- Policy with 4 risk scenarios for measures to be taken in all the Group's facilities
- Promoted the progressive adoption of smart working
- Suspended all business trips unless strictly necessary
- Issued guidelines for the access to crowded areas and supplied workplaces with first-aid kits and healthcare material
- 24/7 emergency phone service where medical doctors, security and HSE specialists assist employees

Health of our employees, their families and the community our top priority

PREVENTION

Coronavirus: things to know

SYMPTOMS

Fever, Cough, Respiratory disease, Pneumonia, Renal impairment

In known cases of coronavirus infections, the disease showed up in a wide range of symptoms, from almost no one at all to serious illness, to death.

ORIGINS AND STRUCTURE

CORONAVIRUS
Coronavirus is a large family of viruses that are common in a lot of animal species.

ANIMAL TO HUMAN TRANSMISSION
In many patients there is a direct link to the Fish Market and Exotic Animals Trade of Wuhan (China).

HUMAN TO HUMAN TRANSMISSION
However, the increasing number of patients who haven't been in contacts with living animals is indicative of a human-to-human contagion.

VIRUS SPREAD

INCUBATION PERIOD
Symptoms can appear between 2 and 14 days after contagion.

FIRST EVIDENCE
December 2019 in Wuhan, China.

VACCINATION
There is no vaccine available yet for this form of coronavirus, but symptoms can be treated.

CONTAMINATION
This virus may be transmitted between persons in close proximity.

IN MOST CASES

- 1 Stay home in presence of symptoms
- 2 Often wash hands with soap
- 3 Avoid close contacts with infected people
- 4 Wear a medical mask

IN SEVERE CASES

- 1 Cover nose and mouth with a tissue when coughing
- 2 Throw away tissues immediately after use
- 3 Often sanitize the objects you touch the most
- 4 Contact the doctor right away in presence of symptoms
- 5 Take care of your personal hygiene

2 days 14 days

Fonte: www.cdc.gov

CONSTANT MONITORING



World Health Organization



Ministero della Salute



CENTERS FOR DISEASE CONTROL AND PREVENTION



SUPPORT TO CONTRAST COVID-19 EMERGENCY

SOME EXAMPLES

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

ITALY



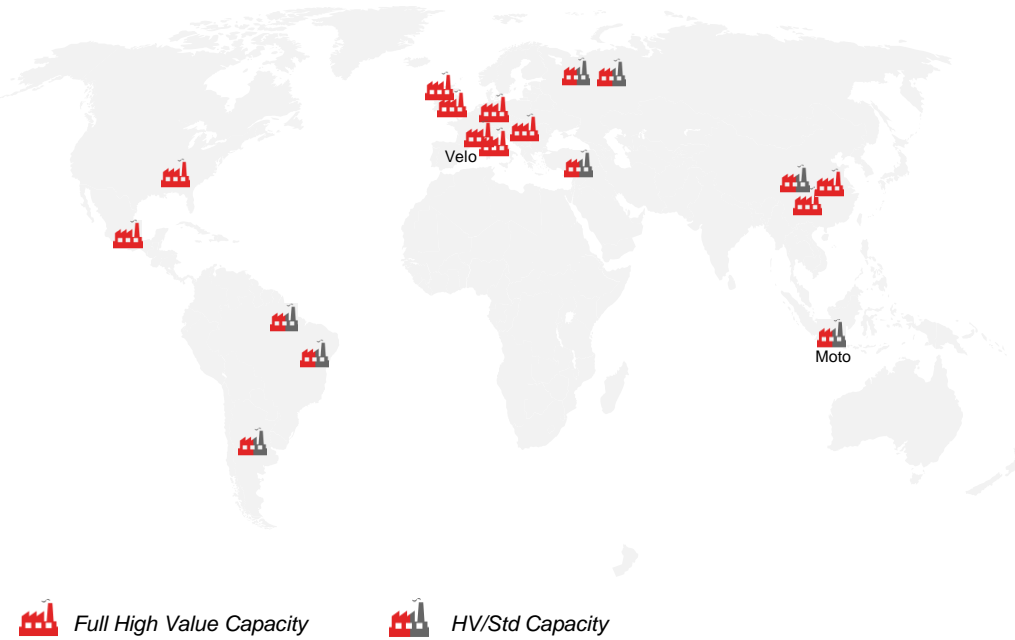
- €750,000 for Milan's L.Sacco Hospital, founded by Pirelli's employees (~€220,000, an amount doubled by Pirelli) and donations of over €300,000 from Pirelli's partners (incl. Camfin and Fondazione Silvio Tronchetti Provera)
- Donation of 65 ventilators for intensive care therapy, 5,000 protective suits for healthcare workers and 20,000 face masks in cooperation with Lombardy's Region

GLOBAL



- Pirelli, in light of the present Covid-19 emergency, has decided to cancel the production and launch of the 2021 Pirelli Calendar. In the context of other initiatives already undertaken by the company, "The Cal" project will donate €100,000 to the fight against and research into Coronavirus.

PIRELLI MANUFACTURING FOOTPRINT



IN CHINA

- > Production halted in 2 plants for ~1 month between February and March, now fully operational
- > Output gradually returning to normal levels

IN ALL OTHER REGIONS

- > Since the Covid outbreak, production has been proceeding at a slower pace
- > Production temporary halted starting from march 20
- > Adoption of temporary lay-off scheme

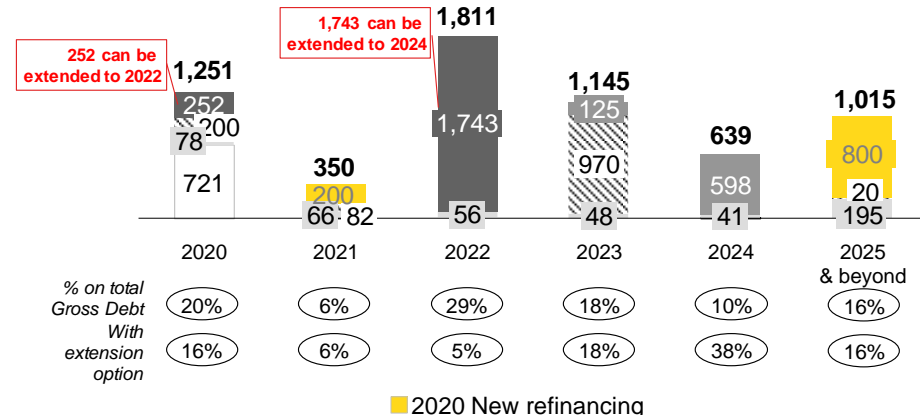
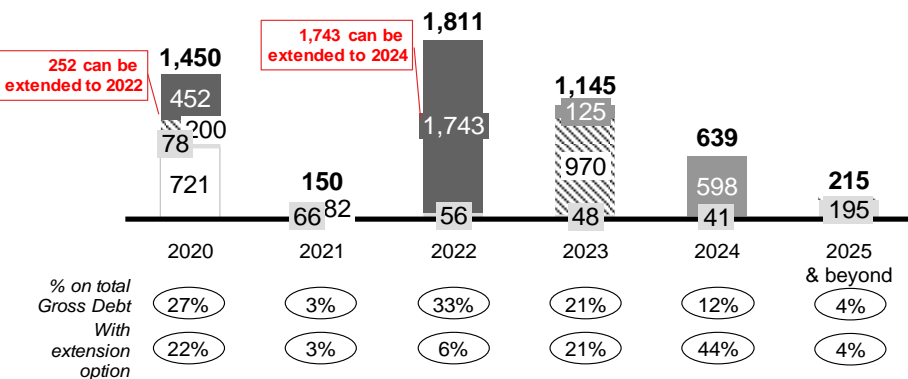
PIRELLI SOLID BALANCE SHEET CONFIRMED

MEASURES
AGAINST COVID

€ million

GROSS DEBT MATURITY @ 31.12.2019

GROSS DEBT MATURITY – PRO FORMA @ 31.03.2020



KEY HIGHLIGHTS AND RECENT DEVELOPMENTS

- > **1Q 2020 NEW REFINANCING** further reinforcing our Financial structure:
 - €800 mln Sustainable bank line (5Y maturity) increases the already available liquidity margin to face 2020-2022 maturities
 - €200 mln credit line, maturing in June 2020, brought to Sept. 2021
- > Therefore **PIRELLI's debt maturities are covered for the next 3 years (1Q 2020-1Q 2023) by Liquidity and Committed Bank Lines**

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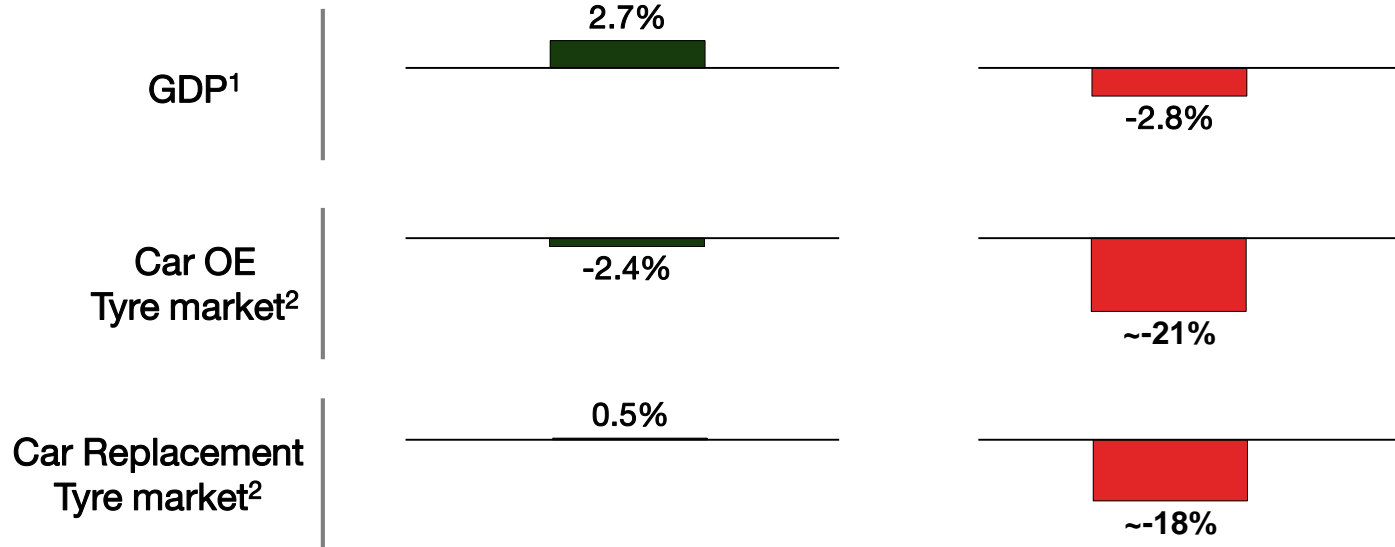
MARKET VIEW ON THE COVID OUTBREAK IMPACT

SCENARIO

GLOBAL
FY2020E YoY

PIRELLI 2020 PLAN (19 Feb 2020)

CURRENT SCENARIO (03 Apr. 2020)



1. IHS 30th March 2. Pirelli estimates

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QUARTERLY ASSUMPTIONS FOR NEW GUIDANCE

QUARTERLY DYNAMICS

- 1Q**
- APAC: February and March strongly impacted by Covid (Vol ~-38%), with February ~-80% in China confirmed and ~-50% in March
 - EU: market slowdown in Feb, march affected by crisis
 - N. America: market slowdown in Feb, late march affected by crisis
 - Other Regions: late march affected by crisis

- 2Q**
- APAC: slow recovery of market demand
 - EU, N. America & Other Regions: full impact of lockdowns

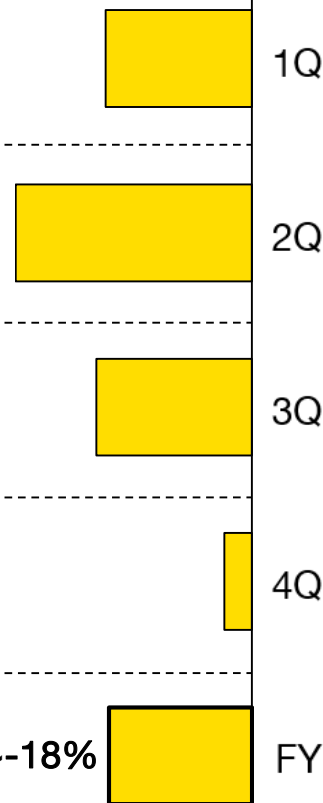
- 3Q**
- APAC: stable demand, only mild slowdown
 - EU, N. America & Other Regions: slow recovery of market demand

- 4Q**
- All Regions stabilized, only mild slowdown

PIRELLI CAR EXP. VOLUMES

Negative YoY

Positive YoY



	<u>PIRELLI</u>	<u>MARKET</u>
Total	~-18%	~-19%
≥18"	~-11.5%	~-14%
≤17"	~-24%	~-20%

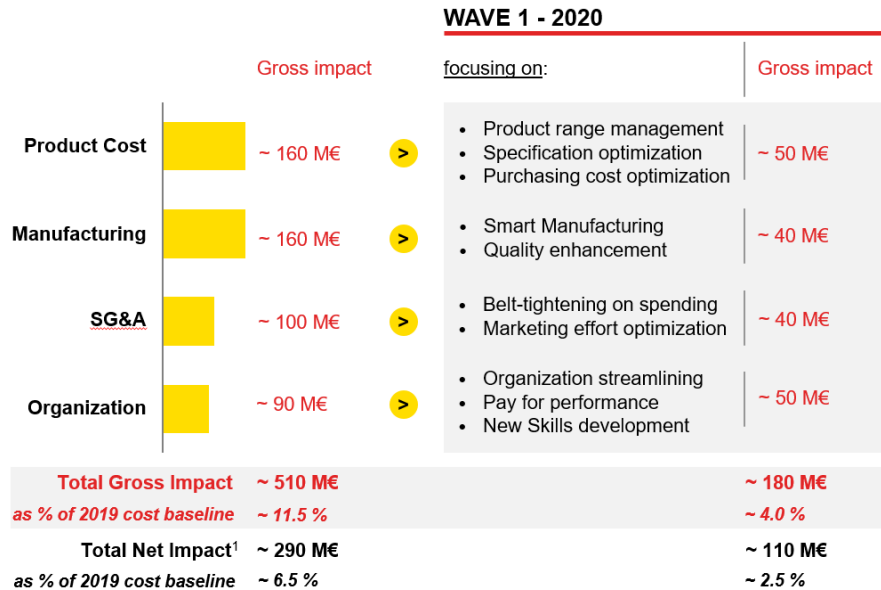
~-18%



2020 COSTS: ON TOP OF 2020-2022 COMPETITIVENESS PROGRAM ACTIVATED ADDITIONAL COST MEASURES TO PROTECT MARGIN

COMPETITIVENESS PROGRAM FULLY ON TRACK

NEW ACTIONS TO CONTAIN COSTS



- > Quick operations slowdown anticipating sales contraction to limit costs and contain stock
- > Review of Communication and Marketing activities in term of spending and contents
- > Aggressive Cost containment on all discretionary spending, with HQ leading the effort (“Q2 stand-still”)
- > Renegotiation of several suppliers’ contracts
- > 2020 Short Term Incentive Plan cancelled
- > R&D spending prioritization following new market scenario
- > Distribution efficiencies
- > Full capitalization of lower input costs (Raw Materials, Energy)

2019 DIVIDENDS: NO PAYMENT IN 1H 2019, RIGHT TO EVALUATE IN 2H 2019

In the light of the spread of the pandemic and its potential duration and given the uncertainty surrounding its geographical extent, as well as the slowdown that it could cause on the demand, on the car market and on the entire economic cycle, it is proposed to resolve upon the:

- > amendment of the allocation of 2019 profits (equal to Eur 273,241,811.00) to be submitted in the next Shareholders' Meeting, cancelling the payment of the dividend – resolved during the meeting held on the 2nd of March – and consequently carrying forward the entire amount of the profits;
- > the Board of Director will evaluate to call a Shareholders' Meeting, during the second half of the year, to propose a possible distribution, should the uncertainty related to the development of the pandemic and its effects on the economic cycle and business appear clearer, thus increasing visibility regarding the Group's financial performance.

Short Term Incentives [STI]

- **2020 Short Term Incentives cancellation** for all the eligible Group Executives & Cadre, including Executive Vice Chairman & CEO and Top Management

Compensation Reduction

- **Executive Vice Chairman & CEO:**
50% reduction for 3 months of Gross Annual Fixed Component of remuneration and Board of Directors and Committee's related fees

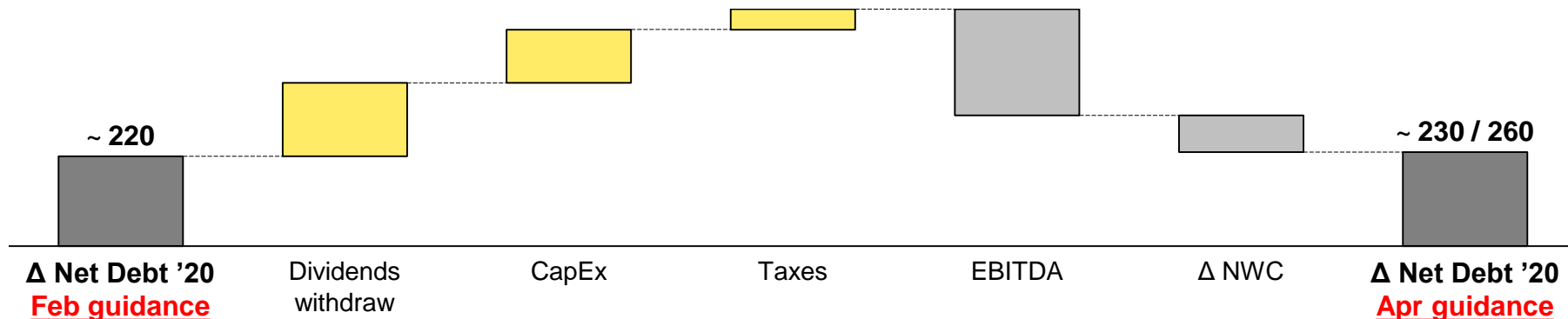
- **Top Management:**
20% reduction for 3 months of Gross Annual Fixed Component of remuneration

- **Members of Board of Directors:**
50% reduction for 3 months of Board of Directors and Committee's related fees

~€31 Mln of cost reduction

2020E DELEVERAGE CONFIRMED THANKS TO A SOLID CASH FLOW AND DIVIDEND WITHDRAW: €230/260 MLN OF NET DEBT REDUCTION

Eur / mln



- > **Investment project reduction in line with the new market outlook:** ~€ 130m of CapEx (-57% vs feb. guidance) mainly devoted to maintenance, mix and quality improvement; shift of some investments to 2021-2022 (e.g. in OE and Motorsport)
- > **Lower taxes cash-out** linked to the new operating income level, including cash out optimization
- > **Working Capital:** more cautious view on payables and receivables (strict control), while continuing inventory containment

2020 TARGETS UPDATE

€ billion

	2019 A	@ FEB 19 2020 E	@ APR 03 2020 E
Net Sales	5.3	~ 5.4	~ 4.3 – 4.4
adj. EBIT margin	0.9 17.2%	~ flat YoY	14.0% – 15.0%
CapEx	0.39	~ 0.3	~ 0.13
Net Cash Flow bef. Dividends	0.33	~ 0.4	~ 0.23 – 0.26 assuming no dividends
Net Financial Position (IFRS 16)	3.5	~ 3.3	confirmed

Tot. Vol.: ~-18% / -20%

- High Value: ~-14%
- Standard: ~-26%

2020-2022 Plan targets will be revised within 4Q 2020

