



PRESS RELEASE

2021-2022 | 2025 INDUSTRIAL PLAN

TWO-PHASE PLAN: IN 2022 RETURN TO PRE-COVID 2019 VALUES, IN 2025 LEADER IN HIGH VALUE SPECIALTIES WITH ELEVATED CASH GENERATION

CENTRALITY OF HIGH VALUE CONFIRMED WITH FOCUS ON TYRES ABOVE 19 INCHES, SPECIALITIES AND ELECTRIC

**IN ORIGINAL EQUIPMENT CUSTOMER BASE SELECTIVE GROWTH,
IN REPLACEMENT CAPITALISATION OF THE HOMOLOGATIONS PULL-THROUGH EFFECT**

ACCELERATION OF PROCESS AND PRODUCT INNOVATION WITH 44 NEW LINES BY 2025

PRESENCE IN NEW MOBILITY WITH TYRES FOR ELECTRIC VEHICLES, SENSOR-FITTED, AND CYCLING

INVESTMENTS: IN THE 2-YEAR PERIOD 21-22 BETWEEN ~710 AND ~730 MILLION EURO ESSENTIALLY FOR TECHNOLOGICAL UPGRADE AND PRODUCTIVITY INCREASE. IN THE 3-YEAR PERIOD 23-25 BETWEEN ~1.2 AND ~1.3 BILLION ALSO FOR NEW HIGH VALUE CAPACITY IN COUNTRIES WITH LOWER PRODUCTION COSTS

COMPLETION OF COMPETITIVENESS PLAN WITH NET EFFICIENCIES OF ~170 MILLION EURO IN THE 2-YEAR PERIOD 2021-2022 (110 MILLION IN 2020). BY 2025 ADDITIONAL ~70 /~100 MILLION MAINLY THANKS TO THE BENEFITS OF DIGITAL TRANSFORMATION

SUSTAINABILITY AT THE CORE OF THE BUSINESS STRATEGY

NEW MANAGEMENT INCENTIVE PLAN (LTI) TO SUPPORT INDUSTRIAL PLAN TARGETS

TARGETS

Targets for 2-year period 2021- 2022

REVENUES AT END 2022 BETWEEN ~5.1 AND ~5.3 BILLION EURO

ADJUSTED EBIT MARGIN AT END 2022 BETWEEN >16% AND ~17%

NET CASH FLOW PRE-DIVIDEND FOR 2-YEAR PERIOD 2021-2022 BETWEEN ~700 AND ~800 MILLION EURO

NET FINANCIAL POSITION AT END 2022 BETWEEN ~2.75 AND ~2.65 BILLION EURO, EQUAL TO 2 TIMES ADJUSTED EBITDA

Targets for 3-year period 2023- 2025

REVENUES AT END 2025 BETWEEN ~5.7 AND ~6.2 BILLION EURO

ADJUSTED EBIT MARGIN AT END 2025 BETWEEN ~19% AND ~20%

NET CASH FLOW PRE-DIVIDEND FOR 3-YEAR PERIOD 2023-2025 BETWEEN ~1.7 AND ~1.9 BILLION EURO

NET FINANCIAL POSITION AT END 2025 BETWEEN ~1.6 AND ~1.4 BILLION EURO,
EQUAL TO ~1 TIMES ADJUSTED EBITDA

DIVIDENDS: ~50% OF 2021-2022 CONSOLIDATED PROFIT
AND ~40% OF 2023-2024 CONSOLIDATED PROFIT

BOARD OF DIRECTORS APPROVES PROPOSED NOMINATION OF GIORGIO LUCA BRUNO
AS DEPUTY-CEO BEGINNING 15 JUNE 2021

2020 CONSOLIDATED RESULTS APPROVED

CONSOLIDATED NET PROFIT 42.7 MILLION (457.7 MILLION AT 31 DECEMBER 2019)

PARENT COMPANY NET PROFIT: 44 MILLION (273.2 MILLION AT 31 DECEMBER 2019)

AT THE SHAREHOLDERS' MEETING, CALLED ON 15 JUNE, THE BOARD OF DIRECTORS WILL
PROPOSE THE DISTRIBUTION OF A DIVIDEND OF 0.08 EURO PER SHARE FOR A TOTAL OF 80
MILLION

Milan, 31 March 2021 - The Pirelli & C. Board of Directors approved the 2020 consolidated results and the 2021-2022|2025 Industrial Plan, which will be illustrated to the financial community today by the Executive Vice Chairman and CEO, Marco Tronchetti Provera, and by the Top Management.

The emergency triggered by Covid-19 saw the company respond to the crisis in a unified manner, thanks also to the experience gained in China since the beginning of the pandemic, accelerating data driven processes following the greater use of virtualization, and further focusing on sustainability, at the centre of human capital management, the product life cycle and the supply chain.

THE SCENARIO

The Pirelli 2021-2022|25 Industrial Plan includes two distinct phases at the **macroeconomic** level:

- **2021-2022:** phase **characterised by a substantial rebound in global GDP** (with an average annual rate equal to +4.6%, driven by China with +6.6% and USA with +4.9%), linked to the vaccination campaign. A general appreciation of the euro is expected, in particular against the dollar;
- **2023-2025:** phase **of stabilisation** both of growth (with an expected average annual rate in the period globally of 3.1%, again driven by China with +5.3%), and the currency market.

At the **demographic level**, in 2025 there will be over 500 million “high-end” consumers with priorities redefined by Covid, more focused on: well-being and safety, environmental impact, digital economy and the demand for services, with effects on purchasing methods, increasingly online also in the tyre sector.

At the level of **mobility**, after the drop in 2020, the **total “miles driven” at the global level** will grow rapidly to reach approximately 11.8 trillion miles in 2025 (>13 trillion in the previous plan). This will highlight two trends: a pronounced preference post-Covid for the use of private cars even in the long term (by 2025 miles driven will be around 10 trillion in line with the old plan) with a more contained use of new forms of mobility (e.g. Car sharing, car rental, leasing) and growing use of two-wheelers. An important factor will be the increasing use of **electric vehicles**: in 2025 they will comprise 35% of Premium and Prestige car production (30% in the previous plan) and 11% of the global car parc (9% in the previous plan). This sets a considerable technological challenge and places a significant competitive barrier for the development of tyres that must support heavier loads, have lower rolling resistance, offer greater grip and a lower noise level.

For the **car market** it is expected:

- **car production:** will grow by an annual average of 7% in 2020-2022 and by an annual average of 2% in 2022-2025. For Premium and Prestige the growth will be 6% in 2020-2022 and +3% in 2022-2025, and +10% and +3% respectively for the 'other SUVs' segment.
 - this trend will drive the **demand for High Value tyres (≥ 18 inches) in Original Equipment**, with an annual growth of 11% in 2020-2022 and of 3% in 2022-2025. The ≥ 19 inches segment, which is worth approximately half of all the High Value, will instead grow by 14% in 2020-2022 and by 4% in 2022-2025. Tyres for electric cars, while remaining a small fraction of the total, will grow at an annual average of 50% in 2020-2022 and of 35% in 2022-2025;
- **car parc:** will grow at an annual average of 2% both in 2020-2022 and in 2022-2025. Growth for Premium and Prestige will be 4% in both plan phases, while +3% in 2020-2022, while for the 'other SUVs' segment +4% is expected in 2022-2025;
 - notwithstanding the car parc's moderate growth, the **demand for High Value tyres ≥ 18 " in the Replacement channel** will grow at an annual average of 10% in 2020-2022, and of 8% in 2022-2025. The ≥ 19 " segment is more resilient: +11% in 2020-2022 and +10% in 2022-2025. Tyres for electric cars, whose incidence on the total remains limited in the first years, will grow by over 50% in 2020-2022, and by over 30% in 2022-2025.

2021-2022|2025 INDUSTRIAL PLAN

The Pirelli 2021-2022|2025 Industrial Plan seizes the opportunities offered by this scenario, and in strategic continuity with the previous plan, remains centred on **High Value**, leveraging a **brand** synonymous with reputation, leadership and advanced technology, and the following strengths:

- leadership in the ≥ 19 " mark (3 times compared to competitors);
- leadership in China in the High Value segment;
- market share increasing in electric vehicles Original Equipment;
- over 83% of production capacity in countries with lower production costs;
- leadership in Motorcycle High Value tyres and strong growth in Cycling tyres;
- consolidation in emerging sectors, such as connectivity, new services and micro-mobility.

At the same time, the Plan introduces new elements and accelerates in specific directions:

- growth in specialities, tyres for electric vehicles and diameters ≥ 19 ";
- rebalancing of Original Equipment to give more emphasis to Replacement;
- acceleration of growth in China;
- analysis of the consumer online and offline, with data driven processes also for the development of products for the Replacement channel on a regional basis;
- full implementation of the digital business model.

These criteria will make it possible to:

- **fully seize the opportunities offered by the market rebound in the next 24 months**
- **accelerate the generation of cash reinforcing Pirelli's leadership in High Value specialities.**

Pirelli's target is to bring the incidence of Car **High Value** on Original Equipment total volumes to 70% in 2025 (from approximately 60% in 2019), with diameters ≥ 19 " which will grow at an annual average of 15% in 2020-2022 and of 5% in 2022-2025, a higher rate than the market. The incidence of electric vehicles on Original Equipment volumes will go from almost zero in 2019 to approximately 30% in 2025. The incidence of the Replacement channel on Car High Value will increase from approximately 40% in 2019 to approximately 60% in 2025. Pirelli's ≥ 19 " segment is expected to grow by an annual average of 18% until 2022 and of 12% in 2022-2025, in this case also higher than the market, with specialities comprising 70% of the entire High Value Replacement channel at the end of the plan.

To support the execution of the plan, also strengthening and enhancing internal management, in line with what was announced on 24 March 2021, today's Board of Directors meeting approved the proposal from the Executive Vice Chairman and CEO, Marco Tronchetti Provera, to invite the shareholders meeting to nominate Giorgio Luca Bruno as a board member and, as a consequence, to nominate him, as his direct report, Deputy-CEO beginning from 15 June 2021.

Pirelli today numbers approximately 30,500 employees of 92 nationalities in 35 countries. The workforce has an average age of approximately 39 years, an average permanence in the company of approximately 10 years and a voluntary departure rate below 5% in 2020. The presence of women at the staff level is equal to 30%. Always at the forefront in welfare, in training and community support, Pirelli develops appropriate programs of **Caring, Training and Social inclusion**.

THE FIVE KEY PROGRAMS

The 2021-2022|2025 Industrial Plan will be implemented through five programs:
Commercial, Innovation, Competitiveness, Operations, Digital.

COMMERCIAL

Aims at the growth of volumes and revenues through three High Value levers - focused on the more profitable products - and one to continue the repositioning in Standard.

Car High Value:

- **Replacement:** maximize the 'pull-through' thanks to the extensive portfolio of homologations. In 2021-2022 indeed 85% of the growth in pull-through High Value volumes (demand for Replacement on cars with Pirelli tyres as Original Equipment) will be linked to the growth of the homologated replacement market while 15% will come from the growth of share in this market. The strong growth of the Apac market is significant in this context;
- **Replacement:** winning new customers and increasing market share, capturing the high margin push-through demand also in the growing SUV market. Targets made possible by an unprecedented program for the launch of 28 product lines to meet the needs of consumers on a regional basis. The growth in North America and Europe is relevant in this context;
- **Original Equipment:** selective growth to consolidate the pull-through effect also in the future, in particular in "≥19" (which from 2022 represents over 50% of total Original Equipment volumes and approximately 90% of new homologations in 2025), in electric vehicles and in specialities, which constitute a significant competitive technological barrier.

Car Standard:

- In this segment, after the post-Covid market rebound, Pirelli will stabilise volumes to approximately 25 million pieces in 2025, further improving profitability at double digit levels with a mix focused on the most profitable niches, and concentrating production in 3 efficient and specialised factories.

The program will place the consumer increasingly at the centre, both in the development of regional product lines and in market surveys conducted with increasingly advanced and predictive data analytics. Ever closer partnerships with dealers optimising the supply chain through the integration of data on stocks and distribution, thus helping to create a more efficient supply chain. The consumer will be reached more easily also thanks to an effective and widespread presence in the field with the number of points of sale growing to approximately 22,000 in 2025 from approximately 17,000 in 2020.

- **Impact on revenues:** between ~+800 million and ~+1 billion between 2021-2022 with the predominant contribution of volumes, between ~600 million euro and ~900 million euro in 2023-2025, and a more balanced contribution between volumes and mix improvement (with the incidence of high value on total growing from ~71% in 2021 to ~75% in 2025). In particular, an increase in volumes of ~10 million pieces is expected in 2021-2022, of which 60% "19" plus, and a further ~6 million pieces in 2023-2025, completely high mix.

INNOVATION

The program aims to accelerate the targets already identified in the previous plan leveraging on strengths such as the ability to oversee and identify ahead of time technological trend thanks to partnerships with carmakers, to capture the needs of consumers and drive programs of Open Innovation with centres of excellence.

The program, which will have Eco & Safety Design as a central pillar, entails:

- **R&D:** further strengthen competencies with plans for 'talent acquisition', growth of internal resources at all levels, also through programs of talent enhancement and collaborations with Universities;

- **Virtualization and simulation:** further acceleration of their use in the development and industrialization of products. In 2025, the development of 60% of tyres for Original Equipment will be totally virtual and it will be 100% for new lines in Replacement. Virtualization and simulation will reduce development times by 30%, the cost of prototypes by 20% and the time of availability for new product lines by 30%;
- **Materials:** reduction of development times for new materials of 30% also thanks to virtualization, a key factor together with sustainability. In 2025, Pirelli forecasts that it will use, on selected product lines, more than 40% of materials from renewable sources, as well as increasing the use of recycled materials and reducing that of materials derived from fossil sources. There will also be great attention to the tyre at the end of its life, where Open Innovation projects will contribute to the development of new processes, such as pyrolysis, which favours a switch from the idea of recycling to that of regeneration;
- **New mobility and connectivity:** the electric world will be central, in particular in Original Equipment. In 2025, Pirelli's homologations of electric/plug-in hybrid vehicles will double to around 60% of the total, compared with 2020, leveraging on Elect technology. Connectivity will also grow, with positive impacts in fleet management and safety thanks to the interaction between vehicles and infrastructure: Pirelli is the first producer in the world to have supplied its own 'Pirelli Cyber tyre' as Original Equipment on a car (the McLaren Artura), and also the only one to be part of the 5G Automotive Association.
 - **Product launches/homologations:** Pirelli will renew over 50% of its product offering by 2025, an acceleration compared with the previous plan: in 2020-2022 24 lines will be launched (20 in the previous plan), a number which will rise to 44 lines in total in the 5-year period 2021-2025. In the 2021-2022 phase, 10 launches per year are foreseen and 330 homologations, in the 2023-2025 phase 8 launches per year are foreseen and over 300 homologations.

COMPETITIVENESS

The efficiencies program was already set in motion in 2019. With phase 1 completed in 2020, phase 2 is foreseen in 2021-2022 and it will continue to be applied in 4 areas.

- **Product cost:** focused on modularity and cost containment thanks to shorter development times because of the growing use of virtualization/simulation.
- **Manufacturing:** optimization of the industrial presence, with further digitalization of factories also to make production more flexible.
- **SG&A (Selling, General & Administrative Expenses):** rationalization of purchasing and optimization of the logistics network.
- **Organization:** digital transformation of processes and organization

In 2023-2025, instead, a phase 3 is foreseen which will leverage on the operational excellence achieved in the factories and on the company's full digital transformation.

- **Net efficiencies:** "phase 2" will deliver net savings of around 170 million euro in 2021-2022, equal to 4.5% of total base costs in 2020, which, added to the 110 million already registered in phase 1 (2.5% of base costs of 2019) bringing the net total to around 280 million in 2022, equal to 7.5% of 2020 base costs. In addition to these savings, in the period 2023-2025 there will be net efficiencies between 70-100 million euro from phase 3, of which around 50% will stem from the first benefits of the digital transformation.

OPERATIONS

A first phase until 2022 plans the return to a plant saturation of 90%, thanks to a capacity rationalisation that is already underway, with growing importance in countries with lower production costs. This will be followed in 2023-2025 by a phase of expansion of capacity to support the growth in volumes, acting on connectivity, automation and the Internet of Things at an industrial level, with benefits in terms of efficiency and elimination of production defects.

- **Production presence and capacity:** in 2022 the **capacity** of the plants will be equal to ~73 million pieces, ~53 million of which High Value. In 2025, the capacity will be equal to ~75 million pieces, ~56 million of which High Value.
In 2025 Pirelli's **production presence** will count 18 production plants in total, 15 of which in Car (12 High-Value and 3 Standard), 1 in Cycling at Bollate, 1 in Motorcycle (Java in Indonesia) and 1 in semi-finished (Burton, UK). High-Value capacity will be concentrated for 77% in countries with lower production costs (74% in 2020).

DIGITALISATION

Will transform the company's key processes, connecting them in real time. By 2023 Pirelli will adopt a Simultaneous Business Model with workflows supported by 5 digital platforms capable of integrating internal functions with external partners/customers in real time and full time. All the data will be stored in a “data lake” for better interpretation through AI models.

INVESTMENTS

The plan will be supported by investments focused on technological upgrade, productivity improvement and increased High Value capacity. Consistent with the plan, two phases are planned:

- **2021-2022:** investments between ~710 and ~730 million euro, equal to 7-7.5% of total revenues. The focus will be on technological upgrade, mix improvement and increasing productivity to respond to the growing demand for specialities, and to optimise industrial efficiencies;
- **2023-2025:** investments will grow between ~1.2 and ~1.3 billion, reaching a peak of 9% of sales in 2023, followed by 7.5% in 2024 and 6% in 2025. In this phase, they will be used not only for the constant technological upgrade, but also to increase the High Value capacity (in particular in countries with lower production costs), in line with the expected increase in demand.

TARGETS

| 2021-2022 2025 target (Billions of €) | 2020 | 2021E | 2022E | 2025E |
|--|-----------------------|-----------------------|------------------------------|---|
| Revenues | 4.3 | ~4.7÷~4.8 | ~5.1÷~5.3 | ~5.7÷~6.2 |
| Adjusted Ebit Margin | 11.6% | >14%÷~15% | >16%÷~17% | ~19%÷~20% |
| Investments <i>(% of revenues)</i> | 0.14 <i>(3.3%)</i> | ~0.33 <i>(~7%)</i> | ~0.38÷~0.4 <i>(~7.5%)</i> | ~1.2÷~1.3 cumulative 23-25 <i>(~7.5% avg)</i> |
| Net cash flow before dividends and bond conversion impact | 0.21 | ~0.30÷~0.34 | ~0.42÷~0.46 | ~1.7÷~1.9 cumulative 23-25 |
| Net financial position* <i>NFP/Adj. Ebitda</i> | 3.3 <i>3.65x</i> | ~3.0 <i>~2.7x</i> | ~2.75÷~2.65 <i>~2x</i> | ~1.6÷~1.4 <i>~1x</i> |
| ROIC <i>post taxes</i> | 10.4% | ~16% | ~19% | ~25% |

* *assuming a dividend policy with a payout equal to ~50% of consolidated net profit in 2021-2022 and equal to ~40% in 2023-2024.*

For the **2-year period 2021-2022**, the company foresees growth in sales of between ~800 million euro and ~1 billion euro, with group revenues at the end of 2022 of between ~5.1 and ~5.3 billion euro. The commercial program will enable the capture of opportunities linked to the market's recovery and the focus on the segments with the highest growth (Car ≥19”) and greatest technological content (Specialty and EV).

Profitability is expected to see progressive improvement, with an **adjusted Ebit margin of between >16% and ~17%** at the end of 2022, thanks to the effectiveness of internal levers: volumes, price/mix and net efficiencies. The benefits deriving from “Phase 2” of the Competitiveness plan presented in February of

2020 are confirmed, with net efficiencies in the 2-year period 2021-2022 expected to total ~170 million euro.

The **accumulated net cash flow** before dividends for the 2-year period 2021-2022 is expected at between ~700 and ~800 million euro, supported mainly by the improved operating performance.

At the end of 2022 the **Net Financial Position** will be between ~2.75 and ~2.65 billion euro, equal to ~2 times Adjusted Ebitda (~3.3 billion euro at end 2020, equal to 3.7 times Adjusted Ebitda).

For the **3-year period 2023-2025** (second phase of the plan), Pirelli expects revenue growth of between ~600 million and ~900 million euro, with group sales at the end of 2025 of between ~5.7 and ~6.2 billion euro, with a more balanced contribution between growth in volumes and price/mix.

Profitability (**adjusted Ebit margin**) is expected at between ~19% and ~20% in 2025, supported by the above mentioned growth in volumes, improvement in the price/mix and the contribution of “Phase 3” of the Competitiveness program, the net benefits of which in the 3-year period are estimated at between ~70 and ~100 million euro.

The **accumulated net cash flow** in the period 2023-2025 is seen at between ~1.7 and ~1.9 billion euro, supported by:

- the improvement of operational management, deriving from the above mentioned programs
- lower outlays for restructurings and organizational rationalizations, compared with the 2-year period 2021-2022, whose programs will end by 2022.

At the end of 2025 the **Net Financial Position** will be between ~1.6 and ~1.4 billion euro, equal to about 1 times Adjusted Ebitda.

Based on the outlook for cash generation for the period 2020-2025, the **dividend policy** approved by the Board of Directors foresees a payout of about 50% of the 2021 and 2022 consolidated net results, and a payout of about 40% of the 2023 and 2024 consolidated net profits.

The solid cash profile will enable the guarantee of a Return on Invested Capital (ROIC), net of the fiscal impact, improving along the Plan’s entire horizon: ~16% in 2021 (10.4% in 2020), ~19% in 2022, ~25% in 2025.

THE PLAN SUSTAINABILITY TARGETS

The main targets of the sustainable development strategy for 2025 and 2030 are summarised below, aligned with the materiality of the company's socio-environmental impacts and in support of the United Nations 2030 Agenda for Sustainable Development Goals. Their definition rests on the mitigation of risks and the taking of opportunities ensuing from the 2025-2030 scenarios, including: technological and digital break-through, circular economy, population growth, scarcity of natural resources. Many of these elements, in the short to medium term, have undergone an acceleration following the effects of the pandemic.

“Eco & Safety” approach and target throughout the product lifecycle:

Pirelli’s Eco & Safety approach aims to maximise environmental performance and at the same time people’s safety, embracing a product’s entire life cycle in a circular economy sense characterized by the reduction of the environmental resources used, above all when non-renewable.

The Pirelli Eco & Safety targets refer to **consumer tyres** and therefore should be compared, where relevant, exclusively to targets for consumer tyres and not to other tyre categories or consolidation of production segments.

At the **raw materials** level, for selected product lines Pirelli plans:

- By 2025: **renewable materials** > 40%; **recycled materials** > 3%; **fossil-derived** materials < 40%
- By 2030: **renewable materials** > 60%; **recycled materials** > 7%; **fossil-derived** materials < 30%

The Eco & Safety approach is also fully integrated in the responsible management of **chemicals**, in a preventive and anticipatory interpretation of the indications from the scientific literature and possible regulatory developments.

There are many environmental efficiency targets related to the **production process**. With reference to CO₂ emissions, the group de-carbonization plan continues in compliance with the targets approved by the **Science Based Target initiative** in 2020, in line with the Paris Agreement and for maintaining global warming “well below” 2°C.

By 2025 Pirelli aims to:

- reduce **absolute CO₂ emissions of by 25%** compared to 2015;
- Use **100% renewable electricity**

On the whole, Pirelli’s environmental approach will enable the group to be **carbon neutral** in **2030** for both electricity and thermal energy.

Efficiencies in the use of environmental resources by 2025 also envisage:

- a reduction of **specific energy consumption by 10%** compared to 2019;
- a reduction of **specific water withdrawal by 43%** compared to 2015;
- **98% of waste sent to recovery** (*Vision Zero Waste to Landfill*).

In line with the **Single Use Plastic Free Policy** adopted in 2019, by 2021 Pirelli will eliminate single-use plastics in all offices and plants globally.

Pirelli also aims to further improve environmental performance while at the same time increasing product safety in **use phase**. By 2025, **over 70% of new car products**, that is the new labelled Ipcode at the group level, standardized according to the European classification values, will have **class A or B rolling resistance** according to the highest standards of European labelling – and **over 90%** will be in the **“wet grip” A or B highest safety classes**.

In support of innovation related to **circular economy**, Pirelli will work on the development of innovative processes **that ensure the high level of quality** required for its tyres in the use of secondary raw materials deriving from end-of-life tyres.

To accelerate the transition to the **mobility of the future**, Pirelli is also targeting tyre sensorization, that, by means of the **Cyber Tyre**, can permit dialogue and data exchange between tyre, vehicle, driver and infrastructure. The speed of development will also be facilitated by the new digital simulator, which makes use of Pirelli’s experience in F1 and allows product development times reduced by 30%, a marked reduction in production of physical prototypes, and maximum co-development efficiency with Original Equipment customers.

The **amount of revenues from “Eco & Safety performance^[1]” products** will grow by 8 percentage points by 2025, reaching 66% of the Group total car tyre sales, while the amount of Eco-Safety revenues on High value products will be 71%.

Human Capital

The culture of workplace safety will continue to support the **Zero Accidents target**, with an expected **injury frequency index of ≤ 0.1** by 2025. The plan will focus on an increasingly innovative management of human capital. New **marketing recruitment solutions for STEM** (Science, Technology, Engineering, Mathematics) **talents** will be accompanied by the trialling of ever smarter ways of working and training on new digital skills, in an inclusive work environment capable of facing the challenges of the future in an agile way. The **ESG objectives**, an integral part of the **short- and long-term incentive plans**, will be an enabler of positive tension in achieving the company targets.

^[1] Eco-Safety Performance products, previously known as “Green Performance Products”, refer to car tyres that Pirelli produces worldwide and which fall exclusively into classes A, B, C for rolling resistance and wet grip, standardized according to the European labelling parameters.

Supply Chain

The target is to rely on a supply chain increasingly resilient to ESG risks and on an ever greater number of sustainable innovation Partners. In the face of rigorous selection procedures and **monitoring** of environmental performance and in the context of human rights, the model adopted by Pirelli counts on the capacity to **create shared value**. To this end, particular importance will continue to be given to **co-development** agreements for increasingly sustainable raw materials, as well as to the implementation of the activity Roadmap for the sustainable management of **natural rubber**, characterised by an on-site commitment in partnership with suppliers, in order to map and manage the socio-environmental risks up to the origin of the chain. At the same time, the mapping activities started with the cobalt and conflict minerals suppliers will also continue.

With a view to reducing the Carbon Footprint, Pirelli has set itself the objective of obtaining a **9% reduction in the absolute CO₂ emissions of raw material suppliers** by 2025 compared to 2018, an objective in turn approved by the **Science Based Target initiative**.

Community support

Dialogue and integration with the communities in which it operates have always been a precious asset for Pirelli and that will continue to be developed to promote road safety, culture and inclusiveness.

MANAGEMENT INCENTIVE PLAN (LTI) TO SUPPORT NEW INDUSTRIAL PLAN

The long term incentive plans LTI – aimed at guaranteeing the loyalty of management and the correct focus on performance targets – accompany the whole arc of the plan. With a rolling structure in 3-year cycles (cycles LTI 20-22; LTI 21-23; LTI 22-24; LTI 23-25) which foresees revisited targets for each 3-year period, at the beginning of each year, to ensure the constant alignment between targets and the incentives system.

Pirelli's Board of Directors today approved the targets of the new 3-year 2021-2023 monetary incentive plan for Pirelli group management ("**New LTI Plan**"), correlated to the targets of the Strategic Plan 2021-2023|2025. The New LTI Plan, like the previous one, is in line with practices relating to variable retribution adopted at the international level and is based on the performance of Pirelli shares (so-called TSR), thus permitting the alignment of management's interests with those of shareholders. The New LTI Plan, as in the past, is fully self-financed in that the relative charges are included in the economic data of the industrial plan.

The New LTI Plan entails the following targets:

- Relative *Total Shareholder Return* (TSR), with weight at target of 40% of the LTI premium compared against a selected panel of Tier 1 peers.
- Group Net Cash Flow (before dividends), with a weight at target of 40% of the LTI premium;
- Positioning of Pirelli in selected sustainability indicators at the global level, with weight at target of 20% of the LTI premium.

The date of any first disbursement will take place in the first half of 2024 (should the 2021-2023 results be achieved).

Participants in the New LTI Plan, among others, will include the Executive Vice Chairman and CEO of Pirelli & C. Marco Tronchetti Provera, the Deputy-Ceo Giorgio Luca Bruno (once nominated), the General Manager Operations Andrea Casaluci, and the managers qualified by the Board as "managers with strategic responsibility". The New LTI Plan also addresses Senior Managers (including the Director Giovanni Tronchetti Provera, in his role as Senior Manager) and group Executives (managers of the Italian company or employees of foreign units with equivalent positions or roles as Italian managers).

In the event that a mandate ceases and/or the relationship of employee ends for whatever reason before the end of the 3-year period, the recipient ceases to participate in the Plan and as a consequence the

LTI premium will not be given, nor on a pro-quota basis. For directors of Pirelli & C. invested with particular charges to whom specific attributes are delegated end their roles because their mandates have ended and who are not subsequently nominated even as directors, pro-quota payment of the LTI, however, is foreseen.

The Board of Directors of Pirelli today also approved, at the proposal of the Remuneration Committee - which, as already known, had received a mandate from the same Board of Directors on 5 August 2020 - the adjustment of the group cumulative Net Cash Flow target (before dividends) of the 3-year monetary incentive plan for the period 2020-2022. The adjustment of the Net Cash Flow was made with the aim of aligning it to the guidance announced to the market on 5 August 2020, following the health emergency linked to the spread of Covid-19 that led to a revision of the 2020-2022 Strategic Plan and the launch of the 2021-2023|2025 Strategic Plan. Following the acquisition of Cooper by Goodyear (included in the reference panel of the TSR target) which took place at the beginning of 2021, the LTI Plan foresees the possibility of normalizing – in the case of significant impacts – the potential effects of the TSR target.

The New LTI Plan was decided upon also in accordance with article 2389 of the civil code, at the proposal of the Remuneration Committee, with the favourable opinion of the Audit Committee in relation to the subjects for which such an opinion is requested. In addition, the New LTI Plan will be included in the remuneration policy which will be submitted for approval the shareholders' meeting called to approve the annual financial results through 31 December 2020.

For more information on how the New LTI Plan works, please consult illustrative Report and the informational document which will be available to the public, in the terms and manner foreseen by the applicable regulations.

THE CONSOLIDATED RESULTS AT 31 DECEMBER 2020 APPROVED

The 2020 financial year closed with a net profit of 42.7 million euro (457.7 million euro at 31 December 2019).

The net profit of the Pirelli & C. Spa Holding company was equal to 44 million euro (273.2 million at 31 December 2019). At the shareholders' meeting called on 15 June 2021, the Board of Directors will propose the distribution of a dividend, also by withdrawing part of the profits accrued in previous years, of 0,08 euro per share for an overall total of 80 million.¹

It is recalled that Pirelli, following the actions taken to contain the effects deriving from the Covid-19 pandemic, fully carried forward the earnings for the 2019 financial year. The dividend for the 2020 financial year will be payable starting from 23 June 2021 (dividend to shareholders registered on 21 June 2021 and record date on 22 June 2021).

All the results of the financial year 2020 were announced to the market on 10 March 2021.

Bond Issues

In accordance with the provisions of the Italian Stock Exchange, please note that the company does not have bonds maturing in the next 18 months and that, in the course of the 2020 financial year, issued a *senior unsecured guaranteed equity-linked* non-interest bearing bond of 500 million euro maturing in 2025, whose convertibility was approved by the shareholders' meeting on 24 March 2021.

¹ The proposal calls for the distribution of the entire profit obtained in the year drawing the remaining amount from Reserves from results carried forward (in this case it refers to quotas of profit formed in the 2017 tax period).

Call of the Shareholders' meeting and corporate governance

The Board of Directors decided to call - in a combined meeting, on 15 June 2021 – the shareholders' meeting in ordinary session which will be requested to:

- approve the 2020 Financial statements and the related resolutions regarding distribution of the dividend;
- supplement the Board of Directors by means of the appointment of a new Director that the Board proposes in the person of Giorgio Luca Bruno;
- renew the Board of Statutory Auditors due to end of the current term in office. The meeting, with the list voting mechanism, will determine the members of the Board of Statutory Auditors for the 3-year period 2021/2023, as well as set its remuneration and Chairman;
- approve the Remuneration Policy as well as approve, for the part linked to the *Total Shareholder Return*, the adoption of a new monetary incentive plan - Long Term Incentive (LTI) - intended for all Group management and correlated with the objectives of the new 2021-2022|2025 industrial plan;
- pronounce, with an advisory vote, on the remuneration paid for the 2020 financial year;

The annual "Report on corporate governance and ownership structure" will also be presented to the shareholders' meeting in which, in particular, the positive results of the annual self-assessment process of the Board of Directors are highlighted and - as recommended by the rules of conduct issued by the National Council of Accountants and Accounting Experts (CNDCEC) relating to listed companies - of the Board of Statutory Auditors.

More information on the above will be available in the illustrative Report of the Board of Directors which also contains the individual resolution proposals to the shareholders' meeting.

The 2020 financial report, which will be available to the public in accordance with the procedures and terms of the law, will also contain (chapter "Report on Responsible Management of the Value Chain") the annual Consolidated Non-financial Statement pursuant to Legislative Decree no. 254 dated 30 December 2016, approved today by the Board.

2021-2022|2025 Industrial Plan presentation

The 2021-2022| 2025 Industrial Plan will be outlined today from 1.30 p.m. by the Executive Vice Chairman and CEO of Pirelli & C. SpA, Marco Tronchetti Provera, and by Top Management during a presentation in live streaming on the website www.pirelli.com in the Investors section, where it will also be possible to consult the slides.

The Manager Responsible for the preparation of the company accounting documents for Pirelli & C. S.p.A., Dr Francesco Tanzi, declares in accordance with paragraph 2 of article 154 bis of the Testo Unico della Finanza that the accounting information contained in the present press release complies with the accounting books and records.

““Forward-looking statements” (including opinions, forecasts or expectations about any future event) that may be contained in this press release are based on a variety of estimates and assumptions by the Group, including, among others, estimates of future operating results, the value of assets and market conditions. These estimates and assumptions are inherently uncertain and subject to numerous business, industry, market, regulatory, geo-political, competitive and financial risks that are outside of the Group’s control. There can be no assurance that the assumptions made in connection with the forward-looking statements will prove accurate, or that the actual results will not differ materially. The inclusion of the forward-looking statements herein should not be regarded as an indication that the Group considers the forward-looking statements to be a reliable prediction of future events and the forward-looking statements should not be relied upon as such.

Forward looking statements do not take into account any additional negative effects that may arise from impacts on the global market in which Pirelli operates and more generally on the macroeconomic scenario, also following any eventual governmental measures related to the spread of Covid-19 (SARS-CoV-2) and any potential delay in the vaccination campaign.

Pirelli Press Office – Tel. +39 02 64424270 – pressoffice@pirelli.com
Investor Relations Pirelli – Tel. +39 02 64422949 – ir@pirelli.com
www.pirelli.com

Pirelli – Financial data as at 31 December 2020

| <i>(in millions of euro)</i> | 2020 | 2019 |
|--|----------------|----------------|
| Net sales | 4.302,1 | 5.323,1 |
| EBITDA adjusted (°) | 892,6 | 1.310,0 |
| % of net sales | 20,7% | 24,6% |
| EBITDA (°°) | 725,1 | 1.250,0 |
| % of net sales | 16,9% | 23,5% |
| EBIT adjusted | 501,2 | 917,3 |
| % of net sales | 11,6% | 17,2% |
| Adjustments: - amortisation of intangible assets included in PPA | (114,6) | (114,6) |
| - non-recurring, restructuring expenses and other | (107,7) | (131,0) |
| - income from Brazilian tax credits | - | 71,0 |
| - COVID-19 direct costs | (59,8) | - |
| EBIT | 219,1 | 742,7 |
| % of net sales | 5,1% | 14,0% |
| Net income/(loss) from equity investments | (5,3) | (11,0) |
| Financial income/(expenses) (°°) | (156,4) | (109,4) |
| - of which financial income from Brazilian tax credits | - | 107,3 |
| Net income/(loss) before tax | 57,4 | 622,3 |
| Tax income/(expenses) | (14,7) | (164,6) |
| Tax rate % | 25,6% | 26,5% |
| Net income/(loss) | 42,7 | 457,7 |
| Earnings/(loss) per share (in euro per share) | 0,03 | 0,44 |
| Net income/(loss) adjusted | 245,5 | 514,3 |
| Net income/(loss) attributable to owners of the Parent Company | 29,8 | 438,1 |
| <p>(°) Adjustments refers to one-off, non recurring and restructuring expenses to the amount of euro 99.3 million (euro 124.1 million for 2019), expenses relative to the retention plan approved by the Board of Directors on February 26, 2018 to the amount of euro 8.4 million (euro 6.9 million for 2019), and COVID-19 direct costs to the amount of euro 59.8 million. For 2019 it had also included income from Brazilian tax credits to the amount of euro 71.0 million.</p> <p>(°°) The item includes the impacts deriving from the application of the accounting standard IFRS 16 - Leases, to the amount of euro +103.9 million on EBITDA (euro +104.3 million for 2019) and euro -22.3 million on financial expenses (euro -24.0 million for 2019).</p> | | |

Pirelli – Balance sheet data as at 31 December 2020

| <i>(in millions of euro)</i> | 12/31/2020 | 12/31/2019 |
|---|----------------|----------------|
| Fixed assets | 8.857,1 | 9.469,8 |
| Inventories | 836,4 | 1.093,8 |
| Trade receivables | 597,7 | 649,4 |
| Trade payables | (1.268,0) | (1.611,5) |
| Operating net working capital | 166,1 | 131,7 |
| % of net sales | 3,9% | 2,5% |
| Other receivables/other payables | (25,6) | 81,0 |
| Net working capital | 140,5 | 212,7 |
| % of net sales | 3,3% | 4,0% |
| Net invested capital | 8.997,6 | 9.682,5 |
| Equity | 4.551,9 | 4.826,6 |
| Provisions | 1.187,3 | 1.348,7 |
| Net financial (liquidity)/debt position | 3.258,4 | 3.507,2 |
| Equity attributable to owners of the Parent Company | 4.447,4 | 4.724,4 |
| Investments in intangible and owned tangible assets (CapEx) | 140,0 | 390,5 |
| Increases in right of use | 68,5 | 51,2 |
| Research and development expenses | 194,6 | 232,5 |
| % of net sales | 4,5% | 4,4% |
| Research and development expenses - High Value | 182,5 | 215,7 |
| % of sales High Value | 6,0% | 6,1% |
| Employees (headcount at end of period) | 30.510 | 31.575 |
| Industrial sites (number) | 19 | 19 |

Financial Statement

| <i>(in millions of euro)</i> | 1Q | | 2Q | | 3Q | | 4Q | | Total | |
|--|----------------|----------------|--------------|----------------|-------------|--------------|----------------|----------------|--------------|--------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| EBIT adjusted | 141,1 | 219,2 | (74,4) | 221,3 | 213,7 | 244,5 | 220,8 | 232,3 | 501,2 | 917,3 |
| Amortisation and depreciation (excluding PPA amortisation) | 103,1 | 96,5 | 98,1 | 99,1 | 95,7 | 98,0 | 94,5 | 99,1 | 391,4 | 392,7 |
| Investments in owned tangible and intangible assets (CapEx) | (56,6) | (78,0) | (24,8) | (89,7) | (24,7) | (74,6) | (33,9) | (148,2) | (140,0) | (390,5) |
| Increases in right of use | (22,9) | (3,2) | (24,1) | (14,0) | (15,2) | (8,5) | (6,3) | (25,5) | (68,5) | (51,2) |
| Change in working capital / other | (861,2) | (836,0) | 131,9 | 10,1 | (173,0) | (136,8) | 809,5 | 901,9 | (92,8) | (60,8) |
| Operating net cash flow | (696,5) | (601,5) | 106,7 | 226,8 | 96,5 | 122,6 | 1.084,6 | 1.059,6 | 591,3 | 807,5 |
| Financial income / (expenses) | (32,5) | (48,1) | (40,6) | 38,1 | (40,2) | (65,2) | (43,1) | (34,2) | (156,4) | (109,4) |
| Reversal of financial income from tax credits in Brazil | - | - | - | (99,8) | - | (0,8) | - | (6,7) | - | (107,3) |
| Taxes paid | (31,4) | (30,1) | (22,4) | (45,9) | (16,2) | (37,4) | (20,7) | (28,6) | (90,7) | (142,0) |
| Cash Out for non-recurring, restructuring expenses and other | (20,7) | (16,0) | (28,2) | (17,9) | (42,4) | (7,4) | (27,5) | (10,9) | (118,8) | (52,2) |
| Dividends paid to minorities | - | - | - | (8,9) | - | - | - | - | - | (8,9) |
| Differences from foreign currency translation / other | 27,6 | - | (19,5) | (19,8) | 14,5 | (0,2) | (6,7) | (6,2) | 15,9 | (26,2) |
| Net cash flow before dividends, extraordinary transactions and investments | (753,5) | (695,7) | (4,0) | 72,6 | 12,2 | 11,6 | 986,6 | 973,0 | 241,3 | 361,5 |
| EU electric cables market cartel sanction (Acquisition) / Disposals of investments | - | (17,2) | - | (0,2) | - | - | (33,7) | - | (33,7) | - |
| Net cash flow before dividends paid by the Parent Company and convertible bond impact | (753,5) | (712,9) | (4,0) | 72,4 | 12,2 | 11,6 | 952,9 | 973,0 | 207,6 | 344,1 |
| Convertible bond impact | - | - | - | - | - | - | 41,2 | - | 41,2 | - |
| Net cash flow before dividends paid by the Parent Company | (753,5) | (712,9) | (4,0) | 72,4 | 12,2 | 11,6 | 994,1 | 973,0 | 248,8 | 344,1 |
| Dividends paid by the Parent Company | - | - | - | (176,9) | - | - | - | - | - | (176,9) |
| Net cash flow | (753,5) | (712,9) | (4,0) | (104,5) | 12,2 | 11,6 | 994,1 | 973,0 | 248,8 | 167,2 |

Glossary

HIGH VALUE TYRES

Prestige. Tyres planned and developed in partnership with car manufacturers belonging to the Prestige car segment (which traditionally includes car manufacturers such as Ferrari, Lamborghini, Maserati, Bentley, Bugatti, Rolls Royce, Porsche, Aston Martin, McLaren and Pagani), subject to specific homologation;

New Premium. Tyres with a diameter of 18 inches or more, primarily but not exclusively destined for cars belonging to the Prestige and Premium car segments (which traditionally include car manufacturers such as BMW, Mercedes, Audi, Alfa Romeo, Jaguar, Land Rover, Infiniti, Lexus, Lincoln, Acura, Cadillac, Tesla and Volvo).

Specialities and Super Specialities. High-tech tyres for cars of all classes, which meet the needs of specific applications (e.g. Run Flat, Self-Sealing, Noise Cancellation System)

Motorsport. Tyres designed for use in car or motorcycle racing.

Premium Motorcycle. Tyres for high-end motorcycles that ensure high performance.

Premium Bicycle. Tyres for high-end bicycles.

STANDARD TYRES

- Tyres with a diameter of 17 inches or less that do not fall within the Specialities segment and are not dedicated to Motorsport

- Non-premium motorcycle tyres

SYNERGIC CAR

- Car segment that includes car manufacturers that do not fall within the Prestige and Premium segment.

PULL LINES

- Product lines for the Original Equipment channel which originate as a result of a dedicated development to meet the needs of individual car manufacturers for a specific car. These lines generate the 'pull through' effect in the Replacement channel.

PUSH LINES

-Product lines for the Replacement channel which are developed to meet the needs of the final consumer.
