PRESS RELEASE

PIRELLI LAUNCHES ACTIONS TO MITIGATE ECONOMIC IMPACTS LINKED TO COVID-19

FURTHER COST CUTS AND LOWER INVESTMENT TO PROTECT PROFITABILITY AND CASH FLOW

REDUCTION OF BOARD, CEO AND TOP MANAGEMENT COMPENSATIONS

CANCELLATION OF MANAGEMENT SHORT-TERM INCENTIVE SYSTEM

2019 DIVIDEND CANCELLED

2020 TARGETS REVISED IN LIGHT OF DETERIORATING ECONOMIC CONTEXT

END 2020 REVENUES EXPECTED AT BETWEEN 4.3 AND 4.4 BILLION EURO (PRIOR INDICATION AROUND 5.4 BILLION EURO)

2020 ADJUSTED EBIT MARGIN BETWEEN 14%-15% (MARGIN IMPLICIT IN PREVIOUS TARGETS AROUND 17%)

INVESTIMENTS OF ABOUT 130 MLN EURO (PRIOR INDICATION ABOUT 300 MLN EURO)

2020 NET CASH FLOW BETWEEN 230-260 MLN EURO (IMPLICIT LEVEL OF PREVIOUS GUIDANCE AROUND 220 MLN EURO) TAKING INTO ACCOUNT CANCELLED DIVIDEND DISTRIBUTION

NET FINANCIAL POSITION AT END 2020 CONFIRMED AT ABOUT -3.3 BILLION EURO

FINANCIAL STRUCTURE SOLID AND ALREADY REINFORCED

IN LIGHT OF NEW 2020 GUIDANCE THE 2020-2022 PLAN TARGETS TO BE REVISED IN Q4 2020

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Milan, 3 April 2020 – The Board of Directors of Pirelli met today and took stock of the deterioration of the global economic growth outlook because of the Covid-19 health emergency and the supersession of the scenario that was the basis for the 2020-2022 Industrial Plan presented on February 19, 2020.
In this context, the Board of Pirelli has therefore decided to:

- reformulate the 2020 targets in light of the elements available today, while reserving the recalculation of the 2022 ones in the fourth quarter, on the basis of the evolution of the external scenario;
- cancel the distribution of dividends for 2019, modifying the decision approved on March 2, 2020, while reserving at the same time the distribution of reserves to shareholders in the second half of 2020, should cash generation exceed the new 2020 target and/or the economic scenario permit greater visibility on the total impacts of the Covid-19 emergency.
- revise 2020 remuneration policy taking into account, in particular, the cancellation of the short-term incentive system for 2020.

Measures taken to deal with the Covid-19 emergency

In response to the Covid-19 health emergency, Pirelli immediately implemented all preventative actions to safeguard the health of its employees and the wider community. Pirelli created a task force that is in constant contact with the various institutional crisis units in all the countries where the company is present. The HSE function is coordinating the implementation of actions at the global level and, in addition, has created an emergency hotline for employees that is staffed 24/7 by doctors, security specialists and HSE. Pirelli has also promoted a number of initiatives to support the wider community:

in Italy with donations together with the Lombardy Regional Government for Milan's Sacco Hospital to provide medical devices; in China from a donation to the 'Coronavirus Relief Efforts' to the sending of healthcare equipment. There was a contribution to research against the Coronavirus drawn from the Pirelli Calendar project, following the cancellation of the 2021 edition. Pirelli is constantly in contact with all its stakeholders (including suppliers, clients and the distribution network) with the aim of limiting the impact of the crisis and to better plan the recovery.

New 2020 market scenario and actions taken

The Covid emergency will impact the global economy with a general fall in production and consumption. In light of the elements available today and based on a prudent scenario, Pirelli now expects a fall of 2020 GDP at the global level of about -2.8% (+2.7% the outlook foreseen in the Industrial Plan presented on February 19). In this scenario, the expectations for the overall car tyre market are for a decline of approximately -19% with:

- -21% in the Original Equipment channel (prior estimate -2.4%) as a result of the global fall in the production of new vehicles;
- -18% in the Replacement channel (prior estimate +0.5%), taking also into account the measures restricting circulation adopted by various countries.

The expectations for the Car New Premium segment (Car tyres ≥18'') are for a decline of -14% (prior indication +6%), more contained than the expected fall of -20% (prior indication around -2%) for the Standard segment (Car tyres ≤17'').

To deal with this new scenario, Pirelli has implemented a series of actions aimed at protecting profitability and cash generation. In particular:

- **temporary reduction of production levels:** factory activity, which was slowed from the beginning of the emergency, has been temporarily suspended, beginning from March 20, in all production facilities (with the exception of China) with the adoption of social safety nets. In China, following the suspension of activities for about a month in two factories, activity is gradually returning to normal;
- launch of **additional cost containment actions** (reduction of discretionary costs, revision of marketing and communication activities, renegotiation of contracts with suppliers, prioritizing investments in R&D and efficiencies in the distribution channel). These actions are in addition to the competitiveness program already called for in the context of the industrial plan;
- **revised investment plans** for the current year in line with the new market outlook;
- launched actions for the optimal management of **working capital** (e.g. reducing of inventory levels);
- **reduced compensation** of top management and **cancelled short-term incentive plan for 2020**;
- **cancelled 2019 dividend payment**;
- **reinforcement of the financial structure** through refinancing actions already implemented in the first quarter of the year.

Updated 2020 guidance

Based on the new economic context and taking into account the actions implemented, Pirelli estimates for 2020:

- Revenues of between 4.3 and 4.4 billion euro (prior indication around 5.4 billion), with total volumes falling by between -18% and -20% (prior indication between 0% and +1%). In the High Value segment the expected decline is -14% (prior indication + 8%) with a performance of Car New Premium of about -11.5% (-14% fall expected for New Premium market) and a fall of around -26% in the Standard segment (previous indication -6%);
- Adjusted Ebit Margin of between 14% and 15% (around 17% margin implicit in the targets presented on February 19) thanks to above mentioned cost containment actions and a more favourable scenario for raw materials and energy costs;
- **Investments** of around 130 million euro (prior indication about 300 million euro) mainly for plant management and improvement of mix and quality;
- **Net Financial Position** confirmed at around -3.3 billion euro with net cash generation of approximately 230-260 million euro (the corresponding implicit level in the previous guidance about 220 million euro), assuming the cancelled distribution of dividends.

In the fourth quarter of the year, in light of the situation's evolution, there will be a revision of the 2022 outlook formulated in the context of the 2020-2022 Industrial Plan.

Cancellation of dividend for 2019

In light of the Covid-19 emergency, the board decided to cancel payment of the dividend for 2019, modifying therefore the proposed distribution of the 2019 profit already approved on March 2, calling for a dividend of 0.183 euro per share for a total of 183 million euro.
Therefore, at the next Pirelli & C. shareholders' meeting, called for June 18, there will be a proposal to bring back the entire 2019 profit, about 273.2 million euro. The board will evaluate the possible calling of a shareholders' meeting, to be held in the second half of the year, to propose the eventual distribution of reserves, should cash generation exceed the new 2020 target and/or the economic scenario permit greater visibility on the total impacts of the Covid-19 emergency.

Management compensation 2020 and remuneration policy

In the context of measures to contain costs, the Executive Vice Chairman and CEO, Marco Tronchetti Provera, members of the board of directors and managers of the leadership team have renounced part of their compensation for the next three months. In particular:

- 50% of the gross fixed annual compensation of the Executive Vice Chairman and CEO, Marco Tronchetti Provera, also for the positions of Vice Chairman, Executive Director and CEO, as well as for the positions of board member and Chairman of the board committees;
- 50% of the remuneration of board members;
- 20% of the gross fixed annual compensation of managers of the leadership team.

The Pirelli board also decided to cancel the short-term monetary incentive plan (STI, Short Term Incentive), destined to all group Managers including the Executive Vice Chairman and CEO and the leadership team.
The actions described above will allow savings of approximately 31 million euro.

Group's financial solidity confirmed

The group's financial solidity has been further reinforced, thanks in part to refinancing actions already taken in the first quarter with the subscription to a new sustainable bank line of 800 million euro (5-year) and the extension of the maturity of a 200 million euro credit line to September 2021, compared with the original maturity of June 2020. These actions will allow the company, through liquidity and bank lines, to meet its debt maturities for the next 3 years, approximately.

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The content of this press release is also available in presentation format at the website www.pirelli.com in the Investor Relations section. The next conference call with the financial community will take place on May 13, 2020, when the results of the first quarter of 2020 are reviewed.

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