



POWER IS NOTHING WITHOUT CONTROL

2021 - 2022 | 2025 INDUSTRIAL PLAN



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AGENDA

1 | STRATEGIC GUIDELINES & PLAN SUMMARY

2 | MARKET OUTLOOK & STRATEGY IMPLEMENTATION PLAN

2.1 | COMMERCIAL

2.2 | INNOVATION

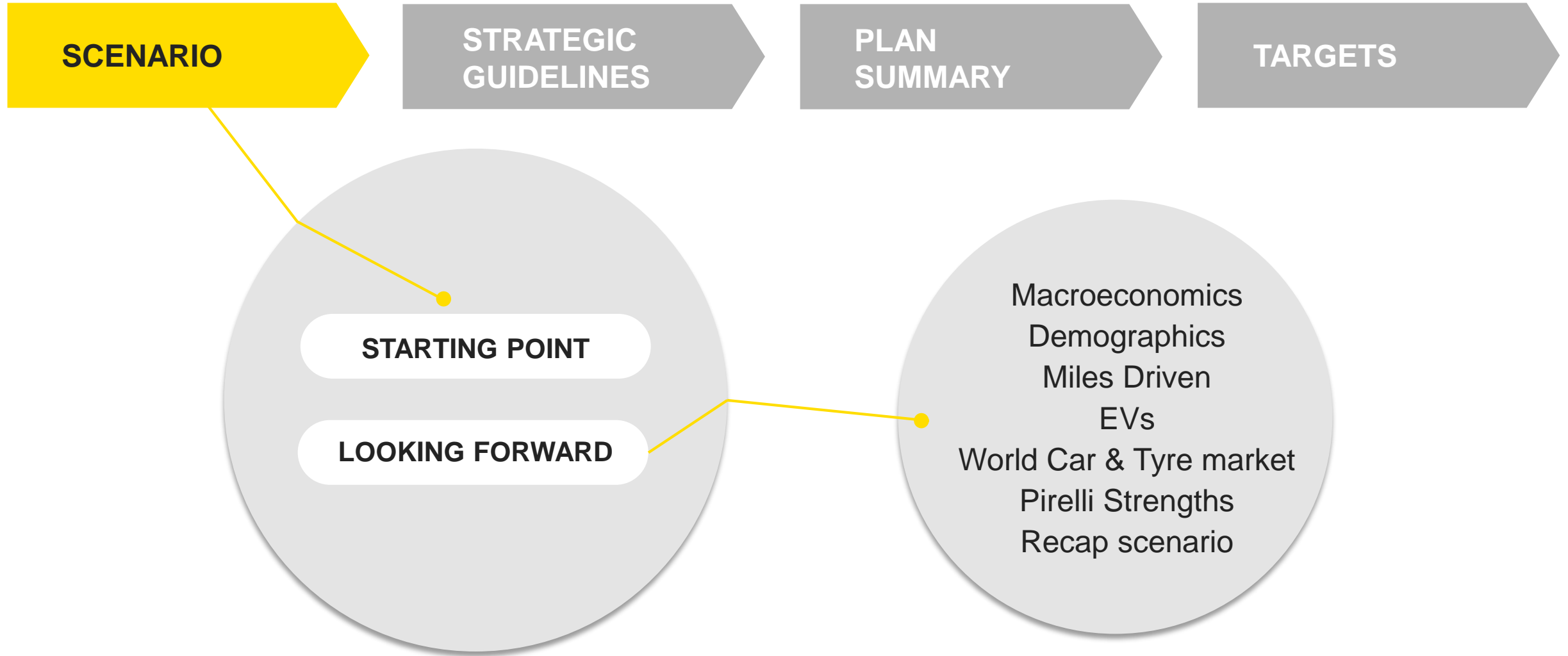
2.3 | COMPETITIVENESS

2.4 | OPERATIONS

2.5 | DIGITIZATION

3 | TARGETS

AGENDA



STARTING POINT

What the 2020 Covid crisis has taught us



Strong reaction in terms of togetherness and participation

OUR TEAM IS MORE ENGAGED



Learning also from Pirelli China, we launched countermeasures

FASTER IN ADAPTING TO THE VOLATILE ENVIRONMENT



Decision supported by insights, predictions and early warning system

MORE DATA DRIVEN

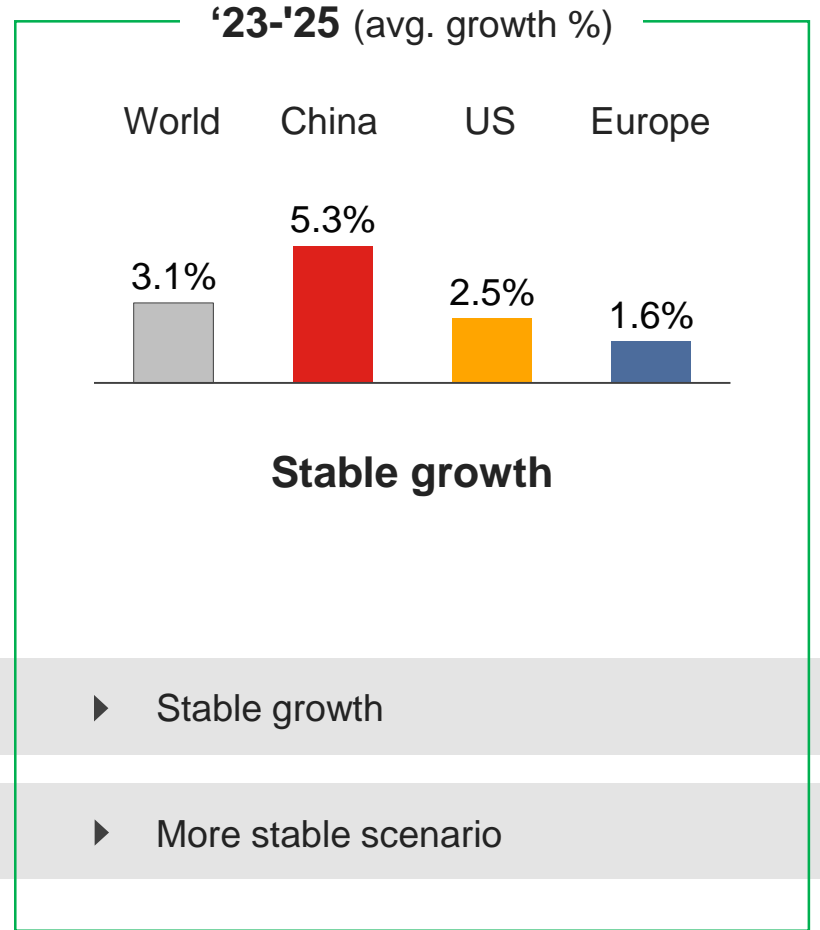
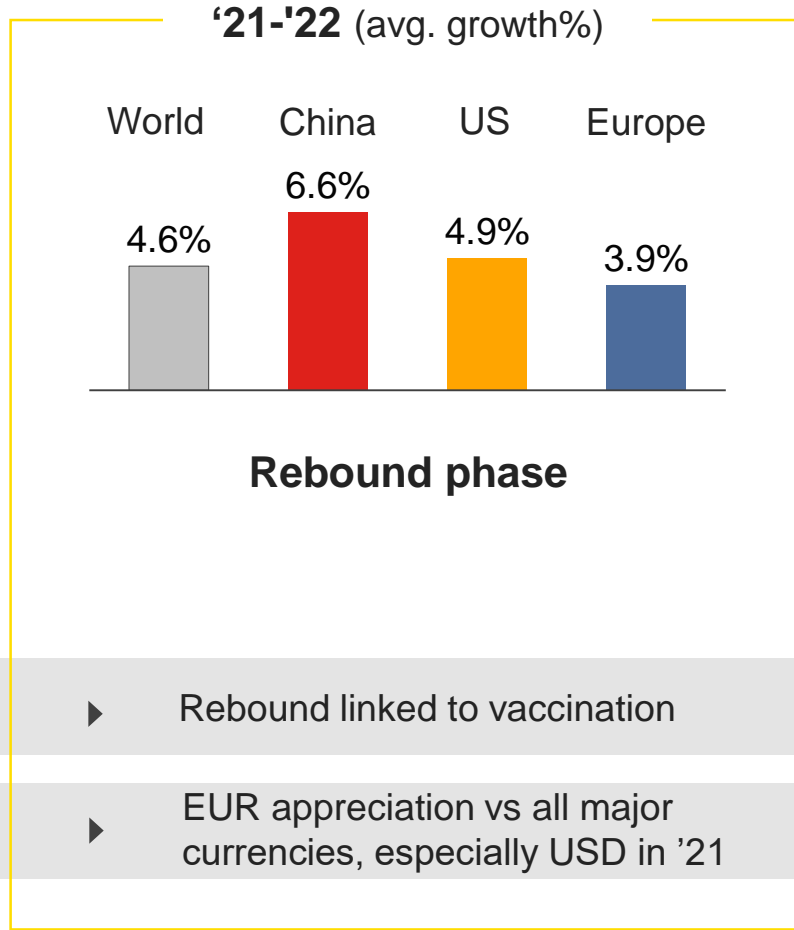
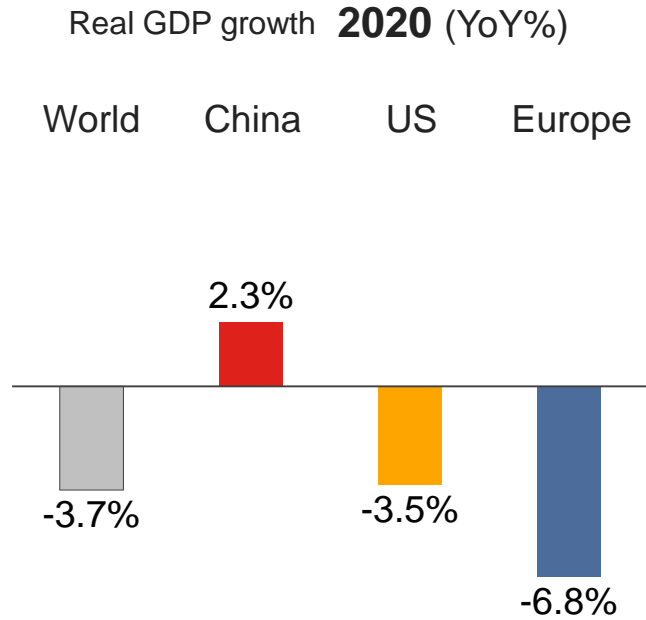


Resilient response to social, economic and environmental stresses

SUSTAINABILITY AT THE CORE

MACROECONOMICS

Data indicates two distinctive phases



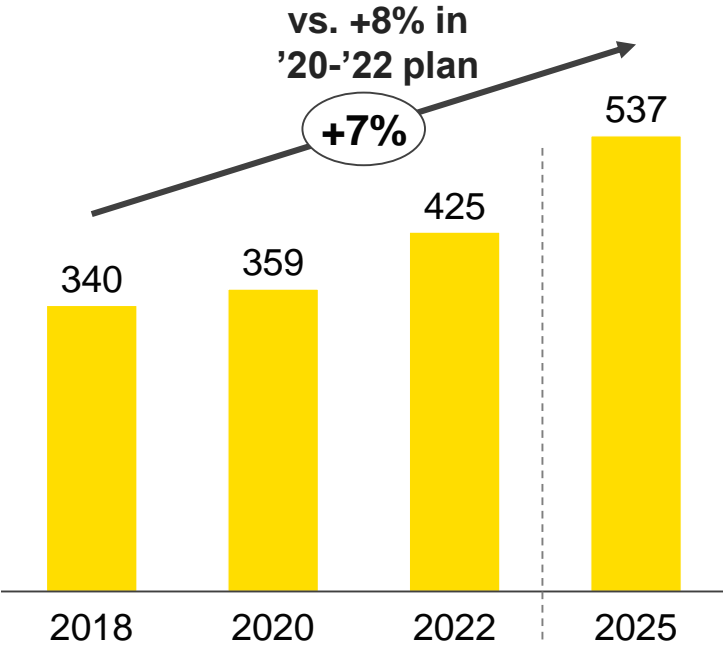
'21-'25 overall: China growth engine +5.8%, US at +3.4%, Eurozone at +2.5% - Euro appreciation

DEMOGRAPHICS SCENARIO

High-end consumers growing and far more digital

High-end Consumer growth confirmed

Global # Households (Million) with Annual Income >\$75 K



Covid has re-prioritized some Core Values



Safety – Well-being



Digital economy (e-commerce, remote working & learning, delivery, telemedicine)



Servitization



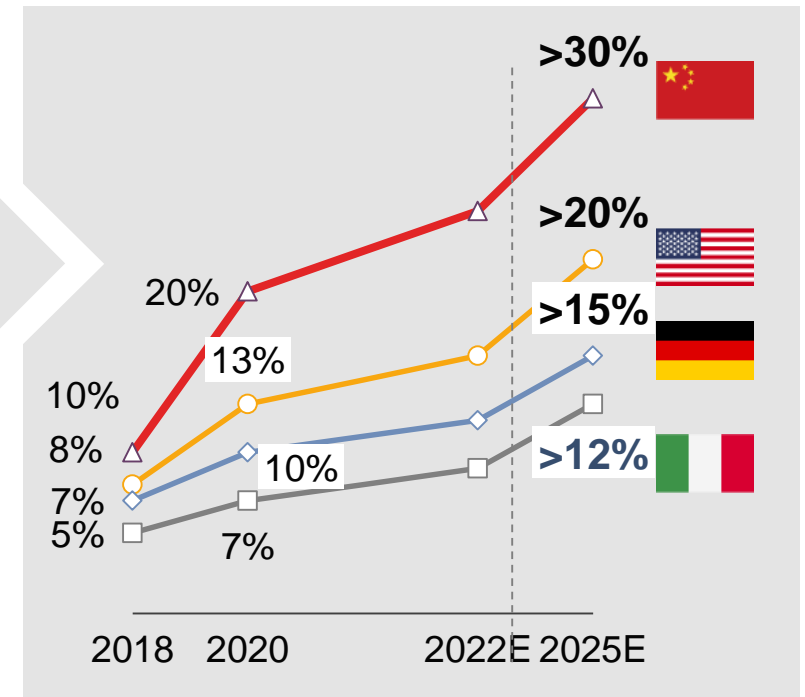
Purpose, culture and inclusivity



Climate Emergency

Online shopping booming also in tyres

Total market B2C sales through online channels, %

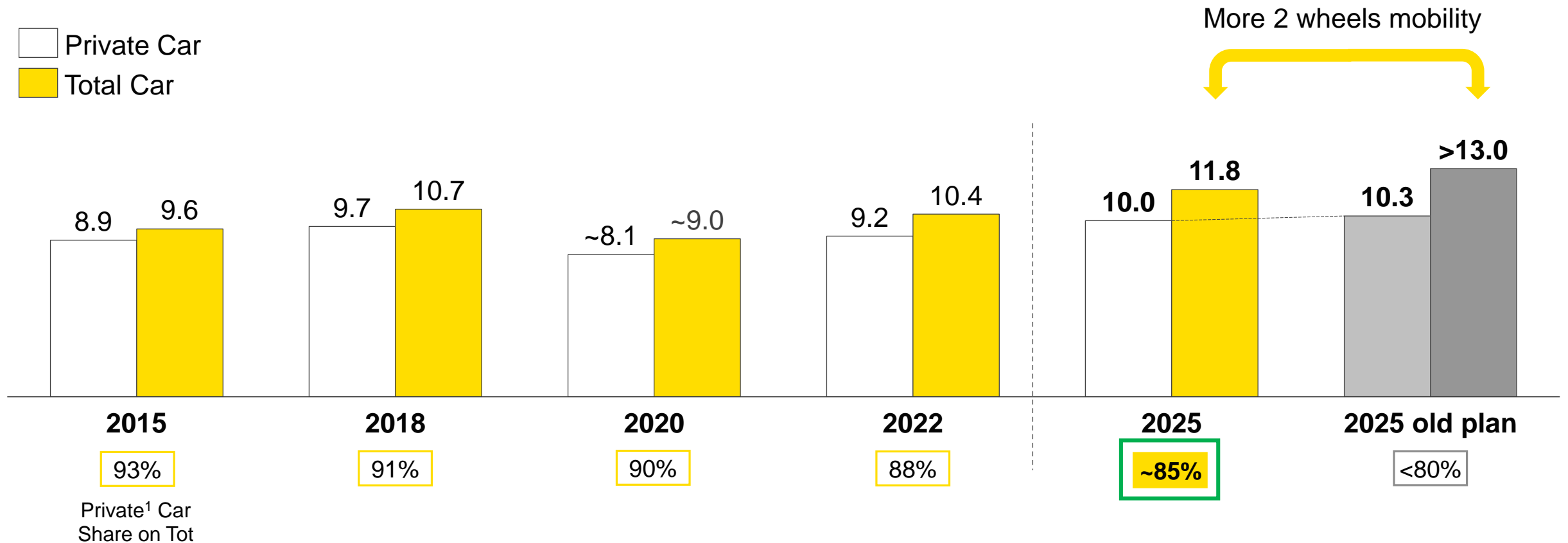


55% of world population “digital natives” in 2025

MOBILITY SCENARIO: MILES DRIVEN



Car Global Miles Driven, Trillion



By 2025 ~2/3 of miles driven increase from private cars, reaching old plan levels

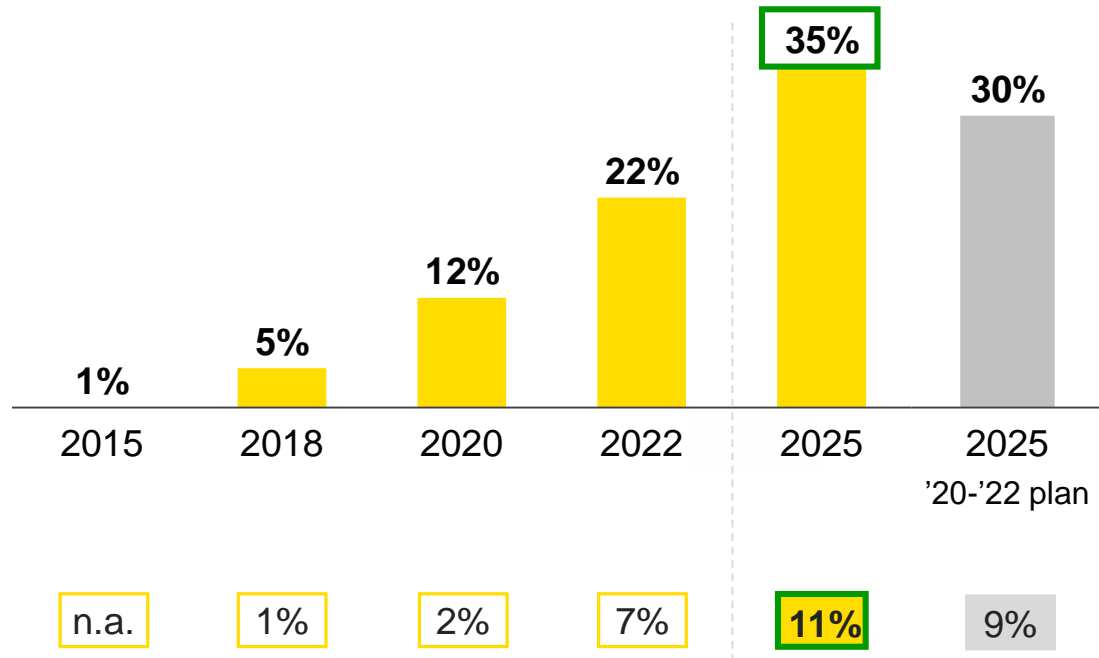
MOBILITY SCENARIO: EVs

Electric vehicles growth accelerated, pushing demand for technology tyres



EV¹ Penetration in Premium & Prestige production

- ▶ Positively impacted by **growing regulations** and Government incentives



EV¹ penetration in Global Premium & Prestige Car Parc

Tyre for EVs Technologically challenging

- ▶ EVs Customers mostly “Motorheads” and “Tech enthusiast”, looking for **Performance & Safety features**
- ▶ EV tyres have to meet challenging technological requirements:



Higher load



Lower Rolling Resistance



Higher grip



Lower noise



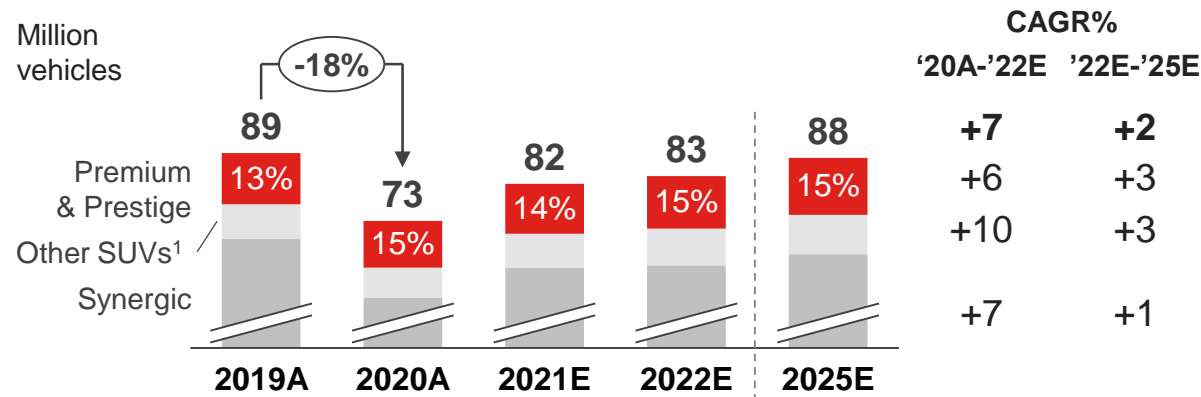
EV SPECIALTY TYRES
HIGHER COMPETITIVE BARRIERS

WORLD CAR & TYRE MARKET

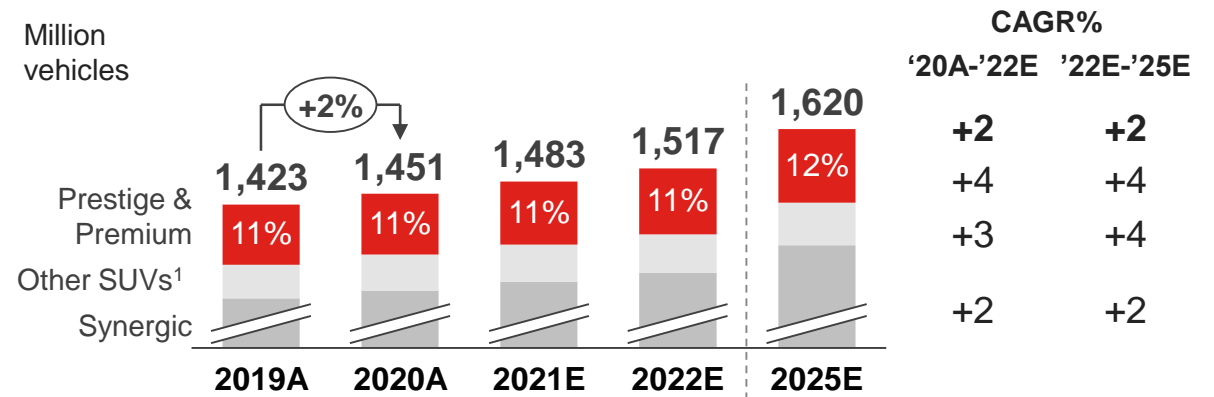
Rich H.V. Demand particularly in ≥19”



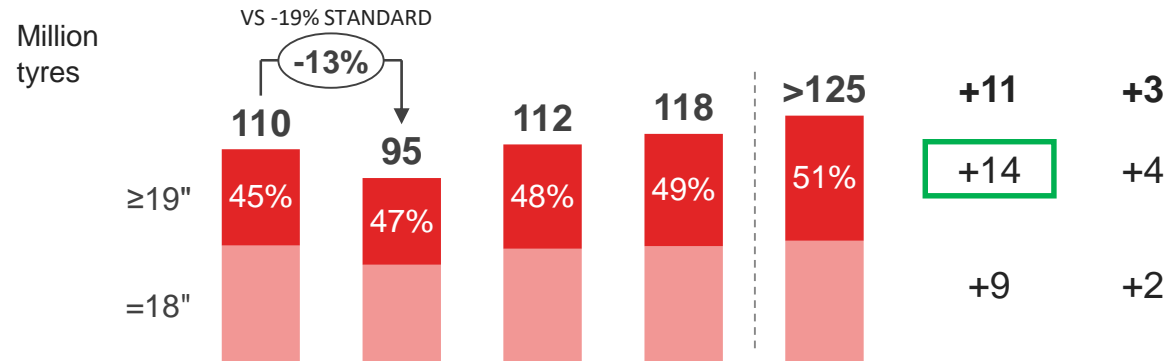
Car production



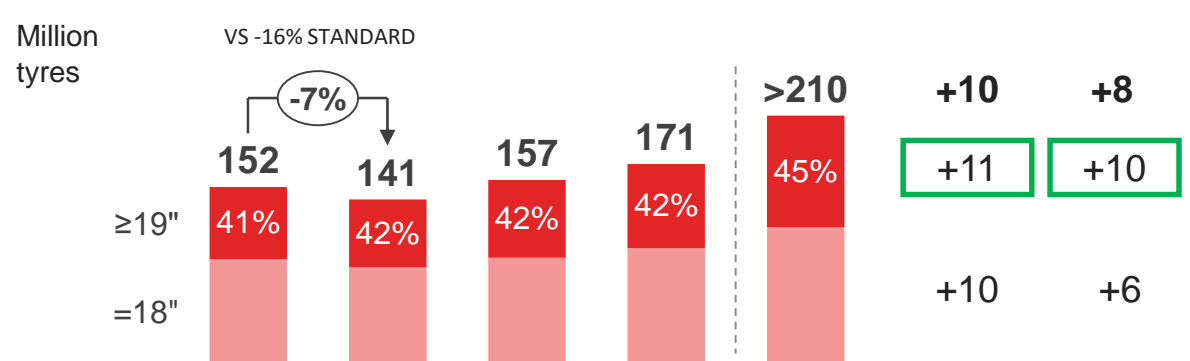
Car parc



≥18” O.E. Tyre market



≥18” Replacement Tyre market



High value tyre demand: double digit growth by '22e, high single digit by '25e



PIRELLI WELL POSITIONED IN THE H.V. COMPETITIVE SCENARIO

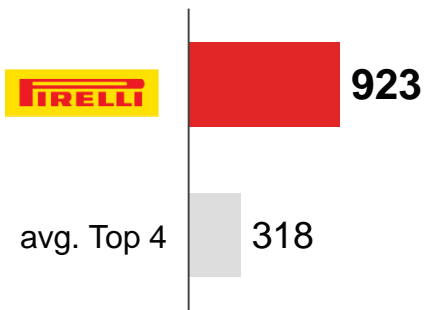


In this scenario Pirelli has grown its array of competitive strengths

Conventional

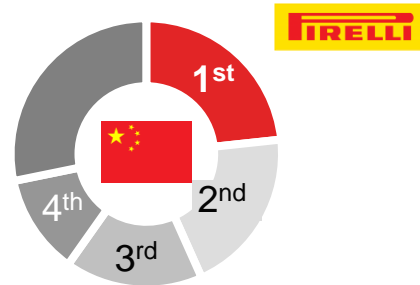
Leader in ≥19" marked tyres

of ≥19" O.E. marked items¹ vs. peers



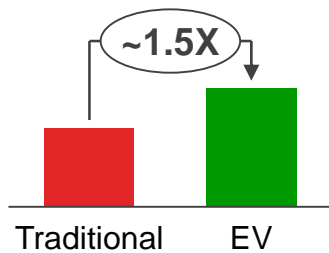
Share leader in China ≥18"

≥18" Repl. market share 2020



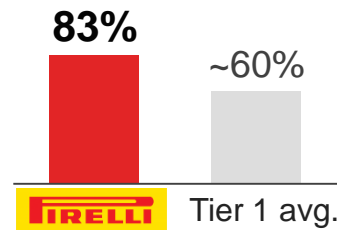
Ambitious EVs growth

2025E O.E. Pirelli Premium Share



Most of Capacity in Low Cost Countries

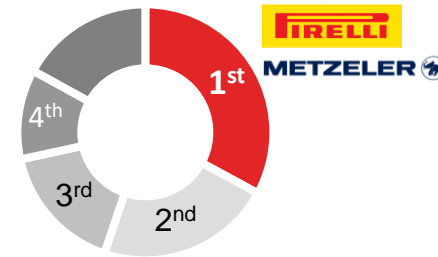
2022E Low Cost Capacity on total²



2 Wheels

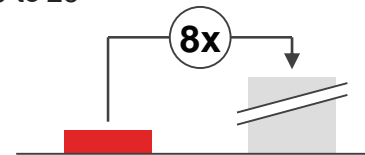
Leader in Moto High Value

Moto High Value Repl. Market share 2020



Back in Cycling

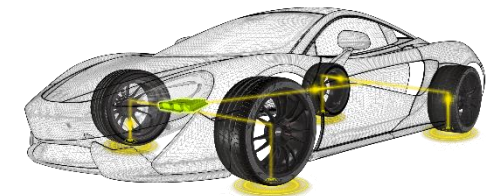
Made in Italy production (Bollate)
8x Net Sales Growth target from '20 to '25



Emerging

First in O.E. with Cyber Tyre

First in the World to equip sensorized tyres in O.E.



Services

- ▶ Tyre subscriptions
- ▶ Prestige travel experiences

Micro-mobility



For corporations and hospitality

Brand of choice for reputation, leadership and high tech



SUMMARY

Very favorable scenario for Pirelli



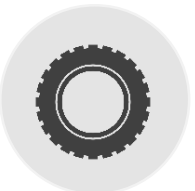
Two Phase Macro-Economic Growth: strong rebound till 2022, followed by steady state growth, both confirming High Value segment opportunity



China Leading Macro-Economic Growth where Pirelli is leader in the $\geq 18''$



High-End Consumer Growth, with higher than expected use of private cars & 2-wheels



Demand for technologically sophisticated EV Tyres rapidly increasing

STRATEGIC GUIDELINES



In continuity with February 2020 plan

- ▶ **Focus on H.V. Market**, growing and resilient
- ▶ Capitalize on array of strengths
- ▶ **Green Transition** spurring innovation and enhancing Competitive Barriers

Additional & Accelerated

- ▶ **Growth in Specialties/EVs and ≥19”**
Rebalancing O.E. (-) and Replacement (+)
- ▶ **China acceleration**
- ▶ **Consumer Insights feeding:**
 - ▷ Online to Offline Commerce
 - ▷ Replacement-only products
- ▶ **Digital Business Model coming on stream**



Fully Capture 2021-2022 rebound opportunities

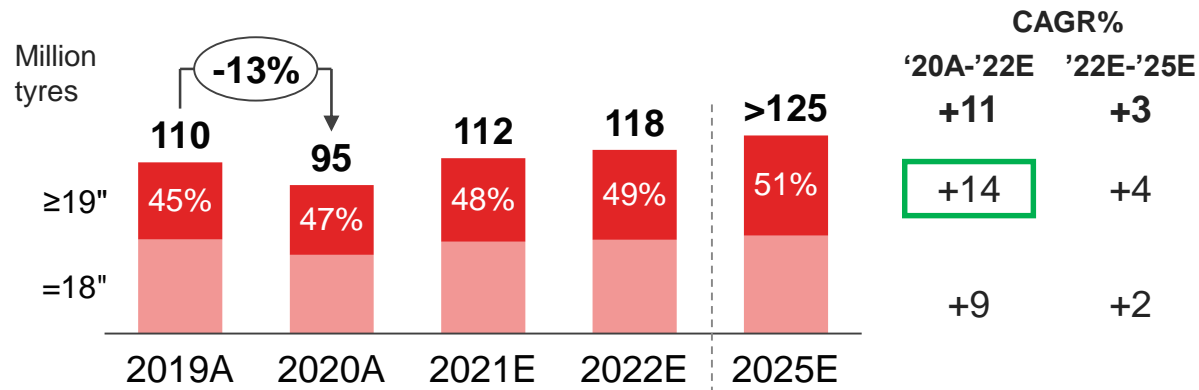
Accelerate cash generation as a remodelled High Value Specialties Leader

PIRELLI FOCUS

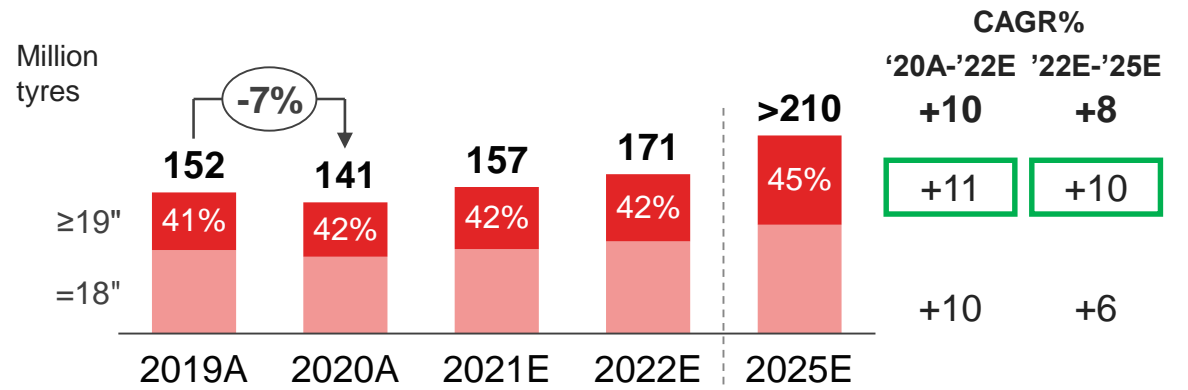
On the highest growing and most profitable segments



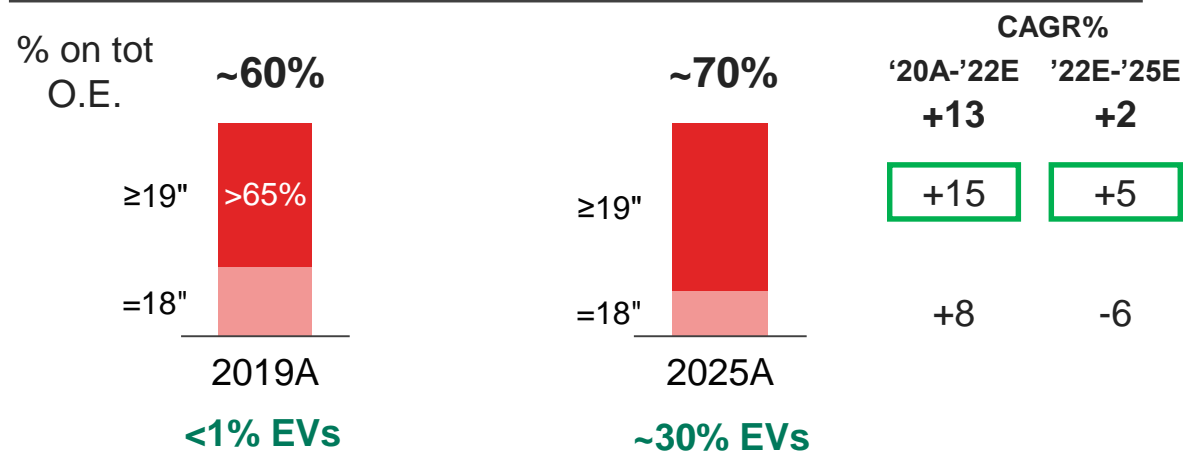
≥18" O.E. Tyre market



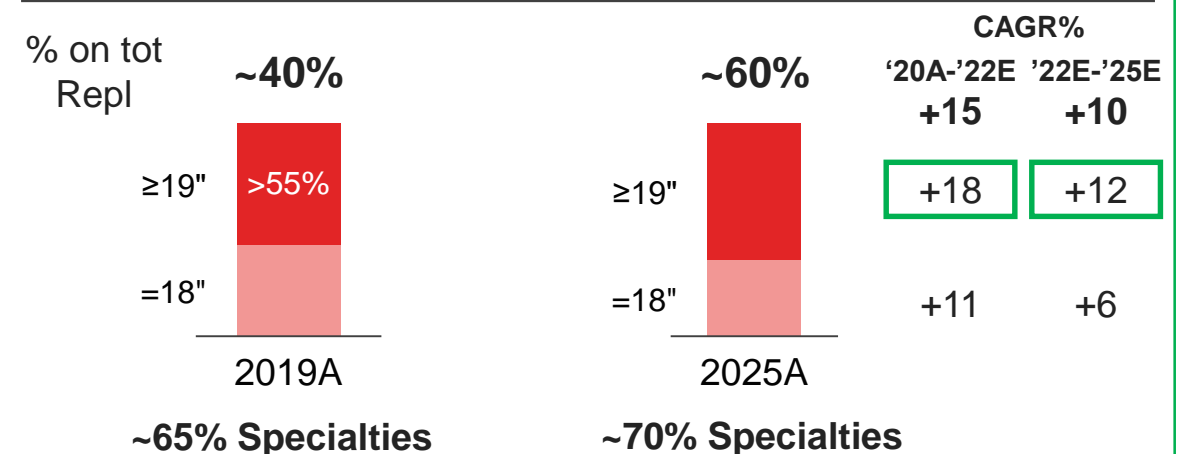
≥18" Replacement Tyre market



≥18" O.E. PIRELLI volumes







≥18" Replacement PIRELLI volumes



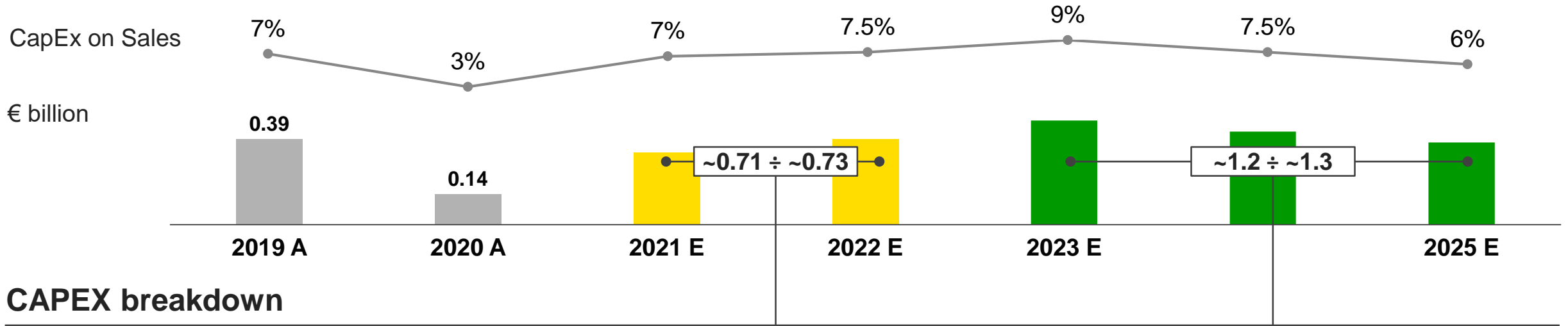
STRATEGY IMPLEMENTATION PLAN: KEY PROGRAMS' IMPACT



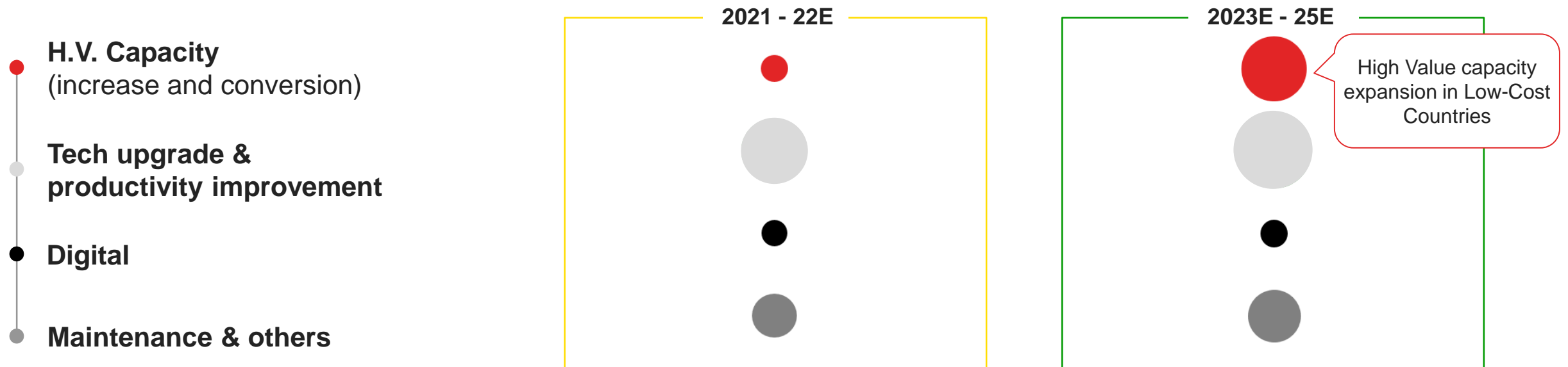
		2021 - 2022	2023 - 2025
		Fully capture rebound opportunities	Accelerate cash generation as a remodelled specialties leader
	Commercial	Revenue Increase: ~+€0.8B ÷ ~+€1B Volume based	Revenue Increase: ~+€0.6B ÷ €0.9B Volume and mix based
	Innovation	Product Launches / year : ~10 Technical homologations / year : ~330	Product Launches / year: ~ 8 Technical homologations / year ~300
	Competitiveness	Net efficiencies ~€170M, 4.5% vs. baseline'20	Net efficiencies ~€70M÷€100M; 2% ÷ 2.5% vs. baseline'20
	Operations	Footprint rationalization and organization streamlining completed	H.V. capacity in Low Cost Countries from 74% in '20 to 77% in '25

CAPEX

Investing in H.V. Capacity and mix upgrade (≥19" & specialties)



CAPEX breakdown



ALL KEY PROGRAMS WILL LEVERAGE ON PROACTIVE PEOPLE STRATEGY



Our People

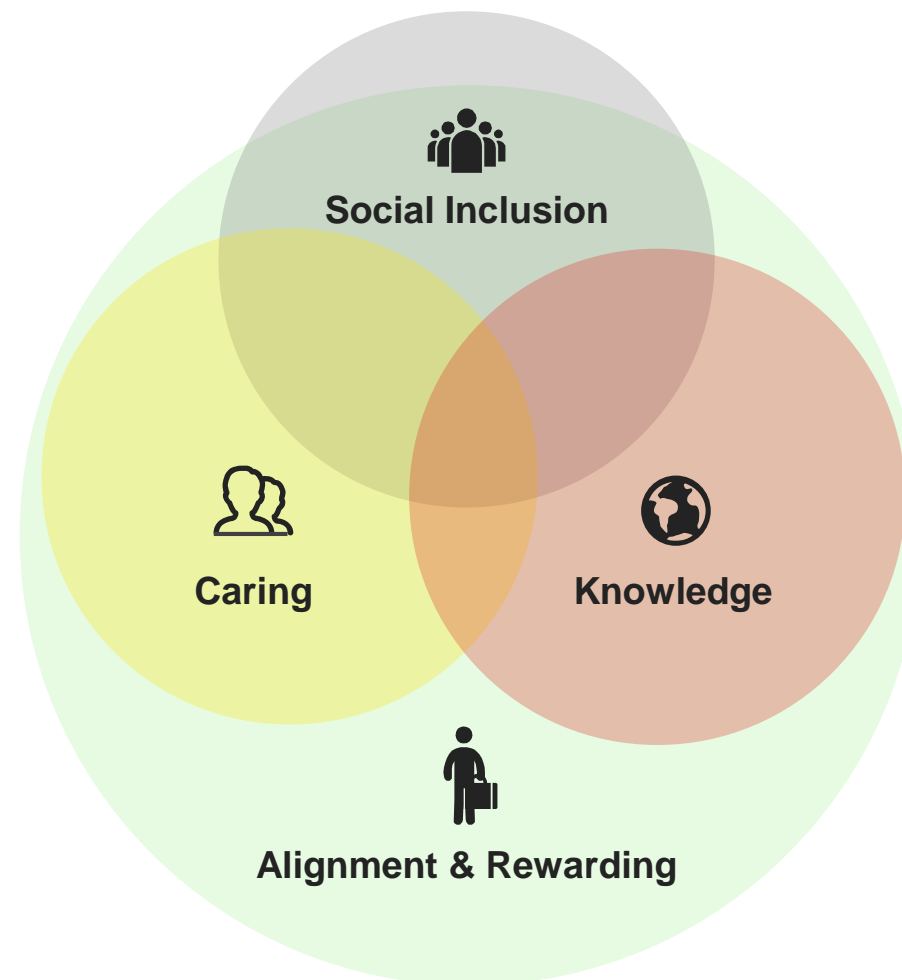
International and Diverse Organization

- ▶ ~30.500 people in **35 Countries**
- ▶ **92 Nationalities**
- ▶ ~**30% Female***

Experienced and Engaged Workforce

- ▶ Average age ~**39 yrs**
- ▶ Average tenure ~**10 yrs**
- ▶ Voluntary attrition <**5%** in 2020

Pirelli active in 4 pillar Programs



PEOPLE AT THE HEART OF OUR JOURNEY



Our Priorities



- ▶ **Protect our employees**, safe workplace and healthy lifestyle
- ▶ **Shift from traditional welfare programs to tailored wellbeing initiatives**
- ▶ **New policies to increase flexibility and autonomy of people**



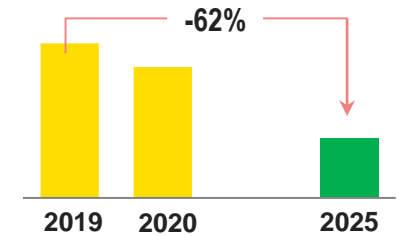
- ▶ **Support business transformation with up/reskilling initiatives**
- ▶ Exploit **Professional Academies**, leveraging on **senior experts' knowledge**
- ▶ Develop **life-long learning culture**



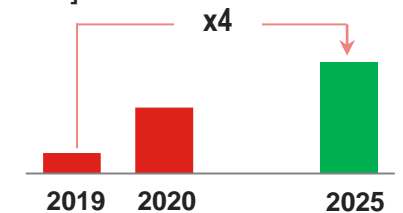
- ▶ **Support education and knowledge development partnering with local Communities & Universities**
- ▶ Promote **social values** and **improve standard of living** (cooperation with hospitals, volunteering initiatives,...)
- ▶ **Integrate company culture** with perspectives, coming from **diverse personal and professional areas**

Our Ambitions in 2025

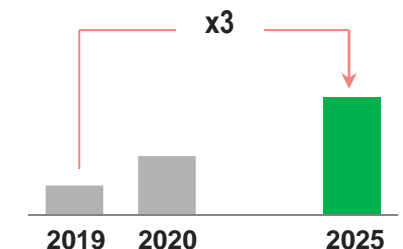
Protect Employees [Frequency Index]



Up/Re-Skilling [People Involved/Total HC]



Wellbeing [# of New Initiatives]



2021-22/25 TARGETS



€ billion

	2020 A	2021 E	2022 E	2025 E
Net Sales	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%
CapEx (% on sales)	0.14 (3.3%)	~0.33 (~7%)	~0.38 ÷ ~0.4 (~7.5%)	~1.2 ÷ ~1.3 cum '23-'25 (~7.5% avg)
Net Cash Flow bef. Dividends & conv. Bond impact	0.21	~0.30 ÷ ~0.34	~0.42 ÷ ~0.46	~1.7 ÷ ~1.9 cum '23-'25
Net Financial Position NFP / adj. EBITDA	3.3 3.65x	~3.0 ~2.7x	~2.75 ÷ ~2.65 ~2x	~1.6 ÷ ~1.4 ~1x
ROIC Post taxes	10.4%	~16%	~19%	~25%

o/w
~9% in '23
~7.5% in '24
~6% in '25

o/w
~0.5 in '23
~0.6 in '24
~0.7 in '25

Dividend policy: ~50% pay out of 2021-22 net income; 40% of 2023-24 net income

OPPORTUNITY AND FLEXIBILITY VS TARGETS 2021-25



DIGITIZATION PLAN 21/25

CapEx ~7% of cumulated CapEx '21-25

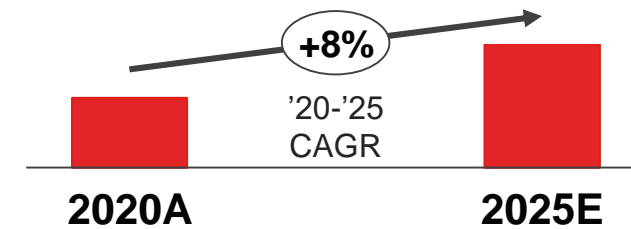
OpEx ~0.8% of yearly baseline '21-25

Benefits
top-line & costs ~6%÷8% of cumulated net cash '21-25

first phase of a typical exponential improvement

IN CASE OF MARKET SLOWDOWN

≥18" Market
current plan assumption








we continue to outperform with an added flexibility in reducing:

Costs for growth currently in the plan ~10% of incremental H.V. revenues '20-25

CapEx for H.V. capacity increase currently in the plan ~20% of cumulated CapEx '21-25

OUR SUSTAINABILITY STRATEGY: KEY TARGETS



Area	Focus	KPIs	2020A	2025E	2030E	
 SAFETY FIRST	Towards zero accidents at work	Accident frequency index	0.22	<0.10		
 PRODUCT ECO & SAFETY PERFORMANCE	Improve Rolling Resistance with no compromise on safety	Target scope: new products (all new labelled IPCodes)	RR ¹ = A/B	39%	>70%	
			WG ¹ = A/B	87%	>90%	
 MATERIALS INNOVATION	Increase the % of renewable and recycled materials while reducing fossils	Target scope: selected products	Renewable	23%	>40%	>60%
			Recycled	1% ²	>3% ²	>7% ²
			Fossil based	68%	<40%	<30%
 TOWARDS DECARBONIZATION	Reduce CO ₂ footprint		CO ₂ (plants)	-31% (COVID impact) -12,5% (target)	-25% vs 2015 ³	Carbon neutrality
			CO ₂ (suppliers raw mat.)	-22% (COVID impact) -2,5% (target)	-9% vs 2018 ³	
			Renewable electricity	52% ⁴	100%	

**We will deliver our strategy through our people:
Passionate, engaged and highly skilled in a safe and inclusive environment**

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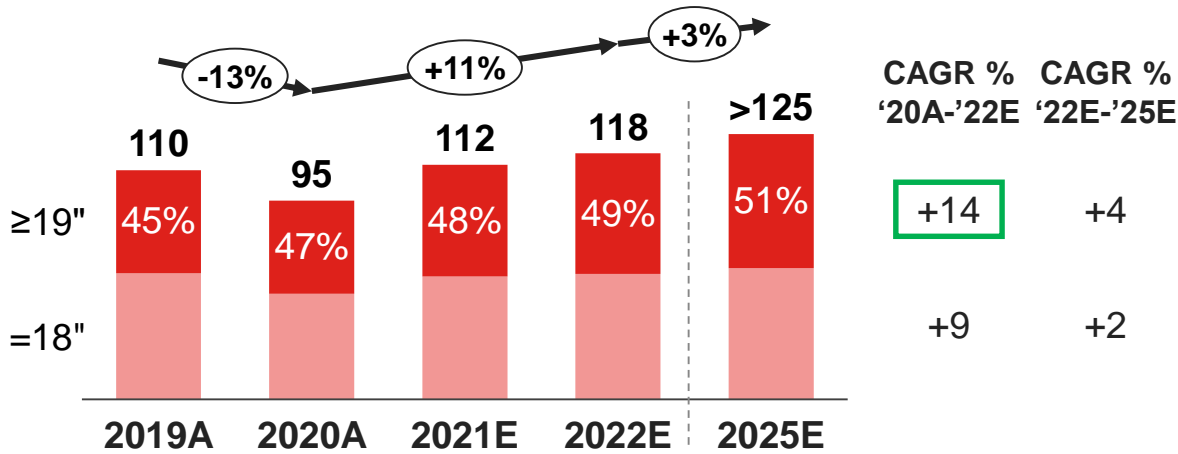
3 | TARGETS

HIGH VALUE CAR TYRE DEMAND

≥19" growing double-digit, 3-5pp faster than ≥18"; demand from pure EVs booming, sizable in '22-'25

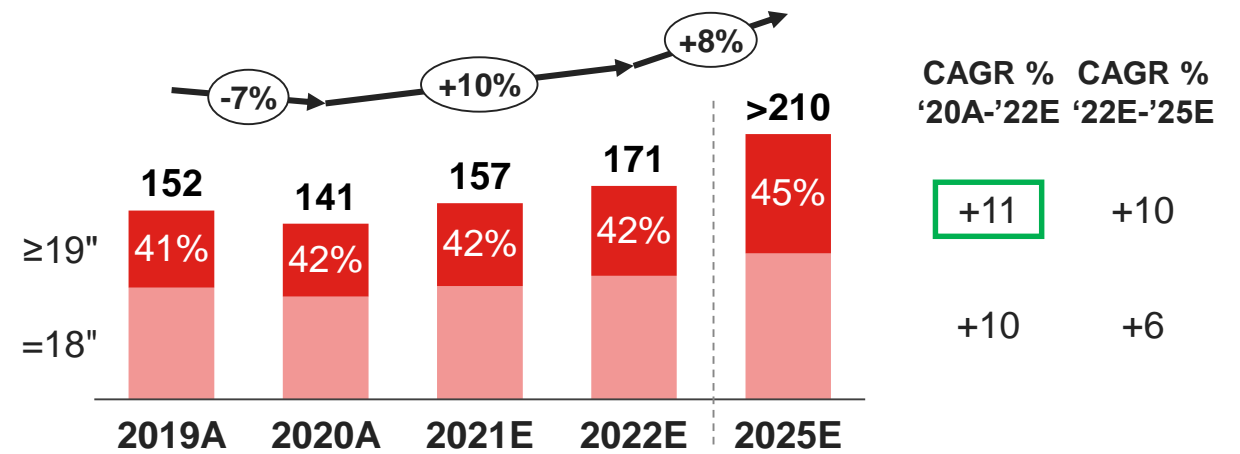
≥18" World O.E. Tyre Market

million tyres



≥18" World Replacement Tyre Market

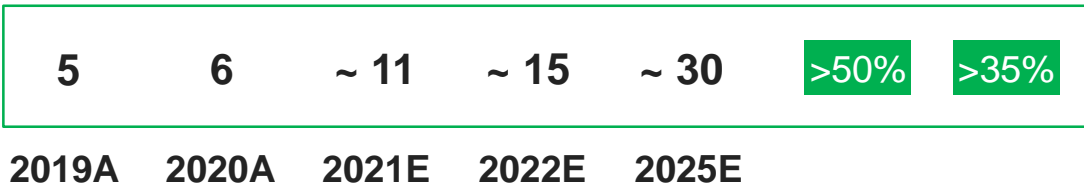
million tyres



Pure EV¹ O.E. Tyre Market

(million tyres)

CAGR % '20A-'22E: >50%
CAGR % '22E-'25E: >35%



Pure EV¹ Replacement Tyre Market

(million tyres)

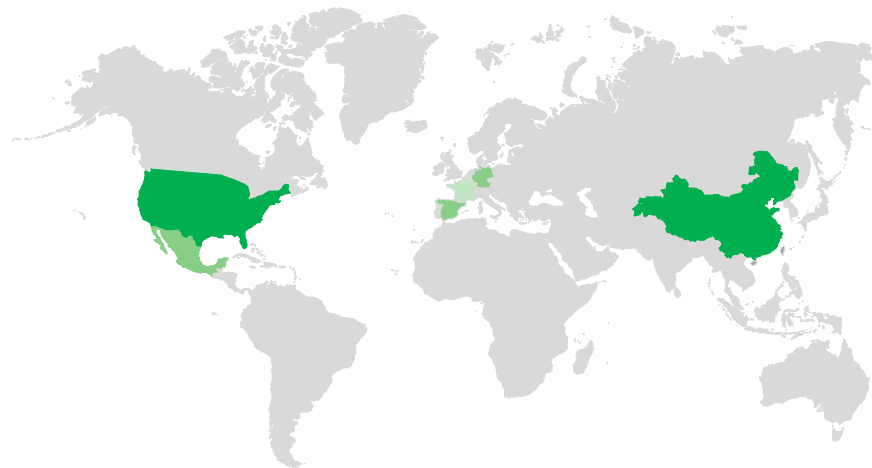
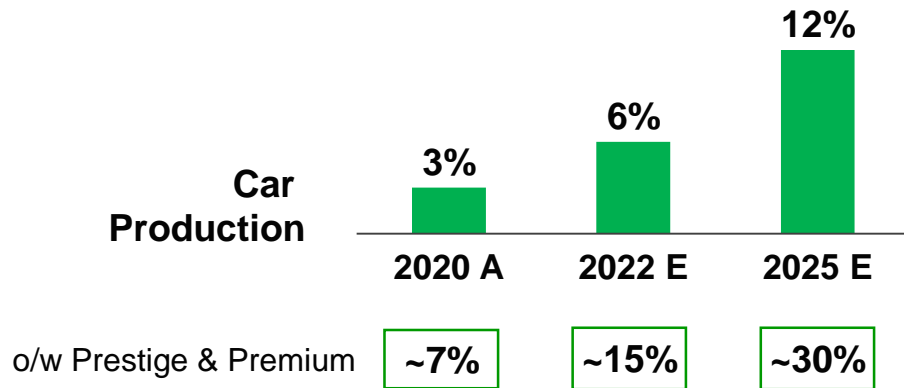
CAGR % '20A-'22E: >50%
CAGR % '22E-'25E: >30%



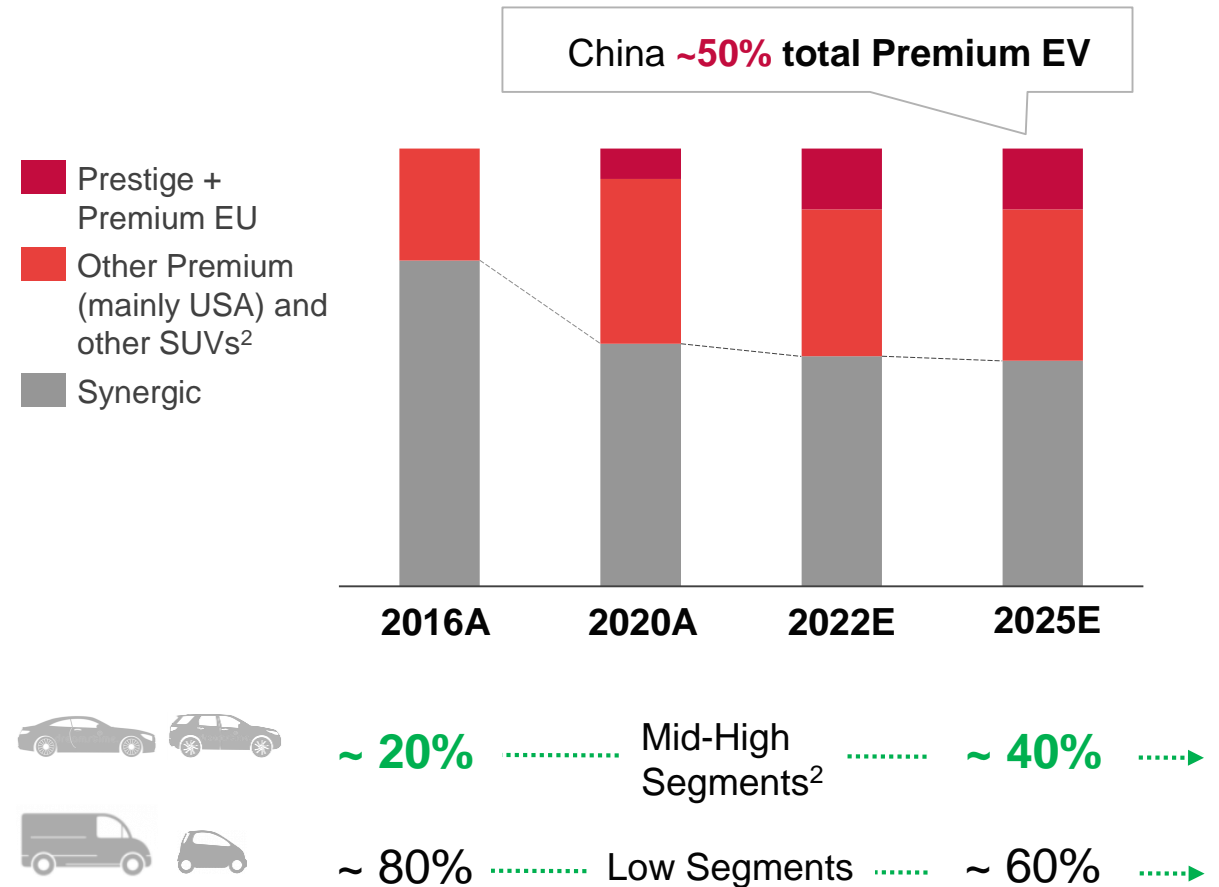
PURE EV PENETRATION IN PREMIUM & PRESTIGE

Higher than traditional ICE, leading to a rich tyre market

Pure EV¹ penetration driven by China



Pure EV¹ car production reshaped from 2020



PIRELLI'S JOURNEY TO EV PREMIUM & PRESTIGE LEADERSHIP

Rich project pipeline, supporting mix improvement

EV Contribution to High Value

Growth in rim

- ▶ Higher weight and torque call for high performance tyres

Q3



Range and main fitment

17" **18"** 19"

Q4-tron



Range and main fitment

19" 20" **21"**

Premium Price

- ▶ EV car (price higher than ICE) calls for Premium fitments and more technology in tyres

Loyalty Rate¹ EV > ICE

Pirelli positioning at 2025

60%

Homologations ELECT

~30%

of ≥18" OE volumes in EV

1.5X

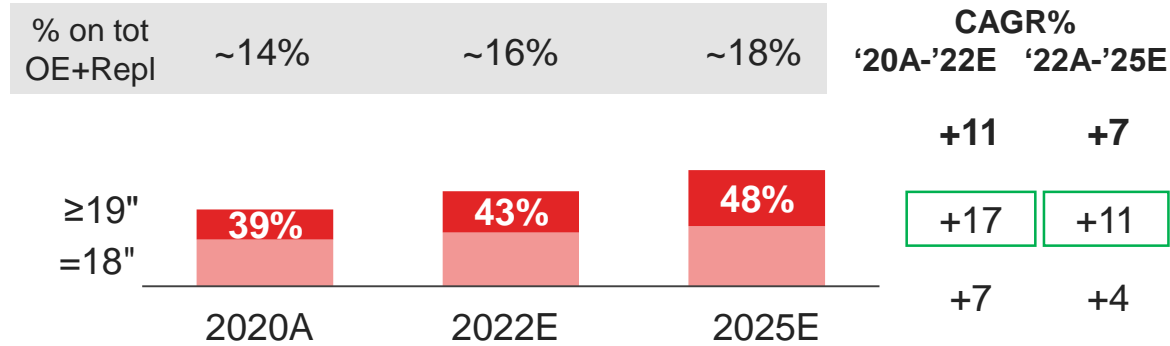
OE Premium EV Market share vs. traditional ICE Premium market share



CHINA A LONG LASTING OPPORTUNITY

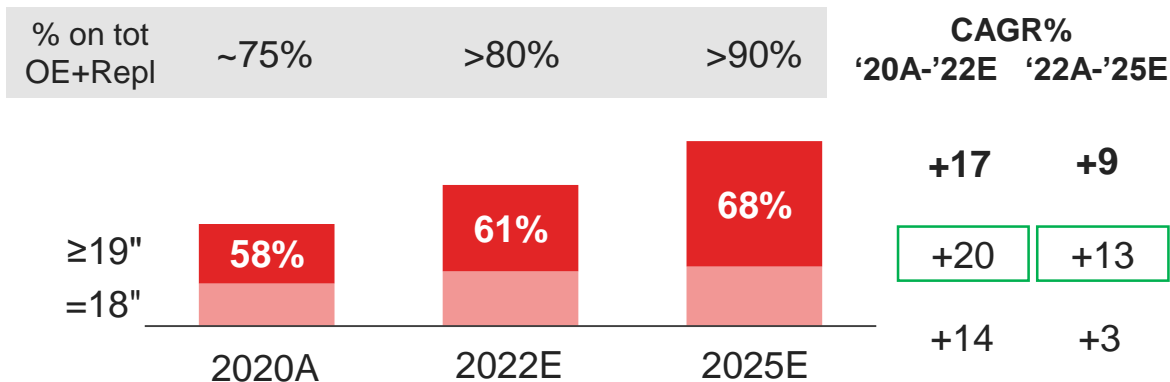
Boosting High Value tyre market in the Region

China ≥18" OE + Replacement tyre market

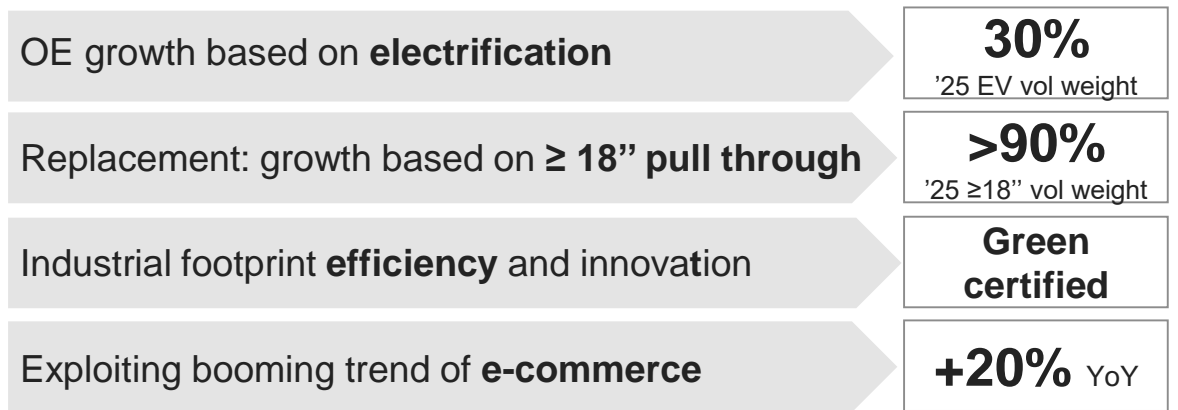


Outperforming the market in the next 5 years

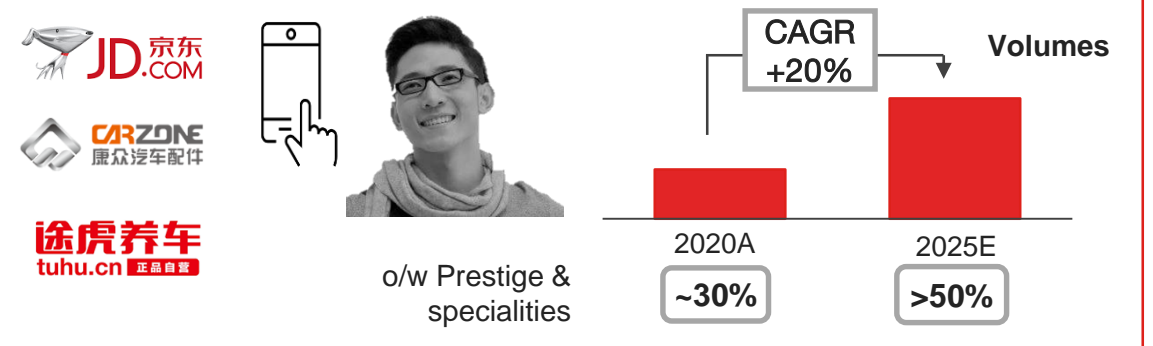
China ≥18" OE + Replacement PIRELLI volumes



Pirelli consolidating leadership position in HV



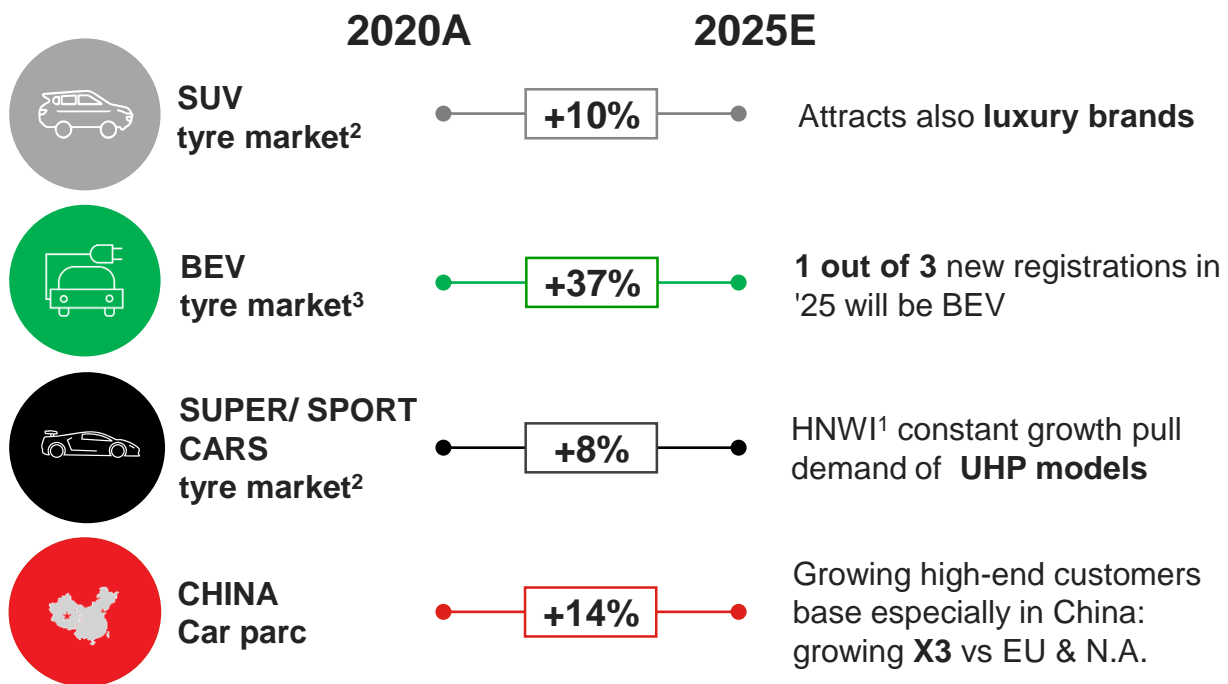
Online channel: Pirelli leadership in Share of Value by partnering with top 3 platforms Tuhu, JD.com and Alibaba



PRESTIGE

China and EV as key drivers of growth

Prestige new trends



Pirelli undisputed leadership

▶ 1 out 2 Prestige car fitting Pirelli tyres




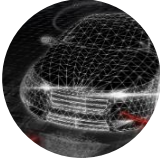



Sole supplier

Co-leader

- ▶ **Consumer digital engagement**
- ▶ **P ZERO™ EXPERIENCE:** a new, distinctive business model for Pirelli and its Partners
- ▶ **Service excellence** thanks to dedicated supply chain
- ▶ **Technologies:** PNCS, Elect and Cyber



PLAN MAIN PROGRAMS

	2021-22	2023-25
 COMMERCIAL	Capture H.V. market rebound , thanks to: <ul style="list-style-type: none"> ▶ Acceleration of new product launches ▶ Rich homologation portfolio ▶ China fast growth 	<ul style="list-style-type: none"> ▶ Rebalancing OE / Repl in favour of Replacement ▶ High Value Specialties & ≥19" growth ▶ Consumer Value pricing & Journey Management ▶ Stabilization of Standard in profitable niche
 INNOVATION	<ul style="list-style-type: none"> ▶ New Products time to market reduced, through Virtualization and Modelling ▶ Modularity & Commonality vs. variety ▶ Sustainability: Eco & Safety design – LCA* 	<ul style="list-style-type: none"> ▶ Processes innovation / robotics ▶ Growth in EV solutions ▶ Connectivity becoming mainstream ▶ Sustainability, strong focus on recycled materials
 COMPETITIVENESS	<ul style="list-style-type: none"> ▶ Complete the Wave 1 and Wave 2 programs 	<ul style="list-style-type: none"> ▶ Draw benefits from Wave 3, especially Digital Transformation benefits
 OPERATIONS	<ul style="list-style-type: none"> ▶ Ramp-up volumes to full saturation ▶ Completion of industrial footprint rationalization and delocalization 	<ul style="list-style-type: none"> ▶ Process innovation & IIoT ▶ Selective High Value capacity increase ▶ Supply chain streamlining
 DIGITIZATION	<ul style="list-style-type: none"> ▶ Adoption of new customers, consumers and salesforce workflows and analytics ▶ Integrated long-term business planning 	Coming on stream: <ul style="list-style-type: none"> ▶ Product life cycle management ▶ Intelligent operations ▶ Integrated operational business planning

AGENDA

1 | STRATEGIC GUIDELINES & PLAN SUMMARY

2 | MARKET OUTLOOK & STRATEGY IMPLEMENTATION PLAN

2.1 | COMMERCIAL

2.2 | INNOVATION

2.3 | COMPETITIVENESS

2.4 | OPERATIONS

2.5 | DIGITIZATION

3 | TARGETS

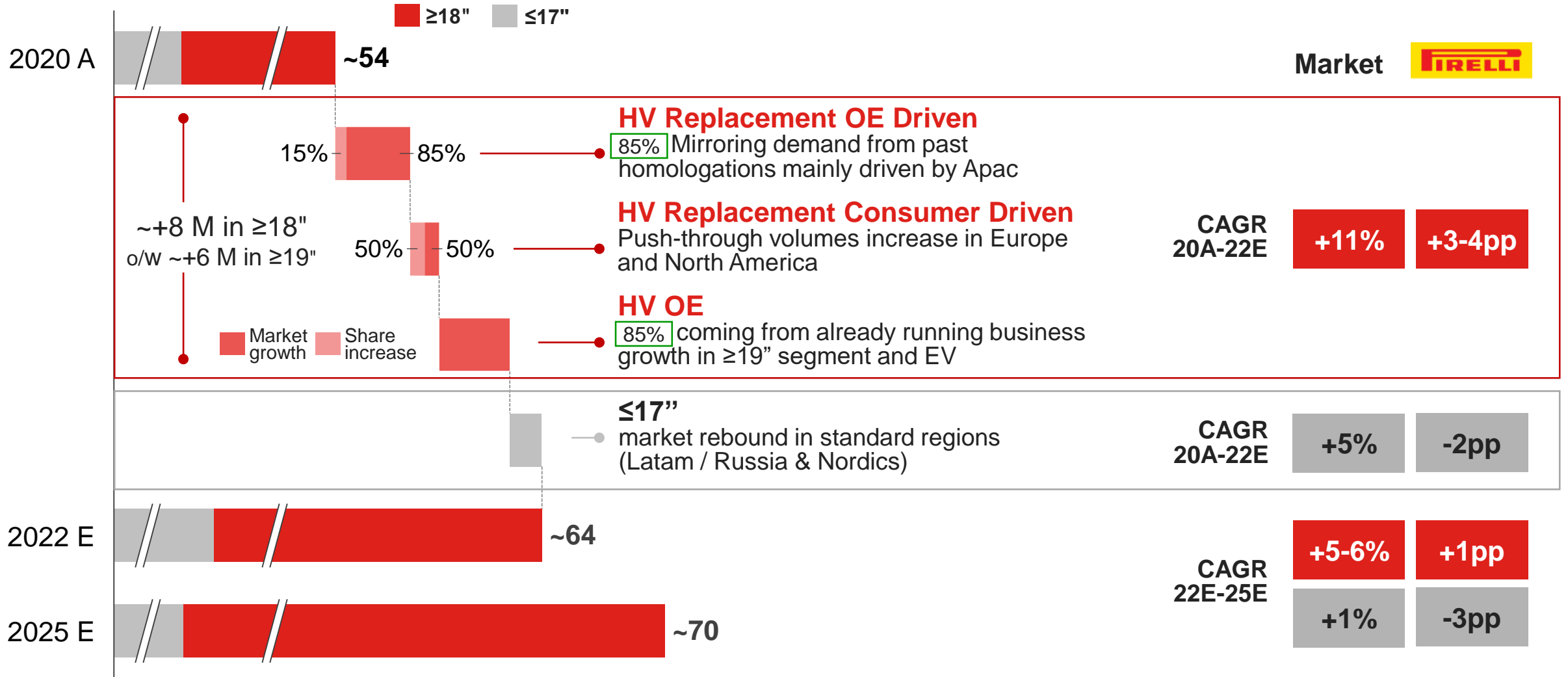
PIRELLI VS. MARKET

Overperforming in High Value taking advantage of already achieved homologation

Volume variance (Car)

Key Programs

Over-performance vs. market



HIGH VALUE REPLACEMENT

Key initiatives to gain shares

O.E. Driven Replacement



“Surf” Homologated Market Growth



O.E. homologations & Technologies

ENABLERS



Distribution channel strategy

Sales Process Transformation SFA¹



Digital Conversion Funnel

Consumer driven Replacement

Wide Market potential



Consumer - driven Product range

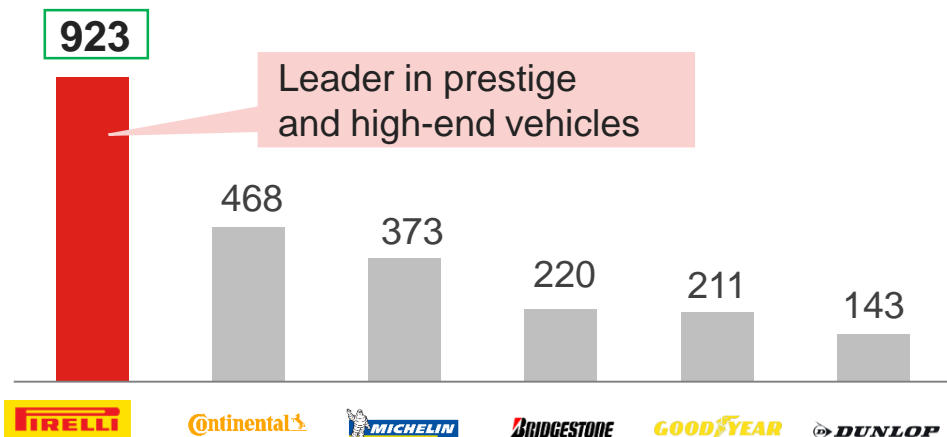


WIDE RANGE OF SPECIALTIES

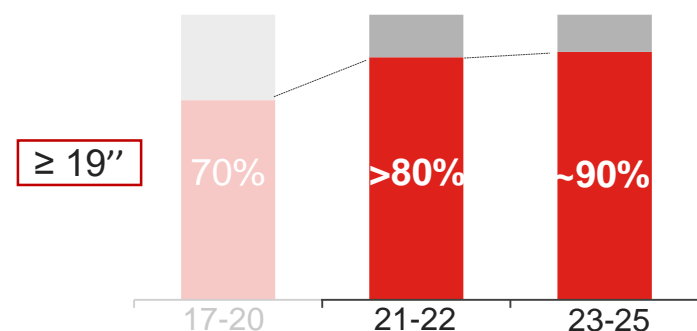
As a result of strong relationship with OEMs

Focus on ≥19"

≥19" O.E. marked items vs. peers¹: Pirelli undisputed leadership.



To be furtherly boosted by future homologations pipelines



Focus on Specialties⁴

Safety Specialties		RUNFLAT
		SEAL INSIDE™
Eco Specialties		NOISE CANCELLING SYSTEM™
		PIRELLI ELECT
Leisure Specialties		RACING TYRES
		COLLECTION TYRES
New frontiers		CYBER TYRE

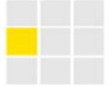
- ▶ ~70% of ≥18" Repl. Volumes in 2025
- ▶ Extending specialties product range
- ▶ Pirelli Leadership in technologies²
- ▶ Strong O.E. Loyalty Replacement rate
- ▶ Higher value added proven by sell-out prices up to +20%

Competitive barrier: loyalty rate >80%³

DEEPER UNDERSTANDING OF CONSUMER NEEDS

“Perfect fit” in designing regional product lines

“Premium - Online”



Yang

Price sensitivity



Channel



TOP 6 PURCHASE DRIVERS

	Relevance
PRESTIGE (COLLABORATIONS)	100
SAFETY (EXCELLENT GRIP)	100
DURABILITY	95
HIGH-TECH	93
TRUST	92
PRESTIGE (SPORT USE)	90

CHARACTERISTICS

CAR DRIVEN: Premium (e.g., BMW X5, Audi Q7, Volvo hybrid XC70)

MAIN NEEDS: Prestige & Safety

DEMOGRAPHICS: 68% male, average age 30-40

INCOME: Above average

PRODUCT SEARCH: 14% brand-, 73% value-, 13% price-seeker

DRIVING BEHAVIOR: High mileage, incl. mountain routes (mainly >20k km)

INFORMATION SEARCH: Gets influenced by celebrity endorsement and sponsors, reads magazines and watches TV



BMW X5

High technological content



Safety



Performance & Milage



Eco Friendly approach



Efficient Production process



Regional approach



28

new product lines



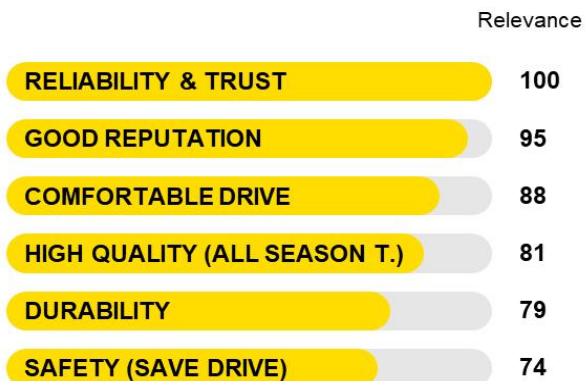
DEEPER UNDERSTANDING OF CONSUMER NEEDS

“Perfect fit” in designing regional product lines

“City rider” – persona description



TOP 6 PURCHASE DRIVERS



CHARACTERISTICS

CAR DRIVEN: Premium European car models (e.g., BMW 3, Mercedes GLE)

DEMOGRAPHICS: 60% male, average age 40-50

INCOME: Average

PRODUCT SEARCH: 15% brand-, 60% value-, 25% price-seeker

INFORMATION SEARCH: Gets influenced by advertising on advertisement boards during city rides

Price sensitivity *Susan*



Consumer need



MERCEDES GLE

High technological content



Safety



Performance & Milage



Eco Friendly approach



Efficient Production process



Regional approach



28

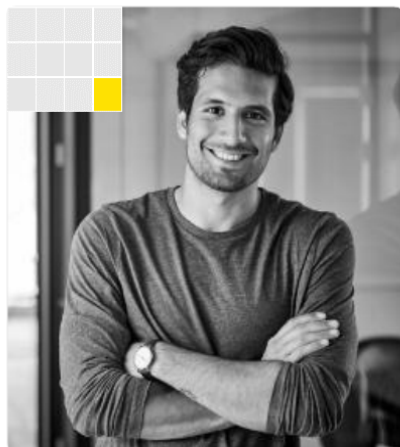
new product lines



DEEPER UNDERSTANDING OF CONSUMER NEEDS

“Perfect fit” in designing regional product lines

“Adventure enthusiast”



George

Price sensitivity



Consumer need



FORD F-150



TOP 6 PURCHASE DRIVERS

	Relevance
DURABILITY	100
COMFORTABLE DRIVE	92
RELIABILITY & TRUST	87
HIGH QUALITY (ALL-SEASON T.)	86
GOOD REPUTATION	79
SAFETY (EXCELLENT GRIP)	75

CHARACTERISTICS

CAR DRIVEN: Synergic (e.g. Nissan Pathfinder, Toyota Land Cruiser)

DEMOGRAPHICS: 67% male, average age 40-50

INCOME: Average

PRODUCT SEARCH: 14% brand-, 60% value-, 26% price-seeker

DRIVING BEHAVIOR: High mileage (mainly >20k km), city & mountain

High technological content



Safety



Performance & Milage



Eco Friendly approach



Efficient Production process



Regional approach



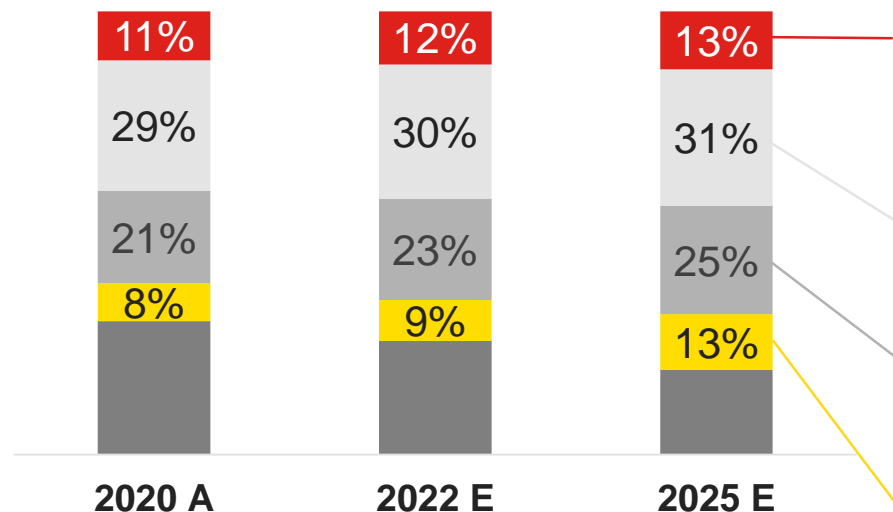
28

new product lines



DISTRIBUTION NETWORK

Will coherently support the Replacement regional strategy



Car dealer: high focus on pull, growing channel, especially for 1st/2nd tyre change

Pirelli retail: expansion of the network and focus on high end mix and services

Tier1: distributors focused on pull-through distribution, higher integration and new partnerships

Online growing online channel, Share of wallet increase in main players (APAC / EU / NAFTA) also via Tier 1 partners

Number of PoS ⁽¹⁾	2020 A	2022 E	2025 E
	~ 17.000	~ 19.000	~ 22.000



Increase market coverage in **Pirelli Retail** thanks to new product lines and digital tools



Tier1 program reinforcement with top distribution players
Coverage increase thanks to new products (online, regional chains and distributors)



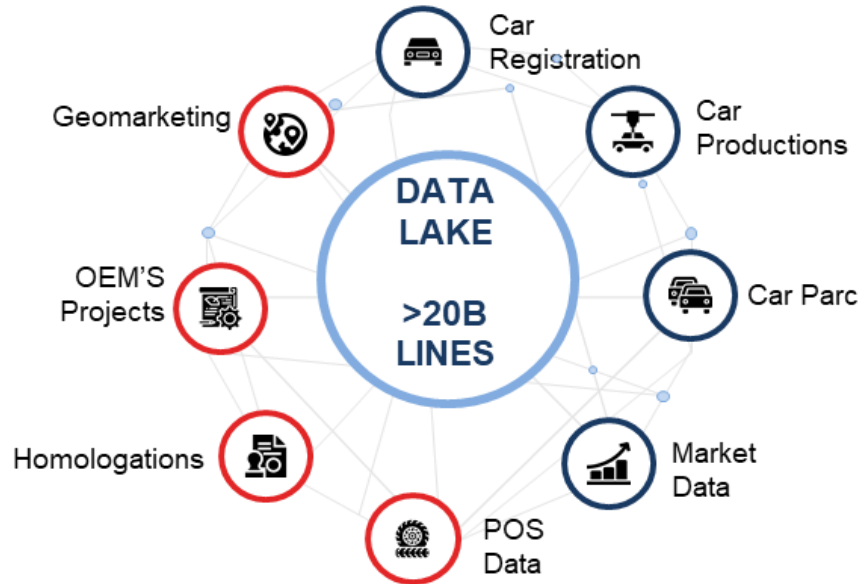
Keep expanding **controlled retail network**, introducing Prestige retail concept;
High Value leadership with **top Online players**

THE ROLE OF BIG DATA ANALYTICS

O.E.- Replacement integrated sales process to maximize effectiveness

Predictive Market Intelligence

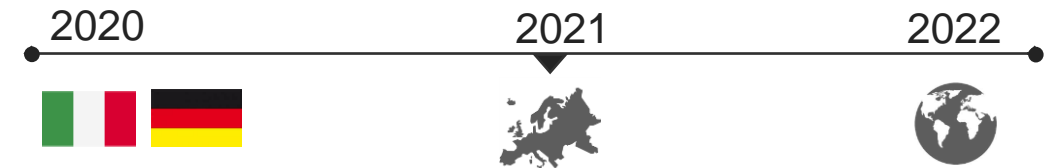
Data Science know-how and dedicated tools to accurately identify commercial opportunities



- ✓ + 5pp increase market penetration vs market⁽¹⁾
- ✓ +5% service level improvement⁽²⁾

CRM B2B2C Implementation

B2B New sales force and customer relation approach



- ✓ +15% sales visits
- ✓ +30% Points of sale
- ✓ +20% Contact Center efficiency



B2C New relation with consumer and Life cycle management targeting by 2022:

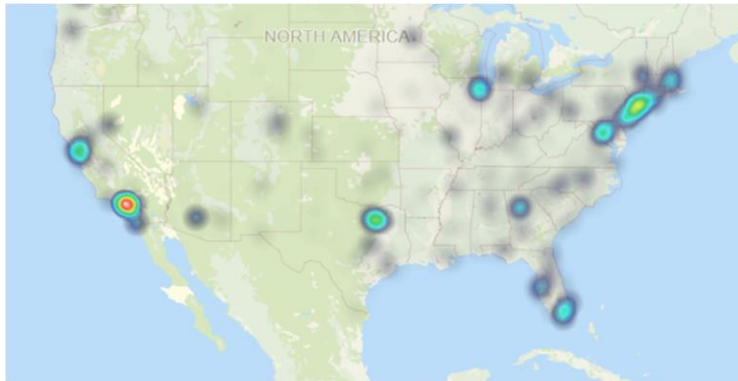
- ✓ +10pp Cross selling (consumer with 2 products or more – summer+winter or moto+car)
- ✓ +10 points NPS⁽³⁾

THE ROLE OF BIG DATA ANALYTICS

Premium & Prestige car parc analytics integrated in company process

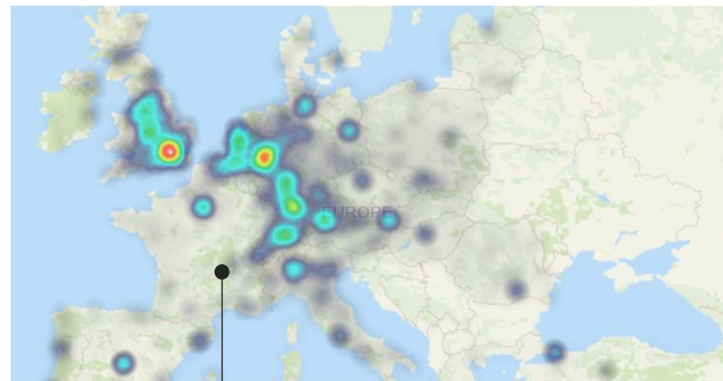
Car parc

CAGR 20-22: **+3%**
CAGR 25-22: **+3%**



Car parc

CAGR 20-22: **+2%**
CAGR 25-22: **+2%**

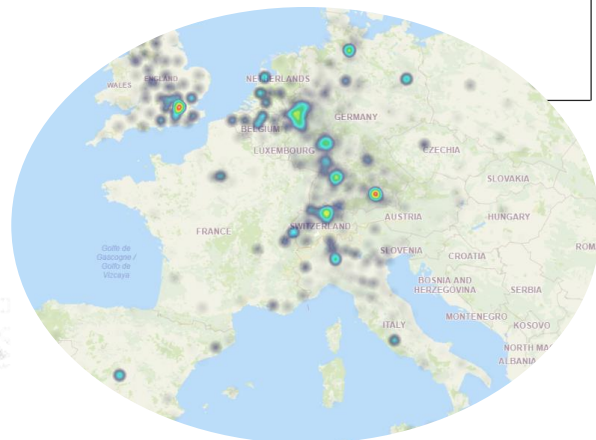


Car parc

CAGR 20-22: **+8%**
CAGR 25-22: **+6%**



Porsche 911 example



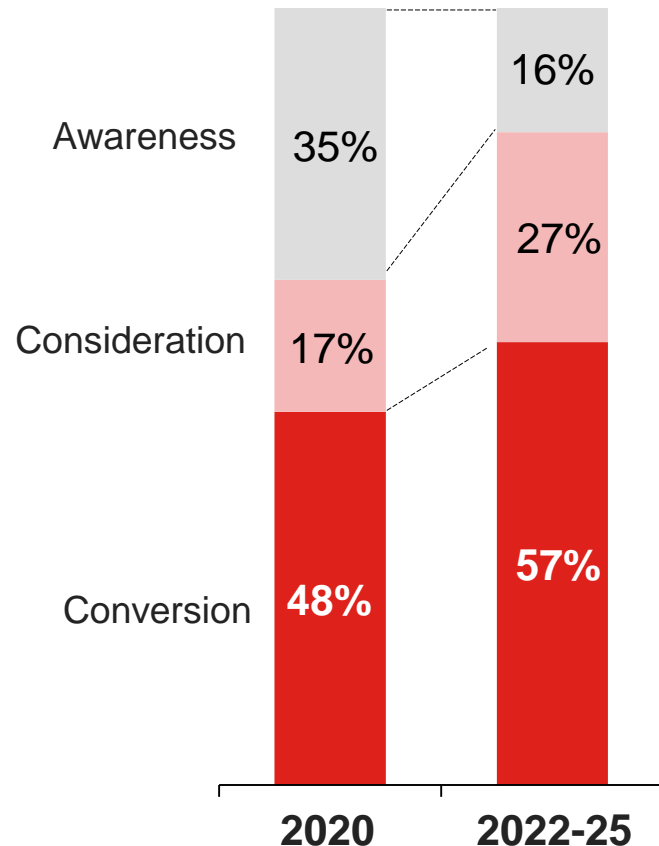
2025 Premium & Prestige car parc >190M:

- ▶ **Forecast visibility** beyond 2025
- ▶ Linked to **tyre fitments** info generating **billion of market potential data**
- ▶ Collected into unique **Data-Lake** feeding dedicated
 - ▶ **sales force tools**
 - ▶ **forecasting tools**

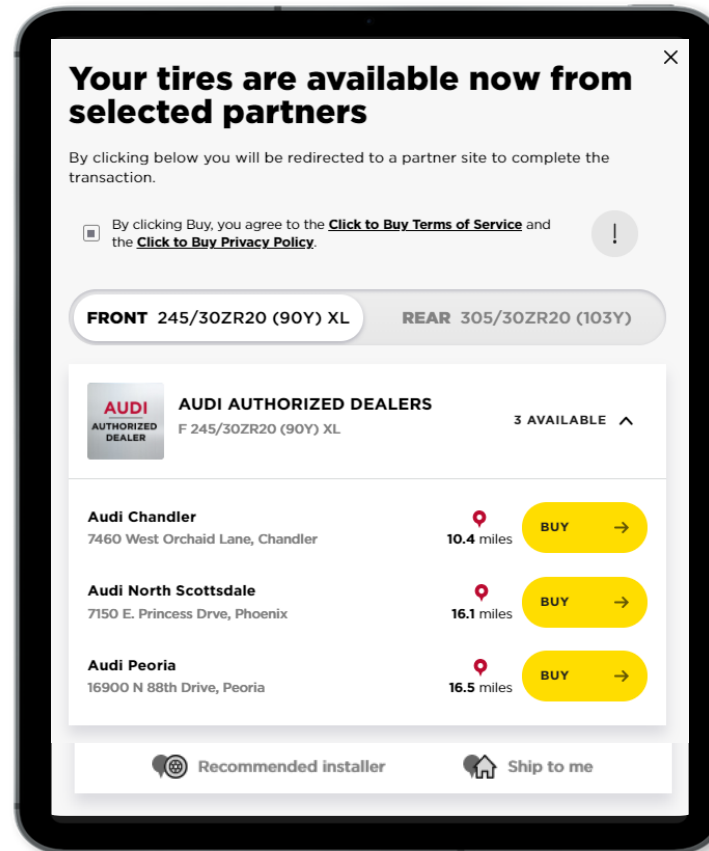
MARKETING SPEND

Reallocation towards conversion

Pirelli Global Brand Investments in Consumer Journey funnel



Pirelli «Click to Buy» Platform



Thanks to advanced digital solutions:

- ▶ **Funnel consumers on Pirelli digital properties** where they can have an immersive experience in Pirelli product and solutions
- ▶ Enable the consumers to finalize the purchase **leading them to our trade partner's platforms:**

Online: **Click to buy**

Offline¹: **Shopping windows**

HIGH VALUE O.E. KEY INITIATIVES

O.E.



SOLID PROJECT PIPELINE THANKS TO ALREADY ACHIEVED HOMOLOGATIONS

85% 21-22 volumes coming from business already running/sourced to Pirelli



FOCUS ON ≥ 19 "

> 50% of total volumes from 2022 and ~90% new homologations in 2025



CUSTOMER – BASE DIVERSIFICATION

Growing in North America and APac (+6pp in volumes incidence in the next 5 years)



INCREASE EV PENETRATION

in 2025 “Elect” marking in ~30% OE ≥ 18 ” fitments



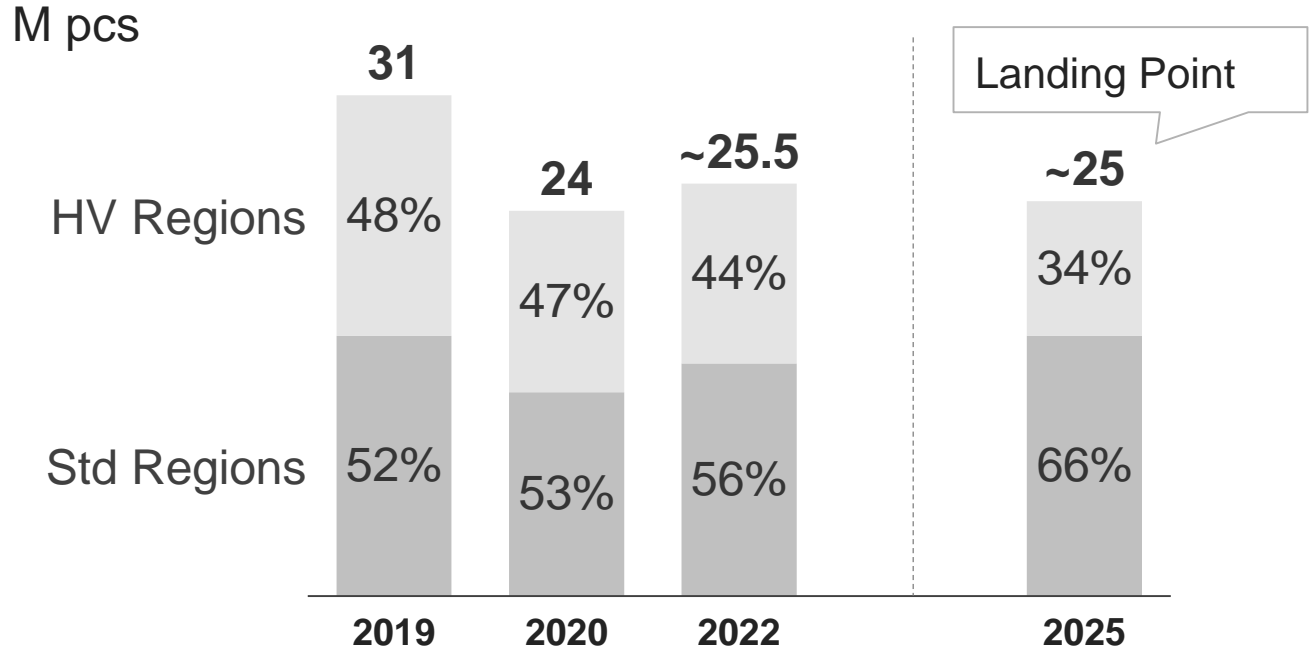
DEDICATED SUPPLY CHAIN

STANDARD



Stabilization of standard volumes at double digit Ebit margin

Pirelli Car Standard volumes



Volume	48%	44%	~40%	~35%
Net Sales	30%	26%	~24%	~21%
	Weight on Total			

- ▶ **Product mix improvement** favoring =17” and more profitable segments (SUV / CUV and All Season)
- ▶ **Price protection**, focusing on segments less exposed to tier-2 and tier-3 competition
- ▶ Production concentrated in **3 specialized and efficient plants** (Kirov, Campinas, Jiaozuo)



2 WHEEL HIGH VALUE LEADERSHIP

Enhance moto positioning, projecting solid growth in the cycling, exploiting 2-wheel favourable market

Moto

~+5%

Tyre Market
CAGR 20-25

~+6%

Cycling



SPORT/
RACING

In the **Moto** Business:

- Global leader in H.V.
- 2 Distinctive Premium Brands
- **Segment Price Leadership**
- Top-Winning Award products
- Re-designed Industrial Footprint



LEISURE/
TOURING

In the **Cycling** Business:

- **Targeting 8x volume by '25**
- Made in Italy Production starting in '21
- Back in Cycle business since 2017 with winning-award products



SPORT/
RACING



URBAN/
TRAVEL

SESSION AGENDA

1 | STRATEGIC GUIDELINES & PLAN SUMMARY

2 | MARKET OUTLOOK & STRATEGY IMPLEMENTATION PLAN

2.1 | COMMERCIAL

2.2 | INNOVATION

2.3 | COMPETITIVENESS

2.4 | OPERATIONS

2.5 | DIGITIZATION

3 | TARGETS

INNOVATION MODEL

Leveraging our strengths, further developing enablers to accelerate product solutions Vs. previous plan



Empowerment from outside



Enablers



Pirelli product solutions



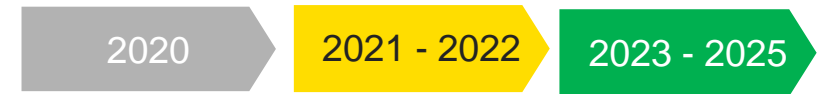
Collaboration with Top Car makers



Consumer insight



Research & Innovation



▶ **Confirming Feb '20 Plan**

▶ **Accelerating in '21/22**

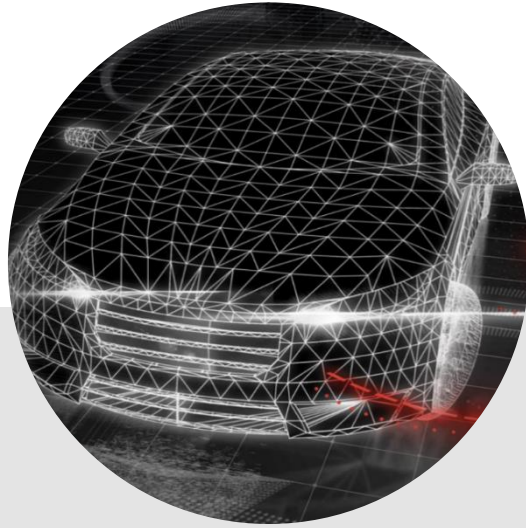
▶ **Eco - Safety design**



OUR INNOVATION MODEL STRENGTHS

How we constantly get inspiration to foster our cutting edge innovation

Collaboration with top Car makers



OE Leadership:
2x Homologations on Marked items

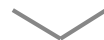


WE KNOW WHERE TECHNOLOGY AND SOLUTIONS ARE GOING

Constant feedbacks from consumers



Consumer Insights through O2O Journey,
regionally tailored products



WE KNOW HOW CONSUMER NEEDS ARE EVOLVING

Leading research & innovation



Open Innovation Model: Forefront Suppliers,
Universities & Innovation Hubs



WE KNOW HOW TO RIDE INNOVATION



PEOPLE SKILLS: RESHAPING THE FUTURE OF R&D

Empowerment and spread of new competencies through acquisition and upskilling

**INVESTING IN NEW
CAPABILITIES**

**INTERNAL
GROWTH**

**TALENT
MANAGEMENT**

**EXCELLENCE
PROGRAMS**



**TALENT
ACQUISITION**



**UPSKILLING &
COUNTINOUS LEARNING**



**ADVANCED
DEV'T PROGRAMS**



**TYRE
TECHNOLOGY
GRADUATE PROGRAMS**

Acquire **core and new
competencies**

Upgrade **internal strategic
know how**

Strengthen **internal
pipeline of talents**

Launch **tailored
graduate programs**



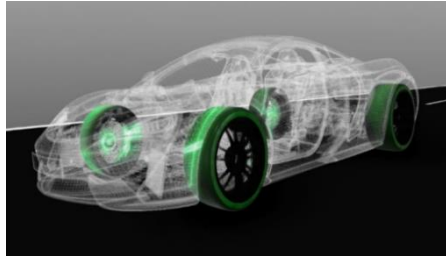
DESIGN INNOVATION

Virtualization and Simulation bringing tangible benefits in both product development and industrialization

Development phase



Virtual Tyre Design



Virtual Tyre Test



Vehicle Perf. simulation

Industrialization phase



Modelling & Parametric Design



Milestones

	2022	2025
OE	~30% ¹	~60% ¹
REPL	~80% ¹	~100% ¹
	Static simulator	Dynamic simulator
	Handling	NVH ²
	HQ	Local R&D

KPIs

Product Development Time



Prototype Costs



New Product Line Availability

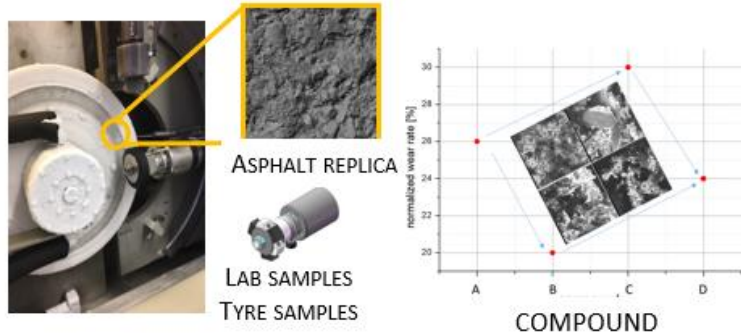




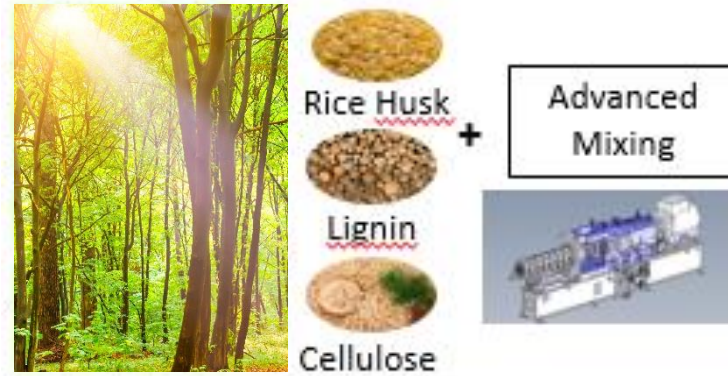
MATERIAL INNOVATION

Virtualization and Eco & Safety design as a key driver for material (r)evolution

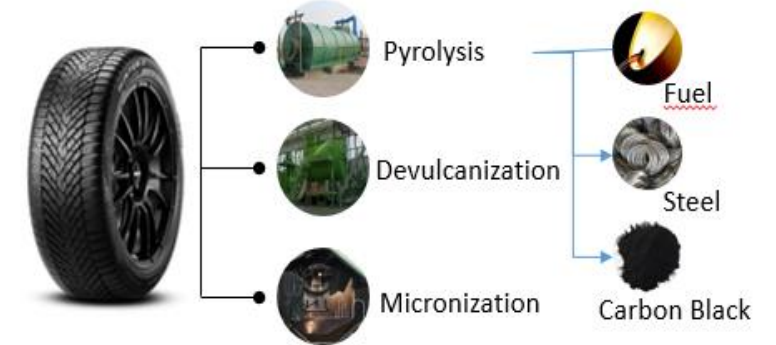
Virtual material development



Eco-materials



End-of-life



Material Development time - 30%



Renewable¹ materials
 >40% by 2025, >60 by 2030
 Fossil based materials:
 <40% by 2025, <30% by 2030



From recycle to regeneration
 Recycled materials²:
 >3% by 2025, >7% by 2030*

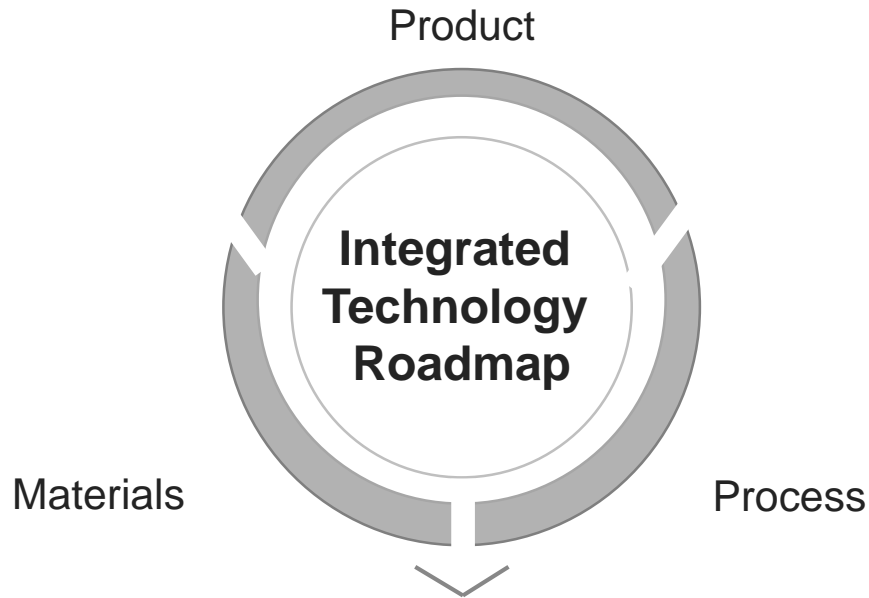
Target Scope: selected products

1. Renewable Materials are natural resources, such as agricultural product or biomass, that, after exploitation, can return to their previous stock levels by natural processes of growth or replenishment(*), on a human time scale(**). Fossil resources and minerals are not renewable resources. Definition based on: (*) OECD glossary definition at <https://stats.oecd.org/glossary/detail.asp?ID=2290> ; (**) ISO 17422:2018(en) Plastics — Environmental aspects — General guidelines for their inclusion in standards); Recycled materials are materials derived from the conversion of waste, by means of any recovery operation which returns substances or materials used to fulfil a particular function, in place of virgin raw materials. Recycled materials are no more classified as a waste. Recycled materials do not include materials that are to be used as fuels, as other means to generate energy, or for backfilling operations. Definition based on Dir 2008/98/EC "Waste Framework Directive"



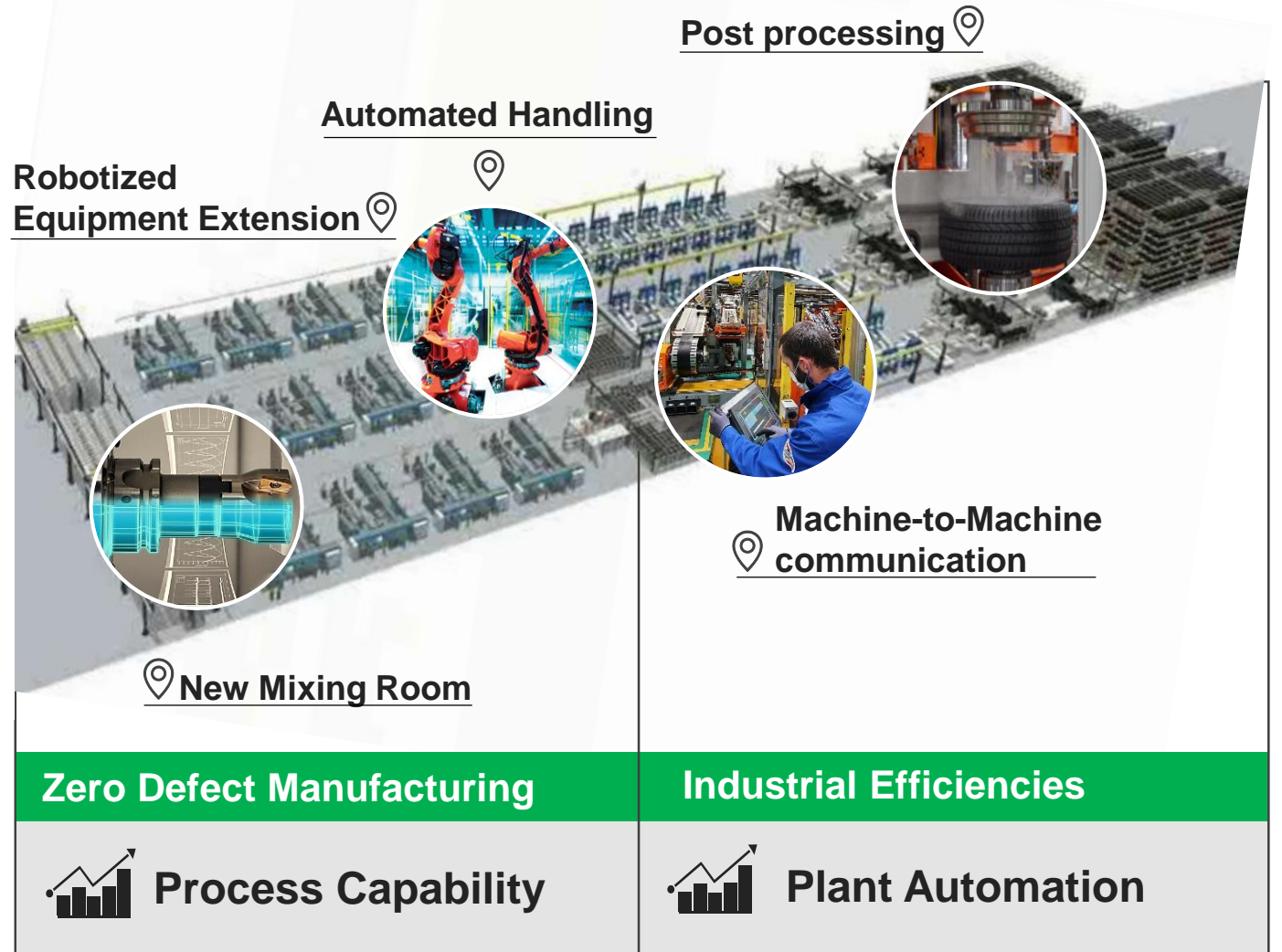
INDUSTRIAL PROCESS DESIGN

Integrated roadmaps and Data driven process design to support industrial efficiencies



Data Driven Processes

- ▶ New Processes
- ▶ Existing Equipment Digitalization
- ▶ Industrial IOT Platform
- ▶ Digital Twin
- ▶ Robotized Processes Extention





MODULARITY

Extension of modularity concept to planning and processes to optimize variety management




Development phase



Milestones



KPIs**

 **Technological Portfolio Modularity**





● **2019** Product Modularity Concept applied in EU Factories


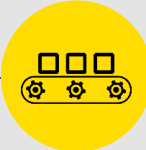
● **2020** Product Modularity globally*



● **2021-2023** Modularity Approach extended to Processes, Integrated with planning

COMMONALITY&MODULARITY TO MEET INCREASING O.E. DRIVEN DEMAND:

  **Production Planning & Sales forecast integration**

  **Process Modularity, Flexibility factory and "IIOT"**

Components Commonality 

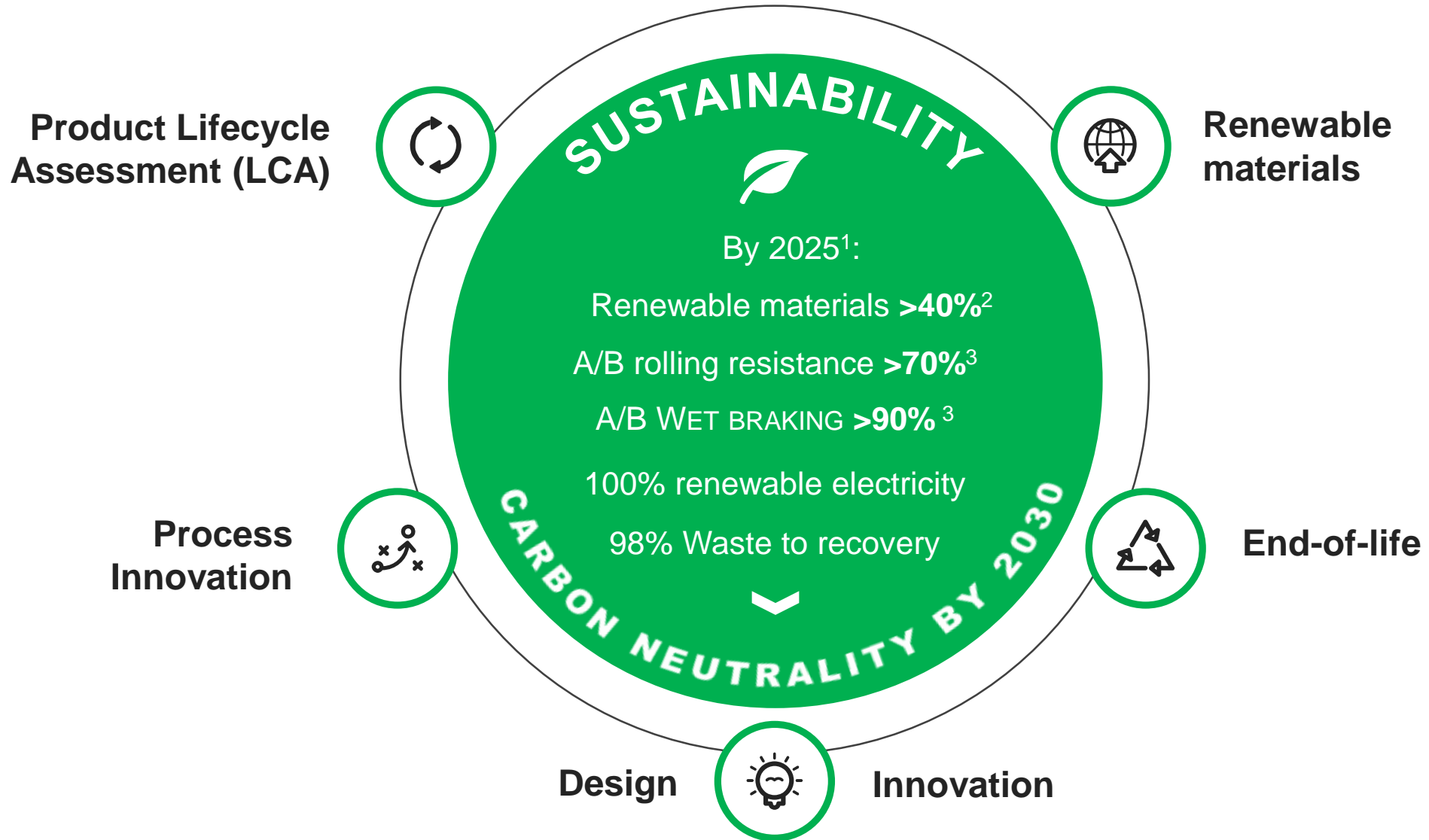
Simplified Semi-manufactured ready to use 

Range Rotation (Mix Rotation) 



PIRELLI ECO & SAFETY LEADERSHIP

Sustainability pervasive innovation approach

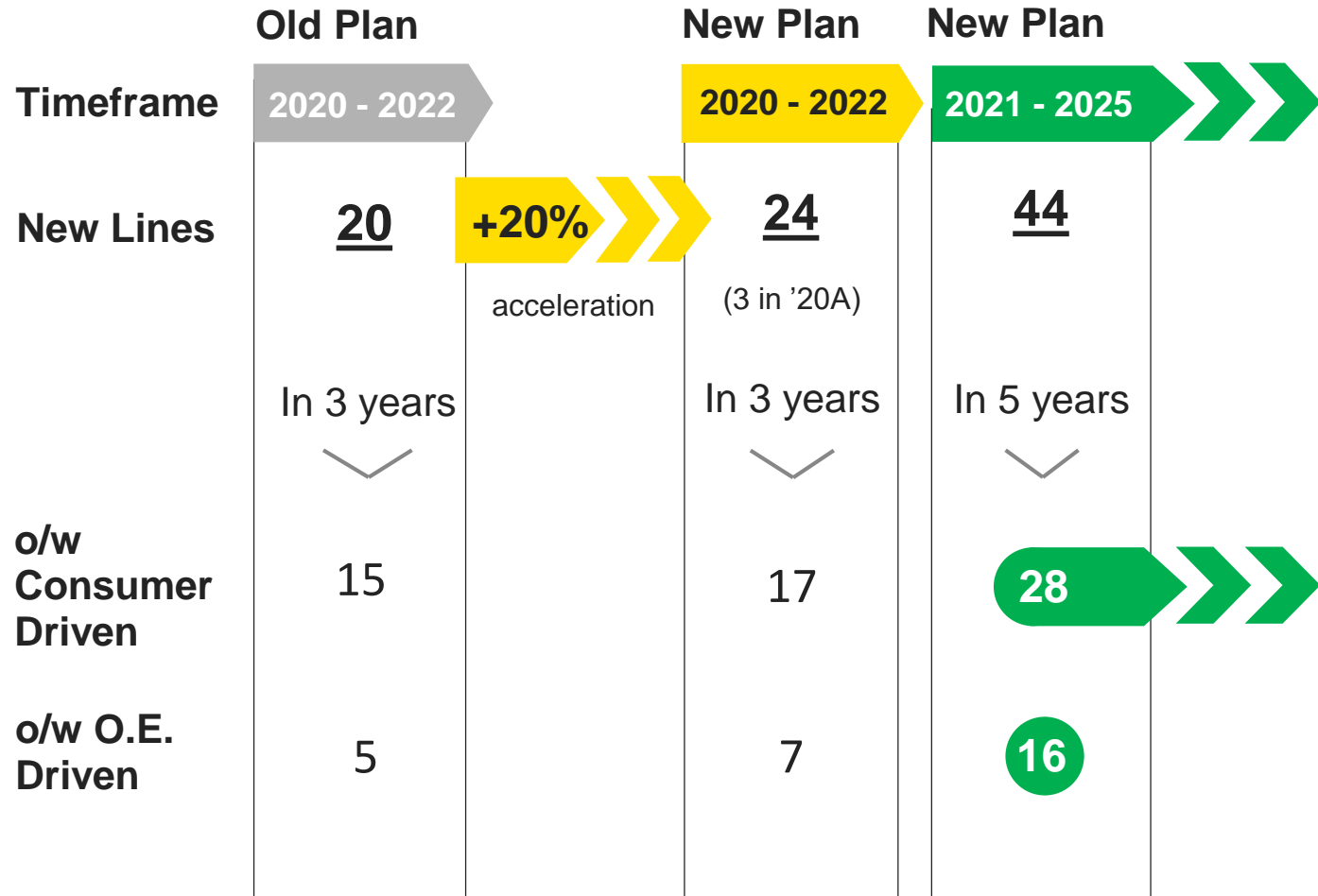




PRODUCT SOLUTIONS

Speeding up Product Pipeline with focus on Regional Consumer Driven Lines

Product renewal Acceleration



Focus on Eco & Safety*

Wet Grip	Rolling Resistance
>90% A&B Class**	>70% A&B Class**

Focus on Regional Lines

Robustness	Comfort	Eco-label
All terrain	Mileage	Snow&ice

*: 66% of revenues from Eco&Safety Products identifying 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 ** Considering newly labelled IP codes in 2025

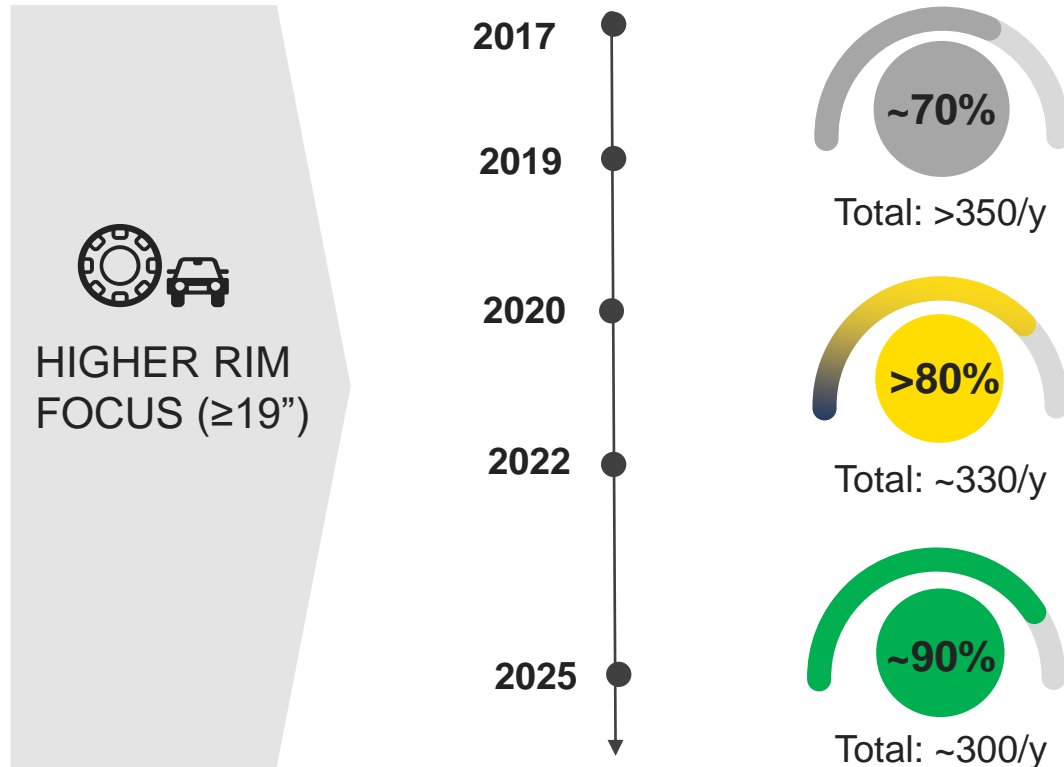




PRODUCT SOLUTIONS

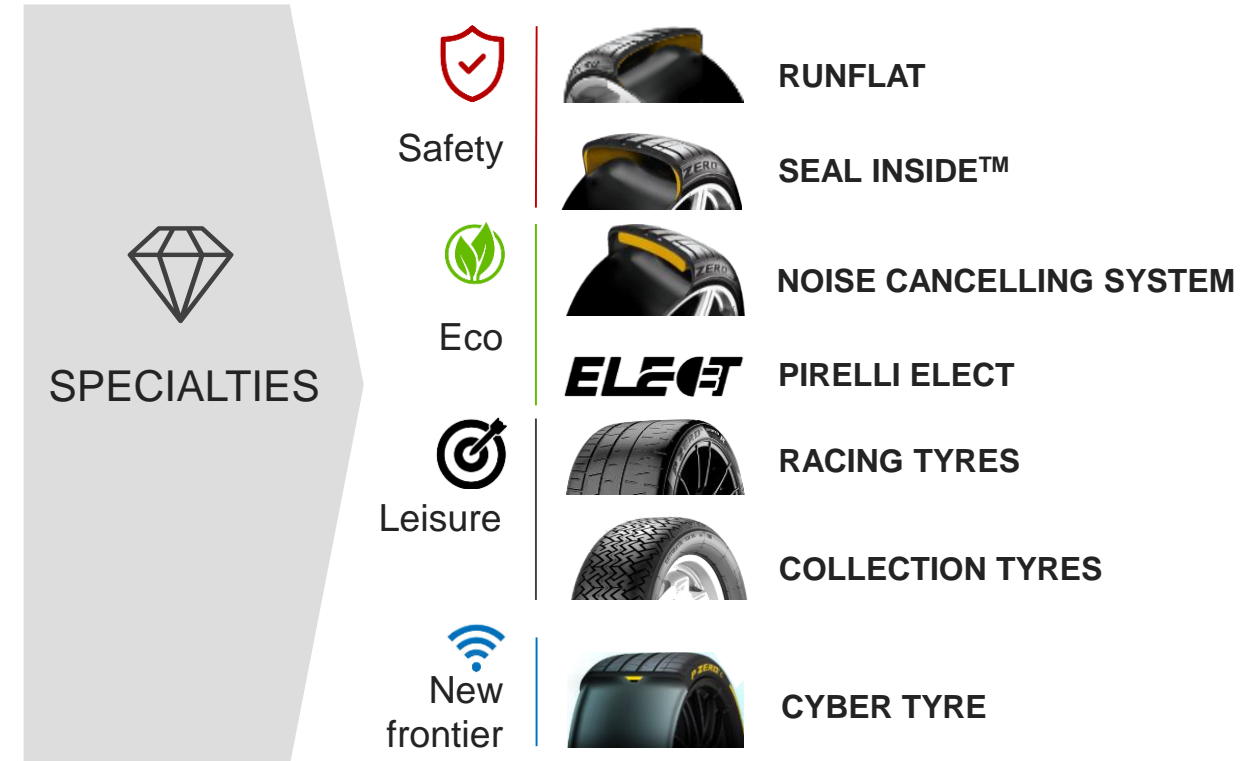
New Homologation Pipeline focused on Top-end range (≥ 19) and Specialties

New Homologations Focus on ≥ 19 "



From ~70% in 2017-19 to ~90% expected in 2025

New Homologations Focus on Specialties



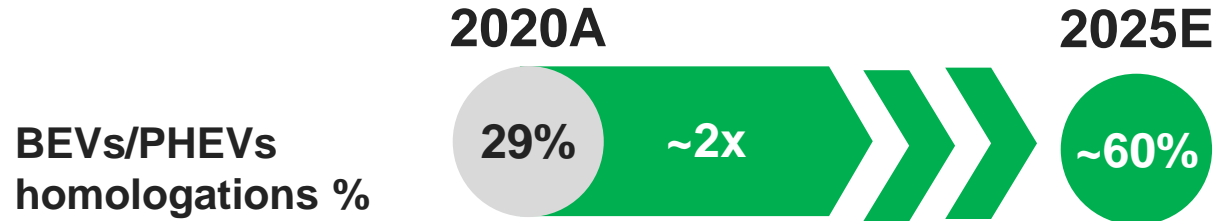
From 47% in '20 to ~60% of ≥ 18 New Homologations in '25



PRODUCT SOLUTIONS

EVs to represent more than half of homologations in 2025

Strong EV project pipeline



Extensively collaboration with all relevant Car OEMs on EV Projects:

- ▶ Premium & Prestige
- ▶ Selected Synergic focusing on specialties
- ▶ Pure EV manufacturers and Start-ups



Why “ELECT” is perfect fit for EVs



- ▶ Battery Range Extension
- ▶ Sustaining Higher Vehicle Mass
- ▶ Handling Higher Torque
- ▶ Delivering Higher Comfort



Higher load



Lower Rolling R.



Higher grip



Lower noise

High Load Tyre Capacity

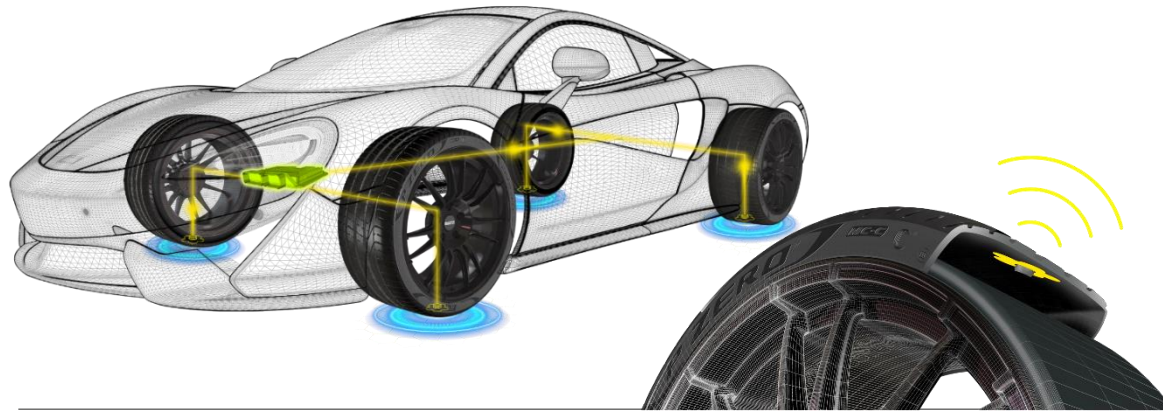
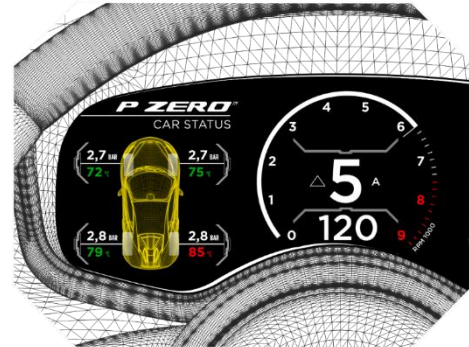
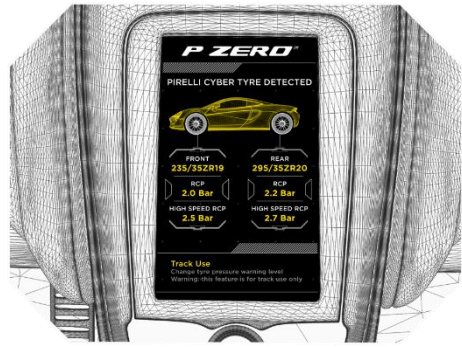
10% reduced RR → +2% Battery Range (WLTP Cycle = Only Straight Running)

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

Specific tyre shape to optimize aerodynamic Interaction with Vehicle

CYBERTYRE

Hits the ground as the first tyre system



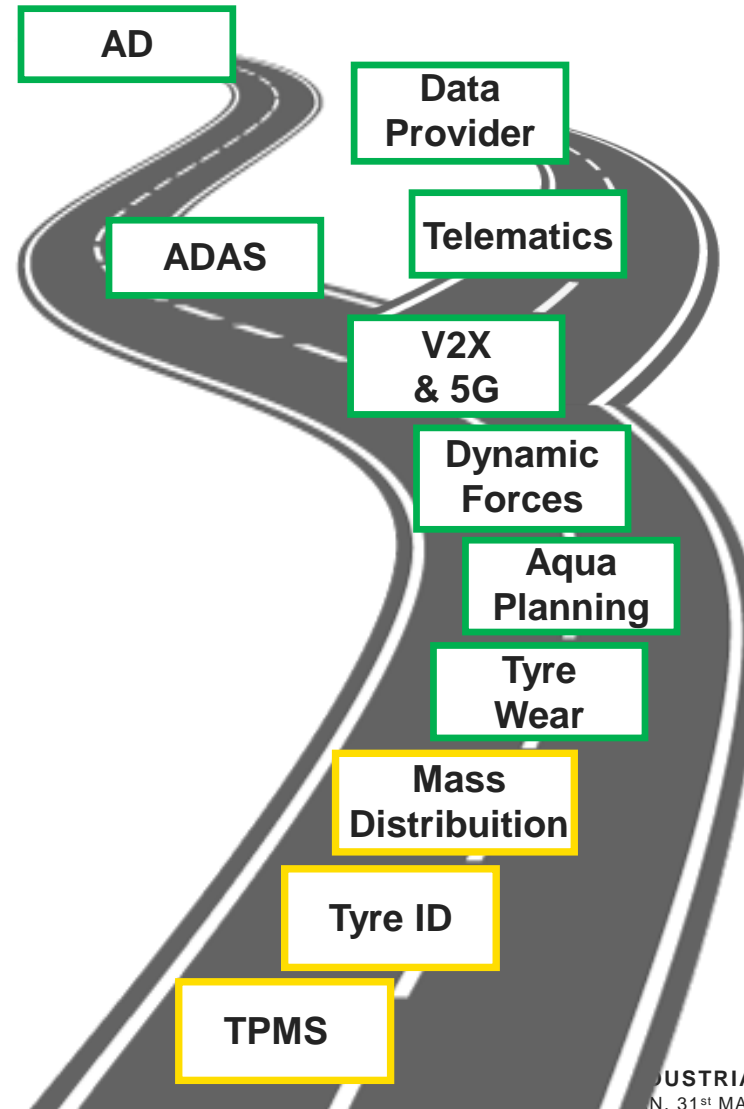
2020-2022
WORLD FIRST TYRE
SYSTEM IN A
SERIES CAR

A road of features towards vehicle safety, fleet & data solutions



Tyre vehicle interaction

IoT & related services



WORLD FIRST
5G CONNECTED
TYRE



AGENDA

1 | STRATEGIC GUIDELINES & PLAN SUMMARY

2 | MARKET OUTLOOK & STRATEGY IMPLEMENTATION PLAN

2.1 | COMMERCIAL

2.2 | INNOVATION

2.3 | COMPETITIVENESS

























2.4 | OPERATIONS

2.5 | DIGITIZATION

3 | TARGETS

COST COMPETITIVENESS

Wave 2 confirmed, Wave 3 worth ~€70M÷€100M cumulated '23-'25 Net impact

		Wave 1 -'20	Wave 2 - '21-22			Wave 3 - '23-25	
		Gross impact	Focusing on:	Gross impact	'21 impact	'22 impact	
Product Cost			<ul style="list-style-type: none"> ▶ Modularity ▶ Design speed and virtualization 				 <p>Operational excellence</p>  <p>Digital transformation ~50% of Wave 3</p>
Manufacturing			<ul style="list-style-type: none"> ▶ Footprint optimization ▶ Industrial IOT and flexible factory 				
SG&A			<ul style="list-style-type: none"> ▶ Logistic network redesign and service differentiation ▶ Procurement rationalization 				
Organization			<ul style="list-style-type: none"> ▶ Digital Processes and Organization transformation 				
Total Gross Impact as% of cost baseline		~€160M ~ 3.5 % of baseline '19		~€310M ~ 8.0 % of baseline '20	~50%	~50%	Wave 1+2 ~€470M ~ 12.5 % of baseline '20
Total Net Impact as% of cost baseline		~€110M ~ 2.5 % of baseline '19		~€170M ~ 4.5 % of baseline '20	~50%	~50%	~€280M ~ 7.5 % of baseline '20
Old Plan @ Feb20		~€110M 		~180 M€ 			~€290M
							~€70M÷€100M cumulated '23-'25 Net impact

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MANUFACTURING CAPACITY

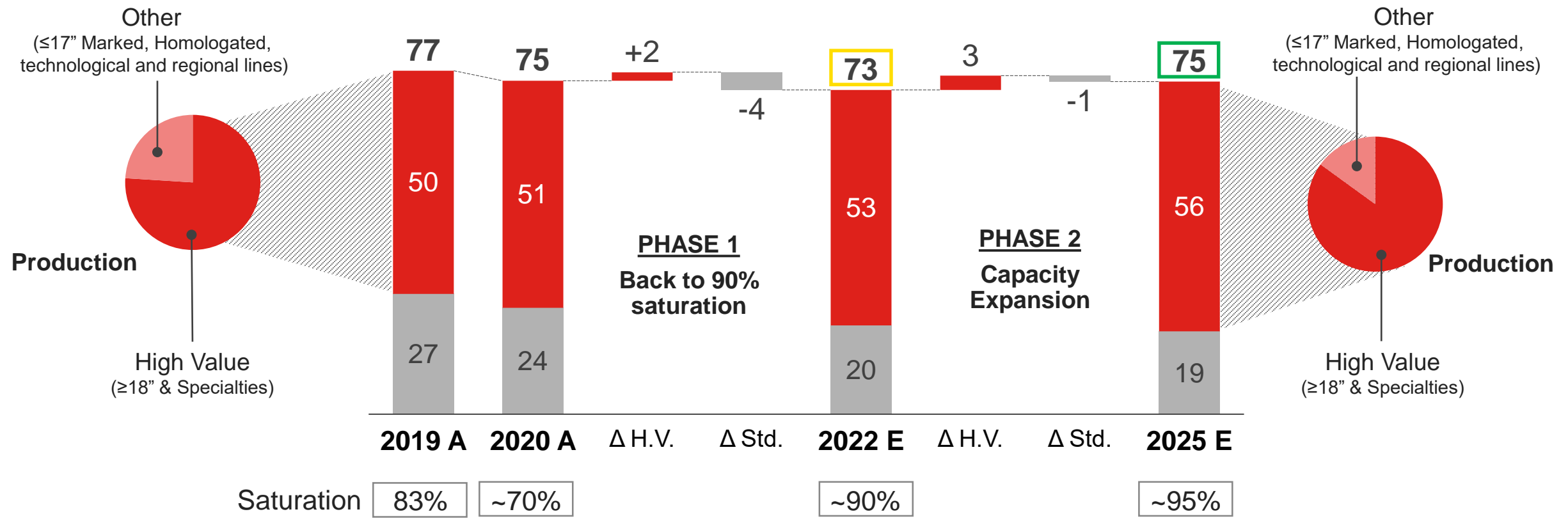
Back to 90% saturation already in 2022, capacity increase in '23-'25 to support volume growth

Pirelli car capacity & saturation trend

% Low-Cost Countries

81% ~82% ~83% ~83%

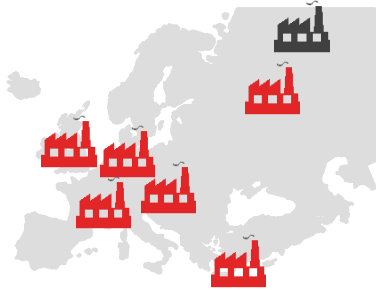
■ H.V. ■ Std.



CAR MANUFACTURING FOOTPRINT EVOLUTION

Rationalization completed by 2022, 2023-2025 H.V. capacity growth in Low Cost Countries

EU & RUSSIA



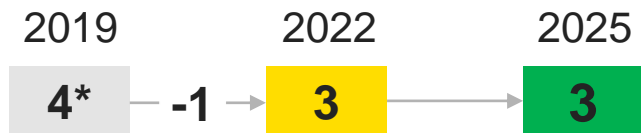
- ▶ Specialization in small lots & Prestige
- ▶ Bollate (ITA) **conversion** in Cycling
- ▶ Burton (UK) reorganization (alt of Mirs Car production)
- ▶ **Standard Hub** in Kirov (RUS)

APAC



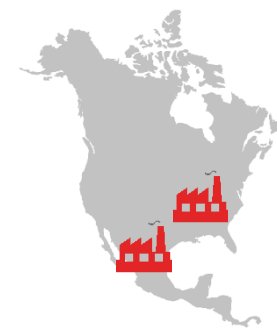
- ▶ Yanzhou (CHN) Class – A Performance Enterprise as **green plant certified**
- ▶ **Specialties** production strengthened
- ▶ **Std. production** mainly in Jiaozuo (CHN)

S.AMERICA



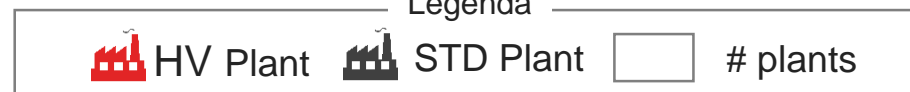
- ▶ **Specialties** production strengthened
- ▶ Focus on **HV export** to US
- ▶ Alt of Gravatai (BRA) Car production
- ▶ **Std.** production mainly in Campinas (BRA)

N. AMERICA



- ▶ Further **growth in HV capacity** in Silao (MX) from '23, ~1.5 Mln pieces

Legenda



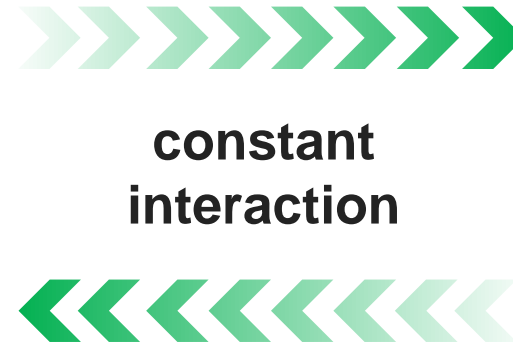
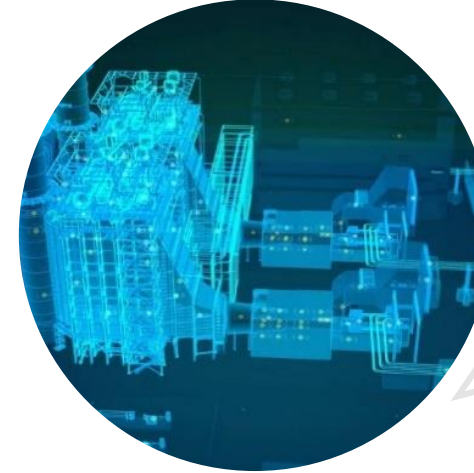
INDUSTRIAL IOT

Platform enhancing plant efficiency and aiming at zero defect

PLANT



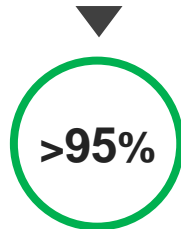
DIGITAL TWIN



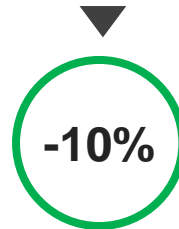
>300 data analysts
(i.e. >30% manuf. White Collars)
>100 industrial apps up & running
100% H.V. capacity connected in '23

Higher efficiency, Zero Defect Manufacturing, immediate Best Practice sharing across plants

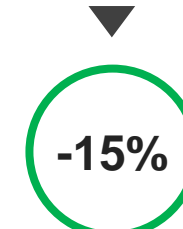
Plan
Targets



Process data
On cloud



Energy cost
Savings



Cost
of quality

SUSTAINABLE INDUSTRIAL FOOTPRINT



**100% renewable
electricity worldwide by
2025**



**Group Carbon
Neutrality by 2030**



**Commitment to the
Science Based Target
initiative**
in alignment with our CO2
emissions reduction strategy¹



**Most efficient plants in
terms of sustainability²**
(e.g. excellence in water
management, zero waste to
landfill)

CUSTOMER CENTRIC SUPPLY CHAIN

Enhancing service level through dedicated supply chains and digital customers integration

5 dedicated supply chains

OEMs	Synchronized supply chain with car build schedule
TIER-1	Collaborative Make To Order with top distributor to deliver >95% service guaranteed*
PRESTIGE	Dedicated Production and Delivery exploiting geo-localized Parc to optimize forecasts (one day shipping)
SPECIALTY (small seller)	Yearly Frozen Make To Stock and express delivery service for selected high profitability items
LONG RUN (best seller)	Predictive preparation and distribution , with full-truck load and routing efficiency

Customers digital integration

Integrated **sales and supply planning**

A.I. to improve stock management



PLAN TARGETS

Service Level¹



Collaborative sales planning²



Stock Rotation³



Inventory Coverage⁴



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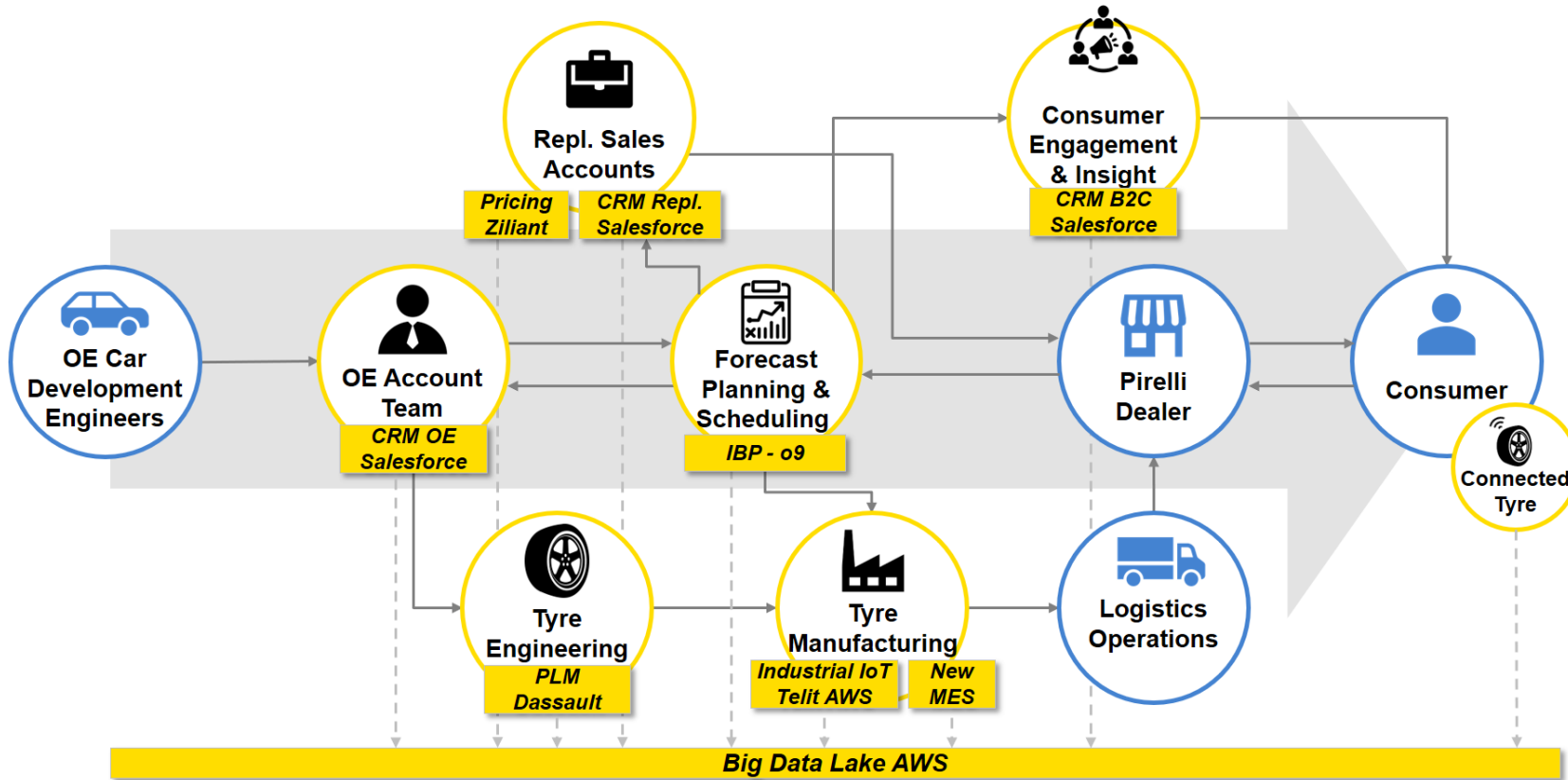
2.3 | COMPETITIVENESS

2.4 | OPERATIONS

2.5 | DIGITIZATION

3 | TARGETS


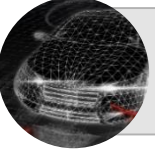



BY 2023 A TOTALLY REMODELED, “SIMULTANEOUS” COMPANY



- ▶ **Workflows integrating internal functions with external partners/ customers**
- ▶ **Integration is real time, 24/7, data intensive**
- ▶ **All data stored in shared “data lake” enabling better interpretation by AI models**
- ▶ **5 leading-edge platforms supporting workflows**

Plan factors in only first bottom up improvements, in a typically exponential curve

STRATEGY IMPLEMENTATION PLAN: RECAP

	Brand heritage & Open Sky innovation	H.V. ≥19", Specialties, EVs	H.V. capacity in low cost countries	High cost capacity rationalization	China	High Technology Sports Activities	Speed Effectiveness Integration Efficiency
 Commercial	✓	✓			✓	✓	✓
 Innovation	✓	✓			✓	✓	✓
 Competitiveness			✓	✓			✓
 Operations			✓	✓	✓		✓
 Digitization							✓

All programs leveraging & enhancing Pirelli strengths

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2021-22/25 TARGETS

€ billion

	2020 A	2021 E	2022 E	2025 E
Net Sales	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%
CapEx (% on sales)	0.14 (3.3%)	~0.33 (~7%)	~0.38 ÷ ~0.4 (~7.5%)	~1.2 ÷ ~1.3 cum '23-'25 (~7.5% avg)
Net Cash Flow bef. Dividends & conv. Bond impact	0.21	~0.30 ÷ ~0.34	~0.42 ÷ ~0.46	~1.7 ÷ ~1.9 cum '23-'25
Net Financial Position NFP / adj. EBITDA	3.3 3.65x	~3.0 ~2.7x	~2.75 ÷ ~2.65 ~2x	~1.6 ÷ ~1.4 ~1x
ROIC Post taxes	10.4%	~16%	~19%	~25%

o/w
~9% in '23
~7.5% in '24
~6% in '25

o/w
~0.5 in '23
~0.6 in '24
~0.7 in '25

Dividend policy: ~50% pay out of 2021-22 net income; 40% of 2023-24 net income

OUR VALUE ROADMAP

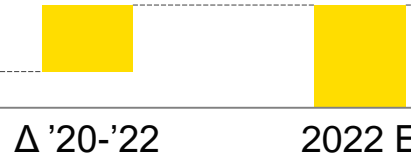
- ▶ **Volume:** seizing market growth in H.V., gaining share
- ▶ **Price/Mix:** reaping the benefits of our commercial actions while keeping price discipline
- ▶ **Net Efficiencies:** 2020-22 Competitiveness plan delivered with an add-on wave in '23-'25

- ▶ **Operating Cash Flow:** improving despite high investment for growth in '23-'25
- ▶ Cash out for restructuring
- ▶ Keep a **tight working capital management**

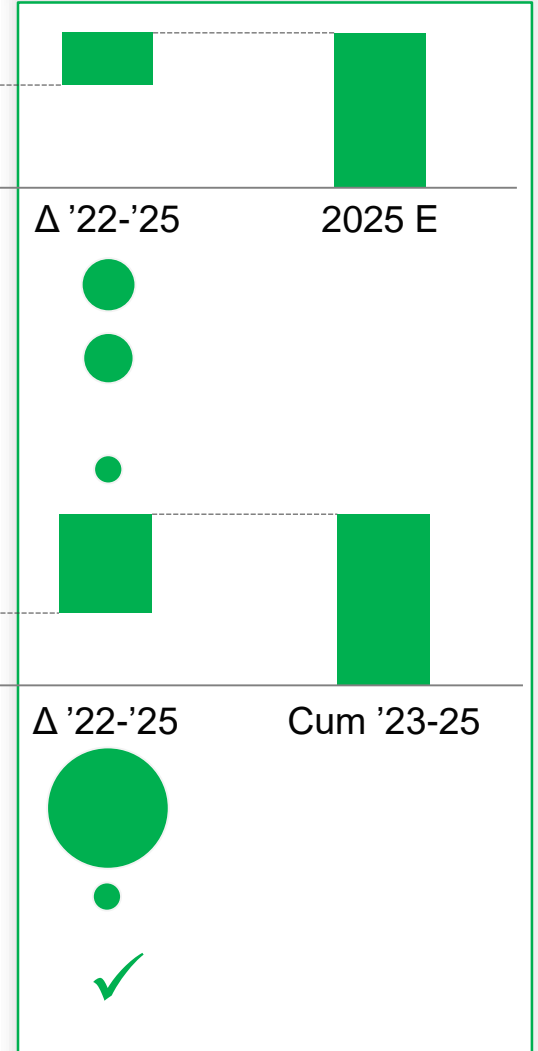
Adjusted EBIT
(€ million)

501
2020 A

2021E-22E
'22 end: Next Normal
(back to pre-Covid level)

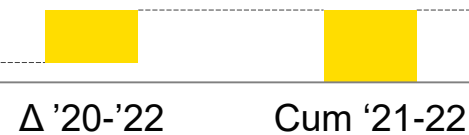


2023E-25E
'25 end > Fully deleveraged

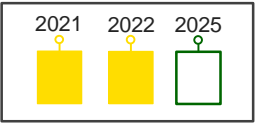


NCF generation
(€ million)

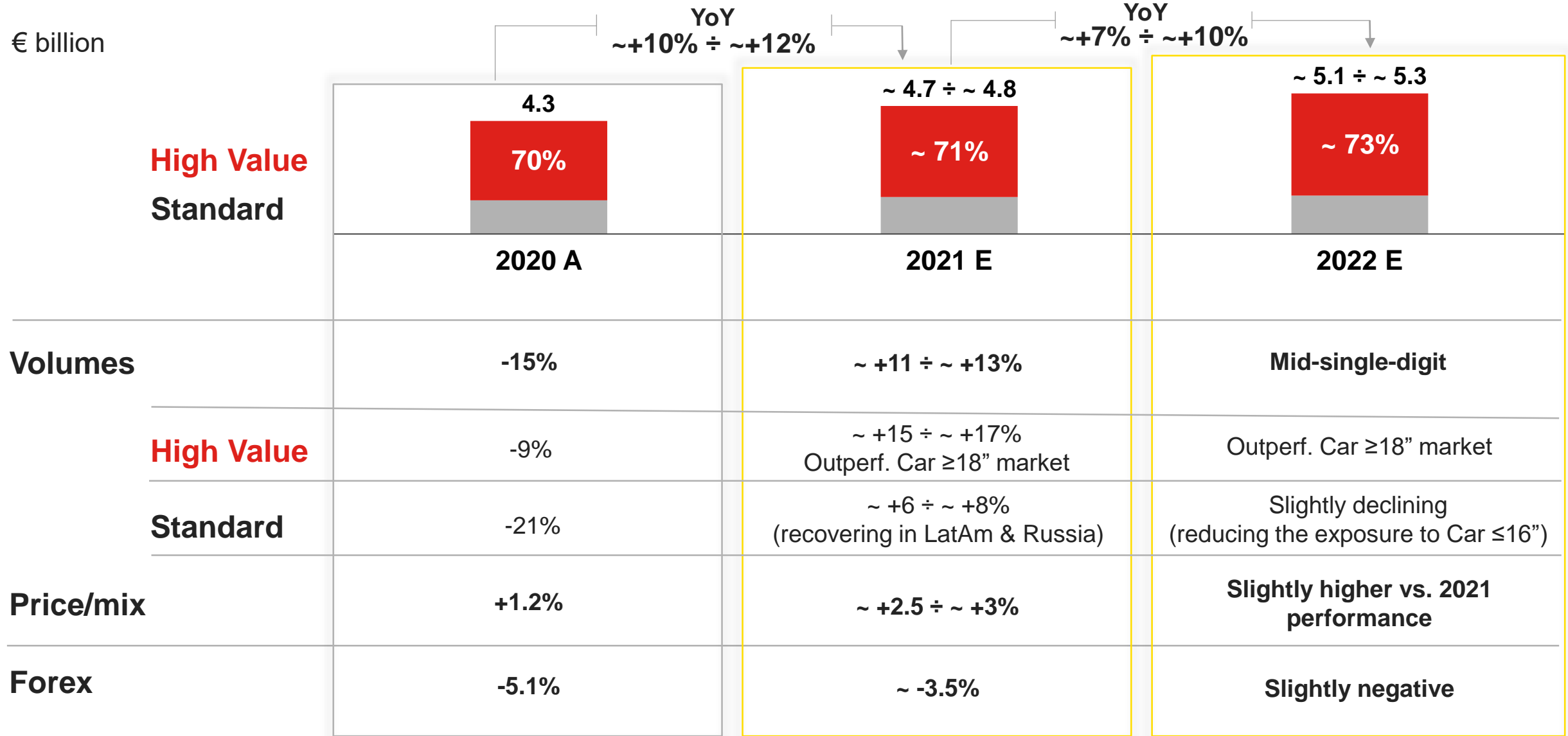
208
2020 A



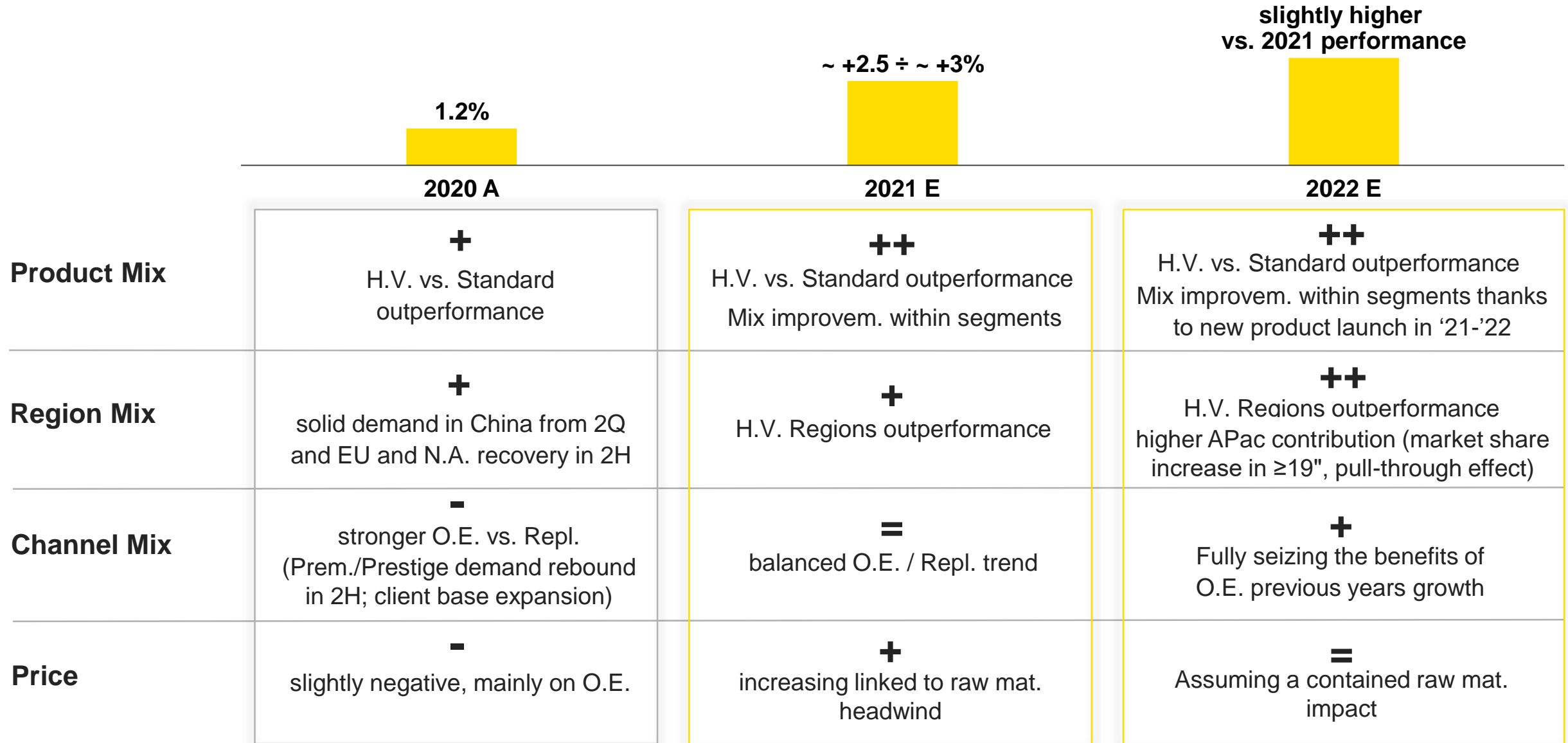
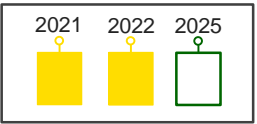
2021-2022 REVENUES TREND



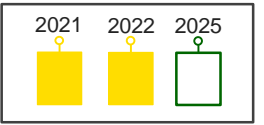
€ billion



2021-2022 PRICE-MIX TREND

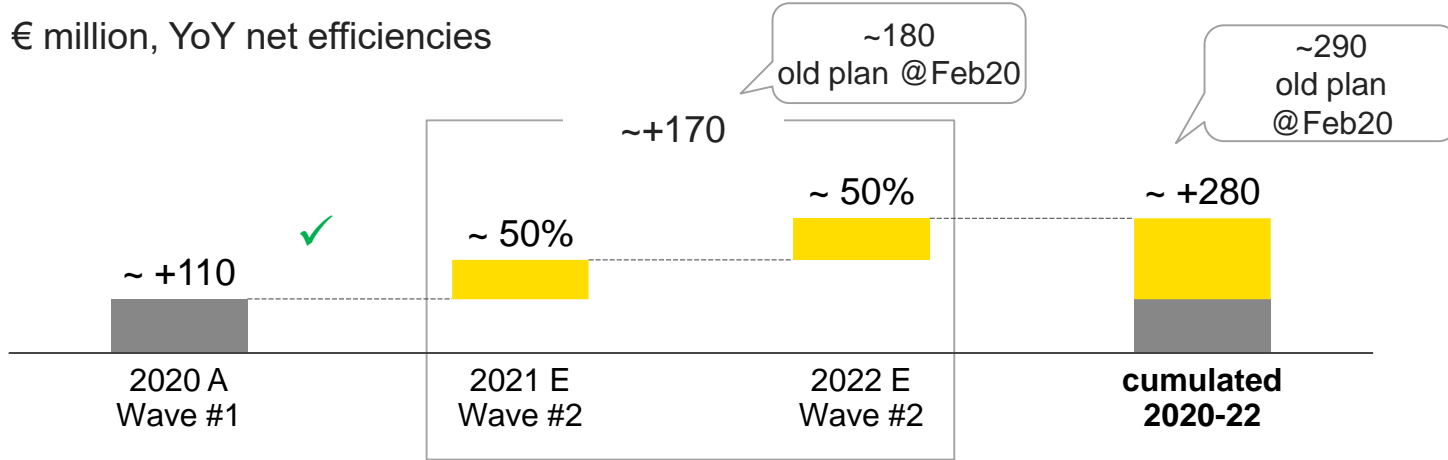


EFFICIENCIES 2020-22



Competitiveness plan '20-22

€ million, YoY net efficiencies

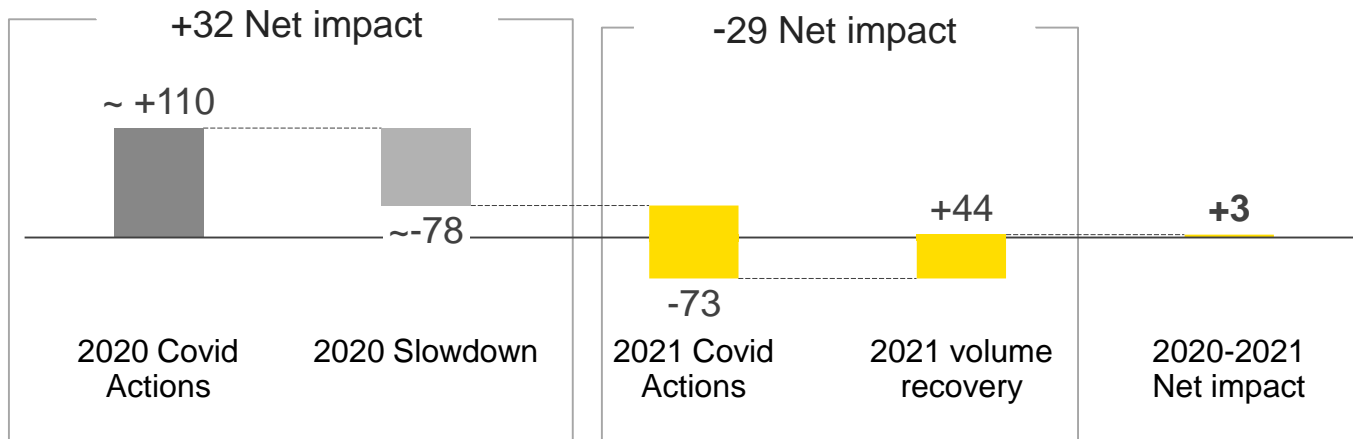


► 20-22 Competitiveness Plan confirmed

- 2nd Wave almost in line with 2020 Feb plan despite a lower Standard production saturation vs. the old plan
- Lower benefits on manufacturing and product cost partially covered by higher SG&A and Organization savings

Covid actions '20-21

€ million, YoY net impact

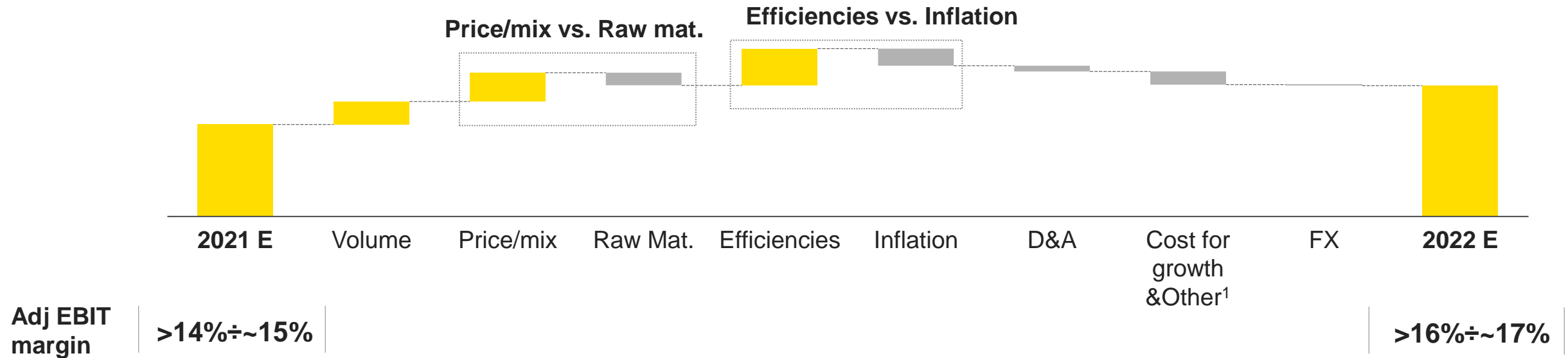
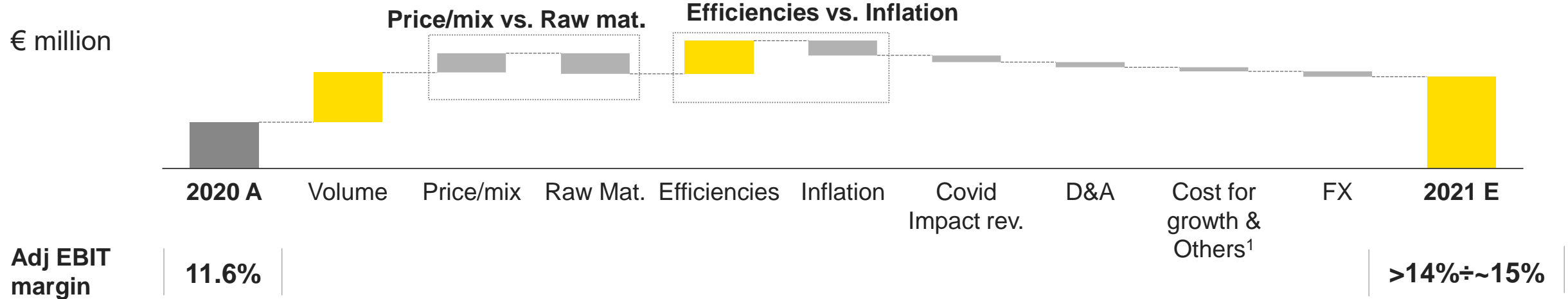
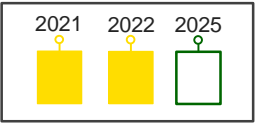


► 2020 Short term cost cutting plan to counterbalance Covid-19

► 2021 Reverse Impact

- - €73 million of costs related to activities kept on-hold in 2020 (65% of 2020 gross efficiencies)
- + €44 million linked to volume rebound (55% of 2020 slowdown): production recovery still below the old plan and furlough not contributing anymore

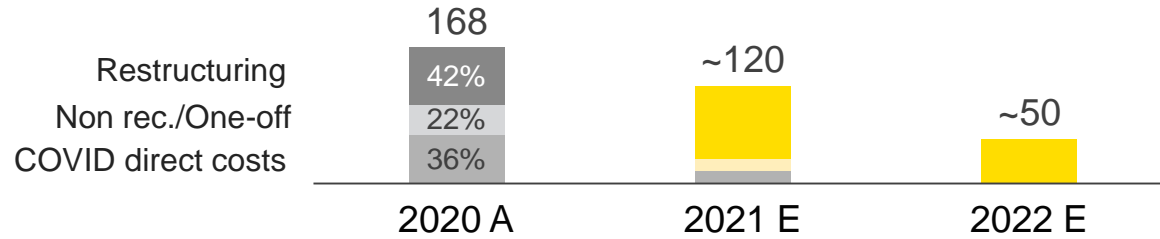
2021-2022 PROFITABILITY TREND



BELOW ADJUSTED EBIT

Restructuring and non recurring costs

€ million



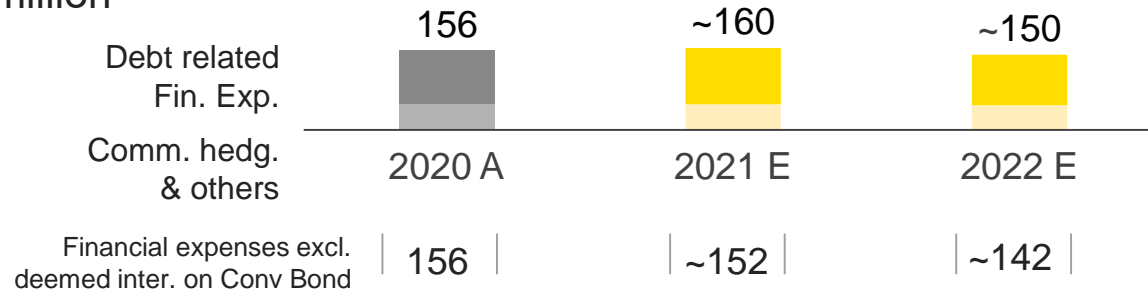
► Restructuring:

- ▷ on-going plant restructuring (Brazil, Italy, Burton MIRS), rightsizing / organization streamlining and early retirement programs
- ▷ benefits already visible within competitiveness program
- ▷ cash-out ~+20% vs P&L in both '21-22 (previous years accruals)

- **2021 Non Recurring:** mainly Retention and other costs not related to the business (e.g. pension fund de-risking actions)

Financial income and expenses

€ million



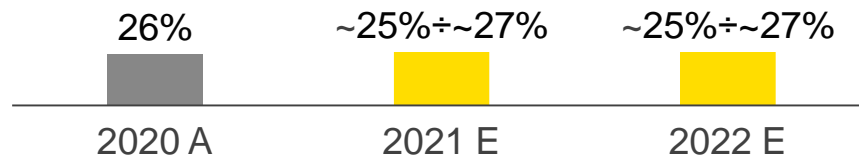
- **Cost of Debt 2022E:** 2.2% vs. 1.94% in 2020A

due to higher interest rate in Emerging Markets (~17% of gross debt)

- **Deleveraged benefits dented by:**

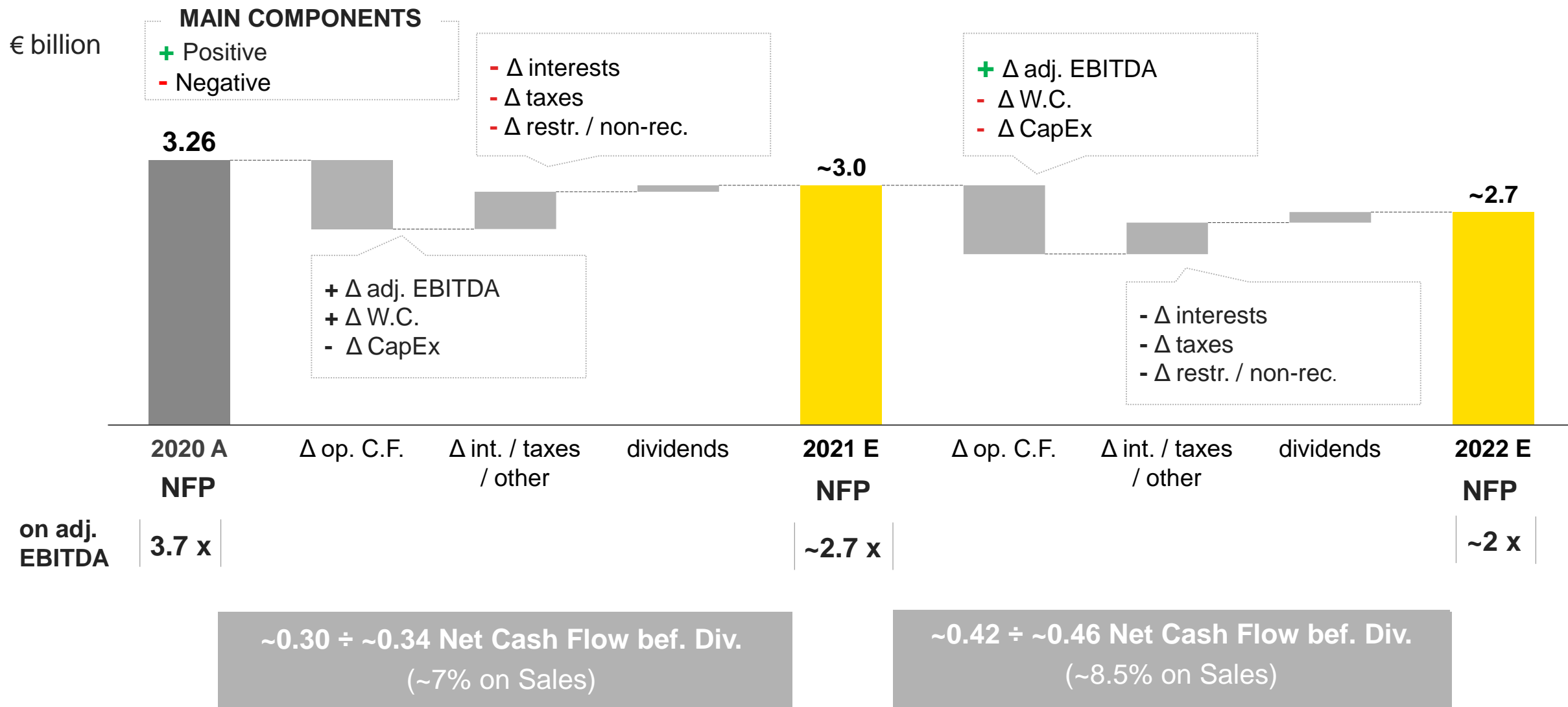
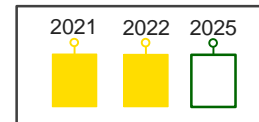
- ▷ commercial hedging increases due to our top-line growth
- ▷ exposure to high yield currencies
- ▷ hyperinflation in Argentina

Tax rate

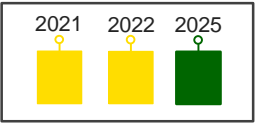


- **In line with Feb 2020 Industrial plan**

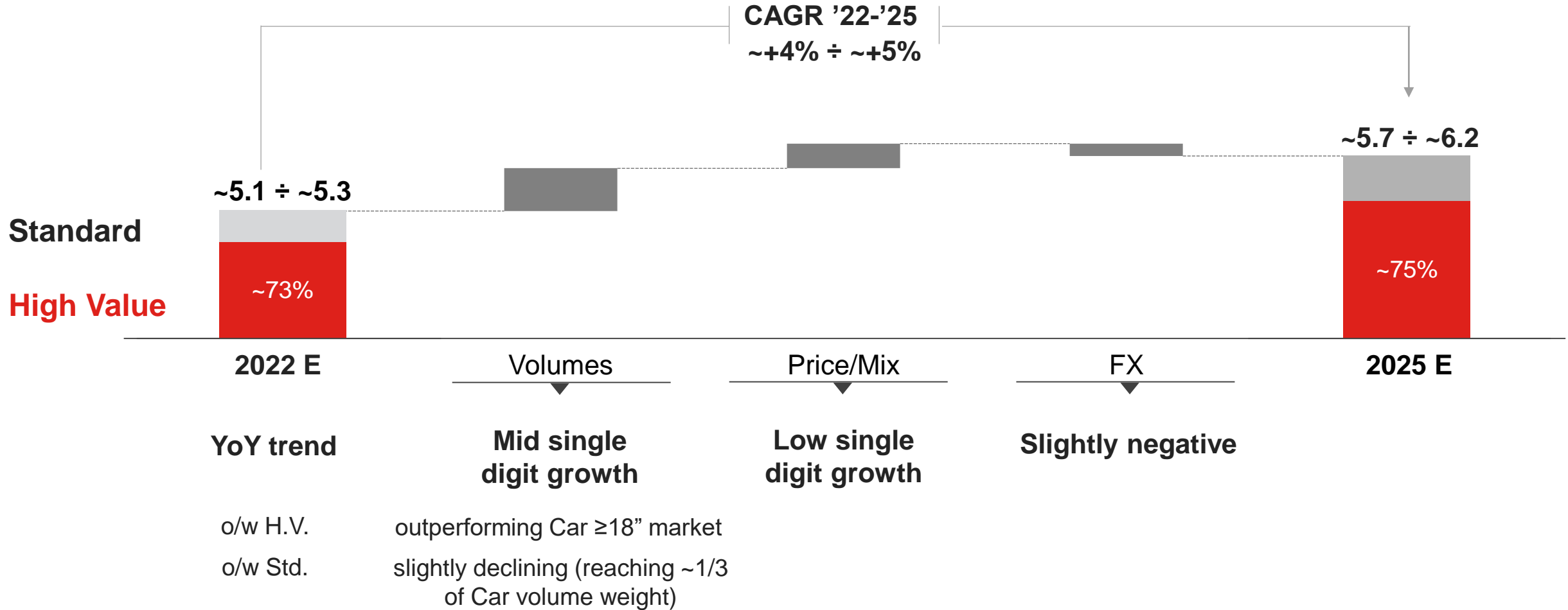
2021-2022 NET CASH FLOW (BEF. DIV.) & NET FIN. POS. TREND



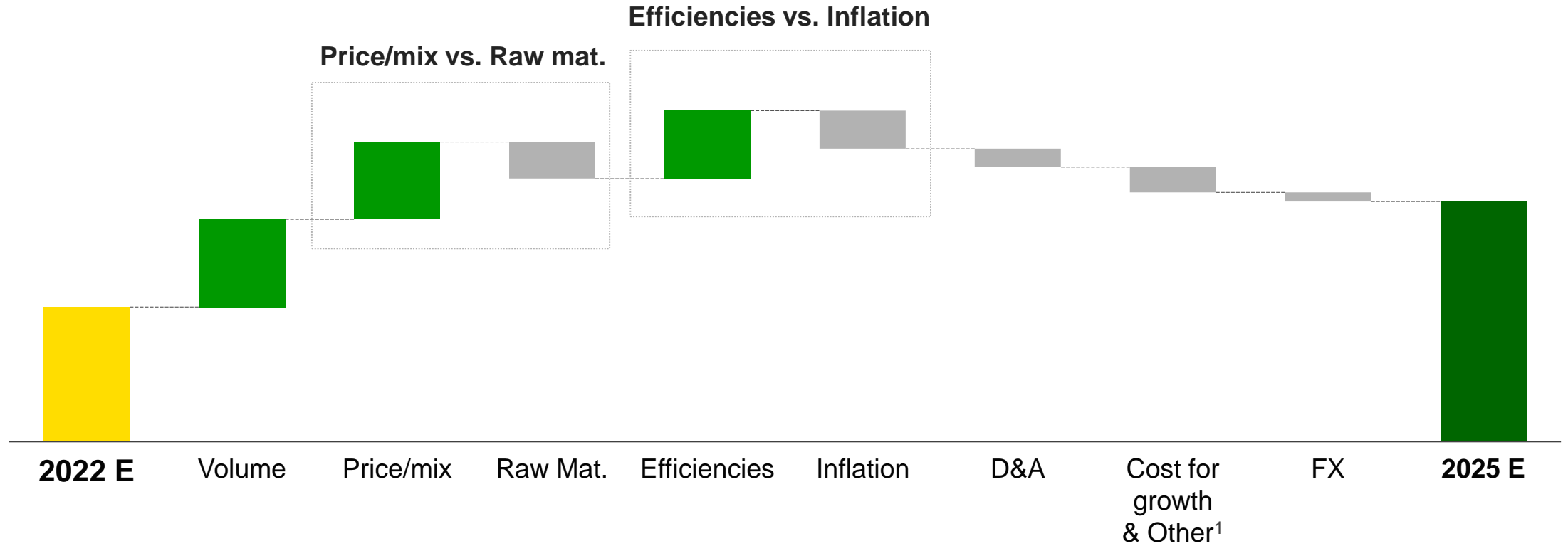
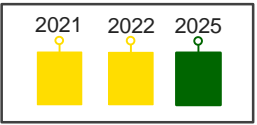
2023-2025 REVENUES TREND



€ billion



2023-2025 ADJ. EBIT TREND

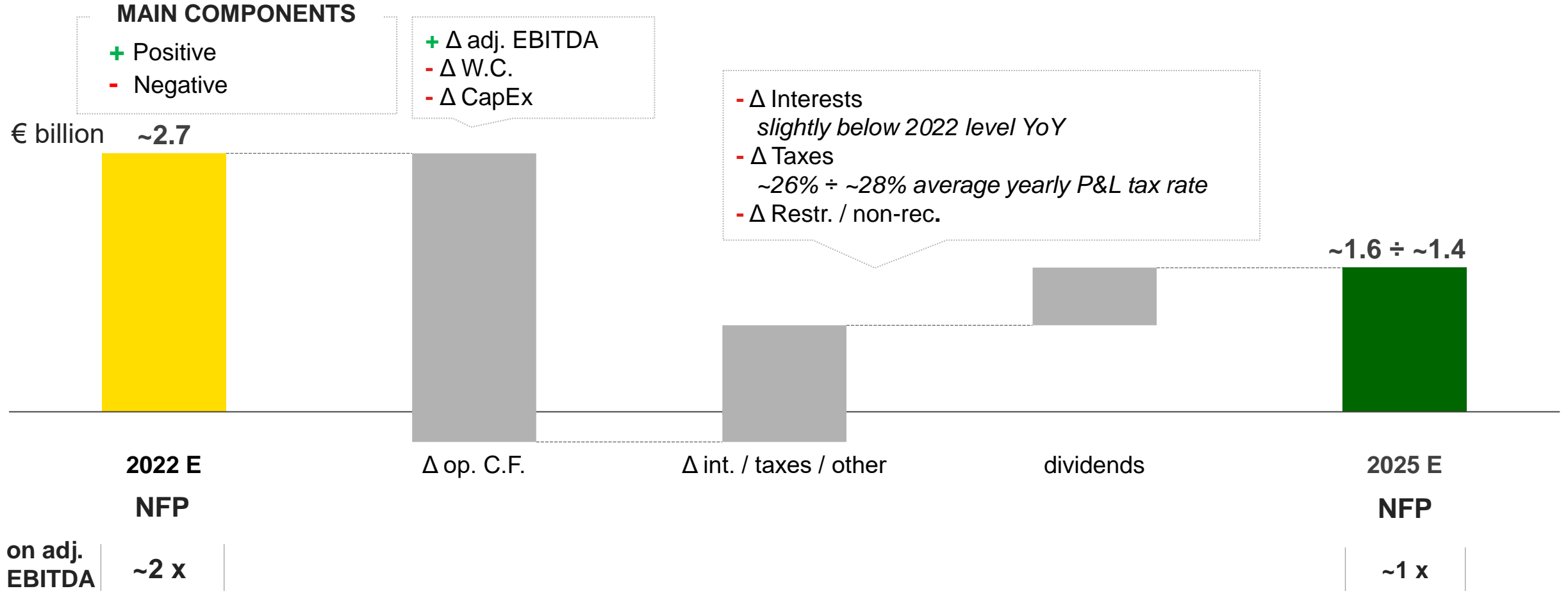
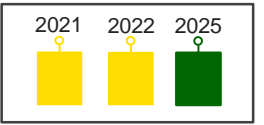


Adj. Ebit margin | >16% ÷ ~17% |

| ~19% ÷ ~20% |



2023-2025 NET CASH FLOW (BEF. DIV.) & NET FIN. POS. TREND



~1.7 ÷ ~1.9 of cum. net cash flow bef. dividends in 2023-25 (~10.5% on sales)

APPENDIX

A | GOVERNANCE

B | SUSTAINABILITY STRATEGY & TARGETS

PIRELLI GOVERNANCE HIGHLIGHTS

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**

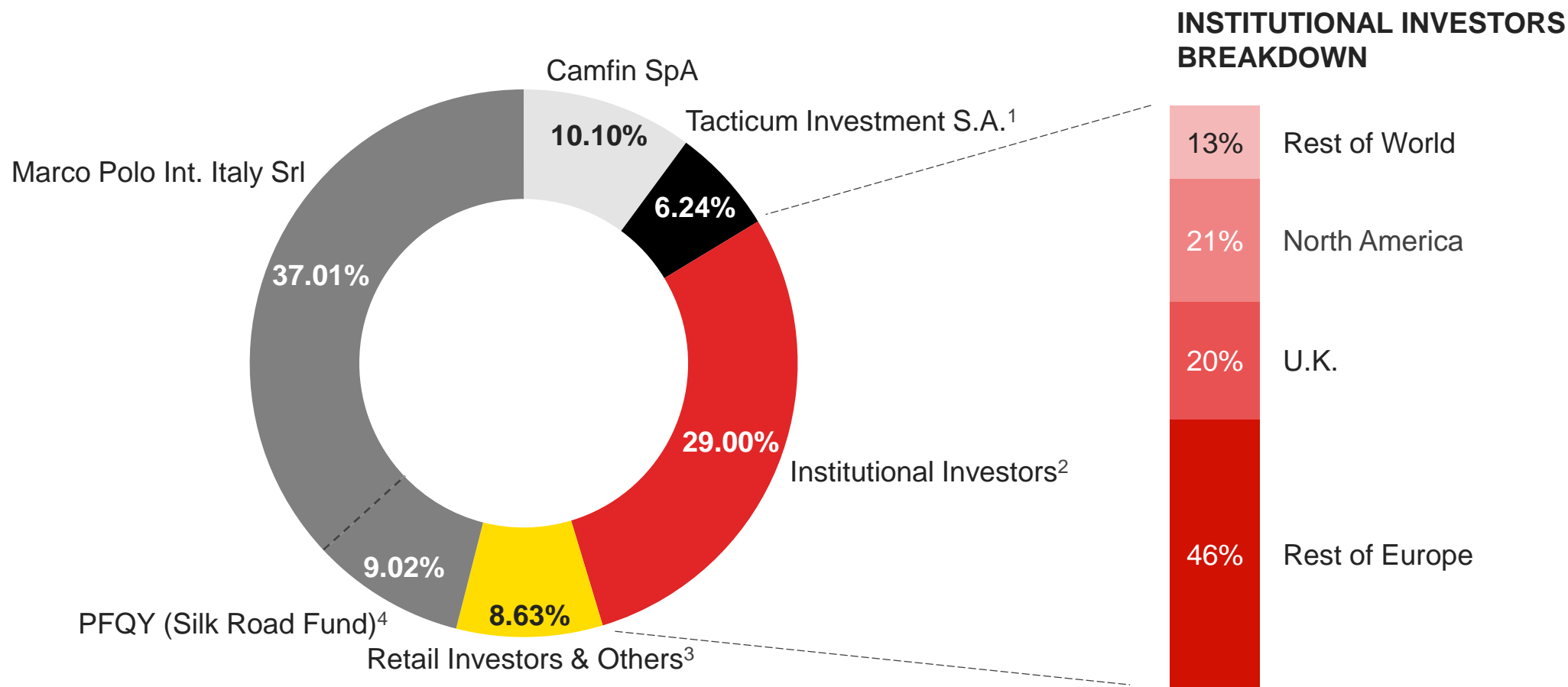


Pirelli Recruiting, Career Plans and incentive schemes to **match management and shareholders interests**. Incentive plan targets consistent with Pirelli Strategic Plan, and in line with the best practices for listed Companies (e.g.: TSR, sustainability)



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

PIRELLI SHAREHOLDER STRUCTURE



Source: Nasdaq, Libro Soci Pirelli, updated on January 2021

1. 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 Tacticum, 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 Tacticum each time - 2. Includes the 7.68% held by ICBC Standard Bank Plc, which is the subject of the repurchase agreement between ICBC and Longmarch Holding S.à.r.l.. On May 13, 2020, Camfin and Longmarch entered into an agreement relating to the potential participation of Longmarch in Pirelli. For more details, please refer to the following [link](#) - 3. Includes the 4.99% stake held by Alberto Bombassei (also through Brembo S.p.A.) - 4. Stake assigned on Sept. 29, 2020 to PFQY Srl, an Italian company wholly owned by Silk Road Fund, following the demerger from Marco Polo International Italy Srl, in line with the shareholders agreement between Chemchina and SRF at the IPO of Pirelli in 2017. For more information, please refer to the shareholders agreement at the following [link](#)

PIRELLI REMUNERATION SYSTEM ALIGNED WITH INDUSTRIAL PLAN

Remuneration structure to be approved by the Shareholders' Meeting (June 15, 2021)

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
- ▶ **Sustainability target**: Eco-Safety Performance¹ Revenues
- ▶ **On / off condition**: Group Net Cash Flow before dividends

Long-term incentive plan 2021-23 (2/3 of total variable compensation)

- ▶ Cash plan based on **3 key objectives**: Relative **TSR** vs. Tier 1 peers; 2021-23 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 2024 (and, for the following years, at the end of each 3-year vesting period)

- ▶ All **variable** components
Are **capped**

- ▶ **Non-competitive** agreement

- ▶ **Claw-back clauses**
Key management
in both STI and LTI plans

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%
Eco & Safety Performance Revenues	10%

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

2021-2023 LONG-TERM INCENTIVE PLAN HIGHLIGHTS

- ▶ Cash, long-term incentive plan aligned with the 2021-2023 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, Goodyear, Bridgestone)
Group Net Cash Flow ¹	40%	2021-2023 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 ~2.6x bonus at target level, entry level pay-out is 0.75x bonus at target level.

APPENDIX

A | GOVERNANCE

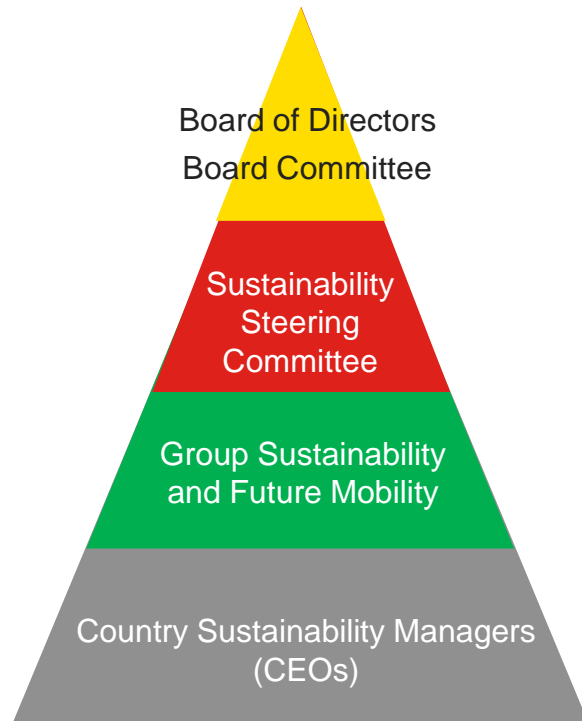
B | SUSTAINABILITY STRATEGY & TARGETS

OUR INTEGRATED MODEL



MULTI-STAKEHOLDER APPROACH

Governance



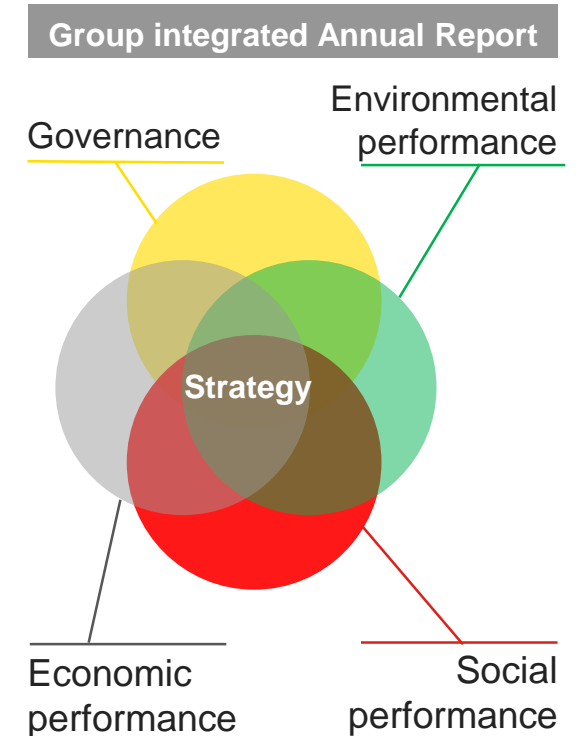
Management systems

- Quality**
ISO 9001
IATF 16949
ISO/IEC 17025
- Labour and Social**
OHSAS 18001/ISO 45001¹
Standard SA8000® (Reference Std)
- Environment**
ISO 14001¹
ISO 14040 (Reference Std)
ISO 14064 (Reference Std)
- Anti-Bribery**
ISO 37001
- Purchasing**
ISO 20400¹

Planning

- Return on capital**
- Growth Opportunities
Productivity
Risk Governance
- Competitive scenario analysis:
Economic - Environmental
Social - Governance

Reporting²



OUR SUSTAINABILITY LEADERSHIP IN NUMBERS

► 2020 KPIs¹

-54% Accident frequency index
(vs. 2015)

58% Eco & Safety performance² revenues

-9% Avg. rolling resistance of car tyres
(vs.2015)

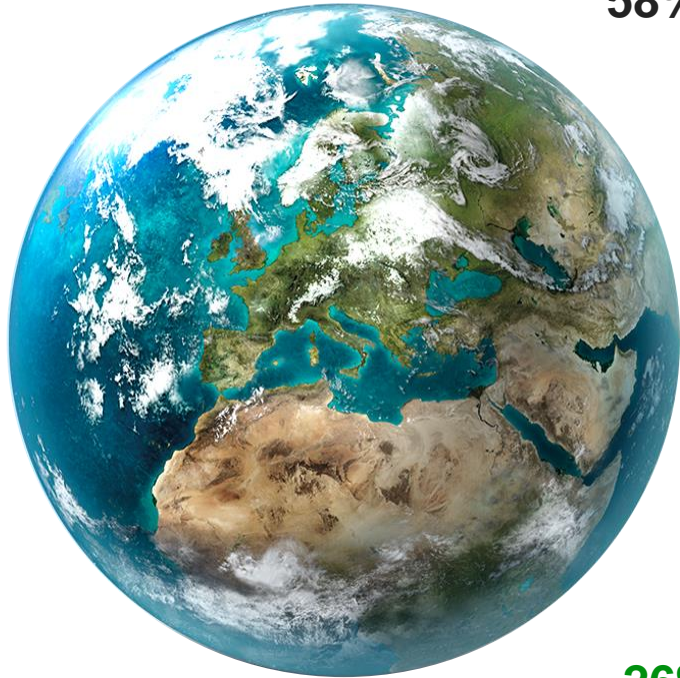
52%³ Electricity from renewable sources

-31%⁴ Plant CO₂ absolute emissions
(vs.2015)

-22%⁵ Raw materials suppliers CO₂ absolute emissions
(vs.2018)

-26% Specific water withdrawal
(vs.2015)

97% Waste sent to recovery



LEADING THE SECTOR IN MAJOR SUSTAINABILITY RANKINGS & INITIATIVES

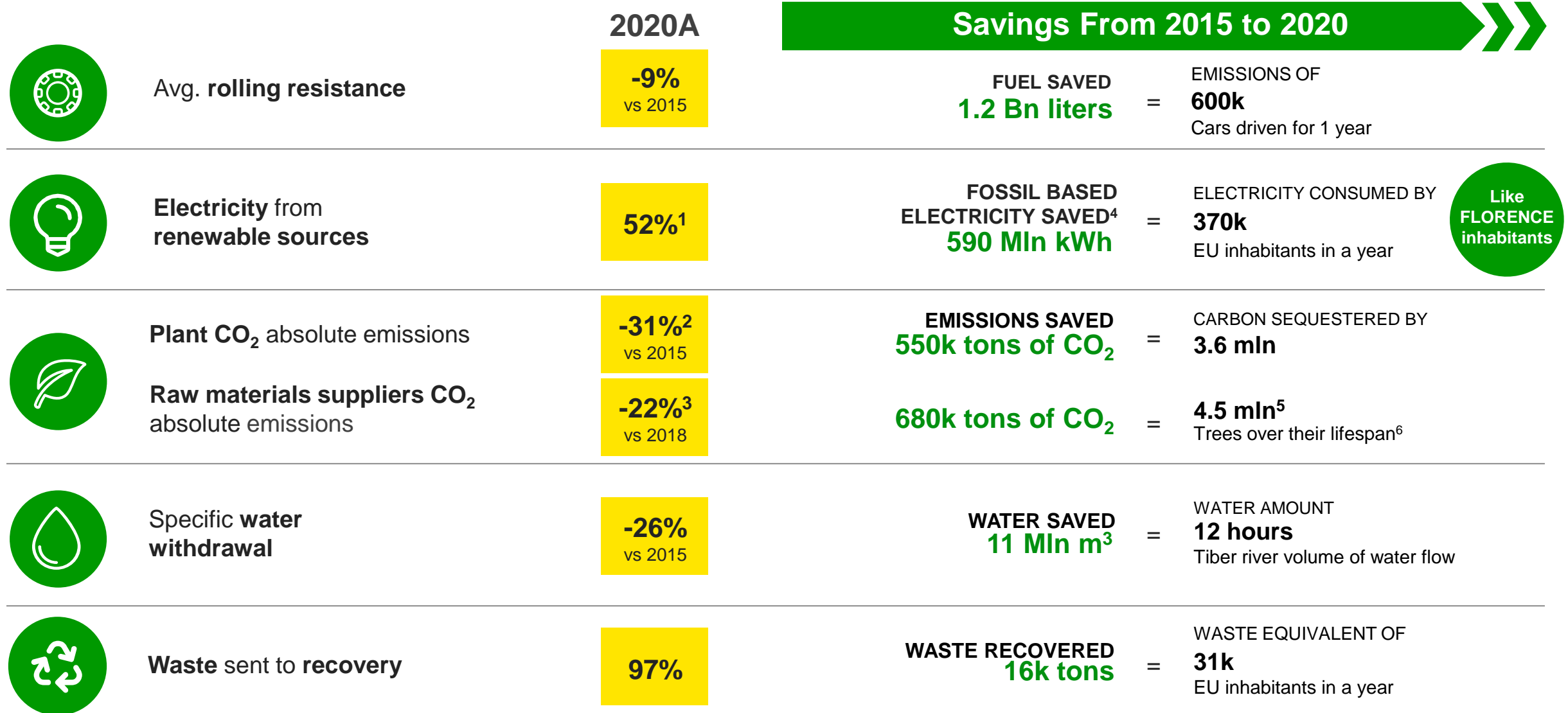
Member of
**Dow Jones
Sustainability Indices**
Powered by the S&P Global CSA

Sustainability Award
Gold Class 2021
S&P Global



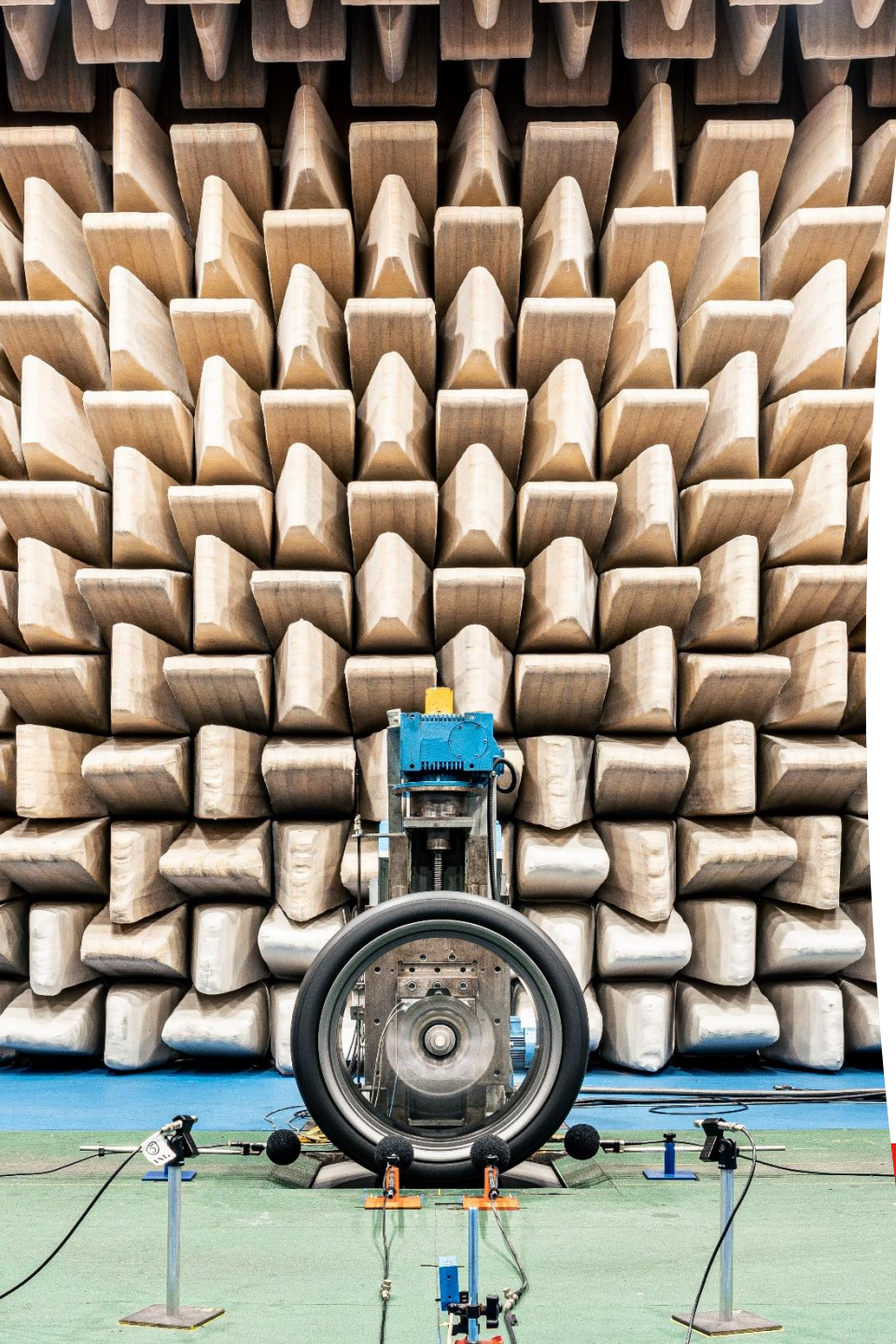
1. Non exhaustive list; 2. Eco-Safety Performance products, previously known as "Green Performance Products", refer to car tyres that Pirelli produces worldwide and which fall exclusively into classes A, B, C for rolling resistance and wet grip, standardized according to the European labelling parameters. Figure is obtained by weighing Eco & Safety Performance sales on total car tyres sales; 3. Internal assessment based on data from the International Energy Agency (IEA) taking into account the geographical distribution of Pirelli; 4. Impacted by COVID, target for 2020 was -12.5% vs 2015; 5. Impacted by COVID, target for 2020 was -2.5% vs 2018;

OUR SUSTAINABILITY LEADERSHIP «IN REAL LIFE TERMS»



Like FLORENCE inhabitants

Note: Pirelli estimates based on public data; 1 Internal assessment based on data from the International Energy Agency (IEA) taking into account the geographical distribution of Pirelli; 2. Impacted by COVID, target for 2020 was -12.5% vs 2015; 3. Impacted by COVID, target for 2020 was -2.5% vs 2018; 4. Related to Pirelli's direct renewable electricity procurement; 5. Data refer to the 2018-2020 period; 6. Considering 150 kgCO₂/tree/lifetime



GLOBAL SCENARIO @2025-2030

Opportunities & challenges must match the global journey towards UN SDGs

Demographic growth and urbanization

- ▶ Population reaching **8.5 Bn. in 2030¹** (7.8 Bn. in '20) of which **60%²** will live in **urban areas**
- ▶ **Mega and Smart cities**

Future of work

- ▶ Manufacturing **productivity gain**
- ▶ **Aging pressure**
- ▶ **Competition on talents**
- ▶ **Social inequality** rising
- ▶ **Remote working**
- ▶ **Inclusivity and well-being** in employer propositions

Technological breakthroughs

- ▶ **Automation, Robotics**
- ▶ **Artificial Intelligence**

Climate change

- ▶ **Flooding, weather emergencies, displaced people** impacting businesses, governments and economies
- ▶ **Stress on natural resources**

Mobility

- ▶ **Electric vehicles** sales accelerating
- ▶ **Autonomous vehicles** investments not stopped despite the crisis
- ▶ **Bikes and e-bikes** sales booming

Cybersecurity

- ▶ **Cybercrime** may cost several **trillions dollars** by 2030 if not properly tackled

COVID impacts all areas at least for the mid-term

OUR GROUP SUSTAINABILITY STRATEGY AND TARGETS @2025-2030

**Eco & safety growth
shaped around sustainable
development goals
is our must
to tackle future scenarios
in a resilient and competitive way**



THE LEVER ACROSS TO REACH SDGS: HUMAN RIGHTS

Protect, Respect, Remedy, and ENGAGE



Beyond due diligence: engage to impact

UN Global Compact Action Platform “Decent Work in Global Supply Chains”

Global Platform for Sustainable Natural Rubber

WBCSD CEO Guide to Human Rights

Support areas: health, education, sport, solidarity and inclusiveness

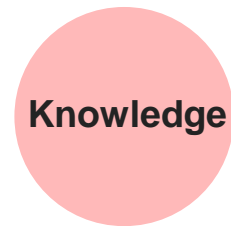
PEOPLE AT THE HEART OF OUR JOURNEY

Our Priorities



Caring

- ▶ **Protect our employees**, safe workplace and healthy lifestyle
- ▶ Shift from traditional welfare programs to **tailored wellbeing initiatives**
- ▶ New policies to increase **flexibility and autonomy of people**



Knowledge

- ▶ **Support** business transformation with **up/reskilling initiatives**
- ▶ Exploit **Professional Academies**, leveraging on **senior experts' knowledge**
- ▶ Develop **life-long learning culture**



Social Inclusion

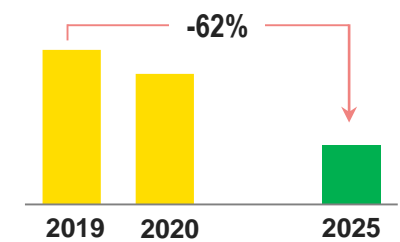
- ▶ Support education and knowledge development partnering with **local Communities & Universities**
- ▶ Promote **social values** and **improve standard of living** (cooperation with hospitals, volunteering initiatives,...)
- ▶ Integrate company culture with perspectives, coming from **diverse personal and professional areas**



Our Ambitions in 2025

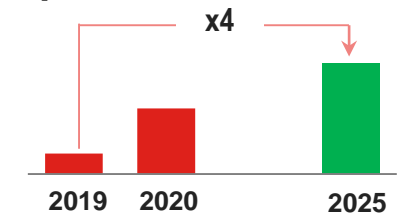
Protect Employees

[Frequency Index]



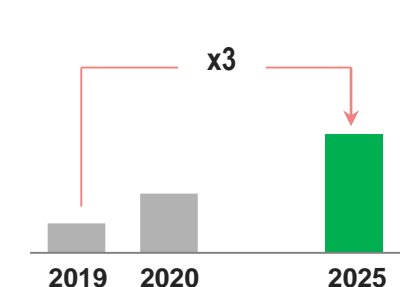
Up/Re-Skilling

[People Involved/Total HC]



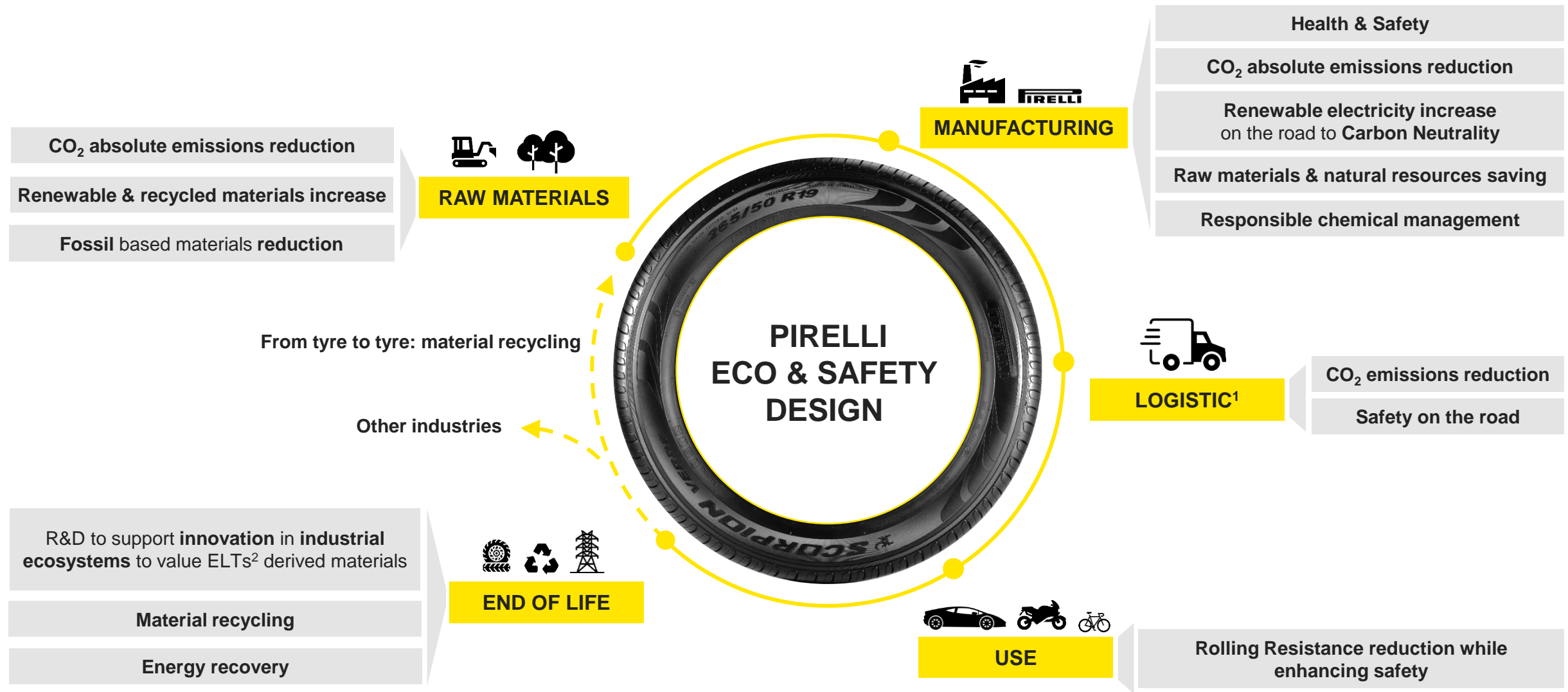
Wellbeing

[# of New Initiatives]



OUR LIFE-CYCLE STRATEGY: ECO & SAFETY DESIGN

To minimize impacts on people and planet while maximizing performance



OUR CONSUMER TYRES RAW MATERIALS TARGETS

Eco & Safety Design

Our Eco & Safety strategy starts from raw materials

We push innovation to increase bio-based and recycled materials while decreasing fossils



Targets

	2020A	By 2025	By 2030
Renewable materials ¹	23%	>40%	>60%
Recycled materials ²	1% ³	>3% ³	>7% ³
Fossil based materials	68%	<40%	<30%

Scope: Selected products

Note: Pirelli's Eco & Safety targets refer to consumer tyres and, therefore, should only be compared, where relevant, with consumer tyre targets and not other tyre categories or consolidated production segments; 1. Renewable Materials are natural resources, such as agricultural product or biomass, that, after exploitation, can return to their previous stock levels by natural processes of growth or replenishment(), on a human time scale(**). Fossil resources and minerals are not renewable resources. Definition based on: (*) OECD glossary definition at <https://stats.oecd.org/glossary/detail.asp?ID=2290> ; (**) ISO 17422:2018(en) Plastics — Environmental aspects — General guidelines for their inclusion in standards); 2. Recycled materials are materials derived from the conversion of waste, by means of any recovery operation which returns substances or materials used to fulfil a particular function, in place of virgin raw materials. Recycled materials are no more classified as a waste. Recycled materials do not include materials that are to be used as fuels, as other means to generate energy, or for backfilling operations. Definition based on Dir 2008/98/EC "Waste Framework Directive"; 3. Excluding metals*



OUR RENEWABLE AND RECYCLED MATERIALS INNOVATION

Eco & Safety Design



To achieve our targets, we are introducing new polymers, reinforcements, fillers and chemicals including

	What	Why	When
RICE HUSK SILICA	<p>Silica produced from rice husk, one of the major by-products of rice production</p> <p>It replaces silica from quartz-sand</p>	<ul style="list-style-type: none"> ▶ Avoid new raw material exploitation ▶ Recovering a by-product of the food industry ▶ Reduce CO₂ emission due to less energy-intensive process 	<ul style="list-style-type: none"> ▶ Introduction in 2021 in Pirelli materials' portfolio ▶ Extensive use in selected categories in following years
LIGNIN	<p>Lignin is sourced from paper pulp and can be used as antioxidant instead of fossil-derived products</p>	<ul style="list-style-type: none"> ▶ Most abundant bio-polymer on earth ▶ Light weight filler ▶ Reduced water depletion and CO₂ emissions vs replaced filler ▶ Pirelli patented process and Trademark 	<ul style="list-style-type: none"> ▶ Already in use in normal production for cycling application ▶ Extension to top sustainable selected Car products in 2022
PYROLYSIS CARBON BLACK	<p>Recovered Carbon Black (rCB) is obtained by pyrolyzed end of life tyres</p>	<ul style="list-style-type: none"> ▶ Favorable CO₂ impact thanks to energy co-generation during process through pyrolytic gas ▶ Relevant opportunity of end of life tyres recycling (circular economy in closed loop) ▶ Cost advantage vs standard fossil based Carbon Black 	<ul style="list-style-type: none"> ▶ Introduction in limited application in 2021 ▶ Specific cooperation with suppliers to extend the use to a broader range of applications

OUR MANUFACTURING TARGETS

Eco & Safety Design

There is a urgent need for climate action to reduce greenhouse gas emissions in line with Paris Agreement goals

CO₂ abatement is only one among the key sustainability areas in operations

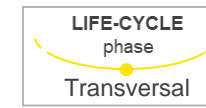
Targets



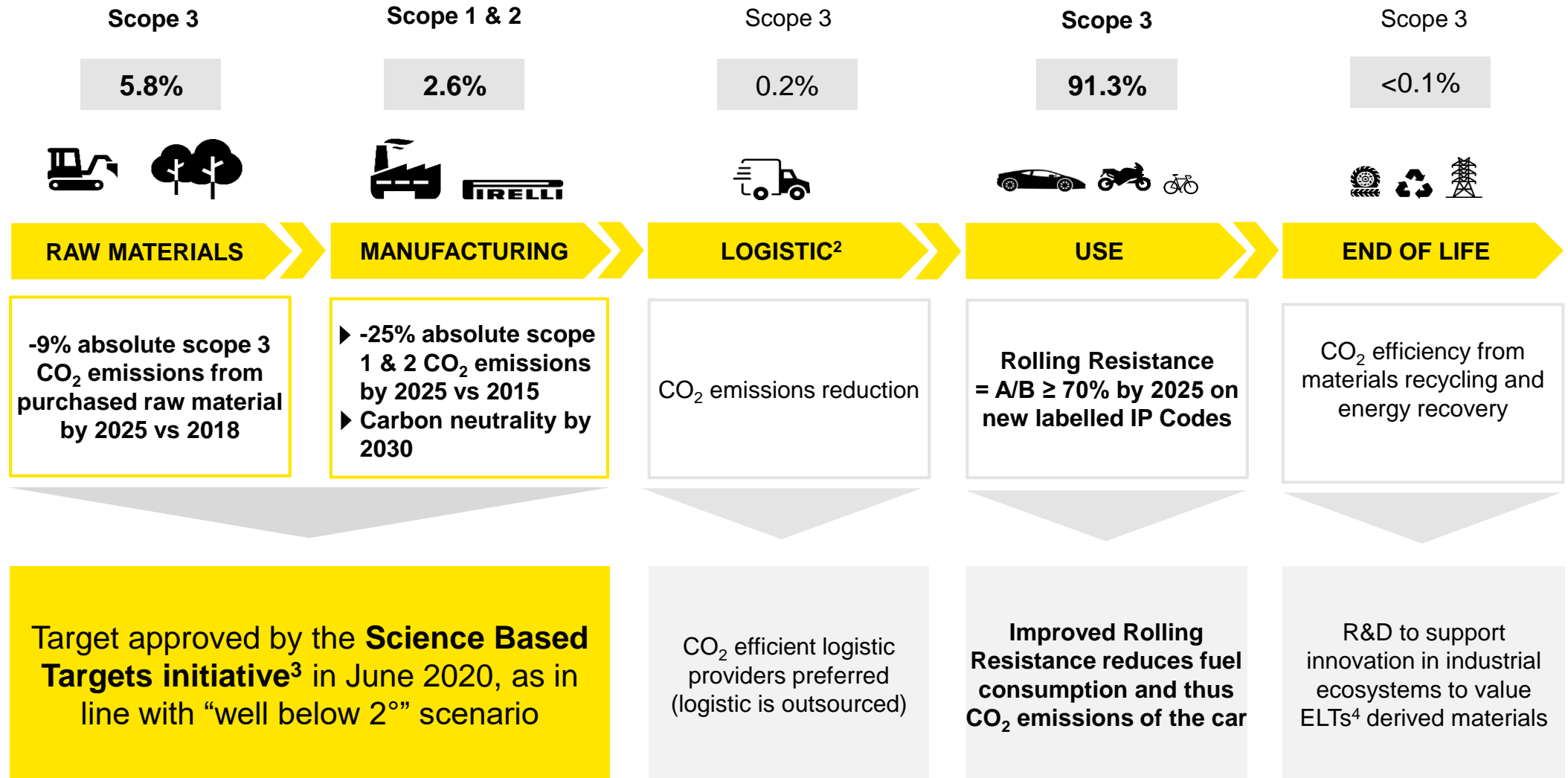
		2020A	By 2025	
CO ₂	Absolute emissions approved by the SBTi ³	-31% ¹ vs 2015	-25% vs 2015	➤ Carbon Neutrality by 2030
	Renewable Electricity	52%	100%	
Resources eff.	Specific energy cons.	+9.5% ² vs 2019	-10% vs 2019	
	Specific water withdrawal	-26% vs 2015	-43% vs 2015	
	Waste to recovery	97%	98%	
People	Accident frequency index	0.22	0.10	



OUR DECARBONIZATION STRATEGY IN LINE WITH THE PARIS AGREEMENT GOALS



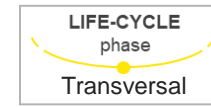
GWP¹ impact





OUR FOCUS ON WATER

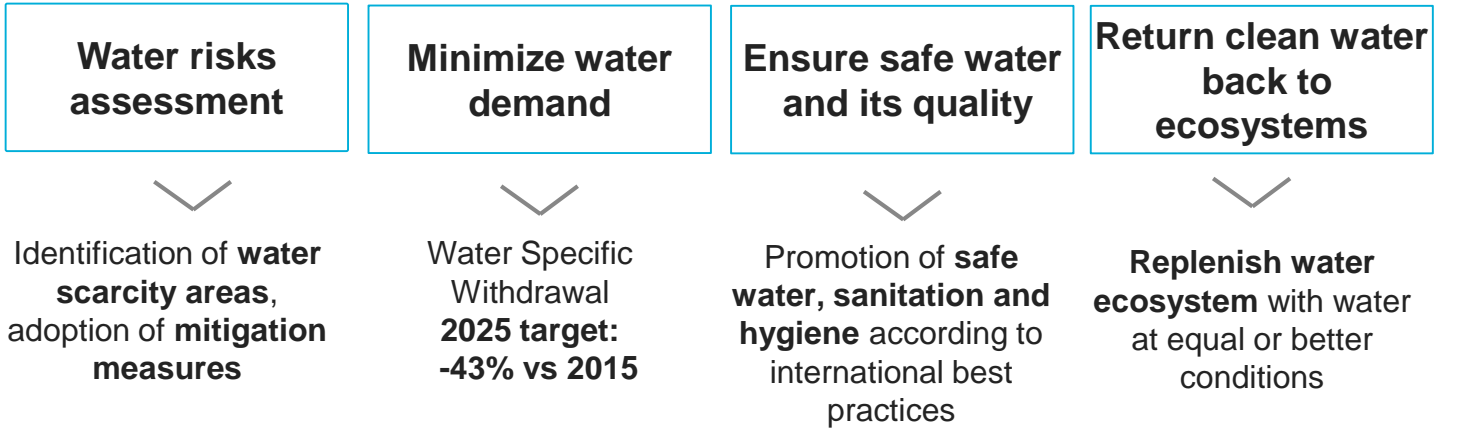
Excellence in Water Management, every drop counts



WATER STEWARDSHIP

Group water footprint
Water use and quality

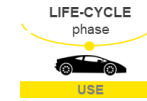
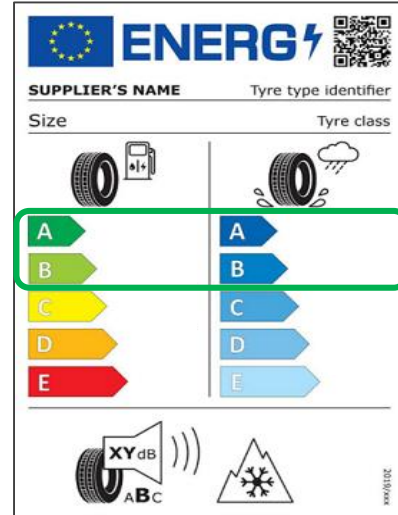
Sustainable water management



OUR PRODUCT PERFORMANCE TARGETS

Eco & Safety Design

- ▶ Tyre rolling resistance plays a key role in **reducing fuel and energy consumption** and thus CO₂ emissions.
- ▶ Our **Eco and Safety approach** consists on a continuous reduction of rolling resistance without **any compromise on safety in all driving conditions.**



Targets

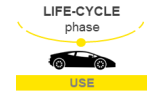
	2020A	By 2025
Rolling Resistance	A/B=39%	A/B ≥ 70%
Wet Grip	A/B=87%	A/B ≥ 90%
	87%	

Scope: New products (all new labelled IPcodes)





OUR TECHNOLOGY FOR ELECTRIC VEHICLES



Electric vehicles are key to decarbonize mobility and have specific features that our tyres perfectly match

Elect™ is the answer to the specific needs of Electric Vehicles:

- ▶ High load capacity for heavier vehicles
- ▶ Ultra low Rolling Resistance to improve battery range
- ▶ Lower noise
- ▶ Maximum grip for high torque
- ▶ Specific development for specific Electric vehicles, following the Perfect Fit Strategy



OUR TYRES FOR AUTONOMOUS VEHICLES



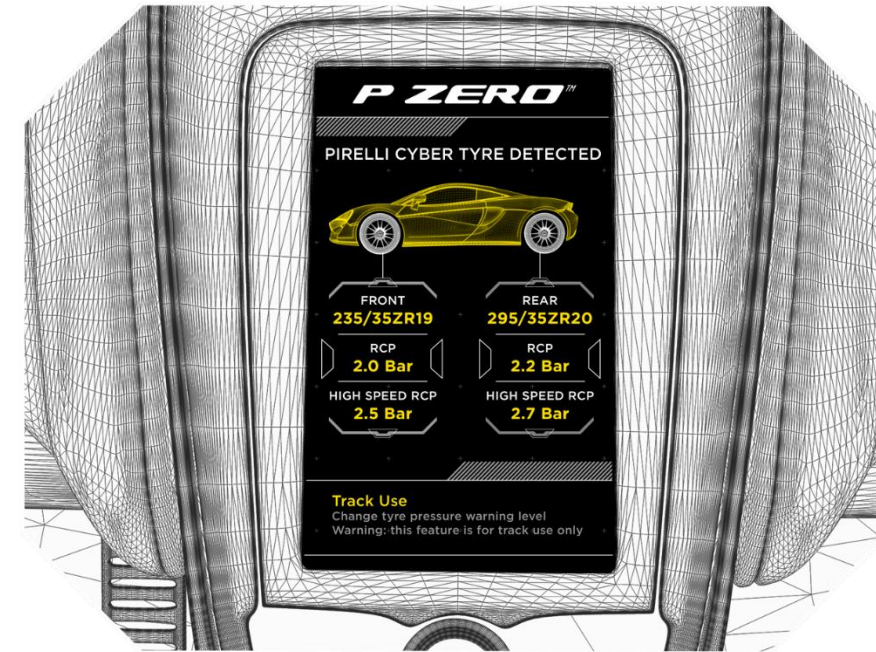
Sensorized tyres can play a key role in road safety, enhancing ADAS and targeting Autonomous Vehicles

Pirelli Cyber Tyre™ can provide important safety related real-time data to the vehicle, the driver and the infrastructure:

- ▶ High-accuracy Pressure and Temperature monitoring
- ▶ Tyre ID for actual tyre fitted information
- ▶ Car Load for accurate Battery Range estimation (EVs) and optimal suggested tyre inflation
- ▶ Tyre wear indication
- ▶ Aquaplaning risk information
- ▶ Data distribution through 5G network and V2X¹ technologies

In 2019, Pirelli world first company to develop tyres interacting with the 5G network, providing road conditions information through smart tyres.

In 2021, Pirelli world first company to supply a sensorized tyre as original equipment for McLaren Artura



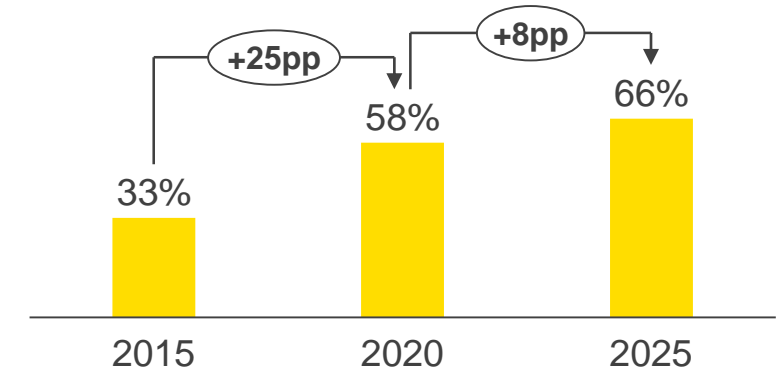


ECO & SAFETY PERFORMANCE REVENUES¹

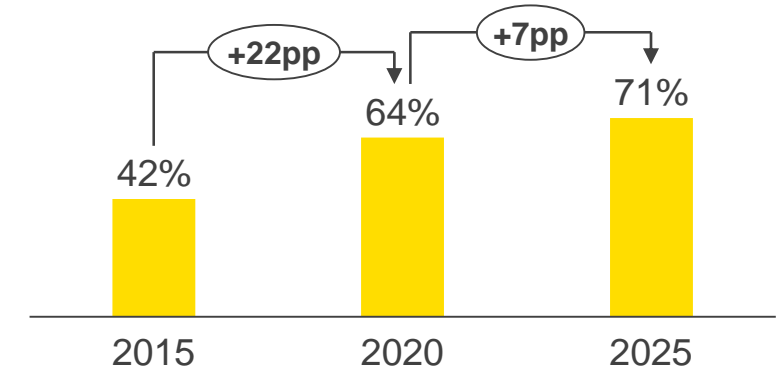
Our targets



ECO & SAFETY PERFORMANCE REVENUES²
TOTAL RANGE PRODUCTS



ECO & SAFETY PERFORMANCE REVENUES
HIGH VALUE PRODUCTS³



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; 2. Figures calculated in % by weighing the value of sales of eco & safety performance products on the total value of Group car sales; 3. Focus on HIGH VALUE products including RIM18+ and «specialties» (Run-Flat, PNCS, Seal Inside with rim ≤ 17)

PIRELLI CYCLING

Our history and outlook



- **1890:** Pirelli produces its first tyre, a **bicycle tyre**
- **2017:** Pirelli **re-enters in the cycling** business
- **2020: The turning point**
 - ▶ Bicycle **market booming** worldwide
 - ▶ Pirelli in its best shape to take advantage of this scenario: new **OE partnership**, product **range extension**
 - ▶ **Racing: Pirelli** in 3 top World Tour teams and MTB¹ World Cup teams
- **2021: Made in Italy** production and Urban Strategy revamping
- **2025:** Challenging plan to become a leading player in the industry, targeting 8x volumes (vs 2020)

1. MTB: Mountain bike





OUR APPROACH TO ELT¹



Eco & Safety Design

End of life consumer tyres are a precious source of secondary raw materials for a number of industries, importantly valorized in circular economy

Pirelli's Open Innovation Model

Joint Development Agreements with key suppliers to enhance the quality of secondary raw materials deriving from ELTs



from tyre to tyre

R&D to support innovation in **industrial ecosystems** to value ELTs derived materials through:

- ▶ Dedicated **partnerships**
- ▶ **Cooperation** with key national and international stakeholders (eg. TIP – WBCSD, ETRMA)²

1. ELT: End of Life Tyres; 2. TIP: Tyre Industry Project, WBCSD: World Business Council for Sustainable Development, ETRMA: European Tyre & Rubber Manufacturers Association

OUR FOCUS ON 5R¹ CIRCULAR ECONOMY



Re-think: Eco & Safety Design

Design outstanding products, processes and services in terms of performance, environmental impact, health and safety

Refuse

Avoid processes, products, services, materials that can be made redundant
Enhance chemicals safety through substitution

Anticipation of Raw Material & Chemicals HSE concerns

Health, safety and hygiene risk prevention

Phase out of single use plastics

Reduce

Reduce use of resources, especially those not renewable
Reduce waste, air, soil and water emissions

CO₂ reduction, towards carbon neutrality

Fossil based / non-renewable materials reduction

Energy, water, waste reduction

Tyre Rolling Resistance reduction

Reuse

Reuse resources and products as much as possible
Prevent waste generation and resource depletion

Acceleration on plant closed loop water cycles

Plant-scraped material enhancement and reuse

Innovative materials based on non-tyre production by-products

Recycle

Ensure that ELT² are recovered or recycled
Enhance new solutions to maximize ELT secondary raw materials quality and performance

Increase in use of recycled materials






Tyre design to improve recyclability either in open or closed loop

R&D to support innovative industrial ecosystems valorizing ELT derived materials

SOME ENVIRONMENTAL BENEFITS «IN REAL LIFE TERMS»

Pirelli journey continues: by 2025 we are committed to almost double the environmental benefit delivered since 2015



	From 2015 to 2020	From 2020 to 2025	Targets @2025
 Electricity from renewable sources	FOSSIL BASED ELECTRICITY SAVED ¹ = 590 Mln kWh ELECTRICITY CONSUMED BY EU inhabitants in a year = 370k	FOSSIL BASED ELECTRICITY SAVED ¹ = 4.6 Bn kWh ELECTRICITY CONSUMED BY EU inhabitants in a year = 2.9 mln	100%
 Plant CO₂ absolute emissions	EMISSION SAVED = 550k tons of CO₂ CARBON CONSUMED BY = 3.6 mln	EMISSION SAVED = 925k tons of CO₂ CARBON CONSUMED BY = 6 mln	-25% vs. 2015
 Raw materials suppliers CO₂ absolute emissions	680k tons of CO₂ = 4.5 mln² Trees over their lifetime ³	817k tons of CO₂ = 5 mln Trees over their lifetime ³	-9% vs. 2018
 Specific water withdrawal	WATER SAVED = 11 Mln m³ WATER AMOUNT = 12 hours Tiber river volume of water flow	WATER SAVED = 20 Mln m³ WATER AMOUNT = 1 day Tiber river volume of water flow	-43% vs. 2015
 Waste sent to recovery	WASTE RECOVERED = 16k tons WASTE EQUIVALENT OF = 31k EU inhabitants in a year	WASTE RECOVERED = 32k tons WASTE EQUIVALENT OF = 65k EU inhabitants in a year	98%

OUR SUPPLY CHAIN: COMPLIANCE, ENGAGEMENT AND SHARED VALUE CREATION

Starting with common business values is a pre-requisite for a shared growth



Management model: UN GLOBAL COMPACT – ISO 26000 – SA8000 - ISO 20400¹
Policies designed to embed Suppliers engagement

Digital tools adopted to support and boost in-depth Market analysis

Compliance

ESG² fully integrated in PROCUREMENT PROCESS and ERM³

SELECTION + QUALIFICATION

- ESG² on-boarding assessment
- 3rd Party pre-qualification on on-site audit (high value supplies)
- Cobalt & conflict minerals assessment

CONTRACTUAL STAGE

Sustainability & anti-corruption clause

RATING STAGE

- 100% coverage of ESG² Risk suppliers with 3rd Party on-site audit based on yearly risk mapping on all supply base
- Vendor Rating: ESG² KPIs (on-boarding assessment, on site audit performance, CDP⁴ response) weighting on average 20% on the overall score

Engagement

- ▶ Science Based Target to **reduce raw material suppliers CO₂ absolute emissions** by 9% in 2025 vs 2018
- ▶ **CDP⁴ Supply chain**: target to reach 90% response rate from raw materials suppliers (84% in 2020)
- ▶ **Joint development partnership** for innovative eco & safety raw materials
- ▶ **Training** sessions on-line and on-site
- ▶ **Dialogue**: the business case is natural rubber sustainability strategy, co-developed with suppliers, clients, NGOs
- ▶ **Awarding Suppliers' best practices**

Shared Value Creation

- ▶ Human rights and environmental performances enhanced
- ▶ Innovative eco & safe materials
- ▶ Enhanced Quality
- ▶ Efficiency, productivity & competitive advantage
- ▶ Business continuity along the value chain

RESILIENCY & DEVELOPMENT

OUR FOCUS ON NATURAL RUBBER SUSTAINABILITY

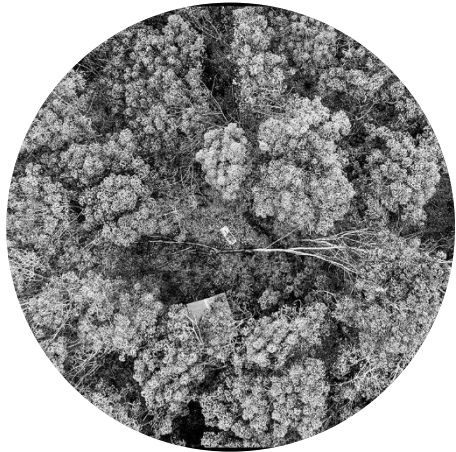
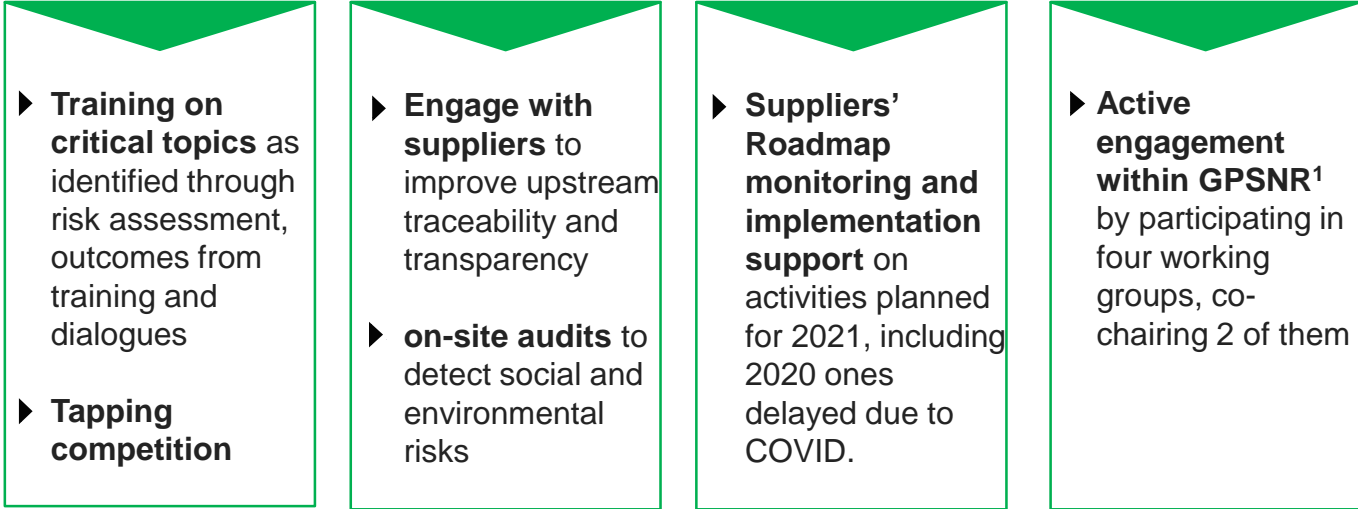
Pirelli Policy, Implementation Manual and Roadmap drafted in *multi-stakeholder dialogue*



Implementation Roadmap 2019-2021 – focus areas



Plan 2021



The new forward-looking plan will be released end 2021/early 2022

Photo taken by Alessandro Scotti for Pirelli
Check out more at www.naturalrubber.pirelli.com

1. Initiated by WBCSD's TIP Tyre makers, the Global Platform for sustainable Natural Rubber (GPSNR) was launched in 2018 and is today an independent multi-stakeholder initiative pursuing sustainable development of the natural rubber value-chain

CORPORATE CITIZENSHIP: OUR KEY AREAS OF ENGAGEMENT



Culture

OUR CULTURE STEMMING FROM OUR LONG HISTORY

A 149-year story made up of people, technology and a pioneering spirit recognized throughout the world, an important historic tradition and a corporate culture that brings together industry and humanity

- **Pirelli Foundation** preserves the historical heritage of the company and promotes the bond between the Group and culture with a multi-disciplinary approach towards schools, universities and other cultural institutions
- **Pirelli HangarBicocca™** is a non-profit foundation, an institution for producing and promoting contemporary art, one of the largest contiguous exhibition spaces in Europe presenting major solo exhibitions every year by international artists, cultural events and educational projects



Community projects

OUR ROOTS IN COMMUNITIES

Supporting personal development and the improvement of living standards

Health, education and sport as a lever of inclusivity, with a particular focus on children; even in 2020 more than 3000 children involved in sporty activities around the world



Road Safety

POWER IS NOTHING WITHOUT CONTROL™

Control is the heart of performance: safety shall be embedded in the way people approach moving

- Donor and Member of the Advisory Board of the United Nations Road Safety Fund
- Partnership with FIA supporting both motorsport and road safety initiatives