



INTERIM FINANCIAL REPORT
AT MARCH 31, 2020

PIRELLI & C. Società per Azioni (Joint Stock Company)

Milan Office

Viale Piero e Alberto Pirelli n. 25

Share Capital Euro 1,904,374,935.66

Milan Company Register No. 00860340157

REA (Economic Administrative Index) No. 1055

PIRELLI & C. S.p.A. - MILAN

TABLE OF CONTENTS

| | |
|---|----|
| <i>MACROECONOMIC AND MARKET SCENARIO</i> | 6 |
| <i>SIGNIFICANT EVENTS FOR THE QUARTER</i> | 9 |
| <i>GROUP PERFORMANCE AND RESULTS</i> | 11 |
| <i>OUTLOOK FOR 2020</i> | 23 |
| <i>SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE QUARTER</i> | 24 |
| <i>ALTERNATIVE PERFORMANCE INDICATORS</i> | 26 |
| <i>OTHER INFORMATION</i> | 29 |
| <i>FINANCIAL STATEMENTS</i> | 36 |
| <i>DECLARATION OF THE MANAGER RESPONSIBLE FOR THE PREPARATION OF THE CORPORATE FINANCIAL DOCUMENTS PURSUANT TO THE PROVISIONS OF THE ARTICLE 154-BIS, PARAGRAPH 2 OF THE LEGISLATIVE DECREE 58/1998</i> | 44 |

Board of Directors¹

| | |
|--|-----------------------------|
| Chairman | Ning Gaoning |
| Executive Vice Chairman and Chief Executive Officer | Marco Tronchetti Provera |
| Director | Yang Xingqiang |
| Director | Bai Xinping |
| Director | Giorgio Luca Bruno |
| Independent Director | Laura Cioli |
| Independent Director | Domenico De Sole |
| Independent Director | Fan Xiaohua |
| Director | Ze'ev Goldberg |
| Independent Director | Giovanni Lo Storto |
| Independent Director | Marisa Pappalardo |
| Independent Director | Cristina Scocchia |
| Independent Director | Tao Haisu |
| Director | Giovanni Tronchetti Provera |
| Independent Director | Wei Yintao |

Secretary of the Board

Alberto Bastanzio

Board of Statutory Auditors²

| | |
|--------------------|---------------------|
| Chairman | Francesco Fallacara |
| Statutory Auditors | Fabio Artoni |
| | Antonella Carù |
| | Luca Nicodemi |
| | Alberto Villani |

¹ Appointment: August 1, 2017, effective as of August 31, 2017. Expiry: Shareholders' Meeting convened for the approval of the Financial Statements at December 31, 2019. The Director Giovanni Lo Storto was appointed by the Shareholders' Meeting held on May 15, 2018. Ning Gaoning was co-opted by the Board of Directors on August 7, 2018 (replacing Ren Jianxin, who resigned on July 30, 2018), and was confirmed as Director and Chairman by the Shareholders' Meeting held on May 15, 2019.

² Appointment: May 15, 2018. Expiry: Shareholders' Meeting convened for the approval of the Financial Statements at December 31, 2020.

Alternate Auditors

Elenio Bidoggia

Franca Brusco

Giovanna Oddo

Audit, Risk, Sustainability and Corporate Governance Committee

Chairman – Independent Director

Fan Xiaohua

Independent Director

Laura Cioli

Independent Director

Giovanni Lo Storto

Independent Director

Cristina Scocchia

Committee for Related Party Transactions

Chairman – Independent Director

Domenico De Sole

Independent Director

Marisa Pappalardo

Independent Director

Cristina Scocchia

Nominations and Successions Committee

Chairman

Marco Tronchetti Provera

Ning Gaoning

Bai Xinping

Giovanni Tronchetti Provera

Remuneration Committee

Chairman – Independent Director

Tao Haisu

Bai Xinping

Independent Director

Laura Cioli

Independent Director

Giovanni Lo Storto

Strategies Committee

Chairman

Marco Tronchetti Provera

Yang Xinqiang

Bai Xinping

Giorgio Luca Bruno

Independent Director

Domenico De Sole

Ze'ev Goldberg

Independent Director

Wei Yintao

Independent Auditing Firm³

PricewaterhouseCoopers S.p.A.

Corporate Financial Reporting Manager⁴

Francesco Tanzi

The Supervisory Board (as provided for by Organisational Model 231 adopted by the Company) is chaired by Prof. Carlo Secchi.

³ Appointment: August 1, 2017, effective as of the date of the commencement of trading of Pirelli shares on the Mercato Telematico Azionario (screen-based stock exchange) which is organised and managed by Borsa Italiana S.p.A. (October 4, 2017). Expiry: Shareholders' Meeting convened for the approval of the Financial Statements at December 31, 2025.

⁴ Appointment: Board of Directors Meeting on August 31, 2017. Expiry: jointly with the current Board of Directors.

MACROECONOMIC AND MARKET SCENARIO

The performance of the global economy for the first quarter of 2020 was impacted by the Covid-19 health emergency. The measures to prevent and contain contagion (mobility restrictions, suspension of production, etc.), which were adopted worldwide, resulted in the collapse in the final demand for goods and services, the rise in unemployment, and in the deterioration of global economic conditions.

In China the GDP for the first quarter fell by -6.8%, compared to the same period of 2019, due to the halt in economic activity as early as of the end of January.

In Europe, Italy was one of the first countries to experience a high number of infections starting at the end of February, and to adopt very restrictive measures regarding the mobility of people, by closing schools and suspending non-essential business activities. First quarter GDP fell by -4.8% year-on-year. The gradual introduction of similar measures in Spain, France and Germany, led to a drop in GDP for the first quarter of -3.3% year-on-year for the Euro Area, and -2.7% for the European Union.

In the US, GDP growth for the first quarter equalled +0.3% year-on-year, in sharp deceleration from +2.3% for the fourth quarter of 2019. With the rapid growth in the number of infections, plus the social distancing measures which arrived late compared to Europe, already as of the last week of March, the number of requests for weekly unemployment benefits exceeded 6.6 million, well in excess of numbers at the peak of the 2008-09 financial crisis.

Economic overview

Economic growth, percentage change in GDP

| | 2019 Q1 | 2019 Q2 | 2019 Q3 | 2019 Q4 | 2020 Q1 |
|--------|---------|---------|---------|---------|---------|
| EU | 1.7 | 1.5 | 1.6 | 1.3 | -2.7 |
| US | 2.7 | 2.3 | 2.1 | 2.3 | 0.3 |
| China | 6.4 | 6.2 | 6.0 | 6.0 | -6.8 |
| Brazil | 0.6 | 1.1 | 1.2 | 1.7 | 1.6 |
| Russia | 0.4 | 1.1 | 1.5 | 2.2 | 1.7 |
| World | 2.8 | 2.6 | 2.6 | 2.4 | -1.5 |

Note: Change in percentages compared to the corresponding period of the previous year. Official data at Q1 2020 are for the EU, (excluding the United Kingdom), the USA and China, while other data are Q1 estimates by IHS Markit, April 2020 forecasts.

In Brazil, following growth at the start of the year (+1.0% during the first two months of 2020 compared to December 2019), industrial production took a sharp downturn in March (-9.1% compared to the previous month). This trend reflected the collapse in foreign demand, the sharp fall in commodity prices during the first quarter, and the Covid-19 containment measures.

In Russia, industrial production during the first quarter grew by +1.5% year-on-year. The collapse of oil prices, triggered by the lack of agreement between Russia and Saudi Arabia regarding the reduction in oil production, and exacerbated by the deteriorating global economic outlook, is expected to impact the economic trends of the Russian economy during the course of 2020.

Exchange rates

For the first quarter of 2020, the euro/US dollar exchange rate averaged 1.10, down by -2.9% compared to the first quarter of 2019, with the dollar benefiting from its safe haven status for investors, at a time of high financial market volatility. The currencies of emerging countries were particularly affected by the flight towards the US dollar.

The Brazilian real depreciated by -15.6% during the first quarter, following the previously mentioned collapse in exports and in raw materials prices. The depreciation of the Chinese yuan (-3.3%) and of the Russian rouble (-0.7%) was more contained, thanks to the exchange rate stability policy adopted by the respective central banks.

| Key exchange rates | First quarter | |
|-------------------------|---------------|-------|
| | 2020 | 2019 |
| US\$ per euro | 1.10 | 1.14 |
| Chinese yuan per US\$ | 6.98 | 6.75 |
| Brazilian real per US\$ | 4.47 | 3.77 |
| Russian rouble per US\$ | 66.39 | 65.89 |

Note: Average exchange rates for the period. Source: National central banks.

Raw materials' prices

The average price of Brent stood at US\$ 50.9 per barrel for the first three months of 2020, down by -20.4% compared to the same period of 2019, due to the slowdown in the world economy, and the different positions taken by Russia and the OPEC countries on the cut in the supply of crude oil. March saw a particularly sustained decline in prices, which fell below US\$ 25 per barrel, due to oversupply and a shortage in storage facilities which was particularly acute in the US.

The price of butadiene for the first three months of 2020 fell by -16.0%, compared to the same period of 2019. The blocking of production in the car sector in February in China, and a general decline in production led to a decline in demand for butadiene, which then spread to Europe and the US.

The price of natural rubber remained more stable with a decrease of -4.3% for the first quarter of this year, compared to the same period of 2019. Rubber trees in the main rubber producing countries (Malaysia, Indonesia and Thailand) had been affected by a fungus during the second half-year of 2019, resulting in reduced production which limited the downward impact on prices, compared to other commodities.

| Raw material prices | First quarter | | |
|-----------------------------------|---------------|-------|----------|
| | 2020 | 2019 | % change |
| Brent (\$ / barrel) | 50.9 | 63.9 | -20.4% |
| Butadiene (€ / tonne) | 727 | 865 | -16.0% |
| Natural rubber TSR20 (\$ / tonne) | 1,337 | 1,397 | -4.3% |

Note: Data are averages for the period. Source: IHS Markit, Reuters.

Trends in Car Tyre Markets

During the first quarter of 2020, global sales of car tyres recorded a decline of -20.3% due to the Covid-19 emergency, and the consequent lock-down measures which led to a deterioration of economic conditions, initially in China and subsequently in Europe, North America and other countries of the world. Demand on the Original Equipment channel (-22.7%) reflected the drop in global automobile production (-23%), which was particularly accentuated in China (-46%), in Europe (-20%), and in North America (-10%). The performance of the Replacement tyre channel was also weak, with sales down by -19.3% due to mobility restrictions.

The New Premium (tyres with a rim diameter ≥ 18 inches) recorded a decline in sales of -11.6% (-32.0% in APAC, -6.8% in Europe, and -2.2% in North America), with a decline of -16.0% for the Original Equipment channel and -8.2% for the Replacement channel.

Declines were more marked for the Standard (tyres with a rim diameter ≤ 17 inches), with sales down by -22.0% for the first quarter, with the Original Equipment channel down by -24.9%, particularly in APAC (-32.7%), in Europe (-16.1%) and in North America (-17.3%), and the Replacement channel at -21%, with negative results in APAC (-41.1%), Europe (-14.9%), Russia (-16.6%) and South America (-4.1%).

Trends in Car Tyre Markets

| % year-on-year | 1Q19 | 2Q19 | 3Q19 | 4Q19 | 2019 | 1Q20 |
|---|-------------|-------------|-------------|-------------|-------------|--------------|
| Total Car Tyre Market | | | | | | |
| Total | -1.7 | -2.1 | -0.0 | -1.9 | -1.4 | -20.3 |
| <i>Original equipment</i> | -6.1 | -8.5 | -4.1 | -5.0 | -6.0 | -22.7 |
| <i>Replacement</i> | 0.3 | 0.6 | 1.5 | -0.7 | 0.4 | -19.3 |
| New Premium Market ≥ 18" | | | | | | |
| Total | 6.0 | 5.2 | 9.1 | 6.4 | 6.7 | -11.6 |
| <i>Original equipment</i> | 0.0 | 0.1 | 5.8 | 3.3 | 2.2 | -16.0 |
| <i>Replacement</i> | 11.2 | 9.4 | 11.4 | 8.7 | 10.2 | -8.2 |
| Standard Market ≤ 17" | | | | | | |
| Total | -3.1 | -3.4 | -1.6 | -3.4 | -2.9 | -22.0 |
| <i>Original equipment</i> | -8.0 | -11.1 | -7.2 | -7.5 | -8.5 | -24.9 |
| <i>Replacement</i> | -1.2 | -0.6 | 0.2 | -2.0 | -0.9 | -21.0 |

Source: Pirelli estimates

SIGNIFICANT EVENTS FOR THE QUARTER

In **January 2020** Pirelli received three important ESG awards. On **January 20**, the company was recognised as a global leader in the fight against climate change, which put Pirelli on the Climate A-List drawn up by the CDP (the former Carbon Disclosure Project), an international non-profit organisation that deals with collecting, disseminating and promoting information on environmental issues. On **January 31**, however, Pirelli won the highest recognition in the SAM Sustainability Yearbook 2020 published by S&P Global, receiving recognition as the ESG sector Leader in the FTSE4Good Index Series, which sees Pirelli now ranked at the top of the Tyre and Consumer Goods sector.

On **February 19, 2020** Pirelli presented the 2020-2022 Industrial Plan with Vision 2025, to the financial community. The Board of Directors also approved the adoption of a new monetary incentive scheme - the Long Term Incentive (LTI) - aimed at all areas of the Group's Management, which is correlated to the objectives of the plan. At the same time, the Board of Directors - effective as of December 31, 2019 - resolved to close early and without any disbursements, the previous plan adopted in 2018 which was correlated to the objectives of the 2018-2020 period. (Reference should be made to the section "**Significant events subsequent to the end of the quarter**" for resolutions - taken in April regarding the Covid-19 emergency - which then partially modified the aforesaid).

In response to the Covid-19 emergency, in **March** Pirelli activated a series of measures (including the disinfection of all work environments) to protect the health of employees and the community, both at Headquarters and in the manufacturing plants. In the offices, smart working was adopted, while in the factories, production was gradually slowed down and subsequently stopped, as always, to protect the health of employees, and also for the purposes of adjusting production to the fall in demand. In March, only three Chinese manufacturing plants were operating, at a reduced pace, two of which had been closed for approximately a month during **January and February**, due to the health emergency in the country.

In **March** Pirelli promoted a series of charitable initiatives in Italy and worldwide to support the fight and research against the Coronavirus. In Italy - in collaboration with the Region of Lombardy - the company donated health devices to medical facilities in Lombardy. Furthermore, as part of the "*Together for Italy, Together for Research*" initiative for the Luigi Sacco Hospital in Milan, Pirelli employees in Italy donated over 8,000 working hours, the value of which was then doubled by Pirelli. Also as part of this initiative, contributions from Pirelli partners, including Camfin and the Silvio Tronchetti Provera Foundation were added. A further donation was made by the Pirelli Calendar project, for which the 2021 edition was cancelled. At global level, there were amongst others, also the charity initiatives carried out in China, Russia, Brazil and Turkey.

On **March 2, 2020** the Pirelli Board of Directors approved the 2019 Financial Statements, which closed with a total net income of euro 457.7 million, and a net income for the Parent Company of euro 273.2 million, and resolved to propose to the Shareholders' Meeting, the distribution of a dividend of 0.183 euro per share, totalling euro 183 million. (Reference should be made to the section "**Significant events subsequent to the end of the quarter**" for resolutions - taken in April regarding the Covid-19 emergency - which then partially modified the aforesaid).

On **March 31, 2020** Pirelli announced that it had signed a new fully “*sustainable*” credit facility for euro 800 million, with a 5-year maturity, to be mainly used to repay existing debt. The Company also extended the expiration of an existing credit facility of euro 200 million, by more than one year (to September 2021, from June 2020). These transactions were part of the strategy presented to the market on February 19, 2020, and of the ongoing measures to optimise and strengthen Pirelli's debt structure. They are a testament to Pirelli's ability to refinance itself, despite the given macroeconomic uncertainty. Thanks to these refinancing operations, Pirelli further increased its coverage of financial debt maturities, for least up until the next 3 years, and under slightly better financial conditions than those detailed in the Industrial Plan.

GROUP PERFORMANCE AND RESULTS

The publication of this Interim Financial Report at March 31, 2020 has been carried out on a voluntary basis pursuant to Article 82-ter of the Issuers' Regulation. It has not been prepared on the basis of IAS 34 (Interim Financial Reporting).

In this document, in addition to the financial figures as provided for by the International Financial Reporting Standards (IFRS), alternative performance indicators derived from the IFRS were used in order to allow for a better assessment of the of the Group's operating and financial performance.

Reference should be made to the paragraph "*Alternative Performance Indicators*" for a more analytical description of these indicators.

* * *

During the first quarter of 2020, the tyre sector was strongly impacted by the Covid-19 emergency, by lock-down measures, and by the deterioration of the economic outlook, along with the general drop in consumption and production.

The demand for car tyres for the quarter recorded a -20% decline in volumes, a decrease which impacted both the Original Equipment channel (-22.7%, consistent with automobile production), and the Replacement channel (-19.3% due to the mobility restrictions).

The decrease in demand particularly impacted the Standard (a -22% decrease in demand for ≥17" Car tyres), and New Premium to a lesser degree (a -11.6% decrease in demand for ≥18" Car tyres), which was the more resilient segment.

During the course of the quarter, Pirelli production experienced strong discontinuities due to the suspension of activities in the countries where this gradually became necessary, both for the protection of workers' health, being the Company's primary objective, and in the face of the marked drop in demand.

The experience gained in China, where production and commercial activities are returning to normal, has allowed Pirelli to respond promptly to the profound change in the scenario at global level, by defining an action plan and new objectives for 2020, which were communicated to the market this past April 3rd.

This plan, whose initial benefits were visible during the first quarter, provides for a series of actions aimed at:

- guaranteeing the health and safety of its employees by adopting all preventive measures;
- protecting profitability and cash generation through cost containment and the renegotiation of investment programs;
- strengthening the capital structure. For this purpose there was the signing of a new sustainable bank credit facility for euro 800 million (5-year maturity), and, in general, the optimisation of the financial structure through the extension of debt maturities;

- preparing for the recovery phase, through the gradual reopening of manufacturing plants, a close collaboration with the sales network (for example; through the adoption of health regulations and the digitalisation of services), and the simplification of the product range with a greater focus on *Specialties* and tyres with rim diameters ≥ 19 inches.

Pirelli's results for the first quarter of 2020 were characterised by:

- **revenues** of euro 1,051.6 million (-20% compared to the same period of 2019) which reflected the previously mentioned fall in demand. **High value revenues** accounted for 69.6% of the total revenues (+1.5 percentage points compared to 68.1% of the first quarter 2019);
- **profitability (EBIT margin adjusted) at 13.4%** (16.7% for the first quarter of 2019). EBIT adjusted equalled euro 141.1 million. The contribution of efficiencies and cost containment measures (to the amount of approximately euro 64 million), limited the impact of the external scenario (weakness in market demand, pressure on prices, exchange rate volatility and increases in the cost of production factors);
- a **net income** of euro 38.5 million (euro 101.4 million for the first quarter of 2019), with a 3.7% share of revenues;
- a **net cash flow** of euro -753.5 million, which was substantially consistent with the trend for the first quarter of 2019 (euro -712.9 million), where lower investments (CapEx and financial equity investments), and improved financial management, mitigated the impact of lower operating performance;
- a **Net Financial Position** which at March 31, 2020 was negative to the amount of euro 4,260.7 million (euro 3,507.2 million at December 31, 2019, and euro 4,387.3 million at March 31, 2019);
- a **liquidity margin** of euro 2.115 billion, with debt maturities guaranteed for approximately 3 years, thanks also to the Company's right to extend bank debt maturing in 2022 (equal to approximately euro 1.98 billion at March 31, 2020), until 2024.

The Cost Competitiveness Plan and Measures to combat Covid-19

The Cost Competitiveness Plan already announced on February 19, which is divided into 4 areas (product cost, manufacturing, organisation and SG&A), with benefits for 2020 initially expected to amount to euro 180 million, equal to euro 110 million net of inflation. The plan is consistent with forecasts, with the exception of some Manufacturing sector projects - impacted by the Covid-19 emergency which led to a slowdown in production - with the consequent freezing of approximately euro 20 million in efficiencies.

Consequently, the benefits currently expected for the year from the Cost Competitiveness Plan amount to approximately euro 160 million. Euro 110 million in benefits net of inflation have been confirmed, the impact of which is now estimated at euro -50 million, compared to the previously indicated euro -70 million.

In order to limit the effects of the lock-down on production, and of the drop in demand, Pirelli also launched a second cost containment plan (**Covid-19 Measures**) - already announced on April 3. This plan, amounting to a total of euro 120 million for the year, includes short-term discretionary costs reduction measures (SG&A), a review of marketing and communication activities, the renegotiation of contracts with suppliers, the prioritisation of R&D investments, and efficiencies for the distribution channel. These savings will allow for the balancing of costs deriving from the slowdown in production, estimated at approximately euro 90 million for 2020.

The total benefits of the two plans (Cost Competitiveness Plan and Covid-19 Measures) amount to approximately euro 280 million (approximately 6% of the 2019 costs basis), euro 140 million net of inflation and the slowdown impact (approximately 3% of the costs basis for 2019).

For the first quarter of 2020, the net benefits of the two plans amounted to a total of euro 33 million (approximately euro 64 million in gross benefits) of which:

- approximately euro 16 million for the Cost Competitiveness Plan, are consistent with the provisions of the Plan for the first quarter (approximately euro 31 million in gross benefits before inflation equal to euro -15 million);
- approximately euro 17 million for Covid-19 Measures (approximately euro 33 million without the slowdown impact of euro -16 million).

The **Group's consolidated Financial Statements** can be summarised as follows:

| <i>(in millions of euro)</i> | 1 Q 2020 | 1 Q 2019 |
|--|-----------------|-----------------|
| Net sales | 1,051.6 | 1,313.8 |
| EBITDA adjusted (°) | 244.2 | 315.6 |
| % of net sales | 23.2% | 24.0% |
| EBITDA (°°) | 220.2 | 308.2 |
| % of net sales | 20.9% | 23.5% |
| EBIT adjusted | 141.1 | 219.2 |
| % of net sales | 13.4% | 16.7% |
| Adjustments: - amortisation of intangible assets included in PPA | (28.7) | (28.7) |
| - non-recurring, restructuring expenses and other | (18.6) | (7.4) |
| - COVID-19 direct costs | (5.4) | - |
| EBIT | 88.4 | 183.1 |
| % of net sales | 8.4% | 13.9% |
| Net income/(loss) from equity investments | (5.3) | 2.0 |
| Financial income/(expenses) (°°) | (32.5) | (48.1) |
| Net income/(loss) before tax | 50.6 | 137.0 |
| Tax expenses | (12.1) | (35.6) |
| Tax rate % | 24.0% | 26.0% |
| Net income/(loss) | 38.5 | 101.4 |
| Earnings/(loss) per share related to continuing operations (in euro per share) | 0.04 | 0.10 |
| Net income/(loss) adjusted | 76.3 | 123.4 |
| Net income attributable to owners of the Parent Company | 37.2 | 97.6 |

(°) Adjustments refer to non-recurring and restructuring expenses amounting to euro 16.7 million (euro 5.1 million in Q1 2019), expenses relative to the retention plan approved by Board of Directors on 26 February 2018 and amounting to euro 1.9 million (euro 2.3 million in Q1 2019) and COVID-19 direct costs for euro 5.4 million.

(°°) The item includes the impacts deriving from the application of the accounting standard IFRS 16 - Leases to the amount of euro -26.7 million on EBITDA (euro -25.0 million in Q1 2019) and euro - 5.9 million on financial expenses (euro - 6.7 million in Q1 2019).

| <i>(in millions of euro)</i> | 03/31/2020 | 12/31/2019 | 03/31/2019 |
|---|-----------------|----------------|-----------------|
| Fixed assets related to continuing operations | 9,174.9 | 9,469.8 | 9,542.1 |
| Inventories | 1,137.4 | 1,093.8 | 1,165.5 |
| Trade receivables | 658.6 | 649.4 | 858.4 |
| Trade payables | (961.3) | (1,611.5) | (1,142.5) |
| Operating working capital related to continuing operations | 834.7 | 131.7 | 881.4 |
| % of net sales (*) | 16.5% | 2.5% | 17.0% |
| Other receivables/other payables | 163.5 | 81.0 | 74.1 |
| Net working capital related to continuing operations | 998.2 | 212.7 | 955.5 |
| % of net sales (*) | 19.7% | 4.0% | 18.4% |
| Net invested capital held for sale | - | 0.0 | 0.8 |
| Net invested capital | 10,173.1 | 9,682.5 | 10,498.4 |
| Equity | 4,590.3 | 4,826.6 | 4,687.9 |
| Provisions | 1,322.1 | 1,348.7 | 1,423.2 |
| Net financial (liquidity)/debt position | 4,260.7 | 3,507.2 | 4,387.3 |
| Equity attributable to owners of the Parent Company | 4,493.3 | 4,724.4 | 4,603.9 |
| Investments in tangible and intangible assets (CapEx) | 56.6 | 390.5 | 78.0 |
| Increases in rights of use | 22.9 | 51.2 | 3.2 |
| Research and development expenses | 53.2 | 232.5 | 62.6 |
| % of net sales | 5.1% | 4.4% | 4.8% |
| Research and development expenses - High Value | 49.4 | 215.7 | 57.3 |
| % of sales High Value | 6.7% | 6.1% | 6.4% |
| Employees (headcount at end of period) | 31,197 | 31,575 | 31,697 |
| Industrial sites (number) | 19 | 19 | 19 |

(*) during interim periods net sales refer to last twelve months period

Net sales amounted to euro 1,051.6 million, and recorded a decline of -20%, -18.5% excluding the combined impact of the exchange rate effect plus the adoption of hyper-inflation accounting in Argentina (totalling -1.5%).

High Value revenues, amounting to euro 732.2 million, represented approximately 70% of total revenues (68.1% for the first quarter of 2019). This performance, compared to the first quarter of 2019 (-18.2%), reflected the general decline in demand for high-end range products, and Pirelli's high exposure to the APAC region (16% of total turnover for the first quarter of 2019, 12% for the first quarter of 2020), the region most affected by the impact of Covid-19 during the first quarter of 2020.

| <i>(in millions of euro)</i> | 1 Q 2020 | % of total | 1 Q 2019 | % of total | Change YoY | Organic change YoY |
|------------------------------|----------------|---------------|----------------|---------------|---------------|--------------------|
| High Value | 732.2 | 69.6% | 895.0 | 68.1% | -18.2% | -18.6% |
| Standard | 319.4 | 30.4% | 418.8 | 31.9% | -23.7% | -18.2% |
| Total net sales | 1,051.6 | 100.0% | 1,313.8 | 100.0% | -20.0% | -18.5% |

The following table shows the **market drivers for net sales performance**:

| | 1Q |
|---|---------------|
| Volume | -17.2% |
| <i>of which:</i> | |
| - High Value | -14.2% |
| - Standard | -20.2% |
| Price/mix | -1.3% |
| Change on a like-for-like basis | -18.5% |
| Translation effect/High inflation Argentina | -1.5% |
| Total change | -20.0% |

The performance of sales **volumes** (-17.2% for the first quarter of 2020) reflected the previously mentioned fall in demand (-20.3% for the Car market, -13% for the Motorcycle market) which impacted the Standard in particular (Pirelli volumes at -20.2%), and to a lesser extent the High Value (Pirelli volumes at -14.2%).

Particularly within the Car sector, **Car New Premium (≥18 inch)** volumes in fell by -14.4% (market volumes fell by -11.6%) given also the high exposure to the APAC region.

The performance for the Car New Premium was quite different:

- for the Original Equipment channel (Pirelli recorded a decline in volumes of -9.5% thanks to the diversification of the customer portfolio, also due to new contracts in North America and APAC, already under-way during the second half-year of 2019);
- vice versa for the Replacement channel, where Pirelli experienced a fall in volumes of -18.1%, due to:
 - its strong exposure to the Chinese market which recorded a -54% drop for the Car Replacement channel ≥18” tyres, where Pirelli is the market leader;
 - a commercial policy aimed at maintaining low inventory levels with its distribution partners in Europe and North America, in view of the restart of activities.

The price/mix trend (-1.3%) was impacted by:

- a diverse sales mix compared to the first quarter of 2019, with a worsening channel mix (due to decline for the Replacement channel which was more marked than that of Original Equipment), and a temporary drop in the Region mix, due to lower sales in APAC, Europe and North America, the first areas impacted by lock-down measures, compared to Russia and South America);
- the persistent competitive pressure on prices which was consistent with the previous quarters.

The performance for **sales according to geographical area** was as follows, and reflects the new Pirelli organisational structure introduced as of 2020.

| | euro/mIn | 1Q 2020 | | Organic Yoy* | 1Q 2019** |
|--------------------------|----------------|---------------|---------------|-----------------|---------------|
| | | % | yoy | | % |
| Europe and Turkey | 457.5 | 43.5% | -17.4% | -17.3% | 42.3% |
| North America | 231.3 | 22.0% | -14.3% | -17.0% | 20.5% |
| APAC | 137.8 | 13.1% | -34.6% | -34.2% | 16.0% |
| South America | 130.4 | 12.4% | -22.0% | -6.6% | 12.7% |
| Russia, Nordics and MEAI | 94.6 | 9.0% | -15.5% | -16.0% | 8.5% |
| Total | 1,051.6 | 100.0% | -20.0% | -18.5% | 100.0% |

* before exchange rate effect and high inflation accounting in Argentina

** the comparative data for 2019 have been restated in accordance with the new repartitions by geographic regions

EBITDA adjusted at March 31, 2020 equalled euro 244.2 million (-22.6% compared to euro 315.6 million for the corresponding period of 2019). The EBITDA adjusted includes indirect costs relative to the COVID-19 emergency totalling euro 24 million, of which euro 16 million is relative to the slowdown linked to the temporary closure of some manufacturing plants during the course of the quarter.

EBIT adjusted equalled euro 141.1 million (euro 219.2 million for the first quarter of 2019) with a margin equal to 13.4% (16.7% for the same period of 2019). Efficiencies measures and the cost reduction program contributed in containing the impacts of the difficult external scenario (weakness in market demand, pressure on prices, exchange rate volatility and inflation of the cost of production factors).

In more detail:

- the Cost Competitiveness Plan generated structural efficiencies of euro 31.2 million (3% of revenues), offsetting the inflation of cost of production factors (euro -15.2 million), the temporary negativity of the price/mix (euro -14.9 million), and the exchange rate impact (euro -1.2 million). These efficiencies mainly concerned the cost of the product (optimisation of specifications, and rationalisation of components), organisation (re-engineering of processes), and SG&A costs (strict control of overheads);
- the cost reduction plan linked to the Covid-19 emergency, equal to euro 32.9 million for the first quarter, offset the impact of the slowdown (euro -16.4 million), and the higher costs of raw materials (euro -3.3 million). Cost reduction measures were carried out with regard to discretionary costs (SG&A), the review of marketing and communication activities, the renegotiation of contracts with suppliers, the prioritisation of R&D investments and efficiencies for the distribution channel;
- the impact of volumes, in the end, was negative (euro -95 million), while the item “*amortisation, depreciation and other costs*” was positive to the amount of euro 3.8 million.

| <i>(in millions of euro)</i> | 1 Q |
|---|---------------|
| 2019 EBIT Adjusted | 219.2 |
| - Internal levers: | |
| Volumes | (95.0) |
| Price/mix | (14.9) |
| Amortisation, depreciation and other | 3.8 |
| Slowdown | (16.4) |
| Cost cutting Covid-19 | 32.9 |
| Efficiencies | 31.2 |
| - External levers: | |
| Cost of production factors (commodities) | (3.3) |
| Cost of production factors (labour/energy/others) | (15.2) |
| Difference from foreign currency translation | (1.2) |
| Total change | (78.1) |
| 2020 EBIT adjusted | 141.1 |

EBIT, which amounted to euro 88.4 million (compared to euro 183.1 million for the first quarter of 2019), included:

- the amortisation of intangible assets identified during the PPA to the amount of euro 28.7 million (consistent with the first quarter of 2019);
- non-recurring restructuring expenses to the amount of euro 16.7 million (euro 5.1 million for the first quarter of 2019) mainly relative to structural rationalisation measures;
- expenses relative to the retention plan approved by the Board of Directors on February 26, 2018 to the amount of euro 1.9 million (euro 2.3 million for the first quarter of 2019);
- direct costs linked to the Covid-19 emergency of euro 5.4 million which included costs incurred for the purchase of personnel protection materials.

Income/(loss) from equity investments was negative to the amount of euro 5.3 million, compared to the positive amount of euro 2.0 million for the first quarter of 2019. The result for the first quarter of 2020 mainly included the pro-rata share of the loss attributable to the Chinese Joint Venture Xushen Tire (Shanghai) Co., Ltd (euro 1.5 million), and the pro-rata share of the loss attributable to the Indonesian Joint Venture PT Evoluzione Tyres (euro 3.0 million).

Net financial expenses amounted to euro 32.5 million, and recorded a decrease of euro 15.6 million, compared to the same period of 2019 (euro 48.1 million for the first quarter of 2019).

This trend mainly reflected:

- the lower incidence of debt denominated in high yield currencies (mainly in Mexico), and the reduction in interest rates in these countries (mainly Brazil);
- the favourable comparison with the first quarter of 2019 which included the wash-down of fees which had not yet been amortised, following the early repayment of borrowings from banks.

The cost of debt year-on-year (calculated as the average for the last twelve months) stood at 2.54%, compared to 2.83% at December 31, 2019.

In addition to what has already been mentioned in the above points, this reduction mainly reflected:

- the lower cost of central financing sources, thanks to refinancing carried out during the course of 2019;
- the reduction in the interest margin, which occurred during the second half-year of 2019 for the main bank credit facility, following an improvement in the Group's leverage to which these margins are indexed.

Tax expenses for the first quarter of 2020 amounted to euro 12.1 million against a net income before tax of euro 50.6 million, with a tax rate, which at 24% was consistent with the expected tax rate for the 2020 financial year.

Net income amounted to euro 38.5 million compared to euro 101.4 million for the corresponding period of 2019.

Net income adjusted amounted to euro 76.3 million, compared to euro 123.4 million for the corresponding period of 2019.

The following table shows the calculations for the net income adjusted:

| <i>(in millions of euro)</i> | 1Q | |
|---|-------------|--------------|
| | 2020 | 2019 |
| Net income/(loss) | 38.5 | 101.4 |
| Amortisation of intangible assets included in PPA | 28.7 | 28.7 |
| Non-recurring and restructuring expenses | 16.7 | 5.1 |
| COVID-19 direct costs | 5.4 | - |
| Retention plan | 1.9 | 2.3 |
| Tax | (14.9) | (14.1) |
| Net income/(loss) adjusted | 76.3 | 123.4 |

Net income attributable to the owners of the Parent Company was positive to the amount of euro 37.2 million, compared to the positive result of euro 97.6 million for the first quarter of 2019.

Equity went from euro 4,826.6 million at December 31, 2019, to euro 4,590.3 million at March 31, 2020.

Equity attributable to the Parent Company at March 31, 2020 equalled euro 4,493.3 million, compared to euro 4,724.4 million at December 31, 2019.

This change is shown in the table below:

| <i>(in millions of euro)</i> | Group | Non-controlling interests | Total |
|-------------------------------------|----------------|----------------------------------|----------------|
| Equity at 12/31/2019 | 4,724.4 | 102.2 | 4,826.6 |
| Translation differences | (257.2) | (6.5) | (263.7) |
| Net income/(loss) | 37.2 | 1.3 | 38.5 |
| High inflation accounting Argentina | 6.5 | - | 6.5 |
| Other | (17.6) | - | (17.6) |
| Total changes | (231.1) | (5.2) | (236.3) |
| Equity at 03/31/2020 | 4,493.3 | 97.0 | 4,590.3 |

The **net financial (liquidity)/debt position** was negative to the amount of euro 4,260.7 million, compared to euro 3,507.2 million at December 31, 2019. It was composed as follows:

| <i>(in millions of euro)</i> | 03/31/2020 | 12/31/2019 |
|--|-------------------|-------------------|
| Current borrowings from banks and other financial institutions | 1,196.7 | 1,419.4 |
| - of which lease obligations | 76.3 | 77.8 |
| Current derivative financial instruments | 30.3 | 31.7 |
| Non-Current borrowings from banks and other financial institutions | 4,372.4 | 3,949.8 |
| - of which lease obligations | 397.2 | 405.3 |
| Non-Current derivative financial instruments | 10.6 | 10.3 |
| Total gross debt | 5,610.0 | 5,411.2 |
| Cash and cash equivalents | (797.8) | (1,609.8) |
| Other financial assets at fair value through Income Statement | (12.0) | (38.1) |
| Current financial receivables and other assets** | (43.0) | (35.5) |
| Current derivative financial instruments | (123.6) | (32.1) |
| Net financial debt * | 4,633.6 | 3,695.7 |
| Non-Current derivative financial instruments | (90.4) | (52.5) |
| Non-current financial receivables and other assets** | (282.5) | (136.0) |
| Total net financial (liquidity) / debt position | 4,260.7 | 3,507.2 |

* Pursuant to Consob Notice of July 28, 2006 and in compliance with ESMA/2013/319 Recommendations.

** The item "financial receivables and other assets" is reported net of the relative provision for impairment which amounted to euro 6.9 million at March 31, 2020 and euro 8.7 million at December 31, 2019.

The **structure of gross debt**, which amounted to euro 5,610.0 million, was as follows:

| <i>(in millions of euro)</i> | 03/31/2020 | Maturity date | | | | | |
|---|----------------|----------------|-----------------|-----------------|-----------------|-----------------|-------------------|
| | | within 1 year | between 1 and 2 | between 2 and 3 | between 3 and 4 | between 4 and 5 | more than 5 years |
| Use of unsecured financing ("Facilities") | 2,234.0 | 258.9 | - | 1,975.1 | - | - | - |
| Bond EURIBOR +0,70% - 2018/2020 | 199.9 | 199.9 | - | - | - | - | - |
| Bond 1,375% - 2018/2023 | 548.2 | - | - | 548.2 | - | - | - |
| Schuldschein | 523.8 | - | 81.9 | - | 422.0 | - | 19.9 |
| Bilateral long term borrowings | 721.7 | - | - | - | 721.7 | - | - |
| ISP short term borrowing | 200.0 | - | 200.0 | - | - | - | - |
| Other loans | 708.9 | 691.9 | 2.1 | 12.5 | 2.4 | - | - |
| Lease obligations IFRS 16 | 473.5 | 76.3 | 66.6 | 55.5 | 46.7 | 40.9 | 187.5 |
| Total gross debt | 5,610.0 | 1,227.0 | 350.6 | 2,591.3 | 1,192.8 | 40.9 | 207.4 |
| | | 21.9% | 6.2% | 46.2% | 21.3% | 0.7% | 3.7% |

At March 31, 2020 the Group had a liquidity margin equal to euro 2,114.8 million, composed of euro 1,305 million in the form of non-utilised committed credit facilities, and of euro 797.8 million in cash and cash equivalents, in addition to financial assets at fair value through the Income Statement to the amount of euro 12 million.

Non-utilised committed credit facilities at March 31 (euro 1,305 million) included a credit facility for euro 800 million with a 5-year maturity (already announced to the market), based on the Group's environmental sustainability and circular economy objectives. This credit facility forms part of the Group's cash and cash equivalents for April.

This liquidity margin of euro 2.114.8 million, guarantees coverage for debt maturities for approximately 3 years, thanks also to the Company's right to extend bank debt maturing in 2022 (equal to approximately euro 1.98 billion at March 31, 2020), until 2024. Starting from March, maturities originally scheduled for 2020 for two bank credit facilities totalling euro 450 million, were extended to 2021.

Net cash flow in terms of change in the net financial position, which was negative to the amount of euro 753.5 million, was substantially consistent with the trend for the first quarter of 2019 (euro -712.9 million), where lower investments (CapEx and financial equity investments), and improved financial management mitigated the impact of operating performance.

| <i>(in millions of euro)</i> | 1Q | |
|---|----------------|----------------|
| | 2020 | 2019 |
| EBIT adjusted | 141.1 | 219.2 |
| Amortisation and depreciation (excluding PPA amortisation) | 103.1 | 96.5 |
| Investments in tangible and intangible assets (CapEx) | (56.6) | (78.0) |
| Increases in rights of use | (22.9) | (3.2) |
| Change in working capital / other | (861.2) | (836.0) |
| Operating net cash flow | (696.5) | (601.5) |
| Financial income / (expenses) | (32.5) | (48.1) |
| Taxes paid | (31.4) | (30.1) |
| Cash Out for non-recurring and restructuring expenses / other | (20.7) | (16.0) |
| Differences from foreign currency translation / other | 27.6 | - |
| Net cash flow before dividends, extraordinary transactions and investments | (753.5) | (695.7) |
| (Acquisition) / Disposals of investments | - | (17.2) |
| Net cash flow before dividends paid by Parent Company | (753.5) | (712.9) |
| Dividends paid by Parent Company | - | - |
| Net cash flow | (753.5) | (712.9) |

More specifically, **operating net cash flow** for the first quarter of 2020 was negative to the amount of euro 696.5 million (euro -601.5 million for the first quarter of 2019) and reflected:

- investments in tangible and intangible assets (CapEx) to the amount of euro 56.6 million (euro 78 million for the first quarter of 2019), primarily aimed at High Value activities, and at the constant improvement of the mix and quality in all factories;
- increases in the rights of use of euro 22.9 million deriving from the application of the IFRS 16 accounting standard, and relative to new lease contracts signed during the first quarter of 2020;
- the usual seasonality of working capital management with a negative cash absorption of euro 861.2 million, which was slightly higher than the figure for the first quarter of 2019 (euro -836.0 million), impacted by the increase in inventories (raw materials and finished products), due to the slowdown in production, and the subsequent closure of manufacturing plants due to the Covid-19 emergency.

At March 31, 2020 inventories accounted for a 22% share of revenues (data for the last 12 months), 22% at March 31, 2019, and 20.5% at December 31, 2019. The Company has already activated specific measures for the purpose of adjusting inventory levels of raw materials and finished products, to the new market scenario.

OUTLOOK FOR 2020

With regard to 2020 forecasts, please refer to the targets already announced on April 3, 2020, which are therefore confirmed.

SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE QUARTER

On **April 3, 2020**, the Pirelli Board of Directors acknowledged the deterioration in growth prospects for the global economy due to the Covid-19 emergency, and the overshooting of the benchmarks of the 2020-2022 Industrial Plan presented on February 19, 2020. They resolved to:

- reformulate the 2020 targets, reserving the right to revise those for 2022 during the fourth quarter of 2020, based on the evolution of the external scenario;
- cancel the distribution of dividends for the 2019 financial year, thereby modifying the resolution approved on March 2, and retaining a distribution of reserves for Shareholders during the second half-year of 2020, should cash generation prove to be higher than the new 2020 target and/or the economic scenario should allow better visibility on the overall impacts of the Covid-19 emergency;
- revise the remuneration policy for 2020, taking into account, in particular, the cancellation of the short-term incentive program for 2020.

Faced with a deteriorated scenario, in addition to that mentioned above, Pirelli initiated a series of measures aimed at protecting profitability and cash flow generation. In particular, it temporarily reduced/halted production; initiated further cost containment measures; revised the investment plan so that it was consistent with the new market outlook; activated measures for the optimised management of working capital; reduced Top Management remuneration; and strengthened its financial structure through refinancing which had already been carried out during the first quarter of the year.

On **April 28, 2020** Pirelli convened - both ordinary and extraordinary sessions – for a Shareholders' Meeting to be held on June 18, 2020. In the ordinary session, in addition to deliberating the approval of the 2019 Financial Statements and the allocation of the results, the Shareholders' Meeting will have to - by list vote - renew the Board of Directors for the next three years, set the number of members and their relative remuneration, as well as appoint a President. The Shareholders' Meeting will also be called to approve the remuneration policy for 2020, to express an advisory vote on the remuneration paid during the 2019 financial year, to approve the adoption of the 2020/2022 three-year monetary Long Term Incentive Plan (the LTI Plan) for the Management sector of the Pirelli Group, and to deliberate on the Directors and Officers Liability Insurance policy. In the extraordinary session, the Shareholders' Meeting will be called to approve some statutory changes mainly concerning new legislation on gender quotas. In order to avoid risks posed by the Covid-19 health emergency, the Company has decided to provide for the intervention of those entitled to vote in the Shareholders' Meeting, and for it to take place exclusively through their Designated Representative without the physical attendance of those entitled.

On **April 29, 2020**, following the convening of the Shareholders' Meeting, Pirelli announced the entry into force of the agreements signed on August 1, 2019 - and already disclosed to the market - between ChemChina, CNRC, Silk Road Fund, Camfin and Marco Tronchetti Provera & C. S.p.A., concerning the long-term partnership with Pirelli. In addition, on this occasion, the "*Revised Acting-in-Concert Agreement*" was signed by the Silk Road Fund Co., Ltd. and the China National Tire & Rubber Corporation Co., Ltd., which supersedes and replaces the previous "*Acting-in-Concert Agreement*" signed between the parties on July 28, 2017, as well as the "*Amendment*" to the Supplemental Agreement to the contract to invest in Pirelli, signed between the parties on July 28, 2017.

On **April 30, 2020** Pirelli announced the restart of activities from May 4, with a plan aimed at ensuring the maximum protection of employee health and safety in the workplace, the same prioritised objective since the start of the Covid-19 emergency. In this regard, the Company has begun a collaborative relationship with the University of Milan - Department of Biomedical and Clinical Sciences "*L. Sacco*" - directed by Professor Massimo Galli, aimed at verifying the coherence of its own adopted operating procedures in accordance with scientific criteria, and to define a health protocol through serological screening tests, aimed for preventive purposes, at its staff. The restart of industrial activities will take place gradually from May 4. At the Settimo Torinese plant, production levels will be reduced in consideration of the lower demand. At the Bollate site - a factory that will focus on the *Velo* business - during the course of May only essential activities will resume at extremely reduced levels. At Bollate, the production of masks exclusively for employees and their families will also be subsequently implemented, thus eliminating the potential risks of any discontinuity in supply by third parties, and the consequent suspension of industrial activities. In Italy, in particular, the guidelines of the plan have already been shared with the trade unions. The plan integrates and strengthens the various measures defined by the national protocols, signed by the trade unions and employer associations.

In **May**, following the reopening of factories in China in March, activities - closed for the Covid-19 emergency - were partially restarted in Italy, Russia, Mexico, the United States, Turkey, Romania, South America and Germany.

ALTERNATIVE PERFORMANCE INDICATORS

This document, in addition to the financial measures provided for by the International Financial Reporting Standards (IFRS), also includes measures derived from the latter even though not provided for by the IFRS (Non-GAAP Measures). These measures are presented in order to allow for a better assessment of the results of the Group's operations and should not be considered as alternatives to those required by the IFRS.

In particular, the Non-GAAP Measures used were as follows:

- **EBITDA:** is equal to the EBIT but which excludes the depreciation and amortisation of property, plant and equipment and intangible assets. The EBITDA is used to measure the ability to generate earnings, excluding the impact arising from investments;
- **EBITDA adjusted:** is an alternative measure to the EBITDA which excludes non-recurring and restructuring expenses, Covid-19 direct costs, and expenses relative to the retention plan approved by the Board of Directors on February 26, 2018;
- **EBITDA margin:** this is calculated by dividing the EBITDA by revenues from sales and services (net sales). This measure is used to evaluate operating efficiency, excluding the impacts arising from investments;
- **EBITDA margin adjusted:** this is calculated by dividing the EBITDA adjusted by revenues from sales and services (net sales). This measure is used to evaluate operating efficiency, excluding the impacts arising from investments, operating costs attributable to non-recurring and restructuring expenses, Covid-19 direct costs, and expenses relative to the retention plan approved by the Board of Directors on February 26, 2018;
- **EBIT:** is an intermediate measure which is derived from the net income/(loss) but which excludes the net income/(loss) from discontinued operations, taxes, financial income, financial expenses, and net income/(loss) from equity investments. The EBIT is used to measure the ability to generate earnings, including the impact arising from investments;
- **EBIT adjusted:** is an alternative measure to the EBIT which excludes the amortisation of intangible assets relative to assets recognised as a consequence of Business Combinations, operating costs attributable to non-recurring and restructuring expenses, Covid-19 direct costs, and expenses relative to the retention plan approved by the Board of Directors on February 26, 2018;
- **EBIT margin:** this is calculated by dividing the EBIT by revenues from sales and services (net sales). This measure is used to evaluate operating efficiency;
- **EBIT margin adjusted:** this is calculated by dividing the EBIT adjusted by revenues from sales and services (net sales). This measure is used to evaluate operating efficiency excluding the amortisation of intangible assets relative to assets recognised as a consequence of Business Combinations, operating costs attributable to non-recurring and restructuring expenses, Covid-19 direct costs, and expenses relative to the retention plan approved by the Board of Directors on February 26, 2018;

- **Net income/(loss) adjusted;** this is calculated by excluding the following items from the net income/(loss) related to continuing operations;
 - o the amortisation of intangible assets relative to assets recognised as a consequence of Business Combinations, operating costs attributable to non-recurring and restructuring expenses, Covid-19 direct costs and expenses relative to the retention plan approved by the Board of Directors on February 26, 2018;
 - o non-recurring expenses/income recognised under financial income and expenses;
 - o non-recurring expenses/income recognised under taxes, as well as the tax impact relative to the adjustments referred to in the previous points.

- **Fixed assets related to continuing operations:** this measure is constituted by the sum of the Financial Statement items, "*Property, plant and equipment*", "*Intangible assets*", "*Investments in Associates and Joint Ventures*", "*Other financial assets at fair value through other Comprehensive Income*" and "*Other financial assets at fair value through the Income Statement*". Fixed assets related to continuing operations represents non-current assets included in the net invested capital;

- **Operating working capital related to continuing operations:** this measure is constituted by the sum of the items, "*Inventories*", "*Trade receivables*" and "*Trade payables*";

- **Net working capital related to continuing operations:** this measure is constituted by the operating working capital, and other receivables and payables, and the derivative financial instruments not included in the net financial (liquidity)/debt position. This measure represents short-term assets and liabilities included in the net invested capital, and is used to measure short-term financial stability;

- **Net invested capital assets held for sale:** this measure is constituted by the difference between "*Assets held for sale*" and "*Liabilities held for sale*";

- **Net invested capital:** this measure is constituted by the sum of (i) fixed assets related to continuing operations, (ii) net working capital related to continuing operations, and (iii) net invested capital assets held for sale. Net invested capital is used to represent the investment of financial resources;

- **Provisions:** this measure is constituted by the sum of "*Provisions for liabilities and charges (current and non-current)*", "*Employee benefit obligations (current and non-current)*" and "*Provisions for deferred taxes*". The item provisions, represents the total amount of liabilities due to obligations of a probable but not certain nature;

- **Net financial debt:** this is calculated pursuant to the CONSOB Notice dated July 28, 2006, and in compliance with ESMA/2013/319 Recommendations. Net financial debt represents, borrowings from banks and other financial institutions net of cash and cash equivalents, other financial assets at fair value through the Income Statement, current financial receivables (included in the Financial Statements under "*Other receivables*") and, current derivative financial instruments included in the net financial (liquidity)/debt position (included in the Financial Statements under current assets as "*Derivative financial instruments*");

- **Net financial (liquidity)/debt position:** this measure represents the net financial debt less the “*Non-current financial receivables*” (included in the Financial Statements under “*Other receivables*”), and non-current derivative financial instruments included in the net financial (liquidity)/debt position (included in the Financial Statements under non-current assets as “*Derivative financial instruments*”). Total net financial (liquidity)/debt position is an alternative measure to net financial debt which includes non-current financial assets;
- **Operating net cash flow:** this is calculated as the change in the net financial (liquidity)/debt position relative to operations management;
- **Net cash flow before dividends and extraordinary transactions and investments:** this is calculated by adding the change in the net financial (liquidity)/debt position due to financial and tax management, to the operating net cash flow;
- **Net cash flow before dividends paid by the Parent company:** this is calculated by adding the change in the net financial (liquidity)/debt position due to extraordinary transactions and the management of investments, to net cash flow before dividends and extraordinary transactions/investments;
- **Net cash flow:** this is calculated by adding the change in the net financial (liquidity)/debt position due to the payment of dividends by Parent company, to the net cash flow before dividends paid by Parent company;
- **Investments in tangible and intangible assets (CapEx):** this is calculated as the sum of investments (increases) in intangible assets, and investments (increases) in property, plant and equipment excluding any increases relative to the rights of use;
- **Increases in rights of use:** this is calculated as the increases relative to the rights of use detected during the application of the accounting standard IFRS 16 – Leases.

OTHER INFORMATION

ROLE OF THE BOARD OF DIRECTORS

The Board of Directors is responsible for the strategic guidance and supervision of the overall business activities, with the power to address the administration in its entirety, with the competence for undertaking of the most important financial/strategic decisions, or decisions which have a structural impact on operations or are functional decisions, as well as to exercise the control and direction of Pirelli.

The Chairman is also endowed with the legal representation of the Company including in the Company's legal proceedings, as well as all other powers attributed to the Chairman pursuant to the Articles of Association.

The Executive Vice Chairman and Chief Executive Officer are exclusively delegated powers for the ordinary management of the Company and the Group, as well as the power to make proposals regarding the Industrial Plan and Budgets to the Board of Directors, as well as any resolutions concerning any strategic industrial partnerships and joint ventures of which Pirelli is a part.

The Board has internally instituted the following Committees with advisory and propositional tasks:

- Audit, Risk, Sustainability and Corporate Governance Committee;
- Remuneration Committee;
- Committee for Related Party Transactions;
- Nominations and Successions Committee;
- Strategies Committee.

INFORMATION ON THE SHARE CAPITAL AND OWNERSHIP STRUCTURE

The subscribed and paid-up share capital at the date of approval of this Financial Report amounted to euro 1,904,374,935.66 and was represented by 1,000,000,000 registered ordinary shares without indication of their nominal value.

The shareholder Marco Polo International Italy S.r.l. - pursuant to Article 93 of Legislative Decree 58/1998 - controls the Company with a 46% share of the capital, but does not exercise management and coordination activities.

Updated extracts are available on the Company's website, of the existing agreements between some of the Shareholders, including indirect Shareholders, of the Company, which contain the provisions of the Shareholders' Agreements relative, amongst other things, to the governance of Pirelli.

For further details on the governance and ownership structure of the Company reference should be made to the Report on Corporate Governance and Ownership Structure contained in the 2019 Annual Report, as well as other additional information published in the Governance and Investor Relations section of the Company's website (www.pirelli.com).

WAIVER OF THE PUBLICATION OF INFORMATION DOCUMENTS

The Board of Directors, after taking into account the simplification of regulatory requirements introduced by CONSOB in the Issuer's Regulation No. 11971/99, resolved to exercise the option to derogate, pursuant to the provisions of Article 70, paragraph 8, and Article 71, paragraph 1-bis of the aforesaid Regulation, the obligations to publish the disclosure documents required at the time of significant mergers, de-mergers, capital increases by contributions in kind, acquisitions and disposals.

RELATED-PARTY TRANSACTIONS

Related party transactions, including intra-group transactions, do not qualify as either unusual or exceptional, but are part of the ordinary course of business for the companies of the Group. Such transactions, when not concluded under standard conditions or dictated by specific regulatory conditions, are in any case governed by conditions consistent with those of the market and carried out in compliance with the provisions of the Procedure for Related Party Transactions which the Company has adopted.

The effects of related party transactions contained in the Income Statement and the Statement of Financial Position, on the consolidated data for the Group were as follows:

TRANSACTIONS WITH ASSOCIATES AND JOINT VENTURES

| STATEMENT OF FINANCIAL POSITION | | |
|--|-------------------|-------------------|
| (in millions of euro) | 03/31/2020 | 12/31/2019 |
| Other non current receivables | 4.9 | 5.6 |
| <i>of which financial</i> | 4.9 | 5.6 |
| Trade receivables | 6.0 | 3.4 |
| Other current receivables | 43.8 | 40.7 |
| <i>of which financial</i> | 27.1 | 26.5 |
| Borrowings from banks and other financial institutions non-current | 14.9 | 15.4 |
| Borrowings from banks and other financial institutions current | 1.7 | 1.6 |
| Trade payables | 22.5 | 36.2 |

| INCOME STATEMENT | | |
|--|----------------|----------------|
| (in millions of euro) | 1Q 2020 | 1Q 2019 |
| Revenues from sales and services | 0.4 | 3.4 |
| Other income | 1.7 | 0.3 |
| Raw materials and consumables (net of change in inventories) | 1.5 | - |
| Other costs | 14.6 | 14.1 |
| Financial income | 0.4 | 0.1 |
| Financial expenses | 0.1 | 0.2 |
| Net income/ (loss) from equity investments | 4.4 | 0.3 |

Transactions - Statement of Financial Position

The item **other non-current receivables** refers to a loan granted by Pirelli Tyre S.p.A. to the Indonesian Joint Venture PT Evoluzione Tyres.

The item **trade receivables** includes receivables for services rendered by the companies of the Group, to PT Evoluzione Tyres to the amount of euro 0.4 million, and to the Chinese joint venture Jining Shenzhou Tyre Co., Ltd. to the amount of euro 5.6 million.

The item **other current receivables** mainly refers to:

- receivables for advances paid by Pirelli Tyre S.p.A. to PT Evoluzione Tyres to the amount of euro 4.3 million for the supply of motorcycle products;
- receivables for the sale of materials and moulds to the Joint Stock Company "Kirov Tyre Plant" to the amount of euro 6.4 million, and from Jining Shenzhou Tyres Co., Ltd. to the amount of euro 2.1 million;
- receivables for royalties for the Pirelli Tyre Co., Ltd from Jining Shenzhou Tyre Co., Ltd. to the amount of euro 0.6 million;
- receivables for the recovery of costs sustained by Pirelli Tyre S.p.A. from PT Evoluzione Tyres to the amount of euro 2.9 million;
- a loan granted by Pirelli Tyre Co., Ltd to Jining Shenzhou Tyre Co., Ltd. to the amount of euro 26.7 million.

The item **non-current borrowings from banks and other financial institutions** refers to payables for machine hire by the company Pirelli Deutschland GMBH from the company Industriekraftwerk Breuberg GmbH.

The item **current borrowings from banks and other financial institutions** refers to the short-term portion of the aforementioned payable.

The item **trade payables** mainly refers to payables for the purchase of energy from Industriekraftwerk Breuberg GmbH and trade payables towards the Jining Shenzhou Tyre Co., Ltd.

Transactions - Income Statement

The item **revenues from sales and services** mainly refers to the sales of materials to the Jining Shenzhou Tyre Co., Ltd. to the amount of euro 0.2 million, and to PT Evoluzione Tyres to the amount of euro 0.2 million.

The item **other costs** mainly refers to costs for the purchase of products from PT Evoluzione Tyres to the amount of euro 6 million, to costs for the purchase of energy and machine hire from Industriekraftwerk Breuberg GmbH to the amount of euro 3.9 million, and to the amount of euro 3.5 million for purchases from the Jining Shenzhou Tyre Co., Ltd.

The item **financial income** refers to interest on loans disbursed to the two joint ventures.

The item **financial expenses** refers to interest relative to machine hire between the German company Pirelli Deutschland GMBH and Industriekraftwerk Breuberg GmbH.

OTHER RELATED-PARTY TRANSACTIONS

The transactions detailed below refer mainly to transactions with the Aeolus Tyre Co., Ltd, and to transactions with the Prometeon Group, both of which are subject to the control of the direct Parent company or the indirect Parent companies of Pirelli & C. S.p.A.

| STATEMENT OF FINANCIAL POSITION | | |
|--|-------------------|-------------------|
| (in millions of euro) | 03/31/2020 | 12/31/2019 |
| Trade receivables | 9.2 | 6.4 |
| Other current receivables | 6.3 | 4.4 |
| Borrowings from banks and other financial institutions non-current | 1.7 | 2.0 |
| Borrowings from banks and other financial institutions current | 0.6 | 0.6 |
| Trade payables | 51.6 | 135.7 |
| Other current payables | 4.4 | 4.8 |

| INCOME STATEMENT | | |
|--|----------------|----------------|
| (in millions of euro) | 1Q 2020 | 1Q 2019 |
| Revenues from sales and services | 0.0 | 0.1 |
| Other income | 14.8 | 17.3 |
| Raw materials and consumables (net of change in inventories) | 0.7 | 0.8 |
| Other costs | 42.2 | 44.4 |
| Financial income | 0.0 | 0.1 |
| Financial expenses | 0.1 | - |

Transactions - Statement of Financial Position

The item **trade receivables** refers to receivables from companies of the Prometeon Group.

The item **other current receivables** mainly refers to receivables from companies of the Prometeon Group to the amount of euro 4.1 million.

The item **non-current borrowings from banks and other financial institutions** refers to payables of the company Pirelli Otomobil Lastikleri A.S. for machine hire from the Prometeon company Turkey Endüstriyel ve Ticari Lastikler A.S. to the amount of euro 1.2 million, and to payables of the company Pirelli Pneus Ltda to TP Industrial de Pneus Brasil Ltda to the amount of euro 0.4 million.

The item **current borrowings from banks and other financial institutions** refers to the short-term portions of the aforementioned payables of euro 0.3 million and euro 0.2 million respectively.

The item **trade payables** almost exclusively refers to payables to companies of the Prometeon Group to the amount of euro 51 million.

The item **other current payables** mainly refers to other current payables to companies of the Prometeon Group to the amount of euro 4.2 million.

Transactions - Income Statement

The item **other income** includes royalties recognised from the Aeolus Tyre Co., Ltd. to the amount of euro 7 million per year. The item also includes income of companies of the Prometeon Group mainly relative to:

- royalties recorded in respect of the license agreement for the use of the Pirelli trademark to the amount of euro 3.6 million;
- the licence agreement for know-how charged by Pirelli Tyre S.p.A. to the amount of euro 2.5 million;
- the sale of raw materials, finished and semi-finished products for the total amount of euro 3.9 million, of which euro 2.9 million was carried out by Pirelli Pneus Ltda;
- the Long-Term Service Agreement to the amount of euro 1.6 million of which euro 0.7 million was earned by Pirelli Sistemi Informativi S.r.l., and euro 0.3 million by Pirelli Pneus Ltda;
- logistic services for a total of euro 0.3 million, mainly rendered by the Spanish company Pirelli Neumaticos S.A.I.C.

The item **raw and consumable materials** used refers to costs payable to companies of the Prometeon Group for the purchase of direct materials/consumables/compounds, of which euro 0.4 million was carried out by the Turkish company Pirelli Otomobil Latikleri A.S.

The item **other costs** includes costs for services payable to the Aeolus Tyre Co., Ltd to the amount of 0.8 million euros, and costs payable to companies of the Prometeon Group mainly for:

- the purchase of truck products for a total amount of euro 23.6 million of which euro 20.3 million was carried out by the Brazilian company Comercial e Importadora de Pneus Ltda. for the Brazilian sales network, and euro 1.5 million by the German company Driver Reifen und KFZ-Technik GmbH;
- the purchase of Car/Motorcycle and semi-finished products for the total amount of euro 11 million of which euro 10.1 million was carried out by the Turkish company Pirelli Otomobil Latikleri A.S. in respect of the Off-Take contract, and euro 0.9 million by Pirelli Pneus Ltda for the purchase of inner tubes for tyres;
- costs to the amount of euro 2.2 million incurred by Pirelli Pneus Ltda for services for the transformation of raw materials as a result of activities pertinent to the Toll manufacturing contract.

The item **financial expenses** refers to interest relative to machine hire between the companies Pirelli Otomobil Lastikleri A.S. and Pirelli Pneus Ltda and the Prometeon Group

EXCEPTIONAL AND/OR UNUSUAL OPERATIONS

Pursuant to CONSOB Notice No. 6064293 of July 28, 2006, it is hereby specified that during the course of the first quarter of 2020, that no exceptional and/or unusual transactions as defined in the aforesaid Notice were carried out by the Company.

The Board of Directors

Milan, May 13, 2020

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(in thousands of euro)*

| | 03/31/2020 | 12/31/2019 |
|---|-------------------|-------------------|
| Property, plant and equipment | 3,409,158 | 3,649,809 |
| Intangible assets | 5,648,007 | 5,680,175 |
| Investments in associates and j.v. | 76,133 | 80,846 |
| Other financial assets at fair value through other comprehensive income | 41,575 | 58,967 |
| Deferred tax assets | 81,248 | 81,188 |
| Other receivables | 448,468 | 342,397 |
| Tax receivables | 9,080 | 9,140 |
| Derivative financial instruments | 90,434 | 52,515 |
| Non-current assets | 9,804,103 | 9,955,037 |
| Inventories | 1,137,383 | 1,093,754 |
| Trade receivables | 658,671 | 649,394 |
| Other receivables | 502,926 | 451,858 |
| Other financial assets at fair value through income statement | 12,002 | 38,119 |
| Cash and cash equivalents | 797,809 | 1,609,821 |
| Tax receivables | 37,249 | 41,494 |
| Derivative financial instruments | 142,207 | 37,148 |
| Current assets | 3,288,247 | 3,921,588 |
| Total Assets | 13,092,350 | 13,876,625 |
| Equity attributable to the owners of the Parent Company: | 4,493,316 | 4,724,449 |
| Share capital | 1,904,375 | 1,904,375 |
| Reserves | 2,551,722 | 2,381,940 |
| Net income / (loss) | 37,219 | 438,134 |
| Equity attributable to non-controlling interests: | 96,955 | 102,182 |
| Reserves | 95,710 | 82,619 |
| Net income / (loss) | 1,245 | 19,563 |
| Total Equity | 4,590,271 | 4,826,631 |
| Borrowings from banks and other financial institutions | 4,372,489 | 3,949,836 |
| Other payables | 80,639 | 90,571 |
| Provisions for liabilities and charges | 112,897 | 120,469 |
| Provisions for deferred tax liabilities | 1,053,058 | 1,058,760 |
| Employee benefit obligations | 193,092 | 203,003 |
| Tax payables | 12,589 | 12,555 |
| Derivative financial instruments | 10,600 | 10,327 |
| Non-current liabilities | 5,835,364 | 5,445,521 |
| Borrowings from banks and other financial institutions | 1,196,672 | 1,419,403 |
| Trade payables | 961,336 | 1,611,488 |
| Other payables | 340,790 | 402,757 |
| Provisions for liabilities and charges | 38,296 | 43,528 |
| Employee benefit obligations | 5,971 | 4,104 |
| Tax payables | 77,470 | 81,766 |
| Derivative financial instruments | 46,180 | 41,427 |
| Current liabilities | 2,666,715 | 3,604,473 |
| Total Liabilities and Equity | 13,092,350 | 13,876,625 |

CONSOLIDATED INCOME STATEMENT (in thousands of euro)

| | 01/01 - 03/31/2020 | 01/01 - 03/31/2019 |
|---|--------------------|--------------------|
| Revenues from sales and services | 1,051,572 | 1,313,804 |
| Other income | 79,838 | 99,049 |
| Changes in inventories of unfinished, semi-finished and finished products | 77,955 | 29,810 |
| Raw materials and consumables used (net of change in inventories) | (367,304) | (457,327) |
| Personnel expenses | (254,734) | (265,513) |
| Amortisation, depreciation and impairment | (133,475) | (124,885) |
| Other costs | (358,927) | (410,304) |
| Net impairment loss on financial assets | (7,443) | (2,613) |
| Increase in fixed assets for internal works | 889 | 1,052 |
| Operating income / (loss) | 88,371 | 183,073 |
| Net income / (loss) from equity investments | (5,288) | 2,012 |
| - share of net income (loss) of associates and j.v. | (4,435) | 330 |
| - gains on equity investments | - | 1,682 |
| - losses on equity investments | (853) | - |
| - dividends | - | - |
| Financial income | 158,550 | 14,446 |
| Financial expenses | (191,023) | (62,497) |
| Net income / (loss) before tax | 50,610 | 137,034 |
| Taxes | (12,146) | (35,598) |
| Net income / (loss) | 38,464 | 101,436 |
| Attributable to: | | |
| Owners of the Parent Company | 37,219 | 97,614 |
| Non-controlling interests | 1,245 | 3,822 |
| Total earnings / (loss) per share (in euro per share) | 0.037 | 0.098 |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (in thousands of euro)

| | 01/01 - 03/31/2020 | 01/01 - 03/31/2019 |
|--|--------------------|--------------------|
| A Total Net income / (loss) for the period | 38,464 | 101,436 |
| Other components of comprehensive income: | | |
| B - Items that may not be reclassified to income statement: | | |
| - Tax effect | 680 | - |
| - Fair value adjustment of other financial assets at fair value through other comprehensive income | (17,355) | 6,846 |
| Total B | (16,675) | 6,846 |
| C - Items reclassified / that may be reclassified to income statement: | | |
| Exchange differences from translation of foreign financial statements | | |
| - Gains / (losses) for the period | (263,663) | 37,373 |
| - (Gains) / losses reclassified to income statement | - | (1,567) |
| Fair value adjustment of derivatives designated as cash flow hedges: | | |
| - Gains / (losses) for the period | 54,403 | 42,101 |
| - (Gains) / losses reclassified to income statement | (53,449) | (47,177) |
| - Tax effect | 484 | 1,502 |
| Cost of hedging | | |
| - Gains / (losses) for the period | (1,193) | 296 |
| - (Gains) / losses reclassified to income statement | (1,924) | (1,676) |
| - Tax effect | 611 | 255 |
| Share of other comprehensive income related to associates and j.v. net of tax | | |
| | - | - |
| Total C | (264,731) | 31,107 |
| D Total other comprehensive income (B+C) | (281,406) | 37,953 |
| A+D Total comprehensive income / (loss) for the period | (242,942) | 139,389 |
| Attributable to: | | |
| - Owners of the Parent Company | (237,713) | 130,276 |
| - Non-controlling interests | (5,229) | 9,113 |
| Attributable to owners of the Parent Company: | | |
| - Continuing operations | (237,713) | 130,276 |
| - Discontinued operations | - | - |
| Total attributable to owners of the Parent Company | (237,713) | 130,276 |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AT 03/31/2020

| <i>(in thousands of euro)</i> | Attributable to the Parent Company | | | | | Non-controlling interests | Total |
|---|------------------------------------|---------------------|----------------------|-----------------------------------|--|---------------------------|------------------|
| | Share Capital | Translation reserve | Total IAS Reserves * | Other reserves/ retained earnings | Total attributable to the Parent Company | | |
| Total at 12/31/2019 | 1,904,375 | (313,805) | (89,424) | 3,223,303 | 4,724,449 | 102,182 | 4,826,631 |
| Other components of comprehensive income | - | (257,189) | (17,743) | - | (274,932) | (6,474) | (281,406) |
| Net income / (loss) | - | - | - | 37,219 | 37,219 | 1,245 | 38,464 |
| Total comprehensive income / (loss) | - | (257,189) | (17,743) | 37,219 | (237,713) | (5,229) | (242,942) |
| Effects of High inflation accounting in Argentina | - | - | - | 6,515 | 6,515 | - | 6,515 |
| Other | - | - | 8 | 57 | 65 | 2 | 67 |
| Total at 03/31/2020 | 1,904,375 | (570,994) | (107,159) | 3,267,094 | 4,493,316 | 96,955 | 4,590,271 |

(in thousands of euro)

| | Breakdown of IAS reserves * | | | | | | Total IAS reserves |
|--|--|-----------------------------|-----------------------------|------------------------------------|-----------------|------------------|--------------------|
| | Reserve for fair value adjustment of financial assets at fair value through other comprehensive income | Reserve for cost of hedging | Reserve for cash flow hedge | Remeasurement of employee benefits | Tax effect | | |
| Total at 12/31/2019 | (228) | 9,898 | (31,326) | (43,946) | (23,822) | (89,424) | |
| Other components of comprehensive income | (17,355) | (3,117) | 954 | - | 1,775 | (17,743) | |
| Other changes | - | - | - | 8 | - | 8 | |
| Total at 03/31/2020 | (17,583) | 6,781 | (30,372) | (43,938) | (22,047) | (107,159) | |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AT 03/31/2019

| <i>(in thousands of euro)</i> | Attributable to the Parent Company | | | | | Non-controlling interests | Total |
|--|------------------------------------|---------------------|----------------------|-----------------------------------|--|---------------------------|------------------|
| | Share Capital | Translation reserve | Total IAS Reserves * | Other reserves/ retained earnings | Total attributable to the Parent Company | | |
| Total at 12/31/2018 | 1,904,375 | (303,557) | (66,714) | 2,934,017 | 4,468,121 | 82,806 | 4,550,927 |
| Other components of comprehensive income | - | 30,515 | 2,147 | - | 32,662 | 5,291 | 37,953 |
| Net income / (loss) | - | - | - | 97,614 | 97,614 | 3,822 | 101,436 |
| Total comprehensive income / (loss) | - | 30,515 | 2,147 | 97,614 | 130,276 | 9,113 | 139,389 |
| Dividends approved | - | - | - | - | - | (8,241) | (8,241) |
| High inflation Argentina | - | - | - | 7,569 | 7,569 | - | 7,569 |
| Other | - | - | (724) | (1,346) | (2,070) | 334 | (1,736) |
| Total at 03/31/2019 | 1,904,375 | (273,042) | (65,291) | 3,037,854 | 4,603,896 | 84,012 | 4,687,908 |

(in thousands of euro)

| | Breakdown of IAS reserves * | | | | | Total IAS reserves |
|--|--|-----------------------------|-----------------------------|------------------------------------|-----------------|--------------------|
| | Reserve for fair value adjustment of financial assets at fair value through other comprehensive income | Reserve for cost of hedging | Reserve for cash flow hedge | Reserve for actuarial gains/losses | Tax effect | |
| Total at 12/31/2018 | 107 | 14,258 | (25,705) | (30,381) | (24,993) | (66,714) |
| Other components of comprehensive income | 6,846 | (1,381) | (5,075) | - | 1,757 | 2,147 |
| Other changes | 31 | - | - | - | (755) | (724) |
| Total at 03/31/2019 | 6,984 | 12,877 | (30,780) | (30,381) | (23,991) | (65,291) |

CONSOLIDATED STATEMENT OF CASH FLOWS (in thousands of euro)

| | 1/1 - 03/31/2020 | 1/1 - 03/31/2019 |
|---|------------------|------------------|
| Net income / (loss) before taxes | 50,610 | 137,034 |
| Reversals of amortisation, depreciation, impairment losses and restatement of property, plant and equipment and intangible assets | 133,475 | 124,885 |
| Reversal of Financial expenses | 191,023 | 66,918 |
| Reversal of Financial income | (158,550) | (18,867) |
| Reversal of gains / (losses) on equity investments | 853 | (1,682) |
| Reversal of share of net income from associates and joint ventures | 4,435 | (330) |
| Reversal of accruals and other | 11,007 | 10,521 |
| Taxes paid | (31,420) | (30,147) |
| Change in Inventories | (114,581) | (22,037) |
| Change in Trade receivables | (60,812) | (223,314) |
| Change in Trade payables | (577,688) | (483,468) |
| Change in Other receivables / Other payables | (95,514) | (84,422) |
| Uses of Provisions for employee benefit obligations and Other provisions | (13,019) | (10,741) |
| A Net cash flow provided by / (used in) operating activities | (660,181) | (535,650) |
| Investments in tangible assets | (53,592) | (77,463) |
| Change in payables for investments in tangible assets | (46,068) | (20,520) |
| Disposal of tangible/intangible assets | 239 | 1,939 |
| Investments in intangible assets | (2,976) | (521) |
| Disposals (Acquisition) of investments in subsidiaries | 69 | 10,700 |
| Disposals (Acquisition) of investments in associates and j.v. | 0 | (8,925) |
| B Net cash flow provided by / (used in) investing activities | (102,327) | (94,790) |
| Change in Financial payables | 217,226 | 328,166 |
| Change in Financial receivables / Other current financial assets at fair value through income statement | (157,299) | 18,765 |
| Financial income / (expenses) | (40,502) | (59,421) |
| Dividends paid | 0 | - |
| Repayment of principal and payment of interest for lease obligations | (25,267) | (22,673) |
| C Net cash flow provided by / (used in) financing activities | (5,841) | 264,837 |
| D Total cash flow provided / (used) during the period (A+B+C) | (768,349) | (365,603) |
| E Cash and cash equivalents at the beginning of the financial year | 1,600,628 | 1,303,852 |
| F Exchange rate differences from translation of cash and cash equivalents | (53,970) | 9,211 |
| G Cash and cash equivalents at the end of the period (D+E+F) (*) | 778,309 | 947,460 |
| (*) of which: | | |
| cash and cash equivalents | 797,810 | 962,957 |
| bank overdrafts | (19,501) | (15,497) |

FORM AND CONTENT

The publication of this Interim Financial Report at March 31, 2020 has been carried out on a voluntary basis pursuant to Article 82-ter of the Issuers' Regulation. It has not been prepared on the basis of IAS 34 (Interim Financial Reporting). For the detection and measurement of the accounting figures, reference has been made to the International Accounting Standards (IAS) and the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and their relative interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), as approved by the European Commission and in force at the time of the approval of this Financial Report, which were the same used in the preparation of the Financial Statements at December 31, 2019, to which reference should be made for more details, with the exception of:

- the following new accounting standards or amendments to existing standards, which became applicable as of January 1, 2020, but which did not have a significant impact on the Group:
 - Amendments to IFRS 3 - Business Combinations;
 - Amendments to IAS 1 - Presentation of Financial Statements, and IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors;
 - Amendments to IFRS 9, IAS 39 and IFRS 7: Reform of Interbank Offered Rates (IBOR reform);
- Income taxes, which are recognised on the basis of the best estimate of the weighted average tax rate expected for the entire financial year, consistent with the indications provided by IAS 34 for the preparation of the Interim Financial Statements;
- IAS 36, with specific reference to the impairment testing of intangible assets with an indefinite useful life, such as the Pirelli brand and goodwill, which is not applied to the Interim Financial Reports at March 31 and September 30. For the Half-Year Financial Report at June 30, 2020, which will be prepared on the basis of IAS 34, in the event of the presence of specific indicators, impairment testing will be carried out which will take into account the consensus data of analysts and the impacts of Covid-19 available at that date. During the fourth quarter of 2020, when the effects of Covid-19 on the medium/long-term scenario will be clearer, the 2020-2022 Strategic Plan will be updated, as already announced to the market on April 3, 2020, and impairment testing will consequently be carried out based on these new elements. On the basis of simulations carried out which took into account the new Guidance for 2020, which was communicated to the market on April 3, 2020, and on the basis of the hypothesis that the Covid-19 effect is expected to be reabsorbed in the medium term, Covid-19 is not expected to have significant impacts.

EXCHANGE RATES

| <i>(local currency vs euro)</i> | Period-end exchanges rates | | Change in % | Average exchange rates 1Q | | Change in % |
|---------------------------------|----------------------------|------------|----------------|---------------------------|----------|----------------|
| | 03/31/2020 | 12/31/2019 | | 2020 | 2019 | |
| Swedish Krona | 11,08320 | 10.4489 | 6.07% | 10,66272 | 10.4150 | 2.38% |
| Australian Dollar | 1,79670 | 1.5995 | 12.33% | 1,67909 | 1.5944 | 5.31% |
| Canadian Dollar | 1,56170 | 1.4598 | 6.98% | 1,48186 | 1.5102 | (1.88%) |
| Singaporean Dollar | 1,56330 | 1.5111 | 3.45% | 1,52808 | 1.5388 | (0.70%) |
| U.S. Dollar | 1,09560 | 1.1234 | (2.47%) | 1,10266 | 1.1358 | (2.92%) |
| Taiwan Dollar | 33,14738 | 33.6919 | (1.62%) | 33,22017 | 35.0092 | (5.11%) |
| Swiss Franc | 1,05850 | 1.0854 | (2.48%) | 1,06684 | 1.1324 | (5.79%) |
| Egyptian Pound | 17,33031 | 18.0936 | (4.22%) | 17,44491 | 20.0744 | (13.10%) |
| Turkish Lira (new) | 7,21500 | 6.6506 | 8.49% | 6,72315 | 6.0998 | 10.22% |
| New Romanian Leu | 4,82540 | 4.7793 | 0.96% | 4,79682 | 4.7343 | 1.32% |
| Argentinian Peso | 70,63224 | 67.2804 | 4.98% | 70,63224 | 48.7037 | 45.02% |
| Mexican Peso | 25,75997 | 21.1707 | 21.68% | 21,92268 | 21.8151 | 0.49% |
| South African Rand | 19,60950 | 15.7773 | 24.29% | 16,94790 | 15.9206 | 6.45% |
| Brazilian Real | 5,72640 | 4.5305 | 26.40% | 4,92249 | 4.2799 | 15.01% |
| Chinese Yuan | 7,76244 | 7.8371 | (0.95%) | 7,69550 | 7.6628 | 0.43% |
| Russian Ruble | 85,73890 | 69.3406 | 23.65% | 73,20594 | 74.8412 | (2.18%) |
| British Pound | 0,88643 | 0.8508 | 4.19% | 0,86225 | 0.8725 | (1.17%) |
| Japanese Yen | 118,90000 | 121.9400 | (2.49%) | 120,09734 | 125.0835 | (3.99%) |

NET FINANCIAL (LIQUIDITY) DEBT POSITION

| <i>(in thousands of euro)</i> | 03/31/2020 | 12/31/2019 |
|--|------------------|------------------|
| Current borrowings from banks and other financial institutions | 1,196,672 | 1,419,404 |
| Current derivative financial instruments (liabilities) | 30,266 | 31,703 |
| Non-current borrowings from banks and other financial institutions | 4,372,489 | 3,949,836 |
| Non current derivative financial instruments (liabilities) | 10,600 | 10,327 |
| Total gross debt | 5,610,027 | 5,411,270 |
| Cash and cash equivalents | (797,809) | (1,609,821) |
| Other financial assets at fair value through income statement | (12,002) | (38,119) |
| Current financial receivables and other assets** | (42,986) | (35,503) |
| Current derivative financial instruments (assets) | (123,603) | (32,090) |
| Net financial debt * | 4,633,627 | 3,695,737 |
| Non-current derivative financial instruments (assets) | (90,434) | (52,515) |
| Non-current financial receivables and other assets** | (282,459) | (135,996) |
| Total net financial (liquidity) / debt position | 4,260,734 | 3,507,226 |

* Pursuant to Consob Notice of July 28, 2006 and in compliance with ESMA/2013/319 Recommendations

** The item "financial receivables and other assets" is reported net of the relative provision for impairment which amounted to euro 6.9 million at March 31, 2020 and euro 8.7 million at December 31, 2019.

DECLARATION OF THE MANAGER RESPONSIBLE FOR THE PREPARATION OF THE CORPORATE FINANCIAL DOCUMENTS PURSUANT TO THE PROVISIONS OF THE ARTICLE 154-BIS, PARAGRAPH 2 OF THE LEGISLATIVE DECREE 58/1998

Francesco Tanzi, as Manager responsible for the preparation of the corporate financial documents, pursuant to the provisions of the Article 154-bis, paragraph 2 of the Legislative Decree 58/1998, hereby certifies that the accounting information contained in the Interim Financial Report as at March 31, 2020 corresponds to what contained in the accounting documentation, books and records.

Milan, May 13, 2020

Francesco Tanzi