INTERIM FINANCIAL REPORT

AT SEPTEMBER 30, 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

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The Board of Directors [1]

Chairman	Ning Gaoning
Executive Vice Chairman and Chief Executive Officer	Marco Tronchetti Provera
Director	Yang Xingqiang
Director	Bai Xinping
Independent Director	Paola Boromei
Independent Director	Domenico De Sole
Independent Director	Roberto Diacetti
Independent Director	Fan Xiaohua
Independent Director	Giovanni Lo Storto
Director	Angelos Papadimitriou
Independent Director	Marisa Pappalardo
Independent Director	Tao Haisu
Director	Giovanni Tronchetti Provera
Independent Director	Wei Yintao
Director	Zhang Haitao

Secretary of the Board Alberto Bastanzio

Board of Statutory Auditors[2]

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

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[1] Appointment: June 18, 2020. Expiry: Shareholders' Meeting convened for the approval of the Financial Statements at December 31, 2022. Angelos Papadimitriou (who also holds the position of General Manager co-CEO) was co-opted on August 5, 2020 to replace Carlo Secchi who resigned with effect as of the same date. Pursuant to the Law, the co-opted Director's position will expire as of the next Shareholders' Meeting.

[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[3]

Chairman – Independent Director	Fan Xiaohua
Independent Director	Roberto Diacetti
Independent Director	Giovanni Lo Storto
Independent Director	Marisa Pappalardo
	Zhang Haitao

Committee for Related Party Transactions[3]

Chairman – Independent Director	Marisa Pappalardo
Independent Director	Domenico De Sole
Independent Director	Giovanni Lo Storto

Nominations and Successions Committee[3]

Chairman	Marco Tronchetti Provera
	Ning Gaoning
	Bai Xinping
	Giovanni Tronchetti Provera

Remuneration Committee[3]

Chairman - Independent Director	Tao Haisu
	Bai Xinping
Independent Director	Paola Boromei
Independent Director	Fan Xiaohua
Independent Director	Marisa Pappalardo

3 The composition of the Board Committees is in accordance with the resolutions passed by the Board of Directors on August 5, 2020.

Strategies Committee[3]

Chairman	Marco Tronchetti Provera
	Ning Gaoning
	Angelos Papadimitriou
	Yang Xingqiang
	Bai Xinping
Independent Director	Domenico De Sole
Independent Director	Giovanni Lo Storto
Independent Director	Wei Yintao

Independent Auditing Firm[4] PricewaterhouseCoopers S.p.A.

Corporate Financial Reporting Manager[5] Francesco Tanzi

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

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[4] 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.

[5] Appointment: Board of Directors Meeting on June 22, 2020. Expiry: jointly with the current Board of Directors.

MACROECONOMIC AND MARKET SCENARIO

Economic overview

The trend for the global economy improved for the third quarter, and partially recovered from the collapse recorded during the preceding three months due to the Covid-19 emergency. The recovery benefitted from the easing of restrictions on mobility, production activities and services, but also from the effects of the exceptional stimulus measures introduced by governments (over UD$ 6,000 billion according to the International Monetary Fund) and central banks.

In Europe and the US, the recovery of economic activity, which began in May, continued during the following months, however year-on-year growth rates still remained negative.

China, where economic activity had returned to growth as of the second quarter, recorded gradual improvement for the third quarter with an increase in GDP of +4.9%.

There was a worsening trend for emerging markets. In Brazil, economic activity remained below normal levels, despite the resumption of industrial production between May and August. Finally, Russia was penalised by measures to combat the virus and by the drop in demand for oil, which led to lower crude oil prices and production levels.

Economic growth, percentage change in GDP

	1Q 2019	2Q 2019	Q3 2019	Q4 2019	1Q 2020	2Q 2020	3Q 2020
EU	1.8	1.5	1.6	1.2	-2.7	-13.9	-3.9
US	2.3	2.0	2.1	2.3	0.3	-9.0	-2.9
China	6.5	6.1	5.9	6.0	-6.8	3.2	4.9
Brazil	0.8	1.4	0.7	1.6	-1.4	-11.4	-5.8
Russia	0.4	1.2	1.5	2.0	1.6	-8.0	-7.5
World	2.7	2.5	2.6	2.4	-2.4	-8.0	-3.1

Change in percentages compared to the corresponding period of the previous year. Data are current up until Q2, and up until Q3 for the EU, the US and China.
Sources: Official national statistics and IHS Markit.

Exchange rates

High exchange rate volatility worsened for the third quarter, with the appreciation of the euro against other major currencies. The euro in particular appreciated against the US dollar on expectations of an expansionary monetary policy in the US, and following the agreement reached by the European Council on the *"Next Generation EU"* investment fund. For the third quarter the euro averaged US$ 1.17, up by +5.4% compared to the same period of 2019, and up by +6.3% compared to the second quarter of 2020.

Key exchange rates	1Q		2Q		3Q		First nine months	
	2020	2019	2020	2019	2020	2019	2020	2019
US$ per euro	1.10	1.14	1.10	1.12	1.17	1.11	1.13	1.12
Chinese yuan per US$	6.98	6.75	7.08	6.82	6.92	6.99	6.99	6.85
Brazilian real per US$	4.47	3.77	5.39	3.92	5.38	3.97	5.08	3.89
Russian rouble per US$	66.39	65.89	72.41	64.53	73.57	64.62	70.84	64.99

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

With the recovery of economic activity in China, the Chinese currency also strengthened compared to the previous quarter, but lost -3.6% against the euro for the third quarter. The Brazilian real was weak, penalised by an outflow of capital, and averaged -26.1% against the US dollar for the third quarter compared to the same period of 2019, and -29.8% against the euro. The rouble also depreciated: -12% year-on-year for the third quarter against the US dollar, -16.5% against the euro.

Raw materials prices

For the first nine months the average price of Brent stood at US$ 42.5 per barrel, down by -34.3% compared to the same period of 2019, due to a slowdown in demand and an increase in inventories. The price trend for Butadiene followed a similar trend to that of oil which averaged euro 500 per tonne for the first nine months of 2020, down by -41.3% compared to the same period of the previous year. The average price of natural rubber stood at US$ 1,241 per tonne for the first nine months of the year, down by -12.5% compared to the same period of 2019.

Raw material prices	1Q			2Q			3Q			First nine months		
	2020	**2019**	% change	**2020**	**2019**	% change	**2020**	**2019**	% change	**2020**	**2019**	% change
Brent ($ / barrel)	50.9	63.9	-20.4%	33.3	68.3	-51.3%	43.4	62.0	-30.0%	42.5	64.7	-34.3%
Butadiene (€ / tonne)	727	865	-16.0%	392	900	-56.5%	382	790	-51.7%	500	852	-41.3%
Natural rubber TSR20 ($ / tonne)	1,337	1,397	-4.3%	1,107	1,514	-26.9%	1,281	1,345	-4.8%	1,241	1,419	-12.5%

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

Trends in Car Tyre Markets

The car tyre market improved during the third quarter, with volumes in decline by -6.1% compared to -35% for the second quarter. For the first nine months, the car tyre market fell by -20.5%.

The market recovery affected both channels, specifically:

- -4% for the Original Equipment channel for the third quarter (-23.6% for the first nine months), consistent with the recovery in motor vehicle production after the stoppage during the first half-year (-3% in motor vehicle production for the third quarter, -23% for the first nine months). The trend for Premium and Prestige motor vehicle production in particular was positive: +4% for the third quarter (-15% for the first nine months);
- -7% for the Replacement channel for the third quarter (-19.3% for the first nine months) thanks to the removal of mobility restrictions introduced by various countries during the first half-year (market at -26.2% for the first half-year), and the recovery in demand in APAC, Europe and North America.

The New Premium market (tyres with a rim diameter ≥18”) proved to be more resilient than that of Standard (tyres with a rim diameter ≤17"), thanks to the evolution of the car parc: +2.3% growth for New Premium for the third quarter (-14.6% for the first nine months), -7.7% for the Standard market (-21.6% for the first nine months).

The trend differed at geographical level:

- APAC which was heavily penalised during the first half-year (market was at -27%), recovered during the third quarter (-4%), thanks to the growth in demand in China (+7% for the third quarter, -11% for the first nine months);
- the trends for Europe and North America also improved (respectively -5% and -3% for the third quarter, -20% and -17% for the first nine months), supported by the recovery in the New Premium market (+4% in Europe for the third quarter, +3% in North America; -15% and -14% respectively for the first nine months);
- in South America and Russia/Nordics/MEAI, the last geographical areas to be affected by the Covid-19 emergency, the car tyre market suffered a decline of -16% and -17% respectively for the third quarter, -28% and -30% for the first nine months.

% year-on-year	1Q 2020	2Q 2020	1H 2020	3Q 2020	9M 2020
Total Car Tyre Market					
Total	**-20.7**	**-35.3**	**-28.1**	**-6.1**	**-20.5**
Original equipment	-22.4	-43.3	-32.6	-4.3	-23.6
Replacement	-20.0	-32.2	-26.2	-6.7	-19.3
New Premium Market ≥ 18"					
Total	**-11.9**	**-34.8**	**-23.5**	**2.3**	**-14.6**
Original equipment	-15.8	-46.5	-31.1	0.5	-20.7
Replacement	-8.9	-26.1	-17.7	3.5	-10.2
Standard Market ≤ 17"					
Total	**-22.4**	**-35.4**	**-29.0**	**-7.7**	**-21.6**
Original equipment	-24.5	-42.2	-33.1	-6.0	-24.6
Replacement	-21.7	-33.1	-27.5	-8.2	-20.7

Source: Pirelli estimates

SIGNIFICANT EVENTS OF THE FIRST NINE MONTHS

In **January 2020**, Pirelli was recognised as a global leader in the fight against climate change, earning itself a place on the Climate A-List drawn up by the CDP (the former Carbon Disclosure Project). In other ESG sector news, Pirelli was awarded one of the highest acknowledgements in the SAM Sustainability Yearbook 2020 published by S&P Global, achieving recognition as an ESG sector Leader in the FTSE4Good Index Series, by being 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. On the same date the Board of Directors (BoD) approved the adoption of a new monetary incentive scheme (LTI), aimed at all areas of the Group’s Management and which correlates the objectives of the Industrial Plan, and resolved to close early and without any disbursements - effective as of December 31, 2019 - the previous plan adopted in 2018 which correlated the objectives of the 2018-2020 period. The Board of Directors' Meeting of **April 3, 2020,** reformulated the 2020 targets as part of the Covid-19 containment measures, and revised the 2020 remuneration policy, taking into account, in particular, the cancellation of the short-term incentive scheme for 2020.

Following the Covid-19 emergency, for the **first three months of 2020** Pirelli activated a series of measures to protect the health of employees and the community, both at Headquarters and in the manufacturing plants, where production firstly in China and then in the rest of the world, had gradually slowed down and subsequently stopped. During the course of the **second quarter**, following the restart of economic activities which had already taken place in China, the other manufacturing plants of the Group also gradually restarted production, initially at a reduced pace in view of the decline in demand.

In **March** Pirelli, thanks also to the support of some of its partners, including Camfin and the Silvio Tronchetti Provera Foundation, promoted a series of charitable initiatives, in Italy and around the world, to support the fight and research against the Coronavirus.

On **March 2, 2020** Pirelli’s Board of Directors approved the 2019 Financial Statements, which closed with a consolidated net income of euro 457.7 million, and resolved to propose to the Shareholders' Meeting, the distribution of a dividend of 0.183 euro per share, totalling euro 183 million. On **April 3, 2020** the Board of Directors, cancelled the distribution of dividends for the 2019 financial year as part of the Covid-19 containment measures, thereby amending the previous resolution.

On **March 31, 2020** Pirelli announced that it had signed a new euro 800 million credit facility, with a 5-year maturity, and an incentive mechanism relative to the product and process environmental sustainability objectives set out in the Pirelli Industrial Plan, which was mainly used to repay existing debt. The Company also extended the maturity date 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 ongoing measures aimed at optimising and strengthening Pirelli's debt structure.

Thanks to these operations, Pirelli further increased its coverage of financial debt maturities for approximately the next three years at least, and under slightly better financial conditions than those detailed in the Industrial Plan.

On **April 3, 2020** Pirelli's Board of Directors - faced with a deteriorated scenario - initiated, in addition to that mentioned above, a series of measures aimed at protecting profitability and cash generation. In particular, it 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, and reduced Top Management remuneration.

On **April 29, 2020**, following the convening of the Shareholders' Meeting, Pirelli held on **April 28, 2020**, 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 Tyre & Rubber 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. The *"Revised Acting-in-Concert Agreement"* became effective on **September 29, 2020** following the completion of the partial non-proportional and asymmetrical de-merger of Marco Polo International Italy Srl in favour of PFQY Srl - a company wholly owned by the Silk Road Fund - as a result of which, among other things, a stake equal to 9.02% of Pirelli's capital was assigned to the latter. Following the aforementioned de-merger, Marco Polo International Italy Srl, which is controlled by ChemChina/CNRC, holds 37.01% of Pirelli's capital.

On **April 30, 2020** Pirelli announced the restart of activities as of May 4, with a plan, in collaboration with the University of Milan - the L. Sacco Department of Biomedical and Clinical Sciences, directed by Professor Massimo Galli - aimed at ensuring the maximum protection of employee health and safety in the workplace. During **May and June,** following the reopening of factories in China in March, all the Group's manufacturing plants were gradually restarted at a rate proportionate to demand. In particular, at the Bollate site - a manufacturing plant whose focus will be the Velo business - the process was initiated for the production of masks exclusively for employees and their families, thus eliminating the potential risks of any discontinuity in supply from third parties.

On **June 18, 2020** the Pirelli Shareholders' Meeting approved the 2019 Financial Statements and the allocation of the results. They also appointed the Board of Directors until the approval of the Financial Statements at December 31, 2022, determining the number of members at 15 of which 9 are independent, and also confirmed Ning Gaoning as Chairman. On the basis of the two lists presented, the following were appointed as Pirelli Directors: *Ning Gaoning, Marco Tronchetti Provera, Yang Xingqiang, Bai Xinping, Wei Yintao, Domenico De Sole, Giovanni Tronchetti Provera, Zhang Haitao, Fan Xiaohua, Marisa Pappalardo, Tao Haisu, Carlo Secchi, Giovanni Lo Storto, Paola Boromei* and *Roberto Diacetti*. The Shareholders' Meeting also approved the remuneration policy for 2020, and expressed its favourable opinion on the Financial Report on the remunerations paid during the 2019 financial year. The Shareholders' Meeting also approved the adoption of the 2020-2022 three-year monetary Long Term Incentive Plan (*LTI Plan*) for the Management sector of the Pirelli Group, as well as the Directors and Officers Liability Insurance policy. In the extraordinary session, the Shareholders' Meeting also approved certain statutory changes mainly concerning new legislation on gender quotas.

On **June 22, 2020**, the new Board of Directors of Pirelli & C. S.p.A. appointed Marco Tronchetti Provera as Executive Vice Chairman and Chief Executive Officer (CEO), granting him powers for the operational management of Pirelli. The Board also proceeded to appoint the members of the Board Committees, confirming all the previous Committees with their respective instructive, consultative and propositional tasks. The Board of Directors also confirmed Francesco Tanzi, as Chief Financial Officer of the Group, which is a managerial position responsible for preparing the corporate accounting documents, and also appointed the Supervisory Board, which had previously expired together with the Board of Directors.

On **June 22, 2020**, Pirelli announced that the Science Based Targets Initiative (SBTi) - an organisation that aims to guide companies in defining their ambitious targets for controlling planet temperatures – had validated the Company's targets on reducing CO2 emissions, judging them to be consistent with the actions needed to maintain climate warming well below 2°C.

On **July 23, 2020** the Pirelli Board of Directors, constituted, at the proposal of the Executive Vice Chairman and CEO, Marco Tronchetti Provera, the Office of General Manager and co-CEO, which directly reports to him, and entrusted it to Angelos Papadimitriou effective as of August 1, 2020. In order to maximise operational effectiveness, the General Manager and co-CEO has been assigned the executive levers and the general coordination of the support functions necessary for the implementation of the integrated business model, and for the achievement of business objectives. Angelos Papadimitriou was co-opted on **August 5, 2020** to replace Carlo Secchi who resigned from his position as Director, effective as of the same date. Professor Carlo Secchi will continue to hold the position of Chairman of the Company's Supervisory Board.

On **5 August 2020**, in order to take into account the radical changes in the macroeconomic scenario, the Board of Directors mandated that the Remuneration Committee review the Net Cash Flow part of the 2020-2022 Long Term Incentive Plan ***(LTI Plan),*** and to align the relative targets with the new guidance communicated to the market together with the release of data at June 30, 2020, and with the targets of the Business Plan for the years 2021 and 2022 which will be announced by the first quarter of 2021. This revision will make it possible to maintain the full alignment of interests between Shareholders and Management, in an LTI Plan which confirms the relative Total Shareholders Return objectives (as compared to peers tier one), and Pirelli's positioning as regards selected global sustainability indicators.

In **September 2020** Pirelli, was the only tyre sector player recognised as a United Nations Global Compact LEAD company. In the same month of September, Pirelli, already a founding member of the UN Global Compact CFO Taskforce for Sustainable Development Goals (SDGs), was among the signatories of the *"CFO Principles on Integrated SDG Investments and Finance"* presented at the 75th UN General Assembly.

GROUP PERFORMANCE AND RESULTS

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.

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During the first nine months of 2020, the tyre sector was heavily impacted by the Covid-19 emergency and by the deterioration of the economic outlook, along with the general decline in consumption and production.
The demand for car tyres during the first nine months recorded a decline in volumes of -20.5% which had been particularly marked for the first half-year (-28.1%), but improved for the third quarter (-6.1%), thanks to the recovery in demand for Car New Premium (+2.3%).

Pirelli promptly responded to the profound change in the global scenario, implementing an action plan which was communicated to the financial market on April 3rd.

This plan made it possible to:

- guarantee the health and safety of its employees through the adoption of all necessary preventive measures;
- protect profitability and cash generation through cost containment and the renegotiation of investment programs;
- strengthen 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;
- consolidate the collaboration with the main Premium and Prestige vehicle manufacturers, and with the sales network in view of the recovery in demand.

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

- **revenues** equal to euro 3,093.8 million (-23.4% compared to the same period of 2019, an organic change of -19.3%) with High Value accounting for 71.2% of total revenues (67.4% for the first nine months of 2019);
- **EBIT adjusted** which was positive to the amount of euro of 280.4 million, with profitability at 9.1%. The contribution of efficiencies and cost containment measures (a total amount of euro 199 million, 6.4% of revenues, euro 84 million in net benefits), limited the impact of the external scenario (weakness in market demand, exchange rate volatility, slowdown and increased cost of production factors);
- **net income/(loss)** which amounted to euro -17.8 million euro for the first nine months, while **net income/(loss) adjusted** amounted to euro 115.2 million (excluding one-off, non-recurring, restructuring and other expenses, Covid-19 direct costs, and the amortisation of intangible assets included in the PPA);
- **net cash flow** which for the first nine months amounted to euro -745.3 million (euro -805.8 million for the first nine months of 2019, euro -628.9 million net of dividends paid in 2019), where lower investments (CapEx and financial equity investments), and improved working capital management mitigated the impact of lower operating performance. The reduction in inventories for the first nine months was significant: approximately euro 270 million (approximately euro 165 million excluding the exchange rate effect) between raw materials and finished products (approximately 3 million units for Car inventories and approximately 600 thousand units for Motorcycle for the first nine months);
- a **Net Financial Position** at September 30, 2020 which was negative to the amount of euro 4,252.5 million (euro 3,507.2 million at December 31, 2019), and substantially unchanged compared to euro 4,264.7 million at June 30, 2020;
- a **liquidity margin** of euro 1,849.8 million, with debt maturities guaranteed until the end of the first half-year of 2023, thanks also to the Company's right to extend bank debt maturing in 2021 (to the amount of euro 242 million), and in 2022 (to the amount of euro 1,683 million) respectively until 2022 and 2024.

Results improved significantly for the third quarter with:

- **revenues** of euro 1,277.4 million, in decline by -1.5% compared to the third quarter of 2019 and net of the exchange rate effect, supported by the performance of the High Value high-end range (+3.9% for Pirelli High Value volumes, +5.3% for Car New Premium volumes) and by an improvement in the price/mix (+2.3%);
- **EBIT adjusted** equalled euro 213.7 million with profitability at 16.7% (17.7% for the third quarter of 2019) thanks to the contribution of internal levers (price/mix, efficiencies and cost containment measures);
- **net income/(loss)** was positive to the amount of euro 83.9 million;
- **net cash flow** which was positive (euro +12.2 million, consistent with the third quarter of 2019) thanks to the continued reduction in inventories especially for the Car sector (a reduction of -1.1 million units for the quarter).

Cost Competitiveness Plan and Covid-19 Measures

The Cost Competitiveness Plan and the measures to combat the Covid-19 scenario were consistent with the forecasts announced this past May 13th. The expected gross benefits for the year equal approximately euro 280 million (approximately 6% of the 2019 cost base), euro 140 million net of inflation and the slowdown (approximately 3% of the 2019 costs base). In particular:

- the Cost Competitiveness Plan which is divided into 4 areas (product cost, manufacturing, organisation and SG&A), contributed approximately euro 160 million, euro 110 million in benefits net of inflation (the impact of which was confirmed as equal to euro -50 million);
- the Covid-19 Measures cost containment plan, which includes short-term measures for SG&A, marketing and communication, manufacturing and R&D, contributed approximately euro 120 million, euro 30 million net of the slowdown (the impact of which has been confirmed at euro -90 million).

During the first nine months of 2020, consistent with forecasts, the gross benefits of the two plans was equal to a total of euro 199 million (71% of the expected efficiencies for 2020), equal to euro 84 million in benefits for the first nine months net of inflation and the slowdown. In more detail:

- euro 109 million deriving from the Cost Competitiveness Plan, euro 73 million in benefits net of inflation for the first nine months, which equalled euro -36 million;
- euro 90 million deriving from Covid-19 Measures, euro 11 million for the first nine months net of the impact of the slowdown (which amounted to euro -79 million).

In particular, for the third quarter the gross benefits amounted to euro 74 million (euro 52 million net of inflation and the slowdown). In more detail:

- euro 45 million in gross benefits deriving from the Cost Competitiveness Plan, euro 32 million in benefits net of inflation;
- euro 29 million in gross benefits deriving from Covid-19 Measures, euro 20 million in benefits net of the slowdown.

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

(in millions of euro)		**1/1 - 09/30/2020**	**1/1 - 09/30/2019**
Net sales		**3,093.8**	**4,036.4**
EBITDA adjusted (°)		**577.3**	**978.5**
% of net sales		18.7%	24.2%
EBITDA (°°)		**478.5**	**977.4**
% of net sales		15.5%	24.2%
EBIT adjusted		**280.4**	**685.0**
% of net sales		9.1%	17.0%
Adjustments:	- amortisation of intangible assets included in PPA	(86.0)	(86.0)
	- non-recurring, restructuring expenses and other	(66.2)	(72.9)
	- income from Brazilian tax credits	-	71.8
	- COVID-19 direct costs	(32.6)	-
EBIT		**95.6**	**597.9**
% of net sales		3.1%	14.8%
Net income/(loss) from equity investments		(6.1)	1.4
Financial income/(expenses) (°°)		(113.3)	(75.2)
- of which financial income from Brazilian tax credits		-	*100.6*
Net income/(loss) before tax		**(23.8)**	**524.1**
Tax income/(expenses)		6.0	(138.4)
Tax rate %		25.0%	26.4%
Net income/(loss)		**(17.8)**	**385.7**
Eanings/(loss) per share (in euro per share)		(0.02)	0.37
Net income/(loss) adjusted		115.2	380.3
Net income/(loss) attributable to owners of the Parent Company		(23.5)	372.7

(°) Adjustments refers to one-off, non recurring and restructuring expenses to the amount of euro 60.2 million (euro 67.8 million for the first nine months of 2019), expenses relative to the retention plan approved by the Board of Directors on February 26, 2018 to the amount of euro 6.0 million (euro 5.1 million for the first nine months of 2019), and COVID-19 direct costs to the amount of euro 32.6 million. For the first nine months of 2019 it had also included income from Brazilian tax credits to the amount of euro 71.8 million.

(°°) The item includes the impacts deriving from the application of the accounting standard IFRS 16 - Leases to the amount of euro +77.6 million on EBITDA (euro +77.8 million for the first nine months of 2019) and euro -16.6 million on financial expenses (euro -18.0 million for the first nine months of 2019).

(in millions of euro)	**09/30/2020**	**12/31/2019**	**09/30/2019**
Fixed assets related to continuing operations	**8,908.8**	**9,469.8**	**9,436.7**
Inventories	824.7	1,093.8	1,103.5
Trade receivables	949.1	649.4	976.2
Trade payables	(808.4)	(1,611.5)	(1,146.7)
Operating working capital related to continuing operations	**965.4**	**131.7**	**933.0**
% of net sales (*)	22.0%	2.5%	17.6%
Other receivables/other payables	50.8	81.0	230.6
Net working capital related to continuing operations	**1,016.2**	**212.7**	**1,163.6**
% of net sales (*)	23.2%	4.0%	21.9%
Net invested capital held for sale	-	-	0.8
Net invested capital	**9,925.0**	**9,682.5**	**10,601.1**
Equity	**4,403.9**	**4,826.6**	**4,742.4**
Provisions	1,268.6	1,348.7	1,378.5
Net financial (liquidity)/debt position	**4,252.5**	**3,507.2**	**4,480.2**
Equity attributable to owners of the Parent Company	4,306.3	4,724.4	4,650.4
Investments in tangible and intangible assets (CapEx)	106.1	390.5	242.3
Increases in rights of use	62.2	51.2	25.7
Research and development expenses	143.5	232.5	173.2
% of net sales	4.6%	4.4%	4.3%
Research and development expenses - High Value	135.2	215.7	160.0
% of sales High Value	6.1%	6.1%	5.9%
Employees (headcount at end of period)	30,154	31,575	31,724
Industrial sites (number)	19	19	19

(°) during interim periods net sales refer to the last twelve months

For a better understanding of the Group's performance, the following **quarterly economic performance figures** are provided below:

(in millions of euro)	**1 Q**		**2 Q**		**3 Q**		**Cumulative at 09/30**	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Net sales	**1,051.6**	1,313.8	**764.8**	1,341.0	**1,277.4**	1,381.6	**3,093.8**	4,036.4
yoy	-20.0%		-43.0%		-7.5%		-23.4%	
*organic yoy **	-18.5%		-38.3%		-1.5%		-19.3%	
EBITDA adjusted	**244.2**	315.6	**23.7**	320.5	**309.4**	342.4	**577.3**	978.5
% of net sales	23.2%	24.0%	3.1%	23.9%	24.2%	24.8%	18.7%	24.2%
EBITDA	**220.2**	308.2	**(18.5)**	369.7	**276.8**	299.5	**478.5**	977.4
% of net sales	20.9%	23.5%	-2.4%	27.6%	21.7%	21.7%	15.5%	24.2%
EBIT adjusted	**141.1**	219.2	**(74.4)**	221.3	**213.7**	244.5	**280.4**	685.0
% of net sales	13.4%	16.7%	-9.7%	16.5%	16.7%	17.7%	9.1%	17.0%
Adjustments: - amortisation of intangible assets included in PPA	(28.7)	(28.7)	(28.6)	(28.6)	(28.7)	(28.7)	(86.0)	(86.0)
- non-recurring, restructuring expenses and other	(18.6)	(7.4)	(21.2)	(22.6)	(26.4)	(42.9)	(66.2)	(72.9)
- income from Brazilian tax credits	-	-	-	71.8	-	-	-	71.8
- COVID-19 direct costs	(5.4)	-	(21.0)	-	(6.2)	-	(32.6)	-
EBIT	**88.4**	183.1	**(145.2)**	241.9	**152.4**	172.9	**95.6**	597.9
% of net sales	8.4%	13.9%	-19.0%	18.0%	11.9%	12.5%	3.1%	14.8%

* before exchange rate effect and high inflation accounting in Argentina

Total net sales amounted to euro 3,093.8 million, and recorded a decline of -23.4%, -19.3% excluding the combined impact of the exchange rate effect plus the adoption of hyperinflation accounting in Argentina (totalling -4.1%).

High Value net sales which amounted to euro 2,203.3 million, represented approximately 71.2% of total revenues (67.4% for the first nine months of 2019).

(in millions of euro)	**1/1 - 09/30/2020**	% of total	**1/1 - 09/30/2019**	% of total	Change YoY	Organic change YoY
High Value	2,203.3	71.2%	2,719.9	67.4%	-19.0%	-17.6%
Standard	890.5	28.8%	1,316.5	32.6%	-32.4%	-22.6%
Total net sales	**3,093.8**	**100.0%**	**4,036.4**	**100.0%**	**-23.4%**	**-19.3%**

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

	2020			
	1Q	**2Q**	**3Q**	**Cumulative at 09/30**
Volume	-17.2%	-41.6%	-3.8%	-20.7%
of which:				
- High Value	*-14.2%*	*-35.2%*	*3.9%*	*-14.9%*
- Standard	*-20.2%*	*-50.4%*	*-11.9%*	*-26.4%*
Price/mix	-1.3%	3.3%	2.3%	1.4%
Change on a like-for-like basis	**-18.5%**	**-38.3%**	**-1.5%**	**-19.3%**
Translation effect/High inflation Argentina	-1.5%	-4.7%	-6.0%	-4.1%
Total change	**-20.0%**	**-43.0%**	**-7.5%**	**-23.4%**

The trend in sales **volumes** for the first nine months of 2020 (-20.7%) reflected the previously mentioned fall in demand (-20.5% for the Car market, -10% for the Motorcycle market), which impacted the Standard segment in particular (Pirelli volumes at -26.4%), and to a lesser extent the High Value segment (Pirelli volumes at -14.9%).

Car New Premium (≥18 inches) volumes fell by -14.2% (the market by -14.6%), with a differing performance for each channel:

- for the Original Equipment channel Pirelli recorded a decline in volumes of -15.3% (-20.7% for the market), 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;
- for the Replacement channel Pirelli recorded a decline in volumes of -13% (-10% for the market), impacted by measures for the reduction of main distribution partners inventory levels initiated during the first quarter, which in Europe ended in April, and in North America during the third quarter. In North America sales were also impacted by lock-down measures which mostly affected the US states with a high presence of Premium and Prestige cars.

Improvement in the **price/mix** for the first nine months of 2020 equalled +1.4% and reflected the differing trends between the quarters:

- a negative first quarter (-1.3%), with a channel mix that was impacted by the more marked decline of the Replacement channel, and the temporary drop in the Region mix due to lower sales in China;
- positive for the second and third quarters (+3.3% and +2.3% respectively), thanks to the improvement of the product mix, the Region mix (with the recovery of sales in China starting from the second quarter) and the channel mix (positive for the second quarter, neutral for the third quarter in consideration of a more balanced trend between the Original Equipment and Replacement channels).

Negative **exchange rates effect**: -4.1% for the first nine months of 2020 (-1.5% for the first quarter, -4.7% for the second quarter and -6.0% for the third quarter), due to the strong volatility of emerging market currencies (mainly Latin America and Russia), and the appreciation of the euro against the main currencies during the third quarter.

There was a marked improvement in the revenue trend for the **third quarter** equal to euro 1,277.4 million , with a decline of -1.5% excluding the exchange rate effect, thanks to:

- a more contained decline in volumes (total volumes down by -3.8%, with High Value up by +3.9% and Standard volumes at -11.9%);
- the aforementioned improvement in the price/mix (+2.3%) compared to the third quarter of 2019.

In particular, for the **Car New Premium (≥18")** segment, Pirelli recorded growth (+5.3% for the third quarter) which was higher than that of the market (+2.3% for the third quarter):

- strengthening its positioning for the Original Equipment channel (a +4.3% growth in Pirelli volumes compared to the market at +0.5%), sustained by the performance in APAC (particularly in China), and in North America thanks to the aforementioned expansion of the customer portfolio;
- regaining share for the Replacement channel (a +6.1% increase in Pirelli volumes compared the market at +3.5% for the third quarter, compared to the first half-year where Pirelli recorded volumes at -24% with the market at -18%), thanks to greater penetration of the car dealer and on-line channels in China, and the expansion of the product range in Europe.

For the **Car Standard (≤17")** segment, the reduction in volumes (-11.4% for the third quarter) was more pronounced than that of the market (-8.2%), with the exception of South America where Pirelli gained market share for the Replacement channel (+2.8% compared to -15.7% for the market), by taking advantage of some of the opportunities created with the reduction in imports.

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

	1/1 - 09/30/2020				1/1 - 09/30/2019**
	euro\mln	*%*	*yoy*	*Organic Yoy**	*%*
Europe and Turkey	1,305.3	42.1%	*-19.7%*	*-19.1%*	40.2%
North America	621.4	20.1%	*-26.3%*	*-25.2%*	20.9%
APAC	611.3	19.8%	*-15.0%*	*-13.1%*	17.8%
South America	308.7	10.0%	*-39.2%*	*-15.1%*	12.6%
Russia, Nordics and MEAI	247.1	8.0%	*-27.7%*	*-23.9%*	8.5%
Total	**3,093.8**	**100.0%**	***-23.4%***	***-19.3%***	**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 for the first nine months of 2020 amounted to euro 577.3 million (-41% compared to euro 978.5 million for the corresponding period of 2019), and euro 309.4 million for the third quarter of 2020, with a margin of 24.2% (24.8% for the third quarter of 2019). The EBITDA adjusted included net indirect industrial costs relative to the Covid-19 emergency totalling euro 86.7 million for the first nine months, (euro 3.1 million for the third quarter) of which euro 78.8 million was for costs relative to the slowdown due to the temporary closure of some manufacturing plants, and more generally, the reduced utilisation of manufacturing plants (euro 8.2 million for the third quarter). These indirect costs have been stated net of the benefits of the welfare safety nets, and net of the benefits deriving from the Covid-19 cost-cutting measures implemented on the Group's industrial costs.

EBITDA which equalled euro 478.5 million (compared to euro 977.4 million for the corresponding period of 2019; euro 276.8 million for the third quarter of 2020 compared to euro 299.5 million for the third quarter of 2019, but with the same margin of 21.7%), also included direct operating costs linked to the Covid-19 emergency to the amount of euro 32.6 million, mainly relative to costs incurred for the purchase of personnel protection materials, as well as costs relative to semi-finished products which cannot be utilised due to the sudden closure, in that they are not suitable for production.

EBIT adjusted which equalled euro 280.4 million, (euro 685.0 million for the first nine months of 2019) was impacted by the sharp fall in demand during the first half-year and the consequent impact of the slowdown. The profitability trend significantly improved during the third quarter with an EBIT adjusted of euro 213.7 million, and a margin of 16.7% (17.7% for the third quarter of 2019).

During both the first nine months of the year and the third quarter, efficiencies measures and the program for the reduction of costs linked to the Covid-19 emergency contributed in containing the impacts of the external scenario (marked weakness in market demand, slowdown, volatility of exchange rates, and inflation of the cost of production factors).

More specifically during the first nine months:

- the Cost Competitiveness Plan generated structural efficiencies of euro 108.8 million (3.5% of revenues) which offset inflation (euro -36.3 million), the impact of the exchange rate effect (euro -34.9 million), and the increase in the cost of raw materials (euro -19.8 million), where the latter was impacted by the depreciation of the main currencies of countries where the Group's production is located (e.g. South America, Romania, and Russia). These efficiencies 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 90 million for the first nine months of 2020, offset the impact of the slowdown (euro -78.8 million), which by the end of September had expressed 88% of its expected annual impact. 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 further production efficiencies;
- the impact of the price/mix was positive to the amount of euro 21.4 million;
- finally, the impact of volumes (euro -354.6 million), of amortisation and depreciation (euro -22 million) and of other costs (euro -78.7 million, of which euro -41 million was not monetary), were all negative, the latter relative to the transformation process (digitisation, R&D and Cyber), the increase in provisions for receivables and inventories, and other costs of a non-monetary nature relative to the significant reduction in inventories of finished products during the second and third quarter.

In particular for the third quarter the internal levers such as the price/mix (euro 14.4 million), efficiencies (euro 45 million), and cost reduction measures (euro 28.6 million) contributed in reducing the impact of the external scenario (euro -22.4 million due to a contraction in volumes, euro -13.5 million due to inflation, euro -8.2 million due to the slowdown, euro -18.4 million due to the exchange rate effect, euro -5 million from the increase in the cost of raw materials), and the aforementioned increase in amortisation and depreciation (euro -8 million), and other costs (euro -43.3 million of which euro -15 million were non-monetary).

(in millions of euro)	1 Q	2 Q	3 Q	Cumulative at 09/30
2019 EBIT Adjusted	**219.2**	**221.3**	**244.5**	**685.0**
- Internal levers:				
Volumes	(95.0)	(237.2)	(22.4)	(354.6)
Price/mix	(14.9)	21.9	14.4	21.4
Amortisation, depreciation and other expenses	3.8	(53.2)	(51.3)	(100.7)
Slowdown	(16.4)	(54.2)	(8.2)	(78.8)
COVID-19 cost cutting	32.9	28.8	28.6	90.3
Efficiencies	31.2	32.6	45.0	108.8
- External levers:				
Cost of production factors (commodities)	(3.3)	(11.5)	(5.0)	(19.8)
Cost of production factors (labour/energy/others)	(15.2)	(7.6)	(13.5)	(36.3)
Difference from foreign currency translation	(1.2)	(15.3)	(18.4)	(34.9)
Total change	**(78.1)**	**(295.7)**	**(30.8)**	**(404.6)**
2020 EBIT adjusted	**141.1**	**(74.4)**	**213.7**	**280.4**

EBIT, which amounted to the positive amount of euro 95.6 million (euro 152.4 million for the third quarter), included:

- the amortisation of intangible assets identified during the Purchase Price Allocation (PPA) of euro 86.0 million (consistent with the first nine months of 2019);
- one-off, non-recurring, restructuring and other expenses to the amount of euro 66.2 million (euro 72.9 million for the first nine months of 2019) mainly relative to structural rationalisation measures, and non-recurring expenses in addition to the adjustment of the value of some pension funds in the UK at the completion of the buy-out operation which took place in July 2020 (euro 9 million), and the retention plan approved by the Board of Directors on February 26, 2018 to the amount of euro 6 million (euro 5.1 million for the first nine months of 2019);
- Covid-19 direct costs to the amount of euro 32.6 million mainly relative to costs incurred for the purchase of personnel protection materials, as well as costs relative to semi-finished products which cannot be utilised due to the sudden closure, in that they are not suitable for production.

Income/(loss) from equity investments was negative to the amount of euro 6.1 million, compared to the positive amount of euro 1.4 million for the corresponding period of 2019. The result for 2020 mainly includes the pro-rata share of the loss attributable to the Chinese joint venture Xushen Tyre (Shanghai) Co., Ltd (euro 4.9 million).

Net financial expenses amounted to euro 113.3 million compared to euro 75.2 million for the same period of 2019. It should be noted that financial expenses for the first nine months of 2019 had been positively impacted by a non-recurring effect linked to tax credits in Brazil (PIS/COFINS). Net of these effects, financial expenses for the first nine months of 2019 had amounted to euro 175.8 million. Therefore, in comparing financial expenses for the first nine months of 2020 with those of the same period of 2019, with the aforementioned adjustment, there emerges a saving of euro 62.5 million, deriving from the reduction in the cost of the Group's debt, from the lesser impact deriving from the application of hyperinflation accounting in Argentina, and from lower hedging costs for the Group's trade receivables and payables.

The cost of debt year-on-year (calculated as the average for the last twelve months) stood at 1.99% compared to 2.83% at December 31, 2019.

This reduction mainly reflected:

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

The first nine months of 2020 recorded a **tax income** of euro 6.0 million against pre-tax losses of euro 23.8 million, with a tax rate of 25%, consistent with the expected tax rate for the 2020 financial year. The first nine months of 2019 instead, had recorded **tax expenses** equal to euro 138.4 million against pre-tax earnings of euro 524.1 million (a tax rate of 26.4%).

Net income/(loss) was negative to the amount of euro 17.8 million, compared to an income of euro 385.7 million for the corresponding period of 2019. **Net income/(loss)** for the **third quarter** was positive to the amount of euro 83.9 million, a growth of +6.6% compared to euro +78.7 million for the third quarter of 2019.

Net income/(loss) adjusted amounted to an income of euro 115.2 million, compared with an income of euro 380.3 million for the corresponding period of 2019.

The following table shows the calculations for:

(in millions of euro)	**1/1 - 09/30**	
	2020	**2019**
Net income/(loss)	**(17.8)**	**385.7**
Amortisation of intangible assets included in PPA	86.0	86.0
Non-recurring, restructuring expenses and other	60.2	67.8
Income from Brazilian tax credits	-	(71.8)
COVID-19 direct costs	32.6	-
Retention plan	6.0	5.1
Financial income from Brazilian tax credits	-	(100.6)
Tax	(51.8)	8.1
Net income/(loss) adjusted	**115.2**	**380.3**

Net income/(loss) attributable to the owners of the Parent Company was negative to the amount of euro 23.5 million, compared to the positive result of euro 372.7 million for the first nine months of 2019.

Equity went from euro 4,826.6 million at December 31, 2019, to euro 4,403.9 million at September 30, 2020.

Equity attributable to the owners of the Parent Company at September 30, 2020 equalled euro 4,306.3 million, compared to euro 4,724.4 million at December 31, 2019.

This change is shown in the table below:

(in millions of euro)	**Group**	**Non-controlling interests**	**Total**
Equity at 12/31/2019	**4,724.4**	**102.2**	**4,826.6**
Translation differences	(396.7)	(10.3)	(407.0)
Net income/(loss)	(23.5)	5.7	(17.8)
High inflation accounting Argentina	14.6	-	14.6
Other	(12.5)	-	(12.5)
Total changes	**(418.1)**	**(4.6)**	**(422.7)**
Equity at 09/30/2020	**4,306.3**	**97.6**	**4,403.9**

The impact from translation differences was mainly due to the depreciation of Brazilian and Mexican currencies for the period.

The **net financial position** was negative to the amount of euro 4,252.5 million, compared to euro 3,507.2 million at December 31, 2019. It was composed as follows:

(in millions of euro)	**09/30/2020**	**12/31/2019**
Current borrowings from banks and other financial institutions	1,158.7	1,419.4
- of which lease obligations	*73.6*	*77.8*
Current derivative financial instruments	26.8	31.7
Non-current borrowings from banks and other financial institutions	4,593.0	3,949.8
- of which lease obligations	*398.5*	*405.3*
Non-current derivative financial instruments	22.7	10.3
Total gross debt	**5,801.2**	**5,411.2**
Cash and cash equivalents	(1,115.6)	(1,609.8)
Other financial assets at fair value through Income Statement	(34.2)	(38.1)
Current financial receivables and other assets**	(68.2)	(35.5)
Current derivative financial instruments	(65.5)	(32.1)
Net financial debt *	**4,517.7**	**3,695.7**
Non-current derivative financial instruments	(1.8)	(52.5)
Non-current financial receivables and other assets**	(263.4)	(136.0)
Total net financial (liquidity) / debt position	**4,252.5**	**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 6.5 million at September 30, 2020 (euro 8.7 million at December 31, 2019).

The **structure of gross debt** which amounted to euro 5,801.2 million, was as follows:

(in millions of euro)	**09/30/2020**	**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")	1,924.6	242.1	1,682.5	-	-	-	-
Bond 1,375% - 2018/2023	548.9	-	-	548.9	-	-	-
Schuldschein	523.2	81.8	-	421.5	-	19.9	-
Bilateral long term borrowings	721.2	-	-	124.6	596.6	-	-
ISP short term borrowing	200.0	200.0	-	-	-	-	-
Other loans	1,411.2	587.8	24.3	2.6	1.0	795.5	-
Lease obligations IFRS 16	472.1	73.6	64.1	52.7	43.5	39.5	198.7
Total gross debt	**5,801.2**	**1,185.3**	**1,770.9**	**1,150.3**	**641.1**	**854.9**	**198.7**
		20.5%	*30.5%*	*19.8%*	*11.1%*	*14.7%*	*3.4%*

At September 30, 2020 the Group had a liquidity margin equal to euro 1,849.8 million, composed of euro 700 million in the form of non-utilised committed credit facilities, and of euro 1,115.6 million in cash and cash equivalents, in addition to financial assets at fair value through the Income Statement to the amount of euro 34.2 million. The liquidity margin of euro 1.849,8 million guaranteed coverage for maturities for current borrowings from banks and other financial institutions until the end of the first half-year of 2023, thanks also to the Company's right to extend bank debt maturing in 2021 to the amount of euro 242 million, and in 2022 to the amount of euro 1,683 million respectively, until 2022 and 2024.

Net cash flow, in terms of change in the net financial position, was negative to the amount of euro 745.3 million (euro -805.8 million for the first nine months of 2019, euro -628.9 million net of dividends paid by the Parent company). Lower investments (CapEx and financial equity investments), and improved working capital management mitigated the impact of lower operating performance.

(in millions of euro)	1Q		2Q		3Q		cumulative at 09/30	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
EBIT adjusted	141.1	219.2	(74.4)	221.3	213.7	244.5	280.4	685.0
Amortisation and depreciation (excluding PPA amortisation)	103.1	96.5	98.1	99.1	95.7	98.0	296.9	293.6
Investments in tangible and intangible assets (CapEx)	(56.6)	(78.0)	(24.8)	(89.7)	(24.7)	(74.6)	(106.1)	(242.3)
Increases in rights of use	(22.9)	(3.2)	(24.1)	(14.0)	(15.2)	(8.5)	(62.2)	(25.7)
Change in working capital / other	(861.2)	(836.0)	131.9	10.1	(173.0)	(136.8)	(902.3)	(962.7)
Operating net cash flow	**(696.5)**	**(601.5)**	**106.7**	**226.8**	**96.5**	**122.6**	**(493.3)**	**(252.1)**
Financial income / (expenses)	(32.5)	(48.1)	(40.6)	38.1	(40.2)	(65.2)	(113.3)	(75.2)
Reversal of financial income from tax credits in Brazil	-	-	-	(99.8)	-	(0.8)	-	(100.6)
Taxes paid	(31.4)	(30.1)	(22.4)	(45.9)	(16.2)	(37.4)	(70.0)	(113.4)
Cash Out for non-recurring, restructuring expenses and other	(20.7)	(16.0)	(28.2)	(17.9)	(42.4)	(7.4)	(91.3)	(41.3)
Dividends paid to minorities	-	-	-	(8.9)	-	-	-	(8.9)
Differences from foreign currency translation / other	27.6	-	(19.5)	(19.8)	14.5	(0.2)	22.6	(20.0)
Net cash flow before dividends, extraordinary transactions and investments	**(753.5)**	**(695.7)**	**(4.0)**	**72.6**	**12.2**	**11.6**	**(745.3)**	**(611.5)**
(Acquisition) / Disposals of investments	-	(17.2)	-	(0.2)	-	-	-	(17.4)
Net cash flow before dividends paid by the Parent Company	**(753.5)**	**(712.9)**	**(4.0)**	**72.4**	**12.2**	**11.6**	**(745.3)**	**(628.9)**
Dividends paid by the Parent Company	-	-	-	(176.9)	-	-	-	(176.9)
Net cash flow	**(753.5)**	**(712.9)**	**(4.0)**	**(104.5)**	**12.2**	**11.6**	**(745.3)**	**(805.8)**

More specifically, **operating net cash flow** for the first nine months of 2020 was negative to the amount of euro 493.3 million (euro -252.1 million for the first nine months of 2019) and reflected:

- investments in tangible and intangible assets (CapEx) to the amount of euro 106.1 million (euro 242.3 million for the first nine months 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 to the amount of euro 62.2 million relative to new lease contracts signed during the first nine months of 2020;
- the change in working capital which resulted in a cash absorption of euro -902.3 million. This figure was significantly lower compared to the first nine months of 2019 (euro -962.7 million), mainly due to the measures taken during the second and third quarters for the reduction in inventories of raw materials and finished products.

At September 30, 2020 inventories accounted for a total of 18.8% of revenues (data for the last twelve months), down by approximately two percentage points compared to 20.8% at September 30, 2019, and down by approximately -3.7 percentage points compared to 22.5% at March 31, 2020.

Net cash flow for the **third quarter of 2020** equalled euro +12.2 million. This figure highlighted:

- the recovery of business, with a marked improvement in the EBIT adjusted compared to the previous quarter;
- lower investments compared to 2019 levels, consistent with the year-end operations target;
- the management of working/other capital which saw an increase in trade receivables (+22% in net sales for the first nine months, +14% for the first half-year) due to the recovery in sales during the third quarter, which will be collected during the fourth quarter of the year. The increase in trade receivables was partially offset by the significant reduction in inventories, especially for the Car sector (a reduction of -1.1 million units for the quarter);
- a decrease in financial expenses and the amount of taxes paid, which offset the higher cash-out linked to restructuring and other expenses.

OUTLOOK FOR 2020

(in billions of euro)	**august 2020**	**FY 2020**
Revenues	~4.15-4.25	~4.18-4.23
Volumes	*~-18%-20%*	*~-17%-18%*
Volumes High Value	*~-14%*	*~-11%*
of which Car 18''	*~-13%*	*~-10%*
Volumes Standard	*~-26%*	*~-25%*
Price/Mix	~+2%	~+1.5%
Exchange rates	~-4%	~-5%
Ebit margin adjusted	~12%-13%	~11.5%-12%
CapEx	~0.13	~0.14
Net cash flow before dividends *	~0.19-0.22	~0.19-0.22
Net financial position	~-3.3 (no dividends)	~-3.3 (no dividends)

**Target in the lower part of the range in case payment of EU sanction relative to the cables cartel takes place before 12/31/2020*

Pirelli has updated the 2020 outlook for the overall market, assuming an improvement in demand compared with previous indications, driven mainly by Original Equipment in Apac and North America, while taking a cautious view on Europe because of the recent introduction of new anti-Covid restrictions following the resurgence of the pandemic.

The new outlook foresees a decline of the car market in 2020 of -17% (previous indication -19%) with a fall in Original Equipment of -18% (from -23%) and of -16% in the Replacement channel (previous indication -18%). The **Car New Premium** market (≥18’’) is confirmed as the most resilient segment: expected -10% (previous indication -13%) compared with -18% in Car Standard (≤17’’) (previous indication -20%).

Based on this scenario, Pirelli foresees a decline in volumes for the group (Car + Moto) of between around -17% and -18% (previous indication between about -18% and about -20%):

- High Value volumes at -11% (from -14%), with Car New Premium volumes (≥18’’) at -10% (previous indication -13%)
- Standard at -25% (from previous indication of -26%).

The price/mix is expected now to be around +1.5% (previous target around + 2%) which reflects:

- a more positive performance in Original Equipment in the second quarter, in line with the recovery in car production;
- a more cautious outlook on Europe, particularly in the Replacement channel, following the recent restrictions.

The impact of exchange rates is expected to be about -5% (previous indication about -4%) following the appreciation of the euro against the main currencies in the second half of the year.

Consequently, **revenues** are now expected to be between approximately 4.18 and approximately 4.23 billion euro (previous target between approximately 4.15 and approximately 4.25 billion euro).

The targets of the “Costs’ Competitiveness Plan” and the “Covid Actions” cost containment plan are confirmed for a total of 140 million euro net.

The **Adjusted Ebit margin** is expected to be between about 11.5% and about 12% (previous target about 12%, about 13%) because of:

- The changed external context with a worsening of exchange rates which also impact the cost of raw materials (now expected at -15 million euro from -10 million euro)
- The increase of other costs (from -70 to -90 million euro), in part non-monetary – linked to the significant reduction of inventories of finished products in the third quarter – and the greater costs of sponsorships and lower proceeds from the sale of raw materials and services.

The target for **net cash generation** confirmed at between about 190 and about 220 million euro. The expected improvement in the management of working capital because the greater than expected reduction of inventory, in fact, will offset lower profitability. It should be noted that no economic impact is expected from the sentence of the EU Court of Justice regarding the power cable cartel (the company having already made the relative provisions in the past in its risk and charges funds). In the event that payment were to take place by December 31, 2020, the target for net cash generation would be confirmed in the lower part of the range.

The **Net Financial Position** confirmed at about -3.3 billion euro at the end of 2020.

SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE QUARTER

On **October 28, 2020**, Pirelli announced that the ruling of the European Court of Justice (published on the same date), which confirmed the previous decisions of the European Court and the European Commission regarding the investigation into the electric cables market cartel, would have no financial impact on the Company. As previously communicated, Pirelli had already made appropriate provisions for any liabilities and charges with regard to any potential liabilities arising from these proceedings. From a financial point of view, in the event of a sanction payment before December 31, 2020, the net cash flow target communicated to the market on August 5 (a net cash flow of between approximately euro +190 and approximately euro +220 million), would likely still result at the lower end of the range. It is to be remembered that in 2014 the European Commission had, among other things, sentenced Prysmian, and Pirelli jointly with the latter, to pay the pecuniary sanction of euro 67,310,000. In this regard Pirelli had already deposited a bank guarantee equal to euro 33,655,000 plus interest in favour of the European Commission.

In addition, sentencing has been pending since 2014, from legal proceedings brought by Pirelli before the Court of Milan, in order to obtain an assessment and declaratory judgement of the obligations of Prysmian Cavi e Sistemi Srl, to hold Pirelli harmless from any claims relative to the cartel, including the sanction imposed by the European Commission.

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 impacts deriving from investments;
- **EBITDA adjusted:** is an alternative measure to the EBITDA which excludes non-recurring, restructuring and one-off expenses, Covid-19 direct costs, and expenses relative to the retention plan approved by the Board of Directors on February 26, 2018;
- **EBITDA margin:** 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 deriving from investments;
- **EBITDA margin adjusted:** 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 deriving from investments, operating costs attributable to non-recurring, restructuring and one-off 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, restructuring and one-off 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, restructuring and one-off 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, restructuring and one-off 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 of 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 position. The measure represents short-term assets and liabilities included in Net Invested Capital, and is used to measure short-term financial stability;
- **Net invested capital 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 uncertain nature;
- **Net financial debt:** this is calculated pursuant to the CONSOB Communication 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 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 position (included in the Financial Statements under non-current assets as *"Derivative financial instruments”*). Total net financial 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 position relative to operations management;
- **Net cash flow before dividends,extraordinary transactions and investments:** this is calculated by adding the change in the net financial 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 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 position due to the payment of dividends by the Parent company, to net cash flow before dividends paid by the 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 in the rights of use relative to lease contracts;
- **Impact of depreciation on investments:** is calculated by dividing the investments (increases) in property, plant and equipment with the depreciation for the period. The ratio of investments to depreciation is used to measure the ability to maintain or restore amounts for tangible fixed assets.

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, and the competence to undertake 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 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 an approximate 37% 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* group of documents and their successive updates contained in the *Half-Year Financial Report at June 30, 2020*, 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 the related party transactions, contained in the Income Statement and the Statement of Financial Position on the consolidated data for Pirelli & C. Group were as follows.

TRANSACTIONS WITH ASSOCIATES AND JOINT VENTURES

STATEMENT OF FINANCIAL POSITION (in millions of euro)	**09/30/2020**	**31/12/2019**
Other non current receivables	5.0	5.6
of which financial	*5.0*	*5.6*
Trade receivables	9.9	3.4
Other current receivables	80.4	40.7
of which financial	*64.0*	*26.5*
Borrowings from banks and other financial institutions non-current	14.1	15.4
Borrowings from banks and other financial institutions current	1.7	1.6
Trade payables	18.0	36.2

INCOME STATEMENT (in millions of euro)	**01/01 - 09/30/2020**	**01/01 - 09/30/2019**
Revenues from sales and services	6.8	13.6
Other income	3.9	0.7
Raw materials and consumables (net of change in inventories)	2.6	0.3
Other costs	61.5	50.5
Financial income	1.1	0.6
Financial expenses	0.4	0.5
Net income/ (loss) from equity investments	5.3	4.9

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, amongst others, receivables for services rendered to the Chinese joint venture Jining Shenzhou Tyre Co. Ltd. to the amount of euro 9.5 million, and to PT Evoluzione Tyres to the amount of euro 0.3 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 2.7 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 5.5 million;
- to receivables for the recovery of the costs of Pirelli Tyre S.p.A. from PT Evoluzione Tyres and from Jining Shenzhou Tyre Co., Ltd. to the amount of euro 2.4 million and euro 0.9 million respectively;
- a loan granted by Pirelli Tyre Co., Ltd to Jining Shenzhou Tyre Co., Ltd. for euro 63.3 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 portion of short-term debt.

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 and services to the Jining Shenzhou Tyre Co., Ltd. for the amount of euro 5 million, as well as royalties to the total amount of euro 1.9 million, of which euro 1.3 million to the Jining Shenzhou Tyre Co., Ltd. and euro 0.6 million to PT Evoluzione Tyres.

The item **other costs** mainly refers to the cost for the purchase of products from the Jining Shenzhou Tyre Co., Ltd. and from PT Evoluzione Tyres respectively to the amount of euro 26.9 million and euro 21 million, and costs for the purchase of energy from Industriekraftwerk Breuberg GmbH to the amount of euro 9.9 million.

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.

TRANSACTIONS WITH OTHER RELATED PARTIES

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 indirect parent companies of Pirelli & C. S.p.A.

STATEMENT OF FINANCIAL POSITION (in millions of euro)	**09/30/2020**	**31/12/2019**
Trade receivables	5.6	6.4
Other current receivables	12.7	4.4
Borrowings from banks and other financial institutions non-current	1.0	2.0
Borrowings from banks and other financial institutions current	0.4	0.6
Trade payables	72.7	135.7
Other current payables	5.2	4.8

INCOME STATEMENT (in millions of euro)	**01/01 - 09/30/2020**	**01/01 - 09/30/2019**
Revenues from sales and services	-	0.3
Other income	39.4	52.8
Raw materials and consumables (net of change in inventories)	1.2	3.1
Other costs	98.6	139.9
Financial income	0.1	0.1
Financial expenses	0.3	0.3

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 10 million, and receivables for royalties from the Aeolus Tyre Co., Ltd. to the amount of euro 2.7 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 0.7 million, and to payables of the company Pirelli Pneus Ltda to TP Industrial de Pneus Brasil Ltda to the amount of euro 0.3 million.

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

The item **trade payables** almost exclusively refers to payables to companies of the Prometeon Group to the amount of euro 72.1 million.

The item **other current payables** mainly refers to other current payables to companies of the Prometeon Group to the amount of euro 4.7 million.

Transactions - Income Statement

The item **other income** includes recognised royalties from the Aeolus Tyre Co., Ltd. in respect of the license agreement stipulated in 2016 to the amount of euro 5.3 million, which was subjected to the renegotiation of some of the terms and conditions in February 2019. The item also includes income from Prometeon Group companies mainly relative to:

- royalties recorded in respect of the license contract for the use of the Pirelli trademark to the amount of euro 11.1 million;
- the sale of raw materials, finished and semi-finished products for the total amount of euro 7.2 million of which euro 4.6 million was carried out by Pirelli Pneus Ltda;
- the Long-Term Service Agreement to the amount of euro 4.5 million of which euro 2.1 million was earned by Pirelli Sistemi Informativi S.r.l., and euro 0.7 million by Pirelli Pneus Ltda;
- logistic services for a total of euro 0.8 million, almost exclusively rendered by the Spanish company Pirelli Neumaticos S.A.I.C.;
- the licence agreement for know-how charged by Pirelli Tyre S.p.A. to the amount of euro 7.5 million.

The item **raw and consumable materials used** mainly 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 contributions to the Hangar Bicocca Foundation and the Pirelli Foundation to the amount of euro 0.7 million, and costs payable to companies of the Prometeon Group mainly for:

- the purchase of truck products for a total amount of euro 56.8 million of which euro 45.7 million was carried out by the Brazilian company Comercial e Importadora de Pneus Ltda. for the Brazilian sales network, euro 6.7 million by the Russian Limited Liability company Pirelli Tyre Russia and euro 3.5 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 25.3 million of which euro 23.9 million was carried out by the Turkish company Pirelli Otomobil Latikleri A.S. in respect of the Off-Take contract, and euro 1.5 million by Pirelli Pneus Ltda for the purchase of inner tubes for tyres;

- costs to the amount of euro 4.7 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 Turkish and Brazilian companies 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 third 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, November 11, 2020

FINANCIAL STATEMENTS

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

	09/30/2020	12/31/2019
Property, plant and equipment	3,187,423	3,649,809
Intangible assets	5,609,063	5,680,175
Investments in associates and j.v.	72,916	80,846
Other financial assets at fair value through other comprehensive income	39,415	58,967
Deferred tax assets	105,155	81,188
Other receivables	408,522	342,397
Tax receivables	6,180	9,140
Derivative financial instruments	1,788	52,515
Non-current assets	**9,430,462**	**9,955,037**
Inventories	824,685	1,093,754
Trade receivables	949,070	649,394
Other receivables	455,707	451,858
Other financial assets at fair value through income statement	34,210	38,119
Cash and cash equivalents	1,115,557	1,609,821
Tax receivables	48,470	41,494
Derivative financial instruments	70,842	37,148
Current assets	**3,498,541**	**3,921,588**
Total Assets	**12,929,003**	**13,876,625**
Equity attributable to the owners of the Parent Company:	**4,306,302**	**4,724,449**
Share capital	1,904,375	1,904,375
Reserves	2,425,511	2,381,940
Net income / (loss)	(23,584)	438,134
Equity attributable to non-controlling interests:	**97,572**	**102,182**
Reserves	91,848	82,619
Net income / (loss)	5,724	19,563
Total Equity	**4,403,874**	**4,826,631**
Borrowings from banks and other financial institutions	4,593,021	3,949,836
Other payables	76,071	90,571
Provisions for liabilities and charges	103,197	120,469
Provisions for deferred tax liabilities	1,044,636	1,058,760
Employee benefit obligations	170,248	203,003
Tax payables	11,215	12,555
Derivative financial instruments	22,738	10,327
Non-current liabilities	**6,021,126**	**5,445,521**
Borrowings from banks and other financial institutions	1,158,649	1,419,403
Trade payables	808,411	1,611,488
Other payables	372,878	402,757
Provisions for liabilities and charges	52,883	43,528
Employee benefit obligations	2,848	4,104
Tax payables	74,251	81,766
Derivative financial instruments	34,083	41,427
Current liabilities	**2,504,003**	**3,604,473**
Total Liabilities and Equity	**12,929,003**	**13,876,625**

CONSOLIDATED INCOME STATEMENT (in thousands of euro)

	01/01 - 09/30/2020	01/01 - 09/30/2019
Revenues from sales and services	**3,093,830**	**4,036,384**
Other income	223,994	360,611
Changes in inventories of unfinished, semi-finished and finished products	(159,331)	1,762
Raw materials and consumables used (net of change in inventories)	(929,252)	(1,330,099)
Personnel expenses	(697,588)	(792,791)
Amortisation, depreciation and impairment	(386,104)	(394,501)
Other costs	(1,033,144)	(1,274,385)
Net impairment loss on financial assets	(18,296)	(12,475)
Increase in fixed assets for internal works	1,503	3,353
Operating income / (loss)	**95,612**	**597,859**
Net income / (loss) from equity investments	(6,108)	1,370
- share of net income (loss) of associates and j.v.	*(5,326)*	*(4,869)*
- gains on equity investments	-	*1,683*
- losses on equity investments	*(847)*	-
- dividends	*65*	*4,556*
Financial income	190,507	113,544
Financial expenses	(303,824)	(188,710)
Net income / (loss) before tax	**(23,813)**	**524,063**
Taxes	5,953	(138,354)
Net income / (loss)	**(17,860)**	**385,709**
Attributable to:		
Owners of the Parent Company	(23,584)	372,666
Non-controlling interests	5,724	13,043
Total earnings / (losses) per share (in euro per share)	**(0.023)**	**0.373**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(in thousands of euro)*

		01/01 - 09/30/2020	01/01 - 09/30/2019
A	**Total Net income / (loss) for the period**	**(17,860)**	**385,709**
Other components of comprehensive income:			
	B - Items that may not be reclassified to income statement:		
	- Remeasurement of employee benefits	9,101	(11,813)
	- Tax effect	(4,388)	(279)
	- Fair value adjustment of other financial assets at fair value through other comprehensive income	(19,432)	1,068
	Total B	**(14,719)**	**(11,024)**
	C - Items reclassified / that may be reclassified to income statement:		
	Exchange differences from translation of foreign financial statements		
	- Gains / (losses) for the period	(405,024)	(3,068)
	- (Gains) / losses reclassified to income statement	-	(1,567)
	Fair value adjustment of derivatives designated as cash flow hedges:		
	- Gains / (losses) for the period	(50,168)	109,850
	- (Gains) / losses reclassified to income statement	53,989	(123,847)
	- Tax effect	(408)	4,810
	Cost of hedging		
	- Gains / (losses) for the period	3,689	(1,211)
	- (Gains) / losses reclassified to income statement	(5,396)	(4,502)
	- Tax effect	10	1,001
	Share of other comprehensive income related to associates and j.v. net of tax	(2,046)	(1,700)
	Total C	**(405,354)**	**(20,234)**
D	**Total other comprehensive income (B+C)**	**(420,073)**	**(31,258)**
A+D	**Total comprehensive income / (loss) for the period**	**(437,933)**	**354,451**
	Attributable to:		
	- Owners of the Parent Company	(433,317)	336,677
	- Non-controlling interests	(4,616)	17,775

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AT 09/30/2020

(in thousands of euro)	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	-	(396,730)	(13,003)	-	(409,733)	(10,340)	(420,073)
Net income / (loss)	-	-	-	(23,584)	(23,584)	5,724	(17,860)
Total comprehensive income / (loss)	**-**	**(396,730)**	**(13,003)**	**(23,584)**	**(433,317)**	**(4,616)**	**(437,933)**
Effects of High inflation accounting in Argentina	-	-	-	14,567	14,567	-	14,567
Other	-	-	5	600	605	6	611
Total at 09/30/2020	**1,904,375**	**(710,535)**	**(102,422)**	**3,214,886**	**4,306,302**	**97,572**	**4,403,874**

(in thousands of euro)	Breakdown of 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 IAS reserves**
Total at 12/31/2019	**(228)**	**9,898**	**(31,326)**	**(43,946)**	**(23,822)**	**(89,424)**
Other components of comprehensive income	(19,432)	(1,707)	3,821	9,101	(4,786)	(13,003)
Other changes	-	-	-	5	-	5
Total at 09/30/2020	**(19,660)**	**8,191**	**(27,505)**	**(34,841)**	**(28,608)**	**(102,422)**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AT 09/30/2019

(In thousands of euro)	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	-	(11,067)	(24,923)	-	(35,990)	4,732	(31,258)
Net income (loss)	-	-	-	372,666	372,666	13,043	385,709
Total comprehensive income (loss)	**-**	**(11,067)**	**(24,923)**	**372,666**	**336,676**	**17,775**	**354,451**
Dividends approved	-	-	-	(177,000)	(177,000)	(8,949)	(185,949)
Effects High inflation accouning in Argentina	-	-	-	21,838	21,838	-	21,838
Other	-	-	57	710	767	368	1,135
Total at 09/30/2019	**1,904,375**	**(314,624)**	**(91,580)**	**3,152,231**	**4,650,402**	**92,000**	**4,742,402**

(in thousands of euro)	Breakdown of 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 IAS reserves**
Total at 12/31/2018	**107**	**14,258**	**(25,705)**	**(30,381)**	**(24,993)**	**(66,714)**
Other components of comprehensive income	1,068	(5,713)	(13,997)	(11,813)	5,532	(24,923)
Other changes	31	-	-	26	-	57
Total at 09/30/2019	**1,206**	**8,545**	**(39,702)**	**(42,168)**	**(19,461)**	**(91,580)**

CONSOLIDATED STATEMENT OF CASH FLOWS (in thousands of euro)

		01/01 - 09/30/2020	01/01 - 09/30/2019
	Net income / (loss) before tax	(23,813)	524,063
	Reversals of amortisation, depreciation, impairment losses and restatement of property, plant and equipment and intangible assets	386,104	394,501
	Reversal of Financial expenses	303,824	188,710
	Reversal of Financial income	(190,507)	(113,544)
	Reversal of Dividends	(65)	(4,556)
	Reversal of gains / (losses) on equity investments	847	(1,683)
	Reversal of share of net income from associates and joint ventures	5,326	4,869
	Reversal of accruals and other	48,284	15,800
	Taxes paid	(69,970)	(113,379)
	Reversal of income on tax credits Brazil	-	(71,773)
	Change in Inventories	159,669	23,445
	Change in Trade receivables	(399,174)	(357,007)
	Change in Trade payables	(659,182)	(455,104)
	Change in Other receivables / Other payables	13,848	(81,212)
	Uses of Provisions for employee benefit obligations and Other provisions	(42,009)	(44,749)
A	**Net cash flow provided by / (used in) operating activities**	**(466,818)**	**(91,619)**
	Investments in tangible assets	(95,885)	(235,201)
	Change in payables for investments in tangible assets	(70,088)	(52,078)
	Disposal of tangible/intangible assets	3,116	3,905
	Investments in intangible assets	(10,212)	(7,136)
	Disposals (Acquisition) of investments in subsidiaries	69	10,700
	Disposals (Acquisition) of investments in associates and j.v.	-	(8,925)
	Shares reimbursment of other non-current financial assets at fair value through other Comprehensive Income	-	9,430
	Dividends received	65	4,556
B	**Net cash flow provided by / (used in) investing activities**	**(172,935)**	**(274,749)**
	Change in Financial payables	641,133	253,476
	Change in Financial receivables / Other current financial assets at fair value through income statement	(202,413)	(15,804)
	Financial income / (expenses)	(82,750)	(135,709)
	Dividends paid	0	(185,750)
	Repayment of principal and payment of interest for lease obligations	(75,224)	(76,952)
C	**Net cash flow provided by / (used in) financing activities**	**280,746**	**(160,739)**
D	**Total cash flow provided / (used) during the period (A+B+C)**	**(359,007)**	**(527,107)**
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**	(127,031)	(11,691)
G	**Cash and cash equivalents at the end of the period (D+E+F) (°)**	**1,114,590**	**765,055**
(°)	**of which:**		
	cash and cash equivalents	1,115,558	781,231
	bank overdrafts	(968)	(16,176)

FORM AND CONTENT

The publication of this Interim Financial Report at September 30, 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);
- the amendment to IFRS 16 - Covid-19 related rent concessions, which was applicable as of June 1, 2020 with retroactive effect to January 1, 2020. The Group has decided to adopt the optional accounting treatment provided for lessees in the presence of reductions in permanent (rent holidays) or temporary rents linked to Covid-19, and to account for these reductions as variable lease payments recognised directly in the Income Statement for the period when the reduction applies. The reduction in fees associated with Covid-19 amounted to euro 825 thousand;
- 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 impairment testing of intangible assets with an indefinite useful life, i.e. goodwill and Pirelli brand, which is not applied for the Interim Reports on Operations at March 31 and September 30. For the Half-Year Financial Report at June 30, 2020, prepared in accordance with IAS 34, the impairment test was carried out based on the information available at that date, taking into account the consensus of analysts, the updated Guidance for 2020 and the potential expected impact of the pandemic. On the basis of the impairment test, no impairment losses emerged. The guidance updated on the occasion of the Interim Financial Report at 30 September 2020 and reported in the Outlook for 2020 section of this document is not substantially different, for the purposes of the impairment test, from the 2020 guidance presented on the occasion of the Half-Year Financial Report at 30 June 2020.

During the process of preparing the next Annual Report, if it is expected that the effects of the pandemic on the medium/long-term scenario could be less uncertain, the 2020-2022 Strategic Plan will be updated, as already announced to the market on August 5, 2020, and as a consequence the annual impairment test will be carried out at December 31, 2020 on the basis of the new data.

EXCHANGE RATES

(local currency vs euro)	**Period-end exchanges rates**		**Change in %**	**Average exchange rates nine months**		**Change in %**
	09/30/2020	**12/31/2019**		**2020**	**2019**	
Swedish Krona	**10.54100**	10.4489	0.88%	**10.55601**	10.5653	(0.09%)
Australian Dollar	**1.64380**	1.5995	2.77%	**1.66273**	1.6077	3.42%
Canadian Dollar	**1.56760**	1.4598	7.38%	**1.52176**	1.4935	1.89%
Singaporean Dollar	**1.60350**	1.5111	6.11%	**1.56354**	1.5332	1.98%
U.S. Dollar	**1.17080**	1.1234	4.22%	**1.12503**	1.1236	0.13%
Taiwan Dollar	**33.97545**	33.6919	0.84%	**33.51756**	34.8867	(3.92%)
Swiss Franc	**1.08040**	1.0854	(0.46%)	**1.06801**	1.1179	(4.46%)
Egyptian Pound	**18.52487**	18.0936	2.38%	**17.90620**	19.2149	(6.81%)
Turkish Lira (new)	**9.12810**	6.6506	37.25%	**7.56339**	6.3327	19.43%
New Romanian Leu	**4.86980**	4.7793	1.89%	**4.82631**	4.7381	1.86%
Argentinian Peso	**89.19154**	67.2804	32.57%	**89.19154**	62.7098	42.23%
Mexican Peso	**26.29301**	21.1707	24.20%	**24.53260**	21.6332	13.40%
South African Rand	**19.70920**	15.7773	24.92%	**18.80943**	16.1320	16.60%
Brazilian Real	**6.61320**	4.5305	45.97%	**5.72071**	4.3687	30.95%
Chinese Yuan	**7.97327**	7.8371	1.74%	**7.86592**	7.7014	2.14%
Russian Ruble	**93.02370**	69.3406	34.15%	**79.70126**	73.0274	9.14%
British Pound	**0.91235**	0.8508	7.23%	**0.88509**	0.8835	0.18%
Japanese Yen	**123.76000**	121.9400	1.49%	**120.91083**	122.5696	(1.35%)

NET FINANCIAL POSITION

(in thousands of euro)	**09/30/2020**	**31/12/2019**
Current borrowings from banks and other financial institutions	1,158,649	1,419,404
Current derivative financial instruments (liabilities)	26,710	31,703
Non-current borrowings from banks and other financial institutions	4,593,022	3,949,836
Non-current derivative financial instruments (liabilities)	22,739	10,327
Total gross debt	**5,801,120**	**5,411,270**
Cash and cash equivalents	(1,115,557)	(1,609,821)
Other financial assets at fair value through income statement	(34,210)	(38,119)
Current financial receivables and other assets**	(68,193)	(35,503)
Current derivative financial instruments (assets)	(65,478)	(32,090)
Net financial debt *	**4,517,681**	**3,695,737**
Non-current derivative financial instruments (assets)	(1,788)	(52,515)
Non-current financial receivables and other assets**	(263,411)	(135,996)
Total net financial (liquidity) / debt position	**4,252,482**	**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 6,547 million at September 30, 2020 (euro 8,651 million at December 31, 2019).

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

Francesco Tanzi, as Manager responsible for the preparation of the corporate and accounting documentation, pursuant to the provisions of Article 154-bis, paragraph 2 of the Legislative Decree 58/1998, hereby certifies that the accounting information contained in the Interim Financial Report at September 30, 2020 corresponds to what contained in the accounting documentation, books and records.

Milan, November 11, 2020

Francesco Tanzi