



PROMETEON TYRE GROUP: BOARD OF DIRECTORS APPROVES 2020 FINANCIAL STATEMENT

[IFRS16 2020 e 2019 Version]

- **2020 Consolidated revenue at EUR 912.1 million compared to EUR 1,075 million in 2019 (-15%) mainly due to exchange rate effect in Latin America;**
- **2020 Consolidated EBITDA 2020 at EUR 123.9 million, EUR 131.9 million in 2019**
- **EBITDA Margin improving to 13.6% from 12.3% in 2019;**
- **Net result for the period was positive and amounted to EUR 2.7 million, compared to EUR 7.8 million in 2019;**
- **Net Financial Position was EUR 454 million, up from EUR 474.2 million in 2019;**
- **Giorgio Bruno - CEO - and Gregorio Borgo - Chief Operating Officer - at Prometeon Tyre Group comment: *“Turnaround path is ended, now we are stronger and more resilient: we improve margins, protect cash and strengthen asset structure, despite the pandemic”***

Milan, 20 April 2021 – The Board of Directors Prometeon Tyre Group (PTG), the only company in the tyre sector fully focused on the Industrial sector, for the transport of goods, people, and the AGRO and OTR (Off The Road) segments, approved the Consolidated Financial Statement related to the 2020 fiscal year.

During this fiscal year, the Prometeon Tyre Group’s turnaround path, which began in 2018, was brought to a conclusion, enabling the Group to improve the resilience and provide customers with increasingly high-performing products. Over these two years, the Group’s path involved the implementation of a wide range of strategic activities across all of Prometeon Tyre Group’s business division and value chain, such as R&D for new products development, their manufacturing and marketing, partners and suppliers’ relationship management, and the management of human resources-related processes.

MAIN ECONOMIC AND FINANCIAL DATA FOR 2020

The figures show an improved EBITDA Margin, in spite of contracting revenues due to the worldwide spread of the COVID-19 pandemic. The pandemic also had clear spillovers on industrial tyre demand and led to instability in currency trends, mainly in emerging countries. Prometeon Tyre Group was able to tackle this situation while - at the same time - securing cash generation and strengthening its capital structure.

More in depth, Prometeon reported **revenues** amounting to EUR 912.1 million (-15% compared to 2019), 12% of which was due to adverse effect of exchange rate fluctuations. Excluding the exchange rate effect, the overall organic variance would have been only 3% negative. From a geographical point of view, indeed,

the major macro-regions' revenues were substantially in line with that of previous year (EMEA -2% and Americas -1%), although exchange rates' negative impact in Latin America was particularly significant (over -20%).

EBITDA, amounting to EUR 123.9 million, is slightly lower than the prior year. **EBITDA Margin** is up to 13.6% of sales (compared to 12.3% in 2019) and the increase is due to a positive turnaround path started in 2018, as well as to the positive contribution of all promptly implemented efficiency recovery measures, which were coupled with the positive effects of previous years' actions.

Net Result for the period was positive, amounting to EUR 2.7 million, compared to EUR 7.8 million in 2019, in line with the operating result trend.

Net Financial Position - at EUR 454 million - was up compared to the EUR 474.2 million of 2019. This performance is largely due to the net result's positive impact and because of the careful management of working capital, with special regard to optimising inventory levels and managing collections from customers.

During 2020, the foundations were also laid for the option to extend the senior loan until March 2022, also through the involvement of the majority shareholder, which - at the beginning of 2021 - made a shareholder loan amounting to EUR 200 million, in order to partially repay the senior loan ahead of schedule, thereby strengthening the company's capital structure. The proforma¹ NFP versus third parties at 2020 year end, is reduced at 196 mio eur, from 416 mio eur at 31.12.2019.

During 2020, Prometeon Tyre Group managed to grow the **market share** in all its main reference markets and also improve margins thanks to the implementation of measures both on revenue (to mitigate exchange rate effects) and on cost, where actions were taken in every area and department, starting with manufacturing, so as to offset the effects and inefficiencies due to the temporary production halts that occurred in the second quarter.

2021 GUIDANCE

In a market scenario that remains strongly impacted by the ongoing pandemic, PTG is moving forward with the implementation of a commercial and cost efficiency action plan, which aims to achieve the targets of its business plan while maintaining its development strategic lines unaltered, including:

- Market share improvement, through higher growth rates than the individual reference markets;
- Positioning consolidation in the Tier 1 segment, by strengthening partnerships with OEMs and expanding the range of services offered to customers;
- Focus kept on cost efficiencies, competitive projects and cash generation.

SUSTAINABILITY REPORT 2020

The Consolidated Financial Statements that was approved today also include the Sustainability Report drawn up on a voluntary basis, as proof that this issue is a fundamental pillar of the Group's strategy,

¹ Proforma means including shareholder loan injection, effectively happened at the beginning of Feb 2021.

through specific commitments split into four strategic dimensions: Governance & Business Ethics, Social, Environment and Economics.

In 2020, Prometeon joined the United Nations Global Compact and was appointed as a founding member of the Global Compact Network Foundation Italy.

The Foundation supports and fosters the United Nations programme, which aims to share a set of principles to implement the long-term sustainability values through responsible actions, policies and practices.

A WAY OF WORKING TURNAROUND

The NewWay 2.Work is one of 2020 most remarkable initiatives. NewWay2.Work is the organizational concept that has been designed to meet the structural needs that the pandemic has brought to light and accelerated. It is based on a hybrid working model combining remote working and the centrality of the physical workplace in which certain activities are carried out.

Prometeon's NewWay2.Work is based on three guiding principles and four enablers.

Flexibility, Responsibility & Trust and People Caring & Continuous Learning drive the approach while the development of a **new employee experience**, a **new set of skills**, the **workplace** review and the focus on **culture and leadership** become the areas where the model is executed. Time management becomes actually flexible, reskilling is based on many hours of training at global level, single offices are replaced by sharing and confrontation areas, the new Prometeon's identity takes the scene with its 5 beliefs and a clear purpose.

GOVERNANCE CHANGES

In December 2020, PTG shareholder Aeolus Tyre and the controlling shareholder China National Tire & Rubber Corporation, Ltd (CNRC) entered into an agreement under which Aeolus will execute the voting rights of 52% of the Prometeon Tyre Group shares indirectly held by CNRC.

The agreement, which will last three years and will be automatically extended, will allow the two companies to build synergies in technological innovation and production capacity, in order to supply customers with increasingly high-performing products and valuable services on the one hand, and to optimise procurement processes through closer working relationships with business partners, such as suppliers, on the other.

In addition, Giorgio Luca BRUNO will keep supporting the industrial activities of Prometeon Tyre Group.

As announced on March 31 Pirelli's Executive Vice Chairman and CEO, Marco Tronchetti Provera, proposed to the Board of Directors Meeting to invite the Shareholders' Meeting scheduled for June 15, 2021, to nominate Giorgio Luca Bruno as a board member and will also propose that once nominated as a Board Member he will assume the role of Deputy-CEO.

Giorgio Bruno, CEO of Prometeon Tyre Group, commented on the year's performance: *"These results mark the completion of a turnaround process launched three years ago during which we implemented several strategic initiatives that have made Prometeon healthier, stronger and more resilient in an unprecedented scenario. Strategic interventions at every stage of the company's value chain, a very strong focus on sustainability and human resources have allowed our company to promptly and effectively tackle the*

pandemic, further improving margins, protecting cash and strengthening the debt structure, thanks to the involvement of the majority shareholder.”

Gregorio Borgo, Chief Operating Officer of Prometeon Tyre Group, said: *“2020 was a remarkable year, both because of the context in which the company operated and because of the exceptional response from all our people, who work in a radically new way inspired by the most modern management concepts. NewWay2.Work is an organisational paradigm symbolising the company’s attention to all stakeholders, both internal and external, and certified by its inclusion in the UN Global Compact. We will carry along the strategic path we have outlined, remaining focused on improving our offering of both products and customer services, consolidating our partnerships with OEMs and further raising quality and efficiency levels. This way we will be able to continue along the path of growth in a market scenario that is increasingly aware of sustainability and interests of each stakeholder”.*

PROMETEON TYRE GROUP

Prometeon Tyre Group (PTG) is the only global tyre manufacturer entirely dedicated to the Industrial market, which includes truck, bus, agro and OTR tyres. Prometeon has a multi-level offering with a product portfolio that includes the PIRELLI and FORMULA brands, under license, as well as the ANTEO, TEGRYS and ERACLE brands.

The Group has four factories (two in Brazil, one in Egypt, one in Turkey), three Research and Development Centers (Italy, Brazil, Turkey) and one Development Centre in Egypt which represents the heart of product innovation. The Prometeon Group has over 7,000 employees located across all five continents.

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