DIRECTORS' REPORT ON OPERATIONS AT DECEMBER 31, 2022

MACROECONOMIC AND MARKET SCENARIO

ECONOMIC OVERVIEW

Economic performance in 2022 was characterised by high volatility, which was heavily influenced by the Russian-Ukrainian war and high inflation. Global GDP grew by +3%, a marked slowdown compared to the trend for 2021 (+6%). The growth dynamics of the global economy were also affected by the restrictive monetary policies implemented to counter inflationary tensions, and the lockdowns in China to combat the pandemic.

ECONOMIC GROWTH, YEAR-ON-YEAR PERCENTAGE CHANGE IN GDP

	1Q 2022	2Q 2022	3Q 2022	4Q 2022	2021	2022
EU	5.6	4.4	2.5	1.7	5.4	3.5
US	3.7	1.8	1.9	0.9	5.9	2.1
China	4.8	0.4	3.9	2.9	8.4	3.0
Brazil	2.4	3.7	3.6	1.9	5.0	2.9
Russia	3.5	-4.1	-3.7	-3.5	4.7	-2.1
World	4.4	3.0	3.0	1.9	6.0	3.0

Note: year-on-year percentage changes compared to the same period of the previous year.
Preliminary data for the fourth quarter of 2022; forecasts for the world. Source: National statistics offices and S&P Global, February 2023.

Difficulties along the supply chain and the rising cost of energy due to the conflict in Ukraine, pushed inflation to its highest levels in 40 years, with an increase in the global price index of +7.6% in 2022.

CONSUMER PRICES, CHANGE IN YEAR-ON-YEAR PERCENTAGES

	1Q 2022	2Q 2022	3Q 2022	4Q 2022	2021	2022
EU	6.5	8.8	10.3	11.0	2.9	9.2
US	8.0	8.6	8.3	7.1	4.7	8.0
China	1.1	2.2	2.7	1.8	0.9	2.0
Brazil	10.7	11.9	8.6	6.1	8.3	9.3
Russia	11.5	16.9	14.4	12.2	6.7	13.7
World	6.0	7.6	8.1	7.8	3.9	7.6

Source: National statistics offices and S&P Global Market Intelligence for world estimate, February 2023.

In the Eurozone, economic growth for 2022 stood at +3.5% compared to +5.4% for 2021. Following a strong start due to the removal of lockdown measures, GDP growth in the region decelerated as a result of the Russia-Ukraine war and the energy crisis. The cut in Russian gas supplies led to an increase in the price of natural gas with repercussions on the baskets of goods and services, bringing inflation in the EU area to 11% for the fourth quarter of 2022, and to a more restrictive monetary policy (the European Central Bank raised rates by 250 basis points during the year). Reduced consumer purchasing power and the burden of high production costs for companies, held back year-on-year GDP growth during the fourth quarter to +1.7%.

In the US, GDP grew by +2.1% for 2022, sustained by household consumption despite the marked decline in real estate investments due to rising interest rates. To counter inflation (7.1% for the fourth quarter, with core inflation - which excludes food and energy prices - at 6.0%), the Fed intervened by raising interest rates by 425 basis points between March and December 2022.

In China, GDP growth (+3.0% for 2022 compared to +8.4% for 2021), was impacted by COVID-19 and the resulting lockdowns. Growing social tensions in November and December, following disruptions in production activities, prompted the government to suspend COVID-19 containment measures and introduce further measures to support the economy.

In Brazil, GDP growth slowed to +2.9% for 2022 from +5.0% in 2021. The positive effects derived from post-pandemic mobility and government assistance for households, were offset by a slowdown in investment as interest rates rose by 450 basis points during the year, to finish at 13.75% in December 2022.

Economic performance in Russia was affected by international sanctions following the invasion of Ukraine, resulting in restrictions on foreign trade, the freezing of the Central Bank's foreign exchange reserves, and the blocking of access to international markets. Russia's GDP recorded a change of -2.1% for 2022, compared to growth of +4.7% for 2021.

EXCHANGE RATES

KEY EXCHANGE RATES	1Q		2Q		3Q		4Q		FULL YEAR AVERAGE	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
US$ per euro	1.12	1.20	1.07	1.21	1.01	1.18	1.02	1.14	1.05	1.18
Chinese renminbi per US$	6.35	6.48	6.61	6.46	6.83	6.47	7.06	6.39	6.73	6.45
Brazilian real per US$	5.24	5.49	4.93	5.30	5.25	5.23	5.25	5.58	5.17	5.40
Russian rouble per US$	87.37	74.32	66.36	74.20	59.40	73.49	63.05	72.61	67.89	73.64

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

The currency market in 2022 was dominated by the strength of the US dollar, due to the Fed's monetary policy which widened interest rate differentials compared to other currencies. The escalation of international geopolitical tensions, also favoured the US dollar as a safe haven currency. After falling below parity during the course of the year, the US dollar/euro exchange rate averaged 1.05 for 2022, appreciating by +12% compared for 2021.

The Greenback's strength was also reflected in the exchange rate against the renminbi, which averaged 6.73 per US dollar in 2022 (6.45 in 2021), impacted by repeat lockdowns and by the resulting economic slowdown. The euro was weak against the Chinese currency, against which it depreciated by approximately -7%.

In Brazil, the central bank's interest rate hike to combat inflation, lent support to the Brazilian real during 2022, which appreciated by +4% against the US dollar and by +17% against the euro.

The rouble/US dollar exchange rate averaged 67.89 in 2022, appreciating by +8.5% against the US dollar and by +22% against the euro. During the first half of March, sanctions imposed by Western countries drove the currency to more than 130 roubles to the US dollar before appreciating, due to controls on outgoing capital and the sharp increases in energy prices, which supported export revenues.

RAW MATERIALS PRICES

RAW MATERIALS PRICES	1Q			2Q			3Q			4Q			ANNUAL AVERAGE		
	2022	2021	% chg.	2022	2021	% chg.	2022	2021	% var,	2022	2021	% chg.	2022	2021	% chg.
Brent (US$ / barrel)	97.4	61.1	59%	111.8	69.0	62%	98.2	73.2	34%	88.6	79.8	11%	98.9	70.8	40%
European natural gas (€ / MWh)	100	18	444%	101	25	307%	205	49	319%	124	96	29%	133	47	184%
Butadiene (€ / tonne)	1,067	715	49%	1,353	853	59%	1,380	1,265	9%	1,203	1,192	1%	1,251	1,006	24%
Natural rubber TSR20 (US$ / tonne)	1,772	1,668	6%	1,654	1,653	0%	1,467	1,659	-12%	1,299	1,729	-25%	1,548	1,678	-8%

Note: Data are averages for the period. Source: S&P Global, Reuters.

Raw materials prices, especially energy prices, experienced a very volatile trend during 2022 which was accentuated in the wake of the Russian-Ukrainian crisis.

The average price of Brent for 2022 stood at US$ 99 per barrel, an increase of +40% compared to the average price of approximately US$ 71 per barrel for 2021. Daily prices exceeded US$ 120 per barrel, both in March - immediately following the escalation of the Russian-Ukrainian crisis - and in June, following the confirmation of the Russian oil embargo announced by the European Union, (which entered into force as of December 2022). Prices then fell below US$ 100 per barrel on average from September onwards, in the wake of fears of a slowdown in the global economy.

Even more volatile was the price of natural gas, which recorded an average of euro 133 per MWh (megawatt-hour) in 2022, an increase of +184% compared to euro 47 per MWh for 2021. Following the all-time high prices recorded in August in Europe in view of the possible reduction in gas flow from Russia (as then happened at the end of August with the closure of the Nord Stream 1 pipeline), prices fell sharply during the final weeks of the year, despite remaining historically high, thanks to good stockpile levels and mild temperatures in Europe.

The price of butadiene in Europe was bolstered during the first nine months by the scarcity of supply, and by the increased demand from the automobile industry, which was partially offset by a slowdown during the final quarter of the year, as a result of lower natural gas prices, and lower logistical costs due to the easing of congestion in ports. Overall, the butadiene price per tonne increased by +24% in 2022 compared to the previous year.

Natural rubber prices which remained high during the first months of 2022 fell sharply during the third and fourth quarter, following signs of a global economic slowdown. During 2022, natural rubber prices averaged US$ 1,548 per tonne, down by -8% compared to 2021.

TRENDS IN CAR TYRE MARKETS

For 2022, the global automotive tyre market recorded a -1.7 % drop in volumes, which remained lower than pre-pandemic levels (-9 % compared to 2019).

Volume performance for the Original Equipment channel was more sustained compared to the Replacement channel:

- → +4.2% for Original Equipment, (+0.6% for the fourth quarter due to the effect of COVID-19 lockdowns in China, and the slowdown of automobile production in other regions);
- → -3.7% for Replacement (-9.9% for the fourth quarter), due to the gradual fall in demand during the second half of the year in North America and Europe, which was compounded by weak demand in China during the final months of 2022.

Demand was more resilient for the Car ≥18” segment which thanks to a +5.4% increase compared to 2021 (+8.9% for Original Equipment, +3.1% for Replacement), regained and surpassed pre-pandemic levels, also thanks to an improved car parc mix. Compared to 2019, growth in overall Car ≥18” demand stood at +10.9% (+16.4% for Replacement and +3.8% for Original Equipment).

Market demand for Car ≤17' (-3.4% compared to 2021), remained in sharp decline compared to pre-pandemic figures (-13.2% overall compared to 2019) in all regions.

TRENDS IN CAR TYRE MARKETS

% CHANGE YEAR-ON-YEAR	1Q 2022	2Q 2022	3Q 2022	4Q 2022	2022	2022/2019
Total Car Tyre Market						
Total	**1.0**	**-3.6**	**3.1**	**-7.1**	**-1.7**	**-9.0**
Original Equipment	-3.6	-0.6	23.7	0.6	4.2	-11.7
Replacement	2.8	-4.6	-2.8	-9.9	-3.7	-8.0
Market ≥ 18"						
Total	**7.8**	**3.4**	**9.8**	**0.7**	**5.4**	**10.9**
Original Equipment	0.3	4.9	26.0	6.7	8.9	3.8
Replacement	13.3	2.5	0.6	-3.5	3.1	16.4
Market ≤ 17"						
Total	**-0.7**	**-5.3**	**1.5**	**-9.1**	**-3.4**	**-13.2**
Original Equipment	-5.3	-2.9	22.6	-2.0	2.2	-17.3
Replacement	0.9	-6.0	-3.5	-11.2	-5.0	-11.8

Source: Pirelli estimates.

SIGNIFICANT EVENTS OF 2022

On **January 28, 2022** Pirelli celebrated the 150th Anniversary of its foundation on January 28, 1872, with an event at the Piccolo Teatro in Milan.

On **February 1, 2022** Pirelli was awarded *"Gold Class"* recognition in the 2022 Sustainability Yearbook published by S&P Global, which examined the sustainability profile of more than 7,500 companies. Pirelli obtained the *"S&P Global Gold Class"* recognition in the ranking that is carried out annually on the basis of the 2021 results of the Corporate Sustainability Assessment for the Dow Jones Sustainability Index of S&P Global, where Pirelli obtained a score of 77 points against a sector average of 31.

On **February 21, 2022**, Pirelli finalised the signing of a euro 1.6 billion five-year multi-currency bank credit facility, with a pool of leading national and international banks.

This credit facility, geared towards the Group's ESG objectives, has allowed for the optimisation of the debt profile by extending maturity dates.

On **February 23, 2022** Pirelli announced that it had been assigned an *"investment grade"* rating by S&P Global Ratings and Fitch Ratings. This follows the Company's request for a public rating, in keeping with the objectives of optimising the conditions for access to the credit market. Specifically, Fitch Ratings assigned Pirelli an Investment Grade rating of BBB- with a stable outlook, emphasising, amongst other things, the solidity of the Company's operating margins and its ability to generate cash flow, which make it possible to forecast a significant reduction in debt over the next two to three years. The agency emphasised Pirelli's leadership position in the Premium segment, its consolidated know-how for high-performance products, its exposure to aftermarket activities that are less volatile than the Standard segment and the reputation of its Brand. S&P Global Ratings assigned an Investment Grade rating of BBB- with a stable outlook, highlighting, amongst other things, the solid position Pirelli holds in the Premium and Prestige markets, its ability to efficiently utilise its production plants, which is reflected in an EBITDA margin that exceeds the sector average and the agency's expectation of continued debt reduction, through the careful management of a solid free cash flow.

On **February 23, 2022** Pirelli's Board of Directors approved, as part of the strategy to refinance and optimise the Company's financial structure, a new EMTN (Euro Medium Term Note) programme for the issue of non-convertible senior unsecured bond loans for a maximum countervalue of euro 2 billion, to replace the previous euro 2 billion EMTN programme approved on December 21, 2017.

As part of this programme, on the same date, the Board of Directors authorised the issuance of one or more bond loans, to be placed with institutional investors, for a total maximum amount of up to euro 1 billion. In light of the changed market conditions, on **June 22, 2022**, Pirelli updated this authorisation, revoking the resolution and concurrently approving a new resolution for the issuance, again as part of the EMTN programme, of non-convertible bond loans to be placed with institutional investors for up to euro 1 billion, to be executed by May 2023.

On **March 4, 2022** Pirelli announced that it would donate euro 500 thousand to help Ukrainian refugees affected by the war, and also made a current account available to employees for the collection of their donations.

On **March 17, 2022** Pirelli's Board of Directors approved and endorsed the consolidated results at December 31, 2021, which had already been disclosed to the market in a preliminary unaudited form on **February 23.**

On **May 9, 2022** Pirelli announced that the Science Based Targets initiative (SBTi) had validated the upgrade of Pirelli's greenhouse gas emission reduction targets, which by the end of 2021 had reached the previous targets validated by SBTi for Scope 1 and 2, four years ahead of schedule.

The new targets include measures consistent with keeping global warming *"to within 1.5°C"*, compared to the previous scenario that envisaged staying *"well below 2°C".*

In particular, the SBTi - which defines and promotes science-based best practices for reducing emissions - has validated Pirelli's targets of a -42% reduction in absolute greenhouse gas emissions (Scope 1 and 2) by the end of 2025, compared to 2015, and a -9% reduction in absolute greenhouse gas emissions from purchased raw materials by the end of 2025, compared to 2018 (Scope 3).

On **May 10, 2022** Pirelli's Board of Directors co-opted Yang Shihao to replace Yang Xingqiang, who had resigned on **April 28, 2022**. The Board of Directors also proceeded to appoint Yang Shihao - qualified by the Board as a non-executive Director - as a member of the Strategies Committee. Yang Shihao, whose curriculum vitae is available on the www.pirelli.com website, at the date of the appointment did not possess the requisites to qualify as independent, pursuant to the Italian Consolidated Law on Financial Intermediation (TUF) and the Corporate Governance Code, and did not hold any shares in the Company.

On **May 18, 2022**, the Pirelli's Shareholders' Meeting (convened on **April 13, 2022**), which was attended by 83.68% of the voting capital, approved - with more than 99.9% of the capital represented - the Financial Statements for the 2021 financial year, and resolved to distribute a dividend of euro 0.161 per ordinary share, equal to a total dividend pay-out of euro 161 million gross of withholding taxes. The dividend was placed for payment on May 25, 2022 (with an ex-dividend date of May 23 and a record date of May 24). The Shareholders' Meeting also approved the remuneration policy for 2022 (with 85.19% of the capital present) and gave its favourable opinion (with 84.54% of the capital present) on the Report on remunerations paid in the 2021 financial year. The Shareholders' Meeting also approved (with 88.31% of the capital present) the adoption of the monetary incentive Plan for the 2022-2024 three-year period aimed at the Group's general management. Lastly, the Shareholders' Meeting approved (with 85.62% of the capital present), the mechanisms for the possible adjustment of the sole quantification of the targets included in the monetary incentive plans for the three-year periods of 2020-2022 and 2021-2023, consistent with the provisions of the remuneration policy for 2022.

On **May 23, 2022**, with reference to the non-interest-bearing *"EUR 500 million Senior Unsecured Guaranteed Equity-linked Bonds due 2025"*, Pirelli & C. S.p.A. announced that - following the resolution of the Shareholders' Meeting of May 18, 2022 to distribute a dividend of euro 0.161 per ordinary share - the conversion price of the bonds was changed from euro 6.235 to euro 6.1395, in accordance with the regulations of the bond loan itself, effective as of May 23, 2022.

On **June 22, 2022**, Pirelli's Board of Directors approved the signing with a selected pool of international banks of a *"sustainability-linked"* credit facility for an amount of up to euro 400 million with a maturity of 19 months, for the further optimisation of the Group's financial structure. The credit facility is geared to Pirelli's goal of reducing absolute greenhouse gas emissions from the raw materials purchased (Scope 3), which has been validated by the Science Based Targets initiative (SBTi). This KPI (key performance indicator) is among those identified in Pirelli's first *"Sustainability-Linked Financing Framework"*, (the document which contains the Company's guidelines and commitments to its stakeholders regarding sustainable finance).

On **October 11, 2022**, Pirelli's Board of Directors co-opted Li Fanrong to replace Ning Gaoning who - as announced on **October 8, 2022** - resigned from the Board of Directors following the termination of his position as Chairman of Sinochem Holdings Corporation Ltd. The Board of Directors proceeded to appoint non-executive Director Li Fanrong as Chairman, granting him the legal representation of the Company, as well as all other powers attributed under the existing Articles of Association, without prejudice to the powers and prerogatives of the Board of Directors. It was also resolved to appoint Li Fanrong as a member of the Strategies Committee and the Nominations and Successions Committee. Li Fanrong, who will remain in office until the Shareholders' Meeting for the approval of the financial statements for 2022, does not possess the requisites to qualify as independent pursuant, to the Corporate Governance Code and at the date of the appointment did not hold shares and/or other financial instruments issued by Pirelli.

On **October 25, 2022** Pirelli repaid in advance and in full the *"Euro 600,000,000 1.375 per cent Guaranteed Notes due January 25, 2023"* (ISIN: XS1757843146) listed on the Luxembourg Stock Exchange, whose residual outstanding amount was euro 553 million. As provided for by the Issuer Call Option regulations, the repayment – carried out using the Company's available cash - was at par plus interest accrued up until the date of early repayment.

On **October 29, 2022**, Pirelli announced the start of a euro 114 million investment - already provided for by the 2021-2022|2025 Industrial Plan, to be implemented during the 2022/2023 two-year period - aimed at further increasing High Value production at the Mexican manufacturing site. This investment – which was announced on the occasion of the factory's 10th anniversary - will enable the plant to increase its production capacity by more than one million units when fully operational, to a total of 8.5 million tyres by the end of 2025 (from 7.2 million by the end of 2022), with an expansion of the production area by 16 thousand square metres to more than 220 thousand square metres. This increase in production and further improvement to the mix will be accompanied by the creation of 400 new jobs, bringing the total workforce to 3,200 people when fully operational.

On **December 10, 2022** Pirelli was confirmed to be included in the Dow Jones Sustainability World and European Index, following the index review conducted annually by S&P Global. This confirmation follows the announcement of the global Top Score achieved by Pirelli on **October 21, 2022** in the ATX Auto Components sector in S&P Global's Corporate Sustainability Assessment for 2022, with a score of 85 points. Pirelli achieved the highest score in several management areas, including Corporate Governance and Due Diligence in the areas of human rights, natural resource management and CO_2 emissions reduction, innovation and cyber security, and thoroughness and transparency in social and environmental reporting.

In **December 2022** Pirelli was confirmed, for the fifth consecutive year, as a global leader in the fight against climate change, earning a place on the Climate A List for 2022 drawn up by the CDP, the international non-profit organisation that collects, disseminates and promotes information on environmental issues. The *"A"* rating assigned to Pirelli at the conclusion of the analysis process, was the highest score, and was awarded to only 294 companies out of more than 18,700 participants, assessed on the basis of the effectiveness of their efforts to reduce emissions and climate risks and to develop a low-carbon economy, as well as on the basis of the completeness and transparency of the information provided and the adoption of best practices associated with environmental impact.

GROUP PERFORMANCE AND RESULTS

In this document, in addition to the financial measures 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 section *"Alternative Performance Indicators"* for a more analytical description of these indicators.

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Given an external environment characterised by high volatility (higher inflation, difficulties along the supply chain, lockdowns in China), which was further exacerbated by the problematic geopolitical scene (the Russian-Ukrainian conflict), Pirelli closed 2022 with results that exceeded the targets set last November 3rd, targets which had been revised upwards during the course of the year. These results confirmed the resilience of the business model, and reflect the implementation of the key programmes of the 2021-2022|2025 Industrial Plan.

On the **Commercial** front:

- → strengthened positioning of the high-end range of products with particular focus on Car ≥19", on Specialties and on electric vehicles. During 2022 Pirelli outperformed the market for Replacement Car ≥18" (+6.8% for Pirelli volumes compared to +3.1% for the market), despite price increases, thanks to the further renewal of the product portfolio. Growth for Original Equipment Car ≥18" was substantially consistent with that of the market (+8.5% for Pirelli volumes, +8.9% for the market), but with an increasing focus on higher tyre rim diameters (≥19" volumes grew by approximately +6 percentage points and accounted for 78% of Original Equipment ≥18" volumes), and on electric vehicles (which accounted for 17% of Original Equipment ≥18" volumes, which were 2.7 times higher compared to 2021);
- → a reduction in exposure to the Standard segment (-9.2% for Pirelli Car ≤17" volumes compared to -3.4% for the market), with a mix increasingly oriented towards the Replacement channel and higher rim diameter products.

On the **Innovation** front:

- → over 300 new technical homologations were obtained for the Car sector, concentrated mainly in ≥19" and Specialties;
- → the launch of nine new Car product lines (six in 2021), of which four were dedicated to the SUV segment (the New Scorpion, Scorpion All-Season SF2, Scorpion Winter and Scorpion WeatherActive), with a particular focus on electric or hybrid plug-in cars. The Winter range was expanded

with the introduction of a product line dedicated to colder temperatures, (the Ice Zero Asymmetric) and other regional lines (the Cinturato WeatherActive, Cinturato Rosso and Powergy), with a focus on safety and comfort;
- the two-wheel business sector was expanded to meet the different needs of consumers. For Motorbikes, 3 new ultra-performance products were launched for road and off-road use. For Cycling the range was completed, thanks to the introduction of 10 new products for Pirelli's target segments: Racing, Sport, Urban and Travel.

The **Competitiveness Programme** achieved gross benefits of euro 136.0 million, which concerned:

- product cost, with modularity and design-to-cost programmes;
- manufacturing, through the completion of the previously announced optimisation of the industrial footprint and the implementation of efficiency programmes;
- SG&A costs, by leveraging an optimised logistics and warehouse network and measures for negotiating purchases;
- organisation, through the recourse to digital transformation.

For the **Operations Programme**:

- the production capacity for Car increased to 74 million pieces (+1 million compared to 2021) of which 54 million were High Value (+3 million compared to 2021);
- plant saturation levels stood at approximately 90%, >90% for High Value;
- the production of cycling tyres began at the Bollate plant;
- the expansion of the factory in Mexico began, which will reach a capacity of 8.5 million High Value tyres by 2025 (7 million by December 31, 2022);
- a plan of mitigating actions was implemented to ensure the continuity of production and business activities, in the face of the volatility triggered by the Ukraine crisis and the energy crisis in Europe.

For the **Digitisation Programme**:

- the Digital Solutions Centre opened in Bari for the development of Machine Learning and Artificial Intelligence software and algorithms to support business functions, the realisation of new digital products and services for the Tyre world;
- the implementation of the new CRM integration for customer relationship management was completed;
- coverage for the main factories with Industrial Internet of Things (IioT) technology to improve the efficiency of production processes began;
- the cloud strategy for all central IT systems was completed. The new fully upgraded infrastructure guarantees business continuity and reduced cyber security risks, lower operating costs and a reduction in CO_2 emissions (-40% compared to the previous infrastructure).

Regarding sustainability, during 2022 Pirelli further improved its performance, with the acceleration of decarbonisation, and inclusion in the main sustainability indexes at international level. In more detail:

- on the **people** front, Pirelli implemented new measures concerning the **employee experience** and the consolidated programmes for employee **flexibility** and **well-being**. New initiatives were launched to improve the **attraction** and **retention of talent**, as well as to foster the development of a corporate culture which is increasingly based on **inclusion** and **valuing diversity**. This attention and protection of employees, led to a further **drop in the work accident frequency index**, which fell **by -4.5%** compared to 2021 (from 0.21 to 0.20).
- on the **product** front, the percentage of **new IP Code** (Product Identification Code) tyres placed on the market, which **comply with the highest classes (A or B)** of European labelling for **rolling resistance** (an environmental aspect with an indirect impact on vehicle CO_2 emissions) rose to **50% of the total**, consistent with Pirelli's target of 70% by 2025. At the same time, the percentage of **new IP Code** tyres produced globally, which complied with European labelling classes **A/B** for **grip on the wet** (an aspect with a direct impact on safety), including grip on the ice (the ICE pictogram), was confirmed as **93% of the total**. Also as a reflection of this trend, **revenues from Eco & Safety Performance[12] tyres** reached **67%** of total Car tyre sales (63% in 2021). The average **rolling resistance** of Pirelli tyres worldwide **decreased by more than -3% compared to 2021 and by -13.6% compared to 2015**. In terms of **Tyre Wear**, the new product lines launched in 2021-2022 (the Cinturato and Scorpion), featured an **improvement in the wear rate of up to 33%** compared to the previous generation.
- on the innovative and recycled **materials** front, the commitment to **Research & Development** enabled an acceleration in the use of **silica from rice husks**, a **bio-circular material**, which reached **5%** of the total silica used in 2022 (compared to 1% in 2021 and an expected 10% for 2023.
- on the **natural rubber** front, initiatives continued to protect the sustainability of natural rubber, which already in 2021, had seen Pirelli produce the **world's first tyres in natural rubber and rayon certified by the Forest Stewardship Council (FSC)**. In addition to the **ongoing commitment to the traceability** of natural rubber, the **multi-year project in partnership with the BMW GROUP and the BirdLife International NGO** in the Hutan Harapan area (Sumatra Island - Indonesia) continued, with the **aim of protecting 2,700 hectares of rainforest** and its biodiversity, and of **improving the quality of life of the local population** involved in natural rubber production.

12 Calculated on the total number of labelled products on the global market which are reparametered to European labelling A/B/C standards.

- on the **environmental** front, in keeping with the goal of carbon neutrality by 2030, the Group's **decarbonisation plan for the value chain** continued in 2022. In terms of **absolute CO_2 emissions**, in 2022 Pirelli obtained an upgrade from the SBTi for its **Science Based Target of 1.5°C**, and formalised its commitment to **SBTI's Net Zero** target. Regarding the use of renewable electricity in particular, in 2022, **100% of the electricity purchased in North America was certified as from renewable sources, in addition to the certified 100% renewable electricity purchased in Europe since 2021.** Globally, **74% of total electricity used is from renewable sources** (compared to 62% in 2021), with **absolute Group CO_2 emissions dropping by -14% compared to 2021 and by -41% compared to 2015** (base year of the Science Based Target for Group's sites - Scopes 1 and 2). **Absolute supply chain emissions decreased by -3% compared to 2021 and by -8.9% compared to 2018** (base year of the Science Based Target for the supply chain - Scope 3).
- in the area of **sustainable finance**, in May the **Sustainability Linked Financing Framework** was published, and in January 2023, the first **benchmark-size sustainability-linked bond** was placed in the global tyre sector.

In 2022 Pirelli also received a favourable assessment from the **main Sustainable Finance Indexes**. Following the annual review of the **Dow Jones Sustainability Index** by S&P Global, the Company achieved the **top score in the global Auto Components Sector,** followed by the maximum ***"top 1%"*** ranking in the **2023 Sustainability Yearbook**. Pirelli was also once again recognised as a **leader in the fight against climate change** and placed on the **CDP *"Climate A List"***, as well as being awarded **top rating** for the sector in the **FTSE4GOOD** index and "***ESG Top Rated"*** recognition from **Sustainalytics**.

ACTIVITIES IN RUSSIA

As announced on May 10, 2022, Pirelli has suspended investments in its factories in Russia, with the exception of those intended for the safety of carrying out operations. Russia accounted for 4% of turnover and 11% of total capacity for 2022.

In compliance with **international sanctions** imposed by the EU, starting from the second half-year of 2022, which included, amongst other things, a ban on the import of Russian finished products into the EU, and a ban on the export of some raw materials to Russia, Pirelli has:

- geared **production** towards the domestic market;
- identified **alternative sources** for **import/export** streams, with the gradual activation of the sourcing of supplies of finished products from Turkey and Romania to replace Russian exports to European markets and the use of mainly local suppliers of raw materials to replace European suppliers;
- diversified its **service providers** for logistics services in order to ensure the continuity of supplies of finished products and raw materials;
- guaranteed its financial support through local banks.

Pirelli's results for 2022 were characterised by:

- **net sales** which equalled euro **6,615.7** million, an increase of +24.1% compared to 2021, and higher than the target of approximately euro 6.5 billion indicated on November 3, 2022, thanks to a strong price/mix improvement (+19.7%, a target of ≥+17%), which more than offset volume trends (-1%, stable on 2021, the target), due to increased market weakness during the fourth quarter;
- **EBIT adjusted** which amounted to euro **977.8** million (an implied target of euro 960 million), an increase of +19.9% compared to euro 815.8 million for 2021, with profitability at 14.8% (a target of approximately 15%), supported by the contribution of internal levers (price/mix and efficiencies), which more than offset the strong impact of raw materials and inflation;
- a **net income/loss** which amounted to an income of euro **435.9** million (euro 321.6 million for 2021) which reflected an improved operational performance, a **net income/(loss) adjusted** which amounted to an income of euro **570.4** million net of one-off, non-recurring and restructuring expenses, and the amortisation of intangible assets recognised in the PPA (euro 468.8 million for 2021);
- a **Net Financial Position** which at December 31, 2022 showed a debt of euro 2,552.6 million (euro 2,907.1 million at December 31, 2021), with a cash generation before dividends of euro 515.5 million, a marked improvement compared to the figure for 2021 (euro 431.2 million) and to the target (approximately euro 480 million), was supported by an improved operating performance and the careful management of working capital. There was a reduction in the level of debt: EBITDA adjusted of 1.8x compared to 2.4x for 2021, and to the 1.9x indicated in November 2022 as the target for the year;
- a **liquidity margin** which equalled euro **2,536.6** million;
- **ROIC** (net of goodwill and the intangible components of the PPA) which equalled 20.3%, an improvement compared to the figure for 2021 (17.9%) and to the target for 2022 (approximately 19%), thanks to the improvement in the operational performance of the business.

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

(in millions of euro)

	2022	2021
Net sales	**6,615.7**	**5,331.5**
EBITDA adjusted (*)	**1,408.3**	**1,210.7**
% of net sales	21.3%	22.7%
EBITDA	**1,335.7**	**1,085.7**
% of net sales	20.2%	20.4%
EBIT adjusted	**977.8**	**815.8**
% of net sales	14.8%	15.3%
Adjustments: - amortisation of intangible assets included in PPA	(113.7)	(113.7)
- non-recurring, restructuring expenses and other	(72.6)	(125.0)
EBIT	**791.5**	**577.1**
% of net sales	12.0%	10.8%
Net income/(loss) from equity investments	5.8	4.0
Financial income/(expenses)	(201.7)	(144.3)
Net income/(loss) before taxes	**595.6**	**436.8**
Taxes	(159.7)	(115.2)
Tax rate %	26.8%	26.4%
Net income/(loss)	**435.9**	**321.6**
Earnings/(loss) per share (in euro per basic share)	0.42	0.30
Net income/(loss) adjusted	570.4	468.8
Net income/(loss) attributable to owners of the Parent Company	417.8	302.8

(*) The adjustments refer to one-off, non-recurring and restructuring expenses to the amount of euro 72.6 million (euro 101.4 million for 2021). For 2021, this item also included expenses relative to the retention plan approved by the Board of Directors on February 26, 2018 to the amount of euro 4.7 million and COVID-19 direct costs to the amount of euro 18.9 million.

(in millions of euro)

	12/31/2022	12/31/2021
Fixed assets	**8,911.1**	**8,912.4**
Inventories	1,457.7	1,092.2
Trade receivables	636.5	659.2
Trade payables	(1,973.3)	(1,626.4)
Operating net working capital	**120.9**	**125.0**
% of net sales	1.8%	2.3%
Other receivables/other payables	42.3	0.8
Net working capital	**163.2**	**125.8**
% of net sales	2.5%	2.4%
Net invested capital	**9,074.3**	**9,038.2**
Equity	**5,453.8**	**5,042.6**
Provisions	1,067.9	1,088.5
Net financial (liquidity)/debt position	**2,552.6**	**2,907.1**
Equity attributable to owners of the Parent Company	5,323.8	4,908.1
Investments in intangible and owned tangible assets (CapEx)	397.7	345.6
Increases in right of use	79.7	122.4
Research and development expenses	263.9	240.4
% of net sales	4.0%	4.5%
Research and development expenses - High Value	247.1	225.1
% of High Value sales	5.3%	6.0%
Employees (headcount at end of period)	31,301	30,690
Industrial sites (number)	18	18

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

(in millions of euro)

	1Q		2Q		3Q		4Q		TOTAL YEAR	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Net sales	**1,521.1**	1,244.7	**1,675.9**	1,320.1	**1,836.3**	1,414.5	**1,582.4**	1,352.2	**6,615.7**	5,331.5
yoy	*22.2%*		*26.9%*		*29.8%*		*17.0%*		*24.1%*	
*organic yoy **	*19.0%*		*19.8%*		*21.2%*		*14.8%*		*18.7%*	
EBITDA adjusted	**333.1**	266.5	**362.2**	307.4	**383.9**	320.1	**329.1**	316.7	**1,408.3**	1,210.7
% of net sales	*21.9%*	*21.4%*	*21.6%*	*23.3%*	*20.9%*	*22.6%*	*20.8%*	*23.4%*	*21.3%*	*22.7%*
EBITDA	**325.6**	223.5	**350.2**	278.5	**367.4**	304.8	**292.5**	278.9	**1,335.7**	1,085.7
% of net sales	*21.4%*	*18.0%*	*20.9%*	*21.1%*	*20.0%*	*21.5%*	*18.5%*	*20.6%*	*20.2%*	*20.4%*
EBIT adjusted	**228.5**	168.8	**253.1**	208.6	**271.9**	221.4	**224.3**	217.0	**977.8**	815.8
% of net sales	*15.0%*	*13.6%*	*15.1%*	*15.8%*	*14.8%*	*15.7%*	*14.2%*	*16.0%*	*14.8%*	*15.3%*
Adjustments: - amortisation of intangible assets included in PPA	(28.4)	(28.4)	(28.5)	(28.5)	(28.4)	(28.4)	(28.4)	(28.4)	(113.7)	(113.7)
- non-recurring, restructuring expenses and other	(7.5)	(43.0)	(12.0)	(28.9)	(16.5)	(15.3)	(36.6)	(37.8)	(72.6)	(125.0)
EBIT	**192.6**	97.4	**212.6**	151.2	**227.0**	177.7	**159.3**	150.8	**791.5**	577.1
% of net sales	*12.7%*	*7.8%*	*12.7%*	*11.5%*	*12.4%*	*12.6%*	*10.1%*	*11.2%*	*12.0%*	*10.8%*
Net income/(loss) from equity investments	0.8	(0.1)	1.5	2.1	0.8	(0.4)	2.7	2.4	5.8	4.0
Financial income/(expenses)	(43.6)	(40.0)	(46.0)	(31.8)	(55.5)	(35.1)	(56.6)	(37.4)	(201.7)	(144.3)
Net income/(loss) before taxes	**149.8**	57.3	**168.1**	121.5	**172.3**	142.2	**105.4**	115.8	**595.6**	436.8
Taxes	(40.0)	(15.1)	(44.9)	(32.1)	(46.0)	(37.6)	(28.8)	(30.4)	(159.7)	(115.2)
Tax rate %	26.7%	26.4%	26.7%	26.4%	26.7%	26.4%	27.3%	26.3%	26.8%	26.4%
Net income/(loss)	**109.8**	42.2	**123.2**	89.4	**126.3**	104.6	**76.6**	85.4	**435.9**	321.6

* before exchange rate effect and hyperinflation in Argentina and Turkey.

Net sales amounted to euro 6,615.7 million, an increase of +24.1% compared to 2021, +18.7% excluding the combined impact of the exchange rate effect and the adoption of hyperinflation accounting in Argentina and Turkey (totalling +5.4%).

High Value sales were confirmed at 71% of total revenues for the Group.

The following table shows the **market drivers for net sales performance** compared to the same periods of the previous year:

	2022				
	1Q	**2Q**	**3Q**	**4Q**	**Total year**
Volume	-1.4%	-0.6%	1.8%	-3.8%	-1.0%
of which:					
- High Value	*5.8%*	*5.7%*	*8.2%*	*1.6%*	*4.7%*
- Standard	*-9.7%*	*-7.9%*	*-5.7%*	*-8.8%*	*-6.3%*
Price/mix	20.4%	20.4%	19.4%	18.6%	19.7%
Change on a like-for-like basis	**19.0%**	**19.8%**	**21.2%**	**14.8%**	**18.7%**
Exchange rate effect /Hyperinflation accounting in Argentina and Turkey	3.2%	7.1%	8.6%	2.2%	5.4%
Total change	**22.2%**	**26.9%**	**29.8%**	**17.0%**	**24.1%**

Volumes declined slightly (-1%), reflecting the weakness in demand during the final quarter of the year. The trend was different for High Value (Car and Motorcycle) with volumes increasing by +4.7%, while for the Standard segment Pirelli reported a decrease of -6.3%.

More specifically for **Car**, Pirelli recorded stable volumes compared to 2021, against a market decline of -1.7%:

- **Car ≥18"** volumes grew by +7.6%, compared to +5.4% for the market with a stronger positioning for the Replacement channel (+6.8% for Pirelli volumes compared to +3.1% for the market), particularly in North America and APAC. Volumes increased for the Original Equipment channel (+8.5%, with market growth at +8.9%), where Pirelli has continued its selectivity strategy, with its increased focus on higher tyre rim diameters (≥19'') and new technologies (EV);
- reduced exposure to **Car ≤17"** (-9.2% for Pirelli volumes, compared to -3.4% for the market). For the Replacement channel (-4.7% compared, to -5.0% for the market), the increased focus on the product mix continued in favour of higher rim diameters (16" and 17"). The trend for Original Equipment (-22.6% compared, to +2.2% for the market), reflected both the increased selectivity for this channel and the impact of the Russian crisis, following the freeze on automobile production by the main OEMs (Original Equipment Manufacturers).

For the **fourth quarter**, Pirelli reported a -3.8% decrease in overall volumes (Car and Motorcycle), which reflected the aforementioned slowdown in market demand. More specifically, Car volumes declined by -7.1%, consistent with the drop in market demand mainly due to the general slowdown in automobile production, the lockdowns in China and the delayed start of the winter campaign in Europe. In this context, Pirelli outperformed in the **Car ≥18''** segment (+1.9% compared to +0.7% for the market), particularly for the Original Equipment channel (+8.5% compared to +6.7% for the market), while Replacement channel performance (-3.5%) was consistent with that of the market but with gains in market share for ≥19'' tyres.

Pirelli volumes for **Car ≤17"** declined for the **fourth quarter** by -18.5% (-9.1% for the market), with a -17.8% decline for the Original Equipment channel (-2.0% for the market) and -18.7% for the Replacement channel (-11.2% for the market), due to reduced exposure for this channel (limited mainly to Russia and South America) and to greater selectivity.

The trend for **Motorcycle volumes** was negative (-6.8 % for volumes for 2021, -4% for the fourth quarter), due to the decline in Standard sales.

The **price/mix** which sharply improved during 2022 (+19.7%) was supported by:

- price increases in all regions to counter rising inflation in the costs of production factors;
- an improved product mix, this latter linked to the gradual conversion from Standard to High Value, and to the improved micro-mix within both segments.

Price/mix for the **fourth quarter** equalled +18.6%, slightly lower than for previous quarters (+20.4% for the price/mix for the first and second quarters, +19.4% for the third quarter), thanks to a solid price discipline and to the aforementioned improvement in the product mix, which more than offset the trend for the channel mix which was linked to the aforementioned outperformance by the Original Equipment channel, compared to the Replacement channel.

The positive impact of the **exchange rate effect** (+5.4% for 2022, +2.2% for the fourth quarter), reflected the appreciation of the main currencies against the euro (+12% for the US dollar, +7% for the Chinese renminbi, +17% for the Brazilian real and +22% for the Russian rouble, for 2022).

The performance for **net sales according to geographical region** was as follows:

(in millions of euro)

	2022				2021
		%	yoy	Organic YoY*	%
Europe and Turkey	2,441.6	36.9%	*18.6%*	*19.0%*	38.6%
North America	1,592.1	24.1%	*39.0%*	*26.9%*	21.5%
APAC	1,093.1	16.5%	*7.3%*	*0.9%*	19.1%
South America	902.2	13.6%	*35.2%*	*27.7%*	12.5%
Russia, Nordics and MEAI	586.7	8.9%	*33.1%*	*23.8%*	8.3%
Total	**6,615.7**	**100.0%**	***24.1%***	***18.7%***	**100.0%**

* before exchange rate effect and hyperinflation in Argentina and Turkey.

EBITDA adjusted amounted to euro 1,408.3 million (euro 1,210.7 million for 2021), with a margin of 21.3% (22.7% for 2021), which reflected the dynamics described in the following paragraph in terms of EBIT adjusted.

EBIT adjusted for 2022 amounted euro 977.8 million (euro 815.8 million for 2021), with an EBIT margin adjusted of 14.8% (15.3% for 2021). The contribution of internal levers (price/mix and efficiencies), more than offset the negativity of the external scenario.

More specifically, the growth in EBIT adjusted reflected:

→ the positive contribution of the **price/mix** (euro +890.7 million) and **structural efficiencies** (euro +136.0 million), which more than offset the **decline in volumes** (euro -21.8 million) due to the weakness in market demand during the fourth quarter, the increase in the cost of **raw materials** (euro -491.5 million), the negative impact of **inflation in the costs of production factors** (euro -327.4 million), the **increased depreciation and amortisation** (euro -30.0 million) and the increase in **other costs** (euro -24.7 million, the latter concentrated in the third quarter);
→ the **positive impact of the exchange rate effect** to the amount of euro 30.7 million, but with a dilutive impact on margins.

For the **fourth quarter EBIT adjusted** amounted to euro 224.3 million, an increase compared to euro 217.0 million for the fourth quarter of 2021, thanks to internal levers, whose contribution more than offset the negativity of the external scenario (a decline in demand, raw materials and inflation), as shown in the table below. The **EBIT margin adjusted** which stood at 14.2%, had decreased compared to the fourth quarter of 2021 and previous quarters, due to the aforementioned drop in demand and the increased impact of inflation in the costs of production factors, (mainly energy and transport costs following the renewal of contracts), compared to previous quarters.

(in millions of euro)

	1Q	2Q	3Q	4Q	TOTAL YEAR
2021 EBIT adjusted	**168.8**	**208.6**	**221.4**	**217.0**	**815.8**
- Internal levers:					
Volumes	(7.4)	(3.5)	11.0	(21.9)	(21.8)
Price/mix	206.2	229.2	242.0	213.3	890.7
Amortisation and depreciation	(4.8)	(4.7)	(10.3)	(10.2)	(30.0)
Efficiencies	28.6	23.1	33.9	50.4	136.0
Other	4.3	(5.4)	(23.8)	0.2	(24.7)
- External levers:					
Cost of production factors (commodities)	(119.9)	(116.1)	(128.7)	(126.8)	(491.5)
Cost of production factors (labour/energy/other)	(53.3)	(87.6)	(85.8)	(100.7)	(327.4)
Exchange rate effect	6.0	9.5	12.2	3.0	30.7
Total change	**59.7**	**44.5**	**50.5**	**7.3**	**162.0**
2022 EBIT adjusted	**228.5**	**253.1**	**271.9**	**224.3**	**977.8**

EBIT amounted to euro 791.5 million (euro 577.1 million for 2021), and included the amortisation of intangible assets identified in the PPA to the amount of euro 113.7 million, consistent with 2021, and one-off, non-recurring and restructuring expenses and other expenses (including the depreciation and amortisation of tangible and intangible fixed assets) to the amount of euro 72.6 million, a sharp decrease compared to the figure for 2021 (euro 125.0 million, which reflected costs relative to the transfer of production in Brazil from the Gravatai factory to the Campinas factory, and costs relative to structural rationalisation plans).

Net income/(loss) from equity investments amounted to an income of euro 5.8 million, (euro 4.0 million for 2021).

Net financial expenses for 2022 amounted to euro 201.7 million compared to euro 144.3 million for 2021.

The changed market conditions and the interventions by central banks were reflected in the cost of debt, which at December 31, 2022, calculated as the average over the last twelve months, had increased to 4.04% compared to 2.38% at December 31, 2021. This increase reflected the rise in interest rates and costs in particular, which reflected the scarceness of liquidity in the financial markets for the hedging of risk in Brazil and Russia. Net of this effect, the average cost of debt would have stood at 3.49%. This increase was partially offset by a reduction in the financial expenses of the Parent Company, thanks to an improvement in the contractually agreed financial terms for the reduction of the Group's financial leverage.

Taxes for 2022 amounted to euro 159.7 million against a net income before taxes of euro 595.6 million, with a tax rate of 26.8%. In 2021, taxes had amounted to euro -115.2 million against a net income before taxes of euro 436.8 million (a tax rate of 26.4%).

Net income/(loss) amounted to an income of euro 435.9 million, an increase of +35.5% compared to an income of euro 321.6 million for 2021. This dynamic mainly reflected the improvement in operating performance.

Net income/(loss) adjusted amounted to an income of euro 570.4 million, compared to an income of euro 468.8 million for 2021. The following table shows the calculations:

(in millions of euro)

	2022	2021
Net income/(loss)	**435.9**	**321.6**
Amortisation of intangible assets included in PPA	113.7	113.7
One-off, non-recurring and restructuring expenses	72.6	120.3
Retention plan	-	4.7
Taxes	(51.8)	(91.5)
Net income/(loss) adjusted	**570.4**	**468.8**

Net income/(loss) attributable to the owners of the Parent Company amounted to an income of euro 417.8 million, compared to an income of euro 302.8 million for 2021.

Equity went from euro 5,042.6 million at December 31, 2021 to euro 5,453.8 million at December 31, 2022.

Equity attributable to the owners of the Parent Company at December 31, 2022 equalled euro 5,323.8 million, compared to euro 4,908.1 million at December 31, 2021.

This change is shown in the table below:

(in millions of euro)

	Group	Non-controlling interests	Total
Equity at 12/31/2021	**4,908.1**	**134.5**	**5,042.6**
Translation differences	54.8	1.8	56.6
Net income/(loss)	417.8	18.1	435.9
Fair value adjustment of financial assets / derivative instruments	34.2	-	34.2
Actuarial gains/(losses) on employee benefits	(20.2)	-	(20.2)
Dividends approved	(161.0)	(24.4)	(185.4)
Effect of hyperinflation in Turkey	16.9	-	16.9
Effect of hyperinflation in Argentina	72.1	-	72.1
Other	1.1	-	1.1
Total changes	**415.7**	**(4.5)**	**411.2**
Equity at 12/31/2022	**5,323.8**	**130.0**	**5,453.8**

The table below shows the **reconciliation between the equity of the Parent Company and the consolidated equity** attributable to the Owners of the Parent Company:

(in millions of euro)

	Share Capital	Treasury reserves	Net income/ (loss)	Total
Equity of Pirelli & C. S.p.A. at 12/31/2022	**1,904.4**	**2,781.1**	**252.5**	**4,938.0**
Net income/(loss) of consolidated companies (before consolidation adjustments)	-	-	438.8	438.8
Share capital and reserves of consolidated companies (before consolidation adjustments)	-	4,552.7	-	4,552.7
Consolidation adjustments:				
- carrying amount of equity investments in consolidated companies	-	(4,636.6)	-	(4,636.6)
- intragroup dividends	-	306.8	(306.8)	-
- other	-	(2.4)	33.3	30.9
Consolidated equity of the Group at 12/31/2022	**1,904.4**	**3,001.6**	**417.8**	**5,323.8**

Net financial position showed a debt of euro 2,552.6 million, compared to a debt of euro 2,907.1 million at December 31, 2021. It was composed as follows:

(in millions of euro)

	12/31/2022	12/31/2021
Current borrowings from banks and other financial institutions	800.4	1,489.2
- of which lease liabilities	*89.0*	*91.6*
Current derivative financial instruments (liabilities)	15.0	10.3
Non-current borrowings from banks and other financial institutions	3,690.1	3,789.4
- of which lease liabilities	*396.5*	*412.8*
Non-current derivative financial instruments (liabilities)	-	3.5
Total gross debt	**4,505.5**	**5,292.4**
Cash and cash equivalents	(1,289.7)	(1,884.7)
Other financial assets at fair value through Income Statement	(246.9)	(113.9)
Current financial receivables **	(270.9)	(81.8)
Current derivative financial instruments (assets)	(14.2)	(38.8)
Net financial debt *	**2,683.8**	**3,173.2**
Non-current derivative financial instruments (assets)	(26.4)	(4.6)
Non-current financial receivables **	(104.8)	(261.5)
Total net financial (liquidity) / debt position	**2,552.6**	**2,907.1**

* Pursuant to CONSOB Notice of July 28, 2006 and in compliance with the ESMA guidelines regarding disclosure requirements pursuant to the Prospectus Regulation applicable from May 5, 2021.
** The item "financial receivables" is reported net of the relative provisions for impairment which amounted to euro 10.5 million at December 31, 2022 (euro 9.3 million at December 31, 2021).

The **structure of gross debt** which amounted to euro 4,505.5 million, was as follows:

(in millions of euro)

	12/31/22	Maturity date					
		within 1 year	**between 1 and 2 years**	**between 2 and 3 years**	**between 3 and 4 years**	**between 4 and 5 years**	**more than 5 years**
Convertible bond	470.5	-	-	470.5	-	-	-
Schuldschein	242.6	222.6	-	20.0	-	-	-
Bilateral facilities	723.8	124.9	598.9	-	-	-	-
Bilateral EUR 400m ESG 2021 3y facility	399.2	-	399.2	-	-	-	-
Club Deal EUR 1.6bn ESG 2022 5y	597.6	-	-	-	-	597.6	-
Club Deal EUR 400m ESG 2022 19m	399.7	-	399.7	-	-	-	-
Club Deal EUR 800m ESG 2020 5y	797.2	-	-	797.2	-	-	-
Bank debt held by subsidiaries	324.1	313.6	10.5	-	-	-	-
Other financial debt	65.3	65.3	-	-	-	-	-
Lease liabilities	485.5	89.0	77.3	66.1	50.8	46.9	155.4
Total gross debt	**4,505.5**	**815.4**	**1,485.6**	**1,353.8**	**50.8**	**644.5**	**155.4**
		18.1%	*33.0%*	*30.0%*	*1.1%*	*14.3%*	*3.5%*

At December 31, 2022 the Group had a liquidity margin equal to euro 2,536.6 million, composed of euro 1,000.0 million in the form of non-utilised committed credit facilities, and euro 1,289.7 million in cash and cash equivalents, in addition to financial assets at fair value through the Income Statement to the amount of euro 246.9 million. The liquidity margin guarantees coverage for maturities for borrowings from banks and other financial institutions, until the end of the first quarter of 2025.

Net cash flow for the 2022 financial year can be summarised as follows:

(in millions of euro)

	1Q		2Q		3Q		4Q		TOTAL	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
EBIT adjusted	228.5	168.8	253.1	208.6	271.9	221.4	224.3	217.0	977.8	815.8
Amortisation and depreciation (excluding PPA amortisation)	104.6	97.7	109.1	98.8	112.0	98.7	104.8	99.7	430.5	394.9
Investments in intangible and owned tangible assets (CapEx)	(48.6)	(89.8)	(67.1)	(63.0)	(73.0)	(60.5)	(209.0)	(132.3)	(397.7)	(345.6)
Increases in right of use	(8.1)	(26.7)	(33.2)	(23.2)	(9.2)	(9.7)	(29.2)	(62.8)	(79.7)	(122.4)
Change in working capital and other	(841.6)	(717.2)	138.6	73.3	(49.6)	(61.7)	830.5	756.5	77.9	50.9
Operating net cash flow	**(565.2)**	**(567.2)**	**400.5**	**294.5**	**252.1**	**188.2**	**921.4**	**878.1**	**1,008.8**	**793.6**
Financial income / (expenses)	(43.6)	(40.0)	(46.0)	(31.8)	(55.5)	(35.1)	(56.6)	(37.4)	(201.7)	(144.3)
Taxes paid	(32.9)	(37.1)	(71.5)	(34.9)	(46.8)	(26.8)	(54.3)	(26.8)	(205.5)	(125.6)
Cash-out for non-recurring, restructuring expenses and other	(23.6)	(28.9)	(11.9)	(40.4)	(11.0)	(33.4)	(11.8)	(19.0)	(58.3)	(121.7)
Dividends paid to minority shareholders	-	-	(24.4)	-	(0.2)	-	0.2	-	(24.4)	-
Differences from foreign currency translation and other	(7.6)	15.9	(37.5)	(14.9)	1.9	11.4	39.8	13.0	(3.4)	25.4
Net cash flow before dividends, extraordinary transactions and investments	**(672.9)**	**(657.3)**	**209.2**	**172.5**	**140.5**	**104.3**	**838.7**	**807.9**	**515.5**	**427.4**
(Acquisition) / Disposals of investments	-	3.8	-	-	-	-	-	-	-	3.8
Net cash flow before dividends paid by the Parent Company	**(672.9)**	**(653.5)**	**209.2**	**172.5**	**140.5**	**104.3**	**838.7**	**807.9**	**515.5**	**431.2**
Dividends paid by the Parent Company	-	-	(159.9)	(79.3)	(0.3)	(0.5)	(0.8)	(0.1)	(161.0)	(79.9)
Net cash flow	**(672.9)**	**(653.5)**	**49.3**	**93.2**	**140.2**	**103.8**	**837.9**	**807.8**	**354.5**	**351.3**

Net cash flow before dividends paid by the Parent Company amounted to euro 515.5 million, compared to a cash flow of euro 431.2 million for 2021. **Operating net cash flow** had increased significantly and was positive to the amount of euro 1,008.8 million (euro 793.6 million for 2021), and which reflected:

- the improved operating performance (EBITDA adjusted for the 2022 financial year to the amount of euro 1,048.3 million, compared to euro 1,210.7 million for the 2021 financial year);
- investments in property, plant and equipment and intangible assets to the amount of euro 397.7 million for 2022 (compared to euro 345.6 million for 2021), aimed mainly at High Value activities and at the constant improvement of the mix and quality in all factories. The figure for capital expenditure was significant for the fourth quarter of 2022, compared to the same period of the previous year (euro 209.0 million in 2022 compared to euro 132.3 million in 2021), impacted by the rescheduling and geographical reallocation of investment projects carried out during the course of the year as a result of the changed external environment, as well as delays in the delivery of some machinery during the first nine months of the year, due to the lack of availability of electronic components;
- the decrease in the value of the right of use to the amount of euro 42.7 million associated with the new lease agreements (euro 79.7 million for 2022 compared to euro 122.4 million for 2021);
- the improvement in the management of *"working capital and other"* which was the result of:
  - the careful management of inventories (22.0% of revenues) which decreased by approximately 1 percentage point for the fourth quarter of 2022, thanks to the normalisation of raw materials inventories whose impact had increased by more than 2 percentage points during the first nine months of the year, due to inflation and measures to contain supply chain risks. Finished product inventories were stable (16% of revenues, which was substantially unchanged from the figure at December 31, 2021);

- the trend in trade payables saw a slight decline in terms of their impact on revenues compared to the previous year (29.8% of revenues at December 31, 2022 compared to 30.5% at December 31, 2021), which reflected the impact of the high level of investments during the fourth quarter of 2022, and the reduction in raw material inventories during the same period;
- the reduction in trade receivables following the slowdown in sales growth during the fourth quarter, (9.6% of revenues for 2022 compared to 12.4% for 2021). This decrease compared to the figure at September 30, 2022 (18.3% of sales), was mainly due to the usual seasonality of business during the final quarter of the year.

Of note was the significant reduction in cash-out for non-recurring and restructuring expenses to the amount of euro 63.4 million (euro -58.3 million for 2022 compared to euro -121.7 million for 2021), which mitigated the effects:

- of increased financial expenses (euro -201.7 million for 2022 compared, to euro -144.3 million for 2021);
- of increased taxes (euro -205.5 million for 2022 compared to euro -125.6 million for 2021);
- of dividends paid to minority shareholders to the amount of euro 24.4 million in 2022 (no dividends were paid in 2021);
- of differences from foreign currency translation and other to the amount of euro -3.4 million (euro +25.4 million for 2021).

Net cash flow before dividends paid by the Parent Company for the fourth quarter of 2022 amounted to euro 838.7 million, an improvement of euro 30.8 million compared to euro 807.9 million for the corresponding period of the previous year, thanks to the trend in operating net cash flow.

RESEARCH AND DEVELOPMENT

Research and Development plays a central role at Pirelli. The activity, which involves approximately 2,000 people, (equal to approximately 7% of the total employee headcount of the Group) between the Milan headquarters and its twelve technology centres located all over the world, is based on an *"Open Innovation"* model, that involves external partners - suppliers, universities and the vehicle manufacturers themselves - in order to anticipate the sector's technological innovations and meet the needs of the end consumer. Central to Pirelli's innovation strategy is the Eco & Safety Design approach, which aims to maximise its environmental performance and at the same time safety for people, by embracing the entire life cycle of the product with a view to a circular economy.

A part of this, is the collaboration between Pirelli and the Milan Polytechnic which continued during the course of 2022, and which involved the integrated use of the university's dynamic simulator with the static simulator at Pirelli's Milan R&D centre, for virtual tyre development activities which are fundamental to Pirelli's Eco & Safety strategy.

Research and Development expenses for the 2022 financial year totalled euro 264 million, (4% of net sales), of which euro 247 million was earmarked for High Value activities (5.3% of High Value revenues).

The development of CYBER™ technologies also continued, which, thanks to sensor technology inside the tyre, will contribute in making essential information available in order to improve vehicle performance and driving safety. The Pirelli Cyber Tyre system, consisting of a sensor in each tyre and software integrated into the car's electronics, was mounted for the first time in the world on the McLaren Artura in 2021.

March saw the start of production for cycling tyres at the Pirelli plant in Bollate, which is now the only factory to produce *"Made in Italy"* bicycle tyres on an industrial scale. This factory is in fact dedicated to the production of high-tech tyres, designed both for amateurs and for the athletes from some of the top UCI cycling teams, including Trek-Segafredo, AG2R Citroën, and from the MTB teams such as Wilier Triestina-Pirelli, all of which are already Pirelli's partners and who play an active role in tyre development. The Bollate factory is unique in this sector in terms of the innovative processes developed in the fields of compound creation (continuous mixing), extrusion and robotisation.

INNOVATION IN PRODUCTS, MATERIALS AND PRODUCTION PROCESSES

During the course of 2022, collaborations continued with the major manufacturers of Premium and Prestige vehicles continued.

In the Prestige segment, where Pirelli is the absolute leader with an Original Equipment market share of more than 50%, several innovations were introduced;

- the **P Zero Trofeo R** for the Lamborghini Urus Performante, which conquered the Pikes Peak International Hill Climb, setting a record time for the category;
- the **P Zero Corsa** for the Utopia, Pagani's most recent hypercar, which was unveiled at the Leonardo da Vinci National Museum of Science and Technology in Milan;
- the **P Zero** and **Scorpion Zero All Seasons** for the powerful Aston Martin DBX707 SUV.

Lastly, for the first time in its history, a Porsche 911 - the Dakar, a reinterpretation of the coupé in an all-terrain version with technical characteristics that make it suitable for going off-road - has been fitted with a Pirelli off-road tyre as Original Equipment: the Scorpion All Terrain Plus which is designed for the most demanding off-road conditions.

For the Premium segment, however, the special relationship with companies such as Alfa Romeo, Audi, BMW, Mercedes, Jaguar, Land Rover and Ford continued. In 2022, for example, the P Zero tyres were developed in conjunction with the new Alfa Romeo Tonale, Alfa Romeo's first ordinary production electric vehicle.

In 2022, Pirelli, as part of the renewal of the Scorpion range, dedicated to Sports Utility Vehicles (SUV), launched:

- the **Pirelli Scorpion**, a safe and quiet summer tyre dedicated to the new sustainable mobility with an asymmetric tread pattern which, thanks to greater rigidity and to the configuration of the longitudinal and lateral tread recesses, allows for improved braking on both dry (+7%) and wet (+7%) surfaces compared to the previous product. The more homogeneous footprint of the new tread also reduces rolling resistance and consequently fuel consumption, or battery consumption for an electric vehicle. The compound for the new Scorpion, developed using a process patented by Pirelli, and derived from its motorsport experience, contains a new generation synthetic rubber, and has the ability to change behaviour according to operating temperatures.
- the **Scorpion All Season SF2,** a tyre that boasts excellent performance even in winter conditions, as certified by the tests required by European regulations. The directional design of the Scorpion All Season SF2's tread pattern allows the tyre to trap snow, which improves vehicle control on snow-covered surfaces, and to shed water in rainy situations and maintain constant contact with the ground. When driving in wintery conditions and in low temperatures, the tread sipes remain open to promote better braking on snow, while when braking in dry or wet conditions, they close to generate more grip on the road surface. The tread compound is characterised by innovative components, including bi-phase polymeric materials bonded to silica particles: a solution which also guarantees - in addition to mobility at low temperatures - low rolling resistance, resulting in lower fuel consumption and/or longer battery life.
- the **Scorpion Winter 2** tyre features a tread with variable *"extendable"* geometrical sipes which, thanks to their 3D structure, change shape according to the state of wear of the tread, allowing it to perform on snowy, wet and dry surfaces even when worn, and to last longer than the previous product. In total, there are approximately 51 metres of siping which promote greater grip on snowy terrain, with a +20% increase in the tyre surface area useful for grip on the snow, compared to the previous Scorpion.

Presented in the Motorbike field were:

- the **DIABLO ROSSO IV Corsa**, a high performance hypersport product from the DIABLO ROSSO family, the latter being voted in 2022 as the best supersport tyre on the market by German *MOTORRAD* magazine. Thanks to a bi-compound pattern for the front and rear, to a slicker tread pattern compared to DIABLO ROSSO IV, and to racing-derived technologies applied to its profiles and structures, the new tyre delivers better grip, precise feedback and consistent performance even at high speeds.

For Cycling, Pirelli presented several new product lines:

- the **P ZERO Race 4S**, the four-season version of the P ZERO clincher, characterised by the SmartEVO compound designed to provide high levels of performance in terms of grip, conditions of use, rolling resistance and reactivity of the tyre, even in colder climates;
- the **P ZERO Race 150°,** a special version of the racing clincher dedicated to the Company's 150th Anniversary;
- the **Scorpion Enduro** and **Scorpion E-MTB**, from the enduro and longer distance range, which were updated to allow for an even broader and more complete use. In addition to the new design and the new SmartGRIP Gravity compound, for the Enduro the ProWALL casing option was added, which is lighter and more pedal-friendly, with the sidewalls reinforced with a nylon fabric;
- the **Cinturato Gravel RC**, the tubeless tyre which is ready for gravel competitions, and which is fast and highly resistant to punctures;
- the **ANGEL URBAN**, for bicycles and e-bikes, developed in three models dedicated to urban mobility, travel and trekking, with motorcycle derived technologies. The HyperBELT reinforcement specifically designed for metropolitan and extra-urban use, ensures excellent protection against punctures;
- the **Cinturato Gravel S**, the tyre with the most off-road tread in the range, and which is highly sculpted for those who use their bikes on roads, gravel tracks and demanding terrain;
- the **Scorpion Race**, for Gravity Racing, Enduro and Downhill, developed in collaboration with multi-time Downhill World Champion, Fabien Barel. These tyres feature four different tread patterns and two different diameters, to tackle any track in race competition set-ups. The SmartEVO DH compound, derived from Pirelli's Motorsport technology, is super-soft and formulated to provide maximum performance and control in all riding situations. Two types of casing also offer the most appropriate support depending on the specific use.

COMMITTTENT TO MOTORSPORTS

In the history of Pirelli, motorsport has always played a major role. The Company has been involved in competitions for 115 years, starting with the feat achieved in 1907 by Prince Scipione Borghese, who won the Paris-Beijing motor race in an Itala fitted with Pirelli tyres. Today, there are more than 350 competitions in which Pirelli participates each year, and 2022 was particularly relevant in terms of technical innovations. The introduction of 18 inch tyres in the FIA Formula 1 World Championship, the tyres made for hybrid cars in the FIA World Rally Championship and a new range of cross-class products made for GT racing. Thanks to its commitment to sustainability in Motorsport, Pirelli was the first and only tyre manufacturer in the world to have been awarded Three Star Certification from the Environmental Accreditation Programme promoted by the FIA.

Formula 1, which has seen the presence of Pirelli since the start of the World Championship in 1950 and in the role of Global Tyre Partner since 2011 which has been confirmed until 2024, has introduced a technological revolution. After more than half a century, tyres went from 13 to 18 inches. The change in size involved all elements of the tyre, from profiles to structure to compounds, with a wider window of use. The design required more than 10,000 hours of indoor testing, more than 5,000 hours of simulation and more than 70 solutions which were developed virtually, and which lead to the 30 specifications being tested by almost all the teams, over a total of more than 20,000 kilometres. The 18 inch tyres are more similar to the those used daily by drivers around the world. This will give Pirelli the opportunity to better transfer all the technologies derived from Formula 1 to road products.

Pirelli has also been present in rally racing since the inaugural season of the World Championship in 1973 and in the role of sole tyre supplier from 2021 to 2024. Technological evolution during the 2022 season was particularly marked by the introduction of the new hybrid engines for the WRC cars. Pirelli developed the full range of P ZERO, Scorpion and Sottozero tyres to cope with the extra weight and increased power of the new WRC1 cars. Also launched was the P7 Corsa D3B, the latest product development for classic Group A cars (up to 1990).

In Gran Turismo, a single family of tyres, the P ZERO DHF, was designed to cover the specific needs of all GT racing classes (GT2, GT3 and GT4). Even the mono-brand championships - Ferrari, Lamborghini and McLaren - have used the upgraded products and in 2022 the TRANS-AM series stopped using 16 inch tyres in order to switch to 18 inches.

In 2022, Pirelli continued its commitment in the role of Official Tyre Supplier for all classes of the MOTUL FIM Superbike World Championship. This technical partnership, which began in 2004, can claim the record for the longest running single tyre brand ever in the history of international motor sport, and which has been continually sustained by intense research and development work. Since 2004, Pirelli has provided a total of more than 1 million racing tyres for the Superbike circuits, with the development of 750 new solutions during the period of collaboration stipulated in the contract. The most important novelty for 2022, was the debut of the new extra-soft SCQ compound, a formula designed for use in sprint and time attack competitions.

In Motocross Pirelli has won 79 world titles, winning the world titles in the three maximum classes: MXGP, MX2 and WMX (the FIM Women's Motocross World Championship).

In the field of cycling, for 2022 Pirelli added to the reconfirmation of its agreements with the top UCI teams, with the partnership with another World Tour team, the UAE Team Emirates, which benefits from a high-profile roster, including Tadej Pogacar. The partnership also includes Colnago for the first time, which will be equipping its product range with Pirelli in the near future. This partnership with the teams is also and above all aimed at product evolution, for a constant exchange of feedback on the tyres and the continuous improvement in their performance, thanks to the suggestions of the athletes. Pirelli also launched a new project in the world of Gravity racing: the CANYON CLLCTV PIRELLI international DH team. The team will race in the most important trials of the sport, and has set its sights on the top 10 in the major events such as the Downhill World Cup.

For further information on the sustainability aspects of products - for Motorsport also - and on new materials, reference should be made to the section of the Annual Report entitled *"Report on Responsible Value Chain Management"*, which constitutes the Company's consolidated non-financial Declaration pursuant to Legislative Decree No. 254/2016.

PARENT COMPANY HIGHLIGHTS

The table below shows a summary of the main **Income Statement and Statement of Financial Position figures**:

(in millions of euro)

	12/31/22	12/31/21
Operating income/(loss)	(3.7)	(19.6)
Financial income/(expenses)	(37.9)	(46.0)
Net income/(loss) from equity investments	277.3	230.3
Taxes	16.8	51.9
Net income/(loss)	**252.5**	**216.6**
Financial assets	4,677.3	4,693.6
Net Equity	4,938.0	4,813.1
Net Financial Position	1,451.6	1,694.6

Operating income/(loss) of the Parent company amounted to a loss of euro 3.7 million, compared to a loss of euro 19.6 million for 2021. This improvement was mainly attributable to the increase in royalties accrued from companies of the Group for the use of the trademark, due to increased sales.

Net financial expenses amounted to euro 37.9 million, compared to euro 46 million for the previous financial year. This reduction reflected the improved financial terms of the financing contracts, due mainly to the Company's deleverage plan.

Net income/(loss) from equity investments amounted to an income of euro 277.3 million, compared to an income of euro 230.3 million for the previous financial year. This increase was essentially attributable to higher dividends distributed by the subsidiary Pirelli Tyre S.p.A. (euro 300 million in 2022 compared to euro 220 million in 2021).

Taxes for 2022 were positive to the amount of euro 16.8 million, compared to the positive amount of euro 51.9 million for 2021.

The following is a summary of the values of the main **financial assets**:

(in millions of euro)

	12/31/22	12/31/21
Investments in subsidiaries		
- Pirelli Tyre S.p.A.	4,528.2	4,528.2
- Pirelli Ltda.	8.4	8.4
- Pirelli Uk Ltd.	-	7.9
- Pirelli Group Reinsurance Company S.A.	6.3	6.3
- Pirelli Servizi Amministrazione e Tesoreria S.p.A.	3.2	3.2
- Pirelli International Treasury S.p.A.	75.0	75.0
- Other companies	3.4	3.4
Total equity investments in subsidiaries	**4,624.5**	**4,632.4**
Investments in associates and other financial assets at fair value through Other Comprehensive Income		
- Eurostazioni S.p.A. - Roma	6.3	6.3
- RCS MediaGroup S.p.A. - Milano	16.6	21.9
- Fin. Priv S.r.l.	18.9	21.2
- Fondo Comune di Investimento Immobiliare Anastasia	1.8	2.8
- Istituto Europeo di Oncologia S.r.l.	8.1	8.0
- Other	1.1	1.0
Total investments in associates and other financial assets at fair value through Other Comprehensive Income	**52.8**	**61.2**
Total financial assets	**4,677.3**	**4,693.6**

Equity went from euro 4,813.1 million at December 31, 2021 to euro 4,938.0 million at December 31, 2022, as detailed below:

(in millions of euro)

Equity at 12/31/2021	**4,813.1**
Net income/(loss) for the financial year	252.5
Dividends approved	(161.0)
Other components of Comprehensive Income	33.4
Equity at 12/31/2022	**4,938.0**

The table below shows the **composition of equity**:

(in millions of euro)

	12/31/2022	12/31/2021
Share capital	1,904.4	1,904.4
Legal reserve	380.9	380.9
Share premium reserve	630.4	630.4
Concentration reserve	12.5	12.5
Merger reserve	1,022.9	1,022.9
Other reserves	133.7	133.7
Other O.C.I. reserves	40.9	7.5
Retained earnings reserve	559.8	504.2
Net income/(loss) for the financial year	252.5	216.6
Total Equity	**4,938.0**	**4,813.1**

RISK FACTORS AND UNCERTAINTY

The uncertainty of the macroeconomic environment, the instability of the financial markets, the complexity of management processes and continuous regulatory changes, demands the capacity to protect and maximise the tangible and intangible sources of value which characterise the Company's business model. Pirelli has adopted a proactive risk governance model, which through the systematic identification, analysis and assessment of risk areas, provides the Board of Directors and Management with the instruments needed to anticipate and manage the effects of such risks. The Pirelli Risk Model systematically assesses three categories of risks:

1. **External Risks**
   Risks whose occurrence is outside the sphere of influence of the Company. This category includes risks related to macroeconomic trends, to the evolution of demand, to competitor strategies, to technological innovation, to the introduction of new regulations and to country specific risks (economic, security related, political and environmental risks).

2. **Strategic Risks**
   Risks that are characteristic of the relevant business, the proper management of which is a source of competitive advantage, or otherwise, a cause of failure to achieve economic and financial objectives. This category includes areas of risk linked to markets, to innovation in products and processes, to human resources, to production processes, to financial risks and risks connected to mergers and acquisitions.

3. **Operational Risks**
   Risks generated by organisation and corporate processes, whose assumption does not result in any competitive advantage. These types of risks include amongst others, Information Technology, Business Interruption, Legal & Compliance, Health, Safety & Environment and Security related risks.

   In addition to these risk categories mentioned above are the emerging risks related to climate change and water stress. To date, these risks are potentially difficult to quantify, as their manifestation is expected mainly in the medium to long-term, and their identification and assessment to date shows a high degree of volatility and interdependence.

For further information on risk governance, assessment methods and mitigation measures, please refer to the corporate website.

EXTERNAL RISKS

RISK RELATED TO THE MACROECONOMIC OUTLOOK

Following the slowdown of the global economy in 2022, mainly conditioned by the energy crisis and an unfavourable inflationary scenario that led to restrictive monetary policies, Pirelli expects a further deceleration of global growth in 2023. The effect of the restrictive monetary policies of mature countries will be one of the driving factors, especially if consumer price pressures continue beyond expectations. The economy of the People's Republic of China is expected to grow in the face of the recent removal of restrictions linked to the Zero-COVID policy, together with measures to support the real estate market and the recovery of private consumption.

Moreover, elements of uncertainty linked to geopolitical tensions persist, especially with regard to the current Russia-Ukraine crisis, as well as the emergence of possible new variants of COVID-19.

With regard to emerging markets, the risk of financial instability in those countries with a high level of public debt remains significant, also in the light of new local policies that could further aggravate the situation of public finance, which was already tested by the recent pandemic and energy crisis.

COUNTRY RISK

Pirelli primarily adopts a local-for-local strategy, creating a productive presence in countries undergoing rapid development, in order to respond to local demand with competitive industrial and logistical costs. This strategy is aimed at increasing the competitiveness of the Group, as well as at allowing the Group to overcome potential protectionist measures (customs barriers or other measures such as technical prerequisites, product certification and administrative costs related to import procedures, etc.). Within the framework of this strategy, Pirelli operates in countries (Argentina, Brazil, Mexico, Russia) where the general political and economic environment, the tax regime, the business conditions and the circulation of monetary flows, could prove unstable. These elements could alter the normal market dynamics, the business operating conditions and the Group's ability to fully benefit from the monetary flows generated locally. Lastly, elements of uncertainty persist in connection to the redefinition of the geopolitical and regulatory framework, as well as regarding the balance of current international trade agreements, which could lead to an alteration in the normal market dynamics. The Group constantly monitors the evolution of risks (political, economic/financial and security related) associated with the countries in which it operates, in order to promptly (and where possible pre-emptively) adopt measures to mitigate the potential impacts of any changes arising at local level.

RISKS RELATED TO THE RUSSIAN-UKRAINIAN CRISIS AND ISSUES RELATED TO ENERGY COSTS

At the date of this document, the outcome and implications of the crisis between Russia and Ukraine remain uncertain. International sanctions are also having repercussions on the economy of the Russian Federation in terms of growth expectations, the currency market and the sustainability of the domestic economic and financial system in the short and medium-term.

These factors are compounded by the additional complexity arising from the restrictive countermeasures that the Russian government has implemented in response to international sanctions pressure.

Moreover, even though at the beginning of 2023, energy commodity prices had fallen back from the peaks of the previous year, elements of uncertainty related to possible repercussions on consumer price pressure and growth prospects for the Eurozone persist. These elements of uncertainty could lead to the alteration of normal market dynamics and, more generally, business operating conditions.

Pirelli constantly monitors issues related to energy costs and the development of the Russian-Ukrainian crisis through internal committees, for which it has activated a series of mitigation measures and a contingency plan which, in compliance with the international sanctions imposed by the EU (which prohibit the import of Russian finished products into the EU and the export of certain raw materials to Russia), envisages, amongst other things:

- → the gearing of production towards the domestic market;
- → the identification of alternative sources for import/export streams;
- → the diversification of logistics service providers in order to ensure the continuity of supply streams;
- → the identification of solutions and tools aimed at minimizing the expected volatility of costs related to the energy component;
- → financial support through local banks.

BREXIT RISKS

The Group constantly monitors potentially critical issues (and their relative mitigation plans) concerning the trade agreements stipulated between the UK and the EU, and in effect since 2021. These risks concern both operations (because of possible delays in the supply of raw materials and/or finished products) in the short-term, while elements of structural uncertainty also persist in the long-term which to date are difficult to estimate, and which could impact the Automotive and Auto & Parts sector, and the UK domestic market in terms of exports to the EU.

RISKS ASSOCIATED WITH THE SHORTAGE IN SEMI-CONDUCTORS

The COVID-19 pandemic has led to a radical change in the way work is done, resulting in, among other things, a significant increase in demand for products and technologies that are heavily dependent on semi-conductors. The automotive sector, which is strongly dependent on the availability of semi-conductors on the one hand, and on a just-in-time strategy on the other, was particularly vulnerable to this shock, with significant consequences on the volumes produced, and indirectly, on the demand for tyres by Original Equipment customers. This imbalance between the supply and demand of semi-conductors is a factor of uncertainty for the Auto &

Parts sector. The Group constantly monitors these elements of risk, in order to continue to take timely measures to mitigate any possible impacts on demand.

CORONAVIRUS RISK (COVID-19)

Pirelli sells its products on a world-wide basis in over 160 countries and owns industrial sites located in different countries, some of which were considerably affected in the recent past by COVID-19 and its subsequent variants. Although there is broad consensus on the improvement of the global health situation in the short-term, this hypothesis contains elements of uncertainty, mainly linked to the evolution of new variants. If these uncertainties were to persist during the year, they could lead to an alteration in normal market dynamics and, more generally, in business operating conditions. In terms of operational risks, Pirelli monitors, among other things, potential risk events relative to both supply chain resilience and the massive use of new technological devices linked to remote working.

Lastly, the Group is following developments in the spread of the Coronavirus through constant contact with national and international organisations. The Company adopts, where required or deemed necessary, check and prevention measures in respect of all employees worldwide.

RISKS ASSOCIATED WITH THE EVOLUTION OF LONG-TERM DEMAND

Mobility in recent years has been undergoing an unprecedented evolution in recent years due to technological changes (electrification of propulsion, driving automation and digital connectivity), cultural changes (increase in the average age of obtaining a driving licence, loss of importance of owning a car, etc.) and regulatory changes, often aimed at limiting the presence of polluting vehicles in and around metropolitan areas.

In addition to this, the sudden spread of smart-working as a consequence of the COVID 19 pandemic has brought about further rapid change in people's mobility habits, creating an overlay of effects that are still settling.

Daily commuting has declined in many places, while travel related to non-systematic trips, especially those related to recreation and leisure, seem to have increased.

The use of public transport, partly as a result of this, seems to be declining, while all means of individual travel (cars, motorbikes, mopeds, bicycles, and scooters), both private and shared, have increased in most cities.

The return to the pre-pandemic levels of public transport use and beyond, as desired by the policies of all major cities, will be conditioned by the ability to respond effectively to the new mobility needs of people. In any case, a reduction in the presence of the private car in urban areas seems very likely, which could be more than compensated for by greater use over long distances, both due to what has been mentioned above and to increasing driving automation, which could allow for competition with flights and trains over medium distances.

In light of these opposing trends, it is not easy to predict the potential impacts on the tyre sector. Pirelli constantly monitors these trends, both by analysing studies and data available at global and local level, by participating in both international projects (such as the Transforming Urban Mobility Initiative (TUMI), promoted by the World Business Council for Sustainable Development - WBCSD), and in national and international webinars and conferences on the subject.

RISKS RELATED TO PRICE TRENDS AND THE AVAILABILITY OF RAW MATERIALS

Natural rubber, synthetic rubber and petroleum related raw materials (particularly chemicals and carbon black) will continue to represent a factor of uncertainty within the Group's cost structure, given the strong volatility recorded in past years and their impact on the cost of the finished product. For the main raw materials purchased by the Group, possible price scenarios are constantly simulated in relation to historical volatility and/or the best information available on the market (e.g. forward prices). On the basis of the different scenarios, sale price increases and/or the various internal cost efficiency recovery measures, (use of alternative raw materials, reduction of product weight, improvement of the process quality and reduction in waste levels) which are necessary to guarantee the expected profitability levels, are identified.

RISKS LINKED TO THE COMPETITIVE POSITIONING OF THE GROUP AND TO THE COMPETITIVE DYNAMICS OF THE SECTOR

The market in which the Group operates is characterised by the presence of numerous operators, some of which have significant financial and industrial resources and brands that enjoy a significant level of international or local renown. To date, Pirelli is the only player in the tyre industry which focuses solely on the Consumer market on a global scale, with its single brand positioned in the segment which interests the manufacturers and users of Prestige and Premium vehicles. The intensification of the level of competition in the sector in which the Group operates could, in the medium to long-term, have an impact on its Income Statement, Statement of Financial Position and Financial Statements. High barriers to entry - both technological and productive - provide structurally mitigating factors against the potential intensification of the competitive arena in the Group's core market sector. In addition to this, is also the uniqueness of Pirelli's strategy which relies on - amongst other things - an extensive homologation parc focused on the Prestige and Premium segments, and an ever increasing capacity focused on High Value.

STRATEGIC RISKS

EXCHANGE RATE RISK

The diverse geographic distribution of Pirelli's manufacturing and commercial activities entails exposure to exchange rate risk, both transactional and translational. Transactional exchange rate risk is generated by transactions of a commercial and financial nature carried out by individual companies in currencies other than the functional currency, due to fluctuations in exchange rates between the time when the commercial/financial relationship originates and the time when the transaction is settled (collection/payment).

The Group's policy is to minimise - where the financial market permits this in an efficient manner - the impact of transactional exchange rate risk linked to volatility and for this reason, the Group's procedures provide that the Operating Units are responsible for collecting all the relevant information pertaining to positions subject to transactional exchange rate risk (mainly represented by receivables and payables in foreign currency), which are hedged in the form of forward contracts which are entered into where possible, with the Group's Treasury. The managed positions subject to exchange rate risk are mainly represented by receivables and payables in foreign currency. The Group Treasury is responsible for hedging the resulting net position for each currency and, in accordance with the established guidelines and predetermined restrictions, it in turn closes out all risk positions by negotiating hedging derivative contracts on the market, typically forward contracts. Of note is that, as part of the annual and three-year planning process, the Group formulates exchange rate forecasts based on the best information available on the market. Any fluctuation in an exchange rate between the time of planning and the time when a commercial or financial transaction originates, determines a transactional exchange rate risk on future transactions. From time to time the Group assesses the opportunity to carry out hedging transactions on future transactions, for which it typically uses both forward buy or sell transactions and optional risk-reversal type instruments. (e.g., zero cost collars). Pirelli owns controlling interests in companies that prepare their Financial Statements in currencies other than the euro which is the currency used to prepare the consolidated Financial Statements. This exposes the Group to translational exchange rate risk, due to the conversion into euro of the assets and liabilities of subsidiaries operating in currencies other than the euro. The main exposures to translational exchange rate risk are constantly monitored and at present it has been decided to not adopt specific hedging policies for these exposures.

LIQUIDITY RISK

The main instruments used by the Group to manage the risk of insufficient financial resources available to meet financial and commercial obligations within the terms and deadlines established, are constituted by annual and three-year financial plans as well as treasury plans, in order to allow for the complete and correct detection and measurement of cash inflows and outflows. The differences between the plans and the final data are subjected to constant analysis. The Group has implemented a centralised system for the management of collection and payment flows in compliance with the various local currency and tax regulations. The negotiation and management of banking relationships is carried out centrally, in order to ensure coverage for short and medium-term financial needs at the lowest possible cost. Even the procurement of medium to long-term resources on the capital market is optimised through centralised management. The prudent management of the aforementioned risk requires the maintenance of an adequate level of cash or cash equivalents and/or easily liquidated short-term securities, and the availability of funds obtainable through an adequate amount of committed credit facilities and/or the recourse to the capital market. In addition to the available portion of the committed credit facility (*Revolving Credit Facility*) for a total of euro 1 billion, which at December 31, 2022 resulted as being completely unused, the Pirelli Group resorts to the capital market to diversify both products and maturities in order to seize the best opportunities available from time to time.

INTEREST RATE RISK

Interest rate risk is represented by exposure to the variability in the fair value or in the future cash flows of financial assets or liabilities due to changes in the market interest rates. The Group assesses, based on market conditions, whether to enter into derivative contracts, typically interest rate swaps and cross currency interest rate swaps.

PRICE RISK ASSOCIATED WITH FINANCIAL ASSETS

The Group's exposure to price risk is limited to the volatility of financial assets, such as listed and unlisted equity securities and bonds, which represent 1.5% of the Group's total assets. Derivatives are not normally placed on these assets to limit their volatility.

CREDIT RISK

Credit risk represents the Group's exposure to potential losses resulting from the non-fulfilment of the commercial and financial obligations undertaken by counterparties. As regards these commercial counterparties, in order to limit this risk, Pirelli has put in place procedures to assess the potential and financial creditworthiness of its customers, to monitor expected cash flows and to take any recovery action. The aim of these procedures is to define customer credit limits, whereby in the event that those limits are exceeded, the rule to withhold further supplies is activated. In some cases customers are asked to provide guarantees, mainly bank guarantees issued by parties of the highest credit or personal standing. Less frequently, mortgage guarantees may be requested. Another instrument used for commercial credit risk management is the taking out of insurance policies. For over 10 years a master agreement has been in place, which was recently renewed for the 2023-2024 two-year period, with a leading insurance company with an AA credit rating according to Standard & Poors, for the worldwide coverage of credit risk mainly related to sales in the Replacement channel (the coverage ratio at December 31, 2022 exceeded 70%). However, as regards the financial counterparties for the management of its temporary cash surpluses, or for the negotiation of derivative instruments, the Group deals only with entities of the highest credit standing. Pirelli does not hold public debt instruments from any European country, and constantly monitors its net credit exposure to the banking system and, does not have any significant concentrations of credit risk.

RISKS ASSOCIATED WITH HUMAN RESOURCES

The Group is exposed to the risk of loss of human resources in key positions or in possession of critical know how. To address this risk, the Group adopts remuneration policies that are periodically updated, also due to changes in the general macroeconomic scenario, as well as on the basis of salary benchmarks. Also planned are long-term incentive plans and specific non-compete agreements (which also have a retention effect), designed amongst other things, to fit the risk profiles of business-related activities. Lastly, specific *"management"* policies have been adopted, which provide for career plans, internal and external training paths and upskilling/reskilling projects aimed at motivating and retaining talent.

OPERATIONAL RISKS

RISKS RELATED TO ENVIRONMENTAL ISSUES

The activities and products of the Pirelli Group are subject to numerous environmental laws that vary according to the specifics of the different countries in which the Group operates. These regulations have in common their tendency to evolve in an ever more restrictive manner, also due to the growing concern in the international community over issues of environmental sustainability. Pirelli expects the gradual introduction of increasingly stringent laws on the various environmental aspects that companies may impact on (atmospheric emissions, waste generation, impacts on soil and water use, etc.), by virtue of which the Group expects to have to continue to make investments and/or incur costs that may be significant.

EMPLOYEE HEALTH AND SAFETY RISKS

In carrying out its activities, the Pirelli Group incurs charges and costs for the measures necessary to ensure full compliance with the obligations provided for by the regulations on health and safety in the workplace. Particularly in Italy the law on health and safety in the workplace (Legislative Decree No. 81/08) and subsequent amendments (Legislative Decree No. 106/09) have introduced new obligations which have impacted the management of activities at Pirelli sites and the organisational models for the allocation of liabilities. Failure to comply with the regulations in force entails penal and/or civil sanctions against those responsible, and in certain cases with the breach of health and safety regulations, against the companies, in accordance with the European model of corporate responsibility which has also been implemented in Italy (Legislative Decree No. 231/01).

DEFECTIVE PRODUCT RISK

Like all manufacturers of goods for sale to the public, Pirelli could be subject to liability actions connected with the alleged defectiveness of materials sold, or may be required to implement product recall campaigns. Although no significant events have occurred in recent years and such events are however covered by insurance, their occurrence could have a negative impact on the reputation of the Pirelli brand. For this reason, tyres produced by Pirelli are subjected to careful quality analysis before being placed on the market, and the entire production process is subjected to specific quality assurance procedures with constantly upgraded safety and performance requirements.

LITIGATION RISKS

In carrying out its activities, Pirelli may become involved in legal, fiscal, commercial, trade or labour law disputes. The Group takes the necessary measures to prevent and mitigate any consequences that may arise from any such proceedings.

PERSONAL DATA PROCESSING RISKS

In the normal course of Pirelli's business activities, personal data on employees, customers (B2C and B2B) and suppliers are processed. The treatment of personal data collected by the Group companies is subject to the laws and regulations applicable in the countries in which these companies operate or are present. The Group has therefore put in place measures to achieve full compliance with all applicable data protection legislation (while maintaining as the reference legislative framework, that which was introduced by Regulation (EU) 2016/679, the so-called *"General Data Protection Regulation"* or *"GDPR"*, which came into force in May 2018), thus mitigating the risk of proceedings before the regulatory authorities and/or privacy litigation. Nevertheless, any changes in applicable legislation, the entry into force of new regulations, the launch of new products or services onto the market and, more generally, any new initiative involving the processing of personal data (or substantial amendments to existing treatments of personal data) could entail the need to incur specific expenses or lead the Group to review its modus operandi in the context of compliance measures pertaining to this area.

CYBER AND INFORMATION SECURITY RISKS

The continuous exacerbation of cyber security risks and the complexity of the international context in which it operates, exposes the Group to cyber-attack risk scenarios of (e.g. ransomware, malware, attacks on internet faced systems) that could lead to the interruption of business activities for more or less prolonged periods of time, or events involving the loss of the confidentiality of data critical to the Group (e.g. Data Exfiltration, Insider Threat, Social Engineering). Consistent with the Information Security Strategic Roadmap, which is defined on the basis of international standards, initiatives have been implemented to increase the Group's cyber security status with respect to identified risks. The monitoring of these risks through an information security management system integrated with the Company's operational risk management process, which includes the monitoring of supply chain cybersecurity risk, is an essential part of their proper management. At the technological level, having visible and active monitoring of security events in the manufacturing plant environment is a necessary prerogative for the protection of the Group's infrastructures, such as the continuous updating of technology and operating systems, in order to reduce vulnerabilities and the risks of outages and incidents which impact business activities. The execution of cybersecurity awareness initiatives through testing, ad hoc training, education and communication to update users on key cybersecurity risks, develops the human factor, which forms an additional layer of protection in addition to processes and technologies.

In 2022, certification of Pirelli's information security management system according to the German Automotive market standard *"VDA-TISAX"* was obtained on the Group's most relevant OE headquarters, offices and production plants.

BUSINESS INTERRUPTION RISKS

The territorial fragmentation of operating activities and their interconnection exposes the Group to risk scenarios that could lead to the interruption of its business activities for periods which could be more or less prolonged, with the consequent impact on the operational capabilities and results of the Group itself. Risk scenarios related to natural or accidental events (fires, floods, earthquakes, etc.), to wilful misconduct (vandalism, sabotage, etc.), to malfunctions in the auxiliary production plants or to interruptions in the supply of utilities, can in fact cause significant property damage and the reduction and/or interruption of production, particularly if the event affects high volume or specific product (high-end) production sites. Pirelli monitors their vulnerability to catastrophic natural events (particularly floods, hurricanes and earthquakes) and estimates any potential damage (based on the given probability of occurrence) for all the Group's production sites. Analyses confirm an adequate monitoring of business interruption risks, thanks to a complex series of security measures, of systems for the prevention of harmful events and for the mitigation of potential impacts on the business, also in light of the current business continuity plans, as well as the insurance policies in place to cover property damage and any business interruptions which the Group's production sites might suffer, (the Group's insurance coverage may however not be sufficient in compensating all potential losses and liabilities in case of catastrophic events). The Pirelli supply chain is also regularly assessed for potential business interruption risks.

RISKS RELATIVE TO THE FINANCIAL REPORTING PROCESS

Pirelli has also implemented a specific and articulated risk management and internal control system, supported by dedicated Information Technology, in relation to the process of preparing the consolidated half-year and annual Financial Statements, in order to safeguard the Company's assets, its compliance with laws and regulations, the efficiency and effectiveness of corporate operations, as well as the reliability, accuracy and timeliness of its financial reporting. In particular, the process of preparing financial documentation is carried out through the appropriate administrative and accounting procedures, developed in accordance with the criteria established by the Internal Control - Integrated Framework issued by the Committee of Sponsoring Organisations of the Tradeway Commission. The administrative/accounting procedures for the preparation of the Financial Statements and all other financial reports fall under the responsibility of the Manager responsible for the preparation of the corporate financial documents, who verifies their adequacy and effective implementation on a half-yearly basis. In order to allow for the attestation by the Manager responsible for the preparation of the corporate financial documents, a mapping has been carried out of the companies and the relevant processes that feed and generate the data for the Income Statement, the Statement of Financial Position and the Financial Statements. The identification of the companies that belong to the Group and the relevant processes, is carried out annually on the basis of quantitative and qualitative criteria. Quantitative criteria consist of the identification those Group companies which, in relation to the selected processes, represent an aggregate value which is superior to a certain materiality threshold. Qualitative criteria consist of the examination of those processes and companies which, according to the assessment of the Manager responsible for the preparation of the corporate financial documents, may present potential areas of risk, even though they do not fall within the quantitative parameters described above. For each selected process, the control risks/objectives associated with the preparation of the Financial Statements, as well as with the efficiency of the internal control system in general, were identified. For each control objective, punctual verification measures have been provided for and specific responsibilities have been assigned. A supervisory system has been implemented on the checks carried out by way of a mechanism of *"chain"* attestations extending all the way to the Chief Executive Officers of each company within the control perimeter. Any critical issues that emerge within the evaluation process are subject to a plan of actions whose implementation is then verified within the subsequent half-year. Provisions have also been made for the issue of a half-yearly declaration by the Chief Executive Officer and the Chief Financial Officer of each subsidiary, on the reliability and accuracy of the data supplied for the purposes of preparing the Group's consolidated Financial Statements. In the lead up to the dates of the Board of Directors' Meetings which approve the consolidated data at June 30 and December 31, the results of the verification procedures are discussed with the Manager responsible for the preparation of the corporate financial documents. Lastly, the Internal Audit Department performs periodic audits aimed at verifying the adequacy of the design and operability of the checks carried out on sample companies and processes, selected on the basis of the materiality criteria.

SOCIO-ENVIRONMENTAL RESPONSIBILITY RISKS

RISKS RELATIVE TO SOCIAL AND ENVIRONMENTAL RESPONSIBILITY AND BUSINESS ETHICS

Risk governance at Pirelli is enterprise-wide and includes the identification, analysis and monitoring of environmental, social, economic/financial and business ethics risks that are directly or indirectly attributable to the Company, through Pirelli affiliates or in dealings with them, such as those related to the sustainability of the supply chain. Prior to investing in a specific market, or in Mergers and Acquisitions, ad-hoc assessments are conducted, even by way of due diligence, on possible political, financial, environmental and social risks, including those related to the compliance with human rights and labour laws. Alongside the ongoing monitoring of the application of Pirelli's internal regulations regarding financial, social (especially regarding human and labour rights), environmental and business ethics at Group sites, which occurs through the periodic audits performed by the Internal Audit Department, Pirelli has adopted an ESG (Environmental and Social Governance) risk mitigation strategy for its own supply chain which is periodically audited by specialised third party companies. In both cases, if non-compliance is detected, a remedial plan is provided for, whose implementation is regularly monitored by the auditing body. In recent years, there has been an evident increase in external risks relative to the capacity of the supply chain to be resilient, in the face of the expected, increasingly stringent regulations, which require the ability to control the underlying chain in a highly detailed and structured manner, and at the same time relative to the unexpected challenges posed by public health and geopolitical and natural crises, with their impacts on operational management. The ability of the supply chain to be resilient determines the significance of the risk, which in the short-term is not material, but in the long-term, also taking into account that which is described in the following paragraph, could entail a substantial revision of the Company's procurement model. For further information, on the model used for managing sustainability risks along the supply chain, reference should be made to the paragraph *"Our Suppliers"*, for the corporate governance aspects of human rights issues, reference should be made to the paragraph *"Compliance of Human Rights"*, for the management of internal risk within the subsidiaries, reference should be made to the paragraph *"Compliance with the Legislative-Contractual Requirements on Overtime, Rest, Association and Bargaining, Equal Opportunities and Non-Discrimination, Prohibition of Child and Compulsory Labour",* and for the management of climate change risks, reference should be made to the TCFD (Task Force on Climate-Related Financial Disclosures), in the Consolidated Non-Financial Statement.

EMERGING RISKS RELATED TO CLIMATE CHANGE AND WATER STRESS

Having joined the Task Force on Climate-Related Financial Disclosures (TCFD) in September 2018, Pirelli applies all the recommendations made by the TCFD, and is committed, on a voluntary basis, to the dissemination of transparent accounting and the disclosure of any relevant information on climate change related risks and opportunities. To this end, Pirelli monitors these elements of uncertainty along its value chain through sensitivity analyses and risk assessments, to assess and quantify the financial impacts (risks and opportunities) related to climate change and water stress, and to put in place appropriate prevention and mitigation measures to protect its business. An instrument to support these analyses is the Group's Climate Change and Water Stress Risk Assessment, which is updated bi-annually to integrate the analysis with forecasts over a medium to long-term time scale, with respect to IPCC[13] (Intergovernmental Panel on Climate Change) climate scenarios (RCP 2.6, RCP 4.5 and RCP 8.5)[14] and IEA[15] (International Energy Agency) energy transitions (STEPS, APS and NZE)[16].

For the full description of the eleven TCFD recommendations, reference should be made to the section *"Joining the Task Force on Climate-Related Financial Disclosures (TCFD)"* in this Report and Pirelli's public responses to the CDP Climate Change questionnaire.

RISKS RELATED TO INCREASING COSTS RELATIVE TO CLIMATE CHANGING GAS EMISSIONS

Consistent with the findings of the Group's latest Climate Change and Water Stress Risk Assessment, the introduction and/or tightening of the current CO_2 emission pricing schemes in the countries where the Group operates, could entail the risk of increased production costs for a large part of the Company's operations.

This adverse phenomenon could in fact materialise not only at a European level, where the Emissions Trading System (ETS) mechanism has already been active for years, with impacts that are already evident in the Group's factories in the EU, but also in other economies that already have carbon taxation policies in place or are in the policy evaluation phase (China, Brazil, Mexico, UK, among others).

In order to monitor the possible impacts, different evolutions of the price of CO_2 have been hypothesised, both on the basis of the forecasts published by the IEA for the STEPS, APS, NZE, and on three possible pathways for carbon emission intensity for the Group:

1. constant emissions compared to 2022;
2. emission reductions consistent with current Group targets;
3. emission reductions greater than current Group targets.

The impact of the risk was evaluated in financial terms for the 2022-2050 time period, by calculating the potential added costs for the Group based on the options described above, should the current carbon pricing system be introduced and/or worsened. The assessment did not reveal a material impact for the short (2022) and medium-term (up until 2029). However, uncertainty remains with respect to the significance of the long-term impacts (>2030) if the NZE and APS scenarios occur.

Due to the potential impacts on aspects of production, Pirelli constantly monitors potential developments in the carbon pricing policies of the main countries in which it operates, so as to proactively intercept any deviations from the announced targets, and to be able to implement mitigation measures. In this regard, Pirelli has already adapted its production strategy with regard to energy procurement, with a plan which aims to reach 100% of electricity purchased from renewable sources by 2025, with the improvement of the energy efficiency of production plants with the 2025 target of specific energy consumption that is -10% lower than 2019 levels, and with the progressive electrification of processes.

13 Intergovernmental Panel on Climate Change.
14 The group of scenarios which represent a projected end-of-century global temperature increase of between 1.5°C (RCP2.6) and >4°C (RCP8.5).
15 International Energy Agency.
16 Stated Policies Scenario (STEPS), Announced Pledges Scenario (APS), Net Zero by 2050 (NZE).

RISKS RELATED TO CHANGES IN THE ENERGY REQUIREMENTS OF PRODUCTION PLANTS

The global rise in temperature due to climate change determines, among other things, variations in the demand for energy at the Group's production plants. This phenomenon could lead to an increase in energy consumption used for cooling the plants and production processes, with a consequent increase in costs. Pirelli recently conducted a study to quantify changes in net energy demand using both IPCC data (HDD index, CDD index) and Group production plant specifications. Although it emerged that some production sites will require a greater supply of energy, the impact of the risk did not emerge as material in either the short (2022) or medium to long-term (2025-2050).

PHYSICAL RISKS DUE TO CLIMATE CHANGE IMPACTING PRODUCTION PLANTS AND SUPPLY CHAINS

Current climate change involves, among other things, an increase both in terms of the frequency as well as the severity of catastrophic natural events (such as floods, droughts, wildfires, hailstorms and tornadoes), which could impact both Pirelli's production units and those of its suppliers.

The Group's Climate Change and Water Stress Risk Assessment takes into account the main climate risk assessment models (IPCC), the EU Copernicus satellite datasets, as well as the risk mitigation and adaptation measures already installed in various production facilities, and then estimates the potential number of business interruption days, for the Group's production plants and for strategic suppliers resulting from floods, droughts, wildfires and storms. Where possible, risks have been projected on a time scale up to 2050, in accordance with the different degrees of global temperature increase defined by the IPCC climate scenarios (RCP 2.6, RCP 4.5 and RCP 8.5).

Business Interruption days were estimated by calibrating the climate models on historical events, and therefore correlating the intensity of the events with consequent production stoppages. In terms of potential criticality for the Group, no significant impacts are foreseen in the short-medium term (2022-2030), while elements of uncertainty remain on the time scale up to 2050.

The Pirelli Group constantly monitors these risk elements both in terms of production plants and the supply chain, in order to proactively promote mitigation strategies both in terms of CapEx, and in scouting and compounding for the supply chain, aimed at reducing the risk of damage to its strategic assets and the risk of business interruption.

OUTLOOK FOR 2023

(in billion of euro)

	2022	2023E
Revenues	6.62	~6.6 ÷ ~6.8
EBIT margin adjusted	14.8%	>14% ÷ ~14.5%
Investments (CapEx) *% of net sales*	0.40 *6.0%*	~0.40 *~6%*
Net cash flow before dividends	0.52	~0.44 ÷ ~0.47
Net financial position *NFP/EBITDA adj.*	-2.55 *1.8x*	~-2.35 *~1.65x ÷ ~1.7x*
ROIC *post taxes*	20.3%	~20%

MARKET OUTLOOK FOR 2023

For 2023, forecasts are for a general slowdown in economic growth, weighed down by geopolitical tensions and persistent inflation in the cost of production factors, (raw materials, energy and logistics). **Global GDP** is expected **to grow** by +2% (the estimate for 2022 had been +3%), with more limited growth in the USA (+0.7% compared to +2.1% for 2022) and in Europe (+0.5% compared to +3.5% for 2022), compared to more positive expectations for China, whose GDP is expected to grow by +5.2% (+3% in 2022), thanks to the relaxation of the restrictive policies connected to COVID.

In this scenario, **demand** in the **global market** for car **tyres** is forecast to remain **substantially unchanged** year-on-year. Car ≥18'' confirmed its resilience with a growth in demand of +4%, compared to -2% for ≤17''.

Specifically, market expectations are as follows:

- for **Original Equipment** ≥18'' volumes are expected to grow by approximately +7%, sustained by a solid order portfolio, and by the expected easing of the chip crisis that had impacted new automobile production;
- for **Replacement** ≥18'' volumes are expected to grow by approximately +3%, with a less sustained performance for the first half-year in Europe, North America and China, followed by a recovery in demand during the second half of the year.

For **Car ≤17''** volumes are expected to decline by approximately -2%, with **Original Equipment** to decline by approximately -2%, and the **Replacement** channel to decline by approximately -1%, due to the weak macroeconomic scenario.

Given this scenario, Pirelli will continue to consistently pursue its strategy:

- strengthening of High Value positioning, especially for higher rim diameters (≥19''), Specialties and electric vehicles, while maintaining a solid price discipline;
- the implementation of the third phase of the efficiency plan envisaged in the 2021-25 Industrial Plan, with benefits amounting to approximately euro 100 million, which are also the result of the digitisation of all business processes.
- by maintaining an effective management of inventories and working capital in general.

In light of the results achieved for 2022 and the scenario forecast for 2022 at a macroeconomic level, Pirelli expects the following for 2023:

- **Revenues of between euro ~6.6 billion and euro~6.8 billion**, with:
  - **volumes expected to increase from stable to growth** of ~+1%;
  - **price/mix to improve** by ~+4.5% / ~+5.5%, benefiting from the price increases carried out in 2022 and those announced at the beginning of this year, as well as from the improved product mix;
  - **impact from the exchange rate effect of between** ~-4.5% /~-3.5%.
- **EBIT margin adjusted** of between >14% and ~14,5%. Efficiencies and the price/mix will offset the impact of the external scenario (raw materials, inflation and the exchange rate effect);
- **Net cash generation before dividends is expected to be between euro 440 million and euro 470 million**, thanks to the operating performance and the efficient management of working capital. This target includes the payment of long-term incentives to management, relative to the 2020-2022 three-year period. It should be noted that from 2024 onwards, following the transition to a *"rolling"* system, incentives will be paid annually, with a substantial alignment expected between the impact on the Income Statement and cash outflow.
- **Investments** of approximately euro 400 million (~ 6% of revenues);
- a **Net Financial Position** which shows a debt of ~-2.35 billion with a NFP/EBITDA adjusted ratio of ~1.65 /~1.7 times.

SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE YEAR

On **January 11, 2023**, Pirelli placed its first sustainability-linked bond with institutional investors for a total nominal amount of euro 600 million, with demand equal to almost six times the offer, which amounted to approximately euro 3.5 billion. The issue of the first benchmark-size sustainability-linked bond of this type placed by a global tyre company, as well as the first carried out since Pirelli obtained its investment grade rating from S&P Global and Fitch Ratings, testifies to the Company's commitment to further integrate sustainability into its business strategy, and is linked to the 2025 targets of reducing absolute greenhouse gas emissions (Scopes 1 and 2) and emissions from purchased raw materials (Scope 3). The transaction, which took place within the framework of the EMTN Programme (Euro Medium Term Note Programme) which was approved by the Board of Directors on February 23, 2022, offers an effective yield at maturity of 4.317% (145 basis points above the mid swap), and allows for the optimisation of the debt structure, by extending maturities and diversifying sources. These securities are listed on the Luxembourg Stock Exchange.

On **February 7, 2023** Pirelli was confirmed as amongst the best companies at global level for sustainability obtaining *"Top 1%"* ranking, the highest recognition in the 2023 Sustainability Yearbook published by S&P Global, after examining the sustainability profile of more than 13,000 companies. This result follows the score recorded by Pirelli in the 2022 Corporate Sustainability Assessment for the Dow Jones Sustainability Index of S&P Global, where the Company had obtained the Top Score of 86 points (revised from the initial 85), the highest in the ATX Auto Components sector of the Dow Jones Sustainability World and European Index.

On **February 14, 2023**, Pirelli announced that Bai Xinping had resigned as a Director of the Company, effective as of February 22, 2023, following the assumption of new professional responsibilities within the Sinochem Group. Bai Xinping has received Pirelli's sincere thanks for his contribution during more than seven years in office. On

February 22, 2023, the Board of Directors co-opted Wang Feng to replace Bai Xinping, and also proceeded to appoint him as a member of the Remuneration Committee, the Nominations and Successions Committee and the Strategies Committee, roles previously held by Bai Xinping.

Wang Feng – who was qualified by the Board as a non-executive Director – and who will remain in office until the next Shareholders' Meeting, does not possess the requisites to qualify as independent pursuant to the Corporate Governance Code, and at the date of the appointment, did not hold shares and/or other financial instruments issued by Pirelli.

On **February 22, 2023**, Pirelli announced that the shareholder CNRC had announced that it will submit the notification required by Legislative Decree 21/2012 (the Golden Power Regulation) regarding the renewal of the Shareholders' Agreement signed on May 16, 2022 by and between, amongst others, the CNRC, Marco Polo International S.r.l., Camfin S.p.A. and Marco Tronchetti Provera & C. S.p.A., which will become effective with the convening of the Shareholders' Meeting for the approval of the Financial Statements at December 31, 2022.

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), in compliance with the ESMA Guidelines on Alternative Performance Indicators (ESMA/2015/1415) published on October 5, 2015. 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.

Specifically, 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. 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. For the comparative period, this measure also included 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. This measure is used to evaluate operating efficiency, excluding impacts deriving from investments;
- **EBITDA margin adjusted**: is calculated by dividing the EBITDA adjusted by revenues from sales and services. 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. For the comparative period, this measure also included 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 taxes, financial income/(expenses) and the net income/(loss) from equity investments. EBIT is used to measure the ability to generate earnings, including the impacts deriving 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. For the comparative period, this measure also included COVID-19 direct costs and expenses relative to the retention plan approved by the Board of Directors on February 26, 2018;
- **EBIT margin**: is calculated by dividing the EBIT by revenues from sales and services. This measure is used to evaluate operating efficiency;
- **EBIT margin adjusted**: is calculated by dividing the EBIT adjusted by revenues from sales and services. 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. For the comparative period, this measure also included 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**: is calculated by excluding the following items from the net income/(loss):

    - 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. For the comparative period, this measure also included COVID-19 direct costs and expenses relative to the retention plan approved by the Board of Directors on February 26, 2018;
    - non-recurring expenses/income recognised under financial income and expenses;
    - 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**: 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 non-current financial assets at fair value through the Income Statement".* Fixed assets represent the non-current assets included in the net invested capital;

- **Net operating working capital**: this measure is constituted by the sum of *"Inventory", "Trade receivables"* and *"Trade payables"*;
- **Net working capital**: this measure is constituted by the net operating working capital and by other receivables and payables, including tax receivables and payables, and by the derivative financial instruments not included in the net financial position. This measure represents the short-term assets and liabilities included in the net invested capital and is used to measure short-term financial stability;
- **Net invested capital**: this measure is constituted by the sum of (i) fixed assets, and (ii) net working capital. 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)", "Provisions for employee benefit obligations (current and non-current)", "Other non-current assets", "Deferred tax liabilities"* and *"Deferred tax assets"*;
- **Net financial debt**: is calculated pursuant to the CONSOB Notice dated July 28, 2006 and in compliance with the ESMA Guidelines regarding disclosure requirements pursuant to the Prospectus Regulation applicable as of May 5, 2021. Net financial debt represents borrowings from banks and other financial institutions net of cash and cash equivalents, of other current financial assets at fair value through the Income Statement, of current financial receivables (included in the Financial Statements under *"Other receivables")* and of the derivative hedging instruments for items included in the net financial position (included in the Financial Statements under current assets, current liabilities and non-current liabilities, as *"Derivative financial instruments"*);
- **Net financial position**: this measure represents the net financial debt less the non-current financial receivables (included in the Financial Statements under *"Other receivables")* and the non-current derivative hedging instruments for items included in the net financial position (included in the Financial Statements under non-current assets as *"Derivative financial instruments"*). Net financial position is an alternative measure to net financial debt, but which includes non-current financial assets;
- **Liquidity margin**: this measure is constituted by the sum of the Financial Statement items, *"Cash and cash equivalents", "Other financial assets at fair value through the Income Statement"* and the committed credit facilities which have not been non-utilised;
- **Operating net cash flow**: is calculated as the change in the net financial position relative to operations management;
- **Net cash flow before dividends, extraordinary transactions and investments**: 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:** is calculated by adding the change in the net financial position due to extraordinary transactions and the management of investments, to the net cash flow before dividends and extraordinary transactions and investments;
- **Net cash flow**: is calculated by subtracting the dividends paid by the Parent company, from the net cash flow before dividends paid by the Parent company;
- **Investments in intangible and owned tangible assets (CapEx)**: 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 right of use;
- **Increases in the right of use**: is calculated as the increases in the right of use relative to lease contracts;
- **ROIC**: is calculated as the ratio between the EBIT adjusted net of tax effects and the average net invested capital net of provisions which does not include *"Investments in associates and joint ventures", "Other financial assets at fair value through other Comprehensive Income", "Other non-current financial assets at fair value through the Income Statement", "Other non-current assets"*, the intangible assets relative to assets recognised as a consequence of Business Combinations, the deferred tax liabilities relative to the latter and the *"Provisions for employee benefit obligations current and non-current".-*

OTHER INFORMATION

ROLE OF THE BOARD OF DIRECTORS

The Board of Directors is responsible for the strategic guidance and supervision of the Company's overall business activities, with the power to direct the administration as a whole and the authority to take the most important decisions in financial/strategic terms, or in terms of their structural impact on management, or that are functional to the exercise of Pirelli's controlling and steering activities.

The Chairman is endowed with the legal representation of the Company in legal proceedings, as well as with all other powers attributed to him under the Articles of Association.

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

The Deputy-CEO is attributed the powers for the operational management of Pirelli, to be exercised in a vicarious capacity. 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.

For more information on the role of the Board of Directors, reference should be made to the Report on Corporate

Governance and Ownership Structure contained in the 2022 Annual Report group of documents, as well as to the additional information published in the Corporate Governance section on the Pirelli website (www.pirelli.com).

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 Extraordinary Shareholders' Meeting held on March 24, 2021 resolved to increase the share capital in cash, by way of a divisible payment, with the exclusion of option rights pursuant to Article 2441, paragraph 5, of the Italian Civil Code, for a total counter-value, including any share premium, of euro 500,000,000.00 to service the conversion of the *"EUR 500 million Senior Unsecured Guaranteed Equity-linked Bonds due 2025"*, to be paid in one or more tranches through the issue of ordinary shares of the Company, with regular dividend entitlements, to a maximum amount of euro 500,000,000.00 to exclusively service the *"EUR 500 million Senior Unsecured Guaranteed Equity-linked Bonds due 2025"* issued by the Company, in accordance with the criteria provided by the relevant Regulation, notwithstanding that the final deadline for the subscription of the newly issued shares has been set as December 31, 2025 and that, if on that date, the capital increase has not been fully subscribed, it shall be deemed to have been increased by an amount equal to the subscriptions received and from that date onwards, with the express authorisation of the Directors to issue the new shares, as and when they are subscribed. No fractions of shares will be issued or delivered and no cash payment or adjustment will be made in lieu of any such fractions.

The shareholder Marco Polo International Italy S.r.l. - pursuant to Article 93 of Legislative Decree No. 58/1998 - controls the Company with a stake of approximately 37% of the capital, and does not exercise management and coordination activities over the Company.

Updated extracts 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 corporate governance of Pirelli, are available on the Company's website.

For more information on the role of the Board of Directors, reference should be made to the Report on Corporate Governance and Ownership Structure contained in the 2022 Annual Report group of documents, as well as to the additional information published on the Pirelli website (www.pirelli.com) in the Corporate Governance section.

WAIVER OF THE PUBLICATION OF INFORMATION DOCUMENTS

The Board of Directors, taking into account the simplifications of the regulatory requirements introduced by CONSOB in the Issuer's Regulation No. 11971/99, resolved to avail itself of the option to waive, pursuant to the provisions of Article 70, paragraph 8 and Article 71, paragraph 1-bis of the aforesaid Regulation, the obligations to publish the prescribed disclosure documents in the event of significant mergers, de-mergers, capital increases through the contributions of assets in kind, acquisitions and disposals.

FOREIGN SUBSIDIARIES NOT BELONGING TO THE EUROPEAN UNION (EXTRA-EU COMPANIES)

Pirelli & C. S.p.A. directly or indirectly controls a number of companies based in countries which do not belong to the European Community (*"Extra-EU Companies"*), which are of significance pursuant to Article 15 of CONSOB Regulation No. 20249 of December 28, 2017, concerning Market Regulations.

With reference to data at December 31, 2022, the Extra-EU Companies controlled directly or indirectly by Pirelli & C. S.p.A., which are of relevance pursuant to Article 15 of the Market Regulations were:

Limited Liability Company Pirelli Tyre Russia (Russia); Pirelli Pneus Ltda. (Brazil); Pirelli Comercial de Pneus Brasil Ltda. (Brazil); Comercial e Importadora de Pneus Ltda. (Brazil); Pirelli Tire LLC (USA); Pirelli Tyre Co., Ltd. (China); Pirelli Otomobil Lastikleri A.S. (Turkey); Pirelli Neumaticos S.A.I.C. (Argentina); Pirelli Neumaticos S.A. de C.V. (Mexico), Pirelli UK Tyres Ltd. (United Kingdom) and Pirelli Tyre (Suisse) S.A. (Switzerland).

Also pursuant to the same aforesaid provisions, the Company has specific and appropriate Group Operating Regulations in place which ensure immediate, constant and full compliance with the provisions of the aforementioned CONSOB Regulation. In particular, the competent Company managements provide the punctual and periodic identification and publication of the relevant Extra-EU Companies pursuant to the Market Regulation and - with the necessary and appropriate cooperation of the companies concerned - guarantee the collection of data and information and the verification of the circumstances referred to in the aforementioned Article 15, ensuring the availability of the information and data provided by the subsidiaries in the event of a request by CONSOB. A periodic flow of information is also provided for in order to guarantee to the Board of Statutory Auditors of the Company, that the prescribed and appropriate checks are performed.

Lastly, the aforementioned Operating Regulation, consistent with regulatory provisions, governs the disclosure to the public of the financial statements (Statement of Financial Position and Income Statement) of relevant Extra-EU Companies which are predisposed for the purpose of preparing the Consolidated Financial Statements of Pirelli & C. S.p.A.

It should therefore be noted that the Company has fully complied, with the provisions of Article 15 of the aforementioned CONSOB Regulation No. 20249 of December 28, 2017 and that the conditions required by the same have been met.

RELATED PARTY TRANSACTIONS

The Company's Board of Directors, as part of the new listing process initiated and completed during the 2017 financial year, has once again approved the Procedure for Related Party Transactions (*"RPT Procedure"*).

On the occasion of the periodic revision of existing procedures, on June 15, 2021, the Company's Board of Directors - following the unanimous opinion of the Committee for Related Party Transactions, which had deliberated with the presence of all its members - unanimously approved the new Procedure for Related Party Transactions, which had been adjusted to the new provisions on Related Party Transactions, adopted by CONSOB in the implementation of the amendments to the European Shareholders' Rights Directive II. The new Procedure entered into force on July 1, 2021.

Pursuant to Article 5, paragraph 8 of CONSOB Regulation No. 17221 of March 12, 2010 as subsequently amended and integrated, (most recently by CONSOB Resolution No. 21624 of December 10, 2020), concerning Related Party Transactions, it should be noted that during the 2022 financial year, that no transaction of significant importance as defined by Article 3, paragraph 1, letter b) of the aforementioned Regulation, was submitted to the Board of Directors of Pirelli & C. S.p.A. for approval.

The RPT Procedure - updated on March 17, 2022, solely to take into account the changes to the Company's organisational structure which took place at the end of 2021 - is available, together with the other corporate governance procedures on the website www.pirelli.com. For more details on the RPT Procedure, reference should be made to the section "*Directors' Interests and Related Party Transactions"* included in the Annual Report on the Corporate Governance and Ownership Structure, contained in the Financial Statements group of documents.

The information on Related Party Transactions as required, pursuant to CONSOB Notice No. DEM/6064293 of July 28, 2006 is presented in the Annual Report at December 31, 2022. Related Party Transactions, are neither atypical nor unusual, but are part of the ordinary course of business for the Group companies and are carried out in the interest of the individual companies. Such transactions, when not settled under standard conditions, or dictated by specific regulatory conditions, are in any case regulated by conditions consistent with those of the market. Furthermore, they are carried out in compliance with the RPT Procedure.

Furthermore, there were no Related Party Transactions - or changes or developments to the transactions described in the preceding financial report - which significantly affected the Group's financial position or the results for the 2022 financial year.

ATYPICAL AND/OR UNUSUAL OPERATIONS

Pursuant to CONSOB Notice No. 6064293 of July 28, 2006, it should be noted that during 2022, the Company did not carry out any atypical and/or unusual transactions, as defined in the aforementioned Notice.

COMPLIANCE WITH THE REGULATIONS ON THE PROTECTION OF PERSONAL DATA

Following the entry into force of EU Regulation 2016/679 and amendments to Legislative Decree No. 196/2003 (introduced by Legislative Decree No. 101/2018), it should be noted that the Company has completed, with the support of the competent departments, all the activities necessary to fulfil the new requirements of the legislation, including, among others, the drafting of the records of data processing activities. These activities are subject to a periodical annual review with the support of the competent departments. The Company has also appointed a Data Protection Officer ("*DPO"*) in the person of lawyer Alberto Bastanzio whose contact details were duly communicated to the Guarantor for the Protection of Personal Data on July 25, 2018. The DPO can be contacted not only at the Company's registered office, but also at the following e-mail address: dpo_pirelli@pirelli.com. The activities carried out by the DPO during the relevant reporting financial year are described in detail in the *"Annual Report of the DPO"* available at the registered office of the Company, to which reference should be made for further details.

The Board of Directors
Milan, April 5, 2023