PIRELLI & C. S.P.A. SEPARATE FINANCIAL STATEMENTS AT DECEMBER 31, 2022

(in euro)

	Note	12/31/2022		12/31/2021	
			of which related parties (Note 39)		of which related parties (Note 39)
Property, plant and equipment	8	66,257,632		69,988,482	
Intangible assets	9	2,279,105,345		2,276,388,200	
Investments in subsidiaries	10	4,624,548,537		4,632,419,637	
Investments in associates	11	6,374,500		6,374,501	
Other financial assets at fair value through other comprehensive income	12	46,339,548		54,817,356	
Other receivables	13	611,841	-	2,000,566,023	*2,000,000,000*
Derivative financial instruments	17	26,069,768	*26,069,768*	4,382,882	*4,382,882*
Non-current assets		**7,049,307,171**		**9,044,937,082**	
Trade receivables	14	43,998,674	*42,901,414*	40,115,549	*39,313,992*
Other receivables	13	2,215,171,633	*2,200,674,916*	792,729,529	*781,788,854*
Cash and cash equivalents	15	36,115		40,217	
Tax receivables	16	97,981,425	*97,445,841*	65,074,474	*64,524,862*
Derivative financial instruments	17	3,297,794	*3,297,794*	5,132,143	*5,132,143*
Current assets		**2,360,485,641**		**903,091,911**	
Total assets		**9,409,792,812**		**9,948,028,993**	
Shareholders' equity:					
- Share capital		1,904,374,936		1,904,374,936	
- Other reserves		2,221,332,158		2,187,923,539	
- Retained earnings reserve		559,833,511		504,214,886	
- Net income of the year		252,485,607		216,618,625	
Total shareholders' equity	18	**4,938,026,212**		**4,813,131,985**	
Borrowings from banks and other financial institutions	19	3,318,862,779		3,410,178,031	
Other payables	23	354,820	*211,511*	821,950	*211,512*
Provisions for liabilities and charges	20	39,061,812	*21,842,562*	30,604,390	*22,028,088*
Provision for deferred tax liabilities	24	592,549,059		526,016,984	
Employee benefit obligations	21	13,104,639	*3,016,050*	21,442,451	*3,707,657*
Derivative financial instruments	17	-	-	3,554,179	*3,554,179*
Non-current liabilities		**3,963,933,109**		**3,992,617,984**	
Borrowings from banks and other financial institutions	19	363,155,814	-	1,070,540,924	*1,186,589*
Trade payables	22	25,548,576	*4,557,210*	18,386,788	*2,854,236*
Other payables	23	73,608,589	*36,536,630*	38,602,730	*15,310,925*
Provisions for liabilities and charges	20	25,135,738		509,463	
Tax payables	25	20,353,208	*20,124,321*	13,565,489	*13,336,607*
Derivative financial instruments	17	31,566	*31,566*	673,630	*673,630*
Current liabilities		**507,833,491**		**1,142,279,024**	
Total Liabilities and Equity		**9,409,792,812**		**9,948,028,993**	

(in euro)

	Note	2022		2021	
			of which related parties (Note 39)		of which related parties (Note 39)
Revenues from sales and services	27	68,321,749	*68,282,024*	69,600,631	*69,476,717*
Other income	28	111,838,735	*105,847,048*	107,345,247	*104,371,766*
Raw materials and consumables used	29	(385,916)	*(21,200)*	(213,962)	
Personnel expenses	30	(62,086,223)	*(7,420,158)*	(72,790,903)	*(14,395,169)*
Amortisation, depreciation and impairment	31	(9,696,166)		(9,362,065)	
Other costs	32	(111,636,220)	*(42,336,246)*	(114,063,118)	*(41,247,192)*
Net impairment loss on financial assets	33	(48,137)		(91,749)	
Operating income (loss)		**(3,692,178)**		**(19,575,918)**	
Net income (loss) from equity investments	34	277,295,790		230,262,609	
- gains on equity investments		-		-	
- losses on equity investments		*(32,471,101)*	*(32,471,101)*	*(1,246,000)*	*(1,246,000)*
- dividends		*309,766,891*	*306,814,396*	*231,508,609*	*229,311,733*
Financial income	35	30,773,281	*30,336,630*	33,642,838	*31,957,128*
Financial expenses	36	(68,690,826)	*(8,736,753)*	(79,622,905)	*(2,826,774)*
Net income (loss) before taxes		**235,686,067**		**164,706,624**	
Taxes	37	16,799,540		*51,912,001*	
Total net income of the year		**252,485,607**		**216,618,625**	

STATEMENT OF COMPREHENSIVE INCOME

(in euro)

		Note	2022	2021
A	**Net income of the year**		**252,485,607**	**216,618,625**
	- Remeasurement of employee benefits	21	320,681	(80,709)
	- Tax effect		(123,881)	19,370
	- Fair value adjustment of other financial assets at fair value through other comprehensive income	12	(8,477,808)	13,763,515
B	**Total items that may not be reclassified to income statement**		**(8,281,008)**	**13,702,176**
	Fair value adjustment of derivatives designated as cash flow hedge:			
	- Gains / (losses) for the year	17	57,732,239	95,022,233
	- (Gains) / losses reclassified to income statement	17	(2,310,568)	(76,129,810)
	- Tax effect		(13,301,201)	(4,534,181)
	Cost of hedging			
	- Gains / (losses) for the year	17	(120,571)	1,149,212
	- (Gains) / losses reclassified to income statement	17	(446,326)	(4,801,545)
	- Tax effect		136,055	876,560
C	**Total items reclassified / that may be reclassified to income statement**		**41,689,628**	**11,582,469**
D	**Total other components of comprehensive income (B+C)**		**33,408,620**	**25,284,645**
A+D	**Total comprehensive income / (loss) for the financial year**		**285,894,227**	**241,903,270**

STATEMENT OF CHANGES IN EQUITY

(in euro)

	Share Capital	Legal Reserve	Share Premium Reserve	Concentration Reserve	Other Reserves	Other O.C.I. Reserves (*)	Merger Reserve	Reserve from results carried forward	Net result of the year	Total
Total at 12/31/2020	**1,904,374,936**	**380,874,988**	**630,380,599**	**12,466,897**	**133,734,599**	**(17,744,141)**	**1,022,927,715**	**540,084,129**	**43,956,054**	**4,651,055,776**
Dividend distribution as per resolution of June 15, 2021	-	-	-	-	-	-	-	(36,043,946)	(43,956,054)	(80,000,000)
Other components of comprehensive income	-	-	-	-	-	25,284,645	-	-	-	25,284,645
Result for the year	-	-	-	-	-	-	-	-	216,618,625	216,618,625
Total comprehensive income/(loss) for the year	-	-	-	-	-	*25,284,645*	-	-	*216,618,625*	*241,903,270*
Other changes	-	-	-	-	-	(1,764)	-	174,703	-	172,939
Total at 12/31/2021	**1,904,374,936**	**380,874,988**	**630,380,599**	**12,466,897**	**133,734,599**	**7,538,741**	**1,022,927,715**	**504,214,886**	**216,618,625**	**4,813,131,985**
Dividend distribution as per resolution of May 18, 2022	-	-	-	-	-	-	-		(161,000,000)	(161,000,000)
Result carried forward	-	-	-	-	-	-	-	55,618,625	(55,618,625)	-
Other components of comprehensive income	-	-	-	-	-	33,408,620	-	-	-	33,408,620
Result for the year	-	-	-	-	-	-	-	-	252,485,607	252,485,607
Total comprehensive income/(loss) for the year	-	-	-	-	-	*33,408,620*	-	-	*252,485,607*	*285,894,227*
Total at 12/31/2022	**1,904,374,936**	**380,874,988**	**630,380,599**	**12,466,897**	**133,734,599**	**40,947,360**	**1,022,927,715**	**559,833,511**	**252,485,607**	**4,938,026,212**

	BREAKDOWN OF OTHER O.C.I. RESERVES *					
	Reserve for fair value adjustment of financial assets at fair value through other comprehensive income	Reserve for cost of hedging	Cash flow hedge reserve	Reserve Remeasurement for employee benefit	Tax effect	**Total other O.C.I. Reserves**
Balance at 12/31/2020	**(5,491,844)**	**4,219,231**	**(22,883,888)**	**1,905,300**	**4,507,060**	**(17,744,141)**
Other components of comprehensive income	13,763,515	(3,652,333)	18,892,424	(80,709)	(3,638,251)	25,284,645
Other changes	(1,764)	-	-	-	-	(1,764)
Balance at 12/31/2021	**8,269,907**	**566,898**	**(3,991,464)**	**1,824,591**	**868,809**	**7,538,741**
Other components of comprehensive income	(8,477,808)	(566,898)	55,421,671	320,681	(13,289,027)	33,408,620
Balance at 12/31/2022	**(207,901)**	**-**	**51,430,207**	**2,145,272**	**(12,420,218)**	**40,947,360**

(in euro)

		Note	2022	of which related parties (Note 39)	2021	of which related parties (Note 39)
	Net income (loss) before taxes		235,686,067		164,706,624	
	Reversals of amortisation, depreciation, impairment losses	31	9,696,166		9,362,065	
	Reversal of accruals	32	27,456,296		35,195,093	
	Reversal of (Financial income)/financial expenses	36	37,917,544	*(21,599,877)*	45,980,067	*(29,130,354)*
	Reversal of Dividends	34	(309,766,891)	*(306,814,396)*	(231,508,609)	*(229,311,733)*
	Reversal of (gain)/losses on investments	34	32,471,101	*32,471,101*	1,246,000	*1,246,000*
	Reversal of (Gains)/losses from sales of property,plant and equipment	28	(742)		(395)	
	Change in Trade receivables	14	(3,931,262)	*(3,587,422)*	40,360,358	*37,340,862*
	Change in Trade payables	22	6,569,732	*1,702,975*	(11,702,230)	*(225,819)*
	Change in Other receivables	13	(1,806,201)	*403,000*	(3,050,692)	*923,721*
	Change in Other payables	23	8,824,839	*21,225,705*	13,574,345	*8,735,075*
	Change in Tax receivables/Tax payables	16	43,923,433	*(26,133,265)*	19,133,970	*(31,575,870)*
	Use of Provisions for employee benefit obligations	21	(105,872)	-	(2,981,095)	*(1,697,946)*
	Use of Other provisions	20	(1,117,641)		(1,663,189)	
A	**Net cash flows provided by/(used in) operating activities**		**85,816,570**		**78,652,311**	
	Investments in property, plant and equipment	8	(649,416)		(252,277)	
	Disposal of property, plant and equipment	8	742		5,000,395	
	Investments in intangible assets	9	(4,196,832)		(2,015,819)	
	Reimbursement of other non current financial assets at fair value through other comprehensive income	12	-		5,142	
	Dividends received	34	309,766,891	*306,814,396*	231,508,609	*229,311,733*
B	**Net cash provided/(used) by investment activities**		**304,921,385**		**234,246,050**	
	Change in Financial receivables	13	579,297,000	*580,705,000*	372,070,333	*372,109,827*
	Financial income	35	30,665,824	*30,326,528*	27,131,633	*28,107,646*
	Change in Borrowings from banks and other financial institutions due to draw down	19	1,000,000,000		868,549,294	
	Change in Borrowings from banks and other financial institutions due to repayments	19	(1,817,761,540)		(1,419,656,199)	
	Dividends paid	18	(161,004,188)		(79,929,783)	
	Financial expenses	36	(14,360,605)	*20,683,970*	(75,385,176)	*(3,724,512)*
	Repayment of principal and payment of interest for lease liabilities	19	(7,578,547)		(7,380,095)	
C	**Net cash provided/(used) by financing activities**		**(390,742,057)**		**(314,599,994)**	
D	**Total net cash generated/(used) in the year (A+B+C)**		**(4,102)**		**(1,701,632)**	
E	**Opening balance of Cash and cash equivalents**		**40,217**		**1,741,849**	
F	**Closing balance of Cash and cash equivalents (D+E)**		**36,115**		**40,217**	

EXPLANATORY NOTES

1. GENERAL INFORMATION

Pirelli & C. S.p.A. (hereinafter also the "Company" or the "Parent Company") is a corporation organized under the laws of the Republic of Italy.

Founded in 1872, it is a holding company that manages, coordinates and funds the activities of subsidiaries (hereinafter Pirelli Group).

The registered office of the Company is in Viale Piero e Alberto Pirelli 25 – Milan.

The audit of the financial statements is entrusted to PricewaterhouseCoopers S.p.A. pursuant to Legislative Decree January 27, 2010 no. 39 and in execution of the resolution of the shareholders' meeting of August 1, 2017, which assigned the mandate to this company for each of the nine financial years ending from December 31, 2017 to December 31, 2025.

Pirelli & C. S.p.A. is directly controlled by Marco Polo International Italy S.r.l. which in turn, through China National Chemical Corporation ("ChemChina") and other subsidiaries of the latter, is indirectly controlled by Sinochem Holdings Corporation Ltd, a company of State-owned Chinese law (State-owned enterprise or SOE) controlled by the State-owned Assets Supervision and Administrative Commission of the State Council (SASAC) of the People's Republic of China.

Since the start date of trading on the Stock Exchange (October 4, 2017), there have been no entities that exercise management and coordination activities over the Company.

On April 5, 2023, the Board of Directors authorized publication of these Annual Financial Statements ("Annual Financial Statements or Separate Financial Statements").

SIGNIFICANT EVENTS 2022

On **February 21, 2022,** Pirelli finalized the signing of a 5-year multicurrency banking line of euro 1.6 billion with a pool of leading national and international banks.
The line, based on the Group's ESG objectives, has made it possible to optimize the debt profile by lengthening its maturity.

On **February 23, 2022,** the BoD of Pirelli approved, as part of the refinancing and optimization strategy of the company's financial structure, a new EMTN (Euro Medium Term Note) program for the issue of senior unsecured non-convertible bonds for a maximum value of euro 2 billion to replace the previous euro 2 billion EMTN program, approved on December 21, 2017.

As part of this program, the BoD authorized on the same date, the issue of one or more bonds, to be placed with institutional investors, for a total maximum amount of up to euro one billion. In light of the changed market conditions, on **June 22, 2022,** Pirelli updated this authorization, revoking the resolution and simultaneously approving a new one for the issue, again as part of the EMTN program, of non-convertible bonds to be placed with institutional investors up to to euro 1 billion to be completed by May 2023.

On **May 18, 2022,** the Pirelli Shareholders' Meeting (convened on **April 13, 2022**), which was attended by 83.68% of the capital with voting rights, approved - with over 99.9% of the capital represented - the 2021 financial statements, resolving the distribution of a dividend of euro 0.161 per ordinary share equal to total dividends of euro 161 million gross of withholding taxes. The dividend was paid on May 25, 2022 (ex-dividend date May 23 and record date May 24).

On **May 23, 2022,** with reference to the non-interest bearing senior unsecured guaranteed equity - linked bond called "EUR 500 million Senior Unsecured Guaranteed Equity-linked Bonds due 2025", Pirelli & C. SpA announced that - following the resolution of the Shareholders' Meeting of May 18, 2022 for the distribution of 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 regulation of the bond, with effect from May 23, 2022.

On **June 22, 2022,** the Board of Pirelli approved the subscription with a selected pool of international banks of a sustainability-linked credit line for an amount of up to euro 400 million with a 19-month maturity to further optimize the financial structure of the Group. The line is parametrized to the Pirelli objective of reducing absolute greenhouse gas emissions from raw materials purchased (Scope 3), validated by the Science Based Targets initiative (SBTi). This KPI is among those identified within the first Pirelli "Sustainability-linked financing Framework" (the document that contains the company's guidelines and commitments towards its stakeholders in the field of sustainable finance).

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

2. BASIS FOR PREPARATION

These Financial Statements have been prepared on a going concern assumption since the Directors have verified the absence of financial, operational or other types of indicators that could indicate critical issues regarding the ability of the Company to meet its obligations in the foreseeable future and in particular in the next 12 months. The description of the ways in which the Company manages financial risks, is contained in Chapter 4 Financial risk management policy and Chapter 6 Capital management policy of these Notes.

In application of Legislative Decree of February 28, 2005, no. 38, "Exercise of the options provided for by article 5 of regulation (EC) no. 1606/2002 on international accounting standards", issuers are required to prepare not only the consolidated financial statements but also the financial statements of the Company in compliance with the international accounting standards (IFRS) issued by the International Accounting Standards Board (IASB) and published in the Official Journal of the European Community (GUCE).

IFRS include all International Financial Reporting Standards, International Accounting Standards (IAS), all interpretations of the International Financial Reporting Interpretations Committee (IFRIC), formerly the Standing Interpretations Committee (SIC).

The financial statements have been prepared on the basis of the historical cost criterion with the exception of the following items valued at fair value:

- derivative financial instruments;
- other financial assets at fair value recorded in the other components of the comprehensive income statement;
- other financial assets at fair value through the income statement.

FINANCIAL STATEMENTS

The separate Financial Statements at December 31, 2022 consist of the Statement of Financial Position, the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Cash Flows and the Explanatory Notes, and are accompanied by the Directors' Report on Operations.

The format adopted for the Statement of Financial Position classifies assets and liabilities as current and non-current.

The Company has opted to present the components of profit/loss for the year in a separate Income Statement, rather than include these components directly in the Comprehensive Income Statement. The income statement format adopted classifies costs by nature.

The Company opted for the presentation of the tax effects and reclassifications to the income statement of profits/losses recorded as Other Comprehensive Income in previous years directly in the Statement of Comprehensive Income and not in the Notes.

The Statement of Changes in Equity includes, in addition to the total gains/losses of the period, the amounts from transactions with equity holders and the changes in reserves during the year.

In the Statement of Cash Flows, the cash flows deriving from operating activities are presented using the indirect method, according to which the profit or loss for the year is adjusted by the effects of non-monetary items, by any deferment or accrual of past or future operating receipts or payments, and by any revenue or cost items connected with the cash flows arising from investing activities or financing activities.

It shall also be noted that the Group has applied the provisions of Consob Resolution no. 15519 of July 27, 2006 in regard to the formats of financial statements and Consob Notice no. 6064293 of July 28, 2006 in regard to corporate disclosure.

In order to provide greater clarity and comparability of the financial statement items, the amount of the corresponding items of the previous year were adjusted where necessary.

All amounts included in the Notes, unless otherwise specified, are in euro thousands.

3. ACCOUNTING STANDARDS

The accounting standards used in the preparation of separate financial statements are the same as those used for the purposes of preparing the consolidated financial statements where applicable, except as indicated below.

INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

Investments in subsidiaries and associates are recorded at cost, net of any impairment losses.

In the presence of specific impairment indicators, the value of investments in subsidiaries and associates, determined based on the historical cost basis, is tested for impairment.

The main indicators are as follows:

- the carrying amount of the investment in the separate financial statements exceeds the carrying amount of the investee's net assets (inclusive of any associates goodwill) expressed in the consolidated financial statements;
- the dividend distributed by the investee exceeds the total comprehensive income of the investee company in the year to which the dividend refers;
- the operating result achieved by the investee company is significantly lower than the amount envisaged in the management plan;

- there are expectations of significantly decreasing operating results for future years;
- existence of changes in the technological, market, economic or regulatory environment in which the investee operates that may generate significant negative economic effects on the company's results.

The impairment test consists of comparing the carrying amount and the recoverable value of the investment.

If the loss attributable to the Company exceeds the carrying amount of the investment and the investor is obliged to fulfill legal or implicit obligations of the investee company, or in any case, to cover the losses, any excess with respect to the carrying amount is recognized in a specific liability provision under provisions for risks and charges.

If the recoverable amount of an investment is lower than the carrying amount, the latter is reduced to the recoverable amount. This reduction constitutes an impairment loss recorded in the Income Statement.

The recoverable amount of an investment is identified as the greater of fair value, less costs to sell, and value in use.

For the purposes of impairment testing, the fair value of an investment in a subsidiary or associate with shares listed on an active market is always equivalent to its market value, irrespective of the percentage of ownership. In the case of investments in unlisted companies, the fair value is determined using estimates based on the best information available.

For the purposes of determining the value in use of a subsidiary and associated company, an estimate is made of the future net operating cash flows discounted, net of the net financial position of the company considered at the reference date of the estimate (Discounted Cash Flow criterion – Asset side). The value in use reflects the effects of factors that may be entity specific, factors that may not be applicable to any entity.

If the reason for impairment ceases to exist, the carrying amount of the investment is recorded in the Income Statement, up to the original cost.

IMPAIRMENT OF FINANCIAL RECEIVABLES FROM SUBSIDIARIES AND ASSOCIATES

The calculation of the impairment of financial receivables from subsidiaries and associates is made with reference to the expected losses in the following twelve months. This calculation is based on a matrix that includes the ratings of companies provided by independent market operators. In the event of a significant increase in the credit risk subsequent to the origin date of the receivable, the expected loss is calculated with reference to the entire life of the receivable. The Company assumes that the credit risk related to a financial instrument has not increased significantly after initial recognition, if it is determined that the financial instrument has a low credit risk at the reporting date. The Company assesses whether there has been a significant increase in credit risk when the counterparty rating, attributed by independent market operators, undergoes a change that shows an increase in the probability of default. The Company considers a financial asset in default when internal or external information indicates that it is unlikely that the Company will receive the entire contracted amount overdue.

DIVIDENDS

Dividend income is recorded in the Income Statement when the right to receive payment is established, which normally corresponds to the resolution approved by the Shareholders' Meeting for the distribution of dividends.

3.1 ACCOUNTING STANDARDS AND INTERPRETATIONS ENDORSED AND IN FORCE FROM JANUARY 1, 2022

In accordance with IAS 8 "Accounting standards, changes in accounting estimates and errors", the IFRS effective from January 1, 2022 are indicated below:

- Amendments to IFRS 3 - Business Combinations
  These amendments are aimed at: (i) completing the update of the references to the Conceptual Framework for Financial Reporting present in the accounting standard; (ii) providing clarifications on the conditions for the recognition, at the acquisition date, of provisions, contingent liabilities and tax liabilities assumed in the context of a business combination transaction; (iii) specifying that contingent assets cannot be recognized as part of a business combination transaction.
  There are no impacts on the Company's financial statements as a result of these amendments.

- Amendments to IAS 16 - Property, plant and machinery - Fees received before intended use
  These amendments prohibit the deduction of amounts received from the sale of products from the cost of property, plant and equipment, while the asset is being prepared for its intended use. The proceeds from the sale of the products, and the related production cost must be recorded in the Income Statement.
  There were no impacts on the Company's financial statements as a result of these amendments.

- Amendments to IAS 37 - Provisions, contingent liabilities and contingent assets - Onerous contracts - Costs of fulfilling a contract
  These amendments specify that the costs to be taken into consideration when evaluating onerous contracts are both the incremental costs for the fulfillment of the contract (for example direct labor and materials) and a share of other costs that relate directly to the fulfillment of the contract (for example, a breakdown of the depreciation rate of the assets used for the fulfillment of the contract).
  There were no impacts on the Company's financial statements as a result of these amendments.

- Annual Improvements (cycle 2018 – 2020) issued in May 2020
  These are amendments limited to some standards (IFRS 1 First-time adoption of IFRS, IFRS 9 Financial Instruments, IAS 41 Agriculture and illustrative examples of IFRS 16 Leases) that clarify the formulation or correct omissions or conflicts between the requirements of IFRS.
  There were no impacts on the Company's financial statements as a result of these amendments.

3.2 INTERNATIONAL ACCOUNTING STANDARDS AND/OR INTERPRETATIONS ISSUED BUT NOT YET IN FORCE IN 2022

Pursuant to IAS 8 "Accounting standards, changes in accounting estimates and errors", the following are the new Standards or Interpretations that have been issued but have not yet come into force or have not yet been endorsed by the European Union at December 31, 2022, and which are therefore not applicable, and the foreseeable impacts on the Separate Financial Statements.

None of these Standards and Interpretations have been adopted by the Group, and thus by the Company in advance.

- Amendments to IAS 1 - Presentation of Financial Statements - Classification of liabilities as current or non-current
  The amendments clarify the criteria that must be applied for the classification of liabilities as current or non-current and specify that the classification of a liability is not influenced by the probability that the settlement of the liabilities be deferred by twelve months following the reference year. The Group's intention to liquidate in the short term has no impact on the classification. These amendments, which are expected to come into force January 1, 2023. No impacts are expected on the classification of financial liabilities following these amendments.

- Amendments to IAS 1 Presentation of the financial statements and IFRS Practice Statement 2: Disclosure on accounting standards
  These amendments provide a guide for the application of materiality judgments to disclosure on accounting standards so that they are more useful; in particular:

  - the obligation to indicate the "significant" accounting standards has been replaced with the obligation to indicate the "relevant" ones;
  - a guide has been added on how to apply the concept of relevance to disclosures on accounting standards.

  In assessing the relevance of disclosures on accounting standards, entities must consider the amount of transactions, other events or conditions and their nature.
  Said amendments have been endorsed by the European Union and will be applicable from January 1, 2023. No impacts on the disclosures of the Company's Financial Statements are foreseen as a result of these amendments.

- Amendments to IAS 8 - Accounting standards, changes in accounting estimates and errors
  These amendments introduce a new definition of "accounting estimates", distinguishing them more clearly from accounting standards, and provide guidance for determining whether changes should be treated as changes in estimates, changes in accounting standards or errors.
  Said amendments have been endorsed by the European Union and will be applicable from January 1, 2023. No impacts on the Company's financial statements are foreseen as a result of these amendments.

- Amendments to IAS 12 Income taxes – deferred tax assets and liabilities deriving from a single transaction
  These amendments eliminate the possibility of not recording deferred taxes at the time of the initial recognition of transactions that give rise to taxable and deductible temporary differences (e.g. lease contracts).
  With reference to lease contracts, these amendments also clarify that, when lease payments are deductible for tax purposes, it is a matter of judgement (after considering the applicable tax law) whether such deductions are attributable for tax purposes to the recorded lease liability or to the related right of use. If the tax deductions are attributed to the right of use, the tax values of the right of use and the lease liability are equal to their carrying amounts, and no temporary differences arise at the time of initial recognition. However, if the tax deductions are attributed to the lease liability, the tax values of the right of use and the lease liability are null, giving rise to taxable and deductible temporary differences, respectively. Even if the gross temporary differences are the same, a deferred tax liability and a deferred tax asset must still be recorded.
  These amendments, endorsed by the European Union, will be applicable from January 1, 2023. No impacts on the Company's financial statements are foreseen as a result of these amendments.

- IFRS 17 – Insurance contracts
  IFRS 17, which replaces IFRS 4 "Insurance contracts", defines the accounting of insurance contracts issued and reinsurance contracts held.
  The provisions of IFRS 17, endorsed by the European Union, will enter into force on January 1, 2023. No impacts on the Company's financial statements are expected from the entry into force of this standard.

- Amendments to IFRS 17 – First-time application of IFRS 17 and IFRS 9 Comparative information
  These amendments make it possible to overcome the one-off classification differences of the comparative information of the previous year at the time of the first application of IFRS 17 and IFRS 9 Financial Instruments. The optional classification overlay introduced by this amendment makes it possible to make the comparative information presented at the time of first-time adoption of IFRS 17 and IFRS 9 more useful.

These amendments, endorsed by the European Union, will enter into force on January 1, 2023. No impacts are expected on the Company's financial statements as a result of these amendments.

- Amendments to IAS 1 - Presentation of financial statements - non-current liabilities with covenants
  These amendments specify that the covenants to be respected after the reporting date do not affect the classification of the debt as current or non-current at the reporting date. The amendments instead require the company to provide information on these covenants in the notes to the financial statements.
  These amendments, which will come into force on January 1, 2024, have not yet been approved by the European Union. No impacts are expected on the classification of financial liabilities and in terms of disclosure following these amendments.

- Amendments to IFRS 16 Leases: Lease liabilities in a sale and leaseback transaction
  These amendments specify the requirements for accounting for a sale and a leaseback after the date of the transaction.
  In particular, in the subsequent measurement of the liability deriving from the leasing contract, the seller-lessee determines the "lease payments" and the "revised lease payments" in such a way as not to record gains or losses that refer to the right of use maintained.
  These amendments, which will come into force on January 1, 2024, have not yet been approved by the European Union. No impacts on the Company's financial statements are foreseen as a result of these amendments.

4. FINANCIAL RISK MANAGEMENT POLICY

The measurement and management of the financial risks of Pirelli & C. S.p.A. are consistent with as defined by the Group policies.

The Pirelli Group is exposed to financial risks. These are principally associated with foreign exchange rates, fluctuations in interest rates, the price of financial assets held as investments, the ability of customers to meet their obligations to the Group (credit risk), and raising funds on the market (liquidity risk).

Financial risk management is an integral part of Group business management and is handled directly by the headquarters in accordance with guidelines issued by the Finance Department on the basis of general risk management strategies defined by the Managerial Risk Committee.

The main financial risk categories to which the Company is exposed are shown below:

EXCHANGE RATE RISK

This risk is generated by the commercial and financial transactions that are executed in currencies other than euro. Exchange rate fluctuations between the time when the commercial or financial relationship is established and when the transaction is completed (collection or payment) may generate foreign exchange gains or losses.

The Group aims to minimize the impact of transaction exchange rate risk related to volatility. To achieve this objective, Group procedures make the Operating Units responsible for collecting complete information about the assets and liabilities that are subject to transaction exchange rate risk. This risk is hedged with forward contracts made with the Group Treasury.

The items subject to exchange rate risk are mainly represented by receivables and payables denominated in foreign currency.

The Group Treasury is responsible for hedging the net position for each currency and, in accordance with established guidelines and restrictions, it closes all risk positions by trading derivative contracts on the market, which typically take the form of forward contracts.

The Group has decided not to opt for hedge accounting pursuant to IFRS 9, insofar as the representation of the economic and financial effects of the hedging strategy on foreign exchange rate risk is still substantially guaranteed even without adopting such option.

Furthermore, it shall be noted that as part of the annual and three-year planning process, exchange rate forecasts are made using the best information available on the market. The fluctuation in exchange rates between the time when the forecast is made and the time when the commercial or financial transaction occurs represents the exchange rate risk on future transactions.

From time to time, the Group assesses the need to engage in hedging transactions on future transactions for which it typically uses both forward and optional purchase or sale transactions such as risk reversal (e.g. zero cost collar). Hedge accounting in accordance with IFRS 9 is referred to when the conditions are met.

With reference to some foreign currency loans, the Company enters into derivative contracts, cross currency interest rate swaps, to hedge for which hedge accounting is activated in compliance with the requirements of IFRS 9.

The effects on the shareholders' equity and on the income statement of the Company deriving from changes in exchange rates calculated on the hedging instruments in place at December 31, 2022 are described in note 17 "Derivative financial instruments".

INTEREST RATE RISK

Interest rate risk is represented by the exposure to variability of the fair value or future cash flows of financial assets or liabilities due to changes in market interest rates.

The Group assesses based on market circumstances whether to enter into derivative contracts, typically interest rate swaps, to hedge for which hedge accounting is activated when the conditions set out in IFRS 9 are fulfilled.

The following is an outline of the effects on the Company's net result arising from an increase or decrease of 0.50% in the level of interest rates, with all other conditions being equal:

(in thousands of euro)

	+0.5%		-0.5%	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Impact on Net income (loss)	(10,292)	(7,020)	10,292	7,020

The effects on the Company shareholders' equity resulting from changes in the EURIBOR rate calculated on the interest rate hedging instruments outstanding at December 31, 2022 are described in note 17 "Derivative financial instruments".

PRICE RISK ASSOCIATED WITH FINANCIAL ASSETS

The Company is exposed to price risk, which is limited to the volatility of financial assets such as listed and unlisted stocks and bonds; these assets are classified as financial assets at fair value recorded as other components of the statement of comprehensive income.

Derivatives hedges are not set up to limit the volatility of these assets.

Financial assets at fair value recorded as other components of the statement of comprehensive income consist of listed securities amounted to euro 16,570 thousand (euro 21,855 thousand at December 31, 2021) and those represented by securities indirectly associated with listed shares (Fin. Priv. S.r.l.) amounted to euro 18,864 thousand (euro 21,172 thousand at December 31, 2021); these financial assets represent 76% of total financial assets subject to price risk; a +5% price change in the above listed securities, other things being equal, would result in a positive change of euro 828 thousand of the Company's shareholders' equity (positive for euro 1,093 thousand at December 31, 2021), while a -5% negative change of these listed securities, other things being equal, would result in a negative change of euro 828 thousand of the Company's shareholders' equity (negative for euro 1,093 thousand at December 31, 2021).

CREDIT RISK

Credit risk represents the Company's exposure to contingent losses resulting from default by commercial and financial counterparties.

The Company's exposure to commercial and financial obligations is mainly towards Group companies.

To limit the risk for commercial obligations towards third parties, the Company has implemented procedures to evaluate its customers' potential and financial solidity, for the monitoring of expected cash flows and taking credit recovery action if necessary. The Company operates only with highly rated financial counterparties for the management of its temporary cash surpluses and constantly monitors its exposure to individual counterparties.

The Company does not hold public debt instruments from any European country, and constantly monitors its net credit exposure to the banking system.

Liquidity is deposited according to risk diversification principles and in compliance with minimum rating levels.

LIQUIDITY RISK

Liquidity risk represents the risk that the financial resources available are insufficient to meet the financial and commercial obligations pursuant to the contractual terms and conditions.

The principal instruments used by the Group to manage liquidity risk are comprised by its annual and three-year financial and cash-pooling plans. These allow complete and fair detection and measurement of incoming and outgoing cash flows. The differences between plans and actual data are constantly analyzed.

The Group has implemented a centralized cash pooling system for the management of collection and payment flows in compliance with various local currency and tax laws. Banking relationships are negotiated and managed centrally, in order to ensure coverage of short and medium-term financial needs at the lowest possible cost. The procurement of medium and long-term resources on the capital market is also streamlined through centralized management.

Prudent management of the risk described above requires maintaining an adequate level of cash or cash equivalents and/or highly liquid short-term financial instruments, and the availability of funds through an adequate amount of committed credit facilities and/or recourse to the capital market, while diversifying the products and their maturities to seize the best available opportunities.

Furthermore, the Group adopts an extremely prudent approach with respect to the maturities of its financial debt, with refinancing well in advance in order to minimize the risks associated with liquidity crises or market shut-downs.

At December 31, 2022, the Company had, aside from cash equal to euro 36 thousand (euro 40 thousand at December 31, 2021), unused credit facilities equal to euro 100,000 thousand (euro 700,000 thousand at December 31, 2021).

The **maturities of financial liabilities at December 31, 2022** may be broken down as follows:

(in thousands of euro)

	12/31/2022				
	up to 1 year	**from 1 to 2 years**	**from 2 to 5 years**	**over 5 years**	**Total**
Payables to banks and other lenders	473,269	1,497,226	2,005,024	11,231	3,986,750
of which lease liabilities:	*7,469*	*7,173*	*20,720*	*11,231*	*46,593*
Trade payables	25,549	-	-	-	25,549
Other payables	73,609	355	-	-	73,963
Derivative financial instruments	32	-	-	-	31
Total	**572,458**	**1,497,581**	**2,005,024**	**11,231**	**4,086,293**

The **maturities of financial liabilities at December 31, 2021** may be broken down as follows:

(in thousands of euro)

	12/31/2021				
	up to 1 year	**from 1 to 2 years**	**from 2 to 5 years**	**over 5 years**	**Total**
Payables to banks and other lenders	1,091,588	1,138,943	2,358,358	18,819	4,607,707
of which lease liabilities:	*7,187*	*6,916*	*19,277*	*16,834*	*50,214*
Trade payables	18,387	-	-	-	18,387
Other payables	38,603	822	-	-	39,425
Derivative financial instruments	3,196	1,908	300	-	5,404
Total	**1,151,774**	**1,141,673**	**2,358,658**	**18,819**	**4,670,923**

5.1 FAIR VALUE MEASUREMENT

In relation to financial instruments measured at fair value, the following table shows the classification of these instruments on the basis of the hierarchy of levels pursuant to IFRS 13, reflecting the significance of the inputs used in determining the fair value. The levels are as follows:

- level 1 – unadjusted quotations recorded on an active market for assets or liabilities subject to valuation;
- level 2 – inputs different from the quoted prices referred to at the preceding level, which are observable on the market either directly (as in the case of prices) or indirectly (because they are derived from prices);
- level 3 – inputs that are not based on observable market data.

The following table shows **assets measured at fair value as at December 31, 2022**, divided into the three levels defined above:

(in thousands of euro)

	Note	12/31/2022	Level 1	Level 2	Level 3
FINANCIAL ASSETS					
Other financial assets at fair value through income statement					
Current derivative financial instruments	17	16	-	16	-
Other financial assets at fair value through other comprehensive income					
Equities and shares	12	44,564	16,570	18,864	9,130
Investment funds	12	1,776	-	1,776	-
Derivative hedging instruments					
Non-current derivative financial instruments	17	26,070	-	26,070	-
Current derivative financial instruments	17	3,281	-	3,281	-
TOTAL ASSETS		**75,707**	**16,570**	**50,007**	**9,130**
FINANCIAL LIABILITIES					
Financial liabilities at fair value through profit or loss					
Current derivative financial instruments	17	(32)	-	(32)	-
Derivative hedging instruments					
Non-current derivative financial instruments	17	-	-	-	-
Current derivative financial instruments	17	-	-	-	-
TOTAL LIABILITIES		**(32)**	**-**	**(32)**	**-**

The breakdown at December 31, 2021 was as follows:

(in thousands of euro)

	Note	12/31/2021	Level 1	Level 2	Level 3
FINANCIAL ASSETS					
Other financial assets at fair value through income statement					
Current derivative financial instruments	17	14	-	14	-
Other financial assets at fair value through other comprehensive income					
Equities and shares	12	51,993	21,855	21,172	8,966
Investment funds	12	2,825	-	2,825	-
Derivative hedging instruments					
Non-current derivative financial instruments	17	4,383	-	4,383	-
Current derivative financial instruments	17	5,118	-	5,118	-
TOTAL ASSETS		**64,332**	**21,855**	**33,511**	**8,966**
FINANCIAL LIABILITIES					
Financial liabilities at fair value through profit or loss					
Current derivative financial instruments	17	(4)	-	(4)	-
Derivative hedging instruments					
Non-current derivative financial instruments	17	(670)	-	(670)	-
Current derivative financial instruments	17	(3,554)	-	(3,554)	-
TOTAL LIABILITIES		**(4,228)**	**-**	**(4,228)**	**-**

The following table shows the **changes of financial assets that occurred in level 3**:

(in thousands of euro)

	12/31/2022	12/31/2021
Opening balance	**8,966**	**8,309**
Fair value adjustments through other comprehensive income	164	657
Closing balance	**9,130**	**8,966**

These financial assets mainly consist of the equity investment in Istituto Europeo di Oncologia (European Institute of Oncology) (euro 8,140 thousand).

In the year ended December 31, 2022, there were no transfers from level 1 to level 2 and vice versa, nor from level 3 to other levels and vice versa.

The fair value of financial instruments traded on active markets is based on the price quotations published at the reporting date of the Financial Statements. These instruments, included in level 1, primarily comprise equity investments classified as financial assets at fair value through other comprehensive income.

The fair value of financial instruments not traded on active markets (e.g. derivatives) is determined by the use of evaluation techniques widely used in the financial sector, which maximize the utilization of observable and available market data:

- market prices for similar instruments;
- the fair value of interest rate swaps is calculated by discounting estimated future cash flows based on observable yield curves;
- the fair value of cross currency interest rate swaps is calculated by discounting estimated future cash flows based on observable yield curves;
- the fair value of foreign exchange derivatives (forward contracts) is determined by using the forward exchange rate at the reporting date.

5.2 CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES

The following are the carrying amounts for each class of financial asset and liability identified by IFRS 9:

(in thousands of euro)

	Note	12/31/2022	12/31/2021
FINANCIAL ASSETS			
Financial assets at fair value through Income Statement			
Current derivative financial instruments	17	16	14
Financial assets at amortized cost			
Other non-current receivables	13	612	2,000,566
Current trade receivabels	14	43,999	40,116
Other current receivables	13	2,215,172	792,730
Cash and cash equivalents	15	36	40
		2,259,819	*2,833,451*
Financial assets at fair value through Other Comprehensive Income			
Financial assets at fair value through Other Comprehensive Income	12	46,340	54,817
Derivative hedging instruments			
Current derivative financial instruments	17	3,281	5,118
Non-current derivative financial instruments	17	26,070	4,383
		29,351	*9,501*
TOTAL FINANCIAL ASSETS		**2,335,526**	**2,897,783**
FINANCIAL LIABILITIES			
Financial liabilities at fair value through Income Statement			
Current derivative financial instruments	17	32	4
Financial liabilities at amortized cost			
Non-current borrowings from banks and other financial institutions (excl. Lease payables)	19	3,283,092	3,371,179
Current borrowings from banks and other financial institutions (excl. Lease payables)	19	357,015	1,064,767
Current trade payables	22	25,549	18,387
Other non-current payables	23	355	822
Other current payables	23	73,609	38,603
		3,739,620	*4,493,757*
Lease payables			
Non-current lease payables	19	35,770	38,999
Current lease payables	19	6,141	5,774
		41,911	*44,773*
Derivative hedging instruments			
Current derivative financial instruments	17	-	670
Non-current derivative financial instruments	17	-	3,554
		-	*4,224*
TOTAL FINANCIAL LIABILITIES		**3,781,563**	**4,542,758**

6. CAPITAL MANAGEMENT POLICY

The Company's objective is to maximize the return on net invested capital while maintaining the ability to operate over time, ensuring adequate returns for its shareholders and benefits for the other stakeholders, with progressive deleverage of the financial structure in the short/medium term, as also outlined in the section relating to the "Outlook in 2023" in the Directors' Report on Operations.

7. ESTIMATES AND ASSUMPTIONS

The preparation of the Separate Financial Statements entails Management making estimates and assumptions which, under certain circumstances, are based on difficult and subjective assessments and estimates that are based on historical experience, and assumptions that are periodically considered reasonable and realistic in light of the circumstances. Therefore, the actual results achieved may differ from said estimates. Estimates and assumptions are reviewed periodically and the effects of any changes made to them are reflected in the Income Statement in the period in which the estimate is revised. If such estimates and assumptions, based on the best evaluation currently available, should differ from actual circumstances, they will be modified accordingly in the period of the change of the circumstances. The estimates and assumptions mainly refer to the valuation of the recoverability of other intangible assets with indefinite useful life and of the investments in subsidiaries, to the determination of payables for leasing and rights of use, to the determination of taxes (current and deferred), and to the recognition/valuation of provisions for risks and charges.

PIRELLI BRAND (INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIFE)

The Pirelli Brand is an intangible asset with indefinite useful life not subject to amortization, but, pursuant to IAS 36, to impairment annually or more frequently, if specific events or circumstances occur which may lead to the presumption of impairment.

The recoverable value configuration for the purposes of the impairment test at December 31, 2022 is the Fair Value, calculated on the basis of the income approach (Level 3 of the hierarchy of IFRS 13 – Fair Value measurement).

The key assumptions used by management are the estimate of future increases in sales and operating cash flows and related growth rates beyond the explicit forecast period, in order to estimate the terminal value and the discount rate, which is based on the weighted average cost of capital plus a premium determined according to the riskiness of the specific asset.

RIGHTS OF USE AND LEASE PAYABLES

With regard to the estimates and assumptions used to determine lease payables and rights of use, the application of IFRS 16 introduced some elements of professional judgement and the use of assumptions and estimates in relation to the lease term, to the definition of the incremental borrowing rate. The main ones are summarized as follows:

- the contract renewal clauses are considered for the purposes of determining the duration of the contract when the Company has the option of exercising them without the need to obtain the consent of the counterparty and when their exercise is deemed reasonably certain. In the case of clauses which provide for multiple renewals that can be exercised unilaterally by the Company, only the first extension period has been considered;
- the automatic renewal clauses of contracts in which both parties have the right to terminate the contract have not been considered for the purposes of determining the duration of the contract, as the ability to extend the duration of the same is not under the unilateral control of the Company and the penalties to which the lessor could be exposed to is not significant. However, in the event that the lessor is exposed to a significant penalty, the Company considers including a renewal option in determining the duration of the contract. This assessment is also carried out considering the degree of customization of the asset subject to leasing: if the customization is high, the lessor may incur a significant penalty if opposing the renewal;
- early termination clauses in contracts: these clauses are not considered in determining the duration of the contract if they can only be exercised by the lessor or by both parties. If they are unilaterally exercised by the Company, specific assessments are contractually conducted (for example, the Company is already negotiating a new contract or has already given notice to the lessor);
- the incremental borrowing rate consists of the risk-free rate of the country in which the contract is negotiated and is based on the duration of the contract. It is then adjusted on the basis of the Group's credit spread and local credit spread.

INVESTMENTS IN SUBSIDIARIES

Investments are assessed to establish whether there was a decrease in value, to be recorded with impairment, if there are indications that it will be difficult to recover their net accounting value. To establish the presence of said indications, Directors must make subjective assessments on the basis of information available within the Company and the market, as well as historical experience.

Moreover, if it is determined that a potential impairment loss may be generated, the Company calculates this loss using appropriate measurement techniques. The proper identification of elements indicating the existence of a potential impairment loss, and the estimates for calculating the amount of such losses, depend on factors that may vary over time, affecting the assessments and estimates made by Directors. In particular, the key assumptions used by management are estimates of future increases in sales, operating cash flows, growth rate of operating cash flows beyond the explicit forecast period for the purpose of estimating the terminal value, and the weighted average cost of capital (discount rate).

PROVISIONS FOR LIABILITIES AND CHARGES

Provisions representing the risk of losing are recognized against the legal and tax risks associated with indirect taxes. The value of the provisions recorded in the Financial Statements relating to these risks represents the best estimate at the date made by the management in the face of legal and tax disputes concerning a wide range of issues that are subject to the jurisdiction of various states. This estimate involves the adoption of assumptions that depend on factors that may change over time and that could therefore, have significant effects with respect to the current estimates made by management for the preparation of the Separate Financial Statements.

INCOME TAXES (CURRENT AND DEFERRED)

Income taxes (current and deferred) are determined according to a prudent interpretation of the tax regulations in force. This process sometimes involves complex estimates in determining taxable income and temporary deductible and taxable differences between accounting and tax values. In particular, deferred tax assets are recorded to the extent that it is probable that future taxable income will be available against which they can be recovered. The assessment of the recoverability of deferred tax assets, recorded in relation both to tax losses that may be used in subsequent years and to temporary deductible differences, takes into account the estimate of future taxable income and is based on prudent tax planning. With regard to situations in which the tax legislation in force lends itself to interpretation, if the Group considers it probable (greater than 50%) that the tax authority will accept the tax treatment adopted, the pre-tax result is determined in accordance with the tax treatment applied in the tax return. Otherwise, the effect of uncertainty is reflected in the determination of the pre-tax result. The probability refers to the fact that the tax authority does not accept the tax treatment adopted, and not to the probability of the assessment.

8. PROPERTY, PLANT AND EQUIPMENT

The composition was as follows:

(in thousands of euro)

	12/31/2022	12/31/2021
- Tangible assets	31,283	32,433
- Rights of use	34,975	37,555
Net Value	**66,258**	**69,988**

8.1 PROPERTY, PLANT AND EQUIPMENT

The breakdown and changes are as follows:

(in thousands of euro)

	12/31/2022			12/31/2021		
	Gross Value	Accumulated Depreciation	Net Value	Gross Value	Accumulated Depreciation	Net Value
Land	5,245	-	**5,245**	5,245	-	**5,245**
Buildings	44,313	(24,484)	**19,829**	44,273	(23,180)	**21,093**
Plant and machinery	3,208	(2,020)	**1,187**	2,848	(1,916)	**931**
Industrial and trade equipment	1,893	(1,489)	**404**	1,891	(1,250)	**641**
Other assets	14,799	(10,182)	**4,618**	14,653	(10,130)	**4,523**
Total	**69,457**	**(38,174)**	**31,283**	**68,909**	**(36,476)**	**32,433**

(in thousands of euro)

NET VALUE	12/31/2021	Increases	Decreases	Reclassif.	Depreciation	12/31/2022
Land	5,245	-	-	-	-	5,245
Buildings	21,092	41	-	-	(1,304)	19,829
Plant and machinery	931	360	-	-	(104)	1,187
Industrial and trade equipment	641	2	-	-	(239)	404
Other assets	4,524	244	-	-	(150)	4,618
Total	**32,433**	**647**	**-**	**-**	**(1,797)**	**31,283**

(in thousands of euro)

NET VALUE	12/31/2020	Increases	Decreases	Reclassif.	Depreciation	12/31/2021
Land	5,245	-	-	-	-	5,245
Buildings	22,313	93	-	-	(1,314)	21,092
Plant and machinery	967	60	-	-	(96)	931
Industrial and trade equipment	880	-	-	-	(239)	641
Other assets	4,583	54	-	-	(113)	4,524
Total	**33,988**	**207**	**-**	**-**	**(1,762)**	**32,433**

There were no significant increases and divestments in 2022.

Financial expenses were not capitalized on property, plant and equipment.

8.2 RIGHTS OF USE

The net value of the assets for which the Company has stipulated a lease contract is as follows:

(in thousands of euro)

	12/31/2022	12/31/2021
Rights of use Buildings	33,913	36,384
Rights of use Other assets	1,062	1,171
Net value	**34,975**	**37,555**

Rights of use on buildings mainly refer to contracts relating to offices.

Rights of use on other assets mainly refer to contracts relating to motor vehicles. These contracts also include the service component (non-lease component).

Lease contracts are negotiated on an individual basis and include a wide variety of terms and conditions.

The increases in rights of use in 2022, also including remeasurement, amounted to euro 3,497 thousand (euro 1,034 thousand in 2021) and refer to vehicle and property lease contracts.

There were no reassessments or changes to significant contracts in 2022.

Amortization of rights of use recorded in the income statement and included in the item "amortization, depreciation and impairment" (note 31) are as follows:

(in thousands of euro)

	2022	2021
Buildings	5,052	4,928
Other assets	776	772
Total depreciation of right of use	**5,828**	**5,700**

For interest expense recorded in connection with lease contracts, refer to the information in note 36 "Financial expenses".

For information on costs for lease contracts with a duration of less than twelve months, lease contracts for low unit value goods and lease contracts with variable fees, refer to note 32 "Other costs".

For information on lease payables, refer to note 19 "Borrowings from banks and other lenders".

9. INTANGIBLE ASSETS

The items in question and the related changes are detailed as follows:

(in thousands of euro)

	12/31/2021	Increase	Transfers	Amortisation	12/31/2022
Pirelli Brand - indefinite life	**2,270,000**	-	-	-	**2,270,000**
Software licenses	**608**	526	-	(279)	**855**
Other intangible assets	**5,193**	833	587	(1,793)	**4,820**
Assets under construction	**587**	3,430	(587)	-	**3,430**
Total	**2,276,388**	**4,789**	**-**	**(2,072)**	**2,279,105**

(in thousands of euro)

	12/31/2020	Increase	Transfers	Amortisation	12/31/2021
Pirelli Brand - indefinite life	**2,270,000**	-	-	-	**2,270,000**
Software licenses	**567**	209	90	(258)	**608**
Other intangible assets	**2,962**	3,738	135	(1,642)	**5,193**
Assets under construction	**225**	587	(225)	-	**587**
Total	**2,273,754**	**4,534**	**-**	**(1,900)**	**2,276,388**

The Pirelli Brand (asset with indefinite useful life) for euro 2,270,000 thousand, originated following the allocation of the merger deficit, generated following the incorporation of the parent company Marco Polo Industrial Holding S.p.A. in 2016. The allocation of the deficit was made consistently with the consolidated financial statements as a result of the completion of the Purchase Price Allocation.

The valuation of the useful life of the brands is based on a series of factors including the competitive environment, market share, history of the brand, life cycles of the underlying product, operational plans and macroeconomic environment of the countries in which the related products are sold. In particular, the useful life of the Pirelli Brand was assessed indefinitely on the basis of its history of one hundred fifty years of success (established in 1872) and the intention and ability of the Group to continue investing in order to support and maintain the brand.

The **increases** in the year mainly refer to the enhancement of the information systems aimed at creating a new integrated operating model.

No impairment was carried out in 2022.

IMPAIRMENT TEST OF THE PIRELLI BRAND (ASSET WITH INDEFINITE USEFUL LIFE)

The Pirelli Brand, amounting to euro 2,270,000 thousand, is an intangible asset with indefinite useful life and therefore not subject to amortization, but, pursuant to IAS 36, to impairment annually or more frequently, if specific events or circumstances occur which may lead to the presumption of impairment.

The impairment test at December 31, 2022 was performed using the assistance of an independent third-party professional.

The configuration of the recoverable amount for impairment testing purposes at December 31, 2022 was the fair value, calculated on the basis of the income approach (the so-called Level 3 of the IFRS 13 hierarchy – Fair Value measurement).

The fair value estimate considers future cash flows based on management forecasts which, with reference to 2023, move from the adjusted EBITDA flows of the 2023 management plan approved on February 22, 2023 by the Board of Directors of Pirelli & C. S.p.A., drafted on basis of the new market context and in particular including the indirect effects of the Russia-Ukraine conflict (mainly attributable to the inflation of sales prices and the cost of production factors). The data for 2023 have been adjusted downwards to take into account the analysts' consensus estimates updated after the presentation of the plan, as evidence coming from outside and with reference to the years 2024 - 2025 was used.

With reference to the impacts on flows attributable to climate-change issues, it should be noted that:

- thanks to its technological leadership, the Group expects positive results in the short term from the marketing of tyres that include technological solutions capable of minimizing the environmental impact. On the other hand, with reference to the risks deriving from climate change (physical and transitional), no material impacts are expected in the short and medium term, while there are elements of uncertainty in the long term (>2030). For further information, please refer to the paragraph "Information relating to climate change" contained in the explanatory notes of the Consolidated Financial Statements;
- the estimates of the equity analysts, on which the flows used in the impairment test are based, do not envisage negative long-term effects deriving from climate change and include, beyond the explicit forecast period used, a positive growth rate;
- in the estimate of the terminal value, prudential use was made of a higher level of investments than that expected by analysts to consider any acceleration of investments relating to energy efficiency in line with the decarbonization strategy adopted by the Group;
- the capitalization rate (WACC - g) is in line with the consensus of analysts and therefore captures market consensus expectations with regard to risks of a systematic nature and not connected to flows projected beyond the explicit forecast period.

The flows used to determine the recoverable value, which are based on consensus estimates by analysts, consider, for the explicit forecast period, a cumulative average annual growth rate (CAGR) of revenues, calculated with respect to the revenues recorded in 2022, equal to 2.1% and an average adjusted Ebitda margin for the period equal to 21.3% with a CAGR of the adjusted Ebitda of 3% compared to the absolute value recorded in 2022.

Furthermore, the estimate of the fair value is based on:

- a sum-of-parts valuation criterion which also takes into account the contribution of royalties from the Prometeon Tyre Group for the use of the Pirelli trademark in relation to the Industrial segment (as in the existing contracts);
- the excess earnings attributable to the Pirelli Brand which are derived by deducting the notional rent or royalty rate of the Group's operating assets other than the Brand, expressed at fair value, from the prospective operating income;
- a discount rate of 10.30%, which includes a premium compared to the WACC, which is determined according to the riskiness of the specific asset and the growth rate "g" in the terminal value which is equal to 0.5%;
- the TAB (Tax Amortisation Benefit) that is, the tax benefit that could potentially benefit the market participant which acquired the asset separately, as a result of the possibility of amortising the asset for tax purposes.

For the purposes of the impairment test, the recoverable value of the Pirelli Brand *cum* TAB is compared with the respective carrying amount (*cum* TAB) and no impairment has emerged.

The recoverable value is higher than the carrying amount of the Brand (17%) while, in order for the Fair Value to be equal to the carrying amount, a downward change of the key parameters is necessary and in particular:

- a decrease in revenues of 410 basis points for the explicit forecast period and in the terminal value;
- a decrease in the EBITDA margin adjusted of 67 basis points for the explicit forecast period and in the terminal value;
- an increase in the discount rate of 142 basis points in the explicit forecast period and in the terminal value;
- a decrease in the growth rate "g" of 203 basis points for beyond the explicit forecast period.

10. INVESTMENTS IN SUBSIDIARIES

At December 31, 2022, this item amounted to euro 4,624,549 thousand compared to euro 4,632,420 thousand at December 31, 2011, and the breakdown is as follows:

(in thousands of euro)

	12/31/2022	12/31/2021
HB Servizi S.r.l.	230	230
Maristel S.p.A.	1,315	1,315
Pirelli Group Reinsurance Company S.A.	6,346	6,346
Pirelli Ltda	8,420	8,420
Pirelli Servizi Amministrazione e Tesoreria S.p.A.	3,238	3,238
Pirelli Sistemi Informativi S.r.l.	1,655	1,655
Pirelli Tyre S.p.A.	4,528,245	4,528,245
Pirelli UK Ltd.	-	7,871
Pirelli International Treasury S.p.A.	75,000	75,000
Servizi Aziendali Pirelli S.C.p.A.	100	100
Total investments in subsidiaries	**4,624,549**	**4,632,420**

Below are the changes during the year:

(in thousands of euro)

	12/31/2022	12/31/2021
Opening balance	**4,632,420**	**4,633,666**
Write-downs	(7,871)	(1,246)
Closing balance	**4,624,549**	**4,632,420**

The company checks the recorded values of its investments and the existence of impairment indicators on the basis of as set out in paragraph 3 - Accounting standards – Investments in subsidiaries and associates.

Following the verification of the indicators, the subsidiaries on which it was necessary to carry out the test were Pirelli UK Ltd and Pirelli Ltda.

With specific reference to the investment in the subsidiary Pirelli UK Ltd, the cost of the investment was deemed to be entirely unrecoverable and consequently the company recorded an impairment of euro 7,871 thousand equal to the net book value of the entire investment.

The impairment test of the investment in the subsidiary Pirelli Ltda did not give rise to any impairment.

Further details are set out in the Annexes to the Explanatory Notes.

11. INVESTMENTS IN ASSOCIATED COMPANIES

At December 31, 2022, this item amounted to euro 6,375 thousand of euro, unchanged compared to December 31, 2021, and the breakdown is as follows:

(in thousands of euro)

	12/31/2022	12/31/2021
Consorzio per le Ricerche sui Materiali Avanzati (CORIMAV)	104	104
Eurostazioni S.p.A. - Roma	6,271	6,271
Total investment in associates	**6,375**	**6,375**

On March 9, 2022, the company exited the shareholding structure of Focus Investments S.p.A.. The change did not generate any impact, as the value of the equity investment was almost zero.
No additional changes occurred during the year. Further details are set out in the Annexes to the Explanatory Notes.

12. OTHER FINANCIAL ASSETS AT FAIR VALUE RECORDED IN THE OTHER COMPONENTS OF THE STATEMENT OF COMPREHENSIVE INCOME (FVOCI)

Other financial assets at fair value recorded in the other components of the statement of comprehensive income amounted to euro 46,339 thousand at December 31, 2022 (euro 54,817 thousand at December 31, 2021). The breakdown of the item for each security is as follows:

(in thousands of euro)

	12/31/2022	12/31/2021
Listed securities		
RCS Mediagroup S.p.A. - Milano	16,570	21,855
Unlisted securities		
Fin. Priv Srl	18,864	21,171
Fondo Comune di Investimento Immobiliare Anastasia	1,776	2,825
Istituto Europeo di Oncologia S.r.l.	8,140	8,006
Other companies	989	960
Total financial assets at fair value through other comprehensive income	**46,339**	**54,817**

The changes in the year are shown below:

(in thousands of euro)

Opening balance	**54,817**
Adjustment to fair value recognized in other comprehensive income	(8,478)
Closing balance	**46,339**

The **fair value adjustments in the other components of the statement of comprehensive income** mainly refer to the investments in RCS MediaGroup S.p.A. (negative for euro 5,285 thousand), in Fin.Priv. S.r.l. (negative for euro 2,307 thousand), in Genextra S.p.A. (negative for euro 6 thousand), in Istituto Europeo di Oncologia (positive for euro 133 thousand), in Fondo Comune di investimento Anastasia (negative for euro 1,049 thousand) and in Nomisma - Società di Studi Economici S.p.A. (positive for euro 37 thousand).

For listed securities, the fair value corresponds to the Stock Exchange listing at December 31, 2022. For unlisted securities and real estate funds, the fair value was estimated according to available information.

13. OTHER RECEIVABLES

The breakdown of other receivables is as follows:

(in thousands of euro)

	12/31/2022			12/31/2021		
	Total	Non-current	Current	Total	Non-current	Current
Other receivables from subsidiaries	977	-	977	1,380	-	1,380
Financial receivables from subsidiaries	2,199,401	-	2,199,401	2,780,305	2,000,000	780,305
Guarantee deposits	340	340	-	281	281	-
Other receivables from third parties	6,999	272	6,727	6,489	285	6,204
Receivables from tax authorities for taxes not related to income	6,771	-	6,771	4,583	-	4,583
Financial accrued interest income	271	-	271	72	-	72
Financial prepaid expenses	1,025	-	1,025	186	-	186
Total other receivables	**2,215,784**	**612**	**2,215,172**	**2,793,296**	**2,000,566**	**792,730**

Financial receivables from subsidiaries include a loan of euro 2,000 million with Pirelli International Treasury S.p.A. accessed on January 31, 2020 with maturity January 31, 2023, the short-term use of a long-term credit line (with maturity January 31, 2023) disbursed in favor of Pirelli International Treasury S.p.A. for an amount of euro 189 million, the receivable for interest accrued not yet paid on the same lines for euro 9,911 thousand and the relation with Pirelli International Treasury S.p.A. relating to the interest-bearing current account, regulated at interest rates market for euro 489 thousand (at December 31, 2021 equal to euro 384 thousand). On the renewals of the credit lines granted to Pirelli International Treasury S.p.A. please refer to paragraph 42 - Significant events subsequent to the end of the year.

For the purposes of applying the IFRS 9 accounting standard in relation to loans to Group companies, management has made an estimate of the expected credit losses in the 12 months following the closing of the financial statements. The analysis takes into consideration qualitative, quantitative, historical, and prospective information to determine whether the intra-group loan has a credit risk at December 31, 2022. Referring to a probability of default of a loan from the Pirelli & C. Group and considering the financial position of subsidiaries, Pirelli & C. management concluded that any impairment required by the standard would be of an immaterial amount.

Receivables from the tax authorities for taxes not related to income for euro 6,771 thousand mainly refer to receivables for VAT, which increased compared to the previous year.

Accrued financial assets mainly refer to portions of interest accrued but not yet collected, on interest rate swap derivative contracts.

Deferred financial assets relate mainly to the commissions on the revolving and term loan credit line.

The carrying amount of financial receivables and other receivables approximates their fair value.

14. TRADE RECEIVABLES

Trade receivables amounted to euro 43,999 thousand compared to euro 40,116 thousand of the previous year and the breakdown is as follows:

(in thousands of euro)

	12/31/2022	12/31/2021
Receivables from subsidiaries	42,782	39,115
Receivables from associates	3	3
Receivables from other companies	1,421	1,732
Total receivables - gross amount	**44,206**	**40,850**
Provision for bad debt	(207)	(734)
Total receivables	**43,999**	**40,116**

Below is the breakdown of trade receivables, gross of the provision for bad debts based on the currency in which they are expressed:

(in thousands of euro)

	12/31/2022	% of total trade receivables	12/31/2021	% of total trade receivables
EUR	40,355	91%	33,760	82%
USD (Dollar USA)	325	1%	906	2%
RUB (Ruble Russia)	610	1%	650	2%
CHF	2,916	7%	5,534	14%
Total	**44,206**	**100%**	**40,850**	**100%**

Receivables from subsidiaries at December 31, 2022 mainly include the amounts that Pirelli & C. S.p.A. charges for services rendered through Corporate functions and charge-backs of costs. The aforementioned receivables are due within the financial year and do not show past due balances of significant amount.

Receivables from other companies of euro 1,421 thousand (euro 1,732 thousand at December 31, 2021), shown gross of the provision for bad debts of euro 207 thousand, are past due for euro 566 thousand.

Past due receivables and receivables due have been valued in accordance with the Group policies described in the paragraph relating to credit risk management in the “Financial risk management policy”.

Impaired receivables include both significant positions impaired separately, and positions with similar characteristics in terms of credit risk, grouped and impaired on a collective basis.

The change in the provision for bad debts is shown below:

(in thousands of euro)

	12/31/2022	12/31/2021
Opening balance	**734**	**643**
Accruals	48	91
Utilizations/reversals	(575)	-
Closing balance	**207**	**734**

Accruals to the provision for bad debts are recorded in the Income Statement as "Impairment of financial assets" (note 33).

For trade receivables, the carrying amount is considered to approximate the applicable fair value.

15. CASH AND CASH EQUIVALENTS

At December 31, 2022, they amounted to euro 36 thousand, against euro 40 thousand at December 31, 2021 and refer to balances of bank accounts in euro repayable on demand.

The credit risk associated with cash and cash equivalents is to be considered limited because the counterparties are represented by leading national and international banking institutions.

The value of cash and cash equivalents is considered to be aligned with the respective fair value.

16. TAX RECEIVABLES

At December 31, 2022, they amount to euro 97,981 thousand (euro 65,074 thousand at December 31, 2021). The amount mainly includes receivables from Group companies participating in the tax consolidation for euro 97,450 thousand (euro 64,525 thousand at December 31, 2021). The increase compared to the previous year substantially depends on the greater contribution of the positive taxable result by the subsidiary Pirelli Tyre S.p.A..

17. DERIVATIVE FINANCIAL INSTRUMENTS

The item includes the fair value of derivative instruments. The breakdown is as follows:

(in thousands of euro)

	12/31/2022				12/31/2021			
	Non Current Assets	**Current Assets**	**Non Current Liabilities**	**Current Liabilities**	**Non Current Assets**	**Current Assets**	**Non Current Liabilities**	**Current Liabilities**
Without adoption of hedge accounting								
Forex instruments - trade positions	-	16	-	(32)	-	9	-	(4)
Forex instruments - included in net financial position	-	-	-	-	-	5	-	-
Derivatives for interest rate - included in net financial position	-	-	-	-	-	-	-	-
In hedge accounting								
- cash flow hedge:								
Derivatives for interest rate - included in net financial position	26,070	3,281	-	-	4,383	-	(3,554)	(670)
Other derivatives instruments - included in net financial position	-	-	-	-	-	5,118	-	-
Total derivative instruments	**26,070**	**3,298**	**-**	**(32)**	**4,383**	**5,132**	**(3,554)**	**(674)**

The above derivatives are intercompany derivatives stipulated mainly with the Group's treasury company, Pirelli International Treasury S.p.A..

DERIVATIVE FINANCIAL INSTRUMENTS IN HEDGE ACCOUNTING

The value of **derivatives on interest rates**, recorded as non-current assets for euro 26,070 thousand and current assets for euro 3,281 thousand, refers to the fair value measurement of 8 interest rate swaps with the following characteristics:

Derivative	Hedged element	Notional amount	Start date	Maturity	
IRS	Term loan in EUR	62.5	August 2019	August 2023	receive floating / pay fix
IRS	Schuldschein	180.0	July 2020	July 2023	receive floating / pay fix
IRS	Schuldschein	20.0	July 2020	July 2025	receive floating / pay fix
IRS forward start	Term loan in EUR	500.0	February 2023	February 2026	receive floating / pay fix
Total		**762.5**			

For these derivatives, cash flow hedge accounting was adopted. Items subjected to hedge accounting are:

1) future interest flows on liabilities in euro at floating rate;
2) future interest flows on the Schuldschein loan (see note 19).

In the first quarter of 2022, the IRS forward start pre hedge receive floating EURIBOR / pay fix EURIBOR were closed early. The positive reserve accumulated at the date, amounting to euro 22,079 thousand, was not reversed in the income statement as the future transaction being hedged was considered highly probable.

It should be noted that in January 2023, the future transaction took the form of a sustainability-linked bond for a total nominal amount of euro 600 million (see the paragraph “significant events subsequent to the end of the year”).

The change in fair value for the period is positive for euro 49,479 thousand (euro 17,732 thousand relating to pre-hedged IRS and euro 31,747 thousand relating to other IRS). This change was entirely suspended as Other Comprehensive Income, while net interest expense of euro 1,792 thousand was reversed to the income statement under the item “Financial expenses” (note 36), correcting the financial expenses recognized on the liability hedged.

A +0.5% change in the EURIBOR curve, other things being equal, would result in a positive change net of the tax effect of euro 5,621 thousand in the Company’s shareholders’ equity, while a -0.5% change in the same curve would result in a negative change net of the tax effect of euro 5,649 thousand in the Company’s shareholders’ equity.

Hedging relationships relating to IRS are considered effective prospectively as the following conditions are met:

- there is an economic relationship between the hedging instrument and the hedged item, as the characteristics of the hedging instrument (nominal interest rate, reset of the interest rate and frequency of the payment of interest) are substantially in line with those of the hedged item. As a consequence, changes in the fair value of the hedging instrument regularly offset those of the hedged item;
- the effect of credit risk is not predominant within the hedging relationship: based on the Group’s operating rules, derivatives are traded only with high standing banking counterparties and the credit quality of the existing derivatives portfolio is constantly monitored;
- the designated hedge ratio is in line with the one used for financial risk management and is 100% (1:1).

The ineffectiveness of the hedging relationship is calculated at each reporting date with the Dollar Offset method, which provides for the comparison of changes in the fair value risk adjusted of the hedging instrument with changes in the fair value risk free of the hedged item, through the identification of a hypothetical derivative with the same characteristics of the underlying financial liability.

Possible causes of ineffectiveness are as follows:

- application of adjustment for credit risk only to the hedging instrument but not to the hedged item;
- the hedged item incorporates a floor that is not reflected in the hedging instrument;
- misalignment between the actual contractual conditions of the future transaction and those of the hedging instrument.

With reference to **other derivatives**, following the early repayment of the unsecured loan ("Facilities") for USD 1,079 million (see note 19), the CCIRS pay floating EURIBOR / receive floating LIBOR were partially repaid early and partially discontinued (current assets of euro 5,118 thousand at December 31, 2021).

The positive fair value reserve of euro 4,549 thousand (positive cash flow hedge reserve of euro 4,103 thousand and positive cost of hedging reserve of euro 466 thousand) was entirely reversed to the income statement:

- profits of euro 7,302 thousand to offset net realized exchange rate losses recorded on the hedged liability;
- net interest income of euro 231 thousand to correct the financial expenses recorded on the hedged liability;
- ineffectiveness costs for euro 2,984 thousand.

For the CCIRS held in the portfolio until natural maturity (June 2022), hedge accounting was discontinued at the same time as loan repayment and the positive change in fair value of euro 48,130 thousand was entirely reversed to the income statement. This positive change was offset by a negative change in the fair value of FX contracts negotiated to hedge the CCIRS, for which hedge accounting was not adopted. These effects are included in "financial expenses – fair value measurement of derivatives".

For further details, see note 36 "Financial expenses".

18. SHAREHOLDERS' EQUITY

Equity amounted to euro 4,938,026 thousand (euro 4,813,132 thousand at December 31, 2021).

The statement of changes in equity is shown in the main financial statements.

The change is essentially due to the net result for the year (positive for euro 252,486 thousand), the adjustment to the fair value of derivatives designated as cash flow hedges net of the tax effect (positive for 41,690 thousand), the adjustment to the fair value of financial assets at fair value recorded as other components of the statement of comprehensive income (negative for euro 8,478 thousand) and the distribution of dividends for euro 161,000 thousand.

SHARE CAPITAL

The share capital at December 31, 2022, fully subscribed and paid-in, amounts to euro 1,904,374,935.66 divided into 1,000,000,000 ordinary shares without nominal value and unchanged compared to December 31, 2021.

LEGAL RESERVE

The legal reserve at December 31, 2022 amounted to euro 380,875 thousand, unchanged compared to December 31, 2021, having already reached the limit set by art. 2430 Civil Code.

SHARE PREMIUM RESERVE

At December 31, 2022, the share premium reserve amounted to euro 630,381 thousand and unchanged compared to December 31, 2021.

CONCENTRATION RESERVE

At December 31, 2022, concentration reserves amounted to euro 12,467 thousand and unchanged compared to December 31, 2021.

OTHER RESERVES

At December 31, 2022, other reserves amounted to euro 133,735 thousand and unchanged compared to December 31, 2021. Other reserves include the reserve of euro 41,200 thousand created in 2020 to include in equity the component relating to the fair value of the option sold to the subscribers of the convertible bond.

OTHER O.C.I. RESERVES

At December 31, 2022, Other O.C.I. reserves were positive for euro 40,947 thousand and refer to the cash flow hedge reserve, net of the tax effect (positive for euro 39,087 thousand), to the employee benefit remeasurement reserve (positive for euro 2,068 thousand) and to the reserve for the fair value adjustment of financial assets at fair value through comprehensive income (negative for euro 208 thousand).

MERGER RESERVE

At December 31, 2022, the merger reserve amounted to euro 1,022,928 thousand, unchanged compared to December 31, 2021. The reserve was generated following the merger by incorporation of Marco Polo Industrial Holding S.p.A. in Pirelli & C. S.p.A. in 2016.

RESERVE FROM RESULTS CARRIED FORWARD

The reserve from results carried forward amounted to euro 559,834 thousand compared to a 504,215 at December 31, 2021. The increase is attributable in part to the residual result carried forward from the previous year, as per meeting resolution of May 18, 2022.

In accordance with the provisions of article 2427, no. 7-bis of the Italian Civil Code, in the following table each item of equity is indicated analytically, with indication of its origin, possibility of use and distributability, as well as of its use in previous years.

(in thousands of euro)

	Amount	Possible use	Available portion	Summary of reserves uses in the last 3 previous years
Share capital	1,904,375			
Share premium reserve	630,381	A, B, C	630,381	-
Legal reserve	380,875	B	380,875	-
Other reserves				
- Concentration reserve	12,467	A, B, C	12,467	-
- Convertible bond loan reserve	41,200	A	41,200	-
- Other reserves	92,535	A, B	92,535	-
- Other O.C.I. reserves	40,947	-	-	-
- Merger reserve	1,022,928	A, B, C	1,022,928	-
Retained earnings	559,834	A, B, C	559,834	(36,044)
Total	**4,685,542**		**2,740,219**	**(36,044)**
Non distributable			514,610	
Residual quota available			2,225,610	

A to increase the share capital
B to cover losses
C to distribute to the shareholders

19. BORROWINGS FROM BANKS AND OTHER LENDERS

The breakdown of the item borrowings from banks and other lenders is as follows:

(in thousands of euro)

	12/31/2022			12/31/2021		
	Total	Not currents	Currents	Total	Not currents	Currents
Bonds	713,098	490,452	222,646	1,453,762	1,453,762	-
Borrowings from banks	2,917,566	2,792,641	124,925	2,967,539	1,917,417	1,050,122
Lease liabilities	41,911	35,770	6,141	44,773	38,999	5,774
Other financial payables	780	-	780	1,984	-	1,984
Accrued liabilities	8,664	-	8,664	12,661	-	12,661
Total borrowings from banks & other financial institutions	**3,682,019**	**3,318,863**	**363,156**	**4,480,719**	**3,410,178**	**1,070,541**

The item **bonds** refers to:

→ a non-interest-bearing senior unsecured guaranteed equity-linked bond (“convertible bond”), for a nominal value of euro 500 million maturing on December 22, 2025. The bond, reserved for institutional investors, issued by Pirelli & C. S.p.A. on December 22, 2020, guaranteed by Pirelli Tyre S.p.A. and admitted to trading on the Vienna MTF, multilateral trading facility managed by the Vienna Stock Exchange. The bond is convertible, at the discretion of the bondholders, into new ordinary shares of the Company at a price of euro 6.1395 per share (originally euro 6.235 per share), subject to additional anti-dilutive adjustments envisaged by the loan regulations. At December 31, 2022, the component recorded under non-current financial payables was equal to euro 470.5 million. The difference with the nominal value refers to the fair value of the option, determined on the placement date, held by the subscribers of the loan and of their option to convert the bond into new ordinary shares of the Company at a pre-set price. This value was accounted for at inception under equity reserves for euro 41.2 million;

- floating rate "Schuldschein" loan (Euribor + spread) for a total nominal value of euro 243 million, euro 20 million classified under non-current financial payables (maturity July 2025) and euro 223 million under current financial payables (maturity July 2023). The loan, subscribed by leading market operators, consists of a tranche of euro 423 million with 5-year maturity and a tranche of euro 20 million with 7-year maturity. Of the tranche of euro 423 million, a portion of euro 200 million was repaid in advance in January 2022. In December 2022, the Company sent the subscribers of the Schuldschein a notice for the early repayment of the remaining euro 223 million of the 5-year tranche, fully repaid in January 2023. For completeness, it is recalled that the loan, placed on July 26, 2018, also included a tranche of euro 82 million with original maturity on July 31, 2021 repaid early in January 2021;
- On October 25, 2022, the unrated bond was repaid in advance at par, as contractually envisaged by the Issuer Call clause, for a nominal amount of euro 553 million. This bond (originally equal to euro 600 million partially repurchased for a total amount of euro 47 million during the last quarter of 2018) with original maturity January 2023, was placed on January 22, 2018 with fixed coupon of 1.375% and maturity of 5 years. The loan, placed with international institutional investors, was issued under the EMTN program approved by the Board of Directors at the end of 2017, subscribed on January 10, 2018 and updated on December 19, 2018.

The carrying amount of the item bonds was determined as follows:

(in thousands of euro)

	12/31/2022	12/31/2021
Nominal value	743,000	1,496,000
Equity convertible bond component	(41,791)	(41,791)
Transaction costs	(14,957)	(14,957)
Bond discount	(2,988)	(2,988)
Amortisation of effective interest rate	13,433	9,282
Non- monetary interest convertible bond loan	16,400	8,216
Total	**713,097**	**1,453,762**

Below are the changes of the item bonds:

(in thousands of euro)

Bonds as at 12/31/2021	**1,453,762**
Bond repayment "EMTN program"	(553,000)
Bond repayment "Schuldschein"	(200,000)
Non-cash interest convertible bond	8,185
Amortised cost of the year	4,150
Bonds as at 12/31/2022	**713,097**

The change in the item bonds relating to the previous year is shown below:

(in thousands of euro)

Bonds as at 12/31/2020	**1,524,500**
Transactions costs	(262)
Bond repayments (EMTN program)	(82,000)
Non-cash interest convertible bond	8,020
Amortised cost of the year	3,504
Bonds as at 12/31/2021	**1,453,762**

The breakdown of the item **borrowings from banks**, which amounted to Euro 2,917,566 thousand, is as follows:

(in thousands of euro)

				12/31/2022		
	Due Date	**Interest rate**	**Notional**	**Balance**	**Non- current**	**Current**
Club Deal EUR 1,6 bln. ESG 2022 5y	2/22/2027	Euribor + spread	600,000	597,635	597,635	-
Club Deal EUR 800 mln. ESG 2020 5y	4/2/2025	Euribor + spread	800,000	797,212	797,212	-
Club Deal EUR 400 mln. ESG 2022 19m	1/29/2024	Euribor + spread	400,000	399,696	399,696	-
Bilateral 600m 2019 5y borrowing	2/14/2024	Euribor + spread	600,000	598,893	598,893	-
Bilateral 125m 2019 4y borrowing	8/7/2023	Euribor + spread	125,000	124,925	-	124,925
Bilateral ESG 400m 2021 3y borrowing	12/27/2024	Euribor + spread	400,000	399,205	399,205	-
Total borrowings from banks				**2,917,566**	**2,792,641**	**124,925**

and they mainly refer to:

→ Use of the unsecured loan “Club Deal EUR 1.6 bln ESG 2022 5y” by Pirelli & C. S.p.A. for euro 597,635 thousand and classified under non-current financial payables. The floating rate credit line (Euribor + spread), subscribed on February 21, 2022, with a pool of leading Italian and international banks and with a 5-year maturity consists of three tranches for a total of euro 1.6 billion, distributed as follows:

  → Pirelli & C. S.p.A. term loan with nominal value of euro 600,000 thousand fully used and revolving cash credit facility of euro 100,000 thousand, unused at December 31, 2022;
  → Pirelli International Treasury S.p.A. revolving cash credit facility of euro 900,000 thousand, unused at December 31, 2022.

→ The loan is guaranteed by Pirelli Tyre S.p.A.. This line, parametrized to the Group’s ESG objectives, contributed to the early repayment in February 2022 of the debt relating to the unsecured loan (“Facilities”) for a value of euro 949,182 thousand at December 31, 2021 (USD 1,079 million), with contract expiry in June 2022. The new loan also made it possible to increase the capacity in terms of the revolving credit line, which rose from euro 700,000 thousand for the previous credit line to euro 1 billion for the new revolving credit line;

→ “Club Deal EUR 800m ESG 2020 5y” for euro 797,212 thousand relating to the credit line of euro 800 million at floating rate (Euribor + spread), guaranteed by Pirelli Tyre S.p.A. and stipulated on March 31, 2020 with a pool of leading Italian and international banks and with a 5-year maturity (classified as non-current financial payables). The bank line consists of a “sustainable” tranche for an amount of euro 600 million, i.e. parametrized to the Group’s economic and environmental sustainability objectives (sustainable KPI) and a “circular economy” tranche, i.e. parametrized to the Group’s circular economy objectives. It should be noted that following the first reporting of sustainable KPIs and having achieved the objectives for the year, the Group is benefiting from the related incentives to reduce the cost of the credit line on the "sustainable" tranche. The reporting of the "circular economy" tranche is instead foreseen only in 2023;

- euro 399,696 thousand relating to the "Club Deal EUR 400m ESG 2022 19m" credit line of euro 400 million at floating rate (Euribor + spread), subscribed on June 27, 2022 with a pool of leading international banks and maturing in 19 months (classified as non-current financial payables). The bank line is parametrized to the objective of reducing absolute greenhouse gas emissions from raw materials purchased (Scope 3) validated by the Science Based Target initiative (SBTi) and contained in the first "Sustainability Linked Financing Framework" published by Pirelli in May 2022;

- euro 723,818 thousand relating to two bilateral loans disbursed in favor of Pirelli & C. S.p.A. by leading banks, of which a nominal value of euro 600 million (the loan "Linea bilaterale 600m 2019 5y") maturing February 2024 at floating rate (Euribor + spread) and guaranteed by Pirelli Tyre S.p.A. (classified as non-current financial payables), and euro 125 million (the loan "Linea bilaterale 125m 2019 4y") maturing August 2023 at floating rate (Euribor + spread) and classified as current financial payables. It is noted that on December 29, 2022, the bilateral loan of euro 100 million with original maturity December 2022 was repaid;

- euro 399,205 thousand relating to the bilateral loan for a nominal amount of euro 400 million disbursed in December 2021 in favor of Pirelli & C. S.p.A. by a leading bank (the loan "Linea bilaterale ESG 400m 2021 3y"), with 3-year maturity and guaranteed by Pirelli Tyre S.p.A.. The loan, at variable rate (Euribor + spread), is parametrized to certain Group sustainability targets and is classified as non-current financial payables.

At December 31, 2022, the Company had a liquidity margin equal to euro 100,036 thousand composed of euro 100,000 thousand of unused committed credit lines, and euro 36 thousand in cash.

Below are the changes in payables to banks:

(in thousands of euro)

Borrowings from banks at 12/31/2021	**2,967,539**
Reimbursements of unsecured financing (Facilities)	(960,280)
Reimbursements of bilateral borrowings	(100,000)
Issuance of the unsecured "Club Deal EUR 1.6 bn ESG 2022 5y" financing	600,000
Issuance of the unsecured "Club Deal EUR 400m ESG 2022 19m" financing	400,000
Transactions costs	(3,277)
Amortised cost of the year	6,277
Translation differences	7,307
Borrowings from banks at 12/31/2022	**2,917,566**

The change in total payables to banks for the previous year is shown below:

(in thousands of euro)

Borrowings from banks at 12/31/2020	**3,336,716**
Drawdown of unsecured financing (Facilities)	368,549
Reimbursements of unsecured financing (Facilities)	(1,337,656)
New bilateral borrowings	500,000
Transactions costs	(1,275)
Amortised cost of the year	14,243
Translation differences	86,962
Borrowings from banks at 12/31/2021	**2,967,539**

Lease liabilities represent financial liabilities relating to the application of IFRS 16 starting from January 1, 2019.

Below are the changes in lease liabilities:

(in thousands of euro)

Lease liabilities as at 12/31/2021	**44,773**
Increase of lease obligations	1,079
Remeasurement and early termination	2,165
Cash outflow for lease obligations - principal amount	(6,106)
Lease liabilities as at 12/31/2022	**41,911**

The change in total lease payables for the previous year is shown below:

(in thousands of euro)

Lease liabilities as at 12/31/2020	**49,708**
Increase of lease obligations	667
Remeasurement and early termination	205
Cash outflow for lease obligations - principal amount	(5,807)
Lease liabilities as at 12/31/2021	**44,773**

Non-discounted future payments for lease contracts for which the exercise of extension options is not considered reasonably certain amounted to euro 54,623 thousand at December 31, 2022 and are not included in this item (euro 50,936 thousand at December 31, 2021).

The item **other financial payables** includes the payable to shareholders for euro 780 thousand following the squeeze out operation.

Accrued financial expenses (euro 8,664 thousand) mainly refers to the accrual of interest on loans from banks for euro 6,640 thousand (euro 3,618 thousand at December 31, 2021), and to the accrued interest matured on bonds for euro 2,002 thousand (euro 8,510 thousand at December 31, 2021).

At December 31, 2022, there are no financial payables secured by collateral (pledges and mortgages).

For current financial payables, it is maintained that the book value is approximately the fair value. The table below compares the fair value of non-current financial payables with their carrying amount:

(in thousands of euro)

	12/31/2022		12/31/2021	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Bonds	490,452	462,098	1,453,762	1,469,529
Borrowings from banks	2,792,641	2,806,825	1,917,417	1,925,000
Lease payables	35,770	35,770	38,999	38,999
Total borrowings from banks and other financial institutions - non current	**3,318,863**	**3,304,693**	**3,410,178**	**3,433,528**

The fair value of the debt component of the convertible bond, of the Schuldschein loan and of payables to banks was calculated by discounting each expected borrowings cash flow at the market swap rate for the currency and at the maturity date, increased by the Group's creditworthiness for debt instruments similar by nature and technical characteristics, which therefore places it at level 2 of the hierarchy as provided for by IFRS 13 – Fair Value Measurement.

The distribution of borrowings from banks and other lenders by currency of origin of the payable at December 31, 2022 and December 31, 2021 is as follows:

(in thousands of euro)

	12/31/2022	12/31/2021
EUR	3,682,019	3,529,236
USD (Dollar USA)	-	951,483
Total	**3,682,019**	**4,480,719**

At December 31, 2022 there are interest rate hedging derivatives in place.

Considering the effects of the hedging derivatives, the Group's exposure to fluctuations in interest rates on financial payables, both in terms of the type of interest rate and their resetting, is as follows:

- floating-rate payables for euro 2,898,035 thousand, the interest rate of which is subject to redetermination in 2023;
- fixed-rate payables for euro 732,628 thousand, the interest rate of which is not subject to redetermination until the natural maturity of the reference debt (euro 242,177 thousand maturity in the next twelve months and euro 490,452 thousand maturity beyond twelve months).

With reference to the presence of financial covenants, it is noted that

(i) the "Schuldschein" loan,
(ii) the euro 600 million bilateral line granted to Pirelli & C. S.p.A. during the first quarter of 2019 (the loan "Linea bilaterale 600m 2019 5y"),
(iii) the bilateral line of euro 125 million granted to Pirelli & C. S.p.A. during the third quarter of 2019 (the loan "Linea bilaterale 125m 2019 4y") and
(iv) the "Club Deal EUR 800m ESG 2020 5y" subscribed on March 31, 2020,

provide for compliance with a maximum ratio between net debt and gross operating margin ("Total Net Leverage"), as resulting from the consolidated financial statements of Pirelli & C. S.p.A. The obligation to comply with these financial covenants will cease upon reaching certain levels of Total Net Leverage identified in the relevant contracts.

For the sake of completeness, it is noted that the obligation to comply with the financial covenants envisaged by the Club Deal EUR 1.6 bln ESG 2022 5y and by the loan Linea bilaterale ESG 400m 2021 3y has ceased due to the attribution to Pirelli & C. S.p.A. of the public credit rating of BBB- by S&P Global Ratings and Fitch Ratings.

In all the loans indicated above, failure to comply with the financial covenant is identified as an event of default.

Specifically, this event of default will have the consequence, in cases of exercise of the relative remedies by the lending banks (i) as part of the Schuldschein loan, individually and independently if requested by each lending bank for its portion, the early repayment of the loan only for said portion; (ii) as part of both the loan "Linea bilaterale 600m 2019 5y", and the loan "Linea bilaterale 125m 2019 4y", if requested by the only bank that granted said loan, the termination of the contract and the early repayment for the entire amount disbursed; and (iii) as part of the "Club Deal EUR 800m ESG 2020 5y", only if requested by a number of lending banks that represents at least 50% of the total commitment (or at least 60% if an additional lending bank is added to the current four), the termination of the contract and early repayment of the loan.

It is noted that at December 31, 2022, no event of default or non-fulfilment has occurred.

The "Club Deal EUR 1.6 bln ESG 2022 5y", the "Schuldschein" loan, the loan "Linea bilaterale 600m 2019 5y", the loan "Linea bilaterale 125m 2019 4y", the "Club Deal EUR 800m ESG 2020 5y" and the "Linea bilaterale ESG 400m 2021 3y" also envisage Negative Pledge clauses and/or other usual provisions the terms of which are in line with market standards for each of the above types of credit facility.

The other outstanding financial payables at December 31, 2022 did not contain financial covenants.

NET FINANCIAL POSITION (ALTERNATIVE PERFORMANCE INDICATOR NOT REQUIRED BY IFRS ACCOUNTING STANDARDS)

The table below shows the breakdown of the net financial position and net financial debt at December 31, 2022 and December 31, 2021, determined in accordance with the provisions of Consob communication DEM/6064293 of July 28, 2006 and in compliance with the ESMA guidelines on disclosure obligations pursuant to the prospectus regulation applicable from May 5, 2021:

(in thousands of euro)

	Note	12/31/2022	of which related parties (note 39)	12/31/2021	of which related parties (note 39)
Current borrowings from banks and other financial institutions	19	363,156	-	1,070,541	*1,187*
Current derivative financial instruments (liabilities)	17	-	-	670	*670*
Non-current borrowings from banks and other financial institutions	19	3,318,863	-	3,410,178	-
Non-current derivative financial instruments (liabilities)	17	-	-	3,554	*3,554*
Total gross debt		**3,682,019**		**4,484,943**	
Cash and cash equivalents	15	(36)	-	(40)	-
Current financial receivables and other assets	13	(2,200,697)	*(2,199,672)*	(780,563)	*(780,378)*
Derivative financial instruments - assets	17	(3,281)	*(3,281)*	(5,123)	*(5,123)*
Net financial debt *		**1,478,005**		**3,699,215**	
Non-current financial receivables and other assets	13	(340)		(2,000,280)	*(2,000,000)*
Derivative financial instruments	17	(26,070)	*(26,070)*	(4,383)	*(4,383)*
Total net financial (liquidity)/debt position		**1,451,595**		**1,694,552**	

* 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.

Net financial debt is restated below based on the outline provided by the ESMA guidelines:

(in thousands of euro)

	12/31/2022	12/31/2021
Cash and cash equivalents	(36)	(40)
Other current financial asset	(2,203,978)	(785,686)
of which current financial receivables	*(2,200,697)*	*(780,563)*
of which Current derivative financial instruments (assets)	*(3,281)*	*(5,123)*
Liquidity	**(2,204,014)**	**(785,726)**
Current borrowings from banks and other financial institutions	363,156	1,070,541
Current derivative financial instruments (liabilities)	-	670
Current financial debt	**363,156**	**1,071,211**
Current net financial debt	**(1,840,858)**	**285,485**
Non-current borrowings from banks and other financial institutions	3,318,863	3,410,178
Non-current derivative financial instruments (liabilities)	-	3,554
Non current financial debt	**3,318,863**	**3,413,732**
Net financial debt*	**1,478,005**	**3,699,217**

* 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.

20. PROVISIONS FOR LIABILITIES AND CHARGES

The following is a detail of changes of the item in question:

(in thousands of euro)

	12/31/2021	Increases	Uses	Reversals	Reclass	12/31/2022
Provision for employees controversies	1,702	-	(609)	(596)	-	497
Provision for tax risks	1,141	-	-	-	-	1,141
Provision for environmental risks	5,382	10,000	(16)	-	-	15,366
Provision for other risks and charges	22,379	10,288	-	(135)	(10,474)	22,058
Provision for liabilities and charges - non current portion	**30,604**	**20,288**	**(625)**	**(731)**	**(10,474)**	**39,062**
Provision for losses of subsidiaries	-	24,600	-	-	-	24,600
Provision for other risks and charges	509	518	(491)	-	-	536
Provision for liabilities and charges - current portion	**509**	**25,118**	**(491)**	**-**	**-**	**25,136**
Total Provisions for risks and charges	**31,113**	**45,406**	**(1,116)**	**(731)**	**(10,474)**	**64,198**

The **increases** of **provision for liabilities and charges** mainly refer to:

- provisions of euro 10,000 thousand for charges related to environmental remediation of brownfield sites;
- provisions totalling euro 10,288 thousand for STI (Short term Incentive) and LTI (Long term Incentive 2021-2023 and 2022-2024) incentive plans of the Directors;
- provision to cover the losses of investee companies of euro 24,600 thousand, which refers to the subsidiary Pirelli UK Ltd.

Uses are mainly attributable to labor disputes.

The **reclassifications** mainly concern the reclassification from non-current provisions to payables to directors of the portion of the 2020-2022 LTI plan set aside in previous years, which will be paid in the first half of 2023.

21. EMPLOYEE BENEFIT OBLIGATIONS

Employee benefit obligations amounted to euro 13,105 thousand (euro 21,442 thousand at December 31, 2021), and the breakdown is as follows:

(in thousands of euro)

	12/31/2022			12/31/2021		
	Total	**Non current**	**Current**	**Total**	**Non current**	**Current**
Employee leaving indemnities (TFR)	1,562	1,562	-	1,997	1,997	-
Other benefits	11,543	11,543	-	19,445	19,445	-
Total employees' benefit obligation	**13,105**	**13,105**	**-**	**21,442**	**21,442**	**-**

EMPLOYEES' LEAVING INDEMNITIES (TFR)

The changes in the year 2022 for Employees' leaving indemnities are the following:

(in thousands of euro)

	12/31/2022	12/31/2021
Opening balance	**1,997**	**2,518**
Movements through income statement:		
- interest expense	18	15
Remeasurements recognised in equity:		
- actuarial (gains) or losses arising from changes in financial assumption	(321)	21
- increase related to prior year experience	-	60
Indemnities, advance payments, relocations, payment to funds	(132)	(617)
Total employees' leaving indemnities (TFR)	**1,562**	**1,997**

Net actuarial gains accrued in 2022, recognized directly in Other Comprehensive Income, amount to euro 321 thousand and are related to the change in the economic parameters of reference (discount rate and inflation rate) and to the adjustments based on past experience.

In accordance with national legislation, the amount due to each employee accrues based on the service provided and is paid when the employee leaves the company. The treatment due to the termination of the employment relationship is calculated based on its duration and the taxable remuneration of each employee. The liability, annually revalued on the basis of the official cost of living and statutory interest rate, is not associated with any accrual condition or period, nor with any financial funding obligation; therefore, there is no activity at the service of the provision.

The discipline was supplemented by Legislative Decree no. 252/2005 and by Law no. 296/2006 (Finanziaria 2007) which, for companies with at least 50 employees, has established that the portions accrued since 2007 be allocated, on the employees' option, either to the INPS Treasury Fund or to supplementary pension schemes, assuming the nature of "Defined contribution plan". In any case, for all companies, the revaluations of the amounts outstanding at the option dates are still accounted for under staff severance indemnities as well as, for companies with less than 50 employees, also the portions accrued and not allocated to supplementary pensions.

The main actuarial assumptions used at December 31, 2022 are as follows:

	2022
Discount rate	4.1%
Inflation rate	2.5%

The main actuarial assumptions used at December 31, 2021 were as follows:

	2021
Discount rate	0.9%
Inflation rate	1.7%

Hired employees at December 31, 2022 amounted to 387 units (357 units at December 31, 2021).

In other conditions being equal, a hypothetical change of 0.25% in the discount rate would result in a decrease in liabilities equal to 1.56%, in the case of an increase (1.80% at December 31, 2021), and an increase in liabilities of 1.59%, in the case of a decrease (1.86% at December 31, 2021).

OTHER EMPLOYEE BENEFITS

The breakdown of other benefits is as follows:

(in thousands of euro)

	12/31/2022			**12/31/2021**		
	Total	**Non current**	**Current**	**Total**	**Non current**	**Current**
Long-term incentive plans	6,315	6,315	-	15,672	15,672	-
Jubilee awards	1,436	1,436	-	1,761	1,761	-
Other benefits	3,792	3,792	-	2,013	2,013	-
Total	**11,543**	**11,543**	**-**	**19,445**	**19,445**	**-**

The item "**Long-term incentive plans**" relates to the amount set aside for the three-year monetary incentive plans Long Term Incentive 2021-2023 and 2022-2024 intended for Group management. The decrease compared to the previous year is attributable to the reclassification from non-current provisions to payables to employees of the portion of the LTI 2020-2022 plan set aside in previous years, which will be paid in the first half of 2023.

The item "**Other benefits – non-current portion**" refers to the short-term incentive plan for employees.

22. TRADE PAYABLES

The breakdown of trade payables is as follows:

(in thousands of euro)

	12/31/2022	12/31/2021
Payables to subsidiaries	4,433	2,783
Payables to associates	105	72
Payables to other companies	21,011	15,532
Total trade payables	**25,549**	**18,387**

The carrying amount of trade payables is considered to approximate their fair value.

23. OTHER PAYABLES

The breakdown of other payables is as follows:

(in thousands of euro)

	12/31/2022			12/31/2021		
	Total	Non-current	Current	Total	Non-current	Current
Payables to subsidiaries	6,382	-	6,382	4,718	-	4,718
Payables to social security and welfare institutions	4,899	-	4,899	5,323	-	5,323
Payables to employees	30,923	-	30,923	13,415	-	13,415
Other payables	31,745	355	31,390	15,927	822	15,105
Accrued liabilities	-	-	-	27	-	27
Deferred income	15	-	15	15	-	15
Total other payable	**73,964**	**355**	**73,609**	**39,425**	**822**	**38,603**

Payables to subsidiaries mainly refer to receivables related to VAT consolidation.

Payables to pension and social security institutions mainly consist of contributions to be paid to the INPS (National Social Welfare Institute).

Payables to employees refer to the remuneration to be paid to employees. The increase compared to the previous year mainly refers to the reclassification from non-current employee benefit obligations to payables to employees of the portion of the LI 2020-2022 plan set aside in previous years and of the deferred portion of the STI incentive plan (Short term incentive), which will be paid in the first half of 2023.

Other payables mainly include payables for compensation to be paid to directors and auditors, for withholding taxes on income from self-employed and employed work. The increase compared to the previous year mainly refers to the reclassification from non-current risk provisions to payables to directors of the portion of the LI 2020-2022 plan set aside in previous years and of the deferred portion of the STI incentive plan (Short term incentive), which will be paid in the first half of 2023.

For **other current payables** it is considered that the carrying amount approximates their fair value.

24. DEFERRED TAX LIABILITIES

Deferred tax liabilities amounted to euro 592,549 thousand at December 31, 2022 (euro 526,017 thousand at December 31, 2021).

The breakdown of deferred tax liabilities gross of offsetting is as follows:

(in thousands of euro)

	12/31/2022	12/31/2021
Deferred tax assets	**53,201**	**107,313**
- of which within 12 months	37,356	87,405
- of which over 12 months	15,845	19,908
Provision for deferred tax liabilities	**(645,750)**	**(633,330)**
- of which within 12 months	(12,420)	-
- of which over 12 months	(633,330)	(633,330)
Total	**(592,549)**	**(526,017)**

The breakdown of deferred taxes, relating to temporary differences and tax losses carried forward is shown in the following table:

(in thousands of euro)

	12/31/2022	12/31/2021
Deferred tax assets		
Provision for risk and charges	8,503	5,695
Employees provision	2,961	4,775
Provision for bad debt	38	126
Tax losses carried forward	9,209	13,153
ACE Benefit	23,846	69,985
Interests	5,138	11,282
Derivatives	-	822
Other	3,506	1,476
Total deferred tax assets	**53,201**	**107,313**
Provision for deferred tax liabilities		
Brand Pirelli	(633,330)	(633,330)
Exchange differences not realised	(12,343)	-
Employees provision	(77)	-
Total provision for deferred tax liabilities	**(645,750)**	**(633,330)**
Total	**(592,549)**	**(526,017)**

At December 31, 2022, the value of unrecognized deferred tax assets relating to temporary differences amounted to euro 25,856 thousand (unchanged compared to December 31, 2021).

The tax effect of gains and losses recorded directly as Other Comprehensive Income was negative for euro 13,289 thousand (negative for euro 3,638 thousand in 2021), and is disclosed in the Comprehensive income statement; these changes were mainly due to the tax effects associated with actuarial gains/ losses on employee benefits obligations and to the adjustment of derivatives in cash flow hedges to their fair value.

25. TAX PAYABLES

These amounted to euro 20,353 thousand (euro 13,565 thousand at December 31, 2021) and mainly include payables to subsidiaries that adhere to the tax consolidation, which arose following the transfer of withholding taxes incurred abroad (WHT).

26. COMMITMENTS AND RISKS

LEASE CONTRACT COMMITMENTS

At December 31, 2022, the total of future non-discounted payments for lease contracts not yet in force and for which no financial payable was recorded amounted to euro 408 thousand.

LITIGATION AGAINST THE COMPANIES OF THE PRYSMIAN GROUP BEFORE THE COURT OF MILAN

A judgement (resulting from the joining of two separate proceedings – see below) is currently pending before the Court of Milan following the decision issued on April 2, 2014 by the European Commission (as confirmed in the final instance by the Court of Justice of the European Union on October 28, 2020) at the conclusion of the antitrust investigation in relation to restrictive practices of competition in the European market for high voltage electric cables. This decision had imposed a sanction against Prysmian Cavi e Sistemi S.r.l. (Prysmian CS) as directly involved in the cartel, of which a part (euro 67 million), Pirelli, despite having been found to not have been involved directly in the activities of said cartel, was held as being jointly liable with Prysmian CS, based solely on the application of the principle of parental liability, in that during part of the period of the infringement, the capital of Prysmian CS was directly or indirectly held by Pirelli.

On December 31, 2020, Pirelli paid its portion of the aforementioned sanction in favor of the European Commission (corresponding to 50% of this sanction, plus interest), in relation to which it had previously made the appropriate provisions.

Pending the definition of the aforementioned Community proceeding, in November 2014, Pirelli took action before the Court of Milan in order to obtain the ascertainment and declaration of the obligation of Prysmian CS to hold it free from any claim relating to the alleged anti-competitive agreement in the energy cables sector, including the penalty imposed by the European Commission.

Prysmian CS appeared in the aforementioned judgement, requesting the rejection of Pirelli's claims, and as counter-claim, to be indemnified by Pirelli in relation to the consequences deriving from or related to the decision of the European Commission. The judgement had been suspended pending the definitive sentence of the EU judges and was resumed by Pirelli on November 30, 2020 following the sentence of the Court of Justice.

In October 2019, Pirelli took further action before the Court of Milan against Prysmian CS and Prysmian S.p.A. requesting the assessment and declaration of the obligation of Prysmian CS to indemnify and release it also from any charge, expense, cost and/or damage resulting from claims of private and/or public third parties (including authorities other than the European Commission) relating, connected and/or consequential to the facts covered by the decision of the European Commission, as well as the consequent conviction of Prysmian CS to reimburse any charge, expense, cost or damage incurred or suffered by Pirelli.

On this occasion, Pirelli also requested to ascertain the liability of Prysmian CS and Prysmian S.p.A. in relation to certain illegal conduct connected to the aforementioned anti-competitive agreement, carried out by the same and, as a result, the conviction to compensation for all damages suffered and being suffered by Pirelli.

Lastly, Pirelli requested the ascertainment and declaration of the joint liability of Prysmian S.p.A. with Prysmian CS in relation to the amounts that will be paid both in this new judgement and in the one in November 2014 and that may not be settled by the latter.

Prysmian CS and Prysmian S.p.A. appeared in the aforementioned judgement in November 2020, requesting the rejection of Pirelli's claims and, as counter-claim, to be held harmless and indemnified by Pirelli in relation to any consequences deriving from claims of private and/or public third parties relating, connected and/or consequential to the facts covered by the decision of the European Commission.

In April 2021, the two judgements were combined.

On the basis of thorough analysis supported by authoritative external legal opinions, the evaluation of the risk relative to the disputes described above is such as to not require the allocation of any specific provision in the Separate Financial Statements at December 31, 2022.

OTHER LITIGATION CONSEQUENT TO THE EUROPEAN COMMISSION DECISION

In November 2015, some companies of the Prysmian Group notified Pirelli of proceedings for the recovery of damages before the High Court of Justice of London against them and other recipients of the European Commission Decision of April 2, 2014 by National Grid and Scottish Power, companies that claim to have been injured by the cartel. Specifically, the companies of the Prysmian Group requested that Goldman Sachs and Pirelli, the latter based on the role of parent company for a part of the period of the cartel, hold them harmless in respect of any obligations to pay any damages claims (to date unquantified) by National Grid and Scottish

Power. As the aforementioned legal action is pending before the Court of Milan, filed in November 2014, Pirelli challenged the lack of jurisdiction of the High Court of Justice of London claiming that, that any decision on the merits should be assigned to the Court previously referred to. In April 2016, the High Court of Justice, at the request of Pirelli and the companies of the Prysmian Group, suspended the proceedings until the final passing of judgement that will define the Italian judgement already pending.

In April 2019, Terna S.p.A. – Rete Elettrica Nazionale ("Terna") summoned Pirelli, three Prysmian Group companies and another company of the aforementioned European Commission decision, before the Court of Milan, to obtain compensation for the damage allegedly suffered as a result of the anti-competitive conduct, quantified by the claimant at euro 199.9 million. Pirelli appeared in court contesting the claims made by Terna and filing, like the other defendants and against them, a counter-claim in recourse for the denied case in which it was held jointly liable for the anti-competitive agreement. In October 2021, the Judge removed from the proceedings the fragment of the dispute consisting of the "cross" indemnity requests mutually made between Pirelli, on the one hand, and Prysmian CS and Prysmian S.p.A., arranging for a meeting with the pending judgement between them before the Court of Milan (see above).

Lastly, also in April 2019, the Electricity and Water Authority of Bahrain, the GCC Interconnection Authority, the Kuwait Ministry of Electricity and Water and the Oman Electricity Transmission Company, served a summons against Pirelli, some Prysmian Group companies and others recipients of the aforementioned European Commission Decision, jointly agreeing with each other to obtain compensation for the damage allegedly suffered as a result of the alleged anti-competitive conduct. These proceedings were brought before the Court of Amsterdam, which, with its ruling of November 25, 2020, upheld the objection raised by Pirelli and excluded its jurisdiction over Pirelli itself. In February 2021, the claimants appealed against said sentence before the Amsterdam Court of Appeal and the related proceedings are in progress.

On the basis of thorough analysis supported by authoritative external legal opinions, the evaluation of the risk relative to the disputes described above is such as to not require the allocation of any specific provision in the Separate Financial Statements at December 31, 2022.

INCOME STATEMENT

27. REVENUES FROM SALES AND SERVICES

Revenues from sales and services amounted to euro 68,322 thousand for 2022 compared to euro 69,601 thousand in 2021 and the breakdown is as follows:

(in thousands of euro)

	2022	2021
Sales of services to subsidiaries	67,900	69,141
Sales of services to other companies	422	460
Total revenues from sales and services	**68,322**	**69,601**

Revenues from subsidiaries refer to services provided by the central functions.

28. OTHER INCOME

Other income amounted to euro 111,839 thousand in 2022 (euro 107,345 thousand in 2021), and the breakdown is as follows:

(in thousands of euro)

	2022	2021
Other income from subsidiaries	105,828	104,328
Other revenues from third parties	6,011	3,017
Other income from other companies	**111,839**	**107,345**

Other revenues from subsidiaries mainly include royalties accrued with Group companies for the use of the brand (euro 96,137 thousand in 2022 compared to euro 77,474 thousand in 2021). The increase in royalties compared to the previous year is offset by the reduction in the charge-back of costs to Group companies.

Other revenues from other companies include royalties paid by other companies for the use of the Pirelli brand (euro 3,003 thousand in 2022 compared to euro 2,029 thousand in 2021).

29. RAW MATERIALS AND CONSUMABLES USED

They amounted to euro 386 thousand in 2022 (euro 214 thousand in 2021) and include purchases of advertising material, fuels and various materials.

30. PERSONNEL COSTS

Personnel costs amounted to euro 62,086 thousand (euro 72,791 thousand in 2021), and the breakdown is as follows:

(in thousands of euro)

	2022	2021
Wages and salaries	49,338	57,229
Social security and welfare contributions	9,789	10,809
Employee leaving indemnities	1,597	1,963
Retirement and similar obbligations	614	602
Other costs	748	2,188
Total	**62,086**	**72,791**

The average staff headcount is the following:

- → Executives 83
- → White collars 285
- → Workers 4

31. AMORTIZATION, DEPRECIATION AND WRITE-DOWNS

The breakdown of the item is as follows:

(in thousands of euro)

	2022	2021
Amortisation - intangible assets	2,072	1,900
Depreciation - property, plant and equipment (excl. Depreciation of Right of Use)	1,796	1,762
Depreciation of right of use	5,828	5,700
Total depreciation, amortisation and impairments	**9,696**	**9,362**

For the breakdown of the amortization of the rights of use, see note 8.2 - Rights of use.

32. OTHER COSTS

The breakdown of other costs is the following:

(in thousands of euro)

	2022	2021
Remuneration of Directors and supervisory bodies	29,598	28,671
Advertising and sponsorship	24,929	38,690
Consultancy and collaboration services	16,114	13,560
Accruals to provisions	10,000	5,017
IT expenses	8,773	7,409
Membership fees and contributions	3,372	2,953
Insurance premiums	3,129	3,103
Travel expenses	2,721	1,928
Security service	1,895	1,712
Property maintenance	1,836	1,809
Energy, gas and water expenses	1,627	1,217
Patents and trademarks expenses	888	803
Rental and lease instalments	833	359
Cleaning and property ordinary maintenance expenses	512	817
Legal and notarial expenses	283	776
Other	5,126	5,239
Total other costs	**111,636**	**114,063**

The item **Leases and rentals** includes costs relating to the application of the accounting standard IFRS 16, in particular:

- euro 55 thousand for lease contracts with a duration of less than twelve months (euro 113 thousand at December 31, 2021);
- euro 199 thousand for lease contracts for low unit value assets (euro 132 thousand in 2021).

33. NET IMPAIRMENT OF FINANCIAL ASSETS

The item, negative for euro 48 thousand, mainly includes the net impairment of trade receivables. In 2021, the net impairment of trade receivables amounted to euro 92 thousand.

34. RESULT FROM INVESTMENTS

34.1 GAINS ON EQUITY INVESTMENTS

No gains from equity investments were recorded in the year 2022, in line with the previous year.

34.2 LOSSES ON EQUITY INVESTMENTS

In 2022, a write-down of 7,871 thousand was recognized on the equity investment in Pirelli UK Ltd and a provision was made to the loss coverage provision of the aforementioned investee for euro 24,600 thousand.

In 2021, impairment of 1,246 thousand of the investment in the subsidiary Pirelli Ltda was recorded.

34.3 DIVIDENDS

They amounted to euro 309,767 thousand in 2022 compared to euro 231,509 thousand in 2021, and the breakdown is as follows:

(in thousands of euro)

	2022	2021
From subsidiaries:		
- Pirelli Tyre S.p.A. - Italy	300,000	220,000
- Pirelli Group Reinsurance Company SA - Switzerland	979	2,290
- Pirelli Sistemi Informativi S.r.l. - Italy	200	500
- Pirelli International Treasury S.p.A. - Italy	5,635	6,522
From other financial assets:		
- RCS S.p.A. - Italy	1,482	741
- Fin. Priv. S.r.l. - Italy	1,471	1,292
- Genextra S.p.A. - Italy	-	154
- Tiglio I - Italy	-	10
Total	**309,767**	**231,509**

The higher amount of dividends from subsidiaries received in 2022 compared to 2021 is essentially attributable to the higher dividends distributed by the subsidiary Pirelli Tyre S.p.A..

35. FINANCIAL INCOME

The breakdown of the item is as follows:

(in thousands of euro)

	2022	2021
Interest and other financial income	30,560	28,874
Valuation at fair value of derivatives	-	4,769
Net gains on exchange rates	213	-
Total financial income	**30,773**	**33,643**

The item **interest and other financial income** includes euro 25,678 thousand of interest accrued on loans disbursed in 2022 to subsidiaries and euro 4,659 thousand relating to interest on CCIRS for which hedge accounting has been discontinued.

Net exchange rate gains amounted to euro 213 thousand in 2022 and refer to the adjustment to the year-end exchange rate of the items expressed in the currency other than the functional one still in effect at the closing date of the financial statements and the exchange rate differences on items closed during the year.

They also include gains for euro 7,302 thousand due to the exchange rate component of the fair value valuation of the cross currency interest rate swaps, for which hedge accounting of the cash flow hedge type was adopted, to offset exchange rate losses recorded on the hedged liability.

36. FINANCIAL EXPENSES

The breakdown of the item is as follows:

(in thousands of euro)

	2022	2021
Interest and other financial expenses	61,902	71,989
Commissions	868	2,988
Interest expenses on lease liability	1,472	1,572
Net interest on employee benefit obligations	32	24
Net exchange rate losses	-	3,050
Valuation at fair value of derivatives	4,417	-
Total financial expenses	**68,691**	**79,623**

Interest and other financial expenses for a total of euro 61,902 thousand include:

- euro 35,647 thousand for the bank loan lines held;
- euro 21,707 thousand of financial expenses related to bonds, of which euro 8,381 thousand related to unrated bonds, euro 3,816 thousand related to the Schuldschein loan and euro 9,510 thousand related to the senior unsecured guaranteed equity-linked bond;
- euro 1,480 thousand for net interest expense, including interest on Cross Currency Interest Rate Swap and Interest Rate Swaps. for which hedge accounting was adopted, to adjust the flow of financial expenses of the bank lines and bonds referred to in the previous points. For further details, refer to as reported in note 17 “Derivative financial instruments”;
- euro 2,817 thousand relating to interest expense on Cross Currency Interest Rate Swaps for which hedge accounting was discontinued.

The item **valuation at fair value of derivatives** mainly refers to the purchase/sale of the forward exchange rate hedge contracts to cover commercial and financial transactions in accordance with the exchange rate risk management policy of the Group. For transactions still open at the end of the financial year, the fair value was determined using the forward exchange rate at the closing date of the Company's financial statements.

37. TAXES

The breakdown of taxes is as follows:

(in thousands of euro)

	2022	2021
Current taxes	(70,043)	(49,953)
Deferred taxes	53,243	(1,959)
Total income taxes	**(16,800)**	**(51,912)**

Current taxes for the year 2022 were positive for euro 70,043 thousand compared to euro 49,953 thousand in the previous year and mainly include income from tax consolidation. The increase compared to the previous year is essentially attributable to the higher taxable income of the subsidiary Pirelli Tyre.

Deferred tax assets/liabilities were negative for 53,243 (positive for euro 1,959 thousand in the previous year) and mainly refer to the use of deferred assets.

The table below shows the reconciliation of the effective tax rate with the theoretical rate of the Parent Company:

(in thousands of euro)

	2022	2021
A) Profit/(loss) before taxes	235,686	164,707
B) Theoretical taxes	**56,565**	**39,530**
Main causes that give rise to changes between theoretical and effective taxes:		
Dividends and gains from investments not subject to taxation	(70,627)	(52,784)
Tax incentives	(16)	-
Loss on investments	7,793	299
Non-deductible costs	1,298	(2,830)
Uses losses previous years - deferred assets not activated	-	(11,282)
Deferred tax assets on previous tax losses and other temporary differences	(11,813)	(24,845)
C) Effective taxes	**(16,800)**	**(51,912)**
Theoretical tax rate (B/A)	24%	24%
Effective tax rate (C/A)	-7.1%	-31.5%

TAX CONSOLIDATION

It shall be noted that starting from 2004, the Company exercised the option for consolidated taxation as consolidator, pursuant to article 117 and following of the TUIR, with regulation of relations arising from adhesion to consolidation through a special Regulation, which involves a common procedure for the application of laws and regulations.

Said regulation was updated in subsequent years as a result of amendments made within the companies participating in the agreement and the related shareholding structure, as well as in light of the corrective and supplementary interventions of the relevant legislation.

The above amendments particularly concerned the remuneration of the tax losses used by the companies adhering to the consolidation. The adoption of the consolidation makes it possible to compensate, with regard to the parent company Pirelli & C. S.p.A., the taxable income or loss of the same parent company with those of its resident subsidiaries which have exercised the option, given that the tax losses accrued during periods prior to the introduction of Group taxation can be used by those companies which are eligible.

38. NON-RECURRING EXPENSES AND INCOME

Pursuant to Consob Communication no. DEM/6064293 of July 28, 2006, no non-recurring events were recorded in 2022.

39. TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties mainly include transactions with subsidiaries relating to:

- services (technical, organizational, general) provided by head office;
- charge-back of royalties for the use of the brand;
- financial transactions.

All the transactions listed above are part of the ordinary management of relations between the Parent Company and the subsidiaries.

Transactions with related parties also include the fees paid to Directors and Key Managers.

The statement below shows a summary of the Balance Sheet and the Income Statement that include transactions with related parties and their impact:

(in thousands of euro)

	12/31/2022	of which related parties	% share	12/31/2021	of which related parties	% share
BALANCE SHEET						
Non current assets						
Other receivables	612	-	0.0%	2,000,566	*2,000,000*	100.0%
Derivative financial instruments	26,070	*26,070*	100.0%	4,383	*4,383*	0.0%
Current assets						
Trade receivables	43,999	*42,901*	97.5%	40,116	*39,314*	98.0%
Other receivables	2,215,172	*2,200,675*	99.3%	792,730	*781,789*	98.6%
Tax receivables	97,981	*97,446*	99.5%	65,074	*64,525*	99.2%
Derivative financial instruments	3,298	*3,298*	100.0%	5,132	*5,132*	100.0%
Non-current liabilities						
Other payables	355	*212*	59.6%	822	*212*	25.7%
Provision for liabilities and charges	39,062	*21,843*	55.9%	30,604	*22,028*	72.0%
Employee benefit obligations	13,105	*3,016*	23.0%	21,442	*3,708*	17.3%
Derivative financial instruments	-	-	0.0%	3,554	*3,554*	100.0%
Current liabilities						
Payables to banks and other financial lenders	363,156	-	0.0%	1,070,541	*1,187*	0.1%
Trade payables	25,549	*4,557*	17.8%	18,387	*2,854*	15.5%
Other payables	73,609	*36,537*	49.6%	38,603	*15,311*	39.7%
Tax payables	20,353	*20,124*	98.9%	13,565	*13,337*	98.3%
Derivative financial instruments	32	*32*	100.0%	674	*674*	100.0%

(in thousands of euro)

	2022	of which related parties	% share	2021	of which related parties	% share
INCOME STATEMENT						
Revenues from sales and services	68,322	*68,282*	99.9%	69,601	*69,477*	99.8%
Other income	111,839	*105,847*	94.6%	107,345	*104,372*	97.2%
Raw materials and consumables used	(386)	*(21)*	5.5%	(214)	-	0.0%
Personnel expenses	(62,086)	*(7,420)*	12.0%	(72,791)	*(14,395)*	19.8%
Other costs	(111,636)	*(42,336)*	37.9%	(114,063)	*(41,247)*	36.2%
Losses on equity investments	(32,471)	(32,471)	100.0%	(1,246)	(1,246)	100.0%
Dividends	309,767	*306,814*	99.0%	231,509	*229,312*	99.1%
Financial income	30,773	*30,337*	98.6%	33,643	*31,957*	95.0%
Financial expenses	(68,691)	*(8,737)*	12.7%	(79,623)	*(2,827)*	3.6%

The equity and economic effects of transactions with related parties for the year ended December 31, 2022 are detailed below.

(in thousands of euro)

	Subsidiaries	Associates	Other related parties	Directors and Key Managers	Total 12/31/2022
Derivative financial instruments (non current assets)	26,070	-	-	-	26,070
Trade receivables	42,782	3	116	-	42,901
Other current receivables	2,200,675	-	-	-	2,200,675
Tax receivables	97,446	-	-	-	97,446
Derivative financial instruments (current assets)	3,298	-	-	-	3,298
Other payables (Non-current liabilities)	-	-	-	212	212
Provision for liabilities and charges (Non-current liabilities)	-	-	-	21,843	21,843
Employee benefit obligations (Non-current liabilities)	-	-	-	3,016	3,016
Trade payables	4,434	105	18	-	4,557
Other payables (current liabilities)	6,382	-	1	30,154	36,537
Tax payables	20,124	-	-	-	20,124
Derivative financial instruments (current liabilities)	32	-	-	-	32

(in thousands of euro)

	Subsidiaries	Associates	Other related parties	Directors and Key Managers	Total 2022
Revenues from sales and services	67,900	-	382	-	68,282
Other income	105,828	-	19	-	105,847
Raw materials and other consumables used	(21)	-	-	-	(21)
Personnel expenses	-	-	-	(7,420)	(7,420)
Other costs	(12,875)	(339)	(54)	(29,068)	(42,336)
Losses from investments	(32,471)	-	-	-	(32,471)
Dividends	306,814	-	-	-	306,814
Financial income	30,337	-	-	-	30,337
Financial expenses	(8,737)	-	-	-	(8,737)

Below is a breakdown of the equity and economic effects of transactions with related parties for the previous year:

(in thousands of euro)

	Subsidiaries	Associates	Other related parties	Directors and Key Managers	Total 12/31/2021
Other non current receivables	2,000,000	-	-	-	2,000,000
Derivative financial instruments (non current assets)	4,383	-	-	-	4,383
Trade receivables	39,115	3	195	-	39,314
Other current receivables	781,789	-	-	-	781,789
Tax receivables	64,525	-	-	-	64,525
Derivative financial instruments (current assets)	5,132	-	-	-	5,132
Other payables (Non-current liabilities)	-	-	-	212	212
Provision for liabilities and charges (Non-current liabilities)	-	-	-	22,028	22,028
Employee benefit obligations (Non-current liabilities)	-	-	-	3,708	3,708
Derivative financial instruments (non-current liabilities)	3,554	-	-	-	3,554
Payables to banks and other lenders (current liabilities)	1,187	-	-	-	1,187
Trade payables	2,783	72	-	-	2,854
Other payables (current liabilities)	4,718	-	1	10,591	15,311
Tax payables	13,337	-	-	-	13,337
Derivative financial instruments (current liabilities)	674	-	-	-	674

(in thousands of euro)

	Subsidiaries	Associates	Other related parties	Directors and Key Managers	Total 2021
Revenues from sales and services	69,141	-	336	-	69,477
Other income	104,328	-	43	-	104,372
Personnel expenses	-	-	-	(14,395)	(14,395)
Other costs	(12,651)	(252)	(150)	(28,194)	(41,247)
Losses from investments	(1,246)	-	-	-	(1,246)
Dividends	229,312	-	-	-	229,312
Financial income	31,957	-	-	-	31,957
Financial expenses	(2,827)	-	-	-	(2,827)

TRANSACTIONS WITH SUBSIDIARIES

TRANSACTIONS – BALANCE SHEET **Other non-current receivables** were nil at December 31, 2022 (euro 2,000,000 thousand at December 31, 2021). The amount for 2021 refers to credit lines granted to Pirelli International Treasury S.p.A. with maturity in 2023. The decrease compared to the previous year is due to the reclassification in the item **other current receivables**.

Derivative financial instruments (non-current assets) for euro 26,070 thousand refer to hedging transactions with Pirelli International Treasury S.p.A..

Trade receivables from subsidiaries amounted to euro 42,782 thousand (euro 39,115 thousand at December 31, 2021) and mainly refer to receivables for services/provisions provided to Group companies (euro 37,519 thousand from Pirelli Tyre S.p.A., euro 2,926 thousand from Pirelli Group Reinsurance Company SA, euro 742 thousand from Limited Liability Company Pirelli Tyre Russia, euro 286 thousand from Pirelli Sistemi Informativi S.r.l..

Other current receivables amounted to euro 2,200,675 thousand (euro 781,789 thousand at December 31, 2021) and refer for euro 2,199,183 thousand to the loan and related interest accrued but not yet paid with Pirelli International Treasury S.p.A., for euro 1,001 thousand to VAT receivables transferred from subsidiaries (of which euro 412 thousand from Pirelli Sistemi Informativi S.r.l., euro 317 thousand from Pirelli Industrie Pneumatici S.r.l. and euro 225 thousand from Pirelli Servizi Amministrazione e Tesoreria S.p.A.), euro 489 thousand to the intragroup current account with Pirelli International Treasury S.p.A..

Tax receivables amounted to euro 97,446 thousand (euro 64,525 thousand at December 31, 2021) and refer to receivables from Group companies that adhere to tax consolidation (mainly euro 93,858 thousand from Pirelli Tyre S.p.A., euro 2,982 thousand from Pirelli International Treasury S.p.A., euro 459 thousand from Pirelli Industrie Pneumatici S.r.l., euro 82 thousand from Pirelli Sistemi Informativi S.r.l.).

Derivative financial instruments (current assets) for euro 3,298 thousand (euro 5,132 thousand at December 31, 2021) refer to hedging transactions with Pirelli International Treasury S.p.A..

Derivative financial instruments (non-current liabilities) were nil at December 31, 2022 (euro 3,554 thousand at December 31, 2021). The amount at the end of 2021 refers to the valuation of the existing IRS with Pirelli International Treasury S.p.A..

Borrowings banks and other lenders (current) were nil at December 31, 2022 (euro 1,187 thousand at December 31, 2021). The amount at the end of 2021 mainly refers to the accrued liability with Pirelli International Treasury S.p.A. on the interest rate swap hedging transactions existing at December 31, 2021.

Trade payables amounted to euro 4,434 thousand (euro 2,783 thousand at December 31, 2021) and mainly refer to payables for the provision of services. These payables mainly refer for euro 1,946 thousand to Pirelli Tyre S.p.A. and for euro 1,268 thousand to HB Servizi S.r.l..

Other payables (current liabilities) to subsidiaries amounted to euro 6,382 thousand (euro 4,718 thousand at December 31, 2021) and mainly refer to payables with Group companies that adhere to the VAT consolidation. The main ones are: euro 6,277 thousand to Pirelli Tyre S.p.A., euro 45 thousand to Driver Servizi Retail S.p.A..

Tax payables amounted to euro 20,124 thousand (euro 13,337 thousand at December 31, 2021) and refer to payables to subsidiaries that adhere to tax consolidation (euro 14,730 thousand to Pirelli Tyre S.p.A., euro 5,490 thousand to Pirelli International Treasury S.p.A.).

The amount of euro 32 thousand (euro 674 thousand at December 31, 2021) of **derivative financial instruments – current liabilities** refers to hedging transactions with Pirelli International Treasury S.p.A..

TRANSACTIONS – INCOME STATEMENT **Revenues from sales and services** to subsidiaries amounted to euro 67,900 thousand in 2022 (euro 69,141 thousand in 2021) and mainly refer to service contracts. The main transactions with subsidiaries are: euro 65,686 thousand with Pirelli Tyre S.p.A., euro 886 thousand with Pirelli Servizi Amministrazione e Tesoreria S.p.A., euro 449 thousand with Pirelli Sistemi Informativi S.r.l., euro 390 thousand with Pirelli International Treasury S.p.A..

Other income from subsidiaries amounting to euro 105,828 thousand in 2022 (euro 104,328 thousand in 2021) mainly refer to: royalties (euro 86,759 thousand from Pirelli Tyre S.p.A., euro 5,218 thousand from Pirelli Group Reinsurance Company SA, euro 4,151 thousands from Limited Liability Company Pirelli Tyre Russia); other recoveries (euro 7,285 thousand from Pirelli Tyre S.p.A., euro 690 thousand from Pirelli Tire LLC., euro 339 thousand from Pirelli Latam Participaçoes Ltda).

Other costs to subsidiaries for euro 12,875 thousand in 2022 (euro 12,651 thousand in 2021) mainly refer to charges for services and miscellaneous costs (euro 5,020 thousand HB Servizi S.r.l., euro 2,966 thousand Pirelli Sistemi Informativi S.r.l., euro 2,465 thousand Pirelli Tyre S.p.A., euro 1,168 thousand Pirelli Servizi Amministrazione e Tesoreria S.p.A.).

The item **losses from investments** shows the impairment of the investment in Pirelli UK Ltd.

Dividends for euro 306,814 thousand in 2022 (euro 229,312 thousand in 2021) refer to dividends collected during the year (euro 300,000 thousand from Pirelli Tyre S.p.A., euro 5,636 thousand from Pirelli International Treasury S.p.A., euro 979 thousand from Pirelli Group Reinsurance Company SA and euro 200 thousand from Pirelli Sistemi Informativi S.r.l.).

Financial income for euro 30,337 thousand in 2022 (euro 31,957 thousand in 2021) mainly refers to interest income on receivables from Pirelli International Treasury S.p.A..

Financial expenses for euro 8,737 thousand in 2021 (euro 2,827 thousand in 2021) mainly refer to net expenses on derivatives with Pirelli International Treasury S.p.A..

TRANSACTIONS WITH ASSOCIATED COMPANIES

TRANSACTIONS – BALANCE SHEET **Trade payables** to associated companies amounted to euro 105 thousand in 2022 (euro 72 thousand in 2021) and refer to payables to the Consortium for the Research on Advanced Materials (CORIMAV).

TRANSACTIONS – INCOME STATEMENT **Other costs** to associated companies amounted to euro 339 thousand in 2022 (euro 252 thousand in 2021) and refer to relations with the Consortium for Research on Advanced Materials (CORIMAV).

TRANSACTIONS WITH OTHER RELATED PARTIES

TRANSACTIONS – BALANCE SHEET **Trade receivables** from other related parties for euro 116 thousand in 2022 (euro 195 thousand in 2021) include commercial relations with the Prometeon Group.

Trade payables amounted to euro 18 thousand (nil at December 31, 2021) and mainly refer to payables for consultancy from related parties.

TRANSACTIONS – INCOME STATEMENT **Revenues from sales and services** from other related parties for euro 382 thousand in 2022 (euro 336 thousand in 2021) refer to the service/performance contract with Prometeon Tyre Group S.r.l..

Other income with other related parties for euro 19 thousand refers to service contracts with Marco Tronchetti Provera & C. S.p.A..

Other costs with other related parties for euro 54 thousand in 2022 refer to consultancy from related parties.

TRANSACTIONS WITH DIRECTORS AND KEY MANAGERS

Equity and economic transactions regarding Directors and Key Managers can be detailed as follows.

The balance sheet items **provisions for risks and liabilities** and **employee benefit obligations (non-current liabilities)** include the long-term benefits relating to the three-year monetary incentive plans Long Term Incentive 2021-2023 and 2022-2024 for euro 6,989 thousand, the short-term benefits terms relating to the Short Term Incentive plan for euro 3,842 thousand, as well as end-of-term indemnity for euro 14,028 thousand.

The balance sheet item **other current payables** includes the short-term portion relating to the Long Term Incentive and Short term Incentive plans.

The income statement items **personnel costs** and **other costs** include euro 5,932 thousand relating to employees' severance indemnities and end-of-term indemnity (euro 5,749 thousand in 2021), as well as short-term benefits for euro 11,866 thousand (euro 11,143 thousand in 2021) and long-term benefits for euro 9,609 thousand (euro 11,725 thousand in 2021).

40. OTHER INFORMATION

DIRECTORS AND AUDITORS' FEES

The fees due to Directors of Pirelli & C. S.p.A. amounted to euro 29,068 thousand in 2022 (euro 28,194 thousand in 2021). The fees due to the Statutory Auditors for the function performed at Pirelli & C. S.p.A. amounted to euro 430 thousand in 2022 (euro 377 thousand in 2021).

INDEPENDENT AUDITORS' FEES

For the fees for the 2022 financial year for the auditing activities and other services rendered by the independent auditors PricewaterhouseCoopers S.p.A., references is made to the information contained in the explanatory notes to the Consolidated Financial Statements.

DISCLOSURE REQUESTED BY LAW NO. 124/2017 ARTICLE 1 PARAGRAPHS 125-129

Pirelli & C. S.p.A. obtained, within the PNRR framework, a decree granting the subsidy from the MUR (Ministry of Universities and Research) for the facilitation of Research and Development activities as part of the Ecosystem for Innovation *"MUSA - Multilayered Urban Sustainability Action"* of up to a maximum of euro 0.4 million.

Any information referring to the subsidiaries of Pirelli & C. S.p.A. are included in the consolidated financial statements.

41. ATYPICAL AND/OR UNUSUAL TRANSACTIONS

Pursuant to Consob Communication no. 6064293 of July 28, 2006, the Company certifies that no atypical and/or unusual transactions as defined in said Communication were carried out in 2022.

42. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE YEAR

On **January 11, 2023**, Pirelli placed its first sustainability-linked bond with 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 **January 31, 2023**, Pirelli International Treasury S.p.A. was granted new uncommitted facility credit lines: a euro 1.7 billion term loan maturing on January 31, 2025 and a euro 1 billion revolving credit facility maturing on January 31, 2024.

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 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.

ANNEXES TO THE NOTES

MOVEMENTS OF INVESTMENTS IN SUBSIDIARIES FROM 12/31/2021 TO 12/31/2022

(in thousands of euro)

	12/31/2021				CHANGES		12/31/2022			
	Number of shares	Carrying amount (€/thousand)	% of total investments	of which direct	Number of shares	(€/ thousand)	Number of shares	Carrying amount (€/thousand)	% of total investments	of which direct
INVESTMENTS IN SUBSIDIARIES										
ITALY Unlisted:										
Pirelli Servizi Amministrazione e Tesoreria S.p.A. - Milan	2,047,000	3,238	100	100	-	-	2,047,000	3,238	100	100
Maristel S.r.l. - Milan	1 share	1,315	100	100	-	-	1 share	1,315	100	100
Pirelli International Treasury SpA - Milan	37,500,000	75,000	100	30	-	-	37,500,000	75,000	100	30
Pirelli Sistemi Informativi S.r.l. - Milan	1 share	1,655	100	100	-	-	1 share	1,655	100	100
Pirelli Tyre S.p.A. - Milan	558,154,000	4,528,245	100	100	-	-	558,154,000	4,528,245	100	100
Servizi Aziendali Pirelli S.C.p.A. - Milan	93,964	100	100	90	-	-	93,964	100	100	90
HB Servizi Srl - Milan	1 share	230	100	100	-	-	1 share	230	100	100
Total investments in Italian subsidiaries		4,609,783				-		4,609,783		

	12/31/2021				CHANGES		12/31/2022			
	Number of shares	Carrying amount (€/thousand)	% of total investments	of which direct	Number of shares	(€/ thousand)	Number of shares	Carrying amount (€/thousand)	% of total investments	of which direct
FOREIGN COMPANIES										
Brazil										
Pirelli Ltda - Sao Paulo	13,999,991	8,420	100	100	-	-	13,999,991	8,420	100	100
Pirelli Latam Participações Ltda.	1	-	-	-	-	-	1	-	-	-
UK										
Pirelli UK ltd. - London - ordinary	163,991,278	7,871	100	100	-	(7,871)	163,991,278	-	100	100
Switzerland										
Pirelli Group Reinsurance Company S.A.	300,000	6,346	100	100	-	-	300,000	6,346	100	100
Total investments in foreign subsidiaries		22,637				(7,871)		14,766		
Total investments in subsidiaries		4,632,420				(7,871)		4,624,549		

MOVEMENTS OF INVESTMENTS IN ASSOCIATES FROM 12/31/2021 TO 12/31/2022

(in thousands of euro)

	12/31/2021				CHANGES		12/31/2022			
	Number of shares	**Carrying amount (€/thousand)**	**% of total investments**	**of which direct**	**Number of shares**	**(€/ thousand)**	**Number of shares**	**Carrying amount (€/thousand)**	**% of total investments**	**of which direct**
INVESTMENTS IN ASSOCIATES										
ITALY Unlisted:										
Consorzio per le Ricerche sui Materiali Avanzati (CORIMAV) -Milan	1 share	104	100	100	-	-	1 share	104	100	100
Eurostazioni S.p.A. - Rome	52,333,333	6,271	33	33	-	-	52,333,333	6,271	33	33
Focus Investments S.p.A.	111,111	-	8	8	(111,111)	-	-	-	-	-
Total unlisted companies		6,375				-		6,375		
Total investments in associates - Italy		6,375				-		6,375		
Total investments in associates		6,375				-		6,375		

MOVEMENTS OF OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPRENSIVE INCOME FROM 12/31/2021 TO 12/31/2022 (Continue)

(in thousands of euro)

	12/31/2021				CHANGES		12/31/2022			
	Number of shares	Carrying amount (€/ thousand)	% of total investments	of which direct	Number of shares	(€/ thousand)	Number of shares	Carrying amount (€/ thousand)	% of total investments	of which direct
INVESTMENTS IN OTHER COMPANIES										
ITALIAN LISTED COMPANIES										
RCS Mediagroup S.p.A. - Milan	24,694,918	21,855	4.7	4.7	-	(5,285)	24,694,918	16,570	4.7	4.7
Total other Italian listed companies		21,855				(5,285)		16,570		
Total other listed companies		21,855				(5,285)		16,570		

	12/31/2021				CHANGES		12/31/2022			
	Number of shares	Carrying amount (€/ thousand)	% of total investments	of which direct	Number of shares	(€/ thousand)	Number of shares	Carrying amount (€/ thousand)	% of total investments	of which direct
ITALIAN UNLISTED COMPANIES										
Aree Urbane S.r.l. (in liquidazione) - Milan	1 share	-	-	-	-	-	1 share	-	-	-
C.I.R.A. - Centro Italiano di Ricerche Aerospaziali S.c.p.A. - Capua (CE)	30	-	0.1	0.1	-	-	30	-	0.1	0.1
Alitalia Compagnia Aerea Italiana S.p.A. - Rome	1,162,098,622	-	1.4	1.4	-	-	1,162,098,622	-	1.4	1.4
CEFRIEL - Società Consortile a Responsabilità limitata	1 share	-	4.9	4.9	-	-	1 share	-	4.9	4.9
Consorzio DIXIT (in liquidazione) - Milan	1 share	-	14.3	14.3	-	-	1 share	-	14.3	14.3
MIP Politecnico di Milano - Graduate School of Business società consortile per azioni già Consorzio per L'Innovazione nella Gestione di Azienda -Mip -(Master Imprese Politecnico) Milan	12,000	-	2.9	2.9	-	-	12,000	-	2.9	2.9
Consorzio Milano Ricerche - Milan	1 share	-	9.0	9.0	-	-	1 share	-	9.0	9.0
Societa' Generale per la Progettazione Consulenze e Partecipazioni (ex Italconsult) S.p.A. - Rome	1,100	-	3.7	3.7	-	-	1,100	-	3.7	3.7
F.C. Internazionale Milano S.p.A. - Milan	55,805,625	-	0.4	0.4	-	-	55,805,625	-	0.4	0.4
Fin. Priv. S.r.l. - Milan	1 share	21,171	14.3	14.3	-	(2,307)	1 share	18,864	14.3	14.3
Istituto Europeo di Oncologia S.r.l. - Milan	1 share	8,006	6.1	6.1	-	134	1 share	8,140	6.1	6.1
Nomisma - Società di Studi Economici S.p.A. - Bologna	959,429	323	3.3	3.3	-	37	959,429	360	3.3	3.3
Tiglio I S.r.l. - Milan	1 share	2	0.6	0.6	-	(1)	1 share	1	0.6	0.6
Genextra S.p.A.	592,450	635	0.6	0.6	-	(6)	592,450	629	0.6	0.6
Total other Italian unlisted companies		30,138				(2,144)		27,994		

MOVEMENTS OF OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPRENSIVE INCOME FROM 12/31/2021 TO 12/31/2022

(in thousands of euro)

	12/31/2021				CHANGES		12/31/2022			
	Number of shares	Carrying amount (€/thousand)	% of total investments	of which direct	Number of shares	(€/ thousand)	Number of shares	Carrying amount (€/thousand)	% of total investments	of which direct
FOREIGN COMPANIES										
Libia										
Libyan-Italian Joint Company - ordinary shares B	300	-	1.0	1.0	-	-	300	-	1.0	1.0
UK										
Eca International	100	-	2.8	2.8	-	-	100	-	2.8	2.8
Total other foreign companies		-				-		-		
OTHER PORTFOLIO SECURITIES										
Fondo Comune di Investimento Immobiliare - Anastasia	53 shares	2,825	-	-	-	(1,049)	53 shares	1,776	-	-
TOTAL AVAILABLE-FOR-SALE FINANCIAL ASSETS		2,824				(1,049)		1,776		
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPRENSIVE INCOME		54,817				(8,478)		46,339		

LIST OF INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES (PURSUANT TO ART. 2427 OF THE CIVIL CODE)

(in thousands of euro)

	Legal address	Carrying amount	Share %	Share capital	Attributable equity	Attributable net income (loss)
INVESTMENTS IN SUBSIDIARIES - ITALY						
Pirelli Servizi Amministrazioni e Tesoreria S.p.A.	Milan	3,237	100%	2,047	3,178	193
Maristel S.p.A.	Milan	1,315	100%	50	3,260	56
Pirelli Sistemi Informativi S.r.l.	Milan	1,656	100%	1,010	2,830	468
Pirelli Tyre S.p.A.	Milan	4,528,245	100%	558,154	2,011,350	564,134
Servizi Aziendali Pirelli S.c.p.a.	Milan	100	91.3%	104	470	31
HB Servizi S.r.l	Milan	230	100%	10	578	186
Pirelli International Treasury S.p.A.	Milan	75,000	30%	125,000	73,802	(1,966)
Total investments in subsidiaries - Italy		**4,609,783**				
INVESTMENTS IN FOREIGN SUBSIDIARIES						
Switzerland						
Pirelli Group Reinsurance Company S.A.	Lugano	6,346	100%	3,047	16,352	2,770
Brasil						
Pirelli Ltda	Sao Paulo	8,420	100%	2,514	(7,036)	(6,381)
UK						
Pirelli UK Ltd.	London	0	100%	184,897	(24,572)	(3,624)
Total investments in foreign subsidiaries		**14,766**				
Total investments in subsidiaries		**4,624,549**				
INVESTMENTS IN ASSOCIATES - ITALY						
Consortium for the Research into Advanced Materials (CORIMAV)	Milan	104	100%	104	104	-
Eurostazioni S.p.A. *	Rome	6,271	32.7%	16,000	6,621	46
Total investments in associates - Italy		**6,375**				
Total investments in associates		**6,375**				

* balance sheet at July 31, 2022

Report of the Board of Statutory Auditors to the Shareholders' Meeting

pursuant to art. 153 of the Consolidated Law on Finance (TUF) and art. 2429 of the Italian Civil Code

1

Dear Shareholders,

The Board of Statutory Auditors of Pirelli & C. S.p.A. ("**Pirelli**" or the "**Company**") (which, pursuant to Legislative Decree no. 39 of 27 January 2010, also acts as the Internal Control and Audit Committee), pursuant to Article 153 of Legislative Decree no. 58 of 24 February 1998 ("**TUF**") and the applicable provisions of the Italian Civil Code, as well as the applicable reference legislation, is called on to report to the Shareholders' Meeting convened to approve the financial statements of the Company for the year ending on 31 December 2022 ("**Financial Statements**"), on the supervisory activities carried out during the financial year and on any omissions and misconduct it might have detected. The Board of Statutory Auditors may also make proposals regarding the financial statements and their approval and other matters under its responsibility.

The Board of Statutory Auditors, as of the date of drafting and publication of this report ("**Report**"), has been constantly informed and updated about the current and foreseeable effects, direct and indirect, in both qualitative and quantitative terms, of the Russia-Ukraine crisis on business activities, exposures to affected markets, supply chains, the financial situation and economic results reported in the Directors' Report on Operations and the Financial Statements and Consolidated Financial Statements of Pirelli ("**Consolidated Financial Statements**", jointly with the Financial Statements "**Financial Statements**"); the Board of Statutory Auditors has obtained information about the effects on the Group of the restrictive measures adopted by the EU in the context of the Russia-Ukraine crisis. The Board of Statutory Auditors confirms that the Company has put in place all the functional safeguards to comply with the restrictive measures, as required by Consob's Warning Notice 3/2022.

The Board of Statutory Auditors has also been continually informed of the actions taken to monitor the situation and the social, economic and financial effects, both for Pirelli and its subsidiaries ("**Group**") of which it is the parent company, of the ongoing health emergency associated with the spread, from January 2020, of the Sars-Cov-2 virus ("**COVID-19**"). The considerations made are set out in a specific paragraph of the Directors' Report on Operations.

During the year, the Board of Statutory Auditors carried out its supervisory activities as required by the law in force, taking account of the provisions of European Regulation 537/2014, the standards of conduct for the Boards of Statutory Auditors of listed companies, as recommended in the document issued by the *Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili* (the Italian national association of chartered accountants and auditors) last updated in April 2018 ("**Standards of Conduct**"), and the Consob provisions on company controls and the activities of the Boards of Statutory Auditors and the indications contained in the current Corporate Governance Code for listed companies, to which Pirelli has adhered.

This took place - as well as through the attendance of all or some of the Statutory Auditors at meetings of the Board of Directors and its committees - also by means of the constant exchange of information between the Board of Statutory Auditors and the relevant corporate administrative, audit and compliance departments in charge of risk control and management, and with the Supervisory Body created pursuant to legislative decree no. 231 of 8 June 2001, as well as with the members of the boards of statutory auditors of the principal subsidiaries and with the firm appointed as external auditor.

APPOINTMENT AND COMPOSITION OF THE BOARD OF STATUTORY AUDITORS

The Board of Statutory Auditors in office as of the date of the Report was appointed by the Shareholders' Meeting of 15 June 2021 for the financial years 2021-2023 (and, therefore, will expire with the approval of the financial statements for the year ending 31 December 2023). It is composed of the Standing Auditors Riccardo Foglia Taverna (Chairman), Francesca Meneghel, Teresa Naddeo, Antonella Carù and Alberto Villani, and the Alternate Auditors Marco Taglioretti, Franca Brusco and Maria Sardelli.[1]

Pursuant to article 148, paragraph 3 of the TUF, and the provisions of the Corporate Governance Code for listed companies, to which - as previously mentioned - Pirelli has resolved to adhere, the Board of Statutory Auditors checked that as of 31 December 2022 its serving members had retained the requirements of independence (that they already ascertained to possess at the time of their appointment, together with the correct application of the criteria and the ascertainment procedures adopted by the Board of Directors to assess the independence of Directors). For more details in this regard see paragraph "Self-assessment process for the Board of Statutory Auditors".

ADHESION TO CODES OF CONDUCT

As anticipated, Pirelli has decided to adhere to the Corporate Governance Code approved by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria, as well as the most recent recommendations of the Corporate Governance Committee.
The Board of Statutory Auditors has assessed the effective and correct application of corporate governance rules provided herein by the Company and ensured that these are implemented in the corporate governance model currently in force - described in the Report on the Corporate Governance and Share Ownership (as described in more detail below) - that is substantively in line with the principles contained in both codes of conduct mentioned above. Furthermore, the Board of Statutory Auditors concurred with the Board of Directors' assessment that the current provisions of the Bylaws and corporate governance practices followed by the Company are adequate to achieve the Company's interest.

COMMENTS ON THE 2022 FINANCIAL STATEMENTS AND ON TRANSACTIONS OF MAJOR IMPORTANCE CARRIED OUT DURING THE YEAR

It should be noted that Pirelli's Financial Statements have been drawn up based on the IAS/IFRS international accounting standards issued by the International Accounting Standards Board (IASB) and endorsed by the European Union, in force on 31 December 2022 and in accordance with the instructions issued in implementation of article 9 of legislative decree 38/2005. The Financial Statements also include the notice required by law 124/2017 (art. 1, subsections 125-129).

The Board of Statutory Auditors also specifically checked that: (i) the data and information contained

[1] The appointment was made by applying the list voting mechanism that allowed the so-called "minorities" to elect their own representatives on the Board of Statutory Auditors. In addition, shareholders were provided with a document by the outgoing Board of Statutory Auditors drawn up in accordance with the Rules of Conduct.

in the integrated financial statements[2] of Pirelli ("**Integrated Financial Statements**") are coded based on the provisions of the ESEF XBRL 2021 taxonomy in force and that (ii) the directors, based on the assessments carried out on compliance or non-compliance of the Integrated Financial Statements with Delegated Regulation (EU) 2019/815, implementing the delegation contained in Directive 2004/109/CE, as amended by Directive 2013/50/EU, and with the provisions of article 2423 of the Civil Code, have made the declarations required by law.

The principal risks and uncertainties are summarised in the Directors' Report on Operations, and there is a section on the outlook for the coming year.

The Company's Financial Statements are composed of the Statement of Financial Position, Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and Explanatory Notes.

The Financial Statements are accompanied by the Directors' Report on Operations, and the Integrated Financial Statements include the Report on the Corporate Governance and Share Ownership, prepared pursuant to article 123-*bis* of the Consolidated Law on Finance, as well as the Report on Responsible Management of the Value Chain (which constitutes the Consolidated Non-Financial Disclosure pursuant to Legislative Decree 254 of 30 December 2016) drawn up by the Company in accordance with the Global Reporting Initiative (GRI) Sustainability Reporting Standards 2021, "In accordance with" option, SASB Auto Parts Sustainability Accounting Standard, following the process suggested by the principles of the AA1000 APS (materiality, inclusivity and responsiveness), and considering the integrated reporting principles contained in the Framework of the International Integrated Reporting Council (IIRC). Furthermore, this report considers the priorities highlighted by the European Securities and Markets Authority (ESMA) in circular ESMA32-63-1186 and includes the assessments required by the European Taxonomy Regulation in its areas of application (EU Regulation 2020/852 of 18 June 2020 and related Delegated Regulations (EU) 2021/2178 and (EU) 2021/2139). The third-party certifications appear at the end of the 2022 Annual Report. It should be noted that the assurance activities carried out by the auditing firm PricewaterhouseCoopers S.p.A. ("**PWC**") in connection with the latter entail the verification of the preparation and publication of the information required by Reg. 852/20, in compliance with the indications given by Assirevi to the auditing firms in Research Document No. 243 of February 2022, entitled "Auditor's activities on disclosures pursuant to Article 8 of Regulation 2020/852 - Taxonomy Regulation". The Integrated Financial Statements also include the Report on the remuneration policy and the compensation paid, comprising the 2023 remuneration policy ("**2023 Policy**") and the report on compensation paid in 2022.

Pirelli's 2022 Financial Statements include statements of compliance by the CEO and by the Manager responsible for the preparation of the corporate financial documents ("**Manager Responsible**").

[2] Integrated Financial Statements is understood to mean a document including the Directors' Report on Operations, the Report on Responsible Management of the Value Chain, the Report on the Corporate Governance and Share Ownership, the Report on the remuneration policy and the compensation paid, the Consolidated Financial Statements, the Financial Statements, Resolutions and Certifications.

Pirelli's 2022 Consolidated Financial Statements present the following summary data:

Revenues	€ 6,615.7 million
Operating income (EBIT)	€ 791.5 million
Adjusted EBIT	€ 977.8 million
Consolidated net profit	€ 435.9 million

Net financial debt was equivalent to 2,552.6 million euros, compared to 2,907.1 million euros at 31 December 2021.

Parent company Pirelli closed the financial year with positive net income to the amount of 252.5 million euros (216.6 million euros in 2021).

Events of major importance are accounted for in detail in the Directors' Report on Operations. The following events, in particular, should be noted:

- On **28 January 2022**, Pirelli celebrated the 150th anniversary of its foundation on 28 January 1872 with an event held at the Piccolo Teatro di Milano.

- On **1 February 2022**, Pirelli was confirmed as "Gold Class" in the Sustainability Yearbook 2022 published by S&P Global.

- On **21 February 2022** Pirelli finalised the signing of a 1.6 billion euros 5-year multicurrency bank credit line with a pool of leading Italian and international banks. The credit line, which is parametrised to the Group's ESG objectives, has allowed the debt profile to be optimised by delaying its maturity.

- On **23 February 2022**, Pirelli announced that it had been assigned an "investment grade" rating by S&P Global Ratings and Fitch Ratings. The assignment follows the company's request for a public rating, in line with the objectives of optimising the conditions of access to the credit market. In particular, Fitch Ratings has assigned Pirelli an Investment Grade BBB- rating with a stable outlook, emphasising, among other things, the solidity of the company's operating margins and its ability to generate cash flow, which mean that a significant reduction in debt over the next two or three years can be envisaged. The agency highlighted Pirelli's leadership in the premium segment, its consolidated know-how in high-performance products, its exposure to less volatile after-market activities than in the standard segment and its brand awareness. S&P Global Ratings assigned an Investment Grade BBB- rating with a stable outlook, highlighting, among other things, Pirelli's solid position in the Premium and Prestige markets, its ability to efficiently utilise its manufacturing facilities, reflected in an EBITDA margin above the sector average, and the agency's expectation of continued debt reduction through careful management of solid free cash flow.

- On **23 February 2022**, in the context of the Company's refinancing and financial structure optimisation strategy, the Board of Directors of Pirelli approved a new EMTN (Euro Medium Term Note) programme for the issue of non-convertible, senior unsecured bonds for a maximum value of 2 billion euros to replace the previous EMTN programme of 2 billion euros, approved on 21 December 2017. In the context of this programme, on the same date the Board of Directors authorised one or more bond issues to be placed with institutional investors for a maximum total amount of up to 1 billion euros. In light of the changed market conditions, on 22 June 2022 Pirelli updated this authorisation, revoking the resolution and simultaneously approving a new one for the issue, again as part of the EMTN programme, of non-convertible bond loans to be placed with institutional investors by May 2023 for up to 1 billion euros.

- On **4 March 2022**, Pirelli announced the donation of 500 thousand euros to Ukrainian refugees affected by the war, while also making a bank account available to employees to collect their donations.

- On **9 May 2022**, Pirelli announced that the Science Based Targets initiative (SBTi) had validated the upgrade of Pirelli's greenhouse gas emission reduction targets. By the end of 2021, the Company had achieved the previous targets validated by the SBTi for Scopes 1 and 2 four years early. The new targets envisage actions consistent with maintaining global warming "within 1.5°C", compared to the previous scenario which envisaged remaining "well below 2°C". In particular, SBTi validated the Pirelli targets of a 42% reduction in absolute greenhouse gas emissions (Scope 1 and 2) by 2025 compared to 2015 and a 9% decrease in those from purchased raw materials by 2025 compared to 2018 (Scope 3).

- On **10 May 2022**, the Board of Directors of Pirelli co-opted Yang Shihao to replace Yang Xingqiang, who had resigned on **28 April 2022**. The Board of Directors also appointed Yang Shihao (qualified by the Board as a non-executive, non independent director) as a member of the Strategies Committee. Yang Shihao will remain in office until the next shareholders' meeting.

- On **18 May 2022**, the Shareholders' Meeting of Pirelli (convened on **13 April 2022**) approved the 2021 financial statements, resolving to distribute a dividend of 0.161 euros per ordinary share, equal to a total dividend payout of 161 million euros before withholding taxes. The dividend was paid on 25 May 2022 (with a coupon date of 23 May and a record date of 24 May). The Shareholders' Meeting also approved the Remuneration Policy for 2022 and voted in favour of the Report on Compensation Paid in the financial year 2021. The Shareholders' Meeting also approved the adoption of the Monetary Incentive Plan for the three-year period 2022-2024 for all Group management. Lastly, the Shareholders' Meeting approved the possible adjustment mechanisms of the sole quantification of objectives included in the three-year monetary incentive plans for 2020-2022 and 2021-2023, in line with what had previously been set out in the 2022 remuneration policy.

- On **23 May 2022**, with reference to the interest-free senior unsecured guaranteed equity-linked bond loan called "EUR 500 million Senior Unsecured Guaranteed Equity-linked Bonds due 2025", Pirelli announced that - following the resolution of the Shareholders' Meeting of 18 May 2022 to distribute a dividend of 0.161 euros per ordinary share - the conversion price of the bonds was changed from 6.235 euros to 6.1395 euros, in accordance with the regulation of the bond loan itself, with effect from 23 May 2022.

- On **22 June 2022**, Pirelli's Board of Directors approved the underwriting of a sustainability-linked credit line with a select pool of international banks, for a total value of up to 400 million euros, with a 19-month maturity, to further optimisation of the Group's financial structure. The credit line is parametrised to the Pirelli objective of reducing absolute greenhouse gas emissions from purchased raw materials (Scope 3), validated by the Science Based Targets initiative (SBTi). This KPI is among those identified in Pirelli's first "Sustainability-linked financing Framework" (the document that contains the company's guidelines and commitments towards its stakeholders in the field of sustainable finance).

- On **11 October 2022**, the Board of Directors of Pirelli co-opted Li Fanrong to replace Ning Gaoning who - as announced on **8 October 2022** - resigned from the Board of Directors following the termination of his office as Chairman of Sinochem Holdings Corporation Ltd. The Board of Directors also appointed the non-executive director Li Fanrong as Chairman, assigning him the legal representation of the company as well as all other powers assigned according to the current Bylaws, without prejudice to the powers and prerogatives of the Board of Directors. Li Fanrong's appointment as a member of the Strategies Committee and the Appointments and Succession Committee was also approved. Li Fanrong, who will remain in office until the next shareholders' meeting, does not meet the independence requirements established by law and by the Corporate Governance Code.

- On 25 October 2022, Pirelli repaid early and in full the "Euro 600,000,000 1.375 per cent. Guaranteed Notes due 25 January 2023" (ISIN: XS1757843146) bond loan listed on the Luxembourg Stock Exchange, the residual amount of which was 553 million euros. As envisaged by the Issuer Call option of the regulation, the repayment - made using the Company's available cash - was at par plus the interest accrued up to the early repayment date.

- On **29 October 2022**, Pirelli announced the start of the 114 million euro investment – envisaged in the 2021-2022|2025 business plan to be implemented in the two-year period 2022/2023 – aimed at further increasing the High Value production of the Mexican production site. Once fully operational, the investment will allow production capacity to be increased by over one million pieces to a total of 8.5 million tyres by 2025 (from 7.2 million at the end of 2022), with an expansion of the production area from 16,000 to over 220,000 square metres. Increased production and further improvement of the mix will create 400 new jobs to reach a total of 3,200 people once fully operational.

- On **10 December 2022**, Pirelli was again officially included in the Dow Jones Sustainability Indexes, both World and Europe, as part of the index review conducted annually by S&P Global. The confirmation follows the announcement of the global industry Top Score achieved by Pirelli on **21 October 2022** for the ATX Auto Components segment in the context of the S&P Global Corporate Sustainability Assessment 2022.

- In **December 2022**, Pirelli was confirmed, for the fifth consecutive year, as a global leader in the fight against climate change, achieving a place in the 2022 Climate A list drawn up by CDP, the international non-profit organisation that collects, disseminates and promotes information on environmental issues.

SIGNIFICANT EVENTS THAT OCCURRED AFTER THE CLOSURE OF THE FINANCIAL YEAR

The most significant events that occurred after the close of the financial year are detailed in the Directors' Report on Operations and the Financial Statements.

Note in particular that:

- On **11 January 2023**, Pirelli placed its first sustainability-linked bond with institutional investors for a total nominal amount of 600 million euros. The transaction, which took place under the EMTN (Euro Medium Term Note) Programme approved by the Board of Directors on 23 February 2022, offers an actual yield to maturity of 4.317% (145 basis points above the mid swap) and allows the debt structure to be optimised, extending maturities and diversifying sources. The securities are listed on the Luxembourg Stock Exchange.

- On **7 February 2023**, Pirelli was confirmed among the best companies globally in terms of sustainability, achieving the "Top 1%" title, the highest recognition in the 2023 Sustainability Yearbook published by S&P Global.

- On **14 February 2023**, Pirelli announced that it had received the resignation of Bai Xinping from the position of Director of the Company, effective 22 February 2023. On **22 February 2023**, the Board of Directors co-opted Wang Feng and appointed him as a member of the Remuneration Committee, the Appointments and Succession Committee and the Strategies Committee. Wang Feng - named by the Board of Directors as a non-executive director - will remain in office until the next shareholders' meeting; he does not meet the independence requirements established by law and by the Corporate Governance Code.

- On **22 February 2023**, Pirelli announced that the shareholder CNRC would submit the notification required pursuant to Decree Law 21/2012 (Golden Power Regulation) in relation to the renewal of the shareholders' agreement signed on 16 May 2022 by, among others, CNRC, Marco Polo International S.r.l., Camfin S.p.A. and Marco Tronchetti Provera & C. S.p.A., which will come into force when the Shareholders' Meeting is convened for the approval of the financial statements at 31 December 2022.

UNUSUAL OR EXCEPTIONAL TRANSACTIONS

We are unaware of any atypical or unusual transactions during the year, as defined by Consob in Decision DEM/6064293 of 28 July 2006.

INTRAGROUP OR RELATED PARTY TRANSACTIONS

Pursuant to article 2391-*bis* of the Italian Civil Code and Consob resolution 17221 of 12 March 2010 on the "Regulation of related-party transactions", as subsequently updated and amended ("**Consob Regulation**"), the Board of Directors approved the “Procedure for related-party transactions” (“**RPT Procedure**”), subject to the favourable opinion of the Related-Party Transactions Committee (“**RPT Committee**”). The RPT Procedure was updated during the year ("**Amendments to the RPT Procedure**") in order to take into account the new organisational structure which provides for the role of the Chief Financial Officer to be superseded.

In this context, the Board of Statutory Auditors, in accordance with the supervisory tasks required by current legislation, expressed its favourable opinion on the RPT Committee’s proposal to the Board of Directors regarding the Amendments to the RPT Procedure and monitored the compliance of the RPT Procedure with the principles set out in the Consob Regulation. Pursuant to article 4, paragraph 6, of the Consob Regulation, it should be noted that the RPT Procedure adopted by the Company and currently in force is coherent with the principles contained in said Regulation, and is published on the Company's website (www.pirelli.com).

During the financial year 2022, transactions were carried out with related parties, both companies within the Pirelli Group and outside the Pirelli Group.

The transactions with Group companies, the effects of which are reported in the Financial Statements, are ordinary in that they are essentially made up of the reciprocal provision of services (technical, organisational, general) provided by the headquarters to the subsidiaries and of royalties charged for the use of patents to the Group companies that benefit from them. They were regulated applying normal conditions determined using standard parameters that reflect the actual use made of the services, and were carried out in the interests of the Company, since they were aimed at rationalising the use of the Group's resources.

The Board of Statutory attended the meetings of the RPT Committee during which the Committee expressed a favourable opinion of some related party transactions of "lesser importance", after having considered the interest of the Company in the completion of the transaction and the expediency and substantial correctness of their conditions. Regarding such transactions, we have always expressed the view that they were in the interests of the Company.

The Board of Statutory Auditors received periodic communications from the Company regarding related-party transactions not examined by the RPT Committee, noting that they were of an ordinary nature (i.e. they were part of normal business operations or related financial activities) and/or concluded at market equivalent or standard terms and/or intragroup and were in the interest of the Company.

The effects of the aforementioned transactions for the 2022 financial year are fully reflected in the Financial Statements.

The Board of Statutory Auditors monitored compliance with the RPT Procedure and the correctness of the process followed by the Board of Directors and the relevant RPT Committee regarding the qualification of related parties and we have nothing to report.

The transactions with related parties are detailed in the notes to the Company's Financial Statements, including information on the consequent effects on the Income Statement and the Statement of Financial Position. The Board of Statutory Auditors deems the information on transactions with related parties provided in the Financial Statements to be adequate.

IMPAIRMENT TEST PROCEDURE

The Board of Directors, as provided for in the joint Banca d'Italia/Consob/ISVAP document of 3 March 2010, independently, and before the approval of the related periodic financial report by the Board of Directors, resolved that the impairment test procedure complied with the prescriptions of international accounting standard IAS 36, after said procedure had been approved by the Audit, Risks, Sustainability and Corporate Governance Committee and the Board of Statutory Auditors; this occurred, in particular, in the meetings:

(i) of 22 July 2022, therefore autonomously and prior to the meeting of 4 August 2022 for the approval of the half-yearly financial report at 30 June 2022, due to the new post-war context in Ukraine and the decrease in the stock market capitalisation at 30 June 2022 to below shareholders' equity;

(ii) of 22 February 2023, therefore, independently and prior to the meeting of 5 April 2023 for the approval of the draft Financial Statements at 31 December 2022.

In both cases, the Company carried out an impairment test on the goodwill allocated to the group of Consumer Business cash generating units and to the Pirelli brand with the assistance of a highly qualified independent expert.

Information on the assessment process conducted with the assistance of the aforesaid expert, and on its outcomes, is provided in the explanatory notes to the Financial Statements.

The Board of Statutory Auditors deems the procedure adopted by the Company for the preparation of the Financial Statements as at 31 December 2022 adequate and the related information comprehensive.

SUPERVISORY ACTIVITY PURSUANT TO LEGISLATIVE DECREE 39/2010 "EXTERNAL AUDITORS"

The Board of Statutory Auditors, also in collaboration with the Audit, Risks, Sustainability and Corporate Governance Committee and pursuant to changes to the regulations introduced by legislative decree no. 135 of 17 July 2016, supervised:

- the financial reporting process;
- the effectiveness of the internal control, internal audit and risk management systems;
- the external audit of the annual and consolidated accounts;

- the independence of the external auditor, in particular with regard to the provision of non-auditing services;

- the results of the external audit with specific reference to the additional report pursuant to

  article 11 of European Regulation 537/2014.

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SUPERVISING THE FINANCIAL REPORTING PROCESS

The Board of Statutory Auditors, having verified that there are adequate rules and processes

governing the "formulation" and "dissemination" of financial information, considers that the financial reporting information process is adequate, and believes that there are no issues to raise with the Shareholders' Meeting in this regard.

In addition to the annual and half-year reports, the Company voluntarily publishes the additional periodic financial information specified in article 82-ter of Consob Regulation 11971/99 ("interim reports on operations") for the periods that end on 31 March and 30 September each year.

In relation to the single electronic reporting format for annual financial reports (so-called ESEF), in line with the provisions of Directive 2013/50/EU, amending Directive 2004/109/EC, and Delegated Regulation (EU) 2019/815, the Integrated Financial Statements as at 31 December 2022 have been prepared in accordance with the ESEF format.

In compliance with the provisions of the regulatory legislation, the Company has drawn up the Integrated Financial Statements in XHTML format (European Single Electronic Format - ESEF). The items of the consolidated financial statements and the notes to the consolidated financial statements have been tagged in accordance with the taxonomy provided by Delegated Regulation (EU) 2019/815. The Company has used the ESEF XBRL 2021 taxonomy as a reference taxonomy for these Integrated Financial Statements, which are therefore to be considered ESEF compliant.

SUPERVISING THE NON-FINANCIAL REPORTING PROCESS

The Board of Statutory Auditors has monitored compliance with the provisions contained in legislative decree no. 254 of 30 December 2016 with reference to the non-financial declaration (the "**NFD**"), also verifying that there are adequate rules and processes governing the process of "formulating" and "disseminating" non-financial information, and considers that the non-financial reporting information process is adequate, and believes that there are no issues to raise with the Shareholders' Meeting in this regard.

In particular, the Board of Statutory Auditors acknowledged that the Company has adopted a structured system to monitor the content of the NFD which includes: (i) a dedicated operating procedure to ensure adequate reporting of information of a non-financial nature; (ii) a control system to ensure greater assurance that the principal non-financial information is reported correctly; (iii) checks of the data of a non-financial nature in the NFD, after appropriate highlighting and verification; (iv) signature of a letter of attestation by the senior management on the non-financial data included in the paragraphs on this subject in the NFD.

The Company did not avail itself of its right pursuant to article 3, paragraph 8 of legislative decree no 254 of 30 December 2016 to omit information concerning imminent developments and transactions being negotiated.

SUPERVISING THE EFFECTIVENESS OF THE INTERNAL CONTROL, INTERNAL AUDIT AND RISK MANAGEMENT SYSTEMS, AND THE EXTERNAL AUDIT OF THE ANNUAL SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS

The Board of Statutory Auditors, also in collaboration with the Audit, Risks, Sustainability and Corporate Governance Committee, met with the Head of Internal Audit once every quarter. At those meetings, information was provided on the results of the audits designed to ascertain the adequacy and operational effectiveness of the Internal Control System, compliance with the laws and the business procedures and processes, as well as on the implementation of the related improvement plans. The Board of Statutory Auditors confirmed the efficiency and adequacy of the internal control system and also received the Audit Plan for the financial year, its final results and the risk analysis, expressing a favourable opinion of their approval by the Board, where requested. During the meetings it was also constantly updated about the application of the "Whistleblowing" procedure in the Pirelli Group.

Furthermore, every six months it received the reports of the Audit, Risks, Sustainability and Corporate Governance Committee and the Supervisory Body on the activities they had undertaken.

In light of the changes to the organisational structure, the Board of Statutory Auditors was able to verify the appropriateness of the procedure adopted to appoint the new Manager Responsible, therefore expressing its favourable opinion, after assessing that the requirements of the Bylaws were met, on the appointment of Mr Fabio Bocchio as the new Manager Responsible. The Board of Statutory Auditors also took note of the report made by the Manager Responsible who, when the draft financial statements were being approved, confirmed the adequacy and appropriateness of the powers and resources conferred on him by the Board of Directors, and also confirmed that he had been given direct access to all the information necessary to produce accounting data, without needing to obtain any authorisation. The Board of Statutory Auditors also acknowledged that the Manager Responsible had reported that he had participated in the development of internal flows of information for accounting purposes and had approved all corporate procedures which impacted the Company’s profitability, financial position and/or assets and liabilities.

The Board of Statutory Auditors confirmed that at present there is no need for measures to guarantee the effectiveness and impartiality of the corporate departments involved in the internal control and risk management system and, specifically, other than the Internal Audit department (mentioned above), the Compliance and Rules department, the Tax Risk Officer, the Enterprise Risk Management and the Information Security.

Accordingly, the Board of Statutory Auditors expresses a positive opinion of the adequacy of the internal control and risk governance system as a whole, and has no issues to raise with the Shareholders' Meeting in this regard.

The Board of Statutory Auditors also met with the external auditor at least once every quarter. No fundamental issues or significant shortcomings in the internal control system related to the financial reporting process arose in these meetings, also with regard to the provisions set out in article 19, paragraph 3 of legislative decree no. 39 of 27 January 2010.

In particular, it should be noted that the Board of Statutory Auditors found that the controls specified in law 262/2005 on the Financial Statements evidenced that the administrative-accounting procedures had been applied correctly. The prescribed controls on the application of the control framework for the NFD evidenced that the internal procedures had also been applied correctly.

The Board of Statutory Auditors assessed the updates received on the activities carried out by the Information Security office following the launch of the Transformation Program in this area and the initiatives undertaken to manage any cyber security risks.

The Board of Statutory Auditors considered that no "significant shortcomings" in the internal control system for the financial reporting process and the NFD emerged in the letters of recommendations to the management drafted by the external auditor.

The firm appointed to undertake the external audit of the accounts of the Company is PricewaterhouseCoopers S.p.A. ("**PWC**"). The appointment as external auditor of the accounts was made by the Shareholders' Meeting, on the reasoned proposal of the control body, in its meeting on 1 August 2017, for the nine year period 2017/2025, pursuant to the applicable provisions for listed companies (the appointment was effective from 4 October 2017, the date Pirelli's shares were admitted to trading). PWC was also appointed as external auditor of the accounts of the principal Pirelli Group companies in Italy and abroad.

Pursuant to article 14 of legislative decree no. 39 of 27 January 2010, and article 10 of Regulation (EU) 537/2014, on 6 April 2023 PWC issued its Reports on the separate and consolidated financial statements as at 31 December 2022. On the same date, the auditing firm issued its Additional report for the internal control and audit committee, drafted pursuant to article 11 of Regulation (EU) 537/2014. On the same date, PWC issued its Report on the consolidated non-financial disclosure pursuant to article 3, paragraph 10 of legislative decree no. 254 of 30 December 2016.

The texts of the aforementioned reports – drafted in accordance with the applicable legal provisions – do not contain any elements to bring to the attention of the Shareholders' Meeting.

SUPERVISING THE INDEPENDENCE OF THE EXTERNAL AUDITOR, IN PARTICULAR WITH REGARD TO THE PROVISION OF NON-AUDITING SERVICES

The Board of Statutory Auditors monitored the independence of the external auditor and in particular received periodic evidence of non-audit work assigned to PWC, also by virtue of specific regulatory provisions.

Regarding the independence of the external auditor, a structured procedure has been issued at Group level. In line with the provisions of legislative decree no. 39 of 27 January 2010, this sets out that no Pirelli Group company may assign tasks other than the external audit of the accounts to companies that are members of the network of the appointed external auditor without the prior express authorisation of the Board of Statutory Auditors, which, with the help of the relevant corporate structures, has the responsibility of checking that the proposed assignment is not listed as not permitted by article 5 of Regulation (EU) no. 537/2014, and that in any event, given its characteristics (considering the payment planned, the nature of the service and the reasons for the assignment), said assignment complies with the principles of independence of the external auditor and has no impact on the independence of the external auditor.

In a letter dated 6 April 2023, PWC confirmed its independence pursuant to article 6, paragraph 2) of Regulation EU 537/2014 and paragraph 17, letter a) of International Audit Standard (IAS) 260.

During the 2022 financial year, PWC and its network carried out the activities summarised below for the Group. These activities were the object of assignments approved by the Board of Statutory Auditors where they do not relate to tasks assigned before the Company was listed:

2022 EXTERNAL AUDITOR FEES

(in thousands of euro)	**Company that provided the service**	**Company that received the service**	**Partial fees**	**Total fees**	
Independent auditing services	PricewaterhouseCoopers S.p.A.	Pirelli & C. S.p.A.	89		
	PricewaterhouseCoopers S.p.A.	Subsidiaries	1.500		
	Network PricewaterhouseCoopers	Subsidiaries	1.457	**3.046**	*85%*
Independent certification services (1)	PricewaterhouseCoopers S.p.A.	Pirelli & C. S.p.A.	212		
	PricewaterhouseCoopers S.p.A.	Subsidiaries	152		
	Network PricewaterhouseCoopers	Subsidiaries	33	**397**	*11%*
Independent services other than auditing	PricewaterhouseCoopers S.p.A.	Pirelli & C. S.p.A.	140		
	PricewaterhouseCoopers S.p.A.	Subsidiaries	-		
	Network PricewaterhouseCoopers	Subsidiaries	-	**140**	*4%*
				3.583	100%

(1) the item "Independent certification services" indicates the amounts paid for other services that require the issuance of an auditor's report, as well as the amounts paid for the so-called certification services, as they are concomitant with the statutory auditing services

The Board of Statutory Auditors considers the fees mentioned above to be adequate to the size, complexity and characteristics of the work carried out, and also considers that the non-audit assignments (and their fees) are not such as to have an impact on the independence of the external auditor.

In this latter regard, it should be noted that the Board of Directors, after having obtained the assessment of the Audit, Risks, Sustainability and Corporate Governance Committee, was in agreement with the Statutory Auditors' opinion.

We would like to remind you that pursuant to Regulation (EU) no. 537/2014, the Board of Statutory Auditors, as the Internal Control and Audit Committee, is required to monitor the assignments other than auditing attributed to the external auditor in order to comply with the limit of 70% of the average fees paid in the last three financial years for the external audit. The Company has launched a procedure to comply with the aforementioned standard.

The Board of Statutory Auditors notes:

- that it assessed the adequacy of these procedures which are adequate to allow the Board of Statutory Auditors to understand the reasons for the proposal to assign a service other than an external audit and to possess all the data required to carry out the assessments;

- that it shared with the auditing firm the methodological system used for the calculation and periodic update of the aforementioned fee cap and payments made to the auditing firm for non-audit tasks carried out, and that said methodological system is deemed adequate for the purpose of monitoring compliance with the independence requirements of the auditing firm itself, and

- that the remuneration received by PWC during 2022 for services other than external auditing do not exceed 70% of the average remuneration for the external audit carried out at Pirelli and received in the three-year period 2019-2021.

ORGANISATIONAL STRUCTURE

The Board of Statutory Auditors considered the Company's organisational structure to be adequate for the needs of the Company and appropriate to ensure that the principles of correct administration are respected.

The Report on the Corporate Governance and Share Ownership describes in detail the types of powers conferred on the Executive Vice Chairman and Chief Executive Officer Marco Tronchetti Provera and the Deputy-CEO and indicates the matters reserved to the competence of the Board of Directors of Pirelli.

It should be noted that on 5 April 2023 the Board of Directors confirmed its preceding assessments regarding the absence of a subject that exercises direction and coordination of the Company pursuant to article 2497 of the Italian Civil Code, without prejudice to the right of the parent company to include Pirelli within its own consolidation perimeter for accounting purposes.

It is useful to note that Pirelli exercises direction and coordination activity on numerous subsidiaries, having made the communications required by article 2497-*bis* of the Italian Civil Code. The Company imparted instructions to the subsidiaries regarding compliance with the provisions pursuant to article 114 of the TUF that Board of Statutory Auditors deems adequate.

REMUNERATION OF THE DIRECTORS, GENERAL MANAGER AND KEY MANAGERS WITH STRATEGIC RESPONSIBILITIES

During 2022, the Board of Statutory Auditors has expressed the opinions required by law regarding proposals for the remuneration of directors holding special offices, pursuant to the provisions of article 2389 of the Italian Civil Code.

In particular, the Board of Statutory Auditors:

- at the Board of Directors' meeting of 23 February 2022, it expressed its favourable opinion on the approval of the 2022 STI Plan;

- at the Board of Directors' meeting of 17 March 2022, it expressed its favourable opinion on the approval of the 2022-2024 LTI Plan and the approval of the 2022 remuneration report (made up of the 2022 Policy and the Report on Compensation Paid in 2021), as well as the related Directors' Reports to the Shareholders' Meeting on compensation.

In addition, following the close of the 2022 financial year, the Board of Statutory Auditors:

- at the Board of Directors' meeting of 22 February 2023, expressed its favourable opinion on the approval of the 2023 STI Plan;

- at the Board of Directors' meeting of 5 April 2023, expressed its favourable opinion on the approval of the 2022-2024 LTI Plan and the approval of the 2023 remuneration report (made up of the 2023 Policy and the Report on Compensation Paid in 2022), as well as the related Directors' Reports to the Shareholders' Meeting on compensation.

For more details see the Report on the Remuneration Policy and on Compensation Paid.

FURTHER ACTIVITIES OF THE BOARD OF STATUTORY AUDITORS AND INFORMATION REQUIRED BY CONSOB

In exercising its duties, the Board of Statutory Auditors, as prescribed in article 149 of the TUF, monitored:

- observance of the law and the deed of incorporation;

- compliance with the principles of correct administration;

- the adequacy, for those aspects within its remit, of the organisational structure of the Company, the internal control system and the administrative-accounting system, and of the reliability of the latter to correctly represent operations;

- as already pointed out, how the corporate governance rules contained in the codes of conduct which the Company, in a notice to the public, declares that it complies with are actually implemented. In this respect, it should be noted that, pursuant to article 123-bis of the TUF, the Company has, also for the 2022 financial year, drafted its annual Report on the Corporate Governance and Share Ownership which provides information on (i) the corporate governance practices actually applied by the Company, over and above the obligations specified in the legal or regulatory provisions, (ii) the principal features of the risk and internal control systems that exist in relation to the financial reporting process, including the consolidate financial reports, (iii) how the Shareholders' Meeting functions, including its principal powers and shareholders' rights and how they are exercised, (iv) the composition and operation of the administration and control bodies and their committees, and the other information specified in article 123-bis of the TUF;

- the adequacy of the instructions imparted by the Company to its subsidiaries pursuant to article 114, paragraph 2 of the TUF, having ascertained that the Company is able to promptly and regularly fulfil the disclosure obligations set out in law and in the EU regulations, as prescribed in the aforementioned article, also by collecting information from the heads of the organisational departments, and periodic meetings with the external auditor, to exchange significant data and information. In this regard, we have no particular comments to make.

It should also be noted that the Directors' Report on Operations includes a paragraph containing a description of the principal features of the internal control and risk management system in relation to the financial reporting process, including the reporting of consolidated financial information.

The Board of Statutory Auditors notes:

- that the Directors' Report on Operations complies with the current laws, reflecting the resolutions made by the administrative body and the results in the Financial Statements, and contains adequate information on operations during the year and on intra-group transactions. The section containing the report on transactions with related parties has been included in the explanatory notes to the Financial Statements, in compliance with the IFRS standards;

- that the explanatory notes comply with the current standards indicating the criteria used in determining the items of the Financial Statements and in the value adjustments, and that the Financial Statements have been drafted in accordance with the structure and frameworks imposed by the current standards. In application of Consob's provisions, the effects of relations with related parties on the Company's profitability, financial position, assets and liabilities and cash flows;

- that Directors and/or Senior Managers of the Parent Company are members of the Boards of Directors of the principal subsidiary companies to guarantee coordinated direction and an adequate flow of information, also supported by suitable accounting information.

It should also be noted that the Board of Statutory Auditors:

- received information from the Directors at least once every quarter concerning their activity and the transactions carried out by the Company having the greatest impact on its strategy, earnings, financial position and equity, and that it received this information in compliance with the specific procedure approved by the Board of Directors. The Board of Statutory Auditors can give reasonable assurance that the resolved and executed transactions comply with the law and the Bylaws, and are not manifestly imprudent, reckless or in conflict of interest, or in violation of the resolutions passed by the Shareholders' Meeting, or capable of compromising the integrity of the company's assets;

- received from the Supervisory Body, of which Standing Auditor Ms. Antonella Carù is a member, information about the results of its own control activity, which did not reveal anomalies or misconduct;

- held periodic meetings with representatives of the external auditor in order to exchange significant data and information for the performance of its duties, as prescribed in article 2409-*septies* of the Italian Civil Code and in article 150, paragraph 3 of the TUF. In this regard, it should be noted that no significant data and information were identified which would require a mention in this Report;

- obtained information from the corresponding bodies of the main subsidiaries with regard to their management and control systems and their general operating performance (pursuant to paragraph 1 and 2 of article 151 of the TUF);

- expressed a favourable opinion on the appointment - to replace Mr Giorgio Luca Bruno - of Mr Fabio Bocchio as the Manager Responsible following the organisational structure streamlining process, as resolved by the Board of Directors on 3 November 2022;

- issued a favourable opinion pursuant to article 2386 of the Italian Civil Code on the appointment by co-optation (i) of Director Yang Shihao, which took place on 10 May 2022; (ii) of the Chairman of the Board of Directors Li Fanrong, which took place on 11 October 2022 and most recently (iii) of Director Wang Feng, which took place on 22 February 2023;

- received the annual report from the Company's Data Protection Officer which showed the Company is fully compliant with privacy legislation;

- took part in the meetings of the Related-Party Transactions Committee during which opinions were expressed on the performance of Related-Party Transactions, meeting the requirements set out in the relevant Consob Regulation and the procedure adopted by the Company in particular:

  (i) it supervised compliance with the aforesaid procedure and with the provisions of laws and regulations on related-party transactions and the correctness of the process followed by the Board and the relevant Committee on the subject of defining related parties and had no comments to make in this respect; (ii) it periodically received detailed information from the Company on transactions carried out with related parties that were "not intragroup" and (iii) it made a positive assessment of the compliance of minor transactions examined by the Related-Party Transactions Committee with the interests of the Company;

- approved the content of the amendments to the RPT Procedure, approved by the Board of Directors to take into account the changes made to the organisational structure.

During the 2022 financial year the Board of Statutory Auditors did not receive any complaints or reports pursuant to article 2408 of the Italian Civil Code.

The Board of Statutory Auditors acknowledges that two requests for information were received from

Consob pursuant to article 115, paragraph 1, letter a) of Legislative Decree No. 58/98, addressed, respectively, to the Company and to the Board of Statutory Auditors, which were answered within the required terms. No further requests for clarification and/or additional documents were received from Consob.

With regard to the external auditor, the Board of Statutory Auditors noted that PWC:

- issued its report pursuant to article 14 of legislative decree no. 39/ of 27 January 2010 and article no. 10 of Regulation (EU) 537/2014 on 6 April 2023. This containing its unqualified opinion stating that the separate and consolidated financial statements provide a truthful and accurate representation of the equity and financial position of Pirelli and of the Group as at 31 December 2022, and of the economic results and cash flow for the financial year that closed on that date, in compliance with applicable accounting standards, and provided evidence of key aspects of their audit;

- issued a coherence opinion indicating that the Report on Operations accompanying the Financial Statements as at 31 December 2022, and some specific information contained in the Report on the Corporate Governance and Share Ownership, as laid down in article 123-*bis*, paragraph 4, of the TUF have been drafted in compliance with current legislation;

- as regards possible significant errors in the Report on Operations, stated that, based on the knowledge and understanding of the company and its market that it had acquired in the course of the audit activities, it had no matters to raise;

- confirmed the Company's statement regarding the fact that no other assignments have been given to persons or entities with on-going relationships with the external auditor itself;

- issued a judgement on compliance with the provisions of Delegated Regulation (EU) 815/2019, which shows that the Financial Statements were prepared in XHTML format and that the Consolidated Financial Statements were tagged in compliance with the provisions of the Regulation;

- on 6 April 2023, provided the Board of Statutory Auditors with the Additional Report referred to in article 11 of regulation EU 537/2014, indicating that there were no significant shortcomings in the internal control system in relation to the financial reporting process that needed to be brought to the attention of persons responsible for "governance" activities;

- on 6 April 2023, pursuant to article 3, paragraph 10 of legislative decree no. 254 of 30 December 2016, issued the Report on responsible management of the value chain (consolidated non-financial disclosure pursuant to legislative decree no. 254, of 30 December 2016), concluding that no elements had come to PWC's attention that led it to believe that the group's NFD for the year to 31 December 2022 had not been drawn up, in all significant aspects, in accordance with the requirements set out in legislative decree 254/2016 and the GRI Standards;

- annexed to the Additional report, the external auditor provided the Board of Statutory Auditors, pursuant to article 6 of Regulation EU 537/2014, with a statement from which no situations emerge that could compromise the independence of the external auditor (for more details concerning the provision of non-auditing services, see the paragraph entitled “supervising the independence of the external auditor, in particular with regard to the provision of non-auditing services” in this Report).

The Board of Statutory Auditors also took note of the Transparency Report drafted by the external auditor and published on its web site, pursuant to article 18 of legislative decree 39/2010.

Furthermore, with regard to the corporate bodies, the Board of Statutory Auditors noted that the current Board of Directors – the mandate of which will expire with the Shareholders' Meeting called to approve the Financial Statements for the year – as of the date of the Report is composed of 15 Directors, 13 of whom qualified as non-executive directors and, of these, 8 deemed to possess the requirements of independence specified in the Corporate Governance Code and the TUF.

The whole Board of Statutory Auditors is entitled to participate in the activities of the Audit, Risks, Sustainability and Corporate Governance Committee, the Remuneration Committee and the Related-Party Transactions Committee; the Chairman is invited to attend meetings of the Appointments and Succession Committee and Strategies Committee, as representative. The Board of Statutory Auditors is also entitled to attend the Shareholders' Meeting.

At the date of the Report:

- the Audit, Risk, Sustainability and Corporate Governance Committee is composed of five Directors, the majority of whom are independent (the Chairman is an independent Director). During 2022, it met six times;
- the Remuneration Committee is composed of five Directors, the majority of whom are independent (the Chairman is an independent Director). During 2022, it met three times;
- the Related-Party Transactions Committee is composed of three Directors, all independent. During 2022, it met four times;
- the Appointments and Succession Committee is composed of four Directors, one of whom is the executive Director. It did not meet during 2022;
- the Strategies Committee is composed of eight Directors, including the Executive Director, the Deputy-CEO and three independent Directors. It did not meet during 2022.

The Board of Statutory Auditors attended eight meetings of the Board of Directors and, also through its Chairman, the meetings of the board Committees, also in its capacity as Internal Control and Audit Committee pursuant to article 19 of legislative decree no. 39 of 27 January 2010. In particular, the Board of Statutory Auditors attended six meetings of the Risk and Corporate Governance Committee, three meetings of the Remuneration Committee, four meetings of the Related-Party Transactions Committee and one Shareholders' Meeting.

In addition, the Board of Statutory Auditors attended the induction sessions organised by the Company.

The percentage attendance figures of the single members of the Board of Statutory Auditors at the meetings of the above bodies are provided in the Report on the Corporate Governance and Share Ownership.

Finally, the Statutory Auditors acknowledge:

- that they have monitored fulfilment of the requirements linked to the "Market Abuse" and "Investor Protection" regulations on the subject of corporate information and internal dealing, with particular reference to the handling of inside information and the procedure for the dissemination of press releases and information to the public;

- that they periodically ascertained, from their appointment and most recently in their meeting on 16 March 2023, as recommended by the Corporate Governance Code, that members fulfil the same independence requirements - where applicable - as those required of directors in the aforementioned Codes of Conduct. The composition of the Board of Statutory Auditors is adequate to ensure the independence and professionalism of its function in every respect - as also emerged from the outcome of the last self-assessment undergone by the Board of Statutory Auditors;

- that they have found that the criteria and procedures to ascertain the independence requirements adopted by the Board of Directors to annually check the independence of its members are correctly applied, and have no comments to make on this point;

- that they have determined that the Directors' report on the Company's Financial Statements describes the principle risks and uncertainties to which the Company is exposed;

- that, with reference to the provisions of article 15 of Consob Regulation 20249 of 28 December 2017 concerning market discipline, they have ascertained that the organisation of the company and the procedures adopted enable Pirelli to ensure that the companies it controls and which are constituted in and regulated by the laws of States that are not members of the European Union subject to respecting the aforementioned Consob provisions, have administrative-accounting systems appropriate to regularly provide the senior management and external auditor of the Company with the information on its profitability, financial position and assets and liabilities needed to draw up the consolidated financial statements. The subsidiaries set up in and regulated by the laws of States that are not members of the European Union which, as of 31 December 2022, are of significant importance under article 15 of Consob Market Regulation are listed in detail by the Company in the Report on Operations.

During the course of its supervisory activities, and on the basis of the information obtained

from the external auditor, no omissions, misconduct, irregularities or significant facts were found

which are worthy of being reported or mentioned in this Report.

The activities described above, conducted both collectively and individually, have been documented in the minutes of the 11 meetings of the Board of Statutory Auditors held during 2022.

BOARD OF STATUTORY AUDITORS SELF-ASSESSMENT PROCESS

In 2022, the Board of Statutory Auditors – in continuity with the previous financial year and as recommended by the Standards of Conduct – conducted a self-assessment with the assistance of an independent consulting firm.

This process was carried out through individual interviews, based on a questionnaire containing questions on the suitability, size, composition and operation of the Board of Statutory Auditors in order to attest that the body is operating correctly and effectively and that its composition is adequate and the related outcomes were discussed and agreed upon by the Board of Statutory Auditors during a dedicated meeting held on 16 March 2023.

The Board of Statutory Auditors reports that the self-assessment for 2022 confirmed the broadly positive picture seen in the previous financial year and previous terms on the composition and operation of the Board of Statutory Auditors. It is acknowledged that the Company has put the Board of Statutory Auditors in a position to keep abreast of the business and dynamics of the Group, guaranteeing the efficient performance of its work.

BOARD OF DIRECTORS SELF-ASSESSMENT PROCESS

The Board of Statutory Auditors notes that the Board of Directors carried out the process to evaluate its operation and the operation of its Committees (board performance evaluation) for the 2022 financial year.

PROPOSALS TO THE SHAREHOLDERS' MEETING

Financial Statements at 31 December 2022

The Board of Statutory Auditors expresses its favourable opinion on the approval of the Financial Statements for the year ending on 31 December 2022 and has no objections to raise regarding the proposal made

a) to approve the Company's Financial Statements for the year ended 31 December 2022, as presented by the Board of Directors as a whole, in the individual entries and with the proposed provisions, showing a profit of 252,485,607.00 euros;

b) to distribute to shareholders a dividend, gross of withholding taxes, of 0.218 euros for each of the 1,000,000,000 outstanding ordinary shares, for a total of 218,000,000 euros;

c) to carry forward the remaining profits, amounting to 34,485,607.00 euros;

d) to authorise the Directors to allocate to profits carried forward the balance of the rounding that may be determined at the time of payment of the dividend;

e) to establish, for the case in which, before the ex-dividend date, the number of outstanding ordinary shares changes following the bond conversion of the equity-linked bond named "EUR 500 million Senior Unsecured Guaranteed Equity-linked Bonds due 2025", that the abovementioned dividend unit remains unchanged and that the amount required for the distribution of any new shares is taken from the item "Reserve retained earnings".

Remuneration policy and compensation paid

Please note that the Board of Statutory Auditors expressed a favourable opinion of the Remuneration Policy for the 2023 financial year subject to the binding vote of the Shareholders' Meeting and the Report on Compensation Paid in the 2022 financial year, subject to the advisory vote of the Shareholders' Meeting. Therefore, it has no objections.

Three-year monetary incentive plan for the Pirelli group's management

We inform you that the Board of Statutory Auditors has expressed a favourable opinion, to the extent of its competence, on the adoption of the new 2023-2025 LTI plan and has no objections.

Other issues submitted to the shareholders' meeting for approval

Regarding the other issues submitted to you for approval (appointment of the Board of Directors and "Directors and Officers Liability Insurance" Policy), the Board of Statutory Auditors has no comments to make.

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Pursuant to article 144-*quinquiesdecies* of the Issuers' Regulation, duly approved by Consob with resolution 11971/99, as subsequently amended and supplemented, the list of offices held by members of the Board of Statutory Auditors in the companies listed in Book V, Title V, Chapters V, VI and VII of the Italian Civil Code is published by Consob on its website (www.consob.it).

It should be noted that article 144-*quaterdecies* (Consob reporting obligations) of the Issuers' Regulation establishes that a person who is a member of the controlling body of just one issuer is not subject to the reporting obligations provided by said article, and therefore, in that case, they do not appear in the lists published by Consob.

The Company lists the main positions held by the members of the Board of Statutory Auditors in its Report on the Corporate Governance and Share Ownership.

The Board of Statutory Auditors here acknowledges that all its members were in full compliance of the aforementioned regulatory provisions laid down by Consob governing the "maximum number of positions to be held".

Milan, 6 April 2023

For the Board of Statutory Auditors

The Chairman, Mr Riccardo Foglia Taverna