Pirelli & C. S.p.A. Separate Financial Statements at December 31, 2021

STATEMENT OF FINANCIAL POSITION

(in euro)

	Note	12/31/2021		12/31/2020	
			of which related parties (Note 39)		*of which related parties (Note 39)*
Property, plant and equipment	8	69,988,482		76,326,337	
Intangible assets	9	2,276,388,200		2,273,753,812	
Investments in subsidiaries	10	4,632,419,637		4,633,665,637	
Investments in associates	11	6,374,501		6,374,501	
Other financial assets at fair value through other comprehensive income	12	54,817,356		41,073,518	
Other receivables	13	2,000,566,023	*2,000,000,000*	2,000,575,034	*2,000,000,000*
Derivative financial instruments	17	4,382,882		-	
Non-current assets		**9,044,937,082**		**9,031,768,839**	
Trade receivables	14	40,115,549	*39,313,992*	80,567,655	*76,654,853*
Other receivables	13	792,729,529	*781,788,854*	1,166,741,332	*1,154,822,631*
Cash and cash equivalents	15	40,217		1,741,849	
Tax receivables	16	65,074,474	*64,524,862*	32,675,745	*31,368,963*
Derivative financial instruments	17	5,132,143	*5,132,143*	2,894,124	*2,894,124*
Current assets		**903,091,911**		**1,284,620,705**	
Total assets		**9,948,028,993**		**10,316,389,544**	
Shareholders' equity:					
-Share capital		1,904,374,936		1,904,374,936	
- Other reserves		2,187,923,539		2,162,640,657	
- Retained earnings reserve		504,214,886		540,084,129	
- Net income of the year		216,618,625		43,956,054	
Total shareholders' equity	18	**4,813,131,985**		**4,651,055,776**	
Borrowings from banks and other financial institutions	19	3,410,178,031		4,623,295,428	
Other payables	23	821,950	*211,512*	538,238	*211,512*
Provisions for liabilities and charges	20	30,604,390	*22,028,088*	11,105,042	*5,925,871*
Provision for deferred tax liabilities	24	526,016,984		524,338,063	
Employee benefit obligations	21	21,442,451	*3,707,657*	8,463,592	*1,349,130*
Derivative financial instruments	17	3,554,179	*3,554,179*	109,696,906	*109,696,906*
Non-current liabilities		**3,992,617,984**		**5,277,437,269**	
Borrowings from banks and other financial institutions	19	1,070,540,924	*1,186,589*	307,349,886	*2,084,327*
Trade payables	22	18,386,788	*2,854,236*	27,570,277	*3,080,055*
Other payables	23	38,602,730	*15,310,925*	25,312,098	*6,575,851*
Provisions for liabilities and charges	20	509,463		-	
Employee benefit obligations	21	-		2,447,901	*1,697,946*
Tax payables	25	13,565,489	*13,336,607*	11,985,460	*11,756,578*
Derivative financial instruments	17	673,630	*673,630*	13,230,877	*13,230,877*
Current liabilities		**1,142,279,024**		**387,896,499**	
Total Liabilities and Equity		**9,948,028,993**		**10,316,389,544**	

INCOME STATEMENT

(in euro)

	Note	2021		2020	
			of which related parties (Note 39)		*of which related parties (Note 39)*
Revenues from sales and services	27	69,600,631	*69,476,717*	53,485,963	*53,336,756*
Other income	28	107,345,247	*104,371,766*	124,405,233	*111,602,641*
Raw materials and consumables used	29	(213,962)		(228,201)	
Personnel expenses	30	(72,790,903)	*(14,395,169)*	(49,952,080)	*(8,909,020)*
Amortisation, depreciation and impairment	31	(9,362,065)		(9,916,348)	
Other costs	32	(114,063,118)	*(41,247,192)*	(108,667,961)	*(20,456,756)*
Net impairment loss on financial assets	33	(91,749)		(23,024)	
Operating income (loss)		**(19,575,918)**		**9,103,582**	
Net income (loss) from equity investments	34	230,262,609		39,650,001	
- gains on equity investments		-		*1*	
- losses on equity investments		*(1,246,000)*	*(1,246,000)*	*(14,000,000)*	*(14,000,000)*
- dividends		*231,508,609*	*229,311,733*	*53,650,000*	*53,650,000*
Financial income	35	33,642,838	*31,957,128*	68,152,687	*30,994,080*
Financial expenses	36	(79,622,905)	*(2,826,774)*	(104,537,534)	*(34,837,663)*
Net income (loss) before taxes		**164,706,624**		**12,368,736**	
Taxes	37	51,912,001		31,587,318	
Total net income of the year		**216,618,625**		**43,956,054**	

STATEMENT OF COMPREHENSIVE INCOME

(in euro)

		Note	2021	2020
A	**Net income of the year**		**216,618,625**	**43,956,054**
	- Remeasurement of employee benefits	21	(80,709)	(18,491)
	- Tax effect		19,370	4,438
	- Fair value adjustment of other financial assets at fair value through other comprehensive income	12	13,763,515	(16,129,415)
B	**Total items that may not be reclassified to income statement**		**13,702,176**	**(16,143,468)**
	Fair value adjustment of derivatives designated as cash flow hedge:			
	- Gains / (losses) for the year	17	95,022,233	(118,508,558)
	- (Gains) / losses reclassified to income statement	17	(76,129,810)	120,951,632
	- Tax effect		(4,534,181)	(586,338)
	Cost of hedging			
	- Gains / (losses) for the year	17	1,149,212	4,682,676
	- (Gains) / losses reclassified to income statement	17	(4,801,545)	(5,022,200)
	- Tax effect		876,560	81,486
C	**Total items reclassified / that may be reclassified to income statement**		**11,582,469**	**1,598,698**
D	**Total other components of comprehensive income (B+C)**		**25,284,645**	**(14,544,770)**
A+D	**Total comprehensive income / (loss) for the financial year**		**241,903,270**	**29,411,284**

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 12/31/2019	**1.904.374.936**	**380.874.988**	**630.380.599**	**12.466.897**	**92.534.791**	**(3.199.371)**	**1.022.927.715**	**266.842.318**	**273.241.811**	**4.580.444.684**
Result carried forward as per resolution of June 18, 2020	-	-	-	-	-	-	-	273.241.811	(273.241.811)	-
Bond conversion reserve	-	-	-	-	41.199.808	-	-	-	-	41.199.808
Other components of comprehensive income	-	-	-	-	-	(14.544.770)	-	-	-	(14.544.770)
Result for the year	-	-	-	-	-	-	-	-	43.956.054	43.956.054
Total comprehensive income/(loss) for the year	-	-	-	-	-	*(14.544.770)*	-	-	*43.956.054*	*29.411.284*
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**

(in euro)

	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 12/31/2019	**10,637,571**	**4,558,755**	**(25,326,962)**	**1,923,791**	**5,007,474**	**(3,199,371)**
Other components of comprehensive income	(16,129,415)	(339,524)	2,443,074	(18,491)	(500,414)	(14,544,770)
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**

CASH FLOW STATEMENT

(in euro)

		Note	2021	of which related parties (Note 39)	2020	of which related parties (Note 39)
	Net income (loss) before taxes		164,706,624		12,368,736	
	Reversals of amortisation, depreciation, impairment losses	31	9,362,065		9,916,348	
	Reversal of accruals	32	35,195,093		11,834,568	
	Reversal of (Financial income)/financial expenses	36	45,980,067	*(29,130,354)*	36,384,847	*3,843,583*
	Reversal of Dividends	34	(231,508,609)	*(229,311,733)*	(53,650,000)	*(53,650,000)*
	Reversal of (gain)/losses on investments	34	1,246,000	*1,246,000*	13,999,999	*13,999,999*
	Reversal of (Gains)/losses from sales of property,plant and equipment	28	(395)		(7,939,419)	
	Net taxes paid		-		-	
	Change in Trade receivables	14	40,360,358	*37,340,862*	(56,815,726)	*(54,929,831)*
	Change in Trade payables	22	(11,702,230)	*(225,819)*	8,307,914	*(1,690,827)*
	Change in Other receivables	13	(3,050,692)	*923,721*	13,731,447	*247,000*
	Change in Other payables	23	13,574,345	*8,735,075*	(5,745,869)	*(5,517,611)*
	Change in Tax receivables/Tax payables	16	19,133,970	*(31,575,870)*	9,237,046	*9,237,046*
	Use of Provisions for employee benefit obligations	21	(2,981,095)	*(1,697,946)*	(2,119,269)	*(1,099,996)*
	Use of Other provisions	20	(1,663,189)		(38,459,199)	
A	**Net cash flows provided by/(used in) operating activities**		**78,652,311**		**(48,948,576)**	
	Investments in property, plant and equipment	8	(252,277)		(2,671,000)	
	Disposal of property, plant and equipment	8	5,000,395		4,683,035	
	Investments in intangible assets	9	(2,015,819)		(858,351)	
	Reimbursement of other non current financial assets at fair value through other comprehensive income	12	5,142		-	
	Dividends received	34	231,508,609	*229,311,733*	53,650,000	*53,650,000*
B	**Net cash provided/(used) by investment activities**		**234,246,050**		**54,803,684**	
	Change in Financial receivables	13	372,070,333	*372,109,827*	(827,567,175)	*(821,528,964)*
	Financial income	35	27,131,633	*28,107,646*	24,606,201	*24,524,783*
	Change in Borrowings from banks and other financial institutions due to draw down	19	868,549,294		2,427,978,000	
	Change in Borrowings from banks and other financial institutions due to repayments	19	(1,419,656,199)		(1,557,746,749)	
	Dividends paid	18	(79,929,783)		-	
	Financial expenses	36	(75,385,176)	*(3,724,512)*	(67,338,777)	*22,625,758*
	Repayment of principal and payment of interest for lease liabilities	19	(7,380,095)		(5,798,851)	
C	**Net cash provided/(used) by financing activities**		**(314,599,994)**		**(5,867,352)**	
D	**Total net cash generated/(used) in the year (A+B+C)**		**(1,701,632)**		**(12,244)**	
E	**Opening balance of Cash and cash equivalents**		**1,741,849**		**1,754,093**	
F	**Closing balance of Cash and cash equivalents (D+E)**		**40,217**		**1,741,849**	

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.

As from October 4, 2017, Pirelli & C. S.p.A. shares are now traded on the Mercato Telematico Azionario (MTA Telematic Stock Market), managed by Borsa Italiana S.p.A.

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.

There are no entities that exercise management and coordination activities over the Company.

On March 17, 2022, the Board of Directors authorized publication of these Annual Financial Statements ("Annual Financial Statements or Separate Financial Statements").

SIGNIFICANT EVENTS 2021

On **February 25, 2021**, Pirelli communicated the terms of the termination, with effect from February 28, 2021, of the employment relationship with the co-CEO General Manager Angelos Papadimitriou, announced to the market on **January 20, 2021**.

In accordance with the Pirelli Remuneration Policy, Mr. Papadimitriou was attributed by the Board of Directors, in addition to the amounts due by way of remuneration and other employment law services accrued up to the date of termination: (i) 10 months of gross annual remuneration as an incentive to retirement, equal to the value of the expected indemnity in lieu of the notice, based on the conventional seniority attributed at the time of hiring as executive (ii) euro 100,000 gross as a general novative settlement, to be paid once the termination is defined in accordance with the current employment law procedures as well as the maintenance until December 31, 2021 of some non-monetary benefits attributed at the time of hiring as executive. Mr. Papadimitriou will remain bound, for two years following the termination of the office of Director, to a non-competition agreement, valid for the main countries in which Pirelli operates, against a fee, for each year of validity, equal to 100% of the gross annual remuneration, to be paid in 8 deferred quarterly installments starting from July 1, 2021; the non-competition agreement includes a non-solicit clause as well as penalties in the event of violation of the obligations deriving from the non-competition agreement. The termination of the office of director of Angelos Papadimitriou took place **on March 31, 2021**.

On **March 24, 2021,** the shareholders' meeting approved, in an extraordinary session, the convertibility of the equity-linked bond loan referred to as "EUR 500 million Senior Unsecured Guaranteed Equity-linked Bonds due 2025", issued on December 22, 2020. It also approved a divisible share capital increase, with the exclusion of the option right, to service the conversion for a total value, including any share premium, of euro 500 million. On the basis of the initial conversion ratio of the bond of euro 6.235, this increase will correspond to the issue of a maximum of 80,192,461 ordinary shares of Pirelli & C. S.p.A. (it being understood that the maximum number of Pirelli & C. S.p.A. ordinary shares may increase on the basis of the effective conversion ratio applicable from time to time). The holders of the bond have the possibility, on the basis of the Physical Settlement Notice sent by the company on **April 15, 2021**, to exercise, from May 6, 2021, the right to convert the bonds into Pirelli ordinary shares as provided for in the conditions of the bond.

On **March 31, 2021**, the Board of Directors approved the 2021|2022|2025 Business Plan, which was presented to the financial community on the same date. It also approved the financial statements at December 31, 2020, which closed with a consolidated net profit of euro 42.7 million and a net profit of the Parent Company of euro 44 million.

On **June 15, 2021**, the Company's Shareholders' Meeting approved the 2020 financial statements, resolving the distribution of a dividend of euro 0.08 per share, equal to a total dividend of euro 80 million, gross of withholding taxes. The dividend was paid on June 23, 2021 (with ex-dividend date June 21, 2021 and record date June 22, 2021).

On **November 11, 2021,** the Board of Directors approved a syndicated line, which will be finalized in the next few months, for a total of euro 1.6 billion. It will be used to refinance and/or replace the bank lines maturing in June 2022. The transaction will make it possible to optimize the debt profile by extending the maturities.

Furthermore, on the same date, the Board of Directors – subject to the favorable opinion of the Board of Statutory Auditors and verification of the requisites envisaged by the Articles of Association – resolved to appoint Mr. Giorgio Luca Bruno as Chief Reporting Officer, replacing Francesco

Tanzi who, as anticipated to the market, left the company on December 31, 2021.

Mr. Giorgio Luca Bruno holds 500 Pirelli shares.

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, 2021 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 Statement of Comprehensive Income includes the result for the period and, for homogeneous categories, the revenues and costs which, in accordance with IFRS, are recorded directly in equity.

The Company opted for the presentation of the tax effects and reclassifications to the income statement of profits/losses recorded in equity 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 period 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 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 income (loss) 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 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, associate or joint venture 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 specific to the entity, 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 (for example, when the receivables are with the lawyer).

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, 2021

In accordance with IAS 8 "Accounting standards, changes in accounting estimates and errors", the IFRS effective from January 1, 2021 are indicated below:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Interbank Offered Rate - IBOR reform – phase 2)
  Said amendments introduce temporary easing of the operating methods for managing the impacts deriving from the replacement of an interest rate offered on the interbank market (IBOR) with a substantially risk-free alternative rate. In particular, the amendments provide for the following practical expedients:

  - handling contractual changes or changes in cash flows directly required by the reform as changes in a floating market interest rate;
  - introduction of some exemptions relating to the termination of hedging;
  - temporary exemption from the obligation to separately identify a risk component (where such separate component subject to hedging is represented by an alternative interest rate);
  - introduction of some additional disclosures regarding the impacts of the reform.

Said amendments have no impact on the Company's financial statements as the expiry of the potentially impacted instruments is expected to be a date prior to the transition to the new IBOR.

- Amendments to IFRS 16 Leases – reductions in fees related to Covid-19
  Said amendments extend by one year the possibility of applying optional accounting treatment for lessees in the presence of reductions in permanent (rent holidays) or temporary fees related to Covid-19. The amendments were to be applicable until June 30, 2021. However, as the impact of the pandemic continues, said option was extended until June 30, 2022.
  Lessees can choose to account for lease reductions as variable lease payments recorded directly in the income statement for the period in which the reduction applies, or treat them as a modification of the lease contract with the consequent obligation to re-measure the lease payable based on the revised fee using a revised discount rate. The Company expects to apply this optional accounting treatment should the case occur within the permitted application period. There are no impacts on the Company's

financial statements following the extension of this optional accounting treatment.

3.2. INTERNATIONAL ACCOUNTING STANDARDS AND/OR INTERPRETATIONS ISSUED BUT NOT YET IN FORCE IN 2021

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, 2021, and which are therefore not applicable, and the foreseeable impacts on the Separate Financial Statements.

None of these standards and interpretations have been adopted in advance by the Group.

- 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. Said amendments, which are scheduled to come into force on January 1, 2023, have not yet been endorsed by the European Union. No impacts are expected on the classification of financial liabilities following 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.
  Said amendments have been endorsed by the European Union and will be applicable from January 1, 2022. No impacts on the Company's financial statements are foreseen 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).
  Said amendments have been endorsed by the European Union and will be applicable from January 1, 2022. No impacts on the Company's financial statements are foreseen 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. Said amendments have been endorsed by the European Union and will be applicable from January 1, 2022. No impacts on the Company's financial statements are foreseen as a result of 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.
  These amendments, which will come into force on January 1, 2023, have not yet been endorsed by the European Union. 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.
  These amendments, which will come into force on January 1, 2023, have not yet been endorsed by the European Union. 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, which will come into force on January 1, 2023, have not yet been endorsed by the European Union. The impacts on the Company's Financial Statements following said amendments are being analyzed.

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 minimise 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. 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, 2021 are described in note 17 "Derivative financial instruments".

INTEREST RATE RISK

Interest rate risk is the risk that the fair value or the future cash flows of a financial asset or liability will change due to fluctuations 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 net result of the Company 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%	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Impact on Net income (loss)	(7,020)	(4,982)	7,020	4,982

The effects on the Company shareholders' equity resulting from changes in the LIBOR and EURIBOR rates calculated on the interest rate hedging instruments outstanding at December 31, 2021 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 21,855 thousand (euro 14,076 thousand at December 31, 2020) and those represented by securities indirectly associated with listed shares (Fin. Priv. S.r.l.) amounted to euro 21,172 thousand (euro 15,902 thousand at December 31, 2020); these financial assets represent 78% 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 1,093 thousand of the Company's shareholders' equity (positive for euro 704 thousand at December 31, 2020), while a -5% negative change of these listed securities, other things being equal, would result in a negative change of euro 1,093 thousand of the Company's shareholders' equity (negative for euro 704 thousand at December 31, 2020).

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 centralised 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 centralised 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 shutdowns.

At December 31, 2021, the Company had, aside from cash equal to euro 40 thousand (euro 1,742 thousand at December 31, 2020), unused credit facilities equal to euro 700,000 thousand, maturing June 2022 (euro 700,000 thousand at December 31, 2020).

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 12/31/2017
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**

The **maturities of financial liabilities at December 31, 2020** may be broken down as follows:

(in thousands of euro)

	12/31/2020				
	up to 1 year	from 1 to 2 years	from 2 to 5 years	over 5 years	Total 12/31/2017
Payables to banks and other lenders	347,480	1,683,574	3,068,653	22,821	5,122,528
of which lease liabilities:	*7,301*	*7,073*	*19,393*	*22,821*	*56,587*
Trade payables	27,570	-	-	-	27,570
Other payables	25,312	538	-	-	25,850
Derivative financial instruments	13,180	90,838	2,865	-	106,883
Total	**413,542**	**1,774,950**	**3,071,518**	**22,821**	**5,282,831**

5. INFORMATION ON FAIR VALUE

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 at December 31, 2021**, divided into the three levels defined above:

(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 breakdown at December 31, 2020 was as follows:

(in thousands of euro)

	Note	12/31/2020	Level 1	Level 2	Level 3
FINANCIAL ASSETS					
Other financial assets at fair value through income statement					
Current derivative financial instruments	17	2,894	-	2,894	-
Other financial assets at fair value through other comprehensive income					
Equities and shares	12	38,288	14,076	15,903	8,309
Investment funds	12	2,786	-	2,786	-
Derivative hedging instruments					
Non-current derivative financial instruments	17	-	-	-	-
Current derivative financial instruments	17	-	-	-	-
TOTAL ASSETS		**43,968**	**14,076**	**21,583**	**8,309**
FINANCIAL LIABILITIES					
Financial liabilities at fair value through profit or loss					
Current derivative financial instruments	17	(13,231)	-	(13,231)	-
Derivative hedging instruments					
Non-current derivative financial instruments	17	-	-	-	-
Current derivative financial instruments	17	(109,697)	-	(109,697)	-
TOTAL LIABILITIES		**(122,928)**	**-**	**(122,928)**	**-**

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

(in thousands of euro)

	12/31/2021	12/31/2020
Opening balance	**8,309**	**7,799**
Fair value adjustments through other comprehensive income	657	510
Closing balance	**8,966**	**8,309**

These financial assets mainly consist of the equity investment in Istituto Europeo di Oncologia (European Institute of Oncology) (euro 8,006 thousand).

In the year ended December 31, 2021, 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 maximise the utilisation 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	12/31/2021	12/31/2020
FINANCIAL ASSETS			
Financial assets at fair value through Income Statement			
Current derivative financial instruments	17	14	2,894
Financial assets at amortized cost			
Other non-current receivables	13	2,000,566	2,000,575
Current trade receivabels	14	40,116	80,568
Other current receivables	13	792,730	1,166,741
Cash and cash equivalents	15	40	1,742
		2,833,451	*3,249,626*
Financial assets at fair value through Other Comprehensive Income			
Financial assets at fair value through Other Comprehensive Income	12	54,817	41,074
Derivative hedging instruments			
Current derivative financial instruments	17	5,118	-
Non-current derivative financial instruments	17	4,383	-
		9,501	-
TOTAL FINANCIAL ASSETS		**2,897,783**	**3,293,594**
FINANCIAL LIABILITIES			
Financial liabilities at fair value through Income Statement			
Current derivative financial instruments	17	4	13,231
Financial liabilities at amortized cost			
Non-current borrowings from banks and other financial institutions (excl. Lease payables)	19	3,371,179	4,579,366
Current borrowings from banks and other financial institutions (excl. Lease payables)	19	1,064,767	301,571
Current trade payables	22	18,387	27,570
Other non-current payables	23	822	538
Other current payables	23	38,603	25,312
		4,493,757	*4,934,357*
Lease payables			
Non-current lease payables	19	38,999	43,929
Current lease payables	19	5,774	5,779
		44,773	*49,708*
Derivative hedging instruments			
Current derivative financial instruments	17	670	-
Non-current derivative financial instruments	17	3,554	109,697
		4,224	*109,697*
TOTAL FINANCIAL LIABILITIES		**4,542,758**	**5,106,994**

6. CAPITAL MANAGEMENT POLICY

The Company's objective is to maximise 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 over 2022" 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 test annually or more frequently, if specific events or circumstances occur which may lead to the presumption of impairment.

The impairment test at December 31, 2021 was performed using the assistance of an independent third-party professional.

The recoverable value configuration for the purposes of the impairment test at December 31, 2021 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, their growth rate beyond the explicit forecast period, the royalty rate 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 and to the definition of the incremental borrowing rate. The standards 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).

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 RISKS AND CHARGES

Provisions are set aside against legal and fiscal risks related to indirect taxes, representing the risk of losing lawsuits. The amount of provisions recorded in relation to these liabilities represents the best estimate at the reporting date made by management for lawsuits and tax claims regarding a vast range of issues, which are subject to the jurisdiction of various countries. Such an estimate entails making assumptions that depend on factors that may change over time and could therefore have a material impact 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 income (loss) before taxes 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 income (loss) before taxes. 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 breakdown of these items is as follows:

(in thousands of euro)

	12/31/2021	12/31/2020
- Tangible assets	32,433	33,988
- Rights of use	37,555	42,338
Net Value	**69,988**	**76,326**

8.1. PROPERTY, PLANT AND EQUIPMENT

The breakdown and changes of these items are as follows:

(in thousands of euro)

	12/31/2021			12/31/2020		
	Gross Value	Accumulated Depreciation	Net Value	Gross Value	Accumulated Depreciation	Net Value
Land	5,245	-	**5,245**	5,245	-	**5,245**
Buildings	44,273	(23,180)	**21,093**	44,179	(21,866)	**22,313**
Plant and machinery	2,848	(1,916)	**931**	2,787	(1,820)	**967**
Industrial and trade equipment	1,891	(1,250)	**641**	1,891	(1,011)	**880**
Other assets	14,653	(10,130)	**4,523**	14,938	(10,355)	**4,583**
Total	**68,909**	**(36,476)**	**32,433**	**69,040**	**(35,052)**	**33,988**

(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**

(in thousands of euro)

NET VALUE	12/31/2019	Increases	Decreases	Reclassif.	Depreciation	12/31/2020
Land	6,584	-	(1,339)	-	-	5,245
Buildings	24,040	45	(355)	1	(1,418)	22,313
Plant and machinery	247	884	(33)	98	(229)	967
Industrial and trade equipment	6	949	-	-	(76)	880
Other assets	3,836	793	(16)	66	(95)	4,583
Assets under construction	165	-	-	(165)	-	-
Total	**34,878**	**2,671**	**(1,743)**	**-**	**(1,818)**	**33,988**

There were no significant increases and divestments in 2021.

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)

	12/31/2021	12/31/2020
Rights of use Buildings	36,384	40,588
Rights of use Other assets	1,171	1,750
Net value	**37,555**	**42,338**

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 2021, including remeasurement, amounted to euro 1,034 thousand (euro 15,648 thousand in 2020) for lease contracts related to motor vehicles and properties.

There were no reassessments or changes to significant contracts in 2021.

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)

	2021	2020
Buildings	4,928	4,839
Other assets	772	792
Total depreciation of right of use	**5,700**	**5,631**

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 liabilities, 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)

	12/31/2020	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**

(in thousands of euro)

	12/31/2019	Increase	Transfers	Amortisation	12/31/2020
Pirelli Brand - indefinite life	**2,270,000**	-	-	-	**2,270,000**
Software licenses	**489**	357	-	(279)	**567**
Other intangible assets	**4,875**	276	-	(2,189)	**2,962**
Assets under construction	**-**	225	-	-	**225**
Total	**2,275,364**	**858**	**-**	**(2,468)**	**2,273,754**

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 and 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 2021.

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. However, pursuant to IAS 36, it is subject to impairment annually or more frequently, if specific events or circumstances occur that may lead to the presumption of impairment.

The impairment test at December 31, 2021 was performed using the assistance of an independent third-party professional.

The recoverable value configuration for the purposes of the impairment test at December 31, 2021 is the Fair Value, calculated on the basis of the income approach (Level 3 of the hierarchy of IFRS 13 – Fair Value measurement) and is based on:

- Management's forecasts which are based, with reference to 2022, on the Guidance presented to the financial community on February 23, 2022 and, with reference to the years 2023 - 2025, on the Industrial Plan presented to the financial community on March 31, 2021. It should be noted that analysts' consensus forecasts for the period 2022 - 2024 are higher than management's projections and therefore have not been considered for the purposes of the financial year. The revenue growth rate for the period 2022 - 2025, calculated relative to 2021 revenues, is 4.5%;
- evaluation criterion for the sum of parts that also considers the contribution in terms of royalties from the Prometeon Tyre Group for the use of the Pirelli brand in the Industrial segment;
- royalty rate applied to the revenues of the Consumer High Value and Consumer Standard valuation units taken from the royalty rates implicit in the valuations made by an independent entity relative to the main brands of the listed companies of the Tyre sector and equal to an average royalty rate of 3.94%. With reference to the contribution in terms of royalties from the Prometeon Tyre Group, reference was made to the royalties provided by existing contracts;
- discount rate of 7.90%, which includes a premium with respect to WAAC determined on the basis of the risk of the specific asset;
- growth rate g in the terminal value assumed to be zero;
- TAB (Tax Amortization Benefit), which is the tax benefit that could potentially benefit the market participant that acquired the asset separately due to the possibility of fiscally amortizing it.

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 (12.5%) while, in order for the Fair Value to be equal to the carrying amount, a worsening variation of the key parameters is necessary and in particular:

- → decrease in the royalty rates of the Consumer valuation units of 45 basis points and the simultaneous cancellation of royalties from the license contract with Prometeon Tyre Group;
- → increase in the discount rate of 89 basis points;
- → negative "g" growth rate of -141 basis points.

10. INVESTMENTS IN SUBSIDIARIES

At December 31, 2021, this item amounted to euro 4,632,420 thousand compared to euro 4,633,666 thousand at December 31, 2020, and the breakdown is as follows:

(in thousands of euro)

	12/31/2021	12/31/2020
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	9,666
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	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	**4,632,420**	**4,633,666**

Below are the changes during the year:

(in thousands of euro)

	12/31/2021	12/31/2020
Opening balance	**4,633,666**	**4,647,666**
Write-downs	(1,246)	(14,000)
Closing balance	**4,632,420**	**4,633,666**

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 subsidiary on which it was necessary to carry out the test is Pirelli Ltda. In the specific case, the carrying amount was compared to the recoverable value. The impairment test determined the need for impairment of euro 1,246 thousand.

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

11. INVESTMENTS IN ASSOCIATED COMPANIES

At December 31, 2021, this item amounted to euro 6,375 thousand, unchanged compared to December 31, 2020, and the breakdown is as follows:

(in thousands of euro)

	12/31/2021	12/31/2020
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**

No 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 54,817 thousand at December 31, 2021 (euro 41,074 thousand at December 31, 2020). The breakdown of the item for each security is as follows:

(in thousands of euro)

	12/31/2021	12/31/2020
Listed securities		
RCS Mediagroup S.p.A. - Milano	21,855	14,076
Unlisted securities		
Fin. Priv Srl	21,171	15,902
Fondo Comune di Investimento Immobiliare Anastasia	2,825	2,786
Istituto Europeo di Oncologia S.r.l.	8,006	7,962
Other companies	960	348
Total financial assets at fair value through other comprehensive income	**54,817**	**41,074**

The changes in the year are shown below:

(in thousands of euro)

Opening balance	**41,074**
Decreases	(20)
Adjustment to fair value recognized in other comprehensive income	13,763
Closing balance	**54,817**

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 (positive for euro 7,779 thousand), in Fin.Priv. S.r.l. (positive for euro 5,269 thousand), in Genextra S.p.A. (positive for euro 608 thousand), in Istituto Europeo di Oncologia (positive for euro 44 thousand), in Fondo Comune di investimento Anastasia (positive for euro 39 thousand) and in Nomisma - Società di Studi Economici S.p.A. (positive for euro 30 thousand).

The fair value of listed securities corresponds to the stock market price at December 31, 2021. 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)

	12/31/2021			12/31/2020		
	Total	Non-current	Current	Total	Non-current	Current
Other receivables from subsidiaries	1,380	-	1,380	2,307	-	2,307
Financial receivables from subsidiaries	2,780,305	2,000,000	780,305	3,151,544	2,000,000	1,151,544
Financial receivables from third parties	-	-	-	5,000	-	5,000
Guarantee deposits	281	281	-	267	267	-
Other receivables from third parties	6,489	285	6,204	3,705	308	3,397
Receivables from tax authorities for taxes not related to income	4,583	-	4,583	3,390	-	3,390
Financial accrued interest income	72	-	72	943	-	943
Financial prepaid expenses	186	-	186	160	-	160
Total other receivables	**2,793,296**	**2,000,566**	**792,730**	**3,167,316**	**2,000,575**	**1,166,741**

Financial receivables from subsidiaries include the current portion of the short-term use of a long-term credit line (maturity January 31, 2023) disbursed to Pirelli International Treasury S.p.A. for an amount of euro 770 million. They also include the receivable for interest accrued not yet paid on the same line for euro 9,922 thousand and the relation with Pirelli International Treasury S.p.A. for the interest-bearing current account, which is regulated at interest rates market for euro 384 thousand (at December 31, 2020 equal to euro 1,622 thousand).

The amount shown in non-current other financial receivables from subsidiaries refers to an existing loan with Pirelli International Treasury S.p.A. taken out on January 31, 2020 with maturity on January 31, 2023.

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, 2021. 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 4,583 thousand mainly refer to receivables for VAT, which increased compared to the previous year.

Accrued financial assets refer to portions of interest accrued but not yet collected on cross currency interest swap derivative contracts related to the unsecured syndicated financing "Facilities" granted to Pirelli & C. S.p.A..

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 40,116 thousand compared to euro 80,568 thousand of the previous year and the breakdown is as follows:

(in thousands of euro)

	12/31/2021	12/31/2020
Receivables from subsidiaries	39,115	76,578
Receivables from associates	3	3
Receivables from other companies	1,732	4,630
Total receivables - gross amount	**40,850**	**81,211**
Provision for bad debt	(734)	(643)
Total receivables	**40,116**	**80,568**

Below is the breakdown of trade receivables based on the currency in which they are expressed:

(in thousands of euro)

	12/31/2021	% of total trade receivables	12/31/2020	% of total trade receivables
EUR	33,760	82%	74,625	92%
USD (Dollar USA)	906	2%	111	0%
RUB (Ruble Russia)	650	2%	1,556	2%
CHF	5,534	14%	4,919	6%
Total	**40,850**	**100%**	**81,211**	**100%**

Receivables from subsidiaries at December 31, 2021 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 1,732 thousand (euro 4,630 thousand at December 31, 2020), shown gross of the provision for bad debts of euro 734 thousand, are past due for euro 1,544 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)

	12/31/2021	12/31/2020
Opening balance	**643**	**620**
Accruals	91	23
Closing balance	**734**	**643**

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, 2021, they amounted to euro 40 thousand, against euro 1,742 thousand at December 31, 2020. They 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.

It is believed that the value of cash and cash equivalents is in line with their fair value.

16. TAX RECEIVABLES

At December 31, 2021, they amounted to euro 65,074 thousand (euro 32,676 thousand at December 31, 2020).

The amount mainly includes:

- receivables from Group companies participating in the tax consolidation for euro 64,525 thousand (euro 31,369 thousand at December 31, 2020). 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.;
- receivables for IRAP advances for euro 125 thousand (euro 125 thousand at December 31, 2020).

17. DERIVATIVE FINANCIAL INSTRUMENTS

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

(in thousands of euro)

	12/31/2021				12/31/2020			
	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	-	9	-	(4)	-	25	-	(5)
Forex instruments - included in net financial position	-	5	-	-	-	2,642	-	(13,226)
Derivatives for interest rate - included in net financial position	-	-	-	-	-	227	-	-
In hedge accounting								
- cash flow hedge:								
Derivatives for interest rate - included in net financial position	4,383	-	(3,554)	(670)	-	-	(9,733)	-
Other derivatives instruments - included in net financial position	-	5,118	-	-	-	-	(99,964)	-
Total derivative instruments	**4,383**	**5,132**	**(3,554)**	**(674)**	**-**	**2,894**	**(109,697)**	**(13,231)**

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 4,383 thousand, non-current liabilities for euro 3,554 thousand and current liabilities for euro 670 thousand, refers to the fair value measurement of 10 cross currency interest rate swaps with the following characteristics:

Instrument	Covered Item	Notional (in thousands of euro)	Start date	Deadline	Description
IRS	Term loan in Eur	250,000	June 2019	June 2022	receive fix / pay floating
IRS	Term loan in Eur	62,500	August 2019	August 2023	receive fix / pay floating
IRS	Schuldschein	180,000	July 2020	July 2023	receive fix / pay floating
IRS	Schuldschein	20,000	July 2020	July 2025	receive fix / pay floating
IRS forward start	Pre-hedge	500,000	March 2022	March 2026	receive floating / pay fix
Total		**1,012,500**			

In the first half of 2021, an IRS receive floating EURIBOR/pay fix EURIBOR was closed early following the partial repayment of the unsecured loan ("Facilities") for euro 756 million (see note 19).

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

- future interest flows on liabilities in euro at floating rate;
- future interest flows on the Schuldschein loan (see note 19);
- future financing (pre-hedge).

The change in the fair value for the period, positive for euro 4,773 thousand, was entirely suspended in equity, while in the Income Statement, net interest expense for euro 3,955 thousand was reversed to the item "Financial expenses" (note 36), correcting the financial expenses recorded on the liability hedged, as well as euro 1,104 thousand for ineffectiveness relating to the early settlement of the IRS.

A change of +0.5% in the EURIBOR curve, all other conditions being equal, would result in a positive change of euro 11,812 thousand in the Company's equity, while a change of -0.5% in the same curve would result in a negative change of euro 12,111 thousand in the Company's equity.

The value of **other derivatives**, recorded as current assets for euro 5,118 thousand, refers to the fair value measurement of 2 cross currency interest rate swaps with the following characteristics:

Instrument	Notional (in thousands of USD)	Start date	Deadline	Description
CCIRS	170,422	July 2019	June 2022	pay fix EURIBOR / receive floating LIBOR
CCIRS	908,920	July 2019	June 2022	pay fix EURIBOR / receive floating LIBOR
Total	**1,079,342**			

In the first half of 2021, two CCIRS pay floating EURIBOR / receive floating LIBOR were closed early following the partial repayment of the unsecured loan ("Facilities") for euro 756 million (see note 19).

The objective of these derivatives, for which hedge accounting of the cash flow hedge type was adopted, is to hedge the Company against the risk of fluctuations in cash flows associated with changes in the LIBOR rate and changes in the USD/EUR exchange rate, generated by a liability in USD at floating rate with a notional value of USD 1,079,341 thousand (see note 19 Borrowings from banks and other financial institutions).

The positive change in fair value for the period was suspended in equity for euro 91,398 thousand (positive cash flow hedge reserve for euro 90,249 thousand and positive cost of hedging reserve for euro 1,149 thousand), while the following were reversed in the income statement:

- profits of euro 83,860 thousand to offset net unrealised exchange rate losses recorded on the hedged liability;
- net interest expense of euro 849 thousand to adjust the financial expenses recorded on the hedged liability;
- positive effect for euro 1,281 thousand following the liquidation of two CCIRS in February 2021.

A parallel change of +0.5% of the EURIBOR and LIBOR curves, all other conditions being equal, would entail a positive variation of euro 1,899 thousand in the Company's equity, while a variation of -0.5% of the same curves would result in a negative change of euro 1,914 thousand in the Company's equity.

A change of +10% in the USD/EUR exchange rate, all other conditions being equal, would result in a negative change of euro 135 thousand in the Company's equity; a negative change of 10%, on the other hand, would entail a positive change of euro 180 thousand in the Company's equity.

Hedging relationships relating to IRS and CCIRS 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 the exception of those attributable to the spread referring to the currency basis) 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.

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

18. SHAREHOLDERS' EQUITY

Equity amounted to euro 4,813,132 thousand (euro 4,651,056 thousand at December 31, 2020).

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

Equity went from euro 4,651,056 thousand at December 31, 2020 to euro 4,813,132 thousand at December 31, 2021. The change is essentially due to the net result for the year (positive for euro 216,619 thousand), the adjustment to the fair value of derivatives designated as cash flow hedges, net of the tax effect (positive for euro 11,582 thousand), the adjustment to the fair value of financial assets at fair value recorded as other components of the statement of comprehensive income (positive for euro 13,764 thousand) and the dividend distribution of euro 80,000 thousand.

SHARE CAPITAL

The share capital at December 31, 2021, fully subscribed and paid-in, amounted to euro 1,904,374,935.66 divided into 1,000,000,000 ordinary shares without nominal value, unchanged compared to December 31, 2020.

LEGAL RESERVE

The legal reserve at December 31, 2021 amounted to euro 380,875 thousand, unchanged compared to December 31, 2020, having already reached the limit set by article 2430 Civil Code.

SHARE PREMIUM RESERVE

At December 31, 2021, the share premium reserve amounted to euro 630,381 thousand, unchanged compared to December 31, 2020.

CONCENTRATION RESERVE

At December 31, 2021, concentration reserves amounted to euro 12,467 thousand, unchanged compared to December 31, 2020.

OTHER RESERVES

At December 31, 2021, other reserves amounted to euro 133,735 thousand, unchanged compared to December 31, 2020.

OTHER O.C.I. RESERVES

At December 31, 2021, Other O.C.I. reserves were positive for euro 7,539 thousand and refer to the reserve for the fair value adjustment recorded in the statement of comprehensive income (positive for euro 8,270 thousand), to the employee benefits re-measurement reserve (positive for euro 1,825 thousand) and the cash flow hedge reserve and the cost of hedging reserve, net of the tax effect (negative for euro 2,556 thousand).

MERGER RESERVE

At December 31, 2021, the merger reserve amounted to euro 1,022,928 thousand, unchanged compared to December 31, 2020. 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 504,215 thousand compared to a 540,084 at December 31, 2020. The decrease is attributable to the withdrawal and consequent distribution of euro 36,044 thousand, as per the resolution of the shareholders' meeting of June 15, 2021.

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	7,539	-	-	-
- Merger reserve	1,022,928	A, B, C	1,022,928	-
Retained earnings	504,215	A, B, C	504,215	(36,044)
Total	**4,596,515**		**2,684,601**	**(36,044)**
Non distributable			514,610	
Residual quota available			2,169,991	

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

19. BORROWINGS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

The item borrowings from banks and other financial institutions, is broken down as follows:

(in thousands of euro)

	12/31/2021			12/31/2020		
	Total	Not currents	Currents	Total	Not currents	Currents
Bonds	1,453,762	1,453,762	-	1,524,500	1,442,650	81,850
Borrowings from banks	2,967,539	1,917,417	1,050,122	3,336,716	3,136,716	200,000
Lease liabilities	44,773	38,999	5,774	49,708	43,929	5,779
Other financial payables	1,984	-	1,984	7,335	-	7,335
Accrued liabilities	12,661	-	12,661	12,386	-	12,386
Total borrowings from banks & other financial institutions	**4,480,719**	**3,410,178**	**1,070,541**	**4,930,645**	**4,623,295**	**307,350**

The item **bonds,** refers to:

- a non-interest-bearing senior unsecured guaranteed equity-linked 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 6.235 per share, subject to the anti-dilutive adjustments envisaged by the loan regulations. At December 31, 2021, the component recorded under financial payables was equal to euro 461 million. The difference with the nominal value refers to the fair value of the call option sold to the underwriters of the loan, represented by the option to convert it into new ordinary shares of the Company at a predefined price, and accounted for as shareholders' equity reserves for euro 41.2 million;
- the unrated bond for the nominal amount of euro 553 million (originally for euro 600 million which was partially repurchased for the total amount of euro 47 million during the last quarter of 2018), placed on January 22, 2018 with a fixed coupon of 1.375% and an original maturity of 5 years. This bond, guaranteed by Pirelli Tyre S.p.A. and placed with international institutional investors, was issued as part of the EMTN (Euro Medium-Term Note) program approved by the Board of Directors at the end of 2017, signed on January 10, 2018 and updated on December 19, 2018;
- the Schuldschein loan at floating rate (Euribor + spread) for a total nominal value of euro 443 million placed on July 26, 2018. The loan, guaranteed by Pirelli Tyre S.p.A. and entered into 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. 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.

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

(in thousands of euro)

	12/31/2021	12/31/2020
Nominal value	1,496,000	1,578,000
Equity convertible bond component	(41,791)	(41,791)
Transaction costs	(14,957)	(15,133)
Bond discount	(2,988)	(2,988)
Amortisation of effective interest rate	9,282	6,216
Non- monetary interest convertible bond loan	8,216	196
Total	**1,453,762**	**1,524,500**

Below are the changes of the item bonds.

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

(in thousands of euro)

Bonds as at 12/31/2019	**1,271,392**
Bond issues (Convertible bond)	500,000
Transactions costs	(8,041)
Bond repayments (EMTN program)	(200,000)
Reclassification of convertible option at issue date	(41,200)
Non-cash interest convertible bond	196
Amortised cost of the year	2,153
Bonds as at 12/31/2020	**1,524,500**

Borrowings from banks, which amounted to euro 2,967,539 thousand, mainly refer to:

- use of the unsecured loan ("Facilities") granted to Pirelli & C. S.p.A. for euro 950,197 thousand, classified as current payables. The nominal refinanced total subscribed to on June 27, 2017 (with a closing date of June 29, 2017), amounted to euro 1.65 billion (the net amount of repayments made since the date of signing – the original amount of the credit facility granted was euro 4.2 billion). The loan is guaranteed by Pirelli Tyre S.p.A., Pirelli Deutschland GmbH, Pirelli Tires Romania S.r.l., Pirelli Pneus Ltda, Pirelli International Treasury S.p.A. and Pirelli Neumaticos Sa de CV. On November 29, 2018, the loan was modified to include the right of the Pirelli Group to extend the maturity of the individual lines of the loan up to 2 years at its discretion with respect to their original contractual maturity of 3 and 5 years. The facilities are denominated in euro and US dollar and carry a floating interest rate of Euribor + spread and Libor + spread, respectively. In February 2021, part of the loan for euro 756 million was repaid. It is also noted that all the credit lines with original maturity of 3 years have been fully repaid; the value of the outstanding loan at December 31 therefore refers only to the lines with original maturity of 5 years;
- "Sustainable Credit Line" for euro 795,993 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. 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 722,622 thousand relating to two bilateral loans disbursed to Pirelli & C. S.p.A. by leading banking institutions, of which nominal euro 600 million maturing in February 2024 at floating rate (Euribor +

spread) and guaranteed by Pirelli Tyre S.p.A., and euro 125 million with maturity August 2023 at floating rate (Euribor + spread);

- euro 498,728 thousand relating to two new bilateral loans disbursed in December 2021 to Pirelli & C. S.p.A. by leading banking institutions, of which a nominal amount of euro 400 million, guaranteed by Pirelli Tyre S.p.A. and parametrized to some sustainability targets of the Group, maturing in December 2024 at floating rate (Euribor + spread) and euro 100 million maturing in December 2022 at fixed rate.

At December 31, 2021, the Company had a liquidity margin equal to euro 700,040 thousand composed of euro 700,000 thousand of unused committed credit lines, and euro 40 thousand in cash.

Below are the changes in borrowings from banks:

(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**

The change in total borrowings from banks for the previous year is shown below:

(in thousands of euro)

Borrowings from banks at 12/31/2019	**2,921,413**
Drawdown of unsecured financing (*Facilities*)	1,127,978
Reimbursements of unsecured financing (*Facilities*)	(1,342,297)
New bilateral borrowings	800,000
Transactions costs	(10,520)
Amortized cost for the period	11,124
Translation differences	(170,982)
Borrowings from banks at 12/31/2020	**3,336,716**

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 12/31/2020	**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**

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

(in thousands of euro)

Lease liabilities as at 12/31/2019	**38,226**
Increase of lease obligations	14,967
Remeasurement and early termination	541
Cash outflow for lease obligations - principal amount	(4,026)
Lease liabilities as at 12/31/2020	**49,708**

Non-discounted future payments for lease contracts for which the exercise of extension options is not considered reasonably certain, amounted to euro 50,936 thousand at December 31, 2021 and are not included in this item (euro 50,144 thousand at December 31, 2020).

The item **other financial payables** includes euro 1,200 thousand for the short-term portion of the upfront fee on the new bilateral loan line signed in December 2021 and euro 784 thousand for the payable to shareholders following the squeeze out operation.

The item **accrued liabilities** refers for euro 8,510 thousand to the interest accrued on the bonds and for the remainder mainly to the interest accrued but not yet paid on the term loans.

The carrying amount of current financial payables is considered to approximate their fair value. The table below compares the fair value of non-current financial payables with their carrying amount:

(in thousands of euro)

	12/31/2021		12/31/2020	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Bonds	1,453,762	1,469,529	1,442,650	1,465,120
Borrowings from banks	1,917,417	1,925,000	3,136,716	3,160,117
Lease payables	38,999	38,999	43,929	43,929
Total borrowings from banks and other financial institutions - non current	**3,410,178**	**3,433,528**	**4,623,295**	**4,669,166**

The public bond issued by Pirelli & C. S.p.A. as part of the EMTN program is listed and its relative fair value was measured on the basis of prices at year-end. It has therefore been classified in level 1 of the hierarchy, as provided for by IFRS 13 – Fair Value Measurement. The fair value of the debt component of the convertible bond, of the Schuldschein loan and of borrowings from 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 financial institutions by currency of origin of the payable at December 31, 2021 and December 31, 2020 is as follows:

(in thousands of euro)

	12/31/2021	12/31/2020
EUR	3,529,236	3,499,002
USD (Dollar USA)	951,483	1,431,643
Total	**4,480,719**	**4,930,645**

At December 31, 2021, there are derivative hedging instruments for interest rates and exchange rates on floating rate payables in foreign currency.

Considering the effects of the aforementioned hedging derivatives, the Company'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 1,847,414 thousand, the interest rate of which is subject to renegotiation in 2022;
- fixed-rate payables for euro 2,618,560 thousand, the interest rate of which is not subject to renegotiation until the natural maturity of the reference debt (euro 1,056,748 thousand maturity in the next twelve months and euro 1,561,812 thousand maturity beyond twelve months).

With regard to the existence of financial covenants, it is noted that (i) the Group's main bank credit facility (Facilities) granted to Pirelli & C. S.p.A. and Pirelli International Ltd (formerly Pirelli International Plc) (currently usable only by Pirelli & C. S.p.A.), (ii) the "Schuldschein" loan (iii) the bilateral line of euro 600 million granted to Pirelli & C. S.p.A. in the first quarter of 2019 ("Bilateral 600"), (iv) the bilateral line of euro 125 million granted to Pirelli & C. in the third quarter of 2019 ("Bilateral 125"), (v) the "Sustainable Credit Line" entered into March 31, 2020, and (vi) the bilateral "ESG linked" line of euro 400 million granted to Pirelli & C. S.p.A. in December 2021 ("Bilateral 400"), require compliance with a maximum ratio (Total Net Leverage) between net debt and gross operating margin, as reported in the consolidated Financial Statements of Pirelli & C. S.p.A..

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

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 Facilities, only if requested by a number of lending banks representing at least 66 2/3% of the total commitment, the early (partial or total) repayment of the loan with simultaneous cancellation of the related commitment; (ii) 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; (iii) as part of the Bilateral 600, the Bilateral 125 and the Bilateral 400, 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 (iv) as part of the Sustainable Credit Line, 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.

In relation to the above, it is noted that at December 31, 2021, no event of default or default has occurred.

The other outstanding financial payables at December 31, 2021 do not contain financial covenants.

The Facilities, the Schuldschein loan, the Bilateral 600, the Bilateral 125, the Sustainable Credit Line, the Bilateral 400 as well as the 100 million euro bilateral line granted to Pirelli & C. S.p.A. in December 2021 also provide for Negative Pledge clauses and other usual provisions, the terms of which are in line with market standards for each of the aforementioned types of credit facility.

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, 2021 and December 31, 2020, 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	12/31/2021	of which related parties (note 39)	12/31/2020	of which related parties (note 39)
Current borrowings from banks and other financial institutions	19	1,070,541	-	307,350	-
Current derivative financial instruments (liabilities)	17	670	*670*	13,226	*13,226*
Non-current borrowings from banks and other financial institutions	19	3,410,178	-	4,623,295	-
Non-current derivative financial instruments (liabilities)	17	3,554	*3,554*	109,697	*109,697*
Total gross debt		**4,484,942**		**5,053,568**	
Cash and cash equivalents	15	(40)	-	(1,742)	-
Current financial receivables and other assets	13	(780,563)	*(780,378)*	(1,157,648)	*(1,152,488)*
Derivative financial instruments - assets	17	(5,123)	*(5,123)*	(2,869)	*(2,869)*
Net financial debt *		**3,699,215**		**3,891,309**	
Non-current financial receivables and other assets	13	(2,000,280)	*(2,000,000)*	(2,000,267)	*(2,000,000)*
Derivative financial instruments	17	(4,383)	*(4,383)*	-	-
Total net financial (liquidity)/debt position		**1,694,552**		**1,891,042**	

* 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)

	12/31/2020	Increases	Uses	12/31/2021
Provision for employees controversies	1,914	362	(574)	1,702
Provision for tax risks	1,141	-	-	1,141
Provision for environmental risks	1,727	4,700	(1,045)	5,382
Provision for other risks and charges	6,323	16,101	(45)	22,379
Provision for liabilities and charges - non current portion	**11,105**	**21,163**	**(1,664)**	**30,604**
Provision for other risks and charges	-	509	-	509
Provision for liabilities and charges - current portion	-	**509**	-	**509**
Total Provisions for risks and charges	**11,105**	**21,672**	**(1,664)**	**31,113**

The increases are mainly related to the **other provisions for risks and charges**, and refer to the STI (Short-term Incentive) and LTI (Long-term Incentive 2020 – 2022 and 2021 – 2023) incentive plans of the Directors, which reflect the improvement in performance on parameters underlying the plans.

The **uses** are mainly attributable to closures of labor disputes and costs incurred for environmental reclamations.

21. EMPLOYEE BENEFIT OBLIGATIONS

Employee benefit obligations amounted to euro 21,442 thousand (euro 10,912 thousand at December 31, 2020), and the breakdown is as follows:

(in thousands of euro)

	12/31/2021			12/31/2020		
	Total	Non current	Current	Total	Non current	Current
Employee leaving indemnities (TFR)	1,997	1,997	-	2,518	2,518	-
Other benefits	19,445	19,445	-	8,394	5,946	2,448
Total employees' benefit obligation	**21,442**	**21,442**	**-**	**10,912**	**8,464**	**2,448**

EMPLOYEE LEAVING INDEMNITIES (TFR)

The changes in the year 2021 for the employee leaving indemnities are the following:

(in thousands of euro)

	12/31/2021	12/31/2020
Opening balance	**2,518**	**2,672**
Movements through income statement:		
- current service cost		
- interest expense	15	23
Remeasurements recognised in equity:		
- actuarial (gains) or losses arising from changes in financial assumption	21	18
- increase related to prior year experience	60	-
Indemnities, advance payments, relocations, payment to funds	(617)	(195)
Total employees' leaving indemnities (TFR)	**1,997**	**2,518**

The amounts recorded in the income statement are included in the item "Personnel expenses" (note 30).

Net actuarial losses accrued in 2021, recorded directly in equity, amounted to euro 81 thousand, and are related to the change in the economic parameters of reference (discount rate and inflation rate) and to prior year 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, are 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 principal actuarial assumptions used at December 31, 2021 are as follows:

	2021
Discount rate	0.9%
Inflation rate	1.7%

The main actuarial assumptions used at December 31, 2020 were as follows:

	2020
Discount rate	0.6%
Inflation rate	1.0%

Hired employees at December 31, 2021 amounted to 357 units (345 units at December 31, 2020).

In other conditions being equal, a hypothetical change of 0.25% in the discount rate would result in a decrease in liabilities equal to 1.80%, in the case of an increase (1.81% at December 31, 2020), and an increase in liabilities of 1.86%, in the case of a decrease (1.84% at December 31, 2020).

OTHER EMPLOYEE BENEFITS

The breakdown of other benefits is as follows:

(in thousands of euro)

	12/31/2021			12/31/2020		
	Total	Non current	Current	Total	Non current	Current
Long-term incentive plans	15,672	15,672	-	4,253	4,253	-
Jubilee awards	1,761	1,761	-	1,692	1,692	-
Other benefits	2,013	2,013	-	2,448	-	2,448
Total	**19,445**	**19,445**	**-**	**8,394**	**5,946**	**2,448**

The item **Long-term incentive plans** relates to the amount set aside for the monetary, three-year 2020-2022 long-term incentive and 2021-2023 long-term incentive plans for Group management and related to the objectives contained in the 2020 guidance and in the 2021 – 2022I2025 business plan. The increase over the previous year reflects the improvement in performance on the parameters underlying the plans.

The item "**Other benefits – non-current portion**" refers to the short-term incentive plan for employees, which was canceled in 2020 following the Covid-19 pandemic.

The decrease in "**Other benefits – current portion**" compared to December 31, 2020 of euro 2,448 thousand is due to the payment of the fourth and last part of the retention plan approved by the Board of Directors on February 26, 2018 and intended for Key Managers and a selected number of Senior Managers and Executives.

22. TRADE PAYABLES

The breakdown of trade payables is as follows:

(in thousands of euro)

	12/31/2021	12/31/2020
Payables to subsidiaries	2,783	2,815
Payables to associates	72	265
Payables to other companies	15,532	24,490
Total trade payables	**18,387**	**27,570**

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)

	12/31/2021			12/31/2020		
	Total	Non-current	Current	Total	Non-current	Current
Payables to subsidiaries	4,718	-	4,718	5,997	-	5,997
Payables to social security and welfare institutions	5,323	-	5,323	3,810	-	3,810
Payables to employees	13,415	-	13,415	4,431	-	4,431
Other payables	15,927	822	15,105	11,370	538	10,832
Accrued liabilities	27	-	27	56	-	56
Deferred income	15	-	15	186	-	186
Total other payable	**39,425**	**822**	**38,603**	**25,850**	**538**	**25,312**

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

Payables to social security and welfare 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 over the previous year mainly refers to the STI (Short-term Incentive) plan, which was canceled in 2020 following the Covid-19 pandemic.

Other payables include liabilities for compensation to be paid to directors and auditors, for withholding taxes on income from self-employed and employed work.

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 526,017 thousand at December 31, 2021 (euro 524,338 thousand at December 31, 2020).

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

(in thousands of euro)

	12/31/2021	12/31/2020
Deferred tax assets	**107,313**	**114,631**
- of which within 12 months	87,405	46,362
- of which over 12 months	19,908	68,269
Provision for deferred tax liabilities	**(633,330)**	**(638,969)**
- of which within 12 months	-	(5,639)
- of which over 12 months	(633,330)	(633,330)
Total	**(526,017)**	**(524,338)**

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

(in thousands of euro)

	12/31/2021	12/31/2020
Deferred tax assets		
Provision for risk and charges	5,695	1,533
Employees provision	4,775	2,202
Provision for bad debt	126	126
Tax losses carried forward	13,153	34,596
ACE Benefit	69,985	66,306
Interests	11,282	5,253
Derivatives	822	4,480
Other	1,476	135
Total deferred tax assets	**107,313**	**114,631**
Provision for deferred tax liabilities		
Brand Pirelli	(633,330)	(633,330)
Exchange differences not realised	-	(5,639)
Total provision for deferred tax liabilities	**(633,330)**	**(638,969)**
Total	**(526,017)**	**(524,338)**

At December 31, 2021, the value of unrecorded deferred tax assets relating to unlimited tax losses that can be carried forward was zero (euro 25,294 thousand at December 31, 2020), while those relating to temporary differences amounted to euro 25,856 thousand (unchanged from December 31, 2020).

The tax effect of gains and losses recorded directly in equity was negative for euro 3,638 thousand (negative for euro 500 thousand in 2020). It 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 13,565 thousand (euro 11,985 thousand at December 31, 2020) 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, 2021, there were no commitments for lease contracts not yet in force.

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. This is 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. For 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. This is 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, 2021.

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. They jointly agreed 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, 2021.

INCOME STATEMENT

27. REVENUES FROM SALES AND SERVICES

Revenues from sales and services amounted to euro 69,601 thousand for 2021 compared to euro 53,486 thousand in 2020 and the breakdown is as follows:

(in thousands of euro)

	2021	2020
Sales of services to subsidiaries	69,141	53,125
Sales of services to other companies	460	361
Total revenues from sales and services	**69,601**	**53,486**

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

28. OTHER INCOME

Other income amounted to euro 107,345 thousand in 2021 (euro 124,405 thousand in 2020), and the breakdown is as follows:

(in thousands of euro)

	2021	2020
Other income from subsidiaries	104,328	111,548
Other revenues from third parties	3,017	12,857
Other income from other companies	**107,345**	**124,405**

Other income from subsidiaries mainly include royalties paid by Group companies for the use of the brand (euro 77,474 thousand in 2021 compared to euro 57,610 thousand in 2020) and also include cost recovery and other revenues deriving from 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 2,029 thousand in 2021 compared to euro 1,370 thousand in 2020). In 2020, the gains deriving from the sale of the property located in Milan and of land located in Settimo Torinese were also recorded for approximately euro 8,000 thousand.

29. RAW MATERIALS AND CONSUMABLES USED

They amounted to euro 214 thousand in 2021 (euro 228 thousand in 2020) and include purchases of advertising material, fuels and various materials.

30. PERSONNEL EXPENSES

Personnel expenses amounted to euro 72,791 thousand (euro 49,952 thousand in 2020), and the breakdown is as follows:

(in thousands of euro)

	2021	2020
Wages and salaries	57,229	35,441
Social security and welfare contributions	10,809	8,046
Employee leaving indemnities	1,963	1,901
Retirement and similar obbligations	602	563
Other costs	2,188	4,001
Total	**72,791**	**49,952**

The increase in **wages and salaries** is mainly attributable to accruals for the short-term incentive plan for the management, which was cancelled in 2020 following the Covid-19 pandemic, and for long-term incentive plans for the management, which reflect the improvement in performance on parameters underlying the plans.

The item **other costs** includes the portion of the retention plan (euro 1,784 thousand in 2021 and euro 3,297 thousand in 2020) that was approved by the Board of Directors on February 26, 2018 and intended for Key Managers and a selected number of senior Managers and Executives.

The average staff headcount is the following:

- Executives 78
- White collars 255
- Workers 5

31. AMORTIZATION, DEPRECIATION AND IMPAIRMENT

The breakdown of the item is as follows:

(in thousands of euro)

	2021	2020
Amortisation - intangible assets	1,900	2,468
Depreciation - property, plant and equipment (excl. Depreciation of Right of Use)	1,762	1,817
Depreciation of right of use	5,700	5,631
Total depreciation, amortisation and impairments	**9,362**	**9,916**

For the breakdown of the amortization of the rights of use, see note 9.2 - Rights of use.

32. OTHER COSTS

The breakdown of other costs is the following:

(in thousands of euro)

	2021	2020
Advertising and sponsorship	38,690	59,806
Consultancy and collaboration services	13,560	12,580
Accruals to provisions (net of reversals)	5,017	2,212
Legal and notarial expenses	776	762
Travel expenses	1,928	2,734
Remuneration of Directors and supervisory bodies	28,671	7,919
Membership fees and contributions	2,953	2,272
Rental and lease instalments	359	969
IT expenses	7,409	5,674
Energy, gas and water expenses	1,217	1,271
Security service	1,712	1,856
Insurance premiums	3,103	2,896
Patents and trademarks expenses	803	874
Cleaning and property ordinary maintenance expenses	817	444
Property maintenance	1,809	1,829
Other	5,239	4,570
Total other costs	**114,063**	**108,668**

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

- euro 113 thousand for lease contracts with a duration of less than twelve months (euro 661 thousand in 2020);
- euro 132 thousand for lease contracts for low value assets (euro 197 thousand in 2020).

33. NET IMPAIRMENT OF FINANCIAL ASSETS

The item, negative for euro 92 thousand, mainly includes the net impairment of trade receivables. In 2020, the net impairment of trade receivables amounted to euro 23 thousand.

34. RESULT FROM INVESTMENTS

34.1. GAINS ON EQUITY INVESTMENTS

No gains from equity investments were recorded in the year 2021, in line with the previous year.

34.2. LOSSES ON EQUITY INVESTMENTS

In 2021, impairment of 1,246 thousand of the investment in the company Pirelli Ltda was recorded. In 2020, impairment of 14,000 thousand of the investment in the subsidiary Pirelli UK Ltd was recorded.

34.3. DIVIDENDS

They amounted to euro 231,509 thousand in 2021 compared to euro 53,650 thousand in 2020, and the breakdown is as follows:

(in thousands of euro)

	2021	2020
From subsidiaries:		
- Pirelli Tyre S.p.A. - Italy	220,000	50,000
- Pirelli Group Reinsurance Company SA - Switzerland	2,290	-
- Pirelli Servizi Amministrazione e Tesoreria S.p.A. - Italia	-	200
- Pirelli Sistemi Informativi S.r.l. - Italy	500	1,050
- Pirelli International Treasury S.p.A. - Italy	6,522	2,400
From other financial assets:		
- RCS S.p.A. - Italy	741	-
- Fin. Priv. S.r.l. - Italy	1,292	-
- Genextra S.p.A. - Italy	154	-
- Tiglio I - Italy	10	-
Total	**231,509**	**53,650**

The higher amount of dividends from subsidiaries received in 2021 compared to 2020 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)

	2021	2020
Interest and other financial income	28,874	31,086
Valuation at fair value of derivatives	4,769	-
Net gains on exchange rates	-	37,067
Total financial income	**33,643**	**68,153**

The item **Interest and other financial income** mainly refer to interest accrued on loans granted in 2021 to subsidiaries.

The **fair value measurement of foreign exchange derivatives** refers to forward currency purchase/sale transactions to hedge commercial and financial transactions, in accordance with the Group's exchange rate risk management policy. For transactions open at the end of the period, the fair value is determined by applying the forward exchange rate at the closing date of the Consolidated Financial Statements.

36. FINANCIAL EXPENSES

The breakdown of the item is as follows:

(in thousands of euro)

	2021	2020
Interest and other financial expenses	71,989	65,763
Commissions	2,988	2,241
Interest expenses on lease liability	1,572	1,725
Net interest on employee benefit obligations	24	28
Net exchange rate losses	3,050	-
Valuation at fair value of forex derivatives	-	34,781
Total financial expenses	**79,623**	**104,538**

Interest and other financial expenses for a total of euro 71,989 thousand include:

- euro 46,087 thousand for the bank loan lines;
- euro 22,522 thousand of financial expenses related to bonds, of which euro 9,104 thousand related to unrated bonds, euro 4,112 thousand related to the Schuldschein loan and euro 9,305 thousand related to the senior unsecured guaranteed equity-linked bond;
- euro 3,178 thousand net interest expense related to 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".

Net exchange rate losses of euro 3,050 thousand in 2021 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 83,860 thousand related to the exchange rate component of the fair value measurement of cross currency interest rate swaps, for which cash flow hedge accounting was adopted to offset the realized and unrealized exchange rate losses on the hedged liability.

37. TAXES

The breakdown of taxes is as follows:

(in thousands of euro)

	2021	2020
Current taxes	(49,953)	(16,523)
Deferred taxes	(1,959)	(15,064)
Total income taxes	**(51,912)**	**(31,587)**

Current taxes for the year 2021 were positive for euro 49,953 thousand compared to euro 16,523 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 are positive for euro 1,959 thousand and mainly refer to the use of deferred assets on previous tax losses offset by the recognition of deferred tax assets taxes on the ACE benefit, on previous tax losses and other temporary differences.

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

(in thousands of euro)

	2021	2020
A) Profit/(loss) before taxes	164,707	12,369
B) Theoretical taxes	**39,530**	**2,968**
Main causes that give rise to changes between theoretical and effective taxes:		
Dividends and gains from investments not subject to taxation	(52,784)	(12,232)
Loss on investments	299	3,360
Non-deductible costs	(2,830)	1,179
Uses losses previous years - deferred assets not activated	(11,282)	(4,431)
Deferred tax assets on previous tax losses and other temporary differences	(24,845)	(22,431)
C) Effective taxes	**(51,912)**	**(31,587)**
Theoretical tax rate (B/A)	24%	24%
Effective tax rate (C/A)	-31.5%	-255.4%

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. This is 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 2021.

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)

	12/31/2021	of which related parties	% share	12/31/2020	of which related parties	% share
BALANCE SHEET						
Non current assets						
Other receivables	2,000,566	*2,000,000*	100.0%	2,000,575	*2,000,000*	100.0%
Derivative financial instruments	-	-	0.0%	-	-	0.0%
Current assets						
Trade receivables	40,116	*39,314*	98.0%	80,568	*76,655*	95.1%
Other receivables	792,730	*781,789*	98.6%	1,166,741	*1,154,823*	99.0%
Tax receivables	65,074	*64,525*	99.2%	32,676	*31,369*	96.0%
Derivative financial instruments	5,132	*5,132*	100.0%	2,894	*2,894*	100.0%
Non-current liabilities						
Other payables	822	*212*	25.7%	538	*212*	39.3%
Provision for liabilities and charges	30,604	*22,028*	72.0%	11,105	*5,926*	53.4%
Employee benefit obligations	21,442	*3,708*	17.3%	8,464	1,349	15.9%
Derivative financial instruments	3,554	*3,554*	100.0%	109,697	*109,697*	100.0%
Current liabilities						
Payables to banks and other financial lenders	1,070,541	*1,187*	0.1%	307,350	*2,084*	0.7%
Trade payables	18,387	*2,854*	15.5%	27,570	*3,080*	11.2%
Other payables	38,603	*15,311*	39.7%	25,312	*6,576*	26.0%
Employee benefit obligations	-	-	0.0%	2,448	*1,698*	69.4%
Tax payables	13,565	*13,337*	98.3%	11,985	*11,757*	98.1%
Derivative financial instruments	674	*674*	100.0%	13,231	*13,231*	100%

(in thousands of euro)

	2021	of which related parties	% share	2020	of which related parties	% share
INCOME STATEMENT						
Revenues from sales and services	69,601	*69,477*	99.8%	53,486	*53,337*	99.7%
Other income	107,345	*104,372*	97.2%	124,405	*111,603*	89.7%
Personnel expenses	(72,791)	*(14,395)*	19.8%	(49,952)	*(8,909)*	17.8%
Other costs	(114,063)	*(41,247)*	36.2%	(108,668)	*(20,457)*	18.8%
Income on equity investments	-	-	0.0%	-	-	0.0%
Losses on equity investments	(1,246)	(1,246)	100.0%	(14,000)	*(14,000)*	100.0%
Dividends	231,509	*229,312*	99.1%	53,650	*53,650*	100.0%
Financial income	33,643	*31,957*	95.0%	68,153	*30,994*	45.5%
Financial expenses	(79,623)	*(2,827)*	3.6%	(104,538)	*(34,838)*	33.3%

The equity and economic effects of transactions with related parties for the year ended December 31, 2021 are detailed below.

(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
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
Employee benefit obligations (current liabilities)	-	-	-	-	-
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)

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 12/31/2020
Other non current receivables	2,000,000	-	-	-	2,000,000
Trade receivables	76,578	3	74	-	76,655
Other current receivables	1,154,823	-	-	-	1,154,823
Tax receivables	31,369	-	-	-	31,369
Derivative financial instruments (current assets)	2,894	-	-	-	2,894
Other payables (Non-current liabilities)	-	-	-	212	212
Provision for liabilities and charges (Non-current liabilities)	-	-	-	5,926	5,926
Employee benefit obligations (Non-current liabilities)	-	-	-	1,349	1,349
Derivative financial instruments (non-current liabilities)	109,697	-	-	-	109,697
Payables to banks and other lenders (current liabilities)	2,084	-	-	-	2,084
Trade payables	2,815	265	-	-	3,080
Other payables (current liabilities)	5,929	-	197	450	6,576
Employee benefit obligations (current liabilities)	-	-	-	1,698	1,698
Tax payables	11,757	-	-	-	11,757
Derivative financial instruments (current liabilities)	13,231	-	-	-	13,231

(in thousands of euro)

	Subsidiaries	Associates	Other related parties	Directors and Key Managers	Total 2020
Revenues from sales and services	53,125	-	212	-	53,337
Other income	111,548	-	55	-	111,603
Personnel expenses	-	-	-	(8,909)	(8,909)
Other costs	(12,423)	(265)	(300)	(7,469)	(20,457)
Losses from investments	(14,000)	-	-	-	(14,000)
Dividends	53,650	-	-	-	53,650
Financial income	30,994	-	-	-	30,994
Financial expenses	(34,838)	-	-	-	(34,838)

TRANSACTIONS WITH SUBSIDIARIES

TRANSACTIONS – BALANCE SHEET **Other non-current receivables** amounted to euro 2,000,000 thousand, in line with prior year, and refer to credit lines granted to Pirelli International Treasury S.p.A., maturity 2023.

Trade receivables from subsidiaries amounted to euro 39,115 thousand (euro 76,655 thousand at December 31, 2020). They mainly refer to receivables for services/ provisions provided to Group companies (euro 31,645 thousand from Pirelli Tyre S.p.A., euro 5,544 thousand from Pirelli Group Reinsurance Company SA, euro 708 thousand from Limited Liability Company Pirelli Tyre Russia, euro 400 thousand from Pirelli Tyre Trading (Shanghai) Co).

Other current receivables amounted to euro 781,789 thousand (euro 1,154,823 thousand at December 31, 2020). They refer for euro 779,994 thousand to the loan and related interest accrued but not yet paid with Pirelli International Treasury S.p.A., for euro 1,380 thousand to VAT receivables transferred from subsidiaries (of which euro 1,145 thousand from Pirelli Industrie Pneumatici S.r.l. and euro 231 thousand from Pirelli Servizi Amministrazione e Tesoreria S.p.A.), and for euro 384 thousand to the intragroup current account with Pirelli International Treasury S.p.A..

Tax receivables amounted to euro 64,525 thousand (euro 31,369 thousand at December 31, 2020) and refer to receivables from Group companies that adhere to tax consolidation (mainly euro 62,534 thousand from Pirelli Tyre S.p.A., euro 1,530 thousand from Pirelli International Treasury S.p.A., euro 300 thousand from Pirelli Industrie Pneumatici S.r.l., euro 125 thousand from Pirelli Sistemi Informativi S.r.l.).

Derivative financial instruments (current assets) for euro 5,132 thousand (euro 2,894 thousand at December 31, 2020) refer to hedging transactions with Pirelli International Treasury S.p.A..

The amount of euro 3,554 thousand (euro 109,697 thousand at December 31, 2020) of **derivative financial instruments (non-current liabilities)** refers to the valuation of the IRS with Pirelli International Treasury S.p.A..

Borrowings from banks and other financial institutions (current) amounted to euro 1,187 thousand (euro 2,084 thousand at December 31, 2020) and mainly refer to the accrued liability to Pirelli International Treasury S.p.A. on the hedging transactions of the existing interest rate swap at December 31, 2021.

Trade payables amounted to euro 2,854 thousand (euro 3,080 thousand at December 31, 2020) and mainly refer to payables for the provision of services. These payables mainly refer for euro 1,169 thousand to HB Servizi S.r.l. and for euro 887 thousand to Pirelli Tyre S.p.A..

Other payables (current liabilities) to subsidiaries amounted to euro 4,718 thousand (euro 6,576 thousand at December 31, 2020) and mainly refer to payables with Group companies that adhere to the VAT consolidation. The main ones are euro 4,569 thousand to Pirelli Tyre S.p.A., euro 66 thousand to HB Servizi S.r.l..

Tax payables amounted to euro 13,337 thousand (euro 11,757 thousand at December 31, 2020) and refer to payables to subsidiaries that adhere to tax consolidation (euro 10,965 thousand to Pirelli Tyre S.p.A., euro 2,290 thousand to Pirelli International Treasury S.p.A.).

The amount of euro 674 thousand (euro 13,231 thousand at December 31, 2020) 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 69,141 thousand in 2021 (euro 53,125 thousand in 2020) and mainly refer to service contracts. The main transactions with subsidiaries are: euro 67,386 thousand with Pirelli Tyre S.p.A., euro 740 thousand with Pirelli Servizi Amministrazione e Tesoreria S.p.A., euro 313 thousand with Pirelli International Treasury S.p.A..

Other income from subsidiaries amounting to euro 104,328 thousand in 2021 (euro 111,548 thousand in 2020) mainly refer to: royalties (euro 69,321 thousand from Pirelli Tyre S.p.A., euro 5,543 thousand from Pirelli Group Reinsurance Company SA, euro 2,600 thousands from Limited Liability Company Pirelli Tyre Russia); other recoveries (euro 25,262 thousand from Pirelli Tyre S.p.A., euro 534 thousand from Pirelli Tyre Co. Ltd, and euro 390 thousand from Pirelli Tire LLC).

Other costs to subsidiaries for euro 12,651 thousand in 2021 (euro 12,423 thousand in 2020) mainly refer to charges for services and miscellaneous costs (euro 4,676 thousand HB Servizi S.r.l., euro 3,539 thousand Pirelli Sistemi Informativi S.r.l., euro 2,072 thousand Pirelli Tyre S.p.A., euro 1,146 thousand Pirelli Servizi Amministrazione e Tesoreria S.p.A.).

The item **losses from investments,** shows the impairment of the investment in Pirelli Ltda.

Dividends for euro 229,312 thousand in 2021 (euro 53,650 thousand in 2020) refer to dividends collected during the year (euro 220,000 thousand from Pirelli Tyre S.p.A., euro 6,522 thousand from Pirelli International Treasury S.p.A., euro 2,290 thousand from Pirelli Group Reinsurance Company SA and euro 500 thousand from Pirelli Sistemi Informativi S.r.l.).

Financial income for euro 31,957 thousand in 2021 (euro 30,994 thousand in 2020) mainly refers to interest income on receivables from Pirelli International Treasury S.p.A..

Financial expenses for euro 2,827 thousand in 2021 (euro 34,838 thousand in 2020) 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 72 thousand in 2021 (euro 265 thousand in 2020) and refer to payables to the Consortium for the Research of Advanced Materials (CORIMAV).

TRANSACTIONS – INCOME STATEMENT **Other costs** to associated companies amounted to euro 252 thousand in 2021 (euro 265 thousand in 2020) 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 195 thousand in 2021 (euro 74 thousand in 2020) include commercial relations with the Prometeon Group.

TRANSACTIONS – INCOME STATEMENT **Revenues from sales and services** from other related parties for euro 336 thousand in 2021 (euro 212 thousand in 2020) refer to the service/performance contract with Prometeon Tyre Group S.r.l..

Other income with other related parties for euro 43 thousand mainly refers to service contracts with Camfin S.p.A. (euro 18 thousand), and with Marco Tronchetti Provera & C. S.p.A. (euro 25 thousand).

Other costs with other related parties for euro 150 thousand in 2021 refer to consultancy services to related parties.

TRANSACTIONS WITH DIRECTORS AND KEY MANAGERS

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

The item **provisions for risks and charges** and **provisions for personnel (non-current liabilities)** includes benefits relating to the three-year 2020 – 2022 and 2021 – 2023 Long Term Incentive monetary incentive plan for euro 15,980 thousand, benefits relating to the Short Term Incentive monetary incentive plan for euro 2,535 thousand and finally the directors' end-of-term indemnity for euro 7,221 thousand.

The balance sheet item **other current payables** includes the short-term portion of Short Term Incentive plan.

The economic items **personnel expenses and other costs** include euro 5,749 thousand relating to employee severance indemnity and end-of-term indemnity (eur 1,038 thousand at December 31, 2020), as well as short-term benefits for euro 11,143 thousand (eur 3,750 thousand at December 31, 2020) and long-term benefits for euro 11,725 thousand (eur 3,311 thousand at December 31, 2020).

40. OTHER INFORMATION

DIRECTORS AND AUDITORS' FEES

The fees due to Directors of Pirelli & C. S.p.A. amounted to euro 28,194 thousand in 2021 (7,469 thousand in 2020). The fees due to the Auditors for the function performed at Pirelli & C. S.p.A. amounted to euro 377 thousand in 2021 (315 thousand in 2020).

INDEPENDENT AUDITORS' FEES

For the fees pertaining to 2021 for the auditing activities and other services rendered by the Auditing Company PricewaterhouseCoopers S.p.A., reference should be made to the information contained in the notes to the Consolidated Financial Statements.

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

There is no information to highlight pursuant to the legislation in question referring to Pirelli & C. S.p.A. for 2021.

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 2021.

42. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE YEAR

On **February 1, 2022,** Pirelli was confirmed as "Gold Class", as part of the Sustainability Yearbook 2022 published by S&P Global, which examined the sustainability profile of over 7,500 companies. Pirelli obtained the "S&P Global Gold Class" recognition in the ranking that is created annually on the basis of the results of the Corporate Sustainability Assessment for the S&P Global Dow Jones Sustainability indices. In 2021, Pirelli confirmed excellence in the Automobiles & Components sector within the Dow Jones Sustainability World and Europe indices, with a score of 77 points against the sector average of 31.

On **February 21, 2022**, Pirelli, in line with as was anticipated to the market on November 11, 2021, finalized the signing of a 5-year multicurrency banking line worth euro 1.6 billion with a pool of leading national and international banks.

The new line, parameterized to the Group's ESG objectives, will mainly make it possible to:

- repay debt maturing in June 2022 (approximately euro 950 million at December 31, 2021) using the new line for euro 600 million and the remaining part of the company's liquidity;
- replace euro 700 million of an available and unused line maturing in June 2022 with euro 1.0 billion of the new line, thus increasing financial flexibility by euro 300 million.

The operation, concluded on better terms, in line with the company's plans, with respect to those lines that will be replaced, allows optimizing the debt profile by extending its maturity.

On **February 23, 2022,** Pirelli announced that it had been assigned the investment grade rating from S&P Global Ratings and Fitch Ratings. The assignment follows the request for a public rating by the company, in line with the group's objectives for optimizing the conditions of access to the credit market. In particular, Fitch Ratings assigned Pirelli an Investment Grade BBB- rating with stable outlook, underlining, among other things, the solidity of the company's operating margins and its ability to generate cash flow, which allow for a significant reduction in debt over the course of the of the next 2 or 3 years. The agency highlighted the leadership position held by Pirelli in the premium segment, its consolidated know-how in high-performance products, exposure to less volatile aftermarket activities than the Standard segment and the reputation of its brand. S&P Global Ratings assigned an Investment Grade BBB- rating with stable outlook. It highlighted, among other things, the solid position held by Pirelli on the Premium and Prestige market, its ability to efficiently use its manufacturing plants, which is reflected in an EBITDA margin higher than the sector average, and the agency's expectation of a continuous reduction of the debt through the careful management of a solid free cash flow.

On **February 24, 2022** tensions between Russia and Ukraine became more severe. At the date of this document, the outcomes and implications of the Russia-Ukraine crisis remain uncertain. The tightening of international sanctions is also having repercussions on the economy of the Russian Federation in terms of growth expectations, the currency market and the sustainability of the domestic economic and financial system in the medium-term. These factors are compounded by the additional complications arising from the restrictive countermeasures that the Russian government is preparing - and in some cases has already implemented - in response to the pressure of international sanctions.

The current situation is also bringing about rising prices for energy, metal and agricultural commodities, with repercussions on consumer price pressure and growth prospects for the Eurozone. These elements of uncertainty could lead to an alteration of normal market dynamics and, more generally, of business operating conditions.

Pirelli has constituted a "Crisis Committee" to constantly monitor the development of the Russia-Ukraine crisis for which mitigation actions and a contingency plan have already been activated, including the progressive production reallocations of export flows to other Group plants.

MOVEMENTS OF INVESTMENTS IN SUBSIDIARIES FROM 12/31/2020 TO 12/31/2021

(in thousands of euro)

	12/31/2020				CHANGES		12/31/2021			
	Number of shares	Carrying amount (€/ thousand)	% of total invest-ments	of which direct	Number of shares	(€/ thousand)	Number of shares	Carrying amount (€/ thousand)	% of total invest-ments	of which direct
INVESTMENTS IN SUBSIDIARIES										
ITALY										
Unlisted:										
Pirelli Servizi Amministrazioni 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	92,950	100	100	90	-	-	92,950	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		

	12/31/2020				CHANGES		12/31/2021			
	Number of shares	Carrying amount (€/ thousand)	% of total invest-ments	of which direct	Number of shares	(€/ thousand)	Number of shares	Carrying amount (€/ thousand)	% of total invest-ments	of which direct
FOREIGN COMPANIES										
Brazil										
Pirelli Ltda - Sao Paulo	13,999,991	9,666	100	100	-	(1,246)	13,999,991	8,420	100	100
Prometeon Tyre Group Industria Brasile Ltda	-	-	-	-	-	-	-	-	-	-
Pirelli Latam Participações Ltda.	1	-	-	-	-	-	1	-	-	-
UK										
Pirelli UK ltd. - London - ordinary	163,991,278	7,871	100	100	-	-	163,991,278	7,871	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		23,883				(1,246)		22,637		
Total investments in subsidiaries		4,633,666				(1,246)		4,632,420		

MOVEMENTS OF INVESTMENTS IN ASSOCIATES FROM 12/31/2020 TO 12/31/2021

(in thousands of euro)

	12/31/2020				CHANGES		12/31/2021			
	Number of shares	**Carrying amount (€/ thousand)**	**% of total invest-ments**	**of which direct**	**Number of shares**	**(€/ thousand)**	**Number of shares**	**Carrying amount (€/ thousand)**	**% of total invest-ments**	**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	-	8	8
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 12/31/2020 TO 12/31/2021 (Continue)

(in thousands of euro)

	12/31/2020				CHANGES		12/31/2021			
	Number of shares	Carrying amount (€/ thousand)	% of total invest-ments	of which direct	Number of shares	(€/ thousand)	Number of shares	Carrying amount (€/ thousand)	% of total invest-ments	of which direct
INVESTMENTS IN OTHER COMPANIES										
ITALIAN LISTED COMPANIES										
RCS Mediagroup S.p.A. - Milan	24,694,918	14,076	4.7	4.7	-	7,779	24,694,918	21,855	4.7	4.7
Total other Italian listed companies		14,076				7,779		21,855		
Total other listed companies		14,076				7,779		21,855		

	12/31/2020				CHANGES		12/31/2021			
	Number of shares	Carrying amount (€/ thousand)	% of total invest-ments	of which direct	Number of shares	(€/ thousand)	Number of shares	Carrying amount (€/ thousand)	% of total invest-ments	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	15,902	14.3	14.3	-	5,270	1 share	21,172	14.3	14.3
Istituto Europeo di Oncologia S.r.l. - Milan	1 share	7,962	6.1	6.1	-	44	1 share	8,006	6.1	6.1
Nomisma - Società di Studi Economici S.p.A. - Bologna	959,429	293	3.3	3.3	-	30	959,429	323	3.3	3.3
Tiglio I S.r.l. - Milan	1 quota	17	0.6	0.6	-	(14)	1 quota	2	0.6	0.6
Genextra S.p.A.	592,450	26	0.6	0.6	-	609	592,450	635	0.6	0.6
Total other Italian unlisted companies		24,200				5,938		30,138		

MOVEMENTS OF OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPRENSIVE INCOME FROM 12/31/2020 TO 12/31/2021

(in thousands of euro)

	12/31/2020				CHANGES		12/31/2021			
	Number of shares	Carrying amount (€/ thousand)	% of total invest-ments	of which direct	Number of shares	(€/ thousand)	Number of shares	Carrying amount (€/ thousand)	% of total invest-ments	of which direct
FOREIGN COMPANIES										
Libia										
Libyan-Italian Joint Company - ordinary shares B	300	-	1.0	1.0	-	-	300	-	1.0	1.0
Belgium										
Euroqube S.A. (in liquidation)	67,570	11	18.0	18.0	-	(11)	67,570	-	18.0	18.0
UK										
Eca International	100	-	2.8	2.8	-	-	100	-	2.8	2.8
Total other foreign companies		11				(11)		-		
OTHER PORTFOLIO SECURITIES										
Fondo Comune di Investimento Immobiliare - Anastasia	53 shares	2,786	-	-	-	39	53 shares	2,824	-	-
TOTAL AVAILABLE-FOR-SALE FINANCIAL ASSETS		2,786				39		2,824		
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPRENSIVE INCOME		41,073				13,744		54,817		

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	2,985	(195)
Maristel S.p.A.	Milan	1,315	100%	50	3,317	62
Pirelli Sistemi Informativi S.r.l.	Milan	1,656	100%	1,010	2,562	226
Pirelli Tyre S.p.A.	Milan	4,528,245	100%	558,154	1,747,216	252,473
Servizi Aziendali Pirelli S.c.p.a.	Milan	100	91.3%	104	480	(75)
HB Servizi S.r.l.	Milan	230	100%	10	392	(64)
Pirelli International Treasury S.p.A.	Milan	75,000	30%	125,000	81,402	5,932
Total investments in subsidiaries - Italy		**4,609,783**				
INVESTMENTS IN FOREIGN SUBSIDIARIES						
Switzerland						
Pirelli Group Reinsurance Company S.A.	Lugano	6,346	100%	2,904	13,860	2,773
Brasil						
Pirelli Ltda	Sao Paulo	8,420	100%	2,215	(701)	(1,673)
UK						
Pirelli UK Ltd	London	7,871	100%	195,162	18,530	(7,980)
Total investments in foreign subsidiaries		**22,637**				
Total investments in subsidiaries		**4,632,420**				
INVESTMENTS IN ASSOCIATES - ITALY						
Consortium for the Reserach into Advanced Materials (CORIMAV)	Milan	104	100%	104	104	-
Eurostazioni S.p.A. **	Rome	6,271	32.7%	16,000	6,575	93
Focus Investments S.r.l. *	Milan	-	8.3%	183	(2,589)	(826)
Total investments in associates - Italy		**6,375**				
Total investments in associates		**6,375**				

* balance sheet at December 31, 2020
** balance sheet at July 31, 2021

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING

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, is called on to report to the Shareholders' Meeting, convened to approve the financial statements for the year ending on 31 December 2021, 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; 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. A more detailed explanation can be found in the section of the Report dealing with significant events occurring after the end of the financial year.

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 the 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 this Report.

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 as of 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]

Until 15 June 2021, the Board of Statutory Auditors was made up of the following: Francesco Fallacara (Chairman), Antonella Carù, Luca Nicodemi, Alberto Villani, Fabio Artoni (Standing Auditors), Franca Brusco, Giovanna Oddo, Elenio Bidoggia (Alternate Auditors).

All the information provided in this Report, taking into account the activities carried out by the control body in office until 15 June 2021 and of which the current Board of Statutory Auditors has been duly informed, should be understood to refer to the work of the control body throughout the entire financial year.

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 2021 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 articles of association and corporate governance practices followed by the Company are adequate to achieve the Company's interest.

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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.

COMMENTS ON THE 2021 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 2021 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 verified in particular: (i) that the data and information contained in the financial statements were codified in accordance with the provisions of the XBRL taxonomy in force and that (ii) the directors, depending on the assessments made on the conformity or non-conformity of the XBRL financial statements with the provisions of Article 2423 of the Italian Civil Code, made the statements required by the regulations.

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 include the Report on the Corporate Governance and Structure of Share Ownership – prepared pursuant to Article 123-bis of the TUF – as well as the Report on responsible management of the value chain (consolidated non-financial declaration pursuant to legislative decree No. 254, of 30 December 2016), drawn up by the Company in accordance with (i) the Sustainability Reporting Standards of the Global Reporting Initiative (GRI) - Comprehensive option -, (ii) the principles of inclusiveness, materiality and compliance with the AA1000 Standard and (iii) the Autoparts Sustainability Accounting Standards drawn up by the SA.S.B. (Sustainability Accounting Standards Board), (iv) the priorities highlighted by the European Securities and Markets Authority (ESMA) in circular ESMA32-63-1186 and (v) 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). 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 financial statements also include the Report on the remuneration policy and the compensation paid, comprising the 2022 Remuneration Policy ("**2022 Policy**") and the Report on Compensation Paid in 2021.

The 2021 financial statements and consolidated financial statements of Pirelli include statements of compliance by the CEO and by the Manager responsible for the preparation of the corporate financial documents ("**Manager Responsible**").

Pirelli's 2021 consolidated financial statements present the following summary data:

Revenues	5,331.5 million euro
Operating income (EBIT)	577.1 million euro
Adjusted EBIT	815.8 million euro
Consolidated net profit	321.6 million euro

Net financial debt was equivalent to 2,907.1 million euro, compared to 3,258.4 million euroat 31 December 2020.

Parent company Pirelli closed the financial year with positive net income to the amount of 216.6 million euro(44 million euroin 2020).

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

- in **January and February 2021**, Pirelli made early repayment of some of its debt due in 2021 and 2022, for a total amount of 838 million euro. In particular, the Company repaid a tranche of the "Schuldschein" loan, due on 31 July 2021, equal to 82 million euro and part of the unsecured loan, due in 2022, equal to 756 euro. The repayments, for which part of the liquidity received in 2020 was used, allowed the financial structure of the debt to be optimised;

- on **25 February 2021**, Pirelli communicated the terms of the termination, with effect from 28 February 2021, of the employment contract with the General Manager co-CEO Angelos Papadimitriou, disclosed to the market on **20 January 2021**;

- on **31 March 2021** , the Board of Directors approved the proposal of the Executive Deputy Chairman and CEO, Marco Tronchetti Provera, of which the market was previously informed on **24 March 2021**, to ask the Shareholders' Meeting of 15 June 2021 to appoint Giorgio Luca Bruno as Director and - consequently - to appoint him as his direct Deputy-CEO. Informed of this proposal, Angelos Papadimitriou withdrew his candidacy for the position of Director on the agenda of the Shareholders' Meeting of **24 March 2021**, which took no decision on the appointment of a new director. Angelos Papadimitriou, previously co-opted, has therefore resigned from his position as Director from 24 March 2021;

- on **31 March 2021**, the Board of Directors approved the 2021- 2022|2025 Business Plan, which was presented to the financial community on the same date, and also approved the financial statements for the year ended 31 December 2020, which closed with a consolidated net profit of 42.7 million euro and a net profit for the Parent Company of

44 million euro. On the same date, the Board of Directors resolved to propose to the Shareholders' Meeting called for 15 June 2021 the distribution of a dividend, also by withdrawing part of the profits set aside in previous financial years, of 0.08 euro per share for a total of 80 million euro;

- on **1 April 2021**, Pirelli announced that on **31 March 2021** it received a communication from ChemChina informing it that it had received a notification regarding the restructuring of ChemChina and Sinochem Group Co. Ltd. by the Assets Supervision and Administration Commission of the State Council ("**SASAC**") which provides for the establishment of a new holding company by SASAC that will perform the duties of the transferor on behalf of the State Council and the consolidation of Sinochem and ChemChina into the new holding company. Upon completion of the joint restructuring, ChemChina will remain the largest shareholder in Pirelli;

- on **15 June 2021**, the Shareholders' Meeting of Pirelli approved the 2020 financial statements and the distribution of a dividend of 0.08 euro per share, equal to a total dividend payout of 80 million euro before withholding taxes. The dividend was paid on **23 June 2021** (with a coupon date of 21 June 2021 and a record date of 22 June 2021). The Shareholders' Meeting also confirmed the number of members of the Board of Directors at 15 and - on a proposal from the Board of Directors - appointed Giorgio Luca Bruno as a new Director, whose term of office will expire, along with that of the other members of the Board of Directors, on approval of the financial statements as of 31 December 2022. The Shareholders' Meeting then appointed the Board of Statutory Auditors for the financial years 2021-2022-2023 in its current composition. The Shareholders' Meeting also approved the Remuneration Policy for 2021, expressed its favourable opinion on the Report on compensation paid in the 2020 financial year and approved the adoption of the three-year 2021-2023 monetary incentive plan for the Group's management. Lastly, with reference to the 2020-2022 three-year monetary incentive Plan approved by the Shareholders' Meeting of 18 June 2020, the Shareholders' Meeting approved the proposal to adjust the Cumulative Group Net Cash Flow objective (before dividends) and the possibility to normalise potential effects on the TSR (Total Shareholder Return) objective of the acquisition of Cooper by Goodyear (at the start of 2021), included in the reference panel of that objective;

- also on **15 June 2021**, the Board of Directors, in accordance with the information previously provided to the market, appointed Giorgio Luca Bruno as Deputy-CEO. The newly appointed Deputy-CEO was given powers for the operational management of Pirelli, to be exercised vicariously. The Board also appointed Giorgio Luca Bruno as a member of the Strategies Committee, confirming the number of its members at 8;

- on **20 September 2021** Pirelli, the only global company in the Automobiles & Parts sector, was confirmed as a United Nations Global Compact LEAD. Comprising 37 companies this year, the Global Compact LEAD brings together the world's companies most committed to implementing the Ten Principles of the United Nations Global Compact;

- on **28 October 2021**, Pirelli announced the start of a three-year project in the Hutan Harapan forest in Indonesia, in collaboration with BMW Group and BirdLife International, involving activities to support local communities, forest conservation and the protection of endangered animal species;

- on **11 November 2021**, the Board of Directors approved a line of credit, to be finalised in the coming months, for a total of 1.6 billion euro, which will be used to refinance and/or replace the bank credit lines expiring in June 2022. The transaction will allow the debt profile to be optimised by extending its maturities. In addition, on the same date, the Board of Directors - with the approval of the Board of Statutory Auditors, pursuant to art. 154-bis of the TUF, and verification of fulfilment of the requirements stated in the Bylaws - resolved to appoint, as of 11 November 2021, Giorgio Luca Bruno as Manager responsible for the preparation of the corporate financial documents, to replace Francesco Tanzi who, as previously notified to the market, left the company on 31 December 2021.

SIGNIFICANT EVENTS THAT OCCURRED AFTER THE CLOSURE OF THE FINANCIAL YEAR

The most significant events that occurred after the closure of the financial year are detailed in the Directors' Report on Operations, and in the financial statements.

In particular, on **28 January 2022**, Pirelli kicked off the celebrations for the 150th anniversary of its foundation on 28 January 1872 with an event at the Piccolo Teatro in Milan, which will continue throughout 2022.

On **1 February 2022**, Pirelli was confirmed as a "Gold Class" in the Sustainability Yearbook 2022 published by S&P Global, which examined the sustainability profile of over 7,500 companies. Pirelli was awarded the "S&P Global Gold Class" in the ranking that is produced annually on the basis of the results of the Corporate Sustainability Assessment for the Dow Jones Sustainability indices of S&P Global. In 2021, Pirelli was confirmed as an excellence in the Automobiles & Components sector within the Dow Jones Sustainability World and Europe indices with a score of 77 points against the sector average of 31.

On 21 February 2022 Pirelli, in accordance with the information previously provided to the market on 11 November 2021, finalised the signing of a 1.6 billion euro 5-year multicurrency bank credit line with a pool of leading Italian and international banks. The new line, which is benchmarked against the Group's ESG objectives, will mainly allow:

- repayment of the debt maturing in June 2022 (approximately 950 million euro as of 31 December 2021) using 600 million euro from the new line and the remainder from the company's liquidity;

- replacement of 700 million euro of an available and undrawn line of credit expiring in June 2022 with 1.0 billion euro from the new line, thus increasing financial flexibility by 300 million euro.

The transaction, which, in accordance with the company's plans, was concluded on better terms than the lines replaced, allows the debt profile to be optimised by extending 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 group's 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 **24 February 2022**, tensions escalated between Russia and Ukraine. As of the date of the Report, the outcome and implications of the current crisis remain uncertain. The tightening of international sanctions is also having repercussions on the Russian Federation's economy in terms of growth expectations, the currency market and the sustainability of the domestic economic and financial system in the medium term. These factors are compounded by the additional complexity arising from the restrictive countermeasures that the Russian government is preparing - in some cases already implemented - in response to the pressure of international sanctions. The current scenario is also leading to rising prices for energy, metal and agricultural commodities, with repercussions on consumer price pressure and growth prospects for the Eurozone. These elements of uncertainty could lead to an alteration of normal market dynamics and, more generally, of business operating conditions. Pirelli has an industrial presence in Russia with two plants in Kirov and Voronezh. Pirelli has set up a "Crisis Committee" to constantly monitor the development of the Russia-Ukraine crisis, with respect to which it has already implemented mitigation actions and a contingency plan, including the progressive reallocation of export production flows to other Group plants. The Company had already announced that it had conducted an initial analysis of the impact on its 2022 guidance at the time of the preliminary 2021 figures. This analysis assumed that the cost of energy and oil would remain at the levels seen in February until the end of the year, and considered the potential impacts on local operations related to the import and export of raw materials and finished products to and from Russia. Investments in the local market, except those related to security, have been blocked. The activities of the factories in Russia will be gradually limited to what is strictly necessary to ensure the payment of salaries and social services for employees. It should be noted that the reported event qualifies as a non-adjusting under IAS 10 "Events after the reporting period" and therefore has no impact on the consolidated financial statements as at 31 December 2021. Please refer to the section "Significant events after the end of the financial year" contained in the Explanatory Notes to the consolidated financial statements as at 31 December 2021 for further details on the financial position of the sub-consolidate aggregating the Russian-based subsidiaries. As of the date of this document, guarantees have been issued/are being issued by Pirelli Tyre S.p.A. on financial and commercial payables of its Russian subsidiaries to third parties and other Group companies.

UNUSUAL OR EXCEPTIONAL TRANSACTIONS

We are unaware of any atypical or unusual transactions, 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 changes made to the Consob Regulation implementing the amendments to the European shareholders directive ("*Shareholders' rights directive II*").[2]

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 2021 financial year there were both intragroup and non-intragroup related-party transactions.

The intragroup transactions, 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 charging royalties 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.

We 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

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2 The RPT Procedure was approved by the Board of Directors (again by a unanimous vote of the Directors present) on 31 August 2017, confirmed on 6 November 2017 and updated on 11 November 2020 and 15 June 2021 and amended to take into account the new organisational structure on 17 March 2022.

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 2021 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 separate and consolidated 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

It should be noted that, as required by the joint Banca d'Italia/Consob/ISVAP document of 3 March 2010, on 23 February 2022, and therefore independently and before the approval on 17 March 2022 of the respective periodic financial report as at 31 December 2021, 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 at the joint meeting held on 18 February 2022.

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, the latter with the assistance of an independent expert.

The explanatory notes to the financial statements contain information and results of the evaluation process conducted and, in relation to information on the impairment test on the Pirelli brand, also with the help of the aforementioned expert.

The Board of Statutory Auditors deems the procedure adopted by the Company for the preparation of the financial statements as at 31 December 2021 adequate and the relative 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 draft financial statements as at 31 December 2021 have been prepared in accordance with the ESEF format.

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 rule 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 financial statements.

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 and, therefore, after assessing that the requirements of the Bylaws were met, expressed its opinion in favour of appointing Mr Giorgio Luca Bruno 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 as at 31 December 2021 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 counter any cyber threats with the aim of mitigating cyber security incidents to the maximum extent possible.

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 letter 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 24 March 2022 PWC issued its Reports on the separate and consolidated financial statements as at 31 December 2021. 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 24 March 2022, 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 2021 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:

2021 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.	75		
	PricewaterhouseCoopers S.p.A.	Subsidiaries	1,135		
	Network PricewaterhouseCoopers	Subsidiaries	1,252	**2,462**	*83%*
Independent certification services (1)	PricewaterhouseCoopers S.p.A.	Pirelli & C. S.p.A.	243		
	PricewaterhouseCoopers S.p.A.	Subsidiaries	81		
	Network PricewaterhouseCoopers	Subsidiaries	34	**358**	*12%*
Services other than auditing	PricewaterhouseCoopers S.p.A.	Pirelli & C. S.p.A.	150		
	PricewaterhouseCoopers S.p.A.	Subsidiaries	-		
	Network PricewaterhouseCoopers	Subsidiaries	-	**150**	*5%*
				2.970	100%

1) the item "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 2021 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 2018-2020.

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 corporate governance and the share ownership structure 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 17 March 2022 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 deems adequate.

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

During 2021, 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 25 February 2021, expressed its favourable opinion on the consensual termination of the managerial employment contract with Angelos Papadimitriou (former General Manager co-CEO), from 28 February 2021, and on the economic terms of the relative termination agreement;

- at the Board of Directors meeting of 31 March 2021, it expressed its favourable opinion on (i) the 2021 STI plan; (ii) the review of the "Cumulative Group Net Cash Flow (before dividends)" objective included in the 2020-2022 LTI plan and the possibility of normalising the effects on the promotion of the TSR relative to Cooper's integration in Goodyear; (iii) the adoption of the new 2021-2023 LTI plan, to support the 2021-2022/2025 Strategic plan; (iv) the approval of the 2021 Remuneration Report (composed of the 2021 Policy and the Report on Compensation Paid in 2020), as well as the relative Directors' reports to the Shareholders' Meeting on compensation and the remuneration of the Deputy CEO, for all intents and purposes;

- at the Board of Directors' meeting on 15 June 2021, it expressed its favourable opinion, in accordance with Policy 2021, to granting the Deputy-CEO the remuneration package described in the 2021 Policy.

In addition, following the close of the 2021 financial year, 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 relative 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 2021 financial year, drafted its annual Report on 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 relevant 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 balance sheet items and in the value adjustments, and that the separate and consolidated financial statements of the Company appear to 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 Articles of Association, 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 Statutory 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 important 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 important 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);

- following the appointment of Mr Giorgio Luca Bruno as Director, which took place at the Shareholders' Meeting held on 15 June 2021, it was able to verify the correct application of the criteria and procedures adopted by the Board of Directors to assess the absence of independence requirements, the fulfilment of the requirements of integrity as well as the number of offices held by him, which was found to comply with the requirements of the specific procedure adopted by the Company;

- expressed a favourable opinion on the appointment of Mr Giorgio Luca Bruno as the Manager Responsible following the resignation of Mr Francesco Tanzi, resolved by the Board of Directors on 11 November 2021;

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

- issued a certificate relating to the subscription and payment, in full, of the share capital, during the Shareholders' Meeting held on 24 March 2021, which resolved on the convertibility of the bond loan denominated "EUR 500 million Senior Unsecured Guaranteed Equity-linked Bonds due 2025" and the capital increase to service the same bond loan;

- 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;

- verified, taking into account the supervisory tasks prescribed by the regulations in force, the compliance of the New RPT Procedure with the principles of the RPT Regulation, as recently amended, and endorsed the content of the New RPT Procedure;

- on the occasion of the Board of Directors' meeting that approved the new organisational structure, it expressed a favourable opinion, for all intents and purposes, in relation to the structure of the Deputy-CEO's remuneration for inclusion in the 2021 Policy and the proposed organisational structure.

For the sake of completeness, it should be noted that, pursuant to Article 2412 of the Italian Civil Code, the Board of Statutory Auditors, on the occasion of the bond issues within the framework of the establishment of the new *Euro Medium Term Note* ("**EMTN**") programme, has certified, for all intents and purposes, that due to the listing of the bonds on a stock market or a multilateral trading system, the waiver pursuant to Article 2412, paragraph 1, of the Italian Civil Code, provided for in paragraph 5 of the same article, is applicable.

During the 2021 financial year the Board of Statutory Auditors did not receive any complaints or reports pursuant to article 2408 of the Italian Civil Code.

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

- issued its report pursuant to article 14 of legislative decree of 27 January 2010 article no. 39 and no. 10 of Regulation (EU) 537/2014 on 24 March 2022. 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 2021, 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 separate and consolidated financial statements as at 31 December 2021, and some specific information contained in the Report on 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;

- on 24 March 2022, 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 24 March 2022, pursuant to article 3, paragraph 10 of legislative decree no. 254 of 30 December 2016, issued the Report on the responsible management of the value chain (consolidated non-financial declaration 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 2021 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 to 31 December 2022 - 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 be expiring 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. During 2021 it met 5 times;

- the Remuneration Committee is composed of five Directors, the majority of whom are independent (the Chairman is an independent Director). During 2021 it met 5 times;

- the Related-Party Transactions Committee is composed of three Directors, all independent. During 2021 it met 7 times;

- the Appointments and Successions Committee is composed of four Directors, one of whom is the executive Director. During 2021 it met 1 time;

- the Strategies Committee is composed of eight Directors, including the Executive Director, the Deputy-CEO and three independent Directors. During 2021 it met 2 times.

The Board of Statutory Auditors attended 8 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, it should be noted that the Board of Statutory Auditors attended 5 meetings of the Risk and Corporate Governance Committee*,* 5 meetings of the Remuneration Committee, 7 meetings of the Related-Party Transactions Committee, 2 Shareholders' Meetings and, through its Chairman, 1 meeting of the Appointments and Successions Committee and 2 meetings of the Strategies Committee.

In addition, the Board of Statutory Auditors attended 4 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 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, upon their appointment and most recently in their meeting on 14 March 2022, as recommended by the Borsa Italiana Corporate Governance Code, that members possess the same independence requirements - where applicable - as those requested for the directors in the aforementioned Codes of Conduct;

- 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 Director's 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 2021, are of significant importance under article 15 of Consob Market Regulation are listed in detail by the Company in the financial statements.

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 10 meetings of the Board of Statutory Auditors held during 2021 (3 of them held after its renewal by the Shareholders' Meeting of 15 June 2021).

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The Board of Statutory Auditors noted that, at the date of this Report, the COVID-19 health emergency was still ongoing around the world, including in Italy.

In this regard, the Board of Statutory Auditors was constantly informed by the competent departments of the company of the assessments carried out by the management and the actions implemented to monitor the possible social, economic and financial impact of the COVID-19 emergency on the Group. This exchange of information was continuous throughout 2021 and will continue until the end of the ongoing pandemic.

SELF-ASSESSMENT OF THE BOARD OF STATUTORY AUDITORS

In 2021, 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 14 March 2022.

In particular, the 2021 self-assessment (the current Board of Statutory Auditors' first year of mandate) confirmed the broadly positive picture found in previous mandates regarding the composition and operation of the Board of Statutory Auditors. And in fact, despite the exceptional circumstances due to the pandemic and the renewed composition of the Control Body, the Company ensured that the Board of Statutory Auditors was kept abreast of the business and dynamics of the Group, ensuring the efficient performance of its work.

In relation to the areas for which the greatest appreciation was recorded, mention should be made, *inter alia*, of the adequacy of the size and five-member composition of the Board of Statutory Auditors, which, together with the cohesive, collaborative atmosphere and dialogue between its members, allows the control body to perform its role effectively as well as offering a constructive range of opinions; the extreme usefulness of the induction sessions for the in-depth examination of multiple topics (i.e. fiscal, controls, risks, ESG, digitalisation, cyber security) and knowledge of the Pirelli business and group; effective supervision by the control body, in the first six months of its activity, of compliance with the law, regulations and bylaws, proper administration, and the adequacy of the Company's organisational and accounting structures, having gained knowledge of the Audit Plan launched during the previous mandate; the effective role of the Board of Statutory Auditors in the overall and timely coordination of activities; the adequacy of the flow of information to and from the Board of Statutory Auditors, particularly thanks to the excellence demonstrated by the Company's managerial and operational structures in charge of this; the adequate frequency of the meetings of the Board of Statutory Auditors and positive interactions, including informal ones, between the members whenever necessary; the high quality level of the documentation in view of the meetings and full compliance with the timeframes for sending it by the support structures.

Particular appreciation was also expressed by the Statutory Auditors regarding (i) the diverse backgrounds and respective experiences within the control body, as an element of constant enrichment for the Board's work, which promoted the exchange and sharing of the various positions, through the contributions made by all the members of the Board of Statutory Auditors itself, (ii) the presence of three female Statutory Auditors as evidence of Pirelli's attention to the issues of equity and inclusion and (iii) the effectiveness of the role played by the Chairman of the Board of Statutory Auditors highlighted by all the Statutory Auditors with reference, in particular, to the level of commitment made to create a cohesive working climate, and to the inclusive approach intended to encourage debate and constructive discussion.

Lastly, from the investigation, some areas have been identified for future reflection, including the arrangement, when possible, of face-to-face meetings and informal get-togethers with Company Directors and managers, to consolidate and strengthen interpersonal relationships and facilitate integration and continued careful planning and holding of a selected number of induction sessions.

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 2021 financial year.

PROPOSALS TO THE SHAREHOLDERS' MEETING

Financial Statements at 31 December 2021

The Board of Statutory Auditors expresses its favourable opinion on the approval of the Financial Statements at 31 December 2021 and has no objections to raise regarding the proposal made

1) to distribute to shareholders a dividend, gross of withholding taxes, of 0.161 euro for each of the 1,000,000,000 outstanding ordinary shares, for a total of 161,000,000.00 euro;

2) to carry forward the remaining profits, amounting to 55,618,625.00 euro;

3) 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;

4) 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 2022 financial year subject to the binding vote of the Shareholders' Meeting and the Report on Compensation Paid in the 2021 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 2022-2024 LTI plan, in support of the new 2021-2022/2025 Strategic Plan, expressing a favourable opinion, within its remit, on the criteria to adjust only the quantification of the objectives set out in the current LTI plans to make allowance for any negative effects resulting from a worsening geopolitical and macroeconomic scenario. Therefore, the Board of Statutory Auditors has no objections.

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Pursuant to article 144-*quinquiesdecies* of the Issuers' Regulations, 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) 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 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, 24 March 2022

For the Board of Statutory Auditors

The Chairman, Mr Riccardo Foglia Taverna