HALF-YEAR FINANCIAL REPORT

AT JUNE 30, 2021

PIRELLI & C. Società per Azioni (Joint Stock Company)

Milan Office

Viale Piero e Alberto Pirelli n. 25

Share Capital Euro 1,904,374,935.66

Milan Company Register No. 00860340157

REA (Economic Administrative Index) No. 1055

PIRELLI & C. S.p.A. - MILAN

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The Board of Directors[1]

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

Secretary of the Board Alberto Bastanzio

Board of Statutory Auditors[2]

Chairman	Riccardo Foglia Taverna
Statutory Auditors	Antonella Carù
	Francesca Meneghel
	Teresa Cristiana Naddeo
	Alberto Villani

[1] Appointment: June 18, 2020. Expiry: Shareholders' Meeting convened for the approval of the Financial Statements at December 31, 2022. On August 5, 2020, Angelos Papadimitriou was co-opted by the Board of Directors following the resignation tendered – on the same date – by Carlo Secchi. Director Angelos Papadimitriou, whose confirmation was scheduled for the Agenda of the Shareholders' Meeting convened for March 24, 2021, announced on the same date that he was withdrawing his candidacy and therefore ceased to hold office at the close of the Shareholders' Meeting. The Shareholders' Meeting held on June 15, 2021 appointed Giorgio Luca Bruno as a new Director. The Board of Directors meeting which was held following the Shareholders' Meeting appointed Giorgio Luca Bruno as Deputy-CEO of the Company.

[2] Appointment: June 15, 2021. Expiry: Shareholders' Meeting convened for the approval of the Financial Statements at December 31, 2023.

Alternate Auditors	Franca Brusco
	Maria Sardelli
	Marco Taglioretti

Audit, Risk, Sustainability and Corporate Governance Committee

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

Committee for Related Party Transactions

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

Nominations and Successions Committee

Chairman	Marco Tronchetti Provera
	Ning Gaoning
	Bai Xinping
	Giovanni Tronchetti Provera

Remuneration Committee

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

Strategies Committee

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

Independent Auditing Firm[3] PricewaterhouseCoopers S.p.A.

Manager responsible for the preparation of the corporate financial documents[4] Francesco Tanzi

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

[3] Appointment: August 1, 2017, effective as of the date of the commencement of trading of Pirelli shares on the Mercato Telematico Azionario (screen-based stock exchange) which is organised and managed by Borsa Italiana S.p.A. (October 4, 2017). Expiry: Shareholders' Meeting convened for the approval of the Financial Statements at December 31, 2025.

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

MACROECONOMIC AND MARKET SCENARIO

Economic Overview

The global economy recovered during the first half-year of 2021, boosted by the easing of restrictive measures on economic activity and on mobility, particularly during the second quarter of 2021.

Following the return of global industrial production to pre-COVID levels during the first quarter, global trade expanded further, while the services sector accelerated during the second quarter of 2021, particularly in countries that had made good progress with their vaccination plans. The pandemic however continued to limit economic activity, due to the spread of the *"Delta"* variant in emerging countries with insufficient vaccination coverage to protect the most vulnerable. Inflationary pressures increased in the wake of some transitory factors such as, the volatility in energy prices, temporary supply-side constraints (e.g.: a shortage in semi-conductors), and the subsequent pressure on prices as demand recovered.

In Europe, the gradual acceleration of the vaccination campaign during the first half-year of 2021, allowed for the gradual reopening of economic activities, which contributed to GDP growth of +13.2% during the second quarter of 2021 compared to the same period in 2020, following the contraction (-1.3%) recorded during the first quarter of 2021.

The US economy had already returned to pre-pandemic levels in the first quarter, thanks to its fiscal stimulus, the advancement of the vaccine plan and an accommodative monetary policy, with GDP growth of +12.2% for the second quarter of 2021.

Economic growth, percentage change in GDP

	1Q 2020	2Q 2020	3Q 2020	4Q 2020	1Q 2021	2Q 2021
EU	-2.6	-13.6	-3.9	-4.3	-1.3	13.2
US	0.6	-9.1	-2.9	-2.3	0.5	12.2
China	-6.2	3.6	5.1	6.7	18.3	7.9
Brazil	-1.4	-10.9	-3.9	-1.2	2.3	12.7
Russia	1.5	-7.6	-3.5	-1.9	-0.6	8.4
World	-2.3	-7.5	-1.4	-0.3	3.9	10.6

Note: year-on-year percentage changes. Final data, forecasts for Brazil, Russia and the World.
Source: National statistics offices and IHS Markit, July 2021

In China, the normalisation of economic activity continued with GDP growth of +7.9% for the second quarter of 2021, following the rebound of +18.3% recorded during the first quarter.

The Brazilian economy improved during the second quarter. The negative impact of mobility restrictions to combat the pandemic turned out to be less severe than expected, while higher commodity prices together with an increase in external demand, sustained exports.

Rising crude oil prices, together with foreign demand for non-energy products, were also factors that supported the recovery of the Russian economy during the second quarter.

Exchange Rate

The first half-year was characterised by high exchange rate volatility, mostly concentrated in the first quarter.

The US dollar fell during the first half-year of 2021, depreciating by -8.6% against the euro. During the second quarter, the euro/US dollar exchange rate (1.21), remained substantially stable compared to the average for the first quarter of 2021 (1.20).

Key exchange rate	1Q		2Q		1HY	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
US$ per euro	1.20	1.10	1.21	1.10	1.21	1.10
Chinese yuan per US$	6.48	6.98	6.46	7.08	6.47	7.03
Brazilian real per US$	5.49	4.47	5.30	5.39	5.39	4.92
Russian rouble per US$	74.32	66.39	74.20	72.41	74.25	69.35

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

For the first six months of the year, the Chinese currency appreciated by +8.7% against the US dollar compared to the same period of the previous year, but remained substantially unchanged against the euro. The yuan remained stable across the first and second quarters of 2021 against the US dollar and the euro.

In comparing the first half-year of 2021 with the same period in 2020, the Brazilian real depreciated by -8.6% against the US dollar, and -16.5% against the euro. A gradual increase in the Brazilian central bank's benchmark interest rates, together with the increase in the prices of raw materials produced and exported by the country, sustained the Brazilian currency for the second quarter of 2021, (~+3.5% against the US dollar and the euro compared to the first three months of the year).

The Russian rouble also fell during the first half-year of 2021, with a -7% depreciation against the US dollar compared to the first half-year of 2020, and -15% against the euro. During the first and second quarter of 2021 however, the rouble remained stable against the US dollar and the euro, thanks to the recovery in oil prices, and the rise in interest rates to counter the rise in consumer prices.

Raw Materials Prices

Raw materials prices further increased during the first half-year of 2021. The average price for Brent crude stood at US$ 65 per barrel, up by +55% compared to average prices for the same period of 2020. Particularly during the second quarter of 2021 there was a rise in crude oil prices, due to the recovery in demand and the supply restrictions imposed by oil-producing countries.

Butadiene prices averaged euro 784 per tonne, up by +40% compared to the same period of 2020. During the second quarter of 2021 prices surpassed pre-pandemic levels, averaging euro 853 per tonne, up by +118% compared to the second quarter of 2020 when prices had plummeted, and up by +15% compared to average prices for the fourth quarter of 2019.

Natural rubber averaged US$ 1,661 per tonne for the first half-year of 2021, an increase of +36% compared to the same period in 2020. Following the price recovery towards the end of 2020 and during the first three months of 2021, natural rubber prices remained stable for the second quarter compared to the first quarter.

Raw material prices	1Q			2Q			1HY		
	2021	**2020**	% chg.	**2021**	**2020**	% chg.	**2021**	**2020**	% chg.
Brent (US$ / barrel)	61.1	50.9	20%	69.0	33.3	107%	65.1	42.1	55%
Butadiene (€ / tonne)	715	727	-2%	853	392	118%	784	559	40%
Natural rubber TSR20 (US$ / tonne)	1,668	1,337	25%	1,653	1,107	49%	1,661	1,222	36%

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

Trends in Car Tyre Markets

During the first half-year of 2021, the car tyre market as a whole recorded growth of +25.4% globally, recovering from the lows recorded during the first half-year of 2020, with volumes remaining below the pre-pandemic levels of 2019 (-6% compared to the first half-year of 2019). There was strong growth (+27.8% year-on-year) for the Original Equipment channel, even if far from pre-pandemic levels (-12.9% compared to the first half-year of 2019), impacted by the shortage in semi-conductors, and by the effects of logistical slowdowns. There was sustained growth for the Replacement channel (+24.5%), supported by the recovery in mobility following the easing of restrictions put in place to combat contagions. This trend came close to pre-COVID levels (-3.8% compared to the first half-year of 2019).

There was a more notable recovery in demand for the Car ≥18" segment (+35% compared to the first half-year of 2020, +37% for Original Equipment, +34% for the Replacement channel), which continued its growth to beyond pre-pandemic levels (+7% growth in overall demand, -0.4% for Original Equipment, +13% for the Replacement channel), driven by the recovery in APAC, Europe and North America.

There was a positive performance for the Car ≤17" market (+23% compared to the first half-year of 2020), even if still below 2019 levels (-9% compared to the first half-year of 2019), in all regions.

Trends in Car Tyre Markets

% year-on-year	**1Q 2020**	**2Q 2020**	**3Q 2020**	**4Q 2020**	**Total 2020**	**1Q 2021**	**2Q 2021**	**1HY 2021**	**1HY 2021 / 1HY 2019**
Total Car Tyre Market									
Total	**-17.1**	**-33.5**	**-7.2**	**-0.8**	**-14.5**	**13.1**	**40.5**	**25.4**	**-6.4**
Original equipment	-22.5	-41.5	-5.3	0.1	-17.4	12.8	48.4	27.8	-12.9
Replacement	-14.9	-30.4	-7.9	-1.1	-13.4	13.3	38.0	24.5	-3.8
New Premium Market ≥ 18"									
Total	**-9.6**	**-31.6**	**2.7**	**3.7**	**-8.6**	**20.0**	**55.2**	**35.3**	**7.3**
Original equipment	-14.6	-40.5	2.0	5.8	-11.8	18.2	65.2	37.0	-0.4
Replacement	-5.5	-25.1	3.2	2.2	-6.2	21.3	49.4	34.2	13.2
Standard Market ≤ 17"									
Total	**-18.7**	**-33.9**	**-9.2**	**-1.7**	**-15.7**	**11.6**	**37.4**	**23.2**	**-9.2**
Original equipment	-25.3	-41.8	-7.9	-1.8	-19.3	10.7	42.4	24.3	-17.2
Replacement	-16.3	-31.3	-9.5	-1.7	-14.6	11.9	36.0	22.9	-6.5

Source: Pirelli estimates

SIGNIFICANT EVENTS OF THE FIRST HALF-YEAR

During **January and February 2021** Pirelli repaid, some of its debt maturities scheduled for 2021 and 2022 in advance, a total amount of euro 838 million. In particular, a tranche of the *"Schuldschein"* loan amounting to euro 82 million was repaid, with original maturity on July 31, 2021, plus a portion to the amount of euro 756 million of the unsecured (*"Facilities"*) loan, with original maturity in 2022. These repayments, for which part of the liquidity raised in 2020 was used, made it possible to reduce financial expenses, thereby optimising the financial structure of the debt.

On **February 25, 2021** Pirelli communicated the terms of the termination, effective February 28, 2021, of the employment relationship with the General Manager and co-CEO Angelos Papadimitriou, which had been announced to the market on **January 20, 2021.**
In accordance with the Pirelli Remuneration Policy, the Board of Directors granted to Mr. Papadimitriou, in addition to the amounts due by way of remuneration and other legal benefits accrued up to the date of his termination: (i) 10 months' gross annual salary as a redundancy incentive, equal to the value of what would have been the compensation in lieu of notice, based on conventional seniority recognised at the time of recruitment as an executive; (ii) euro 100,000 gross by way of a general novative settlement, to be paid once the termination is defined in accordance with the existing labour law procedures, as well as the maintenance until December 31, 2021 of certain non-monetary benefits granted at the time of recruitment as an executive. As provided for at the time of his recruitment, subordinate to the suspensory condition of the approval of the 2021 Remuneration Policy by the Shareholders' Meeting, Mr. Papadimitriou will be bound, for the two years following his termination of office as Director, to a non-compete agreement, valid for the main countries in which Pirelli operates, in exchange for a consideration, for each applicable year, equal to 100% of his gross annual salary, to be paid in 8 deferred quarterly instalments starting from July 1, 2021. The non-compete agreement includes a non-solicit clause as well as penalties in the event of any breach of the obligations pursuant to the non-compete agreement.

On **March 31, 2021**, the Board of Directors approved the proposal of the Executive Vice Chairman and CEO, Marco Tronchetti Provera, already announced to the market on **March 24, 2021**, to invite the Shareholders' Meeting to appoint Giorgio Luca Bruno as Director and consequently - to appoint him as Deputy-CEO, an office which reports directly to him, effective June 15, 2021. Following this proposal, Angelos Papadimitriou renounced his candidacy for Director. Therefore the Shareholders' Meeting, which met on **March 24, 2021** with, amongst other things, his reappointment on the Agenda, decided to postpone the appointment of the new Director which the Board had identified as Giorgio Luca Bruno, until June 15. Angelos Papadimitriou, who had previously been co-opted, therefore ceased to be a Director effective March 24, 2021.
The Shareholders' Meeting also approved, during an extraordinary session, the convertibility of the *"EUR 500 million Senior Unsecured Guaranteed Equity-linked Bonds due 2025"* issued on December 22, 2020, as well as approved a divisible capital increase, with the exclusion of option rights, to service the conversion of the aforementioned bond, for a total counter-value, including any share premium, of euro 500 million. On the basis of the initial conversion ratio of the bond loan of euro 6.235, this increase will correspond to the issue of a maximum of 80,192,461 Pirelli & C.

S.p.A. ordinary shares (notwithstanding that the maximum number of Pirelli & C. S.p.A. ordinary shares could increase depending on the effective conversion ratio applicable from time to time).

On **March 31, 2021**, the Board of Directors approved the 2021-2022|2025 Industrial Plan, which had been presented to the financial community on the same date, and also approved the Financial Statements at December 31, 2020 which had closed with a consolidated net income of euro 42.7 million, and a net income for the Parent Company of euro 44 million. The Board of Directors resolved to propose to the Shareholders' Meeting convened for June 15, 2021, the distribution of a dividend, also by way of withdrawing part of the earnings accrued during previous financial years, of euro 0.08 per share for a total of euro 80 million.

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

On **April 15, 2021**, Pirelli sent a *Physical Settlement Notice* to the bondholders of the *"EUR 500 million Senior Unsecured Guaranteed Equity-linked Bonds due 2025"*, which announced that as of May 6, 2021 the bondholders would be able to exercise their right to convert the bonds into Pirelli ordinary shares, as provided for in the terms and conditions of the bond loan.

On **May 19, 2021**, Pirelli announced that it was the first company in the world to produce a line of Forest Stewardship Council (FSC) certified tyres, designed for the new BMW X5 xDrive45e Plug-In Hybrid. FSC Forest Stewardship Certification confirms that natural rubber plantations are managed in a way that preserves biological diversity, and benefits the lives of local communities and workers, while ensuring economic sustainability. Obtaining FSC Certification for natural rubber produced from certified plantations, is just the latest milestone in Pirelli's long-standing commitment to the sustainable management of the natural rubber supply chain.

On **June 15, 2021**, the Company's Shareholders' Meeting approved the Financial Statements for the 2020 financial year, and resolved to distribute a dividend of euro 0.08 per share, equal to a total dividend pay-out of euro 80 million before statutory taxes. The dividend was placed in payment on June 23, 2021 (with an ex-dividend date of June 21, 2021 and a record date of June 22, 2021). The Shareholders' Meeting also confirmed the number of members of the Board of Directors at 15 and - upon proposal of the Board of Directors - appointed Giorgio Luca Bruno as a new Director, whose mandate will expire together with the other members of the Board of Directors, at the time of the approval of the Financial Statements at December 31, 2022. The Shareholders' Meeting then appointed the Board of Statutory Auditors for the 2021-2022-2023 financial years, which is made up of Riccardo Foglia Taverna (Chairman), Alberto Villani, Teresa Cristiana Naddeo, Antonella Carù (who retains her position as a member of the Supervisory Board), and Francesca Meneghel as Statutory Auditors, and Franca Brusco, Marco Taglioretti and Maria Sardelli as Alternate Auditors. The Shareholders' Meeting also approved the remuneration policy for 2021, expressed its approval of the Financial Report regarding remunerations paid during the 2020 financial year, and approved the adoption of the three-year 2021-2023 monetary incentive plan for the management sector of the Group. Lastly, with reference to the three-year 2020-2022 monetary incentive plan approved by the Shareholders' Meeting of June 18, 2020, the Shareholders' Meeting approved the proposed adjustment to the Net Cash Flow target (before dividends), and the possibility of normalising the potential impacts on the TSR (Total Shareholder Return) target of the acquisition of Cooper by Goodyear (which took place at the beginning of 2021), included in the framework of the target.

Also on **June 15, 2021**, the Pirelli Board of Directors, in keeping with that which had been announced to the market, appointed Giorgio Luca Bruno as Deputy-CEO. The newly appointed Deputy-CEO was granted powers for the operational management of Pirelli, to be exercised in a vicarious capacity. The Board also appointed Giorgio Luca Bruno as a member of the Strategies Committee, confirming the number of its members at 8. Consistent with that which was disclosed to the market, Pirelli's macro-organisational structure envisages that Deputy-CEO Giorgio Luca Bruno, will report directly to Executive Vice Chairman and CEO Marco Tronchetti Provera, thus superseding the office of General Manager and co-CEO, whose responsibilities had been entrusted *ad interim* to the Executive Vice Chairman and CEO as of the termination date of the working relationship with Mr. Papadimitriou. The Executive Vice Chairman and CEO is in charge of strategic and industrial policy, and therefore the following offices will continue to report to him: Strategic Planning & Controlling, Investor Relations, Competitive, Business Insight and Micromobility Solutions, Communication and Brand Image, Institutional Affairs and Culture, Corporate Affairs, Compliance, Audit, and the Company Secretary. The Deputy-CEO is attributed all the necessary executive levers, in addition to the staff areas that do not report directly to the Executive Vice Chairman and CEO. Reporting to the Deputy-CEO is the General Manager of Operations, Andrea Casaluci, to whom all business divisions and regions will continue to report.

The Board of Directors - following the unanimous opinion of the Committee for Related Party Transactions, which deliberated with the presence of all its members - also unanimously approved the new Procedure for Related Party Transactions, which has been adapted to the new provisions on related party transactions recently adopted by CONSOB.

GROUP PERFORMANCE AND RESULTS

In this document, in addition to the financial measures provided for by the International Financial Reporting Standards (IFRS), alternative performance indicators derived from the IFRS were used, in order to allow for a better assessment of the of the Group's operating and financial performance. Reference should be made to the paragraph "*Alternative Performance Indicators*" for a more analytical description of these indicators.

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Pirelli's results for the first half-year of 2021 reflected the strong recovery, in demand and the implementation of the Industrial Plan's key programmes.

On the **Commercial Front**:

- strengthening of the High Value segment, with the outperformance of Car ≥18" (Pirelli volumes at +51% compared to +35% for the market), and even greater sustained growth for Car ≥19" (Pirelli volumes at +58% compared to +43% for the market), in all regions and for both channels (Original Equipment and Replacement). Pirelli fully seized the opportunities offered by the market recovery, by leveraging a portfolio of products with high technological content, and a production and logistics structure capable of handling the high volatility of demand;
- increased exposure to the electric market segment, with Original Equipment volumes at approximately 9 times those of the first half-year of 2020;
- consolidation of leadership in China in the high-end products range:
    - both on the Original Equipment channel, thanks to strong exposure to Premium Car makers, and also to partnerships with the leading local Premium manufacturers of electric vehicles;
    - and on the Replacement channel, where the recovery in demand was intercepted through the distribution chain, and the strong development in online sales (approximately 27% of volumes);
- recovery in sales for the Standard segment (Pirelli volumes for Car ≤17" at +35% compared to +23% for the market), with the mix increasingly oriented towards higher rim diameter products;
- progressive price/mix improvement (+3.0% for the first quarter of 2021, +4.0% for the second quarter of 2021), which reflected the good performance of the product mix, and the price increases implemented mainly since the end of the first quarter.

On the **Innovation Front**:

- the homologation plan continued with the OEM partners, with ~170 technical homologations in first half-year 2021 (~50% of the annual target), concentrated in the ≥19" range (~85%) and *Specialties* (~50%);
- the launch of four new product lines dedicated to the Replacement channel (*Powergy* and the new *Cinturato All-Season SF2* in Europe, the new *Scorpion All-Season +3*" in the USA, and the renewal of the *P4 Persist* line, dedicated to US customers);
- production of the world's first tyre certified by the Forest Stewardship Council (FSC), an international NGO which promotes the responsible management of the world's forests, confirming Pirelli's strong commitment to increasingly challenging sustainability goals. These tyres, designed for the new *BMW X5 xDrive45e Plug-In Hybrid*, use FSC certified natural rubber and rayon. This certification confirms that the materials come from plantations that preserve biological diversity, and support local communities and workers. To support business transformation, it also launched new initiatives in high level training, developed in the context of R&D with the cooperation of the Politecnico di Milano.

For the **Competitiveness Programme**: the launch of **Phase 2 of the efficiency plan**, with gross benefits of euro 83 million (euro 50 million net of inflation), relative to:

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

For the **Operations Programme**:

- the process of returning to optimal levels of plant saturation continued, which already exceeded 90% during the first half-year;
- optimised inventories levels, which were essentially stable compared to the end of 2020 (19% of the revenues for the last 12 months), despite a higher level of demand.

For the **Digitalisation Program**, efforts continued to transform the Company's key processes by 2023. This programme will enable the real-time integration of the exchange of information, between the various corporate functions and its partners/external customers through digital platforms, using artificial intelligence models.

Pirelli's results for the first half-year of 2021 were characterised by:

- **revenues** of euro **2,564.8** million, which were up by +41.2% compared to the same period of 2020, an organic growth of +45.3% excluding the negative exchange rate effect and the effects of hyperinflation in Argentina. In particular:
    - a significant growth in volumes (+42.3% at Group level), both for the High Value (+46.3%) and Standard segments (+38.3%), supported by the recovery in demand in the main geographical regions, and the strengthening of market share in the main segments;
    - an improved price/mix (+3.0%), which reflected the above mentioned dynamics;
    - the negative impact from the exchange rate effect and hyperinflation in Argentina (-4.1% for the first half-year), as a result of the depreciation of the US dollar (down by -9% compared to the first half-year of 2020), and of the main currencies of emerging countries against the euro (-17% for the Brazilian real, -15% for the Russian rouble), particularly concentrated in the first quarter;
- **EBIT adjusted** amounted to euro **377.4** million (euro 66.7 million for the first half-year of 2020), with profitability equal to 14.7% (3.7% for the first half-year of 2020), thanks to the improvement in internal levers (volumes, price/mix, efficiencies), which more than offset the negativity of the external scenario (raw materials, inflation, exchange rate effect);
- **net income** amounted to euro **131.6** million, (euro -101.7 million for the first half-year of 2020) and **net income adjusted** amounted to euro **224.3** million, net of one-off, non-recurring and restructuring expenses, COVID-19 direct costs, and the amortisation of intangible assets included in the PPA;
- **Net Financial Position** at June 30, 2021 was negative at euro **3,818.7** million (euro 3,258.4 million at December 31, 2020, euro 4,264.7 million at June 30, 2020), with cash absorption before dividends equal to euro -481.0 million, which had improved by euro 276.5 million compared to euro -757.5 million for the first half-year of 2020, and by euro 159.5 million compared to euro -640.5 million for the first half-year of 2019. This trend was supported by a sharply improved operating performance, the careful management of working capital particularly attributable to the management of inventories (19% share of sales, compared with 21% for the first half-year of 2020, and 22% for the first half-year of 2019), and by the trend in payables, which benefited from the low level of investments made during the last quarter of 2020;
- a **liquidity margin** equal to euro **1,533** million, capable of meeting all financial debt maturities until the end of the first half-year of 2023, thanks also to the Company's right to extend bank debt maturing in June 2022 (euro 901 million), for a further two years.

Results improved significantly for the second quarter with:

- **revenues** of euro 1,320.1 million, an organic growth of +73.9% year-on-year, supported by the strong recovery in demand - particularly in the high-end product range (+68.8% for Pirelli High Value volumes, +74 % for Car ≥18” volumes) - and by the price/mix improvement (+4.0%);
- **EBIT adjusted** of euro 208.6 million, with a margin of 15.8% (-9.7% for the second quarter of 2020), thanks to the strong contribution of internal levers (volumes, price/mix and efficiencies);
- a **net income** of euro 89.4 million;

- positive **net cash flow before dividends** (euro +172.5 million), which was a marked improvement compared to both the cash flow generated during the second quarter of 2020 (euro -4.0 million), and the cash flow generated during the second quarter of 2019 (euro +72.4 million), supported by the operating performance and the careful management of working capital.

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

(in millions of euro)		**1 HY 2021**	**1 HY 2020**
Net sales		**2,564.8**	**1,816.4**
EBITDA adjusted (°)		**573.9**	**267.9**
% of net sales		22.4%	14.7%
EBITDA (°°)		**502.0**	**201.7**
% of net sales		19.6%	11.1%
EBIT adjusted		**377.4**	**66.7**
% of net sales		14.7%	3.7%
Adjustments:	- amortisation of intangible assets included in PPA	(56.9)	(57.3)
	- non-recurring, restructuring expenses and other	(63.2)	(39.8)
	- COVID-19 direct costs	(8.7)	(26.4)
EBIT		**248.6**	**(56.8)**
% of net sales		9.7%	(3.1%)
Net income/(loss) from equity investments		2.0	(4.6)
Financial income/(expenses) (°°)		(71.8)	(73.1)
Net income/(loss) before taxes		**178.8**	**(134.5)**
Tax income/(expenses)		(47.2)	32.8
Tax rate %		26.4%	24.4%
Net income/(loss)		**131.6**	**(101.7)**
Eanings/(loss) per share (in euro per share)		0.12	(0.10)
Net income/(loss) adjusted		224.3	(13.4)
Net income/(loss) attributable to owners of the Parent Company		123.1	(103.3)

(°) The adjustments refer to one-off, non-recurring and restructuring expenses to the amount of euro 58.5 million (euro 35.7 million for the first half-year of 2020), to expenses relative to the retention plan approved by the Board of Directors on February 26, 2018 to the amount of euro 4.7 million (euro 4.1 million for the first half-year of 2020), and COVID-19 direct costs to the amount of euro 8.7 million (euro 26.4 million for the first half-year of 2020).

(°°) This item includes the impacts deriving from the application of the accounting standard IFRS 16 – Leases, on EBITDA to the amount of euro +49.8 million (euro +52.8 million for the first half-year of 2020), and on financial expenses to the amount of euro -10.5 million (euro -11.1 million for the first half-year of 2020).

(in millions of euro)		06/30/2021	12/31/2020	06/30/2020
Fixed assets		**8,887.5**	**8,857.1**	**9,067.7**
	Inventories	956.5	836.4	961.5
	Trade receivables	802.5	597.7	627.9
	Trade payables	(966.9)	(1,268.0)	(858.4)
Operating net working capital		**792.1**	**166.1**	**731.0**
% of net sales (*)		15.7%	3.9%	16.3%
	Other receivables/other payables	(31.5)	(25.6)	145.0
Net working capital		**760.6**	**140.5**	**876.0**
% of net sales (*)		15.1%	3.3%	19.5%
Net invested capital		**9,648.1**	**8,997.6**	**9,943.7**
Equity		**4,798.7**	**4,551.9**	**4,404.1**
Provisions		1,030.7	1,187.3	1,274.9
Net financial (liquidity)/debt position		**3,818.7**	**3,258.4**	**4,264.7**
Equity attributable to owners of the Parent Company		4,680.9	4,447.4	4,305.5
Investments in intangible and owned tangible assets (CapEx)		152.8	140.0	81.4
Increases in right of use		49.9	68.5	47.0
Research and development expenses		117.2	194.6	95.0
% of net sales		4.6%	4.5%	5.2%
Research and development expenses - High Value		110.0	182.5	89.6
% of High Value sales		6.0%	6.0%	7.0%
Employees (headcount at end of period)		30,787	30,510	30,521
Industrial sites (number)		19	19	19

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

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

(in millions of euro)		1 Q		2 Q		TOTAL 1 HY	
		2021	2020	2021	2020	2021	2020
Net sales		**1,244.7**	1,051.6	**1,320.1**	764.8	**2,564.8**	1,816.4
	yoy	18.4%		72.6%		41.2%	
	*organic yoy **	24.5%		73.9%		45.3%	
EBITDA adjusted		**266.5**	244.2	**307.4**	23.7	**573.9**	267.9
	% of net sales	21.4%	23.2%	23.3%	3.1%	22.4%	14.7%
EBITDA		**223.5**	220.2	**278.5**	(18.5)	**502.0**	201.7
	% of net sales	18.0%	20.9%	21.1%	(2.4)%	19.6%	11.1%
EBIT adjusted		**168.8**	141.1	**208.6**	(74.4)	**377.4**	66.7
	% of net sales	13.6%	13.4%	15.8%	(9.7)%	14.7%	3.7%
Adjustments:	- amortisation of intangible assets included in PPA	(28.4)	(28.7)	(28.5)	(28.6)	(56.9)	(57.3)
	- non-recurring, restructuring expenses and other	(39.4)	(18.6)	(23.8)	(21.2)	(63.2)	(39.8)
	- COVID-19 direct costs	(3.6)	(5.4)	(5.1)	(21.0)	(8.7)	(26.4)
EBIT		**97.4**	88.4	**151.2**	(145.2)	**248.6**	(56.8)
	% of net sales	7.8%	8.4%	11.5%	(19.0%)	9.7%	(3.1%)
Net income/(loss) from equity investments		(0.1)	(5.3)	2.1	0.7	2.0	(4.6)
Financial income/(expenses)		(40.0)	(32.5)	(31.8)	(40.6)	(71.8)	(73.1)
Net income/(loss) before taxes		**57.3**	50.6	**121.5**	(185.1)	**178.8**	(134.5)
Tax income/(expenses)		(15.1)	(12.1)	(32.1)	44.9	(47.2)	32.8
Tax rate %		26.4%	24.0%	26.4%	24.3%	26.4%	24.4%
Net income/(loss)		**42.2**	38.5	**89.4**	(140.2)	**131.6**	(101.7)

*before exchange rate effect and hyperinflation in Argentina

Net sales amounted to euro 2,564.8 million, a growth of +41.2% compared to the first quarter of 2020, or +45.3% excluding the combined impact of the exchange rate effect, and the adoption of hyperinflation accounting in Argentina (totalling -4.1%).

High Value sales accounted for 71.9% of total sales, an improvement compared to 70.8% for first quarter 2020.

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

	2021		
	1Q	**2Q**	**1HY**
Volume	22.2%	69.9%	42.3%
of which:			
- High Value	*29.3%*	*68.8%*	*46.3%*
- Standard	*15.4%*	*72.9%*	*38.3%*
Price/mix	2.3%	4.0%	3.0%
Change on a like-for-like basis	**24.5%**	**73.9%**	**45.3%**
Exchange rate effect /Hyperinflation accounting in Argentina	(6.1%)	(1.3%)	(4.1%)
Total change	**18.4%**	**72.6%**	**41.2%**

For the first half-year of 2021, **Pirelli volumes** (+42.3%) reflected the recovery in demand and the gain in market share for both the High Value and Standard segments (volume growth of +46.3% and +38.3% respectively). The trend for the second quarter of 2021 was particularly marked: +69.9% for Group volumes, +68.8% for the High Value segment, and +72.9% for the Standard segment, with a decisive recovery in demand that retracted from the lows reached during the second quarter of 2020.

Pirelli Car ≥18" volumes grew by +51%, compared with +35% for the market. In particular:

- for the **Original Equipment** channel (Pirelli volumes at +60%, the market at +37%), growth was supported by exposure to the Premium and Prestige segments, by the consolidation of the client base in North America and APAC, and by the growing demand for specific products for electric vehicles;
- for the **Replacement** channel (Pirelli volumes at +44%, the market at +34%), the Company further strengthened its market share in the main geographical regions, benefiting from the growth in High Value pull-through volumes (demand for Replacement for cars with Original Equipment Pirelli tyres), and the launch of new dedicated lines.

Car ≥19" volumes grew sharply, recording an increase of +58% against a market growth of +43%.

For **Car ≤17" volumes**, growth for the first half-year (+35%), was more marked than for the relevant market (+23%), thanks to the strong recovery in demand in South America where the Company is the market leader.

For the **second quarter**, Pirelli **Car ≥18”** volumes grew by +74%, compared with +55% for market volumes. Volume growth for the second quarter for **Car ≤17”** (+69%) was also more marked than that of the market (+37%).

The sustained contribution of the **price/mix** (+3.0% for the first six months of 2021), reflected the improved product mix (especially in the High Value segment, with higher volumes for Car ≥19” and *Specialties*), as well as the implementation of price increases from the end of the first quarter. Second quarter price/mix was up sharply (+4.0%), mainly supported by the aforementioned price increases and product mix improvement.

The **exchange rate effect**, which included hyperinflation in Argentina, was negative: -4.1% for the first half-year of 2021, -13% for the second quarter, impacted by the appreciation of the euro against the US dollar and the main emerging market currencies (particularly South America and Russia).

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

	1 HY 2021				1 HY 2020
	euro\mln	*%*	*yoy*	*Organic Yoy**	*%*
Europe and Turkey	1,031.0	40.2%	*33.5%*	*34.3%*	42.6%
North America	530.1	20.7%	*47.3%*	*54.8%*	19.8%
APAC	490.5	19.1%	*41.2%*	*42.9%*	19.1%
South America	290.2	11.3%	*71.7%*	*87.7%*	9.3%
Russia, Nordics and MEAI	223.0	8.7%	*32.9%*	*38.2%*	9.2%
Total	**2,564.8**	**100.0%**	***41.2%***	***45.3%***	**100.0%**

* before exchange rate effect and hyperinflation in Argentina

EBITDA adjusted equalled euro 573.9 million (euro 267.9 million for the first half-year of 2020), with a margin of 22.4% (14.7% for the first six months of 2020), which reflected the dynamics described in the following paragraph in terms of EBIT adjusted.

EBIT adjusted for the first half-year of 2021 equalled euro 377.4 million, compared with euro 66.7 million for the corresponding period of 2020. EBIT margin adjusted for the first half-year of 2021 was 14.7%, up from 3.7% for the first six months of 2020 thanks to the contribution of internal levers (volumes, price/mix and efficiencies), which has more than offset the negativity of the external scenario (raw materials, inflation, exchange rate effect). More specifically, for the first half-year, EBIT adjusted reflected:

- the strong contribution of **volumes** (euro +315.0 million);
- the **positive price/mix effect** (euro +47.0 million) which substantially offset the **increase in the cost of raw materials** (euro -38.7 million mainly due to the depreciation of the main currencies of the Group's manufacturing countries, South America, Romania and Russia), and the **negative exchange rate effect** (euro -12.7 million);
- the **positive effect of Phase 2 of the Competitiveness Plan** which generated structural efficiencies amounting to euro 82.5 million, which more than compensated:

- o **inflation** (euro -32.0 million);
- o the **reversal impact of COVID-19 Measures** (euro -10.4 million equal to the balance between euro 54.4 million in higher discretionary costs related to activities suspended during 2020 because of the pandemic, and the benefits deriving from the increased utilisation of production plants which amounted to euro 44.0 million);
- o **amortisation and depreciation** (euro -6.0 million);

- the **increase in other costs** (euro -34.0 million for for the first half-year, mainly concentrated in the first quarter), being the balance between higher **R&D and marketing costs for the High Value segment** (euro -32.0 million), plus **increased provisions** (euro -23.2 million) for the long-term and short-term management incentive plan (the latter cancelled in 2020), and the benefit (euro +21.2 million) resulting from both the normalisation of the seasonality of costs relative to 2020, and the positive impact of rebuilding inventories.

Particularly significant was the improvement in profitability for the **second quarter of 2021**, with an EBIT margin adjusted of 15.8% (-9.7% for the second quarter of 2020), which approximated 2019 levels (16.5% for the second quarter of 2019). This improvement in profitability derives, as shown in the table below, from the strong contribution of commercial variables (volumes and price/mix), and net efficiencies (approximately 44% of the annual target), and of the aforementioned dynamics of “Other costs” (euro +24.1 million).

(in millions of euro)	**1 Q**	**2 Q**	**1 HY**
2020 EBIT Adjusted	**141.1**	**(74.4)**	**66.7**
- Internal levers:			
Volumes	95.9	219.1	315.0
Price/mix	16.0	31.0	47.0
Amortisation and depreciation	(4.0)	(2.0)	(6.0)
COVID-19 cost cutting (reversal impact)	(25.0)	(29.4)	(54.4)
Slowdown (reversal impact)	10.0	34.0	44.0
Efficiencies	25.8	56.7	82.5
Other costs	(58.1)	24.1	(34.0)
- External levers:			
Cost of production factors (commodities)	(11.1)	(27.6)	(38.7)
Cost of production factors (labour/energy/others)	(10.8)	(21.2)	(32.0)
Exchange rate effect	(11.0)	(1.7)	(12.7)
Total change	**27.7**	**283.0**	**310.7**
2021 EBIT Adjusted	**168.8**	**208.6**	**377.4**

EBIT, which amounted to a positive euro 248.6 million (a loss of euro -56.8 million for the first half-year of 2020), included:

- the amortisation of intangible assets identified during the Purchase Price Allocation (PPA) to the amount of euro 56.9 million (substantially consistent with the first half-year of 2020);

- one-off, non-recurring, restructuring and other expenses to the amount of euro 63.2 million (euro 39.8 million for the first half-year of 2020), mainly relative to structural rationalisation measures, in addition to the retention plan (approved by the Board of Directors on February 26, 2018), to the amount of euro 4.7 million (euro 4.1 million for the first half-year of 2020);
- emergency COVID-19 direct costs to the amount of euro 8.7 million (euro 26.4 million for the first half-year of 2020), mainly relative to costs incurred for the purchase of protective personnel equipment.

Net income/(loss) from equity investments amounted to an income of euro 2 million, compared to the loss of euro -4.6 million for the first half-year of 2020. Net income from equity investments includes the pro-rata result for the period for the Chinese joint venture Xushen Tyre (Shanghai) Co., Ltd and the Indonesian company PT Evoluzione Tyres for a total of euro 1 million, an improvement compared to the pro-rata result for the two joint ventures for the first half-year of 2020, which had amounted to euro -3.9 million.

Net financial expenses for the first half-year of 2021 amounted to euro 71.8 million, compared to euro 73.1 million for the same period of 2020.

This reduction of euro 1.3 million compared to the previous year was mainly the result of:

- euro 10 million in higher expenses relative to the wash-down of not yet amortised commission costs, recognised in the Income Statement at the time of the partial repayment of the Group's main financing facility in February 2021. In addition, the effects of COVID-19 negatively impacted the Group's leverage, causing an increase in the margin on Pirelli's main bank credit facility;
- the positive effect of euro 6 million as a result of a further reduction in the Group's exposure to high-yield currencies (Brazil and Russia in particular), and a generalised reduction in interest rates in the currencies in which Pirelli operates;
- euro 5 million in lower financial expenses in Argentina, thanks to the valuation at fair value of the US dollar-linked instruments purchased as of the end of the first half-year of 2020, to mitigate depreciation of the Argentine peso, which more than offset the adjustment for hyperinflation.

It should be noted that the effect of the wash-down at June 30, referred to in the first point above, represents an anticipation of costs, that for the most part, would in any case have arisen in 2021.

At June 30, 2021, the cost of debt year-on-year (calculated over the last twelve months), equalled 2.27% (1.94% at December 31, 2020). This increase was impacted by the balance resulting from the dynamics described in the first two points of the preceding paragraph.

Tax expenses for the first half-year of 2021 amounted to euro 47.2 million against a net income before taxes of euro 178.8 million, with a tax rate of 26.4%, in line with the expected tax rate for the 2021 financial year.

Net income/(loss) amounted to an income of euro 131.6 million, compared to the loss of euro 101.7 million for the first half-year of 2020. For the second quarter of 2021, net income/(loss) amounted to an income of euro 89.4 million, compared to the loss of euro 140.2 million for the second quarter of 2020.

Net income/(loss) adjusted amounted to an income of euro 224.3 million, compared to the loss of euro 13.4 million for the first half-year of 2020. The following table shows the calculations for:

(in millions of euro)	1HY	
	2021	**2020**
Net income/(loss)	**131.6**	**(101.7)**
Amortisation of intangible assets included in PPA	56.9	57.3
One-off, non-recurring and restructuring expenses	58.5	35.7
COVID-19 direct costs	8.7	26.4
Retention plan	4.7	4.1
Taxes	(36.1)	(35.2)
Net income/(loss) adjusted	**224.3**	**(13.4)**

Net income/(loss) attributable to the owners of the Parent Company amounted to an income of euro 123.1 million, compared to the loss of euro 103.3 million for the first half-year of 2020.

Equity went from euro 4,551.9 million at December 31, 2020 to euro 4,798.7 million at June 30, 2021.

Equity attributable to the owners of the Parent Company at June 30, 2021 equalled euro 4,680.9 million, compared to euro 4,447.4 million at December 31, 2020.

The change is shown in the following table:

(in millions of euro)	**Group**	**Non-controlling interests**	**Total**
Equity at 12/31/2020	**4,447.4**	**104.5**	**4,551.9**
Translation differences	80.5	4.9	85.4
Net income/(loss)	123.1	8.5	131.6
Fair value adjustment of financial assets / derivative instruments	14.3	-	14.3
Actuarial gains/(losses) on employee benefits	78.5	-	78.5
Dividends approved	(80.0)	-	(80.0)
Effect of hyperinflation in Argentina	17.6	-	17.6
Other	(0.5)	(0.1)	(0.6)
Total changes	**233.5**	**13.3**	**246.8**
Equity at 06/30/2021	**4,680.9**	**117.8**	**4,798.7**

Net financial position was negative at euro 3,818.7 million, compared to a negative euro 3,258.4 million at December 31, 2020. It was composed as follows:

(in millions of euro)	**06/30/2021**	**12/31/2020**
Current borrowings from banks and other financial institutions	1,384.9	883.6
- of which lease liabilities	*80.1*	*75.4*
Current derivative financial instruments (liabilities)	82.1	53.9
Non-current borrowings from banks and other financial institutions	3,565.4	4,971.0
- of which lease liabilities	*396.7*	*390.4*
Non-current derivative financial instruments (liabilities)	5.1	87.6
Total gross debt	**5,037.5**	**5,996.1**
Cash and cash equivalents	(785.0)	(2,275.5)
Other financial assets at fair value through Income Statement	(48.0)	(58.9)
Current financial receivables and other assets**	(97.5)	(102.6)
Current derivative financial instruments - no hedge accounting (assets)	(27.8)	(34.8)
Net financial debt *	**4,079.2**	**3,524.3**
Non-current financial receivables and other assets**	(260.5)	(265.9)
Total net financial (liquidity) / debt position	**3,818.7**	**3,258.4**

* 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 05, 2021.

** The item "*financial receivables and other assets*" is reported net of the relative provisions for impairment which amounted to euro 9.0 million at June 30, 2021 (euro 8.5 million at December 31, 2020).

The **structure of gross debt** which amounted to euro 5,037.5 million, was as follows:

(in millions of euro)	**06/30/2021**	**Maturity date**					
		within 1 year	**between 1 and 2**	**between 2 and 3**	**between 3 and 4**	**between 4 and 5**	**more than 5 years**
Use of unsecured financing ("Facilities")	901.0	901.0	-	-	-	-	-
Convertible bond	456.3	-	-	-	-	456.3	-
EMTN programme bond	550.0	-	550.0	-	-	-	-
Schuldschein	441.7	-	-	421.8	-	19.9	-
Pirelli & C. bank bilateral borrowings	922.1	-	200.0	722.1	-	-	-
Sustainable credit facility	795.4	-	-	-	795.4	-	-
Other loans	494.2	486.0	1.9	6.3	-	-	-
Lease liabilities	476.8	80.1	69.4	55.1	49.2	42.4	180.6
Total gross debt	**5,037.5**	**1,467.1**	**821.3**	**1,205.3**	**844.6**	**518.6**	**180.6**
		29.1%	*16.3%*	*23.9%*	*16.8%*	*10.3%*	*3.6%*

At June 30, 2021 the Group had a liquidity margin equal to euro 1,533 million, composed of euro 700 million in the form of non-utilised committed credit facilities, and euro 833 million in cash and cash equivalents, including financial assets at fair value through the Income Statement to the amount of euro 48 million. The liquidity margin of euro 1,533 million guarantees coverage for maturities for borrowings from banks and other financial institutions, until August 2022. Considering also the Company's right to extend the maturity of the unsecured *"Facilities"* loan by a further two years (therefore until June 2024), this coverage would be guaranteed until June 2023.

Net cash flow in terms of the change in the net financial position, equalled euro -560.3 million (euro -757.5 million for the first half-year of 2020), and can be summarised as follows:

(in millions of euro)	1 Q		2Q		1 HY	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
EBIT adjusted	168.8	141.1	208.6	(74.4)	377.4	66.7
Amortisation and depreciation (excluding PPA amortisation)	97.7	103.1	98.8	98.1	196.5	201.2
Investments in intangible and owned tangible assets (CapEx)	(89.8)	(56.6)	(63.0)	(24.8)	(152.8)	(81.4)
Increases in right of use	(26.7)	(22.9)	(23.2)	(24.1)	(49.9)	(47.0)
Change in working capital / other	(717.2)	(861.2)	73.3	131.9	(643.9)	(729.3)
Operating net cash flow	**(567.2)**	**(696.5)**	**294.5**	**106.7**	**(272.7)**	**(589.8)**
Financial income / (expenses)	(40.0)	(32.5)	(31.8)	(40.6)	(71.8)	(73.1)
Taxes paid	(37.1)	(31.4)	(34.9)	(22.4)	(72.0)	(53.8)
Cash Out for non-recurring, restructuring expenses / other	(28.9)	(20.7)	(40.4)	(28.2)	(69.3)	(48.9)
Differences from foreign currency translation / other	15.9	27.6	(14.9)	(19.5)	1.0	8.1
Net cash flow before dividends, extraordinary transactions and investments	**(657.3)**	**(753.5)**	**172.5**	**(4.0)**	**(484.8)**	**(757.5)**
(Acquisition) / Disposals of investments	3.8	-	-	-	3.8	-
Net cash flow before dividends paid by the Parent Company	**(653.5)**	**(753.5)**	**172.5**	**(4.0)**	**(481.0)**	**(757.5)**
Dividends paid by the Parent Company	-	-	(79.3)	-	(79.3)	-
Net cash flow	**(653.5)**	**(753.5)**	**93.2**	**(4.0)**	**(560.3)**	**(757.5)**

Net cash flow before dividends paid by the Parent Company amounted to euro -481.0 million, an improvement of euro 276.5 million compared to euro -757.5 million for the first half-year of 2020, (an improvement of euro 159.5 million compared to euro -640.5 million for the first half-year of 2019). This trend was mainly supported by improved **operating net cash flow**: euro -272.7 million for the period, which compares with euro -589.8 million for the first half-year of 2020 (euro -374.7 million for the first half-year 2019).

More specifically, the change in **operating net cash flow** reflected:

- a significantly improved year-on-year operating result: euro 377.4 million for the first half-year of 2021 (euro 66.7 million for the first six months of 2020), consistent with the recovery of business;
- increased investments in tangible and intangible assets (CapEx), amounting to euro 71.4 million (euro 152.8 million for the first half-year of 2021, euro 81.4 million for the first six months of 2020), aimed mainly at High Value activities and the constant improvement of the mix and quality in all factories. This increase compared to the first half-year of 2020 (the latter influenced by measures put in place to mitigate the expected impacts of COVID-19), was consistent with the resumption of investments expected in 2021;
- lower cash absorption related to working capital/other to the amount of euro 85.4 million (euro -643.9 million for the first half-year of 2021, compared to euro -729.3 million for the first half-year of 2020). This improvement was mainly due to:
    - the careful management of inventories, which - although had increased in value compared to the figure at March 31, 2021 - accounted for 18.9% of sales over the last 12 months, had decreased compared to the first quarter of 2021 (19.5%), and the same period in previous years (21.4% for the first half-year of 2020, and 22.3% for the first half-year of 2019);
    - lower cash absorption related to payables, which benefitted from the low level of investments carried out during the last quarter of 2020, as well as from natural

growth as a result of business recovery. This improvement was partially offset by higher cash absorption for trade receivables, consistent with the recovery of the business and the increase in revenues compared to the first half-year of 2020.

Net cash flow improved compared to the first half-year of 2020 by euro 197.2 million, and equalled euro -560.3 million (euro -757.5 million for the first half-year of 2020), and included, in addition to those described for operating cash flow, the following impacts:

- financial expenses to the amount of euro -71.8 million (euro -73.1 million for the first half-year of 2020);
- taxes paid to the amount of euro -72.0 million (euro -53.8 million for the first half-year of 2020);
- cash out for non-recurring, restructuring expenses/other to the amount of euro -69.3 million (euro -48.9 million for the first half-year of 2020);
- differences from foreign currency translation/other to the amount of euro +1.0 million (euro +8.1 million for the first half-year of 2020);
- dividends paid to the amount of euro -79.3 million (no dividends were paid in 2020).

OUTLOOK FOR 2021

(in billion of euro)	**March 2021**	**August 2021**
Revenues	~4.7 ÷ ~4.8	~5.0 ÷ ~5.1
Ebit margin adjusted	>14% ÷ ~15%	~15% ÷ ~15.5%
Investments (CapEx) *% on sales*	~0.33 *~7%*	~0.33 *~7%*
Net cash flow before dividends	~0.30 ÷ ~0.34	~0.36 ÷ ~0.39
Net financial position *NFP/Ebitda Adj.*	~3.0 *~2.7x*	<3.0 *≤2.6x*
ROIC *post taxes*	~16%	≥16%

Market outlook for 2021

For the Car tyre market as a whole, forecast growth of 10% in 2021 is confirmed, but with a different trend compared with prior expectations for the different segments and channels. In particular, the Car ≥18" market is expected to grow by 15% (+2 basis points compared with previous targets), driven by the **Replacement** channel (+18% compared with the initially forecast +12%), while in **Original Equipment** the shortage of semi-conductors leads to great caution in forecasts of demand (+10% expected growth, -5 basis points compared with initial forecasts).
In light of the market scenario and the results posted in the first half, Pirelli has revised its 2021 targets upwards as follows:

- **Revenues between ~5.0 and ~5.1 billion euro** (previous target between ~4.7 and ~4.8 billion euro), with:
  - **Volumes growing** by between +14% and +15% (previous indication between +11% and +13%) driven by High Value where volumes are expected to grow by between +18% and +19% (previous target between +15% and +17%);
  - **price/mix improving** to between +4.5% and +5% (previous target +2.5% and +3%) thanks to price increases and more favorable channel and product mix;
  - **impact of exchange rates improving** to -2.5% / -2% (previous indication -3.5%)
- **Adjusted Ebit Margin between about 15% and about 15.5%** (previous target between >14% and ~15%) thanks to the greater contribution of volumes and price/mix. The latter, in particular, will offset the increase in the cost of raw materials (mainly linked to oil and derivative products) and the impact of exchange rates;

- **Net cash generation before dividends improving to between ~360 and ~390 million euro** (previous target between **~**300 and **~**340 million), supported by the operating performance and efficient management of working capital;
- **Investments** confirmed at around 330 million euro;
- **Net financial position** at <3 billion euro, an improvement compared with the previous target of ~3 billion euro.

SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FIRST HALF-YEAR

It should be noted that there were no significant events after the end of the first half-year.

ALTERNATIVE PERFORMANCE INDICATORS

This document, in addition to the financial measures provided for by the International Financial Reporting Standards (IFRS), also includes measures derived from the latter, even though not provided for by the IFRS (Non-GAAP Measures) in line with) in line with the ESMA guidelines on Alternative Performance Indicators (Guidelines ESMA/2015/1415) published on October 5, 2015. These measures are presented in order to allow for a better assessment of the results of the Group's operations and should not be considered as alternatives to those required by the IFRS.

In particular, the Non-GAAP Measures used were as follows:

- **EBITDA:** is equal to EBIT, but excludes the depreciation and amortisation of property, plant and equipment and intangible assets. EBITDA is used to measure the ability to generate earnings, excluding the impacts deriving from investments;

- **EBITDA adjusted:** is an alternative measure to EBITDA which excludes non-recurring, restructuring and one-off expenses, COVID-19 direct costs and expenses relative to the retention plan approved by the Board of Directors on February 26, 2018;

- **EBITDA margin:** is calculated by dividing EBITDA by revenues from sales and services (net sales). This measure is used to evaluate operating efficiency, excluding impacts deriving from investments;

- **EBITDA margin adjusted:** is calculated by dividing EBITDA adjusted by revenues from sales and services (net sales). This measure is used to evaluate operating efficiency excluding, the impacts deriving from investments, operating costs attributable to non-recurring, restructuring and one-off expenses, COVID-19 direct costs and expenses relative to the retention plan approved by the Board of Directors on February 26, 2018;

- **EBIT:** is an intermediate measure which is derived from the net income/(loss), but which excludes taxes, financial income, financial expenses, and net income/(loss) from equity investments. EBIT is used to measure the ability to generate earnings, including the impacts deriving from investments;

- **EBIT adjusted:** is an alternative measure to EBIT which excludes, the amortisation of intangible assets relative to assets recognised as a consequence of Business Combinations, operating costs attributable to non-recurring, restructuring and one-off expenses, COVID-19 direct costs and expenses relative to the retention plan approved by the Board of Directors on February 26, 2018;

- **EBIT margin:** is calculated by dividing EBIT by revenues from sales and services (net sales). This measure is used to evaluate operating efficiency;

- **EBIT margin adjusted:** is calculated by dividing EBIT adjusted by revenues from sales and services (net sales). This measure is used to evaluate operating efficiency excluding the amortisation of intangible assets relative to assets recognised as a consequence of Business Combinations, operating costs attributable to non-recurring, restructuring and one-off expenses, COVID-19 direct costs, and expenses relative to the retention plan approved by the Board of Directors on February 26, 2018;

- **Net income/(loss) adjusted:** is calculated by excluding the following items from the net income/(loss):
    - o the amortisation of intangible assets relative to assets recognised as a consequence of Business Combinations, operating costs attributable to non-recurring, restructuring and one-off expenses, COVID-19 direct costs, and expenses relative to the retention plan approved by the Board of Directors on February 26, 2018;
    - o non-recurring expenses/income recognised under financial income and expenses;
    - o non-recurring expenses/income recognised under taxes, as well as the tax impact of the adjustments referred to in the previous points;

- **Fixed assets**: this measure is constituted of the sum of the Financial Statement items, *"Property, plant and equipment", "Intangible assets", "Investments in Associates and Joint Ventures", "Other financial assets at fair value through other Comprehensive Income"* and *"Other non-current financial assets at fair value through the Income Statement".* Fixed assets represent the non-current assets included in the net invested capital;

- **Net operating working capital:** this measure is constituted by the sum of *"Inventory", "Trade receivables"* and *"Trade payables";*

- **Net working capital:** this measure is constituted by the net operating working capital, and by other receivables and payables and derivative financial instruments not included in the net financial position. This measure represents short-term assets and liabilities included in the net invested capital and is used to measure short-term financial stability;

- **Net invested capital:** this measure is constituted by the sum of (i) fixed assets, and (ii) net working capital. Net invested capital is used to represent the investment of financial resources;

- **Provisions:** this measure is constituted by the sum of "Provisions for liabilities and charges (current and non-current)", *"Provisions for employee benefit obligations (current and non-current)", "deferred tax liabilities"* and *"deferred tax assets".* The item provisions represents the total amount of net liabilities due to obligations of a probable but uncertain nature

- **Net financial debt:** is calculated pursuant to the CONSOB Notice dated July 28, 2006, and in compliance with the ESMA guidelines on disclosure requirements pursuant to the Prospectus Regulation applicable as of May 5, 2021. Net financial debt represents borrowings from banks and other financial institutions net of cash and cash equivalents, other current financial assets at fair value through the Income Statement, current financial receivables (included in the Financial Statements under *"Other receivables"*) and derivative financial instruments included in the net financial position (included in the Financial Statements under current assets, current liabilities and non-current liabilities, as *"Derivative financial instruments"*);

- **Net financial position:** this measure represents the net financial debt less, the *"non-current financial receivables"* (included in the Financial Statements under *"Other receivables"*), the current derivative financial instruments included in the net financial position (included in the Financial Statements under current assets as *"Derivative financial instruments"*), and the non-current derivative financial instruments included in the net financial position (included in the Financial Statements under non-current assets as *"Derivative financial instruments"*). Total net financial position is an alternative measure to net financial debt which includes non-current financial assets;

- **Operating net cash flow:** is calculated as the change in the net financial position relative to operations;
- **Net cash flow before dividends, extraordinary transactions and investments:** is calculated by adding the change in the net financial position due to financial and tax management, to the operating net cash flow;
- **Net cash flow before dividends paid by the Parent company:** is calculated by adding the change in the net financial position due to extraordinary transactions and investments, to net cash flow before dividends, extraordinary transactions and investments;
- **Net cash flow:** is calculated by adding the change in the net financial position due to the payment of dividends by the Parent company, to the net cash flow before dividends paid by the Parent company;
- **Investments in intangible and owned tangible assets (CapEx):** this is calculated as the sum of investments (increases) in intangible assets, and investments (increases) in property, plant and equipment excluding any increases relative to the right of use;
- **Increases in the right of use:** is calculated as the increases in the right of use relative to lease contracts;
- **Ratio of investments to depreciation**: this is calculated by dividing the investments (increases) in owned tangible assets with the depreciation for the period. The ratio of investments to depreciation is used to measure the ability to maintain or restore amounts for tangible fixed assets;
- **ROIC**: this is calculated as the ratio between EBIT adjusted net of tax effects, and the average net invested capital net of provisions, and does not include, investments in associated companies and joint ventures, “Other financial assets at fair value through other Comprehensive Income", "Other non-current financial assets at fair value through the Income Statement”, “Other non-current assets”, intangible assets relative to assets recognised as a consequence of Business Combinations, deferred tax liabilities relative to the latter, and "Provisions for employee benefit obligations (current and non-current)".

OTHER INFORMATION

ROLE OF THE BOARD OF DIRECTORS

The Board of Directors is responsible for the strategic guidance and supervision of the Company’s overall business activities, with the power to direct the administration as a whole, and the competence to take the most important financial and strategic decisions, or decisions which have a structural impact on operations, or decisions that are functional to the exercise of Pirelli's control and policy-making activities.

The Chairman is endowed with, the legal representation of the Company including in the Company's legal proceedings, as well as all other powers attributed to the Chairman pursuant to the Articles of Association.

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

The Deputy-CEO is vested with the powers attributed to the Executive Vice Chairman and Chief Executive Officer for the ordinary management of the Company and the Group, to be exercised vicariously only if the Executive Vice Chairman and Chief Executive Officer is prevented from attending, even temporarily.

The Board has internally instituted the following Committees with advisory and proposal-making duties:

- Audit, Risk, Sustainability and Corporate Governance Committee;
- Remuneration Committee;
- Committee for Related Party Transactions;
- Nominations and Successions Committee;
- Strategies Committee.

INFORMATION ON THE SHARE CAPITAL AND OWNERSHIP STRUCTURE

The subscribed and paid-up share capital at the date of approval of this Financial Report amounted to euro 1,904,374,935.66 and was represented by 1,000,000,000 registered ordinary shares without indication of their nominal value.
The Extraordinary Shareholders' Meeting of March 24, 2021 resolved to increase the share capital in cash, by way of a divisible payment, with the exclusion of option rights pursuant to Article 2441, paragraph 5, of the Italian Civil Code, for a total counter-value, including any share premium, of euro 500,000,000.00, to service the conversion of the *"EUR 500 million Senior Unsecured Guaranteed Equity-linked Bonds due 2025",* to be paid in one or more tranches through the issue of ordinary shares of the Company, with regular dividend entitlements, for a maximum amount of euro 500,000,000.00, to exclusively service the *"EUR 500 million Senior Unsecured Guaranteed Equity-linked Bonds due 2025"* issued by the Company, in accordance with the criteria provided by

the relevant Regulation, notwithstanding that the final deadline for the subscription of the newly issued shares is set at December 31, 2025, and that if, on that date, the capital increase has not been fully subscribed, it shall be deemed to have been increased by an amount equal to the subscriptions received, and from that date onwards, with the express authorisation of the Directors to issue the new shares, as and when they are subscribed. No fractions of shares will be issued or delivered, and no cash payment or adjustment will be made in lieu of such fractions.
The shareholder Marco Polo International Italy S.r.l. - pursuant to Article 93 of Legislative Decree 58/1998 - controls the Company with a 37% share of the capital, but does not exercise management and coordination activities over the Company.
Updated extracts are available on the Company's website, of the existing agreements between some of the shareholders, including indirect shareholders of the Company, which contain the provisions of the Shareholders' Agreements relative, amongst other things, to the governance of Pirelli.
For further details on the governance and ownership structure of the Company, reference should be made to the *Report on Corporate Governance and Ownership Structure* contained in the *2020 Annual Report* group of documents and their updates contained in this Half-Year Financial Report, as well as other additional information published on the Company's website (www.pirelli.com) in the *Governance and Investor Relations* section.

WAIVER OF THE PUBLICATION OF INFORMATION DOCUMENTS

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

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

Pirelli & C. S.p.A. directly or indirectly controls some companies based in countries which do not belong to the European Community (*"Extra-EU Companies"),* which hold particular significance pursuant to Article 15 of CONSOB Regulation No. 20249 of December 28, 2017, concerning Market Regulations.
With reference to data at June 30, 2021, the Extra-EU Companies controlled directly or indirectly by Pirelli & C. S.p.A., which are of relevance pursuant to Article 15 of the Market Regulations are: Limited Liability Company Pirelli Tyre Russia (Russia); Pirelli Pneus Ltda (Brazil); Pirelli Comercial de Pneus Brasil Ltda (Brazil); Comercial e Importadora de Pneus Ltda (Brazil); Pirelli Tire LLC (USA); Pirelli Tyre Co., Ltd (China); Pirelli Otomobil Lastikleri A.S. (Turkey); Pirelli Neumaticos S.A.I.C. (Argentina); Pirelli Neumaticos S.A. de C.V. (Mexico); Pirelli Neumaticos de Mexico S.A. de C.V. (Mexico); Pirelli UK Tyres Ltd. (United Kingdom), and Pirelli Tyre (Suisse) SA (Switzerland).

Also pursuant to the same aforesaid provisions, the Company has specific and appropriate *"Group Operating Regulations"* in place which ensure immediate, constant and full compliance with the provisions of the aforementioned CONSOB Regulation. In particular, the competent corporate departments ensure the timely and punctual identification and publication of the more significant Extra-EU Companies, pursuant to the provisions of the Market Regulations, and - with the necessary and timely cooperation of the companies concerned - ensure the collection of data and information, and the assessment of the circumstances referred to in the aforementioned Article 15, ensuring the availability of the information and data provided by the subsidiaries in the event of a CONSOB request. The periodic flow of information is also provided to guarantee to the Board of Statutory Auditors, that the Company is carrying out the required and appropriate checks.

Finally, the aforesaid Operating Regulations, consistent with regulatory provisions, govern the making of the Financial Statements available to the public, (that is the Statement of Financial Position and Income Statement), of the relevant non-EU companies, which are subject to the preparation of the consolidated Financial Statements of Pirelli & C. S.p.A.

It is hereby declared that the Company has fully complied with the provisions of Article 15 of the aforementioned CONSOB Regulation No. 20249 of December 28, 2017, and the subsistence of the conditions required by the same.

RELATED PARTY TRANSACTIONS

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

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

Pursuant to Article 5, paragraph 8 of CONSOB Regulation No. 17221 of March 12, 2010 as subsequently amended and integrated, (most recently by CONSOB Resolution No. 21624 of December 10, 2020), concerning related party transactions, it should be noted that during the first half-year of 2021, that no transaction of significant importance as defined by Article 3, paragraph 1, letter b) of the aforementioned Regulation, was submitted to the Board of Directors of Pirelli & C. S.p.A. for approval.

The RPT Procedure can be viewed, together with the other corporate governance procedures at www.pirelli.com. For more details on the RPT Procedure, reference should be made to the section *"Directors' Interests and Related Party Transactions"* included in the Annual Report, in the *Corporate Governance and Ownership Structure* section contained in the Financial Statements group of documents, as well as the additional information contained in this Half-Year Financial Report.

The information on Related Party Transactions as required, pursuant to CONSOB Notice No. DEM/6064293 of July 28, 2006 is presented in the Financial Statements, and in the Note entitled *"Related Party Transactions"* contained in the condensed Half-Year Financial Report at June 30, 2021. Transactions with related parties are neither unusual nor exceptional, but are part of the ordinary course of business for the companies of the Group, and carried out in the interests of the individual companies. Such transactions, when not carried out under standard conditions, or dictated to by specific regulatory conditions, are in any case governed by conditions consistent with those of the market. Furthermore, they are carried out in accordance with the RPT Procedure.

Also, there were no Related Party Transactions - or amendments or developments to the transactions described in the preceding financial report - which had a significant impact on the financial position, or on the results of the Group for the first half-year of 2021.

EXCEPTIONAL AND/OR UNUSUAL OPERATIONS

Pursuant to CONSOB Notice No. 6064293 of July 28, 2006, it is hereby specified that during the course of the first half-year of 2021, that no exceptional and/or unusual transactions as defined in the aforesaid Notice were carried out by the Company.

The Board of Directors

Milan, August 5, 2021

HALF YEAR REPORT ON CORPORATE GOVERNANCE

1. INTRODUCTION

Pirelli & C. S.p.A. adheres to the Corporate Governance Code of listed companies[5].
In the interim financial report, the Company voluntarily highlights the updates and integrations made to its corporate governance system compared to the information contained in the annual financial report.

2. SHAREHOLDERS' MEETING OF 15 JUNE 2021

Pirelli held its annual Ordinary Shareholders' Meeting (the "**Shareholders' Meeting**") on 15 June 2021, resolving on the following items:

(i) <u>Appointment of a Board Member</u>

The Ordinary Shareholders' Meeting held on 15 June 2021, with a favourable vote of approximately 99.25% of share capital represented at the Meeting, upon the proposal of the Board of Directors, following termination from the office of Director of Angelos Papadimitriou with effect from 24 March 2021, confirmed the number of members of the Board of Directors as 15 and appointed Giorgio Luca Bruno as Director.
Together with the remaining Directors, Giorgio Luca Bruno will expire from the office of Director with the Shareholders' Meeting convened to approve the financial statements as at 31 December 2022.

* * *

On the date of this report, the Pirelli Board of Directors has 15 Directors, as a majority independent, and specifically: Ning Gaoning (Chairman), Marco Tronchetti Provera (Executive Vice Chairman and CEO), Giorgio Luca Bruno (Deputy-CEO), Yang Xingqiang, Bai Xinping, Tao Haisu (Independent Director), Zhang Haitao, Domenico De Sole (Independent Director), Paola Boromei (Independent Director), Roberto Diacetti (Independent Director), Giovanni Lo Storto (Independent Director), Marisa Pappalardo (Independent Director), Giovanni Tronchetti Provera, Fan Xiaohua (Independent Director) and Wei Yintao (Independent Director).
For the sake of completeness, please note that the current composition of the Board of Directors reflects the shareholders' agreements between the main Pirelli shareholders[6].

* * *

[5] New edition approved in January 2020 by the Corporate Governance Committee and becoming applicable from 1 January 2021, with information to be provided in the Report on Corporate Governance to be published in 2022.
[6] Available for consultation at *https://corporate.pirelli.com/corporate/it-it/governance/patti*

(ii) Appointment of the Board of Statutory Auditors for the financial years 2021, 2022 and 2023 and determination of the related remuneration

On approval of the financial statements as at 31 December 2020, the mandate of the Board of Statutory Auditors, appointed by the Shareholders' Meeting of 15 May 2018 for the 2018-2020 three-year period, expired. Therefore, the Ordinary Shareholders' Meeting of 15 June 2021 appointed five Standing Auditors and three Alternate Auditors for the three-year period 2021-2023 (expiring at the Shareholders' Meeting called to approve the financial statements as at 31 December 2023). Through the slate voting mechanism, the so-called minorities appointed the Chairman of the Board of Statutory Auditors (Riccardo Foglia Taverna) and an Alternate Auditor (Franca Brusco). The remaining four Standing Auditors (Alberto Villani, Teresa Cristiana Naddeo, Antonella Carù and Francesca Meneghel) and two Alternate Auditors (Marco Taglioretti and Maria Sardelli) were drawn from the so-called majority slate. The composition complies with gender balance laws in force.

More specifically, two slates were presented at the Shareholders' Meeting: one by Marco Polo International Italy S.r.l. (controlling shareholder) together with Camfin S.p.A. (which obtained approximately 88.72% of the votes of the capital represented in the Shareholders' Meeting) and the other by a group of asset management companies and institutional investors[7] (which obtained approximately 11.17% of the votes of the capital represented in the Shareholders' Meeting).

The *curricula vitae* presented when the slates were deposited were promptly published on the Company website, where they are continuously available and periodically updated.

The Shareholders' Meeting also established 90 thousand euros as the gross annual remuneration for the Chairman of the Board of Statutory Auditors and 75 thousand euros as the gross annual remuneration for each Standing Auditor.

At their first meeting after appointment, the members of the Board of Statutory Auditors ascertained that all the newly-appointed Statutory Auditors held the independence requirements established by the Corporate Governance Code the Company has adhered to, and pursuant to laws in force.

* * *

(iii) Report on the remuneration policy and the compensation paid: approval of the 2021 remuneration policy and advisory vote on the compensation paid in FY 2020

In respect of the Report on the remuneration policy and compensation paid (the "**Report**"), the Shareholders' Meeting was also called (i) with binding resolution in accordance with Art. 123-*ter*, paragraph 3-*ter* of the TUF to approve Section I of the Report on the remuneration policy for FY 2021 (the "**Policy**"), and (ii) with non-binding resolution in accordance with Art. 123-*ter*, paragraph 6 of the TUF, to resolve in favour or not in favour of Section II of the Report, in relation to the compensation paid in FY 2020.

Note that the definition of the Policy is the result of a clear and transparent process in which the Remuneration Committee and the Company's Board of Directors play a central role. The Policy, which is submitted for approval by the Shareholders' Meeting, was prepared based on the previous application experience and taking into account the provisions of the law and regulations adopted

[7] For details on the parties submitting the minority slate, refer to the information given on the Company's website in the section dedicated to Shareholders' Meetings.

by Consob, also in implementation of Directive (EU) 2017/828 (“SHRD II”). Furthermore, the Policy, based on the pay-for-performance principle, is defined so as to align the interests of the management with those of the shareholders, pursuing the priority objective of value creation that is sustainable in the medium to long term, by creating an effective and verifiable link between remuneration, on the one hand, and Pirelli's performance on the other. Finally, it also envisages compensation granted to non-executive directors in such an amount as to guarantee adequacy in terms of the skills, professionalism and effort required by their appointment.
The Shareholders' Meeting: (i) approved the Policy (with approximately 87.50% of the votes of the capital represented in the Shareholders' Meeting); and (ii) resolved in favour, with non-binding resolution, on the compensation paid in FY 2020 (with approximately 89.20% of the votes of the capital represented in the Shareholders' Meeting).

* * *

(iv) Three-year monetary incentive plan for the Pirelli group’s management: 2021-2023 LTI Plan and adjustment of the Cumulative Group Net Cash Flow (before dividends) and normalisation of the potential effects on the related Total Shareholder Return, included in the 2020-2022 LTI Plan

Pursuant to Art. 114-*bis* of the TUF, the Shareholders’ Meeting approved adoption of a 2021-2023 three-year monetary incentive Plan for the Pirelli Group management, in the part also based on the Pirelli share market performance, with approximately 89.08% of the votes of the capital represented at the Shareholders’ Meeting.
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 (with approximately 89.04% of capital present) the proposal to adjust the Cumulative Group Net Cash Flow objective (before dividends) and the possibility to normalise potential effects on the TSR objective of the acquisition of Cooper by Goodyear (at the start of 2021), included in the reference panel of that objective.

* * *

3. BOARD OF DIRECTORS MEETING OF 15 JUNE 2021

The Board of Directors’ meeting held at the end of the Shareholders’ Meeting of 15 June 2021, having checked that the new Director met the requirements needed for the appointment, appointed the new Director, Giorgio Luca Bruno, as Deputy-CEO and member of the Strategies Committee, confirming the organisational structure previously agreed in the meeting held on 31 March 2021, with the overcoming of the co-CEO General Management.
Giorgio Luca Bruno - who cannot be qualified as independent pursuant to Legislative Decree no. 58 of 24 February 1998 (“**TUF**”) and the Corporate Governance Code - was qualified by the Board as “executive director”.
Note that the Board of Directors held after the Shareholders’ Meeting confirmed, for all intents and purposes, Ms Antonella Carù as a member of the Supervisory Body.

In addition, the Board of Directors also approved the new procedure for related-parties transactions - effective from 1 July 2021 - with prior unanimous opinion of the Related-Parties Transactions Committee ("**RPT Committee**"), which resolved with the presence of all its members, following amendments made by Consob to Consob Regulation no. 17221 of 12 March 2010 ("**RPT Regulation**") with resolution no. 21624 of 10 December 2020. The Board of Directors' also assigned the functions of the RPT Committee to the Remuneration Committee in relation to related-parties transactions involving the remuneration and treatment of directors and other Key Managers and, in general, matters subject to the Report on Remuneration Policy and Compensation Paid (including any derogations) to the extent and according to the criteria permitted by the RPT Regulation and applicable legislation and regulations, also taking into account the membership of the Remuneration Committee (which may, therefore, exercise these duties for related-parties transactions of lesser significance and related-parties transactions of greater significance where it is composed of unrelated directors who are, respectively, either by majority or exclusively independent directors).

* * *

4. INFORMATION ON THE SHARE CAPITAL AND OWNERSHIP STRUCTURES

The share capital subscribed and paid up on the date of approval of this report was 1,904,374,935.66 euros, represented by 1,000,000,000 registered ordinary shares with no par value.

The shareholder Marco Polo International Italy S.r.l. - in accordance with Art. 93 of Italian Legislative Decree no. 58/1998 - controls the Company with a share of 37.015% of the capital but does not exercise direction and coordination authority over it.

The extraordinary shareholders' meeting of 24 March 2021 resolved to increase the share capital for cash for payment, in a divisible manner, with exclusion of the option rights pursuant to art. 2441, paragraph 5 of the Italian Civil Code, for a total maximum amount, including any premium, of 500,000,000.00 euros, to service the conversion of the "EUR 500 million Senior Unsecured Guaranteed Equity-linked Bonds due 2025", to be paid up in one or more tranches by the issue of ordinary shares of the Company with regular dividend entitlement, for a maximum amount of 500,000,000.00 euro, exclusively to service the bond issued by the Company named "EUR 500 million Senior Unsecured Guaranteed Equity-linked Bonds due 2025", in accordance with the criteria determined by the related Regulation, without prejudice to the fact that the final deadline for subscription of the newly issued shares is established as 31 December 2025 and that if, as of that date, the share capital increase has not been fully subscribed it will in any case be intended as increased by an amount equal to the subscriptions collected and as of that date, with the specific authorisation for the directors to issue the new shares as they are subscribed. No parts of shares will be issued or delivered and no cash payment or adjustment will be made in lieu of said parts[8].

* * *

[8] For more details on the Equity-Linked Bond called "*EUR 500 million senior unsecured guaranteed equity-linked bonds due 2025*", see the Report on the Corporate Governance and Share Ownership included in the 2020 Annual Report and available on the Company website at the address www.pirelli.com and in the specific website section dedicated to bonds issued by the Company.

5. SHAREHOLDERS’ AGREEMENTS

On 30 June 2021, Camfin S.p.A. (“**Camfin**”) and Longmarch S.à r.l. (“**Longmarch**”) finalised an investment agreement regarding Longmarch becoming a Camfin shareholder (“**2021 Investment Agreement**”).
The 2021 Investment Agreement amends some clauses in the agreement signed by Camfin and Longmarch on 13 May 2020 (“**2020 Investment Agreement**”) containing, *inter alia*, some shareholders’ agreements related to a potential equity investment, pursuant to Art.119 of the Issuers’ Regulation, consisting in a “repurchase agreement” stipulated between Longmarch and ICBC Standard Bank Plc (“**Repurchase Agreement**”) regarding the right for Longmarch to repurchase a total number of 76,788,672 of Pirelli shares, corresponding to approximately 7.68% of Pirelli's share capital.
More specifically, the 2021 Investment Agreement establishes that in the first half of October 2021 Longmarch should transfer to Camfin – by signing an increase in capital reserved for it – 40,000,000 Pirelli shares corresponding to 4% of Pirelli's share capital, after buying them as part of the Repurchase Agreement (the “**Transfer**”). Following that Transfer, Longmarch will become the owner of a potential equity investment through the Repurchase Agreement of 36,788,672 Pirelli shares for approximately 3.68% of Pirelli's share capital. For what concerns the Pirelli shares involved in the Repurchase Right, the 2021 Repurchase Agreement establishes that the commitments undertaken by Longmarch pursuant to the 2020 Investment Agreement remain in force and, specifically, the prior consultation between Camfin and Longmarch and the Camfin indications regarding voting in Pirelli Shareholders’ Meetings.

The updated extract of the aforementioned agreement together with updated extracts of agreements stipulated between certain shareholders, including indirect shareholders, of the Company, which contain shareholder provisions relating, amongst other things, to Pirelli governance, are available in the specific Company website section dedicated to “Shareholders’ agreements”.

* * *

For more information on the Company’s Corporate Governance system, refer to the additional information available from the Pirelli website (www.pirelli.com), in the Governance and Investor Relation sections and to the annual Report on Corporate Governance and Share Ownership included in the Annual Report.

CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS AT JUNE 30, 2021

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

	Note	06/30/2021	of which related parties (note 40)	12/31/2020	of which related parties (note 40)
Property, plant and equipment	**7**	3,224,345		3,159,767	
Intangible assets	**8**	5,535,385		5,582,033	
Investments in associates and joint ventures	**9**	75,650		72,588	
Other financial assets at fair value through other Comprehensive Income	**10**	52,162		42,720	
Deferred tax assets	**11**	149,679		109,378	
Other receivables	**13**	388,843	*6,011*	402,148	*5,826*
Tax receivables	**14**	6,261		4,761	
Other assets	**20**	158,779		80,422	
Non-current assets		**9,591,104**		**9,453,817**	
Inventories	**15**	956,494		836,437	
Trade receivables	**12**	802,472	*19,720*	597,669	*12,790*
Other receivables	**13**	562,803	*121,568*	469,194	*111,325*
Other financial assets at fair value through Income Statement	**16**	47,979		58,944	
Cash and cash equivalents	**17**	785,015		2,275,476	
Tax receivables	**14**	35,611		29,153	
Derivative financial instruments	**25**	32,880		39,327	
Current assets		**3,223,254**		**4,306,200**	
Total Assets		**12,814,358**		**13,760,017**	
Equity attributable to the owners of the Parent Company:	**18.1**	**4,680,891**		**4,447,418**	
Share capital		1,904,375		1,904,375	
Reserves		2,653,419		2,513,262	
Net income / (loss)		123,097		29,781	
Equity attributable to non-controlling interests:	**18.2**	**117,781**		**104,432**	
Reserves		109,338		91,540	
Net income / (loss)		8,443		12,892	
Total Equity	**18**	**4,798,672**		**4,551,850**	
Borrowings from banks and other financial institutions	**21**	3,565,360	*14,536*	4,970,986	*14,693*
Other payables	**23**	75,468	*213*	77,280	*213*
Provisions for liabilities and charges	**19**	72,145	*9,092*	73,257	*5,926*
Deferred tax liabilities	**11**	1,025,865		1,006,799	
Provisions for employee benefit obligations	**20**	188,553	*4,248*	243,931	*2,408*
Tax payables	**24**	11,227		10,795	
Derivative financial instruments	**25**	5,075		87,601	
Non-current liabilities		**4,943,693**		**6,470,649**	
Borrowings from banks and other financial institutions	**21**	1,384,872	*2,751*	883,567	*2,192*
Trade payables	**22**	966,934	*82,366*	1,267,971	*134,597*
Other payables	**23**	440,869	*8,993*	374,266	*6,719*
Provisions for liabilities and charges	**19**	52,608		48,083	
Provisions for employee benefit obligations	**20**	-		5,013	*3,017*
Tax payables	**24**	138,368		99,505	
Derivative financial instruments	**25**	88,342		59,113	
Current liabilities		**3,071,993**		**2,737,518**	
Total Liabilities and Equity		**12,814,358**		**13,760,017**	

CONSOLIDATED INCOME STATEMENT (in thousands of euro)

	Note	01/01 - 06/30/2021	of which related parties (note 40)	01/01 - 06/30/2020	of which related parties (note 40)
Revenues from sales and services	**27**	**2,564,841**	*10,216*	**1,816,429**	*3,324*
Other income	**28**	145,129	*25,671*	137,824	*29,687*
Changes in inventories of unfinished, semi-finished and finished products		57,540		(76,061)	
Raw materials and consumables used (net of change in inventories)		(875,653)	*(1,223)*	(549,446)	*(2,974)*
Personnel expenses	**29**	(564,119)	*(15,108)*	(460,130)	*(6,053)*
- of which non-recurring events		*(2,366)*		-	
Amortisation, depreciation and impairment	**30**	(254,701)		(261,327)	
Other costs	**31**	(823,676)	*(136,126)*	(647,914)	*(101,299)*
Net impairment loss on financial assets	**32**	(1,874)		(17,341)	
Increase in fixed assets for internal works		1,117		1,178	
Operating income / (loss)		**248,604**		**(56,788)**	
Net income / (loss) from equity investments	**33**	1,972		(4,633)	
- share of net income (loss) of associates and joint ventures		*995*	*995*	*(3,851)*	*(3,851)*
- gains on equity investments		*26*		-	
- losses on equity investments		*(10)*		*(847)*	
- dividends		*961*		*65*	
Financial income	**34**	35,227	*1,875*	167,016	*901*
Financial expenses	**35**	(107,069)	*(305)*	(240,166)	*(461)*
Net income / (loss) before taxes		**178,734**		**(134,571)**	
Taxes	**36**	(47,194)		32,862	
Net income / (loss)		**131,540**		**(101,709)**	
Attributable to:					
Owners of the Parent Company		123,097		(103,280)	
Non-controlling interests		8,443		1,571	
Total earnings / (losses) per share (in euro per base share)	**37**	**0.123**		**(0.103)**	

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

		Note	01/01 - 06/30/2021	01/01 - 06/30/2020
A	**Total Net income / (loss)**		**131,540**	**(101,709)**
	- Remeasurement of employee benefits	**20**	112,147	9,305
	- Tax effect		(33,619)	(3,150)
	- Fair value adjustment of other financial assets at fair value through Other Comprehensive Income	**10**	8,992	(16,749)
B	**Total items that may not be reclassified to Income Statement**		**87,520**	**(10,594)**
	Exchange differences from translation of foreign Financial Statements			
	- Gains / (losses)	**18**	83,250	(318,205)
	- (Gains) / losses reclassified to Income Statement	**33**	-	-
	- Tax effect		-	-
	Fair value adjustment of derivatives designated as cash flow hedges:			
	- Gains / (losses)	**25**	44,391	17,577
	- (Gains) / losses reclassified to Income Statement	**25**	(33,570)	(15,039)
	- Tax effect		(2,221)	39
	Cost of hedging			
	- Gains / (losses)	**25**	666	(189)
	- (Gains) / losses reclassified to Income Statement	**25**	(4,703)	(3,846)
	- Tax effect		723	707
	Share of other comprehensive income related to associates and joint ventures, net of taxes	**9**	2,194	(624)
C	**Total items reclassified / that may be reclassified to Income Statement**		**90,730**	**(319,580)**
D	**Total other comprehensive income (B+C)**		**178,250**	**(330,174)**
A+D	**Total comprehensive income / (loss)**		**309,790**	**(431,883)**
	Attributable to:			
	- Owners of the Parent Company		296,437	(428,360)
	- Non-controlling interests		13,353	(3,523)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AT 06/30/2021

(in thousands of euro)	Attributable to the Parent Company (note 18.1)					Non-controlling interests (note 18.2)	Total (note 18)
	Share Capital	Translation reserve	Total IAS Reserves *	Other reserves/ retained earnings	Total attributable to the Parent Company		
Total at 12/31/2020	**1,904,375**	**(679,737)**	**(89,893)**	**3,312,673**	**4,447,418**	**104,432**	**4,551,850**
Other components of Comprehensive Income	-	80,534	92,806	-	173,340	4,910	178,250
Net income / (loss)	-	-	-	123,097	123,097	8,443	131,540
Total comprehensive income / (loss)	**-**	**80,534**	**92,806**	**123,097**	**296,437**	**13,353**	**309,790**
Dividends approved	-	-	-	(80,000)	(80,000)	-	(80,000)
Effects of hyperinflation accounting in Argentina	-	-	-	17,638	17,638	-	17,638
Other	-	-	(49)	(553)	(602)	(4)	(606)
Total at 06/30/2021	**1,904,375**	**(599,203)**	**2,864**	**3,372,855**	**4,680,891**	**117,781**	**4,798,672**

(in thousands of euro)	Breakdown of IAS reserves *					
	Reserve for fair value adjustment of financial assets at fair value through other comprehensive income	Reserve for cost of hedging	Reserve for cash flow hedge	Remeasurement of employee benefits	Tax effect	**Total IAS reserves**
Total at 12/31/2020	**(16,357)**	**7,290**	**(26,228)**	**(25,104)**	**(29,494)**	**(89,893)**
Other components of Comprehensive Income	8,992	(4,037)	10,821	112,147	(35,117)	92,806
Other changes	-	-	-	(49)	-	(49)
Total at 06/30/2021	**(7,365)**	**3,253**	**(15,407)**	**86,994**	**(64,611)**	**2,864**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AT 06/30/2020

(in thousands of euro)	Attributable to the Parent Company (note 18.1)					Non-controlling interests (note 18.2)	Total (note 18)
	Share Capital	Translation reserve	Total IAS Reserves *	Other reserves/ retained earnings	Total attributable to the Parent Company		
Total at 12/31/2019	**1,904,375**	**(313,805)**	**(89,424)**	**3,223,303**	**4,724,449**	**102,182**	**4,826,631**
Other components of comprehensive income	-	(313,735)	(11,345)	-	(325,080)	(5,094)	(330,174)
Net income / (loss)	-	-	-	(103,280)	(103,280)	1,571	(101,709)
Total comprehensive income / (loss)	**-**	**(313,735)**	**(11,345)**	**(103,280)**	**(428,360)**	**(3,523)**	**(431,883)**
Effects of Hyperinflation accounting in Argentina	-	-	-	10,347	10,347	-	10,347
Other	-	-	5	(978)	(973)	22	(951)
Total at 06/30/2020	**1,904,375**	**(627,540)**	**(100,764)**	**3,129,392**	**4,305,463**	**98,681**	**4,404,144**

(in thousands of euro)	Breakdown of IAS reserves *					
	Reserve for fair value adjustment of financial assets at fair value through other comprehensive income	Reserve for cost of hedging	Reserve for cash flow hedge	Remeasurement of employee benefits	Tax effect	**Total IAS reserves**
Total at 12/31/2019	**(228)**	**9,898**	**(31,326)**	**(43,946)**	**(23,822)**	**(89,424)**
Other components of comprehensive income	(16,749)	(4,035)	2,538	9,305	(2,404)	(11,345)
Other changes	-	-	-	5	-	5
Total at 06/30/2020	**(16,977)**	**5,863**	**(28,788)**	**(34,636)**	**(26,226)**	**(100,764)**

CONSOLIDATED STATEMENT OF CASH FLOWS (in thousands of euro)

		Note	01/01 - 06/30/2021	of which related parties (note 40)	01/01 - 06/30/2020	of which related parties (note 40)
	Net income / (loss) before taxes		178,734		(134,571)	
	Reversals of amortisation, depreciation, impairment losses and restatement of property, plant and equipment and intangible assets	30	254,701		261,327	
	Reversal of Financial income / (expenses)	34/35	71,842		73,150	
	Reversal of Dividends	33	(961)		(65)	
	Reversal of gains / (losses) on equity investments	33	(16)		847	
	Reversal of share of net income from associates and joint ventures	33	(995)	*(995)*	3,851	*3,851*
	Reversal of accruals and other		56,252		32,517	
	Net Taxes paid	36	(71,983)		(53,774)	
	Change in Inventories		(104,439)		42,340	
	Change in Trade receivables		(190,256)	*(6,195)*	(39,002)	*(3,906)*
	Change in Trade payables		(326,819)	*(50,329)*	(649,011)	*(90,760)*
	Change in Other receivables		(55,900)	*(5,366)*	(90,247)	*(13,356)*
	Change in Other payables		2,431	*721*	19,678	*385*
	Uses of Provisions for employee benefit obligations		(33,620)	*(3,017)*	(6,820)	*(2,257)*
	Uses of Other provisions		(11,677)		(6,007)	
A	**Net cash flow provided by / (used in) operating activities**		**(232,706)**		**(545,786)**	
	Investments in owned tangible assets		(111,750)		(131,841)	
	Disposal of owned tangible assets		5,810		1,534	
	Investments in intangible assets		(16,136)		(7,210)	
	Disposal of intangible assets		238		8	
	(Investments) in other financial assets at fair value through Other Comprehensive Income		(450)		-	
	Loss of control in subsidiaries		4,355		69	
	Change in Financial receivables from associates and joint ventures		(566)	*(566)*	(12,292)	*(12,292)*
	Dividends received	33	961		65	
B	**Net cash flow provided by / (used in) investing activities**		**(117,538)**		**(149,666)**	
	Change in Borrowings from banks and other financial institutions due to draw down	21	396,919		1,832,083	
	Change in Borrowings from banks and other financial institutions due to repayments and other	21	(1,398,617)		(943,111)	
	Change in Financial receivables / Other current financial assets at fair value through income statement		30,658		(154,632)	
	Financial income / (expenses)		(49,973)		(64,240)	
	Dividends paid		(79,337)		0	
	Repayment of principal and payment of interest for lease liabilities		(50,642)	*1,341*	(43,206)	*(1,153)*
C	**Net cash flow provided by / (used in) financing activities**		**(1,150,992)**		**626,894**	
D	**Total cash flow provided / (used) during the period (A+B+C)**		**(1,501,236)**		**(68,558)**	
E	**Cash and cash equivalents at the beginning of the financial year**		**2,269,683**		**1,600,628**	
F	**Exchange rate differences from translation of cash and cash equivalents**		14,361		(94,540)	
G	**Cash and cash equivalents at the end of the period (D+E+F) (°)**	**17**	**782,808**		**1,437,530**	

(°)	**of which:**		
	cash and cash equivalents	785,015	1,455,230
	bank overdrafts	(2,207)	(17,700)

EXPLANATORY NOTES

1. GENERAL INFORMATION

Pursuant to article 154 of Legislative Decree no. 58/1998, the Pirelli & C. Group has prepared the condensed consolidated half-year financial statements (Financial Statements) in accordance with IAS 34, which regulates interim financial reporting, in summary form.

The information contained in the explanatory notes must be read together with the remaining sections of the Half-Year Financial Report, of which the condensed consolidated half-year Financial Statements are part, and the annual Financial Statements at December 31, 2020.

These condensed consolidated half-year financial statements have been prepared using the euro as reporting currency and all values have been rounded to thousands of euro, unless otherwise indicated.

The condensed consolidated half-year financial statements at June 30, 2021 of Pirelli & C. were approved by the Board of Directors on August 5, 2021.

2. BASIS OF PRESENTATION

Financial Statements

The Group has applied the provisions of Consob Resolution no. 15519 of July 27, 2006 regarding Financial Statements and Consob Notice no. 6064293 of July 28, 2006 regarding corporate disclosure.

The condensed consolidated half-year financial statements at June 30, 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, which is integral part of the Half-Year Financial Report.

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

The Group has opted to present the components of result for the period in a separate Income Statement, rather than include these components directly in the Statement of Comprehensive Income. The Income Statement adopted classifies costs by nature.

The Statement of Comprehensive Income includes the result for the period and, for homogeneous categories, the income and expenses which, in accordance with IFRS, are not recorded in the Income Statement.

The Group has opted for the presentation of tax effects, as well as the reclassifications to the Income Statement of income/losses that were recognised in equity in previous financial years, directly in the Statement of Comprehensive Income and not in the Explanatory Notes.

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

In the Statement of Cash Flows, the cash flows deriving from operating activities are presented using the indirect method. According to said method, the income 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.

Scope of consolidation

The scope of consolidation includes the subsidiaries, associates and agreements for joint control (joint arrangements).

Subsidiaries are defined as all the companies over which the Group contemporarily holds:

- the power of decision making, or the capacity to direct the relevant activities of the subsidiary, that is activities that have a significant influence on the results of the subsidiary;
- the right to the variable (positive or negative) results from the investment in the entity;
- the capacity to utilise its decision-making power to determine the amounts of results arising from the investment in the entity.

The Financial Statements of subsidiaries are included in the condensed consolidated half-year financial statements as of the date when control is assumed until such time when control ceases to exist. The share of equity and the share of the results, attributable to non-controlling interests are separately reported respectively in the Consolidated Statement of Financial Position, the Consolidated Income Statement, and the Consolidated Statement of Comprehensive Income.

All companies for which the Group is able to exercise significant influence as defined by IAS 28 – Investments in Associates and Joint Ventures, are considered associates. This influence is legally presumed to exist when the Group holds a percentage of voting rights of between 20% and 50%. It also applies when – even in the case of a lower share of voting rights – it has the power to participate in determining financial and operating policies by virtue of specific legal relationships, such as, for example, participation in shareholders' agreements together with other forms of significant exercise of governance rights.

Joint arrangements are agreements whereby two or more parties have joint control under a contract. Joint control is the shared control of a business activity, established by agreement that exists only when decisions relative to the activity require the unanimous consent of all parties who share control. These agreements may give rise to joint ventures or joint operations.

A joint venture is an agreement for the joint control of an entity whereby the parties that have joint control, have rights to the net assets of the said entity. Joint ventures are distinguished from joint operations, which instead are configured as agreements that give the parties of the agreement, which have joint control of the initiative, the rights to the individual assets and the obligations of the individual liabilities relative to the agreement. In the case of joint operations, it is mandatory that the assets and liabilities, costs and revenues subject to the agreement be recognised in accordance with the applicable accounting standards. The Group does not currently have any agreements in place for joint operations.

There were no changes in the scope of consolidation in the first half of 2021.

The complete list of subsidiaries is contained in the annex “Scope of Consolidation – Companies consolidated on a line-by-line basis”.

Non-controlling interests in the subsidiaries of the Group are not relevant either individually or in aggregate form.

3. ACCOUNTING STANDARDS

3.1 Accounting standards adopted

The accounting standards adopted are the same used for the preparation of the Consolidated Financial Statements at December 31, 2020, to which reference should be made for further details, with the exception of the following amendments, which apply from January 1, 2021, but which do not have an impact on the Group.

In particular, they are related to amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Interbank Offered Rate - IBOR reform – phase 2) that concern the operating methods by means of which to manage the impacts deriving from the replacement of the current reference interest rates (benchmark) with alternative interest rates, more in detail:

- the introduction of a practical expedient for accounting for changes in the basis on which the contractual cash flows of financial assets and liabilities are calculated;
- the introduction of some exemptions relating to the termination of hedging;
- the 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);
- the introduction of some additional disclosures regarding the impacts of the reform.

Furthermore, it is noted that income taxes are recorded on the basis of the best estimate of the weighted average tax rate expected for the entire year, in line with the indications provided by IAS 34 for the preparation of interim financial statements.

3.2 International accounting standards and/or interpretations issued but not yet in force in 2021

Indicated below are the new standards and interpretations that have been issued but have not yet come into force or have not yet been endorsed by the European Union at June 30, 2021. Therefore, they are not applicable.

- 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 liability is postponed by twelve months after the reference exercise. The Group's intention to liquidate in the short term has no impact on the classification. These amendments, which will 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.
  These amendments, which will come into force on January 1, 2022, have not yet been approved by the European Union. No impacts on the Group’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 the costs to be taken into consideration when evaluating onerous contracts and specify that the “directly related costs” approach must be applied.
  These amendments, which will come into force on January 1, 2022, have not yet been approved by the European Union. No impacts on the Group’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. These amendments, which will come into force on January 1, 2022, have not yet been endorsed by the European Union. No impacts on the Group’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 Group's financial statements are foreseen as a result of these amendments.

- Amendments to IAS 8 – Accounting policies, changes in accounting estimates and errors
  These amendments introduce a new definition of "accounting estimates", distinguishing them more clearly from accounting policies, and provide guidance for determining whether changes should be treated as changes in estimates, changes in accounting policies 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 Group's financial statements are foreseen as a result of these amendments.

- Amendments to IFRS 16 – Leases – reductions in fees related to COVID-19
  These 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.
  Lessees can choose to account for lease reductions as variable lease payments recognised 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 remeasure the lease obligations based on the revised fee using a revised discount rate. This option is applicable to fee reductions for which payment is due by June 30, 2022. The amendment, in force as of April 1, 2021, has not yet been approved by the European Union. No impacts on the Group'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 recognising deferred taxes at the time of the initial recognition of transactions that give rise to taxable and deductible temporary differences (e.g. lease contracts).
  Regarding 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 recognised lease obligation 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 obligation 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 obligation, the tax values of the right of use and the lease obligation 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 recognised.

These amendments, which will come into force on January 1, 2023, have not yet been endorsed by the European Union. The impacts on the Group's Financial Statements following said amendments are being analysed.

Seasonality

The value of trade receivables at June 30, 2021 is impacted by the usual seasonal factors, which, on equal terms, lead to an increase in the values at the end of the half-year compared to the corresponding values at year-end. Said phenomena, more accentuated in the more seasonal markets such as Europe and Russia, generally favour a total amount of trade receivables at the end of the year lower than as recorded during the year, due to the almost total collection of receivables related to revenues of winter products in these markets in the fourth quarter, while the collection of most of the receivables related to revenues of summer products was generally completed in the same markets in the third quarter.

4. ESTIMATES AND ASSUMPTIONS

The estimates and assumptions used to prepare these condensed half-year consolidated financial statements are consistent with those used for the preparation of the Consolidated Financial Statements at December 31, 2020 to which reference is made.

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 financial assets and liabilities carried at fair value at **June 30, 2021**, subdivided into the three levels as defined above:

(in thousands of euro)	Note	Carrying amount at 06/30/2021	Level 1	Level 2	Level 3
FINANCIAL ASSETS:					
Financial assets carried at fair value through Income Statement:					
Other current financial assets at fair value through Income Statement	16	47,979	45,326	2,653	-
Current derivative financial instruments	25	32,880	-	32,880	-
Other financial assets at fair value through Other Comprehensive Income:					
Securities and shares		49,208	17,484	20,636	11,088
Investment funds		2,954	-	2,954	-
	10	52,162	17,484	23,590	11,088
TOTAL ASSETS		**133,021**	**62,810**	**59,123**	**11,088**
FINANCIAL LIABILITIES:					
Financial liabilities carried at fair value through Income Statement:					
Current derivative financial instruments	25	(67,235)	-	(67,235)	-
Derivative hedging instruments:					
Current derivative financial instruments	25	(21,107)	(77)	(21,030)	-
Non-current derivative financial instruments	25	(5,075)	-	(5,075)	-
TOTAL LIABILITIES		**(93,417)**	**(77)**	**(93,340)**	**-**

The following table shows assets and liabilities carried at fair value at **December 31, 2020**, subdivided into the three levels as defined above:

(in thousands of euro)	Note	Carrying amount at 12/31/2020	Level 1	Level 2	Level 3
FINANCIAL ASSETS:					
Financial assets carried at fair value through Income Statement:					
Other current financial assets at fair value through Income Statement	16	58,944	34,571	24,373	-
Current derivative financial instruments	25	39,327	-	39,327	-
Other financial assets at fair value through Other Comprehensive Income:					
Securities and shares		39,934	14,076	15,902	9,956
Investment funds		2,786	-	2,786	-
	10	42,720	14,076	18,688	9,956
TOTAL ASSETS		**140,991**	**48,647**	**82,388**	**9,956**
FINANCIAL LIABILITIES:					
Financial liabilities carried at fair value through Income Statement:					
Current derivative financial instruments	25	(58,741)	-	(58,741)	-
Derivative hedging instruments:					
Current derivative financial instruments	25	(372)	(372)	-	-
Non-current derivative financial instruments	25	(87,601)	-	(87,601)	-
TOTAL LIABILITIES		**(146,714)**	**(372)**	**(146,342)**	**-**

The following table shows the **changes in financial assets in level 3 in the period:**

(in thousands of euro)	
Opening balance 01/01/2021	**9,956**
Translation differences	8
Increases	450
Impairment recognised in the Income Statement	(10)
Fair value adjustments through Other Comprehensive Income	683
Other changes	1
Closing balance 06/30/2021	**11,088**

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

In the half-year ended June 30, 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 foreign exchange derivatives (forward contracts) is determined by using the forward exchange rate at the reporting date;
- the fair value of the cross currency interest rate swaps is calculated by discounting the estimated future cash flows based on observable yield curves and converting them into euro using the exchange rate at the reporting date;
- the fair value of natural rubber futures is determined by using the closing price of the contract at the reporting date.

6. OPERATING SEGMENTS

IFRS 8 - Operating segments, defines an operating segment as a component:

- which involves entrepreneurial activities which generate revenues and costs;
- whose operating income is periodically reviewed by the Chief Executive Officer, in his capacity as Chief Operating Decision Maker (CODM);
- for which separate income, equity and other financial data is available.

For the purposes of IFRS 8, the activities performed by Consumer Activities are identifiable in a single operating sector.

Revenues from sales and services according to Region were as follows:

(in thousands of euro)	**01/01 - 06/30/2021**	**01/01 - 06/30/2020**
Europe and Turkey	1,031,011	772,251
North America	530,110	359,905
APAC	490,526	347,504
South America	290,223	169,003
Russia, Nordics and MEAI	222,971	167,766
Total	**2,564,841**	**1,816,429**

Non-current assets by Region which are allocated on the basis of the Country in which the assets are located, are shown below:

(in thousands of euro)	**06/30/2021**		**12/31/2020**	
Europe and Turkey	5,391,388	61.55%	5,440,542	62.24%
North America	392,431	4.48%	389,634	4.46%
APAC	503,791	5.75%	486,468	5.56%
South America	399,273	4.56%	358,383	4.10%
Russia, Nordics and MEAI	188,657	2.15%	182,828	2.09%
Non-current unallocated assets	1,884,190	21.51%	1,883,945	21.55%
Total	**8,759,730**	**100.00%**	**8,741,800**	**100.00%**

The **non-current allocated assets** reported in the preceding table consist of property, plant and equipment and intangible assets, excluding goodwill. The **non-current unallocated assets** are relative to goodwill.

7. PROPERTY, PLANT AND EQUIPMENT

The breakdown is as follows:

(in thousands of euro)	**06/30/2021**	**12/31/2020**
Total Net Value:	**3,224,345**	**3,159,767**
- Tangible assets	2,782,462	2,725,755
- Right of use	441,883	434,012

7.1 Tangible assets

The breakdown and changes are as follows:

(in thousands of euro)	06/30/2021			12/31/2020		
	Gross Value	**Accumulated Depreciation**	**Net Value**	**Gross Value**	**Accumulated Depreciation**	**Net Value**
Land	149,257	-	**149,257**	147,406	-	**147,406**
Buildings	823,819	(178,679)	**645,140**	787,489	(150,793)	**636,696**
Plants and machinery	2,610,695	(869,587)	**1,741,108**	2,458,722	(763,568)	**1,695,154**
Industrial and trade equipment	542,338	(339,643)	**202,695**	500,443	(303,197)	**197,246**
Other assets	108,173	(63,911)	**44,262**	111,179	(61,926)	**49,253**
Total	**4,234,282**	**(1,451,820)**	**2,782,462**	**4,005,239**	**(1,279,484)**	**2,725,755**

NET VALUE (in thousands of euro)	**12/31/2020**	**Hyperinflation Argentina**	**Translation differ.**	**Increases**	**Decreases**	**Depreciation**	**Devaluation**	**Recl./Other**	**06/30/2021**
Land	**147,406**	903	1,769	-	(15)	-	-	(806)	**149,257**
Buildings	**636,696**	2,713	15,242	7,074	(40)	(16,644)	(1)	100	**645,140**
Plants and machinery	**1,695,154**	6,080	34,443	95,480	(335)	(90,343)	(676)	1,305	**1,741,108**
Industrial and trade equipment	**197,246**	1,031	4,415	34,161	(719)	(34,693)	79	1,175	**202,695**
Other assets	**49,253**	967	152	-	(24)	(4,868)	(26)	(1,192)	**44,262**
Total	**2,725,755**	**11,694**	**56,021**	**136,715**	**(1,133)**	**(146,548)**	**(624)**	**582**	**2,782,462**

NET VALUE (in thousands of euro)	**12/31/2019**	**Hypernflation Argentina**	**Translation differ.**	**Increases**	**Decreases**	**Depreciation**	**Devaluation**	**Recl./Other**	**06/30/2020**
Land	**189,417**	396	(18,505)	-	-	-	-	(20,323)	**150,985**
Buildings	**725,908**	1,813	(56,453)	8,570	(255)	(16,787)	-	146	**662,942**
Plant and machinery	**1,965,871**	4,418	(137,626)	34,481	(1,112)	(92,290)	(1,617)	1,276	**1,773,401**
Industrial and trade equipment	**246,476**	622	(22,673)	26,662	(464)	(35,053)	(153)	2,191	**217,608**
Other assets	**59,518**	(1,405)	(3,217)	4,486	(20)	(5,566)	-	1,705	**55,501**
Total	**3,187,190**	**5,844**	**(238,474)**	**74,199**	**(1,851)**	**(149,696)**	**(1,770)**	**(15,005)**	**2,860,437**

Hyperinflation Argentina refers to the revaluation related to the first half-year of 2021 of the assets held by the Argentinian company as a consequence of the application of the accounting standard IAS 29 - Financial Reporting in Hyperinflationary Economies. The effect is partially offset by negative **translation differences** for euro 3,752 thousand.

Increases, totalling euro 136,715 thousand, are mainly regarding High Value assets and constant improvement of the mix and quality of all the factories.

The ratio of investments for the first half-year of 2021 with amortisations was equal to 0.93 (0.50 in the same period 2020).

Property, plant and equipment in progress at June 30, 2021 included in the single fixed asset categories amounted to euro 180,556 thousand (euro 138,012 thousand at December 31, 2020) refer to investments in progress mainly for plant and machinery at the plants in Romania, Italy, UK, China and Mexico.

7.2 Right of use

The breakdown of the value of the assets for which the Group has entered into a lease contract is as follows:

(in thousands of euro)	**06/30/2021**	**12/31/2020**
Right of use land	13,828	13,730
Right of use buildings	339,835	336,740
Right of use plants and machinery	33,125	26,012
Right of use other assets	55,095	57,530
Total net right of use	**441,883**	**434,012**

The increases in rights of use in the first half-year of 2021 amounted to euro 49,908 thousand for new lease contracts relating to points of sale, warehouses and plants, mainly signed in the Europe area.

In the first half-year of 2021, the following contracts were subject to reassessment and amendments:

- the lease contract for a warehouse in the UK was extended for 5 years with a corresponding impact on the total value of the rights of use of euro 10,847 thousand;
- the rental contract for a warehouse in Romania was subject to reassessment as it was not terminated within the contractual terms. The contract was therefore extended with a corresponding impact on the total value of the rights of use of euro 3,115 thousand.

At June 30, 2021, amortisation of user rights recognised in the income statement and included in the item “Depreciation, amortisation and impairment” (note 30) are as follows:

(in thousands of euro)	**01/01 - 06/30/2021**	**01/01 - 06/30/2020**
Land	574	564
Buildings	29,618	30,800
Plants and machinery	3,565	3,796
Other assets	8,716	10,114
Total depreciation of right of use	**42,473**	**45,274**

For interest on lease obligations, reference should be made to note 35 “Financial expenses”.

Information on the costs of lease contracts with a duration of less than twelve months, lease contracts for low unit value assets and lease contracts with variable lease payments, is included in note 31 “Other costs”.

8. INTANGIBLE ASSETS

The breakdown and changes are as follows:

(in thousands of euro)	12/31/2020	Translation differences	Increase	Decrease	Amortisation	Recl./Other	06/30/2021
Concessions / licenses / trademarks - finite life	**73,694**	1,030	220	-	(1,943)	90	**73,091**
Pirelli Brand - indefinite life	**2,270,000**	-	-	-	-	-	**2,270,000**
Goodwill	**1,883,945**	478	-	(233)	-	-	**1,884,190**
Customer relationships	**273,870**	83	180	-	(17,279)	-	**256,854**
Technology	**1,045,467**	-	-	-	(38,425)	-	**1,007,042**
Software applications	**26,181**	107	14,406	-	(6,023)	(713)	**33,958**
Patents and design patent rights	**7,689**	-	1,330	-	(491)	-	**8,528**
Other intangible assets	**1,187**	41	-	(5)	(187)	686	**1,722**
Total	**5,582,033**	**1,739**	**16,136**	**(238)**	**(64,348)**	**63**	**5,535,385**

(in thousands of euro)	12/31/2019	Translation differences	Increase	Decrease	Amortisation	Recl./Other	06/30/2020
Concessions / licenses / trademarks - finite life	**59,834**	(1,112)	166	(6)	(2,557)	20,330	**76,655**
Pirelli Brand - indefinite life	**2,270,000**	-	-	-	-	-	**2,270,000**
Goodwill	**1,886,988**	(2,536)	-	-	-	-	**1,884,452**
Customer relationships	**308,585**	(6)	-	-	(17,276)	-	**291,303**
Technology	**1,122,317**	-	-	-	(38,425)	-	**1,083,892**
Software applications	**18,971**	(352)	4,538	(2)	(4,622)	6,542	**25,075**
Patents and design patent rights	**4,490**	-	2,080	-	(340)	-	**6,230**
Other intangible assets	**8,990**	(370)	426	-	(335)	(6,507)	**2,204**
Total	**5,680,175**	**(4,376)**	**7,210**	**(8)**	**(63,555)**	**20,365**	**5,639,811**

Intangible assets mainly include:

- the Pirelli Brand valued at euro 2,270,000 thousand (indefinite useful life). The useful life of a brand 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. With regard to the Pirelli Brand, given the over one hundred years of success (the brand was established in 1872) and the Group's intention and ability to continue investing to support and maintain the brand, life was considered indefinite;

- the Metzeler Brand (useful life of 20 years) equal to euro 47,905 thousand and included under the item Concessions, licenses and brands with definite useful life;

- Customer relationships (useful life of 10-20 years) equal to euro 256,854 thousand, which mainly include the value of commercial relationships both in the Original Equipment channel and in the Replacement channel;

- Technology which includes the value of both product and process technologies as well the value of the In-Process R&D (being formed at the time of the acquisition of the Group in 2015) for an amount equal to euro 947,042 thousand and euro 60,000 thousand respectively. The useful life of the product and process technology has been determined as over 20 years while the useful life of In-Process R&D as 10 years.

- Goodwill for euro 1,884,190 thousand, of which euro 1,877,363 thousand recorded at the time of acquisition of the Group in September 2015. The residual portion refers to the goodwill determined as part of the acquisition of the company JMC Pneus Comercio Importação e Exportação Ltda. in 2018.

Increases, totaling euro 16,136 thousand, are concentrated in the application software (euro 14,406 thousand) created for the implementation of the company's digitalisation program.

With reference to goodwill and the Pirelli brand, the company verified, in accordance with the provisions of IAS 36, the absence of impairment indicators at June 30, 2021. Consequently, it was not necessary to carry out an impairment test for the purposes of the Financial Statements.

9. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Changes in the half-year in investments in associates and joint ventures were as follows:

(in thousands of euro)	06/30/2021			12/31/2020		
	Associates	**JV**	**Total**	**Associates**	**JV**	**Total**
Opening balance	**8,395**	**64,193**	**72,588**	**8,703**	**72,143**	**80,846**
Distribution of dividends	(186)	-	(186)	(192)	-	(192)
Share of net income / (loss)	70	925	995	228	(5,857)	(5,629)
Share of other components recognised in Equity	-	2,194	2,194	-	(2,093)	(2,093)
Other	59	-	59	(344)	-	(344)
Closing balance	**8,338**	**67,312**	**75,650**	**8,395**	**64,193**	**72,588**

9.1 Investments in associates

The details of the item were as follows:

(in thousands of euro)	**12/31/2020**	**Distribution of dividends**	**Share of net income / (loss)**	**Other**	**06/30/2021**
Eurostazioni S.p.A.	**6,395**	-	-	-	**6,395**
Joint Stock Company Kirov Tyre Plant	**1,121**	-	(12)	58	**1,167**
Investments in other associates	**879**	(186)	82	1	**776**
Total	**8,395**	**(186)**	**70**	**59**	**8,338**

The investments in associated companies evaluated using the equity method, were not relevant in terms of the impact on the total consolidated assets, either individually or in aggregate form.

9.2 Investments in joint ventures

The details of the item were as follows:

(in thousands of euro)	**12/31/2020**	**Share of net income / (loss)**	**Share of other components recognised in Equity**	**06/30/2021**
PT Evoluzione Tyres	**12,103**	1,287	(33)	**13,357**
Xushen Tyre (Shanghai) Co., Ltd	**52,090**	(362)	2,227	**53,955**
Total	**64,193**	**925**	**2,194**	**67,312**

The Group holds:

- an investment of 63.04% in PT Evoluzione Tyres, an entity which operates in Indonesia and is active in the production of tyres for motorcycles. Even though the company is 63.04% owned, as a result of contractual agreements between Shareholders, it falls under the definition of a joint venture, in that the governance regulations explicitly require unanimous consensus for significant business decisions. The investment is evaluated using the equity method;
- a 49% stake in the company Xushen Tyre (Shanghai) Co., Ltd, a joint venture which, through the company Jining Shenzhou Tyre Co., Ltd. owns a Consumer tyre manufacturing plant in China. The plant provides the necessary production flexibility for the High Value segment, taking into account the evolution of the Chinese market, the expected developments in the electric car segment and the increasing share of homologations obtained for the Original Equipment channel in China, Japan and Korea. The investment is evaluated using the equity method. As announced on August 1, 2018, the joint venture agreement relating to Xushen Tyre (Shanghai) Co., Ltd. provides for a purchase option in favour of Pirelli Tyre S.p.A., exercisable from January 1, 2021 until December 31, 2025, which - where exercised - would allow it to increase its stake in the aforementioned company up to 70%. Pirelli Tyre S.p.A. decided to temporarily renounce to exercise the option until December 31, 2022 and communicated its intention to the associates in Xushen Tyre (Shanghai) Co., Ltd. during 2020.

The **share of net income/(loss)**, positive for euro 925 thousand, refers for euro 1,287 thousands to the *pro-rata* of the income relating to the first half-year of 2021 of the joint venture PT Evoluzione Tyres and for euro 362 thousand to the *pro-rata* of the loss relating to the first half-year of 2021 of the joint venture Xushen Tyre (Shanghai) Co, Ltd.

The portion of other components of the comprehensive income statement refers to the difference from the conversion of the *pro-rata* shareholders' equity of the two companies.

With regard to investments in joint ventures, it is noted that no indicators emerged that would require an impairment test.

Investments in joint ventures were not significant in terms of their impact on the total consolidated assets.

10. OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The changes in the half-year in other financial assets at fair value through other comprehensive income amounted to euro 52,162 thousand and were as follows:

(in thousands of euro)	
Opening balance at 01/01/2021	**42,720**
Translation differences	8
Increases	450
Fair Value adjustment through other Comprehensive income	8,992
Other	(8)
Closing balance 06/30/2021	**52,162**

The breakdown of the item for each security is as follows:

(in thousands of euro)		**06/30/2021**	**12/31/2020**
Listed securities			
RCS Mediagroup S.p.A.		17,484	14,076
	Total	**17,484**	**14,076**
Unlisted securities			
Fin. Priv. S.r.l.		20,636	15,902
Fondo Anastasia		2,954	2,786
Istituto Europeo di Oncologia S.r.l.		8,006	7,962
Euroqube		11	10
Tlcom I LP		193	185
Telco S.r.l.		450	-
Other companies		2,428	1,799
	Total	**34,678**	**28,644**
Total other financial assets at Fair Value through Other Comprehensive Income		**52,162**	**42,720**

The **fair value adjustment through other Comprehensive income,** equal to a positive net value of euro 8,992 thousand, mainly refers to RCS MediaGroup S.p.A. (euro 3,407 thousand) and Fin.Priv. (euro 4,734 thousand).

The fair value of listed securities corresponds to the stock market price at June 30, 2021. The fair value of unlisted securities was determined by using estimates based on the best available information.

11. DEFERRED TAX ASSETS AND LIABILITIES

The breakdown is as follows:

(in thousands of euro)	**06/30/2021**	**12/31/2020**
Deferred tax assets	149,679	109,378
Deferred tax liabilities	(1,025,865)	(1,006,799)
Total	**(876,186)**	**(897,421)**

Deferred tax assets and liabilities are offset if there is a legal right that allows compensation of receivables for current taxes and payables for current taxes and the deferred taxes refer to the same legal entity and the same taxation authority.

The change in the half-year is mainly due to:

- the tax effect of actuarial gains on employee benefits recognised in the other components of the comprehensive income statement for a total of euro 33,619 thousand;
- the use of deferred liabilities recognised on the difference between the tax value and the book value of the intangible assets identified at the time of the acquisition of the Pirelli Group from Marco Polo Industrial Holding S.p.A. in 2016 and included in the consolidated financial statements following the merger for incorporation of the subsidiary Marco Polo in Pirelli.

12. TRADE RECEIVABLES

Trade receivables were analysed as follows:

(in thousands of euro)		**06/30/2020**			**12/31/2020**	
	Total	**Non-current**	**Current**	**Total**	**Non-current**	**Current**
Trade receivables	872,076	-	872,076	664,014	-	664,014
Provision for bad debts	(69,604)	-	(69,604)	(66,345)	-	(66,345)
Total	**802,472**	**-**	**802,472**	**597,669**	**-**	**597,669**

Impaired receivables include both significant individual positions subject to individual impairment and positions with similar credit risk characteristics that were grouped together and impaired on a collective basis. The calculation of impairment is based on (i) a matrix that includes the credit ratings of customers provided by independent market assessors and on (ii) the value of receivables, which considers the collateral and related insurance coverage.

The carrying amount for trade receivables is considered to approximate their fair value.

13. OTHER RECEIVABLES

Other receivables were analysed as follows:

(in thousands of euro)	06/30/2021			12/31/2020		
	Total	Non-current	Current	Total	Non-current	Current
Financial receivables	366,982	268,258	98,724	377,024	273,198	103,826
Trade accruals and deferrals	59,349	9,872	49,477	36,485	11,174	25,311
Receivables from employees	11,163	627	10,536	5,038	1,094	3,944
Receivables from social security and welfare institutions	3,929	-	3,929	1,402	-	1,402
Receivables from tax authorities not related to income taxes	388,028	86,171	301,857	328,654	93,917	234,737
Other receivables	131,924	31,673	100,251	131,986	30,018	101,968
	961,375	**396,601**	**564,774**	**880,589**	**409,401**	**471,188**
Bad debt provision for other receivables and financial receivables	(9,729)	(7,758)	(1,971)	(9,247)	(7,253)	(1,994)
Total	**951,646**	**388,843**	**562,803**	**871,342**	**402,148**	**469,194**

Non-current financial receivables (euro 268,258 thousand) refer mainly to (i) euro 58,095 thousand in sums deposited as guarantees for tax and legal disputes in relation to the subsidiary Pirelli Pneus Ltda (Brazil) and remunerated at market rates, (ii) to euro 175,487 thousand in sums deposited into escrow accounts in favour of the pension funds of Pirelli UK Ltd. and Pirelli UK Tyres Ltd., (iii) to euro 14,464 thousand in contributions paid in cash at the time of signing an association in participation contract and (iv) to euro 6,011 thousand in loans disbursed in favour of the Indonesian joint venture PT Evoluzione Tyres.

Current financial receivables (euro 98,724 thousand) refer mainly to euro 92,966 thousand for the short-term portion of loans disbursed to the joint venture Jining Shenzhou Tyre Co., Ltd., for which there was no significant increase in credit risk since the date of disbursement.

The **bad debt provision for other receivables and financial receivables** (euro 9,729 thousand) mainly includes euro 9,015 thousand relating to impairments of financial receivables.

Receivables from tax authorities not related to income taxes (euro 388,028 thousand compared to euro 328,654 thousand at December 31, 2020) are mainly comprised of receivables for VAT and other indirect taxes, the recoverability of which is expected in subsequent years. The increase compared to December 31, 2020 includes the foreign exchange impact (positive for euro 23,006 thousand) attributable above all to the Brazilian subsidiaries.

Other non-current receivables (euro 31,673 thousand) mainly refer to amounts deposited as guarantees for legal and tax disputes involving the Brazilian subsidiaries (euro 29,638 thousand).

The item **other current receivables** (euro 100,251 thousand) mainly includes:

- advances to suppliers amounting to euro 48,989 thousand;
- receivables for the disposal of property owned, but not used for industrial activities in Brazil amounting to euro 1,687 thousand;
- receivables from associated companies and joint venture for euro 11,038 thousand mainly referring to royalties, sales of materials and moulds;
- receivables from the Prometeon Group for euro 11,329 thousand;
- receivables for euro 5,403 thousand for state grants to be received.

For other current and non-current receivables, the carrying amount is considered to approximate their fair value.

14. TAX RECEIVABLES

The item tax receivables refers to income taxes which amounted to euro 41,872 thousand (of which euro 6,261 thousand was non-current) compared to euro 33,914 thousand at December 31, 2020 (of which euro 4,761 thousand non-current). In more detail, they mainly refer to receivables for withholding taxes on payments received from third parties in Brazil and other receivables for income taxes.

15. INVENTORIES

Inventories were analysed as follows:

(in thousands of euro)	**06/30/2021**	**12/31/2020**
Raw and auxiliary materials and consumables	152,994	108,306
Sundry materials	6,717	6,638
Work in progress and semi-finished products	58,350	51,534
Finished products	738,080	669,433
Advances to suppliers	353	526
Total	**956,494**	**836,437**

For further information about the trend in inventories, please refer to the “Group performance and results” section in this document.

Inventories were not subject to any guarantee pledges.

16. OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH THE INCOME STATEMENT - CURRENT

Other financial assets at fair value through the Income Statement amounted to euro 47,979 thousand at June 30, 2021 compared to euro 58,944 thousand at December 31, 2020. The amount at June 30, 2021 includes euro 45,326 thousand relating to investments made by the Argentinian subsidiary in dollar-linked listed bonds with the aim of mitigating the effects of the devaluation of the local currency.

The fair value of unlisted securities, equal to euro 2,653 thousand, was determined by using estimates based on the best available information.

17. CASH AND CASH EQUIVALENTS

Cash and cash equivalents went from euro 2,275,476 thousand at December 31, 2020 to euro 785,015 thousand at June 30, 2021. The decrease is largely explained by the early repayments of Group loans for euro 838 million in February 2021.

The detail of the change in the balance is provided in the consolidated cash flow statement.

They are concentrated at the treasury centres of the Group and Group companies that generate cash and use it locally. These were essentially invested in accordance with risk diversification principles and in compliance with minimum rating levels, on the short-term deposits market with banking counterparties, at interest rates consistent with the prevailing market conditions. The credit risk associated with cash and cash equivalents shall be considered limited because the counterparties are represented by leading national and international banking institutions.

For the Statement of Cash Flows, the balance of cash and cash equivalents was recorded net of current accounts payable for euro 2,207 thousand at June 30, 2021.

18. SHAREHOLDERS' EQUITY

18.1 Attributable to Parent Company

Equity attributable to parent company went from euro 4,447,418 thousand at December 31, 2020 to euro 4,680,891 thousand at June 30, 2021.

The subscribed and paid up **share capital** at June 30, 2021 amounted to euro 1,904,375 thousand and was represented by no. 1,000,000,000 registered ordinary shares without indication of their nominal value.

The **translation reserve**, generated by the conversion into euro of the financial statements of the subsidiaries that have a currency other than the euro as functional currency, was negative for euro 599,203 thousand at June 30, 2021 (euro 679,737 thousand at December 31, 2020). The change during the period includes a positive change of euro 80,534 thousand mainly relating to the subsidiaries in Brazil, China and Mexico, associates and joint venture.

The **IAS reserves** went from a negative value of euro 89,893 thousand at December 31, 2020 to a positive value of euro 2,864 thousand at June 30, 2021 mainly due to the effect of actuarial gains on pension funds (positive for euro 112,147 thousand). Total reserves mainly include cumulative the employee benefits remeasurement reserve, positive for euro 86,994 thousand, the negative cash flow hedge reserve for euro 15,407 thousand and the fair value adjustment reserve for financial assets at fair value recognised as other components of the comprehensive income statement, negative for euro 7,365 thousand.

Other reserves/retained earnings went from euro 3,312,673 thousand at December 31, 2020 to euro 3,372,855 thousand at June 30, 2021, essentially due to the effect of the net result for the period (positive for euro 123,097 thousand), due to the dividends approved (negative for euro 80,000 thousand) and hyperinflation in Argentina (positive for euro 17,638 thousand, offset by a negative translation reserve of euro 7,081 thousand).

18.2 Attributable to non-controlling interests

Equity attributable to non-controlling interests went from euro 104,432 thousand at December 31, 2020 to euro 117,781 thousand at June 30, 2021. The change was due to the result for the period (positive for euro 8,443 thousand) and the exchange rate differences from the conversion (positive for euro 4,910 thousand).

19. PROVISIONS FOR LIABILITIES AND CHARGES

Below are the changes during the period of the **non-current portion**:

PROVISION FOR LIABILITIES AND CHARGES - NON-CURRENT PORTION *(in thousands of euro)*	**12/31/2020**	**Translation differences**	**Increases**	**Uses**	**Releases**	**Reclass.**	**Other**	**06/30/2021**
Provision for labour disputes	14,697	884	1,554	(1,896)	(92)	-	7	15,154
Provision for tax risks not related to income taxes	4,987	125	65	(920)	-	-	6	4,263
Provision for environmental risks	3,641	116	2,220	(1,000)	-	-	-	4,977
Provision for restructuring and reorganisation	8,385	-	-	(1,719)	-	(912)	-	5,754
Provision for other risks	41,547	134	2,764	(2,011)	(37)	(400)	-	41,997
Total	**73,257**	**1,259**	**6,603**	**(7,546)**	**(129)**	**(1,312)**	**13**	**72,145**

Increases mainly refer to provisions for labour disputes mainly at the Brazilian subsidiaries and to provisions for environmental risks.

Uses of other risks are mainly attributable to disputes relating to occupational illnesses.

Below are the changes during the period of the **current portion**:

PROVISION FOR LIABILITIES AND CHARGES - CURRENT PORTION *(in thousands of euro)*	**12/31/2020**	**Translation differences**	**Increases**	**Uses**	**Releases**	**Reclass.**	**Other**	**06/30/2021**
Provision for labour disputes	78	(9)	49	(13)	(46)	-	-	59
Provision for tax risks not related to income taxes	7,303	118	-	-	(1,052)	-	-	6,369
Provision for environmental risks	3,165	-	-	-	-	-	-	3,165
Provision for restructuring and reorganisation	15,918	1,107	2,538	(1,962)	-	-	-	17,601
Provision for claims and warranties	7,827	255	450	(79)	(13)	-	-	8,440
Provision for other risks	13,792	71	3,924	(1,177)	(36)	400	-	16,974
Total	**48,083**	**1,542**	**6,961**	**(3,231)**	**(1,147)**	**400**	**-**	**52,608**

Increases are mainly attributable to restructuring actions, to the provisions for insurance risks and work place accidents, the latter relative to the English subsidiary.

Uses of other risks essentially refer to insurance risks and commercial risks of the subsidiary Pirelli Tyre S.p.A.

20. PROVISIONS FOR EMPLOYEE BENEFIT OBLIGATIONS AND OTHER ASSETS

Provisions for employee benefit obligations and other assets – non-current portion

The breakdown of the item is as follows:

(in thousands of euro)	**06/30/2021**	**12/31/2020**
Pension funds:		
- Asset for funded pension fund	158,779	80,422
Total other assets	**158,779**	**80,422**
Pension funds:		
- Liability for funded pension fund	9,437	65,028
- Liability for unfunded pension fund	78,687	83,630
Employee leaving indemnities (TFR - Italian companies)	27,252	31,486
Healthcare plans	15,723	16,026
Other benefits	57,454	47,761
Total provisions for employee benefit obligations	**188,553**	**243,931**

Pension funds

The following table shows the **breakdown of pension funds at June 30, 2021**:

			06/30/2021					
(in thousands of euro)	**Germany**	**Sweden**	**Total unfunded pension funds**	**USA**	**UK**	**Other countries**	**Total funded pension funds**	**Total**
Present value of liabilities	75,681	3,006	**78,687**	104,968	1,080,143	32,912	**1,218,023**	**1,296,710**
Fair value of plan assets				(100,553)	(1,238,922)	(27,890)	**(1,367,365)**	**(1,367,365)**
Totale Assets					**(158,779)**			
Total Liabilities	**75,681**	**3,006**	**78,687**	**4,415**		**5,022**	**(149,342)**	**(70,655)**

The following table shows the **breakdown of pension funds at December 31, 2020**:

			12/31/2021					
(in thousands of euro)	**Germany**	**Sweden**	**Total unfunded pension funds**	**USA**	**UK**	**Other countries**	**Total funded pension funds**	**Total**
Present value of liabilities	80,454	3,176	**83,630**	107,059	1,215,473	34,384	**1,356,916**	**1,440,546**
Fair value of plan assets				(92,526)	(1,251,882)	(27,902)	**(1,372,310)**	**(1,372,310)**
Totale Assets					**(80,422)**			
Total Liabilities	**80,454**	**3,176**	**83,630**	**14,533**	**44,013**	**6,482**	**(15,394)**	**68,236**

Changes in first half-year of 2021 in gross liabilities and assets for defined benefit plans (refers to funded and non-funded pension funds) were as follows:

(in thousands of euro)	**Present value of gross liabilities**	**Fair value of plan assets**	**Total**
Opening balance at January 1, 2021	1,440,546	(1,372,310)	68,236
Translation difference	58,657	(61,584)	(2,927)
Movements through Income Statement:			
- current service cost	1,018	-	1,018
- cost of services rendered for previous years	1,807	-	1,807
- loss from settlement	-	-	-
- interest expense / (income)	9,958	(9,912)	46
	12,783	**(9,912)**	**2,871**
Remeasurements recognised in equity:			
- actuarial (gains) / losses from change in demographic assumptions	(9,415)	-	(9,415)
- actuarial (gains) / losses from change in financial assumptions	(68,521)	-	(68,521)
- experience adjustment (gains) / losses	(13,399)	-	(13,399)
- return on plan assets, net of interest income	-	(19,110)	(19,110)
	(91,335)	**(19,110)**	**(110,445)**
Employer contributions	-	(26,834)	(26,834)
Employee contributions	-	-	-
Benefits paid	(38,211)	35,617	(2,594)
Employer settlement payment	(85,215)	85,215	-
Other	(515)	1,554	1,039
Closing balance at June 30, 2021	**1,296,710**	**(1,367,365)**	**(70,655)**

Both the past and current services costs are included in the item “Personnel costs” (note 29), and the net interests payable are included in the item “Financial expenses” (note 35).

Employee leaving indemnities (TFR)

Changes in the half-year in the employee leaving indemnities are as follows:

(in thousands of euro)	**06/30/2021**
Opening balance	**31,486**
Movements through Income Statement:	
- current service cost	427
- interest expense	103
Remeasurements recognised in equity:	
- actuarial (gains) / losses arising from changes in financial assumptions	(35)
- experience (gains)/losses	(1,357)
Indemnities/advanced payments	(2,938)
Other	(434)
Closing balance	**27,252**

The current cost for services rendered by employees is included in the item “Personnel costs” (note 29), while interest payables are included in the item “Financial expenses” (note 35).

Healthcare plans

This item refers exclusively to the healthcare plan in place in the United States.

(in thousands of euro)	**USA**
Liabilities recognised in the Financial Statements at 06/30/2021	15,723
Liabilities recognised in the Financial Statements at 12/31/2020	16,026

The following changes occurred during the period:

(in thousands of euro)	**06/30/2021**
Opening balance	**16,026**
Translation differences	510
Movements through Income Statement:	
- current service cost	1
- interest expense	172
Remeasurements recognised in equity:	
- actuarial / (gains) losses arising from changes in financial assumptions	(314)
Benefits paid	(672)
Closing balance	**15,723**

The cost for the service is included in the item “Personnel expenses” (note 29), and net interests payable is included in “Financial expenses” (note 35).

Additional information regarding post-employment benefits

Net actuarial gains accrued in first half-year of 2021 which were recorded directly in equity amounted to euro 112,147 thousand.

The main actuarial assumptions used at **June 30, 2021** were as follows:

	Italy	Germany	Sweden	UK	USA	Switzerland
Discount rate	0.85%	1.15%	1.30%	1.90%	2.45%	0.35%
Inflation rate	1.40%	1.50%	1.90%	3.14%	N/A	0.50%

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

	Italy	Germany	Sweden	UK	USA	Switzerland
Discount rate	0.60%	0.80%	0.75%	1.40%	2.20%	0.15%
Inflation rate	1.00%	1.50%	1.50%	2.85%	N/A	0.50%

Other long-term benefits

The breakdown is as follows:

(in thousands of euro)	**06/30/2021**	**12/31/2020**
Long Term Incentive plans	19,205	11,238
Jubilee awards	19,141	19,210
Leaving indemnities	10,087	10,366
Other long-term benefits	9,021	6,947
Total	**57,454**	**47,761**

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 2021-2022|2025 industrial plan.

Provisions for employee benefit obligations – current portion

The decrease compared to December 31, 2020 of euro 5,013 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.

21. BORROWINGS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

Borrowings from banks and other financial institutions are as follows:

(in thousands of euro)	06/30/2021			12/31/2020		
	Total	**Non-current**	**Current**	**Total**	**Non-current**	**Current**
Bonds	1,447,974	1,447,974	-	1,524,559	1,442,650	81,909
Borrowings from banks	3,009,093	1,720,574	1,288,519	3,793,780	3,137,857	655,923
Borrowings from other financial institutions	3,594	-	3,594	43,930	-	43,930
Lease obligations	476,823	396,752	80,071	465,853	390,449	75,404
Accrued financial expenses and deferred financial income	8,816	-	8,816	13,512	-	13,512
Other financial payables	3,932	60	3,872	12,919	30	12,889
Total	**4,950,232**	**3,565,360**	**1,384,872**	**5,854,553**	**4,970,986**	**883,567**

The item **bonds** refers to:

- a non-interest-bearing senior unsecured guaranteed equity-linked bond loan, 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 and admitted to trading on the Vienna MTF, multilateral trading facility managed by the Vienna Stock Exchange. The bond loan 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 June 30, 2021, the component recognised under financial payables was equal to euro 456.3 million;

- the unrated bond loan 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 loan 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 floating rate (Euribor + spread) “Schuldschein” loan for the nominal value of euro 443 million. The loan, 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)	**06/30/2021**	**12/31/2020**
Nominal value	1,496,000	1,578,000
Equity component of the convertible bond	(41,791)	(41,791)
Transaction costs	(14,696)	(15,133)
Bond discount	(2,988)	(2,988)
Amortisation of effective interest rate	7,492	6,275
Non monetary interest on convertible bond loan	3,957	196.00
Total	**1,447,974**	**1,524,559**

Borrowings from banks, which amounted to euro 3,009,093 thousand, mainly refer to:

- use of the unsecured loan (Facilities) granted to Pirelli & C. S.p.A. for euro 901,043 thousand, classified under 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). 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 June 30 therefore refers only to the lines with original maturity of 5 years;

- Sustainable Credit Line for euro 795,392 thousand relating to the credit line of euro 800 million at variable rate (Euribor + spread) stipulated on March 31, 2020 with a pool of leading Italian and international banks and with a 5-year maturity. The banking line is entirely sustainable, i.e. parametrised to the Group's economic and environmental sustainability objectives (sustainable KPI). It is noted that following the first reporting of sustainable KPI and having achieved the objectives of the year, the Group is benefiting from the related incentives to reduce the cost of the credit line;

- euro 922,085 thousand relating to three bilateral loans disbursed to Pirelli & C. S.p.A. by leading banking institutions, of which nominal euro 600 million maturing in February 2024 at variable rate (Euribor + spread), euro 200 million maturing in September 2022 at fixed rate, and euro 125 million with maturity August 2023 at variable rate (Euribor + spread);

- euro 246,353 thousand (euro 337,793 thousand at December 31, 2020) relative to loans, mainly at fixed rate, disbursed in Brazil by local and international banking institutions of which euro 1,724 thousand has been classified under non-current borrowings from banks;

- bank loans and the use of credit facilities in local currency at local level in Russia, (equivalent to euro 79,244 thousand), in China (equivalent to euro 53,036 thousand) and in Turkey (equivalent to euro 7,708 thousand), classified entirely as current borrowings from banks.

At June 30, 2021, the Group had a liquidity margin equal to euro 1,532,994 thousand, composed of euro 700,000 thousand in the form of non-utilised committed credit facilities and of euro 785,015 thousand in cash and cash equivalents, in addition to financial assets at fair value through the Income Statement for euro 47,979 thousand. The liquidity margin guarantees the coverage of the maturities on borrowings from banks and other financial institutions until August 2022. Furthermore, considering the right of the company to extend the maturity of the unsecured Facilities loan for a further two years (therefore until June 2024), this coverage would be guaranteed until June 2023.

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

Non-discounted future payments for lease contracts for which the exercise of extension options is not considered reasonably certain amounted to euro 86,488 thousand at June 30, 2021 and are not included in this item (euro 90,373 thousand at December 31, 2020).

Accrued financial expenses and deferred financial income (euro 8,816 thousand) mainly refers to the accrual of interest matured on bonds for euro 4,655 thousand (euro 8,990 thousand at December 31, 2020) and to the accrued interest matured on bank loans for euro 1,883 thousand (euro 2,062 thousand at December 31, 2020).

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)	**06/30/2021**		**12/31/2020**	
	Carrying amount	***Fair value***	**Carrying amount**	***Fair value***
Bonds	1,447,974	1,484,845	1,442,650	1,465,120
Borrowings from banks	1,720,574	1,728,096	3,137,857	3,164,333
Other financial payables	396,812	396,811	390,479	390,479
Total non-current financial payables	**3,565,360**	**3,609,752**	**4,970,986**	**5,019,931**

The unrated 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 period-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.

At June 30, 2021, there are hedging derivatives for interest rate and exchange rate on payables at variable rate in foreign currency.

The cost of the payable on an annual basis (calculated as the average of the last twelve months) stood at 2.27% against 1.94% at December 31, 2020.

This increase mainly reflects:

- the wash down of commission costs not yet amortised recognised in the income statement at the time of the partial repayment of the main credit line of the Group in February 2021. In addition, the effects of COVID-19 impacted the Group's leverage by increasing the margin of Pirelli's main banking line;
- the partial compensation of the negative dynamics described in the previous point, the further lower incidence of debt denominated in high yield currencies, mainly in Brazil and Russia, as well as a general reduction in interest rates in the currencies in which Pirelli operates.

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 Plc (currently usable only by Pirelli & C.), (ii) the “Schuldschein” loan (iii) the bilateral line of euro 600 million granted to Pirelli & C. in the first quarter of 2019 (Bilateral 600), (iv) the bilateral line of euro 125 million granted to Pirelli & C. S.p.A. in the third quarter of 2019 (Bilateral 125) and (v) the Sustainable Credit Line entered into March 31, 2020, require compliance with a maximum ratio between net debt and gross operating margin (Total Net Leverage), 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 an event of default.

Specifically, this event of default will have the consequence, in cases of exercise of the relative remedies by the lending banks (i) as part of the 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 both the “Bilateral 600” and “Bilateral 125”, 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.

During the second quarter of 2020, the Group, in the new context strongly impacted by the COVID-19 emergency, deemed it prudent to proactively approach its main financial institutions and obtain additional flexibility for the emergency period (estimated until the end of 2021). The process was concluded with the support of all financial institutions who agreed to review the terms of existing loans including the financial covenant.
In relation to the above, it is noted that at June 30, 2021, no event of default or default has occurred.

The “Facilities”, “Schuldschein”, “Bilateral 600”, “Bilateral 125” loans and the “Sustainable Credit Facility” also provide for Negative Pledge clauses and other usual provisions whose terms and conditions are consistent with market standards, for each of the aforementioned types of credit facility.

The other outstanding financial payables at June 30, 2021 did not contain financial covenants.

22. TRADE PAYABLES

The breakdown of trade payables is as follows:

(in thousands of euro)	06/30/2021			12/31/2020		
	Total	**Non-current**	**Current**	**Total**	**Non-current**	**Current**
Trade payables	935,202	-	935,202	1,224,863	-	1,224,863
Bill and notes payable	31,732	-	31,732	43,108	-	43,108
Total	**966,934**	**-**	**966,934**	**1,267,971**	**-**	**1,267,971**

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

23. OTHER PAYABLES

Other payables were as follows:

(in thousands of euro)	06/30/2021			12/31/2020		
	Total	**Non-current**	**Current**	**Total**	**Non-current**	**Current**
Accrued expenses and deferred income	87,383	46,937	40,446	82,119	52,292	29,827
Tax payables not related to income taxes	119,871	5,619	114,252	120,470	5,178	115,292
Payables to employees	129,742	2,150	127,592	83,074	2,038	81,036
Payables to social security and welfare intitutions	56,225	19,881	36,344	55,010	17,008	38,002
Dividends payable	744	-	744	254	-	254
Contract liabilities	3,028	-	3,028	4,198	-	4,198
Other payables	119,344	881	118,463	106,421	764	105,657
Total Other payables	**516,337**	**75,468**	**440,869**	**451,546**	**77,280**	**374,266**

Non-current accrued expenses and deferred income mainly refers to capital contributions received for investments in Romania for euro 43,146 thousand, the benefits of which are recognised in the Income Statement in proportion to the costs for which the contribution was disbursed, and to costs for trade initiatives in Brazil for euro 1,743 thousand.

Current accrued and expenses and deferred income includes euro 10,275 thousand for various trade initiatives realized in Germany and Brazil, euro 7,700 thousand in government grants and incentives received mainly in Italy and Romania, and euro 2,446 thousand for costs related to insurance coverage in some European countries.

The item **tax payables not related to income taxes** mainly consists of VAT payables and other indirect taxes, withholding taxes for employees and other taxes not related to income taxes.

The item **payables to employees** mainly includes amounts accrued during the period but not yet paid.

The item **contracts liabilities** refers to advanced payments from customers for which the performance obligation has not yet been completed, in line with the provisions of IFRS 15.

Other payables (euro 119.344 thousand) mainly include:

- euro 79,677 thousand for the purchase of property, plant and equipment (euro 49,040 thousand at December 31, 2020);
- euro 7,423 thousand in payables of the Brazilian company Pirelli Pneus Ltda to Prometeon Tyre Group Industrial Brasil LTDA, for various services and provisions;
- euro 5,083 thousand in payables to representatives, agents, professionals and consultants;
- euro 3,913 thousand in payables to Directors, Auditors and Supervisory Board.

24. TAX PAYABLES

Tax payables were for the most part related to national and regional income taxes in different countries and amounted to euro 149,595 thousand (of which euro 11,227 thousand was for non-current liabilities), compared to euro 110,300 thousand at December 31, 2020 (of which euro 10,795 thousand for non-current liabilities). Income tax payables include the evaluation of management with reference to the effects of any uncertainty on the treatment of income taxes.

25. DERIVATIVE FINANCIAL INSTRUMENTS

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

(in thousands of euro)	**06/30/2021**			**12/31/2020**		
	Current assets	**Non current liabilities**	**Current liabilities**	**Current assets**	**Non current liabilities**	**Current liabilities**
Without adoption of hedge accounting						
Exchange rate derivatives - commercial positions	5,051	-	(6,105)	4,561	-	(4,815)
Exchange rate derivatives - included in net financial position	27,767	-	(61,130)	34,422	-	(53,926)
Interest rate derivatives - included in net financial position	62	-	-	344	-	-
Hedge accounting adopted						
- cash flow hedge:						
Interest rate derivatives - included in net financial position	-	(5,075)	(1,997)	-	(10,623)	-
Other derivatives - included in net financial position	-	-	(19,033)	-	(76,978)	-
Other derivatives - commercial positions	-	-	(77)	-	-	(372)
	32,880	**(5,075)**	**(88,342)**	**39,327**	**(87,601)**	**(59,113)**
Total derivatives included in net financial position	27,829	(5,075)	(82,160)	34,766	(87,601)	(53,926)

The breakdown of the items by type of derivative instrument is as follows:

(in thousands of euro)	**06/30/2021**	**12/31/2020**
Current assets		
Forward foreign exchange contracts - fair value recognised in the Income Statement	32,818	38,983
Interest rate swaps - fair value recognised in the Income Statement	62	344
Total current assets	**32,880**	**39,327**
Current liabilities		
Forward foreign exchange contracts - fair value recognised in the Income Statement	(67,235)	(58,741)
Interest rate swaps - cash flow hedge	(1,997)	-
Cross currency interest rate swaps - cash flow hedge	(19,033)	-
Commodity Futures in natural rubber - cash flow hedge	(77)	(372)
Total current liabilities	**(88,342)**	**(59,113)**
Non current liabilities		
Interest rate swaps - cash flow hedge	(5,075)	(10,623)
Cross currency interest rate swaps - cash flow hedge	-	(76,978)
Total non-current liabilities	**(5,075)**	**(87,601)**

Derivative financial instruments not in hedge accounting

The value of **exchange rate derivatives** included in assets and liabilities corresponds to the fair value of forward currency purchases/sales outstanding at the closing date of the period. These were hedge operations for the commercial and financial transactions of the Group for which hedge accounting option was not adopted. The fair value is determined by using the forward exchange rate at the reporting date.

The value of **interest rate derivatives** included in current assets refers to the fair value measurement of four IRS basis swaps USD for a total of USD 1,079 million starting September 2020 and February 2021 respectively and common maturity September 2021. These are hedging transactions of the basis 12 - 3 months following the change in the liquidation period of interest on the underlying liability at 12 months, for which the hedge accounting option has not been adopted. The Group pays Libor USD 3 months that nets the proceeds from the pre-existing CCIRS and collects Libor USD 12 months that will serve the interest flows on liabilities in USD liquidated on a quarterly basis.

Derivative financial instruments in hedge accounting

The value of **interest rate derivatives** recorded as non-current liabilities for euro 5,075 thousand and as current liabilities for euro 1,997 thousand refers to the fair value measurement of eleven interest rate swaps, of which two forward start, with the following characteristics:

Derivative	Hedged element	Notional amount (Euro million)	Start date	Maturity	
IRS	Term loan in EUR	250	June 2019	June 2022	receive floating / pay fix
IRS	Term loan in EUR	63	August 2019	August 2023	receive floating / pay fix
IRS	Schuldschein	180	July 2020	July 2023	receive floating / pay fix
IRS	Schuldschein	20	July 2020	July 2025	receive floating / pay fix
IRS forward start	Pre-hedge	200	March 2022	March 2026	receive floating / pay fix
Total		**713**			

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

- future interest flows on liabilities in euro at variable rate;
- future interest flows on the "Schuldschein" loan (see note 21);
- future financing (pre-hedge).

The change in the fair value of the period, positive for euro 1,246 thousand, was entirely suspended in equity, while in the income statement, euro 2,246 thousand was reversed to the item Financial expenses (note 35), correcting the financial expenses recorded on the liability hedged.

The value of **other derivatives**, recorded as non-current liabilities for euro 19,033 thousand, refers to the fair value measurement of four cross currency interest rate swaps (CCIRS) with the following characteristics:

Derivative	Notional amount (USD million)	Notional amount (USD million)	Start date	Maturity	
CCIRS	1,079	920	July 2019	June 2022	pay fix EUR / receive floating LIBOR USD
Total	**1,079**	**920**			

The objective of these derivatives, for which hedge accounting of the cash flow hedge type was adopted, was to hedge the Group against the risk of cash flow fluctuations associated with changes in the LIBOR rate and changes in the USD/EUR exchange rate generated by a liability in USD at a floating rate.

In the first half-year 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 21). The exchange of notional amounts generated exchange rate losses of euro 15,598 thousand.

The positive change in fair value for the period was suspended in equity for euro 43,743 thousand (positive cash flow hedge reserve for euro 43,077 thousand and positive cost of hedging reserve for euro 666 thousand), while the following were reversed in the income statement:

- gain of euro 39,114 thousand to offset net unrealised exchange rate losses recorded on the hedged liability;
- net interest income of euro 269 thousand to correct the financial expenses recognised on the hedged liability;
- effectiveness for euro 1,363 thousand following the liquidation of two CCIRS in February 2021.

For further details, see note 35 “Financial expenses”.

The value of **other derivatives**, recognised under current liabilities for euro 77 thousand, refers to the fair value valuation of commodity futures trading in natural rubber.

The objective of these derivatives, for which hedge accounting of the cash flow hedge type was adopted, was to hedge the Group from the risk of costs fluctuations deriving from the variability of future natural rubber prices, through the negotiation of commodity futures listed on a regulated market, whereby the value of the expected purchases of natural rubber is fixed at levels specific to the relative reference price.

The positive change in fair value for the period was suspended in shareholders' equity for euro 68 thousand, while euro 227 thousand was transferred to the income statement under the item "Raw materials and consumables used (net of the change in inventories)" as correction of the purchase cost of natural rubber.

26. COMMITMENTS AND RISKS

COMMITMENTS FOR THE PURCHASE OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

The commitments to purchase property, plant and equipment and intangible assets amounted respectively to euro 86,878 thousand and euro 7,347 thousand and are related mainly to subsidiaries in Romania, Brazil, Italy, China, Russia, Germany and Mexico.

COMMITMENTS FOR THE PURCHASE OF EQUITY INVESTMENTS/FUND UNITS

These refer to commitments to purchase shares in Equinox Two S.C.A., a private equity company for an amount equal to a maximum of euro 2,158 thousand.

LEASE CONTRACT COMMITMENTS

At June 30, 2021, the total of future non-discounted payments for lease contracts not yet in force and for which no financial payable was recorded amounted to euro 37,194 thousand, mainly related to lease contracts for warehouses and offices.

OTHER RISKS

Litigation against the companies of the Prysmian Group before the Court of Milan

Two judgments (currently combined) are currently pending before the Court of Milan following the decision issued on April 2, 2014 by the European Commission (as confirmed in the final instance by the Court of Justice of the European Union on October 28, 2020) at the conclusion of the antitrust investigation launched in relation to presumed restrictive practices of competition in the European market for high voltage electric cables. This decision had imposed a sanction against Prysmian Cavi e Sistemi S.r.l. (Prysmian CS) as directly involved in the cartel, of which a part (euro 67 million), Pirelli, despite having been found to not have been involved directly in the activities of said cartel, was held as being jointly liable with Prysmian CS, based solely on the application of the principle of "parental liability", in that during part of the period of the infringement, the capital of Prysmian CS was directly or indirectly held by Pirelli.
On December 31, 2020, Pirelli paid its portion of the aforementioned sanction in favor of the European Commission (corresponding to 50% of this sanction, plus interest), in relation to which it had previously made the appropriate provisions.

Pending the definition of the aforementioned Community proceeding, in November 2014, Pirelli took action before the Court of Milan in order to obtain the ascertainment and declaration of the obligation of Prysmian CS to hold it free from any claim relating to the alleged anti-competitive agreement in the energy cables sector, including the penalty imposed by the European Commission.
Prysmian CS appeared in the aforementioned judgement, requesting the rejection of Pirelli's claims, and as counter-claim, to be indemnified by Pirelli in relation to the consequences deriving

from or related to the decision of the European Commission. The judgement had been suspended pending the definitive sentence of the EU judges and was resumed by Pirelli on November 30, 2020 following the sentence of the Court of Justice.
In October 2019, Pirelli took further action before the Court of Milan against Prysmian CS and Prysmian S.p.A. requesting the assessment and declaration of the obligation of Prysmian CS to indemnify and release it 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 Consolidated Financial Statements at June 30, 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 alleged cartel. Specifically, the companies of the Prysmian Group submitted a request to obtain 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) towards National Grid and Scottish Power. Due to the aforementioned pending legal action 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 recipient 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 plaintiff 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.

Lastly, also in April 2019, the Electricity and Water Authority of Bahrain, the GCC Interconnection Authority, the Kuwait Ministry of Electricity and Water and the Oman Electricity Transmission Company, served a summons against Pirelli, some Prysmian Group companies and others recipients of the aforementioned European Commission Decision, jointly agreeing with each other to obtain compensation for the damage allegedly suffered as a result of the alleged anti-competitive conduct. These proceedings were brought before the Court of Amsterdam, which, with its ruling of November 25, 2020, upheld the objection raised by Pirelli and excluded its jurisdiction over Pirelli itself. In February 2021, the claimants appealed against said sentence before the Amsterdam Court of Appeal.
Based on accurate analyses supported by authoritative opinions from external lawyers, the risk assessment related to the disputes described above is such as not to have to request the allocation of any specific provision in the Consolidated Financial Statements at June 30, 2021, also considering their initial status.

Tax disputes

Brazil

The subsidiary Pirelli Pneus is involved in some tax disputes and proceedings. The most relevant are described below:

Dispute related to ICMS tax receivables assigned by the State of Santa Catarina

With reference to the dispute concerning the ICMS tax receivables (*Imposto Sobre Operações Relativas à Circulação* or state value added tax) assigned by the State of Santa Catarina, Pirelli Pneus Ltda received notices of assessment which disavowed the ICMS tax receivables. The claim was motioned by the State of São Paulo, according to which Pirelli Pneus benefited from the ICMS tax credits assigned by the State of Santa Catarina. However, they were deemed to have been unlawful from the start in that they were assigned by the latter in violation of the Brazilian Constitution, in the absence of a previous agreement between the various States. The dispute was settled before the competent administrative-tax commissions. Although the first decisions were not in favour of Pirelli Pneus, on August 8, 2017 a legislative provision came into force (Complementary Law No. 160) aimed at putting an end to this dispute between the various states in Brazil. This regulation validated the incentives, which were previously considered illegitimate, and therefore also extinguished the relative sanctions imposed by the Brazilian tax authorities.

The implementation aspects of this new provision have been defined by the Brazilian States and, therefore, Pirelli Pneus has also filed request for amnesty for the dispute in question. In particular, between May and June 2021, the tax authorities' claim was revoked in three different cases. Therefore, the risk previously estimated at euro 122 million is now reduced to around euro 5 million, including taxes, interest and sanctions.

The risk of losing the case has not been assessed as probable and, therefore, no provision has been made in the Financial Statements for this dispute.

Dispute related to the IPI tax rate applicable to certain types of tyres

The subsidiary Pirelli Pneus is involved in a tax disputes with the Brazilian tax authorities concerning the IPI tax (*Imposto sobre Produtos Industrializados* or tax on industrialised products) with particular reference to the tax rate applicable to the production and importation of tyres for the Sports Utility Vehicle (SUV), vans and other industrial transportation vehicles (such as, for example, trucks). According to statements by the Brazilian tax authorities in the tax assessment notices issued during the course of 2015, 2017 and 2021, the aforementioned tyres should have been subjected to the IPI tax rate for the production and import of tyres for cars – an applicable rate of 15% – instead of the 2% rate applied by Pirelli Pneus, as is provided for the production and import of tyres for heavy industrial use vehicles. To date, the dispute is pending before the competent administrative and tax commissions. Also in light of the recent rulings in favour of Pirelli Pneus, the Group maintains that it has a good chance of winning. This position is also supported by an appraisal prepared by a Brazilian government institution (INT – National Institute of Technology) specifically commissioned by Pirelli Pneus, and who concluded their analysis by equating, in light of their similar characteristics, the tyres discussed with those used for heavy industrial vehicles.

The risk is estimated at approximately euro 30 million, inclusive of taxes, interests and sanctions.

The risk of losing the case has not been assessed as probable and, therefore, no liability has been allocated in the Financial Statements for this dispute.

Dispute related to transfer pricing with reference to certain intragroup transactions

Pirelli Pneus is involved in a dispute with the Brazilian tax authorities concerning corporate income tax (IRPJ - *Imposto de Renda Pessoa Jurídica*) and social contribution tax on net profits (CSLL - *Contribuição Social sobre o Lucro Líquido*) payable by the company for the fiscal periods of 2008, 2011 and 2012 with reference to the application of the transfer pricing regulations for import dealings with related parties. Based on the assessment notices sent to the company during 2013, 2015 and 2016, the Brazilian tax authorities are mainly contesting the incorrect application by the company of the methodology provided for by the administrative practice in force at that time (IN - *Instrução Normativa* 243 or Instructions for Regulation) for the evaluation of transfer prices applied to the importation of goods from related parties. To date, the dispute filed by the Company is pending before the competent administrative-judicial courts. The Group maintains that it has a good chance of winning and, in this regard, Pirelli Pneus has already obtained a favourable ruling from the administrative court, which recognised the Company’s arguments by reducing the amount originally contested by the Brazilian tax authorities.

In light of the above, the risk is estimated at approximately euro 16 million inclusive of taxes, sanctions and interest.

The risk of losing the case has not been assessed as probable and, therefore, no liability has been allocated in the Financial Statements for this dispute.

Dispute related to the IPI with reference to the sale of tyres to the automotive sector

Pirelli Pneus is involved in a dispute concerning the IPI (*Imposto sobre Produtos Industrializados* or tax on industrialised products) also with reference to the sale of components to companies operating in the automotive sector. According to the Brazilian tax authority's claim as stated in a notice of assessment issued in 2013, Pirelli Pneus should not benefit, as regards its secondary office established in the city of Ibiritè in the Federal State of Minas Gerais, from the IPI tax exemption as provided for by law in the case of sales of certain components to companies operating in the automotive sector. The dispute is under discussion before the competent administrative and judicial courts. However, the Group believes it has solid reasons, such as to resist the claim of the tax administration.

The risk is estimated at approximately euro 19 million, inclusive of taxes, interests and sanctions. The risk of losing the case has not been assessed as probable and, therefore, no liability has been allocated in the Financial Statements for this dispute.

Dispute relating to the tax impacts deriving from the "Plano Verão"

Pirelli Pneus has a pending tax dispute with the Brazilian tax administration which, in the opinion of the company - in the period from 1989 to 1994 - collected higher taxes than as actually due following the so-called "Plano Verão", an economic measure introduced by the then Brazilian government in order to control the phenomena of hyperinflation that was affecting the country, through a freezing of prices. However, the difference between real and index inflation had the effect of creating significant distortions on the financial statements of companies and, not least, on the amount of taxes paid by them. Pirelli Pneus made use of the real inflation rate for its own financial statement valuations and, at the same time, commenced legal proceedings aimed at asserting its reasons for the correct amount of taxes owed. In the course of the aforementioned proceedings, Pirelli Pneus first adhered to an amnesty for the tax disputes in order to define the dispute in question and, only subsequently, on the basis of a ruling with binding effectiveness towards everyone by the Brazilian Supreme Court, requested the annulment of the effects of the amnesty, to which it had previously adhered.

The proceeding is underway before the competent judicial courts and the risk is estimated up to a maximum of euro 30 million, inclusive of taxes, interest and sanctions.

The risk of losing the case has not been assessed as probable and, therefore, no liability has been allocated in the Financial Statements for this dispute.

Other Pirelli Pneus disputes

Pirelli Pneus is part of other tax disputes concerning federal taxes and excises (such as IPI - *Imposto sobre Produtos Industrializados* or tax on industrialized products, PIS - *Programa de Integração Social* or social contribution tax, and COFINS - *Contribuição Social para o Financiamento da Seguridade Social* or tax on Social Security Financing) as well as the ICMS (*Imposto Sobre Operações Relativas à Circulação* or state value added tax). In particular, Pirelli Pneus is involved in certain administrative and judicial proceedings aimed at ensuring that their own reasons prevail over those of the tax authorities, with reference to:

(i) dispute referred to as "Desenvolve" and related to a tax incentive recorded by the Federal State of Bahia but, as claimed by the Brazilian tax authorities, incorrectly calculated by Pirelli Pneus – about euro 7 million including taxes, sanctions and interest;

(ii) a dispute relative to import customs costs for natural rubber which, in the opinion of the Brazilian tax authorities, was underestimated by not taking into account the value of the intra-group royalties paid - approximately euro 7 million inclusive of taxes, sanctions and interest;

(iii) a new dispute, relating to the methods of calculating the tax base of PIS and COFINS and the right to deduct the ICMS reported on the invoice, based on the interpretation, by the tax authorities, provided in *Solução COSIT 13* - about euro 17 million inclusive of taxes, sanctions and interest.

For the aforementioned disputes, the risk of losing the case has not been assessed as probable and, therefore, no liability has been allocated in the Financial Statements for these disputes.

Italy

In June 2021, the Lombardy Regional Directorate notified the company with a Notice of assessment for the 2015 tax period contesting the amount of the credit for taxes paid abroad. The company initiated a dispute (still in progress) with the Revenue Agency, arguing the technical validity of its positions, also on the basis of the investigations carried out.

The risk of losing the case has been assessed as not probable by the Directors. Therefore, no liability has been allocated in the Financial Statements for this dispute.

27. REVENUES FROM SALES AND SERVICES

Revenues from sales and services were as follows:

(in thousands of euro)	**01/01 - 06/30/2021**	**01/01 - 06/30/2020**
Revenues from sales of goods	2,497,704	1,768,995
Revenues from services	67,137	47,434
Total	**2,564,841**	**1,816,429**

These revenues refer to contracts with customers.

For further information on the performance of revenues from sales and services, refer to the section "Group performance and results" in this document.

28. OTHER INCOME

The breakdown of the item is as follows:

(in thousands of euro)	**01/01 - 06/30/2021**	**01/01 - 06/30/2020**
Other income from the Prometeon Group	18,292	23,316
Sales of Industrial products	66,862	58,341
Gains on disposal of property, plant and equipment	454	328
Rent income	1,288	1,586
Income from sublease of rights of use assets	444	461
Recoveries and reimbursements	9,007	20,742
Government grants	5,892	8,378
Other income	42,890	24,672
Total	**145,129**	**137,824**

The item **other income from the Prometeon Group** mainly includes sales of semi-finished and finished products for euro 1,347 thousand, royalties recorded for the trademark license contract for euro 7,004 thousand, royalties recorded for the know-how license contract for euro 5,000 thousand and services rendered for euro 4,941 thousand.

The item **sales of industrial products** mainly includes revenues and income generated by the sale of tyres for trucks and agricultural vehicles, mainly purchased by the Prometeon Group, and then sold by way of a distribution network controlled by Pirelli.

The item **recoveries and reimbursements** mainly includes:

- tax and duty reimbursements totalling euro 1,907 thousand, of which euro 1,633 thousand received in Germany for tax reimbursements on the purchase of gas and energy;
- tax refunds totalling euro 1,280 thousand arising from tax incentives mainly obtained in the state of Bahia, Brazil, for commercial exports;

- proceeds from the sale of tyres and scrap materials obtained in the United Kingdom for a total of euro 477 thousand.

The item **other** includes income from sporting activities amounting to euro 16,142 thousand.

29. PERSONNEL COSTS

The breakdown of the item is as follows:

(in thousands of euro)	**01/01 - 06/30/2021**	**01/01 - 06/30/2020**
Wages and salaries	438,357	350,527
Social security and welfare contributions	84,073	69,673
Costs for employee leaving indemnities and similar	6,744	6,394
Costs for defined contribution pension funds	11,548	11,448
Costs for defined benefit pension funds	2,701	(2,278)
Costs for jubilee awards	4,101	7,091
Costs for defined contribution healthcare plans	1,462	1,816
Other costs	15,133	15,459
Total	**564,119**	**460,130**

The item **other costs** includes the portion of the retention plan approved by the Board of Directors on February 26, 2018.

The increase compared to the value of the first half-year of 2020 is mainly attributable to the management incentives recorded in the first half-year of 2021 and the social safety nets recorded in the comparison period to reduce the personnel cost received for the COVID-19 pandemic.

30. DEPRECIATION, AMORTISATION AND IMPAIRMENT

The breakdown of the item is as follows:

(in thousands of euro)	**01/01 - 06/30/2021**	**01/01 - 06/30/2020**
Amortisation	64,348	63,555
Depreciation (excl. depreciation of right of use)	146,548	149,696
Depreciation of right of use	42,473	45,274
Impairment of property, plant and equipment and intang.assets (excl. right of use)	625	2,802
Impairment of right of use	707	-
Total	**254,701**	**261,327**

For the breakdown of the amortisation of the rights of use, see “Right of use” (note 7.2).

31. OTHER COSTS

The breakdown of the item is as follows:

(in thousands of euro)	**01/01 - 06/30/2021**	**01/01 - 06/30/2020**
Selling costs	153,254	110,862
Purchases of goods for resale	181,796	180,558
Advertising	112,156	53,556
Fluids and energy	79,424	63,322
Warehouse operating costs	37,057	30,894
IT expenses	26,811	21,658
Consultants	21,473	21,229
Maintenance	23,945	17,439
Insurance	17,987	17,831
Leases and rentals	11,757	13,692
Outsourcing	16,812	11,823
Duty stamps, duties and local taxes	13,961	11,484
Other provisions	13,565	11,352
Travel expenses	9,070	7,473
Key managers compensations	9,070	2,960
Cleaning expenses	7,894	6,006
Canteen	8,664	5,544
Security expenses	5,210	5,456
Waste disposal	4,694	3,159
Telephone expenses	2,618	2,789
Other	66,458	48,827
Total	**823,676**	**647,914**

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

- euro 5,534 thousand for lease contracts with a duration of less than twelve months (euro 7,428 thousand in the first half-year of 2020);
- euro 3,490 thousand for lease contracts for low unit value assets (euro 3,723 thousand in the first half-year of 2020);
- euro 2,733 thousand for lease contracts with variable payments (euro 2,541 thousand in the first half-year of 2020).

The item **Other** includes, among others, work services from third parties for euro 13,155 thousand and expenses for technological tests for euro 10,073 thousand.

32. NET IMPAIRMENT OF FINANCIAL ASSETS

The item, negative for euro 1,874 thousand compared to euro 17,341 thousand in the first half-year of 2020, mainly includes the net impairment of trade receivables for euro 1,918 thousand (euro 14,835 thousand in the first half-year of 2020).

33. RESULT FROM INVESTMENTS

33.1 Share of net income/(loss) of associates and joint ventures

The share of net income/ (loss) from equity investments in associates and joint ventures accounted for using the equity method. For further details, refer to “Investments in joint ventures“ (Note 9.2).

33.2 Dividends

The amount, equal to euro 961 thousand, mainly refers to dividends received from RCS Mediagroup S.p.A. (euro 741 thousand) e Genextra S.p.A. (euro 154 thousand).

34. FINANCIAL INCOME

The breakdown of the item is as follows:

(in thousands of euro)	**01/01 - 06/30/2021**	**01/01 - 06/30/2020**
Interests	8,439	7,048
Other financial income	1,524	2,737
Net gains on exchange rates	21,461	-
Valuation at fair value of securities held for trading	3,700	-
Fair value measurement of currency derivatives	-	156,896
Fair value measurement of other derivatives	103	335
Total	**35,227**	**167,016**

Interests mainly includes euro 1,250 thousand in interest on fixed-income securities and euro 2,747 thousand in interest income from financial institutions.

The item **other financial income** mainly includes interest matured on tax credits and on security deposits provided by the Brazilian subsidiaries as a guarantee for legal and tax disputes.

Net gains on exchange rates of euro 21,461 thousand (gains of euro 1,162,344 thousand and losses of euro 1,140,883 thousand) refer to the adjustment to the exchange rate at the end of the period of the items expressed in the currency other than the functional one still in effect at the closing date of the Consolidated Financial Statements and the net gains on items closed during the period. They also include gains for euro 39,114 thousand due to the exchange rate component of the fair value valuation of the cross currency interest rate swaps, for which hedge accounting of the cash flow hedge type was adopted, to offset exchange rate losses recorded on the hedged liability.

Comparing the net exchange rate gains, equal to euro 21,461 thousand recorded on receivables and payables in currencies other than the functional currency in the various subsidiaries, with the fair value measurement of the exchange rate component of hedging exchange derivatives equal to a loss of euro 21,258 thousand, included in “Financial expenses” (Note 35), there is a positive imbalance of euro 203 thousand and therefore, exchange rate risk management is substantially in equilibrium.

35. FINANCIAL EXPENSES

The breakdown of the item is as follows:

(in thousands of euro)	**01/01 - 06/30/2021**	**01/01 - 06/30/2020**
Interests	57,321	46,209
Commissions	5,840	6,257
Hyperinflation effect	3,556	4,012
Other financial expenses	1,401	2,344
Interest expenses on lease liabilities	10,099	10,542
Net losses on exchange rates	-	169,735
Net interest costs on provision for employee benefit obligations	485	1,067
Fair value measurement of exchange rate derivatives	28,367	-
Total	**107,069**	**240,166**

The item **Interests** for a total amount of euro 57,321 thousand includes:

- euro 29,460 thousand for the bank loan lines held by Pirelli & C. S.p.A.;
- euro 11,233 thousand in financial expenses relative to bonds, of which euro 4,584 thousand relating to non-monetary interest on the convertible bond, euro 4,501 thousand relating to unrated bonds and euro 2,147 thousand relating to the “Schuldschein” loan, in all cases issued by Pirelli & C. S.p.A.;
- euro 3,856 thousand for net interest expense, including interest on Cross Currency Interest Rate Swap and Interest Rate Swaps, for which hedge accounting was adopted, to adjust the flow of financial expenses of the bank lines and bonds referred to in the previous points. For further details, refer to as reported in Note 25 “Derivative financial instruments”;
- euro 8,759 thousand of financial expenses relating to bank loans for foreign affiliates.

The item **commissions** includes in particular euro 659 thousand in costs relative to transactions for the assignment of receivables using the no recourse (*pro-soluto*) clause mainly in South America, Italy and Germany, and euro 5,086 thousand relative to expenses for guarantees and other bank commissions.

The item **Hyperinflation effect** refers to the effect on monetary items deriving from the application of IAS 29 - Hyperinflation, by the Argentine subsidiary company Pirelli Neumaticos SAIC (refer to Note 39 for further details). The impact is more than offset by the exchange component of the fair value measurement of dollar-linked bonds for euro 4,627 thousand in which the Argentine subsidiary has invested with the aim of mitigating the effects of the devaluation of the local currency.

The item **fair value measurement of exchange rate derivatives** refers to the purchase/sale of the forward exchange rate hedge contracts to cover commercial and financial transactions in accordance with the exchange rate risk management policy of the Group. For transactions open at the end of the period, the fair value was determined using the forward exchange rate at the reporting date. The valuation at fair value is composed of two elements: the interest component which is tied to the interest rate spread between the currencies which are subject to the individual hedges, equal to a net cost of euro 7,109 thousand, and the exchange rate component at a net loss of euro 21,258 thousand.

The exchange rate component of the fair value measurement of cross currency interest rate swaps, for which hedge accounting of the cash flow hedge type was adopted, positive for euro 39,114 thousand, was classified to the item net exchange rate gains, to offset exchange rate losses recorded on the hedged liability (see note 34 “Financial income”).

36. TAXES

The breakdown of taxes is as follows:

(in thousands of euro)	**01/01 - 06/30/2021**	**01/01 - 06/30/2020**
Current taxes	(100,798)	(25,620)
Deferred taxes	53,604	58,482
Total	**(47,194)**	**32,862**

The first half-year of 2021 reports tax expense of euro 47,194 thousand compared to a net income before taxes of euro 178,734 thousand with a tax rate that stood at 26.4%, in line with the expected tax rate for 2021. Instead, first half-year of 2020 reported tax income of euro 32,862 thousand against a loss before taxes of euro 134,571 thousand (24.4% tax rate).

37. EARNINGS/(LOSSES) PER SHARE

Earnings/(losses) per share are determined by the ratio between the net income/loss attributable to the Parent Company and the weighted average of the number of ordinary shares outstanding during the period, with the exclusion of treasury shares.

(in thousands of euro)	**01/01 - 06/30/2021**	**01/01 - 06/30/2020**
Net income/(loss) attributable to the Parent Company	123,097	(103,280)
Weighted average number of ordinary shares outstanding (in thousands)	1,000,000	1,000,000
Earnings /(losses) per share (in euro per share)	**0.123**	**(0.103)**

It should be noted that the basic and diluted earnings/(loss) per share coincide. The share conversion option relating to the convertible bond has no dilutive effect, as the market price of the shares was lower than the exercise price of the option itself from the date of issue of the loan to June 30, 2021.

38. DIVIDENDS PER SHARE

During the first half-year of 2021 Pirelli & C. S.p.A. distributed to its shareholders, also through the withdrawal of part of the profits set aside in previous years, euro 0.08 per ordinary share, equal to a total of euro 80 million dividends, gross of withholding taxes by law.

39. HYPERINFLATION

Based on the provisions of the accounting standards of the Group, with regard to the criteria for entering/exiting inflation accounting, the subsidiary Pirelli Neumaticos SAIC has adopted inflation accounting since July 1, 2018 and is the only Group company operating in a high inflation country. The price index used for this purpose was the national consumer price index (CPI) published by the National Institute for Statistics and Census (INDEC).

For the financial statements at June 30, 2021, the official annual inflation index was used estimated at 51.4%.

Losses on the net monetary position were recorded in the Income Statement as “Financial expenses” (Note 35) for euro 3,556 thousand.

40. RELATED-PARTY TRANSACTIONS

Related-party transactions, including inter-group transactions, are neither exceptional nor unusual, but are part of the ordinary course of business for companies of the Group. Such transactions, when not concluded under standard conditions or dictated by specific regulatory conditions, are in any case governed by conditions consistent with those of the market and carried out in compliance with the provisions of the Procedure for Related Party Transactions, which the Company has adopted.

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

STATEMENT OF FINANCIAL POSITION *(in millions of euro)*	**06/30/2021**	**of which related parties**	**% incidence**	**12/31/2020**	**of which related parties**	**% incidence**
Non current assets						
Other receivables	**388.8**	6.0	1.5%	**402.1**	5.8	1.4%
Current assets						
Trade receivables	**802.5**	19.7	2.5%	**597.7**	12.8	2.1%
Other receivables	**562.8**	121.6	21.6%	**469.2**	111.3	23.7%
Non-current liabilities						
Borrowings from banks and other financial institutions	**3,565.4**	14.5	0.4%	**4,971.0**	14.7	0.3%
Other payables	**75.5**	0.2	0.3%	**77.3**	0.2	0.3%
Provisions for liabilities and charges	**72.1**	9.1	12.6%	**73.3**	5.9	8.1%
Provisions for employee benefit obligations	**188.6**	4.2	2.3%	**243.9**	2.4	1.0%
Current liabilities						
Borrowings from banks and other financial institutions	**1,384.9**	2.8	0.2%	**883.6**	2.2	0.2%
Trade payables	**966.9**	82.4	8.5%	**1,268.0**	134.6	10.6%
Other payables	**440.9**	9.0	2.0%	**374.3**	6.7	1.8%
Provisions for employee benefit obligations	**-**	-	n.a.	**5.0**	3.0	60.2%

INCOME STATEMENT *(in millions of euro)*	**01/01 - 06/30/2021**	**of which related parties**	**% incidence**	**01/01 - 06/30/2020**	**of which related parties**	**% incidence**
Revenue from sales and services	**2,564.8**	10.2	0.4%	**1,816.4**	3.3	0.2%
Other income	**145.1**	25.7	17.7%	**137.8**	29.7	21.5%
Raw materials and comsumables used (net of changes in inventories)	**(875.7)**	(1.2)	0.1%	**(549.4)**	(3.0)	0.5%
Personnel expenses	**(564.1)**	(15.1)	2.7%	**(460.1)**	(6.1)	1.3%
Other costs	**(823.7)**	(136.1)	16.5%	**(647.9)**	(101.3)	15.6%
Financial income	**35.2**	1.9	5.3%	**167.0**	0.9	0.5%
Financial expenses	**(107.1)**	(0.3)	0.3%	**(240.2)**	(0.5)	0.2%
Net income / (loss) from equity investments	**2.0**	1.0	n.a.	**(4.6)**	(3.9)	n.a.

STATEMENT OF CASH FLOWS *(in thousands of euro)*	**01/01 - 06/30/2021**	**of which related parties**	**% incidence**	**01/01 - 06/30/2020**	**of which related parties**	**% incidence**
Net cash flow operating activities:						
Change in Trade receivables	**(190.3)**	(6.2)	n.a.	**(39.0)**	(3.9)	n.a.
Change in Trade payables	**(326.8)**	(50.3)	n.a.	**(649.0)**	(90.8)	n.a.
Change in Other receivables	**(55.9)**	(5.4)	n.a.	**(90.2)**	(13.4)	n.a.
Change in Other payables	**2.4**	0.7	n.a.	**19.7**	0.4	n.a.
Uses of Provisions for employee benefit obligations	**(33.6)**	(3.0)	n.a.	**(6.8)**	(2.3)	n.a.
Net cash flow investing activities:						
Change in Financial receivables from associates and joint ventures	**(0.6)**	(0.6)	n.a.	**(12.3)**	(12.3)	n.a.
Net cash flow financing activities:						
Repayment of principal and payment of interest for lease liabilities	**(50.6)**	1.3	n.a.	**(43.2)**	(1.2)	n.a.

The effects of the related party transactions contained in the Income Statement and the Statement of Financial Position on the consolidated data for the Group were as follows:

TRANSACTIONS WITH ASSOCIATES AND JOINT VENTURES

STATEMENT OF FINANCIAL POSITION (in millions of euro)	**06/30/2021**	**12/31/2020**
Other non current receivables	6.0	5.8
of which financial	*6.0*	*5.8*
Trade receivables	16.0	6.9
Other current receivables	105.3	102.3
of which financial	*93.0*	*88.8*
Borrowings from banks and other financial institutions non-current	13.8	13.7
Borrowings from banks and other financial institutions current	2.2	1.7
Trade payables	13.9	30.6

INCOME STATEMENT (in millions of euro)	**01/01 - 06/30/2021**	**01/01 - 06/30/2020**
Revenues from sales and services	8.9	3.3
Other income	3.9	2.9
Raw materials and consumables used (net of change in inventories)	(0.1)	(2.3)
Other costs	(57.3)	(33.5)
Financial income	1.9	0.8
Financial expenses	(0.2)	(0.3)
Net income/ (loss) from equity investments	1.0	(3.9)

STATEMENT OF CASH FLOWS (in millions of euro)	**01/01 - 06/30/2021**	**01/01 - 06/30/2020**
Change in Trade receivables	(8.6)	(3.5)
Change in Trade payables	(15.5)	(17.3)
Change in Other receivables	1.6	(3.5)
Change in Financial receivables from associates and joint ventures	(0.6)	(12.3)
Repayment of principal and payment of interest for lease liabilities	1.0	(0.4)

Transactions – Statement of Financial Position

The item **other non-current receivables** refers to a loan granted by Pirelli Tyre S.p.A. to the Indonesian joint venture PT Evoluzione Tyres.

The item **trade receivables** includes, among others, receivables for services rendered to the Chinese JV Jining Shenzhou Tyre Co. for euro 15.3 million.

The item **other current receivables** mainly refers to:

- receivables for advances for the supply of motorcycle products, of Pirelli Tyre S.p.A. to PT Evoluzione Tyres for euro 1.3 million;
- receivables for the sale of materials and moulds to the Joint Stock Company "Kirov Tyre Plant" for euro 3.9 million;
- receivables for the recovery of costs of Pirelli Tyre S.p.A. from PT Evoluzione Tyres and Jining Shenzhou Tyre Co. for euro 1.2 million and euro 0.5 million respectively;
- a loan granted by Pirelli Tyre Co. to Jining Shenzhou Tyre Co. for euro 93 million.

The item **borrowings from banks and other financial institutions non-current** refers to payables for the rental of machinery to Industriekraftwerk Breuberg GmbH and Jining Shenzhou Tyre Co.

The item **borrowings from banks and other financial institutions current** refers to the short-term portion of payables for the rental of machinery described above.

The item **trade payables** mainly refers to payables for the purchase of energy from Industriekraftwerk Breuberg GmbH and trade payables to Jining Shenzhou Tyre Co.

Transactions – Income statement

The item **revenues from sales and services** mainly refers to sales of materials and services to Jining Shenzhou Tyre Co. for euro 8.7 million.

The item **other costs** mainly refers to costs for the purchase of products from PT Evoluzione Tyres and from Jining Shenzhou Tyre Co for euro 18.8 million and euro 29.9 million respectively, costs for the purchase of energy and the rental of machinery from Industriekraftwerk Breuberg GmbH for euro 7.8 million.

The item **financial income** refers to interest on the loans disbursed to the two joint ventures.

The item **financial expenses** refers to interest related to the rental of machinery.

TRANSACTIONS WITH OTHER RELATED PARTIES

The transactions detailed below mainly refer to business relations with Aeolus Tyre Co. Ltd. and to transactions with the Prometeon Group, both of which are subject to the control of the direct parent company or indirect parent companies of Pirelli & C. S.p.A.
In addition, the fees paid to Directors and Key Managers are included.

STATEMENT OF FINANCIAL POSITION (in millions of euro)	**06/30/2021**	**12/31/2020**
Trade receivables	3.7	5.9
Other current receivables	16.3	9.0
Borrowings from banks and other financial institutions non-current	0.7	1.0
Other non-current payables	0.2	0.2
Provisions for liabilities and charges non-current	9.1	5.9
Provisions for employee benefit obligations non-current	4.2	2.4
Borrowings from banks and other financial institutions current	0.6	0.5
Trade payables	68.5	104.0
Other current payables	9.0	6.7
Provisions for employee benefit obligations current	-	3.0

INCOME STATEMENT (in millions of euro)	**01/01 - 06/30/2021**	**01/01 - 06/30/2020**
Revenues from sales and services	1.3	-
Other income	21.8	26.8
Raw materials and consumables used (net of change in inventories)	(1.1)	(0.7)
Personnel expenses	(15.1)	(6.1)
Other costs	(78.8)	(64.8)
Financial income	-	0.1
Financial expenses	(0.1)	(0.2)

STATEMENT OF CASH FLOWS (in millions of euro)	**01/01 - 06/30/2021**	**01/01 - 06/30/2020**
Change in Trade receivables	2.4	(0.4)
Change in Trade payables	(34.9)	(73.5)
Change in Other receivables	(6.9)	(9.9)
Change in Other payables	0.8	0.4
Uses of Provisions for employee benefit obligations	(3.0)	(2.3)
Repayment of principal and payment of interest for lease liabilities	0.3	(0.8)

Transactions – Statement of Financial Position

The item **trade receivables** refers to receivables from companies of the Prometeon Group.

The item **other current receivables** mainly refers to receivables from companies of the Prometeon Group for euro 11.3 million and from Aeolus Tyre Co. Ltd. for euro 4.9 million.

The item **borrowings from banks and other financial institutions non-current** refers to the payable for the rental of machinery of the company Pirelli Otomobil Lastikleri A.S. towards

Prometeon Turkey Endüstriyel ve Ticari Lastikler A.S. for euro 0.5 million and Pirelli Pneus Ltda towards TP Industrial de Pneus Brasil Ltda for euro 0.2 million.

The item **borrowings from banks and other financial institutions current** refers to the short-term portions of the above payables.

The item **trade payables** refers almost exclusively to payables to Prometeon Group companies for euro 65.2 million.

The item **other current payables** mainly refers to other current payables to Prometeon Group companies for euro 7.5 million.

Transactions – Income statement

The item **other income** includes royalties paid to Aeolus Tyre Co. Ltd, against the license contract stipulated in 2016 and regarding the remodelling of some terms in February 2019, for euro 3.5 million. The item also includes income from companies of the Prometeon Group mainly related to:

- royalties recorded in respect the license contract for the use of the Pirelli trademark for euro 7 million;
- sale of raw materials, finished and semi-finished products for a total of euro 1.4 million;
- the Long Term Service Agreement for euro 2.4 million, of which euro 1.5 million to Pirelli Sistemi Informativi S.r.l. and euro 0.2 million to Pirelli Pneus Ltda;
- logistic services for a total of euro 0.4 million provided by the Spanish company Pirelli Neumaticos S.A.I.C.;
- license for know-how charged by Pirelli Tyre S.p.A. for euro 5 million.

The item **raw materials and consumables used** mainly refers to costs to companies of the Prometeon Group for the direct purchase of materials/consumables/compounds.

The item **other costs** includes contributions to the Hangar Bicocca Foundation and the Pirelli Foundation for euro 0.4 million and costs to companies of the Prometeon Group mainly for:

- purchase of truck products for a total of euro 42.8 million, of which euro 35.5 million made by the Brazilian company Comercial e Importadora de Pneus Ltda for the Brazilian commercial network, euro 4.5 million made by the Russian company Limited Liability Company Pirelli Tyre Russia and euro 2.2 million made by the German company Driver Reifen und KFZ-Technik GmbH;
- purchase of Car/Motorcycle and semi-finished products for a total amount of euro 18 million, of which euro 17 million carried out by the Turkish company Pirelli Otomobil Lastikleri A.S. in

respect of the Off-Take contract, and euro 1 million on the part of Pirelli Pneus Ltda for the purchase of inner tubes for tyres;

- costs for euro 2 million incurred by Pirelli Pneus Ltda for services for the transformation of raw materials as a result of activities pertinent to the toll manufacturing contract.

The item **financial expenses** refers to the interest related to the rental of machinery between the Turkish and Brazilian companies with the Prometeon Group.

BENEFITS FOR KEY MANAGERS OF THE COMPANY

Statement of Financial Position and Income Statement transactions regarding Directors and Key Managers can be summarised as follows:

- the Statement of Financial Position items **provisions for liabilities and charges** and **non-current provisions for employee benefit obligations** include long-term benefits respectively for euro 9 million (euro 5.9 million at December 31, 2020) and euro 4.2 million (euro 2.4 million at December 31, 2020), relative to the monetary three-year 2020-2022 and 2021 - 2023 Long Term Incentive Plans, as well as end-of-term indemnity;
- the Income Statement items **personnel expenses** and **other costs** include the remuneration for the year respectively equal to euro 15 million (euro 6.1 million in the first half of 2020) and euro 9.1 million (euro 3 million in the first half of 2020). It should be noted that the amounts mentioned include euro 1.5 million relative to employees leaving indemnities (TFR) and end-of-term indemnity (euro 0.4 million in the first half of 2020), as well as short-term benefits for euro 12.2 million (euro 4.2 million in the first half of 2020).

41. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE HALF-YEAR

There were no significant events subsequent to the end of the half-year.

42. ADDITIONAL INFORMATION

Research and Development expenses

Research and development expenses for first half-year of 2021 amounted to euro 117.2 million and accounted for 4.6% of sales (euro 95.0 million in first half-year of 2020 and accounted for 5.2% of sales).

Unusual and/or exceptional transactions

Pursuant to CONSOB Notice no. 6064293 of July 28, 2006, it is hereby specified that during the course of the first half of 2021, that no exceptional and/or unusual transactions as defined in the aforementioned Notice were carried out by the Company.

Exchange rates

The main exchange rates used for consolidation were as follows:

(local currency vs euro)	**Period-end exchanges rates**		**Change in %**	**Average exchange rates 1HY**		**Change in %**
	06/30/2021	**12/31/2020**		**2021**	**2020**	
Swedish Krona	**10.1249**	10.0375	0.87%	**10.1281**	10.6588	(4.98%)
Australian Dollar	**1.5853**	1.5896	(0.27%)	**1.5627**	1.6775	(6.85%)
Canadian Dollar	**1.4722**	1.5633	(5.83%)	**1.5030**	1.5033	(0.02%)
Singaporean Dollar	**1.5976**	1.6218	(1.49%)	**1.6059**	1.5411	4.21%
U.S. Dollar	**1.1884**	1.2271	(3.15%)	**1.2054**	1.1021	9.37%
Taiwan Dollar	**33.1267**	34.4742	(3.91%)	**33.7897**	33.0786	2.15%
Swiss Franc	**1.0980**	1.0802	1.65%	**1.0946**	1.0642	2.85%
Egyptian Pound	**18.7126**	19.3879	(3.48%)	**18.9867**	17.5188	8.38%
Turkish Lira (new)	**10.3645**	9.0079	15.06%	**9.4735**	7.1219	33.02%
New Romanian Leu	**4.9267**	4.8694	1.18%	**4.9007**	4.8164	1.75%
Argentinian Peso	**113.7537**	103.2605	10.16%	**113.7537**	78.9011	44.17%
Mexican Peso	**23.5335**	24.4791	(3.86%)	**24.3167**	23.8427	1.99%
South African Rand	**17.0114**	18.0219	(5.61%)	**17.5244**	18.3112	(4.30%)
Brazilian Real	**5.9276**	6.3779	(7.06%)	**6.4908**	5.4211	19.73%
Chinese Yuan	**7.6772**	8.0067	(4.12%)	**7.8008**	7.7495	0.66%
Russian Ruble	**86.2026**	90.6824	(4.94%)	**89.4998**	76.4314	17.10%
British Pound	**0.8581**	0.8990	(4.56%)	**0.8680**	0.8746	(0.75%)
Japanese Yen	**131.4300**	126.4900	3.91%	**129.8681**	119.2668	8.89%

NET FINANCIAL POSITION

(alternative performance indicator not envisaged by the accounting standards)

(in thousands of euro)	Note	06/30/2021	of which related parties (note 40)	12/31/2020	of which related parties (note 40)
Current borrowings from banks and other financial institutions	**21**	1,384,872	*2,751*	883,567	*5,926*
Current derivative financial instruments (liabilities)	**25**	82,160		53,926	
Non-current borrowings from banks and other financial institutions	**21**	3,565,360	*14,536*	4,970,986	*14,693*
Non-current derivative financial instruments (liabilities)	**25**	5,075		87,601	
Total gross debt		**5,037,467**		**5,996,080**	
Cash and cash equivalents	**17**	(785,015)		(2,275,476)	
Other financial assets at fair value through Income Statement	**16**	(47,979)		(58,944)	
Current financial receivables and other assets**	**13**	(97,468)	*(92,966)*	(102,574)	*(88,769)*
Current derivative financial instruments non in hedge accounting (assets)	**25**	(27,829)		(34,766)	
Net financial debt *		**4,079,176**		**3,524,320**	
Non-current financial receivables and other assets**	**13**	(260,500)	*(6,011)*	(265,945)	*(5,826)*
Total net financial (liquidity) / debt position		**3,818,676**		**3,258,375**	

* 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 05, 2021.

** The item "financial receivables and other assets" is reported net of the relative provisions for impairment which amounted to euro 9,015 thousand at June 30, 2021 (euro 8,505 thousand at December 31, 2020).

SCOPE OF CONSOLIDATION

Companies consolidated line-by-line

Company	Business	Headquarter	Currency	Share Capital	% holding	Held by
Europe						
Austria						
Pirelli GmbH	Tyre	Wien	Euro	726,728	100.00%	Pirelli Tyre (Suisse) SA
Belgium						
Pirelli Tyres Belux S.A.	Tyre	Brussels	Euro	700,000	99.996%	Pirelli Tyre (Suisse) SA
					0.004%	Pneus Pirelli S.A.S.
France						
Pneus Pirelli S.A.S.	Tyre	Villepinte	Euro	1,515,858	100.00%	Pirelli Tyre S.p.A.
Germany						
Deutsche Pirelli Reifen Holding GmbH	Tyre	Breuberg / Odenwald	Euro	7,694,943	100.00%	Pirelli Tyre S.p.A.
Driver Handelssysteme GmbH	Tyre	Breuberg / Odenwald	Euro	26,000	100.00%	Deutsche Pirelli Reifen Holding GmbH
Pirelli Deutschland GmbH	Tyre	Breuberg / Odenwald	Euro	23,959,100	100.00%	Deutsche Pirelli Reifen Holding GmbH
Pirelli Personal Service GmbH	Tyre	Breuberg / Odenwald	Euro	25,000	100.00%	Deutsche Pirelli Reifen Holding GmbH
PK Grundstuecksverwaltungs GmbH	Tyre	Hoechst / Odenwald	Euro	26,000	100.00%	Deutsche Pirelli Reifen Holding GmbH
Driver Reifen und KFZ-Technik GmbH (ex Pneumobil Reifen und KFZ-	Tyre	Breuberg / Odenwald	Euro	259,225	100.00%	Deutsche Pirelli Reifen Holding GmbH
Greece						
Elastika Pirelli C.S.A.	Tyre	Elliniko-Argyroupoli	Euro	11,630,000	99.90%	Pirelli Tyre S.p.A.
					0.10%	Pirelli Tyre (Suisse) SA
Pirelli Hellas S.A. (in liquidation)	Tyre	Athens	US $	22,050,000	79.86%	Pirelli Tyre S.p.A.
The Experts in Wheels - Driver Hellas C. S.A.	Tyre	Elliniko-Argyroupoli	Euro	100,000	73.20%	Elastika Pirelli C.S.A.

Company	Business	Headquarter	Currency	Share Capital	% holding	Held by
Italy						
Driver Italia S.p.A.	Tyre	Milan	Euro	350,000	71.21%	Pirelli Tyre S.p.A.
Driver Servizi Retail S.p.A.	Tyre	Milan	Euro	120,000	100.00%	Pirelli Tyre S.p.A.
HB Servizi S.r.l.	Services	Milan	Euro	10,000	100.00%	Pirelli & C. S.p.A.
Maristel s.r.l.	Services	Milan	Euro	50,000	100.00%	Pirelli & C. S.p.A.
Pirelli Industrie Pneumatici S.r.l.	Tyre	Settimo Torinese (To)	Euro	40,000,000	100.00%	Pirelli Tyre S.p.A.
Pirelli International Treasury S.p.A.	Financial	Milan	Euro	125,000,000	70.00%	Pirelli Tyre S.p.A.
					30.00%	Pirelli & C. S.p.A.
Pirelli Servizi Amministrazione e Tesoreria S.p.A.	Services	Milan	Euro	2,047,000	100.00%	Pirelli & C. S.p.A.
Pirelli Sistemi Informativi S.r.l.	Services	Milan	Euro	1,010,000	100.00%	Pirelli & C. S.p.A.
Pirelli Tyre S.p.A.	Tyre	Milan	Euro	558,154,000	100.00%	Pirelli & C. S.p.A.
Poliambulatorio Bicocca S.r.l.	Services	Milan	Euro	10,000	100.00%	Pirelli Tyre S.p.A.
Servizi Aziendali Pirelli S.C.p.A.	Services	Milan	Euro	104,000	90.35%	Pirelli & C. S.p.A.
					2.95%	Pirelli Tyre S.p.A.
					0.95%	Poliambulatorio Bicocca S.r.l.
					0.98%	Pirelli International Treasury S.p.A.
					0.95%	Driver Italia S.p.A.
					0.98%	Pirelli Industrie Pneumatici S.r.l.
					0.95%	Pirelli Servizi Amministrazione e Tesoreria S.p.A.
					0.95%	Pirelli Sistemi Informativi S.r.l.
					0.95%	HB Servizi S.r.l.
The Netherlands						
E-VOLUTION Tyre B.V.	Tyre	Rotterdam	Euro	170,140,000	100.00%	Pirelli Tyre S.p.A.
Pirelli China Tyre N.V.	Tyre	Rotterdam	Euro	38,045,000	100.00%	Pirelli Tyre S.p.A.
Pirelli Tyres Nederland B.V.	Tyre	Rotterdam	Euro	18,152	100.00%	Pirelli Tyre (Suisse) SA
Poland						
Driver Polska Sp. z o.o.	Tyre	Warsaw	Pol. Zloty	100,000	66.00%	Pirelli Polska Sp. z o.o.
Pirelli Polska Sp. z o.o.	Tyre	Warsaw	Pol. Zloty	625,771	100.00%	Pirelli Tyre S.p.A.

Company	Business	Headquarter	Currency	Share Capital	% holding	Held by
United Kingdom						
CTC 2008 Ltd	Tyre	Burton on Trent	British Pound	100,000	100.00%	Pirelli UK Tyres Ltd
Pirelli Cif Trustees Ltd	Financial	Burton on Trent	British Pound	4	25.00%	Pirelli General Executive Pension Trustees LTD
					25.00%	Pirelli General & Overseas Pension Trustees LTD
					25.00%	Pirelli Tyres Executive Pension Trustees LTD
					25.00%	Pirelli Tyres Pension Trustees LTD
Pirelli International Limited (ex Pirelli International plc)	Financial	Burton on Trent	Euro	5,000,000	100.00%	Pirelli Tyre S.p.A.
Pirelli Motorsport Services Ltd	Tyre	Burton on Trent	British Pound	1	100.00%	Pirelli UK Ltd
Pirelli General Executive Pension Trustees Ltd	Financial	Burton on Trent	British Pound	1	100.00%	Pirelli UK Ltd
Pirelli General & Overseas Pension Trustees Ltd	Financial	Burton on Trent	British Pound	1	100.00%	Pirelli UK Ltd
Pirelli Tyres Executive Pension Trustees Ltd	Financial	Burton on Trent	British Pound	1	100.00%	Pirelli Tyres Ltd
Pirelli Tyres Ltd	Tyre	Burton on Trent	British Pound	16,000,000	100.00%	Pirelli UK Tyres Ltd
Pirelli Tyres Pension Trustees Ltd	Financial	Burton on Trent	British Pound	1	100.00%	Pirelli Tyres Ltd
Pirelli UK Ltd	Financial	Burton on Trent	British Pound	163,991,278	100.00%	Pirelli & C. S.p.A.
Pirelli UK Tyres Ltd	Tyre	Burton on Trent	British Pound	85,000,000	100.00%	Pirelli Tyre S.p.A.
Slovakia						
Pirelli Slovakia S.R.O.	Tyre	Bratislava	Euro	6,639	100.00%	Pirelli Tyre S.p.A.
Romania						
Pirelli & C. Eco Technology RO S.r.l.	Sustainable mobility	Slatina	Rom. Leu	20,002,000	99.995%	Pirelli Tyre S.p.A.
					0.005%	Pirelli Tyres Romania S.r.l.
Pirelli Tyres Romania S.r.l.	Tyre	Slatina	Rom. Leu	2,189,797,300	100.00%	Pirelli Tyre S.p.A.
Russia						
Closed Joint Stock Company "Voronezh Tyre Plant"	Tyre	Voronezh	Russian Rouble	1,520,000,000	100.00%	Limited Liability Company Pirelli Tyre Russia
Limited Liability Company Pirelli Tyre Services	Tyre	Moscow	Russian Rouble	54,685,259	95.00%	Pirelli Tyre (Suisse) SA
					5.00%	Pirelli Tyre S.p.A.
Limited Liability Company "Industrial Complex "Kirov Tyre"	Tyre	Kirov	Russian Rouble	348,423,221	100.00%	Limited Liability Company Pirelli Tyre Russia
Limited Liability Company Pirelli Tyre Russia	Tyre	Moscow	Russian Rouble	6,153,846	65.00%	E-VOLUTION Tyre B.V.

Company	Business	Headquarter	Currency	Share Capital	% holding	Held by
Spain						
Euro Driver Car S.L.	Tyre	Valencia	Euro	960,000	58.44%	Pirelli Neumaticos S.A. - Sociedad Unipersonal
Neumaticos Arco Iris, S.A.	Tyre	Valencia	Euro	302,303	66.20%	Pirelli Neumaticos S.A. - Sociedad Unipersonal
Pirelli Neumaticos S.A. - Sociedad Unipersonal	Tyre	Valencia	Euro	25,075,907	100.00%	Pirelli Tyre S.p.A.
Tyre & Fleet S.L. - Sociedad Unipersonal	Tyre	Valencia	Euro	20,000	100.00%	Pirelli Neumaticos S.A. - Sociedad Unipersonal
Sweden						
Dackia Aktiebolag	Tyre	Stockholm	Swed. Krona	31,000,000	100.00%	Pirelli Tyre S.p.A.
Pirelli Tyre Nordic Aktiebolag	Tyre	Stockholm	Swed. Krona	950,000	100.00%	Pirelli Tyre S.p.A.
Switzerland						
Driver (Suisse) SA	Tyre	Bioggio	Swiss Franc	100,000	100.00%	Pirelli Tyre (Suisse) SA
Pirelli Group Reinsurance Company SA	Services	Basel	Swiss Franc	3,000,000	100.00%	Pirelli & C. S.p.A.
Pirelli Tyre (Suisse) SA	Tyre	Basel	Swiss Franc	1,000,000	100.00%	Pirelli Tyre S.p.A.
Turkey						
Pirelli Lastikleri Dis Ticaret A.S.	Tyre	Istanbul	Turkish Lira	50,000	100.00%	Pirelli Otomobil Lastikleri A.S.
Pirelli Otomobil Lastikleri A.S.	Tyre	Istanbul	Turkish Lira	190,000,000	100.00%	Pirelli Tyre S.p.A.
Hungary						
Pirelli Hungary Tyre Trading and Services Ltd	Tyre	Budapest	Hun. Forint	3,000,000	100.00%	Pirelli Tyre S.p.A.
North America						
Canada						
Pirelli Tire Inc.	Tyre	St-Laurent (Quebec)	Can. $	6,000,000	100.00%	Pirelli Tyre (Suisse) SA
U.S.A.						
Pirelli North America Inc.	Tyre	New York (New York)	US $	10	100.00%	Pirelli Tyre S.p.A.
Pirelli Tire LLC	Tyre	Rome (Georgia)	US $	1	100.00%	Pirelli North America Inc.
Prestige Stores LLC	Tyre	Los Angeles	US $	10	100.00%	Pirelli Tire LLC

Company	Business	Headquarter	Currency	Share Capital	% holding	Held by
Central/South America						
Argentina						
Pirelli Neumaticos S.A.I.C.	Tyre	Buenos Aires	Arg. Peso	2,948,055,176	99.83%	Pirelli Tyre S.p.A.
					0.17%	Pirelli Pneus Ltda
Brazil						
Comercial e Importadora de Pneus Ltda.	Tyre	Sao Paulo	Bra. Real	381,473,982	100.00%	Pirelli Comercial de Pneus Brasil Ltda
Pirelli Comercial de Pneus Brasil Ltda.	Tyre	Sao Paulo	Bra. Real	1,149,296,303	85.00%	Pirelli Tyre S.p.A.
					15.00%	Pirelli Latam Participaçoes Ltda
Pirelli Latam Participaçoes Ltda.	Tyre	Sao Paulo	Bra. Real	343,514,252	100.00%	Pirelli Tyre S.p.A.
Pirelli Ltda.	Financial	Santo Andrè	Bra. Real	14,000,000	100.00%	Pirelli & C. S.p.A.
Pirelli Pneus Ltda.	Tyre	Campinas (Sao Paulo)	Bra. Real	1,132,178,494	85.00%	Pirelli Tyre S.p.A.
					15.00%	Pirelli Latam Participaçoes Ltda
Comércio e Importação Multimarcas de Pneus Ltda.	Tyre	Sao Paulo	Bra. Real	3,691,500	85.00%	Pirelli Tyre S.p.A.
					15.00%	Pirelli Latam Participaçoes Ltda
C.P.Complexo Automotivo de Testes, Eventos e Entretenimento Ltda.	Tyre	Elias Fausto (Sao Paulo)	Bra. Real	89,812,000	60.00%	Pirelli Pneus Ltda
					40.00%	Pirelli Comercial de Pneus Brasil Ltda.
TLM - Total Logistic Management Serviços de Logistica Ltda.	Tyre	Santo Andrè	Bra. Real	3,074,417	99.99%	Pirelli Pneus Ltda
					0.01%	Pirelli Ltda
Chile						
Pirelli Neumaticos Chile Ltda	Tyre	Santiago	US $	3,520,000	85.25%	Pirelli Comercial de Pneus Brasil Ltda
					14.73%	Pirelli Latam Participaçoes Ltda
					0.02%	Pirelli Ltda
Colombia						
Pirelli Tyre Colombia S.A.S.	Tyre	Santa Fe De Bogota	Col. Peso/000	1,863,222,000	85.00%	Pirelli Comercial de Pneus Brasil Ltda
					15.00%	Pirelli Latam Participaçoes Ltda
Mexico						
Pirelli Neumaticos de Mexico S.A. de C.V.	Tyre	Silao	Mex. Peso	335,691,500	99.997%	Pirelli Tyre S.p.A.
					0.003%	Pirelli Ltda.
Pirelli Neumaticos S.A. de C.V.	Tyre	Silao	Mex. Peso	11,260,032,348	99.83%	Pirelli Tyre S.p.A.
					0.17%	Pirelli Latam Participaçoes Ltda
Pirelli Servicios S.A. de C.V.	Tyre	Silao	Mex. Peso	50,000	99.00%	Pirelli Tyre S.p.A.
					1.00%	Pirelli North America Inc.

Africa						
Egypt						
Pirelli Egypt Tyre Trading S.A.E.	Tyre	Giza	Egy. Pound	84,250,000	100.00%	Pirelli Tyre S.p.A.
Pirelli Egypt Consumer Tyre Distribution S.A.E.	Tyre	Giza	Egy. Pound	89,000,000	99.89%	Pirelli Egypt Tyre Trading S.A.E.
					0.06%	Pirelli Tyre S.p.A.
					0.06%	Pirelli Tyre (Suisse) SA
South Africa						
Pirelli Tyre (Pty) Ltd	Tyre	Gauteng 2090	S.A. Rand	1	100.00%	Pirelli Tyre (Suisse) SA
Oceania						
Australia						
Pirelli Tyres Australia Pty Ltd	Tyre	Pyrmont	Aus. $	150,000	100.00%	Pirelli Tyre (Suisse) SA
Asia						
China						
Pirelli Logistics (Yanzhou) Co., Ltd	Tyre	Jining	Chinese Yuan	5,000,000	100.00%	Pirelli Tyre Co., Ltd
Pirelli Taiwan Co. Ltd	Tyre	New Taipei City	N.T. $	10,000,000	100.00%	Pirelli Tyre (Suisse) SA
Pirelli Trading (Beijing) Co., Ltd.	Tyre	Beijing	Chinese Yuan	4,200,000	100.00%	Pirelli Tyre S.p.A.
Pirelli Tyre (Jiaozuo) Co., Ltd.	Tyre	Jiaozuo	Chinese Yuan	350,000,000	80.00%	Pirelli Tyre S.p.A.
Pirelli Tyre Co., Ltd	Tyre	Yanzhou	Chinese Yuan	2,071,150,000	90.00%	Pirelli China Tyre N.V.
Pirelli Tyre Trading (Shanghai) Co., Ltd	Tyre	Shanghai	US $	700,000	100.00%	Pirelli China Tyre N.V.
Korea						
Pirelli Korea Ltd	Tyre	Seoul	Korean Won	100,000,000	100.00%	Pirelli Asia Pte Ltd
Japan						
Pirelli Japan Kabushiki Kaisha	Tyre	Tokyo	Jap. Yen	2,200,000,000	100.00%	Pirelli Tyre S.p.A.
Singapore						
Pirelli Asia Pte Ltd	Tyre	Singapore	Sing. $	2	100.00%	Pirelli Tyre (Suisse) SA

Investments accounted for by the equity method

Company	Business	Headquarter	Currency	Share Capital	% holding	Held by
Europe						
Germany						
Industriekraftwerk Breuberg GmbH	Electricity generation	Hoechst / Odenwald	Euro	1,533,876	26.00%	Pirelli Deutschland GmbH
Greece						
Eco Elastika S.A.	Tyre	Athens	Euro	60,000	20.00%	Elastika Pirelli C.S.A.
Italy						
Consorzio per la Ricerca di Materiali Avanzati (CORIMAV)	Financial	Milan	Euro	103,500	100.00%	Pirelli & C. S.p.A.
Eurostazioni S.p.A.	Financial	Rome	Euro	160,000,000	32.71%	Pirelli & C. S.p.A.
Focus Investments S.p.A.	Financial	Milan	Euro	183,333	8.33%	Pirelli & C. S.p.A. (25% of the voting share capital)
Poland						
Centrum Utylizacji Opon Organizacja Odzysku S.A.	Tyre	Warsaw	Pln	1,008,000	20.00%	Pirelli Polska Sp. z o.o.
Slovakia						
ELT Management Company Slovakia S.R.O.	Tyre	Bratislava	Euro	132,000	20.00%	Pirelli Slovakia S.R.O.
Romania						
S.C. Eco Anvelope S.A.	Tyre	Bucarest	Romanian Leu	160,000	20.00%	S.C. Pirelli Tyres Romania S.r.l.
Russia						
Joint Stock Company "Kirov Tyre Plant"	Tyre	Kirov	Russian Rouble	5,665,418	20.00%	Limited Liability Company Pirelli Tyre Russia
Spain						
Signus Ecovalor S.L.	Tyre	Madrid	Euro	200,000	20.00%	Pirelli Neumaticos S.A. - Sociedad Unipersonal
Asia						
China						
Xushen Tyre (Shanghai) Co, Ltd	Tyre	Shanghai	Chinese Yuan	1,050,000,000	49.00%	Pirelli Tyre S.p.A.
Jining Shenzhou Tyre Co, Ltd	Tyre	Jining City	Chinese Yuan	1,050,000,000	100.00%	Xushen Tyre (Shanghai) Co, Ltd
Indonesia						
PT Evoluzione Tyres	Tyre	Subang	Rupees	1,313,238,780,000	63.04%	Pirelli Tyre S.p.A.

CERTIFICATION OF THE CONDENSED INTERIM FINANCIAL STATEMENTS PURSUANT TO ARTICLE 154-*BIS* OF LEGISLATIVE DECREE 58 OF FEBRUARY 24, 1998, AND PURSUANT TO ARTICLE 81-*TER* OF CONSOB REGULATION NO. 11971 OF MAY 14, 1999, AS AMENDED

1. The undersigned Marco Tronchetti Provera, in his capacity as Executive Vice Chairman and Chief Executive Officer, and Francesco Tanzi, in his capacity as Corporate Financial Reporting Manager of Pirelli & C. S.p.A. hereby certify pursuant to, inter alia, Article 154-*bis*, clauses 3 and 4, of Legislative Decree 58 of February 24, 1998:

   - the adequacy in relation to the characteristics of the company and
   - the effective application

   of the administrative and accounting procedures for preparation of the condensed interim financial statements, during the period January 1, 2021 – June 30, 2021.

2. In this regard it should be noted that the adequacy of the administrative and accounting procedures for preparation of the condensed interim financial statements referred to the period January 1, 2021 – June 30, 2021, was determined on the basis of an assessment of the internal control system. This assessment was based on a specific process defined in accordance with the criteria laid down in the "Internal Control – Integrated Framework" guidelines issued by the "Committee of Sponsoring Organizations of the Treadway Commission" (COSO), which is a reference framework generally accepted at the international level.

3. We also certify that:

3.1 the condensed interim financial statements:

   a. were prepared in accordance with the applicable international accounting standards recognized in the European Union under the terms of Regulation (EC) 1606/2002 of the European Parliament and Council, of July 19, 2002;

   b. correspond to the information in the account ledgers and books;

   c. give a true and fair view of the assets, liabilities, income, expenses and financial position of the reporting entity and of the Group of companies included in the scope of consolidation.

3.2 The interim report on operations includes a reliable analysis of the significant events mentioned in the report that occurred during the first six months of the year and their impact on the condensed interim financial statements, together with a description of the principal risks and uncertainties faced in the remaining six months of the year.

The interim report on operations also contains a reliable analysis of the information provided on material transactions with related parties.

August 5, 2021

The Executive Vice Chairman and Chief Executive Officer

(Marco Tronchetti Provera)

The Corporate Financial Reporting Manager

(Francesco Tanzi)

PIRELLI & C. SPA

REVIEW REPORT ON CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021

REVIEW REPORT ON CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

To the shareholders of
Pirelli & C. SpA

Foreword

We have reviewed the accompanying condensed consolidated interim financial statements of Pirelli & C. SpA and its subsidiaries (Pirelli & C. group) as of and for the six-month period ended 30 June 2021 comprising the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity, the statement of cash flows and related notes. Pirelli & C. SpA directors are responsible for the preparation of the condensed consolidated interim financial statements in accordance with international accounting standard applicable to interim financial reporting (IAS34) as adopted by the European Union. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of review

We conducted our work in accordance with the criteria for a review recommended by Consob in Resolution 10867 of 31 July 1997. A review of condensed consolidated interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than a full-scope audit conducted in accordance with International Standards on Auditing (ISA Italia) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the condensed consolidated interim financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements of Pirelli & C. group as of and for the six-month period ended 30 June 2021 have not been prepared, in all material respects, in accordance with the international accounting standard applicable to interim financial reporting (IAS34), as adopted by the European Union.

Milan, 5 August 2021

PricewaterhouseCoopers SpA

Signed by

Paolo Caccini
(Partner)

This report is an English translation of the original report, which was issued in Italian. This report has been prepared solely for the convenience of international readers.