



PRESS RELEASE

PIRELLI & C. SPA BOARD REVIEWS PRELIMINARY RESULTS TO 31 DECEMBER 2022

2022 RESULTS ABOVE TARGETS: REVENUES 6.6 BILLION EURO,
ADJUSTED EBIT 978 MILLION, CASH FLOW BEFORE DIVIDENDS POSITIVE 515.5 MILLION

PRICE/MIX AT 19.7% THANKS TO PRICE INCREASES AND MIX IMPROVEMENT

NET PROFIT +35.5% TO 435.9 MILLION EURO

FURTHER IMPROVEMENT IN SUSTAINABILITY PERFORMANCE, STRONG PUSH TO
DECARBONIZATION

Full Year 2022

- Revenues: +24.1% to 6,615.7 million euro compared with 2021 (organic variation +18.7% excluding exchange rate effect of +5.4%), above target of ~6.5 billion euro
- Price/Mix: +19.7% thanks to price increases and mix improvement (target $\geq +17\%$)
- Ebit adjusted: +19.9% at 977.8 million euro compared to 2021 (implicit profitability target -960 million euro). Improvement of price/mix and efficiencies more than offset impact of raw materials and inflation
- Adjusted Ebit margin at 14.8% (target ~15%)
- Net profit: +35.5% at 435.9 million euro (321.6 million euro in 2021)
- Net cash flow before dividends: +515.5 million euro (+431.2 million in 2021) above the target of ~480 million euro
- Net Financial Position: -2,552.6 million euro (-3,390.5 million euro on 30 September 2022 and -2,907.1 million euro at end 2021), target ~-2.6 billion euro. Ratio Nfp/adjusted Ebitda at ~1.8x (target ~1.9x)
- Research & Development Expenses: 263.9 million euro in 2022 (4% of total revenues), of which 247.1 million euro earmarked for High *Value* (5.3% of High Value revenues)
- In 2022 leadership confirmed in main sustainability indices

WANG FENG COOPTED ONTO BOARD OF DIRECTORS TO REPLACE BAI XINPING

2023 OUTLOOK AND TARGETS

- Revenues estimated between ~6.6 and ~6.8 billion euro, with volumes expected between stable and ~+1%
- Price/mix improving to between ~+4.5% e ~+5.5%

- Adjusted Ebit Margin expected between >14% and ~14.5%
- Net cash generation before dividends seen between ~440 and ~470 million euro
- Investments at ~400 million euro (~6% of revenues)
- Net financial position seen at ~-2.35 billion euro, with Nfp/Adjusted Ebitda ratio of around 1.65x/1.7x

Milan, 22 February 2023 – The Board of Directors of Pirelli & C. Spa met today and approved preliminary and unaudited results to 31 December 2022, which grew above the targets indicated in November 2022, already revised upwards during the year. These results confirm the resilience of the business model and reflect the implementation of the key programs of the Industrial Plan 2021-2022|2025.

In particular:

- **Commercial Program**
In 2022 there was a strengthening of **High Value**.
Over the period, regardless of the price increases, Pirelli further strengthened its positioning in the **Car ≥18" replacement channel** where volumes grew by +6.8% (market +3.1%) thanks to the renewal of the product portfolio. The performance in **Original Equipment Car ≥18"** was also positive (Pirelli volumes +8.5%, substantially in line with the market's +8.9%), with a growing **focus on higher rim sizes** (the weight of ≥19" volumes grew by around 6 basis points representing almost 78% of those of Original Equipment ≥18") and in **electric** (17% weight of Original Equipment ≥18" volumes, growing 2.7 times compared with 2021). On the other hand, there was a further reduction of the **exposure to Standard** (volumes of Pirelli Car ≤17" -9.2% compared with market's -3.4%), with a mix always more oriented to the Replacement channel and products with higher rim sizes.
- **Innovation Program**
In 2022, the Company obtained around 300 new technical homologations with the main makers of Prestige and Premium cars, principally concentrated in **rim sizes ≥19"** and **Specialties**. The renewal of the product range continued with the introduction of 9 new Car lines, of which 4 dedicated to SUVs, with a particular focus on electric cars and hybrid plug-ins. The Winter offering was also broadened with the introduction of a line dedicated to colder temperatures (Ice Zero Asimmetrico) and other lines of a regional nature. In Moto, 3 new ultra-performance road and off-road products, while the Cycling range was completed thanks to 10 new products for Racing, Sport, Urban and Travel.
- **Competitiveness Program**
In 2022, the Company achieved gross benefits of 136.0 million euro which regarded product cost (modularity and *design-to-cost*), manufacturing (completion of optimization of the industrial footprint and efficiency actions), SG&A costs (optimization of the warehouse logistics network and negotiation actions in purchasing) and organizational costs.
- **Operations Program**
In 2022, Car production capacity rose to 74 million pieces (+1 million compared with 2021), of which 54 million are High Value (+3 million compared with 2021). Plant saturation stood at around 90% (>90% in High Value). At the Bollate plant, the Company launched cycling production, meanwhile in Mexico and Romania work began on the enlargement of High Value production capacity. In the second half, given the sharp rise in energy costs in Europe, an action plan was implemented aimed at ensuring the continuity of production activities and business.

- **Digitalization Program**

In 2022, the Company inaugurated its Digital Solutions Center at Bari, a centre for the development of software and Machine Learning algorithms and Artificial Intelligence in support of company structures and for the realization of new digital products and services for the entire Tyre world. In addition, the new CRM was adopted and permits the integral management of clients and the company launched coverage of the main factories with Industrial Internet of Things technologies to further improve the efficiency of production processes. In conclusion, the Company completed its Cloud Strategy to guarantee the continuity of the business, reduction of cyber security risks, lower management costs and reduce CO2 emissions (-40% compared with previous infrastructure).

In 2022, Pirelli saw growth in the key economic indicators.

In 2022, **revenues** amounted to 6,615.7 million euro (**target ~6.5 billion euro**), with growth of +24.1% compared with 2021 thanks to great improvement in the price/mix. Organic revenue growth was +18.7% (impact of forex and hyper-inflation in Argentina and Turkey +5.4%). High Value accounted for 71% of total sales, in line with 2021.

In the **fourth quarter of 2022** revenues were 1,582.4 million euro, growing by 17.0% compared with the fourth quarter of 2021 thanks to the positive performance of price/mix. Organic revenue growth in the quarter was +14.8% (effect of forex and hyper-inflation in Argentina and Turkey was 2.2%).

(euro millions)	Revenue performance by quarter									
	1 QTR 2022	1 QTRM 2021	2 QTR 2022	2 QTR 2021	3 QTR 2022	3 QTR 2021	4 QTR 2022	4 QTR 2021	YEAR 2022	YEAR 2021
Revenues	1,521.1	1,244.7	1,675.9	1,320.1	1,836.3	1,414.5	1,582.4	1,352.2	6,615.7	5,331.5
Variation y/y	+22.2%		+26.9%		+29.8%		+17.0%		+24.1%	
Variation y/y organic	+19.0%		+19.8%		+21.2%		+14.8%		+18.7%	

Revenue variants	1 QTR 2022	2 QTR 2022	3 QTR 2022	4 QTR 2022	YEAR 2022
Volumes	-1.4%	-0.6%	+1.8%	-3.8%	-1.0%
- High Value	+5.8%	+5.7%	+8.2%	+1.6%	+4.7%
- Standard	-9.7%	-7.9%	-5.7%	-8.8%	-6.3%
Price/Mix	+20.4%	+20.4%	+19.4%	+18.6%	+19.7%
Variation on like-for-like basis	+19.0%	+19.8%	+21.2%	+14.8%	+18.7%
Forex/Hyperinflation in Argentine and Turkey	+3.2%	+7.1%	+8.6%	+2.2%	+5.4%
Total variation y/y	+22.2%	+26.9%	+29.8%	+17.0%	+24.1%

In 2022 the performance of **volumes** was -1.0% (compared with a target of unchanged volumes) which reflects weakness of demand in the last quarter of the year. In contrast, the trend in High Value (car and moto) saw volumes' growth of +4.7%, while in Standard Pirelli saw a decline of 6.3%.

Specifically in Car, Pirelli volumes were stable compared with 2021 compared with the market which fell 1.7%. In detail:

- in **Car ≥18"**, volume growth was 7.6% (market +5.4%), with a strengthening in the **Replacement channel** (Pirelli volumes +6.8%, market +3.1%), particularly in North America and Apac. Volumes in **Original Equipment** grew 8.5% (market +8.9%) because of greater selectivity in favour of **Car ≥19"** and electric.
- In **Car ≤17"** the reduction of the exposure to Standard continued (Pirelli volumes -9.2% compared with market's -3.4%), with volumes in the **Replacement channel** falling -4.7% (market -5.0%) because of greater focus on the product mix in favour of bigger rim sizes in the segment. In **Original Equipment** volumes declined by -22.6% (market +2.2%) because of greater selectivity in this channel and also because of the impact of Russia crisis following the halting of car production by the major manufacturers.

In the fourth quarter of 2022, **Pirelli registered a fall in total volumes (car and moto) of -3.8% which reflects the aforementioned slowdown in market demand.** In particular, Car volumes declined -7.1% (in

line with the market) principally because of the slowdown in car production, the lockdown in China and the delay in the launch of the Winter campaigns in Europe because of the mild weather. In detail:

- In **Car ≥18"** Pirelli in the fourth quarter posted a positive performance compared with the market (+1.9% compared with the market's +0.7%), in particular in the **Original equipment** channel (Pirelli volumes +8.5%, market +6.7%), while in the Replacement channel the performance (-3.5%) was in line with the market, while market share was gained in ≥19".
- In **Car ≤17"** in the fourth quarter of 2022 the decline in Pirelli volumes was -18.5% (market -9.1%), with a fall of -17.8% in the Replacement channel (market -2.0%) and of -18.7% in Original Equipment (market -11.2%) because of reduced exposure to this channel.

There was a negative trend in **Moto volumes** (volumes -6.8% in 2022 compared with 2021, fourth quarter of 2022 was -4% compared with the same period in 2021) because of a decline in Standard sales.

The **price/mix** registered a significant increase of +19.7% in 2022 (compared with a **target of ≥+17%**) and +18.6% in the fourth quarter underpinned by:

- Price increases in all regions to offset the growing inflation of production factors;
- Improvement of the product mix, linked to the progressive migration from Standard to High Value and the improvement of the micro-mix in both segments.

The impact of forex was positive at +5.4% in 2022 because of the appreciation of the major currencies against the euro (in 2022 US Dollar +12%, Renminbi +7%, Brazilian Real +17% and Ruble +22%). The forex effect was positive in the fourth quarter of 2022 (+2.2%).

Profitability

Profitability (euro millions)	2022					2021
	1 QTR	2 QTR	3 QTR	4 QTR	TOTAL YEAR	TOTAL YEAR
Adjusted Ebitda <i>% of sales</i>	333.1 <i>21.9%</i>	362.2 <i>21.6%</i>	383.9 <i>20.9%</i>	329.1 <i>20.8%</i>	1,408.3 <i>21.3%</i>	1,210.7 <i>22.7%</i>
Ebitda <i>% of sales</i>	325.6 <i>21.4%</i>	350.2 <i>20.9%</i>	367.4 <i>20.0%</i>	292.5 <i>18.5%</i>	1,335.7 <i>20.2%</i>	1,085.7 <i>20.4%</i>
Adjusted Ebit <i>% of sales</i>	228.5 <i>15.0%</i>	253.1 <i>15.1%</i>	271.9 <i>14.8%</i>	224.3 <i>14.2%</i>	977.8 <i>14.8%</i>	815.8 <i>15.3%</i>
Ebit <i>% of sales</i>	192.6 <i>12.7%</i>	212.6 <i>12.7%</i>	227.0 <i>12.4%</i>	159.3 <i>10.1%</i>	791.5 <i>12.0%</i>	577.1 <i>10.8%</i>

Adjusted Ebitda in 2022 was 1,408.3 million euro, an increase of 16.3% compared with 1,210.7 million euro in 2021.

Adjusted ebit in 2022 was 977.8 million euro (**implicit target in November was ~960 million euro**), an improvement of 162 million euro compared with 815.8 million euro in the same period of 2021, with an adjusted Ebit margin of 14.8% (15.3% in 2021) **in line with the November target of ~15%**. The contribution of internal levers (price/mix and efficiencies) more than offset the negativity of the external context (raw materials and inflation).

In particular, Adjusted Ebit reflects:

- the **positive effect of price/mix** (+890.7 million euro) and **efficiencies** (+136.0 million euro), that more than offset the **decline in volumes** (-21.8 million euro), increase in the **cost of raw materials** (-491.5 million euro) and the negative impact of inflation of **production factors** (-327.4 million euro), increase of **amortizations** (-30.0 million euro) and other **costs** (-24.7 million euro);
- the **positive effect of forex** of 30.7 million euro.

In the **fourth quarter of 2022**, **Adjusted Ebit** was 224.3 million euro (217.0 million in the fourth quarter of 2021), thanks to the contribution of price/mix and efficiencies that more than compensated for the external context. The **Adjusted ebit margin** was 14.2% (16.0% in the fourth quarter of 2021) and reflects

the aforementioned decline in demand and the greater impact of inflation on production factors (mainly energy and transportation costs) compared to previous quarters.

Ebit was 791.5 million euro, an increase of 214.4 million euro compared with 577.1 million euro in 2021 and includes:

- **amortizations of intangible assets** identified in the context of PPA of 113.7 million euro (in line with 2021);
- **one-off, non-recurring and restructuring charges and other** (including write downs of fixed assets) of 72.6 million euro, in marked decline from 125 million euro in 2021 (a figure that reflected the costs relating to the transfer of production Moto in Brazil from the factory in Gravatai to the one in Campinas and costs linked to rationalization plans for the structures).

The **result from equity holdings** was +5.8 million euro (+4.0 million euro in 2021).

Net financial charges in 2022 amounted to 201.7 million euro (144.3 million euro in 2021). The changed market conditions and central bank interventions led to an increase in the **cost of debt** on an annual basis (calculated as the average of the last twelve months) to 4.04% on 31 December 2022 from 2.38% on 31 December 2021. This increase reflects the higher interest rates for risk coverage in Brazil and Russia (net of which the cost of debt would have been 3.49%), partially counter balanced by a reduction of the parent group's financial charges, thanks to an improvement of the economic conditions as contractually foreseen by the reduction of the financial lever.

Pretax profit in 2022 was 595.6 million euro, with a tax rate at 26.8% against **taxation** of 159.7 million euro.

Net profit in 2022 was 435.9 million euro, an increase of 35.5% compared with 321.6 million euro in 2021.

The **net cash flow before dividends** in 2022 was positive +515.5 million euro (**higher than the target indicated in November of ~480 million euro**), an improvement of 84.3 million euro compared with +431.2 million euro in 2021. The trend was mainly underpinned by the significant improvement in the **operating net cash flow** (positive +1,008.8 million euro in the period compared with +793.6 million in 2021), which reflects:

- the growth of adjusted Ebitda;
- tangible and intangible investments of 397.7 million euro in 2022 (compared with 345.6 million in the same period of 2021) mainly used for High Value activities, the constant improvement of the mix and quality in all factories. There was a significant level of investment in the fourth quarter of 2022 (209.0 million euro compared with 132.3 million euro in the fourth quarter of 2021) because of re-planning and geographical re-allocation and the delivery of new machinery originally foreseen for the first nine months of the year;
- the lower value of usage rights linked to new leasing contracts, 42.7 million euro (79.7 million euro in 2022 compared with 122.4 million in 2021);
- an improvement in cash generation linked to "working capital and other" of 27.0 million euro (77.9 million euro in 2022 compared with 50.9 million euro in 2021) attributable to an **effective management of inventories** (22.0% of revenues in 2022, 22.9% on 30 September 2022 and 20.5% in 2021) mainly of raw materials, **the optimization of inventories of finished products** (16% weight against revenues, stable compared with 2021), the trend of commercial debt (29.8% weight against revenues on 31 December 2022 compared with 30.5% on 31 December 2021) and **the** reduction of commercial credits (9.6% of revenues in 2022 compared with 12.4% in 2021) following the slowdown in the growth of sales in the fourth quarter. The reduction compared with the figure on 30 September 2022 (18.3% of revenues) is principally linked to usual seasonality of the business in the last quarter of the year.

Cash flow before dividends in the fourth quarter of 2022 was positive 838.7 million euro, an improvement of 30.8 million compared with 807.9 million in 2021 thanks to the trend of net cash flow from operations' management.

The **net financial position on 31 December 2022** was -2,552.6 million euro (-3,390.5 million euro on 30 September 2022 and -2,907.1 million euro on 31 December 2021).

The **liquidity margin** on 31 December 2022 was 2,536.6 million euro and guarantees the coverage of debt maturities with banks and other financiers until the end of the first quarter of 2025.

In 2021, the **Research & Development expenses** were 263.9 million euro (4.0% of sales), of which 247.1 million earmarked for High Value activities (5.3% of High Value revenues).

In 2022 the Company achieved further improvement in its sustainability performance

In 2022, Pirelli further strengthened its engagement with and development of its people, carrying out new actions linked to the **employee experience** and consolidating programs regarding **flexibility** and the **wellbeing** of employees. New initiatives were launched to improve the **attraction and retention of talent**, as well as favouring the development of a culture increasingly based on **inclusion and enhancement of diversity**. The attention to and care for employees resulted in a further decline in the **index of frequency of accidents, down by 4.5%** compared with 2021 (from 0.21 to 0.20).

On the **product** front, the percentage with **new IP Codes** (identification of Product Code) issued onto the market with parameters **in line with the highest classes (A or B)** of European labelling for **rolling resistance** (environmental factor with indirect impact on vehicles' CO₂ emissions) rose to **50% of the total**, in line with Pirelli's target of 70% by 2025. At the same time, there was a high percentage, **93% of the total**, of **new IP Code** products at the global level with values in line with European classes **A/B** for **wet grip** (factor with direct impact on safety), including grip on ice (pictogram ICE). These performances resulted in the **growth of revenues from Eco & Safety Performance tyres¹** which reached **67%** of total car tyre sales (63% in 2021). The **average rolling resistance** of Pirelli tyres worldwide **declined by over 3% compared with 2021** and by **13.6% compared with 2015**. Regarding **Tyre Wear**, the new product lines launched in 2021-22 (Cinturato and Scorpion) show an **improvement in wear rate up to 30%** compared with the previous generation.

The significant commitment to **Research & Development in the area of innovative, renewable and recycled materials** supported the acceleration in the use of **silica from rice husks, a bio-circular material** which accounted for **5%** of the total amount of silica used in 2022 (compared with 1% in 2021 and expected to reach 10% in 2023).

Pirelli continued with actions to safeguard the sustainability of natural rubber, with Pirelli starting the production of the **first tyres in the world with natural rubber and rayon certified by the Forest Stewardship Council (FSC)**. In addition to its **continuous commitment to the traceability** of natural rubber, Pirelli continued with the implementation of the **multi-year partnership with BMW GROUP and the NGO BirdLife International** in Hutan Harapan (Island of Sumatra - Indonesia), with the **goal of conserving 2,700 hectares of rain forest** and its biodiversity and **improve the living conditions of the local population** engaged in the production of natural rubber.

In line with the target of 'carbon neutrality' in 2030, in 2022 the company continued with its **plan for the decarbonization of the group value chain**: in terms of **absolute CO₂ emissions**, in 2022 Pirelli received an upgrade of its **Science Based Target in line with 1.5°C** and formalized its commitment to **SBTi's Net Zero**. There was also a significant increase in the use of renewable electric energy. In particular, **100% of the electricity purchased in North America in 2022 was certified from renewable sources, which adds to the 100% of certified renewable electricity procured in Europe since 2021**. At the global level **74% of the total electricity used was from renewable sources** (compared with 62% in 2021), with **group absolute CO₂ emissions falling by 14% from 2021 and by 41% compared with 2015** (base year of Science Based Target for the group's sites – Scope 1 and 2). The **absolute emissions from the supply chain diminished by 3.1% compared with 2021 and 8.9% compared with 2018** (base year of Science Based Target for the supply chain – Scope 3).

¹ Value calculated against the total number of products with labels on the global market adjusted to values A/B/C of European labelling

Significant steps were also taken in the area of **sustainable finance**, with the publication of the *Sustainability Linked financing framework* in May and the placement of the **first benchmark sustainability-linked bond** in the global tyre sector (January 2023).

In 2022, Pirelli's performance in sustainability received excellent evaluations in the **principal Indices of sustainable finance**. Following the annual revision of the **Dow Jones Sustainability** indices by S&P Global, the company recorded the **Top Score in the Auto Components sector at the global level**, followed by the highest level of recognition as **"Top 1%" of Sustainability Yearbook 2023**. Pirelli was reconfirmed a **Leader in the fight against climate change** with a place in the CDP **"Climate A list"**, as well as obtaining the **Top rating** in the sector in the FTSE4GOOD and recognition as **"ESG Top Rated"** from Sustainalytics.

2023 TARGETS

(euro billions)	2022	2023
Revenues	6.62	~6.6÷~6.8
Adjusted Ebit Margin	14.8%	>14%÷~14.5%
Investments <i>% of revenues</i>	0.40 6%	~0.40 ~6%
Net cash flow before dividends	0.52	~0.44÷~0.47
Net financial position <i>NFP / Ebitda Adj.</i>	-2.55 1.8x	~-2.35 ~1.65x÷~1.7x
ROIC <i>post taxes</i>	20.3%	~20%

MARKET OUTLOOK

The forecasts for 2023 are of a general slowdown of economic growth weighed down by geopolitical tensions and persisting inflation of production factors (raw materials, energy, and logistics). **Global GDP** is expected to **grow** by +2% (2022 estimate +3%) with more limited growth in the USA (+0.7% compared with +2.1% in 2022) and Europe (+0.5% compared with +3.5% in 2022), while expectations are more positive for China where GDP should grow by 5.2% (+3% in 2022) thanks to an easing of restrictive policies linked to Covid.

In this scenario, **demand** in the car **global tyre market** is expected to be **substantially unchanged** on an annual basis. Car ≥18" confirms its resilience with demand growth of +4%, compared with -2% for ≤17".

In particular, the expectations for the market are:

- in **Original Equipment** ≥18" volume growth of around +7% underpinned by a solid order portfolio and expected easing of the chip crisis which had impacted new car production;
- in **Replacement** ≥18" volume growth of around +3%, with a less sustained performance in the first half in Europe, North America and China followed by a recovery in demand in the second part of the year.

In car ≤17" volumes are expected to fall by about -2%, with **Original Equipment** down by around -2% and the **Replacement** channel expected to fall by around -1% because of the weakness of the macro-economic context.

2023 TARGETS

In this scenario, Pirelli will continue in line with its strategy:

- reinforcing its positioning in High Value, particularly in higher rim sizes ($\geq 19''$), Specialties and electric, maintaining solid price discipline;
- implementing the third phase of the efficiencies plan contained in the Industrial Plan 2021-25, with benefits of around 100 million euro, also thanks to the digitalization of all company processes.
- maintaining an effective management of inventories and, in general, of working capital.

In light of the results obtained in 2022 and of the expected scenario at the macro-economic level, for 2023 Pirelli expects:

- **Revenues between ~6.6 and ~6.8 billion euro**, with:
 - **volumes expected between stable and growth of ~+1%**.
 - **price/mix improving to ~+4.5% / ~+5.5%** which benefits from price increases implemented in 2022 and those announced at the beginning of the year, as well as the improvement of the product mix
 - **forex impact between ~-4.5% / ~-3.5%**
- **Adjusted Ebit Margin** between >14% and ~14.5%. Efficiencies and price/mix will offset the impact of the external context (raw materials, inflation, and forex).
- **Net cash generation before dividends expected between ~440 and ~470 million euro**, thanks to the operating performance and efficient management of working capital. This target includes that payment of long-term management incentives, for the 3-year period 2020-2022. It should be noted that from 2024, following the adoption of a rolling system, incentive payments will be on an annual basis with substantial alignment expected between the impact on the income statement and the cash outflows.
- **Investments** of around 400 million euro (~6% of revenues).
- **Net financial position** of ~-2.35 billion euro with an NFP/ Adjusted Ebitda ratio of between ~1.65 and ~1.7 times.

The company informs that the shareholder CNRC has indicated that it will submit the notification pursuant to DL 21/2012 (*Golden Power Regulation*) in relation to the renewal of the shareholders' agreement entered into on 16 May 2022 by and between, among the others, CNRC, Marco Polo International Italy S.r.l., Camfin S.p.A. and Marco Tronchetti Provera & C. S.p.A., which will come into force with the convening of the shareholders' meeting for the approval of the financial statement at 31 December 2022.

The Pirelli Board of Directors proceeded to coopt Wang Feng to replace Bai Xinping who – as announced on 14 February 2023 – has resigned from the Board from today. The board also proceeded to nominate Wang Feng – qualified by the Board as a non-executive member - to the Remuneration Committee, Nominations and Succession Committee and Strategies Committee.

The new board member, who will remain in the roll until the next shareholders' meeting, does not possess the requisites of independence indicated by the norms of the Code of Corporate Governance and to date does not have shares and/or other financial instruments issued by Pirelli.

The curriculum vitae of Wang Feng is available on the Company website www.pirelli.com

In line with that which has already been announced to the market, the results to 31 December 2022 and the relative dividend distribution proposal will be examined by the Board of Directors scheduled for 23 March 2023.

Activity in Russia

As already announced with the publication of the first quarter 2022 results, Pirelli has suspended investment in its factories in Russia except for those for safety in the execution of operational activities. In compliance with the **international sanctions** imposed by the EU which prohibit, among other things, the importation of finished Russian products into the EU and the prohibition of the exportation of certain raw materials to Russia beginning from the second half 2022, Pirelli has:

- oriented **production** to the domestic market.
- identified **alternative sources** for **import/export** flows, with the progressive activation of suppliers of finished products from Turkey and Romania to replace Russian exports to European markets and is drawing on predominantly local suppliers of raw materials in substitution of European suppliers;
- diversified **suppliers** of logistics services to ensure the continuity of supplies of finished products and raw materials;
- guaranteed financial support through local banks.

In 2022, Russia accounted for 4% of group sales and 11% of total capacity.

Significant events that took place after the end of the year

For significant events that took place after 31 December 2022 please refer to the dedicated section within the file of the financial statement which will be available at the company website www.pirelli.com

Conference call

The preliminary results for year ended 31 December 2022 will be illustrated today, 22 February 2023, at 6:30 pm via conference call with the participation of Pirelli's Executive Vice Chairman and CEO, Marco Tronchetti Provera, and the top management. Journalists will be able to follow the presentation by telephone, without the possibility of asking questions, by dialing **+39 02 802 09 27**. The presentation will also be available via webcast – in real time – at www.pirelli.com in the Investors section where the slides will also be available.

The manager indicated for the preparation of the accounting documents of Pirelli & C. S.p.A., Mr. Fabio Bocchio, declares in accordance with paragraph 2 of article 154 bis of the Testo Unico della Finanza that the accounting information contained in the present press release corresponds to documentary results, books and accounting scripts.

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Pirelli preliminary asset economic and financial data on 31 December 2022

<i>(in millions of euro)</i>	2022	2021
Net sales	6.615,7	5.331,5
EBITDA adjusted (°)	1.408,3	1.210,7
% of net sales	21,3%	22,7%
EBITDA	1.335,7	1.085,7
% of net sales	20,2%	20,4%
EBIT adjusted	977,8	815,8
% of net sales	14,8%	15,3%
EBIT	791,5	577,1
% of net sales	12,0%	10,8%
Net income/(loss) from equity investments	5,8	4,0
Financial income/(expenses)	(201,7)	(144,3)
Net income/(loss) before tax	595,6	436,8
Taxes	(159,7)	(115,2)
Tax rate %	26,8%	26,4%
Net income/(loss)	435,9	321,6
Earnings/(loss) per share (in euro per share)	0,42	0,30
Net income/(loss) adjusted	570,4	468,8
Net financial (liquidity)/debt position	2.552,6	2.907,1
Operating net cash flow	1.008,8	793,6
Net cash flow before dividends paid by the Parent Company	515,5	431,2
Net cash flow	354,5	351,3
Investments in tangible and intangible assets (CapEx)	397,7	345,6
Increases in rights of use	79,7	122,4
Research and development expenses	263,9	240,4
% of net sales	4,0%	4,5%
Research and development expenses - High Value	247,1	225,1
% of High Value net sales	5,3%	6,0%
Employees (headcount at end of period)	31.301	30.690
Industrial sites (number)	18	18
(°)The adjustments refer to one-off, non-recurring and restructuring expenses to the amount of euro 72.6 million (euro 101.4 million for 2021). For 2021, this item also included expenses relative to the retention plan approved by the Board of Directors on February 26, 2018 to the amount of euro 4.7 million and COVID-19 direct costs to the amount of euro 18.9 million.		

ALTERNATIVE PERFORMANCE INDICATORS

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

Specifically, the Non-GAAP Measures used were as follows:

- **EBITDA:** is equal to the EBIT but which excludes the depreciation and amortisation of property, plant and equipment and intangible assets. EBITDA is used to measure the ability to generate earnings, excluding the impacts deriving from investments;
- **EBITDA adjusted:** is an alternative measure to the EBITDA which excludes non-recurring, restructuring and one-off expenses. For the comparative period, this measure also included COVID-19 direct costs and expenses relative to the retention plan approved by the Board of Directors on February 26, 2018;
- **EBITDA margin:** is calculated by dividing the EBITDA by revenues from sales and services. This measure is used to evaluate operating efficiency, excluding impacts deriving from investments;
- **EBITDA margin adjusted:** is calculated by dividing the EBITDA adjusted by revenues from sales and services. This measure is used to evaluate operating efficiency, excluding the impacts deriving from investments, operating costs attributable to non-recurring,

restructuring and one-off expenses. For the comparative period, this measure also included COVID-19 direct costs and expenses relative to the retention plan approved by the Board of Directors on February 26, 2018;

- **EBIT:** is an intermediate measure which is derived from the net income/(loss), but which excludes taxes, financial income/(expenses) and the net income/(loss) from equity investments. EBIT is used to measure the ability to generate earnings, including the impacts deriving from investments;
- **EBIT adjusted:** is an alternative measure to the EBIT which excludes the amortisation of intangible assets relative to assets recognised as a consequence of Business Combinations, operating costs attributable to non-recurring, restructuring and one-off expenses. For the comparative period, this measure also included COVID-19 direct costs and expenses relative to the retention plan approved by the Board of Directors on February 26, 2018;
- **EBIT margin:** is calculated by dividing the EBIT by revenues from sales and services. This measure is used to evaluate operating efficiency;
- **EBIT margin adjusted:** is calculated by dividing the EBIT adjusted by revenues from sales and services. This measure is used to evaluate operating efficiency excluding the amortisation of intangible assets relative to assets recognised as a consequence of Business Combinations, operating costs attributable to non-recurring, restructuring and one-off expenses. For the comparative period, this measure also included COVID-19 direct costs and expenses relative to the retention plan approved by the Board of Directors on February 26, 2018;
- **Net income/(loss) adjusted:** is calculated by excluding the following items from the net income/(loss):
 - 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. For the comparative period, this measure also included COVID-19 direct costs and expenses relative to the retention plan approved by the Board of Directors on February 26, 2018;
 - o non-recurring expenses/income recognised under taxes, as well as the tax impact relative to the adjustments referred to in the previous points;
- **Net financial position:** this measure represents the net financial debt less the non-current financial receivables (included in the Financial Statements under "*Other receivables*") and the non-current derivative hedging instruments for items included in the net financial position (included in the Financial Statements under non-current assets as "*Derivative financial instruments*"). Net financial position is an alternative measure to net financial debt, but which includes non-current financial assets;
- **Liquidity margin:** this measure is constituted by the sum of the Financial Statement items, "*Cash and cash equivalents*", "*Other financial assets at fair value through the Income Statement*" and the committed credit facilities which have not been non-utilised;
- **Operating net cash flow:** is calculated as the change in the net financial position relative to operations management;
- **Net cash flow before dividends paid by the Parent company:** is calculated by adding the change in the net financial position due to extraordinary transactions and the management of investments, to the net cash flow before dividends and extraordinary transactions and investments;
- **Net cash flow:** is calculated by subtracting the dividends paid by the Parent company, from the net cash flow before dividends paid by the Parent company;
- **Investments in intangible and owned tangible assets (CapEx):** is calculated as the sum of investments (increases) in intangible assets and investments (increases) in property, plant and equipment excluding any increases relative to the right of use;
- **Increases in the right of use:** is calculated as the increases in the right of use relative to lease contracts;
- **ROIC:** is calculated as the ratio between the EBIT adjusted net of tax effects and the average net invested capital net of provisions which does not include "*Investments in associates and joint ventures*", "*Other financial assets at fair value through other Comprehensive Income*", "*Other non-current financial assets at fair value through the Income Statement*", "*Other non-current assets*", the intangible assets relative to assets recognised as a consequence of Business Combinations, the deferred tax liabilities relative to the latter and the "*Provisions for employee benefit obligations current and non-current*".