PRESS RELEASE

THE BOARD OF PIRELLI & C. SPA APPROVES CONSOLIDATED RESULTS TO 30 SEPTEMBER 2022

PIRELLI: FIRST NINE MONTHS SAW STRONG GROWTH IN REVENUES (+26.5%) AND ADJUSTED EBIT (+25.8%)

PRICE/MIX AT +20.0% THANKS TO PRICE INCREASES AND IMPROVED MIX

NET PROFIT +52.1% AT 359.3 MILLION EURO (236.2 MILLION ON 30 SEPTEMBER 2021)

IN THE FIRST 9 MONTHS OPERATING CASH FLOW POSITIVE 87.4 MILLION EURO (AN IMPROVEMENT OF 171.9 MILLION COMPARED TO 30 SEPTEMBER 2021) THANKS TO GROWTH OF ADJUSTED EBIT

IN THE THIRD QUARTER NET CASH FLOW BEFORE DIVIDENDS POSITIVE 140.5 MILLION EURO (+104.3 MILLION EURO ON 30 SEPT. 2021)

Third quarter 2022

- Revenues: +29.8% at 1,836.3 million euro compared with third quarter 2021 (organic variation +21.2% excluding forex effect of +8.6%)

- Total volumes: +1.8% (High Value +8.2% and Standard -5.7%)

- Price/Mix: +19.4%, with a greater contribution from the price component

- Adjusted Ebit: +22.8% at 271.9 million euro (221.4 million in third quarter 2021), with an Adjusted Ebit margin at 14.8%

- Net profit: +20.7% at 126.3 million euro (104.6 million in third quarter 2021)

- Net cash flow before dividends positive 140.5 million euro (+104.3 million euro in third quarter 2021)

First nine months 2022

- Revenues: +26.5% to 5,033.3 million euro compared with 30 September 2021 (organic variation +20% excluding forex effect of +6.5%)

- Total volumes unchanged due to fall in Standard (-7.6%) while the strengthening of High Value continued (+6.6%). Reinforcement of share in Car ≥18'', with volume growth of +9.4% (market +6.8%), in particular in Replacement (+10.1% compared with market's +5.3%)

- Price/Mix: +20% thanks to price increases and improved mix

- Adjusted Ebit: +25.8% to 753.5 million euro (598.8 million on 30 September 2021). The improved price/mix and efficiencies more than offset the impact of the external context (raw materials and inflation)

- Adjusted Ebit margin at 15% (unchanged compared with 30 September 2021)

- **Net profit: +52.1% at 359.3 million euro (236.2 million euro to 30 September 2021) thanks to the improvement of the operating performance**

- **Net cash flow before dividends: -323.2 million euro (-376.7 million euro on 30 September 2021). Operating net cash flow positive 87.4 million euro, an improvement of 171.9 million euro compared with -84.5 million on 30 September 2021**

- **Net Financial Position: -3,390.5 million euro (-3,714.9 million on 30 September 2021 and -2,907.1 million euro on 31 December 2021)**

- **Liquidity margin: 2,532.2 million euro, debt maturities covered until the first quarter of 2024**

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2022 OUTLOOK AND TARGETS

- **Targets revised up thanks to the resilience of the business model and measures to counter the volatility of the external context**

- **Revenues revised up to ~6.5 billion euro (previous estimate between ~6.2 billion and ~6.3 billion), thanks to expectations that price/mix will improve to ≥+17% (previous indication ~+13.5% / ~+14.5%) thanks to the implementation of price increases and better performance of product mix**

- **Volumes stable compared with 2021 (previous indication between ~+0.5% and ~+1.5%) considering the slowdown in demand in the Replacement channel**

- **Profitability confirmed with an Adjusted Ebit Margin of ~15%**

- **Net cash flow before dividends revised up to ~480 million euro (previous estimate between ~ 450 and ~470 million) thanks to the improvement of operations' management and working capital**

- **Investment confirmed at ~390 million euro (~6% of revenues)**

- **Net financial position expected at ~-2.6 billion euro, with improvement of Nfp/Adjusted Ebitda ratio to ~1.9 times (previous indications ≤ 2 times) compared with 2.4 times at end 2021**

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*Milan, 3 November 2022* – The Board of Directors of Pirelli & C. Spa met today and approved results to September 30, 2022 that showed growth in the main economic indicators notwithstanding the volatility of the external context (inflation, difficulties along the supply chain, effects of lockdown in China, Russia-Ukraine conflict). This was thanks to the resilience of the business model and implementation of the "key programs" of the 2021-2022|2025 Industrial Plan.

In particular:

- **Commercial Program**
  The first nine months of 2022 saw further consolidation of **High Value,** in particular Car ≥ 19'' tyres, those for electric vehicles and Specialties. In the period, there was further strengthening of the positioning in the **Car ≥18" Replacement channel,** with volumes growing by +10.1% (market +5.3%), despite price increases, also thanks to the renewal of the product portfolio. The performance in **Original Equipment Car ≥18"** was selective (Pirelli volumes +8.5% compared with market's +9.2%). There was a growing **focus on bigger rim sizes** (the weight in ≥19" volumes grew by about 5 basis points and reached almost 77% of Original Equipment ≥18" volumes) and **in electric** (14% of weight of Original Equipment ≥18" volumes, more than double compared with

the first nine months of 2021). On the other hand, there was a further reduction of **exposure to Standard** (Pirelli Car ≤17" volumes -6.4% compared with market's -1.4%) with a mix that is always more orientated towards the Replacement channel and products with bigger rim sizes.

Innovation Program
In the first nine months of 2022 Pirelli secured about 230 new homologations with the main producers of Prestige and Premium cars, concentrated mainly in **rim sizes ≥19"** and **Specialties**. In addition, the renewal of the product range continued with the introduction of eight new lines of which four are dedicated to the SUV segment, with a particular focus on electric and hybrid plug-in vehicles. In addition, the Winter offering was broadened with the introduction of a line dedicated to colder temperatures (Ice Zero Asimmetrico) and other lines of a regional nature.

- Competitiveness Program
  In the nine months, the group achieved gross benefits of 85.6 million euro, equal to 60% of the full-year target of 140 million, revised from the original 150 million because of the new volume expectations and resulting production levels. The Competitiveness program addressed product cost (modularity and design-to-cost), manufacturing (completion of the optimization of the industrial footprint and efficiency actions), SG&A costs (optimization of the logistics network of the warehouses and negotiation actions in purchasing) and those of organization.

- Operations Program
  In the first nine months of 2022, plant saturation was around 90%. Cycling production began at the Bollate plant, while the Mexican plant in Silao confirmed its plan to increase capacity – to serve the entire North American market – that will reach 8.5 million High Value tyres by 2025, in line with the industrial plan (7.2 million at end of 2022). In the face of the volatility triggered by the Ukraine, semi-conductor and energy crises, a mitigation plan was implemented aimed at ensuring the continuation of production activities.

- Digitalization Program
  In the first nine months, the group adopted the new CRM which permits the integrated management of customers, launched the coverage of the main factories with Industrial Internet of Things technology to further improve process efficiency, and completed the *Cloud Strategy.* This guarantees the continuity of business, reduces the risks of cyber security, lowers operating costs and reduces CO2 emissions (-40% compared with previous infrastructure).

**Revenues** in the first nine months totaled 5,033.3 million euro, with an increase of 26.5% compared with the same period in 2021. Organic growth was +20% (+6.5% the effect of forex and hyperinflation in Argentina and Turkey). High Value revenues accounted for 71.4% of total sales, in line with the first nine months of 2021.
In the **third quarter of 2022, revenues** totaled 1,836.3 million euro, with growth of 29.8% compared with the third quarter of 2021 (organic variation +21.2% excluding the forex effect of +8.6%).

| *(euro millions)* | Quarterly revenue performance | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 1 QTR 2022 | 1 QTR 2021 | 2 QTR 2022 | 2 QTR 2021 | 3 QTR 2022 | 3 QTR 2021 | 9 M0S 2022 | 9 MOS 2021 |
| Revenues<br>*Variatione y/y*<br>*Organic variation y/y* | 1,521.1<br>*+ 22.2%*<br>*+19.0%* | 1,244.7 | 1,675.9<br>*+26.9%*<br>*+19.8%* | 1,320.1 | 1,836.3<br>*+29.8%*<br>*+21.2%* | 1,414.5 | 5,033.3<br>*26.5%*<br>*20.0%* | 3,979.3 |

In the first nine months of 2022, **total volumes** were unchanged because of the divergent trends of High Value (+6.6%) and Standard (-7.6%) both in Car and Moto. In the **third quarter of 2022,** total volumes stood at +1.8% High Value (+8.2% High Value and Standard -5.7%).

| Revenue variants | 1 QTR 2022 | 2 QTR 2022 | 3 QTR 2022 | 9 MOS 2022 |
|---|---|---|---|---|
| Volumes<br>***- High Value***<br>*- Standard* | -1.4%<br>***+5.8%***<br>*- 9.7%* | -0.6%<br>***+5.7%***<br>*-7.9%* | +1.8%<br>***+8.2%***<br>*-5.7%* | 0.0%<br>***+6.6%***<br>*-7.6%* |
| Price/Mix | +20.4% | +20,4% | +19,4% | +20.0% |
| Variation on like-for-like basis | +19.0% | +19.8% | +21.2% | +20.0% |
| Forex/Argentina-Turkey hyperinflation | +3.2% | +7.1% | +8.6% | +6.5% |
| **Total variation y/y** | **+22.2%** | **+26.9%** | **+29.8%** | **+26.5%** |

In **Car** volumes grew in the first nine months by +2.2% (market +0.2%)
**In Car ≥18"**, in particular, volume growth was +9.4%, compared with the market growth of +6.8%. In detail:

- +10.1% in the **Replacement channel** (market +5.3%), with a strengthening in North America and Apac;
- +8.5% in **Original Equipment** (market +9.2%) as a result of greater selectivity in favor of **Car ≥19"** and electric.

In **Car ≤17"** the group continued to reduce its exposure to Standard (Pirelli volumes -6.4% compared with the market's -1.4%) with a greater focus on the product and channel mix. The trend was stable in the **Replacement channel** (Pirelli volumes -0.4%, market -2.8%) because of sales of bigger rim sizes. In **Original Equipment** volumes declined by -23.9% (market +3.4%) because of greater selectivity in this channel and the impact of the Russian crisis following the halting of car production by the main manufacturers.

Car volumes **in the third quarter of 2022** grew by +4% (market +3.1%), thanks to strengthening in **Car ≥18"** (Pirelli volumes +12.2% compared with the market's +9.5%), in particular in the Replacement channel (Pirelli volumes +4.5%, market +0.7%). Growth in Original Equipment was sustained (Pirelli volumes +24.3%, market +25.2%) benefitting from the strong recovery in car production.

In **Car ≤17''** in the **third quarter of 2022** Pirelli volumes fell by -5.6% (market +1.6%), with a fall of 4.7% in the Replacement channel (market -3.1%) and of 9.1% in Original Equipment (market +21.2%).

There was a negative trend in **Moto volumes** (volumes -7.5% in the first nine months, -3.5% in the third quarter) because of the fall in Standard sales (-19.4% in the first nine months, -8.8% in the third quarter). This followed the reduction of exposure to this segment with the closure – in the third quarter of 2021 – of the Brazilian Moto factory in Gravataì. On the other hand, there was a positive trend in High Value Moto (+5% in the nine months, +2.5% in the third quarter), in particular in Europe and North America thanks to the renewal of the Road and Touring product ranges.

**Price/mix** recorded a significant increase (+20%) in the nine months supported by:

- Price increases in all Regions to offset the growing inflation of production costs;
- Improvement of the product mix, linked to the ongoing migration from Standard to High Value and better micro-mixes in both segments.

The **price/mix** in the **third quarter** stood at +19.4% (slightly lower than the preceding quarters) with a greater contribution from the price component.

**The impact of exchange rates** was positive 6.5% in the nine months (+8.6% in the third quarter) as a result of the appreciation of the main currencies against the euro (in the nine months the US dollar +12%, Renminbi +10%, Real +16.5% and Ruble +19%).

## Profitability

| Profitability *(euro millions)* | 2022 | | | | 2021 |
|---|---|---|---|---|---|
| | 1 QTR | 2 QTR | 3 QTR | 9 MOS | 9 MOS |
| Adjusted Ebitda | 333.1 | 362.2 | 383.9 | 1,079.2 | 894.0 |
| *% of sales* | *21.9%* | *21.6%* | *29.8%* | *21.4%* | *22.5%* |
| Ebitda | 325.6 | 350.2 | 367.4 | 1,043.2 | 806.8 |
| *% of sales* | *21.4%* | *20.9%* | *20.0%* | *20.7%* | *20.3%* |
| Adjusted Ebit | 228.5 | 253.1 | 271.9 | 753.5 | 598.8 |
| *% of sales* | 15.0% | 15.1% | 14.8% | 15.0% | *15.0%* |
| Ebit | 192.6 | 212.6 | 227.0 | 632.2 | 426.3 |
| *% of sales* | 12.7% | 12.7% | 12.4% | 12.6% | *10.7%* |

The **Adjusted Ebitda** in the first nine months of 2022 was 1,079.2 million euro, an increase of +20.7% compared with 894.0 million euro in the same period of 2021.

The **Adjusted Ebit** in the first nine months of 2022 was 753.5 million euro (598.8 million euro in the same period of 2021), with an Adjusted Ebit margin of 15%, stable compared with the same period of 2021. The contribution of internal levers (price/mix and efficiencies) more than compensated for the negativity of the external context (raw materials and inflation).
In particular, Adjusted Ebit reflects:

- the **positive effect of price/mix** (+677.4 million euro) and the **Competitiveness Plan** (+85.6 million euro), which more than offset the increase in costs of **raw materials** (-364,7 million euro) and the negative impact of the **inflation of production costs** (-226.7 million euro), the **increase of amortizations** (-19.8 million euro) and of **other costs** (-24.9 million euro, concentrated the third quarter);
- the **positive effect of exchange rates** of 27.7 million euro, while the contribution of **volumes** was not material (+0.1 million euro).

**In the third quarter Adjusted Ebit** was 271.9 million euro, an increase of 22.8% compared with 221.4 million in the third quarter of 2021 thanks to the great contribution of the internal levers. The Adjusted Ebit margin was 14.8%, down compared with the third quarter of 2021 because of the dilutive effect on margin stemming from the impact of exchange rates and increase of other costs mainly linked to the reduction of inventory and greater provisions for the short-term management incentive plan.

In the first nine months of 2022, **Ebit** was 632.2 million euro, an increase of 48.3% compared with 426.3 million euro in the same period of 2021.This includes the amortization of intangible assets identified in the context of PPA of 85.3 million euro (in line with the first nine months of 2021), as well as non-recurring charges for restructuring and other of 36 million euro, in marked decline compared with the figure for the first nine months of 2021 (-87.2 million euro).

The **result from equity holdings** was positive 3.1 million euro (+1.6 million in the first nine months of 2021).

**Net financial charges** in the first nine months of 2022 increased by 38.2 million euro to 145.1 million (106.9 million in the first nine months of 2021).

The changed market conditions and central bank interventions resulted in an increase in the **cost of debt** on an annual basis (calculated as the average of the last 12 months) to 3.51% on 30 September 2022 from 2.38% on 31 December 2021. This increase reflects, in particular, the increase in interest rates linked to coverage of risks in Brazil and Russia, partially counterbalanced by the parent group's reduction of financial charges, thanks to the improvement of economic conditions contractually foreseen for the reduction of financial levers.

**Taxes** in the first nine months amounted to -130.9 million euro against a pretax profit of 490.2 million euro, with a tax rate of 26.7%.

**Net profit** in the first nine months of 2022 amounted to 359.3 million euro, an increase of +52.1% compared with 236.2 million euro in the first nine months of 2021, which mainly reflects the improved operating performance.
In the **third quarter of 2022, the net profit** was 126.3 million euro, an increase of +20.7% compared with 104.6 million euro in the third quarter of 2021.

The **net cash flow before dividends** in the first nine months of 2022 was -323.2 million euro, an improvement of 53.5 million euro compared with -376.7 million euro in the first nine months of 2021.
The **Operating net cash flow** in the first nine months was positive 87.4 million euro, an improvement of 171.9 million euro compared with -84.5 million euro in the same period of 2021, and reflects:

- the growth of Adjusted Ebit;
- tangible and intangible investments lower by 24.6 million euro (188.7 million in the first nine months of 2022, compared with 213.3 million euro in the same period of 2021) linked both to the re-planning and geographical reallocation of investment projects – as a result of the changed external context – and delays in the delivery of some machinery because of the availability of electronic components;
- greater cash absorption linked to functioning capital and other of 47.0 million euro compared with the first nine months of 2021 (-752.6 million euro from the previous -705.6 million euro) stemming from the increase in inventories (equal to 22.9% of revenues, 20.5% on 31 December 2021), mainly of raw materials. This dynamic reflects the effects of inflation and risk reduction actions linked to the supply chain in a volatile economic and market context. Optimization of inventories of finished products (16% weight against revenues, substantially in line with the figure on 31 December 2021) as a result of the significant reduction of Car finished product inventories by about 600,000 pieces in the third quarter (reduction of -0.4 basis points of inventories of finished products as a percentage of sales compared with 30 June 2022).
  Working capital was also influenced by:
    - the increase in commercial debt (equal to 25.5% of revenues on 30 September 2022, an increase of around 4 basis points compared with 30 September 2021) which reflects the growth of business activities as well as increased inventory;
    - the growth of commercial credits in absolute value, but with a weight against revenues substantially in line with the figure on 30 September 2021 (18.3%).

The **net cash flow before dividends** in the **third quarter of 2022** was positive 140.5 million euro, an improvement of 36.2 million compared with +104.3 million euro of the same period of 2021 thanks to the trend of net cash flow from operations.

The **net financial position on 30 September 2022 was** -3,390.5 million euro (-3,714.9 million on 30 September 2021 and -2,907.1 million euro on 31 December 2021), with a net cash absorption before dividends of -323.2 million euro (-376.7 million in the first nine months of 2021) because of the business's usual seasonality.

**The liquidity margin** on 30 September 2022 was 2,532.2 million euro that guarantees the coverage of debt maturities until the first quarter of 2024.

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On the **sustainability** front, in the first nine months of 2022 in the context of the measures safeguarding the **health** and **safety i**n the workplace, the company continued with its Global *Excellence in Safety project*, together with the constant actions of improvement in all the factories.
From the environmental point of view, the path towards **de-carbonization** continued with:

- the formalization last June of its **Net Zero Commitment** to the **Science Based Target initiative (SBTi**);

- the validation by the SBTi of new company targets for the reduction of greenhouse gas emissions, following the achievement of the previous targets, Scope 1 and 2, four years ahead of schedule. The new targets call for actions coherent with the goal of containing the average global temperature within **+1.5°**C, as well as reducing emissions along the raw materials' supply chain (Scope 3).

At the **product** level, in line with its **Eco&Safety Design** strategy, in February Pirelli launched the new Scorpion Summer, a tyre with class A / B labelling – the highest levels of performance as defined by European standards – with regard to rolling resistance, we grip and noise reduction.

**Research and Development** into **innovative materials** is favoring the introduction of virtual processes that utilize **artificial intelligence,** from the design to industrialization of materials, with a **reduction of development times of 30%.** These processes allow, in addition, the **reduction of prototype materials of 20%**, with a resulting saving of raw materials.

There were also significant results in the **reduction of the wear rate** of the tyre, with an improvement of **up to 33%** for new product lines compared with previous lines.

In addition, the company **increased the weight of ESG targets** at the level of management **variable remuneration** with a focus on gender balance, revenues from Eco & Safety performance[1] products, the reduction of absolute $CO_2$ emissions and the positioning of Pirelli in the Dow Jones Sustainability World Index ATX Auto Component sector.

Pirelli's commitment to Sustainability was recognized on 21 October 2022 by its confirmation in the position of global Sustainability leader for the ATX Auto Components sector in the context of the S&P Global's 2022 Corporate Sustainability Assessment 2022 with a score of 85 points (+8 points higher than 2021) compared with a sector average of 24 points. Pirelli obtained top scores in many areas of management including Governance and Due Diligence with regard to human rights, management of natural resources and the reduction of CO2 emissions. Top scores were obtained also in the areas of innovation and cyber security, as well as for the completeness and transparency of social and environmental reporting.

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## MARKET/TARGET OUTLOOK

In an extremely volatile economic context, the **global market for Car tyres** is expected to undergo a **slight fall in demand (**-0.4% compared with 2021, previous indication flat). This is because of the slowdown of demand in Replacement (-2% compared with the previous indication of -1%), in particular in Europe, where the launch of the Winter campaign is expected to be delayed because of high temperatures, and in China, where lockdowns continue. However, an improved trend is expected in Original Equipment (market volumes +5% compared with previous indication of +4%) thanks to the recovery of production of Standard cars.

**Resilience of demand for High Value confirmed**, with a **Car ≥18" market** expected to grow by **+6%** (previous indication +7%). In particular:

- in **Original Equipment** growth confirmed at +10%, driven by China, as a result of government aid, and Europe;
- in **Replacement** volumes are expected to grow by around +4% (previous indication around +5%) because of the already mentioned slowdown of demand in Europe and China.

In Car **≤17"** volumes are expected to fall by around -2% (in line with the prior indication), with **Original Equipment** growing by about +2% (previously around +1%) and with the **Replacement** channel expected to fall by around -3% (previously around -2.5%).

[1] Revenues from the sale of *Eco & Safety Performance tyres against the Group's total car tyre sales. Eco & Safety Performance products refer to car tyres that Pirelli produces all around the world and fall exclusively in classes A, B, C for rolling resistance and wet grip according to the labelling parameters called for in European law.*

## PIRELLI UPDATES 2022 TARGETS

Based on the solid operating performance of the first nine months, Pirelli has updated its 2022 targets.

| TARGET (euro billions) | August 2022 | November 2022 |
|---|---|---|
| Revenues | ~6.2 ÷~6.3 | ~6.5 |
| Adjusted Ebit Margin | ~15% | ~15% |
| Investments<br>*% of revenues* | ~0.39<br>*~6%* | ~0.39<br>*~6%* |
| Net cash flow<br>*before dividends* | ~0.45 ÷ ~0.47 | ~0.48 |
| Net financial position<br>*NFP / Adj. Ebitda* | ~-2.6<br>*≤ 2x* | ~-2.6<br>~1.9*x* |
| ROIC<br>*after tax* | ~19% | ~19% |

- **Revenues** expected at **around 6.5 billion euro** (previous target **between ~6.2 and ~6.3 billion**), because of:
    - **price/mix** improving to ≥+17% (previous indication ~+13.5% / ~+14.5%) thanks to the implementation of price increases and better performance of product mix;
    - **total volumes seen stable year over year** (previous indication between ~+0.5% and~+1.5%) as the balance between volume growth of around +5% in High Value and the ongoing reduction of exposure to Standard (volumes down by around -6%);
    - effect of **exchange rates** improving and expected to be positive at about +5% (previous estimate around +2.5%)

- **Adjusted Ebit Margin at ~15%** (in line with the previous indication), with an improvement in absolute value thanks to the growing contribution from price/mix which offsets the greater impact of raw materials and inflations

- **Net cash flow before dividends** expected at around 480 million euro (prior indication between ~450 and ~470 million euro) thanks to the improvement of the operating performance and an effective management of working capital

- **Investments** confirmed at around 390 million euro (~6% of revenues).

- **Net financial position** confirmed at ~-2.6 billion euro with an Nfp/ Adjusted Ebitda ratio expected at around 1.9 times (previous indication ≤ 2 times)

- **ROIC** expected at ~19%, in line with the previous indication

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## Industrial Plan update

With full-year 2022, the first phase of the Industrial Plan 2021-2022|2025, presented to the market on 31 March 2021, will end. Based on the first nine months and the 2022 targets indicated above, as well as the performance in 2021, the 2-year period will close with results clearly above expectations. In particular, cumulative cash generation before dividends for the 2-year period 2021-2022 is expected to be ~910 million euro compared with the ~700/~800 million euro indicated in March 2021.
The company will publish its 2023 targets when it releases preliminary 2022 results, expected to take place in February, and in the second quarter of 2023 will update targets for the 3-year period 2023-2025, confirming the goal of deleveraging with a Net Financial Position/Adjusted Ebitda ratio of about 1 times at the end of 2025.

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## Activity in Russia

As announced with the publication of the 2022 first half results, Pirelli has suspended investment in its Russian factories with the exception of those for safety. In 2021 Russia accounted for 3% of sales – around 4% in the first nine months of 2022 – and around 11% of the group's car capacity, which is mainly standard and about half of which is for export.
Pirelli launched a series of initiatives to mitigate the effects of the conflict in the context of the contingency plan announced in February. With regard to **international sanctions** imposed by the EU banning imports of Russian finished products into the EU and banning exports of certain raw materials to Russia beginning from the second half, Pirelli has:

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

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## Antonio Paccioretti Executive Vice President Finance and Services, Fabio Bocchio new manager in charge of company accounting documents

Pirelli announces that, reporting directly to the *Deputy-CEO*, Giorgio Luca Bruno, Antonio Paccioretti will join the company, beginning from 14 November 2022, as Executive Vice President Finance and Services with direct coordination of the "Tax", "Finance, M&A and Risk Management", "Real Estate and Facility", "Information Security" and "Administration, Planning and Controlling" areas. Antonio Paccioretti's *curriculum vitae* is available on the company website.
In addition, Fabio Bocchio, as part of his role as *Executive Vice President Administration, Planning & Controlling,* reporting to Antonio Paccioretti, was nominated by the Board, at the proposal of the Executive Vice Chairman and CEO Marco Tronchetti Provera, as the new manager in charge of the company's accounting documents effective from 3 November 2022 in place of Giorgio Luca Bruno. Fabio Bocchio's *curriculum vitae* is available on the company website.

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## Significant events after 30 September 2022

For significant events after 30 September 2022 please refer to the dedicated section in the intermediate report on operations' which will be available at the company website [www.pirelli.com](http://www.pirelli.com).

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## Conference call

The results to 30 September 2022 will be illustrated today, 3 November 2022, at 18.30 in a conference call with the participation of the Executive Vice Chairman and Ceo of Pirelli, Marco Tronchetti Provera, and the top management. Journalists will be able to follow the presentation by telephone, without the option of asking questions, by dialing **+39 02 802 09 27.** The presentation will also be webcast – in real time – at www.pirelli.com in the Investors section, where it will possible to consults the slides.

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The intermediate report to 30 September 2022 will be available to the public today at the Company's legal headquarters, as well as being published on the Company website (www.pirelli.com) and in the eMarket Storage mechanism (www.emarketstorage.com).

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*The Director indicated for the preparation of the accounting documents of Pirelli & C. S.p.A., Mr. Giorgio Luca Bruno, declares in accordance with paragraph 2 of article 154 bis of the Testo Unico della Finanza that the accounting information present in the press release corresponds to the documentary results, books and accounting texts.*

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## *Pirelli – Economic data to 30.09.2022*

| *(in millions of euro)* | **01/01 - 09/30/2022** | **01/01 - 09/30/2021** |
|---|---|---|
| **Net sales** | **5.033,3** | **3.979,3** |
| **EBITDA adjusted (°)** | **1.079,2** | **894,0** |
| % of net sales | 21,4% | 22,5% |
| **EBITDA** | **1.043,2** | **806,8** |
| % of net sales | 20,7% | 20,3% |
| **EBIT adjusted** | **753,5** | **598,8** |
| % of net sales | 15,0% | 15,0% |
| Adjustments: - amortisation of intangible assets included in PPA | (85,3) | (85,3) |
| - non-recurring, restructuring expenses and other | (36,0) | (87,2) |
| **EBIT** | **632,2** | **426,3** |
| % of net sales | 12,6% | 10,7% |
| Net income/(loss) from equity investments | 3,1 | 1,6 |
| Financial income/(expenses) | (145,1) | (106,9) |
| **Net income/(loss) before taxes** | **490,2** | **321,0** |
| Taxes | (130,9) | (84,8) |
| Tax rate % | 26,7% | 26,4% |
| **Net income/(loss)** | **359,3** | **236,2** |
| Eanings/(loss) per share (in euro per share) | 0,34 | 0,22 |
| Net income/(loss) adjusted | 445,8 | 360,1 |
| Net income/(loss) attributable to owners of the Parent Company | 338,4 | 224,0 |

(°) The adjustments refer to one-off, non-recurring and restructuring expenses to the amount of euro 36.0 million (euro 69.3 million for the first nine months of 2021). Also, for the first nine months of 2021 they included expenses relative to the retention plan approved by the Board of Directors on February 26, 2018 to the amount of euro 4.6 million and COVID-19 direct costs to the amount of euro 13.3 million.

## *Pirelli – Balance sheet data to 30.09.2022*

| *(in millions of euro)* | | 09/30/2022 | 12/31/2021 | 09/30/2021 |
|---|---|---|---|---|
| **Fixed assets** | | **9.006,6** | **8.912,4** | **8.822,5** |
| | Inventories | 1.464,3 | 1.092,2 | 973,7 |
| | Trade receivables | 1.169,0 | 659,2 | 939,4 |
| | Trade payables | (1.625,3) | (1.626,4) | (1.092,1) |
| **Operating net working capital** | | **1.008,0** | **125,0** | **821,0** |
| % of net sales (*) | | 15,8% | 2,3% | 15,8% |
| | Other receivables/other payables | 70,2 | 0,8 | 18,7 |
| **Net working capital** | | **1.078,2** | **125,8** | **839,7** |
| % of net sales (*) | | 16,9% | 2,4% | 16,2% |
| **Net invested capital** | | **10.084,8** | **9.038,2** | **9.662,2** |
| **Equity** | | **5.646,6** | **5.042,6** | **4.910,9** |
| Provisions | | 1.047,7 | 1.088,5 | 1.036,4 |
| **Net financial (liquidity)/debt position** | | **3.390,5** | **2.907,1** | **3.714,9** |
| Equity attributable to owners of the Parent Company | | 5.487,3 | 4.908,1 | 4.786,9 |
| Investments in intangible and owned tangible assets (CapEx) | | 188,7 | 345,6 | 213,3 |
| Increases in right of use | | 50,5 | 122,4 | 59,6 |
| Research and development expenses | | 196,0 | 240,4 | 177,3 |
| % of net sales | | 3,9% | 4,5% | 4,5% |
| Research and development expenses - High Value | | 181,3 | 225,1 | 166,3 |
| % of High Value sales | | 5,0% | 6,0% | 5,9% |
| Employees (headcount at end of period) | | 31.396 | 30.690 | 30.523 |
| Industrial sites (number) | | 18 | 18 | 18 |

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

## *Pirelli – Cashflow statement to 30.09.2022*

| *(in millions of euro)* | 1 Q | | 2 Q | | 3Q | | cumulative at 09/30 | |
|---|---|---|---|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| EBIT adjusted | 228,5 | 168,8 | 253,1 | 208,6 | 271,9 | 221,4 | 753,5 | 598,8 |
| Amortisation and depreciation (excluding PPA amortisation) | 104,6 | 97,7 | 109,1 | 98,8 | 112,0 | 98,7 | 325,7 | 295,2 |
| Investments in intangible and owned tangible assets (CapEx) | (48,6) | (89,8) | (67,1) | (63,0) | (73,0) | (60,5) | (188,7) | (213,3) |
| Increases in right of use | (8,1) | (26,7) | (33,2) | (23,2) | (9,2) | (9,7) | (50,5) | (59,6) |
| Change in working capital and other | (841,6) | (717,2) | 138,6 | 73,3 | (49,6) | (61,7) | (752,6) | (705,6) |
| **Operating net cash flow** | **(565,2)** | **(567,2)** | **400,5** | **294,5** | **252,1** | **188,2** | **87,4** | **(84,5)** |
| Financial income / (expenses) | (43,6) | (40,0) | (46,0) | (31,8) | (55,5) | (35,1) | (145,1) | (106,9) |
| Taxes paid | (32,9) | (37,1) | (71,5) | (34,9) | (46,8) | (26,8) | (151,2) | (98,8) |
| Cash-out for non-recurring, restructuring expenses and other | (23,6) | (28,9) | (11,9) | (40,4) | (11,0) | (33,4) | (46,5) | (102,7) |
| Dividends paid to minorities | - | - | (24,4) | - | (0,2) | - | (24,6) | - |
| Differences from foreign currency translation and other | (7,6) | 15,9 | (37,5) | (14,9) | 1,9 | 11,4 | (43,2) | 12,4 |
| **Net cash flow before dividends, extraordinary transactions and investments** | **(672,9)** | **(657,3)** | **209,2** | **172,5** | **140,5** | **104,3** | **(323,2)** | **(380,5)** |
| (Acquisition) / Disposals of investments | - | 3,8 | - | - | - | - | - | 3,8 |
| **Net cash flow before dividends paid by the Parent Company** | **(672,9)** | **(653,5)** | **209,2** | **172,5** | **140,5** | **104,3** | **(323,2)** | **(376,7)** |
| Dividends paid by the Parent Company | - | - | (159,9) | (79,3) | (0,3) | (0,5) | (160,2) | (79,8) |
| **Net cash flow** | **(672,9)** | **(653,5)** | **49,3** | **93,2** | **140,2** | **103,8** | **(483,4)** | **(456,5)** |

### *ALTERNATIVE PERFORMANCE INDICATORS*

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

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

- **EBITDA adjusted**: is an alternative measure to the EBITDA which excludes non-recurring, restructuring and one-off expenses. For the comparative period, this measure also included COVID-19 direct costs and expenses relative to the retention plan approved by the Board of Directors on February 26, 2018;
- **EBITDA margin**: is calculated by dividing the EBITDA by revenues from sales and services. This measure is used to evaluate operating efficiency, excluding impacts deriving from investments;
- **EBITDA margin adjusted**: is calculated by dividing the EBITDA adjusted by revenues from sales and services. This measure is used to evaluate operating efficiency, excluding the impacts deriving from investments, operating costs attributable to non-recurring, restructuring and one-off expenses. For the comparative period, this measure also included COVID-19 direct costs and expenses relative to the retention plan approved by the Board of Directors on February 26, 2018;
- **EBIT**: is an intermediate measure which is derived from the net income/(loss), but which excludes taxes, financial income/(expenses) and the net income/(loss) from equity investments. EBIT is used to measure the ability to generate earnings, including the impacts deriving from investments;
- **EBIT adjusted**: is an alternative measure to the EBIT which excludes the amortisation of intangible assets relative to assets recognised as a consequence of Business Combinations, operating costs attributable to non-recurring, restructuring and one-off expenses. For the comparative period, this measure also included COVID-19 direct costs and expenses relative to the retention plan approved by the Board of Directors on February 26, 2018;
- **EBIT margin**: is calculated by dividing the EBIT by revenues from sales and services. This measure is used to evaluate operating efficiency;
- **EBIT margin adjusted**: is calculated by dividing the EBIT adjusted by revenues from sales and services. This measure is used to evaluate operating efficiency excluding the amortisation of intangible assets relative to assets recognised as a consequence of Business Combinations, operating costs attributable to non-recurring, restructuring and one-off expenses. For the comparative period, this measure also included COVID-19 direct costs and expenses relative to the retention plan approved by the Board of Directors on February 26, 2018;
- **Net income/(loss) adjusted:** is calculated by excluding the following items from the net income/(loss):
    - the amortisation of intangible assets relative to assets recognised as a consequence of Business Combinations, operating costs attributable to non-recurring, restructuring and one-off expenses. For the comparative period, this measure also included COVID-19 direct costs and expenses relative to the retention plan approved by the Board of Directors on February 26, 2018;
    - non-recurring expenses/income recognised under financial income and expenses;
    - non-recurring expenses/income recognised under taxes, as well as the tax impact relative to the adjustments referred to in the previous points;
- **Fixed assets**: this measure is constituted of the sum of the Financial Statement items, *"Property, plant and equipment", "Intangible assets", "Investments in associates and joint ventures", "Other financial assets at fair value through other Comprehensive Income"* and *"Other non-current financial assets at fair value through the Income Statement".* Fixed assets represent the non-current assets included in the net invested capital;
- **Net operating working capita**l: 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 the short-term assets and liabilities included in the net invested capital and is used to measure short-term financial stability;

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