HALF YEAR FINANCIAL REPORT

AT JUNE 30, 2022

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

Milan Office

Milan OfficeViale 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 Shihao
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 Naddeo
	Alberto Villani

[1] Appointment: June 18, 2020. Expiry: Shareholders' Meeting convened for the approval of the Financial Statements at December 31, 2022. Changes in the composition of the Board of Directors following the date of the appointment are detailed on the Pirelli website www.pirelli.com in the Corporate Governance section.

[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 Shihao
	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]	Giorgio Luca Bruno[5]

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 stock exchange (October 4, 2017). Expiry: Shareholders' Meeting convened for the approval of the Financial Statements at December 31, 20225

[4] Appointment: Board of Directors Meeting on November 11, 2021. Expiry: jointly with the current Board of Directors.

[5] As indicated above, Giorgio Luca Bruno also holds the position of Deputy-CEO.

MACROECONOMIC AND MARKET SCENARIO

Economic Overview

Global economic performance during the first half-year was impacted by the Russian-Ukrainian crisis, and by heightened international geopolitical tensions and by the COVID emergency. The sanctions against Russia introduced by Western countries, the increase in energy prices, the discontinuity in international trade, the measures introduced by China to combat the pandemic and the volatility of the financial markets led to a significant slowdown in global economic growth (+2.7% for the second quarter).

Inflation rose everywhere, driving global consumer price growth to over +7.5% during the second quarter, fuelled by the aforementioned increase in energy prices and the further exacerbation of supply-side bottlenecks that had not yet normalised following the pandemic. Inflation, at its highest in the last 40 years, prompted the major central banks (USA, Eurozone, and UK) to adopt a restrictive monetary policy with consequent reductions in liquidity and increases in interest rates. Inflation in Asia remained relatively contained, and the central banks of Japan and China maintained an expansive monetary policy stance during the first half-year.

Consumer Prices, Change in Year-on-Year Percentages

	1Q 2021	2Q 2021	3Q 2021	4Q 2021	1Q 2022	2Q 2022
EU	1.4	2.2	3.1	4.9	6.5	8.8
US	1.9	4.8	5.3	6.7	8.0	8.6
China	0.0	1.1	0.8	1.8	1.1	2.2
Brazil	5.3	7.7	9.6	10.5	10.7	11.9
Russia	5.5	6.0	6.9	8.3	11.5	16.9
World	2.0	3.4	3.8	5.0	6.0	7.5

Source: National statistics offices and S&P Global Market Intelligence for World forecasts, July 2022.

Europe was strongly affected by tensions related to the war in Ukraine, recording a slowdown in domestic demand in the face of price increases for energy commodities, linked to uncertainties over the supply of Russian gas. Following first quarter growth (+5.5%) thanks to the complete elimination of lockdown measures GDP growth in the European Union slowed to +4.0% during the second quarter, with inflation touching 9.6% in June.

In the US, rising prices (+9.1% inflation for June) led the Fed to accelerate monetary tightening, suspending the purchase of securities on the market and raising interest rates four times during the first quarter. The reduction in household purchasing power and the increase in the cost of money impacted consumption and investments, while the strengthening of the US dollar weighed on exports. GDP growth fell to 1.6% for the second quarter compared to the same period of the previous year, and had fallen compared to the first quarter of 2022.

Economic Growth, Year-On-Year Percentage Change in GDP

	1Q 2021	2Q 2021	3Q 2021	4Q 2021	1Q 2022	2Q 2022
EU	-0.9	14.0	4.1	5.0	5.5	4.0
US	0.5	12.2	4.9	5.5	3.5	1.6
China	18.3	7.9	4.9	4.0	4.8	0.4
Brazil	2.6	12.2	4.1	1.6	1.5	2.0
Russia	-0.3	10.5	4.0	5.0	3.5	-13.1
World	3.6	11.7	4.7	4.6	4.4	2.7

Note: Change in year-on-year percentages compared to the same period of the previous year. Preliminary final data for T2 2022; forecasts for Brazil, Russia and the World. Source: National statistics offices and S&P Global, July 2022.

The measures introduced in China to counter the pandemic significantly dampened economic activity and internal domestic demand, with GDP growing by only +0.4% during the second quarter.

In Brazil, economic activity during the first half of the year was contained but in growth, especially in the industrial and services sectors due to improved mobility. The gradual rise in inflation and in interest rates since 2021 and during the first half-year, however weighed on retail sales, which gradually slowed.

Economic performance in Russia (an estimated -13.1% drop in GDP for the second quarter, 16% inflation for June), was impacted by international sanctions following the invasion of Ukraine, resulting in restrictions on foreign trade, and a block on the central bank's currency reserves and access to international markets.

Exchange Rates

The conflict between Russia and the Ukraine increased the volatility of the currency markets. The first half-year was characterised by an appreciation of the currencies of raw materials-exporting countries, and a depreciation of currencies exposed to the Russian market, especially importers of energy goods such as Europe.

The strengthening of the US dollar against the euro during the first half-year also reflected an expansion of expected growth and interest rate differentials between the US and the Eurozone. The euro/US dollar exchange rate averaged 1.09 for the first six months of 2022, with the US dollar appreciating by +10.2% compared to the same period of 2021.

The Chinese renminbi, which was stable against the US dollar, appreciated by +10.0% against the euro during the first half-year.

In Brazil, the central bank's interest rate hike to combat inflation, together with rising raw material prices, lent support to the Brazilian real, which appreciated by +5.8% against the US dollar and by +16.7% against the euro, during the first half-year.

The Russian rouble's performance was volatile for the course of the first half-year. The sanctions imposed by western countries drove the currency to above 130 roubles per US dollar during the first half of March, then depreciated for the second quarter, falling below the 60 roubles per US dollar threshold in June, thanks to checks on outgoing capital, and the sharp rises in the price of energy commodities, which supported export revenues. Despite the volatility, for the first half-year, the Russian rouble remained stable on average against the US dollar (a depreciation of -1.7%) and appreciated against the euro (+8.3% compared to the first half-year of 2021).

Key Exchange Rates	1Q		2Q		1HY	
	2022	2021	2022	2021	2022	2021
US$ per euro	1.12	1.20	1.07	1.21	1.09	1.21
Chinese renminbi per US$	6.35	6.48	6.61	6.46	6.48	6.47
Brazilian real per US$	5.24	5.49	4.93	5.30	5.09	5.39
Russian rouble per US$	87.37	74.32	66.36	74.20	75.55	74.25

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

Raw Materials Prices

Raw materials prices, especially energy prices, experienced a very volatile trend in the first half-year of 2022, a trend that became more pronounced in the wake of the Russian-Ukrainian crisis.

Brent averaged US$ 104.6 per barrel for the first half-year of 2022, up by +61% compared to an average price of approximately US$ 65 per barrel for the first half-year of 2021. Daily prices exceeded US$ 120 per barrel both in March immediately following the escalation of the Russian-Ukrainian crisis, and again in June following the confirmation of the embargo against Russian oil announced by the European Union which would come into effect at the end of 2022, before falling back to US$ 100 per barrel in early July.

Even more volatile than the price of oil was the trend in the price of natural gas, which hit historic highs in Europe in the first half-year of 2022, especially in view of a possible suspension or reduction of supply from Russia to European countries. Rising prices at the end of the second quarter resulted in natural gas being quoted on the TTF Dutch exchange at an average of approximately euro 170 per Mwh (megawatt hour) during the first two weeks of July, compared to an average euro 100.7 per Mwh for the second quarter.

Supply shortages and the increased demand from the automotive industry boosted the price of butadiene in Europe for the first half-year of 2022. The average price stood at euro 1,210 per tonne, up by +54% compared to the average price recorded for the first half-year of 2021.

Natural rubber prices remained high during 2022, after prices recovered from the second half of 2021. For the first half-year of 2022, the price of natural rubber averaged US$ 1,713 per tonne, an increase of +3% compared to the same period in 2021.

Raw Materials Prices	1Q			2Q			1HY		
	2022	2021	% chg.	2022	2021	% chg.	2022	2021	% chg.
Brent (US$ / barrel)	97.4	61.1	59%	111.8	69.0	62%	104.6	65.1	61%
European natural gas (€ / Mwh)	100.1	18.4	444%	100.7	24.9	305%	100.4	21.6	364%
Butadiene (€ / tonne)	1,067	715	49%	1,353	853	59%	1,210	784	54%
Natural rubber TSR20 (US$ / tonne)	1,772	1,668	6%	1,654	1,653	0%	1,713	1,661	3%

Note: Data are averages for the period. Source: S&P Global, Reuters.

Trends in Car Tyre Markets

During the first half-year of 2022, the car tyre market declined by -1.4% globally. Volumes still remained below pre-pandemic levels (by approximately -8% compared to the first half-year of 2019). The decline seen in the Original Equipment channel was more pronounced than for the Replacement channel:

- -2.6% for Original Equipment for the first half-year (-1.5% for the second quarter), due to the drop in production in Russia from March onwards, and in China due to lockdowns which had curbed production from March to April, as well as the impact of the shortage of components for car production.
- -1.0% for the Replacement channel which was strongly influenced by the Chinese market trend during the second quarter caused by mobility restrictions.

Trends in Car Tyre Markets

Trends in Car Tyre Markets

% change year-on-year	1Q 2021	2Q 2021	3Q 2021	4Q 2021	2021	1Q 2022	2Q 2022	1HY 2022	1HY 2022/ 1HY 2019
Total Car Tyre Market									
Total	**11.9**	**41.4**	**-5.1**	**-4.1**	**8.1**	**1.0**	**-3.8**	**-1.4**	**-7.7**
Original Equipment	14.3	48.4	-19.2	-13.3	2.3	-3.6	-1.5	-2.6	-15.7
Replacement	11.0	39.2	-0.1	-0.4	10.2	2.8	-4.6	-1.0	-4.5
Market ≥ 18"									
Total	**20.4**	**57.0**	**-1.6**	**0.7**	**15.0**	**7.7**	**3.3**	**5.5**	**13.2**
Original Equipment	18.6	67.8	-15.0	-10.6	7.8	-0.0	4.6	2.2	1.1
Replacement	21.8	50.8	7.9	9.6	20.1	13.3	2.5	7.7	22.8
Market ≤ 17"									
Total	**10.0**	**38.1**	**-5.9**	**-5.3**	**6.5**	**-0.6**	**-5.5**	**-3.1**	**-12.1**
Original Equipment	12.6	41.4	-21.0	-14.3	0.1	-5.1	-4.2	-4.6	-21.7
Replacement	9.2	37.2	-1.4	-2.1	8.5	0.9	-5.9	-2.6	-8.7

Source: Pirelli estimates

Demand for Car ≥18" was more resilient, with growth of +5.5% compared to the first half-year of 2021 (+2.2% for Original Equipment, +7.7% for the Replacement channel), reaching well beyond pre-pandemic levels (+13.2% growth in overall demand, +1.1% for Original Equipment, and +22.8% for the Replacement channel compared to the first half-year of 2019), which was also supported by an improved parc mix.

Market demand for the Car ≤17" segment (-3.1% compared to the first half-year of 2021), still remained below pre-pandemic levels (-12.1% overall compared to the first quarter of 2019) in all regions.

SIGNIFICANT EVENTS OF THE FIRST HALF-YEAR

On **January 28, 2022** Pirelli launched the start of celebrations for the 150th anniversary of its foundation on January 28, 1872, with an event at the *Piccolo Teatro* in Milan.

On **February 1, 2022** Pirelli was awarded Gold Class recognition in the 2022 Sustainability Yearbook published by S&P Global, which examined the sustainability profile of more than 7,500 companies. Pirelli obtained the "*S&P Global Gold Class*" recognition in the ranking that is carried out annually on the basis of the 2021 results of the Corporate Sustainability Assessment for the Dow Jones Sustainability Indexes of S&P Global, where Pirelli obtained a score of 77 points against a sector average of 31.

On **February 21, 2022**, Pirelli, in keeping with that which had been announced to the market on November 11, 2021, finalised the signing of a euro 1.6 billion five-year multi-currency bank credit facility with a pool of leading Italian and international banks.
The new credit facility, which is geared towards the Group's ESG objectives, has enabled:

- the repayment of debt maturing in June 2022 (approximately euro 950 million at December 31, 2021) by using euro 600 million from the new credit facility, and the remainder from the Company's liquidity;
- the replacement of euro 700 million from an available and unused credit facility maturing in June 2022, with euro 1 billion from the new credit facility, thereby increasing financial flexibility by euro 300 million.

This operation, which was finalised with improved terms and conditions than for the credit facilities that were replaced, (consistent with the provisions of the Company's plans) has allowed for the optimisation of the debt profile by extending maturity dates.

On **February 23, 2022** Pirelli announced that it had been assigned an investment grade rating by S&P Global Ratings and Fitch Ratings. This follows the Company's request for a public rating, in keeping with the Group's objectives of optimising conditions of access to the credit market. Specifically, Fitch Ratings assigned Pirelli an Investment Grade rating of BBB- with a stable outlook, emphasising, amongst other things, the solidity of the Company's operating margins and its ability to generate cash flow, which make it possible to forecast a significant reduction in debt over the next two to three years. The agency highlighted Pirelli's leadership position in the Premium segment, its consolidated know-how for high-performance products, its exposure to aftermarket activities that are less volatile than that of the Standard segment and the reputation of its Brand. S&P Global Ratings assigned an Investment Grade rating of BBB- with a stable outlook, highlighting, amongst other things, the solid position Pirelli holds in the Premium and Prestige markets, its ability to efficiently utilise its manufacturing plants, which is reflected in an EBITDA margin that exceeds the sector average and the agency's expectation of continuous debt reduction, through the careful management of a solid free cash flow.

On **February 23, 2022** Pirelli's Board of Directors approved, as part of the strategy to refinance and optimise the Company's financial structure, a new EMTN (Euro Medium Term Note) programme for the issue of senior unsecured non-convertible bond loans for a maximum countervalue of euro 2 billion to replace the previous euro 2 billion EMTN programme approved on December 21, 2017.

As part of this programme, on the same date, the Board of Directors authorised the issuance, to be executed within 12 months of the completion of the documentation, of one or more bond loans, to be placed with institutional investors, for a total maximum amount of up to euro 1 billion.

On **March 4, 2022** Pirelli announced that it would donate euro 500 thousand to help Ukrainian refugees affected by the war, and also made a current account available to employees for the collection of their donations.

On **March 17, 2022** Pirelli's Board of Directors approved and endorsed the consolidated results at December 31, 2021, which had already been disclosed to the market in a preliminary, unaudited form on **February 23**. The financial year ended with a consolidated net income of euro 321.6 million (euro 42.7 million for the 2020 financial year), and a net income for the Parent Company Pirelli & C. S.p.A. of euro 216.6 million (euro 44.0 million for the corresponding period of 2020). In accordance with the dividend policy of the 2021-2022|2025 Industrial Plan, the Board of Directors proposed the distribution of a dividend of euro 0.161 per share for a total of euro 161 million, to the Shareholders' Meeting.

On **May 9, 2022** Pirelli announced that the Science Based Targets initiative (SBTi) had validated the upgrade of Pirelli's greenhouse gas emission reduction targets, which by the end of 2021 had reached the previous targets validated by SBTi for Scope 1 and 2, four years ahead of schedule. The new targets include measures consistent with keeping climate warming *"within 1.5°C",* compared to the previous scenario that envisaged staying *"well below 2°C".*
In particular, SBTi - which defines and promotes science-based best practices for reducing emissions - has validated Pirelli's targets of a 42% reduction in absolute greenhouse gas emissions (Scope 1 and 2) by 2025 compared to 2015, and a 9% reduction in absolute greenhouse gas emissions from raw materials purchased, by 2025 compared to 2018 (Scope 3).

On **May 10, 2022** Pirelli's Board of Directors co-opted Yang Shihao to replace Yang Xingqiang, who resigned on **April 28, 2022**. The Board of Directors also proceeded to appoint Yang Shihao - qualified by the Board as a non-executive Director - as a member of the Strategies Committee. Yang Shihao, whose curriculum vitae is available on the www.pirelli.com website, at the date of the appointment did not possess the requisites to qualify as independent, pursuant to the Italian Consolidated Law on Financial Intermediation (TUF) and the Corporate Governance Code, and did not hold any shares in the Company.

On **May 18, 2022**, the Pirelli's Shareholders' Meeting (convened on **April 13, 2022**), which was attended by 83.68% of the voting capital, approved - with more than 99.9% of the capital represented - the financial statements for the 2021 financial year, and resolved to distribute a dividend of euro 0.161 per ordinary share, equal to a total dividend pay-out of euro 161 million before withholding taxes. The dividend was placed for payment on May 25, 2022 (with an ex-dividend date of May 23 and a record date of May 24). The Shareholders' Meeting also approved the remuneration policy for 2022 (with 85.19% of the capital present) and gave its favourable opinion (with 84.54% of the capital present) on the Report on remunerations paid in the 2021 financial year. The Shareholders' Meeting also approved (with 88.31% of the capital present) the adoption of the monetary incentive Plan for the 2022-2024 three-year period aimed at the Group’s management in general. Lastly, the Shareholders' Meeting approved (with 85.62% of the capital present) the mechanisms for the possible adjustment of the sole quantification of the targets included in the monetary incentive plans for the three-year periods of 2020-2022 and 2021-2023, consistent with the provisions of the remuneration policy for 2022.

On **May 23, 2022**, with reference to the non-interest-bearing *“EUR 500 million Senior Unsecured Guaranteed Equity-linked Bonds due 2025”,* Pirelli & C. S.p.A. announced that - following the resolution of the Shareholders' Meeting of May 18, 2022 to distribute a dividend of euro 0.161 per ordinary share - the conversion price of the bonds was changed from euro 6.235 to euro 6.1395, in accordance with the regulations of the bond loan itself, effective May 23, 2022.

On **June 22, 2022**, Pirelli's Board of Directors approved the signing with a selected pool of international banks of a *"sustainability-linked"* credit facility for an amount of up to euro 400 million with a maturity of 19 months, which will further optimise the Group's financial structure. The new credit facility, which will be used to repay part of the debt maturing in 2023, helps to preserve the liquidity margin, with debt maturities covered until the first half-year of 2024. The new credit facility is geared to Pirelli's goal of reducing absolute greenhouse gas emissions from the raw materials purchased (Scope 3), validated by the Science Based Targets initiative (SBTi) and contained in Pirelli's first *"Sustainability-Linked Financing Framework",* the document that contains the Company's guidelines and commitments to its stakeholders on sustainable finance.
In addition, the Board of Directors updated the resolutions relative to the euro 1 billion bond issue which is part of the euro 2 billion EMTN programme, revoking the resolution approved on February 23, 2022 and simultaneously approved a new resolution for the issue, again as part of the EMTN programme, of non-convertible bonds to be placed with institutional investors for up to euro 1 billion, to be executed by May 2023, in order to take into account the changed market conditions and the interventions - already implemented or expected - by the central banks.

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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In a highly volatile external environment (rising inflation, difficulties along the supply chain, lockdowns in China), which was further exacerbated by the Russian-Ukrainian conflict, Pirelli closed the first half-year of 2022 with results in growth, thanks to the implementation of the key programmes of the 2021-2022|2025 Industrial Plan.

On the **Commercial** front:

- continued growth for the High Value segment (72% of Group revenues), with particular focus on Car ≥19", Specialties and electric vehicles. The first half-year saw strengthened positioning for the Car ≥18" Replacement channel (+13% for Pirelli volumes compared to +8% for the market), thanks to the further renewal of the product portfolio. The performance for Original Equipment channel for Car ≥18" was consistent with that of the market (+2% for Pirelli volumes as well as for the market), but with an increasing focus on higher tyre rim diameters (≥19" volumes were up by approximately +4 percentage points and accounted for almost 76% of Original Equipment ≥18" volumes), and on electric vehicles (12% of Original Equipment ≥18" volumes, which had doubled compared to the first half-year of 2021);
- a reduction in exposure to the Standard segment (-7% for Pirelli Car ≤17" volumes compared to -3% for the market), with a mix increasingly oriented towards the Replacement channel and higher rim diameter products;
- record improvement in the price/mix (+20.4% for the first half-year), which reflected the price increases and a favourable mix performance.

On the **Innovation** front:

- the homologation plan continued especially with the Premium and Prestige OEM partners, with ~160 new technical homologations concentrated mainly in the ≥19" range and in Specialties;
- the launch during the half-year of four new product lines of which three are dedicated to the SUV segment (the New Scorpion, Scorpion All-Season SF2 and Scorpion Winter), with a particular focus on electric or plug-in hybrid cars. The Winter range was expanded with the introduction of a line dedicated to colder temperatures (Ice Zero Asymmetric).

The **Competitiveness Programme** continued, with gross benefits of euro 51.7 million (35% of the annual target of euro 150 million), and 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 an optimised logistics and warehouse network and negotiated purchases;
- organisation, through the recourse to digital transformation.

For the **Operations Programme**:

- the production of cycling tyres began at the Bollate plant;
- plant saturation levels for the first half-year of 2022 stood at approximately 90%;

For the **Digitisation Programme**:

- the adoption of the new CRM for integrated customer management was completed;
- coverage for major factories with Industrial Internet of Things (IioT) technology to improve the efficiency of production processes began;
- the cloud strategy for all central IT systems was completed. The new, fully upgraded infrastructure guarantees business continuity and reduced Cyber Security risks, lower operating costs and a reduction in CO_2 emissions (-40% compared to the previous infrastructure).

On the **sustainability** front, during the first half-year of 2022 as part of the measures to protect **health** and **safety** in the workplace, the worldwide Excellence in Safety Project continued, together with ongoing improvement measures in all factories.

From an environmental perspective, the path towards **decarbonisation** continued, which incuded:

- the formalisation last June of the Company's Net Zero Commitment a Science Based Target initiative (SBTi); **Net Zero Commitment a Science Based Target initiative (SBTi)**;

- the validation by SBTi of the Company's new targets for the reduction of greenhouse gas emissions, following the achievement of the previous Scope 1 and 2 targets four years ahead of schedule. The new targets include measures consistent with the goal of limiting average global warming temperatures to within +1.5°C, as well as reducing emissions from the raw material supply chain (Scope 3).

At **product** level, in keeping with its **Eco&Safety Design** strategy, in February Pirelli launched the new Scorpion Summer, a tyre with class A/B labelling - the highest performance levels defined by European standards - for rolling resistance, wet grip and noise.

Research and Development on **innovative materials** is benefiting from the introduction of virtual processes using **artificial intelligence**, from design to the industrialisation of materials, with a **30% reduction in development time**. These processes also allow for a **20% reduction in material prototypes,** with consequent savings in costs.

Significant results were also achieved in **reducing the wear rate of tyres**, with improvements of **up to 33%** for new product lines compared to previous lines.

Lastly, the **importance of ESG objectives** at the level of **variable remuneration** for management has increased, with a focus on gender balance, and revenues from Eco & Safety performance products[1] on the reduction of absolute CO_2 emissions and Pirelli's positioning in the Dow Jones Sustainability World Index ATX Auto Component sector.

Activities in Russia

As already mentioned when the results for the first quarter of 2022 were published on May 10, 2022, Pirelli suspended investments in its factories in Russia, with the exception of those intended for safety. Russia accounted for 3% of turnover for 2021, a figure that remained substantially unchanged during the first half-year of 2022, and approximately 11% of the Group's Car capacity, mainly Standard with approximately half dedicated to exports.

Pirelli activated a series of initiatives to mitigate the effects of the conflict as part of the contingency plan announced in February. In compliance with **international sanctions** imposed by the EU, which include a ban on imports of Russian finished products into the EU and a ban on exports of certain raw materials to Russia beginning from the second half-year, Pirelli has:

- geared **production** towards the domestic market;
- identified **alternative sources** of **import/export** streams, with the gradual activation of sourcing supplies of finished products from Turkey and Romania, to replace Russian exports to European markets and the use of mainly local suppliers of raw materials to replace European suppliers;
- diversified its **service providers** for logistics services in order to ensure the continuity of supplies of finished products and raw materials;
- guaranteed its financial support through local banks.

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[1] *Revenues from the sales of Eco & Safety Performance tyres out of the Group's total Car tyre sales. Eco & Safety Performance products identify the Car tyres that Pirelli produces worldwide and that fall exclusively into classes A, B, C of rolling resistance and grip on the wet, in accordance with the labelling parameters laid down by European regulations.*

Pirelli's results for the first half-year of 2022 were characterised by:

- **net sales** which equalled euro **3,197.0** million, +24.6% compared to the first half-year of 2021 (a +19.4% growth net of the exchange rate effect and hyperinflation in Argentina and Turkey), supported by the strong improvement in the price/mix (+20.4%);
- **EBIT adjusted** which equalled euro **481.6** million, up by +27,6% compared to euro 377.4 million for the first half-year of 2021, with profitability at 15.1%, and which had improved compared to 14.7% for the same period of 2021, thanks to the contribution of internal levers (price/mix and efficiencies), which more than offset the strong impact of raw materials and inflation;
- a **net income/loss** which amounted to an income of euro **233.0** million (euro 131.6 million for the first half-year of 2021), and which reflected an improved operational performance, and a **net income/(loss) adjusted** which amounted to an income of euro **287.9** million, net of one-off, non-recurring and restructuring expenses, and of the amortisation of intangible assets recognised in the PPA (euro 224.3 million for the first half-year of 2021);
- a **Net Financial Position** which at June 30, 2022 showed a debt of euro **3,530.7** million (euro 2,907.1 at December 31, 2021 and euro 3,818.7 million at June 30, 2021), with a net cash absorption before dividends of euro 464 million (euro 481 million for the first half-year of 2021) which reflected the usual seasonality of the business. Cash generation before dividends was positive for the second quarter: euro 209 million (euro 173 million for the second quarter of 2021) supported by an improved operating performance;
- a **liquidity margin** which equalled euro **2,428.4** million.

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

(in millions of euro)	**1 HY 2022**	**1 HY 2021**
Net sales	**3,197.0**	**2,564.8**
EBITDA adjusted (°)	**695.3**	**573.9**
% of net sales	21.7%	22.4%
EBITDA	**675.8**	**502.0**
% of net sales	21.1%	19.6%
EBIT adjusted	**481.6**	**377.4**
% of net sales	15.1%	14.7%
Adjustments: - amortisation of intangible assets included in PPA	(56.9)	(56.9)
- non-recurring, restructuring expenses and other	(19.5)	(71.9)
EBIT	**405.2**	**248.6**
% of net sales	12.7%	9.7%
Net income/(loss) from equity investments	2.3	2.0
Financial income/(expenses)	(89.6)	(71.8)
Net income/(loss) before taxes	**317.9**	**178.8**
Taxes	(84.9)	(47.2)
Tax rate %	26.7%	26.4%
Net income/(loss)	**233.0**	**131.6**
Eanings/(loss) per share (in euro per share)	0.22	0.12
Net income/(loss) adjusted	287.9	224.3
Net income/(loss) attributable to owners of the Parent Company	221.4	123.1

(°) The adjustments refer to one-off, non-recurring and restructuring expenses to the amount of euro 19.5 million (euro 58.5 million for the first half-year of 2021). Also, for the first half-year 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 4.7 million and COVID-19 direct costs to the amount of euro 8.7 million.

(in millions of euro)		06/30/2022	12/31/2021	06/30/2021
Fixed assets		**9,017.1**	**8,912.4**	**8,887.5**
	Inventories	1,396.8	1,092.2	956.5
	Trade receivables	936.4	659.2	802.5
	Trade payables	(1,454.2)	(1,626.4)	(1,046.6)
Operating net working capital		**879.0**	**125.0**	**712.4**
% of net sales (*)		14.7%	2.3%	14.1%
	Other receivables/other payables	100.2	0.8	48.2
Net working capital		**979.2**	**125.8**	**760.6**
% of net sales (*)		16.4%	2.4%	15.1%
Net invested capital		**9,996.3**	**9,038.2**	**9,648.1**
Equity		**5,419.6**	**5,042.6**	**4,798.7**
Provisions		1,046.0	1,088.5	1,030.7
Net financial (liquidity)/debt position		**3,530.7**	**2,907.1**	**3,818.7**
Equity attributable to owners of the Parent Company		5,268.9	4,908.1	4,680.9
Investments in intangible and owned tangible assets (CapEx)		115.7	345.6	152.8
Increases in right of use		41.3	122.4	49.9
Research and development expenses		126.4	240.4	117.2
% of net sales		4.0%	4.5%	4.6%
Research and development expenses - High Value		116.8	225.1	110.0
% of High Value sales		5.1%	6.0%	6.0%
Employees (headcount at end of period)		31,247	30,690	30,787
Industrial sites (number)		18	18	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	
		2022	2021	2022	2021	2022	2021
Net sales		**1,521.1**	1,244.7	**1,675.9**	1,320.1	**3,197.0**	2,564.8
	yoy	22.2%		26.9%		24.6%	
	organic yoy *	19.0%		19.8%		19.4%	
EBITDA adjusted		**333.1**	266.5	**362.2**	307.4	**695.3**	573.9
	% of net sales	21.9%	21.4%	21.6%	23.3%	21.7%	22.4%
EBITDA		**325.6**	223.5	**350.2**	278.5	**675.8**	502.0
	% of net sales	21.4%	18.0%	20.9%	21%	21.1%	19.6%
EBIT adjusted		**228.5**	168.8	**253.1**	208.6	**481.6**	377.4
	% of net sales	15.0%	13.6%	15.1%	16%	15.1%	14.7%
Adjustments: - amortisation of intangible assets included in PPA		(28.4)	(28.4)	(28.5)	(28.5)	(56.9)	(56.9)
- non-recurring, restructuring expenses and other		(7.5)	(43.0)	(12.0)	(28.9)	(19.5)	(71.9)
EBIT		**192.6**	97.4	**212.6**	151.2	**405.2**	248.6
	% of net sales	12.7%	7.8%	12.7%	11%	12.7%	9.7%
Net income/(loss) from equity investments		0.8	(0.1)	1.5	2.1	2.3	2.0
Financial income/(expenses)		(43.6)	(40.0)	(46.0)	(31.8)	(89.6)	(71.8)
Net income/(loss) before taxes		**149.8**	57.3	**168.1**	121.5	**317.9**	178.8
Taxes		(40.0)	(15.1)	(44.9)	(32.1)	(84.9)	(47.2)
Tax rate %		26.7%	26.4%	26.7%	26.4%	26.7%	26.4%
Net income/(loss)		**109.8**	42.2	**123.2**	89.4	**233.0**	131.6

*before exchange rate effect and hyperinflation in Argentina and Turkey

Total net sales amounted to euro 3,197.0 million, a growth of +24.6% compared to the first half-year of 2021, +19.4% excluding the combined impact of the exchange rate effect and the adoption of hyperinflation accounting in Argentina and Turkey (totalling +5.2%).

High Value sales accounted for 72% of total Group revenues (72% for the first half-year of 2021).

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

		2022	
	1Q	**2Q**	**1HY**
Volume	-1.4%	-0.6%	-1.0%
of which:			
- High Value	*5.8%*	*5.7%*	*5.8%*
- Standard	*-9.7%*	*-7.9%*	*-8.8%*
Price/mix	20.4%	20.4%	20.4%
Change on a like-for-like basis	**19.0%**	**19.8%**	**19.4%**
Exchange rate effect /Hyperinflation accounting in Argentina and Turkey	3.2%	7.1%	5.2%
Total change	**22.2%**	**26.9%**	**24.6%**

Volume performance (-1.0%) was impacted by the different trends between the High Value (+5.8%) and Standard segments (-8.8%), for both the Car and Motorcycle businesses.

For the total Car business, Pirelli reported a total increase in volumes of approximately +1%, compared to approximately -1% for the market:

- ≥18" segment volumes grew by +8%, with +5% for the market and a stronger Replacement channel (+13% for Pirelli volumes compared to +8% for the market), particularly in Europe and North America, consistent with the market trend for the Original Equipment channel (+2%), which benefited from the recovery of demand during the second quarter (+5%);

- reduced exposure to the ≤17" segment (-7% for Pirelli volumes compared to -3% for the market), with increased focus on the product and channel mix. There was a positive trend for the Replacement channel (+2% compared to -3% for the market), mainly supported by increased sales in higher rim diameters (16" and 17"). Original Equipment channel sales fell instead (-30% compared to -5% of the market), due to both the increased selectivity within this channel, and the impact of the Russian crisis following the freeze on automobile production by the main OEMs.

Pirelli Car ≥18" markedly outperformed during the second quarter: +8% for Pirelli volumes, compared to +3% for the market, with a gain in market share for the Replacement channel (+10% for Pirelli volumes, +2% for the market), thanks to strong growth in Europe and North America, which more than offset the decline in demand in China due to the pandemic.

For the Car ≤17" segment for the second quarter, Pirelli volumes declined by approximately -8% (approximately -6% for the market), led by the Original Equipment channel.

The trend in Motorcycle volumes was negative (-9% for volumes for the first half-year, -10% for the second quarter). This trend was impacted by the sharp decline in sales for the Standard segment (-24% for the first half-year, -19% for the second quarter), following the reduction in exposure to this segment with the closure of the Brazilian motorcycle tyre plant in Gravatai, which was completed during the third quarter of 2021. The trend in volumes for the High Value Motorcycle segment was instead positive (+6% for the half-year, -0.2% for the second quarter), particularly in Europe and North America thanks to the renewed Road and Touring product range.

The **price/mix** for the half-year (+20.4%, consistent with the first quarter) was supported by:

- price increases in all Regions to counter rising inflation in the costs of production factors;
- an improved channel mix (increased sales for the Replacement channel) and an improved product mix, the latter linked to the ongoing conversion from Standard to High Value, and to the improved micro-mix within both segments.

The **price/mix** in the **second quarter** was +20.4% in line with first quarter but with a higher contribution from the price component.

The positive impact of the **exchange rate effect** (+5.2% for the half-year, +7.1% for the second quarter) reflected the appreciation of the main currencies against the euro (+10.2% for the US dollar, +10.0% for the Chinese renminbi and +16.7% for the Brazilian real, for the first half-year).

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

(in millions of euro)	**1 HY 2022**	%	*YoY*	*Organic YoY**	**1 HY 2021** %
Europe and Turkey	1,256.1	39.3%	*21.8%*	*22.0%*	40.2%
North America	747.7	23.4%	*41.0%*	*31.0%*	20.7%
APAC	502.5	15.7%	*2.4%*	*-5.5%*	19.1%
South America	419.4	13.1%	*44.5%*	*32.4%*	11.3%
Russia, Nordics and MEAI	271.3	8.5%	*21.7%*	*17.3%*	8.7%
Total	**3,197.0**	**100.0%**	***24.6%***	***19.4%***	**100.0%**

* before exchange rate effect and hyperinflation in Argentina and Turkey

EBITDA adjusted amounted to euro 695.3 million (euro 573.9 million for the first half-year 2021), with a margin of 21.7% (22.4% for the first half year of 2021), which reflected the dynamics described in the following paragraph in terms of EBIT adjusted.

EBIT adjusted for the first half-year of 2022 amounted to euro 481.6 million (euro 377.4 million for the corresponding period of 2021), with an EBIT margin adjusted of 15.1%, an improvement compared to +14.7% for the first half-year of 2021. The contribution of internal levers (price/mix and efficiencies), more than offset the negativity of the external environment (raw materials and inflation). More specifically, the EBIT adjusted reflected:

- the **positive price/mix effect** (euro +435.4 million) which more than compensated the increase in the cost of **raw materials** (euro -236.0 million including the relative exchange rate effect), **the negative impact of the inflation of the costs of production** (euro -140.9 million) and the **negative impact of volumes** (euro -10.9 million);

- the **positive effect of Phase 2 of the Competitiveness Plan** which generated structural efficiencies which amounted to euro 51.7 million:
- the **positive impact of the exchange rate effect** to the amount of euro 15.5 million;
- **the increase in depreciation and amortisation** (euro -9.5 million) and other costs (euro -1.1 million).

EBIT adjusted amounted to euro 253.1 million for the second quarter, an increase of +21.3% thanks to the strong contribution of internal levers, as shown in the table below. The EBIT margin adjusted of 15.1% was stable compared to the first quarter of 2022, but had declined slightly from 15.8% for the second quarter of 2021, due to the effect of:

- the impact of the reduction in inventories (euro -7.9 million);
- the application of hyperinflation accounting in Turkey (euro -6.2 million);

These impacts, both included under the item *"other",* were partly offset by lower accruals to the provisions for the Long-Term and Short-Term Management Incentive Plan.

(in millions of euro)	**1 Q**	**2 Q**	**1 HY**
2021 EBIT adjusted	**168.8**	**208.6**	**377.4**
- Internal levers:			
Volumes	(7.4)	(3.5)	(10.9)
Price/mix	206.2	229.2	435.4
Amortisation and depreciation	(4.8)	(4.7)	(9.5)
Efficiencies	28.6	23.1	51.7
Other	4.3	(5.4)	(1.1)
- External levers:			
Cost of production factors (commodities)	(119.9)	(116.1)	(236.0)
Cost of production factors (labour/energy/other)	(53.3)	(87.6)	(140.9)
Exchange rate effect	6.0	9.5	15.5
Total change	**59.7**	**44.5**	**104.2**
2022 EBIT adjusted	**228.5**	**253.1**	**481.6**

EBIT amounted to euro 405.2 million (euro 248.6 million for the first half-year of 2021), and included the amortisation of intangible assets identified in the PPA to the amount of euro 56.9 million, consistent with the first half-year of 2021, and one-off, non-recurring and restructuring expenses to the amount of euro 19.5 million, which were in sharp decline compared to the figure for the first half-year of 2021 (euro -71.9 million), coherent with the structural rationalisation plan.

Net income/(loss) from equity investments amounted to an income of euro 2.3 million, (euro 2.0 million for the first half-year of 2021).

Net financial expenses for the first half-year of 2022 amounted to euro 89.6 million compared to euro 71.8 million for the same period of 2021.
The changed market conditions, and the interventions by central banks were reflected in the cost of debt, which at June 30, 2022 - calculated as an average over the last twelve months - increased to 3.03% from 2.38% at December 31, 2021, particularly due to the increase in interest rates and in costs for hedging measures against risks in Brazil (the average benchmark rate increased by approximately +9 percentage points for the first half-year of 2022, compared to the corresponding period of 2021) and in Russia, (the average benchmark rate increased by approximately +10 percentage points for the first half-year of 2022, compared to the corresponding period of 2021). This impact was partly offset by the decrease in financial expenses at Parent Company level, thanks to the improved contractually provided financial conditions due to the reduction in the Group's leverage, and to the decrease in the wash-down of fees compared to the previous period.

Taxes for the first half-year of 2022 amounted to euro -84.9 million against a net income before taxes of euro 317.9 million, with a tax rate of 26.7%. For the first half-year of 2021, taxes had amounted to euro -47.2 million against a net income before taxes of euro 178.8 million (a tax rate of 26.4%).

Net income/(loss) amounted to an income of euro 233.0 million, a growth of +77.1% compared to euro 131.6 million for the first half-year of 2021, which fully reflected the improvement in operating performance, while lower restructuring and non-recurring expenses offset the increase in financial expenses and taxes.
Net income/(loss) adjusted amounted to an income of euro 287.9 million, compared to an income of euro 224.3 million for the first half-year of 2021. The following table shows the calculations for:

(in millions of euro)	1 HY	
	2022	**2021**
Net income/(loss)	**233.0**	**131.6**
Amortisation of intangible assets included in PPA	56.9	56.9
One-off, non-recurring and restructuring expenses	19.5	67.2
Retention plan	-	4.7
Taxes	(21.5)	(36.1)
Net income/(loss) adjusted	**287.9**	**224.3**

Net income/(loss) attributable to the owners of the Parent Company amounted to an income of euro 221.4 million, compared to an income of euro 123.1 million for the first half-year of 2021.

Equity went from euro 5,042.6 million at December 31, 2021 to euro 5,419.6 million at June 30, 2022.

Equity attributable to the owners of the Parent Company at June 30, 2022 equalled euro 5,268.9 million, compared to euro 4,908.1 million at December 31, 2021.

This change is shown in the table below:

(in millions of euro)	**Group**	**Non-controlling interests**	**Total**
Equity at 12/31/2021	**4,908.1**	**134.5**	**5,042.6**
Translation differences	198.8	29.0	227.8
Net income/(loss)	221.4	11.6	233.0
Fair value adjustment of financial assets / derivative instruments	11.4	-	11.4
Actuarial gains/(losses) on employee benefits	37.0	-	37.0
Dividends approved	(161.0)	(24.4)	(185.4)
Effect of hyperinflation in Turkey	14.2	-	14.2
Effect of hyperinflation in Argentina	38.9	-	38.9
Other	0.1	-	0.1
Total changes	**360.8**	**16.2**	**377.0**
Equity at 06/30/2022	**5,268.9**	**150.7**	**5,419.6**

Net financial position showed a debt of euro 3,530.7 million, compared to euro 2,907.1 million at December 31, 2021. It was composed as follows:

(in millions of euro)	**06/30/2022**	**12/31/2021**
Current borrowings from banks and other financial institutions	1,240.6	1,489.2
- of which lease liabilities	*85.0*	*91.6*
Current derivative financial instruments (liabilities)	68.6	10.3
Non-current borrowings from banks and other financial institutions	3,657.4	3,789.4
- of which lease liabilities	*418.0*	*412.8*
Non-current derivative financial instruments (liabilities)	-	3.5
Total gross debt	**4,966.6**	**5,292.4**
Cash and cash equivalents	(889.7)	(1,884.7)
Other financial assets at fair value through Income Statement	(138.7)	(113.9)
Current financial receivables **	(111.8)	(81.8)
Current derivative financial instruments (assets)	(18.3)	(38.8)
Net financial debt *	**3,808.1**	**3,173.2**
Non-current derivative financial instruments (assets)	(1.7)	(4.6)
Non-current financial receivables **	(275.7)	(261.5)
Total net financial (liquidity) / debt position	**3,530.7**	**2,907.1**

* Pursuant to CONSOB Notice of July 28, 2006 and in compliance with the ESMA guidelines regarding disclosure requirements pursuant to the Prospectus Regulation applicable from May 5, 2021.

** The item "*financial receivables*" is reported net of the relative provisions for impairment which amounted to euro 10.7 million at June 30, 2022 (euro 9.3 million at December 31, 2021).

The **structure of gross debt** which amounted to euro 4,966.6 million, was as follows:

(in millions of euro)	06/30/2022	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
ESG financing 2022	597.4	-	-	-	-	597.4	-
Convertible bond	465.7	-	-	-	465.7	-	-
EMTN programme bond	552.2	552.2	-	-	-	-	-
Schuldschein	242.9	-	222.9	-	20.0	-	-
Pirelli & C. bilateral borrowings from banks	1,222.5	100.0	723.3	399.2	-	-	-
Sustainable credit facility	796.6	-	-	796.6	-	-	-
Other loans	586.3	572.0	0.3	14.0	-	-	-
Lease liabilities	503.0	85.0	75.6	65.9	52.8	45.4	178.3
Total gross debt	**4,966.6**	**1,309.2**	**1,022.1**	**1,275.7**	**538.5**	**642.8**	**178.3**
		26.4%	*20.6%*	*25.7%*	*10.8%*	*12.9%*	*3.6%*

At June 30, 2022 the Group had a liquidity margin equal to euro 2,428.4 million, composed of euro 1,400.0 million in the form of non-utilised committed credit facilities, (of which euro 400.0 million was related to the new credit facility signed on June 27, 2022) and euro 889.7 million was related to cash and cash equivalents in addition to financial assets at fair value through the Income Statement, to the amount of euro 138.7 million. The liquidity margin guarantees coverage for maturities for borrowings from banks and other financial institutions, until the second half of 2024.

Net cash flow before dividends amounted to euro -463.7 million, compared to a cash flow of euro -481.0 million for the first half-year of 2021. **Operating net cash flow** improved significantly, and amounted to euro -164.7 million, compared to euro -272.7 million for the corresponding period of the previous year.

Net cash flow for the half-year can be summarised as follows:

(in millions of euro)	1 Q		2 Q		1 HY	
	2022	2021	2022	2021	2022	2021
EBIT adjusted	228.5	168.8	253.1	208.6	481.6	377.4
Amortisation and depreciation (excluding PPA amortisation)	104.6	97.7	109.1	98.8	213.7	196.5
Investments in intangible and owned tangible assets (CapEx)	(48.6)	(89.8)	(67.1)	(63.0)	(115.7)	(152.8)
Increases in right of use	(8.1)	(26.7)	(33.2)	(23.2)	(41.3)	(49.9)
Change in working capital and other	(841.6)	(717.2)	138.6	73.3	(703.0)	(643.9)
Operating net cash flow	**(565.2)**	**(567.2)**	**400.5**	**294.5**	**(164.7)**	**(272.7)**
Financial income / (expenses)	(43.6)	(40.0)	(46.0)	(31.8)	(89.6)	(71.8)
Taxes paid	(32.9)	(37.1)	(71.5)	(34.9)	(104.4)	(72.0)
Cash-out for non-recurring, restructuring expenses and other	(23.6)	(28.9)	(11.9)	(40.4)	(35.5)	(69.3)
Dividends paid to minorities	-	-	(24.4)	-	(24.4)	-
Differences from foreign currency translation and other	(7.6)	15.9	(37.5)	(14.9)	(45.1)	1.0
Net cash flow before dividends, extraordinary transactions and investments	**(672.9)**	**(657.3)**	**209.2**	**172.5**	**(463.7)**	**(484.8)**
(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**	**(463.7)**	**(481.0)**
Dividends paid by the Parent Company	-	-	(159.9)	(79.3)	(159.9)	(79.3)
Net cash flow	**(672.9)**	**(653.5)**	**49.3**	**93.2**	**(623.6)**	**(560.3)**

The improved **operating net cash flow** mainly reflected:

- the positive effect of the performance of operating income (euro 481.6 million for the first half-year of 2022, compared to euro 377.4 million for the corresponding period of 2021);
- lower investments in property, plant and equipment and intangible assets (CapEx) equal to a total of euro -115.7 million compared to euro -152.8 million for the first half-year of 2021. These investments were mainly aimed at High Value activities and at the constant improvement of the mix and quality in all factories. This decrease compared to the first

half-year of 2021 (which was affected by the restart of investments that had been blocked in 2020), was also due to a the different timing envisaged for the implementation of projects during 2022, which was also attributable to the geographical reallocation of investments as a result of the changed external environment;

- higher cash absorption linked to working capital and other to the amount of euro -59.1 million (euro -703.0 million for the first half-year of 2022, compared to euro -643.9 million for the first half-year of 2021), attributable to an increase in inventories, (which accounted for 23.4% of net sales, 20.5% at December 31, 2021), mainly for raw materials, both due to the effects of inflation and the need to reduce supply chain risks in a volatile economic and market environment rendered even more unpredictable by the conflict between Russia and the Ukraine.

  Inventories for finished products were optimised, and accounted for of 16% reveues, which was substantially consistent with the figure at December 31, 2021, due mainly to the effect of the measures put in place to limit the growth of finished Car product inventories (+1.3% compared to December 2021), and to the significant reduction recognised during the half-year for Motorcycle inventory quantities (a reduction by approximately -700 thousand pieces compared to December 2021).

  The general increase in inventories was mitigated:
  - by the trend in trade payables, (which at June 30, 2022 accounted for 24.4% of revenues, an increase of approximately 4 percentage points compared to June 30, 2021) which reflected the growth in business activity;
  - by the trend in trade receivables (which accounted for 15.7% of revenues, which was substantially consistent with the figure at June 30, 2021).

To be noted is the significant reduction of cash-out linked to non-recurring and restructuring expenses (euro -35.5 million for the first half-year of 2022 compared to euro -69.3 million for the first half-year of 2021), which partially offset:

- the increase in financial expenses (euro -89.6 million for the first half-year of 2022 compared to euro -71.8 million for the first half-year of 2021);
- higher taxes (euro -104.4 million for the first half-year of 2022, compared to euro -72.0 million for the first half year of 2021);
- dividends paid to non-controlling interests to the amount of euro 24.4 million;
- the negative exchange rate impact of euro -45.1 million (euro +1.0 million for the first half-year of 2021), mainly attributable to the appreciation of the Russian rouble and the Brazilian real.

Net cash flow before dividends for the second quarter of 2022 amounted to euro 209.2 million compared to euro 172.5 million for the corresponding period of the previous financial year. This improvement of euro 36.7 million was mainly attributable to the operating net cash flow.

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OUTLOOK FOR 2022

(in billion of euro)	**May 2022**	**August 2022**
Revenues	~5.9 ÷ ~6.0	~6.2 ÷ ~6.3
Adjusted Ebit margin	~15%	~15%
Investments (CapEx)	~0.39	~0.39
% of revenues	*~6.5%*	*~6.0%*
Net cash flow before dividends	~0.45	~0.45 ÷ ~0.47
Net financial position	~-2.6	~-2.6
NFP/Ebitda Adj.	*≤2.0x*	*≤2.0x*
ROIC *after taxes*	~19%	~19%

Geopolitical tensions, the persistence of Covid outbreaks, discontinuities in the supply chain and money tightening at the global level are further slowing the prospects for world economic growth in a scenario of persistent volatility that also reflects lower consumer confidence. In 2022 growth **of global GDP growth** is forecast at +2.7% (previous estimate +3.2%), with inflation foreseen at 7.3% (previous estimate 6.6%), a record level because of the cost of raw materials, energy, transport and labour.

In this scenario, the **global car tyre market** car is expected to see **unchanged demand** on an annual basis (previous indication +0.5%), with forecast growth of volumes in the High Value segment of +7%, in line with previous estimates and markedly higher than Standard (forecast for market -2% compared with preceding estimate of -1%).

In particular, the expectations for **in High Value** are:

- In **Original Equipment** ≥18'' volumes' growth of around +10% (previous indications around +8%) driven by China, because of government aid, and Europe;
- In **Replacement** ≥18'' volumes' growth of around +5% (previous indication around +7%) because of the slowdown of demand in China only partially offset by better performances in other Regions, particularly in Europe.

For **Standard** a fall in volumes is foreseen of around -2% (previous indication around -1%) with **Original Equipment growing by around** +1% (previously around -3%) and with the **Replacement channel** expected to fall by around -3% (previously around -1%).
Pirelli will meet the above scenario able to count on an effective business model – as shown by the results of the first half – that leverages particularly on:

- a **distinctive positioning in High Value OE**, always more focused on specialties, ≥19'' and electric, which will facilitate capturing the recovery in the second half;
- **a pull-through effect and renewal of the product range** which will support the performance of the High Value Replacement channel;
- **price increases**, announced in June, which will be fully implemented in the second half 2022;
- **price/mix and efficiencies** able to counter-balance increases in the cost of raw materials and inflation;
- **cost mitigation actions**;
- an '**attentive management** of working capital, in particular of inventories (the weight of which against revenues expected to return to 2021 levels, of 20.5%) mainly thanks to the reduction of stocks of finished products.

In light of the solid performance registered in the first half and the changed external scenario, Pirelli updates its 2022 targets:

- **Revenues between ~6.2 and ~6.3 billion euro** (around 300 million more compared with the previous target of ~5.9 and ~6.0 billion) with growth on an annual basis expected between +17% and +18%, as a result of:
  - **total volumes' growth** between ~+0.5% and ~+1.5% (in line with the previous indication) but with a better performance in High Value, particularly in Original Equipment;
  - **price/mix** improving to between ~+13.5% / ~+14.5% compared with previous indications of ~+10% / ~+11%, because of additional price increases;
  - impact of **forex** improving and now expected to be positive at around +2.5% (previous estimate neutral impact), prudently estimating greater volatility of exchange rates in emerging countries in the second half.
- **Adjusted Ebit Margin expected at ~15%** (in line with previous indication), with an improvement in absolute value thanks to the growing contribution of the price/mix which more than compensates for the greater impact of raw materials and inflation and greater costs linked to the reduction of inventories and hyperinflation in Turkey.
- **Net cash generation before dividends expected between** ~450 and ~470 million euro (previous indications ~450 million) thanks to a solid operating performance and efficient management of working capital.
- **Investments** confirmed at around 390 million euro (~6% of revenues).
- **Net financial position** confirmed at ~-2.6 billion euro with a NFP/ Adjusted Ebitda ratio of ≤ 2 times.
- **ROIC expected at** ~19%, in line with the previous indication.

SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE 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 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 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 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;

- **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 property, plant and equipment;

- **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"*.

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 authority to take the most important decisions in financial/strategic terms, or in terms of their structural impact on management, or that are functional to the exercise of Pirelli's controlling and steering activities.

The Chairman is endowed with the legal representation of the Company in legal proceedings, as well as with all other powers attributed to him under the Articles of Association.

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

The Deputy-CEO is attributed the powers for the operational management of Pirelli, to be exercised in a vicarious capacity.

The Board has internally instituted the following Committees with advisory and propositional tasks:

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

For more information on the role of the Board of Directors, reference should be made to the Report on Corporate Governance and Ownership Structure contained in the 2021 Annual Report group of documents, and to the relevant 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 section.

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 held on 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 has been set as 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 any such fractions.

The shareholder Marco Polo International Italy S.r.l. - pursuant to Article 93 of Legislative Decree No. 58/1998 - controls the Company with a share of approximately 37% of the capital, and 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 2021 Annual Report group of documents and to the relevant updates contained in this Half-Year Financial Report, as well as other additional information published on the Pirelli 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 the 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, from the obligation to publish the prescribed disclosure documents in the event of significant mergers, de-mergers, capital increases through contributions of assets in kind, acquisitions and disposals.

FOREIGN SUBSIDIARIES NOT BELONGING TO THE EUROPEAN UNION (EXTRA-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, 2022, 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 were:
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 UK Tyres Ltd. (United Kingdom), Pirelli Tyre (Suisse) SA (Switzerland) and Pirelli UK Tyres Ltd. (United Kingdom).
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 Company managements provide the punctual and periodic identification and publication of the relevant Extra-EU Companies pursuant to the Market Regulation and - with the necessary and appropriate cooperation of the companies concerned - guarantee the collection of data and information and the verification 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 request by CONSOB. A periodic flow of information is also provided for in order to guarantee to the Board of Statutory Auditors of the Company, that the prescribed and appropriate checks are performed.
Lastly, the aforementioned Operating Regulation, consistent with regulatory provisions, governs the disclosure to the public of the financial statements (Statement of Financial Position and Income Statement) of relevant Extra-EU Companies which are predisposed for the purpose of preparing the Consolidated Financial Statements of Pirelli & C. S.p.A.
It should therefore be noted that the Company has fully complied with the provisions of Article 15 of the aforementioned CONSOB Regulation No. 20249 of December 28, 2017, and that the conditions required by the same have been met.

RELATED-PARTY TRANSACTIONS

The Company's Board of Directors, as part of the new listing process initiated and completed during the 2017 financial year, has once again approved the Procedure for Related Party Transactions (*"RPT Procedure"*).
As part of the periodic revision of existing procedures, on June 15, 2021, the Company's Board of Directors - following the unanimous opinion of the Committee for Related Party Transactions, which had deliberated with the presence of all its members - unanimously approved the new Procedure for Related Party Transactions, which had 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 2022, 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 - updated on March 17, 2022, solely to take into account the changes to the Company's organisational structure that took place at the end of 2021 - is available, together with the other corporate governance procedures on the website 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 additional information contained in this Half-Year Financial Report.
The information on Related Party Transactions as required, pursuant to CONSOB Communication No. DEM/6064293 of July 28, 2006 is presented in the Financial Statements, and in the Note entitled *"Related Party Transactions"* in the Condensed Half-Year Financial Report at June 30, 2021. Related Party Transactions, are neither atypical nor unusual, but are part of the ordinary course of business for the Group companies and are carried out in the interest of the individual companies. Such transactions, when not settled under standard conditions, or dictated by specific regulatory conditions, are in any case regulated by conditions consistent with those of the market. Furthermore, they are carried out in compliance 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 2022.

ATYPICAL AND/OR UNUSUAL OPERATIONS

Pursuant to CONSOB Notice No. 6064293 of July 28, 2006, it should be noted that during the first half-year of 2022, the Company did not carry out any atypical and/or unusual transactions, as defined in the aforementioned notice.

The Board of Directors

Milan, August 4, 2022

HALF YEAR REPORT ON CORPORATE GOVERNANCE

1. FOREWORD

Pirelli & C. S.p.A. ("**Pirelli**") adheres to the Corporate Governance Code of listed companies[6].
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 18 May 2022

Pirelli held its annual Ordinary Shareholders' Meeting (the "**Shareholders' Meeting**") on 18 May 2022, resolving, among other things, on the following subjects:

i. Remuneration policy and compensation paid: approval of the 2022 Remuneration policy and advisory vote on the Report on Compensation Paid in FY 2021;

ii. Three-year monetary incentive plans for Pirelli Group management: approval of the 2022-2024 LTI Plan and adjustment mechanisms of the quantification of targets included in the three-year monetary incentive plans for 2020-2022 and 2021-2023 for Pirelli Group management.

The Shareholders' Meeting approved the 2022 remuneration policy (with 85.19% of the capital present) and voted in favour (with 84.54% of the capital present) of the Report on Compensation Paid in FY 2021. The Shareholders' Meeting also approved (with 88.31% of the capital present) the adoption of the Monetary Incentive Plan for the three-year period 2022-2024 for all group management. Lastly, the Shareholders' Meeting approved (with 85.62% of the capital present) the possible adjustment mechanisms of the sole quantification of targets included in the three-year monetary incentive plans for 2020-2022 and 2021-2023, in line with what had previously been set out in the 2022 remuneration policy.
For further information in relation to the above, please refer to the specific section of the Company website dedicated to the Shareholders' Meeting, which contains the relevant Board of Directors reports presented to the Shareholders' Meeting, as well as the meeting minutes.

3. BOARD OF DIRECTORS

On 10 May 2022, Pirelli's Board of Directors – with the favourable opinion of the Appointments and Succession Committee – co-opted Yang Shihao to replace Yang Xingqiang, who resigned effective as of the aforementioned date due to a sudden increase in his personal commitments.
The Board also appointed Yang Shihao as a member of the Strategies Committee. Yang Shihao, who cannot be qualified as independent pursuant to the TUF and the Corporate Governance Code, was qualified by the Board as non-executive director.
Yang Shihao's curriculum vitae (as well as that of the other Directors) is available at www.pirelli.com.

[6] 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.

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.
ìThe 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.

Up-to-date information on the Pirelli & C. S.p.A. share ownership structure is available on the Company's website (www.pirelli.com, Investor Relations section).

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5. SHAREHOLDERS' AGREEMENTS

On 16 May 2022, China National Chemical Corporation, China National Tire & Rubber Corporation, Ltd., CNRC International Limited, Fourteen Sundew S.à r.l., Marco Polo International Italy S.r.l., Camfin S.p.A. and Marco Tronchetti Provera & C. S.p.A. entered into an agreement ("**Renewal Agreement**") to renew the Shareholders' Agreement signed on 1 August 2019, effective from 28 April 2020. The Renewal Agreement will take effect as of the publication of the notice of call of the Pirelli Shareholders' Meeting to approve the financial statements at 31 December 2022. Until said date, the provisions of the shareholders' agreement entered into on 1 August 2019 and made public pursuant to law shall remain in effect and valid.

The extract of the Renewal Agreement together with updated extracts of the agreements stipulated between certain shareholders (including indirect shareholders) of the Company, which contain shareholder provisions relating – among other things – to Pirelli governance, are available in the specific section of the Company website on "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 the Corporate Governance and Ownership Structures included in the Annual Report.

CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS

AT JUNE 30, 2022

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

	Note	06/30/2022	of which related parties (note 40)	12/31/2021	of which related parties (note 40)
Property, plant and equipment	**7**	3,451,586		3,288,914	
Intangible assets	**8**	5,435,463		5,485,665	
Investments in associates and joint ventures	**9**	82,998		80,886	
Other financial assets at fair value through other Comprehensive Income	**10**	47,098		56,907	
Deferred tax assets	**11**	142,447		137,643	
Other receivables	**13**	446,619	*7,117*	362,944	*6,664*
Tax receivables	**14**	9,048		27,564	
Other assets	**20**	190,044		153,205	
Derivative financial instruments	**25**	1,763		4,612	
Non-current assets		**9,807,066**		**9,598,340**	
Inventories	**15**	1,396,789		1,092,162	
Trade receivables	**12**	936,356	*16,793*	659,209	*19,474*
Other receivables	**13**	527,572	*101,420*	470,577	*105,942*
Other financial assets at fair value through Income Statement	**16**	138,728		113,901	
Cash and cash equivalents	**17**	889,664		1,884,649	
Tax receivables	**14**	15,223		17,773	
Derivative financial instruments	**25**	26,056		46,562	
Current assets		**3,930,388**		**4,284,833**	
Total Assets		**13,737,454**		**13,883,173**	
Equity attributable to the owners of the Parent Company:	**18.1**	**5,268,869**		**4,908,112**	
Share capital		1,904,375		1,904,375	
Reserves		3,143,077		2,700,941	
Net income / (loss)		221,417		302,796	
Equity attributable to non-controlling interests:	**18.2**	**150,738**		**134,527**	
Reserves		139,108		115,730	
Net income / (loss)		11,630		18,797	
Total Equity	**18**	**5,419,607**		**5,042,639**	
Borrowings from banks and other financial institutions	**21**	3,657,400	*11,739*	3,789,369	*13,210*
Other payables	**23**	77,788	*212*	76,485	*213*
Provisions for liabilities and charges	**19**	70,891	*12,846*	81,170	*22,028*
Deferred tax liabilities	**11**	1,020,877		1,033,892	
Provisions for employee benefit obligations	**20**	172,390	*4,210*	220,598	*7,157*
Tax payables	**24**	1,118		11,512	
Derivative financial instruments	**25**	-		3,519	
Non-current liabilities		**5,000,464**		**5,216,545**	
Borrowings from banks and other financial institutions	**21**	1,240,571	*3,443*	1,489,249	*2,751*
Trade payables	**22**	1,454,164	*112,335*	1,626,367	*144,122*
Other payables	**23**	288,672	*3,577*	314,203	*13,376*
Provisions for liabilities and charges	**19**	61,646	*16,863*	43,594	
Provisions for employee benefit obligations	**20**	52,728	*9,259*	-	
Tax payables	**24**	143,567		134,388	
Derivative financial instruments	**25**	76,035		16,188	
Current liabilities		**3,317,383**		**3,623,989**	
Total Liabilities and Equity		**13,737,454**		**13,883,173**	

CONSOLIDATED INCOME STATEMENT (in thousands of euro)

	Note	01/01 - 06/30/2022	of which related parties (note 40)	01/01 - 06/30/2021	of which related parties (note 40)
Revenues from sales and services	**27**	**3,197,013**	*16,528*	**2,564,841**	*10,216*
Other income	**28**	157,493	*24,863*	145,129	*25,671*
Changes in inventories of unfinished, semi-finished and finished products		82,993		57,540	
Raw materials and consumables used (net of change in inventories)		(1,144,881)	*(7,803)*	(875,653)	*(1,223)*
Personnel expenses	**29**	(573,826)	*(6,831)*	(564,119)	*(15,108)*
Amortisation, depreciation and impairment	**30**	(271,631)		(254,701)	
Other costs	**31**	(1,040,560)	*(167,869)*	(823,676)	*(136,126)*
Net impairment on financial assets	**32**	(2,035)		(1,874)	
Increases in fixed assets due to internal works		660		1,117	
Operating income/(loss)		**405,226**		**248,604**	
Net income/(loss) from equity investments	**33**	2,321		1,972	
- share of net income/(loss) of associates and joint ventures		*873*	*873*	*995*	*995*
- gains on equity investments		-		*26*	
- losses on equity investments		*(106)*		*(10)*	
- dividends		*1,554*		*961*	
Financial income	**34**	74,281	*1,684*	35,227	*1,875*
Financial expenses	**35**	(163,874)	*(341)*	(107,069)	*(305)*
Net income / (loss) before taxes		**317,954**		**178,734**	
Taxes	**36**	(84,907)		(47,194)	
Net income / (loss)		**233,047**		**131,540**	
Attributable to:					
Owners of the Parent Company		221,417		123,097	
Non-controlling interests		11,630		8,443	
Total earnings / (losses) per share (in euro per basic share)	**37**	**0.221**		**0.123**	

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

		Note	01/01 - 06/30/2022	01/01 - 06/30/2021
A	**Total Net income / (loss)**		**233,047**	**131,540**
	- Remeasurement of employee benefits	**20**	48,452	112,147
	- Tax effect		(11,451)	(33,619)
	- Fair value adjustment of other financial assets at fair value through Other Comprehensive Income	**10**	(9,805)	8,992
B	**Total items that may not be reclassified to Income Statement**		**27,196**	**87,520**
	Exchange differences from translation of foreign Financial Statements			
	- Gains / (losses)	**18**	225,116	83,250
	- (Gains) / losses reclassified to Income Statement	**33**	-	-
	- Tax effect		-	-
	Fair value adjustment of derivatives designated as cash flow hedges:			
	- Gains / (losses)	**25**	29,767	44,391
	- (Gains) / losses reclassified to Income Statement	**25**	(529)	(33,570)
	- Tax effect		(6,606)	(2,221)
	Cost of hedging			
	- Gains / (losses)	**25**	(119)	666
	- (Gains) / losses reclassified to Income Statement	**25**	(1,477)	(4,703)
	- Tax effect		136	723
	Share of other Comprehensive Income related to associates and joint ventures, net of taxes	**9**	2,652	2,194
C	**Total items reclassified / that may be reclassified to Income Statement**		**248,940**	**90,730**
D	**Total other Comprehensive Income (B+C)**		**276,136**	**178,250**
A+D	**Total Comprehensive Income / (loss)**		**509,183**	**309,790**
	Attributable to:			
	- Owners of the Parent Company		468,586	296,437
	- Non-controlling interests		40,597	13,353

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AT 06/30/2022

(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	Other O.C.I. reserves *	Other reserves/ retained earnings	**Total attributable to the Parent Company**		
Total at 12/31/2021	**1,904,375**	**(565,143)**	**(1,408)**	**3,570,288**	**4,908,112**	**134,527**	**5,042,639**
Other components of Comprehensive Income	-	198,801	48,368	-	247,169	28,967	276,136
Net income / (loss)	-	-	-	221,417	221,417	11,630	233,047
Total comprehensive income / (loss)	**-**	**198,801**	**48,368**	**221,417**	**468,586**	**40,597**	**509,183**
Dividends approved	-	-	-	(161,000)	(161,000)	(24,374)	(185,374)
Effects of hyperinflation accounting in Turkey	-	-	-	14,192	14,192	-	14,192
Effects of hyperinflation accounting in Argentina	-	-	-	38,854	38,854	-	38,854
Other	-	-	168	(43)	125	(12)	113
Total at 06/30/2022	**1,904,375**	**(366,342)**	**47,128**	**3,683,708**	**5,268,869**	**150,738**	**5,419,607**

(in thousands of euro)	BREAKDOWN OF OTHER O.C.I. RESERVES*					
	Reserve for fair value adjustment of financial assets at fair value through other Comprehensive Income	Reserve for cost of hedging	Reserve for cash flow hedge	Remeasurement of employee benefits	Tax effect	**Other O.C.I. reserves**
Total at 12/31/2021	**(2,597)**	**1,595**	**(3,085)**	**66,107**	**(63,428)**	**(1,408)**
Other components of Comprehensive Income	(9,805)	(1,596)	29,238	48,452	(17,921)	48,368
Other changes	-	1	1	119	47	168
Total at 06/30/2022	**(12,402)**	**-**	**26,154**	**114,678**	**(81,302)**	**47,128**

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	Other O.C.I. 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 OTHER O.C.I. RESERVES*					
	Reserve for fair value adjustment of financial assets at fair value through other comprehensive income	Reserve for cost of hedging	Reserve for cash flow hedge	Remeasurement of employee benefits	Tax effect	**Other O.C.I. 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 CASH FLOWS (in thousands of euro)

		Note	01/01 - 06/30/2022	of which related parties (note 40)	01/01 - 06/30/2021	of which related parties (note 40)
	Net income / (loss) before taxes		317,954		178,734	
	Reversals of amortisation, depreciation, impairment losses and restatement of property, plant and equipment and intangible assets	30	271,631		254,701	
	Reversal of Financial (income) / expenses	34/35	89,593		71,842	
	Reversal of Dividends	33	(1,554)		(961)	
	Reversal of gains / (losses) on equity investments	33	106		(16)	
	Reversal of share of net income from associates and joint ventures	33	(873)	*(873)*	(995)	*(995)*
	Reversal of accruals to provisions and other accruals		17,395		56,252	
	Net Taxes paid	36	(104,432)		(71,983)	
	Change in Inventories		(228,225)		(104,439)	
	Change in Trade receivables		(215,173)	*3,133*	(190,256)	*(6,195)*
	Change in Trade payables		(221,199)	*(43,124)*	(326,819)	*(50,329)*
	Change in Other receivables		(21,515)	*16,014*	(55,900)	*(5,366)*
	Change in Other payables		(58,734)	*(843)*	2,431	*721*
	Uses of Provisions for employee benefit obligations		31,852	*-*	(33,620)	*(3,017)*
	Uses of Other provisions		(12,591)		(11,677)	
A	**Net cash flow provided by / (used in) operating activities**		**(135,765)**		**(232,706)**	
	Investments in owned tangible assets		(143,538)		(111,750)	
	Disposal of owned tangible assets		2,705		5,810	
	Investments in intangible assets		(11,277)		(16,136)	
	Disposal of intangible assets		-		238	
	(Investments) in other financial assets at fair value through Other Comprehensive Income		-		(450)	
	Loss of control in subsidiaries		-		4,355	
	Disposals of equity investments in associates and J.V.		1,152		-	
	Change in Financial receivables from associates and joint ventures		(8,551)	*(8,551)*	(566)	*(566)*
	Dividends received	33	1,732	*179*	961	*186*
B	**Net cash flow provided by / (used in) investing activities**		**(157,777)**		**(117,538)**	
	Change in Borrowings from banks and other financial institutions due to draw downs	23	902,725		396,919	
	Change in Borrowings from banks and other financial institutions due to repayments and other	23	(1,361,551)		(1,398,617)	
	Change in Financial receivables / Other current financial assets at fair value through Income Statement		(40,124)		30,658	
	Financial income / (expenses)		3,454		(49,973)	
	Dividends paid		(184,303)		(79,337)	
	Repayment of principal and payment of interest for lease liabilities		(58,990)	*(1,790)*	(50,642)	*1,341*
C	**Net cash flow provided by / (used in) financing activities**		**(738,789)**		**(1,150,992)**	
D	**Total cash flow provided / (used) during the period (A+B+C)**		**(1,032,331)**		**(1,501,236)**	
E	**Cash and cash equivalents at the beginning of the financial year**		**1,883,544**		**2,269,683**	
F	**Exchange rate differences from translation of cash and cash equivalents**		28,076		14,361	
G	**Cash and cash equivalents at the end of the period (D+E+F) (°)**	17	**879,289**		**782,808**	

(°)	**of which:**		
	cash and cash equivalents	889,664	785,015
	bank overdrafts	(10,375)	(2,207)

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 governs interim financial reporting, in condensed form.

The disclosures in the Explanatory Notes should be read in conjunction with the other sections of the Half-Yearly Financial Report, of which the Condensed Consolidated Half-Yearly Financial Statements are a part, and the Annual Financial Statements at December 31, 2021.

These Condensed Consolidated Half-Year Financial Statements have been prepared using the euro as the reporting currency, with all values rounded to the nearest thousand euro, unless otherwise indicated.

The Pirelli & C. S.p.A Condensed Consolidated Half-Year Financial Statements at June 30, 2022 were approved by the Pirelli & C. S.p.A. Board of Directors on August 4, 2022.

2. BASIS OF PRESENTATION

Financial Statements

The Group has applied the provisions of CONSOB Resolution No. 15519 of July 27, 2006 with regard to the formats of the Financial Statements and, CONSOB Notice No. 6064293 of July 28, 2006 with regard to corporate disclosures.

The Condensed Consolidated Half-Year Financial Statements at June 30, 2022 consist of the Statement of Financial Position, the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Cash Flow Statement and the Explanatory Notes, and is an integral part of the Half-Year Financial Statements.

The format adopted for the Statement of Financial Position provides for the distinction of assets and liabilities according to whether they are current or non-current.

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

The Statement of Comprehensive Income includes the results for the period. For the homogeneous categories, income and expenses, pursuant to the IFRS are not recognised in the Income Statement.

The Group has opted for the presentations of tax effects, as well as the reclassifications to the Income Statement of the gains/losses which 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 gains/losses for the period, the amounts from transactions with the holders of capital and the movements which occurred during the period under reserves.

In the Statement of Cash Flow, the financial flows from operating activities are reported using the indirect method, whereby the gains or losses for the period are adjusted by the effects of non-monetary transactions, by any deferrals or accruals of past or future collections or payments for operating activities and by revenue or expense items, connected with the cash flows derived from any investment or financial activity.

Scope of Consolidation

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

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

- the power of decision-making, or the ability to direct the relevant activities of the subsidiary, that is activities that have a significant influence on the results of the subsidiary itself;
- the exposure or 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 for 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 of the results attributable to non-controlling interests, are separately reported in the Consolidated Statement of Financial Position, the Consolidated Income Statement and the Consolidated Statement of Comprehensive Income, respectively.

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%, or 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, the 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 which 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 which 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, 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.

The only change in the Scope of Consolidation that occurred during the first half-year of 2022 was the disposal - approved by the Board of Directors on November 11, 2021 - of the 20% stake held in the *Joint Stock Company Kirov Tyre Plant* on May 23, 2022.

The complete list of subsidiaries is contained in the attachment *"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. Adopted Accounting Standards

The accounting standards adopted are the same used in preparing the Financial Statements at December 31, 2021 to which, reference should be made for more details, with the exception of the following amendments which were applicable as of January 1, 2022, but have had no impact on the Group:

- Amendments to IAS 16 – Property, Plant and Equipment - Proceeds 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 products and the relative production cost must be recognised in the Income Statement.

- Amendments to IAS 37 - Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts - Cost of Fulfilling a Contract. These amendments specify that the costs to be taken into account when measuring onerous contracts are both the incremental costs of fulfilling the contract (for example, direct labour and materials) and a proportion of other costs that relate directly to fulfilling the contract (for example, an allocation of the depreciation rate of the assets used in fulfilling the contract).

- Annual Improvements (2018-2020 cycle) issued in May 2020 which introduced limited changes to some standards (IFRS 1 – First-time Adoption of the IFRS, IFRS 9 - Financial Instruments, IAS 41 – Agriculture, and illustrative examples of IFRS 16 - Leases) and which clarify the wording or correct omissions or conflicts, between the requirements of the IFRS standards.

It should also be noted that income taxes, are recognised on the basis of the best estimate of the weighted average tax rate expected for the entire financial year, consistent with the indications provided by IAS 34 for the preparation of the Interim Financial Statements.

3.2. International Accounting Standards and/or Interpretations issued but not yet in force in 2022

The following are the new Standards or Interpretations already issued, but not yet in force or not yet approved by the European Union at June 30, 2022 and therefore were 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 classifying liabilities as current or non-current and specify that the classification of a liability is not affected by the likelihood that settlement of the liability will be delayed for 12 months following the relevant financial year. The Group's intention to liquidate in the short-term had no impact on their classification. These amendments, which will come into force on January 1, 2023 have not yet been approved by the European Union. No impacts on the classification of financial liabilities are foreseen as a result of these amendments.

- Amendments to IAS 1 - Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure on Accounting Standards Disclosure on Accounting Standards.
  These amendments provide guidance on the application of materiality judgements to accounting standard disclosures in a way that is more useful; particularly:
    - the requirement to disclose *"significant"* accounting standards has been replaced with a requirement to disclose *"relevant"* accounting standards;
    - guidance has been added on how to apply the concept of materiality to accounting standard disclosures.

  In assessing the relevance of accounting standard disclosures, entities must consider both the size of transactions, other events or conditions and their nature.
  These amendments, which have been approved by the European Union, will come into force on January 1, 2023. No impacts on the disclosures in the Group's Financial Statements are expected 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"*, by distinguishing them more clearly from accounting policies, and provide guidance on whether changes should be treated as changes in estimates, changes in accounting standards or errors.
  These amendments, which have been approved by the European Union, will come into force on January 1, 2023. No impacts on the Group's Financial Statements are expected as a result of these amendments.

- Amendments to IAS 12 - Income Taxes - Deferred Tax related to Assets and Liabilities arising 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).
  With respect to lease contracts, these amendments also clarify that, when lease payments are deductible for tax purposes, it is a matter of judgement (after considering the applicable tax law) whether such deductions are attributable for tax purposes to the lease liability recognised in the Financial Statements, or to the related right of use. If the tax deductions are allocated to the right of use, the tax values of the right of use and the lease liability are the same as their carrying amounts, and no temporary differences arise at initial recognition. However, if tax deductions are allocated to the lease liability, the tax values of the right of use and the lease liability are zero, giving rise to taxable and deductible temporary differences, respectively. Even if the gross temporary differences are equal, a deferred tax liability and a deferred tax asset must nevertheless be recognised.
  These amendments, which will come into force on January 1, 2023, have not yet been approved by the European Union. The impact on the Group's Financial Statements as a result of these amendments is currently being analysed.

3.3. Accounting Standards for Hyperinflationary Countries

Group companies operating in hyperinflation countries recalculate the values for the non-monetary assets and liabilities present in their original individual Financial Statements in order to eliminate the distorting effects caused by the loss of purchasing power of the currency. The inflation rate used to implement inflation accounting corresponds to the consumer price index. Companies, operating in countries where the cumulative inflation rate over a three-year period approximates or exceeds 100%, adopt inflation accounting and discontinue it in the event that the cumulative inflation rate over a three-year period falls below 100%. Gains or losses on the net monetary position are recognised in the Income Statement. At the date of first application, the difference between the closing equity of the previous financial year and the opening equity, is recognised directly in equity. The financial statements of companies prepared in currencies other than the euro which operate in hyperinflation countries, are translated into euro by applying the period-end exchange rates to the items of both the Statement of Financial Position and the Income Statement. During the course of the second quarter of 2022, the inflation rate accumulated over the previous three year period in Turkey exceeded 100%. This, together with other characteristics of the economy of the country, led the Group to adopt IAS 29 - Financial Reporting in Hyperinflationary Economies as of June 30, 2022, with reference to the subsidiaries in Turkey, Pirelli Otomobil Lastikleri A.S. and Pirelli Lastikleri Dis Ticaret A.S.

Seasonality

The value of trade receivables at June 30, 2022 was impacted by the usual seasonality factors, which, all things being equal, lead to an increase in the values at the end of the half-year compared to the corresponding values at financial year-end. These phenomena, which are more pronounced in the more seasonal markets such as Europe and Russia, generally favour a lower amount of trade receivables at the end of the year compared to the amount recorded during the year, due to the almost total collection of receivables relative to revenues from winter products in these markets for the fourth quarter, while the collection of a large portion of receivables relative to revenues from summer products is generally completed in these same markets during the third quarter.

Activities in Russia

As already announced when the results for the first quarter of 2022 were published on May 10, 2022, Pirelli has suspended investments in its factories in Russia, with the exception of those intended for safety. Russia accounted for 3% of turnover in 2021, a figure that remained substantially unchanged during the first half-year of 2022, and approximately 11% of the Group's Car capacity, mainly Standard with approximately half dedicated to exports.
Pirelli activated a series of initiatives to mitigate the effects of the conflict as part of the contingency plan announced in February. In compliance with the **international sanctions** imposed by the EU, which include a ban on imports of Russian finished products into the EU and a ban on exports of certain raw materials to Russia, beginning from the second half-year, Pirelli has:

- geared **production** to the domestic market;
- identified **alternative sources** of **import/export** streams, with the gradual activation of supplies of finished products from Turkey and Romania to replace Russian exports to European markets and the use of mainly local raw material suppliers to replace European suppliers;
- diversified **logistics service providers** in order to ensure the continuity of supplies of finished products and raw materials;
- guaranteed financial support through local banks.

At June 30, 2022, the Statement of Financial Position of the sub-consolidated entity which aggregates the subsidiaries located in Russia consisted mainly of:

- non-current assets to the amount of euro 280.7 million (euro 178.0 million at December 31, 2021), of which euro 267.4 million was related to property, plant and equipment and intangible assets (euro 169.3 million at December 31, 2021). This increase compared to December 31, 2021 mainly refers to the impact of the exchange rate effect (a positive euro 100.8 million);
- inventories to the amount of euro 64.7 million;
- trade receivables and other receivables in the amount of euro 140.1 million, of which euro 5.8 million from other Group companies;
- cash and cash equivalents to the amount of euro 19.7 million;
- borrowings from banks and other financial institutions to the amount of euro 170.5 million, which included euro 71.6 million owed to the Group;
- trade payables and other payables to the amount of euro 94.8 million, including euro 28.2 million due to other Group companies.

At the date of this document, guarantees have been issued by Pirelli Tyre S.p.A. for the financial and trade payables of its Russian subsidiaries to third parties and other Group companies.
Total equity amounted to euro 207.1 million, of which euro 134.6 million was attributable to the Parent Company and euro 72.5 million attributable to non-controlling interests. The value of equity includes

a positive cumulative translation reserve at June 30, 2022 to the amount of euro 62.4 million, generated mainly during the course of the first half-year of 2022, as a result of the significant appreciation of the rouble against the euro (+35.94% the exchange rate at June 30, 2022 compared to December 31, 2021).
Revenues for the first half-year of 2022 from net sales on the Russian market amounted to euro 108.6 million, with an operating income adjusted of euro 22.7 million.

4. ESTIMATES AND ASSUMPTIONS

The estimates and assumptions used to prepare these Condensed Consolidated Half-Year Financial Statements are consistent with those used to prepare the Consolidated Financial Statements at December 31, 2021, to which reference should be made.

However, these estimates and assumptions have been updated to take into account the effects of the Russia-Ukraine crisis, which had a particular impact on the assessment of the recoverability of goodwill and other intangible assets with an indefinite useful life and property, plant and equipment, in Russia.

These impacts are described in the Explanatory Notes to which reference should be made for more details.

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 as provided for by IFRS 13, which reflects the significance of the inputs used in determining their fair value. The levels are defined as follows:

- level 1 – unadjusted prices quoted on an active market for assets or liabilities subject to evaluation;

- level 2 – inputs other than the quoted prices referred to in, the previous point, 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 measured at fair value at **June 30, 2022**, subdivided into the three levels defined above:

(in thousands of euro)	**Note**	**Carrying amount at 06/30/2022**	**Level 1**	**Level 2**	**Level 3**
FINANCIAL ASSETS:					
Financial assets at fair value through Income Statement:					
Other current financial assets at fair value through Income Statement	16	138,728	112,542	26,186	-
Current derivative financial instruments	25	26,056	-	26,056	-
Derivative hedging instruments:					
Current derivative financial instruments	25	-	-	-	-
Non-current derivative financial instruments	25	1,763	-	1,763	-
Other financial assets at fair value through Other Comprehensive Income:					
Securities and shares		44,273	15,681	17,376	11,216
Investment funds		2,825	-	2,825	-
	10	47,098	15,681	20,201	11,216
TOTAL ASSETS		**213,645**	**128,223**	**74,206**	**11,216**
FINANCIAL LIABILITIES:					
Financial assets at fair value through Income Statement:					
Current derivative financial instruments	25	(75,780)	-	(75,780)	-
Derivative hedging instruments:					
Current derivative financial instruments	25	(255)	(255)	-	-
TOTAL LIABILITIES		**(76,035)**	**(255)**	**(75,780)**	**-**

The following table shows financial assets and liabilities measured at fair value at **December 31, 2021**, subdivided into the three levels defined above:

(in thousands of euro)	**Note**	**Carrying amount at 12/31/2021**	**Level 1**	**Level 2**	**Level 3**
FINANCIAL ASSETS:					
Financial assets at fair value through Income Statement:					
Other current financial assets at fair value through Income Statement	16	113,901	85,912	27,989	-
Current derivative financial instruments	25	17,345	-	17,345	-
Derivative hedging instruments:					
Current derivative financial instruments	25	29,217	-	29,217	-
Non-current derivative financial instruments	25	4,612	-	4,612	-
Other financial assets at fair value through Other Comprehensive Income:					
Securities and shares		54,082	21,855	21,171	11,056
Investment funds		2,825	-	2,825	-
	10	56,907	21,855	23,996	11,056
TOTAL ASSETS		**221,982**	**107,767**	**103,159**	**11,056**
FINANCIAL LIABILITIES:					
Financial assets at fair value through Income Statement:					
Current derivative financial instruments	25	(15,209)	-	(15,209)	-
Derivative hedging instruments:					
Current derivative financial instruments	25	(979)	-	(979)	-
Non-current derivative financial instruments	25	(3,519)	-	(3,519)	-
TOTAL LIABILITIES		**(19,707)**	**-**	**(19,707)**	**-**

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

(in thousands of euro)	
Opening balance 01/01/2022	**11,056**
Translation differences	(3)
Fair value adjustments through Other Comprehensive Income	164
Other changes	(1)
Closing balance 06/30/2022	**11,216**

These financial assets are mainly represented by equity investments in the European Institute of Oncology (euro 8,139 thousand), Genextra (euro 629 thousand) and Telco S.r.l. (euro 450 thousand).

During the course of the half-year which closed at June 30, 2022 there were no transfers from level 1 to level 2 or vice versa, nor from level 3 to other levels and vice versa.

The fair value of financial instruments which are 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 of equity investments classified as financial assets at fair value through other Comprehensive Income.

The fair value of financial instruments which are not traded on active markets (for example, 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 of the Financial Statements;
- the fair value of 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 of the Financial Statements;
- the fair value of natural rubber futures is determined by using the closing price of the contract at the reporting date of the Financial Statements.

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 role as Chief Operating Decision Maker (CODM);
- for which separate income, financial position, and equity data is available.

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

Revenues from sales and services according to geographical region were as follows:

(in thousands of euro)	**01/01 - 06/30/2022**	**01/01 - 06/30/2021**
Europe and Turkey	1,256,117	1,031,012
North America	747,668	530,110
APAC	502,524	490,526
South America	419,393	290,223
Russia, Nordics and MEAI	271,312	222,971
Total	**3,197,013**	**2,564,841**

The following table shows **non-current assets by geographical region** allocated on the basis of the country in which the assets are located:

(in thousands of euro)	**06/30/2022**		**12/31/2021**	
Europe and Turkey	5,245,170	59.02%	5,352,217	61.00%
North America	476,595	5.36%	416,304	4.74%
APAC	545,302	6.14%	539,778	6.15%
South America	442,443	4.98%	384,362	4.38%
Russia, Nordics and MEAI	292,796	3.29%	198,153	2.26%
Non-current unallocated assets	1,884,743	21.21%	1,883,765	21.47%
Total	**8,887,049**	**100.00%**	**8,774,579**	**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

Their composition was as follows:

(in thousands of euro)	06/30/2022	12/31/2021
Total Net Value:	**3,451,586**	**3,288,914**
- Owned tangible assets	2,983,220	2,823,765
- Right of use	468,366	465,149

7.1. Owned Tangible Assets

The composition and changes were as follows:

(in thousands of euro)	06/30/2022			12/31/2021		
	Gross Value	Accumulated Depreciation	Net Value	Gross Value	Accumulated Depreciation	Net Value
Land	149,675	-	**149,675**	144,121	-	**144,121**
Buildings	927,951	(226,824)	**701,127**	848,138	(196,180)	**651,958**
Plants and machinery	2,906,443	(1,088,196)	**1,818,247**	2,704,531	(949,926)	**1,754,605**
Industrial and trade equipment	681,412	(426,815)	**254,597**	574,926	(361,250)	**213,676**
Other assets	129,242	(69,668)	**59,574**	124,286	(64,881)	**59,405**
Total	**4,794,723**	**(1,811,503)**	**2,983,220**	**4,396,002**	**(1,572,237)**	**2,823,765**

NET VALUE (in thousands of euro)	12/31/2021	Hyperinflation Argentina and Turkey	Currency translation differences	Increases	Decreases	Depreciation	Devaluation	Recl./Other	06/30/2022
Land	**144,121**	215	5,239	120	-	-	-	(20)	**149,675**
Buildings	**651,958**	3,102	56,220	8,449	(394)	(18,214)	(84)	90	**701,127**
Plants and machinery	**1,754,605**	14,866	97,900	48,386	(782)	(96,128)	(779)	178	**1,818,247**
Industrial and trade equipment	**213,676**	4,783	28,754	43,862	(349)	(37,272)	(194)	1,337	**254,597**
Other assets	**59,405**	2,019	2,428	3,627	(156)	(5,443)	(4)	(2,303)	**59,574**
Total	**2,823,765**	**24,985**	**190,541**	**104,446**	**(1,681)**	**(157,057)**	**(1,061)**	**(718)**	**2,983,220**

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**

The items **Hyperinflation Argentina and Turkey** refer to the revaluation for the first half-year of 2022 of the assets held by the Argentinian and Turkish companies as a consequence of the application of the IAS 29 accounting standard - Financial Reporting in Hyperinflationary Economies, (euro 12,526 thousand for Argentina and euro 12,459 thousand for Turkey). This effect was partially offset by negative **translation differences** (euro 5,596 thousand for Argentina and euro 1,793 thousand for Turkey).

Increases, totalling euro 104,446 thousand, were primarily aimed at the High Value segment, and at the continuous improvement in the mix and quality in all manufacturing plants.

The ratio of investments to depreciation for the first half-year of 2022 was equal to 0.63, (0.93 for the same period of 2021).

Property, plant and equipment in progress at June 30, 2022 included individual fixed asset categories, and amounted to euro 206,929 thousand (euro 183,468 thousand at December 31, 2021). The main projects included under property, plant and equipment in progress were the initiation of new projects to increase production capacity, the constant technological upgrading of manufacturing plants and of machinery, also aimed at increasing their safety from an Environmental, Health and Safety (EHS) perspective and at investments in machinery, for the development of new product lines and the improvement of existing products.

It should be noted that, with reference to the manufacturing plants located in Russia, the direct effects of the Russia-Ukraine crisis on the operating activities located in Russia, represented an indicator of impairment and therefore the related tangible fixed assets were subjected to an impairment test. The recoverable value of these activities was found to be higher than the carrying amount and therefore no impairment was recognised.

7.2. Right of Use

The net value of the assets for which the Group has entered into lease contracts, is detailed as follows:

(in thousands of euro)	**06/30/2022**	**12/31/2021**
Right of use land	19,722	17,312
Right of use buildings	367,966	366,512
Right of use plants and machinery	25,467	27,382
Right of use other assets	55,211	53,943
Total net right of use	**468,366**	**465,149**

Increases in the **right of use** for the first half-year of 2022 including remeasurements, amounted to euro 41,254 thousand for new leasing contracts for warehouses and industrial equipment, signed mainly in the USA, Mexico and Italy.

During the first half-year of 2022, there were no contracts subject to reassessment or significant changes.

For the first half-year of 2022 the depreciation of the right of use recognised in the Income Statement and included under the item *"Depreciation, Amortisation and Impairments"* (Note 30), was composed as follows:

(in thousands of euro)	**01/01 - 06/30/2022**	**01/01 - 06/30/2021**
Land	611	574
Buildings	33,425	29,618
Plants and machinery	3,508	3,565
Other assets	9,461	8,716
Total depreciation of right of use	**47,005**	**42,473**

For interest on lease liabilities, reference should be made to Note 35 *"Financial Expenses".*

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

8. INTANGIBLE ASSETS

The composition and changes were as follows:

NET VALUE (in thousands of euro)	**12/31/2021**	**Currency translation differences**	**Increase**	**Amortisation**	**Recl./Other**	**06/30/2022**
Concessions, licenses and trademarks - finite useful life	**72,588**	3,099	186	(1,827)	-	**74,046**
Pirelli Brand - indefinite useful life	**2,270,000**	-	-	-	-	**2,270,000**
Goodwill	**1,883,765**	978	-	-	-	**1,884,743**
Customer relationships	**239,639**	(223)	-	(17,293)	-	**222,123**
Technology	**968,617**	-	-	(38,425)	-	**930,192**
Software applications	**39,568**	271	9,204	(8,112)	273	**41,204**
Patents and design patent rights	**10,194**	-	1,882	(686)	-	**11,390**
Other intangible assets	**1,294**	205	8	(165)	423	**1,765**
Total	**5,485,665**	**4,330**	**11,280**	**(66,508)**	**696**	**5,435,463**

(in thousands of euro)	**12/31/2020**	**Translation differences**	**Increase**	**Decrease**	**Amortisation**	**Recl./Other**	**06/30/2021**
Concessions / licenses / trademarks - finite useful life	**73,694**	1,030	220	-	(1,943)	90	**73,091**
Pirelli Brand - indefinite useful 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**

Intangible assets were composed as follows:

the Pirelli Brand (indefinite useful life) in the amount of euro 2,270,000 thousand. The useful life of a brand depends on a series of factors including the competitive environment, market share, history of the Brand, life cycles of the underlying product, operating plans and the macroeconomic environment of the countries in which the related products are sold. As far as the Pirelli Brand is concerned, it was assessed on its one hundred and fifty years of success (the brand was born in 1872) and on the intention and ability of the Group to continue investing, in order to support and maintain the Brand, and its life was deemed indefinite;

- the Metzeler Brand (useful life of 20 years) in the amount of euro 45,448 thousand included under the item *"Concessions, licenses and trademarks – finite useful life";*
- Customer relationships (useful life of 10-20 years) in the amount of euro 222,123 thousand, which mainly includes the value of commercial relationships both for the Original Equipment channel and 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 880,192 thousand and euro 50,000 thousand respectively. The useful life of product and process Technology was determined to be 20 years, while the useful life for *In-Process R&D* was 10 years.

- Goodwill in the amount of euro 1,883,743 thousand, of which euro 1,877,363 thousand was 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 which occurred in 2018.

Increases totalling euro 11,280 thousand were concentrated in application software (euro 9,204 thousand), mainly for the implementation of the Company's digitisation programme.

Impairment Testing of Goodwill

Pursuant to IAS 36, goodwill is not subject to amortisation, but is tested for impairment annually or more frequently, if specific events or circumstances arise that may suggest an impairment.

Considering the new post-war environment in Ukraine and the decrease in stock market capitalisation at June 30, 2022, to below the carrying amount of equity which represented an impairment indicator for goodwill, it became necessary at June 30, 2022 to repeat the impairment test already performed in December 2021.

Goodwill, which amounted to euro 1,884,743 thousand, was allocated to the *"Consumer Activities"* CGU group, which represents the sole business segment in which the Group operates and considers to be the minimum level at which goodwill is monitored for internal management control purposes.

The impairment test consists of comparing the recoverable amount of Consumer Assets with their carrying amount, including their operating assets and goodwill.

The value configuration used to determine the recoverable amount for Consumer Activities at June 30, 2022 is the value-in-use, which corresponds to the present value of the future financial cash flows which are expected to be generated by the group of CGUs, using a discount rate that reflects the specific risks of the group of CGUs at the valuation date. The forecasts are based on the flows from the EBITDA adjusted from the Guidance for 2022, as updated at the time of the presentation of the figures for the first quarter of 2022 and, with reference to the years 2023-2025, from the Industrial Plan presented on March 31, 2021, adjusted downwards to take the consensus estimates of analysts into account as externally sourced evidence pursuant to IAS 33 letter (a), and the sterilising of cash flows relative to expansion investments, restructuring expenses and related benefits pursuant to IAS 36.44, to which the Company at June 30, 2022 has not yet committed.

The cumulative average annual growth rate (CAGR) of revenues for the explicit forecast period used for the determination of the recoverable amount, calculated with respect to the revenues recorded for 2021, was equal to 4.9% while the average EBITDA margin adjusted for the period used for the determination of the recoverable amount was equal to 23.3%, with a CAGR for the EBITDA adjusted of 6.3% compared to the absolute value recorded for 2021.

The impairment test at June 30, 2022 was performed using the assistance of an independent third-party professional.

The discount rates, defined as the weighted average cost of capital (WACC) net of taxes, which were applied to the prospective cash flows equalled 7.70%, while the growth factor of operating cash flows, for the purpose of estimating the terminal value (g) equalled zero. The capitalisation rate for operating cash flows (WACC - g) is therefore equal to 7.70%.

Based on the results of the tests carried out, no impairment emerged.

The recoverable amount is greater than the carrying amount for Consumer Activities (14%), while, in order for the value-in-use to be equal to the carrying amount, a downward change in the key parameters is necessary, specifically:

- an increase in the discount rate by 117 basis points in the explicit forecast period and in the terminal value;
- a negative annual growth rate beyond the explicit *"g"* forecast period of -144 basis points;
- a decrease in the average EBITDA margin adjusted by 211 basis points in the explicit forecast period and in the terminal value.

Impairment Testing of the Pirelli Brand (Intangible Asset with an Indefinite Useful Life):

The Pirelli Brand, valued at euro 2,270,000 thousand is an intangible asset with an indefinite useful life and as such is not subject to amortisation, but pursuant to IAS 36, is tested for impairment annually or more frequently, if specific events or circumstances arise that may suggest an impairment.

In this case as well, the new post-war context in Ukraine and the decrease in the stock market capitalisation at June 30, 2022, to below the carrying amount for equity, represented an impairment indicator for the Pirelli Brand and it became necessary at June 30, 2022, to repeat the impairment test already carried out at December 31, 2021.

The impairment test at June 30, 2022 was performed using the assistance of an independent third-party professional.

The configuration of the recoverable amount for impairment testing purposes at June 30, 2022 was the fair value, calculated on the basis of the income approach (the so-called Level 3 of the IFRS 13 hierarchy – Fair Value Measurement*).* Pursuant to IFRS 13, in the estimation of the fair value the effects on the cash flows of expansion investments do not have to be sterilised when it is reasonable to assume that market participants would also consider such investments and the relative benefits. This circumstance consequently implies that a “g” growth rate was used in estimating the value-in-use of Consumer Activities, when estimating the terminal value as equal to 0.5% (0% in the value-in-use), following the verification that the consensus estimates of equity analysts had predicted higher growth rates. The fair value estimate is therefore based on:

- the same flows used for goodwill impairment testing purposes, that is, the forecasts made by management, which with reference to 2022 are based on the Guidance for 2022, as updated at the time of the presentation of the first quarter figures of 2022 and, with reference to 2023-2025, from the Industrial Plan presented on March 31, 2021, which were adjusted downwards to take consensus estimates of analysts into account, but without sterilising the effects of expansion investments. The cumulative average annual growth rate (CAGR) of revenues for the explicit forecast period used for the determination of the recoverable amount, calculated with respect to the revenues recorded for 2021 was equal to 6.0%, while the average EBITDA margin adjusted for the period used for the determination of the recoverable amount was equal to 23.1%, with a CAGR for the EBITDA adjusted of 7.5% compared to the absolute value recorded for 2021;
- a sum-of-parts valuation criterion which also takes into account the contribution of royalties from the Prometeon Tyre Group for the use of the Pirelli trademark in relation to the Industrial segment (as in the existing contracts);
- the excess earnings attributable to the Pirelli Brand are derived by deducting the imputed rent or royalty rate of the Group's operating assets other than the Brand, expressed at fair value, from the prospective operating income;
- a discount rate of 9.51%, which includes a premium compared to the WACC, which is determined according to the riskiness of the specific asset and the "g" growth rate in the terminal value which is equal to 0.5%;
- the TAB (Tax Amortisation Benefit) that is, the tax benefit that could potentially benefit the market participant which acquired the asset separately as a result of the possibility of amortising the asset for tax purposes.

The valuation technique at December 31, 2021 was based on a royalty rate, applied to revenues as derived from the royalty rates implied in the valuations by an independent party, for the main brands of listed companies in the Tyre sector. For the test at June 30, 2022, the valuation technique was modified by basing the exercise on excess earnings, as the previous method had limitations in terms of available inputs. It should be noted that at June 30, 2022 the valuation was also carried out with the method used at December 31, 2021, in order to verify that an impairment loss would not be recorded in the absence of a change in method.

For impairment testing purposes, the recoverable amount of the Pirelli Brand *cum* TAB, was compared with the carrying amount (*cum* TAB) and no impairment emerged.

The recoverable amount is greater than the carrying amount of the Brand (22%), while, in order for the fair value to be equal to the carrying amount, a downward change in the key parameters is necessary, in particular:

- a decrease in revenues by 480 basis points in the explicit forecast period and in the terminal value;
- a decrease in the EBITDA margin adjusted by 87 basis points in the explicit forecast period and in the terminal value;
- an increase in the discount rate by 175 basis points in the explicit forecast period and in the terminal value;
- a decrease in the "g" growth rate by 284 basis points beyond the explicit forecast period.

9. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

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

(in thousands of euro)	06/30/2022			12/31/2021		
	Associates	JV	Total	Associates	JV	Total
Opening balance	**9,018**	**71,868**	**80,886**	**8,395**	**64,193**	**72,588**
Decreases	(1,256)	-	(1,256)	-	-	-
Distribution of dividends	(178)	-	(178)	(186)	-	(186)
Share of net income / (loss)	(14)	887	873	716	981	1,697
Share of other components recognised in Equity	-	2,652	2,652	-	6,694	6,694
Other	21	-	21	93	-	93
Closing balance	**7,591**	**75,407**	**82,998**	**9,018**	**71,868**	**80,886**

9.1. Investments in Associates

The details were as follows:

(in thousands of euro)	12/31/2021	Decreases	Distribution of dividends	Share of net income / (loss)	Other	06/30/2022
Eurostazioni S.p.A.	**6,575**	-	-	-	-	**6,575**
Joint Stock Company Kirov Tyre Plant	**1,339**	(1,256)	-	(107)	24	**-**
Investments in other associates	**1,104**	-	(178)	93	(3)	**1,016**
Total	**9,018**	**(1,256)**	**(178)**	**(14)**	**21**	**7,591**

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

9.2. Investments in Joint Ventures

The details of the item was as follows:

(in thousands of euro)	12/31/2021	Share of net income / (loss)	Share of other components recognised in Equity	06/30/2022
PT Evoluzione Tyres	**14,192**	1,309	590	**16,091**
Xushen Tyre (Shanghai) Co., Ltd	**57,676**	(422)	2,062	**59,316**
Total	**71,868**	**887**	**2,652**	**75,407**

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 (Shangai) 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, given 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 relative to Xushen Tyre (Shanghai) Co., Ltd. provides for a for a call option in favour of Pirelli Tyre S.p.A., exercisable as of January 1, 2021 until March 31, 2026, which - if exercised - would allow Pirelli Tyre S.p.A. to increase its interest in the company to up to 70%. During the course of 2020, Pirelli Tyre S.p.A. notified the shareholders of Xushen Tyre (Shanghai) Co., Ltd. of its intention to not exercise the option until December 31, 2022.

The **share of net income/(loss)**, positive to the amount of euro 887 thousand, refers to the euro 1,309 thousand pro-rata share of net income for the first half-year of 2022 attributable to the joint venture PT Evoluzione Tyres and to the euro 422 thousand pro-rata loss for the first half-year of 2022 attributable to the joint venture the Xushen Tyre (Shanghai) Co., Ltd.

The share of other comprehensive income refers to the difference from the translation of the pro-rata equity of the two companies.

The investments in joint ventures were not relevant in terms of their impact on the total consolidated assets.

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

Other financial assets at fair value through Other Comprehensive Income amounted to euro 47,098 thousand and changed as follows during the half-year:

(in thousands of euro)	
Opening balance at 01/01/2022	**56,907**
Translation differences	(4)
Fair Value adjustment through Other Comprehensive income	(9,805)
Closing balance 06/30/2022	**47,098**

The composition of the item according to the individual securities is as follows:

(in thousands of euro)		**06/30/2022**	**12/31/2021**
Listed securities			
RCS MediaGroup S.p.A.		15,681	21,855
	Total	**15,681**	**21,855**
Unlisted securities			
Fin. Priv. S.r.l.		17,376	21,171
Fondo Anastasia		2,825	2,825
Istituto Europeo di Oncologia S.r.l.		8,139	8,006
Tlcom I LP		194	193
Telco S.r.l.		450	450
Other companies		2,433	2,407
	Total	**31,417**	**35,052**
Total other financial assets at Fair Value through Other Comprehensive Income		**47,098**	**56,907**

The **fair value adjustments through other Comprehensive Income** equalled a negative net value of euro 9,805 thousand, and mainly refers to the RCS MediaGroup S.p.A. (euro 6,174 thousand) and Fin.Priv. (euro 3,795 thousand).

The fair value of listed securities corresponds to the stock market price at June 30, 2022. For un-listed securities, the fair value was determined by using estimates based on the best available information.

11. DEFERRED TAX ASSETS AND LIABILITIES

They were composed as follows:

(in thousands of euro)	**06/30/2022**	**12/31/2021**
Deferred tax assets	142,447	137,643
Deferred tax liabilities	(1,020,877)	(1,033,892)
Total	**(878,430)**	**(896,249)**

Deferred tax assets and deferred tax liabilities were offset where a legal right existed that allowed for the offset of current tax assets and current tax liabilities. The deferred taxes refer to the same legal entity and the same taxation authority.

12. TRADE RECEIVABLES

Trade receivables were composed as follows:

(in thousands of euro)	**06/30/2022**			**12/31/2021**		
	Total	**Non-current**	**Current**	**Total**	**Non-current**	**Current**
Trade receivables	1,020,243	-	1,020,243	732,188	-	732,188
Provision for bad debts	(83,887)	-	(83,887)	(72,979)	-	(72,979)
Total	**936,356**	**-**	**936,356**	**659,209**	**-**	**659,209**

The item impaired receivables includes both significant individual positions subject to individual impairment and positions with similar credit risk characteristics which were grouped together and impaired on a collective basis. The calculation of the impairment is based on (i) a matrix which includes the credit ratings of customers, provided by independent market assessors and on (ii) the value of receivables, which takes collateral and related insurance coverage into account. This calculation also includes an updated evaluation of the expected losses due to the impact of exogenous events, such as COVID-19 and climate change, on the specific markets in which the counterparties operate, impacting the probability of default and the ceiling levels granted by insurance companies.

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

13. OTHER RECEIVABLES

The item other receivables is composed as follows:

(in thousands of euro)	06/30/2022			12/31/2021		
	Total	Non-current	Current	Total	Non-current	Current
Financial receivables	398,154	285,050	113,104	352,658	269,658	83,000
Trade accruals and deferrals	55,023	7,503	47,520	39,633	6,709	32,924
Receivables from employees	10,528	412	10,116	3,977	708	3,269
Receivables from social security and welfare institutions	3,521	-	3,521	781	-	781
Receivables from tax authorities not related to income taxes	411,887	127,229	284,658	356,936	64,851	292,085
Other receivables	106,364	35,792	70,572	89,366	29,152	60,214
	985,477	**455,986**	**529,491**	**843,351**	**371,078**	**472,273**
Bad debt provision for other receivables and financial receivables	(11,286)	(9,367)	(1,919)	(9,830)	(8,134)	(1,696)
Total	**974,191**	**446,619**	**527,572**	**833,521**	**362,944**	**470,577**

Financial receivables non-current (euro 285,050 thousand) refer mainly to, (i) the sum of euro 63,154 thousand deposited as guarantees for tax and legal disputes in relation to the subsidiary Pirelli Pneus Ltda (Brazil) and remunerated at market rates (euro 54,353 thousand at December 31, 2021), (ii) the sum of euro 184,153 thousand deposited into escrow accounts in favour of the pension funds of Pirelli UK Ltd. and Pirelli UK Tyres Ltd. (euro 179,277 thousand at December 31, 2021), (iii) euro 14,464 thousand in cash contributions paid as part of the signing of an association in participation (partnership) agreement and (iv) euro 7,117 thousand in loans disbursed in favour of the Indonesian joint venture PT Evoluzione Tyres.

Financial receivables current (euro 113,104 thousand) mainly refer for euro 92,556 thousand (euro 81,402 thousand for 2021), the short-term portion of loans granted to the joint venture Jining Shenzhou Tyre Co., Ltd. for which there was no significant credit risk increase compared to the date of disbursement. These loans will be extended, at maturity, for a further 12 months.

The item **bad debt provision for other receivables and financial receivables** (euro 11,286 thousand) mainly includes euro 10,720 thousand relative to the impairment of financial receivables.

The item **receivables from tax authorities not related to income taxes** (euro 411.887 thousand compared to euro 356,936 thousand at December 31, 2021) is mainly comprised of receivables for VAT (value added tax) and other indirect taxes whose recovery is expected in future financial years. This increase compared to December 31, 2021 included the positive exchange rate effect of euro 45,391 thousand mainly attributable to the Brazilian subsidiaries.

Other receivables non-current (euro 35,792 thousand) refers mainly to amounts deposited as guarantees for legal and tax disputes for the Brazilian companies (euro 33,902 thousand).

Other receivables current (euro 70,572 thousand) mainly includes:

- advances to suppliers amounting to euro 35,896 thousand;
- receivables from associates and joint ventures to the amount of euro 5,224 thousand, mainly for royalties and the sale of materials and moulds;
- receivables to the amount of euro 7,495 thousand in government grants, to be received.

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

14. TAX RECEIVABLES

Tax receivables refers to income taxes which amounted to euro 24,271 thousand (of which euro 9,048 thousand was non-current) compared to euro 45,337 thousand at December 31, 2021 (of which euro 27,564 thousand was non-current). More specifically, they mainly refer to receivables for withholding taxes on payments received from third parties in Brazil and other income tax receivables.

15. INVENTORIES

Inventories were composed as follows:

(in thousands of euro)	**06/30/2022**	**12/31/2021**
Raw and auxiliary materials and consumables	335,620	176,795
Sundry materials	9,358	6,354
Unfinished and semi-finished products	79,242	69,413
Finished products	970,607	838,186
Advances to suppliers	1,962	1,414
Total	**1,396,789**	**1,092,162**

For further information on the performance of inventories, refer to the section *"Group Performance and Results"* 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 - current amounted to euro 138,728 thousand at June 30, 2022 compared to euro 113,901 thousand at December 31, 2021. The amount at June 30, 2022 included euro 112,541 thousand related to investments made by the Argentinian subsidiary in dollar-linked bonds, to mitigate the effects of the depreciation of the local currency.

For un-listed securities, the fair value was determined by using estimates based on the best available information.

Changes in fair value for the period were recognised in the Income Statement as *"Financial Income"* - Note 34.

17. CASH AND CASH EQUIVALENTS

Cash and cash equivalents went from euro 1,884,649 thousand at December 31, 2021 to euro 889,664 thousand at June 30, 2022. The decrease is largely explained by the early repayments of Group loans in the amount of euro 1,160 million that took place in the first quarter of 2022, partially offset by increases mainly due to the utilisation of euro 600 million from the Group's new euro 1.6 billion financing.

Details of the change in the balance are provided in the Consolidated Cash Flow Statement.

They were concentrated at the Group's treasury centres and in Group companies that generate liquidity and use it locally. These are mainly used in accordance with risk diversification principles and in compliance with minimum rating levels, on the market for short-term deposits with banking counterparties at interest rates consistent with the prevailing market conditions.

For the purposes of the Cash Flow Statement, the balance of cash and cash equivalents was stated net of bank overdrafts in the amount of euro 10,375 thousand at June 30, 2022.

18. EQUITY

18.1. Attributable to the Parent Company

Equity attributable to the Parent Company went from euro 4,908,112 thousand at December 31, 2021 to euro 5,268,869 thousand at June 30, 2022.

The subscribed and paid up **share capital** at June 30, 2022 amounted to euro 1,904,375 thousand and was represented by 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 subsidiaries that use a currency other than the euro as their functional currency, was negative to the amount of euro 366,342 thousand at June 30, 2022 (negative to the amount of euro 565,143 thousand at December 31, 2021). The movements for the period included a positive change in the amount of euro 198,801 thousand mainly relative to the subsidiaries in Russia, Brazil, Mexico, China and the USA.

Changes in other reserves through other Comprehensive Income went from a negative value of euro 1,408 thousand at December 31, 2021 to a positive value euro 47,128 thousand at June 30, 2022, mainly due to the positive effect of actuarial gains on pension funds (euro 48,452 thousand), and the cash flow hedge reserve (euro 29,238 thousand), which was partially offset by the tax effect (negative to the amount of euro 17,921 thousand), and financial assets at fair value through other Comprehensive Income (negative to the amount of euro 9,805 thousand) .

Other reserves/retained earnings went from euro 3,570,288 thousand at December 31, 2020, to euro 3,683,708 thousand at June 30, 2022 essentially due to the net income/(loss) for the period (positive to the amount of euro 221,417 thousand), due to approved dividends (negative to the amount of euro 161,000 thousand), and due to hyperinflation in Argentina (positive to the amount of euro 38,854 thousand) and in Turkey (positive to the amount of euro 14,192 thousand, of which euro 5,589 thousand was relative to the impact of hyperinflation on opening balances).

18.2. Attributable to Non-Controlling Interests

Equity attributable to non-controlling interests went from euro 134,527 thousand at December 31, 2021 to euro 150,738 thousand at June 30, 2022. This change was mainly due to the results for the period (postive to the amount of euro 11,630 thousand), while the differences from the translation of exchange rates (positive in the amount of euro 28,967 thousand) offset the effect of approved dividends (euro 24,374 thousand).

19. PROVISIONS FOR LIABILITIES AND CHARGES

Movements in the **non-current portion** of provisions that occurred during the period are shown below:

PROVISION FOR LIABILITIES AND CHARGES - NON-CURRENT PORTION *(in thousands of euro)*	**12/31/2021**	**Currency translation differences**	**Increases**	**Uses**	**Releases**	**Reclass.**	**06/30/2022**
Provision for labour disputes	12,858	1,642	3,214	(1,502)	(180)	-	16,032
Provision for tax risks not related to income taxes	4,137	322	255	-	-	-	4,714
Provision for environmental risks	9,672	222	-	(113)	-	-	9,781
Provision for restructuring and reorganisation	1,359	-	10	(961)	-	-	408
Provision for other risks	53,144	(41)	3,571	(1,033)	(41)	(15,644)	39,956
Total	**81,170**	**2,145**	**7,050**	**(3,609)**	**(221)**	**(15,644)**	**70,891**

Increases mainly refer to accruals to the provisions for labour disputes mainly for the Brazilian subsidiaries to the amount of euro 3,005 thousand. With regard to other risks, the increase for the financial year mainly refers to the STI (Short Term Incentive) and LTI (2021-2023 and 2022-2024 Long Term Incentive) Plans for Directors, which reflects the improved performances in the underlying parameters of the plans.

Uses were mainly attributable to labour disputes, rationalisation measures in Italy and occupational diseases.

Reclassifications refer mainly to the reclassification from non-current provisions to current provisions for the portion of the 2020-2022 LTI Plan accrued in previous years which will be paid out during the first half-year of 2023 to Directors, if the targets underpinning the plan are achieved.

Movements in the **current portion** of provisions that occurred during the period, are shown below:

PROVISION FOR LIABILITIES AND CHARGES - CURRENT PORTION *(in thousands of euro)*	**12/31/2021**	**Currency translation differences**	**Increases**	**Uses**	**Releases**	**Reclass.**	**06/30/2022**
Provision for labour disputes	223	(21)	40	-	(75)	-	167
Provision for tax risks not related to income taxes	3,490	1,849	152	-	-	-	5,491
Provision for environmental risks	3,110	-	-	(12)	-	-	3,098
Provision for restructuring and reorganisation	3,531	493	-	(2,171)	-	-	1,853
Provision for claims and warranties	11,594	1,105	292	(45)	(14)	-	12,932
Provision for other risks	21,646	173	8,431	(6,754)	(1,035)	15,644	38,105
Total	**43,594**	**3,599**	**8,915**	**(8,982)**	**(1,124)**	**15,644**	**61,646**

Increases were mainly attributable to the purchase of greenhouse gas emission allowances in compliance with the requirements of the European Emission Trading Schemes, to the amount of euro 2,741 thousand. With regard to other risks, the increase for the financial year mainly refers to the STI (Short Term Incentive) and LTI (Long Term Incentive) Plans for Directors, as described above.

Uses refer to greenhouse gas emission allowances consistent with European Emission Trading Schemes to the amount of euro 5,540 thousand, to rationalisation measures in Brazil, and to insurance risks.

20. PROVISIONS FOR EMPLOYEE BENEFIT OBLIGATIONS AND OTHER ASSETS

Provisions for Employee Benefit Obligations and Other Assets – Non-Current Portion

The item is composed as follows:

(in thousands of euro)	**06/30/2022**	**12/31/2021**
Pension funds in surplus	(190,044)	(153,205)
Total other assets	**(190,044)**	**(153,205)**
Pension funds in deficit	69,554	85,493
Employee leaving indemnities (TFR - Italian companies)	23,917	26,123
Healthcare plans	14,064	15,597
Other benefits	64,855	93,385
Total provisions for employee benefit obligations	**172,390**	**220,598**

Pension Funds

The following table shows the **composition of pension funds at June 30, 2022**:

	06/30/2022							
(in thousands of euro)	**Germany**	**Sweden**	**Total unfunded pension funds**	**USA**	**UK**	**Switzerland**	**Total funded pension funds**	**Total**
Present value of liabilities	63,777	2,303	**66,080**	94,778	860,689	31,788	**987,255**	**1,053,335**
Fair value of plan assets				(92,698)	(1,050,733)	(30,394)	**(1,173,825)**	**(1,173,825)**
Total Assets in surplus					**(190,044)**		**(190,044)**	**(190,044)**
Total Liabilities in deficit	**63,777**	**2,303**	**66,080**	**2,080**		**1,394**	**3,474**	**69,554**
Total pension funds								**(120,490)**

The following table shows the **composition of pension funds at December 31, 2021**:

	12/31/2021							
(in thousands of euro)	**Germany**	**Sweden**	**Total unfunded pension funds**	**USA**	**UK**	**Switzerland**	**Total funded pension funds**	**Total**
Present value of liabilities	75,005	2,957	**77,962**	105,578	1,203,187	34,203	1,342,968	**1,420,930**
Fair value of plan assets				(100,942)	(1,356,392)	(31,308)	(1,488,642)	**(1,488,642)**
Total Assets in surplus					**(153,205)**		(153,205)	**(153,205)**
Total Liabilities in deficit	**75,005**	**2,957**	**77,962**	**4,636**		**2,895**	**7,531**	**85,493**
Total pension funds								**(67,712)**

Movements in gross liabilities and defined benefit plan assets for the first half-year of 2022 (of funded and unfunded pension funds) were as follows:

(in thousands of euro)	**Present value of gross liabilities**	**Fair value of plan assets**	**Impact of minimum funding requirement/asset ceiling**	**Total**
Opening balance at January 1, 2022	1,420,930	(1,488,642)		(67,712)
Currency translation differences	(9,673)	13,771		4,098
Movements through Income Statement:				
- current service cost	619	-		619
- past service costs	150	-		150
- interest expense / (income)	12,411	(13,421)		(1,010)
	13,180	**(13,421)**		(241)
Remeasurements recognised in equity:				
- actuarial (gains) / losses from change in demographic assumptions	(2,657)	-		(2,657)
- actuarial (gains) / losses from change in financial assumptions	(371,945)	-		(371,945)
- experience adjustment (gains) / losses	34,014	-		34,014
- return on plan assets, net of interest income	-	293,989		293,989
- change in asset ceiling	-	-	1,695	1,695
	(340,588)	**293,989**	**1,695**	**(44,904)**
Employer contributions	-	(11,194)		(11,194)
Employee contributions	-	-		-
Benefits paid	(32,232)	29,729		(2,503)
Employer settlement payment	-	-		-
Other	21	1,945		1,966
Closing balance at June 30, 2022	**1,051,638**	**(1,173,823)**	**1,695**	**(120,490)**

Actuarial (gains)/losses arising from changes in financial assumptions (euro 371,945 thousand) and the return on plan assets (euro 293,989 thousand) were substantially attributable to the generalised increase in the discount rates used, compared to those of December 2021 (refer to the table for actuarial assumptions).

The impact of the minimum funding requirement is relative to a Swiss plan that presented a surplus at June 30, 2022 but which did not meet the requirements for recognition under IFRIC 14.

Current and past service costs are included under *"Personnel Expenses"* (Note 29), and net interest expenses are included under *"Financial Expenses"* (Note 35).

Employees' Leaving Indemnities (TFR)

Movements for the half-year in the provision for employees' leaving indemnities were as follows:

(in thousands of euro)	**06/30/2022**	**12/31/2021**
Opening balance	**26,123**	**31,486**
Movements through Income Statement:		
- current service cost	438	52
- interest expense	126	204
Remeasurements recognised in equity:		
- actuarial (gains) / losses arising from changes in financial assumptions	(1,894)	336
- effect of experience adjustments	-	(1,365)
Liquidation/advances	(430)	(4,248)
Other	(446)	(342)
Closing balance	**23,917**	**26,123**

The current service cost, for services rendered by employees, is included in the item *"Personnel Expenses"* (Note 29) and 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 06/30/2022	14,064
Liabilities recognised in the Financial Statements at 12/31/2021	15,597

Movements for the period were as follows:

(in thousands of euro)	**06/30/2022**	**12/31/2021**
Opening balance	**15,597**	**16,026**
Translation differences	1,263	1,262
Movements through Income Statement:		
- current service cost	1	1
- interest expense	197	340
Remeasurements recognised in equity:		
- actuarial / (gains) losses arising from changes in financial assumptions	(2,279)	-415
- actuarial / (gains) losses arising from changes in demographic assumptions	-	57
- effect of experience adjustments	-	(735)
Benefits paid	(715)	(939)
Closing balance	**14,064**	**15,597**

The service cost is included under *"Personnel Expenses"* (Note 29), and interest payables are included under *"Financial Expenses"* (Note 35).

Additional Information regarding Post-Employment Benefits

Net actuarial gains accrued during the first half-year of 2022 which were recognised directly in equity amounted to euro 48,452 thousand.

The main actuarial assumptions used at **June 30, 2022** were the following:

	Italy	Germany	Sweden	UK	USA	Switzerland
Discount rate	3.00%	3.25%	3.70%	3.80%	4.75%	2.15%
Inflation rate	2.50%	2.25%	2.70%	3.36%	N/A	1.00%

The main actuarial assumptions used at **December 31, 2021** were the following:

	Italy	Germany	Sweden	UK	USA	Switzerland
Discount rate	0.90%	1.00%	1.55%	1.80%	2.55%	0.40%
Inflation rate	1.70%	1.50%	2.25%	3.56%	N/A	0.50%

Other Long-Term Benefits

Their composition was as follows:

(in thousands of euro)	06/30/2022	12/31/2021
Long Term Incentive plans	23,567	52,571
Jubilee awards	14,895	18,650
Leaving indemnities	10,785	9,513
Other long-term benefits	15,608	12,651
Total	**64,855**	**93,385**

The item ***"Long Term Incentive Plans"*** refers to the amount earmarked for the three-year monetary 2021-2023 and 2022–2024 Long Term Incentive Plans aimed at the management sector of the Group.

Provisions for Employee Benefit Obligations - Current Portion

The Statement of Financial Position item **provisions for employee benefit obligations** current, includes the amount relative to the 2020-2022 LTI Plan that will be paid out during the first half-year of 2023 to participants if the targets underpinning the plan are met.

21. BORROWINGS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

Borrowings from banks and other financial institution were as follows:

(in thousands of euro)	06/30/2022			12/31/2021		
	Total	**Non-current**	**Current**	**Total**	**Non-current**	**Current**
Bonds	1,260,088	707,937	552,151	1,453,762	1,453,762	-
Borrowings from banks	3,099,499	2,531,448	568,051	3,269,732	1,922,771	1,346,961
Borrowings from other financial institutions	25,226	-	25,226	34,390	-	34,390
Lease liabilities	502,969	417,974	84,995	504,407	412,796	91,611
Accrued financial expenses and deferred financial income	9,010	-	9,010	13,787	-	13,787
Other financial payables	1,179	41	1,138	2,540	40	2,500
Total	**4,897,971**	**3,657,400**	**1,240,571**	**5,278,618**	**3,789,369**	**1,489,249**

The item **bonds** refers to:

- the senior unsecured guaranteed equity-linked non-interest-bearing bond loan with a nominal value of euro 500 million maturing on December 22, 2025. This bond loan, reserved for institutional investors, was issued by Pirelli & C. S.p.A. on December 22, 2020, guaranteed by Pirelli Tyre S.p.A., and admitted for trading on the Vienna MTF, a multilateral trading system operated by the Vienna Stock Exchange. The bond loan is convertible, at the discretion of the bondholders, into new ordinary shares of the Company at the price of euro 6.1395 per share (originally euro 6.235 per share), subject to further anti-dilutive adjustments as provided for in the loan regulations. At June 30, 2022, the component recorded under non-current financial payables amounted to euro 465.7 million. The difference in the nominal value refers to the fair value of the call option sold to the subscribers of the loan, which is represented by the optional right to convert the bond loan into new ordinary shares of the Company at a pre-determined price, and has been accounted for since inception under equity reserves to the amount of euro 41.2 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 period of 5 years. This bond loan, placed with international institutional investors, was issued as part of the EMTN programme approved by the Board of Directors at the end of 2017, signed on January 10, 2018 and updated on December 19, 2018. The unrated bond loan, maturing in January 2023, has been fully classified under current financial liabilities;

- the *"Schuldschein"* loan, with a floating rate (EURIBOR + spread) for the total nominal value of euro 243 million, classified under non-current financial payables. This loan, signed by leading market operators, consists of one tranche for the amount of euro 423 million with a 5 year maturity, and one for euro 20 million with a 7 year maturity. Of the euro 423 million tranche, a euro 200 million portion was repaid in advance in January 2022. This loan, placed on July 26, 2018, also included a tranche of euro 82 million with an original maturity date of July 31, 2021 which was repaid in advance in January 2021.

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

(in thousands of euro)	**06/30/2022**	**12/31/2021**
Nominal value	1,296,000	1,496,000
Equity component of the convertible bond loan	(41,791)	(41,791)
Transaction costs	(14,958)	(14,957)
Bond loan discount	(2,988)	(2,988)
Amortisation of the effective interest rate	9,568	9,282
Non-monetary interest on convertible bond loan	14,257	8,216
Total	**1,260,088**	**1,453,762**

The item **borrowings from banks**, which amounted to euro 3,009,499 thousand, mainly refers to:

- Use of the unsecured *"ESG Financing 2022"* by Pirelli & C. S.p.A. to the amount of euro 597,407 thousand, classified under non-current financial payables. This financing facility, with a floating interest rate (EURIBOR + spread), signed on February 21, 2022, with a pool of leading Italian and international banks and maturing in five years, is composed of three tranches for a total of euro 1.6 billion, distributed as follows:

    - a Pirelli & C. S.p.A. term loan with a nominal value of euro 600,000 thousand fully drawn and a revolving cash credit facility for euro 100,000 thousand, which was unused at June 30, 2022;
    - a Pirelli International Treasury S.p.A. revolving cash credit facility of euro 900,000 thousand, which was unused at June 30, 2022.

  The financing is guaranteed by Pirelli Tyre S.p.A. This credit facility, which is geared to the Group's ESG objectives, contributed to the early repayment of the debt maturing in June 2022 relative to the unsecured financing *("Facilities"),* to the amount of euro 949,182 thousand at December 31, 2021 (USD 1,079 million), and in increasing the previous revolving credit facility from euro 700,000 thousand maturing in June 2022, to euro 1 billion for the new revolving facility;

- the *"Sustainable Credit Facility"* for euro 796,608 thousand relative to the euro 800 million credit facility with a floating interest rate (EURIBOR + spread), guaranteed by Pirelli Tyre S.p:A. and signed on March 31, 2020 with a pool of leading Italian and international banks, with a 5 year maturity (classified under non-current financial payables). This bank credit facility consists of a so-called *"sustainable"* tranche of euro 600 million, which is geared towards the Group's financial and environmental sustainability objectives (sustainable KPIs), as well as a so-called *"circular economy"* tranche, which is geared to the Group's circular economy objectives. It should be noted that following the first reporting of the sustainable KPIs, and having achieved the objectives for the year, the Group is benefiting from the relative incentives to reduce the cost of the credit facility for the *"sustainable"* tranche. Reporting for the circular economy tranche is expected to occur only in 2023.

- euro 723,268 thousand relative to two bilateral loans granted to Pirelli & C. S.p.A. by leading banks, of which a nominal euro 600 million (the *"Bilateral 600"*) with a floating rate (EURIBOR + spread) which matures in February 2024, guaranteed by Pirelli Tyre S.p.A., and euro 125 million (the *"Bilateral 125"*) with a floating rate (EURIBOR + spread), which matures in August 2023;

- euro 499,187 thousand relative to two new bilateral loans granted in December 2021 to Pirelli & C. S.p.A. by leading banks, of which, a nominal euro 400 million (the *“Bilateral 400”*), guaranteed by Pirelli Tyre S.p.A., is geared towards some of the sustainability targets of the Group, with a floating rate (EURIBOR + spread) and which matures in December 2024, classified under non-current financial payables and, euro 100 million at a fixed rate which matures in December 2022, classified under current financial payables;

- euro 319,305 thousand (euro 180,362 thousand at December 31, 2021) relative to loans disbursed in Brazil by local and international banking institutions of which euro 217 thousand has been classified under borrowings from banks non-current;

- borrowings from banks and the use of credit facilities in local currency in Russia, (equivalent to euro 93,643 thousand, of which euro 14,722 thousand has been classified under borrowings from banks non-current), in China (equivalent to euro 47,477 thousand classified under borrowings from banks current) and in Turkey, (equivalent to euro 13,990 thousand and classified under borrowings from banks current).

At June 30, 2022 the Group had a liquidity margin equal to euro 2,428,392 thousand, composed of euro 1,400,000 thousand in the form of non-utilised committed credit facilities, (of which euro 400,000 thousand was related to the new committed credit facility, the *“Financing 400”* signed on June 27, 2022,) and euro 889,664 thousand related to cash and cash equivalents, in addition to financial assets at fair value through the Income Statement to the amount of euro 138,728 thousand. The liquidity margin guarantees coverage for maturities for borrowings from banks and other financial institutions, until the second half of 2024.

The item **lease liabilities** represents the financial liabilities relative to leasing contracts. The change compared to the previous financial year refers to increases in the right of use during the financial year, deriving from the stipulation of new contracts and the remeasurement of existing contracts, partially offset by lease instalments.

Non-discounted future payments for lease contracts, for which the exercise of extension options is not considered to be reasonably certain and were therefore not included in the item lease liabilities, amounted to euro 132,558 thousand at June 30, 2022 (euro 115,473 thousand at December 31, 2021).

Accrued financial expenses and deferred financial income (euro 9,010 thousand) mainly refers to the accrual of interest matured on bond loans to the amount of euro 4,038 thousand (euro 8,510 thousand at December 31, 2021), and to the accrued interest matured on borrowings from banks to the amount of euro 3,247 thousand (euro 3,618 thousand at December 31, 2021).

For current financial payables, it is considered that their carrying amount approximates their relative fair value. For non-current financial payables, their fair value is shown below, compared with their carrying amount:

(in thousands of euro)	06/30/2022		12/31/2021	
	Carrying amount	***Fair value***	**Carrying amount**	***Fair value***
Bonds	707,937	680,343	1,453,762	1,469,529
Borrowings from banks	2,531,448	2,539,939	1,922,771	1,926,002
Other financial payables	418,014	418,014	412,836	412,836
Total non-current financial payables	**3,657,400**	**3,638,297**	**3,789,369**	**3,808,368**

The public bond issued by Pirelli & C. S.p.A. under the EMTN programme is listed and its relative fair value was measured with reference to period-end prices. It has therefore been classified in level 1 of the hierarchy provided for by IFRS 13 – Fair Value Measurement. The fair value of the debt component of the convertible bond loan, of the *"Schuldschein"* loan and of borrowings from banks, was calculated by discounting each expected debt cash flow at the market swap-rate for the relevant currency and maturity date, increased by the Group's creditworthiness for debt instruments similar in nature and technical characteristics, which therefore ranks it at level 2 of the hierarchy as provided for by IFRS 13 - Fair Value Measurement.

At June 30, 2022 there were hedging derivatives in place for interest rates and on floating rate debt.

At June 30, 2022, the cost of debt year-on-year (calculated as the average over the last twelve months), stood at 3.03% compared to 2.38% at December 31, 2021. This increase mainly reflected the increase in interest rates and in costs for hedging measures against risks in Brazil (the average benchmark rate increased by approximately +9 percentage points for the first half-year of 2022, compared to the corresponding period of 2021) and in Russia, (the average benchmark rate increased by approximately +10 percentage points for the first half-year of 2022, compared to the corresponding period of 2021). This impact was partly offset by the decrease in financial expenses at Parent Company level, thanks to the improved contractually provided financial conditions due to the reduction in the Group's leverage, and to the decrease in the wash-down of fees compared to the previous period.

With regard to the existence of financial covenants, it is to be noted that the (i)*"Schuldschein"* loan, (ii) the bilateral euro 600 million credit facility granted to Pirelli & C. S.p.A. during the course of the first quarter of 2019 (*"Bilateral 600")*, (iii) the bilateral euro 125 million credit facility granted to Pirelli & C. S.p.A. during the course of the third quarter of 2019 (*"Bilateral 125"*) and, (iv) the *"Sustainable Credit Facility"* signed on March 31, 2020, provide for the compliance with the maximum ratio between net debt and the gross operating margin (the *"Total Net Leverage"*) as reported in the Consolidated Financial Statements of Pirelli & C. S.p.A.

For the sake of completeness, it should be noted that the obligation to comply with the financial covenants provided for by the ESG Financing 2022 and Financing 400 lapsed due to Pirelli & C. S.p.A. being assigned a public credit rating of BBB- by S&P Global Ratings and Fitch Ratings.

For all of the loans indicated above, any failure to comply with the financial covenant is identified as a default or non-fulfilment event.

Specifically, any such default or non-fulfilment event will have the following consequences, if the lending banks exercise their relative remedies: (i) for the *"Schuldschein"* loan, individually and independently if requested by each lending bank for their own share, the early repayment of the loan for that share only; (ii) for both the *"Bilateral 600*" and the *"Bilateral 125"*, if requested by the sole bank that had granted each of the loans, the termination of the contract and early repayment of the full amount disbursed and (iii) for the *"Sustainable Credit Facility"*, only if requested by a number of the lending banks representing at least 50% of the total commitment (or at least 60% if an additional lending bank is added to the current four), the termination of the contract and early repayment of the loan.

It should be noted that at June 30, 2022 no default or non-fulfilment event had occurred.

The *"ESG Financing 2022",* the *"Schuldschein" loan,* the *"Bilateral 600", the "Bilateral 125",* the *"Sustainable Credit Line"* and the *"Financing 400"* also contain Negative Pledge clauses and other customary provisions whose terms are consistent with market standards for each of the above-mentioned types of credit facilities.

The other outstanding financial payables at June 30, 2022 were not subject to financial covenants.

22. TRADE PAYABLES

Trade payables were composed as follows:

(in thousands of euro)	06/30/2022			12/31/2021		
	Total	**Non-current**	**Current**	**Total**	**Non-current**	**Current**
Trade payables	1,405,111	-	1,405,111	1,516,488	-	1,516,488
Bill and notes payable	49,053	-	49,053	109,879	-	109,879
Total	**1,454,164**	**-**	**1,454,164**	**1,626,367**	**-**	**1,626,367**

For trade payables, it is considered that their carrying amount approximates their relative fair value.

23. OTHER PAYABLES

Other payables were as follows:

(in thousands of euro)	06/30/2022			12/31/2021		
	Total	**Non-current**	**Current**	**Total**	**Non-current**	**Current**
Accrued expenses and deferred income	74,715	44,954	29,761	75,142	45,877	29,265
Tax payables not related to income taxes	85,191	6,487	78,704	82,449	5,410	77,039
Payables to employees	112,972	3,926	109,046	128,810	3,927	124,883
Payables to social security and welfare intitutions	58,372	21,406	36,966	61,345	20,368	40,977
Dividends approved	1,225	-	1,225	152	-	152
Contract liabilities	7,735	11	7,724	4,434	12	4,422
Other payables	26,250	1,004	25,246	38,356	891	37,465
Total Other payables	**366,460**	**77,788**	**288,672**	**390,688**	**76,485**	**314,203**

The item **accrued expenses and deferred income non-current** mainly refers to capital grants received for investments made in Romania in the amount of euro 41,437 thousand, the benefit of which has been recognised in the Income Statement in proportion to the costs for which the grant was paid, and to costs for commercial initiatives in Brazil in the amount of euro 2,470 thousand.

The item **accrued expenses and deferred income current** includes euro 6,961 thousand for various trade initiatives realised in Germany and Brazil, euro 9,076 thousand in government grants and tax incentives received mainly in Italy and Romania, and euro 1,147 thousand for costs relative to insurance coverage in some European countries.

The item **tax payables for taxes not related to income** is mainly comprised of IVA payables (value added tax) and other indirect taxes, withholding taxes for employees and other taxes not related to income.

The item **payables to employees** mainly includes amounts accrued for the period that have not yet been paid.

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

The item **other payables** (euro 26,250 thousand) includes:

- euro 6,857 thousand in payables to representatives, agents, professionals and consultants;
- euro 3,251 thousand for payables related to customs duties, import and transport costs;
- euro 908 thousand in payables to Directors, auditors and supervisory bodies.

24. TAX PAYABLES

Tax payables were for the most part national and regional income taxes in different countries and amounted to euro 144,685 thousand (of which euro 1,118 thousand was for non-current liabilities), compared to euro 145,900 thousand at December 31, 2021 (of which euro 11,512 thousand was for non-current liabilities). Income tax payables include the assessments of management regard to any effects due to uncertainty in the treatment of income taxes.

25. DERIVATIVE FINANCIAL INSTRUMENTS

The item includes the fair value measurement of derivative instruments. The details are as follows:

(in thousands of euro)	06/30/2022				12/31/2021			
	Non-current assets	**Current assets**	**Non-current liabilities**	**Current liabilities**	**Non-current assets**	**Current assets**	**Non-current liabilities**	**Current liabilities**
Without adoption of hedge accounting								
Foreign exchange derivatives - commercial positions	-	7,796	-	(7,162)	-	7,713	-	(5,856)
Foreign exchange derivatives - included in net financial position	-	18,259	-	(68,618)	-	9,633	-	(9,353)
Hedge accounting adopted								
- cash flow hedge:								
Interest rate derivatives - included in net financial position	1,763	-	-		4,612	-	(3,519)	(979)
Other derivatives - included in net financial position	-	-	-	-	-	29,216	-	-
Other derivatives - commercial positions	-	-	-	(255)	-	-	-	-
	1,763	**26,056**	**-**	**(76,035)**	**4,612**	**46,562**	**(3,519)**	**(16,188)**
Total derivatives included in net financial position	1,763	18,259	-	(68,618)	4,612	38,849	(3,519)	(10,332)

The composition of the items according to the type of derivative instrument is as follows:

(in thousands of euro)	**06/30/2022**	**12/31/2021**
Current assets		
Forward foreign exchange contracts - fair value recognised in the Income Statement	26,056	17,346
Cross currency interest rate swaps - cash flow hedge	-	29,216
Total current assets	**26,056**	**46,562**
Non-current assets		
Interest rate swaps - cash flow hedge	1,763	4,612
Total non-current assets	**1,763**	**4,612**
Current liabilities		
Forward foreign exchange contracts - fair value recognised in the Income Statement	(75,780)	(15,209)
Interest rate swaps - cash flow hedge	-	(979)
Commodity Futures in natural rubber - cash flow hedge	(255)	-
Total current liabilities	**(76,035)**	**(16,188)**
Non-current liabilities		
Interest rate swaps - cash flow hedge	-	(3,519)
Total non-current liabilities	**-**	**(3,519)**

Derivative Financial Instruments not in Hedge Accounting

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

Derivative Financial Instruments in Hedge Accounting

The value of **interest rate derivatives** recognised under non-current assets to the amount of euro 1,763 thousand refers to the fair value of six interest rate swaps, with the following characteristics:

Derivative	Hedged element	Notional amount (Euro million)	Start date	Maturity	
IRS	Term loan in EUR	62.5	August 2019	August 2023	receive floating / pay fixed
IRS	Schuldschein	180.0	July 2020	July 2023	receive floating / pay fixed
IRS	Schuldschein	20.0	July 2020	July 2025	receive floating / pay fixed
Total		**262.5**			

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

- future interest flows on floating rate liabilities in EUR;
- future interest flows on the *"Schuldschein"* loan (refer to Note 21);

During the first quarter of 2022, the IRS forward start pre-hedge receive floating EURIBOR / pay fixed EURIBOR were closed early as a result of the contractual mandatory break clause. The cumulative positive reserve at the date, amounting to euro 22,079 thousand, was suspended in equity as the future transaction subject to hedging is still highly probable.
The change in the fair value for the period was a positive euro 21,771 thousand (euro 17,732 thousand relative to Interest Rate Swaps in pre-hedge and euro 4,039 thousand relative to other Interest Rate Swaps). This change was entirely suspended in equity, while net interest expenses to the amount of euro 2,173 thousand were reversed to the Income Statement under *"Financial Expenses"* (Note 35), correcting the financial expenses recognised on the hedged liability.

Following the early repayment of the unsecured financing (*"Facilities"*) to the amount of USD 1,079 million (refer to Note 21), the CCIRS pay floating EURIBOR / receive floating LIBOR were partly extinguished early and partly discontinued.
The positive fair value reserve amounting to euro 4,178 thousand (positive cash flow hedge reserve of euro 2,702 thousand and positive cost of hedging reserve of euro 1,477 thousand) was entirely reversed to the Income Statement:

- income of euro 7,302 thousand which offset the net realised exchange rate losses recognised on the hedged liability;
- net interest income to the amount of euro 82 thousand to correct financial expenses recognised on the hedged liability;
- costs due to ineffectiveness to the amount of euro 3,206 thousand.

For the CCIRS held in the portfolio until their natural maturity, hedge accounting was discontinued and the positive change in their fair value of euro 48,130 million was entirely reversed to the Income Statement. This positive change was offset by a negative change in the fair value of FX contracts traded to hedge the CCIRS, for which hedge accounting was not adopted. These effects are included in *"Financial Expenses - Fair value measurement of exchange rate derivatives".*

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 to euro 131,323 thousand and euro 6,562 thousand respectively and refer mainly to subsidiary companies in Romania, Brazil, Italy, China, Germany and Mexico.

COMMITMENTS FOR THE PURCHASE OF EQUITY INVESTMENTS/FUND SHARES

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

OTHER RISKS

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

A cases is currently pending before the Court of Milan (resulting from the joining of two separate proceedings - see below) as a result of 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 commenced in relation to alleged conduct of restricting competition in the European high voltage electric cables market. The decision had provided for sanctions against Prysmian Cavi e Sistemi S.r.l. (*"Prysmian CS"*) as it was directly involved in the cartel, a portion of which (euro 67 million) Pirelli, despite not having been found to be directly involved in the activities of the cartel, had been held to be jointly and severally liable with Prysmian CS, based solely on the application of the so-called parental liability principle, since during part of the period of the infringement, the share capital of Prysmian CS was held, either directly or indirectly by Pirelli.
On December 31, 2020, Pirelli proceeded to pay its share of the aforementioned sanction to the European Commission (corresponding to 50% of the sanction, plus interest), for which it had previously made appropriate provisions.

Pending the settlement of the aforementioned EU Court proceedings, in November 2014, Pirelli brought an action before the Court of Milan in order to obtain an assessment and declaratory judgement of the obligation of Prysmian CS to hold Pirelli harmless and indemnified against any claim relating to the alleged anti-competitive cartel in the energy cables sector, including the sanction imposed by the European Commission.

Prysmian CS filed an appearance in the aforementioned proceedings requesting the dismissal of Pirelli's claims, as well as, by way of a counterclaim, as well as to be held indemnified by Pirelli in relation to the consequences arising from or in any way connected to the Decision of the European Commission. The proceedings had been suspended pending the final ruling of the EU Courts and were resumed by Pirelli on November 30, 2020 following the ruling of the Court of Justice.
In October 2019, Pirelli brought a further action before the Court of Milan against Prysmian CS. and Prysmian S.p.A. requesting the assessment and declaratory judgement of Prysmian CS's obligation to indemnify and also hold Pirelli harmless from any charges, expenses, costs and/or damages resulting from claims by private and/or public third parties (including authorities other than the European Commission) relative to, connected with and/or consequential to the facts that were subject to the decision of the European Commission, as well as the consequent order that Prysmian CS reimburse any charges, expenses, costs or damages incurred or suffered by Pirelli.
In these proceedings, Pirelli also requested that Prysmian CS and Prysmian S.p.A. be held liable for certain unlawful conduct connected with the abovementioned anti-competitive cartel and accordingly, that they be ordered to pay compensation for all damages suffered and to be suffered by Pirelli.
Lastly, Pirelli requested the assessment and declaratory judgement on the joint and several liability of Prysmian S.p.A. with Prysmian CS in relation to the amounts that will be paid in this new action and in the action commenced in November 2014, if they should not be satisfied by the latter.
Prysmian CS and Prysmian S.p.A. entered an appearance in the above proceedings in November 2020, seeking the dismissal of Pirelli's claims and, by way of a counter-claim, to be held harmless and indemnified by Pirelli in relation to any consequences arising from claims by private and/or public third parties relating to, connected with and/or consequential to the facts which are the subject of the decision of the European Commission.

In April 2021, the two judgements were joined.

Based on careful analyses supported by authoritative external legal opinions, the assessment of the risk related 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, 2022.

Other Disputes related to the European Commission Decision

In November, 2015, a number of companies of Prysmian Group served Pirelli with a summons in the action for the compensation of damages brought before the London High Court of Justice against them and other defendants of the Decision of the European Commission of April 2, 2014, by National Grid and Scottish Power, the companies who claim to have been harmed by the cartel. Specifically, the companies of the Prysmian Group have requested that Goldman Sachs and Pirelli, the latter due to its role as Parent Company for part of the period of the cartel, hold them harmless with respect to any obligations to pay damages (as yet unquantifiable) to the National Grid and Scottish Power. As the aforementioned action, brought before the Court of Milan in November 2014, is still pending, Pirelli has challenged the lack of jurisdiction of the London High Court of Justice claiming that, that any decision on the merits must be referred to the Court that had previously heard the case. In April 2016, the High Court of Justice, at the request of Pirelli and the companies in the Prysmian Group,

suspended the proceedings until a final judgment was passed that would settle the Italian proceedings already pending.
In April 2019, before the Court of Milan, Terna S.p.A. - Rete Elettrica Nazionale (*"Terna"*) jointly and severally sued Pirelli, three Prysmian Group companies and another company of the aforementioned European Commission decision, in order to obtain compensation for the damage allegedly suffered as a consequence of the anti-competitive conduct, currently quantified by the plaintiff as euro 199.9 million. Pirelli appeared in court contesting Terna's claims, and like the other defendants and against them filed a counterclaim for damages in the unlikely event that it is held jointly and severally liable for the anti-competitive cartel.
In October 2021, the Judge dismissed from the proceedings, the portion of the litigation consisting of the indemnity cross-claims between Pirelli, on one side, and Prysmian CS and Prysmian S.p.A., on the other, ordering their joinder with the proceedings pending between the two parties before the Court of Milan (see above).

Lastly, also in April 2019, the Electricity & Water Authority of Bahrain, GCC Interconnection Authority, Kuwait Ministry of Electricity and Water and Oman Electricity Transmission Company, served a writ of summons against Pirelli, some of the Prysmian Group companies and other defendants of the aforementioned decision of the European Commission, suing them jointly and severally to obtain compensation for the damages allegedly suffered as a result of the alleged anti-competitive conduct. These proceedings were brought before the Court of Amsterdam, who with its ruling dated November 25, 2020, upheld the objection raised by Pirelli and excluded its own jurisdiction over Pirelli. In February 2021, the plaintiffs appealed against this ruling before the Amsterdam Court of Appeal and the relevant proceedings are under way.
Based on careful analyses supported by authoritative external legal opinions, the assessment of the risk related 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, 2022.

Tax Disputes

Brazil

Litigation concerning the IPI Tax Rate Applicable to certain types of Tyres

The subsidiary Pirelli Pneus Ltda is party to a tax dispute with the Brazilian tax authorities concerning the IPI tax rate (Imposto sobre Produtos Industrializados or tax on industrialised products) particularly with 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 importation of tyres for cars – with an applicable rate of 15% - instead of the 2% rate applied by Pirelli Pneus Ltda, as is required for the production and importation of tyres destined for heavy industrial use vehicles. To date, the dispute is pending before the competent administrative and tax commissions and, also in light of the recent judgement in favour of Pirelli Pneus Ltda, 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 (the INT - National Institute of Technology) specifically commissioned by Pirelli Pneus Ltda, who concluded their analysis by comparing the tyres discussed, in light of their similar characteristics, with those used for heavy industrial vehicles.

The risk is estimated at approximately euro 32 million, inclusive of tax, interests and penalties.

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

Litigation concerning Transfer Pricing applied to some Inter-Group Transactions

Pirelli Pneus Ltda is involved in a dispute with the Brazilian tax authorities for income tax purposes (*IRPJ - Imposto sobre a renda das pessoas jurídicas*) and social security contributions (CSLL - *Contribuição Social sobre o Lucro Líquido*) due from the company for the 2008, 2011 and 2012 tax periods, deriving from the application of transfer pricing regulations to import transactions with related parties. Based on the notices of the assessment served on the company during the course of 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 the time (IN - *Instrução Normativa 243*), for the assessment 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 Ltda has already obtained a favourable ruling from the administrative court, which has 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 13 million inclusive of taxes, sanctions and interest.

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

Disputes concerning the IPI Tax Rate for the Sale of Tyres to the Automotive Sector

Pirelli Pneus Ltda is also party to a dispute concerning the IPI tax rate, (Imposto sobre Produtos Industrializados or tax on industrialised products), concerning the sale of components to companies operating in the automotive sector. According to the Brazilian tax authorities in a notice of assessment issued in 2013, Pirelli Pneus Ltda was not entitled to benefit, with reference to its secondary office located in the city of Ibiritè in the Federal State of Minas Gerais, from the IPI exemption provided for by law in the case of sales of particular components to companies operating in the automotive sector. The dispute is under discussion before the competent administrative-judicial courts, however the Group maintains that it has well founded reasons to object to the tax administration's claim.

The risk is estimated at approximately euro 17 million, inclusive of tax, interests and penalties.

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

Litigation concerning the Tax Impact deriving from the so called "Plano Verão"

Pirelli Pneus Ltda is involved in a dispute over taxes with the Brazilian tax authorities, which, in the company's opinion, levied more tax than was actually due - for the period from 1989 to 1994 - following the so called *"Plano Verão"*, an economic measure introduced by the then Brazilian government, in order to control the hyperinflation that was affecting the country, by freezing prices. However, the difference between the actual and the indexed inflation had the effect of creating significant distortions in the financial statements of companies and ultimately, the amount of taxes paid by them. Pirelli Pneus Ltda used the actual inflation rate for its financial statement assessments, and, at the same time, initiated legal proceedings to assert its arguments regarding the correct amount of taxes due. During the course of the aforementioned proceedings, Pirelli Pneus Ltda first adhered to an amnesty for tax disputes in order to settle the dispute in question and, only subsequently, on the basis of a ruling with binding effect *erga omnes* by the Brazilian Supreme Court, did it request the annulment of the effects of the amnesty, to which it had previously adhered.

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

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

Litigation relating to the PIS and COFINS Tax Base

Pirelli Pneus Ltda is party to new and significant tax proceedings regarding federal taxes, namely the PIS - *Programa de Integração Social,* the COFINS tax - *Contribução para Financiamento de Seguridade Social* and the ICMS state value added tax. Specifically, Pirelli Pneus Ltda is a party to a dispute concerning the methods for calculating the tax base for PIS and COFINS taxes and the right to deduct the ICMS reported on invoices, based on the tax authorities' interpretation provided in the *Solução* - COSIT Internal Consultation Solution No. 13.

Proceedings are underway before the competent jurisdictions with the risk estimated as being up to a maximum euro 15 million, inclusive of taxes, interest and sanctions. .

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

27. REVENUES FROM SALES AND SERVICES

Revenues from sales and services can be analysed as follows:

(in thousands of euro)	**01/01 - 06/30/2022**	**01/01 - 06/30/2021**
Revenues from sales of goods	3,118,600	2,497,704
Revenues from services	78,413	67,137
Total	**3,197,013**	**2,564,841**

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 item is composed as follows:

(in thousands of euro)	**01/01 - 06/30/2022**	**01/01 - 06/30/2021**
Other income from the Prometeon Group	15,554	18,292
Sales of Industrial products	74,012	66,862
Gains on disposal of property, plant and equipment	1,368	454
Rent income	2,161	1,288
Income from sublease of right of use assets	482	444
Recoveries and reimbursements	9,940	9,007
Government grants	8,248	5,892
Other income	45,728	42,890
Total	**157,493**	**145,129**

The item **other income from the Prometeon Group** includes the sale of semi-finished and finished products to the amount of euro 1,003 thousand, royalties from the trademark license agreement to the amount of euro 5,006 thousand, royalties from the know-how license agreement to the amount of euro 6,500 thousand, and services rendered to the amount of euro 3,095 thousand.

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

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

- tax and customs duties refunds totalling euro 2,142 thousand, of which euro 1,568 thousand was received in Germany for tax refunds on the purchase of gas and energy;
- tax refunds totalling euro 1,407 thousand deriving from tax incentives obtained mainly in the state of Bahia, Brazil and in Argentina for commercial exports;
- proceeds from the sale of tyres and scrap materials carried out in the United Kingdom for a total of euro 479 thousand.

The item **other income** includes income from sporting activities amounting to euro 16,571 thousand.

29. PERSONNEL EXPENSES

The item is composed as follows:

(in thousands of euro)	**01/01 - 06/30/2022**	**01/01 - 06/30/2021**
Wages and salaries	446,373	438,357
Social security and welfare contributions	87,865	84,073
Costs for employee leaving indemnities and similar	6,336	6,744
Costs for defined contribution pension funds	11,765	11,548
Costs for defined benefit pension funds	746	2,701
Costs for jubilee awards	5,622	4,101
Costs for defined contribution healthcare plans	1,379	1,462
Other costs	13,740	15,133
Total	**573,826**	**564,119**

30. DEPRECIATION, AMORTISATION AND IMPAIRMENTS

The item is composed as follows:

(in thousands of euro)	**01/01 - 06/30/2022**	**01/01 - 06/30/2021**
Amortisation	66,508	64,348
Depreciation (excl. right of use)	157,057	146,548
Depreciation of right of use	47,005	42,473
Impairment of property, plant and equipment and intang.assets (excl. right of use)	1,061	625
Impairment of right of use	-	707
Total	**271,631**	**254,701**

For the composition of the depreciation of the right of use, refer to Note 7.2 - *“Right of Use".*

31. OTHER COSTS

The item is subdivided as follows:

(in thousands of euro)	**01/01 - 06/30/2022**	**01/01 - 06/30/2021**
Selling costs	222,943	153,254
Purchases of goods for resale	218,509	181,796
Advertising	111,175	112,156
Fluids and energy	126,616	79,424
Warehouse operating costs	36,880	37,057
IT expenses	28,011	26,811
Consultants	22,927	21,473
Maintenance	28,864	23,945
Insurance	18,630	17,987
Leases and rentals	18,300	11,757
Outsourcing	17,371	16,812
Stamp duties, levies and local taxes	21,242	13,961
Other provisions	13,224	13,565
Travel expenses	15,105	9,070
Remuneration for Key Managers	6,831	9,070
Cleaning expenses	8,601	7,894
Canteen	10,676	8,664
Security expenses	5,725	5,210
Waste disposal	5,794	4,694
Telephone expenses	2,783	2,618
Other	100,353	66,458
Total	**1,040,560**	**823,676**

The total increase for this item was mainly attributable to rising inflation during the first half-year, and mainly referred to selling costs, fluids and energy, and the purchases of goods for resale.

The item **leases and rentals** includes costs relative to the application of the IFRS 16 accounting standard, specifically:

- euro 8,554 thousand for lease contracts with a duration of less than twelve months (euro 5,534 thousand for the first half-year of 2021);
- euro 3,140 thousand for lease contracts for low unit value assets (euro 3,490 thousand for the first half-year of 2021);
- euro 6,606 thousand for lease contracts with variable rates (euro 2,733 thousand for the first half-year of 2021).

The item **other** includes, amongst others, labour provided by third parties to the amount of euro 14,933 thousand, (euro 13,155 thousand for the first half-year of 2021), and expenses for the testing of technology to the amount of euro 9,517 thousand (euro 10,073 thousand for the first half-year of 2021);

32. NET IMPAIRMENT OF FINANCIAL ASSETS

This item which amounted to a loss of euro 2,035 thousand compared to a loss of euro 1,874 thousand for the first half-year of 2021, mainly includes the net impairment of trade receivables to the amount of euro 2,021 thousand (euro 1,918 thousand for the first half-year of 2021).

33. NET INCOME/(LOSS) FROM EQUITY INVESTMENTS

33.1 Share of Net Income (Loss) from Equity Investments in Associates and Joint Ventures

This item refers to the share of the net income/(loss) from equity investments in associates and joint ventures which is evaluated using the equity method. Refer to Note 9.2 for further details.

33.2 Dividends

This item amounted to euro 1,554 thousand and mainly refers to dividends received from the RCS MediaGroup S.p.A. (euro 1,482 thousand).

34. FINANCIAL INCOME

The item is composed as follows:

(in thousands of euro)	**01/01 - 06/30/2022**	**01/01 - 06/30/2021**
Interest	14,146	8,439
Other financial income	1,895	1,524
Net gains on exchange rates	40,780	21,461
Net interest on provision for employee benefit obligations	361	-
Fair value measurement of other financial assets	17,099	3,700
Fair value measurement of other derivatives	-	103
Total	**74,281**	**35,227**

The item **interest** mainly includes euro 4,659 thousand related to interest on the CCIRS for which hedge accounting has been discontinued, euro 4,713 thousand for interest income from financial institutions and associates and joint ventures, euro 1,696 thousand in interest on fixed-income securities, and euro 1,207 thousand in interest accrued on tax credits and security deposits, paid by the Brazilian subsidiaries to guarantee legal and tax disputes.

The item **other financial income** mainly includes interest matured on tax credits by the Brazilian subsidiaries.

The item **net gains on exchange rates** which amounted to euro 40,780 thousand (gains amounted to euro 491,445 thousand and losses amounted to euro 450,664 thousand) refers to, the adjustment of period-end exchange rates for items expressed in currencies other than the functional currency and still outstanding at the closing date of the Consolidated Financial Statements, and to the net gains realised on items closed during the course of the period. They also include income to the amount of euro 7,302 thousand due to the exchange rate component of the fair value valuation of the cross currency interest rate swaps, for which hedge accounting of the cash flow hedge type was adopted, to offset exchange rate losses recorded on the hedged liability.

In comparing the net gains on exchange rates, which totalled euro 40,780 thousand recognised for receivables and payables in currencies other than the functional currency of the various subsidiaries, with the fair value measurement of the exchange rate component of the exchange rate derivatives used for hedging, which amounted to a net loss of euro 42,719 thousand included under Financial Expenses (Note 35), there emerges a negative difference of euro 1,939 thousand, which indicates that the management of exchange rate risk was substantially balanced.

The **fair value measurement of other financial assets** was positive to the amount of 17,099 thousand euro and refers to the fair value measurement of dollar-linked bonds in which the Argentinian subsidiary has invested, in order to mitigate the effects of depreciation of the local currency. The exchange rate component of the fair value measurement of dollar-linked bonds equalled euro 16,113 thousand, and partially offset the effect of hyperinflation on the Argentinian subsidiary Pirelli Neumaticos SAIC. Reference should be made to Note 35 - *"Financial Expenses"* for further details.

35. FINANCIAL EXPENSES

The item is composed as follows:

(in thousands of euro)	**01/01 - 06/30/2022**	**01/01 - 06/30/2021**
Interest	46,918	57,321
Commissions	6,836	5,840
Net monetary loss	10,378	3,556
Other financial expenses	3,746	1,401
Interest expenses on lease liabilities	10,191	10,099
Net interest on provision for employee benefit obligations	-	485
Fair value measurement of exchange rate derivatives	85,360	28,367
Fair value measurements of other derivatives	445	-
Total	**163,874**	**107,069**

Interest which totalled euro 46,918 thousand included:

- euro 14,214 thousand for bank credit facilities held by Pirelli & C. S.p.A.;
- euro 11,136 thousand in financial expenses relative to bond loans, of which euro 4,308 thousand is relative to non-monetary interest on the convertible bond loan, euro 4,512 thousand is relative to unrated bond loans, and euro 1,932 thousand is relative to the *"Schuldschein"* loan, all of which were issued by Pirelli & C. S.p.A.;
- euro 2,091 thousand in net interest payables which includes interest on Cross Currency Interest Rate Swaps and Interest Rate Swaps, for which hedge accounting has been adopted, to rectify the flow of financial expenses for the bank credit facilities and bond loans mentioned in the preceding point. For further details reference should be made to Note 25 - *"Derivative Financial Instruments";*
- euro 10,722 thousand in financial expenses related to bank loans held by foreign subsidiaries.

The item **commissions** includes, in particular, euro 1,671 thousand in costs for the assignment of receivables with non-recourse clauses, mainly in South America, Italy and Germany and euro 5,165 thousand, relative to expenses for sureties and other bank commissions.

The item **net monetary loss** refers to the effect on monetary items arising from the application of IAS 29 - Financial Reporting in Hyperinflationary Economies, by the Argentinian subsidiary Pirelli Neumaticos SAIC resulting in a loss to the amount of euro 13,300 thousand and, by the Turkish subsidiaries Pirelli Otomobil Lastikleri A.S. and Pirelli Lastikleri Dis Ticaret A.S. resulting in the positive amount of euro 2,921 thousand (refer to Note 39 for further details).

The item **fair value measurement of exchange rate derivatives** refers to forward foreign exchange buy/sell transactions to hedge commercial and financial transactions, in accordance with the Group's exchange rate risk management policy. For transactions still open at period-end, the fair value is determined by applying the forward exchange rate at the reporting date. The fair value measurement is composed of two elements: the interest component related to the interest rate differential between the currencies covered by the individual hedges, equal to a net cost of euro 42,640 thousand and, the exchange rate component equal to a net loss of euro 42,719 thousand.
The exchange rate component of the fair value measurement of the cross currency interest rate swaps, for which hedge accounting of the cash flow hedge type was adopted, was positive to the amount of euro 7,302 thousand, and was reclassified under the item net gains on exchange rates, to offset unrealised exchange losses recorded on the hedged liability (refer to Note 34 - *"Financial Income").*

36. TAXES

Taxes were composed as follows:

(in thousands of euro)	**01/01 - 06/30/2022**	**01/01 - 06/30/2021**
Current taxes	111,010	100,798
Deferred taxes	(26,103)	(53,604)
Total	**84,907**	**47,194**

For the first half-year of 2022, **taxes** amounted to euro 84,907 thousand against a net income before taxes of euro 317,954 thousand with a tax rate of 26.7%. The first half-year of 2021, instead, recorded taxes which had amounted to euro 47,194 thousand against a net income before taxes of euro 134,571 thousand (a tax rate of 26.4%).

37. EARNINGS/(LOSSES) PER SHARE

Basic earnings/(losses) per share are determined by the ratio between the earnings/losses attributable to the Parent Company and the weighted average of the number of ordinary shares outstanding for the period, with the exclusion of treasury shares.

(in thousands of euro)	**01/01 - 06/30/2022**	**01/01 - 06/30/2021**
Net income/(loss) attributable to the Parent Company	221,417	123,097
Weighted average number of ordinary shares outstanding (in thousands)	1,000,000	1,000,000
Earnings /(losses) per ordinary share (in euro per share)	**0.221**	**0.123**

It should be noted that the earnings/(losses) per basic share and diluted share are the same. It should also be noted that the share conversion option for the bond loan has no dilutive effect, as the market price of the shares was lower than the exercise price of the option itself from the issue date of the loan until June 30, 2022.

38. DIVIDENDS PER SHARE

During the course of the first half-year of 2022, Pirelli & C. S.p.A. distributed to its shareholders, also by way of withdrawing part of the earnings accrued during previous financial years, euro 0.161 per ordinary share equal to a total dividend pay-out of euro 161 million before withholding taxes.

39. HYPERINFLATION

Based on the provisions of the Group's accounting standards, hyperinflation accounting was adopted by the Argentine subsidiary, Pirelli Neumaticos SAIC as of July 1, 2018 and by the Turkish subsidiaries Pirelli Otomobil Lastikleri A.S. and Pirelli Lastikleri Dis Ticaret A.S., as of June 30, 2022.
For the Argentinian company, the price index used for the application of hyperinflation accounting was the National Consumer Price Index (CPI) published by the National Institute of Statistics and Census (INDEC), equal to an official annual value of 63%.
For the Turkish companies, the price index used was the National Consumer Price Index (TUFE) published by the Turkish Statistical Institute (TUIK), equal to an official annual value of 79%.
Net losses on the net monetary position were recognised in the Income Statement as *"Financial Expenses"* (Note 35) to the amount of euro 10,378 thousand.

40. RELATED-PARTY TRANSACTIONS

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

The following table summarises the items from the Statement of Financial Position, the Income Statement and the Cash Flow Statement which include Related Party Transactions and their relative impact.

STATEMENT OF FINANCIAL POSITION *(in millions of euro)*	**06/30/2022**	**of which related parties**	**% incidence**	**12/31/2021**	**of which related parties**	**% incidence**
Non current assets						
Other receivables	**446.6**	7.1	1.6%	**362.9**	6.7	1.8%
Current assets						
Trade receivables	**936.4**	16.8	1.8%	**659.2**	19.5	3.0%
Other receivables	**527.6**	101.4	19.2%	**470.6**	105.9	22.5%
Non-current liabilities						
Borrowings from banks and other financial institutions	**3,657.4**	11.7	0.3%	**3,789.4**	13.2	0.3%
Other payables	**77.8**	0.2	0.3%	**76.5**	0.2	0.3%
Provisions for liabilities and charges	**70.9**	12.8	18.1%	**81.2**	22.0	27.1%
Provisions for employee benefit obligations	**172.4**	4.2	2.4%	**220.6**	7.2	3.2%
Current liabilities						
Borrowings from banks and other financial institutions	**1,240.6**	3.4	0.3%	**1,489.2**	2.8	0.2%
Trade payables	**1,454.2**	112.3	7.7%	**1,626.4**	144.1	8.9%
Other payables	**288.7**	3.6	1.2%	**314.2**	13.4	4.3%
Provisions for liabilities and charges	**61.6**	16.9	27.4%	**-**	-	n.a.
Provisions for employee benefit obligations	**52.7**	9.3	17.6%	**-**	-	n.a.

INCOME STATEMENT *(in millions of euro)*	**01/01 - 06/30/2022**	**of which related parties**	**% incidence**	**01/01 - 06/30/2021**	**of which related parties**	**% incidence**
Revenue from sales and services	**3,197.0**	16.5	0.5%	**2,564.8**	10.2	0.4%
Other income	**157.5**	24.9	15.8%	**145.1**	25.7	17.7%
Raw materials and consumables used (net of changes in inventories)	**(1,144.9)**	(7.8)	0.7%	**(875.7)**	(1.2)	0.1%
Personnel expenses	**(573.8)**	(6.8)	1.2%	**(564.1)**	(15.1)	2.7%
Other costs	**(1,040.6)**	(167.9)	16.1%	**(823.7)**	(136.1)	16.5%
Financial income	**74.3**	1.7	2.3%	**35.2**	1.9	5.3%
Financial expenses	**(163.9)**	(0.3)	0.2%	**(107.1)**	(0.3)	0.3%
Net income / (loss) from equity investments	**2.3**	0.9	n.a.	**2.0**	1.0	n.a.

CASH FLOW *(in thousands of euro)*	**01/01 - 06/30/2022**	**of which related parties**	**% incidence**	**01/01 - 06/30/2021**	**of which related parties**	**% incidence**
Net cash flow operating activities:						
Change in Trade receivables	**(215.2)**	3.1	n.a.	**(190.3)**	(6.2)	n.a.
Change in Trade payables	**(221.2)**	(43.1)	n.a.	**(326.8)**	(50.3)	n.a.
Change in Other receivables	**(21.5)**	16.0	n.a.	**(55.9)**	(5.4)	n.a.
Change in Other payables	**(58.7)**	(0.8)	n.a.	**2.4**	0.7	n.a.
Uses of Provisions for employee benefit obligations	**31.9**	-	n.a.	**(33.6)**	(3.0)	n.a.
Net cash flow investing activities:						
Change in Financial receivables from associates and J.V.	**(8.6)**	(8.6)	n.a.	**(0.6)**	(0.6)	n.a.
Dividends received	**1.7**	0.2	n.a.	**1.0**	0.2	n.a.
Net cash flow financing activities:						
Repayment of principal and payment of interest for lease obligations	**(59.0)**	(1.8)	n.a.	**(50.6)**	1.3	n.a.

Related Party Transactions, are detailed below according to type of related party:

STATEMENT OF FINANCIAL POSITION	06/30/2022			12/31/2021		
(in millions of euro)	Associates and joint ventures	Other related parties	Remuneration for Directors and Key Managers	Associates and joint ventures	Other related parties	Remuneration for Directors and Key Managers
Other non-current receivables	7.1	-	-	6.7	-	-
of which financial	*7.1*	*-*	*-*	*6.7*	*-*	*-*
Trade receivables	13.8	3.0	-	14.7	4.8	-
Other current receivables	97.8	3.6	-	92.4	13.5	-
of which financial	*92.6*	*-*	*-*	*81.4*	*-*	*-*
Borrowings from banks and other financial institutions non-current	11.6	0.1	-	13.0	0.2	-
Other non-current payables	-	-	0.2	-	-	0.2
Provisions for liabilities and charges non-current	-	-	12.8	-	-	22.0
Provisions for employee benefit obligations non-current	-	-	4.2	-	-	7.2
Borrowings from banks and other financial institutions current	2.3	1.1	-	2.3	0.5	-
Trade payables	37.9	74.4	-	26.9	117.2	-
Other current payables	-	0.8	2.8	-	1.5	11.9
Provisions for employee benefit obligations current	-	-	9.3	-	-	-

INCOME STATEMENT	01/01 - 06/30/2022			01/01 - 06/30/2021		
(in millions of euro)	Associates and joint ventures	Other related parties	Remuneration for Directors and Key Managers	Associates and joint ventures	Other related parties	Remuneration for Directors and Key Managers
Revenues from sales and services	15.0	1.5	-	8.9	1.3	-
Other income	5.8	19.1	-	3.9	21.8	-
Raw materials and consumables used (net of change in inventories)	(0.6)	(7.2)	-	-	(1.1)	-
Personnel expenses	-	-	(6.8)	-	-	(15.1)
Other costs	(78.4)	(77.0)	(12.5)	57.3	(69.7)	(9.1)
Financial income	1.7	-	-	1.9	-	-
Financial expenses	(0.2)	(0.1)	-	(0.2)	(0.1)	-
Net income/ (loss) from equity investments	0.9	-	-	1.0	-	-

TRANSACTIONS WITH ASSOCIATES AND JOINT VENTURES

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, amongst others, receivables for services rendered to the Chinese joint venture Jining Shenzhou Tyre Co. Ltd. to the amount of euro 13.5 million.

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

- receivables for the royalties of Pirelli Tyre S.p.A. from PT Evoluzione Tyres and the Jining Shenzhou Tyre Co., Ltd. to the amount of euro 0.7 million and euro 0.9 million respectively;
- receivables for service fees for the Pirelli Tyre Co., Ltd from Jining Shenzhou Tyre Co., Ltd. to the amount of euro 2.6 million;

The financial portion refers to a loan granted by Pirelli Tyre Co., Ltd. to the Jining Shenzhou Tyre Co., Ltd.

The item **borrowings from banks and other financial institutions non-current** refers to payables for machine hire from the company Industriekraftwerk Breuberg Gmbh and the Jining Shenzhou Tyre Co., Ltd.

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

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

Transactions - Income statement

The item **revenues from sales and services** mainly refers to the sales of materials and services to the Jining Shenzhou Tyre Co., Ltd. to the amount of euro 14.8 million.

The item **other income** refers to the recharging of expenses to the amount of euro 2.2 million to the Jining Shenzhou Tyre Co., Ltd., and to royalties in the amount of euro 2.8 million from the same.

The item **other costs** mainly refers to costs for:

- the purchase of tyres from the Jining Shenzhou Tyre Co., Ltd. to the amount of euro 35.6 million;
- the purchase of Motorcycle products from PT Evoluzione Tyres to the amount of euro 24.3 million;
- the purchase of energy and the hiring of machines from Industriekraftwerk Breuberg GmbH to the amount of euro 11.4 million.

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

The item **financial expenses** refers to interest relative to machine hire.

TRANSACTIONS WITH OTHER RELATED PARTIES

The transactions detailed below refer mainly to transactions with the 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.

Transactions - Statement of Financial Position

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

The item **other current receivables** refers mainly to receivables from the Aeolus Tyre Co., Ltd. to the amount of euro 3.5 million.

The item **borrowings from banks and other financial institutions non-current** refers to payables of the company Pirelli Otomobil Lastikleri A.S. for machine hire from the Prometeon company Turkey Endüstriyel ve Ticari Lastikler A.S. and to payables of the company Pirelli Pneus Ltda to TP Industrial de Pneus Brasil Ltda.

The item **borrowings from banks and other financial institutions current** refers to the short-term portion of the aforementioned debt.

The item **trade payables** almost exclusively refers to payables to companies of the Prometeon Group to the amount of euro 70.5 million.

Transactions - Income statement

The item **other income** includes royalties from the Aeolus Tyre Co., Ltd. to the amount of euro 3.5 million in respect of the license agreement stipulated in 2016 some of whose terms and conditions were renegotiated in February 2019. The item also includes income from companies of the Prometeon Group mainly relative to:

- royalties in respect of the trademark license agreement to the amount of euro 5 million;
- the sale of raw materials, finished and semi-finished products for the total amount of euro 1 million;
- the Long-Term Service Agreement to the amount of euro 1.7 million of which euro 1.1 million was earned by Pirelli Sistemi Informativi S.r.l., and euro 0.4 million by Pirelli Pneus Ltda;
- logistics services for the total amount of euro 0.6 million of which euro 0.3 million was carried out by the Spanish company Pirelli Neumaticos S.A.I.C.;
- the licence agreement for know-how charged by Pirelli Tyre S.p.A. to the amount of euro 6.5 million.

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

The item **other costs** includes contributions to the HangarBicocca Foundation and the Pirelli Foundation to the amount of euro 0.5 million, and costs payable to companies of the Prometeon Group mainly for:

- the purchase of truck products for a total amount of euro 53.7 million of which euro 49.9 million was carried out by the Brazilian company Comercial e Importadora de Pneus Ltda for the Brazilian sales network, euro 2.8 million by the German company Driver Reifen und KFZ-Technik GmbH and euro 0.4 million by the Russian Limited Liability company Pirelli Tyre Russia;
- the purchase of Car/Motorcycle and semi-finished products for a total amount of euro 18 million mainly carried out by the Turkish company Pirelli Otomobil Latikleri A.S. in respect of the Off-Take contract.

The item **financial expenses** refers to interest relative to machine hire between the Turkish and Brazilian companies and the Prometeon Group.

BENEFITS FOR DIRECTORS AND KEY MANAGERS

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** non-current and **provisions for employee benefit obligations** non-current, include provisions relative to the monetary three-year 2021-2023 and 2022-2024 Long Term Incentive Plans to the amount of euro 5.8 million (euro 18.9 million at December 31, 2021), provisions for the Short Term Incentive Plan to the amount of euro 2.6 million (euro 3.1 million at December 31, 2021), as well as employee’s leaving indemnities (TFR) to the amount of euro 8.7 million (euro 7.2 million at December 31, 2021);
- the Statement of Financial Position item **other current payables** includes the short-term portion relative to the Short Term Incentive Plan;
- the Statement of Financial Position items **provisions for liabilities and charges** current and **provisions for employee benefit obligations** current, include the provisions relative to the 2020-2022 Long Term Incentive Plan.
- the items **personnel expenses** and **other costs** include euro 1.6 million relative to the employees' leaving indemnities (TFR) and retirement benefits (euro 1.5 million for the first half-year of 2021), as well as provisions for the short-term benefits to the amount of euro 4.4 million (euro 6.6 million for the first half-year of 2021) and provisions for the long-term benefits to the amount of euro 7.6 million (euro 5.6 million for the first half-year of 2021).

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. OTHER INFORMATION

Research and Development Expenses

Research and Development expenses for the first half-year of 2022 amounted to euro 126.4 million and represented 4% of net sales (euro 117.2 million for the first half-year of 2021 and represented 4.6% of net sales).

Atypical and/or Unusual Operations

Pursuant to CONSOB Notice No. 6064293 of July 28, 2006, it should be noted that during the course of the first half-year of 2022, the Company did not carry out any atypical and/or unusual transactions, as defined in the aforementioned Notice.

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 1H**		**Change in %**
	06/30/2022	**12/31/2021**		**2022**	**2021**	
Swedish Krona	**10.6801**	10.2269	4.43%	**10.4792**	10.1281	3.47%
Australian Dollar	**1.5099**	1.5615	(3.30%)	**1.5204**	1.5627	(2.70%)
Canadian Dollar	**1.3425**	1.4393	(6.73%)	**1.3901**	1.5030	(7.52%)
Singaporean Dollar	**1.4483**	1.5279	(5.21%)	**1.4921**	1.6059	(7.09%)
US Dollar	**1.0387**	1.1326	(8.29%)	**1.0934**	1.2054	(9.29%)
Taiwan Dollar	**30.8920**	31.3436	(1.44%)	**31.4450**	33.7897	(6.94%)
Swiss Franc	**0.9960**	1.0331	(3.59%)	**1.0319**	1.0946	(5.73%)
Egyptian Pound	**19.5882**	17.8708	9.61%	**18.9247**	18.9867	(0.33%)
Turkish Lira	**17.5221**	14.6823	19.34%	**17.5221**	9.4735	84.96%
Romanian Leu	**4.9454**	4.9481	(0.05%)	**4.9456**	4.9007	0.92%
Argentinian Peso	**130.0764**	116.3407	11.81%	**130.0764**	113.7537	14.35%
Mexican Peso	**20.7581**	23.3129	(10.96%)	**22.1729**	24.3167	(8.82%)
South African Rand	**17.0143**	18.0625	(5.80%)	**16.8485**	17.5244	(3.86%)
Brazilian Real	**5.4842**	6.3210	(13.24%)	**5.5706**	6.4908	(14.18%)
Chinese Renminbi	**6.9711**	7.2211	(3.46%)	**7.0890**	7.8008	(9.12%)
Russian Rouble	**53.8580**	84.0695	(35.94%)	**82.6077**	89.4998	(7.70%)
British Pound Sterling	**0.8582**	0.8403	2.13%	**0.8424**	0.8680	(2.95%)
Japanese Yen	**141.5400**	130.3800	8.56%	**134.3071**	129.8681	3.42%

NET FINANCIAL POSITION

(alternative performance indicator not provided for by the accounting standards)

(in thousands of euro)	**Note**	**06/30/2022**	**of which related parties (note 40)**	**12/31/2021**	**of which related parties (note 40)**
Current borrowings from banks and other financial institutions	**21**	1,240,571	*3,443*	1,489,249	*2,751*
Current derivative financial instruments (liabilities)	**25**	68,617		10,331	
Non-current borrowings from banks and other financial institutions	**21**	3,657,399	*11,739*	3,789,369	*13,210*
Non-current derivative financial instruments (liabilities)	**25**	-		3,519	
Total gross debt		**4,966,587**		**5,292,468**	
Cash and cash equivalents	**17**	(889,664)		(1,884,649)	
Other financial assets at fair value through Income Statement	**16**	(138,728)		(113,901)	
Current financial receivables **	**13**	(111,752)	*(81,402)*	(81,819)	*(81,402)*
Current derivative financial instruments (assets)	**25**	(18,259)		(38,849)	
Net financial debt *		**3,808,184**		**3,173,250**	
Non-current derivative financial instruments (assets)	**25**	(1,763)		(4,612)	
Non-current financial receivables **	**13**	(275,682)	*(6,664)*	(261,522)	*(6,664)*
Total net financial (liquidity) / debt position		**3,530,739**		**2,907,116**	

* Pursuant to CONSOB Notice of July 28, 2006 and in compliance with the ESMA guidelines regarding disclosure requirements pursuant to the Prospectus Regulation applicable from May 5, 2021.

** The item "*financial receivables*" is reported net of the relative provisions for impairment which amounted to euro 10,720 thousand at June 30, 2022 (euro 9,315 thousand at December 31, 2021).

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-Technik GmbH)	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 Digital Solutions S.r.l.	Services	Milan	Euro	500,000	100.00%	Pirelli Tyre 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	68.50%	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 Sterling	100,000	100.00%	Pirelli UK Tyres Ltd
Pirelli Cif Trustees Ltd	Financial	Burton on Trent	British Pound Sterling	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 Sterling	1	100.00%	Pirelli UK Ltd
Pirelli General Executive Pension Trustees Ltd	Financial	Burton on Trent	British Pound Sterling	1	100.00%	Pirelli UK Ltd
Pirelli General & Overseas Pension Trustees Ltd	Financial	Burton on Trent	British Pound Sterling	1	100.00%	Pirelli UK Ltd
Pirelli Tyres Executive Pension Trustees Ltd	Financial	Burton on Trent	British Pound Sterling	1	100.00%	Pirelli Tyres Ltd
Pirelli Tyres Ltd	Tyre	Burton on Trent	British Pound Sterling	16,000,000	100.00%	Pirelli UK Tyres Ltd
Pirelli Tyres Pension Trustees Ltd	Financial	Burton on Trent	British Pound Sterling	1	100.00%	Pirelli Tyres Ltd
Pirelli UK Ltd	Financial	Burton on Trent	British Pound Sterling	163,991,278	100.00%	Pirelli & C. S.p.A.
Pirelli UK Tyres Ltd	Tyre	Burton on Trent	British Pound Sterling	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 (in liquidation)	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 S.A. de C.V.	Tyre	Silao	Mex. Peso	11,595,773,848	99.83%	Pirelli Tyre S.p.A.
					0.17%	Pirelli Latam Participaçoes Ltda

Company	Business	Headquarter	Currency	Share Capital	% holding	Held by
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 (in liquidation)	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.
Poland						
Centrum Utylizacji Opon Organizacja Odzysku S.A.	Tyre	Warsaw	Pln	1,008,000.00	20.00%	Pirelli Polska Sp. z o.o.
Slovakia						
ELT Management Company Slovakia S.R.O.	Tyre	Bratislava	Euro	132,000.00	20.00%	Pirelli Slovakia S.R.O.
Romania						
S.C. Eco Anvelope S.A.	Tyre	Bucarest	Rom. Leu	160,000	20.00%	S.C. Pirelli Tyres Romania S.r.l.
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.

CERTIFICATIONS

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 Giorgio Luca Bruno, 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, 2022 – June 30, 2022.

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, 2022 – June 30, 2022, 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 4, 2022

The Executive Vice Chairman and Chief Executive Officer	The Corporate Financial Reporting Manager
(Marco Tronchetti Provera)	(Giorgio Luca Bruno)

PIRELLI & C. SPA

REVIEW REPORT ON CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022

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 2022 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 the 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 the 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 2022 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, 4 August 2022

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.