PRESS RELEASE

BOARD OF DIRECTORS OF PIRELLI & C. S.P.A. APPROVES RESULTS TO 31 DECEMBER 2021

- **Net profit of parent company Pirelli & C. Spa: 216.6 million euro (44.0 million on 31 December 2020)**

- **Consolidated net profit: 321.6 million euro (42.7 million on 31 December 2020)**

- **The Board will propose to the shareholders' meeting, called for 18 May, the distribution of a dividend of 0.161 euro per share for a total of 161 million euro**

***

- **Investments halted in Russia, excluding those linked to security. The activities of the factories will be progressively limited to finance salaries and services for employees**

Milan, 17 March 2022 – The Board of Directors of Pirelli & C. Spa, met today and approved, confirming them, the consolidated results to 31 December 2021 which had already been announced to the market in preliminary and unaudited form on 23 February. Note that 2021 closed with a consolidated net profit of 321.6 million euro, an increase from 42.7 million euro in 2020.

The Board also approved the results of the parent company Pirelli & C. Spa that in 2021 posted a net profit of 216.6 million euro, an increase compared with 44.0 million euro in 2020. In accordance with the dividend policy of the 2021-2022|2025 industrial plan, the distribution of a dividend of 0.161 euro per share for a total of 161 million euro will be proposed at the shareholders' meeting.
The dividend for 2021 will be paid beginning from 25 May 2022 (coupon detachment 23 May 2022 and record date 24 May 2022).

2022 Targets

Here below the 2022 targets already announced to the market on 23 February 2022:

(euro billions)	2021	2022
Revenues	5.33	~5.6÷~5.7
Adjusted Ebit Margin	15.3%	~16%÷~16.5%
Investments *% of revenues*	0.35 *6.5%*	~0.39 *~7%*
Net cash flow before dividends	0.43	~0.45÷~0.48
Net financial position *NPF / Adj. Ebitda*	-2.9 *2.4x*	~-2.6 *≤ 2x*
ROIC *post taxes*	17.6%	≥19%

Pirelli has constituted a "Crisis Committee" to constantly monitor the development of the Russia-Ukraine crisis for which mitigation actions and a contingency plan have already been activated. When the company presented its preliminary 2021 results it announced an initial analysis of the impact on 2022 guidance. That analysis assumed the persistence of February level energy and oil prices until the end of the year, as well as the potential impact on local operations linked to imports and exports to and from Russia of raw materials and finished goods.
In the analysis of this scenario, which does not take into account the idea of a total interruption of the import and export flows from Russia and a recessionary scenario in Europe because of an escalation of geopolitical tensions, the guidance for profitability and cash generation would be positioned in the lower part of the range (adjusted ebit around 890 million and cash generation before dividends around 450 million euro).
Pirelli continues to monitor the evolution of the situation and will inform the market if the forecasts shift significantly from the assumptions of the initial analysis.

Update on activities in Russia

Pirelli is against this war and is supporting the Ukrainian population with a donation of 500,000 euro and facilitating the collection of funds among employees. The investments in the local market, excluding those linked to security, have been halted. The activities of the factories in Russia will be progressively limited to those needed to guarantee the financing of salaries and social services for employees.

Management incentive plan (LTI) linked to targets of the 2021-2022|2025 strategic plan

As already communicated to the market, the long term LTI incentive plan will accompany the entire arc of the plan presented to the financial community on 31 March 2021. It has a rolling structure in 3-year cycles (cycle LTI 21-23; LTI 22-24; LTI 23-25) which entails targets for each 3-year period reviewed, at the beginning of each year, to guarantee the constant alignment between targets and the incentive system.

The Board of Directors of Pirelli today approved the targets of the LTI monetary plan for the 3-year period 2022-2024 for the management of the Pirelli group (**LTI Plan 22-24**), linked to the targets of the 2021-2022|2025 strategic plan. The LTI Plan 22-24, like its predecessor, is in line with the practices in the matter of variable retribution adopted at the international level, and based on the performance of Pirelli shares (so-called TSR), permitting the alignment of management's interests with those of shareholders. The LTI Plan 22-24, as in the past, is fully self-financed in that the relative charges are included in the economic data of the industrial plan.

The LTI Plan 22-24 requires the following targets, two of which are linked to sustainability:

- Relative *Total Shareholder Return* (TSR), with weight at target of 40% of the LTI premium compared against a selected panel of Tier 1 peers.
- Accumulated Group Net Cash Flow (before dividends), with a weight at target of 40% of the LTI premium;
- Positioning of Pirelli in the Dow Jones Sustainability World Index Auto Component sector, with weight at target of 10% of the LTI premium.
- *CO2 Emissions Reduction*, with weight at target of 10% of the LTI premium.

The date of an eventual first payment will be in the first half of 2025 (in the case that the 2022-2024 results are achieved).

Participants in the New LTI Plan, among others, will include the Executive Vice Chairman and CEO of Pirelli & C. Marco Tronchetti Provera, the Deputy-Ceo Giorgio Luca Bruno, the General Manager Operations Andrea Casaluci, and managers qualified by the Board as "managers with strategic responsibility". The New LTI Plan 22-24 also addresses Senior Managers (including the Director Giovanni Tronchetti Provera) and group Executives.

The LTI Plan 22-24 was decided upon also in accordance with article 2389 of the civil code, at the proposal of the Remuneration Committee, with the favourable opinion of the Audit Committee in relation to the subjects for which such an opinion is requested. In addition, the LTI Plan 22-24 will be included in the remuneration policy that will be submitted for approval the shareholders' meeting called to approve the annual financial results through 31 December 2021. The LTI Plan 22-24 will be submitted at the same shareholders' meeting in the section linked to Total Shareholder Return.

For more information on the functioning of the LTI Plan 22-24 please refer to the Report and Information Document that will be made available to the public, in the terms and ways indicated by current law.

Call of the Shareholders' meeting and corporate governance

The Board of Directors decided to call – in sole call – on 18 May 2022 (instead of May 11 as previously announced) a shareholders' meeting in ordinary session to:

- approve the 2021 Financial statements and the related resolutions regarding distribution of the dividend;
- approve the Remuneration Policy as well as approve, for the part linked to the *Total Shareholder Return*, the adoption of the monetary incentive long term plan for the 3-year period 2022-2024 (LTI 22-24) - intended for all Group management and linked to the objectives of the 2021-2022|2025 strategic plan;
- pronounce, with an advisory vote, on the remuneration paid for the 2021 financial year.

The annual "Report on corporate governance and ownership structure" will also be presented to the shareholders' meeting.

The Board of Directors of Pirelli also updated the Procedure for Operations with Related Parties, with the prior opinion of the Committee for Operations with Related Parties, solely to take into account changes to the Company's organizational structure made at the end of 2021. The documentation for the above is available on the Company's website (www.pirelli.com).

***

The file of the 2021 results, which will be available to public in the manner and terms set out in law, will also contain (chapter "Report on the Responsible Management of the Value Chain") the annual consolidated Statement of a non-financial nature approved today by the Board.

***

Bond Issues

In accordance with the rules of Borsa Italiana it is announced that in January 2023 the bond loan *"€600,000,000 1.375% Guaranteed Notes due 25 January 2023*" will mature, the residual amount of which is 533 million euro.

***

The manager indicated for the preparation of Company's accounting documents of Pirelli & C. S.p.A., Mr. Giorgio Luca Bruno, declares in accordance with paragraph 2 of article 154 bis of the Testo Unico della Finanza that the accounting information contained in this press release corresponds to the results in documents, books and accounting scripts.

***

Pirelli Press Release – Tel. +39 02 64424270 – pressoffice@pirelli.com
Pirelli Investor Relations – Tel. +39 02 64422949 – ir@pirelli.com
www.pirelli.com

Pirelli – Financial data as at 31 December 2021

(in millions of euro)	2021	2020
Net sales	**5.331,5**	**4.302,1**
EBITDA adjusted (°)	**1.210,7**	**892,6**
% of net sales	22,7%	20,7%
EBITDA (°°)	**1.085,7**	**725,1**
% of net sales	20,4%	16,9%
EBIT adjusted	**815,8**	**501,2**
% of net sales	15,3%	11,6%
Adjustments: - amortisation of intangible assets included in PPA	(113,7)	(114,6)
- non-recurring, restructuring expenses and other	(106,1)	(107,7)
- COVID-19 direct costs	(18,9)	(59,8)
EBIT	**577,1**	**219,1**
% of net sales	10,8%	5,1%
Net income/(loss) from equity investments	4,0	(5,3)
Financial income/(expenses) (°°)	(144,3)	(156,4)
Net income/(loss) before taxes	**436,8**	**57,4**
Taxes	(115,2)	(14,7)
Tax rate %	26,4%	25,6%
Net income/(loss)	**321,6**	**42,7**
Eanings/(loss) per share (in euro per share)	0,30	0,03
Net income/(loss) adjusted	468,8	245,5
Net income/(loss) attributable to owners of the Parent Company	302,8	29,8

(°) The adjustments refer to one-off, non-recurring and restructuring expenses to the amount of euro 101.4 million (euro 99.3 million for 2020), to expenses relative to the retention plan approved by the Board of Directors on February 26, 2018 to the amount of euro 4.7 million (euro 8.4 million for 2020), and to COVID-19 direct costs to the amount of euro 18.9 million (euro 59.8 million for 2020).

(°°) This item includes the impacts deriving from the application of the accounting standard IFRS 16 – Leases, on EBITDA to the amount of euro +103.0 million (euro +103.9 million for 2020), and on financial expenses to the amount of euro -20.8 million (euro -22.3 million for 2020).

Pirelli – Balance sheet data as at 31 December 2021

(in millions of euro)		12/31/2021	12/31/2020
Fixed assets		**8.912,4**	**8.857,1**
	Inventories	1.092,2	836,4
	Trade receivables	659,2	597,7
	Trade payables	(1.626,4)	(1.317,0)
Operating net working capital		**125,0**	**117,1**
% of net sales		2,3%	2,7%
	Other receivables/other payables	0,8	23,4
Net working capital		**125,8**	**140,5**
% of net sales		2,4%	3,3%
Net invested capital		**9.038,2**	**8.997,6**
Equity		**5.042,6**	**4.551,9**
Provisions		1.088,5	1.187,3
Net financial (liquidity)/debt position (°)		**2.907,1**	**3.258,4**
Equity attributable to owners of the Parent Company		4.908,1	4.447,4
Investments in intangible and owned tangible assets (CapEx)		345,6	140,0
Increases in right of use		122,4	68,5
Research and development expenses		240,4	194,6
% of net sales		4,5%	4,5%
Research and development expenses - High Value		225,1	182,5
% of High Value sales		6,0%	6,0%
Employees (headcount at end of period)		30.690	30.510
Industrial sites (number)		18	19

(°) Net financial position at December 31, 2021 includes in Pirelli & C. SpA non current bonds and non current borrowings from banks for a nominal value respectively of euro 1,496.0 million and of euro 1,925.0 million

Cash flow Statement

(in millions of euro)	1 Q		2 Q		3Q		4Q		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
EBIT adjusted	168,8	141,1	208,6	(74,4)	221,4	213,7	217,0	220,8	815,8	501,2
Amortisation and depreciation (excluding PPA amortisation)	97,7	103,1	98,8	98,1	98,7	95,7	99,7	94,5	394,9	391,4
Investments in intangible and owned tangible assets (CapEx)	(89,8)	(56,6)	(63,0)	(24,8)	(60,5)	(24,7)	(132,3)	(33,9)	(345,6)	(140,0)
Increases in right of use	(26,7)	(22,9)	(23,2)	(24,1)	(9,7)	(15,2)	(62,8)	(6,3)	(122,4)	(68,5)
Change in working capital and other	(717,2)	(861,2)	73,3	131,9	(61,7)	(173,0)	756,5	809,5	50,9	(92,8)
Operating net cash flow	**(567,2)**	**(696,5)**	**294,5**	**106,7**	**188,2**	**96,5**	**878,1**	**1.084,6**	**793,6**	**591,3**
Financial income / (expenses)	(40,0)	(32,5)	(31,8)	(40,6)	(35,1)	(40,2)	(37,4)	(43,1)	(144,3)	(156,4)
Taxes paid	(37,1)	(31,4)	(34,9)	(22,4)	(26,8)	(16,2)	(26,8)	(20,7)	(125,6)	(90,7)
Cash-out for non-recurring, restructuring expenses and other	(28,9)	(20,7)	(40,4)	(28,2)	(33,4)	(42,4)	(19,0)	(27,5)	(121,7)	(118,8)
Differences from foreign currency translation and other	15,9	27,6	(14,9)	(19,5)	11,4	14,5	13,0	(6,7)	25,4	15,9
Net cash flow before dividends, extraordinary transactions and investments	**(657,3)**	**(753,5)**	**172,5**	**(4,0)**	**104,3**	**12,2**	**807,9**	**986,6**	**427,4**	**241,3**
EU electric cables market cartel sanction	-	-	-	-	-	-	-	(33,7)	-	(33,7)
(Acquisition) / Disposals of investments	3,8	-	-	-	-	-	-	-	3,8	-
Net cash flow before dividends paid by the Parent Company and impact of convertible bond	**(653,5)**	**(753,5)**	**172,5**	**(4,0)**	**104,3**	**12,2**	**807,9**	**952,9**	**431,2**	**207,6**
Impact of convertible bond	-	-	-	-	-	-	-	41,2	-	41,2
Net cash flow before dividends paid by the Parent Company	**(653,5)**	**(753,5)**	**172,5**	**(4,0)**	**104,3**	**12,2**	**807,9**	**994,1**	**431,2**	**248,8**
Dividends paid by the Parent Company	-	-	(79,3)	-	(0,5)	-	(0,1)	-	(79,9)	-
Net cash flow	**(653,5)**	**(753,5)**	**93,2**	**(4,0)**	**103,8**	**12,2**	**807,8**	**994,1**	**351,3**	**248,8**

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 Guidelines/2015/1415) published on October 5, 2015. These measures are presented in order to allow for a better assessment of the results of the Group's operations and should not be considered as alternatives to those required by the IFRS.
In particular, the Non-GAAP Measures used are as follows:

- **EBITDA**: is equal to the EBIT but which excludes the depreciation and amortisation of property, plant and equipment and intangible assets. The 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, 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 the 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, 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. The EBIT is used to measure the ability to generate earnings, including the impact arising 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, 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, 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, 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 position:** this measure represents the net financial debt less the non-current financial receivables (included in the Financial Statements under *"Other receivables"*), the current derivative financial instruments included in the net financial position (included in the Financial Statements under current assets as *"Derivative financial instruments"*) and the non-current derivative financial instruments included in the net financial position (included in the Financial Statements under non-current assets as *"Derivative financial instruments"*). 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**: this is calculated as the change in the net financial position relative to operations management;
- **Net cash flow before dividends and extraordinary transactions and investments:** is calculated by adding the change in the net financial position due to financial and tax management, to the operating net cash flow;
- **Net cash flow before dividends paid by the Parent company:** is calculated by adding the change in the net financial position due to extraordinary transactions and the management of investments, to the net cash flow before dividends and extraordinary transactions and investments;
- **Net cash flow**: is calculated by subtracting the dividends paid by the Parent company, from the net cash flow before dividends paid by the Parent company;
- **Investments in intangible and owned tangible assets (CapEx):** is calculated as the sum of investments (increases) in intangible assets and investments (increases) in property, plant and equipment, excluding any increases relative to the right of use;

- **Increases in the right of use**: is calculated as the increases in the right of use relative to lease contracts;
- **ROIC:** is calculated as the ratio between the EBIT adjusted net of tax effects and the average net invested capital net of provisions which does not include "*Investments in associates and joint ventures*", *"Other financial assets at fair value through other Comprehensive Income"*, *"Other non-current financial assets at fair value through the Income Statement", "Other non-current assets",* the intangible assets relative to assets recognised as a consequence of Business Combinations, the deferred tax liabilities relative to the latter and the *"Provisions for employee benefit obligations current and non-current"*.