PRESS RELEASE

THE BOARD OF PIRELLI & C. SPA REVIEWED CONSOLIDATED RESULTS TO 30 JUNE 2023

PIRELLI: 1H REVENUES +7.5%, NET PROFIT +4.1% TO 242.6 MILLION EURO

PRICE/MIX AT 12.5% THANKS TO PRICE INCREASES AND IMPROVED MIX

ADJUSTED EBIT: +7.4% TO 517.4 MILLION, WITH MARGIN AT 15.1%

IN SECOND QUARTER ADJUSTED EBIT MARGIN ROSE TO 15.5% AND NET CASH FLOW BEFORE DIVIDENDS POSITIVE 156.5 MILLION EURO

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First half 2023

- Revenues: 3,437.5 million euro up +7.5% compared with first half 2022 (organic variation +10.4% excluding forex effect of -2.9%)
- Price/Mix: +12.5% thanks to price increases and improved mix
- Strengthening of position in High Value with growth of Car ≥18'' volumes of +5.7% compared with +4.8% of the market
- Adjusted Ebit: 517.4 million euro, an increase of +7.4% compared with first half 2022. The improvement of the price/mix and efficiencies more than offset the impact of the external context (raw materials, inflation and forex)
- Adjusted Ebit margin at 15.1% unchanged compared with first half 2022
- Net profit rises by 4.1% to 242.6 million euro (233.0 million euro in first half 2022)
- Net cash flow before dividends: -534.9 million euro, substantially stable compared with first half 2022 (-463.7 million in first half 2022) excluding the impact of the 3-year LTI 2020-2022 management incentive plan
- Net Financial Position: -3,087.5 million euro (-3,530.7 million on 30 June 2022 and -2,552.6 million on 31 December 2022)

Second quarter 2023

- Revenues: 1,737.8 million euro up +3.7% compared with second quarter 2022 (organic variation +9.1% excluding forex effect of -5.4%)
- Price/Mix: +10.2% thanks to price increases and improved mix
- Adjusted Ebit: 269.3 million euro, an increase of +6.4% compared with second quarter 2022
- Adjusted Ebit margin rises to 15.5% (15.1% in second quarter 2022)
- Net profit 127.6 million euro (123.2 million euro in second quarter 2022)

- **Net Cash flow before dividends: +156.5 milion euro (+209.2 milion euro in second quarter 2022)**

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2023 TARGETS

- **Adjusted Ebit Margin revised upwards to between ~14.5% and <15% (previous estimate >14% and ~14.5%) thanks to the improvement of price mix (~+7% and ~+8% compared with prior indication ~+4.5% / ~+5.5%)**

  Revenues estimated between ~6.5 and ~6.7 billion di euro (previous estimate ~6.6 and ~6.8 billion) in consideration of greater caution linked to the external context (volumes and forex)

- **Net cash generation before dividends confirmed at between ~440 and ~470 million euro**

- **Investments confirmed at ~400 million euro (~6% of revenues)**

- **Net financial position confirmed at ~-2.35 billion euro, with a NFP/adjusted Ebitda ratio of around 1.65x/1.7x**

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- **Changes to bylaws in compliance with the Golden Power measures approved**

Milan, 27 July 2023 – The Board of Directors of Pirelli & C. Spa met today and approved results to 30 June 2023 which show growth in the main economic and market indicators thanks to the implementation of the “key programs” of the Industrial Plan 2021-2022|2025.

In particular:

- Commercial Program
  The first half of 2023 saw a further consolidation of **High Value** with a particular focus on Car ≥ 19’’, Specialties and electric. Over the period, Pirelli outperformed the Car ≥18” market, with volumes’ growth of +5.7% (market +4.8%). In the Replacement Channel for Car ≥18”, in particular, Pirelli volumes grew +2.9% (market +0.8%), with an increase in market shares above all in North America thanks to a broad product portfolio. In Original Equipment Car ≥18” (Pirelli volumes +9.6%, market +11.0%) Pirelli continued with its strategic focus on bigger rim sizes (with growth of around 5.5 basis points of the weight of ≥19” volumes which represent 81% of those of Original Equipment ≥18”) and in electric (over 27% the weight of Original Equipment volumes ≥19”, with growth of 11 percentage points compared with first half 2022).
  On the other hand, there was a further reduction of the exposure to the **Standard** segment (Pirelli Car ≤17” volumes -9.6% compared with market’s -3.0%); in Replacement (Pirelli volumes -10.4% compared with market’s -6.0%) Pirelli still focuses on higher rim sizes, while the performance in Original Equipment (Pirelli volumes -6.7%, market +7.2%) reflects greater selectivity in all geographic regions.
  The different dynamics between ≥18” and ≤17” resulted in a decline of total Car volumes of -0.8%, lower than the fall registered by the market of -1.3%.

- Innovation Program
  In the first half of 2023, the Company obtained around 150 new technical homologations with the main Premium and Prestige carmakers, focused principally on **rim sizes ≥19”** and **Specialties**. In **Car** there was a further strengthening of the position in electric thanks to a portfolio of around 400 homologations at the global level and a market share in Prestige and Premium Original Equipment above 1.5 times that of combustion engines within the same segment. The electric offering was recently enhanced with the launch of the **P Zero E**, a product with an elevated level of technological content and greater sustainability. The new tyre obtained triple class A in European Labeling (rolling resistance, wet braking and noise) and contains more than 55% of materials from natural and recycled sources. In **Moto** the renewal of the Diablo range was

completed with the introduction of the Diablo Supercorsa, while **Cycling** saw the launch of three new products, two super performance characterized by low rolling resistance and one suited to all surfaces.

- **Competitiveness Program**
  In the first half of 2023 the Company achieved gross benefits of around 30.4 million euro, in line with expectations. These benefits regarded product costs (*modularity* and *design-to-cost*), manufacturing (optimization of industrial footprint and efficiency actions), SG&A costs (optimization of the warehouse logistics network and negotiation actions in purchasing) and organization costs.

- **Operations Program**
  In the first half of 2023 total plant saturation stood on average at around 90% (mainly because of the lower production levels in Russia and China), with a peak of 95% in the High Value segment. The plant decarbonization program, in addition, continued through the use of renewable energy sources and energy efficiency programs. Further, thanks to the acquisition announced on July 4 of Hevea Tech, the biggest independent Brazilian operator in the processing of natural rubber, Pirelli will increase its natural rubber supply quota in South America.

- **Digitalization Program**
  In the first half of 2023, following the adoption of CRM, the company completed the implementation in Italy and set in motion that of Germany of the new e-commerce B2B platform for integrated and digitalized commercial management. It also continued the coverage of the main factories with *Industrial Internet of Things technology (IIoT)* to improve the efficiency of production processes. In conclusion, information was centralized into a single Big Data Lake and the IT Service Model project for the digitalization of operating processes also continued, to extend support coverage at the global level and increase the level of service on new platforms.

In the first half of 2023 Pirelli registered growth in the main economic indicators.

Revenues amounted to 3,437.5 million euro, with growth of 7.5% compared with the first half of 2022 thanks to the improved price/mix. Organic revenue growth was +10.4% (-2.9% the impact of forex and hyperinflation in Argentina and Turkey).
In the **second quarter of 2023, revenues** totaled 1,737.8 million euro, an increase of +3.7% compared with the second quarter of 2022 (organic variation +9.1% excluding the forex effect of -5.4%).

Revenue variants	**1 QTR 2023**	**2 QTR 2023**	**1H 2023**
Volumes	-3.1%	-1.1%	-2.1%
Price/Mix	+15.1%	+10.2%	+12.5%
Variation on like-for-like basis	**+12.0%**	**+9.1%**	**+10.4%**
Forex/hyperinflation in Argentina – Turkey	-0.3%	-5.4%	-2.9%
Total variation	**+11.7%**	**+3.7%**	**+7.5%**

The performance of **volumes** in the first half of 2023 was -2.1% because of the weakness of Car demand.

The improvement of the **volumes trend in the second quarter of 2023** (-1.1% compared with -3.1% in the first quarter 2023) is related to the performance of Car Original Equipment and, in general, to the trend of the ≥18'' segment.

Price/mix saw an increase of +12.5% **in the first half of 2023** supported by price increases to counter the growing inflation of production factors, as well as improved product mix, linked to the progressive migration from Standard to High Value and the mix in both segments.
In the **second quarter** of 2023 the **price/mix** was +10.2% compared with the second quarter of 2022 that had already registered a significant increase of +20.4%.

The effect of exchange rates had a negative impact of -2.9% in the first half of 2023 because of the weakening of the dollar and the currencies of emerging countries.
In the second quarter of 2023 there was a more marked **impact of exchange rates** (-5.4% compared with -0.3% in the first quarter) because of the weakening of the dollar and the main currencies against the euro.

Profitability

Profitability *(euro mllions)*	30/06/2023	% of revenues	30/06/2022	% of revenues	Variation y/y
Adjusted Ebitda	**739.1**	**21.5%**	**695.3**	**21.7%**	**+6.3%**
Ebitda	718.6	20.9%	675.8	21.1%	+6.3%
Adjusted Ebit	**517.4**	**15.1%**	**481.6**	**15.1%**	**+7.4%**
Ebit	440.0	12.8%	405.2	12.7%	+8.6%

Adjusted Ebitda in the first half of 2023 was 739.1 million euro, an increase of 6.3% compared with 695.3 million euro in the same period of 2022.

Adjusted Ebit in the first half of 2023 was 517.4 million euro, an improvement of 35.8 million euro compared with 481.6 million euro in the same period of 2022, with an adjusted Ebit margin of 15.1% stable compared with first half 2022. The contribution from internal levers (price/mix and efficiencies) more than offset the negativity of the external context (raw materials and inflation).
In particular, **Adjusted Ebit** mainly reflects:

- the **positive effect of price/mix** (+344.9 million euro) and **efficiencies** (+30.4 million euro) more than offset the **decline in volumes** (-28.6 million euro), the **cost of raw materials** (-99.2 million euro), the negative impact of inflation of the **costs of production factors** (-130.8 million euro) and the **negativity of exchange rates** (-51.1 million euro);
- the effect of **amortizations** of -16.0 million euro and other costs (-13.8 million euro) mainly linked to marketing activities and R&D and to the reduction of inventory.

In the **second quarter of 2023** adjusted Ebit was 269.3 million euro, an increase of 6.4% compared with 253.1 million euro in the same period of 2022, with a margin improving to 15.5% (15.1% in the second quarter 2022) thanks to the great contribution of **price/mix** (+146.6 million euro) and **efficiencies** (+20.6 million) which compensated the impact of **raw materials** (-21.6 million), **costs of production factors** (-62.2 million) and **exchange rates** (-35.7 million). There was a negative impact from the **decline of volumes** (-8.2 million), **amortizations** (-9.7 million) and **other costs** (-13.6 million).

Ebit was 440.0 million euro, an increase of 34.8 million euro compared with 405.2 million euro in the first half of 2022 and includes:

- **amortization of intangible assets** identified in the context of PPA of 56.9 million euro (in line with the first half of 2022);
- **one-off, non-recurring and restructuring charges** of 20.5 million euro (19.5 million in first half 2022), mainly relative to the continuation of actions to rationalize structures and costs linked to the conversion of the Bollate plant.

The **result from equity holdings** was +6.2 million euro (+2.3 million euro in the first half 2022).

Net financial charges in the first half of 2023 were 106.9 million euro compared with 89.6 million in the same period of 2022. The cost of debt, calculated as the average of the last 12 months, grew to 4.46%, an increase compared with 4.04% on 31 December 2022, mainly as a result of the increase in interest rates in the Eurozone. The average cost of debt over the last 12 months (that is both as of 31 December 2022 and as of 30 June 2023) was also influenced by the high cost of coverage against exchange rate risks in Russia. Net of this effect, the average cost of debt would have been 4.12% on 30 June 2023 (3.49% on 31 December 2022).

Pretax profit in the first half of 2023 was 339.3 million euro, with **taxation** of 96.7 million, equal to a tax rate of 28.5%.

Net profit in the first half of 2023 was 242.6 million euro, an increase of +4.1% compared with 233.0 million euro in the same period of 2022.

Net cash flow before dividends in the first half of 2023 was -534.9 million euro (-463.7 million euro in the same period of 2022). Excluding the impact of the 3-year LTI 2020-2022 incentive plan for management of around 67 million euro disbursed in the second quarter (in 2022 there were no disbursements because the plan had not reached its conclusion), the cash flow before dividends was in line with the values of the first half of 2022.

Net cash flow from operations' management was – 301.6 million euro compared with -164.7 million euro in first half 2022) and reflects:

- growth of adjusted Ebitda;
- tangible and intangible investments of 123.5 million euro (compared with 115.7 million in the same period of 2022) mainly devoted to High Value activities, constant improvement of the mix and quality in all factories.
- Greater absorption of cash in the first half of 2023 compared with the same period in 2022 of "working capital and other".

  In particular, the performance reflects:
  - A careful **management of inventories** (20.7% weight against revenues in last 12 months, a reduction of 1.3 basis points compared with end 2022),
  - **commercial credits** of 13.1% of revenues (15.7% in first half of 2022) an increase compared with 9.6% on 31 December 2022), in line with the seasonality of the business,
  - **commercial debt** of 20.5% of revenues (24.4% on 30 June 2022), in decline compared with 29.8% on 31 December 2022 because of the effect of lower debts relative to investments and the reduction of inventories of raw material,
  - **above mentioned impact of LTI plan** 2020-2022 to incentivize management – which reached maturity on 31 December 2022 – of around 67 million euro (no disbursement in 2022).

In the **second quarter of 2023**, the **net cash flow before dividends** was positive 156.5 million euro (223.5 million euro excluding the impact of the LTI plan disbursements) that compares with 209.2 million euro in the same period of 2022. The performance of cash flow in the quarter stems from the already described dynamics in comments on the first half and in particular the negative impact deriving from the disbursement of the LTI plan to management.

The **net financial position on 30 June 2023** was -3,087.5 million euro (-3,530.7 million euro on 30 June 2022 and -2,552.6 million euro on 31 December 2022).

The liquidity margin on 30 June 2023 was 2,776.7 million euro and guarantees the coverage of debt maturities with banks and other financiers until the end of 2025.

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The path of **Sustainability** in the first six months of 2023 entailed significant progress, beginning with the **Decarbonization** plan. The results relating to the factories' energy transition were better than expected thanks to efficiency projects and the engagement of the factories, committed to a *climate change challenge* program. In addition, Pirelli launched an engagement program for higher emission suppliers to support their path to emissions reduction, in line with the **Commitment** to **Net Zero** formalized with the Science Based Target initiative (SBTi).

In the context of the strategy for sustainable development, in addition, Pirelli announced on 4 July the acquisition of 100% of **Hevea-Tec**, the biggest independent Brazilian processor of natural rubber. The operation will facilitate the launch of **innovative projects in natural rubber** with the aim of **increasing the use of non-fossil materials in tyres** permitting, in addition, to further improve **control of the natural rubber supply chain**, **reduce CO_2** emissions thanks to "local for local" supply and launch new **projects for FSC® certification**, an area where Pirelli already holds a first in its segment.

Pirelli also developed, and launched in July, the new Pirelli P Zero E, a concentrate of technology and sustainability which adds to the other P Zero in the range. The new tyre obtained the triple class A European labelling for all measures (rolling resistance, wet braking, noise) and contains more than 55% of materials from natural and recycled origins[1] , an assertion for which Pirelli received third party validation, in the name of maximum transparency. The analysis of the tyre's life cycle, conducted by Pirelli and validated by Bureau Veritas, reveals a reduction of 24% of CO2 emissions equivalent compared with a prior generation Pirelli tyre[2] . Further, tyre wear (expressed as g/1000km) was reduced by 42% compared with the prior generation[3] , thanks to virtualization and new materials. Such results had never been achieved before in the UHP tyre market. In addition, the P Zero E offers new Pirelli RunForward technology, which allows you to travel for about 40 km after a puncture at a maximum speed of 80 km/h.

The results achieved are based on engagement and the passion of Pirelli's people. Over the course of the semester, Pirelli enlarged its welfare portfolio with new projects in the context of psycho-physical wellbeing and parental support. Further, the short-term incentives for 2023 (Short Term Incentives – STI) include indicators linked to greater gender balance in managerial positions and the reduction of the index of accident frequency.

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[1] Thanks to a combination of physical separation and mass balance. Depending on the tyre size, the amount of "bio-based & recycled" materials may vary from between 29-31% and 25-27%. The materials of natural origin are natural rubber, textile reinforcements, chemicals from natural sources, bio-resin and lignin, while the recycled materials are metallic reinforcements, chemical products and – though a mass balance approach – synthetic rubber, silica and carbon black. In accordance with ISO 14021.

[2] Size 235/45R18 (IP 42865) compared with the same size of the prior generation (PZ4 IP 27429) according to ISO 14067 and ISO 14026 verified by Bureau Veritas;

[3] values certified by DEKRA

2023 TARGETS

(euro billions)	May 2023	July 2023
Revenues	~6.6÷~6.8	~6.5÷~6.7
Adjusted Ebit Margin	>14% ÷ ~14.5%	~14.5% ÷ <15%
Investments *% of revenues*	0.40 *6%*	~0.40 *~6%*
Net cash flow before dividends	~0.44÷~0.47	~0.44÷~0.47
Net financial position *NFPF / Adj. Ebitda*	~-2.35 *~1.65x÷~1.7x*	~-2.35 *~1.65x÷~1.7x*
ROIC *post taxes*	~20%	~20%

MARKET OUTLOOK

The macro-economic framework for 2023 remains volatile, with a mild economic growth due to uncertainty regarding Europe, penalized by monetary tightening and China, which is experiencing a slower than expected recovery.

In this context and based on the market's weaker-than-expectations performance in the second quarter of the year, we foresee that the **global car tyre** market will decline by around 2% on an annual basis compared with the previously estimated "flat" market. High Value confirms its resilience, with demand growth estimated at +3% compared with the -3% seen for ≤17''.
In particular, the expectations for the market are:
- in **Original Equipment** ≥18'' volumes' growth of around +5%, slightly below the +7% previously indicated because of lower demand in China;
- in **Replacement** ≥18'' volumes' growth of around +2% (previous indication +3%), with a more cautious view regarding demand in Europe - seen recovering in the second half of the year following the weak trend of the first half and in China.

In **car ≤17''** we foresee a fall in volumes of around -3%, with demand in **Original Equipment** expected to be unchanged (in line with the previous estimate), while in the **Replacement channel** a fall of about -4% is expected, compared with the previous estimate of -2% because of the weakness of the macro-economic context in South America and Europe.

2023 TARGETS

In this scenario, Pirelli will proceed in line with its strategy:
- Reinforcing its position in High Value, and particularly in higher rim sizes (≥19''), Specialties and electric, while maintaining solid price discipline;
- Implementing the third phase of the efficiencies plan called for in the Industrial Plan 2021-25, with benefits of around 100-million-euro, also resulting from the digitalization of all company processes.
- Maintaining an effective management of inventory, and, in general, of working capital.

Considering the results obtained in the first half of 2023 and the expected market scenario, for 2023 Pirelli expects:

- **Revenues between ~6.5 and ~6.7 billion euro** (previous estimate ~6.6 and ~6.8 billion), with:
  - **Volumes estimated at "~-2% / ~ -1%"** (from previous indication of stable to ~+1%).

- **price/mix improving** to **“~+7% / ~+8%”** (previous indication ~+4.5% / ~+5.5%) which benefits from price increases and improvement of the product mix
- **forex impact between “~-7% / ~-6%”** (previous indication~-4.5% / ~-3.5%)

- **Adjusted Ebit Margin** revised upwards to between ~**14.5% and <15%** (previous estimate >14% and ~14.5%) thanks to the support of price/mix which more than offset the impact of the external context (inflation and forex).

- **Net cash generation before dividends confirmed at between ~440 and ~470 million euro, thanks to the operating performance and efficient management of working capital.** This target includes the amount relative to the acquisition of Hevea-Tec, announced on 4 July.

- **Investments** confirmed at around 400 million euro (~6% of revenues).

- **Net financial position** confirmed at ~-2.35 billion euro with an NFP/Adjusted Ebitda ratio between ~1.65 /~1.7 times.

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Activities in Russia

Pirelli operates in Russia respecting international sanctions and, as already announced to the market, has suspended investment in its factories in the Country except for those required for the safety of operations. In the first half of 2023 Russia accounted for about 4% of group sales.

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Changes to bylaws in compliance with the Golden Power measures

The Board of Directors also approved modifications to the bylaws in compliance with the requirements of the Cabinet Provision issued on 16 June 2023 in accordance with d.l. 21/2012 (Golden Power Decree) about which the Company informed the market on 18 June 2023.

In particular, the modifications regard:

- The introduction of a new paragraph 3.3 with the following formulation: *“In any case, with respect to any Board of Directors’ resolutions concerning the assets of strategic importance of the Company as identified by the Prime Minister’s Decree of 16 June 2023, by which special powers were exercised pursuant to Article 2 of Law Decree No. 21 of 15 March 2012, converted, with amendments, by Law No. 56 of 11 May 2012, the proposal is reserved to the CEO and any resolution against said proposal must be adopted exclusively by a vote of at least 4/5 of the Board of Directors.”*

- The introduction of the new paragraph 11.10 with the following formulation: *“With respect to any Board of Directors’ resolution concerning the appointment and dismissal from office of the Key Managers and, therefore (i) the General Manager; (ii) the Manager responsible for the preparation of the corporate and financial documents; (iii) the Secretary of the Board of Directors and, in general (iv) any manager qualified as Executive Vice President pursuant to the Company procedure, the proposal is reserved to the CEO and any resolution against said proposal must be adopted exclusively by a vote of at least 4/5 of the Board of Directors*.” and

- The modification of paragraph 12.8 with the aim of recalling the articles of the bylaws which requires a qualified majority for the adoption of certain deliberations.

The extract of the minutes of the meeting regarding the modifications to the bylaws will be available to the public at the company headquarters in Milan at Viale Piero e Alberto Pirelli 25, at Borsa Italiana S.p.A. and the authorized eMarket Storage mechanism (emarketstorage.com), as well as published on the Company website www.pirelli.com.

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Bond issues

In accordance with the provisions of Borsa Italiana the Company announces that as of January 2023 it had placed with institutional investors a *sustainaibility-linked bond* (guaranteed by Pirelli Tyre S.p.A.) for a total nominal value of 600 million euro with maturity in January 2028 and with a coupon of 4.25%. The bonds are listed on the Luxembourg stock exchange. It should also be noted Note that there are no bonds maturing in the next 18 months.

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Significant events following the end of the first half

For the significant events which took place after 30 June 2023 refer to the dedicated section within the first report in the company website www.pirelli.com

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The financial report for the six months ended on 30 June 2023 will be available to the public by 28 July 2023 at the Company's legal headquarters, as well as on the Company website (www.pirelli.com) and via the eMarket Storage mechanism (www.emarketstorage.com).

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Conference call

The results to 30 June 2023 will be illustrated today, 27 July 2023, at 18.30, in a conference call with the participation of the Executive Vice Chairman and CEO of Pirelli & C. SpA, Marco Tronchetti Provera, and top management. Journalists will be able to follow the conference call by telephone at **+39 02 802 09 27**without the possibility of asking questions. The presentation will also be webast – in real time – on the company website www.pirelli.com in the Investors section, where the slides can also be viewed.

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

Pirelli – Economic data to 30 June 2023

(in millions of euro)	**1 HY 2023**	**1 HY 2022**
Net sales	**3.437,5**	**3.197,0**
EBITDA adjusted (°)	**739,1**	**695,3**
% of net sales	21,5%	21,7%
EBITDA	**718,6**	**675,8**
% of net sales	20,9%	21,1%
EBIT adjusted	**517,4**	**481,6**
% of net sales	15,1%	15,1%
Adjustments: - amortisation of intangible assets included in PPA	(56,9)	(56,9)
- one-off, non-recurring and restructuring expenses	(20,5)	(19,5)
EBIT	**440,0**	**405,2**
% of net sales	12,8%	12,7%
Net income/(loss) from equity investments	6,2	2,3
Financial income/(expenses)	(106,9)	(89,6)
Net income/(loss) before taxes	**339,3**	**317,9**
Taxes	(96,7)	(84,9)
Tax rate %	28,5%	26,7%
Net income/(loss)	**242,6**	**233,0**
Earnings/(loss) per share (in euro per basic share)	0,23	0,22
Net income/(loss) adjusted	298,3	287,9
Net income/(loss) attributable to owners of the Parent Company	232,1	221,4

(°) The adjustments refer to one-off, non-recurring and restructuring expenses to the amount of euro 20.5 million (euro 19.5 million for the first half-year of 2022).

Pirelli – Balance sheet data to 30 June 2023

(in millions of euro)		**06/30/2023**	**12/31/2022**	**06/30/2022**
Fixed assets		**8.821,7**	**8.911,1**	**9.017,1**
	Inventories	1.418,7	1.457,7	1.396,8
	Trade receivables	895,1	636,5	936,4
	Trade payables	(1.405,1)	(1.973,3)	(1.454,2)
Operating net working capital		**908,7**	**120,9**	**879,0**
% of net sales (*)		13,3%	1,8%	14,7%
	Other receivables/other payables	(101,7)	42,3	100,2
Net working capital		**807,0**	**163,2**	**979,2**
% of net sales (*)		11,8%	2,5%	16,4%
Net invested capital		**9.628,7**	**9.074,3**	**9.996,3**
Equity		**5.455,6**	**5.453,8**	**5.419,6**
Provisions		1.085,6	1.067,9	1.046,0
Net financial (liquidity)/debt position		**3.087,5**	**2.552,6**	**3.530,7**
Equity attributable to owners of the Parent Company		5.335,4	5.323,8	5.268,9
Investments in intangible and owned tangible assets (CapEx)		123,5	397,7	115,7
Increases in right of use		41,6	79,7	41,3
Research and development expenses		142,8	263,9	126,4
% of net sales		4,2%	4,0%	4,0%
Research and development expenses - High Value		132,5	247,1	116,8
% of High Value sales		5,2%	5,3%	5,1%
Employees (headcount at end of period)		31.212	31.301	31.247
Industrial sites (number)		18	18	18

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

Cash flow statement

(in millions of euro)	**1 Q**		**2 Q**		**1 HY**	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**
EBIT adjusted	248,1	228,5	269,3	253,1	517,4	481,6
Amortisation and depreciation (excluding PPA amortisation)	111,6	104,6	110,1	109,1	221,7	213,7
Investments in intangible and owned tangible assets (CapEx)	(53,2)	(48,6)	(70,3)	(67,1)	(123,5)	(115,7)
Increases in right of use	(15,1)	(8,1)	(26,5)	(33,2)	(41,6)	(41,3)
Change in working capital and other	(868,8)	(841,6)	(6,8)	138,6	(875,6)	(703,0)
Operating net cash flow	**(577,4)**	**(565,2)**	**275,8**	**400,5**	**(301,6)**	**(164,7)**
Financial income / (expenses)	(52,2)	(43,6)	(54,7)	(46,0)	(106,9)	(89,6)
Taxes paid	(29,0)	(32,9)	(32,3)	(71,5)	(61,3)	(104,4)
Cash-out for one-off, non-recurring and restructuring expenses	(12,6)	(23,6)	(10,2)	(11,9)	(22,8)	(35,5)
Dividends paid to minority shareholders	-	-	(3,9)	(24,4)	(3,9)	(24,4)
Differences from foreign currency translation and other	(20,2)	(7,6)	(18,2)	(37,5)	(38,4)	(45,1)
Net cash flow before dividends, extraordinary transactions and investments	**(691,4)**	**(672,9)**	**156,5**	**209,2**	**(534,9)**	**(463,7)**
(Acquisition) / Disposals of investments	-	-	-	-	-	-
Net cash flow before dividends paid by the Parent Company	**(691,4)**	**(672,9)**	**156,5**	**209,2**	**(534,9)**	**(463,7)**
Dividends paid by the Parent Company	-	-	-	(159,9)	-	(159,9)
Net cash flow	**(691,4)**	**(672,9)**	**156,5**	**49,3**	**(534,9)**	**(623,6)**

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;
- **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.
- **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, and operating costs attributable to non-recurring, restructuring and one-off expenses.
- **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, and operating costs attributable to non-recurring, restructuring and one-off expenses.
- **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, and operating costs attributable to non-recurring, restructuring and one-off expenses;
  - 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, including tax receivables and payables, and by the 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 ESMA Guidelines 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 the derivative hedging instruments for items included in the net financial position and included in the Financial Statements under current assets, current liabilities and non-current liabilities under "*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 hedging instruments for items included in the net financial position and 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 but which have not been non-utilised;
- **Operating net cash flow**: is calculated as the change in the net financial position relative to operations management;
- **Net cash flow before dividends, extraordinary transactions and investments**: is calculated by adding the change in the net financial position due to financial and tax management, to the operating net cash flow;
- **Net cash flow before dividends paid by the Parent company**: is calculated by adding the change in the net financial position due to extraordinary transactions and the management of investments, to the net cash flow before dividends and extraordinary transactions and investments;
- **Net cash flow**: is calculated by subtracting the dividends paid by the Parent company, from the net cash flow before dividends paid by the Parent company;
- **Investments in intangible and owned tangible assets (CapEx)**: is calculated as the sum of investments (increases) in intangible assets and investments (increases) in property, plant and equipment excluding any increases relative to the right of use;
- **Increases in the right of use**: is calculated as the increases in the right of use relative to lease contracts;
- **ROIC**: is calculated as the ratio between the EBIT adjusted net of tax effects and the average net invested capital net of provisions, which does not include "*Investments in associates and joint ventures*", *"Other financial assets at fair value through other Comprehensive Income", "Other non-current financial assets at fair value through the Income Statement", "Other non-current assets",* the intangible assets relative to assets recognised as a consequence of Business Combinations, the deferred tax liabilities relative to the latter and the *"Provisions for employee benefit obligations current and non-current".*