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Informazione Regolamentata n. 0206-26-2022	Data/Ora Ricezione 04 Agosto 2022 17:40:32	Euronext Milan
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Societa' : PIRELLI & C.
Identificativo : 165857
Informazione
Regolamentata
Nome utilizzatore : PIRELLISPAN03 - Bastanzio
Tipologia : REGEM; 1.2
Data/Ora Ricezione : 04 Agosto 2022 17:40:32
Data/Ora Inizio : 04 Agosto 2022 17:40:33
Diffusione presunta
Oggetto : BOARD OF PIRELLI & C. SPA
APPROVES CONSOLIDATED RESULTS
TO 30 JUNE 2022

Testo del comunicato

Vedi allegato.



PRESS RELEASE

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

PIRELLI: STRONG REVENUE GROWTH (+24.6%) AND ADJUSTED EBIT (+27.6%)

PRICE/MIX AT RECORD +20.4% DUE TO PRICE INCREASES AND MIX IMPROVEMENT

NET PROFIT +77.1% TO 233.0 MILLION EURO (131.6 MILLION IN FIRST HALF 2021)

OPERATING CASH FLOW IMPROVES BY 108 MILLION COMPARED WITH FIRST HALF 2021
THANKS TO GROWTH OF ADJUSTED EBIT AND EFFECTIVE MANAGEMENT OF WORKING CAPITAL

First half 2022

- Revenues: +24.6% to 3,197 million euro compared with first half 2021 (organic variation +19.4% excluding forex effect of +5.2%). High Value revenues at 72% of total.
- Volumes: -1.0% because of fall in Standard (-8.8%) while High Value continues to strengthen (+5.8%). Strengthens market share in Car $\geq 18''$ with volume growth of +8% (market +5%), particularly in Replacement (+13% compared with market +8%)
- Price/Mix: +20.4%, a record level thanks to price increases and mix improvement
- Adjusted Ebit: +27.6% to 481.6 million euro (377.4 million in first half of 2021). The improvement of price/mix and efficiencies more than offset the impact of the external context (raw materials and inflation)
- Adjusted Ebit Margin at 15.1% (14.7% in first half 2021)
- Net profit: +77.1% to 233.0 million euro (131.6 million euro in first half 2021) thanks to the further improvement in the operating performance
- Net cash flow before dividends: -463.7 million euro (-481.0 million euro in first half 2021). Operating cash flow improved by 108.0 million euro compared with first half 2021
- Net Financial Position: -3,530.7 million euro (-3,818.7 million euro on 30 June 2021 and -2,907.1 million euro on 31 December 2021)
- Liquidity margin: 2,428.4 million euro, debt maturities covered until the second half of 2024

Second quarter 2022

- Revenues: +26.9% to 1,675.9 million euro compared with second quarter 2021 (organic variation +19.8% excluding forex effect of +7.1%)
- Total volumes: -0.6% (High Value +5.7% and Standard -7.9%)
- Price/Mix: +20.4% in line with the first quarter with a greater contribution from the price component

- Adjusted Ebit: 253.1 million euro (208.6 million in second quarter 2021), with an Adjusted Ebit Margin at 15.1% (stable compared with first quarter 2021 and slightly down compared with 15.8% in the second quarter of 2021 because of the reduction of inventories and hyperinflation in Turkey)
- Net profit: +37.8% at 123.2 million euro (89.4 million in second quarter 2021)
- Net cash flow before dividends positive at 209.2 million euro (172.5 million euro in second quarter 2021)

2022 OUTLOOK AND TARGETS

- 2022 macroeconomic scenario remains volatile. Growth to slow because of geopolitical tensions, inflation, Covid outbreaks and monetary tightening
- Targets updated upwards thanks to the effectiveness of the business model and measures to counter the external scenario
- Revenues expected to be between ~6.2 billion and ~6.3 billion euro (previous estimate ~5.9 and ~6.0 billion), with volumes confirmed to grow by between ~+0.5% and ~+1.5% driven by High Value
- Price/mix expected to improve to ~+13.5% / ~+14.5% (compared with previous indications ~+10% / ~+11%) thanks to additional price increases
- Adjusted Ebit Margin confirmed at ~15%
- Net cash generation before dividends seen between ~ 450 and ~470 million euro (previous estimate ~450 million) thanks to growth of adjusted Ebit and effective management of working capital
- Investments confirmed at ~390 million euro (~6% of revenues)
- Net financial position confirmed at ~-2.6 billion euro

Milan, 4 August 2022 – The Board of Directors of Pirelli & C. Spa met today and approved results to 30 June 2022 that, thanks to the implementation of the “key programs” of the Industrial Plan 2021-2022|2025, saw marked growth in the main economic indicators, despite the volatility of the external context (growing inflation, difficulties along the supply chain, China lockdown), accentuated by the Russia-Ukraine conflict.

- **Commercial Program**
The first half of 2022 saw further consolidation of **High Value** with a particular focus on Car $\geq 19''$, Specialties and electric. The semester saw further strengthening of positioning in the **Replacement channel for Car $\geq 18''$** (Pirelli volumes +13% compared with market +8%) also thanks to the renewal of the product portfolio. The performance in **Original Equipment Car $\geq 18''$** was in line with the market (Pirelli volumes and market +2%) with a growing **focus on bigger rim sizes** (growth of around 4 basis points in weight of $\geq 19''$ volumes which represent almost 76% of those of Original Equipment $\geq 18''$) and **electric** (weight of 12% of volumes of Original Equipment $\geq 18''$, double compared with first half 2021). On the other hand, there was a further reduction of **exposure to the Standard segment** (Pirelli Car $\leq 17''$ volumes -7% compared with market -3%) with a mix always more oriented towards the Replacement channel and products with bigger rim sizes. There was a marked **improvement of price/mix** with record growth of +20.4% reflecting price increases and the favourable mix trend.

- **Innovation Program**
In the first half of 2022 the Company garnered about 160 technical homologations with the main Prestige and Premium car makers, focused mainly on **rim sizes $\geq 19''$** and **Specialties**. In addition, the renewal of the product range continued with the introduction of four new lines of which three dedicated to the SUV segment, with a particular focus on electric and hybrid plug-in cars. The winter offering was broadened with the introduction of a line dedicated to colder temperatures (Ice Zero Asimmetrico)
- **Competitiveness Program**
In the first half, the group saw gross benefits of 51.7 million euro (around 35% of the annual target of 150 million). The Competitiveness program regarded product cost (modularity and design-to-cost), manufacturing (completion of the optimization of the industrial footprint and efficiency actions), SG&A costs (optimization of the warehouse logistics network and negotiation actions in purchasing) and those of organization.
- **Operations Program**
In the first half plant saturation stood at about 90%. In addition, the Company began cycling production at the Bollate factory.
- **Digitalization Program**
In the first half, the Company adopted the new CRM that permits the integrated management of customers and launched the coverage of the main factories with *Industrial Internet of Things* technology to further improve the efficiency of production processes. The *Cloud Strategy* was also completed to guarantee the continuity of business, reduction of cyber security risks, lower management costs and a 40% reduction of CO₂ emissions compared with the previous infrastructure.

In the first half of 2022, **revenues** totaled 3,197.0 million euro, with growth of 24.6% compared with the same period of 2021. Organic variation was +19.4% (+5.2% the effect derived from forex and hyperinflation in Argentina and Turkey). High Value revenues represented 72% of total sales, in line with the first half of 2021.

In the **second quarter of 2022**, revenues amounted to 1,675.9 million euro, with growth of 26.9% compared with the second quarter of 2021 (organic variation +19.8% excluding the forex effect of +7.1%)

Revenue variants	1Q 2022	2Q 2022	1H 2022
<i>Volumes</i>	-1.4%	-0.6%	-1.0%
- <i>High Value</i>	+5.8%	+5.7%	+5.8%
- <i>Standard</i>	-9.7%	-7.9%	-8.8%
Price/Mix	+20.4%	+20.4%	+20.4%
Variation on a homogeneous basis	+19.0%	+19.8%	+19.4%
Forex/Argentina, Turkey Hyperinflation	+3.2%	+7.1%	+5.2%
Total variation	+22.2%	+26.9%	+24.6%

In the first half of 2022, **total volumes** were -1.0% as a result of the diverging trends between the High Value segment (+5.8%) and Standard (-8.8%) both in Car and Moto. In the **second quarter of 2022**, total volumes were -0.6% (High Value +5.7%, Standard -7.9%).

In the **Car segment** volume growth in the semester was around +1.0% (market around -1.0%). **In Car $\geq 18''$** , in particular, the growth of volumes was +8%, compared with the market's 5% growth. In detail:

- +13% in the **Replacement channel** (market +8%), with strengthening in Europe and North America;
- +2% in the **Original Equipment channel** (in line with the market) as a result of greater selectivity in favour of **Car ≥19"** and electric.

In **Car ≤17"** the reduction of exposure to the Standard segment continued (Pirelli volumes -7% compared with market -3%) with a greater focus product and channel mix. The positive trend of the **Replacement channel** (Pirelli volumes +2%, market -3%) because of higher sales of bigger rim sizes. In **Original Equipment** volumes dropped 30% (market -5%) both because of greater selectivity in this channel and because of the impact of the Russia crisis following the halting of car production by the main makers.

In **Car ≥18"** in the **second quarter**, the +8% growth was markedly superior to market's +3%, with a strengthening of market share in the Replacement channel (Pirelli volumes +10%, market +2%) thanks to strong growth in Europe and North America which more than offset the fall in demand in China because of the pandemic.

In **Car ≤17"** in the **second quarter** Pirelli's volumes fell by around 8% (market around -6%) led by the Original Equipment channel.

Negative trend in **Moto volumes** (volumes in first half -9%, in the second quarter -10%) because of the marked fall in Standard sales (-24%) following the reduction of exposure to this segment with the closure – in the third quarter of 2021 – of the Moto factory in Gravatai, Brazil. On the other hand, the trend was positive in the High Value Moto segment (+6%), in particular in Europe and Nord America thanks to the renewed Road and Touring product range.

The **price/mix** registered a significant improvement of +20.4%, a record level in line with the first quarter, supported by:

- Price increases in all Regions to counter growing inflation of production costs;
- Improvement of the channel mix (with greater sales in Replacement) and product mix, the latter linked to the progressive migration from Standard to High Value and the improvement of the micro-mix in both segments.

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

The **impact of forex** was positive 5.2% in the semester (+7.1% in the second quarter) because of appreciation of the main currencies against the euro (US Dollar +10.2%, Renminbi +10.0%, Real +16.7%).

Profitability

Profitability (euro millions)	1Q 2022	2Q 2022	1H 2022
Adjusted Ebitda	333.1	362.2	695.3
<i>% of sales</i>	<i>21.9%</i>	<i>21.6%</i>	<i>21.7%</i>
Ebitda	325.6	350.2	675.8
<i>% of sales</i>	<i>21.4%</i>	<i>20.9%</i>	<i>21.1%</i>
Adjusted Ebit	228.5	253.1	481.6
<i>% of sales</i>	<i>15.0%</i>	<i>15.1%</i>	<i>15.1%</i>
Ebit	192.6	212.6	405.2
<i>% of sales</i>	<i>12.7%</i>	<i>12.7%</i>	<i>12.7%</i>

Adjusted Ebitda in the first half of 2022 was 695.3 million euro, with growth of 21.2% compared with 573.9 million euro in the same period of 2021.

Adjusted Ebit in the first half of 2022 was 481.6 million euro (377.4 million euro in the same period of 2021), with an Adjusted Ebit margin of 15.1%, an improvement compared with 14.7% in the first half of 2021. 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 reflects:

- the **positive effect of the price/mix** (+435.4 million euro), which more than offset the increased costs of **raw materials** (-236.0 million euro, including the relative forex impact), the **negative impact of the inflation of production costs** (-140.9 million euro) and the negative impact of the fall in volumes (-10.9 million euro);
- the **positive effect of the Competitiveness Plan** which generated structural efficiencies of 51.7 million euro;
- the **positive effect of forex** of 15.5 million euro;
- **increased amortizations** (-9.5 million euro) **and other costs** (-1.1 million euro).

In the second quarter, adjusted Ebit was 253.1 million euro, an increase of 21.3% thanks to the strong contribution of internal levers. The adjusted Ebit margin stood at 15.1%, stable compared with the first quarter of 2022, but slightly down compared with 15.8% in the second quarter of 2021 because of:

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

These impacts are in part counterbalanced by the positive effects stemming from lower provisions (in line with what is foreseen in the plan) linked to the long and short-term management incentive plan.

Ebit in the first half 2022 was 405.2 million euro, an increase of 63.0% compared with 248.6 million euro in the first half of 2021 and includes amortizations of intangible assets identified in the context of PPA of 56.9 million euro (in line with the first half of 2021) and non-recurring restructuring charges and other of 19.5 million euro, a marked decline compared with the figure in the first half of 2021 (-71.9 million euro) in line with that foreseen in the plan for the rationalization of structures.

The **result from equity investments** was positive 2.3 million euro (+2.0 million in first half 2021).

Net financial charges in the first half of 2022 increased by 17.8 million euro to 89.6 million (71.8 million in the first half of 2021).

The changed market conditions and central banks interventions led to an increase in the **cost of debt** on an annual basis (calculated as the average of the last 12 months) to 3.03% on 30 June 2022 from 2.38% on 31 December 2021. This increase reflects, in particular, the rise of interest rates in Brazil (average reference rate grew by about 9 basis points between the first half of 2021 and the first half of 2022) and in Russia (average reference rate grew by about 10 basis points between the first half of 2021 and the first half of 2022). This increase was counterbalanced, in part, by a reduction of financial charges at the parent company level.

Taxes in the first half of 2022 amounted to -84.9 million euro against a pretax profit of 317.9 million euro, with a tax rate of 26.7%.

Net profit in the first half of 2022 was 233.0 million euro, an increase of 77.1% compared with 131.6 million euro in the first half of 2021, which reflects the improvement of the operating performance while the lower restructuring and non-recurring charges offset the increase in financial charges and taxation. In the second quarter of 2022, net profit was 123.2 million euro, an increase of 37.8% compared with 89.4 million euro in the second quarter of 2021.

The **net cash flow before dividends** in the first half of 2022 was -463.7 million euro, a slight improvement compared with -481.0 million euro in the same period of 2021. The **net cash flow from operations** in the first half improved by 108.0 million euro (to -164.7 million from -272.7 million in the first half of 2021) and reflects:

- the growth in adjusted Ebit;
- lower tangible and intangible investments of 37.1 million euro (-115.7 million euro in the first half of 2022, compared with -152.8 million euro in the first half of 2021)

- greater cash absorption linked to working capital and other of 59.1 million euro (-703.0 million euro in the first half of 2022 compared with 643.9 million euro in the first half of 2021) due to the increase in inventories (23.4% of revenues, 20.5% on 31 December 2021) mainly consisting of raw materials with the goal of mitigating risks stemming from the supply chain in a volatile context. The inventories of finished products were optimized, with a weight against revenues which remains stable at 16%.

The general increase in inventories was mitigated by:

- the trend of trade payables (24% weight against sales on 30 June 2022, an increase of 4 basis points compared with 30 June 2021) which reflect the growth in business activity
- the trend of trade receivables (weight against revenues of 16% stable compared with 30 June 2021).

The **net cash flow before dividends** in the **second quarter of 2022** was positive 209.2 million euro, an improvement of 36.7 million compared with +172.5 million euro in the same period of 2021. This dynamic reflects the improvement of the cash flow from operating activities (+106.0 million euro).

The **net financial position on 30 June 2022** was -3,530.7 million euro (-3,818.7 million on 30 June 2021 and -2,907.1 million euro on 31 December 2021), with a net cash absorption before dividends of 463.7 million euro (481.0 million in the first half of 2021) because of the usual seasonality of the business.

The **liquidity margin** on 30 June 2022 was 2,428.4 million euro that guarantees the coverage of maturities until the second half of 2024.

On the **sustainability** front, in the context of measures to safeguard **health** and **safety** in the workplace, the first half saw the continuation of the *Excellence in Safety* global project, alongside continuous improvement actions in all factories.

From the environmental point of view, the path to **de-carbonization** continued and saw:

- the formalization last June of its **Net Zero Commitment** to the **Science Based Target initiative (SBTi)**;
- the validation by the SBTi of the company's new targets for the reduction of greenhouse gas emissions, following the achievement of the previous Scope 1 and Scope 2 targets four years ahead of schedule. The new targets foresee actions consistent with the goal of containing the average global temperature within **+1.5°C**, as well as the reduction of emissions from the raw materials' supply chain (Scope 3).

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

Research and Development into **innovative materials** is benefitting from the introduction of virtual processes that employ **artificial intelligence** from the design and industrialization of materials, with a **reduction of development times of 30%**. These processes permit, in addition, a **reduction of materials' prototypes of 20%**, with resulting savings of raw material.

The Company also achieved significant results in **reducing the wear rate** of tyres, with improvements of **up to 33%** in new product lines compared with previous ones.

In conclusion, the **weight of ESG targets increased** at the level of management's **variable remuneration** with a focus on gender balance, revenues from Eco & Safety performance^[1] products, reduction of absolute CO₂ emissions reduction and positioning of Pirelli in the Dow Jones Sustainability World Index ATX Auto Component sector.

^[1] Revenues from the sale of Eco & Safety Performance tyres against the Group's total car tyre sales. Eco & Safety Performance identifies car tyres that Pirelli produces worldwide and which fall exclusively within the A, B, C classes for rolling resistance and wet grip according to the labeling parameters established by European law.

MARKET OUTLOOK

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 UPDATES 2022 TARGETS

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.

TARGETS (euro billions)	May 2022	August 2022
Revenues	~5.9 ÷ ~6.0	~6.2 ÷ ~6.3
Adjusted Ebit Margin	~15%	~15%
Investments <i>% of revenues</i>	~0.39 ~6.5%	~0.39 ~6%
Net cash flow <i>before dividends</i>	~0.45	~0.45 ÷ ~0.47
Net financial position <i>NPF / Ebitda Adj.</i>	~-2.6 ≤ 2x	~-2.6 ≤ 2x
ROIC <i>after taxes</i>	~19%	~19%

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.

Activities in Russia

As already announced with the publication of the results for the first quarter of 2022, Pirelli has suspended investments in its factories with the exception of those needed for safety. In 2021, Russia represented 3% of sales – substantially unchanged in the first half of 2022 – and around 11% of group car capacity, mainly standard and about half for export.

Pirelli has launched a series of initiatives to mitigate the effects of the conflict in the context of the contingency plan announced in February. With respect to the **international sanctions** imposed by the EU that call for the banning of finished Russian products into the EU and the banning of exports of some raw materials into Russia beginning from the second half, Pirelli has:

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

Bond issues

In compliance with the requirements of Borsa Italiana, the Company announces that in January 2023 the *€600,000,000 1.375% Guaranteed Notes due 25 January 2023*' bond loan will mature, the residual sum of which totals 553 million euro.

Conference call

The results for the six months ended 30 June 2022 will be illustrated today, 4 August 2022, at 18.30 at a conference call with the participation of the Executive Vice Chairman and CEO of Pirelli & C. SpA, Marco Tronchetti Provera, and the top management. Journalists will be able to listen to the conference by telephone, without the possibility of asking questions, by calling **+39 02 802 09 27**. The presentation will also be webcast – in real time – at www.pirelli.com in the Investors section, where the slides can also be consulted.

The financial report for the six months ended on 30 June 2022 will be available to the public today at the Company's legal headquarters, as well as published on the Company website (www.pirelli.com) and via eMarket Storage (www.emarketstorage.com).

The manager indicated for the preparation of the company 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 the present press release corresponds to documentary results, books and accounting records.

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Pirelli – economic data to 30.06.2022

(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
Earnings/(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.

Pirelli – Balance sheet data to 30.06.2022

(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.

Cashflow statement

(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)

ALTERNATIVE PERFORMANCE INDICATORS

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

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

- **EBITDA:** is equal to the EBIT but which excludes the depreciation and amortisation of property, plant and equipment and intangible assets. EBITDA is used to measure the ability to generate earnings, excluding the impacts deriving from investments;
- **EBITDA adjusted:** is an alternative measure to the EBITDA which excludes non-recurring, restructuring and one-off expenses. For the comparative period, this measure also included COVID-19 direct costs and expenses relative to the retention plan approved by the Board of Directors on February 26, 2018;
- **EBITDA margin:** is calculated by dividing the EBITDA by revenues from sales and services. This measure is used to evaluate operating efficiency, excluding impacts deriving from investments;
- **EBITDA margin adjusted:** is calculated by dividing the EBITDA adjusted by revenues from sales and services. This measure is used to evaluate operating efficiency, excluding the impacts deriving from investments, operating costs attributable to non-recurring, restructuring and one-off expenses. For the comparative period, this measure also included COVID-19 direct costs and expenses relative to the retention plan approved by the Board of Directors on February 26, 2018;
- **EBIT:** is an intermediate measure which is derived from the net income/(loss), but which excludes taxes, financial income/(expenses) and the net income/(loss) from equity investments. EBIT is used to measure the ability to generate earnings, including the impacts deriving from investments;
- **EBIT adjusted:** is an alternative measure to the EBIT which excludes the amortisation of intangible assets relative to assets recognised as a consequence of Business Combinations, operating costs attributable to non-recurring, restructuring and one-off expenses. For the comparative period, this measure also included COVID-19 direct costs and expenses relative to the retention plan approved by the Board of Directors on February 26, 2018;
- **EBIT margin:** is calculated by dividing the EBIT by revenues from sales and services. This measure is used to evaluate operating efficiency;
- **EBIT margin adjusted:** is calculated by dividing the EBIT adjusted by revenues from sales and services. This measure is used to evaluate operating efficiency excluding the amortisation of intangible assets relative to assets recognised as a consequence of Business Combinations, operating costs attributable to non-recurring, restructuring and one-off expenses. For the comparative period, this measure also included COVID-19 direct costs and expenses relative to the retention plan approved by the Board of Directors on February 26, 2018;
- **Net income/(loss) adjusted:** is calculated by excluding the following items from the net income/(loss):
 - o the amortisation of intangible assets relative to assets recognised as a consequence of Business Combinations, operating costs attributable to non-recurring, restructuring and one-off expenses. For the comparative period, this measure also included COVID-19 direct costs and expenses relative to the retention plan approved by the Board of Directors on February 26, 2018;
 - o non-recurring expenses/income recognised under financial income and expenses;
 - o 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*".

Fine Comunicato n.0206-26

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