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RESULTS TO 31 DECEMBER 2022

Testo del comunicato

Vedi allegato.



PRESS RELEASE

PIRELLI & C. S.P.A. BOARD APPROVES RESULTS TO 31 DECEMBER 2022

- Parent company Pirelli & C. Spa net profit: 252.5 million euro (216.6 million on 31 December 2021)
- Consolidated net profit: +35.5% to 435.9 million euro (321.6 million euro on 31 December 2021)
- The Board will propose to shareholders meeting the distribution of a dividend of 0.218 euro per share for a total of 218 million euro
- Shareholders' meeting postponed to 29 June 2023

Milan, 5 April 2023 – The Board of Directors of Pirelli & C. Spa met today and approved the consolidated results for the year ended 31 December 2022 confirming the preliminary and unaudited results communicated to the market on 22 February 2023. It should be noted that, as already announced, that 2022 closed with a consolidated net profit of 435.9 million euro, an increase of 35.5% compared with 321.6 million euro in 2021, on revenues which increased by 24.1% to 6,615.7 million euro. The year, in addition, saw a further improvement in the sustainability performance: for more details refer to the press release of 22 February 2023.

The Board today also approved the results of the Parent Company Pirelli & C. Spa which in 2022 posted a net profit of 252.5 million euro, an increase from 216.6 million euro in 2021. In line with the dividend policy of the 2021-2022|2025 industrial plan, the Board will propose to the shareholders meeting the distribution of a dividend of 0.218 euro per share (0.161 euro per share in 2021) for an overall total of 218 million euro.

The dividend relative to 2022 will be placed in payment from 26 July 2023 (coupon detachment on 24 July 2023 and record date on 25 July 2023).

2023 Targets

Note that the following 2023 targets were communicated to the market on 22 February 2023:

(euro billions)	2022	2023
Revenues	6.62	~6.6÷~6.8
Adjusted Ebit Margin	14.8%	>14%÷~14.5%
Investments % of revenues	0.40 ~6%	~0.40 ~6%
Net cash flow before dividends	0.52	~0.44÷~0.47
Net financial position <i>NFP / Adj. Ebitda</i>	-2.55 1.8x	~-2.35 ~1.65x÷~1.7x
ROIC <i>post taxes</i>	20.3%	~20%

Management incentive plan (LTI)

The Board of Directors of Pirelli today approved the structure of the monetary LTI plan for the 3-year period (“**LTI Plan 23-25**”). The long-term incentive plans for Pirelli’s management will accompany the entire arch of the industrial plan, as already announced to the market, have a rolling structure and a 3-year cycle (cycle LTI 21-23; LTI 22-24; LTI 23-25) with targets defined at the beginning of every 3-year cycle to guarantee the alignment of company targets and the incentive mechanism. It should be noted that the updating of the plan to 2025 is foreseen in the second quarter of 2023.

The LTI 23-25 Plan entails the following targets:

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

The 23-25 LTI Plan, as indicated above, foresees two goals linked to the area of sustainability and based on the performance of Pirelli shares (so-called TSR), thus allowing the interests of management with those of shareholders. The targets and range for *Group Net Cash Flow* and *CO2 Emissions Reduction* will be available at the conclusion of the process of Strategic Planning, indicatively in June 2023.

The 23-25 LTI Plan, as in the past, is totally self-financed, in as much as the relative charges are included in the economic data of the industrial plan and its eventual payment will take place in the first half of 2026 (should the 2023-2025 targets be achieved).

The participants of the 23-25 LTI Plan include, among others, 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 the managers qualified by the Board as “managers with strategic responsibility”. The 23-25 LTI Plan includes, in addition, Senior Managers (the Director Giovanni Tronchetti Provera among them) and the Executives of the group.

The 23-25 LTI Plan was decided also in accordance with article 2389 of the civil code, at the proposal of the Remuneration Committee, with the favourable opinion of the Statutory Auditors in relation to the people for whom such an opinion was requested. Further, the 23-25 LTI Plan, will be included in the remuneration policy that will be submitted for approval to the Shareholders Meeting called to approve the annual Financial Report to 31 December 2022.

For more information about the 23-25 LTI Plan, refer to the illustrative Report and the information document will be available to the public, in the terms and manner foreseen in the current law and regulations.

Shareholders’ meeting postponed to 29 June 2023

Pirelli announces that the Board of Directors has resolved to postpone the date of the Shareholders Meeting to approve the annual report for the year ending on December 31, 2022 to Thursday June 29, 2023 (and no longer on Tuesday May 30, 2023 as previously announced). The Board of Directors – welcoming the request formulated in such respect by CNRC – has decided the postponement taking in consideration of the proceedings pending pursuant to Law Decree 21/2012 (Golden Power Regulations), following the filing made by CNRC on March 6, 2023 on the Shareholders’ Agreement executed on May 16, 2022 by and between, among others, CNRC, Marco Polo International S.r.l., Camfin S.p.A. and Marco Tronchetti Provera & C. S.p.A., which is expected to come into force upon publication of the calling of the Shareholders’ Meeting to approve the annual report for the year ending on December 31, 2022. As a consequence of the postponement of the shareholders’ meeting, the dividend will be placed in payment beginning from 26 July (coupon detachment on 24 July and record date on 25 July 2023).

The file of the 2022 financial results, which will be made available to the public in the manner and terms indicated by law, will also contain (chapter “Report on the Responsible Management of the Value Chain”) the annual consolidated Statement of a non-financial nature today approved by the Board of Directors.

Bond Issues

In compliance with the dispositions of Borsa Italiana, the Company communicates that as of January 2023 the company has placed with institutional investors a sustainability-linked bond with 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 be noted, as well, that there are no bond issues maturing in the next 18 months.

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

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Pirelli – economic data to 31 December 2022

<i>(in millions of euro)</i>	2022	2021
Net sales	6,615.7	5,331.5
EBITDA adjusted (°)	1,408.3	1,210.7
% of net sales	21.3%	22.7%
EBITDA	1,335.7	1,085.7
% of net sales	20.2%	20.4%
EBIT adjusted	977.8	815.8
% of net sales	14.8%	15.3%
Adjustments: - amortisation of intangible assets included in PPA	(113.7)	(113.7)
- non-recurring, restructuring expenses and other	(72.6)	(125.0)
EBIT	791.5	577.1
% of net sales	12.0%	10.8%
Net income/(loss) from equity investments	5.8	4.0
Financial income/(expenses)	(201.7)	(144.3)
Net income/(loss) before taxes	595.6	436.8
Taxes	(159.7)	(115.2)
Tax rate %	26.8%	26.4%
Net income/(loss)	435.9	321.6
Earnings/(loss) per share (in euro per basic share)	0.42	0.30
Net income/(loss) adjusted	570.4	468.8
Net income/(loss) attributable to owners of the Parent Company	417.8	302.8

(°) The adjustments refer to one-off, non-recurring and restructuring expenses to the amount of euro 72.6 million (euro 101.4 million for 2021). For 2021, this item also 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 18.9 million.

Pirelli – Balance sheet data on 31 December 2022

(in millions of euro)	12/31/2022	12/31/2021
Fixed assets	8,911.1	8,912.4
Inventories	1,457.7	1,092.2
Trade receivables	636.5	659.2
Trade payables	(1,973.3)	(1,626.4)
Operating net working capital	120.9	125.0
% of net sales	1.8%	2.3%
Other receivables/other payables	42.3	0.8
Net working capital	163.2	125.8
% of net sales	2.5%	2.4%
Net invested capital	9,074.3	9,038.2
Equity	5,453.8	5,042.6
Provisions	1,067.9	1,088.5
Net financial (liquidity)/debt position	2,552.6	2,907.1
Equity attributable to owners of the Parent Company	5,323.8	4,908.1
Investments in intangible and owned tangible assets (CapEx)	397.7	345.6
Increases in right of use	79.7	122.4
Research and development expenses	263.9	240.4
% of net sales	4.0%	4.5%
Research and development expenses - High Value	247.1	225.1
% of High Value sales	5.3%	6.0%
Employees (headcount at end of period)	31,301	30,690
Industrial sites (number)	18	18

Cash Flow Statement

(in millions of euro)	1 Q		2 Q		3Q		4Q		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
EBIT adjusted	228.5	168.8	253.1	208.6	271.9	221.4	224.3	217.0	977.8	815.8
Amortisation and depreciation (excluding PPA amortisation)	104.6	97.7	109.1	98.8	112.0	98.7	104.8	99.7	430.5	394.9
Investments in intangible and owned tangible assets (CapEx)	(48.6)	(89.8)	(67.1)	(63.0)	(73.0)	(60.5)	(209.0)	(132.3)	(397.7)	(345.6)
Increases in right of use	(8.1)	(26.7)	(33.2)	(23.2)	(9.2)	(9.7)	(29.2)	(62.8)	(79.7)	(122.4)
Change in working capital and other	(841.6)	(717.2)	138.6	73.3	(49.6)	(61.7)	830.5	756.5	77.9	50.9
Operating net cash flow	(565.2)	(567.2)	400.5	294.5	252.1	188.2	921.4	878.1	1,008.8	793.6
Financial income / (expenses)	(43.6)	(40.0)	(46.0)	(31.8)	(55.5)	(35.1)	(56.6)	(37.4)	(201.7)	(144.3)
Taxes paid	(32.9)	(37.1)	(71.5)	(34.9)	(46.8)	(26.8)	(54.3)	(26.8)	(205.5)	(125.6)
Cash-out for non-recurring, restructuring expenses and other	(23.6)	(28.9)	(11.9)	(40.4)	(11.0)	(33.4)	(11.8)	(19.0)	(58.3)	(121.7)
Dividends paid to minority shareholders	-	-	(24.4)	-	(0.2)	-	0.2	-	(24.4)	-
Differences from foreign currency translation and other	(7.6)	15.9	(37.5)	(14.9)	1.9	11.4	39.8	13.0	(3.4)	25.4
Net cash flow before dividends, extraordinary transactions and investments	(672.9)	(657.3)	209.2	172.5	140.5	104.3	838.7	807.9	515.5	427.4
(Acquisition) / Disposals of investments	-	3.8	-	-	-	-	-	-	-	3.8
Net cash flow before dividends paid by the Parent Company	(672.9)	(653.5)	209.2	172.5	140.5	104.3	838.7	807.9	515.5	431.2
Dividends paid by the Parent Company	-	-	(159.9)	(79.3)	(0.3)	(0.5)	(0.8)	(0.1)	(161.0)	(79.9)
Net cash flow	(672.9)	(653.5)	49.3	93.2	140.2	103.8	837.9	807.8	354.5	351.3

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

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