



**HALF-YEAR
FINANCIAL REPORT
AT JUNE 30, 2023**

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

Milan Office

Viale Piero e Alberto Pirelli n. 25

Share Capital Euro 1,904,374,935.66

Milan Company Register No. 00860340157

REA (Economic Administrative Index) No. 1055

PIRELLI & C. S.p.A. - MILAN

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The Board of Directors¹

Chairman	Li Fanrong
Executive Vice Chairman and Chief Executive Officer	Marco Tronchetti Provera
Deputy-CEO	Giorgio Luca Bruno
Director	Yang Shihao
Director	Wang Feng
Independent Director	Paola Boromei
Independent Director	Domenico De Sole
Independent Director	Roberto Diacetti
Independent Director	Fan Xiaohua
Independent Director	Giovanni Lo Storto
Independent Director	Marisa Pappalardo
Independent Director	Tao Haisu
Director	Giovanni Tronchetti Provera
Independent Director	Wei Yintao
Director	Zhang Haitao

Secretary of the Board Alberto Bastanzio

Board of Statutory Auditors²

Chairman	Riccardo Foglia Taverna
Statutory Auditors	Antonella Carù
	Francesca Meneghel
	Teresa Naddeo
	Alberto Villani

¹ Appointment: June 18, 2020. Expiry: The Shareholders' Meeting held on June 29, 2023 for the approval of the Financial Statements at December 31, 2022, resolved to postpone the discussion of matters related to the renewal of the Board of Directors expiring at the end of its term of office, to the Shareholders' Meeting already convened for July 31, 2023. Consequently, all the current members of the Board of Directors, including the previously co-opted Directors, will continue their mandate under the terms of an extension, until the aforementioned Shareholders' Meeting already convened for July 31, 2023. Changes in the composition of the Board of Directors after the date of appointment are detailed on the Pirelli website (www.pirelli.com), in the Corporate Governance section.

² Appointment: June 15, 2021. Expiry: Shareholders' Meeting convened for the approval of the Financial Statements at December 31, 2023.

Alternate Auditors

Franca Brusco

Maria Sardelli

Marco Taglioretti

Audit, Risk, Sustainability and Corporate Governance Committee

Chairman - Independent Director

Fan Xiaohua

Independent Director

Roberto Diacetti

Independent Director

Giovanni Lo Storto

Independent Director

Marisa Pappalardo

Zhang Haitao

Committee for Related Party Transactions

Chairman - Independent Director

Marisa Pappalardo

Independent Director

Domenico De Sole

Independent Director

Giovanni Lo Storto

Nominations and Successions Committee

Chairman

Marco Tronchetti Provera

Li Fanrong

Wang Feng

Giovanni Tronchetti Provera

Remuneration Committee

Chairman - Independent Director

Tao Haisu

Wang Feng

Independent Director

Paola Boromei

Independent Director

Fan Xiaohua

Independent Director

Marisa Pappalardo

Strategies Committee

Chairman	Marco Tronchetti Provera
	Li Fanrong
	Giorgio Luca Bruno
	Yang Shihao
	Wang Feng
Independent Director	Domenico De Sole
Independent Director	Giovanni Lo Storto
Independent Director	Wei Yintao

Independent Auditing Firm³ PricewaterhouseCoopers S.p.A.

Manager responsible for the preparation of the Corporate Financial Documents Fabio Bocchio ⁴

The Supervisory Board (as provided for by the Organisational Model 231 adopted by the Company), is chaired by Prof. Carlo Secchi.

³ Appointment: August 1, 2017, effective from the date of the commencement of trading of Pirelli shares on the stock exchange on October 4, 2017). Expiry: Shareholders' Meeting convened for the approval of the Financial Statements at December 31, 2025.

⁴ Appointed by the Board of Directors' Meeting on November 3, 2022.

MACROECONOMIC AND MARKET SCENARIO

Economic Overview

Global growth during the first half of 2023 was sustained by economic recovery in China and India following the pandemic and growth in the US driven, mainly, by the demand for services. The global economy recorded growth of +2.5% during the second quarter of 2023, a slowdown compared to +3% for the corresponding period of 2022, due to the persistence of geopolitical tensions, high inflation and a tight monetary policy.

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

	1Q 2022	1Q 2022	3Q 2022	4Q 2022	1Q 2023	2Q 2023
EU	5.7	4.4	2.6	1.7	1.0	0.6
US	3.7	1.8	1.9	0.9	1.8	2.3
China	4.8	0.4	3.9	2.9	4.5	6.3
Brazil	2.3	3.6	3.6	2.5	3.4	1.9
Russia	3.0	-4.5	-3.5	-2.7	-2.2	1.3
World	4.4	3.0	3.0	1.9	2.3	2.5

Note: Percentage change compared to the same period of the previous year. Preliminary final data for the second quarter of 2023 for China; estimates for other countries and regions. Source: National statistics offices and S&P Global Market Intelligence, July 2023.

Consumer Prices, Change in Year-on-Year Percentages

	1Q 2022	1Q 2022	3Q 2022	4Q 2022	1Q 2023	2Q 2023
EU	6.5	8.8	10.3	11.0	9.4	7.2
US	8.0	8.6	8.3	7.1	5.8	4.0
China	1.1	2.2	2.7	1.8	1.3	0.1
Brazil	10.7	11.9	8.6	6.1	5.3	3.8
Russia	11.5	16.9	14.4	12.2	8.6	2.7
World	6.0	7.6	8.2	7.8	6.9	5.3

Source: National statistics offices and S&P Global Market Intelligence for World estimate, July 2023.

Europe recorded modest economic growth during the second quarter (an estimated +0.6% compared to +1% for the first quarter of 2023 and +4.4% for the second quarter of 2022), due to a slowdown in the services sector - which instead had been driving the economy in previous months - and weakness in the manufacturing sector. This momentum was affected by still high inflation rate (+7.2% for the second quarter of 2023, albeit an improvement compared to +9.4% for the first quarter of 2023), lower global demand and more restrictive credit conditions as a result of the ECB raising interest rates by 50 basis points in the second quarter of 2023, on top of 100 basis points in the first quarter of 2023 and of 250 basis points last year.

The performance of the US economy was better than expected due to the resilience of the labour market and a fall in inflation, which supported consumption despite the effects on the economy from a restrictive monetary policy. The US central bank slowed the pace of rate hikes to 25 basis points in the second quarter of 2023, following 50 basis points in the first quarter of 2023, (and compared to 275 basis points in the second half-year of 2022).

Growth in China during the second quarter of 2023 (+6.3%), benefited from the recovery in economic activity that had already begun during the first quarter of the year, thanks to the recovery in consumer

spending and in the services sector following the suspension of COVID-19 containment measures during the final months of 2022.

In Brazil, the economy grew by (an estimated) +1.9% during the second quarter, sustained by consumer spending on services, albeit at a slower pace than in the first quarter (+3.4%), when the trend was better than expected, thanks to the positive momentum in the agricultural sector. The manufacturing sector, instead, suffered during the second quarter due to weak foreign demand, which weighed on orders and production volumes. Inflation continued to slow during the course of the first half-year (from an average of 5.3% for the first quarter to 3.8% for the second), however the high benchmark rate (13.75%, unchanged since August 2022), continued to weigh on consumer credit and investments.

Russian GDP for the second quarter was expected to recover to approximately +1.3% (-2.2% for the first quarter of 2023), which compares with the -4.5% contraction for the second quarter of 2022, which had been affected by the introduction of international sanctions and foreign trade restrictions, following the invasion of Ukraine. Inflation for the second quarter of 2023 - despite the depreciation of the rouble during the first half of 2023 - dropped to -2.7 % for the second quarter (+8.6 % for the first quarter of 2023 and +16.9 % for the second quarter of 2022), due to a fall in demand and the Russian central bank's restrictive monetary policy.

Exchange Rates

Key Exchange Rates	1Q		2Q		1HY	
	2023	2022	2023	2022	2023	2022
US\$ per euro	1.07	1.12	1.09	1.07	1.08	1.09
Chinese renminbi per US\$	6.85	6.35	7.01	6.61	6.93	6.48
Brazilian real per US\$	5.20	5.24	4.95	4.93	5.07	5.09
Russian rouble per US\$	72.80	87.37	81.04	66.36	77.02	75.55

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

During the first half-year, the euro/US\$ exchange rate remained essentially unchanged compared to the first half-year of 2022, averaging US\$ 1.08 per euro, (and US\$ 1.09 for the second quarter of 2023), due to a gradual recovery of the euro against the greenback, linked to the ECB's monetary policy.

The more restrictive monetary policy in the US, compared to that in China, weakened the renminbi, whose average price against the US dollar for the first half-year of 2023 stood at 6.93, a -6.4% depreciation compared to the first half-year of 2022. The depreciation of the renminbi was more pronounced during the second quarter of 2023, with an average price of 7.01 against the US dollar.

During the first half-year of 2023, the Brazilian real strengthened against both the US dollar (to 5.07 from 5.09 in the first half-year of 2022) and the euro, (+1.5% compared to the same period of the previous year). The appreciation of the real against the US dollar brought the second quarter exchange rate to an average of 4.95, sustained by high interest rates to combat inflation, measures introduced by the government to control public finances, and better than expected economic growth.

The Russian rouble recorded a negative momentum during the first half-year of 2023, depreciating by approximately -2% against the US dollar, (to 77.02 compared to 75.55 for the same period in 2022) and by approximately -1% against the euro. Depreciation of the rouble was more pronounced during the second quarter (-18% against the US dollar, -20% against the euro), due to the drop in natural gas and oil prices compared to the previous year, as well as due to the drop in volumes caused by international sanctions.

Raw Materials Prices

During the course of the first half-year of 2023, raw materials prices, especially energy, continued to normalise following the peaks reached in 2022 in the wake of the Russian-Ukrainian crisis.

Raw Materials Prices	1Q			2Q			1HY		
	2023	2022	% chg.	2023	2022	% chg.	2023	2022	% chg.
Brent (US\$ / barrel)	82.2	97.4	-16%	78.0	111.8	-30%	80.1	104.6	-23%
European natural gas (€ / MWh)	53	100	-47%	35	101	-66%	44.2	101	-56%
Butadiene (€ / tonne)	970	1,067	-9%	937	1,353	-31%	953	1,210	-21%
Natural rubber TSR20 (US\$ / tonne)	1,373	1,772	-23%	1,345	1,654	-19%	1,359	1,713	-21%

Note: Data are averages for the period. Source: Reuters, ICIS.

Brent crude stood at an average price of US\$ 80.1 per barrel for the first half-year of 2023, in decline by -23% compared to the average price of US\$ 104.6 per barrel for the same period of 2022. Fears of a global economic slowdown in the face of a higher than expected supply, led to a volatile trend for prices during the course of the half-year, which fell below US\$ 80 per barrel as of May.

Natural gas prices (TTF) also fell during the first half-year of 2023, averaging euro 44 per MWh (megawatt-hour), which was more than halved compared to the peaks of the previous year, due to Russia's invasion of Ukraine. During the course of the first half-year of 2023, prices fell from an average of euro 66 per MWh for January to euro 33 MWh for June, even though they remained twice as high as for the first half-year of 2021.

The price of butadiene in Europe fell during the first half-year of 2023, due to the drop in the price of natural gas, lower logistics costs, as well as the prospects of a slowdown in global growth. The price averaged euro 953 per tonne, a drop of -21% compared the first half-year of 2022.

Despite a recovery from the lows recorded at the end of 2022 which had been due to signs of an economic slowdown, the average price of natural rubber for the first half-year of 2023 declined by -21% to US\$ 1,359 per tonne, compared to the first half-year of 2022 (US\$ 1,713 per tonne).

Trends in Car Tyre Markets

For the first half-year of 2023, the automotive tyre market recorded a -1.3% drop in volumes at a global level, compared to the same period of 2022.

Market volumes for the Original Equipment and Replacement channels recorded opposite trends for the half-year:

- +8.4% for the Original Equipment channel thanks to a recovery in volumes in APAC, Europe and North America;
- -4.8% for the Replacement channel due to a fall in demand in Europe and North America which was partially offset by growth in the APAC market, compared to the same period in 2022.

Demand was more resilient for the Car $\geq 18''$ segment which recorded a +4.8% growth compared to the first half-year of 2022 (+11.0% for Original Equipment, +0.8% for Replacement).

Market demand was weak for Car $\leq 17''$, which recorded a -3.0% decline compared to the first half-year of 2022 (+7.2% for Original Equipment, -6.0% for Replacement).

Trends in Car Tyre Markets

<i>% change year-on-year</i>	1Q 2022	2Q 2022	3Q 2022	4Q 2022	2022	1Q 2023	2Q 2023	1 HY 2023
Total Car Tyre Market								
Total	1.2	-3.8	3.1	-7.3	-1.7	-3.7	1.1	-1.3
Original Equipment	-3.6	-0.7	23.7	0.5	4.1	4.7	12.3	8.4
Replacement	3.0	-4.8	-2.6	-10.1	-3.7	-6.7	-2.8	-4.8
Market $\geq 18''$								
Total	7.9	2.9	9.5	0.1	5.0	2.7	6.9	4.8
Original Equipment	0.9	6.7	25.8	6.1	9.3	7.4	14.6	11.0
Replacement	12.8	0.6	0.6	-3.6	2.4	-0.3	2.0	0.8
Market $\leq 17''$								
Total	-0.5	-5.4	1.6	-9.2	-3.4	-5.5	-0.5	-3.0
Original Equipment	-5.6	-3.9	22.7	-1.9	1.9	3.5	11.2	7.2
Replacement	1.1	-5.8	-3.2	-11.4	-4.9	-8.1	-3.8	-6.0

Source: Pirelli estimates.

SIGNIFICANT EVENTS OF THE HALF-YEAR

On **January 11, 2023**, Pirelli placed its first sustainability-linked bond with investors for a total nominal amount of euro 600 million, with demand equal to almost six times the offer, which amounted to approximately euro 3.5 billion. This issue, being the first benchmark-size sustainability-linked bond placed by a global tyre company, as well as the first carried out since Pirelli obtained its investment grade rating from S&P Global and Fitch Ratings, is testimony to the Company's commitment to further integrate sustainability into its business strategy, and is linked to the 2025 targets of reducing absolute greenhouse gas emissions (Scopes 1 and 2) and emissions from purchased raw materials (Scope 3). The transaction, which took place as part of the EMTN Programme (Euro Medium Term Note Programme), was approved by the Board of Directors on February 23, 2022, offered a 4.25% coupon, and allows for the optimisation of the debt structure through the extension of maturities and the diversification of its sources. These securities are listed on the Luxembourg Stock Exchange.

On **February 7, 2023**, Pirelli was confirmed as amongst the best companies at global level for sustainability, obtaining "*Top 1%*" ranking, the highest recognition in the 2023 Sustainability Yearbook published by S&P Global, which examines the sustainability profile of more than 13,000 companies. This result comes after the score recorded by Pirelli in the 2022 Corporate Sustainability Assessment for the Dow Jones Sustainability Index of S&P Global, where the Company had obtained the Top Score of 86 points (revised from the initial 85), the highest in the ATX Auto Components sector of the Dow Jones Sustainability World and European Index.

On **February 22, 2023**, the Board of Directors co-opted Wang Feng to replace Bai Xinping, whose resignation was tendered on February 14, 2023, and also proceeded to appoint him as a member of the Remuneration Committee, the Nominations and Successions Committee and the Strategies Committee, roles previously held by Bai Xinping.

On **March 6, 2023**, subsequent to what had already been disclosed to the market on **February 22, 2023**, the CNRC notified the Presidency of the Council of Ministers, pursuant to Legislative Decree 21/2012 (the Golden Power Regulation), of the agreement to renew the Shareholders' Agreement (the "*Agreement*"), that concerns, amongst other things, the governance of Pirelli, which had been entered into on May 16, 2022 by and between, amongst others, the CNRC, Marco Polo International S.r.l., Camfin S.p.A. and Marco Tronchetti Provera & C. S.p.A.

On **June 18, 2023** Pirelli announced - in relation to the "*Golden Power Procedure*" connected to the renewal of the Shareholders' Agreement signed on May 16, 2022 – that on June 16, 2023 it had received notice of the provision with which the Council of Ministers had exercised its special powers pursuant to Decree Law No. 21/2012 (the "*Provision*").

Council of Ministers' Provision implements a number of prescriptions aimed at setting up a network of measures collectively operating to protect the autonomy of Pirelli and of its management, as well as to protect the technologies and information of strategic importance owned by the Company.

On **June 28, 2023**, Pirelli announced that Andrea Casaluci, who had been appointed by Camfin - as announced by the same company on June 20, 2023 - to the position of Chief Executive Officer of Pirelli, in coordination with the current Executive Vice Chairman and Chief Executive Officer, Marco Tronchetti Provera, had decided to propose to the first Pirelli Board of Directors' Meeting following the Shareholders' Meeting of July 31, 2023, the establishment of the General Corporate

Management Department under his supervision, entrusting its management to Francesco Tanzi. This proposal is also aimed at implementing one of the requirements of the D.P.C.M. (Prime Ministerial Decree) of June 16, 2023, by which the Council of Ministers had exercised its special powers pursuant to Legislative Decree No. 21/2012 (*Golden Power*).

On **June 29, 2023**, the Shareholders' Meeting approved, with more than 99.9% of the capital represented, the Financial Statements for the 2022 financial year, which closed with a net income for the Parent Company of euro 252.5 million and a consolidated net income of euro 435.9 million, and unanimously resolved to distribute a dividend of euro 0.218 per ordinary share, amounting to a total dividend pay out of euro 218 million.

The Shareholders' Meeting also approved - with the unanimous vote of the capital present – the postponement of the discussion of the additional items on the agenda, including the renewal of the Board of Directors, to the Shareholders' Meeting of July 31, 2023 (convened on June 20, as a result of the Golden Power proceedings). Consequently, all the current members of the Board of Directors, including the previously co-opted Directors, will continue their mandate under the terms of an extension, until the aforementioned Shareholders' Meeting already convened for July 31, 2023.

GROUP PERFORMANCE AND RESULTS

In this document, in addition to the financial measures provided for by the International Financial Reporting Standards (IFRS), alternative performance indicators derived from the IFRS were used, in order to allow for a better assessment of the of the Group's operating and financial performance. Reference should be made to the section "*Alternative Performance Indicators*" for a more analytical description of these indicators.

* * *

Pirelli closed the first half-year of 2023 with growth results that confirmed the resilience of its business model, in a macroeconomic and market environment characterised by high volatility.

On the **Commercial** front:

- strengthened positioning of the Car **High Value** segment, particularly for Car ≥ 19 ", Specialities and electric vehicles. During the half-year, Pirelli outperformed the Car ≥ 18 " market with a volume growth of +5.7% compared to +4.8% for the market. For the Replacement channel, Pirelli volumes grew by +2.9% (compared to +0.8% for the market), and gained market share particularly in North America and in China. For Original Equipment Car ≥ 18 " (+9.6% for Pirelli volumes, +11.0% for the market), Pirelli continued with its strategy of focusing on higher tyre rim diameters (≥ 19 " volumes grew by approximately +5.5 percentage points and accounted for 81% of Original Equipment ≥ 18 " volumes), and on electric vehicles (which accounted for >27% of Original Equipment ≥ 19 " volumes, which grew by +11 percentage points compared to the first half-year of 2022).
- there was a reduction in exposure to the **Standard** segment (-9.6% for Pirelli Car ≤ 17 " volumes compared to -3.0% for the market). For the Replacement channel (-10.4% compared, to -6.0% for the market), the increased focus on the product mix continued in favour of higher rim diameters (16" and 17"). The sales trend for Original Equipment (-6.7% compared to +7.2% for the market), reflected the increased selectivity within this channel.

The differing trends described above between ≥ 18 " and ≤ 17 ", generated a -0.8% drop in Car volumes, against a market decline of -1.3%.

On the **Innovation** front:

- approximately 150 new technical homologations were obtained for the Car sector, concentrated mainly in ≥ 19 " and Specialities;
- the Car segment strengthened its positioning in the electric car market, thanks to a portfolio of approximately 400 homologations globally and a market share for Prestige and Premium Original Equipment, which is 1.5 times higher compared to that for internal combustion engines in the same segment. The electric car range has been enhanced with the launch of the P Zero E, which features a concentration of technology and sustainability. This new tyre has been awarded triple class A rating under European Labelling (for Rolling Resistance, Wet Braking and Noise) and contains more than 55% of natural and recycled materials;

- the two-wheel business sector was expanded to meet the different needs of consumers. For Motorbikes, the renewal of the Diablo range was completed with the introduction of the **Diablo Supercorsa**, the result of twenty years' experience in the FIM Superbike World Championship. From 2024 Pirelli will also be the official supplier of the Road to MotoGP™ project for the Moto2™ and Moto3™ classes. For Cycling, three new products were launched: two super high performance products characterised by low rolling resistance, and one suitable for all surfaces.

The **Competitiveness Programme** achieved gross benefits of euro 30.4 million, consistent with expectations consistent with expectations and the project development schedules. These benefits concerned:

- the cost of the product, with the modularity and design-to-cost programmes;
- manufacturing, through the implementation of Industrial IoT and flexible factory programmes;
- SG&A costs, by leveraging an optimised logistics and warehouse network and measures for negotiating purchases;
- organisation, through the recourse to digital transformation.

For the **Operations Programme**:

- plant saturation levels stood at approximately 90% in view of reduced production levels in China and Russia, with 95% for High Value;
- the programme to decarbonise manufacturing plants through the use of renewable energy sources and energy efficiency programmes continued;
- lastly, thanks to the acquisition – announced on July 4, 2023, which is expected to be finalised by the end of the year - of Hevea-Tec, Brazil's largest independent natural rubber processing company, Pirelli will increase its market share of natural rubber supply in South America.

For the **Digitisation Programme**:

- following the implementation of CRM, the new B2B e-commerce platform for integrated and digitalised business management has been completed in Italy and is currently being implemented in Germany;
- coverage of the main factories with Industrial Internet of Things (IIoT) technology continued, in order to improve the efficiency of production processes;
- the centralisation of information into a single Big Data Lake continued, as did the new IT Service Model project to digitalise operational IT processes, to extend support coverage globally and to increase the levels of service on the new platforms.

The path to **Sustainability** during the first six months of 2023, saw significant progress, starting with the **Decarbonisation** plan. The results relative to the energy transition of the manufacturing plants were better than expected, thanks to the efficiency projects and the engagement of the plants in a climate change challenge programme. Pirelli also launched, projects for engagement with its most emissive suppliers, to support them in their journey to reduce emissions, consistent with the **Net Zero Commitment** formalised in the Science Based Target initiative (SBTi).

The results achieved are based on the engagement and passion of Pirelli's people. During the first half-year, Pirelli expanded its welfare portfolio with new projects as part of psycho-physical wellbeing

and parental support. In addition, within the 2023 Short-Term Incentives (STI), indicators are included regarding the increase in gender balance in managerial positions and the reduction of the accident frequency index.

Activities in Russia

Pirelli operates in Russia in compliance with international sanctions and, as already disclosed to the market, has suspended investments in its factories in that country with the exception of those intended for the safety and security of carrying out operations. For the first half-year of 2023, Russia accounted for 4% of turnover.

Pirelli's results for the first half-year of 2023 were characterised by:

- **net sales** which equalled euro **3,437.5** million, an increase of +7.5% compared to the first half-year of 2022, thanks to a strong price/mix improvement (+12.5%), against a decline in volumes (-2.1%) due to weak market demand and exchange rate depreciation (-2.9%);
- **EBIT adjusted** which equalled euro **517.4** million, up by +7.4% compared to euro 481.6 million for the first half-year of 2022, with profitability at 15.1%, supported by the contribution of internal levers (price/mix and efficiencies), which more than offset the strong impact of raw materials, inflation and the exchange rate effect;
- a **net income/loss** which amounted to an income of euro **242.6** million (euro 233.0 million for the first half-year of 2022) which reflected the improved operational performance. **Net income/(loss) adjusted** amounted to an income of euro **298.3** million (euro 287.9 million for the first half-year of 2022), net of one-off, non-recurring and restructuring expenses and the amortisation of intangible assets recognised in the PPA;
- a **Net Financial Position** which at June 30, 2023 showed a debt of euro 3,087.5 million (a debt of euro 2,552.6 million at December 31, 2022 and of euro 3,530.7 million at June 30, 2022), with a cash absorption of euro 534.9 million, consistent with the usual seasonality of working capital. This amount includes the payment in the second quarter of 2023, of the Long Term Incentives to the Group's management in the amount of approximately euro 67 million, relative to the 2020-2022 three year period. Excluding the impact of this payment, cash absorption was substantially consistent with that of the first half-year of the previous year (euro 463.7 million in cash absorption in the first half-year of 2022);
- a **liquidity margin** which equalled euro **2,776.7** million.

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

<i>(in millions of euro)</i>	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).

<i>(in millions of euro)</i>	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.

For a better understanding of the Group's performance, the following **quarterly performance figures** are provided below:

<i>(in millions of euro)</i>	1 Q		2 Q		TOTAL 1 HY	
	2023	2022	2023	2022	2023	2022
Net sales	1,699.7	1,521.1	1,737.8	1,675.9	3,437.5	3,197.0
yoy	11.7%		3.7%		7.5%	
organic yoy *	12.0%		9.1%		10.4%	
EBITDA adjusted	359.7	333.1	379.4	362.2	739.1	695.3
% of net sales	21.2%	21.9%	21.8%	21.6%	21.5%	21.7%
EBITDA	350.7	325.6	367.9	350.2	718.6	675.8
% of net sales	20.6%	21.4%	21.2%	20.9%	20.9%	21.1%
EBIT adjusted	248.1	228.5	269.3	253.1	517.4	481.6
% of net sales	14.6%	15.0%	15.5%	15.1%	15.1%	15.1%
Adjustments: - amortisation of intangible assets included in PPA	(28.4)	(28.4)	(28.5)	(28.5)	(56.9)	(56.9)
- non-recurring, restructuring expenses and other	(9.0)	(7.5)	(11.5)	(12.0)	(20.5)	(19.5)
EBIT	210.7	192.6	229.3	212.6	440.0	405.2
% of net sales	12.4%	12.7%	13.2%	12.7%	12.8%	12.7%
Net income/(loss) from equity investments	2.3	0.8	3.9	1.5	6.2	2.3
Financial income/(expenses)	(52.2)	(43.6)	(54.7)	(46.0)	(106.9)	(89.6)
Net income/(loss) before taxes	160.8	149.8	178.5	168.1	339.3	317.9
Taxes	(45.8)	(40.0)	(50.9)	(44.9)	(96.7)	(84.9)
Tax rate %	28.5%	26.7%	28.5%	26.7%	28.5%	26.7%
Net income/(loss)	115.0	109.8	127.6	123.2	242.6	233.0

*before exchange rate effect and hyperinflation in Argentina and Turkey.

Net sales amounted to euro 3,437.5 million, a growth of +7.5% compared to the first half-year of 2022, +10.4% excluding the combined impact of the exchange rate effect and the adoption of hyperinflation accounting in Argentina and Turkey (totalling -2.9%).

High Value sales accounted for 74% of total Group revenues (72% in the first half-year of 2022).

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

	2023		
	1Q	2Q	1HY
Volume	-3.1%	-1.1%	-2.1%
Price/mix	15.1%	10.2%	12.5%
Change on a like-for-like basis	12.0%	9.1%	10.4%
Exchange rate effect /Hyperinflation accounting in Argentina and Turkey	-0.3%	-5.4%	-2.9%
Total change	11.7%	3.7%	7.5%

Volume declined (-2.1%), reflecting the general weakness in demand.

The **price/mix** improved sharply: +12.5% as a result of:

- both a solid price discipline to counter rising inflation in the cost of production factors;
- and an improved product mix, this latter linked to the gradual migration from Standard to High Value, and to the improved mix within both segments.

The impact of the **exchange rate** effect was negative: -2.9% as a result of the weakening of the US dollar and the currencies of emerging countries.

Net sales for the second quarter totalled euro 1,737.8 million, representing organic growth of +9.1% compared to the same period in 2022, +3.7% including the negative impact of the exchange rate effect. The trend for **volumes** improved (-1.1% compared to -3.1% for the first quarter), driven in particular by Car in the Original Equipment channel and, in general, by the ≥18" segment.

For the second quarter of 2023, the **price/mix** equalled +10.2% compared to the second quarter of 2022, which had already recorded a significant increase of +20.4%.

Lastly, the impact of the **exchange rate** effect was more pronounced (-5.4% compared to -0.3% for the first quarter), due to the weakening of the US dollar and the main currencies against the euro.

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

<i>(in millions of euro)</i>	1 HY 2023			1 HY 2022	
		%	YoY	Organic YoY*	%
Europe	1,338.3	38.9%	0.3%	1.5%	41.8%
North America	864.2	25.2%	15.6%	14.2%	23.4%
APAC	543.7	15.8%	8.2%	12.7%	15.7%
South America	461.2	13.4%	10.0%	24.1%	13.1%
Russia and MEAI	230.1	6.7%	19.2%	22.3%	6.0%
Total	3,437.5	100.0%	7.5%	10.4%	100.0%

* before exchange rate effect and hyperinflation in Argentina and Turkey.

EBITDA adjusted amounted to euro 739.1 million (euro 695.3 million for the first half-year of 2022), with a margin of 21.5% (21.7% for the first half-year of 2022), which reflected the dynamics described in the following paragraph in terms of EBIT adjusted.

EBIT adjusted for the first half-year of 2023 amounted euro 517.4 million (euro 481.6 million for the first half-year of 2022), with an EBIT margin adjusted of 15.1% which was stable compared to the first half-year of 2022). The contribution of internal levers (price/mix and efficiencies), more than offset the negativity of the external scenario.

More specifically, the growth in EBIT adjusted reflected:

- the positive contribution of the **price/mix** (euro +344.9 million) and of **structural efficiencies** (euro +30.4 million), which more than offset the **decline in volumes** (euro -28.6 million) due to the weakness in market demand, the increase in the cost of **raw materials** (euro -99.2 million), the negative impact of **inflation in the costs of production factors** (euro -130.8 million), and the **negative exchange rate effect** (euro -51.1 million);
- the **effect of depreciation and amortisation** in the amount of euro -16.0 million and other costs (euro -13.8 million), mainly related to Marketing, Research and Development activities and inventory reduction.

EBIT adjusted for the second quarter which amounted to euro 269.3 million (+6.4% compared to euro 253.1 million for the second quarter of 2022) with the margin improving to 15.5% (15.1% for the second quarter of 2022), thanks to the strong contribution of the price/mix (euro +146.6 million) and efficiencies (euro +20.6 million), which covered 1.4x the negative impact of raw materials (euro -21.6 million), inflation (euro -62.2 million) and the exchange rate effect (euro -35.7 million). Lastly, the impact of volumes was negative (euro -8.2 million), as was that of depreciation and amortisation (euro -9.7 million) and other costs (euro -13.6 million).

<i>(in millions of euro)</i>	1 Q	2 Q	1 HY
2022 EBIT adjusted	228.5	253.1	481.6
- Internal levers:			
Volumes	(20.4)	(8.2)	(28.6)
Price/mix	198.3	146.6	344.9
Amortisation and depreciation	(6.3)	(9.7)	(16.0)
Efficiencies	9.8	20.6	30.4
Other	(0.2)	(13.6)	(13.8)
- External levers:			
Cost of production factors (commodities)	(77.6)	(21.6)	(99.2)
Cost of production factors (labour/energy/other)	(68.6)	(62.2)	(130.8)
Exchange rate effect	(15.4)	(35.7)	(51.1)
Total change	19.6	16.2	35.8
2023 EBIT adjusted	248.1	269.3	517.4

EBIT amounted to euro 440.0 million (euro 405.2 million for the first half-year of 2022), and included the amortisation of intangible assets identified in the PPA to the amount of euro 56.9 million, consistent with the first half-year of 2022, and one-off, non-recurring and restructuring to the amount of euro 20.5 million, mainly related to the continuation of structural rationalisation measures and costs related to the reconversion of the Bollate factory.

Net income/(loss) from equity investments amounted to an income of euro 6.2 million, (positive to the amount of euro 2.3 million for the first half-year of 2022), and mainly refers to the pro-rata results of the investment in the joint venture Xushen Tyre (Shanghai) Co., Ltd, which was positive to the amount of euro 2.9 million (a loss of euro 0.4 million for the first half-year of 2022), and in the joint venture PT Evoluzione Tyres in Indonesia, which was positive to the amount of euro 1.6 million (positive to the amount of euro 1.3 million for the first half-year of 2022).

Net financial expenses for the first half-year of 2023 amounted to euro 106.9 million compared to euro 89.6 million for the first half-year of 2022.

At June 30, 2023, the **cost of debt**, calculated as the average cost of debt over the last twelve months, stood at 4.46%, having increased by 42 basis points compared to December 31, 2022 (4.04 %). This increase was mainly due to the impact of rising interest rates in the Eurozone. It should be noted that the average cost of debt for the last twelve months (both at December 31, 2022 and at June 30, 2023), was also influenced by higher costs, which reflected the scarce liquidity in the financial markets during 2022, for hedging against exchange rate risk in Russia. Net of this effect, the average cost of debt would have stood at 4.12% at June 30, 2023, (3.49% at December 31, 2022).

Taxes for the first half-year of 2023 amounted to euro 96.7 million, against a net income before taxes of euro 339.3 million, with a tax rate of 28.5%, which was substantially consistent with the expected tax rate for 2023. For the first half-year of 2022, taxes had amounted to euro 84.9 million against a net income before taxes of euro 317.9 million (a tax rate of 26.7%).

Net income/(loss) amounted to an income of euro 242.6 million, compared to an income of euro 233.0 million for the first half-year of 2022.

Net income/(loss) adjusted amounted to an income of euro 298.3 million, compared to an income of euro 287.9 million for the first half-year of 2022. The following table shows the calculations:

(in millions of euro)	1 H 2023	1 H 2022
Net income/(loss)	242.6	233.0
Amortisation of intangible assets included in PPA	56.9	56.9
One-off, non-recurring and restructuring expenses	20.5	19.5
Taxes	(21.7)	(21.5)
Net income/(loss) adjusted	298.3	287.9

Net income/(loss) attributable to the owners of the Parent Company amounted to an income of euro 232.1 million, compared to an income of euro 221.4 million for the first half-year of 2022.

Equity went from euro 5,453.8 million at December 31, 2022 to euro 5,455.6 million at June 30, 2023.

Equity attributable to the owners of the Parent Company at June 30, 2023 equalled euro 5,335.4 million, compared to euro 5,323.8 million at December 31, 2022.

This change is shown in the table below:

(in millions of euro)	Group	Non-controlling interests	Total
Equity at 12/31/2022	5,323.8	130.0	5,453.8
Translation differences	(43.5)	(15.0)	(58.5)
Net income/(loss)	232.1	10.5	242.6
Fair value adjustment of financial assets / derivative instruments	2.3	-	2.3
Actuarial gains/(losses) on employee benefits	(34.6)	-	(34.6)
Dividends approved	(218.0)	(5.2)	(223.2)
Effect of hyperinflation in Turkey	6.1	-	6.1
Effect of hyperinflation in Argentina	66.7	-	66.7
Other	0.5	(0.1)	0.4
Total changes	11.6	(9.8)	1.8
Equity at 06/30/2023	5,335.4	120.2	5,455.6

Net financial position showed a debt of euro 3,087.5 million, compared to a debt of euro 2,552.6 million at December 31, 2022. It was composed as follows:

<i>(in millions of euro)</i>	06/30/2023	12/31/2022
Current borrowings from banks and other financial institutions	1,473.5	800.4
- of which lease liabilities	89.9	89.0
Current derivative financial instruments (liabilities)	45.2	15.0
Non-current borrowings from banks and other financial institutions	3,279.3	3,690.1
- of which lease liabilities	386.3	396.5
Non-current derivative financial instruments (liabilities)	-	-
Total gross debt	4,798.0	4,505.5
Cash and cash equivalents	(1,256.0)	(1,289.7)
Other financial assets at fair value through Income Statement	(220.7)	(246.9)
Current financial receivables **	(90.0)	(270.9)
Current derivative financial instruments (assets)	(4.5)	(14.2)
Net financial debt *	3,226.8	2,683.8
Non-current derivative financial instruments (assets)	(27.8)	(26.4)
Non-current financial receivables **	(111.5)	(104.8)
Total net financial (liquidity) / debt position	3,087.5	2,552.6

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

** The item "financial receivables" is reported net of the relative provisions for impairment which amounted to euro 11.1 million at June 30, 2023 (euro 10.5 million at December 31, 2022).

The **structure of gross debt** which amounted to euro 4,798.0 million, was as follows:

<i>(in millions of euro)</i>	06/30/2023	Maturity date					
		within 1 year	between 1 and 2	between 2 and 3	between 3 and 4	between 4 and 5	more than 5 years
Convertible bond	475.3	-	-	475.3	-	-	-
Bond SLB EUR 600m 4,25% due 01/28	594.2	-	-	-	-	594.2	-
Schuldschein	20.0	-	-	20.0	-	-	-
Bilateral EUR 600m facility	599.4	599.4	-	-	-	-	-
Bilateral EUR 400m ESG 2021 3y facility	399.4	-	399.4	-	-	-	-
Club Deal EUR 1.6bn ESG 2022 5y	597.9	-	-	-	597.9	-	-
Club Deal EUR 400m ESG 2022 19m	399.8	399.8	-	-	-	-	-
Club Deal EUR 800m ESG 2020 5y	797.8	-	797.8	-	-	-	-
Bank debt held by subsidiaries	353.8	345.4	8.4	-	-	-	-
Other financial debt	84.2	84.2	-	-	-	-	-
Lease liabilities	476.2	89.9	81.0	62.5	52.3	48.7	141.8
Total gross debt	4,798.0	1,518.7	1,286.6	557.8	650.2	642.9	141.8
		31.6%	26.8%	11.6%	13.6%	13.4%	3.0%

At June 30, 2023 the Group had a liquidity margin equal to euro 2,776.7 million, composed of euro 1,300.0 million in the form of non-utilised committed credit facilities, and euro 1,256.0 million in cash and cash equivalents, in addition to financial assets at fair value through the Income Statement to the amount of euro 220.7 million. The liquidity margin guarantees coverage for maturities for borrowings from banks and other financial institutions, until the end of 2025.

Net cash flow for the half-year, in terms of change in the net financial position, can be summarised as follows

(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 non-recurring, restructuring expenses and other	(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)

Net cash flow before dividends for the first half-year of 2023 amounted to euro -534.9 million, compared to euro -463.7 million for the corresponding period of 2022. Excluding the impact of the three-year, 2020-2022 Long Term Incentive (LTI) Plan for management, which totalled approximately euro 67 million disbursed during the second quarter (there had been no disbursement in 2022 as the Plan had not reached its conclusion), cash flow before dividends was consistent with the figures for the first half-year of 2022.

Operating net cash flow for the first half-year of 2023 amounted to euro -301.6 million (euro -164.7 million for the first half-year of 2022). The change in **operating net cash flow** mainly reflected:

- the improved operating performance (EBITDA adjusted for the first half-year of 2023 amounted to euro 739.1 million, compared to euro 695.3 million for the first half of the 2022 financial year);
- higher investments in property, plant and equipment and intangible assets to the amount of euro 123.5 million for the first half of the 2023 financial year (compared to euro 115.7 million for the corresponding period of 2022), aimed mainly at High Value activities and at the constant improvement of the mix and quality in all factories, and the increase in production capacity in Mexico and Romania;
- higher cash absorption for the first half-year of 2023 compared to the same period of the previous year for "working capital and other". More specifically, the trend in "working capital and other" was characterised by:
 - the careful management of inventories (20.7% of revenues for the last 12 months) which had decreased by -1.3 percentage points compared to December 2022, thanks to the measures put in place, starting from the second half of 2022 to reduce the inventories of raw materials. Finished product inventories were stable (approximately 16% of revenues for the last 12 months, substantially consistent with the figure at December 31, 2022);

- trade receivables accounted for 13.1% of revenues of the last 12 months (15.7 percentage points for the first half-year of 2022), an increase compared to the figure at December 31, 2022, due to the usual seasonality of the business;
- trade payables, which accounted for 20.5% of revenues of the last 12 months (24.4% at June 30, 2022), had decreased compared to 29.8% at December 31, 2022 due to lower payables related to investments, as well as due to the measures implemented to reduce and normalise the inventories of raw materials;
- the negative impact from the payment of the 2020-2022 LTI to the Group's management which totalled approximately euro 67 million.

Net cash flow for the half-year also highlighted the following trends compared to the same period of the previous year:

- higher financial expenses to the amount of euro -17.3 million;
- lower taxes paid for a total of euro 43.1 million, mainly attributable to the payment in 2022 of withholding taxes on dividends paid between companies of the Group, as well as the impact of higher income tax payments in 2022 for withholding taxes and/or tax balances;
- lower payments related to non-recurring and restructuring charges for a total of euro 12.7 million;
- the lower impact of exchange rate differences and other to the amount of euro 6.7 million.

Net cash flow before dividends for the second quarter of 2023 was positive to the amount of euro 156.5 million (euro 223.5 million excluding the impact from the payment of the 2020-2022 LTI), compared to euro 209.2 million for the corresponding period of the previous year. The cash flow trend for the quarter was attributable to the dynamics already described in the comments on the half-year, and in particular to the negative impact deriving from the payment of the LTI to the Group's management, as well as the dynamics of investments.

OUTLOOK FOR 2023

<i>(in billion of euro)</i>	May 2023	July 2023
Revenues	~6.6 ÷ ~6.8	~6.5 ÷ ~6.7
EBIT margin adjusted	>14% ÷ ~14.5%	~14,5% ÷ <15.0%
Investments (CapEx)	~0.40	~0.40
<i>% of net sales</i>	~6%	~6%
Net cash flow before dividends	~0.44 ÷ ~0.47	~0.44 ÷ ~0.47
Net financial position <i>NFP/EBITDA adj.</i>	~-2.35 ~1.65x ÷ ~1.7x	~-2.35 ~1.65x ÷ ~1.7x
ROIC <i>post taxes</i>	~20%	~20%

The macro-economic framework for 2023 remains volatile, with contained 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 contained demand in China;
- in **Replacement** ≥18" volumes' growth of around +2% (previous indication +3%), because of greater caution 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.

In this scenario, Pirelli will proceed in line with its strategy:

- Reinforcing its position in High Value, and particularly in higher rim sizes ($\geq 19''$), 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, fruit of the digitalization of all company processes.
- Maintaining effect 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%)
- **EBIT margin adjusted** 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.

SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE HALF-YEAR

On **July 4, 2023**, Pirelli has announced that it has signed an agreement to acquire 100% of Hevea-Tec, Brazil's largest independent natural rubber processing company. The transaction will be carried out for a countervalue in terms of the Enterprise Value, of approximately euro 21 million. The acquisition will have no impact on Pirelli's target Net Financial Position at the end of 2023, of approximately euro 2.35 billion. With the acquisition of Hevea-Tec, Pirelli will increase its market share of natural rubber supply in LatAm, ensuring the continuity of supply in the region and, therefore, greater efficiency. The transaction will enable the start-up of innovative natural rubber projects with the aim of increasing the use of non-fossil materials in tyres, consistent with the Company's objectives, and will further improve the control of the natural rubber supply chain, as well as reduce CO₂ emissions, thanks to a *"local for local"* supply chain, and launch new FSC certification projects.

On **July 24, 2023**, Pirelli - with reference to the *"EUR 500 million Senior Unsecured Guaranteed Equity-linked Bonds due 2025"* - announced that following the resolution of the Shareholders' Meeting of June 29, 2023 to distribute a dividend of euro 0.218 per ordinary share, the conversion price of the bonds had been changed from euro 6.1395 to euro 6.0173, in accordance with the regulations of the bond loan itself.

On **July 27, 2023**, the Board of Directors 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.

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):
 - o 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;
 - o 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*".

OTHER INFORMATION

ROLE OF THE BOARD OF DIRECTORS

The Board of Directors is responsible for the strategic guidance and supervision of the Company's overall business activities, with the power to direct the administration as a whole and with the authority to make the most significant decisions in financial/strategic terms, or in terms of their structural impact on management, or that are functional to the exercise of Pirelli's controlling and steering activities.

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

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

The Deputy-CEO is attributed the powers for the operational management of the Group, which is to be exercised vicariously.

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

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

For more information on the role of the Board of Directors, reference should be made to the Report on Corporate Governance and Ownership Structure contained in the 2022 Annual Report group of documents⁵, as well as to the additional information published on the Pirelli website (www.pirelli.com) in the Corporate Governance section.

⁵ No half-year update of the Corporate Governance Report has been provided, due to the fact that the Board of Directors will be renewed by the Shareholders' Meeting convened for July 31, 2023.

INFORMATION ON THE SHARE CAPITAL AND OWNERSHIP STRUCTURE

The subscribed and paid-up share capital at the date of the approval of this Financial Report amounted to euro 1,904,374,935.66 and was represented by 1,000,000,000 registered ordinary shares without a nominal value.

The Extraordinary Shareholders' Meeting held on March 24, 2021 resolved to increase the share capital in cash, by payment in one or more tranches, excluding option rights pursuant to Article 2441, paragraph 5, of the Italian Civil Code, for a total counter-value, including any share premium, of euro 500,000,000.00 to service the conversion of the *"EUR 500 million Senior Unsecured Guaranteed Equity-linked Bonds due 2025"*, to be paid in one or more tranches through the issue of ordinary shares of the Company, with regular dividend entitlements, up to a maximum amount of euro 500,000,000.00 to exclusively service the *"EUR 500 million Senior Unsecured Guaranteed Equity-linked Bonds due 2025"* issued by the Company, in accordance with the criteria provided for in the relevant Regulation, it being understood that the final subscription date for the newly issued shares is set as December 31, 2025 and that in the event that the capital increase has not been fully subscribed by that date, the same shall in any case be deemed to have been increased by an amount equal to the subscriptions received and as of that date, with the express authorisation for the Directors to issue the new shares as they are subscribed. No fractions of shares will be issued or delivered and no cash payments or adjustments will be made in lieu of any such fractions.

The shareholder Marco Polo International Italy S.r.l. - pursuant to Article 93 of Legislative Decree No. 58/1998 - controls the Company with a stake of approximately 37% of the share capital, and does not exercise management and coordination activities over the Company.

Updated excerpts of the existing agreements between some of the shareholders, including indirect shareholders, of the Company, which contain the provisions of the Shareholders' Agreements regarding, inter alia, the corporate governance of Pirelli, are available on the Company's website.

For more detailed information on the role of the Board of Directors, reference should be made to the Report on Corporate Governance and Ownership Structure contained in the 2022 Annual Report group of documents, as well as to the additional information published on the Pirelli website (www.pirelli.com) in the Corporate Governance section.

WAIVER OF THE PUBLICATION OF INFORMATION DOCUMENTS

The Board of Directors, taking into account the simplifications of the regulatory requirements introduced by CONSOB in the Issuer's Regulation No. 11971/99, resolved to avail itself of the option to waive, pursuant to the provisions of Article 70, paragraph 8 and Article 71, paragraph 1-bis of the aforesaid Regulation, the obligations to publish the prescribed disclosure documents in the event of significant mergers, de-mergers, capital increases through the contributions of assets in kind, acquisitions and disposals.

FOREIGN SUBSIDIARIES NOT BELONGING TO THE EUROPEAN UNION (EXTRA-EU COMPANIES)

Pirelli & C. S.p.A. directly or indirectly controls some companies based in countries which do not belong to the European Community ("*Extra-EU Companies*"), and which hold particular significance pursuant to Article 15 of CONSOB Regulation No. 20249 of December 28, 2017, concerning Market Regulations.

With reference to data at June 30, 2023, the Extra-EU Companies controlled directly or indirectly by Pirelli & C. S.p.A., which are of relevance pursuant to Article 15 of the Market Regulations, are: Pirelli Pneus Ltda. (Brazil); Pirelli Comercial de Pneus Brasil Ltda. (Brazil); Comercial e Importadora de Pneus Ltda. (Brazil); Pirelli Tire LLC (USA); Pirelli Tyre Co., Ltd. (China); Pirelli Otomobil Lastikleri A.S. (Turkey); Pirelli Neumaticos S.A.I.C. (Argentina); Pirelli Neumaticos S.A. de C.V. (Mexico); Pirelli UK Tyres Ltd. (United Kingdom) and Pirelli Tyre (Suisse) S.A. (Switzerland).

Also pursuant to the same aforesaid provisions, the Company has specific and appropriate Group Operating Regulations in place which ensure immediate, constant and full compliance with the provisions of the aforementioned CONSOB Regulation. In particular, the competent Company managements provide the punctual and periodic identification and publication of the relevant Extra-EU Companies pursuant to the Market Regulation and - with the necessary and appropriate cooperation of the companies concerned - guarantee the collection of data and information and the verification of the circumstances referred to in the aforementioned Article 15, ensuring the availability of the information and data provided by the subsidiaries in the event of a request by CONSOB. A periodic flow of information is also provided for in order to guarantee to the Board of Statutory Auditors of the Company, that the prescribed and appropriate checks are performed.

Lastly, the aforesaid Operating Regulation, consistent with regulatory provisions, governs the disclosure to the public of the Financial Statements (that is the Statement of Financial Position and Income Statement), of the relevant non-EU companies, which are used to prepare the consolidated Financial Statements of Pirelli & C. S.p.A.

It should therefore be noted that the Company has fully complied, with the provisions of Article 15 of the aforementioned CONSOB Regulation No. 20249 of December 28, 2017 and that the conditions required by the same have been met.

RELATED PARTY TRANSACTIONS

The Company's Board of Directors, as part of the new listing process initiated and completed during the 2017 financial year, has once again approved the Procedure for Related Party Transactions ("*RPT Procedure*").

As part of the periodic revision of existing procedures, on June 15, 2021, the Company's Board of Directors - following the unanimous opinion of the Committee for Related Party Transactions, which had deliberated with the presence of all its members - unanimously approved the new Procedure for Related Party Transactions, which had been adjusted to the new provisions on Related Party Transactions adopted by CONSOB pursuant to the amendments to the European Shareholders' Rights Directive II. The new Procedure entered into force on July 1, 2021.

Pursuant to Article 5, paragraph 8 of CONSOB Regulation No. 17221 of March 12, 2010 as subsequently amended and integrated, (most recently by CONSOB Resolution No. 21624 of December 10, 2020), concerning Related Party Transactions, it should be noted that during the first half-year of 2023, that no transaction of significant importance as defined by Article 3, paragraph 1, letter b) of the aforementioned Regulation, was submitted to the Board of Directors of Pirelli & C. S.p.A. for approval.

The RPT Procedure - updated on March 17, 2022, solely to take into account the changes to the Company's organisational structure which took place at the end of 2021 - is available, together with the other corporate governance procedures on the website (www.pirelli.com). For more details on the RPT Procedure, reference should be made to the section "*Directors' Interests and Related Party Transactions*" included in the Annual Report on the Corporate Governance and Ownership Structure, contained in the Financial Statements group of documents, as well as the additional information contained in this Half-Year Financial Report.

The information on Related Party Transactions as required, pursuant to CONSOB Notice No. DEM/6064293 of July 28, 2006 is presented in the "*Financial Statements*" section and in the Note entitled "*Related Party Transactions*" in the Condensed Half-Year Financial Statements at June 30, 2023. Related Party Transactions, are neither atypical nor unusual, but are part of the ordinary course of business for the companies of the Group and are carried out in the interests of the individual companies. Such transactions, when not settled under standard conditions, or dictated by specific regulatory conditions, are in any case regulated by conditions consistent with those of the market. Furthermore, they are carried out in compliance with the RPT Procedure.

Also, there were no Related Party Transactions - or changes or developments to the transactions described in the preceding Financial Report - that significantly affected the Group's financial position or results for the first half-year of 2023.

ATYPICAL AND/OR UNUSUAL OPERATIONS

Pursuant to CONSOB Notice No. 6064293 of July 28, 2006, it should be noted that during the course of the first half-year of 2023, the Company did not carry out any atypical and/or unusual transactions, as defined in the aforementioned Notice.

The Board of Directors

Milan, July 27, 2023

**CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS
AT JUNE 30, 2023**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (in thousands of euro)

	Note	06/30/2023		12/31/2022	
			of which related parties (note 40)		of which related parties (note 40)
Property, plant and equipment	7	3,367,522		3,399,628	
Intangible assets	8	5,318,645		5,382,837	
Investments in associates and joint ventures	9	81,393		80,227	
Other financial assets at fair value through other Comprehensive Income	10	54,151		48,419	
Deferred tax assets	11	192,598		176,969	
Other receivables	13	243,328	7,265	231,151	6,926
Tax receivables	14	9,583		9,055	
Other assets	20	84,610		120,481	
Derivative financial instruments	25	27,799		26,430	
Non-current assets		9,379,629		9,475,197	
Inventories	15	1,418,715		1,457,711	
Trade receivables	12	895,101	12,973	636,446	11,029
Other receivables	13	611,370	96,261	741,238	111,272
Other financial assets at fair value through Income Statement	16	220,705		246,884	
Cash and cash equivalents	17	1,256,024		1,289,744	
Tax receivables	14	30,145		27,649	
Derivative financial instruments	25	15,872		22,681	
Current assets		4,447,932		4,422,353	
Total Assets		13,827,561		13,897,550	
Equity attributable to the owners of the Parent Company:	18.1	5,335,379		5,323,794	
Share capital		1,904,375		1,904,375	
Reserves		3,198,914		3,001,659	
Net income / (loss)		232,090		417,760	
Equity attributable to non-controlling interests:	18.2	120,222		130,034	
Reserves		109,679		111,894	
Net income / (loss)		10,543		18,140	
Total Equity	18	5,455,601		5,453,828	
Borrowings from banks and other financial institutions	21	3,279,310	8,849	3,690,111	10,444
Other payables	23	75,123	212	74,574	212
Provisions for liabilities and charges	19	100,691	22,037	101,676	21,843
Deferred tax liabilities	11	1,022,070		1,041,848	
Provisions for employee benefit obligations	20	161,303	6,406	180,558	6,735
Tax payables	24	12,874		12,780	
Derivative financial instruments	25	-		-	
Non-current liabilities		4,651,371		5,101,547	
Borrowings from banks and other financial institutions	21	1,473,518	2,017	800,389	2,979
Trade payables	22	1,405,095	103,746	1,973,296	166,372
Other payables	23	582,444	4,633	405,578	37,386
Provisions for liabilities and charges	19	48,185	6,919	41,250	
Provisions for employee benefit obligations	20	30,558	4,497	-	
Tax payables	24	131,879		102,104	
Derivative financial instruments	25	48,910		19,558	
Current liabilities		3,720,589		3,342,175	
Total Liabilities and Equity		13,827,561		13,897,550	

CONSOLIDATED INCOME STATEMENT (in thousands of euro)

	Note	01/01 - 06/30/2023		01/01 - 06/30/2022	
			of which related parties (note 40)		of which related parties (note 40)
Revenues from sales and services	27	3,437,523	13,850	3,197,013	16,528
Other income	28	159,847	25,098	157,493	24,863
Changes in inventories of unfinished, semi-finished and finished products		43,967		82,993	
Raw materials and consumables used (net of change in inventories)		(1,185,637)	(5,573)	(1,144,881)	(7,803)
Personnel expenses	29	(621,278)	(8,508)	(573,826)	(6,831)
Amortisation, depreciation and impairment	30	(278,697)		(271,631)	
Other costs	31	(1,109,190)	(163,365)	(1,040,560)	(167,869)
Net impairment of financial assets	32	(7,681)		(2,035)	
Increases in fixed assets due to internal works		1,127		660	
Operating income/(loss)		439,981		405,226	
Net income/(loss) from equity investments	33	6,212		2,321	
- share of net income/(loss) of associates and joint ventures		4,527	4,527	873	873
- gains on equity investments		133		-	
- losses on equity investments		-		(106)	
- dividends		1,552		1,554	
Financial income	34	99,486	1,662	74,281	1,684
Financial expenses	35	(206,332)	(454)	(163,874)	(341)
Net income / (loss) before taxes		339,347		317,954	
Taxes	36	(96,714)		(84,907)	
Net income / (loss)		242,633		233,047	
Attributable to:					
Owners of the Parent Company		232,090		221,417	
Non-controlling interests		10,543		11,630	
Total earnings / (losses) per share (in euro per basic share)	37	0.232		0.221	

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

	Note	01/01 - 06/30/2023	01/01 - 06/30/2022
A			
Total Net income / (loss)		242,633	233,047
- Remeasurement of employee benefits	20	(46,306)	48,452
- Tax effect		11,712	(11,451)
- Fair value adjustment of other financial assets at fair value through Other Comprehensive Income	10	5,915	(9,805)
B			
Total items that may not be reclassified to Income Statement		(28,679)	27,196
Exchange rates differences from translation of foreign Financial Statements			
- Gains / (losses)	18	(55,355)	225,116
- (Gains) / losses reclassified to Income Statement	33	-	-
- Tax effect		-	-
Fair value adjustment of derivatives designated as cash flow hedges:			
- Gains / (losses)	25	4,047	29,767
- (Gains) / losses reclassified to Income Statement	25	(8,739)	(529)
- Tax effect		1,102	(6,606)
Cost of hedging			
- Gains / (losses)	25	-	(119)
- (Gains) / losses reclassified to Income Statement	25	-	(1,477)
- Tax effect		-	136
Share of other Comprehensive Income related to associates and joint ventures, net of taxes	9	(3,192)	2,652
C			
Total items reclassified / that may be reclassified to Income Statement		(62,137)	248,940
D			
Total other Comprehensive Income (B+C)		(90,816)	276,136
A+D			
Total Comprehensive Income / (loss)		151,817	509,183
Attributable to:			
- Owners of the Parent Company		156,286	468,586
- Non-controlling interests		(4,469)	40,597

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AT 06/30/2023

<i>(in thousands of euro)</i>	Attributable to the Parent Company (note 18.1)					Non-controlling interests (note 18.2)	Total (note 18)
	Share Capital	Translation reserve	Other O.C.I. reserves *	Other reserves/retained earnings	Total attributable to the Parent Company		
Total at 12/31/2022	1,904,375	(510,386)	12,768	3,917,037	5,323,794	130,034	5,453,828
Other components of Comprehensive Income	-	(43,535)	(32,269)	-	(75,804)	(15,012)	(90,816)
Net income / (loss)	-	-	-	232,090	232,090	10,543	242,633
Total comprehensive income / (loss)	-	(43,535)	(32,269)	232,090	156,286	(4,469)	151,817
Dividends approved	-	-	-	(218,000)	(218,000)	(5,202)	(223,202)
Effects of hyperinflation accounting in Turkey	-	-	-	6,054	6,054	-	6,054
Effects of hyperinflation accounting in Argentina	-	-	-	66,734	66,734	-	66,734
Other	-	-	(190)	701	511	(141)	370
Total at 06/30/2023	1,904,375	(553,921)	(19,691)	4,004,616	5,335,379	120,222	5,455,601

(in thousands of euro)
BREAKDOWN OF OTHER O.C.I. RESERVES*

	Reserve for fair value adjustment of financial assets at fair value through other Comprehensive Income	Reserve for cost of hedging	Reserve for Remeasurement cash flow hedge	Remeasurement of employee benefits	Tax effect	Other O.C.I. reserves
Total at 12/31/2022	(11,074)	-	54,376	38,703	(69,237)	12,768
Other components of Comprehensive Income	5,915	-	(4,691)	(46,306)	12,814	(32,269)
Other changes	(190)	-	-	-	-	(190)
Total at 06/30/2023	(5,349)	-	49,685	(7,603)	(56,424)	(19,691)

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

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

(in thousands of euro)
BREAKDOWN OF OTHER O.C.I. RESERVES*

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

CONSOLIDATED STATEMENT OF CASH FLOWS (in thousands of euro)

	Note	01/01 - 06/30/2023	of which related parties (note 40)	01/01 - 06/30/2022	of which related parties (note 40)
Net income / (loss) before taxes		339,347		317,954	
Reversal of amortisation, depreciation, impairment losses and restatement of property, plant and equipment and intangible assets	30	278,697		271,631	
Reversal of Financial (income) / expenses	34/35	106,846		89,593	
Reversal of Dividends	33	(1,552)		(1,554)	
Reversal of gains / (losses) on equity investments	33	(133)		106	
Reversal of share of net result from associates and joint ventures	33	(4,527)	(4,527)	(873)	(873)
Reversal of accruals to provisions and other accruals		44,830		17,395	
Net Taxes paid	36	(61,310)		(104,433)	
Change in Inventories		10,676		(228,225)	
Change in Trade receivables		(290,786)	(2,544)	(215,173)	3,133
Change in Trade payables		(429,875)	(54,028)	(221,199)	(43,124)
Change in Other receivables		(44,433)	11,503	(21,514)	16,014
Change in Other payables		(42,523)	(36,399)	(58,734)	(843)
Uses of Provisions for employee benefit obligations		(11,657)		31,852	-
Uses of Provisions for liabilities and charges		(13,845)		(12,591)	
A Net cash flow provided by / (used in) operating activities		(120,245)		(135,765)	
Investments in owned tangible assets		(193,248)		(143,538)	
Disposal of owned tangible assets		1,480		2,705	
Investments in intangible assets		(7,091)		(11,277)	
Disposals of equity investments in associates and J.V.		-		1,152	
Change in Financial receivables from associates and joint ventures		(1,425)	(1,425)	(8,551)	(8,551)
Dividends received	33	1,552	-	1,732	179
B Net cash flow provided by / (used in) investing activities		(198,732)		(157,777)	
Change in Borrowings from banks and other financial institutions due to draw downs	21	792,028		902,725	
Change in Borrowings from banks and other financial institutions due to repayments and other	21	(509,055)		(1,361,551)	
Change in Financial receivables / Other current financial assets at fair value through Income Statement		220,654		(40,124)	
Financial income / (expenses)		(135,065)		3,454	
Dividends paid		(3,853)		(184,303)	
Repayment of principal and payment of interest for lease liabilities		(60,504)	(2,193)	(58,990)	(1,790)
C Net cash flow provided by / (used in) financing activities		304,205		(738,789)	
D Total cash flow provided / (used) during the period (A+B+C)		(14,772)		(1,032,331)	
E Cash and cash equivalents at the beginning of the financial year		1,283,388		1,883,544	
F Exchange rate differences from translation of cash and cash equivalents		(21,349)		28,076	
G Cash and cash equivalents at the end of the period (D+E+F) (*)	17	1,247,267		879,289	
(*) of which:					
cash and cash equivalents		1,256,024		889,664	
bank overdrafts		(8,757)		(10,375)	

EXPLANATORY NOTES

1. GENERAL INFORMATION

Pursuant to Article 154 of Legislative Decree No. 58/1998, the Pirelli & C. Group has prepared the Condensed Consolidated Half-Year Financial Statements ("*Financial Statements*") in accordance with IAS 34, which governs infra-annual financial reporting, in condensed form.

The information contained in the Explanatory Notes should be read in conjunction with the remaining sections of the Half-Year Financial Report, of which the Condensed Consolidated Half-Year Financial Statements is a part, and with the Annual Report at December 31, 2022.

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

The Condensed Consolidated Half-Year Financial Statement of Pirelli & C. S.p.A at June 30, 2023 were approved by the Board of Directors of Pirelli & C. S.p.A. on July 27, 2023.

2. BASIS OF PRESENTATION

Financial Statements

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

The Condensed Consolidated Half-Year Financial Statements at June 30, 2023 consist of the Statement of Financial Position, the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Cash Flow Statement and the Explanatory Notes, and is an integral part of the Half-Year Financial Report.

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

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

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

The Group has opted to present the tax effects and the reclassifications to the Income Statement of the gains/losses which had been recognised under Equity in previous financial years, directly in the Statement of Comprehensive Income and not in the Explanatory Notes.

The Statement of Changes in Equity includes, in addition to the total gains/losses for the period, the amounts from transactions with equity holders and the movements which occurred in the reserves during the period.

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

Scope of Consolidation

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

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

- the power of decision making, or the capacity to direct the relevant activities of the subsidiary, that is activities that have a significant influence on the results of the subsidiary;
- exposure or the right to the variable (positive or negative) results from the investment in the entity;
- the capacity to utilise its decision making power to determine the amounts for results arising from the investment in the entity.

The Financial Statements of subsidiaries are included in the Condensed Consolidated Half-Year Financial Statements as of the date when control is assumed until such time when control ceases to exist. The share of equity and of the results attributable to non-controlling interests, are reported separately and respectively in the Statement of Financial Position, the Income Statement, the Statement of Comprehensive Income and in Equity.

Associates are all companies over which the Group is able to exercise significant influence as defined by IAS 28 – Investments in Associates and Joint Ventures. This influence is legally presumed to exist when the Group holds a percentage of voting rights of between 20% and 50%, or when - even in the case of a lower share of voting rights – it has the power to participate in determining financial and operating policies by virtue of specific legal relationships, such as, for example, the participation in Shareholders' Agreements together with other forms of significant exercise of governance rights.

Joint arrangements are agreements whereby two or more parties have joint control under a contract. Joint control is the shared control of a business activity, established by agreement which exists only when decisions relative to the activity require the unanimous consent of all parties who share control. These agreements may give rise to joint ventures or joint operations.

A joint venture is an agreement for the joint control of an entity whereby the parties that have joint control, have rights to the net assets of the said entity. Joint ventures are distinguished from joint operations which instead are configured as agreements which give the parties of the agreement, which have joint control of the initiative, the rights to the individual assets and the obligations of the individual liabilities relative to the agreement. The Group does not currently have any agreements in place for joint operations.

The only change in the Scope of Consolidation that occurred during the first half-year of 2023 is related to the liquidation, on January 3, 2023, of Pirelli Taiwan Co., Ltd.

The complete list of subsidiaries is contained in the attachment, "*Scope of Consolidation – Companies Consolidated on a Line-by-Line Basis*".

Non-controlling interests in the subsidiaries of the Group are not relevant either individually or in aggregate form.

3. ACCOUNTING STANDARDS

3.1 Adopted Accounting Standards

The adopted accounting standards are the same used in preparing the Consolidated Financial Statements at December 31, 2022 to which, reference should be made for more details, with the exception of the following amendments which were applicable as of January 1, 2023, but have had no impact on the Group's consolidated financial statements at June 30, 2023:

- Amendments to IAS 1 - Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies

These amendments provide guidance on the application of materiality judgements to accounting standard disclosures in a way that is more useful; particularly:

- the requirement to disclose "*significant*" accounting standards has been replaced with the requirement to disclose "*material*" accounting standards;
- guidance has been added on how to apply the concept of materiality to accounting standard disclosures.

In assessing the materiality of accounting policy disclosures, an entity must also take into account, the size of the transactions, other events or conditions and their nature.

- Amendments to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors
These amendments introduce a new definition for "*accounting estimates*", by distinguishing them more clearly from accounting policies, and provide guidance for determining whether changes should be treated as changes in estimates, changes in accounting standards or errors.

- Amendments to IAS 12 - Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

These amendments eliminate the possibility of not recognising deferred taxes at the time of the initial recognition of transactions that give rise to temporary taxable and deductible differences (e.g., lease contracts).

With reference to lease contracts, these amendments also clarify that, when lease payments are deductible for tax purposes, it is a matter of judgement (after having taken the applicable tax law into account), whether such deductions are attributable for tax purposes to the lease liability recognised in the Financial Statements, or to the relative right of use. If the tax deductions are allocated to the right of use, the tax values of the right of use and the lease liability are the same as their carrying amounts, and no temporary differences arise at initial recognition. However, if tax deductions are allocated to the lease liability, the tax values of the right of use and the lease liability are zero, giving rise to temporary taxable and deductible differences, respectively. Even if the gross temporary differences are equal, a deferred tax liability and a deferred tax asset must nevertheless be recognised.

- IFRS 17 - Insurance Contracts and Amendments to IFRS 17 - Initial Application of IFRS 17 and IFRS 9 - Comparative Information

The IFRS 17, which replaces IFRS 4 - Insurance Contracts, provides a definition of the accounting for insurance contracts issued and reinsurance contracts held.

These amendments allow for the elimination of one-off classification differences in comparative information from the previous financial year, at the time of the initial application of IFRS 17 and IFRS 9 - Financial instruments. The optional classification overlay introduced by this amendment allows the comparative information presented at the initial application of IFRS 17 and IFRS 9, to be more useful.

- Amendments to IAS 12 - Income Taxes: International Tax Reform - Pillar Two Model Rules

These amendments provide a temporary exemption to the accounting of deferred taxes resulting from the Organisation for Economic Co-operation and Development (OECD) international tax reform. The OECD published the Pillar Two model rules in December 2021, to ensure that large multinational companies are subjected to a minimum tax rate of 15%.

The changes provide for:

- a temporary exception to the accounting and disclosures of deferred taxes arising in jurisdictions that apply global tax rules. This will help ensure the consistency of financial statements, while also facilitating the implementation of the rules; and
- the publication of disclosures which are aimed at helping investors better understand a company's exposure to income taxes resulting from the reform, particularly prior to the entry into force of the legislation that will implement the rules.

These changes took effect as of January 1, 2023 and are not required disclosures in interim financial statements.

The Group's Financial Statements at June 30, 2023 make use of the above mentioned temporary exception. The required information, whose determination is still in progress, will be provided in the Group's Financial Statements at December 31, 2023.

Also to be noted is that Income taxes are recognised on the basis of the best estimate of the weighted average tax rate expected for the entire financial year, adjusted to include in the reporting period, any non-recurring items, consistent with the indications provided by IAS 34 for the preparation of Interim Financial Statements.

3.2 International Accounting Standards and/or Interpretations Issued but not yet in Force in 2023

The following are new Standards or Interpretations that had been issued but had not yet entered into force or had not yet been approved by the European Union at June 30, 2023 and which are therefore not applicable:

- **Amendments to IAS 1 - Presentation of Financial Statements - Classification of Liabilities as Current or Non-current**
 The amendments clarify the criteria that must be applied when classifying liabilities as current or non-current and specify that the classification of a liability is not affected by the probability that settlement of the liability will be delayed for 12 months following the financial year in which it is incurred. The Group's intention to settle liabilities in the short-term, had no impact on their classification. These amendments, which will enter into force on January 1, 2024, have not yet been approved by the European Union. No impacts on the classification of financial liabilities are expected as a result of these amendments.
- **Amendments to IAS 1 - Presentation of Financial Statements - Non-current Liabilities with Covenants**
 These amendments specify that the covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Instead, the amendments require the company to disclose information about such covenants in the Financial Statements.
 These amendments, which will enter into force on January 1, 2024, have not yet been approved by the European Union. No impacts on the classification of financial liabilities and in terms of disclosure are expected as a result of these amendments.
- **Amendments to IFRS 16 - Leases: Lease Liability in a Sale and Leaseback**
 These amendments specify the requirements for accounting for a sale and leaseback after the transaction date.
 In particular, in the subsequent valuation of the liability arising from the leasing contract, the seller-lessee determines the "*lease payments*" and "*revised lease payments*" in such a way that no gain or loss is recognised that relates to the retained right of use

These amendments, which will enter into force on January 1, 2024, have not yet been approved by the European Union. No impacts on the Group's Financial Statements are expected as a result of these amendments.

- Amendments to IAS 7 - Statement of Cash Flows and IFRS 7 - Financial Instruments: Supplementary information - Supplier Finance Arrangements

These amendments introduce new disclosure requirements to improve the transparency of information provided on supplier financing arrangements, particularly with regard to the effects of such arrangements on the entity's liabilities, cash flows and exposure to liquidity risk.

These amendments, which will enter into force on January 1, 2024, have not yet been approved by the European Union. The impact on the Group's Financial Statements as a result of these amendments is currently being analysed.

Seasonality

The value of trade receivables at June 30, 2023 was impacted by the usual seasonality factors of seasonality, which, all things being equal, lead to an increase in values recorded at the end of the half-year, compared to the corresponding values at financial year-end. These phenomena, which are more pronounced in the more seasonal markets such as Europe and Russia, generally entail a lesser amount of trade receivables at the end of the year, compared to the amount recorded during the course of the year, due to the almost total collection during the fourth quarter, of receivables relative to revenues from winter products in these markets, while the collection of a large portion of receivables relative to revenues from summer products, is generally completed in these same markets during the third quarter.

4. ESTIMATES AND ASSUMPTIONS

The estimates and assumptions used to prepare these Condensed Consolidated Half-Year Financial Statements are consistent with those used to prepare the Consolidated Financial Statements at December 31, 2022, to which reference should be made.

5. INFORMATION ON FAIR VALUE

5.1 Fair Value Measurement

In relation to financial instruments measured at fair value, the classification of these instruments on the basis of the hierarchy of levels provided for by IFRS 13, which reflects the significance of the inputs used in the determination of fair value, is shown below. The levels are defined as follows:

- level 1 – unadjusted prices quoted on an active market for assets or liabilities subject to evaluation;
- level 2 – inputs other than the quoted prices referred to in the previous point, which are observable on the market either directly (as in the case of prices), or indirectly (because they are derived from prices);
- level 3 – inputs that are not based on observable market data.

The following table shows the financial assets and liabilities measured at fair value at **June 30, 2023**, subdivided into three levels:

<i>(in thousands of euro)</i>	Note	Carrying amount at 06/30/2023	Level 1	Level 2	Level 3
FINANCIAL ASSETS:					
Financial assets at fair value through Income Statement:					
Other current financial assets at fair value through Income Statement	16	220,705	201,350	19,355	-
Current derivative financial instruments	25	15,872	-	15,872	-
Derivative hedging instruments:					
Non-current derivative financial instruments	25	27,799	-	27,799	-
Other financial assets at fair value through Other Comprehensive Income:					
Securities and shares		52,376	18,002	22,914	11,460
Investment funds		1,775	-	1,775	-
	10	54,151	18,002	24,689	11,460
TOTAL ASSETS		318,527	219,352	87,715	11,460
FINANCIAL LIABILITIES:					
Financial assets at fair value through Income Statement:					
Current derivative financial instruments	25	(48,910)	-	(48,910)	-
TOTAL LIABILITIES		(48,910)	-	(48,910)	-

The following table shows the **financial assets and liabilities measured at fair value at December 31, 2022**, subdivided into the three levels defined above:

<i>(in thousands of euro)</i>	Note	Carrying amount at 12/31/2022	Level 1	Level 2	Level 3
FINANCIAL ASSETS:					
Financial assets at fair value through Income Statement:					
Other current financial assets at fair value through Income Statement	16	246,884	169,328	77,556	-
Current derivative financial instruments	25	15,312	-	15,312	-
Derivative hedging instruments:					
Current derivative financial instruments	25	7,368	-	7,368	-
Non-current derivative financial instruments	25	26,430	-	26,430	-
Other financial assets at fair value through Other Comprehensive Income:					
Securities and shares		46,644	16,570	18,865	11,209
Investment funds		1,775	-	1,775	-
	10	48,419	16,570	20,640	11,209
TOTAL ASSETS		344,413	185,898	147,306	11,209
FINANCIAL LIABILITIES:					
Financial assets at fair value through Income Statement:					
Current derivative financial instruments	25	(19,558)	-	(19,558)	-
TOTAL LIABILITIES		(19,558)	-	(19,558)	-

The following table shows **changes in the financial assets classified as level 3, that occurred during the course of the first half-year of 2023**:

<i>(in thousands of euro)</i>	
Opening balance 01/01/2023	11,209
Decreases	(189)
Fair value adjustments through Other Comprehensive Income	433
Other changes	7
Closing balance 06/30/2023	11,460

These financial assets are mainly represented by equity investments in the Istituto Europeo di Oncologia (European Institute of Oncology) (euro 8,357 thousand), Telco S.r.l (euro 450 thousand) and Genextra (euro 622 thousand).

During the course of the half-year which closed on June 30, 2023 there were no transfers from level 1 to level 2 or vice versa, nor from level 3 to other levels and vice versa.

The fair value of financial instruments that are traded on active markets is based on prices published at the reporting date of the Financial Statements. The instruments included in level 1, are mainly comprised of equity investments classified as financial assets at fair value through Other Comprehensive Income.

The fair value of financial instruments that are not traded on active markets (for example, derivatives) is determined by using valuation techniques that maximise the use of available observable market data, using valuation techniques that are widely used in the financial industry:

- market prices for similar instruments;
- the fair value of interest rate swaps is calculated by discounting estimated future cash flows based on observable yield curves;
- the fair value of foreign exchange derivatives (forward contracts) is determined by using the forward exchange rate at the reporting date of the Financial Statements;

6. OPERATING SEGMENTS

IFRS 8 - Operating segments, defines an operating segment as a component:

- which involves entrepreneurial activities which generate revenues and costs;
- whose operating results are periodically reviewed by the Chief Executive Officer, in his role as Chief Operating Decision Maker (CODM);
- for which separate Income Statement, Statement of Financial Position and Financial Statements data is available.

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

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

<i>(in thousands of euro)</i>	01/01 - 06/30/2023	01/01 - 06/30/2022
Europe	1,338,261	1,334,327
North America	864,237	747,668
APAC	543,675	502,524
South America	461,206	419,393
Russia and MEAI	230,145	193,102
Total	3,437,523	3,197,013

Non-current assets by geographic region allocated on the basis of the country where the assets are located, were as follows.

<i>(in thousands of euro)</i>	06/30/2023		12/31/2022	
Europe and Turkey	5,138,341	59.16%	5,219,120	59.42%
North America	551,679	6.35%	510,105	5.81%
APAC	476,535	5.49%	515,141	5.87%
South America	496,428	5.72%	463,592	5.28%
Russia, Nordics and MEAI	138,131	1.59%	189,878	2.16%
Non-current unallocated assets	1,885,053	21.69%	1,884,629	21.46%
Total	8,686,167	100.00%	8,782,465	100.00%

The **non-current allocated assets** reported in the preceding table consist of property, plant and equipment and intangible assets, excluding goodwill. The **non-current unallocated assets** are relative to goodwill.

7. PROPERTY, PLANT AND EQUIPMENT

Their composition was as follows:

<i>(in thousands of euro)</i>	06/30/2023	12/31/2022
Total Net Value:	3,367,522	3,399,628
- Owned tangible assets	2,930,001	2,952,780
- Right of use	437,521	446,848

7.1 – Owned Tangible Assets

Their composition and changes were as follows:

<i>(in thousands of euro)</i>	06/30/2023			12/31/2022		
	Gross Value	Accumulated Depreciation	Net Value	Gross Value	Accumulated Depreciation	Net Value
Land	152,360	-	152,360	147,977	-	147,977
Buildings	903,367	(249,547)	653,820	909,178	(234,420)	674,758
Plants and machinery	3,068,087	(1,236,562)	1,831,525	2,979,444	(1,149,033)	1,830,411
Industrial and trade equipment	681,216	(474,510)	206,706	667,978	(438,739)	229,239
Other assets	160,674	(75,084)	85,590	141,941	(71,546)	70,395
Total	4,965,704	(2,035,703)	2,930,001	4,846,519	(1,893,737)	2,952,780

NET VALUE <i>(in thousands of euro)</i>	12/31/2022	Hyperinflation Argentina and Turkey	Currency translation differences	Increases	Decreases	Depreciation	Devaluation	Recl./Other	06/30/2023
Land	147,977	1.535	3.360	-	(331)	-	(36)	(145)	152,360
Buildings	674,758	4.175	(5.491)	7.332	19	(18.385)	(0)	(8.588)	653,820
Plants and machinery	1,830,411	20.099	(564)	71.812	(641)	(99.039)	(38)	9.485	1,831,525
Industrial and trade equipment	229,239	2.099	(6.565)	32.646	(299)	(36.386)	(17)	(14.011)	206,706
Other assets	70,395	2.916	(4.693)	4.605	(100)	(5.292)	(0)	17.759	85,590
Total	2,952,780	30.824	(13.953)	116.395	(1.352)	(159.102)	(91)	4.500	2,930,001

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

The item **Hyperinflation Argentina and Turkey** refers to the revaluation for the first half-year of 2023 of the assets held by the Argentine and Turkish subsidiaries as a consequence of the application of the IAS 29 accounting standard - Financial Reporting in Hyperinflationary Economies, (euro 27,602 thousand for Argentina and euro 3,222 thousand for Turkey). This effect was partially offset by negative **currency translation differences** (euro 22,292 thousand for Argentina and euro 6,557 thousand for Turkey).

Increases, totalling euro 116,395 thousand, were primarily aimed at the High Value segment, at the continuous improvement in the mix and quality in all manufacturing plants, and at increasing production capacity in Mexico, and Romania.

The ratio of investments to depreciation in the first half-year of 2023 was 0.73 (0.63 for the same period of 2022).

Property, plant and equipment in progress at June 30, 2023 included in the individual fixed asset categories amounted to euro 228,492 thousand, (euro 240,255 thousand at December 31, 2022). The main projects included under property, plant and equipment in progress were the initiation of new projects to increase production capacity, the constant technological upgrading of the manufacturing plants and machinery, which is also aimed at increasing their safety from an EHS (Environmental, Health and Safety) perspective, and the investments in machinery for the development of new product lines and the improvement of existing products. These investments were concentrated in Mexico, Romania, China and Italy.

It should be noted that the companies of the Group did not pledge any property, plant and equipment as collateral.

7.2 - Right of Use

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

<i>(in thousands of euro)</i>	06/30/2023	12/31/2022
Right of use land	17,540	17,992
Right of use buildings	342,736	349,257
Right of use plants and machinery	19,670	23,179
Right of use other assets	57,575	56,420
Total net right of use	437,521	446,848

Increases in the right of use for the first half-year of 2023, including remeasurements, amounted to euro 41,570 thousand, mainly due to:

- an extension of the duration of lease agreements for points of sale in Germany, Sweden and Brazil;

- an extension of the duration of lease agreements for warehouses in the UK and in Brazil and for offices in Singapore;
- adjustment for inflation.

During the first half-year of 2023, there were no contracts subject to reassessment or significant changes.

For the first half-year of 2023, the depreciation of the right of use recognised in the Income Statement and included under Note 30, "*Depreciation, Amortisation and Impairments*" was composed as follows:

<i>(in thousands of euro)</i>	01/01 - 06/30/2023	01/01 - 06/30/2022
Land	755	611
Buildings	36,636	33,425
Plants and machinery	2,623	3,508
Other assets	9,870	9,461
Total depreciation of right of use	49,884	47,005

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

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

8. INTANGIBLE ASSETS

Their composition and changes were as follows:

NET VALUE (in thousands of euro)	12/31/2022	Currency translation differences	Increase	Amortisation	Recl./Other	06/30/2023
Concessions, licenses and trademarks - finite useful life	69,711	(1,974)	65	(1,803)	107	66,106
Pirelli Brand - indefinite useful life	2,270,000	-	-	-	-	2,270,000
Goodwill	1,884,629	424	-	-	-	1,885,053
Customer relationships	204,289	(339)	-	(17,282)	(28)	186,640
Technology	891,767	-	-	(38,425)	-	853,342
Software applications	49,620	15	5,404	(10,959)	(90)	43,990
Patents and design patent rights	12,457	-	1,622	(857)	-	13,222
Other intangible assets	364	(62)	-	(294)	284	292
Total	5,382,837	(1,936)	7,091	(69,620)	273	5,318,645

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

Intangible assets were composed as follows:

- the Pirelli Brand (indefinite useful life) to the amount of euro 2,270,000 thousand. It should be noted that the evaluation of the useful life of brands is based on a series of factors including the competitive environment, market share, history of the Brand, life cycles of the underlying product, operating plans and the macroeconomic environment of the countries in which the related products are sold. Specifically, the useful life of the Pirelli Brand was assessed as indefinite on the basis of its history of over one hundred and fifty years of success (established in 1872), and on the intention and ability of the Group to continue investing in order to support and maintain the brand;
- the Metzeler Brand (useful life of 20 years) to the amount of euro 42,992 thousand which is included under the item “*Concessions, licenses and trademarks – finite useful life*”;
- Customer relationships (useful life of 10-20 years) which mainly includes the value of commercial relationships for both the Original Equipment and Replacement channel;
- Technology which includes the value of both product and process technologies as well the value of the *In-Process R&D* (being formed at the time of the acquisition of the Group in 2015 by Marco Polo Industrial Holding S.p.A.) and which amounted to euro 813,342 thousand and euro 40,000 thousand respectively. The useful life of product and process technology was determined to be 20 years, while the useful life for In-Process R&D was 10 years.

- Goodwill to the amount of euro 1,885,053 thousand, of which euro 1,877,363 thousand was recorded at the time of acquisition of the Group in September 2015. The remainder refers to the goodwill determined as part of the acquisition of the company JMC Pneus Comercio Importação e Exportação Ltda. which occurred in 2018.

Increases totalling euro 7,091 thousand were concentrated in application software (euro 5,404 thousand), mainly for the implementation of the Company's digitisation programme.

At June 30, 2023, stock market capitalisation was lower than the carrying amount for equity, which represented an impairment indicator at June 30, 2023 for both goodwill and the Pirelli Brand, and therefore it became necessary to repeat, on the same date, the impairment test already performed in December 2022.

Impairment Testing of Goodwill

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

Goodwill, which amounted to euro 1,885,053 thousand was allocated to the "Consumer Activities" CGU group, which represents the sole business segment in which the Group operates and considers to be the minimum level at which goodwill is monitored, for internal management control purposes.

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

The value configuration used to determine the recoverable amount for Consumer Activities at June 30, 2023 is the value in use, which corresponds to the present value of the future financial flows which are expected to be generated by the group of CGUs, using a discount rate that reflects the risks specific to the group of CGUs at the valuation date.

The forecasts are based on the flows of the EBITDA adjusted, of the 2023 Management Plan approved on February 22, 2023 by the Board of Directors of Pirelli & C. S.p.A., which was prepared on the basis of the new market environment and, in particular, including the indirect effects of the Russia-Ukraine conflict (mainly attributable to inflation in sales prices and in the costs of production factors). The projected flows for 2023 were prudently adjusted downwards to reflect the consensus estimates of analysts formed after the presentation of the results for the first quarter of 2023, with the aim of attributing more weight to external information, and for the years 2024-2025 the consensus estimates of analysts were used.

The flows from the consensus estimates of analysts were then sterilised, pursuant to IAS 36.44, of cash flows relative to expansion investments, restructuring expenses and correlated benefits, which at June 30, 2023 the Company had not yet done.

The flows derived in this manner, express an average cumulative annual growth rate (CAGR) for revenues of the 2023-2025 three-year period, of +1.8% compared to 2022, and an average EBITDA margin adjusted for the period of 21.4%, with a CAGR for the EBITDA adjusted of 2.5%, again, compared to 2022.

The impairment test at June 30, 2023 was performed using the assistance of an independent third-party professional.

The discount rate, defined as the weighted average cost of capital (WACC) net of taxes, which was applied to the prospective cash flows equalled 8.89%, while the growth rate of operating cash flows, for the purpose of estimating the terminal value (“g”), was equal to 1%. The capitalisation rate for operating cash flows (WACC - g) was therefore equal to 7.89%, consistent with the consensus estimates of analysts for the capitalisation rate.

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

The recoverable amount is greater than the carrying amount for Consumer Activities by 10%, while, in order for the value in use to be equal to the carrying amount, a downward change in the key parameters is necessary, and in particular:

- an increase in the discount rate of 86 basis points for the explicit forecast period and in the terminal value;
- a negative annual growth rate beyond the explicit “g” forecast period of -100 basis points;
- a decrease in the average EBITDA margin adjusted of 142 basis points for the explicit forecast period and in the terminal value.

With reference to climate change issues, the impacts were assessed in terms of both the discount rate and long-term cash flows. The impact on the cost of capital was favourable and reflects the decarbonisation policies initiated by the Group. The impact on long-term cash flows, instead, reflected the higher costs to be incurred beyond 2030, in order to achieve the decarbonisation targets. The analysis therefore then compared the benefits of the lower cost of capital, with the expenses of the higher costs in order to verify whether the net balance was negative (a circumstance that would have reduced the recoverable amount due to the effect of climate change risk).

As for the impact on the discount rate, the market data shows that the ESG policies implemented by the Group generate a lower systematic risk, which translates into a lower cost of capital compared to the cost of capital inferred from comparable companies and used for impairment testing purposes. Therefore, considering this effect, the recoverable amount would be higher.

Instead, with reference to long-term cash flows, the most important economic-financial elements identified were considered, based on the internal estimates made as part of the Group's Climate Change and Water Stress Risk Assessment. These are the costs that the Group is expected to incur from 2030 onwards in order to meet decarbonisation targets, taking into account the introduction and/or tightening of current CO₂ emission pricing schemes in the countries where it operates. The possible impacts, linked to an increase in the costs of production, have been estimated based on the evolution of the price of CO₂ resulting from the more conservative forecasts of the "Net Zero by 2050" (NZE) scenario published by the IEA (International Energy Agency), and the Group's carbon intensity forecast based on its own Climate Transition Plan.

Since the benefit from the lower discount rate is higher than the present value of the costs to be incurred from 2030 onwards, no impact for climate change risk was recognised on the results of the impairment test.

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

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

The impairment test at June 30, 2023 was performed using the assistance of an independent third-party professional.

The configuration of the recoverable amount for impairment testing purposes at June 30, 2023, is the fair value calculated on the basis of the income approach (the so-called Level 3 of the IFRS 13 hierarchy – Fair Value Measurement). The fair value estimate is therefore based on:

- the same flows used for goodwill impairment testing purposes, that is, the forecasts made by management, which with reference to 2023 are based on the 2023 Management Plan, adjusted downwards to take into account, the consensus estimates of analysts as externally sourced evidence, and for the years 2024-2025, the consensus estimates of analysts were used, but without the sterilisation of the effects of expansion investments. The average compound annual growth rate (CAGR), for revenues for the explicit forecast period, used in the determination of the recoverable amount, which is calculated against the revenues recorded for 2022, was equal to 3% while the average EBITDA margin adjusted for the period used in the determination of the recoverable amount was equal to 21.6%, with a CAGR for the EBITDA adjusted of 4.1%, compared to the absolute value recorded for 2022;
- a sum-of-parts valuation criterion which also takes into account the contribution of royalties from the Prometeon Tyre Group for the use of the Pirelli trademark in relation to the Industrial segment (as in the existing contracts);
- the excess earnings attributable to the Pirelli Brand which are derived by deducting the notional rent or royalty rate of the Group's operating assets other than the Brand, expressed at fair value, from the prospective operating income;
- a discount rate of 10.98%, which includes a premium compared to the WACC, which is determined according to the riskiness of the specific asset and the growth rate "g" in the terminal value which is equal to 1%;
- the TAB (Tax Amortisation Benefit) that is, the tax benefit that could potentially benefit the market participant which acquired the asset separately, as a result of the possibility of amortising the asset for tax purposes.

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

The recoverable amount is greater than the carrying amount of the Brand by 4%, while, in order for the fair value to be equal to the carrying amount, a downward change in the key parameters is necessary, in particular:

- a percentage decrease in revenues of 108 basis points for the explicit forecast period and in the terminal value;
- a decrease in the EBITDA margin adjusted of 17 basis points for the explicit forecast period and in the terminal value;
- an increase in the discount rate of 37 basis points for the explicit forecast period and in the terminal value;
- a decrease in the growth rate "g" of 49 basis points for beyond the explicit forecast period.

9. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

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

<i>(in thousands of euro)</i>	06/30/2023			12/31/2022		
	Associates	JV	Total	Associates	JV	Total
Opening balance	7,812	72,415	80,227	9,018	71,868	80,886
Decrease	-	-	-	(1,451)	-	(1,451)
Distribution of dividends	(171)	-	(171)	(178)	-	(178)
Share of net income / (loss)	33	4,494	4,527	190	2,730	2,920
Share of other components recognised in Equity	-	(3,192)	(3,192)	-	(2,183)	(2,183)
Other	2	-	2	233	-	233
Closing balance	7,676	73,717	81,393	7,812	72,415	80,227

9.1 Investments in Associates

The details were as follows:

<i>(in thousands of euro)</i>	12/31/2022	Distribution of dividends	Share of net income / (loss)	Other	06/30/2023
Eurostazioni S.p.A.	6,621	-	-	-	6,621
Investments in other associates	1,191	(171)	33	2	1,055
Total	7,812	(171)	33	2	7,676

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

9.2 Investments in Joint Ventures

The details were as follows:

<i>(in thousands of euro)</i>	12/31/2022	Share of net income / (loss)	Share of other components recognised in Equity	06/30/2023
Xushen Tyre (Shanghai) Co., Ltd	58,267	2,886	(3,274)	57,879
PT Evoluzione Tyres	14,148	1,608	82	15,838
Total	72,415	4,494	(3,192)	73,717

The Group holds:

- a 49% stake in the company Xushen Tyre (Shanghai) Co., Ltd. a joint venture which, through the company Jining Shenzhou Tyre Co., Ltd. owns a Consumer tyre manufacturing plant in China. The plant provides the necessary production flexibility for the High Value segment, given the evolution of the Chinese market, the expected developments in the electric car segment and the increasing share of homologations obtained for the Original Equipment channel in China, Japan and Korea. The joint venture agreement relative to Xushen Tyre (Shanghai) Co., Ltd. provides for a Call Option in favour of Pirelli Tyre S.p.A., exercisable, also on the basis of communications that have taken place between the shareholders, from January 1, 2024 until March 31, 2026, which - if exercised - would allow Pirelli Tyre S.p.A. to increase its stake in the company to up to 70%;
- an investment of 63.04% in PT Evoluzione Tyres, an entity which operates in Indonesia and is active in the production of tyres for motorcycles. Even though the company is 63.04% owned as a result of the contractual agreements between Shareholders, it falls under the definition of a joint venture in that the governance regulations explicitly provide for the unanimous approval of significant business decisions.

The **share of net income/(loss)**, positive to the amount of euro 4,494 thousand, refers to the euro 1,608 thousand pro-rata share of net income for the first half-year of 2023, attributable to the joint venture PT Evoluzione Tyres and to the euro 2,886 thousand pro-rata share of net income for the first half-year of 2023, attributable to the joint venture the Xushen Tyre (Shanghai) Co., Ltd.

The share of Other Comprehensive Income refers to the pro-rata difference from the translation of the equity of the two companies.

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

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

The movements in other financial assets at fair value through Other Comprehensive Income amounted to euro 54,151 thousand and changed as follows during the half-year:

(in thousands of euro)

Opening balance at 01/01/2023	48,419
Translation differences	6
Decreases	(189)
Fair Value adjustment through Other Comprehensive income	5,915
Closing balance 06/30/2023	54,151

The composition of the item by individual security is as follows:

(in thousands of euro)

	06/30/2023	12/31/2022
Listed securities		
RCS MediaGroup S.p.A.	18,002	16,570
Total	18,002	16,570
Unlisted securities		
Fin. Priv. S.r.l.	22,914	18,865
Fondo Anastasia	1,775	1,775
Istituto Europeo di Oncologia S.r.l.	8,357	8,139
Tlcom ILP	192	186
Telco S.r.l.	450	450
Other companies	2,461	2,434
Total	36,149	31,849
Total other financial assets at Fair Value through Other Comprehensive Income	54,151	48,419

The **fair value adjustments through Other Comprehensive Income** equalled a positive amount of euro 5,915 thousand, and mainly refers to the RCS MediaGroup S.p.A. (positive to the amount of euro 1,432 thousand), Fin.Priv S.r.l. (positive to the amount of euro 4,049 thousand) and the Istituto Europeo di Oncologia (European Institute of Oncology) (positive to the amount of euro 218 thousand).

For listed securities, the fair value corresponds to the stock market price at June 30, 2023. For unlisted securities, the fair value was determined by using estimates based on the best available information.

11. DEFERRED TAX ASSETS AND LIABILITIES

Their composition is as follows:

<i>(in thousands of euro)</i>	06/30/2023	12/31/2022
Deferred tax assets	192,598	176,969
Deferred tax liabilities	(1,022,070)	(1,041,848)
Total	(829,472)	(864,879)

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

12. TRADE RECEIVABLES

Trade receivables were analysed as follows:

<i>(in thousands of euro)</i>	06/30/2023			12/31/2022		
	Total	Non-current	Current	Total	Non-current	Current
Trade receivables	970,375	-	970,375	706,323	-	706,323
Bad debt provision	(75,274)	-	(75,274)	(69,877)	-	(69,877)
Total	895,101	-	895,101	636,446	-	636,446

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

13. OTHER RECEIVABLES

Other receivables were analysed as follows:

<i>(in thousands of euro)</i>	06/30/2023			12/31/2022		
	Total	Non-current	Current	Total	Non-current	Current
Financial receivables	212,621	121,252	91,369	386,229	114,000	272,229
Trade accruals and deferrals	65,482	6,481	59,001	42,303	7,195	35,108
Receivables from employees	10,966	433	10,533	4,994	436	4,558
Receivables from social security and welfare institutions	4,127	-	4,127	689	-	689
Receivables from tax authorities not related to income taxes	474,924	88,666	386,258	436,647	83,278	353,369
Other receivables	98,801	36,257	62,544	113,367	35,475	77,892
	866,921	253,089	613,832	984,229	240,384	743,845
Bad debt provision for other receivables and financial receivables	(12,223)	(9,761)	(2,462)	(11,840)	(9,233)	(2,607)
Total	854,698	243,328	611,370	972,389	231,151	741,238

Financial receivables non-current (euro 121,252 thousand) refers mainly to euro 68,954 thousand, the sum as guarantees for tax and legal disputes in relation to the subsidiary Pirelli Pneus Ltda. (Brazil) and remunerated at market rates, to euro 13,871 thousand, the sum deposited into escrow accounts in favour of the pension funds of Pirelli UK Ltd., to euro 14,464 thousand in contributions paid in cash at the time of signing an association in participation contract and to euro 7,266 thousand in loans, disbursed in favour of the Indonesian joint venture PT Evoluzione Tyres.

Financial receivables current (euro 91,369 thousand) refers mainly to euro 75,801 thousand for the short-term portion of loans disbursed to the Jining Shenzhou Tyre Co., Ltd. joint venture, for which there was no significant increase in credit risk compared to the date of disbursement. This decrease compared to December 31, 2022 was mainly due to, the restitution, as provided for in the applicable agreements, of the sum deposited into escrow accounts in favour of the pension funds of Pirelli UK Ltd. and Pirelli UK Tyres Ltd. to the amount of euro 170,349 thousand, (the amount deposited at December 31, 2022 had been euro 170,826 thousand and euro 477 thousand deposited at June 30, 2023).

The item **bad debt provision for other receivables and financial receivables** (euro 12,223 thousand) mainly includes euro 11,149 thousand relative to the impairment of financial receivables.

The item **receivables from tax authorities not related to income taxes** (euro 474.924 thousand compared to euro 436,647 thousand at December 31, 2022) is mainly comprised of receivables for IVA (value added tax) and other indirect taxes whose recovery is expected in successive financial years.

Other receivables non-current (euro 36,257 thousand) refers mainly to amounts deposited as guarantees for legal and tax disputes for the Brazilian companies (euro 32,408 thousand).

Other receivables current (euro 62.544 thousand) include:

- advances to suppliers amounting to euro 23,439 thousand;
- receivables from associates and joint ventures to the amount of euro 9,171 thousand, mainly for royalties and the sale of materials and moulds;
- receivables from the Prometeon Group to the amount of euro 6,979 thousand mainly for royalties;
- receivables to the amount of euro 5,035 thousand in yet to be collected state grants.

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

14. TAX RECEIVABLES

Tax receivables refers to income taxes which amounted to euro 39,728 thousand (of which euro 9,583 thousand was non-current) compared to euro 36,704 thousand at December 31, 2022 (of which euro 9,055 thousand was non-current). In more detail, it mainly refers to receivables for advances paid on taxes for the financial year.

15. INVENTORIES

The following is an analysis of inventories:

<i>(in thousands of euro)</i>	06/30/2023	12/31/2022
Raw and auxiliary materials and consumables	235,066	302,609
Sundry materials	13,197	10,854
Unfinished and semi-finished products	81,078	85,542
Finished products	1,088,638	1,056,359
Advances to suppliers	736	2,347
Total	1,418,715	1,457,711

For further information on the performance of inventories, reference should be made to the section "Group Performance and Results" in this document.

Inventories were not subject to any guarantee obligations.

16. OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH THE INCOME STATEMENT - CURRENT

Other financial assets at fair value through the Income Statement - current amounted to euro 220,705 thousand at June 30, 2023 compared to euro 246,884 thousand at December 31, 2022.

The amount at June 30, 2023 included euro 201,350 thousand relative to investments made by the Argentine affiliate in listed dollar-linked bond instruments, to mitigate the effects of the devaluation of the local currency.

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

Changes in fair value for the period were recognised in the Income Statement, under "Financial Income", Note 34.

17. CASH AND CASH EQUIVALENTS

Cash and cash equivalents went from euro 1,289,744 thousand at December 31, 2022 to euro 1,256,024 thousand at June 30, 2023, and refer to current bank account balances and short-term bank deposits.

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

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

with cash and cash equivalents is considered to be limited as the counterparties are leading national and international banks.

For the Statement of Cash Flow, the balance of cash and cash equivalents was recorded net of bank overdrafts, to the amount of euro 8,757 thousand at June 30, 2023.

18. EQUITY

18.1 Attributable to the Owners of the Parent Company

Equity attributable to the Owners of the Parent Company went from euro 5,323,794 thousand at December 31, 2022 to euro 5,335,379 thousand at June 30, 2023.

The subscribed and paid up **share capital** at June 30, 2023 amounted to euro 1,904,375 thousand and was represented by 1,000,000,000 registered ordinary shares without indication of their nominal value.

The **translation reserve**, generated by the conversion into euro of the financial statements of subsidiaries that use a currency other than the euro as their functional currency, was negative to the amount of euro 553,921 thousand at June 30, 2023, (negative to the amount of euro 510,386 thousand at December 31, 2022). Movements for the period included a negative change of euro 43,535 thousand mainly, related to the subsidiaries in China, Russia, Argentina and Turkey, which was partly offset by a positive change in Mexico and Brazil. The reserve also includes the negative impact of the exchange rate effect, to the amount of euro 8,345 thousand, on intercompany financial receivables denominated in roubles, due from the Russian subsidiary in that, as these receivables are not expected to be collected in the foreseeable future, they were designated on February 28, 2023 as a net investment in a foreign operation, in accordance with the requirements of IAS 21.32.

Changes in other reserves through Other Comprehensive Income went from a positive euro 12,768 thousand at December 31, 2022 to a negative euro 19,691 thousand at June 30, 2023, mainly due to the negative effect of actuarial losses on pension funds (euro 46,306 thousand) and the cash flow hedge reserve (euro 4,691 thousand), which was partially offset by the tax effect, (positive to the amount of euro 12,814 thousand) and the adjustment of financial assets at fair value through Other Comprehensive Income (positive to the amount of euro 5,725 thousand).

Other reserves/retained earnings went from euro 3,917,037 thousand at December 31, 2022 to euro 4,004,616 thousand at June 30, 2023, substantially due to the net income/loss for the period (positive to the amount of euro 232,090 thousand), to hyperinflation in Argentina and Turkey (positive to the amount of euro 66,734 thousand and euro 6,054 thousand, which was offset by a negative translation reserve of euro 62,549 thousand and euro 10,807 thousand, respectively) and to dividends approved (negative to the amount of euro 218,000 thousand).

18.2 Attributable to Non-Controlling Interests

Equity attributable to Non-Controlling Interests went from euro 130,034 thousand at December 31, 2022 to euro 120,222 thousand at June 30, 2023, a decrease due to the fact that exchange rate losses of euro 15,012 thousand and dividends paid to minority shareholders of euro 5,202 thousand, exceeded the positive change due to the results for the period which equalled euro 10,543 thousand.

19. PROVISIONS FOR LIABILITIES AND CHARGES

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

PROVISION FOR LIABILITIES AND CHARGES - NON-CURRENT PORTION <i>(in thousands of euro)</i>	12/31/2022	Currency translation differences	Increases	Uses	Releases	Reclass.	06/30/2023
Provision for labour disputes	16,915	433	5,429	(5,195)	(1,358)	-	16,224
Provision for tax risks not related to income taxes	4,863	(112)	229	-	(413)	-	4,567
Provision for environmental risks	31,563	437	3,200	(32)	(45)	-	35,123
Provision for restructuring and reorganisation	-	-	-	-	-	-	-
Provision for other risks and expenses	48,335	116	4,415	(971)	(100)	(7,018)	44,777
Total	101,676	874	13,273	(6,198)	(1,916)	(7,018)	100,691

Increases mainly refers to accruals to the provisions for labour disputes particularly for the Brazilian subsidiaries to the amount of euro 5,184 thousand, and to accruals to the provisions for expenses relative to the environmental remediation of disused areas in Italy. With regard to other risks, the increase for the period mainly refers to the STI (Short Term Incentive) and LTI (2022-2024 and 2023-2025 Long Term Incentive) Plans for Directors.

Uses were mainly attributable to labour disputes.

Reclassifications refers mainly to the reclassification from non-current provisions to current provisions of the portion of the 2021-2023 LTI Plan accrued in previous years, which will be paid out during the first half-year of 2024, if the parameters are met.

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

PROVISION FOR LIABILITIES AND CHARGES - CURRENT PORTION <i>(in thousands of euro)</i>	12/31/2022	Currency translation differences	Increases	Uses	Releases	Reclass.	06/30/2023
Provision for labour disputes	209	(23)	139	(116)	(64)	-	145
Provision for tax risks not related to income taxes	2,822	(421)	-	-	-	-	2,401
Provision for environmental risks	2,366	-	170	-	-	-	2,536
Provision for restructuring and reorganisation	1,756	102	-	-	-	-	1,858
Provisions for product claims and warranties	12,743	(17)	429	(178)	-	-	12,977
Provision for other risks and expenses	21,354	125	7,344	(7,351)	(222)	7,018	28,268
Total	41,250	(234)	8,082	(7,645)	(286)	7,018	48,185

Increases related to other risks are mainly attributable to the purchase of greenhouse gas emission allowances in accordance with the provisions of the European Emission Trading Schemes to the

amount of euro 3,403 thousand and to the provision for the STI (Short Term Incentive) and LTI (2021-2023 Long Term Incentive) Plans.

Uses refer to greenhouse gas emission allowances consistent with European Emission Trading Schemes to the amount of euro 5,817 thousand and to insurance risks.

20. PROVISIONS FOR EMPLOYEE BENEFIT OBLIGATIONS AND OTHER ASSETS

Provisions for Employee Benefit Obligations and Other Assets – non-current portion

The item is composed as follows

<i>(in thousands of euro)</i>	06/30/2023	12/31/2022
Pension funds in surplus	84,610	120,481
Total other assets	84,610	120,481
Pension funds in deficit	64,411	70,171
Employees' leaving indemnities (TFR - Italian companies)	20,525	20,064
Healthcare plans	12,564	13,075
Other benefits	63,803	77,248
Total provisions for employee benefit obligations	161,303	180,558

Pension Funds

The following table shows the **composition of pension funds at June 30, 2023:**

<i>(in thousands of euro)</i>	06/30/2023							Total
	Germany	Sweden	Total unfunded pension funds	USA	UK	Switzerland	Total funded pension funds	
Present value of liabilities	60,530	1,845	62,375	82,163	723,051	33,043	838,257	900,632
Fair value of plan assets				(81,704)	(807,661)	(31,466)	(920,831)	(920,831)
Total Assets in surplus					(84,610)		(84,610)	(84,610)
Total Liabilities in deficit	60,530	1,845	62,375	459		1,577	2,036	64,411
Total pension funds								(20,199)

The following table shows the **composition of pension funds at December 31, 2022:**

<i>(in thousands of euro)</i>	12/31/2022							Total
	Germany	Sweden	Total unfunded pension funds	USA	UK	Switzerland	Total funded pension funds	
Present value of liabilities	63,611	2,108	65,719	86,967	722,365	32,191	841,523	907,242
Fair value of plan assets				(83,436)	(842,846)	(31,270)	(957,552)	(957,552)
Total Assets in surplus					(120,481)		(120,481)	(120,481)
Total Liabilities in deficit	63,611	2,108	65,719	3,531		921	4,452	70,171
Total pension funds								(50,310)

The characteristics of the main pension funds in place at June 30, 2023 were as follows:

- **Germany:** this is an unfunded defined benefits plan based on final salary. This fund guaranteed a pension in addition to the state pension. The plan was closed in October 1982. Consequently the participants to this plan are employees whose employment had begun prior to that date;
- **USA:** this is a funded defined benefits plan based on final salaries, and is administered through a Trust. This fund guaranteed a pension in addition to the state pension. The plan was closed in 2001 and frozen in 2003 for employees who then transferred to a defined contribution scheme. All participants to this plan are non-active;
- **UK:** these are funded defined benefits plans based on salary trends. This fund guarantees a pension in addition to the state pension and is administered through a Trust. These plans, managed by the subsidiary Pirelli Tyres Ltd. were closed in 2001 to new participants and frozen during the course of 2010 for employees hired prior to 2001, who were then offered a transfer to a defined contribution plan. The plan was operated by the subsidiary Pirelli UK Ltd., and included the employees in the Cables and Systems sector which was sold in 2005, and was already frozen in 2005 at the date of the disposal. The surplus recognised at June 30, 2023 relative to provisions still outstanding was equal to the recoverable amount, assuming the gradual extinguishing of plan liabilities over time. All participants to this plan are non-active;
- **Sweden:** this a defined benefits plan (ITP2), which is closed to new participants. The only participants are retired employees (pensioners) and deferred pensioners. It is based on percentages applied to different wage and salary brackets. All participants to this plan are non-active;
- **Switzerland:** these are funded defined benefit plans that guarantee a pension in addition to the state pension and are open to new employees. They are based on the final salaries reduced by a fixed amount.

Movements for the first half-year of 2023 in the defined benefits pension funds (refers to funded and unfunded pension funds), were as follows:

<i>(in thousands of euro)</i>	Present value of gross liabilities	Fair value of plan assets	Impact of minimum funding requirement/asset ceiling	Total
Opening balance at January 1, 2023	907,014	(957,552)	228	(50,310)
Currency translation differences	22,132	(25,481)	-	(3,349)
Movements through Income Statement:				
- current service costs	432	-		432
- past service costs	-	-		-
- interest expense / (income)	21,458	(23,357)		(1,899)
	21,890	(23,357)		(1,467)
Remeasurements recognised in equity:				
- actuarial (gains) / losses from change in demographic assumptions	(14,910)	-		(14,910)
- actuarial (gains) / losses from change in financial assumptions	(16,144)	-		(16,144)
- experience adjustment (gains) / losses	12,094	-		12,094
- return on plan assets, net of interest income	-	65,663		65,663
- change in asset ceiling	-	-	(228)	(228)
	(18,960)	65,663	(228)	46,475
Employer contributions	-	(11,750)		(11,750)
Employee contributions	-	-		-
Benefits paid	(31,444)	28,913		(2,531)
Employer settlement payment	-	-		-
Other	-	2,733		2,733
Closing balance at June 30, 2023	900,632	(920,831)	-	(20,199)

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

Employees’ Leaving Indemnities (TFR)

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

<i>(in thousands of euro)</i>	06/30/2023	12/31/2022
Opening balance	20,064	26,123
Movements through Income Statement:		
- current service cost	482	53
- interest expense	460	279
Remeasurements recognised in equity:		
- actuarial (gains) / losses arising from changes in financial assumptions	88	(5,179)
Liquidation/advances	(174)	(619)
Other	(395)	(593)
Closing balance	20,525	20,064

The current service cost, for services rendered by employees, is included in the item “*Personnel Expenses*” (Note 29) and interest payables are included in the item “*Financial Expenses*” (Note 35).

Healthcare Plans

This item refers exclusively to the healthcare plan in place in the United States.

<i>(in thousands of euro)</i>	US
Liabilities recognised in the Financial Statements at 06/30/2023	12,564
Liabilities recognised in the Financial Statements at 12/31/2022	13,075

The following changes occurred during the period:

<i>(in thousands of euro)</i>	06/30/2023	12/31/2022
Opening balance	13,075	15,597
Translation differences	(239)	1,010
Movements through Income Statement:		
- current service cost	-	1
- interest expense	317	405
Remeasurements recognised in equity:		
- actuarial / (gains) losses arising from changes in financial assumptions	116	(2,299)
- effect of experience adjustments	-	(680)
Benefits paid	(705)	(959)
Closing balance	12,564	13,075

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

Additional Information on Post-Employment Benefits

Net actuarial losses accrued during the first half-year of 2023 and recorded directly through Other Comprehensive Income amounted to euro 46,306 thousand, (net actuarial gains at December 31, 2022 had amounted to euro 27,546 thousand).

The main actuarial assumptions used at **June 30, 2023** were the following:

	Italy	Germany	Sweden	UK	US	Switzerland
Discount rate	4.00%	4.05%	4.00%	5.20%	5.05%	1.95%
Inflation rate	2.50%	2.25%	1.70%	3.42%	N/A	1.75%

The main actuarial assumptions used at **December 31, 2022** were the following:

	Italy	Germany	Sweden	UK	US	Switzerland
Discount rate	4.05%	4.10%	3.90%	4.95%	5.20%	2.30%
Inflation rate	2.50%	2.25%	1.90%	3.39%	N/A	1.75%

Other Long Term Benefits

The composition of other benefits is as follows:

<i>(in thousands of euro)</i>	06/30/2023	12/31/2022
Long Term Incentive plans	14,779	27,976
Jubilee awards	17,505	16,495
Leaving indemnities	10,976	14,075
Other long-term benefits	20,543	18,702
Total	63,803	77,248

The item "**Long-Term Incentive Plans**" refers to the amount earmarked for the 2022-2024 and 2023-2025 three-year monetary LTI Plans intended for the Group's management, while the portion related to the 2021-2023 LTI plan was reclassified as current provisions for employee benefit obligations, in that, should the underlying parameters of the plans be met, this plan is expected to be paid out during the first half-year of 2024. It should be noted that the existing incentive plans are based on a "rolling" mechanism (that is, each year a new three-year Incentive Plan is proposed). For further details, reference should be made to the Remuneration Report in the 2022 Annual Report.

Provisions for Employee Benefit Obligations – current portion

The Statement of Financial Position item **provisions for employee benefit obligations current**, includes the amount relative to the 2021-2023 LTI Plan which will be paid out during the first half-year of 2024 to the management of the Group, if the targets underpinning the plan are met.

21. BORROWINGS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

Borrowings from banks and other financial institution were as follows:

<i>(in thousands of euro)</i>	06/30/2023			12/31/2022		
	Total	Non-current	Current	Total	Non-current	Current
Bonds	1,089,802	1,089,432	369	713,097	490,452	222,645
Borrowings from banks	3,132,360	1,803,485	1,328,875	3,239,972	2,803,122	436,850
Borrowings from other financial institutions	21,310	-	21,310	41,382	-	41,382
Lease liabilities	476,189	386,280	89,908	485,485	396,497	88,988
Accrued financial expenses and deferred financial income	32,204	-	32,204	9,384	-	9,384
Other financial payables	963	112	851	1,180	40	1,140
Total	4,752,828	3,279,310	1,473,518	4,490,500	3,690,111	800,389

The item **bonds** refers to:

- the senior unsecured guaranteed equity-linked non-interest-bearing bond loan ("*convertible bond loan*") with a nominal value of euro 500 million maturing on December 22, 2025. This bond loan, reserved for institutional investors, was issued by Pirelli & C. S.p.A. on December

22, 2020, guaranteed by Pirelli Tyre S.p.A., and admitted for trading on the Vienna MTF, a multilateral trading facility operated by the Vienna Stock Exchange. The bond loan is convertible, at the discretion of the bondholders, into new ordinary shares of the Company at the price of euro 6.1395 per share (originally euro 6.235 per share), subject to further anti-dilutive adjustments as provided for in the loan regulations. At June 30, 2023 the component recorded under financial payables non-current amounted to euro 475.3 million. The difference in the nominal value refers to the fair value of the option held by the subscribers of the loan and their option to convert the bond loan into new ordinary shares of the Company at a predefined price. This value was recognised at inception under equity reserves to the amount of euro 41.2 million;

- the "*Schuldschein*" loan with a floating interest rate (EURIBOR + spread) for a total nominal amount of euro 20 million, classified entirely under non-current financial payables (maturing July 2025). The loan, signed by leading market players, was composed of a euro 423 million tranche with a five-year maturity and a euro 20 million tranche with a seven year maturity. Of the euro 423 million tranche, a portion to the amount of euro 200 million was repaid in advance in January 2022, and the remaining euro 223 million in January 2023. For the purpose of providing complete information, it should be noted that the loan, placed on July 26, 2018, also included a tranche of euro 82 million with an original maturity date of July 31, 2021, which was repaid in advance in January 2021.
- rated sustainability-linked bond loan with a nominal value of euro 600 million, placed on January 11, 2023 with international institutional investors with a fixed coupon of 4.25% and maturing in January 2028. The transaction, fully classified under non-current financial liabilities, was issued as part of the EMTN Programme (Euro Medium Term Note Programme) approved by the Board of Directors on February 23, 2022. These securities are listed on the Luxembourg Stock Exchange. The regulation governing these securities, provides for a coupon increase of 0.25% in the event that each of the relevant targets is not met by 2025. The notes were assigned a rating of BBB- with a stable outlook by the two rating agencies Standard & Poor's and Fitch.

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

<i>(in thousands of euro)</i>	06/30/2023	12/31/2022
Nominal value	1,120,000	743,000
Equity component of the convertible bond loan	(41,791)	(41,791)
Transaction costs	(19,345)	(14,957)
Bond loan discount	(4,764)	(2,988)
Amortisation of the effective interest rate	15,179	13,433
Non-monetary interest on convertible bond loan	20,523	16,400
Total	1,089,802	713,098

Borrowings from banks, which amounted to euro 3,132,360 thousand, were sub-divided as follows:

<i>(in thousands of euro)</i>	Due Date	Interest rate	Nominal value	06/30/2023		
				Balance	Non - current	Current
Club Deal EUR 1.6 bn ESG 2022 5y	02/22/2027	EURIBOR + spread	600,000	597,918	597,918	-
Club Deal EUR 800 m ESG 2020 5y	04/02/2025	EURIBOR + spread	800,000	797,826	797,826	-
Club Deal EUR 400 m ESG 2022 19m	01/29/2024	EURIBOR + spread	400,000	399,789	-	399,789
Bilateral 600 m 2019 5y facility	02/14/2024	EURIBOR + spread	600,000	599,383	-	599,383
Bilateral ESG 400 m 2021 3y facility	12/27/2024	EURIBOR + spread	400,000	399,403	399,403	-
Borrowings from local banks				338,041	8,337	329,704
Total borrowings from banks				3,132,360	1,803,485	1,328,875

and refer mainly to:

- use of the unsecured “*Club Deal EUR 1.6bn ESG 2022 5y*” financing by Pirelli & C. S.p.A. to the amount of euro 597,918 thousand, classified under non-current financial payables. This financing facility, with a floating interest rate (EURIBOR + spread), is guaranteed by Pirelli Tyre S.p.A, and was signed on February 21, 2022, with a pool of leading Italian and international banks, maturing in five years. The credit facility is geared towards the Group's ESG objectives and is composed of three tranches, for a total of euro 1.6 billion, allocated as follows:
 - a Pirelli & C. S.p.A. term loan with a nominal value of euro 600,000 thousand which was fully drawn, and a revolving cash credit facility for euro 100,000 thousand, which was unused at June 30, 2023;
 - a Pirelli International Treasury S.p.A. revolving cash credit facility to the amount of euro 900,000 thousand, which was unused at June 30, 2023.
- the “*Club Deal EUR 800m ESG 2020 5y*” financing for euro 797,826 thousand relative to the euro 800 million credit facility with a floating interest rate (EURIBOR + spread), guaranteed by Pirelli Tyre S.p.A., signed on March 31, 2020 with a pool of leading Italian and international banks, with a five year maturity (classified under non-current financial payables). This bank credit facility consists of a so-called “*sustainable*” tranche of euro 600 million, which is geared towards the Group's financial and environmental sustainability objectives (sustainable KPIs), as well as a so-called “*circular economy*” tranche, which is geared to the Group's circular economy objectives. It should be noted that following the first reporting of the sustainable KPIs, and having achieved the objectives for the year, the Group is benefiting from the relative incentives to reduce the cost of the credit facility for the “*sustainable*” tranche. Accounting for the circular economy tranche is instead expected to occur only with results of the 2023 financial year;
- euro 399,789 thousand relative to the euro 400 million “*Club Deal EUR 400m ESG 2022 19m*” financing at a floating rate (EURIBOR + spread), signed on June 27, 2022 with a pool of leading international banks and maturing in 19 months (classified under current financial payables). This bank facility is geared to the objective of reducing absolute greenhouse gas emissions from purchased raw materials (Scope 3) which was validated by the Science

Based Target initiative (SBTi) and contained in the first *"Sustainability Linked Financing Framework"* published by Pirelli in May 2022;

- euro 599,383 thousand relative to a bilateral loan granted to Pirelli & C. S.p.A. by a leading bank, with a nominal value of euro 600 million (the *"Bilateral 600m 2019 5y facility"* financing), maturing in February 2024 with a floating rate (EURIBOR + spread), is guaranteed by Pirelli Tyre S.p.A. (classified under current financial payables). It should be noted that on March 30, 2023 the bilateral loan of euro 125 million (the *"Bilateral 125m 2019 4y facility"* financing) maturing in August 2023 at a floating rate (EURIBOR + spread), and classified under current financial payables at December 31, 2022, was repaid;
- euro 399,403 thousand related to the bilateral financing for a nominal amount of euro 400 million, granted in December 2021 to Pirelli & C. S.p.A. by a leading bank (the *"Bilateral ESG 400m 2021 3y facility"* financing), maturing in three years and guaranteed by Pirelli Tyre S.p.A. The loan, which bears a floating rate (EURIBOR + spread), is geared to certain sustainability targets of the Group and is classified among non-current financial payables;
- euro 255,750 thousand (euro 219,765 thousand at December 31, 2022) relative to loans disbursed in Brazil by local and international banking institutions and entirely classified under current borrowings from banks;
- borrowings from banks and the use of credit facilities in local currency at local level in Russia, (equivalent to euro 26,212 thousand, of which euro 8,337 thousand was classified under borrowings from banks non-current), in China (equivalent to euro 29,638 thousand classified under borrowings from banks current) and in Turkey, (equivalent to euro 15,206 thousand and classified under borrowings from banks current).

At June 30, 2023 the Group had a liquidity margin equal to euro 2,776.7 million, composed of euro 1,300.0 million in the form of non-utilised committed credit facilities (of which euro 300.0 million related to the new bilateral ESG committed financing signed on June 30, 2023) and of euro 1,256.0 million in cash and cash equivalents, in addition to financial assets at fair value through the Income Statement to the amount of euro 220.7 million. The liquidity margin guarantees coverage for maturities for borrowings from banks and other financial institutions, until the end of 2025.

The item **lease liabilities** represents the financial liabilities relative to leasing contracts. This change compared to the previous financial year, refers to the remeasurement of existing contracts, which were more than compensated by lease payments.

Non-discounted future payments for lease contracts, for which the exercise of extension options is not considered to be reasonably certain, and which were therefore not included in the item lease liabilities, amounted to euro 150,694 thousand (euro 126,170 thousand at December 31, 2022).

Accrued financial expenses and deferred financial income (euro 32,204 thousand) mainly refers to the accrual of interest matured on bond loans to the amount of euro 11,830 thousand (euro 2,002 thousand at December 31, 2022), and to accrued interest on borrowings from banks to the amount of euro 19,226 thousand (euro 7,143 thousand at December 31, 2022).

At June 30, 2023 there were no financial payables secured by collateral guarantees (pledges and mortgages).

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

For non-current financial payables, their fair value is shown below, compared with their carrying amount:

<i>(in thousands of euro)</i>	06/30/2023		12/31/2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Bonds	1,089,432	1,061,079	490,452	462,098
Borrowings from banks	1,803,485	1,905,362	2,803,122	2,817,306
Other financial payables	386,392	386,392	396,537	396,537
Total non-current financial payables	3,279,310	3,352,833	3,690,111	3,675,941

The fair value of the debt component of the convertible bond of the “*Schuldschein*” loan and of current borrowings from banks, was calculated by discounting each expected debt cash flow at the market swap-rate for the currency and the relevant maturity date, increased by the Group's credit rating for other debt instruments similar by nature and technical characteristics, which therefore placed it at level 2 of the hierarchy as provided for by IFRS 13 - Fair Value Measurement.

At June 30, 2023 there were outstanding interest rate derivatives on floating rate debt.

With reference to the cost of debt the year-on-year, figure at June 30, 2023, (calculated as the average for the last twelve months) stood at 4.46%, compared to 4.04% at December 31, 2022. This increase was mainly due to the impact of rising interest rates in the Eurozone. The cost of debt for the last twelve months was also influenced by higher costs, which reflected the scarce liquidity in the financial markets for hedging against risk in Russia. Net of this effect, the average cost of debt would have stood at 4.12% at June 30, 2023 (3.49% at December 31, 2022).

In reference to the existence of financial covenants, it should be noted that a portion equal to euro 26,212 thousand of bank debt, held by the Russian affiliate, requires compliance with:

- a) a maximum ratio between net indebtedness and the gross operating margin and a maximum ratio of net debt to equity, for a portion of debt classified under “*current payables*” to the amount of euro 17,874 thousand
- b) a maximum ratio between net indebtedness and the gross operating margin and a maximum ratio between short-term debt plus interest paid and the gross operating margin, for a portion of debt classified under “*non-current payables*” to the amount of euro 8,337 thousand.

Non-compliance with the aforementioned financial covenants is identified as an event of default or non-performance.

Specifically, such event of default or non-performance will result, in the event that the lending bank exercises the relevant remedies, in the termination of the agreement and the early repayment of the loan.

For the sake of completeness, it should be noted that the obligation of Pirelli & C. S.p.A. to comply with the financial covenants provided for by the "Schuldschein" loan, by the "bilateral 600m 2019 5y facility" entered into during the first quarter of 2019 and by the "Club Deal EUR 800m ESG 2020 5y facility", entered into on March 31, 2020, have ceased to apply due, to the achievement of certain levels of Total Net Leverage identified in the relevant contracts.

It should be noted that at June 30, 2023 no default or non-fulfilment event had occurred.

The "Club Deal EUR 1.6bn ESG 2022 5y", the "Schuldschein" loan, the "Bilateral 600m 2019 5y facility" financing, the "Club Deal EUR 800m ESG 2020 5y" financing, the "Bilateral ESG 400m 2021 3y facility" and the "Club deal EUR 400m ESG 19m" financing also provide for Negative Pledge clauses and/or other customary provisions whose terms are consistent with market standards for each of the above mentioned types of credit facility.

Other financial payables which were outstanding at June 30, 2023 do not carry financial covenants.

22. TRADE PAYABLES

Trade payables were composed as follows:

(in thousands of euro)	06/30/2023			12/31/2022		
	Total	Non-current	Current	Total	Non-current	Current
Trade payables	1,349,674	-	1,349,674	1,867,567	-	1,867,567
Bill and notes payable	55,421	-	55,421	105,729	-	105,729
Total	1,405,095	-	1,405,095	1,973,296	-	1,973,296

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

23. OTHER PAYABLES

Other payables were as follows:

(in thousands of euro)	06/30/2023			12/31/2022		
	Total	Non-current	Current	Total	Non-current	Current
Accrued expenses and deferred income	70,135	39,112	31,022	67,870	42,125	25,745
Tax payables not related to income taxes	111,735	7,164	104,570	93,431	6,539	86,892
Payables to employees	136,599	3,753	132,847	191,312	3,588	187,724
Payables to social security and welfare intitutions	63,306	23,928	39,378	68,203	21,276	46,927
Dividends approved	219,430	-	219,430	147	-	147
Contract liabilities	5,119	11	5,108	7,977	12	7,965
Other payables	51,245	1,155	50,089	51,212	1,034	50,178
Total Other payables	657,567	75,123	582,444	480,152	74,574	405,578

Accrued expenses and deferred income non-current to the amount of euro 39,112 thousand refers to capital contributions received for investments made mainly in Romania, whose benefits are recognised in the Income Statement in proportion to the costs for which the contribution was disbursed.

Accrued expenses and deferred income current includes euro 4,099 thousand for various trade initiatives realised in Germany and Brazil, euro 12,816 thousand in government grants and tax

incentives received mainly in Italy and Romania and euro 1,191 thousand for insurance costs coverage.

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

The item **payables to employees** mainly includes amounts matured during the period but not yet paid. This decrease compared to the previous financial year mainly refers to the payment of the STI and 2020-2022 LTI Plans.

Dividends approved includes dividends that were approved on June 29, 2023 by Pirelli & C. S.p.A. for the 2022 results, for a total value of euro 218,000 thousand (a unit dividend of euro 0.218 per ordinary share) that had not yet been paid at June 30, 2023. The date for payment is July 26, 2023 (with an ex-dividend date of May 24 and a record date of May 25).

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

The item **other payables** (euro 51,245 thousand) mainly includes:

- euro 10,067 thousand for reimbursements received from the tax authorities for tax disputes for which the outcome of the final ruling remains uncertain;
- euro 8,296 thousand for payables for customs duties, import and transport costs;
- euro 5,440 thousand in payables to representatives, agents, professionals and consultants;
- euro 2,777 thousand in payables to Directors, Auditors and supervisory bodies.

24. TAX PAYABLES

Tax payables were for the most part for national and regional income taxes in different countries and amounted to euro 144,753 thousand, (of which euro 12,874 thousand was for non-current payables), compared to euro 114,884 thousand at December 31, 2022, (of which euro 12,780 thousand was for non-current payables). Income tax payables included the assessments made by Management with respect to the possible effects of uncertainty regarding the treatment of income taxes.

25. DERIVATIVE FINANCIAL INSTRUMENTS

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

<i>(in thousands of euro)</i>	06/30/2023				12/31/2022			
	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Non-current assets	Current assets	Non-current liabilities	Current liabilities
Derivative Financial Instruments not in Hedge Accounting								
Foreign exchange derivatives - commercial positions		11,358		(3,746)	-	4,390	-	(4,512)
Foreign exchange derivatives - included in net financial position		4,514		(45,164)	-	10,923	-	(15,046)
Derivative Financial Instruments in Hedge Accounting								
- cash flow hedge:								
Interest rate derivatives - included in net financial position	27,799				26,430	3,300		
- net investment hedge								
Foreign exchange derivatives - investment in foreign operations					-	4,068		-
	27,799	15,872	-	(48,910)	26,430	22,681	-	(19,558)
Total derivatives included in net financial position	27,799	4,514	-	(45,164)	26,430	14,223	-	(15,046)

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

<i>(in thousands of euro)</i>	06/30/2023	12/31/2022
Current assets		
Forward foreign exchange contracts - fair value recognised in the Income Statement	15,872	15,312
Interest rate swaps - cash flow hedge	-	3,300
Forward foreign exchange contracts - net investment hedge	-	4,068
Total current assets	15,872	22,681
Non-current assets		
Interest rate swaps - cash flow hedge	27,799	26,430
Total non-current assets	27,799	26,430
Current liabilities		
Forward foreign exchange contracts - fair value recognised in the Income Statement	(48,910)	(19,558)
Total current liabilities	(48,910)	(19,558)
	(5,239)	29,553

Derivative Financial Instruments not in Hedge Accounting

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

Derivative Financial Instruments in Hedge Accounting

The value of **interest rate derivatives** recognised under non-current assets to the amount of euro 27,799 thousand refers to the fair value of 7 interest rate swaps:

Derivative	Hedged element	Notional amount (Euro million)	Start date	Maturity
IRS	Schuldschein	20.0	July 2020	July 2025
IRS	Club Deal EUR 1.6 bn ESG 2022 5y	500.0	February 2023	February 2026
				receive floating / pay fixed
				receive floating / pay fixed
Total		520.0		

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

- future interest flows on floating rate liabilities in euros;
- future interest flows for the "Schuldschein" loan (refer to Note 21, "Borrowings from Banks and Other Financial Institutions").

The change in the fair value for the period was positive to the amount of euro 4,047 thousand. This change was entirely suspended under Other Comprehensive Income.

The amount of euro 5,908 thousand was reversed to the Income Statement under "*Financial Expenses*" (Note 35), correcting the financial expenses recognised on the hedged liability. This amount consisted of:

- euro 2,645 thousand in interest receivables on IRS in hedge accounting;
- euro 2,760 thousand, which corresponds to the portion of the positive cash flow hedge reserve accrued on the IRS forward start pre-hedge receive floating EURIBOR / pay fixed EURIBOR that was closed early in 2022. This amount corrects the financing costs of the related hedge item, a sustainability-linked bond issued in January 2023 for a total nominal amount of euro 600 million;
- euro 503 thousand of interest receivables on IRS receive floating EURIBOR / pay fixed EURIBOR closed early during the first quarter of 2023 following the early repayment of the respective hedged liabilities. With reference to these IRS, a positive euro 2,707 thousand was also reversed to the Income Statement under "*Fair Value Measurement of Other Financial Instruments*", (Note 34).

26. COMMITMENTS AND RISKS

Commitments for the Purchase of Tangible and Intangible Assets

The commitments to purchase property, plant and equipment and intangible assets in the second half-year of 2023 and in subsequent financial years, amounted to euro 230,505 thousand and euro 6,021 thousand, respectively and refers mainly to the subsidiaries in Mexico, Romania, Italy, Germany, Brazil and China.

Commitments for Lease Contracts

At June 30, 2023, the total amount for non-discounted future payments for lease contracts not yet in force and against which no financial debt was recognised, equalled euro 4,102 thousand, and mainly refers to a rental contract for new offices in New York.

Commitments for the Purchase of Equity Investments/Fund Shares

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

Other Risks

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

A case is currently pending before the Court of Milan (resulting from the joining of two separate proceedings - see below) as a result of the decision issued on April 2, 2014 by the European Commission (as confirmed in the final instance by the Court of Justice of the European Union on October 28, 2020), at the conclusion of the antitrust investigation commenced in relation to alleged conduct of restricting competition in the European high voltage electric cables market. The decision had imposed a sanction on Prysmian Cavi e Sistemi S.r.l ("*Prysmian CS*") as it was directly involved in the cartel, a portion of which (euro 67 million) Pirelli, despite not having been found to be directly involved in the activities of the cartel, had been held to be jointly and severally liable with Prysmian CS, based solely on the application of the so-called "parental liability" principle, since during part of the period of the infraction, the share capital of Prysmian CS was held, either directly or indirectly by Pirelli.

On December 31, 2020, Pirelli proceeded to pay its share of the aforementioned sanction to the European Commission (corresponding to 50% of the sanction, plus interest), for which it had previously made appropriate provisions.

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

Prysmian CS filed an appearance in the aforementioned proceedings requesting the dismissal of Pirelli's claims, as well as, by way of a counterclaim, as well as to be held indemnified by Pirelli in

relation to the consequences arising from or in any way connected to the Decision of the European Commission. The proceedings had been suspended pending the final ruling of the EU Courts and were resumed by Pirelli on November 30, 2020 following the ruling of the Court of Justice.

In October 2019, Pirelli brought a further action before the Court of Milan against Prysmian CS. and Prysmian S.p.A. requesting the assessment and declaratory judgement of Prysmian CS's obligation to indemnify and also hold Pirelli harmless from any charges, expenses, costs and/or damages resulting from claims by private and/or public third parties (including authorities other than the European Commission) relative to, connected with and/or consequential to the facts that were subject to the decision of the European Commission, as well as the consequent order that Prysmian CS reimburse any charges, expenses, costs or damages incurred or suffered by Pirelli.

In these proceedings, Pirelli also requested that Prysmian CS and Prysmian S.p.A. be held liable for certain unlawful conduct connected with the abovementioned anti-competitive cartel and accordingly, that they be ordered to pay compensation for all damages suffered and to be suffered by Pirelli.

Lastly, Pirelli requested the assessment and declaratory judgement on the joint and several liability of Prysmian S.p.A. with Prysmian CS in relation to the amounts that will be paid in this new action and in the action commenced in November 2014, if they should not be satisfied by the latter.

Prysmian CS and Prysmian S.p.A. entered an appearance in the above proceedings in November 2020, seeking the dismissal of Pirelli's claims and, by way of a counter-claim, to be held harmless and indemnified by Pirelli in relation to any consequences arising from claims by private and/or public third parties relating to, connected with and/or consequential to the facts which are the subject of the decision of the European Commission.

In April 2021, the two judgments were joined.

Based on careful analyses supported by authoritative external legal opinions, the assessment of the risk related to the disputes described above is such as to not require the allocation of any specific provision in the Consolidated Financial Statements at June 30, 2023.

Other Disputes subsequent to the European Commission Decision

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

In April 2019, before the Court of Milan, Terna S.p.A. - Rete Elettrica Nazionale ("*Terna*") jointly and severally sued Pirelli, three Prysmian Group companies and another company of the aforementioned European Commission decision, in order to obtain compensation for the damage allegedly suffered as a consequence of the anti-competitive conduct, currently quantified by the plaintiff as euro 199.9 million. Pirelli appeared in court contesting Terna's claims, and like the other defendants and against them, filed a counterclaim for damages in the unlikely event that it is held jointly and severally liable for the anti-competitive cartel.

In October 2021, the Judge dismissed from the proceedings, the portion of the litigation consisting of the indemnity cross-claims between Pirelli, on one side, and Prysmian CS and Prysmian S.p.A., on the other, ordering their joinder with the proceedings pending between the two parties before the Court of Milan (see above).

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

Based on careful analyses supported by authoritative external legal opinions, the assessment of the risk related to the disputes described above is such as to not require the allocation of any specific provision in the Consolidated Financial Statements at June 30, 2023.

Tax Disputes

Brazil

The subsidiaries Pirelli Pneus Ltda. and Pirelli Comercial de Pneus Brasil Ltda. are involved in certain disputes and tax proceedings. The most significant are described below:

Litigation concerning the IPI Tax Rate applicable to specific Types of Tyres

The subsidiary Pirelli Pneus Ltda. is party to a tax dispute with the Brazilian tax authorities concerning the IPI tax rate (*Imposto sobre Produtos Industrializados* or tax on industrialised products) particularly with reference to the tax rate applicable to the production and importation of tyres for the Sports Utility Vehicle (SUV), vans and other industrial transportation vehicles (such as, for example, trucks). According to statements by the Brazilian tax authorities in the tax assessment notices issued during the course of 2015, 2017 and 2021 the aforementioned tyres should have been subjected to the IPI tax rate for the production and importation of tyres for cars – with an applicable rate of 15% - instead of the 2% rate applied by Pirelli Pneus Ltda., as is required for the production and importation of tyres destined for heavy industrial use vehicles. To date, the dispute is pending before the competent tax commissions. The Group maintains that it has a good chance of winning. This position is also supported by an appraisal prepared by a Brazilian government institution (the INT - *National*

Institute of Technology) specifically commissioned by Pirelli Pneus Ltda., who concluded their analysis by comparing the tyres discussed, in light of their similar characteristics, with those used for heavy industrial vehicles.

The risk is estimated at approximately euro 42 million, inclusive of tax, interests and penalties.

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

Litigation concerning Transfer Pricing applied to some Intra-Group Transactions

Pirelli Pneus Ltda. is involved in a dispute with the Brazilian tax authorities for income tax purposes (*IRPJ - Imposto sobre a renda das pessoas jurídicas*) and social security contributions (*CSLL - Contribuição Social sobre o Lucro Líquido*) due from the company for the 2008, 2011 and 2012 tax periods, deriving from the application of transfer pricing regulations to import transactions with related parties. Based on the notices of the assessment served on the company during the course of 2013, 2015 and 2016, the Brazilian tax authorities are mainly contesting the incorrect application by the company, of the methodology provided for by the administrative practice in force at the time (*IN - Instrução Normativa 243*), for the assessment of transfer prices applied to the importation of goods from related parties. To date, part of this litigation is pending before the competent administrative-judicial courts and a part of it ceased during the first half-year of 2023. The Group maintains that it has a good chance of winning and, in this regard, Pirelli Pneus Ltda. has already obtained a favourable ruling from the administrative court, which has recognised the company's arguments by reducing the amount originally contested by the Brazilian tax authorities.

In light of the above, the risk is estimated at approximately euro 6.2 million inclusive of taxes, sanctions and interest.

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

Litigation concerning the IPI Tax with respect to the Sale of Tyres to the Automotive Sector

Pirelli Pneus Ltda. is also party to a dispute concerning the IPI tax rate, (*Imposto sobre Produtos Industrializados* or tax on industrialised products), concerning the sale of components to companies operating in the automotive sector. According to the Brazilian tax authorities in a notice of assessment issued in 2013, Pirelli Pneus Ltda. was not entitled to benefit, with reference to its secondary office located in the city of Ibitiré in the Federal State of Minas Gerais, from the IPI exemption provided for by law in the case of sales of particular components to companies operating in the automotive sector. The dispute is under discussion before the competent administrative-

judicial courts, however the Group maintains that it has well founded reasons to object to the tax administration's claim.

The risk is estimated at approximately euro 20 million, inclusive of tax, interests and penalties.

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

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

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

Proceedings are underway before the competent judicial courts and the risk is estimated to be up to a maximum euro 37 million, inclusive of taxes, interest and sanctions.

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

Litigation concerning "ICMS Substituição Tributária" (tax substitution)

Pirelli Comercial de Pneus Brasil Ltda. has become involved in a dispute concerning ICMS (*Imposto sobre Circulação de Mercadorias e Serviços*) tax credits. According to the claims made in a notice of assessment issued during 2022 by the Brazilian tax authorities for the 2018 and 2019 tax periods, Pirelli Comercial de Pneus Brasil Ltda. used ICMS credits without prior formal approval from the Brazilian tax authorities.

Proceedings are under way before the competent administrative bodies and the risk is estimated at approximately euro 26 million, inclusive of tax, interest and sanctions.

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

Litigation concerning the Tax Impacts arising from the Accounting of the so-called SELIC rate

Pirelli Pneus Ltda. is party to a new dispute with the Brazilian tax authorities. In 2019, the company was granted the right to a refund for tax credits relative to the ICMS (Imposto sobre a Circulação de Mercadorias e Serviços). On this occasion, Pirelli Pneus Ltda. recognised interest (at the so-called SELIC rate) on these tax credits and subjected this interest to taxation for the purposes of corporate income tax (IRPJ) and social contributions on profits (CSLL). Subsequently, the Brazilian Supreme Court held that the amount of interest (at the so-called SELIC rate) accrued on tax credits refunded to taxpayers is excluded from taxation for IRPJ and CSLL purposes.

Pirelli Pneus Ltda. is also party to a dispute with the Brazilian tax authorities on the same issue; however, there has not yet been a final ruling on this case.

On the basis of the ruling issued by the Supreme Court on a case similar to that of Pirelli Pneus Ltda., the company made corrections to its original income declarations in order to eliminate the amount of interest income (at the so-called SELIC rate) accrued on the aforementioned credits, from the IRPJ and CSLL taxable base.

However, since the legal proceedings undertaken by Pirelli, to obtain confirmation of the non-taxability for IRPJ and CSLL purposes of the aforementioned interest has not yet become final, the Brazilian tax authorities have denied the adjustments made by the Company.

Proceedings are under way before the competent administrative bodies and the risk is estimated at approximately euro 39 million, inclusive of tax, interest and sanctions.

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

27. REVENUES FROM SALES AND SERVICES

Revenues from sales and services were as follows:

<i>(in thousands of euro)</i>	01/01 - 06/30/2023	01/01 - 06/30/2022
Revenues from the sales of goods	3,353,481	3,118,600
Revenues from services	84,042	78,413
Total	3,437,523	3,197,013

These revenues refer to contracts with customers.

For further information on the performance of revenues from sales and services, reference should be made to the section *"Group Performance and Results"* in this document.

28. OTHER INCOME

The item is composed as follows:

<i>(in thousands of euro)</i>	01/01 - 06/30/2023	01/01 - 06/30/2022
Sales of Industrial products	60,428	74,012
Other income from the Prometeon Group	12,929	15,554
Recoveries and reimbursements	43,745	9,940
Government grants	19,568	8,248
Gains on disposal of property, plant and equipment	966	1,368
Rent income	1,463	2,161
Income from subleases of right of use assets	501	482
Other income	20,247	45,728
Total	159,847	157,493

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

The item **other income from the Prometeon Group** includes:

- euro 5,147 thousand for the license agreement for the use of the Pirelli trademark;
- euro 6,000 thousand for the license agreement for know-how;
- euro 1,386 thousand for services rendered and the recovery of costs;
- euro 396 thousand for the sales of raw materials, semi-finished and finished products.

The item **recoveries and reimbursements** includes, in particular:

- income related to the sale of goods and services in connection with sports events linked to sponsorship agreements, to the amount of euro 17,692 thousand
- tax refunds and customs duty refunds totalling euro 6,241 thousand, received mainly by the Brazilian subsidiary;
- income from the sale of tyres for testing and the recovery of transport expenses in Germany to the amount of euro 830 thousand.
- income from the sale of tyres and scrap materials carried out in the United Kingdom for a total of euro 580 thousand.

The item **government grants** also includes euro 11,063 thousand for tax refunds received in Italy on the purchase of energy and euro 1,344 thousand for tax concessions on commercial exports received in Brazil.

The item **other** includes royalties from third parties to the amount of euro 4,801 thousand.

29. PERSONNEL EXPENSES

The item is composed as follows:

<i>(in thousands of euro)</i>	01/01 - 06/30/2023	01/01 - 06/30/2022
Wages and salaries	486,153	446,373
Social security and welfare contributions	92,715	87,865
Costs for employee leaving indemnities and similar	8,462	6,336
Costs for defined contribution pension funds	12,306	11,765
Costs for defined benefit pension funds	522	746
Costs for jubilee awards	6,155	5,622
Costs for defined contribution healthcare plans	1,471	1,379
Other costs	13,494	13,740
Total	621,278	573,826

30. DEPRECIATION, AMORTISATION AND IMPAIRMENTS

The item is composed as follows:

<i>(in thousands of euro)</i>	01/01 - 06/30/2023	01/01 - 06/30/2022
Amortisation	69,620	66,508
Depreciation (excl. right of use)	159,102	157,057
Depreciation of right of use	49,884	47,005
Impairment of property, plant and equipment and intang.assets (excl. right of use)	91	1,061
Total	278,697	271,631

For the composition of the depreciation of the right of use, reference should be made to Note 7.2, "Right of Use".

31. OTHER COSTS

The item is subdivided as follows:

<i>(in thousands of euro)</i>	01/01 - 06/30/2023	01/01 - 06/30/2022
Selling costs	224,833	222,943
Purchases of goods for resale	200,785	218,509
Advertising	111,480	111,175
Fluids and energy	168,919	126,616
Warehouse operating costs	41,363	36,880
IT expenses	30,439	28,011
Consultants	23,063	22,927
Maintenance	33,318	28,864
Insurance	19,278	18,630
Leases and rentals	18,433	18,300
Outsourcing	21,484	17,371
Stamp duties, levies and local taxes	17,786	21,242
Other provisions	17,952	13,224
Travel expenses	20,039	15,105
Remuneration for Key Managers	12,039	6,831
Cleaning expenses	9,714	8,601
Canteen	13,948	10,676
Security expenses	6,729	5,725
Waste disposal	5,488	5,794
Telephone expenses	2,678	2,783
Other	109,422	100,353
Total	1,109,190	1,040,560

The item **fluids and energy** includes the cost of purchasing greenhouse gas emission allowances and renewable energy certificates.

The item **leases and rentals** is composed as follows:

- euro 9,297 thousand for lease contracts with a duration of less than twelve months (euro 8,554 thousand for the first half-year of 2022);
- euro 5,366 thousand for lease contracts with variable payments not based on an index or a rate (euro 6,606 thousand for the first half-year of 2022);
- euro 3,770 thousand for lease contracts for assets with a low unit value (euro 3,140 thousand for the first half-year of 2022);

The item **other** includes, labour provided by third parties to the amount of euro 15,584 thousand, (euro 14,933 thousand for the first half-year of 2022), expenses for the testing of technology to the amount of euro 10,263 thousand (euro 9,517 thousand for the first half-year of 2022), and transport costs for materials to the amount of euro 8,636 thousand (euro 9,182 thousand for the first half-year of 2022).

32. NET IMPAIRMENT OF FINANCIAL ASSETS

This item, which was negative to the amount of euro 7,681 thousand compared to euro 2,035 thousand for the first half-year of 2022, mainly includes the net impairment of trade receivables to the amount of euro 7,704 thousand (a net impairment of euro 2,021 thousand for the first-half year of 2022).

33. NET INCOME/(LOSS) FROM EQUITY INVESTMENTS

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

The share of the net income/(loss) from equity investments in associates and joint ventures, which is evaluated using the equity method, was positive to the amount of euro 4,527 thousand and refers mainly to the positive pro-rata results from the investment in the joint venture Xushen Tyre (Shanghai) Co., Ltd. to the amount of euro 2,886 thousand (a loss of euro 422 thousand for the first half-year of 2022), and in the joint venture PT Evoluzione Tyres in Indonesia which was positive to the amount of euro 1,608 thousand (positive to the amount of euro 1,309 thousand for the first half-year of 2022).

33.2 Dividends

For the first half-year of 2023, dividends amounted to euro 1,552 thousand, of which euro 1,482 thousand was received from the RCS Mediagroup S.p.A.

For the first half-year of 2022, dividends had amounted to euro 1,554 thousand.

34. FINANCIAL INCOME

The item is composed as follows:

<i>(in thousands of euro)</i>	01/01 - 06/30/2023	01/01 - 06/30/2022
Interest income	23,581	14,146
Other financial income	1,096	1,895
Net gains on exchange rates	-	40,780
Net interest on provisions for employee benefit obligations	548	361
Fair value measurement of other financial assets	71,554	17,099
Fair value measurement of other derivatives	2,707	-
Total	99,486	74,281

Interest income which totalled euro 23,581 thousand, mainly included:

- euro 17,266 thousand in interest receivables from financial institutions, associates and joint ventures;
- euro 2,862 thousand in interest on fixed-income securities;
- euro 811 thousand in interest on other types of securities;
- euro 2,246 thousand in interest accrued on security deposits provided by the Brazilian subsidiaries as a guarantee for legal and tax disputes.

The item **other financial income** amounted to euro 1,096 thousand and mainly includes interest matured on the tax credits of the Brazilian subsidiaries and factoring fees receivable from Italian companies.

The **fair value measurement of other financial assets** was positive to the amount of euro 71,554 thousand and refers to the fair value measurement of dollar-linked bond instruments in which the Argentine subsidiary has invested in order to mitigate the effects of depreciation on the local currency. The exchange rate component of the fair value valuation of dollar-linked bond instruments amounted to euro 43,780 thousand, and partially offset the combined effect of euro 55,801 thousand comprised on the one hand, of the Argentine net monetary loss of euro 30,546 thousand and on the other hand, of the effect of the Argentine subsidiary's net losses on exchange rates which amounted to euro 25,255 thousand. Reference should be made to Note 35, "*Financial Expenses*" for further details.

35. FINANCIAL EXPENSES

The item is composed as follows:

<i>(in thousands of euro)</i>	01/01 - 06/30/2023	01/01 - 06/30/2022
Interest expenses	89,524	46,918
Commissions	11,266	6,836
Net monetary loss	28,823	10,378
Other financial expenses	3,550	3,746
Interest expenses on lease liabilities	11,625	10,191
Net losses on exchange rates	13,960	-
Fair value measurement of exchange rate derivatives	47,584	85,360
Fair value measurements of other derivatives	-	445
Total	206,332	163,874

Interest expenses which totalled euro 89,524 thousand, mainly included:

- euro 47,826 thousand for bank credit facilities held by Pirelli & C. S.p.A. The amount reported is net of euro 5,908 thousand in net interest income from Interest Rate Swaps, for which hedge accounting was adopted for the financial expenses of the hedged bank credit facilities. For further details reference should be made to Note 25, "*Derivative Financial Instruments*";
- euro 17,713 thousand in financial expenses relative to bond loans, of which euro 11,803 thousand is relative to the sustainability linked bond, euro 4,788 thousand is relative to non-monetary interest on the convertible bond loan, and euro 1,121 thousand is relative to the "*Schuldschein*" loans, all of which were issued by Pirelli & C. S.p.A.;
- euro 14,399 thousand in financial expenses related to bank loans held by foreign subsidiaries.

The item **commissions** includes, in particular, euro 3,842 thousand in costs for the assignment of receivables with non-recourse clauses, mainly in South America, Italy and Germany and euro 7,424 thousand relative to expenses for sureties and other bank commissions.

The item **net monetary loss** refers to the effect on monetary items deriving from the application of IAS 29 - Financial Reporting in Hyperinflationary Economies, by the Argentine subsidiary Pirelli Neumaticos SAIC to the amount of euro 30,546 thousand and by the Turkish subsidiaries Pirelli Otomobil Lastikleri A.S. and Pirelli Lastikleri Dis Ticaret A.S., to the positive amount of euro 1,723 thousand (reference should be made to Note 39 for further details).

The item **net losses on exchange rates** which amounted to euro 13,960 thousand (gains amounted to euro 239,110 thousand and losses amounted to euro 253,070 thousand) refers to, the adjustment of period-end exchange rates for items expressed in currencies other than the functional currency and still outstanding at the closing date of the Consolidated Financial Statements, and to the net gains realised on items closed during the course of the period.

The item **fair value measurement of exchange rate derivatives** refers to forward foreign exchange buy/sell transactions to hedge commercial and financial transactions, in accordance with the Group's exchange rate risk management policy. For transactions still open at period-end, the fair value is determined by applying the forward exchange rate at the reporting date. The measurement at fair

value is composed of two elements: the interest component, which is tied to the interest rate differential between the currencies covered by the individual hedges, equal to a net cost of euro 24,502 thousand, and the exchange rate component, equal to a net loss of euro 23,082 thousand.

When comparing the net losses on exchange rates equal to euro 13,960 thousand, recognised on receivables and payables in currencies other than the functional currency in the various subsidiaries, with the fair value measurement of the exchange rate component of exchange rate derivatives used for hedging, which amounted to a net cost of euro 23,082 thousand, the result is a negative difference of euro 37,042 thousand. This imbalance refers to the Argentine affiliate to the amount of euro 25,255 thousand, which was offset by the positive fair value valuation of the dollar-linked bond instruments in which the Company has invested. Reference should be made to Note 34, "Financial Income" for further details. Net of the aforementioned Argentine effect, therefore, the imbalance would be a negative euro 11,787 thousand.

36. TAXES

Taxes were composed as follows:

<i>(in thousands of euro)</i>	01/01 - 06/30/2023	01/01 - 06/30/2022
Current taxes	100,410	111,010
Deferred taxes	(3,696)	(26,103)
Total	96,714	84,907

Taxes in the first half-year of 2023 amounted to euro 96.714 thousand against a net income before tax of euro 339,347 thousand, compared to the amount of euro 84,907 thousand in the first half-year of 2022 against a net income before tax of euro 317,954 thousand. The tax rate for the first half-year of 2023 stood at 28.5% compared to 26.7% for the first half-year of 2022.

37. EARNINGS/(LOSSES) PER SHARE

Basic earnings/(loss) per share are calculated by dividing the earnings/(losses) attributable to the Group by the weighted average number of ordinary shares outstanding during the period, excluding treasury shares.

<i>(in thousands of euro)</i>	01/01 - 06/30/2023	01/01 - 06/30/2022
Net income/(loss) attributable to the Parent Company	232,090	221,417
Weighted average number of ordinary shares outstanding (in thousands)	1,000,000	1,000,000
Earnings /(losses) per ordinary share (in euro per share)	0.232	0.221

It should be noted that basic and diluted earnings/(losses) per share are the same. It should also be noted that the option to convert the shares of the bond loan did not have a dilutive effect, as the

average market price of the shares was lower than the exercise price of the option itself during the first half-year of 2023.

38. DIVIDENDS PER SHARE

The Shareholders' Meeting of Pirelli & C. S.p.A. of June 29, 2023 which approved the 2022 Financial Statements, approved the distribution to its shareholders, from the 2022 results, a unit dividend of euro 0.218 per ordinary share equal to total dividends of euro 218 million before withholding taxes, The dividend was placed for payment on July 26, 2023 (with an ex-dividend date of July 24 and a record date of July 25).

39. HYPERINFLATION

Based on the provisions of the Group's accounting standards, hyperinflation accounting was adopted by the Argentine subsidiaries, Pirelli Neumaticos SAIC and Latam Servicios Industriales S.A. as of July 1, 2018 and December 15, 2022 respectively, and by the Turkish subsidiaries Pirelli Otomobil Lastikleri A.S. and Pirelli Lastikleri Dis Ticaret A.S., as of June 30, 2022.

For the Argentine company, the price index used for the application of hyperinflation accounting was the National Consumer Price Index (CPI) published by the National Institute of Statistics and Census (INDEC), equal to an official annual value of 115.75%.

For the Turkish companies, the price index used was the National Consumer Price Index (TUFİE) published by the Turkish Statistical Institute (TUIK), equal to the official annual value of 38.22%.

Net losses on the net monetary position were recorded in the Income Statement as "*Financial Expenses*" (Note 35), to the amount of euro 28,823 thousand.

40. RELATED PARTY TRANSACTIONS

Related party transactions, including intra-group transactions, do not qualify as either atypical or unusual, but are part of the ordinary course of business for companies of the Group. Such transactions, when not settled under standard conditions, or dictated by specific regulatory conditions, are in any case regulated by conditions consistent with those of the market and carried out in compliance with the provisions contained in the Procedure for Related Party Transactions which the Company has adopted.

The following table summarises the items from the Statement of Financial Position, the Income Statement and the Cash Flow Statement that include related party transactions and their relative impact.

STATEMENT OF FINANCIAL POSITION <i>(in millions of euro)</i>	06/30/2023	of which related parties	% incidence	12/31/2022	of which related parties	% incidence
Non current assets						
Other receivables	243.3	7.3	3.0%	231.2	6.9	3.0%
Current assets						
Trade receivables	895.1	13.0	1.4%	636.4	11.0	1.7%
Other receivables	611.4	96.3	15.7%	741.2	111.3	15.0%
Non-current liabilities						
Borrowings from banks and other financial institutions	3,279.3	8.8	0.3%	3,690.1	10.4	0.3%
Other payables	75.1	0.2	0.3%	74.6	0.2	0.3%
Provisions for liabilities and charges	100.7	22.0	21.9%	101.7	21.8	21.5%
Provisions for employee benefit obligations	161.3	6.4	4.0%	180.6	6.7	3.7%
Current liabilities						
Borrowings from banks and other financial institutions	1,473.5	2.0	0.1%	800.4	3.0	0.4%
Trade payables	1,405.1	103.7	7.4%	1,973.3	166.4	8.4%
Other payables	582.4	4.6	0.8%	405.6	37.4	9.2%
Provisions for liabilities and charges	48.2	6.9	14.4%	41.3	-	n.a.
Provisions for employee benefit obligations	30.6	4.5	14.7%	-	-	n.a.

INCOME STATEMENT <i>(in millions of euro)</i>	01/01 - 06/30/2023	of which related parties	% incidence	01/01 - 06/30/2022	of which related parties	% incidence
Revenue from sales and services	3,437.5	13.8	0.4%	3,197.0	16.5	0.5%
Other income	159.8	25.1	15.7%	157.5	24.9	15.8%
Raw materials and consumables used (net of changes in inventories)	(1,185.6)	(5.6)	0.5%	(1,144.9)	(7.8)	0.7%
Personnel expenses	(621.3)	(8.5)	1.4%	(573.8)	(6.8)	1.2%
Other costs	(1,109.2)	(163.4)	14.7%	(1,040.6)	(167.9)	16.1%
Financial income	99.5	1.7	1.7%	74.3	1.7	2.3%
Financial expenses	(206.3)	(0.5)	0.2%	(163.9)	(0.3)	0.2%
Net income / (loss) from equity investments	6.2	4.5	n.a.	2.3	0.9	n.a.

CASH FLOW <i>(in thousands of euro)</i>	01/01 - 06/30/2023	of which related parties	% incidence	01/01 - 06/30/2022	of which related parties	% incidence
Net cash flow operating activities:						
Change in Trade receivables	(290.8)	(2.5)	n.a.	(215.2)	3.1	n.a.
Change in Trade payables	(429.9)	(54.0)	n.a.	(221.2)	(43.1)	n.a.
Change in Other receivables	(44.4)	11.5	n.a.	(21.5)	16.0	n.a.
Change in Other payables	(42.5)	(36.4)	n.a.	(58.7)	(0.8)	n.a.
Net cash flow investing activities:						
Change in Financial receivables from associates and J.V.	(1.4)	(1.4)	n.a.	(8.6)	(8.6)	n.a.
Dividends received	1.6	-	n.a.	1.7	0.2	n.a.
Net cash flow financing activities:						
Repayment of principal and payment of interest for lease obligations	(60.5)	(2.2)	n.a.	(59.0)	(1.8)	n.a.

The types of Related Party Transactions are detailed below:

STATEMENT OF FINANCIAL POSITION (in millions of euro)	06/30/2023			12/31/2022		
	Associates and joint ventures	Other related parties	Remuneration for Directors and Key Managers	Associates and joint ventures	Other related parties	Remuneration for Directors and Key Managers
Other non-current receivables	7.3	-	-	6.9	-	-
<i>of which financial</i>	7.3	-	-	6.9	-	-
Trade receivables	11.4	1.6	-	9.2	1.8	-
Other current receivables	85.0	11.3	-	87.0	24.3	-
<i>of which financial</i>	75.8	-	-	79.0	-	-
Borrowings from banks and other financial institutions non-current	8.6	0.2	-	10.4	-	-
Other non-current payables	-	-	0.2	-	-	0.2
Provisions for liabilities and charges non-current	-	-	22.0	-	-	21.8
Provisions for employee benefit obligations non-current	-	-	6.4	-	-	6.7
Borrowings from banks and other financial institutions current	1.9	0.1	-	2.3	0.7	-
Trade payables	52.8	50.9	-	34.0	132.4	-
Other current payables	-	0.7	3.9	-	0.8	36.6
Provisions for liabilities and charges current	-	-	6.9	-	-	-
Provisions for employee benefit obligations current	-	-	4.5	-	-	-

INCOME STATEMENT (in millions of euro)	01/01 - 06/30/2023			01/01 - 06/30/2022		
	Associates and joint ventures	Other related parties	Remuneration for Directors and Key Managers	Associates and joint ventures	Other related parties	Remuneration for Directors and Key Managers
Revenues from sales and services	13.1	0.7	-	15.0	1.5	-
Other income	8.7	16.4	-	5.8	19.1	-
Raw materials and consumables used (net of change in inventories)	(1.2)	(4.4)	-	(0.6)	(7.2)	-
Personnel expenses	-	-	(8.5)	-	-	(6.8)
Other costs	(99.5)	(51.9)	(12.0)	(78.4)	(77.0)	(12.5)
Financial income	1.5	0.2	-	1.7	-	-
Financial expenses	(0.3)	(0.2)	-	(0.2)	(0.1)	-
Net income/ (loss) from equity investments	4.5	-	-	0.9	-	-

TRANSACTIONS WITH ASSOCIATES AND JOINT VENTURES

Transactions - Statement of Financial Position

The item **other non-current receivables** refers to a loan granted by Pirelli Tyre S.p.A. to the Indonesian joint venture PT Evoluzione Tyres.

The item **trade receivables** includes receivables for services rendered mainly to the Chinese joint venture Jining Shenzhou Tyre Co., Ltd. to the amount of euro 11.3 million.

The item **other current receivables** refers to receivables for royalties from PT Evoluzione Tyres to the amount of euro 0.3 million and from the Jining Shenzhou Tyre Co., Ltd. to the amount of euro 6 million respectively;

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

The item **borrowings from banks and other financial institutions non-current** refers to payables for the hire of machinery by Pirelli Deutschland GMBH payable to Industriekraftwerk Breuberg GmbH and payables for the hire of equipment by Pirelli Tyre Co., Ltd. payable to Jining Shenzhou Tyre Co., Ltd.

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

The item **trade payables** mainly refers to payables for the purchase of energy from Industriekraftwerk Breuberg GmbH to the amount of euro 40.3 million and payables to the Jining Shenzhou Tyre Co., Ltd. to the amount of euro 9.7 million.

Transactions - Income statement

The item **revenues from sales and services** mainly refers to the sales of materials and semi-finished products to the Jining Shenzhou Tyre Co., Ltd.

The item **other income** refers to royalties to the amount of euro 6.6 million and to the charge-back of expenses to the amount of euro 1.4 million.

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

- the purchase of tyres from Jining Shenzhou Tyre Co., Ltd. to the amount of euro 35.1 million;
- the purchase of Motorcycle products from PT Evoluzione Tyres to the amount of euro 26.3 million;
- the purchase of energy and fees for the operational management of Industriekraftwerk Breuberg GmbH totalling euro 33.3 million.

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

OTHER RELATED-PARTY TRANSACTIONS

The transactions detailed below mainly refer to transactions with Aeolus Tyre Co., Ltd. and the Prometeon Group, both of which are subject to the control of the direct Parent company or indirect Parent companies of Pirelli & C. S.p.A.

Transactions - Statement of Financial Position

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

The item **other current receivables** refers to receivables from companies of the Prometeon Group to the amount of euro 7 million and from the Aeolus Tyre Co., Ltd. to the amount of euro 4.3 million mainly for royalties.

The item **borrowings from banks and other financial institutions current** refers to the payables of Pirelli Otomobil Lastikleri A.S. for machine hire from Prometeon Turkey Endüstriyel ve Ticari Lastikler A.S.

The item **trade payables** mainly refers to payables to companies of the Prometeon Group to the amount of euro 48.3 million.

Transactions - Income Statement

The item **other income** includes royalties charged to the Aeolus Tyre Co., Ltd. to the amount of euro 3.5 million. The item also includes income from companies of the Prometeon Group mainly relative to:

- the licence agreement for know-how charged by Pirelli Tyre S.p.A. to the amount of euro 6 million;
- royalties recorded by Pirelli Tyre S.p.A. in respect of the license agreement for the use of the Pirelli trademark to the amount of euro 5 million;
- the sales of raw materials, finished and semi-finished products for a total amount of euro 0.4 million;
- the Long Term Service Agreement to the amount of euro 0.3 million earned by Pirelli Sistemi Informativi;
- logistics services rendered by the Spanish company Pirelli Neumaticos S.A. - Sociedad Unipersonal to the amount of euro 0.5 million.

The item **raw materials and consumables used** refers mainly to costs payable to companies of the Sinochem Group for the purchase of direct materials/consumables/compounds, of which euro 2 million were costs of the Chinese company Pirelli Tyre Co., Ltd.

The item **other costs** includes contributions to the Hangar Bicocca Foundation and the Pirelli Foundation to the amount of euro 0.4 million, and costs payable to companies of the Prometeon Group mainly for:

- the purchase of truck products for a total amount of euro 39.7 million of which euro 36.4 million was carried out by the Brazilian company Comercial e Importadora de Pneus Ltda. and subsequently resold to retail customers, and euro 2.4 million by the German company Driver Reifen und KFZ-Technik GmbH.
- the purchase of semi-finished Car/Motorbike products for a total amount of euro 7.4 million carried out by the Turkish company Pirelli Otomobil Latikleri A.S. in respect of the Off-Take contract;
- costs incurred by Pirelli Otomobil Lastikleri A.S. for the purchase of energy amounting to euro 1.2 million.

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

REMUNERATION FOR DIRECTORS AND KEY MANAGERS

Remuneration for Directors and Key Managers can be summarised as follows:

- the Statement of Financial Position items **provisions for liabilities and charges non-current** and **provisions for employee benefit obligations non-current**, include provisions for the monetary three-year 2022-2024 and 2023-2025 Long Term Incentive (LTI) Plans to the amount of euro 4.1 million (euro 8.6 million at December 31, 2022), provisions for the Short Term Incentive (STI) Plan to the amount of euro 9.1 million (euro 5.9 million at December 31, 2022), as well as severance indemnities to the amount of euro 15.3 million (euro 14.2 million at December 31, 2022);
- the Statement of Financial Position items **provisions for liabilities and charges current** and **provisions for employee benefit obligations current**, include the provisions relative to the 2021-2023 LTI plan, which, if the parameters underlying the plan are met, will be paid out during the first half-year of 2024;
- the Statement of Financial Position item **other current payables** includes the short-term portion relative to the STI Plan;
- the items **personnel expenses** and **other costs** include euro 1.9 million relative to employees' leaving indemnities (TFR) and severance indemnities (euro 1.6 million for the first half-year of 2022), as well as provisions for short-term benefits to the amount of euro 5.5 million (euro 4.4 million for the first half-year of 2022) and for long-term benefits, to the amount of euro 6.9 million (euro 7.6 million for the first half-year of 2022).

41. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE YEAR

On **July 4, 2023**, Pirelli has announced that it has signed an agreement to acquire 100% of Hevea-Tec, Brazil's largest independent natural rubber processing company. The transaction will be carried out with a countervalue in terms of the Enterprise Value, in the amount of approximately euro 21 million. The acquisition will have no impact on Pirelli's target Net Financial Position at the end of 2023, of approximately euro 2.35 billion. With the acquisition of Hevea-Tec, Pirelli will increase its market share of natural rubber supply in LatAm, ensuring the continuity of supply in the region and, therefore, greater efficiency. The transaction will enable the start-up of innovative natural rubber projects with the aim of increasing the use of non-fossil materials in tyres, consistent with the Company's objectives, and will further improve the control of the natural rubber supply chain, as well as reduce CO₂ emissions, thanks to a *"local for local"* supply chain, and launch new FSC certification projects.

On **July 24, 2023**, Pirelli - with reference to the *"EUR 500 million Senior Unsecured Guaranteed Equity-linked Bonds due 2025"* - announced that following the resolution of the Shareholders' Meeting of June 29, 2023 to distribute a dividend of euro 0.218 per ordinary share, the conversion price of the bonds had been changed from euro 6.1395 to euro 6.0173, in accordance with the regulations of the bond loan itself.

On **July 27, 2023**, the Board of Directors 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.

42. OTHER INFORMATION

Information on the Macroeconomic scenario

The volatility of the macroeconomic scenario during 2022 also continued for the first half-year of 2023. The year 2022 was characterised by a high level of volatility within the macroeconomic scenario, due to persistent geopolitical tensions (Russian-Ukrainian conflict) and high inflation. The restrictive interventions by the central banks, in an attempt to curb inflationary effects, led to a generalised increase in the cost of money during the first half-year of 2023 also, with an impact on the Group's cost of debt.

The Group, for the first half of 2023 was able to counter the external scenario resulting from the macroeconomic environment described above, thanks to internal levers: improvement of the price/mix and of the efficiency plan.

With specific reference to activities in Russia, reference should be made to the section "Activities in Russia" in this document.

For further details on the performance in the first half-year 2023, reference should be made to the section "Group Performance and Results" in the Half-Year Financial Report , while for information on the management of risks arising from the external environment, reference should be made to the section "Risk Factors and Uncertainty" in the same aforementioned document.

The macroeconomic environment is expected to remain uncertain and volatile during the second half of 2023 as well, and the most updated forecasts available have been taken into account, in the formulation of the prospective results for 2023 reported in the section "Outlook for 2023". The same results were taken into account in the estimations and assumptions, and particularly when assessing the recoverability of goodwill and of other intangible assets with an indefinite useful life.

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

Information on Climate Change

For information related to climate-change, reference should be made to the Consolidated Financial Statements as at December 31, 2022 under Note 45, "*Other Information*". With reference to the Financial Statements at June 30, it should be noted that no risks of probable losses emerged such as to require specific provisions to be allocated to the Financial Statements, while for the evaluations in relation to the impact of climate-change on the impairment testing of goodwill and of assets with an indefinite useful life (Brand), reference should be made to Note 8, "*Intangible Assets*".

Activities in Russia

For the first half-year of 2023, Russia accounted for approximately 4% of turnover.

At June 30, 2023, the Statement of Financial Position of the sub-consolidated entity which aggregates the subsidiaries situated in Russia was mainly composed of:

- non-current assets to the amount of euro 146.3 million (euro 186.0 million at December 31, 2022), of which euro 136.4 million was related to property, plant and equipment and intangible assets (euro 174.1 million at December 31, 2022). This decrease compared to December 31, 2022 mainly refers to the impact of the exchange rate effect (negative to the amount of euro 34.1 million);
- inventories to the amount of euro 30.6 million;
- trade receivables and other receivables to the amount of euro 78.0 million, of which euro 4.4 million were from other Group companies;
- cash and cash equivalents to the amount of euro 3.9 million;
- borrowings from banks and other financial institutions to the amount of euro 72.5 million which included payables to the Group to the amount of euro 43.5 million;
- trade payables and other payables to the amount of euro 65.9 million, of which euro 11.7 million was to other companies of the Group.

At the date of this document, guarantees had been issued by Pirelli Tyre S.p.A. for the trade payables of its Russian subsidiaries, in favour of third parties and other companies of the Group.

Total equity amounted to euro 109.9 million, of which euro 71.4 million was attributable to the Parent Company and euro 38.5 million attributable to non-controlling interests. The amount for equity includes a negative cumulative translation reserve at June 30, 2023 of euro 15.3 million.

Revenues for the first half-year of 2023 from net sales on the Russian market amounted to euro 133.9 million, with an operating income adjusted to the amount of euro 20.9 million.

Research and Development Expenses

Research & Development expenses for the first half-year of 2023 amounted to euro 142.8 million and represented 4.2% of sales, and refer to expenses for product and process innovation, as well as for the development of new materials. The portion allocated to research and development for High Value activities amounted to euro 132.5 million and equalled 5.2% of High Value revenues. For further details, reference should be made to the section "*Research and Development Activities*" in the Directors' Report on Operations, which is an integral part of this document.

Atypical and/or Unusual Operations

Pursuant to CONSOB Notice No. 6064293 of July 28, 2006, it should be noted that during the course of the first half-year of 2023, the Company did not carry out any atypical and/or unusual transactions, as defined in the aforementioned Notice.

Exchange Rates

The main exchange rates used for consolidation were as follows:

<i>(local currency vs euro)</i>	Period-end Exchanges Rates		Change in %	Average Exchange Rates 1H		Change in %
	06/30/2023	12/31/2022		2023	2022	
Swedish Krona	11.7917	11.1283	5.96%	11.3236	10.4792	8.06%
Australian Dollar	1.6398	1.5693	4.49%	1.5989	1.5204	5.17%
Canadian Dollar	1.4415	1.4440	(0.17%)	1.4566	1.3901	4.78%
Singaporean Dollar	1.4732	1.4300	3.02%	1.4440	1.4921	(3.22%)
US Dollar	1.0866	1.0666	1.88%	1.0807	1.0934	(1.16%)
Taiwan Dollar	33.8519	32.7766	3.28%	33.0307	31.4450	5.04%
Swiss Franc	0.9788	0.9847	(0.60%)	0.9856	1.0319	(4.49%)
Egyptian Pound	33.6396	26.4357	27.25%	32.9740	18.9247	74.24%
Turkish Lira	28.1540	19.9349	41.23%	28.1540	17.5221	60.68%
Romanian Leu	4.9634	4.9474	0.32%	4.9335	4.9456	(0.24%)
Argentinian Peso	278.9302	188.9589	47.61%	278.9302	130.0764	114.44%
Mexican Peso	18.5504	20.7073	(10.42%)	19.6747	22.1729	(11.27%)
South African Rand	20.5785	18.0986	13.70%	19.6792	16.8485	16.80%
Brazilian Real	5.2626	5.5694	(5.51%)	5.4831	5.5706	(1.57%)
Chinese Renminbi	7.8516	7.4284	5.70%	7.4880	7.0890	5.63%
Russian Rouble	95.1052	75.6553	25.71%	83.2365	82.6077	0.76%
British Pound Sterling	0.8583	0.8869	(3.23%)	0.8764	0.8424	4.03%
Japanese Yen	157.1600	140.6600	11.73%	145.7604	134.3071	8.53%

Net Financial Position

(Alternative Performance Indicators not provided for by the accounting standards).

<i>(in thousands of euro)</i>	Note	06/30/2023		12/31/2022	
			of which related parties (note 40)		of which related parties (note 40)
Current borrowings from banks and other financial institutions	21	1,473,517	2,100	800,389	2,979
Current derivative financial instruments (liabilities)	25	45,163		15,046	
Non-current borrowings from banks and other financial institutions	21	3,279,309	8,800	3,690,111	10,444
Non-current derivative financial instruments (liabilities)	25	-		-	
Total gross debt		4,797,989		4,505,546	
Cash and cash equivalents	17	(1,256,024)		(1,289,744)	
Other financial assets at fair value through Income Statement	16	(220,705)		(246,884)	
Current financial receivables **	13	(89,980)	(75,801)	(270,916)	(79,024)
Current derivative financial instruments (assets)	25	(4,514)		(14,223)	
Net financial debt *		3,226,766		2,683,779	
Non-current derivative financial instruments (assets)	25	(27,799)		(26,430)	
Non-current financial receivables **	13	(111,492)	(7,265)	(104,767)	(6,926)
Total net financial (liquidity) / debt position		3,087,475		2,552,582	

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

** The item "financial receivables" is reported net of the relative provisions for impairment which amounted to euro 11,149 thousand at June 30, 2023 (euro 10,545 thousand at December 31, 2022).

Net financial debt is summarised below based on the format provided by the ESMA guidelines:

<i>(in thousands of euro)</i>	06/30/2023	12/31/2022
Cash and cash equivalents	(1,256,024)	(1,289,744)
Other current financial assets	(315,199)	(532,023)
<i>of which Current financial receivables</i>	(89,980)	(270,916)
<i>of which Current derivative financial instruments (assets)</i>	(4,514)	(14,223)
<i>of which Other financial assets at fair value through Income Statement</i>	(220,705)	(246,884)
Liquidity	(1,571,223)	(1,821,767)
Current borrowings from banks and other financial institutions	1,473,517	800,389
Current derivative financial instruments (liabilities)	45,163	15,046
Current financial debt	1,518,680	815,435
Current net financial debt	(52,543)	(1,006,332)
Non-current borrowings from banks and other financial institutions	3,279,309	3,690,111
Non-current derivative financial instruments (liabilities)	-	-
Non-current financial debt	3,279,309	3,690,111
Total net financial debt *	3,226,766	2,683,779

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

SCOPE OF CONSOLIDATION

Companies consolidated line-by-line						
Company	Business	Headquarters	Currency	Share Capital	% holding	Held by
Europe						
Austria						
Pirelli GmbH	Agent	Vienna	Euro	726,728	100.00%	Pirelli Tyre (Suisse) S.A.
Belgium						
Pirelli Tyres Belux S.A.	Agent	Brussels	Euro	700,000	99.996% 0.004%	Pirelli Tyre (Suisse) S.A. Pneus Pirelli S.A.S.
France						
Pneus Pirelli S.A.S.	Distributor	Villepinte	Euro	1,515,858	100.00%	Pirelli Tyre S.p.A.
Germany						
Deutsche Pirelli Reifen Holding GmbH	Holding	Breuberg / Odenwald	Euro	7,694,943	100.00%	Pirelli Tyre S.p.A.
Driver Handelssysteme GmbH	Service provider	Breuberg / Odenwald	Euro	26,000	100.00%	Deutsche Pirelli Reifen Holding GmbH
Pirelli Deutschland GmbH	Manufacturer and distributor	Breuberg / Odenwald	Euro	23,959,100	100.00%	Deutsche Pirelli Reifen Holding GmbH
Pirelli Personal Service GmbH	Service provider	Breuberg / Odenwald	Euro	25,000	100.00%	Deutsche Pirelli Reifen Holding GmbH
PK Grundstuecksverwaltungs GmbH	Dormant	Hoechst / Odenwald	Euro	26,000	100.00%	Deutsche Pirelli Reifen Holding GmbH
Driver Reifen und KFZ-Technik GmbH	Distribution chain	Breuberg / Odenwald	Euro	259,225	100.00%	Deutsche Pirelli Reifen Holding GmbH
Greece						
Elastika Pirelli C.S.A.	Distributor	Elliniko- Argyroupoli	Euro	11,630,000	99.90% 0.10%	Pirelli Tyre S.p.A. Pirelli Tyre (Suisse) S.A.
Pirelli Hellas S.A. (in liquidation)	Under liquidation	Athens	US \$	22,050,000	79.86%	Pirelli Tyre S.p.A.
The Experts in Wheels - Driver Hellas C. S.A.	Service provider	Elliniko- Argyroupoli	Euro	100,000	74.00%	Elastika Pirelli C.S.A.

Company	Business	Headquarters	Currency	Share Capital	% holding	Held by
Italy						
Driver Italia S.p.A.	Service provider	Milan	Euro	350,000	71.21%	Pirelli Tyre S.p.A.
Driver Servizi Retail S.p.A.	Service provider	Milan	Euro	120,000	100.00%	Pirelli Tyre S.p.A.
HB Servizi S.r.l.	Service provider	Milan	Euro	10,000	100.00%	Pirelli & C. S.p.A.
Maristel S.r.l.	Service provider	Milan	Euro	50,000	100.00%	Pirelli & C. S.p.A.
NewCo Micromobility S.r.l.	Service provider	Milan	Euro	10,000	100.00%	Pirelli Tyre S.p.A.
Pirelli Digital Solutions S.r.l.	Service provider	Milan	Euro	500,000	100.00%	Pirelli Tyre S.p.A.
Pirelli Industrie Pneumatici S.r.l.	Manufacturer	Settimo Torinese (To)	Euro	40,000,000	100.00%	Pirelli Tyre S.p.A.
Pirelli International Treasury S.p.A.	Financial	Milan	Euro	125,000,000	70.00%	Pirelli Tyre S.p.A.
					30.00%	Pirelli & C. S.p.A.
Pirelli Servizi Amministrazione e Tesoreria S.p.A.	Service provider	Milan	Euro	2,047,000	100.00%	Pirelli & C. S.p.A.
Pirelli Sistemi Informativi S.r.l.	Service provider	Milan	Euro	1,010,000	100.00%	Pirelli & C. S.p.A.
Pirelli Tyre S.p.A.	Principal	Milan	Euro	558,154,000	100.00%	Pirelli & C. S.p.A.
Poliambulatorio Bicocca S.r.l.	Service provider	Milan	Euro	10,000	100.00%	Pirelli Tyre S.p.A.
Servizi Aziendali Pirelli S.C.p.A. (in liquidation)	Service provider	Milan	Euro	104,000	90.35%	Pirelli & C. S.p.A.
					2.95%	Pirelli Tyre S.p.A.
					0.95%	Poliambulatorio Bicocca S.r.l.
					0.98%	Pirelli International Treasury S.p.A.
					0.95%	Driver Italia S.p.A.
					0.98%	Pirelli Industrie Pneumatici S.r.l.
					0.95%	Pirelli Servizi Amministrazione e Tesoreria S.p.A.
					0.95%	Pirelli Sistemi Informativi S.r.l.
					0.95%	HB Servizi S.r.l.
The Netherlands						
Pirelli China Tyre N.V.	Holding and Agent	Rotterdam	Euro	38,045,000	100.00%	Pirelli Tyre S.p.A.
Poland						
Driver Polska Sp. z o.o.	Service provider	Warsaw	Pol. Zloty	100,000	69.00%	Pirelli Polska Sp. z o.o.
Pirelli Polska Sp. z o.o.	Distributor	Warsaw	Pol. Zloty	625,771	100.00%	Pirelli Tyre S.p.A.

Company	Business	Headquarters	Currency	Share Capital	% holding	Held by
United Kingdom						
CTC 2008 Ltd.	Dormant	Burton-on-Trent	British Pound Sterling	100,000	100.00%	Pirelli UK Tyres Ltd.
Pirelli Cif Trustees Ltd.	Trustees	Burton-on-Trent	British Pound Sterling	4	25.00%	Pirelli General Executive Pension Trustees Ltd.
					25.00%	Pirelli General & Overseas Pension Trustees Ltd.
					25.00%	Pirelli Tyres Executive Pension Trustees Ltd.
					25.00%	Pirelli Tyres Pension Trustees Ltd.
Pirelli International Limited (ex Pirelli International plc)	Dormant	Burton-on-Trent	Euro	5,000,000	100.00%	Pirelli Tyre S.p.A.
Pirelli Motorsport Services Ltd.	Service provider	Burton-on-Trent	British Pound Sterling	1	100.00%	Pirelli UK Ltd.
Pirelli General Executive Pension Trustees Ltd.	Trustees	Burton-on-Trent	British Pound Sterling	1	100.00%	Pirelli UK Ltd.
Pirelli General & Overseas Pension Trustees Ltd.	Trustees	Burton-on-Trent	British Pound Sterling	1	100.00%	Pirelli UK Ltd.
Pirelli Tyres Executive Pension Trustees Ltd.	Trustees	Burton-on-Trent	British Pound Sterling	1	100.00%	Pirelli Tyres Ltd.
Pirelli Tyres Ltd.	Dormant	Burton-on-Trent	British Pound Sterling	16,000,000	100.00%	Pirelli UK Tyres Ltd.
Pirelli Tyres Pension Trustees Ltd.	Trustees	Burton-on-Trent	British Pound Sterling	1	100.00%	Pirelli Tyres Ltd.
Pirelli UK Ltd.	Holding	Burton-on-Trent	British Pound Sterling	163,991,278	100.00%	Pirelli & C. S.p.A.
Pirelli UK Tyres Ltd.	Manufacturer and distributor	Burton-on-Trent	British Pound Sterling	85,000,000	100.00%	Pirelli Tyre S.p.A.
Slovakia						
Pirelli Slovakia S.R.O.	Distributor	Bratislava	Euro	6,639	100.00%	Pirelli Tyre S.p.A.
Romania						
Pirelli & C. Eco Technology RO S.r.l. (in liquidation)	Service provider	Slatina	Rom. Leu	20,002,000	99.995%	Pirelli Tyre S.p.A.
					0.005%	Pirelli Tyres Romania S.r.l.
Pirelli Tyres Romania S.r.l.	Manufacturer and distributor	Slatina	Rom. Leu	2,189,797,300	100.00%	Pirelli Tyre S.p.A.
Russia						
Closed Joint Stock Company "Voronezh Tyre Plant"	Manufacturer	Voronezh	Russian Rouble	1,520,000,000	100.00%	Limited Liability Company Pirelli Tyre Russia
Limited Liability Company Pirelli Tyre Services	Service provider	Moscow	Russian Rouble	54,685,259	95.00%	Pirelli Tyre (Suisse) S.A.
					5.00%	Pirelli Tyre S.p.A.
Limited Liability Company "Industrial Complex "Kirov Tyre"	Manufacturer	Kirov	Russian Rouble	348,423,221	100.00%	Limited Liability Company Pirelli Tyre Russia
Limited Liability Company Pirelli Tyre Russia	Manufacturer and distributor	Moscow	Russian Rouble	6,153,846	65.00%	Pirelli Tyre (Pty) Ltd.

Company	Business	Headquarters	Currency	Share Capital	% holding	Held by
Spain						
Euro Driver Car S.L.	Service provider	Valencia	Euro	960,000	58.44%	Pirelli Neumaticos S.A. - Sociedad Unipersonal
Neumaticos Arco Iris, S.A.	Service provider	Valencia	Euro	302,303	66.20%	
Pirelli Neumaticos S.A. - Sociedad Unipersonal	Distributor	Valencia	Euro	25,075,907	100.00%	Pirelli Tyre S.p.A.
Sweden						
Dackia Aktiebolag	Distribution chain	Stockholm	Swed. Krona	31,000,000	100.00%	Pirelli Tyre S.p.A.
Pirelli Tyre Nordic Aktiebolag	Distributor	Stockholm	Swed. Krona	950,000	100.00%	Pirelli Tyre S.p.A.
Switzerland						
Driver (Suisse) S.A.	Service provider	Bioggio	Swiss Franc	100,000	100.00%	Pirelli Tyre (Suisse) S.A.
Pirelli Group Reinsurance Company S.A.	Insurance	Basel	Swiss Franc	3,000,000	100.00%	Pirelli & C. S.p.A.
Pirelli Tyre (Suisse) S.A.	Distributor / Distribution chain	Basel	Swiss Franc	1,000,000	100.00%	Pirelli Tyre S.p.A.
Turkey						
Pirelli Lastikleri Dis Ticaret A.S.	Service provider	Istanbul	Turkish Lira	50,000	100.00%	Pirelli Otomobil Lastikleri A.S.
Pirelli Otomobil Lastikleri A.S.	Manufacturer and distributor	Istanbul	Turkish Lira	190,000,000	100.00%	Pirelli Tyre S.p.A.
Hungary						
Pirelli Hungary Tyre Trading and Services Ltd.	Distributor	Budapest	Hun. Forint	3,000,000	100.00%	Pirelli Tyre S.p.A.
North America						
Canada						
Pirelli Tire Inc.	Agent	St-Laurent (Quebec)	Can. \$	6,000,000	100.00%	Pirelli Tyre (Suisse) S.A.
US						
Pirelli North America Inc.	Holding	New York (New York)	US \$	10	100.00%	Pirelli Tyre S.p.A.
Pirelli Tire LLC	Manufacturer and distributor	Rome (Georgia)	US \$	1	100.00%	Pirelli North America Inc.
Prestige Stores LLC	Dormant	Los Angeles (California)	US \$	10	100.00%	Pirelli Tire LLC

Company	Business	Headquarters	Currency	Share Capital	% holding	Held by
Central/South America						
Argentina						
Pirelli Neumaticos S.A.I.C.	Manufacturer and distributor	Buenos Aires	Arg. Peso	2,948,055,176	99.83%	Pirelli Tyre S.p.A.
					0.17%	Pirelli Pneus Ltda.
Latam Servicios Industriales S.A	Service provider	Buenos Aires	Arg. Peso	100,000	95.00%	Pirelli Neumaticos S.A.I.C.
					5.00%	Pirelli Pneus Ltda.
Brazil						
Comercial e Importadora de Pneus Ltda.	Distribution chain	Sao Paulo	Bra. Real	381,473,982	100.00%	Pirelli Comercial de Pneus Brasil Ltda.
Pirelli Comercial de Pneus Brasil Ltda.	Distributor	Sao Paulo	Bra. Real	710,994,861	85.00%	Pirelli Tyre S.p.A.
					15.00%	Pirelli Latam Participações Ltda.
Pirelli Latam Participações Ltda.	Holding	Sao Paulo	Bra. Real	513,179,752	100.00%	Pirelli Tyre S.p.A.
Pirelli Ltda.	Service provider	Sao Paulo	Bra. Real	14,000,000	100.00%	Pirelli & C. S.p.A.
Pirelli Pneus Ltda.	Manufacturer and distributor	Campinas (Sao Paulo)	Bra. Real	2,267,223,894	85.03%	Pirelli Tyre S.p.A.
					14.97%	Pirelli Latam Participações Ltda.
Comércio e Importação Multimarcas de Pneus Ltda.	Dormant	Sao Paulo	Bra. Real	3,691,500	85.00%	Pirelli Tyre S.p.A.
					15.00%	Pirelli Latam Participações Ltda.
C.P.Complexo Automotivo de Testes, Eventos e Entretenimento Ltda.	Service provider	Elias Fausto (Sao Paulo)	Bra. Real	89,812,000	60.00%	Pirelli Pneus Ltda.
					40.00%	Pirelli Comercial de Pneus Brasil Ltda.
TLM - Total Logistic Management Serviços de Logística Ltda.	Service provider	Sao Paulo	Bra. Real	3,074,417	99.99%	Pirelli Pneus Ltda.
					0.01%	Pirelli Ltda.
Chile						
Pirelli Neumaticos Chile Ltda.	Distributor	Santiago	US \$	3,520,000	85.25%	Pirelli Comercial de Pneus Brasil Ltda.
					14.73%	Pirelli Latam Participações Ltda.
					0.02%	Pirelli Ltda.
Colombia						
Pirelli Tyre Colombia S.A.S.	Distributor	Santa Fe De Bogota	Col. Peso/000	1,863,222,000	85.00%	Pirelli Comercial de Pneus Brasil Ltda.
					15.00%	Pirelli Latam Participações Ltda.
Mexico						
Pirelli Neumaticos S.A. de C.V.	Manufacturer and distributor	Silao	Mex. Peso	11,595,773,848	99.83%	Pirelli Tyre S.p.A.
					0.17%	Pirelli Latam Participações Ltda.

Company	Business	Headquarters	Currency	Share Capital	% holding	Held by
Africa						
Egypt						
Pirelli Egypt Tyre Trading S.A.E.	Holding	Giza	Egy. Pound	84,250,000	100.00%	Pirelli Tyre S.p.A.
Pirelli Egypt Consumer Tyre Distribution S.A.E.	Distributor	Giza	Egy. Pound	89,000,000	99.89%	Pirelli Egypt Tyre Trading S.A.E.
					0.06%	Pirelli Tyre S.p.A.
					0.06%	Pirelli Tyre (Suisse) S.A.
South Africa						
Pirelli Tyre (Pty) Ltd.	Distributor	Gauteng 2090	S.A. Rand	11	100.00%	Pirelli Tyre S.p.A.
E-VOLUTION Tyre South Africa (PTY) Ltd.	Holding	Gauteng 2090	S.A. Rand	100	100.00%	Pirelli Tyre (Pty) Ltd.
Oceania						
Australia						
Pirelli Tyres Australia Pty Ltd.	Distributor	Pymont (NSW)	Aus. \$	150,000	100.00%	Pirelli Tyre (Suisse) S.A.
Asia						
China						
Pirelli Logistics (Yanzhou) Co., Ltd.	Service provider	Jining	Chinese Yuan	5,000,000	100.00%	Pirelli Tyre Co., Ltd.
Pirelli Trading (Beijing) Co., Ltd.	Service provider	Beijing	Chinese Yuan	4,200,000	100.00%	Pirelli Tyre S.p.A.
Pirelli Tyre (Jiaozuo) Co., Ltd.	Manufacturer	Jiaozuo	Chinese Yuan	350,000,000	80.00%	Pirelli Tyre S.p.A.
Pirelli Tyre Co., Ltd.	Manufacturer and distributor	Yanzhou	Chinese Yuan	2,471,150,000	90.00%	Pirelli China Tyre N.V.
Pirelli Tyre Trading (Shanghai) Co., Ltd.	Service provider	Shanghai	US \$	700,000	100.00%	Pirelli China Tyre N.V.
Korea						
Pirelli Korea Ltd.	Distributor	Seoul	Korean Won	100,000,000	100.00%	Pirelli Asia Pte Ltd.
United Arab Emirates						
Pirelli Tyre MEAI DMCC	Distributor	Dubai	AED	50,000	100.00%	Pirelli Asia Pte Ltd.
Japan						
Pirelli Japan Kabushiki Kaisha	Distributor	Tokyo	Jap. Yen	2,200,000,000	100.00%	Pirelli Tyre S.p.A.
Singapore						
Pirelli Asia Pte Ltd.	Distributor	Singapore	Sing. \$	2	100.00%	Pirelli Tyre (Suisse) S.A.

Investments accounted for by the equity method

Company	Business	Headquarters	Currency	Share Capital	% holding	Held by
Europe						
Germany						
Industriekraftwerk Breuberg GmbH	Electricity generation	Hoechst / Odenwald	Euro	1,533,876	26.00%	Pirelli Deutschland GmbH
Greece						
Eco Elastika S.A.	Tyre	Athens	Euro	60,000	20.00%	Elastika Pirelli C.S.A.
Italy						
Consorzio per la Ricerca di Materiali Avanzati (CORIMAV)	Financial	Milan	Euro	103,500	100.00%	Pirelli & C. S.p.A.
Eurostazioni S.p.A.	Financial	Rome	Euro	160,000,000	32.71%	Pirelli & C. S.p.A.
Poland						
Centrum Utylizacji Opon Organizacja Odzysku S.A.	Tyre	Warsaw	Pln	1,008,000.00	20.00%	Pirelli Polska Sp. z o.o.
Slovakia						
ELT Management Company Slovakia S.R.O.	Tyre	Bratislava	Euro	132,000.00	20.00%	Pirelli Slovakia S.R.O.
Romania						
S.C. Eco Anvelope S.A.	Tyre	Bucharest	Rom. Leu	160,000	20.00%	S.C. Pirelli Tyres Romania S.r.l.
Spain						
Signus Ecovalor S.L.	Tyre	Madrid	Euro	200,000	20.00%	Pirelli Neumaticos S.A. - Sociedad Unipersonal
Asia						
China						
Xushen Tyre (Shanghai) Co, Ltd	Tyre	Shanghai	Chinese Yuan	1,050,000,000	49.00%	Pirelli Tyre S.p.A.
Jining Shenzhou Tyre Co, Ltd	Tyre	Jining City	Chinese Yuan	1,050,000,000	100.00%	Xushen Tyre (Shanghai) Co, Ltd
Indonesia						
PT Evoluzione Tyres	Tyre	Subang	Rupees	1,313,238,780,000	63.04%	Pirelli Tyre S.p.A.

CERTIFICATION OF THE CONDENSED INTERIM FINANCIAL STATEMENTS PURSUANT TO ARTICLE 154-BIS OF LEGISLATIVE DECREE 58 OF FEBRUARY 24, 1998, AND PURSUANT TO ARTICLE 81-TER OF CONSOB REGULATION NO. 11971 OF MAY 14, 1999, AS AMENDED

1. The undersigned Marco Tronchetti Provera, in his capacity as Executive Vice Chairman and Chief Executive Officer, and Fabio Bocchio, in his capacity as Corporate Financial Reporting Manager of Pirelli & C. S.p.A. hereby certify pursuant to, inter alia, Article 154-*bis*, clauses 3 and 4, of Legislative Decree 58 of February 24, 1998:

- the adequacy in relation to the characteristics of the company and
- the effective application

of the administrative and accounting procedures for preparation of the condensed interim financial statements, during the period January 1, 2023 – June 30, 2023.

2. In this regard it should be noted that the adequacy of the administrative and accounting procedures for preparation of the condensed interim financial statements referred to the period January 1, 2023 – June 30, 2023, was determined on the basis of an assessment of the internal control system. This assessment was based on a specific process defined in accordance with the criteria laid down in the “Internal Control – Integrated Framework” guidelines issued by the “Committee of Sponsoring Organizations of the Treadway Commission” (COSO), which is a reference framework generally accepted at the international level.

3. We also certify that:

3.1. the condensed interim financial statements:

- a. were prepared in accordance with the applicable international accounting standards recognized in the European Union under the terms of Regulation (EC) 1606/2002 of the European Parliament and Council, of July 19, 2002;
- b. correspond to the information in the account ledgers and books;
- c. give a true and fair view of the assets, liabilities, income, expenses and financial position of the reporting entity and of the Group of companies included in the scope of consolidation.

3.2. The interim report on operations includes a reliable analysis of the significant events mentioned in the report that occurred during the first six months of the year and their impact on the condensed interim financial statements, together with a description of the principal risks and uncertainties faced in the remaining six months of the year.

The interim report on operations also contains a reliable analysis of the information provided on material transactions with related parties.

July 27, 2023

The Executive Vice Chairman and Chief
Executive Officer



(Marco Tronchetti Provera)

The Corporate Financial Reporting Manager



(Fabio Bocchio)



PIRELLI & C. SPA

**REVIEW REPORT ON CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS AS OF AND FOR THE SIX-MONTH
PERIOD ENDED 30 JUNE 2023**



REVIEW REPORT ON CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

To the shareholders of
Pirelli & C. SpA

Foreword

We have reviewed the accompanying condensed consolidated interim financial statements of Pirelli & C. SpA and its subsidiaries (Pirelli & C. group) as of and for the six-month period ended 30 June 2023 comprising the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity, the statement of cash flows and the related notes. Pirelli & C. SpA directors are responsible for the preparation of the condensed consolidated interim financial statements in accordance with international accounting standard applicable to interim financial reporting (IAS34) as adopted by the European Union. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of the review

We conducted our work in accordance with the criteria for a review recommended by Consob in Resolution 10867 of 31 July 1997. A review of condensed consolidated interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than a full-scope audit conducted in accordance with International Standards on Auditing (ISA Italia) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the condensed consolidated interim financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements of Pirelli & C. group as of and for the six-month period ended 30 June 2023 have not been prepared, in all material respects, in accordance with the international accounting standard applicable to interim financial reporting (IAS34), as adopted by the European Union.

Milan, 28 July 2023

PricewaterhouseCoopers SpA

Signed by

Paolo Caccini
(Partner)

This report is an English translation of the original report, which was issued in Italian. This report has been prepared solely for the convenience of international readers.

PricewaterhouseCoopers SpA

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