

BASE PROSPECTUS



**Pirelli International plc**  
(incorporated with limited liability in England and Wales)  
and  
**Pirelli & C. S.p.A.**  
(incorporated with limited liability as a Società per Azioni in the Republic of Italy)  
as Issuers

**€2,000,000,000**  
**Euro Medium Term Note Programme**  
guaranteed on the basis set out below by

**Pirelli Tyre S.p.A.**  
(incorporated with limited liability as a Società per Azioni in the Republic of Italy)  
or  
**Pirelli & C. S.p.A.**

Under this €2,000,000,000 Euro Medium Term Note Programme (the "**Programme**"), Pirelli International plc ("**Pirelli International**") and Pirelli & C. S.p.A. ("**Pirelli**") (each an "**Issuer**" and together, the "**Issuers**") may from time to time each issue notes (the "**Notes**") denominated in any currency agreed between the relevant Issuer and the relevant Dealer (as defined below).

The payments of all amounts due in respect of the Notes issued by Pirelli International will be unconditionally and irrevocably (subject as described below) guaranteed by either Pirelli Tyre S.p.A. ("**Pirelli Tyre**") or Pirelli as specified in the applicable Final Terms or, in the case of Exempt Notes, the applicable Pricing Supplement (in such capacity, a "**Guarantor**"). Notes issued by Pirelli will be unconditionally and irrevocably guaranteed (subject as described below) by Pirelli Tyre if so specified as a Guarantor in the applicable Final Terms or, in the case of Exempt Notes, the applicable Pricing Supplement (in such capacity, a "**Guarantor**", and together with Pirelli in its capacity as Guarantor as described above, "**Guarantors**"). If no Guarantor is specified in the applicable Final Terms or, in the case of Exempt Notes, the applicable Pricing Supplement, Notes issued by Pirelli will not have the benefit of a guarantee (subject to Condition 2.3 (*Release and Appointment of Guarantor*)). In each case, under certain circumstances, the relevant Guarantor may be released from its obligation to guarantee the Notes and/or a new Guarantor may provide a guarantee of the Notes, as described in Condition 2.3 (*Release and Appointment of Guarantor*) of the Terms and Conditions of the Notes. References herein to "**Guaranteed Notes**" are to Notes which are for the time being guaranteed by Pirelli or Pirelli Tyre as set out above.

The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed €2,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement described herein), subject to increase as described herein.

The Notes may be issued on a continuing basis to one or more of the Dealers specified under "*Overview of the Programme*" and any additional Dealer appointed under the Programme from time to time by an Issuer (each a "**Dealer**" and together the "**Dealers**"), which appointment may be for a specific issue or on an ongoing basis. References in this Base Prospectus to the "**relevant Dealer**" shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Notes.

**An investment in Notes issued under the Programme involves certain risks. For a discussion of these risks see "*Risk Factors*".**

Application has been made to the *Commission de Surveillance du Secteur Financier* (the "**CSSF**") in its capacity as competent authority under the Luxembourg Act dated 10 July 2005 on prospectuses for securities, as amended (the "**Prospectus Act 2005**") to approve this document as a base prospectus. The CSSF assumes no responsibility for the economic and financial soundness of the transactions contemplated by this Base Prospectus or the quality or solvency of the Issuers in accordance with Article 7(7) of the Prospectus Act 2005. Application has also been made to the Luxembourg Stock Exchange for Notes issued under the Programme to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the Official List of the Luxembourg Stock Exchange.

References in this Base Prospectus to Notes being "**listed**" (and all related references) shall mean that such Notes have been admitted to trading on the Luxembourg Stock Exchange's regulated market and have been admitted to the Official List of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of Directive 2014/65/EU (as amended, "**MIFID II**").

The requirement to publish a prospectus under the Prospectus Directive only applies to Notes which are to be admitted to trading on a regulated market in the European Economic Area and/or offered to the public in the European Economic Area other than in circumstances where an exemption is available under Article 3.2 of the Prospectus Directive (as implemented in the relevant Member State(s)). References in this Base Prospectus to "**Exempt Notes**" are to Notes for which no prospectus is required to be published under the Prospectus Directive. **The CSSF has neither approved nor reviewed information contained in this Base Prospectus in connection with Exempt Notes.**

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and certain other information which is applicable to each Tranche (as defined under "*Terms and Conditions of the Notes*") of Notes will (other than in the case of Exempt Notes, as defined above) be set out in a final terms document (the "**Final Terms**") which will be filed with the CSSF. This Base Prospectus and the Final Terms in relation to Notes to be listed on the Official List of the Luxembourg Stock Exchange will also be published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)). In the case of Exempt Notes, notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and certain other information which is applicable to each Tranche will be set out in a pricing supplement document (the "**Pricing Supplement**").

The Programme provides that Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the relevant Issuer, the relevant Guarantor and the relevant Dealer. The Issuers may also issue unlisted Notes and/or Notes not admitted to trading on any market.

The Notes have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States, and Notes in bearer form are subject to U.S. tax law requirements. The Notes may not be offered, sold or (in the case of Notes in bearer form) delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("**Regulation S**")) except in certain transactions exempt from the registration requirements of the Securities Act.

Amounts payable under the Notes may be calculated by reference, inter alia, to EURIBOR or LIBOR, or such other reference rate as specified in the relevant Final Terms. As at the date of this Base Prospectus, ICE Benchmark Administration (as administrator of LIBOR) is included in the European Securities and Markets Authority's ("**ESMA**") register of administrators under Article 36 of Regulation (EU) No. 2016/1011 (the "**Benchmarks Regulation**"). As at the date of this Base Prospectus, the European Money Markets Institute (as administrator of EURIBOR) is not included in ESMA's register of administrators under Article 36 of the Benchmarks Regulation. As far as the Issuers are aware, the transitional provisions in Article 51 of the Benchmarks Regulation apply, such that the administrator of EURIBOR is not currently required to obtain authorisation/registration (or, if located outside the European Union, recognition, endorsement or equivalence).

**Arranger**  
BNP PARIBAS

**Dealers**

Banca IMI  
BofA Merrill Lynch  
HSBC  
Mediobanca – Banca di Credito Finanziario S.p.A.

BNP PARIBAS  
Commerzbank  
J.P. Morgan  
Mizuho Securities  
UniCredit Bank

The date of this Base Prospectus is 19 December 2018.

## IMPORTANT INFORMATION

This Base Prospectus comprises a base prospectus in respect of all Notes other than Exempt Notes issued under the Programme for the purposes of Article 5.4 of Directive 2003/71/EC as amended or superseded (the "**Prospectus Directive**").

The Issuers and the Guarantors jointly and severally accept responsibility for the information contained in this Base Prospectus and the relevant Issuer and the relevant Guarantor (if any) accept responsibility for the information contained in the applicable Final Terms, or, in the case of Exempt Notes, the applicable Pricing Supplement, for each Tranche of Notes issued under the Programme. To the best of the knowledge of the Issuers and the Guarantors (each having taken all reasonable care to ensure that such is the case) the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Base Prospectus is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "*Documents Incorporated by Reference*"). This Base Prospectus shall be read and construed on the basis that such documents are incorporated and form part of this Base Prospectus.

The requirement to publish a prospectus under the Prospectus Directive only applies to Notes which are to be admitted to trading on a regulated market in the European Economic Area and/or offered to the public in the European Economic Area other than in circumstances where an exemption is available under Article 3.2 of the Prospectus Directive (as implemented in the relevant Member State(s)). References in this Base Prospectus to "**Exempt Notes**" are to Notes for which no prospectus is required to be published under the Prospectus Directive.

Neither the Dealers nor the Trustee nor the Agents (as defined below under "*Terms and Conditions of the Notes*") have independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers or the Trustee as to the accuracy or completeness of the information contained or incorporated in this Base Prospectus or any other information provided by the Issuers or the Guarantors in connection with the Programme. None of the Dealers or the Trustee or the Agents accept any liability in relation to the information contained or incorporated by reference in this Base Prospectus or any other information provided by the Issuers or the Guarantors in connection with the Programme.

No person is or has been authorised by the Issuers, the Guarantors or the Trustee to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuers, the Guarantors, any of the Dealers or the Trustee.

Neither this Base Prospectus nor any other information supplied in connection with the Programme or any Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuers, the Guarantors, any of the Dealers or the Trustee that any recipient of this Base Prospectus or any other information supplied in connection with the Programme or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuers and/or the Guarantors. Neither this Base Prospectus nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuers or the Guarantors, any of the Dealers or the Trustee to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Base Prospectus nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuers and/or the Guarantors is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers and the Trustee expressly do not undertake to review the financial condition or affairs of the Issuers or the Guarantors during the life of the Programme or to advise any investor in the Notes of any information coming to their attention.

The Dealers will not regard any actual or prospective holders of Notes (whether or not a recipient of this Base Prospectus and/or the relevant Final Terms or Pricing Supplement) as their client in relation to the offering described in this Base Prospectus and/or the relevant Final Terms or Pricing Supplement and will not be responsible to anyone other than the Issuer for providing the protections afforded to its clients nor for providing the services in relation to the offering described in this Base Prospectus and/or the relevant Final Terms or Pricing Supplement or any transaction or arrangement referred to herein or therein.

## **IMPORTANT INFORMATION RELATING TO THE USE OF THIS BASE PROSPECTUS AND OFFERS OF NOTES GENERALLY**

This Base Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Base Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuers, the Guarantors, the Dealers and the Trustee do not represent that this Base Prospectus may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuers, the Guarantors, the Dealers or the Trustee which is intended to permit a public offering of any Notes or distribution of this Base Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Base Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Base Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Base Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of Notes in the United States, the European Economic Area (including the United Kingdom, the Republic of Italy and France), Japan, Hong Kong, and the PRC, see "*Subscription and Sale*".

This Base Prospectus has been prepared on a basis that would permit an offer of Notes with a denomination of less than €100,000 (or its equivalent in any other currency) only in circumstances where there is an exemption from the obligation under the Prospectus Directive to publish a prospectus. As a result, any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**") must be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes. Accordingly any person making or intending to make an offer of Notes in that Relevant Member State may only do so in circumstances in which no obligation arises for an Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuers nor any Dealer have authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Issuers or any Dealer to publish or supplement a prospectus for such offer.

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

- (i) has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;
- (ii) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

- (iv) understands thoroughly the terms of the Notes and is familiar with the behaviour of any relevant indices and financial markets; and
- (v) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), and are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (see "*Subscription and Sale*").

#### **IMPORTANT – EEA Retail Investors**

If the Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement) in respect of any Notes includes a legend entitled "*Prohibition of Sales to EEA Retail Investors*", the Notes are not intended to be offered, sold or otherwise made available to and, should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive 2002/92/EC (as amended or superseded), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

**MIFID II product governance / target market** – The Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement) in respect of any Notes may include a legend entitled "*MiFID II Product Governance*" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**Distributor**") should take into consideration the target market assessment; however, a Distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels. A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the "**MiFID Product Governance Rules**"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MIFID Product Governance Rules.

#### **PRESENTATION OF INFORMATION**

In this Base Prospectus, all references to:

- "**U.S. dollars**", "**U.S.\$**" and "**\$**" refer to United States dollars;
- "**Sterling**" and "**£**" refer to pounds sterling;
- "**euro**" and "**€**" refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended;
- "**Renminbi**" and "**CNY**" refer to the lawful currency of the PRC; and

- "PRC" refers to the People's Republic of China excluding the Hong Kong Special Administrative Region of the People's Republic of China ("**Hong Kong**"), the Macau Special Administrative Region of the People's Republic of China and Taiwan.

### **FORWARD-LOOKING STATEMENTS**

This Base Prospectus contains certain forward-looking statements. The words "anticipate", "believe", "expect", "plan", "intend", "targets", "aims", "estimate", "project", "will", "would", "may", "could", "continue" and similar expressions are intended to identify forward-looking statements. All statements other than statements of historical fact included in this Base Prospectus, including, without limitation, those regarding the financial position, business strategy, management plans and objectives for future operations of the Issuers and the Guarantors are forward looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause actual results, performance or achievements, or industry results, to be materially different from those expressed or implied by these forward-looking statements. These forward looking statements are based on numerous assumptions regarding present and future business strategies and the environment in which Pirelli and its Subsidiaries (the "**Pirelli Group**") expects to operate in the future. Important factors that could cause actual results, performance or achievements to differ materially from those in the forward looking statements include, among other factors described in this Base Prospectus:

- the ability to realise the benefits expected from existing and future investments in the Pirelli Group's existing operations and pending expansion and development projects;
- the ability to obtain requisite governmental or regulatory approvals to undertake planned or proposed terminal development projects;
- the ability to obtain external financing or maintain sufficient capital to fund existing and future operations;
- changes in political, social, legal or economic conditions in the markets in which the Pirelli Group and its customers operate;
- changes in the competitive environment in which the Pirelli Group and its customers operate;
- failure to comply with regulations applicable to the Pirelli Group's business;
- fluctuations in the currency exchange rates in the markets in which the Pirelli Group operates;

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "*Risk Factors*". Any forward-looking statements made by or on behalf of the Issuers or the Guarantors speak only as at the date they are made. None of the Issuers nor the Guarantors undertakes to update forward-looking statements to reflect any changes in their expectations with regard thereto or any changes in events, conditions or circumstances on which any such statement is based.

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## STABILISATION

**In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the Stabilising Manager(s) (or persons acting on behalf of the Stabilising Manager(s)) in accordance with all applicable laws and rules.**

## OVERVIEW OF THE PROGRAMME

The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Base Prospectus and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement).

This Overview constitutes a general description of the Programme for the purposes of Article 22.5(3) of Commission Regulation (EC) No 809/2004 (as amended) implementing the Prospectus Directive (the "**Prospectus Regulation**").

Words and expressions defined in "*Form of the Notes*" and "*Terms and Conditions of the Notes*" shall have the same meanings in this Overview.

**Issuers:** Pirelli International plc ("**Pirelli International**") and Pirelli & C. S.p.A. ("**Pirelli**")

**Guarantors:** Pirelli Tyre S.p.A. ("**Pirelli Tyre**") or Pirelli, in respect of Notes issued by Pirelli International, as specified in the applicable Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement), subject, in each case, to Condition 2.3 (*Release and Appointment of Guarantor*).

Pirelli Tyre, in respect of Notes issued by Pirelli if specified in the applicable Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement), subject to Condition 2.3 (*Release and Appointment of Guarantor*).

**Risk Factors:** There are certain factors that may affect an Issuer's ability to fulfil its obligations under Notes issued under the Programme. These are set out under "*Risk Factors*" below. There are also certain factors that may affect the Guarantors' ability to fulfil their obligations under the Guarantees. These are also set out under "*Risk Factors*" below. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme. These are set out under "*Risk Factors*" and include certain risks relating to the structure of particular Series of Notes, certain risks relating to Notes denominated in Renminbi and certain market risks.

**Description:** Euro Medium Term Note Programme

**Arranger:** BNP PARIBAS

**Dealers:** Banca IMI S.p.A.  
BNP PARIBAS  
Commerzbank Aktiengesellschaft  
HSBC Bank plc  
J.P. Morgan Securities plc  
Mediobanca – Banca di Credito Finanziario S.p.A.  
Merrill Lynch International  
Mizuho International plc  
UniCredit Bank AG  
and any other Dealers appointed in accordance with the Programme Agreement.

**Certain Restrictions:** Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see "*Subscription and Sale*") including the following restrictions applicable at the date of



this Base Prospectus.

*Notes having a maturity of less than one year*

Where Notes have a maturity of less than one year and either (a) the issue proceeds are received by an Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by an Issuer in the United Kingdom, such Notes must: (i) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses; or (ii) be issued in other circumstances which do not constitute a contravention of section 19 of the Financial Services and Markets Act 2000 by an Issuer.

<b>Trustee:</b>	Deutsche Trustee Company Limited.
<b>Issuing and Principal Paying Agent:</b>	Deutsche Bank AG, London Branch.
<b>Programme Size:</b>	Up to €2,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding at any time. The Issuers and the Guarantors may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
<b>Distribution:</b>	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
<b>Currencies:</b>	Notes may be denominated in any currency agreed between the relevant Issuer and the relevant Dealer, subject to any applicable legal or regulatory restrictions.
<b>Maturities:</b>	The Notes will have such maturities as may be agreed between the relevant Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Issuer or the relevant Specified Currency.
<b>Issue Price:</b>	Notes may be issued on a fully-paid or, in the case of Exempt Notes, a partly-paid basis and at an issue price which is at par or at a discount to, or premium over, par.
<b>Form of Notes:</b>	The Notes will be issued in bearer form as described in " <i>Form of the Notes</i> ".
<b>Fixed Rate Notes:</b>	Fixed interest will be payable on such date or dates as may be agreed between the relevant Issuer and the relevant Dealer and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the relevant Issuer and the relevant Dealer.
<b>Floating Rate Notes:</b>	Floating Rate Notes will bear interest at a rate determined:  (a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps

and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or

- (b) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or
- (c) on such other basis as may be agreed between the relevant Issuer and the relevant Dealer, for Exempt Notes only.

The margin (if any) relating to such floating rate will be agreed between the relevant Issuer and the relevant Dealer for each Series of Floating Rate Notes.

Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both.

Interest on Floating Rate Notes in respect of each Interest Period, as agreed prior to issue by the relevant Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the relevant Issuer and the relevant Dealer.

**Zero Coupon Notes:**

Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.

**Exempt Notes:**

An Issuer may issue Exempt Notes (Notes which are neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive) which are Index Linked Notes, Dual Currency Notes, Partly Paid Notes or Notes redeemable in one or more instalments.

**Index Linked Notes:** Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula or to changes in the prices of securities or commodities or to such other factors as the relevant Issuer and the relevant Dealer may agree.

**Dual Currency Notes:** Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as the relevant Issuer and the relevant Dealer may agree.

**Partly Paid Notes:** The relevant Issuer may issue Notes in respect of which the issue price is paid in separate instalments in such amounts and on such dates as the relevant Issuer and the relevant Dealer may agree.

**Notes redeemable in instalments:** The relevant Issuer may issue Notes which may be redeemed in separate instalments in such amounts and on such dates as the relevant Issuer and the relevant Dealer may agree.

The relevant Issuer and the Guarantor or, if the Issuer is Pirelli International, the Guarantors, if applicable, may agree with any Dealer and the Trustee that Exempt Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes, in which event the relevant provisions will be included in the applicable

## Pricing Supplement.

### **Redemption:**

The applicable Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement) will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than in the case of Exempt Notes in specified instalments, if applicable, or for taxation reasons (as provided in Condition 6.2 (*Redemption for tax reasons*)) or following an Event of Default) or that such Notes will be redeemable at the option of the relevant Issuer and/or the Noteholders upon giving notice to the Noteholders or the relevant Issuer, or upon the occurrence of a Change of Control Put Event (as defined in Condition 6.4 (*Redemption at the option of the Noteholders (Investor Put/Change of Control Put)*)), as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the relevant Issuer and the relevant Dealer.

Unless previously redeemed or purchased and cancelled, each Note, which is not a Zero Coupon Note or an Exempt Note, will be redeemed at an amount equal to at least 100 per cent. of its nominal amount on its scheduled maturity date.

Notes having a maturity of less than one year are (in the case of Notes issued by Pirelli International) or may be (in the case of Notes issued by Pirelli) subject to restrictions on their denomination and distribution, see "*Certain Restrictions — Notes having a maturity of less than one year*" above.

### **Make-Whole Issuer Call**

The Issuer may redeem at any time in whole or in part any Series of the Notes then outstanding at an amount equal to the Make-Whole Amount together with interest (if any) accrued to (but excluding) the relevant redemption date, having given not less than 25 days nor more than 60 days prior notice to the Noteholders in accordance with Condition 12 (*Notices*). See "*Terms and Conditions of the Notes — Condition 6.10 (Make-Whole Issuer Call)*".

### **Denomination of Notes:**

The Notes will be issued in such denominations as may be agreed between the relevant Issuer and the relevant Dealer save that the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency, see "*Certain Restrictions — Notes having a maturity of less than one year*" above, and save that the minimum denomination of each Note (other than an Exempt Note) will be €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency).

### **Taxation:**

All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by any Tax Jurisdiction as provided in Condition 7 (*Taxation*) unless such deduction or withholding is required by law. In the event that any such deduction is made, the relevant Issuer or, as the case may be, the Guarantor (if the Notes are Guaranteed Notes) will, save in certain circumstances provided in Condition 7 (*Taxation*), be required to pay additional amounts to cover the amounts so deducted.

### **Negative Pledge:**

The terms of the Notes will contain a negative pledge provision as further described in Condition 3 (*Negative Pledges*).

### **Cross Default:**

The terms of the Notes will contain a cross default provision as

further described in Condition 8.1 (*Events of Default*).

**Status of the Notes:**

The Notes will constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 3 (*Negative Pledges*)) unsecured obligations of the relevant Issuer and will rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the relevant Issuer, from time to time outstanding.

**Guarantee:**

Notes issued by Pirelli International will be unconditionally and irrevocably guaranteed by either Pirelli Tyre or Pirelli, as specified in the applicable Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement), subject, in each case, to Condition 2.3 (*Release and Appointment of Guarantor*).

Notes issued by Pirelli may be unconditionally and irrevocably, guaranteed by Pirelli Tyre if it is specified as a Guarantor in the applicable Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement) or, if it is not so specified, in the circumstances set out in Condition 2.3 (*Release and Appointment of Guarantor*). Subject as set out above, if no Guarantor is specified in the applicable Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement), Notes issued by Pirelli will not have the benefit of a guarantee.

If the Notes are for the time being guaranteed by Pirelli or Pirelli Tyre as set out above ("**Guaranteed Notes**"), the obligations of the relevant Guarantor under its guarantee will be direct, unconditional and (subject to the provisions of Condition 3 (*Negative Pledges*)) unsecured obligations of such Guarantor and will rank *pari passu* and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of such Guarantor from time to time outstanding.

Under certain circumstances, the relevant Guarantor may be released from its obligation to guarantee the Notes and/or a new guarantor may provide a guarantee of the Notes, as described in Condition 2.3 (*Release and Appointment of Guarantor*).

**Rating:**

The Programme has not been rated.

**Listing and Admission to Trading:**

Application has been made to the CSSF to approve this document as a base prospectus. Application has also been made to the Luxembourg Stock Exchange for Notes issued under the Programme to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the Official List of the Luxembourg Stock Exchange.

Notes may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the relevant Issuer and the relevant Dealer in relation to the Series. Notes which are neither listed nor admitted to trading on any market may also be issued.

The Issuers may also issue unlisted Notes and/or Notes not admitted to trading on any market.

The applicable Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement) will state whether or not the relevant Notes are to be listed and/or admitted to trading and, if so, on which

stock exchanges and/or markets.

**Governing Law:**

The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and shall be construed in accordance with, English law.

The Terms and Conditions of the Notes, the Trust Deed, the Agency Agreement, the Notes, the Receipts, the Coupons and any non-contractual obligations arising out of or in connection with these Conditions, the Trust Deed, the Agency Agreement, the Notes, the Receipts and the Coupons are governed by, and shall be construed in accordance with, English law. In respect of Notes issued by Pirelli, Condition 13.1(b) (*Meetings of Noteholders*) and 13.2 (*Noteholders' Representative*) and Schedule 3 Part 2 of the Trust Deed (*Provisions for Meetings of Noteholders – For Notes issued by Pirelli*) are subject to compliance with, and shall be construed in accordance with, the laws of the Republic of Italy.

**Selling Restrictions:**

There are restrictions on the offer, sale and transfer of the Notes in the United States, the European Economic Area (including the United Kingdom, France and the Republic of Italy), Japan, Hong Kong, and the PRC and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes, see "*Subscription and Sale*".

**United States Selling Restrictions:**

Regulation S, Category 2. TEFRA C or D/TEFRA not applicable, as specified in the applicable Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement).

## RISK FACTORS

*The relevant Issuer and the Guarantor(s) believe that the following risk factors may affect their ability to fulfil their obligations under Notes issued under the Programme. All of these risk factors are contingencies which may or may not occur and the relevant Issuer and the Guarantor(s) are not in a position to express a view on the likelihood of any such contingency occurring. In addition, risk factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below. Where such risks are expressed below to apply to the Pirelli Group, they are also relevant for the relevant Issuer and the Guarantor(s) and should be construed as such.*

*The Issuers and the Guarantor(s) believe that the risk factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of the relevant Issuer and the Guarantor(s) to pay interest, principal or other amounts on or in connection with Notes issued under the Programme may occur for other reasons which may not be considered significant risks by the relevant Issuer and the Guarantor(s) based on information currently available to them or which they may not currently be able to anticipate. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus (including, without limitation, any documents incorporated by reference herein) and reach their own views prior to making any investment decision, based upon their own judgment and upon advice from such financial, legal and tax advisers as they have deemed necessary.*

*Words and expressions defined in "Terms and Conditions of the Notes", or elsewhere in this Base Prospectus have the same meaning in this section. Prospective investors should read the entire Base Prospectus.*

### **FACTORS THAT MAY AFFECT THE ABILITY OF PIRELLI, PIRELLI INTERNATIONAL OR PIRELLI TYRE TO FULFIL THEIR OBLIGATIONS UNDER THE NOTES**

#### **Risks associated with the Pirelli Group's businesses**

##### *The Pirelli Group is exposed to the credit risk of its commercial partners*

Credit risk reflects the Pirelli Group's exposure to potential losses should the Pirelli Group's commercial partners fail to fulfil their obligations. The Pirelli Group's credit risk mitigation and management of trade receivables are governed by procedures for assessing the customer's financial capacity and soundness, monitoring expected cash flows and any recovery actions. Notwithstanding the measures the Pirelli Group has implemented to avoid concentrations of risk and/or business and identify the parameters and conditions for performance of hedging operations, there remains a risk that some of the Pirelli Group's clients could delay payment or fail to pay according to the agreed terms and conditions. If this were to occur, the Pirelli Group may be required to seek recovery of payments through legal action, which would cause the Pirelli Group to incur additional costs and expenses, and, assuming such recovery actions were to be successful, result in delays in receiving payment, any of which could have a material adverse effect on the Pirelli Group's business, financial condition and results of operations.

##### *This Base Prospectus contains alternative performance measures*

The documents incorporated by reference in this Base Prospectus contain certain performance measures which, although not recognised as financial measures under International Financial Reporting Standards ("IFRS"), under generally accepted accounting principles in the Republic of Italy and under United Kingdom General Accepted Accounting Practice (including Financial Reporting Standard 101) are used by the management of Pirelli, Pirelli Tyre and Pirelli International to monitor their financial and operating performance. In particular:

- *EBIT (Earning Before Interest and Taxes) (Operating income(loss))*: is an intermediate measure, which is derived from the "Net income (loss)" but which excludes the "Net income (loss) from discontinued operations", "Tax", "Financial income", "Financial expenses" and the "Net income (loss) from equity investments". EBIT is used to measure the ability to generate earnings from operations, including the impact of investing activities.
- *EBIT (Earning Before Interest and Taxes) adjusted (or Adjusted EBIT before non-recurring and restructuring charges and PPA amortization)*: calculated by adjusting EBIT for amortisation of

intangible assets relative to assets recognised as a consequence of Business Combinations and non-recurring and restructuring expenses and, with reference to the first half-year of 2018 and to the first nine months of 2018, for the expenses relative to the retention plan approved by the Board of Directors on February 26, 2018. EBIT adjusted is an alternative indicator to EBIT, that excludes certain identified items, such as non-recurring expenses, restructuring charges, PPA amortization and for 2018 retention bonus.

- *EBIT (Earning Before Interest and Taxes) adjusted without start-up costs (or Adjusted EBIT before non-recurring and restructuring charges and start-up costs):* is equal to the EBIT adjusted but excludes the contribution to the operating income (start-up costs) of the Cyber and Velo activities, the costs for the conversion of Aeolus brand car products, and costs sustained for the digital transformation of Pirelli. EBIT adjusted without start-up costs is an alternative indicator to EBIT adjusted that excludes start-up costs.
- *EBIT (Earning Before Interest and Taxes) margin adjusted:* calculated by dividing EBIT Adjusted by “Revenues from sales and services” (net sales). This ratio is used to evaluate the operational efficiency, excluding non-recurring expenses, restructuring charges, PPA amortization and, for 2018, retention bonus.
- *EBIT (Earning Before Interest and Taxes) margin adjusted without start-up costs:* calculated by dividing Adjusted EBIT without start-up costs by “Revenues from sales and services” (net sales). This ratio is an alternative indicator to EBIT margin adjusted that excludes start-up costs.
- *EBITDA (Earning Before Interest, Taxes, Depreciation and Amortization):* is equal to the EBIT, from which the depreciation and amortisation of property, plant and equipment and intangible assets are excluded. EBITDA is used to measure the ability to generate earnings from operations, excluding the impact of investing activities.
- *EBITDA (Earning Before Interest, Taxes, Depreciation and Amortization) adjusted:* calculated by adjusting EBITDA for non-recurring and restructuring expenses and, with reference to the first half-year of 2018 and to the first nine months of 2018, for the expenses relative to the retention plan approved by the Board of Directors on February 26, 2018. EBITDA adjusted is an alternative indicator to EBITDA, that excludes certain identified items, such as non-recurring expenses, restructuring charges, PPA amortization and for 2018 retention bonus.
- *EBITDA (Earning Before Interest, Taxes, Depreciation and Amortization) adjusted without start-up costs (or Adjusted EBITDA before non-recurring and restructuring charges and before start-up costs):* is equal to EBITDA adjusted but excludes the contribution to the gross operating margin (start-up costs) of the Cyber and Velo activities, the costs for the conversion of Aeolus brand car products, and costs sustained for the digital transformation of Pirelli. EBITDA adjusted without start-up costs is an alternative indicator to EBITDA adjusted that excludes start-up costs.
- *EBITDA (Earning Before Interest, Taxes, Depreciation and Amortization) margin adjusted:* calculated by dividing EBITDA adjusted by revenues from sales and services. This ratio is used to evaluate the operational efficiency excluding the impact of investments activities and excluding non-recurring expenses, restructuring charges, PPA amortization and, for 2018, retention bonus.
- *EBITDA (Earning Before Interest, Taxes, Depreciation and Amortization) margin adjusted without start-up costs:* calculated by dividing EBITDA adjusted without start-up costs by revenues from sales and services (net sales). This ratio is an alternative indicator to EBITDA margin adjusted that excludes start-up costs.
- *Net income (loss) related to continuing operations (Consumer) adjusted:* calculated by adjusting the “Net income (loss) related to continuing operations” for the following items: (i) the amortisation of intangible assets related to assets recognised as a consequence of Business Combinations, operational costs due to non-recurring and restructuring expenses and, with reference to the first half-year of 2018 and to the first nine months of 2018, the expenses relative to the retention plan approved by the Board of Directors on February 26, 2018, (ii) non-recurring costs/income recognised under financial income and expenses; (iii) non-recurring costs/income

recognised as a tax item, as well as the tax impact relative to the adjustments referred to in the previous points. Net income (loss) related to continuing operations (Consumer) adjusted is used to measure the net profitability, excluding the impact of the above-mentioned items.

- *Fixed assets related to continuing operations*: this measure is constituted by the sum of the items "Property, plant and equipment", "Intangible assets", "Investments in associates and joint ventures" and "Other financial assets" (or "Other financial assets at fair value recognised in the Statement of Comprehensive Income", as defined following the IFRS 9 adoption from 1 January 2018). Fixed assets related to continuing operations represents the long term assets included in the net invested capital.
- *Provisions*: this measure is constituted by the sum of "Provisions for liabilities and charges (current and non-current)", "Employee benefit obligations (current and non-current)" and "Provisions for deferred taxes". "Provisions" is used to measure the amount of liabilities related to probable and not certain obligations.
- *Operating working capital related to continuing operations*: this measure is constituted by the sum of "Inventory", "Trade receivables" and "Trade payables". Operating working capital related to continuing operations is used to measure the financial equilibrium of trade activities.
- *Net working capital related to continuing operations*: calculated as the operating working capital and other receivables and payables not included in the "Net financial liquidity/(debt) position". Net working capital related to continuing operations represents the short term components (assets and liabilities) included in the net invested capital and is used to measure the financial equilibrium in the short term.
- *Net invested capital held for sale*: calculated as the difference between "Assets held for sale" and "Liabilities held for sale". Net invested capital held for sale is used to measure the net assets related to discontinued operations.
- *Net invested capital*: calculated as the sum of (i) fixed assets related to continuing operations, (ii) net working capital related to continuing operations and (iii) net invested capital held for sale. Net invested capital is used to measure. Net invested capital is used to represent how sources of financing are invested.
- *Average Net Invested Capital excluding financial assets and intangible fixed assets from PPA*: calculated as the average between Net Invested Capital excluding financial assets and intangible fixed assets from PPA at the beginning and at the end of the period. Average Net Invested Capital excluding financial assets and intangible fixed assets from PPA is used to calculate ROI (Return on Investment).
- *ROI (Return On Investment)*: calculated by dividing Adjusted EBIT without start-up costs by Average Net Invested Capital excluding financial assets and intangible fixed assets from PPA. This ratio is used to measure the profitability of invested capital.
- *Net financial debt*: calculated in accordance with CONSOB Communication no. 6064293 of July 28, 2006 and in accordance with ESMA/2013/319 Recommendations. Net financial debt represents the debt position towards banks and financial institutions net of cash and short term assets included in financial position.
- *Total net financial (liquidity)/debt position*: calculated as net financial debt less "Non-current financial receivables" (included in the non-current assets line item "Other receivables") and "Total non-current assets derivatives included in net financial position" (included in the non-current assets line item "Derivative financial instruments"). Total net financial (liquidity)/debt position is an alternative indicator to Net financial debt that includes long-term financial assets.
- *Total net financial (liquidity)debt position/ EBITDA (Earning Before Interest, Taxes, Depreciation and Amortization) adjusted without start-up costs (or Net financial position/Adjusted EBITDA before non-recurring and restructuring charges and before start-up costs)*: calculated as the ratio of Total net financial (liquidity)debt position to EBITDA adjusted without start-up costs. This ratio is used to measure the debt sustainability.



- *CapEx (Capital Expenditures)*: calculated as the sum of: (i) investments (increases) in intangible assets and (ii) investments (increases) in property, plant and equipment. CapEx is used to measure the amount of investments in tangible and intangible assets.
- *CapEx (Capital Expenditures) on revenues*: calculated by dividing CapEx by “Revenues from sales and services”. This ratio is used to measure re-investment of revenues into productive assets.
- *Investments to amortisations*: calculated by dividing investments (increases) in property, plant and equipment by amortisations. This ratio is used to measure the ability to maintain or renew the amount of tangible and intangible assets.

Investors should be aware that these financial measures are not recognised as a measure of performance under IFRS, under generally accepted accounting principles in the Republic of Italy and under United Kingdom General Accepted Accounting Practice (including Financial Reporting Standard 101), they should not be recognised as an alternative to operating income or net income or any other performance measures recognised as being in accordance with IFRS, generally accepted accounting principles in the Republic of Italy, United Kingdom General Accepted Accounting Practice (including Financial Reporting Standard 101) or any other generally accepted accounting principles; and they are used by management to monitor the underlying performance of the business and operations but are not indicative of the historical operating results of the Issuer, nor are they meant to be predictive of future results. Furthermore, since these measures are not measures whose calculation is governed by the accounting standards applicable to the preparation of the consolidated financial statements and are not subject to audit, the criteria that Pirelli, Pirelli Tyre and Pirelli International apply for their calculation may not be consistent with those adopted by other entities and therefore the alternative performance measures used herein may not be comparable with similarly titled data presented by other companies.

***The Pirelli Group faces risks relating to the separation process under the recent Industrial Reorganisation***

Between 2015 and 2017, the Pirelli Group carried out an industrial reorganisation for heavy industrial, agricultural or passenger transportation tyre business including through the contribution of the relevant going concern into a separate entity named Pirelli Industrial S.r.l., subsequently renamed Prometeon Tyre Group S.r.l. ("**PTG**") (the "**Industrial Reorganisation**").

Within this context, transfers of assets or businesses or demerger transactions were finalised in the following countries: Brazil, Colombia, Turkey, Poland, Switzerland, Spain, Germany, Mexico and the United Kingdom. The overall restructuring contemplated the establishment of new consumer companies in only two countries, Colombia and Turkey, these companies being transferees of the consumer tyre assets and business respectively, while in all other countries, the newly incorporated company was registered as the transferee or beneficiary (in the case of a demerger) of the local assets relevant to the activities relating to the Industrial tyres. Such transactions were not preceded by due diligence activities, since they involved companies or assets that had belonged to the Pirelli Group.

The Industrial Reorganisation was completed in 2018 with the following transactions carried out in Argentina and China, respectively: (i) a transfer to a PTG subsidiary in Argentina of the full ownership of the assets related to heavy industrial, agricultural or passenger transportation tyre business owned by Pirelli's subsidiary in Argentina and the acquisition by Pirelli Tyre of the minority stake owned by PTG in Pirelli's subsidiary in Argentina and corresponding to 28.5 per cent. of the registered capital of the latter; and (ii) the acquisition by PTG (and certain PTG subsidiaries) and Aeolus of the equipment and machinery used for the production of inner tubes and tyres to fit heavy vehicles, from Pirelli's subsidiary in China.

The agreements for the transfer of assets and businesses entered into in connection with those transactions include reciprocal representations and warranties (concerning, among other matters, corporate power and authorisation, absence of conflicts, title to assets, and, in respect of the businesses in Colombia, Turkey, Poland, Spain, Argentina and the United Kingdom, personnel and employment law), along with indemnity obligations of the transferor for any liabilities arising in connection with breaches of such representations and warranties. Representations with respect to the Colombian operations also include coverage of relationships with consultants and agents that were transferred as part of the transactions.

The agreements also provide for indemnification of liabilities relating to the period prior to the acquisition that may arise in the future in relation to the transferred assets or business. The indemnity obligations under the agreements are subject to the statutory limitation periods. In the event that (i) liabilities arise that may trigger indemnity obligations for local companies in the Pirelli Group that transferred assets or businesses to PTG subsidiaries, or (ii) in those countries in which the transactions for the transfer to newly-incorporated Consumer companies have been completed (i.e., Colombia and Turkey) there is a breach by a PTG subsidiary of the indemnity obligations they hold, then that may have an adverse effect on the Pirelli Group's business, results of operations, or financial conditions. This could have an adverse effect on the relevant Issuer's or the relevant Guarantor's (if the Notes are Guaranteed Notes) ability to meet their obligations under the Notes.

***The Pirelli Group faces risks relating to M&A transactions***

The agreements entered into in the context of M&A transactions include reciprocal obligations as well as representations and warranties, along with indemnity obligations of the transferor for any liabilities arising in connection with breaches of such representations and warranties.

The agreements also provide for indemnification of liabilities relating to the period prior to the acquisition that may arise in the future in relation to the transferred assets or business. In the event that (i) liabilities arise that may trigger indemnity obligations for the Pirelli Group, or, as the case may be, (ii) there is a breach by a counterparty of the obligations it holds (including indemnity obligations), then that may have an adverse effect on the Pirelli Group's business, results of operations, or financial conditions. This could have an adverse effect on the relevant Issuer's or the relevant Guarantor's (if the Notes are Guaranteed Notes) ability to meet their obligations under the Notes.

***The Pirelli Group is dependent on the ability of its current management team to operate and manage effectively***

The Pirelli Group depends significantly on certain senior executives and the professional expertise of key personnel, namely those executives with strategic responsibility as well as senior managers of the Pirelli Group's geographic business areas, as well as on highly specialised staff, who are crucial to the execution of operational projects and the growth and development of the Pirelli Group's business, financial condition and results of operations. If relations with these key individuals are terminated for any reason, the Pirelli Group may not be able to immediately replace them with people equally qualified and capable of delivering the same operational and professional services or following the same operational strategies. The loss of top executives or key staff members and the potential inability to attract or maintain highly qualified personnel or competent executives may have a material adverse effect on the Pirelli Group's business, financial condition and results of operations. This could have an adverse effect on the relevant Issuer's or the relevant Guarantor's (if the Notes are Guaranteed Notes) ability to meet their obligations under the Notes.

***The Pirelli Group face risks related to the Pirelli Group's joint venture arrangements***

The Pirelli Group operates in certain countries through joint venture agreements and other forms of investment agreements with local or international operators. The operation of these joint ventures and other partnerships is subject to risk and management uncertainties, mainly due to the possible emergence of differences between the partners concerning operational and strategy objectives and difficulties in resolving any conflicts between them related to the day-by-day management of the joint venture. In particular, these joint ventures and partnerships may be subject to deadlocks caused by disagreements between the partners over decisions on certain subjects concerning the Board or Shareholders' Meetings for which particular qualified majorities (or in some cases, unanimity) are required. These deadlocks may cause management problems within the joint venture, impede implementation of the strategies or even result in an exit of one of the partners. The occurrence of these events may have a material adverse effect on the Pirelli Group's business, financial condition and results of operations. This could have an adverse effect on the relevant Issuer's or the relevant Guarantor's (if the Notes are Guaranteed Notes) ability to meet their obligations under the Notes.

***The Pirelli Group are exposed to the risks associated with the Pirelli Group's relationship with employees***

The Pirelli Group manages relationships and negotiations with trade union representatives locally, with central coordination among the various countries performed at Group level. The Pirelli Group may be required to renegotiate with unions prior to the expiry of agreements currently in force, and the Pirelli Group may not be able to satisfy all their requests, with the consequent risk of strikes and other forms of interruptions to production, as well as cost increases (including costs arising out of the renegotiation of existing agreements). The Pirelli Group's business may suffer from absenteeism or other manifestations of conflict on the part of some worker categories, possibly resulting in interruptions of the business itself with consequent potential delays in production. Similarly, any restructuring or reorganisation operations linked to the balancing of production and market volumes with possible staff reductions may lead to interruptions of the Pirelli Group's business due to strikes or other forms of absence from work, or periods of trade union tension, and have a material adverse effect on the Pirelli Group's business, financial condition and results of operations. This could have an adverse effect on the relevant Issuer's or the relevant Guarantor's (if the Notes are Guaranteed Notes) ability to meet their obligations under the Notes.

***The Pirelli Group is exposed to risks related to the volatility of price and trade volume of its financial assets***

The Pirelli Group holds financial assets, such as listed and unlisted debt and equity securities. These assets are classified as financial assets available for sale and securities held for trading.

With respect to these assets, as of the date of this Base Prospectus, the Pirelli Group has not entered into derivative financial contracts covering the risk of volatility. Consequently, with respect to the listed share securities, the Pirelli Group is exposed, first of all, to the volatility of the underlying markets and also to the volume of daily trades. In addition, all of the financial assets referred to above expose the Pirelli Group to the risk relating to the presence of clauses restricting the transfer of such securities or the possible difficulties in divesting stakes in unlisted companies and/or to minorities that could make it impossible to liquidate, or to liquidate on financially favourable terms, the financial assets held, which could have a material adverse impact on the Pirelli Group's business, financial condition and/or results of operations. This could have an adverse effect on the relevant Issuer's or the relevant Guarantor's (if the Notes are Guaranteed Notes) ability to meet their obligations under the Notes.

***The Pirelli Group is, and may be, involved in legal proceedings that may disrupt its operations and its reporting of financial results***

The Pirelli Group is, and may be, party to legal, civil, criminal, tax or other administrative proceedings arising in the ordinary course of business. It is not possible to predict the potential for, or the ultimate outcomes of, such proceeding. Whilst the Pirelli Group adopt measure to mitigate damages or penalties, including by establishing cash reserves and entering into insurance contracts, the Pirelli Group may be unsuccessful in any of the proceedings the Pirelli Group is, or may be involved in, potentially causing material adverse effect on the Pirelli Group's business, financial condition and results of operations. This could have an adverse effect on the relevant Issuer's or the relevant Guarantor's (if the Notes are Guaranteed Notes) ability to meet their obligations under the Notes.

***The Pirelli Group's insurance policies may not be sufficient to cover all potential losses and liabilities***

Operating in the tyre-manufacturing sector involves risks and hazards that may require insurance response, including, among other things, damage to property, slow-downs and/or interruptions in production caused by natural disasters or accidental events or malicious acts and claims for compensation following damage to third parties (i.e. civil liability). The Pirelli Group manages these risks through a coordinated series of measures for the prevention of losses, contractual limitations on liability, compensation limits and subscription of various insurance policies whose limits are set according to the MFL (i.e. maximum foreseeable loss) or pursuant to benchmark analysis with other international companies of comparable size. Although, the Pirelli Group believes that all major risks are properly assessed and managed according to the best insurance market practice, the insurance policies are in any case subject to certain deductibles, limits and exclusions and may not provide adequate coverage in certain circumstances. As a result, the Pirelli Group may have to bear full or part of the losses, damages and liabilities due to insufficient coverage which may have a material adverse effect on the Pirelli Group's business, financial condition and results of operations. This could have an adverse effect on the relevant

Issuer's or the relevant Guarantor's (if the Notes are Guaranteed Notes) ability to meet their obligations under the Notes.

***The Pirelli Group face operational risks associated with interruption of the Pirelli Group's production facilities, IT systems and network infrastructure***

The Pirelli Group's production processes depends on certain manufacturing plants present in 13 countries, including the related strategic processes, structures, equipment and personnel, each of which are exposed to a plethora of security risks – including political and geopolitical instability, civil disorder, the terrorism phenomenon, organised crime and urban violence, – and may be subject to sudden interruptions. Any breakdowns of the Pirelli Group's plants, disruptions of movements of goods and personnel, difficulties or delays in finding spare parts and equipment, lack of labour, lack of raw materials, extended blackouts of the electricity supply, fires, natural disasters, civil disorder, industrial accidents and the necessity of conforming to any national or international regulations, could significantly affect the Pirelli Group's production capacity and affect the Pirelli Group's ability to fulfil the Pirelli Group's orders. Any significant interruption to business at the Pirelli Group's production plants could have a material adverse effect on the Pirelli Group's business, financial condition and results of operations. The Pirelli Group also relies increasingly on information and data of a sensitive nature, drawn up and contained in documents, including in electronic format. Failures of the Pirelli Group's IT infrastructure, network infrastructure breakdowns or illegal attempts to access the Pirelli Group's IT system (cyber-attacks) may have a material adverse effect on the Pirelli Group's business, financial condition and results of operations.

The Pirelli Group manages the operational risks related to Security, Digital/ICT, HSE, Quality, Manufacturing, Research & Development, Purchasing, Human Resources, Business Continuity, Compliance & Privacy and Loss Prevention through a Global Enterprise Risk Management strategy. In this context, each function is supported by the required investments aimed at identifying existing and emerging threats as well as in mitigating the risks related to the continuity of Pirelli's business and production operations. This includes all required initiatives related to the mitigation of risks to which the company's human resources, assets, goods, strategic processes, strategic know-how and infrastructure are exposed.

For further information, please see the section "*Description of the Pirelli, Pirelli Internation, Pirelli Tyre and the Pirelli Group – Risk Management*". However, notwithstanding Pirelli Group's steps to so mitigate its risk in the manner described, the Pirelli Group is still exposed to operational risk which could have an adverse effect on the relevant Issuer's or the relevant Guarantor's (if the Notes are Guaranteed Notes) ability to meet their obligations under the Notes.

***The Pirelli Group is exposed to financial risks generally***

The Pirelli Group is exposed to risks of a financial nature, associated mainly with trends in exchange rates, the procurement of financial resources in the market, the fluctuation of interest rates, and the ability of its customers to fulfil their obligations towards the Pirelli Group.

Management of financial risks is an integral part of management of the Pirelli Group's businesses and is carried out centrally in accordance with guidelines from the Pirelli Group's general management. These guidelines define risk categories for, and specify certain procedures and operational limits in relation to, transactions and instruments relevant to the Pirelli Group.

***The Pirelli Group is exposed to risks related to variations in exchange rates***

The Pirelli Group operates in countries outside the Eurozone and therefore a significant portion of the Pirelli Group's revenues and costs are in currencies other than the Euro. During the 2015-2018 period, the Pirelli Group's financial results were significantly impacted by movements in exchange rates. This circumstance is reflected (i) in the individual income statement, as a result of significant differences in the costs and income in a foreign currency compared to the time when the budget was established (economic risk) and as a result of the delay between the entering into a trade or financial receivables/debts in foreign currency and its settlement (transactional risk), as well as (ii) in the consolidated income statement and the Pirelli Group's net assets, as a result of conversion of the assets and liabilities of companies that draw up their financial statements in currencies other than the Euro (translation risk).

The Pirelli Group has adopted a hedging strategy against exchange risk in line with IFRS accounting standards and through negotiation of derivative financial instruments. However, exchange rate fluctuations may significantly influence the Pirelli Group's results and the comparability of the results of single years, with a potential material adverse effect on the Pirelli Group's business, financial condition and results of operations.

***The Pirelli Group may be adversely affected by unfavourable fluctuations in interest rates***

Whilst the Pirelli Group endeavours to maintain a balance between indebtedness at fixed interest rates and indebtedness at variable interest rates in order to manage the volatility of the results of operations recorded in its income statement, the Pirelli Group is exposed to the risk that significant changes may occur to interest rates. The guidelines the Pirelli Group has in place to neutralise such changes may be insufficient, resulting in a material impact on the Pirelli Group's results and the comparability of results for each year, with a possible material adverse effect on the Pirelli Group's business, financial condition and results of operations. In addition, the exchange rate hedging policy set in place for purchases and sales in currencies other than the Euro is implemented through the use of contracts (among others, exchange swaps and forwards) that indirectly exposes the Pirelli Group's economic results to interest rate performance, since the price of these instruments also depends on the differential in interest rates between the currency bought and that sold when the contract expires.

***The Pirelli Group is dependent on the availability of raw materials and is subject to risks related to suppliers of raw materials***

The Pirelli Group's manufacturing process requires a large number and variety of raw materials and components, including, for example, natural rubber, synthetic rubber and raw materials based on petroleum (in particular, chemicals and carbon black). The price of raw materials and components used by the Pirelli Groups for its production activities has undergone price fluctuations that have sometimes been quite significant in recent years, and this depends on a number of factors, mostly beyond the Pirelli Group's control. Any variation in the price of these raw materials may have a material adverse effect on the Pirelli Group's business, financial condition and results of operations. While the Pirelli Group takes measures to forecast changes in raw materials prices as accurately as possible, as well as measures to limit volatility of natural rubber prices, such as futures contracts, such measures may be insufficient, or their cost may outweigh benefits received.

As of 31 October 2018, the Pirelli Group's five largest suppliers provided approximately 31% of the Pirelli Group's total purchases of raw materials. Any tensions regarding the offer of raw materials, due to a reduction in the number of producers or suppliers of raw materials or components and to their scarcity or to an increase in demand by other operators in the sector, could result in difficulty in procuring high-quality raw materials and components and cause an increase in costs and reduced profitability, with a possible material adverse effect on the Pirelli Group's business, financial condition and results of operations. Indeed, any sale or transfer of a number of supplier contacts or a specific supplier contact, irrespective of the cause, may have a negative influence on the Pirelli Group's business. Moreover, if there is a need to replace suppliers, the Pirelli Group may be forced to incur costs or may face difficulties (including in terms of the time needed to replace a supplier), with a possible material adverse effect on the Pirelli Group's business, financial condition and results of operations. This could have an adverse effect on the relevant Issuer's or the relevant Guarantor's (if the Notes are Guaranteed Notes) ability to meet their obligations under the Notes.

***The Pirelli Group is exposed to global macro-economic factors over which it has no control***

The Pirelli Group's business is influenced by a number of macro-economic factors that may lead to a deterioration of markets in which it operates. The Pirelli Group's earnings and financing costs may be affected by global economic downturns, high levels of geopolitical uncertainty and the risk of currency crises, in particular in the emerging countries where it operates. In addition, any significant changes in terms of duties and customs, tax and regulatory policies or reduction to the current free trade areas may have a material adverse effect on the Pirelli Group's business, financial condition and results of operations. It should be noted that the tyre market has historically been more profitable and less cyclical than the automobile market. Nonetheless, demand of the Pirelli Group's products remains connected with the performance of the automobile market. Changes in the price of fuel, government policies in support of the automobile sector, the availability of credit (especially in relation to emerging markets), and weather conditions may all have material adverse effect on the Pirelli Group's business. Moreover, an

unfavourable macroeconomic context may hinder the Pirelli Group's access to the capital markets or prevent it from acceding to these markets under favourable conditions, with a material adverse effect on the Pirelli Group's business, financial condition and results of operations. This could have a consequent adverse effect on the market value of the Notes and the relevant Issuer's or the relevant Guarantor's (if the Notes are Guaranteed Notes) ability to meet their obligations under the Notes.

***The Pirelli Group is subject to risks relating to international sales and is exposed to changing local conditions***

The Pirelli Group operates and will continue to operate in developing countries, including Argentina, Brazil, Mexico, Russia, China, Egypt (but only as regards commercial operations), Turkey, Venezuela and Indonesia to serve local demand at competitive industrial and logistical costs. The economies of some of these emerging markets differ from the economies in Western Europe and in some cases present a greater risk profile. Relevant risks include the level of political instability, government involvement, development, growth rate and control of foreign exchange. While many of the countries where the Pirelli Group operates have implemented measures aimed at improving the business environment and providing a stable platform for economic development, some are still lagging behind. Furthermore, the political, economic and legal reforms necessary to complete such a transformation may not be implemented fully or may not be successful.

***The Pirelli Group operates in the highly competitive tyre industry***

The Pirelli Group operates in the highly competitive industry, with a number of manufacturers that possess significant financial and industrial resources and enjoy considerable international or local recognition. Whilst the Pirelli Group focuses primarily on the premium tyre market, in which competition is currently more limited, future intensification of competition within this industry may have a material adverse effect on the Pirelli Group's business. The Pirelli Group might face greater competition, even in the absence of new entrants, to the extent markets in which the Pirelli Group operates experience a contraction or slower growth.

The Pirelli Group derives nearly all of its net sales from tyre production, and therefore a significant negative change in the sector could have a material adverse effect on the Pirelli Group's business, financial condition and results of operations. Although the Pirelli Group has a highly diversified client and supplier base, the Pirelli Group's competitors may acquire control over or influence on the Pirelli Group's clients or suppliers, by acquiring shares in these companies, which may have a material adverse effect on the Pirelli Group's business. Any difficulty that the Pirelli Group may experience in competing in its industry may lead to a possible material adverse effect on the Pirelli Group's business, financial condition and results of operations. This could have an adverse effect on the relevant Issuer's or the relevant Guarantor's (if the Notes are Guaranteed Notes) ability to meet their obligations under the Notes.

***The Pirelli Group is exposed to the risk of product liability actions, including the payment of significant damages and the reputational risks associated with product recall campaigns***

The Pirelli Group is exposed to the risk of product liability actions in the countries in which the Pirelli Group operates, including in the United States, where the lawsuits arising from product liability may lead to significant damages to be paid as well as the associated risk of possible product recall campaigns that may be necessary to ensure consumer safety. While the Pirelli Group has insurance relating to the risks of product liability and product recall campaigns, this coverage may be insufficient to protect it from damages claims in relation to defective products or the reputational risks often associated with product recall campaigns, either of which could have a material adverse effect on the Pirelli Group's business, financial condition, results of operations or the Pirelli Group's image and reputation. This could have an adverse effect on the relevant Issuer's or the relevant Guarantor's (if the Notes are Guaranteed Notes) ability to meet their obligations under the Notes.

***The Pirelli Group may face liability and incur costs in connection with potentially hazardous substances typically used in the rubber industry***

Although the Pirelli Group has never used asbestos as a raw material in its production process, as at the date of this Base Prospectus, it has been involved in cases in Italy concerning claims made from time to time, either through the courts and/or out-of-court, by employees, former employees and their successors, as well as, by authorities, local institutions or associations, that claim to have suffered harm (directly

and/or indirectly) as a consequence of an alleged exposure to asbestos or other hazardous materials typically used in the rubber industry.

Although the Pirelli Group has made certain provisions for litigation, it cannot be excluded, that this provisioning may be insufficient to cover the losses or expenses that the Pirelli Group sustains due to these claims. If judgments were entered against the Pirelli Group, and/or if the reserves were found to be insufficient to cover the entire amount of losses and expenses actually borne by it, there could be a material adverse effect on the Pirelli Group's financial condition and results of operations. Moreover, although it is expected that the flow of new lawsuits by people claiming to have suffered harm from exposure to asbestos and other hazardous materials used in the rubber industry may diminish, even to a considerable extent, it is not possible to know exactly whether this decrease will take place and what its extent may be.

In addition to the above, the tyre industry involves the use of potentially dangerous materials and accidents may occur that could have repercussions on the staff, environment and business, as well as on the Pirelli Group's properties or those of third parties. If accidents were to occur, in addition to facing lawsuits and possible harm to the Pirelli Group's image and reputation, further investments in workplace safety may be necessary, with possible consequent disruptions of operations and a possible material adverse effect on the business, financial condition and results of operations of the Pirelli Group. This could have an adverse effect on the relevant Issuer's or the relevant Guarantor's (if the Notes are Guaranteed Notes) ability to meet their obligations under the Notes.

***The Pirelli Group is subject to various environmental and other governmental regulation***

The Pirelli Group is subject to extensive regulation, both nationally and internationally, in particular, to standards for product safety, health protection for workers, compliance with security for workers and environmental protection. Moreover, the Pirelli Group are required to comply with any applicable sanctions issued by any national, international or supranational authorities. In the jurisdictions in which the Pirelli Group operate, the Pirelli Group are always subject to the risk that the introduction of new regulations or changes to existing regulations may require the Pirelli Group to adopt more stringent standards or may restrict the Pirelli Group's freedom of action within the Pirelli Group's areas of business. If this were to occur, the Pirelli Group may be forced to adapt its operations or increase investments to comply. In addition, production costs may increase or slow down development of the business. Therefore, changes in the relevant regulatory framework may have a material adverse effect on the Pirelli Group's business, financial condition and results of operations. This could have an adverse effect on the relevant Issuer's or the relevant Guarantor's (if the Notes are Guaranteed Notes) ability to meet their obligations under the Notes.

In addition, as a result of the international nature of the Pirelli Group's business, the Pirelli Group must comply with numerous sanctions regimes, which are complex and subject to change, and which restrict the Pirelli Group's ability to transact with certain counterparties. The Pirelli Group currently operate in countries and conduct limited business with counterparties that are subject to sanctions, including China, Russia, Venezuela, Sudan and Iran. While the Pirelli Group has procedures and policies in place to prevent violations, sanctions regimes are complex and any violations could subject the Pirelli Group to regulatory scrutiny, fines and reputational harm. Sanctions and related limitations are also subject to change, which could interfere significantly with the Pirelli Group's ability to transact with existing counterparties or in existing geographical areas.

***Failure to protect intellectual property rights could adversely affect the Pirelli Group's business***

The competitive positioning of the Pirelli Group depends on its ability to offer products that are distinct from those of its competitors and which respond to its customers' initiatives. The Pirelli Group relies heavily on the intellectual property dynamics associated with technological development, aimed at securing a competitive advantage obtainable in terms of intellectual property and creating a portfolio of trademarks, patents and designs that can consolidate this advantage.

The validity of these intellectual property rights, especially those established most recently, may be disputed by third parties, even after their grant and/or registration. That may take place at the level of individual countries, through administrative procedures or legal proceedings, or at a supranational level, as with European Community trademarks or designs. Additionally, third parties may file, or attempt to file, intellectual property applications that conflict with those of the Pirelli Group. In particular, the risk

that such situations may arise is higher for trademarks and internet domain names. The Pirelli Group also relies on technologies, processes, know-how and proprietary unpatented data, the latter of which are treated as confidential information and protected in relationships with third parties according to the customary management practices related to trade secrets, for example, through confidentiality agreements entered into with external collaborators, suppliers, consultants and partners.

If these agreements, or the other instruments used to protect trade secrets, were breached, or the non-contractual measures taken by the Pirelli Group prove inadequate to provide complete protection, the Pirelli Group's industrial secrets may be divulged or otherwise used by competitors. Third parties may also develop products that are similar to or improve upon those of the Pirelli Group including without violating the Pirelli Group's intellectual property rights. Protection of the intellectual or industrial property and exclusivity rights is usually extremely complex and may require the resolution of legal issues concerning ownership of the rights themselves. For this reason, in conducting its own industrial, commercial and research and development activities, the Pirelli Group may be sued for breach of third-party intellectual or industrial property rights, or be obliged to initiate legal action against third parties to protect its own rights.

In the case of an unfavourable outcome in any action taken against the Pirelli Group concerning intellectual property rights, it may have to interrupt production of the articles that infringe these rights, with the possibility of a judgment to pay damages. Any litigation or disputes over violation of rights concerning patents and/or other intellectual or industrial property rights, or any unauthorised exploitation of such rights by third parties on the Pirelli Group's intellectual property rights may have a material adverse effect on the Pirelli Group's business, financial condition and results of operations. This could have an adverse effect on the relevant Issuer's or the relevant Guarantor's (if the Notes are Guaranteed Notes) ability to meet their obligations under the Notes.

***The Pirelli Group is exposed to risks related to license agreements over its intellectual property***

The Pirelli Group has entered into license agreements granting rights in its intellectual property to various companies. There is a risk that some of the counterparties may not fulfil their obligations under such agreements (including those related to trademarks or payment of royalties or other fees thereunder) or otherwise misuse such licensed intellectual property which could in certain circumstances (such as failure to challenge such misuse), lead to such intellectual property right being jeopardised or in certain circumstances lost. If this were to occur, the Pirelli Group may be exposed to risks related to the jeopardising or loss of part of the licensed intellectual property and to the financial impact that such non-fulfilment may cause.

***The increase in average temperatures and the increasing frequency of extreme meteorological events could adversely affect the Pirelli Group's business***

In the medium to long term, the industry in which the Pirelli Group operates could face a number of risks linked to the effects of climate change.

The increase in average temperatures and the increasing frequency of extreme meteorological events could have a negative impact on the safety of industrial sites and employees, involving defence and repair costs and jeopardising continuity of operations, as well as interfering in the processes of obtaining raw materials such as natural rubber or restricting demand for winter tyres.

Moreover, notwithstanding the actions introduced by the Pirelli Group, it cannot be excluded that the strengthening of national and/or international emission control policies to control climate-altering gases may have an impact on energy cost and availability. If such events were to occur, they may have a material adverse effect on the Pirelli Group's business, financial condition and results of operations. This could have an adverse effect on the relevant Issuer's or the relevant Guarantor's (if the Notes are Guaranteed Notes) ability to meet their obligations under the Notes.

***The Pirelli Group is subject to risks associated with its own liquidity and reimbursement of its debt***

The Pirelli Group's future performance depends also on its ability to meet funding requirements related to debt maturities and future investments with cash flow from operations, liquidity on hand, renewal or refinancing of existing bank loans and facilities or recourse to the capital markets. The main instruments used by the Pirelli Group to manage this risk are an annual management plan and three-year financial



plans, which enable it to monitor and assess cash in-flows and out-flows. Although the Pirelli Group has taken steps to protect its working capital and liquidity positions any future decline in sales volumes could have a negative impact on the cash-generating capacity of operating activities, which in turn could have a material adverse effect on the Pirelli Group's ability to meet its funding requirements related to debt maturities.

***The Pirelli Group does not have a credit rating***

The Pirelli Group does not have an official credit rating, so its ability to access the capital and financial markets and to refinance debt to meet the financial requirements of the Pirelli Group may be further adversely impacted and costs of financing may significantly increase, in particular in the event of credit crunch situations. This may materially and adversely affect the business, results of operations and financial condition of the Pirelli Group, which could have an adverse effect on the relevant Issuer's or the relevant Guarantor's (if the Notes are Guaranteed Notes) ability to meet their obligations under the Notes.

***The Pirelli Group is subject to risks related to the adverse financial and macroeconomic conditions within the global markets***

From the second half of 2007 until the beginning of 2014, disruption in the global credit markets created increasingly difficult conditions in the financial markets. During this period, global credit and capital markets experienced unprecedented volatility and disruption and business credit and liquidity tightened in much of the world. Although a global economic recovery has been recorded in recent years, various concerns remain regarding the ability of certain EU member states and other countries to service their sovereign debt obligations. The timid growth outlook in certain countries in the Eurozone, especially in southern economies, in part due to rising political uncertainty, has added to these concerns. The measures so far implemented to reduce public debt and fiscal deficits have so far failed in achieving significant results in these countries. If the fiscal obligations of these or other countries continue to exceed their fiscal revenue, taking into account the reactions of the credit and swap markets, or if their banking systems further destabilise, the ability of such countries to service their debt in a cost efficient manner could be impaired.

The continued uncertainty over potential inadequate liquidity or unfavourable volatility in the capital markets, lower consumer spending or political instability could further disrupt the global financial markets and might adversely affect the economy in general. In addition, the risk remains that a default of one or more countries in the Eurozone, the extent and precise nature of which are impossible to predict, could lead to the expulsion or voluntary withdrawal of one or more countries from the Eurozone or a disorderly break-up of the Eurozone, either of which could significantly disrupt financial markets and possibly trigger another global recession. All of these risks could adversely affect the business, results of operations and financial condition of the Pirelli Group and as a result, could have an adverse effect on the relevant Issuer's or the relevant Guarantor's (if the Notes are Guaranteed Notes) ability to meet their obligations under the Notes.

***Market and political uncertainty regarding the UK's exit from the European Union***

On 23 June 2016, the United Kingdom voted in a referendum to leave the European Union ("**Brexit**"). On 29 March 2017, the British Prime Minister gave formal notice to the European Council under Article 50 of the Treaty on European Union of the intention to withdraw from the European Union, thus triggering the two-year period for withdrawal. The process of negotiation will determine the future terms of the UK's relationship with the EU. Depending on the terms of the Brexit negotiations, the UK could also lose access to the single EU market and to the global trade agreements negotiated by the EU on behalf of its members. Given the unprecedented nature of a departure from the EU, the timing, terms and process for the United Kingdom's exit, cannot be easily predicted.

Regardless of the time scale and the term of the United Kingdom's exit from the European Union, the result of the referendum in June 2016 created significant uncertainties with regard to the political and economic outlook of the United Kingdom and the European Union. The exit of the United Kingdom from the European Union; the possible exit of Scotland, Wales or Northern Ireland from the United Kingdom; the possibility that other European Union countries could hold similar referendums to the one held in the United Kingdom and/or call into question their membership of the European Union; and the possibility that one or more countries that adopted the Euro as their national currency might decide, in the long term, to adopt an alternative currency or prolonged periods of uncertainty connected to these eventualities could

have significant negative impacts on international markets. These could include further falls in equity markets, a further fall in the value of the pound and, more in general, increase financial markets volatility, with possible negative consequences on the asset prices, operating results and capital and/or financial position of the Issuer and/or the Pirelli Group.

In addition to the above and in consideration of the fact that at the date of this Base Prospectus there is no legal procedure or practice aimed at facilitating the exit of a Member State from the Euro, the consequences of these decisions are exacerbated by the uncertainty regarding the methods through which a Member State could manage its current assets and liabilities denominated in Euros and the exchange rate between the newly adopted currency and the Euro. A collapse of the Eurozone could be accompanied by the deterioration of the economic and financial situation of the European Union and could have a significant negative effect on the entire financial sector, creating new difficulties in the granting of sovereign loans and loans to businesses and involving considerable changes to financial activities both at market and retail level. This situation could therefore have a significant negative impact on the operating results and capital and financial position of the Issuer and/or the Pirelli Group.

Brexit could adversely affect European or worldwide economic or market conditions and could contribute to instability in global financial and foreign exchange markets, including volatility in the value of the euro. In addition, Brexit could lead to legal uncertainty and potentially divergent national laws and regulations as the United Kingdom determines which European Union laws to replace or replicate. Any of these effects of Brexit, as well as others that cannot currently be anticipated, could adversely affect the business, results of operations and financial condition of the Pirelli Group.

## **FACTORS WHICH ARE MATERIAL FOR THE PURPOSE OF ASSESSING THE MARKET RISKS ASSOCIATED WITH NOTES ISSUED UNDER THE PROGRAMME**

### **Risks related to the structure of a particular issue of Notes**

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common such features, distinguishing between factors which may occur in relation to any Notes and those which might occur in relation to certain types of Exempt Notes:

*Changes in tax laws or regulations or in positions by the relevant tax authority regarding the application, administration or interpretation of tax laws or regulations, particularly if applied retrospectively, could have negative effects on the current business model of Pirelli and have a material adverse effect on its operating results, business and financial condition*

Tax laws are complex and subject to subjective evaluations and interpretative decisions, and Pirelli will be periodically subject to tax audits aimed at assessing its compliance with direct and indirect taxes. Pirelli is also subject to intercompany pricing laws and regulations, including those relating to the flow of funds pursuant to, for example, loan agreements. Adverse developments in laws or regulations, or any change in position by the tax authorities regarding the application, administration or interpretation of laws or regulations, could have a material adverse effect on Pirelli business, financial condition and results of operations or on Pirelli's ability to service or otherwise make payments on the Notes and other indebtedness. In addition, tax authorities may not agree with the interpretations of Pirelli, or with the positions that Pirelli has taken or intends to take on, tax laws applicable to its ordinary activities and any extraordinary transactions, including the tax treatment or characterization of its indebtedness, existing and future intercompany loans and guarantees or the deduction of interest expenses. In case of objections by the tax authorities to its interpretations, Pirelli could face long tax proceedings that could result in the payment of higher taxes, interest, penalties or sanctions and have a material adverse effect on its operating results, business and financial condition or on its ability to service or otherwise make payments on the Notes and its other indebtedness. Pirelli may also inadvertently or for reasons beyond its control fail to comply with certain tax laws or regulations in connection with a particular transaction, including any of its financing arrangements, which could result in unfavorable tax treatment for such arrangements. This may have a negative tax impact and may also result in the application of higher taxes, interest, penalties or sanctions. Tax audits and investigations by the competent tax authorities may generate negative publicity which could harm the reputation of Pirelli with customers, suppliers and counterparties. Pirelli can provide no assurance that the financial impact of any adverse tax adjustment in connection with its business would not have a material adverse effect on its business, prospects, financial condition,

results of operations and cash flows or on its ability to service or otherwise make payments on the Notes and its other indebtedness.

***In certain circumstances you will not be entitled to a gross-up for any Italian withholding or deduction of taxes***

Pirelli is organized under the laws of Italy and is Italian resident for tax purposes and therefore payments of principal and interest on the Notes and, in certain circumstances, any gain on the Notes, will be subject to Italian tax laws and regulations. All payments in respect of Notes will be made free and clear of withholding or deduction of Italian taxation, unless the withholding or deduction is required by law. In that event, subject to a number of exceptions, Pirelli will pay such additional amounts as will result in the holders of the Notes receiving such amounts as they would have received in respect of such Notes had no such withholding or deduction been required. Pirelli or any Guarantor are not liable to pay any additional amounts to holders of Notes under certain circumstances, including if any withholding or deduction is required pursuant to Italian Legislative Decree No. 239 of 1 April 1996 ("**Decree 239**") or pursuant to Legislative Decree No. 461 of 21 November 1997 ("**Decree 461**"). In such circumstances, where no additional amounts are due, investors subject to Italian withholding tax or substitute tax will only receive the net proceeds of their investment in the Notes. Although Pirelli believes that, under current law, Italian withholding tax will not be imposed under Decree 239 or Decree 461 where a holder of Notes is resident for tax purposes in a country or territory which allows for a satisfactory exchange of information with the Italian tax authorities as contained (I) as at the date of this Offering Memorandum in the Ministerial Decree of the Minister of Economy and Finance of 4 September 1996, as amended or supplemented from time to time and replaced, (the "**White List**"), or (II) once effective, in any other decree or regulation that will be issued in the future under the authority of Article 11(4)(c) of Decree 239 to provide the list of such countries and territories (the "**New White List**"), including any country or territory that will be deemed listed therein for the purpose of any interim rule and such holder complies with certain certification requirements, and otherwise in the circumstances as described in the "*Overview of the Programme — Taxation*" and "*Taxation — Italian Taxation*," there is no assurance that this will be the case. Investors resident in such countries or investors that are resident in a country allowing for the satisfactory exchange of information with Italy but that do not satisfy the conditions set forth by Decree 239 (as amended or supplemented), as well as certain categories of holders of the Notes who are resident in Italy, will only receive the net proceeds of their investment in the Notes. The regime provided by Decree 239 and in particular the exemption from *imposta sostitutiva*, which is in principle granted to holders of the Notes resident in countries that allow for satisfactory exchange of information with Italy, is also subject to certain procedural requirements being met. It is not possible to assure that all non-Italian resident investors can claim the application of the exemption from *imposta sostitutiva* where the relevant foreign intermediary fails to provide sufficient information to the relevant Italian tax authorities under the procedures set for applying the exemption regime. Should the procedural requirements not be met, Italian *imposta sostitutiva* may apply on the payments made on the Notes to foreign investors resident in countries that allow for satisfactory exchange of information with Italy. See "*Overview of the Programme — Taxation*" and "*Taxation — Italian Taxation*". Moreover, holders of Notes will bear the risk of any change in Decree 239 after the date hereof, including any change in the White List or the New White List once effective.

***No assurance can be given that the procedural requirements to apply the Italian tax regime provided by Italian Legislative Decree No. 239 of 1 April 1996 will be met by the relevant foreign intermediaries***

The regime provided by Decree 239 and in particular the exemption from *imposta sostitutiva* in principle granted to holders of the Notes resident in countries included in the White List (or in the New White List once it is effective) applies if certain procedural requirements are met. It is not possible to assure that all non-Italian resident investors can claim the application of the exemption from *imposta sostitutiva* where the relevant foreign intermediary fails to provide sufficient information to the relevant Italian tax authorities under the procedures set for applying the exemption regime. See "*Taxation — Italian Taxation*."

***Risks related to Notes which are linked to "benchmarks".***

The London Interbank Offered Rate ("**LIBOR**"), the Euro Interbank Offered Rate ("**EURIBOR**") and other indices which are deemed "benchmarks" are the subject of recent national, international and other regulatory guidance and proposals for reform. Some of these reforms are already effective while others are still to be implemented. These reforms may cause such "benchmarks" to perform differently than in

the past, or to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Notes linked to a "benchmark".

Key international reforms of "benchmarks" include the EU's Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014 (the "**Benchmarks Regulation**").

On 17 May 2016, the Council of the European Union adopted the Benchmarks Regulation. The Benchmarks Regulation was published in the Official Journal on 29 June 2016 and entered into force on 30 June 2016. Subject to various transitional provisions, the Benchmarks Regulation has been in force since 1 January 2018, except that the regime for 'critical' benchmarks has applied from 30 June 2016 and certain amendments to Regulation (EU) No 596/2014 (the Market Abuse Regulation) have applied from 3 July 2016. The Benchmarks Regulation would apply to "contributors", "administrators" and "users of" "benchmarks" in the EU, and would, among other things, (i) require benchmark administrators to be authorised (or, if non-EU-based, to be subject to an equivalent regulatory regime) and to comply with extensive requirements in relation to the administration of "benchmarks" and (ii) ban the use of "benchmarks" of unauthorised administrators. The scope of the Benchmarks Regulation is wide and, in addition to so-called "critical benchmark" indices such as LIBOR and EURIBOR, could also potentially apply to many other interest rate indices, as well as equity, commodity and foreign exchange rate indices and other indices (including "proprietary" indices or strategies) which are referenced in listed financial instruments (including listed Notes), financial contracts and investment funds.

The Benchmarks Regulation could also have a material impact on any listed Notes linked to a "benchmark" index, including in the following circumstances: (i) an index which is a "benchmark" could not be used as such if its administrator does not obtain appropriate EU authorisations or is based in a non-EU jurisdiction which (subject to any applicable transitional provisions) does not have equivalent regulation. In such event, depending on the particular "benchmark" and the applicable terms of the Notes, the Notes could be delisted (if listed), adjusted, redeemed or otherwise impacted; and (ii) the methodology or other terms of the "benchmark" related to a series of Notes could be changed in order to comply with the terms of the Benchmarks Regulation, and such changes could have the effect of reducing or increasing the rate or level of the "benchmark" or of affecting the volatility of the published rate or level, and could lead to adjustments to the terms of the Notes.

Any of the international, national or other reforms (or proposals for reform) or the general increased regulatory scrutiny of "benchmarks" could increase the costs and risks of administering or otherwise participating in the setting of a "benchmark" and complying with any such regulations or requirements. Such factors may have the effect of discouraging market participants from continuing to administer or participate in certain "benchmarks", trigger changes in the rules or methodologies used in certain "benchmarks" or lead to the disappearance of certain "benchmarks". An example of such benchmark reform was the announcement by the UK Financial Conduct Authority on 12 July 2018 that the LIBOR benchmark may cease to be a regulated benchmark under the BMR (the "**FCA Announcement**"). The FCA Announcement indicates that steps are being taken to transition from the LIBOR benchmark to alternative interest rate benchmarks following the FCA's announcement on 27 July 2017 that it will no longer compel banks to submit rates for the calculation of the LIBOR benchmark. The potential elimination of the LIBOR benchmark could require an adjustment to the terms and conditions, or result in other consequences, in respect of any Notes linked to LIBOR. Any such consequences could have a material adverse effect on the value and return on any such Notes.

On 21 September 2017, the European Central Bank announced that it would be part of a new working group tasked with the identification and adoption of a "risk free overnight rate" which can serve as a basis for an alternative to current benchmarks used in a variety of financial instruments and contracts in the euro area.

Following the implementation of any such potential reforms, the manner of administration of benchmarks may change, with the result that they may perform differently than in the past, or the benchmark could be eliminated entirely, or there could be other consequences that cannot be predicted. The disappearance of a "benchmark" or changes in the manner of administration of a "benchmark" could require or result in adjustment to the interest calculation provisions of the Conditions or result in adverse consequences to holders of any securities linked to such benchmark (including but not limited to Floating Rate Notes whose interest rates are linked to LIBOR or any other such benchmark that is subject to reform).

Furthermore, even prior to the implementation of any changes, uncertainty as to the nature of alternative reference rates and as to potential changes to such benchmark may adversely affect such benchmark during the term of the relevant Notes, the return on the relevant Notes and the trading market for securities based on the same benchmark.

Any such consequences could have a material adverse effect on the value of and return on any such Notes. Moreover, any of the above matters or any other significant change to the setting or existence of any relevant reference rate could affect the ability of the Issuer to meet its obligations under the Floating Rate Notes or could have a material adverse effect on the value or liquidity of, and the amount payable under, the Floating Rate Notes. Investors should consider these matters when making their investment decision with respect to the relevant Floating Rate Notes. Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmarks Regulation reforms, investigations and licensing issues in making any investment decision with respect to the Notes linked to a "benchmark".

***In respect of any Notes issued with a specific use of proceeds such as a Green Bond, Social Bond or Sustainability Bond, there can be no assurance that such use of proceeds will be suitable for the investment criteria of an investor.***

If in respect of any particular issue of Notes there is a specifically identified use of proceeds including Eligible Green Projects, Eligible Social Projects, or to finance and/or re-finance any combination of Eligible Green Projects and/or Eligible Social Projects (together the Eligible Sustainable Projects), each of which have been defined in accordance with the broad categorisation of eligibility for green and social projects, and the financing and refinancing thereof, set out by the International Capital Market Association ("ICMA") Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines, this will be specified in the applicable Final Terms. Prospective investors should have regard to the information set out in such Final Terms regarding use of proceeds and must determine for themselves the relevance of such information for the purpose of any investment in such Notes together with any other investigation such investor deems necessary.

In particular, the Issuers may choose to apply the proceeds from the issue of any Notes for Eligible Green Projects, Eligible Social Projects, or to finance and/or re-finance any combination of Eligible Green Projects and/or Eligible Social Projects (together the Sustainable Projects). No assurance is given by the Issuers, the Arranger or the Dealers that the use of such proceeds for any Eligible Green Projects, Eligible Social Projects or of any Eligible Sustainable Projects will satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply whether by any present or future applicable law or regulations or by its own bylaws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental sustainability or socially beneficial impact of any projects or uses the subject of or related to, any Eligible Green Projects, Eligible Social Projects, or Eligible Sustainable Projects. There can be no assurance that the relevant project(s) or use(s) (including those the subject of, or related to, any Eligible Green Projects, Eligible Social Projects, or Eligible Sustainable Projects) will be capable of being implemented in or substantially in the manner described in the Final Terms and/or in accordance with any timing schedule and that accordingly such proceeds will be totally or partially disbursed for such project(s), use(s) or financing and/or refinancing thereof, as the case may be. None of the Dealers will verify or monitor the proposed use of proceeds of Notes issued under the Programme. Nor can there be any assurance that any such projects or financing and/or refinancing thereof will be completed within any specified period or at all or with the results or outcome (whether or not related to any environmental or social benefit) as originally expected or anticipated by the Issuers. Any such event or failure by the Issuers will not constitute an Event of Default under the Notes. Furthermore, there is currently no clear definition (legal, regulatory or otherwise) of, nor market consensus as to what constitutes, a green, social or sustainable project or an equivalently labelled project or as to what precise attributes are required for a particular project to be defined as green, social or sustainable or such other equivalent label, nor can any assurance be given that such a clear definition or consensus will develop over time. Accordingly, no assurance is or can be given to investors that any project(s) or use(s) the subject of or related to any Eligible Green Projects, Eligible Social Projects or of any Eligible Sustainable Project will meet any or all investor expectations regarding such green, social, sustainable or other equivalently-labelled performance objectives or that any adverse environmental, social and/or other impacts will not occur during the implementation of any project(s) or use(s) the subject of, or related to, any Eligible Green Projects, Eligible Social Projects or of any Eligible Sustainable Projects. No assurance or representation is given as to the suitability or reliability for any

purpose whatsoever of any opinion or certification of any third party (whether or not solicited by the Issuers) which may be made available in connection with the issue of any Notes and in particular with any Eligible Green Projects, Eligible Social Projects or of any Eligible Sustainable Projects to fulfil any environmental, social, sustainability, and/or other criteria. For the avoidance of doubt, any such opinion or certification (i) is not, nor shall be deemed to be, incorporated in and/or form part of this Base Prospectus, (ii) is not, nor should be deemed to be, a recommendation by the Issuers, the Arranger, the Dealers or any other person to buy, sell or hold any such Notes and (iii) would only be current as of the date that it was initially issued.

Prospective investors must determine for themselves the relevance and benefit of any such opinion or certification and/or the information contained therein and/or the provider of such opinion or certification for the purpose of any investment in such Notes. Currently, the providers of such opinions and certifications are not subject to any specific regulatory or other regime or oversight. In the event that any Notes are listed or admitted to trading on any dedicated green, environmental, social, sustainable or other equivalently-labelled segment of any stock exchange or securities market (whether or not regulated), no representation or assurance is given by the Issuers, the Arranger, the Dealers or any other person that such listing or admission satisfies, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, for example with regard to any direct or indirect environmentally, sustainability or socially beneficial impact of any projects or uses, the subject of or related to, any Eligible Green Projects, Eligible Social Projects or of any Eligible Sustainable Projects, as the case may be. Additionally, the criteria for any such listings or admission to trading may vary from one stock exchange or securities market to another. No representation or assurance is given or made by the Issuers, the Arranger, the Dealers or any other person that any such listing or admission to trading will be obtained in respect of any such Notes or, if obtained, that any such listing or admission to trading will be maintained during the life of the Notes.

Any such event or failure to apply the proceeds of any issue of Notes for any project(s) or use(s), including any Eligible Green Projects, Eligible Social Projects or of any Eligible Sustainable Projects and/or the withdrawal of any opinion or certification as described above or any such opinion or certification attesting that the Issuers are not complying in whole or in part with any matters for which such opinion or certification is opining or certifying on, and/or any such Notes no longer being listed or admitted to trading on any stock exchange or securities market as aforesaid may have a material adverse effect on the value of such Notes and also potentially the value of any other Notes which are intended by the Issuers to finance and/or re-finance Eligible Green Projects, Eligible Social Projects or Eligible Sustainability Projects and/or result in adverse consequences for certain investors with portfolio mandates to invest in securities to be used for a particular purpose.

#### **Risks applicable to all Notes**

***If the relevant Issuer has the right to redeem any Notes at its option, this may limit the market value of the Notes concerned and an investor may not be able to reinvest the redemption proceeds in a manner which achieves a similar effective return.***

An optional redemption feature of Notes is likely to limit their market value. During any period when the relevant Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The relevant Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

***If the relevant Issuer has the right to convert the interest rate on any Notes from a fixed rate to a floating rate, or vice versa, this may affect the secondary market and the market value of the Notes concerned.***

Fixed/Floating Rate Notes are Notes which may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the relevant Issuer has the right to effect such a

conversion, this will affect the secondary market and the market value of the Notes since the relevant Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the relevant Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the relevant Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing market rates.

***Notes which are issued at a substantial discount or premium may experience price volatility in response to changes in market interest rates.***

The market values of securities issued at a substantial discount (such as Zero Coupon Notes) or premium to their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for more conventional interest-bearing securities. Generally, the longer the remaining term of such securities, the greater the price volatility as compared to more conventional interest-bearing securities with comparable maturities.

### **Risks applicable to certain types of Exempt Notes**

***There are particular risks associated with an investment in certain types of Exempt Notes, such as Index Linked Notes and Dual Currency Notes. In particular, an investor might receive less interest than expected or no interest in respect of such Notes and may lose some or all of the principal amount invested by it.***

The Issuers may issue Notes with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a "**Relevant Factor**"). In addition, the Issuers may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

- (i) the market price of such Notes may be volatile;
- (ii) they may receive no interest;
- (iii) payment of principal or interest may occur at a different time or in a different currency than expected;
- (iv) they may lose all or a substantial portion of their principal;
- (v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- (vi) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and
- (vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

The historical experience of an index or other Relevant Factor should not be viewed as an indication of the future performance of such Relevant Factor during the term of any Notes. Accordingly, each potential investor should consult its own financial and legal advisers about the risk entailed by an investment in any Notes linked to a Relevant Factor and the suitability of such Notes in light of its particular circumstances.

***Where Notes are issued on a partly paid basis, an investor who fails to pay any subsequent instalment of the issue price could lose all of its investment.***

The Issuers may issue Notes where the issue price is payable in more than one instalment. Any failure by an investor to pay any subsequent instalment of the issue price in respect of its Notes could result in such investor losing all of its investment.

***Notes which are issued with variable interest rates or which are structured to include a multiplier or other leverage factor are likely to have more volatile market values than more standard securities.***

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

***Inverse Floating Rate Notes will have more volatile market values than conventional Floating Rate Notes.***

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of those Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

### **Risks related to Notes generally**

Set out below is a brief description of certain risks relating to the Notes generally:

***Investment in Notes denominated in non-freely convertible currencies is subject to exchange rate risks.***

The value of any currency against the euro and other foreign currencies fluctuates and is affected by changes in international political and economic conditions and by many other factors. Except in limited circumstances, all payments of interest and principal will be made in the currency in which the Notes are denominated. As a result, the value of these payments in relation to any other currency may vary with the prevailing exchange rates in the marketplace. If the value of the denominated currency depreciates against any other foreign currencies, the value of the investment in the other applicable foreign currencies will decline.

***The claims of holders of Notes issued by Pirelli are structurally subordinated with respect to entities that are not guarantors of the Notes.***

The operations of the Pirelli Group are principally conducted through subsidiaries of Pirelli and, in particular, through Pirelli Tyre and its subsidiaries. Holders of Notes issued by (i) Pirelli (which may or may not be Guaranteed Notes) or (ii) Pirelli International (which shall be Guaranteed Notes) will not have a claim against any subsidiaries of Pirelli or Pirelli Tyre that are not guarantors of the Notes. The assets of Pirelli's non-guarantor subsidiaries, and the assets of Pirelli Tyre's subsidiaries, will be subject to prior claims by creditors of those subsidiaries, whether such creditors are secured or unsecured. Generally, claims of creditors, including trade creditors, of a non-guarantor subsidiary (both secured and unsecured) and claims of preference shareholders (if any) of the subsidiary, will have priority with respect to the assets and earnings of the subsidiary over the claims of its parent entity as a direct or indirect shareholder. In the event of any foreclosure, dissolution, winding-up, liquidation, reorganisation, administration or other bankruptcy or insolvency proceeding of any of Pirelli's non-guarantor subsidiaries or Pirelli Tyre's subsidiaries, the creditors of Pirelli or, as appropriate, Pirelli Tyre (including the holders of Notes) will have no right to proceed against such subsidiary's assets, and creditors of such subsidiary, including trade creditors, will generally be entitled to payment in full from the sale or other disposal of the assets of such subsidiary before Pirelli or Pirelli Tyre (as appropriate), as direct or indirect shareholder, will be entitled to receive any distributions from such subsidiary. As such, Notes issued by Pirelli which are Guaranteed Notes will be structurally subordinated to the creditors (including trade creditors) and preference shareholders (if any) of Pirelli's or, as appropriate, Pirelli Tyre's non-guarantor subsidiaries.

***The Guarantees given by the Guarantors may be limited by applicable Italian laws or subject to certain defences that may limit their validity and enforceability.***

Each Guarantee provides Noteholders with a direct claim against the relevant Guarantor in respect of the Issuer's obligations under the Notes. Enforcement of each Guarantee would be subject to certain generally available defences in the Republic of Italy (where both Guarantors are incorporated), including defences relating to corporate benefit, fraudulent conveyance or transfer, voidable preference, corporate purpose, and capital maintenance or similar laws, as well as regulations or defences which affect the rights of



creditors generally. If a court were to find a Guarantee void or unenforceable as a result of such local Italian defences or laws, Noteholders would cease to have any claim in respect of the relevant Guarantor and would be creditors solely of the Issuer and any remaining Guarantor (if any).

***Enforcement of each Guarantee is subject to the detailed provisions contained in the Conditions, the Trust Deed (and any supplemental Trust Deed).***

If and to the extent that any applicable law in force at the relevant time requires that the obligations of the relevant Guarantor be capped, the relevant Guarantor shall be liable under the Trust Deed for an amount of up to 150 per cent. of the aggregate nominal amount of Notes from time to time outstanding under the Programme. As at the date of this Base Prospectus, the aggregate nominal amount of the Notes that may be issued and outstanding under the Programme is €2,000,000,000, subject to adjustment in future in accordance with the terms of the Programme Agreement. Furthermore, under certain circumstances, the relevant Guarantor may be released from its obligation to guarantee the Notes and/or a new guarantor may provide a guarantee of the Notes, as described in Condition 2.3 (*Release and Appointment of Guarantor*).

***The Terms and Conditions of the Notes do not contain limitations on the incurrence of additional debt by Pirelli, Pirelli International or Pirelli Tyre in the future.***

The Terms and Conditions of the Notes do not prohibit Pirelli, Pirelli International or Pirelli Tyre from issuing, providing guarantees or otherwise incurring further debt ranking *pari passu* with its existing obligations. If any of Pirelli, Pirelli International or Pirelli Tyre incurs significant additional debt ranking equally with the Notes, it will increase the number of claims that would be entitled to share rateably with Noteholders in any proceeds distributed in connection with an insolvency, bankruptcy or similar proceeding.

***The Terms and Conditions of the Notes contain provisions which may permit their modification without the consent of all investors and confer significant discretions on the Trustee which may be exercised without the consent of the Noteholders and without regard to the individual interests of particular Noteholders.***

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Terms and Conditions of the Notes also provide that the Trustee may, without the consent of Noteholders and without regard to the interests of particular Noteholders, (i) agree to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or (ii) determine that any Event of Default shall not be treated as such or (iii) in the case of Notes issued by Pirelli, agree to the substitution of another company as principal debtor under any Notes in place of the Issuer, in each case in the circumstances described in Condition 13 (*Meetings of Noteholders, Modification, Waiver and Substitution*).

***The value of the Notes could be adversely affected by a change in English law or administrative practice.***

The Terms and Conditions of the Notes are based on English law in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Base Prospectus and any such change could materially adversely impact the value of any Notes affected by it.

***Investors who purchase Notes in denominations that are not an integral multiple of the Specified Denomination may be adversely affected if definitive Notes are subsequently required to be issued.***

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect

of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to a Specified Denomination.

If such Notes in definitive form are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

### **Risks relating to Notes denominated in Renminbi**

A description of risks which may be relevant to an investor in Notes denominated in Renminbi ("**Renminbi Notes**") is set out below.

***Renminbi is not freely convertible and there are significant restrictions on the remittance of Renminbi into and out of the PRC which may adversely affect the liquidity of Renminbi Notes.***

Renminbi is not freely convertible at present. The government of the PRC (the "**PRC Government**") continues to regulate conversion between Renminbi and foreign currencies, including the Hong Kong dollar.

However, there has been significant reduction in control by the PRC Government in recent years, particularly over trade transactions involving import and export of goods and services as well as other frequent routine foreign exchange transactions. These transactions are known as current account items.

On the other hand, remittance of Renminbi into and out of the PRC for the settlement of capital account items, such as capital contributions, debt financing and securities investment, is generally only permitted upon obtaining specific approvals from, or completing specific registrations or filings with, the relevant authorities on a case-by-case basis and is subject to a strict monitoring system. Regulations in the PRC on the remittance of Renminbi into and out of the PRC for settlement of capital account items are being developed.

Although Renminbi was added to the Special Drawing Rights basket created by the International Monetary Fund in 2016 and policies further improving accessibility to Renminbi to settle cross-border transactions in foreign currencies were implemented by the People's Bank of China ("**PBoC**") in 2018, there is no assurance that the PRC Government will continue to gradually liberalise control over cross-border remittance of Renminbi in the future, that the schemes for Renminbi cross-border utilisation will not be discontinued or that new regulations in the PRC will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or out of the PRC. Despite Renminbi internationalisation pilot programme and efforts in recent years to internationalise the currency, there can be no assurance that the PRC Government will not impose interim or long-term restrictions on the cross-border remittance of Renminbi. In the event that funds cannot be repatriated out of the PRC in Renminbi, this may affect the overall availability of Renminbi outside the PRC and the ability of the Issuers to source Renminbi to finance its obligations under Notes denominated in Renminbi.

***There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of the Renminbi Notes and the Issuers' ability to source Renminbi outside the PRC to service Renminbi Notes.***

As a result of the restrictions by the PRC Government on cross-border Renminbi fund flows, the availability of Renminbi outside the PRC is limited. While the PBoC has entered into agreements (the "**Settlement Arrangements**") on the clearing of Renminbi business with financial institutions (the "**Renminbi Clearing Banks**") in a number of financial centres and cities, including but not limited to Hong Kong, has established the Cross-Border Inter-Bank Payments System (CIPS) to facilitate cross-border Renminbi settlement and is further in the process of establishing Renminbi clearing and settlement mechanisms in several other jurisdictions, the current size of Renminbi denominated financial assets outside the PRC is limited.

There are restrictions imposed by PBoC on Renminbi business participating banks in respect of cross-border Renminbi settlement, such as those relating to direct transactions with PRC enterprises. Furthermore, Renminbi business participating banks do not have direct Renminbi liquidity support from PBoC, although PBoC has gradually allowed participating banks to access the PRC's onshore inter-bank market for the purchase and sale of Renminbi. The Renminbi Clearing Banks only have limited access to onshore liquidity support from PBoC for the purpose of squaring open positions of participating banks for limited types of transactions and are not obliged to square for participating banks any open positions

resulting from other foreign exchange transactions or conversion services. In cases where the participating banks cannot source sufficient Renminbi through the above channels, they will need to source Renminbi from outside the PRC to square such open positions.

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the Settlement Arrangements will not be terminated or amended in the future which will have the effect of restricting availability of Renminbi outside the PRC. The limited availability of Renminbi outside the PRC may affect the liquidity of the Renminbi Notes. To the extent the Issuer is required to source Renminbi in the offshore market to service its Renminbi Notes, there is no assurance that the Issuers will be able to source such Renminbi on satisfactory terms, if at all.

***Investment in the Renminbi Notes is subject to exchange rate risks.***

The value of Renminbi against other foreign currencies fluctuates from time to time and is affected by changes in the PRC and international political and economic conditions as well as many other factors. Recently, the PBoC implemented changes to the way it calculates the Renminbi's daily mid-point against the U.S. dollar to take into account market-maker quotes before announcing such daily mid-point. This change, and others that may be implemented, may increase the volatility in the value of the Renminbi against foreign currencies. All payments of interest and principal will be made in Renminbi with respect to Renminbi Notes unless otherwise specified. As a result, the value of these Renminbi payments may vary with the changes in the prevailing exchange rates in the marketplace. If the value of Renminbi depreciates against another foreign currency, the value of the investment made by a holder of the Renminbi Notes in that foreign currency will decline.

***Investment in the Renminbi Notes is subject to currency risk.***

If the Issuer is not able, or it is impracticable for it, to satisfy its obligation to pay interest and principal on the Renminbi Notes as a result of Inconvertibility, Non-transferability or Illiquidity (each, as defined in the Conditions), the Issuer shall be entitled, on giving not less than five or more than 30 calendar days' irrevocable notice to the investors prior to the due date for payment, to settle any such payment in U.S. Dollars on the due date at the U.S. dollar equivalent of any such interest or principal, as the case may be.

***Investment in the Renminbi Notes is subject to interest rate risks.***

The PRC Government has gradually liberalised its regulation of interest rates in recent years. Further liberalisation may increase interest rate volatility. In addition, the interest rate for Renminbi in markets outside the PRC may significantly deviate from the interest rate for Renminbi in the PRC as a result of foreign exchange controls imposed by PRC law and regulations and prevailing market conditions.

As Renminbi Notes may carry a fixed interest rate, the trading price of the Renminbi Notes will consequently vary with the fluctuations in the Renminbi interest rates. If holders of the Renminbi Notes propose to sell their Renminbi Notes before their maturity, they may receive an offer lower than the amount they have invested.

***Payments with respect to the Renminbi Notes may be made only in the manner designated in the Renminbi Notes.***

All payments to investors in respect of the Renminbi Notes will be made solely (i) for so long as the Renminbi Notes are represented by global certificates held with the common depository or common safekeeper, as the case may be, for Clearstream Banking S.A. and Euroclear Bank S.A./N.V. or any alternative clearing system, by transfer to a Renminbi bank account maintained in Hong Kong, (ii) for so long as the Renminbi Notes are represented by global certificates lodged with a sub-custodian for or registered with the CMU, by transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing CMU rules and procedures and (iii) for so long as the Renminbi Notes are in definitive form, by transfer to a Renminbi bank account maintained in Hong Kong. The Issuers cannot be required to make payment by any other means (including in any other currency or by transfer to a bank account in the PRC).

***Gains on the transfer of the Renminbi Notes may become subject to income taxes under PRC tax laws.***

Under the PRC Enterprise Income Tax Law, the PRC Individual Income Tax Law and the relevant implementing rules, as amended from time to time, any gain realised on the transfer of Renminbi Notes by non-PRC resident enterprise or individual Holders may be subject to PRC enterprise income tax ("EIT") or PRC individual income tax ("IIT") if such gain is regarded as income derived from sources within the PRC. The PRC Enterprise Income Tax Law levies EIT at the rate of 20 per cent. of the PRC-sourced gains derived by such non-PRC resident enterprise from the transfer of Renminbi Notes but its implementation rules have reduced the EIT rate to 10 per cent. The PRC Individual Income Tax Law levies IIT at a rate of 20 per cent. of the PRC-sourced gains derived by such non-PRC resident individual Holder from the transfer of Renminbi Notes.

However, uncertainty remains as to whether the gain realised from the transfer of Renminbi Notes by non-PRC resident enterprise or individual Holders would be treated as income derived from sources within the PRC and thus become subject to EIT or IIT. This will depend on how the PRC tax authorities interpret, apply or enforce the PRC Enterprise Income Tax Law, the PRC Individual Income Tax Law and the relevant implementing rules. According to the arrangement between the PRC and Hong Kong, for avoidance of double taxation, Holders who are residents of Hong Kong, including enterprise Holders and individual Holders, will not be subject to EIT or IIT on capital gains derived from a sale or exchange of the Notes.

Therefore, if enterprise or individual resident Holders which are non-PRC residents are required to pay PRC income tax on gains derived from the transfer of Renminbi Notes, unless there is an applicable tax treaty between PRC and the jurisdiction in which such non-PRC enterprise or individual Holders of Renminbi Notes reside that reduces or exempts the relevant EIT or IIT, the value of their investment in Renminbi Notes may be materially and adversely affected.

**Risks related to the market generally**

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

***An active secondary market in respect of the Notes may never be established or may be illiquid and this would adversely affect the value at which an investor could sell his Notes.***

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities.

If an investor holds Notes which are not denominated in the investor's home currency, he will be exposed to movements in exchange rates adversely affecting the value of his holding. In addition, the imposition of exchange controls in relation to any Notes could result in an investor not receiving payments on those Notes.

The relevant Issuer will pay principal and interest on the Notes and the Guarantor (if the Notes are Guaranteed Notes) will make any payments under the Guarantee in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency-equivalent value of the principal payable on the Notes and (3) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the relevant Issuer or the Guarantor (if the Notes are Guaranteed Notes) to make payments in respect of the Notes. As a result, investors may receive less interest or principal than expected, or no interest or principal.

***The value of Fixed Rate Notes may be adversely affected by movements in market interest rates.***

Investment in Fixed Rate Notes involves the risk that if market interest rates subsequently increase above the rate paid on the Fixed Rate Notes, this will adversely affect the value of the Fixed Rate Notes.

***Legal investment considerations may restrict certain investments.***

The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Notes are legal investments for it, (2) the Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of the Notes. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

## PRESENTATION OF FINANCIAL INFORMATION

### Pirelli

The following documents which have previously been published shall be incorporated by reference in, and form part of, this Base Prospectus:

- the unaudited condensed consolidated half-year financial statements as of and for the six months ended 30 June 2018 of Pirelli, prepared in accordance with IFRS, subject to limited review by PricewaterhouseCoopers S.p.A. ("PwC"), which issued its report on 7 August 2018;
- the consolidated annual financial statements as of and for the year ended 31 December 2017 of Pirelli, prepared in accordance with IFRS, audited by PwC, which issued its report on 8 March 2018;
- the consolidated annual financial statements as of and for the year ended 31 December 2016 of Pirelli, prepared in accordance with IFRS, audited by EY S.p.A. ("EY"), which issued its report on 4 April 2017.

Between 2015 and the beginning of 2016, Pirelli carried out steps to separate its world-wide industrial tyre operations, including investments in foreign companies, and create a company that was focused exclusively on the consumer tyre industry. The 2016 financial information included in the consolidated annual financial statements as of and for the year ended 31 December 2016 of Pirelli still includes the industrial business as continuing operations. As explained in the notes to the consolidated annual financial statements as of and for the year ended 31 December 2017 of Pirelli, in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", the 2016 comparative information included in the 2017 financial statements has been restated as a result of the distribution, occurred on 15 March 2017, of the industrial business to the company shareholder Marco Polo International Holding Italy S.p.A. to reflect Pirelli's business following the distribution. Therefore, the comparative information in respect of 2016 included in the consolidated annual financial statements as of and for the year ended 31 December 2017 of Pirelli, allows an analysis of the consumer business for each of 2017 and 2016 based on consistent and comparable parameters. In the same way, the 2017 half-yearly financial information included in the unaudited condensed consolidated half-year financial statements as of and for the six months ended 30 June 2018 of Pirelli represents the assets, liabilities, revenues and costs directly and indirectly attributable to the consumer activities.

Financial information incorporated by reference in the Base Prospectus also includes the unaudited interim consolidated financial report as of and for the nine months ended 30 September 2018 of Pirelli, prepared in accordance with IFRS.

### Pirelli International

The separate annual financial statements as of and for the financial years ended 31 December 2017 and 2016 of Pirelli International, prepared in accordance with United Kingdom General Accepted Accounting Practice (including Financial Reporting Standard 101) and incorporated by reference in this Base Prospectus, have been audited, respectively, by PricewaterhouseCoopers LLP and Ernst & Young LLP. The audit reports of PricewaterhouseCoopers LLP and Ernst & Young LLP are available to the public and incorporated by reference herein.

### Pirelli Tyre

The separate annual financial statements as of and for the financial years ended 31 December 2017 and 2016 of Pirelli Tyre, prepared in accordance with generally accepted accounting principles in the Republic of Italy and incorporated by reference in this Base Prospectus, have been audited, respectively, by PwC and EY. The audit reports of PwC and EY are available to the public and incorporated by reference herein.

### Alternative performance indicators

The documents incorporated by reference in this Base Prospectus contain certain performance measures which, although not recognised as financial measures under IFRS, under generally accepted accounting principles in the Republic of Italy and under United Kingdom General Accepted Accounting Practice

(including Financial Reporting Standard 101) are used by the management of Pirelli, Pirelli Tyre and Pirelli International to monitor their financial and operating performance. In particular:

*EBIT (Earning Before Interest and Taxes) (Operating income(loss))*: is an intermediate measure, which is derived from the “Net income (loss)” but which excludes the “Net income (loss) from discontinued operations”, “Tax”, “Financial income”, “Financial expenses” and the “Net income (loss) from equity investments”. EBIT is used to measure the ability to generate earnings from operations, including the impact of investing activities.

*EBIT (Earning Before Interest and Taxes) adjusted (or Adjusted EBIT before non-recurring and restructuring charges and PPA amortization)*: calculated by adjusting EBIT for amortisation of intangible assets relative to assets recognised as a consequence of Business Combinations and non-recurring and restructuring expenses and, with reference to the first half-year of 2018 and to the first nine months of 2018, for the expenses relative to the retention plan approved by the Board of Directors on February 26, 2018. EBIT adjusted is an alternative indicator to EBIT, that excludes certain identified items, such as non-recurring expenses, restructuring charges, PPA amortization and for 2018 retention bonus.

*EBIT (Earning Before Interest and Taxes) adjusted without start-up costs (or Adjusted EBIT before non-recurring and restructuring charges and start-up costs)*: is equal to the EBIT adjusted but excludes the contribution to the operating income (start-up costs) of the Cyber and Velo activities, the costs for the conversion of Aeolus brand car products, and costs sustained for the digital transformation of Pirelli. EBIT adjusted without start-up costs is an alternative indicator to EBIT adjusted that excludes start-up costs.

*EBIT (Earning Before Interest and Taxes) margin adjusted*: calculated by dividing EBIT Adjusted by “Revenues from sales and services” (net sales). This ratio is used to evaluate the operational efficiency, excluding non-recurring expenses, restructuring charges, PPA amortization and, for 2018, retention bonus.

*EBIT (Earning Before Interest and Taxes) margin adjusted without start-up costs*: calculated by dividing Adjusted EBIT without start-up costs by “Revenues from sales and services” (net sales). This ratio is an alternative indicator to EBIT margin adjusted that excludes start-up costs.

*EBITDA (Earning Before Interest, Taxes, Depreciation and Amortization)*: is equal to the EBIT, from which the depreciation and amortisation of property, plant and equipment and intangible assets are excluded. EBITDA is used to measure the ability to generate earnings from operations, excluding the impact of investing activities.

*EBITDA (Earning Before Interest, Taxes, Depreciation and Amortization) adjusted*: calculated by adjusting EBITDA for non-recurring and restructuring expenses and, with reference to the first half-year of 2018 and to the first nine months of 2018, for the expenses relative to the retention plan approved by the Board of Directors on February 26, 2018. EBITDA adjusted is an alternative indicator to EBITDA, that excludes certain identified items, such as non-recurring expenses, restructuring charges, PPA amortization and for 2018 retention bonus.

*EBITDA (Earning Before Interest, Taxes, Depreciation and Amortization) adjusted without start-up costs (or Adjusted EBITDA before non-recurring and restructuring charges and before start-up costs)*: is equal to EBITDA adjusted but excludes the contribution to the gross operating margin (start-up costs) of the Cyber and Velo activities, the costs for the conversion of Aeolus brand car products, and costs sustained for the digital transformation of Pirelli. EBITDA adjusted without start-up costs is an alternative indicator to EBITDA adjusted that excludes start-up costs.

*EBITDA (Earning Before Interest, Taxes, Depreciation and Amortization) margin adjusted*: calculated by dividing EBITDA adjusted by revenues from sales and services. This ratio is used to evaluate the operational efficiency excluding the impact of investments activities and excluding non-recurring expenses, restructuring charges, PPA amortization and, for 2018, retention bonus.

*EBITDA (Earning Before Interest, Taxes, Depreciation and Amortization) margin adjusted without start-up costs*: calculated by dividing EBITDA adjusted without start-up costs by revenues from sales and services (net sales). This ratio is an alternative indicator to EBITDA margin adjusted that excludes start-up costs.

*Net income (loss) related to continuing operations (Consumer) adjusted:* calculated by adjusting the “Net income (loss) related to continuing operations” for the following items: (i) the amortisation of intangible assets related to assets recognised as a consequence of Business Combinations, operational costs due to non-recurring and restructuring expenses and, with reference to the first half-year of 2018 and to the first nine months of 2018, the expenses relative to the retention plan approved by the Board of Directors on February 26, 2018, (ii) non-recurring costs/income recognised under financial income and expenses; (iii) non-recurring costs/income recognised as a tax item, as well as the tax impact relative to the adjustments referred to in the previous points. Net income (loss) related to continuing operations (Consumer) adjusted is used to measure the net profitability, excluding the impact of the above-mentioned items.

*Fixed assets related to continuing operations:* this measure is constituted by the sum of the items "Property, plant and equipment", "Intangible assets", "Investments in associates and joint ventures" and "Other financial assets" (or “Other financial assets at fair value recognised in the Statement of Comprehensive Income”, as defined following the IFRS 9 adoption from 1 January 2018). Fixed assets related to continuing operations represents the long term assets included in the net invested capital.

*Provisions:* this measure is constituted by the sum of "Provisions for liabilities and charges (current and non-current)", "Employee benefit obligations (current and non-current)" and "Provisions for deferred taxes". “Provisions” is used to measure the amount of liabilities related to probable and not certain obligations.

*Operating working capital related to continuing operations:* this measure is constituted by the sum of "Inventory", "Trade receivables" and "Trade payables". Operating working capital related to continuing operations is used to measure the financial equilibrium of trade activities.

*Net working capital related to continuing operations:* calculated as the operating working capital and other receivables and payables not included in the "Net financial liquidity/(debt) position". Net working capital related to continuing operations represents the short term components (assets and liabilities) included in the net invested capital and is used to measure the financial equilibrium in the short term.

*Net invested capital held for sale:* calculated as the difference between “Assets held for sale” and “Liabilities held for sale”. Net invested capital held for sale is used to measure the net assets related to discontinued operations.

*Net invested capital:* calculated as the sum of (i) fixed assets related to continuing operations, (ii) net working capital related to continuing operations and (iii) net invested capital held for sale. Net invested capital is used to measure. Net invested capital is used to represent how sources of financing are invested.

*Average Net Invested Capital excluding financial assets and intangible fixed assets from PPA:* calculated as the average between Net Invested Capital excluding financial assets and intangible fixed assets from PPA at the beginning and at the end of the period. Average Net Invested Capital excluding financial assets and intangible fixed assets from PPA is used to calculate ROI (Return on Investment).

*ROI (Return On Investment):* calculated by dividing Adjusted EBIT without start-up costs by Average Net Invested Capital excluding financial assets and intangible fixed assets from PPA. This ratio is used to measure the profitability of invested capital.

*Net financial debt:* calculated in accordance with CONSOB Communication no. 6064293 of July 28, 2006 and in accordance with ESMA/2013/319 Recommendations. Net financial debt represents the debt position towards banks and financial institutions net of cash and short term assets included in financial position.

*Total net financial (liquidity)/debt position:* calculated as net financial debt less “Non-current financial receivables” (included in the non-current assets line item “Other receivables”) and “Total non-current assets derivatives included in net financial position” (included in the non-current assets line item “Derivative financial instruments”). Total net financial (liquidity)/debt position is an alternative indicator to Net financial debt that includes long-term financial assets.

*Total net financial (liquidity)debt position/ EBITDA (Earning Before Interest, Taxes, Depreciation and Amortization) adjusted without start-up costs (or Net financial position/Adjusted EBITDA before non-recurring and restructuring charges and before start-up costs):* calculated as the ratio of Total net



financial (liquidity)debt position to EBITDA adjusted without start-up costs. This ratio is used to measure the debt sustainability.

*CapEx: (Capital Expenditures):* calculated as the sum of: (i) investments (increases) in intangible assets and (ii) investments (increases) in property, plant and equipment. CapEx is used to measure the amount of investments in tangible and intangible assets.

*CapEx (Capital Expenditures) on revenues:* calculated by dividing CapEx by “Revenues from sales and services”. This ratio is used to measure re-investment of revenues into productive assets.

*Investments to amortisations:* calculated by dividing investments (increases) in property, plant and equipment by amortisations. This ratio is used to measure the ability to maintain or renew the amount of tangible and intangible assets.

It should be noted that:

- (i) the alternative performance indicators are based exclusively on historical data and are not indicative of future performance;
- (ii) the alternative performance indicators are not derived from IFRS, from generally accepted accounting principles in the Republic of Italy or from United Kingdom General Accepted Accounting Practice (including Financial Reporting Standard 101) and, as they are derived from the financial statements of Pirelli, Pirelli Tyre and Pirelli International prepared in conformity with these principles, they are not subject to audit;
- (iii) the alternative performance indicators are non-GAAP financial measures and are not recognised as measure of performance or liquidity under IFRS, under generally accepted accounting principles in the Republic of Italy or under United Kingdom General Accepted Accounting Practice (including Financial Reporting Standard 101) and should not be recognised as alternatives to performance measures derived in accordance with IFRS or any other generally accepted accounting principles;
- (iv) the alternative performance indicators should be read together with financial information for Pirelli, Pirelli Tyre and Pirelli International taken from the financial statements incorporated by reference in this Base Prospectus;
- (v) since all companies do not calculate alternative performance indicators in an identical manner, the presentation of Pirelli, Pirelli Tyre and Pirelli International may not be consistent with similar measures used by other companies. Therefore, undue reliance should not be placed on such data; and
- (vi) the alternative performance indicators and definitions used herein are consistent and standardised for all the periods for which financial information in this Base Prospectus are included.

## DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published and have been filed with the CSSF shall be incorporated in, and form part of, this Base Prospectus:

<b>Document</b>	<b>Information incorporated</b>	<b>Page numbers</b>	
The separate annual financial statements for the financial year ended 31 December 2016 of Pirelli International	Balance sheet	Page 11	
	Income Statement	Page 8	
	Statement of Comprehensive Income	Page 9	
	Statement of Changes in Equity	Page 10	
	Notes to the Financial Statements	Pages 12-28	
	Independent auditor's report	Page 7	
	The separate annual financial statements for the financial year ended 31 December 2017 of Pirelli International	Balance sheet	Page 14
Income Statement		Page 11	
Statement of Comprehensive Income		Page 12	
Statement of Changes in Equity		Page 13	
Notes to the Financial Statements		Page 15-38	
Independent auditor's report		Page 7-10	
The separate annual financial statements for the financial year ended 31 December 2016 of Pirelli Tyre		Balance sheet	Pages 33-35
	Income Statement	Page 36	
	Cash Flow Statement	Page 37	
	Notes to the financial statements	Pages 38-82	
	Independent auditor's report	Pages 85-86 (of PDF)	
	The separate annual financial statements for the financial year ended 31 December 2017 of Pirelli Tyre	Balance sheet	Page 29-31
		Income Statement	Page 32
Cash Flow Statement		Page 33	
Notes to the financial statements		Page 34-81	
Independent auditor's report		Page 82-85 (of PDF)	
The consolidated annual financial statements for the financial year ended 31 December 2016 of Pirelli		Consolidated Statement of Financial Position	Page 168
	Consolidated income statement	Page 169	
	Consolidated statement of other comprehensive income	Page 170	

<b>Document</b>	<b>Information incorporated</b>	<b>Page numbers</b>
The consolidated annual financial statements for the financial year ended 31 December 2017 of Pirelli	Consolidated statement of changes in equity	Page 171
	Consolidated statement of cash flows	Page 172
	Explanatory notes	Pages 173-254
	Independent auditor's report	Page 321-322
	Consolidated Statement of Financial Position	Page 294
The unaudited condensed consolidated half-year financial statements of Pirelli for the six months ended 30 June 2018	Consolidated income statement	Page 295
	Consolidated statement of comprehensive income	Page 296
	Consolidated statement of changes in equity	Page 297-298
	Consolidated statement of cash flows	Page 299
	Explanatory notes	Page 300-386
	Independent auditor's report	Page 484-491
	Consolidated statement of financial position	Page 39
The unaudited interim consolidated financial report as of and for the nine months ended 30 September 2018 of Pirelli	Consolidated income statement	Page 40
	Consolidated statement of comprehensive income	Page 41
	Consolidated statement of changes in equity	Page 42-43
	Consolidated statement of cash flow	Page 44
	Explanatory notes	Page 45-111
	Independent auditor's review report	Page 116-117 (of PDF)
	Consolidated statement of financial position	Page 41
2018 Base Prospectus dated 10 January 2018	Consolidated income statement	Page 42
	Consolidated statement of comprehensive income	Page 43
	Consolidated statement of changes in equity	Page 44-45
	Consolidated statement of cash flow	Page 46
	Terms and Conditions of the Notes	Pages 64 - 105

Any other information incorporated by reference that is not included in the cross-reference list above is considered to be additional information to be disclosed to investors rather than information required by the relevant Annexes of the Prospectus Regulation.

The parts of the above mentioned documents which are not incorporated by reference into this Base Prospectus are either not relevant for investors or covered elsewhere in this Base Prospectus.

Following the publication of this Base Prospectus a supplement may be prepared by the Issuers and approved by the CSSF in accordance with Article 16 of the Prospectus Directive. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable, be deemed to modify or supersede statements contained in this Base Prospectus or in a document which is incorporated by reference in this Base Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus.

Copies of documents incorporated by reference in this Base Prospectus can be obtained from the registered offices of each of the Issuers and from the specified office of the Paying Agent for the time being in Luxembourg and will also be published on the website of the Luxembourg Stock Exchange (*www.bourse.lu*).

The Issuers and the Guarantors will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Base Prospectus which is capable of affecting the assessment of any Notes, prepare a supplement to this Base Prospectus or publish a new Base Prospectus for use in connection with any subsequent issue of Notes.

## FINAL TERMS AND DRAWDOWN PROSPECTUSES

In this section the expression "necessary information" means, in relation to any Tranche of Notes, the information necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the relevant Issuer and the relevant Guarantor (if any) and of the rights attaching to the Notes. In relation to the different types of Notes which may be issued under the Programme the relevant Issuer and the relevant Guarantor (if any) have included in this Base Prospectus all of the necessary information except for information relating to the Notes which is not known at the date of this Base Prospectus and which can only be determined at the time of an individual issue of a Tranche of Notes.

Any information relating to the Notes which is not included in this Base Prospectus and which is required in order to complete the necessary information in relation to a Tranche of Notes will be contained either in the relevant Final Terms (or in the case of Exempt Notes, Pricing Supplement) or in a Drawdown Prospectus.

For a Tranche of Notes which is the subject of Final Terms, those Final Terms will, for the purposes of that Tranche only, complete this Base Prospectus and must be read in conjunction with this Base Prospectus. The terms and conditions applicable to any particular Tranche of Notes which is the subject of Final Terms are the Conditions described in the relevant Final Terms as completed to the extent described in the relevant Final Terms.

The terms and conditions applicable to any particular Tranche of Notes which is the subject of a Drawdown Prospectus will be the Conditions as supplemented, amended and/or replaced to the extent described in the relevant Drawdown Prospectus. In the case of a Tranche of Notes which is the subject of a Drawdown Prospectus, each reference in this Base Prospectus to information being specified or identified in the relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Prospectus unless the context requires otherwise.

Each Drawdown Prospectus will be constituted either (1) by a single document containing the necessary information relating to the Issuer and the Guarantor and the relevant Notes or (2) by a registration document (the "**Registration Document**") containing the necessary information relating to the Issuer and the Guarantor, a securities note (the "**Securities Note**") containing the necessary information relating to the relevant Notes and, if necessary, a summary note.

## FORM OF THE NOTES

Any reference in this section to "applicable Final Terms" shall be deemed to include a reference to "applicable Pricing Supplement" where relevant.

Each Tranche of Notes will be in bearer form and will initially be issued in the form of a temporary global note (a "**Temporary Global Note**") or, if so specified in the applicable Final Terms, a permanent global note (a "**Permanent Global Note**") which, in either case, will:

- (i) if the Global Notes are intended to be issued in new global note (NGN) form, as stated in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to a common safekeeper (the "**Common Safekeeper**") for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, S.A. ("**Clearstream, Luxembourg**"); and
- (ii) if the Global Notes are not intended to be issued in NGN Form, be delivered on or prior to the original issue date of the Tranche to a common depositary (the "**Common Depositary**") for Euroclear and Clearstream, Luxembourg.

Where the Global Notes issued in respect of any Tranche are in NGN form, the applicable Final Terms will also indicate whether such Global Notes are intended to be held in a manner which would allow Eurosystem eligibility. Any indication that the Global Notes are to be so held does not necessarily mean that the Notes of the relevant Tranche will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any times during their life as such recognition depends upon satisfaction of the Eurosystem eligibility criteria. The Common Safekeeper for NGNs will either be Euroclear or Clearstream, Luxembourg or another entity approved by Euroclear and Clearstream, Luxembourg, as indicated in the applicable Final Terms.

Whilst any Note is represented by a Temporary Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made (against presentation of the Temporary Global Note if the Temporary Global Note is not intended to be issued in NGN form) only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Agent.

On and after the date (the "**Exchange Date**") which is 40 days after a Temporary Global Note is issued, interests in such Temporary Global Note will be exchangeable (free of charge) upon a request as described therein either for (a) interests in a Permanent Global Note of the same Series or (b) definitive Notes of the same Series with, where applicable, receipts, interest coupons and talons attached (as indicated in the applicable Final Terms and subject, in the case of definitive Notes, to such notice period as is specified in the applicable Final Terms), in each case against certification of beneficial ownership as described above unless such certification has already been given. The holder of a Temporary Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Global Note for an interest in a Permanent Global Note or for definitive Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Global Note will be made through Euroclear and/or Clearstream, Luxembourg (against presentation or surrender (as the case may be) of the Permanent Global Note if the Permanent Global Note is not intended to be issued in NGN form) without any requirement for certification.

The applicable Final Terms will specify that a Permanent Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Notes with, where applicable, receipts, interest coupons and talons attached upon either (a) not less than 60 days' written notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) to the Agent as described therein or (b) only upon the occurrence of an Exchange Event. For these purposes, "**Exchange Event**" means that (i) an Event of Default (as defined in Condition 8 (*Events of Default and Enforcement*)) has occurred and is continuing; or (ii) the relevant Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention

permanently to cease business or have in fact done so and no successor clearing system satisfactory to the Trustee is available; or (iii) the relevant Issuer would suffer a disadvantage as a result of a change in laws or regulations (taxation or otherwise) or as a result of a change in practice of Euroclear and/or Clearstream, Luxembourg which would not be suffered were the Notes in definitive form and a certificate to such effect signed by two Authorised Signatories is given to the Trustee. The relevant Issuer will promptly give notice to Noteholders in accordance with Condition 12 (*Notices*) if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) or the Trustee may give notice to the Agent requesting exchange and, in the event of an Exchange Event as described in (iii) above, the relevant Issuer may also give notice to the Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Agent.

#### **Legend concerning United States persons**

In the case of any Tranche of Bearer Notes having a maturity of more than 365 days, the Notes in global form, the Notes in definitive form and any Coupons and Talons appertaining thereto will bear a legend to the following effect:

*"Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code."*

***The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Notes, receipts or interest coupons and will not be entitled to capital gains treatment in respect of any gain on any sale, disposition, redemption or payment of principal in respect of such Notes, receipts or interest coupons.***

Notes which are represented by a Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

Pursuant to the Agency Agreement (as defined under "*Terms and Conditions of the Notes*"), the Agent shall request that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes at a point after the Issue Date of the further Tranche, the Notes of such further Tranche are assigned a common code and ISIN which are different from the common code and ISIN assigned to Notes of any other Tranche of the same Series until such time as the Tranches are consolidated and form a single Series, which shall not be prior to the expiry of the distribution compliance period (as defined in Regulation S under the Securities Act) applicable to the Notes of such Tranche.

Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms.

No Noteholder, Receiptholder or Couponholder shall be entitled to proceed directly against the relevant Issuer or any relevant Guarantor unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

## FORM OF FINAL TERMS IN RELATION TO NOTES OTHER THAN EXEMPT NOTES

*Set out below is the form of Final Terms which will be completed for each Tranche of Notes which are not Exempt Notes issued under the Programme.*

**[PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("**MiFID II**"); or (ii) a customer within the meaning of Directive 2002/92/EC (as amended or superseded), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

**[[MiFID II Product Governance / Professional investors and ECPs only target market]** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, "**MiFID II**")][MiFID II]; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**Distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a Distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]<sup>1</sup>

[Date]

**[Pirelli International plc/  
Pirelli & C. S.p.A.]**  
(the "**Issuer**")

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]**

**[Guaranteed by  
Pirelli Tyre S.p.A./Pirelli & C. S.p.A.]**

**under the €2,000,000,000  
Euro Medium Term Note Programme**

**PART A – CONTRACTUAL TERMS**

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 19 December 2018 [and the supplement[s] to it dated [date] [and [date]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the "**Base Prospectus**"). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus. Full information on the Issuer [, the Guarantor] and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus and, in the case of Notes admitted to trading on the regulated market of the Luxembourg Stock Exchange, the Final Terms will also be published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).]

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<sup>1</sup> Square brackets or wording to be removed as appropriate for each issuance.



*[The following alternative language applies if the first tranche of an issue which is being increased was issued under the previous Base Prospectus.]*

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 10 January 2018 which are incorporated by reference in the Base Prospectus dated 19 December 2018. This document constitutes the Final Terms of the Notes described herein for the purposes of the Article 5.4 of the Prospectus Directive (the "**Base Prospectus**") and must be read in conjunction with the Base Prospectus dated 19 December 2018 [and the supplement to the Base Prospectus dated [●]], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the Base Prospectus dated 10 January 2018 and are attached hereto. Full information on the Issuer [, the Guarantor] and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectuses dated 10 January 2018 and 19 December 2018. The Base Prospectuses and, in the case of Notes admitted to trading on the regulated market of the Luxembourg Stock Exchange, the Final Terms will also be published on the website of the Luxembourg Stock Exchange (*www.bourse.lu*).]

*(Include whichever of the following apply or specify as "Not Applicable". Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Final Terms.)*

*(If the Notes are issued by Pirelli International and have a maturity of less than one year from the date of their issue, the minimum denomination may need to be £100,000 or its equivalent in any other currency.)*

1. Guarantor [Pirelli Tyre S.p.A./Pirelli & C. S.p.A./Not Applicable] (subject to Condition 2.3 (*Release and Appointment of Guarantor*))
2. (a) Series Number: [●]  
(b) Tranche Number: [●]  
(c) Date on which the Notes will be consolidated and form a single Series: [The Notes will be consolidated and form a single Series with *[provide issue amount/ISIN/maturity date/issue date of earlier Tranches]* on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 24 below, which is expected to occur on or about *[date]*][Not Applicable]
3. Specified Currency or Currencies: [●]
4. Aggregate Nominal Amount:  
(a) Series: [●]  
(b) Tranche: [●]
5. Issue Price: [●] per cent. of the Aggregate Nominal Amount [plus accrued interest from *[insert date]* (if applicable)]
6. (a) Specified Denominations: [●]  
  
*(N.B. Notes must have a minimum denomination of €100,000 (or equivalent))*

*(Note – where multiple denominations above [€100,000] or equivalent are being used the following sample wording should be followed:*

"[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Notes in definitive form will be issued with a denomination above [€199,000].")

- (b) Calculation Amount: [●]
- (If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)*
7. (a) Issue Date: [●]
- (b) Interest Commencement Date: [specify/Issue Date/Not Applicable]
- (N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.)*
8. Maturity Date: [Fixed rate - specify date/
- Floating rate - Interest Payment Date falling in or nearest to [specify month and year]]<sup>2</sup>*
9. Interest Basis: [[●] per cent. Fixed Rate]
- [[specify Reference Rate] +/- [●] per cent. Floating Rate]*
- [Zero Coupon]
- [specify other]*
- (further particulars specified below)
10. Redemption Basis: Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [100] per cent. of their nominal amount
11. Change of Interest Basis: *[Specify the date when any fixed to floating rate change occurs or cross refer to paragraphs 14 and 15 below and identify there][Not Applicable]*
12. Put/Call Options: [Investor Put]
- [Change of Control Put]
- [Issuer Call]

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<sup>2</sup> Note that for Renminbi denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification it will be necessary to use the option as per Floating Rate Notes, i.e. "Interest Payment Date falling in or nearest to [specify month and year]".

[(further particulars specified below)]

13. Date Board approval for issuance of [●] and [●], respectively  
Notes and Guarantee obtained:

*(N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes or related Guarantee)*

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

14. Fixed Rate Note Provisions [Applicable/Not Applicable]

*(If not applicable, delete the remaining subparagraphs of this paragraph)*

- (a) Rate(s) of Interest: [●] per cent. per annum payable in arrear on each Interest Payment Date

- (b) Interest Payment Date(s): [●] in each year up to and including the Maturity Date

*(Amend appropriately in the case of irregular coupons)*

[Interest Payment Date Adjustment [applies/does not apply]]<sup>3</sup>

- (c) Fixed Coupon Amount(s): [●] per Calculation Amount

*(Applicable to Notes in definitive form.)*

[Each Fixed Coupon Amount shall be calculated by multiplying the product of the Rate of Interest and the Calculation Amount by the Day Count Fraction and rounding the resultant figure to the nearest CNY0.01, CNY0.005 being rounded upwards.]<sup>3</sup>

- (d) Broken Amount(s): [[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]][Not Applicable]

*(Applicable to Notes in definitive form.)*

- (e) Day Count Fraction: [30/360] [Actual/Actual (ICMA)] [Actual/365 (Fixed)]<sup>3</sup>

- (f) [Determination Date(s): [●] in each year][Not Applicable]

*(Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such a case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon)*

15. Floating Rate Note Provisions [Applicable/Not Applicable]

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<sup>3</sup> Applicable to Renminbi denominated Fixed Rate Notes.

*(If not applicable, delete the remaining subparagraphs of this paragraph)*

- (a) Specified Period(s)/Specified Interest Payment Dates:  [subject to adjustment in accordance with the Business Day Convention set out in (b) below/, not subject to any adjustment as the Business Day Convention in (b) below is specified to be Not Applicable]
- (b) Business Day Convention:  Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/[specify other]/[Not Applicable]
- (c) Additional Business Centre(s):  [Not Applicable]
- (d) Manner in which the Rate of Interest and Interest Amount is to be determined:  [Screen Rate Determination/ISDA Determination]
- (e) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent):
- (f) Screen Rate Determination:
- Reference Rate and Relevant Financial Centre:  month  [LIBOR/EURIBOR/specify other Reference Rate].  
  
 [London/Brussels/specify other Relevant Financial Centre]
  - Interest Determination Date(s):   
  
*(Second business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)*
  - Relevant Screen Page:   
  
*(In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)*
- (g) ISDA Determination:
- Floating Rate Option:
  - Designated Maturity:
  - Reset Date:   
  
*(In the case of a LIBOR or EURIBOR based option, the first day of the Interest Period)*

- (h) Margin(s): [+/-] [●] per cent. per annum
- (i) Minimum Rate of Interest: [●] per cent. per annum
- (j) Maximum Rate of Interest: [●] per cent. per annum
- (k) Day Count Fraction: [Actual/Actual (ISDA)][Actual/Actual]  
[Actual/365 (Fixed)]  
[Actual/365 (Sterling)]  
[Actual/360]  
[30/360][360/360][Bond Basis]  
[30E/360][Eurobond Basis]  
[30E/360 (ISDA)]  
*(See Condition 4 (Interest) for alternatives)*

16. Zero Coupon Note Provisions [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Accrual Yield: [●] per cent. per annum
  - (b) Reference Price: [●]
  - (c) Day Count Fraction in relation to Early Redemption Amounts: [30/360]  
[Actual/360]  
[Actual/365]

**PROVISIONS RELATING TO REDEMPTION**

17. Notice periods for Condition 6.2 *(Redemption for tax reasons)*: Minimum period: [●] days Maximum period: [●] days
18. Issuer Call: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Optional Redemption Date(s): [●]
  - (b) Optional Redemption Amount and method, if any, of calculation of such amount(s): [[●] per Calculation Amount]
  - (c) If redeemable in part:
    - (i) Minimum Redemption Amount: [●]
    - (ii) Maximum Redemption Amount: [●]
  - (d) Notice periods: Minimum period: [●] days Maximum period: [●] days

*(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent or Trustee)*

19. Make-Whole Issuer Call

- (a) Redemption Margin: [[●] per cent.]
- (b) Reference Bond: *[insert applicable reference bond]*
- (c) Reference Dealers: [[●]]
- (d) If redeemable in part:
  - (i) Minimum Redemption Amount: [●]
  - (ii) Maximum Redemption Amount: [●]

20. Investor Put: [Applicable/Not Applicable]

*(If not applicable, delete the remaining subparagraphs of this paragraph)*

- (a) Optional Redemption Date(s): [●]
- (b) Optional Redemption Amount: [●] per Calculation Amount

*(NB: If the Optional Redemption Amount is other than a specified amount per Calculation Amount, the Notes will need to be Exempt Notes)*

- (c) Notice periods: Minimum period: [●] days Maximum period: [●] days

*(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent or Trustee)*

21. Change of Control Put: [Applicable/Not Applicable]

*(If not applicable, delete the remaining subparagraphs of this paragraph)*

- (a) Optional Redemption Amount: [●] per Calculation Amount
- (b) Notice periods: Minimum period: [●] days Maximum period: [●] days

*(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for*

*example, as between the Issuer and the Agent or Trustee)*

22. Final Redemption Amount: [100 per cent. of the aggregate principal amount of the Notes] / [] per Calculation Amount]

*(NB: Only Zero Coupon Notes may be redeemed at an amount different from 100 per cent. of their principal amount)*

23. Early Redemption Amount payable on redemption for tax reasons or on event of default: [] per Calculation Amount

#### **GENERAL PROVISIONS APPLICABLE TO THE NOTES**

24. Form of Notes:

(a) Form: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on [] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note]\*

[Temporary Global Note exchangeable for Definitive Notes on [] days' notice]

[Permanent Global Note exchangeable for Definitive Notes on [] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note]

[Notes shall not be physically delivered in Belgium, except to a clearing system, a depository or other institution for the purpose of their immobilisation in accordance with article 4 of the Belgian Law of 14 December 2005.]

*\*(N.B. The exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 6 includes language substantially to the following effect: "[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]."*

(b) New Global Note: [Yes][No]

25. Additional Financial Centre(s): [Not Applicable]/[]

*(Note that this paragraph relates to the place of payment and not Interest Period end dates to which sub-paragraphs 15(c) relates)*

26. Talons for future Coupons to be attached to Definitive Notes: [Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No]

27. CNY Currency Event *(Only applicable to CNY Notes)*: [CNY Illiquidity]

[CNY Inconvertibility]

[CNY Non-Transferability]

[Not Applicable]

28. Party responsible for calculating the Alternate Settlement Rate (Only applicable to CNY Notes): *[[Insert name] (the "Alternate Settlement Rate Determination Agent")]*

29. Relevant Currency (Only applicable to CNY Notes): [U.S. dollars/euro/Sterling/Not Applicable]

**[THIRD PARTY INFORMATION]**

*[[Relevant third party information]* has been extracted from *[specify source]*. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by *[specify source]*, no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of [Pirelli International plc/Pirelli & C. S.p.A.]: [Signed on behalf of Pirelli Tyre S.p.A.:

By: .....

*Duly authorised*

By: .....

*Duly authorised /*

Signed on behalf of Pirelli & C. S.p.A.:

By: .....

*Duly authorised]*



## PART B – OTHER INFORMATION

### 30. LISTING AND ADMISSION TO TRADING

- (i) Listing and Admission to trading [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the Luxembourg Stock Exchange's regulated market and listing on the Official List of the Luxembourg Stock Exchange with effect from [●].]

[Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the Luxembourg Stock Exchange's regulated market and listing on the Official List of the Luxembourg Stock Exchange with effect from [●].]

[The *[original Notes]* are already admitted to trading on the Luxembourg Stock Exchange's regulated market] (*insert in case of fungible issue if the original Notes are already admitted to trading*)

[Not Applicable.]

- (ii) Estimate of total expenses related to admission to trading: [●]

### 31. RATINGS

Ratings:

[The Notes to be issued [[have been]/[are expected to be]] rated *[insert details]* by *[insert the legal name of the relevant credit rating agency entity(ies) and associated defined terms]*. [Each of such rating agencies] is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**"). As such [each of such rating agencies] is included in the list of credit ratings agencies published by the European Securities and Markets Authority on its website (at [www.esma.europa.eu/page/List-registered-and-certified-CRAs](http://www.esma.europa.eu/page/List-registered-and-certified-CRAs)) in accordance with such Regulation.]

*(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)*

### 32. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

*[Need to include a description of any interest, including a conflicting interest, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:*

"Save for any fees of [insert as appropriate] payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and the Guarantor and their affiliates in the ordinary course of business. -

Amend as appropriate if there are other interests]

*(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)*

33. **[USE OF PROCEEDS]**

(i) Reasons for the offer: [●]

(ii) Use of Proceeds: [●]

*(Only required if the use of proceeds is different to that stated in the Base Prospectus, including for any Eligible Green Projects, Social Projects, or to finance or re-finance any combination of Eligible Green Projects and/or Social Projects by way of a Sustainability Bond)*

34. **YIELD** *(Fixed Rate Notes only)*

Indication of yield: [●]

The yield specified above is as calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

35. **HISTORIC INTEREST RATES** *(Floating Rate Notes only)*

Details of historic [LIBOR/EURIBOR/*specify other Reference Rate*] rates can be obtained from [Reuters].

[Benchmarks:

Amounts payable under the Notes will be calculated by reference to [*LIBOR/EURIBOR/CMS RATE*] which is provided by [*ICE Benchmark Administration/ European Money Markets Institute/specify other*]. As at [●], [*ICE Benchmark Administration/ European Money Markets Institute/specify other*] [appears/does not appear] on the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority pursuant to Article 36 of the Benchmark Regulation (Regulation (EU) 2016/1011) (the "**BMR**").

[As far as the Issuer is aware, [[[●] does/do] not fall within the scope of the BMR by virtue of Article 2 of that regulation] / [the transitional provisions in Article 51 of the Benchmark Regulation apply], such that [●] is not currently required to obtain authorisation or registration.]]

36. **OPERATIONAL INFORMATION**

(i) ISIN: [●]

(ii) Common Code: [●]

(iii) FISN: [●]

(iv) CFI Code: [●]

- (v) Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking, S.A. and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]
- (vi) Delivery: Delivery [against/free of] payment
- (vii) Names and addresses of additional Paying Agent(s) [●]
- (viii) Deemed delivery of clearing system notices for the purposes of Condition 12 (*Notices*): Any notice delivered to Noteholders through the clearing systems will be deemed to have been given on the [second] [business] day after the day on which it was given to Euroclear and Clearstream, Luxembourg.
- (ix) Intended to be held in a manner which would allow Eurosystem eligibility: [Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]/
- [No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

## DISTRIBUTION

37. Method of distribution: [Syndicated/Non-syndicated]
- (iii) If syndicated, names of Managers: [Not Applicable/give names]
- (iv) Date of Subscription Agreement: [●]
- (v) Stabilisation Manager(s) (if any): [Not Applicable/give name]
- (vi) If non-syndicated, name of relevant Dealer: [Not Applicable/give name]
- (vii) U.S. Selling Restrictions: [Reg. S Compliance Category [1/2/3]; TEFRA D/TEFRA C/TEFRA not applicable]]

(viii) Prohibition of Sales to EEA Retail Investors: [Applicable /Not Applicable]

(If the Notes clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no key information document will be prepared, "Applicable" should be specified.)

## FORM OF PRICING SUPPLEMENT IN RELATION TO EXEMPT NOTES

*Set out below is the form of Pricing Supplement which will be completed for each Tranche of Exempt Notes issued under the Programme.*

**[PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("**MiFID II**"); or (ii) a customer within the meaning of Directive 2002/92/EC (as amended or superseded), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

**[[MiFID II Product Governance / Professional investors and ECPs only target market]** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, "**MiFID II**")][MiFID II]; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**Distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a Distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]<sup>4</sup>

NO PROSPECTUS IS REQUIRED IN ACCORDANCE WITH DIRECTIVE 2003/71/EC, AS AMENDED, FOR THE ISSUE OF THE NOTES DESCRIBED BELOW

[Date]

**[Pirelli International plc/  
Pirelli & C. S.p.A.]**

**Issue of [Aggregate Nominal Amount of Tranche]  
[Title of Notes]**

**[Guaranteed by  
[Pirelli Tyre S.p.A./Pirelli & C. S.p.A.]]**

**under the  
€2,000,000,000 Euro Medium Term Note Programme**

### **PART A – CONTRACTUAL TERMS**

Any person making or intending to make an offer of the Notes may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or to supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer.

This document constitutes the Pricing Supplement of the Notes described herein. This document must be read in conjunction with the Base Prospectus dated 19 December 2018 [as supplemented by the

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<sup>4</sup> Square brackets or wording to be removed as appropriate for each issuance.

supplement[s] dated [date[s]] (the "**Base Prospectus**"). Full information on the Issuer [, the Guarantor] and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Base Prospectus. Copies of the Base Prospectus may be obtained from [address].

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Base Prospectus [dated [original date] which are incorporated by reference in the Base Prospectus].

*(Include whichever of the following apply or specify as "Not Applicable". Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Pricing Supplement.)*

*(If the Notes are issued by Pirelli International and have a maturity of less than one year from the date of their issue, the minimum denomination may need to be £100,000 or its equivalent in any other currency.)*

1. (a) Issuer: [Pirelli International plc/Pirelli & C. S.p.A.]
- (b) Guarantor: [Pirelli Tyre S.p.A./Pirelli & C. S.p.A./Not Applicable]
- (subject to Condition 2.3 (*Release and Appointment of Guarantor*))
2. (a) Series Number: [●]
- (b) Tranche Number: [●]
- (c) Date on which the Notes will be consolidated and form a single Series: The Notes will be consolidated and form a single Series with [provide issue amount/ISIN/maturity date/issue date of earlier Tranches] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 26 below, which is expected to occur on or about [date]][Not Applicable]
3. Specified Currency or Currencies: [●]
4. Aggregate Nominal Amount:
  - (a) Series: [●]
  - (b) Tranche: [●]
5. Issue Price: [●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (if applicable)]
6. (a) Specified Denominations: [●]
- (*N.B. Notes must have a minimum denomination of €100,000 (or equivalent)*)
- (*Note – where multiple denominations above [€100,000] or equivalent are being used the following sample wording should be followed:*
- "[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Notes in definitive form will be issued with a denomination above [€199,000]."*)

- (b) Calculation Amount: [●]
- (If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)*
7. (a) Issue Date: [●]
- (b) Interest Commencement Date: [specify/Issue Date/Not Applicable]
- (N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.)*
8. Maturity Date: [Fixed rate – specify date/
- Floating rate – Interest Payment Date falling in or nearest to [specify month and year]]<sup>5</sup>
9. Interest Basis: [[●] per cent. Fixed Rate]
- [[specify Reference Rate] +/- [●] per cent. Floating Rate]
- [Zero Coupon]
- [Index Linked Interest]
- [Dual Currency Interest]
- [specify other]
- (further particulars specified below)
10. Redemption/Payment Basis: [Redemption at par]
- [Index Linked Redemption]
- [Dual Currency Redemption]
- [Partly Paid]
- [Instalment]
- [specify other]
11. Change of Interest Basis or Redemption/Payment Basis: [Specify details of any provision for change of Notes into another Interest Basis or Redemption/Payment Basis][Not Applicable]
12. Put/Call Options: [Investor Put]

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<sup>5</sup> Note that for Renminbi denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification it will be necessary to use the second option here.

[Change of Control Put]

[Issuer Call]

[(further particulars specified below)]

13. Date Board approval for issuance of Notes and Guarantee obtained: [●] and [●], respectively

*(N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes or related Guarantee)*

#### PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14. Fixed Rate Note Provisions [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Rate(s) of Interest: [●] per cent. per annum payable in arrear on each Interest Payment Date
- (b) Interest Payment Date(s): [●] in each year up to and including the Maturity Date
- (Amend appropriately in the case of irregular coupons)*
- [Interest Payment Date Adjustment [applies/does not apply]]<sup>6</sup>
- (c) Fixed Coupon Amount(s): [●] per Calculation Amount
- (Applicable to Notes in definitive form.)* [Each Fixed Coupon Amount shall be calculated by multiplying the product of the Rate of Interest and the Calculation Amount by the Day Count Fraction and rounding the resultant figure to the nearest CNY0.01, CNY0.005 being rounded upwards.]<sup>7</sup>
- (d) Broken Amount(s): [[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●] ] [Not Applicable]
- (Applicable to Notes in definitive form.)*
- (e) Day Count Fraction: [30/360 / Actual/Actual (ICMA) / Actual/365 (Fixed)]<sup>3</sup> / specify other]
- (f) [Determination Date(s): [[●] in each year][Not Applicable]
- (Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such a case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or*

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<sup>6</sup> Applicable to Renminbi denominated Fixed Rate Notes only.

<sup>7</sup> Applicable to Renminbi denominated Fixed Rate Notes.



*short first or last coupon)*

- (g) Other terms relating to the method of calculating interest for Fixed Rate Notes which are Exempt Notes: [None/specify *other terms*]

15. Floating Rate Note Provisions [Applicable/Not Applicable]

*(If not applicable, delete the remaining subparagraphs of this paragraph)*

- (a) Specified Period(s) / Specified Interest Payment Dates: [●], [subject to adjustment in accordance with the Business Day Convention set out in (b) below/ not subject to any adjustment as the Business Day Convention in (b) below is specified to be Not Applicable]

- (b) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/[specify other]/[Not Applicable]]

- (c) Additional Business Centre(s): [●]

- (d) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination / ISDA Determination / specify *other*]

- (e) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent): [●]

- (f) Screen Rate Determination:

- Reference Rate and Relevant Financial Centre: [●] month [LIBOR/EURIBOR / specify *other Reference Rate*].

[London/Brussels / specify *other Relevant Financial Centre*]

- Interest Determination Date(s): [●]

*(Second business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)*

- Relevant Screen Page: [●]

*(In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)*

- (g) ISDA Determination:

- Floating Rate Option: [●]

- Designated Maturity: [●]
  - Reset Date: [●]
- (In the case of a LIBOR or EURIBOR based option, the first day of the Interest Period)*
- (h) Margin(s): [ +/- ] [●] per cent. per annum
- (i) Minimum Rate of Interest: [●] per cent. per annum
- (j) Maximum Rate of Interest: [●] per cent. per annum
- (k) Day Count Fraction: [Actual/Actual (ISDA)][Actual/Actual]  
 [Actual/365 (Fixed)]  
 [Actual/365 (Sterling)]  
 [Actual/360]  
 [30/360][360/360][Bond Basis]  
 [30E/360][Eurobond Basis]  
 [30E/360 (ISDA)]  
*[Other]*  
*(See Condition 4 (Interest) for alternatives)*
- (l) Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes which are Exempt Notes, if different from those set out in the Conditions: [●]
16. Zero Coupon Note Provisions [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Accrual Yield: [●] per cent. per annum
- (b) Reference Price: [●]
- (c) Any other formula/basis of determining amount payable for Zero Coupon Notes which are Exempt Notes: [●]
- (d) Day Count Fraction in relation to Early Redemption Amounts: [30/360] [Actual/360]  
 [Actual/365]
17. Index Linked Interest Note Provisions [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*

- (a) Index/Formula: (give or annex details)
- (b) Calculation Agent [●] (give name)
- (c) Party responsible for calculating the Rate of Interest (if not the Calculation Agent) and Interest Amount (if not the Agent): [●]
- (d) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable: [●] (need to include a description of market disruption or settlement disruption events and adjustment provisions)
- (e) Specified Period(s)/Specified Interest Payment Dates: [●]
- (f) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/specify other]
- (g) Additional Business Centre(s): [●]
- (h) Minimum Rate of Interest: [●] per cent. per annum
- (i) Maximum Rate of Interest: [●] per cent. per annum
- (j) Day Count Fraction: [●]
18. Dual Currency Interest Note Provisions [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Rate of Exchange/method of calculating Rate of Exchange: [give or annex details]
- (b) Party, if any, responsible for calculating the principal and/or interest due (if not the Agent): [●]
- (c) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: [●] (need to include a description of market disruption or settlement disruption events and adjustment provisions)
- (d) Person at whose option Specified Currency(ies) is/are payable: [●]

**PROVISIONS RELATING TO REDEMPTION**

19. Notice periods for Condition 6.2 (Redemption for tax reasons) Minimum period: [●] days Maximum period: [●] days:
20. Issuer Call: [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Optional Redemption Date(s): [●]

(b) Optional Redemption Amount and method, if any, of calculation of such amount(s):  per Calculation Amount/ *specify other/see Appendix*

(f) If redeemable in part:

(i) Minimum Redemption Amount:

(ii) Maximum Redemption Amount:

(g) Notice periods: Minimum period:  days Maximum period:  days

*(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent or Trustee)*

21. Make-Whole Issuer Call

(a) Redemption Margin:  per cent.]

(b) Reference Bond: *[insert applicable reference bond]*

(c) Reference Dealers:

(d) If redeemable in part:

(i) Minimum Redemption Amount:

(ii) Maximum Redemption Amount:

22. Investor Put:  [Applicable/Not Applicable]

*(If not applicable, delete the remaining subparagraphs of this paragraph)*

(a) Optional Redemption Date(s):

(b) Optional Redemption Amount and  per Calculation Amount/*specify other/see method, if any, of calculation of Appendix*] such amount(s):

(c) Notice periods: Minimum period:  days Maximum period:  days

*(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent or Trustee)*

23. Change of Control Put: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Optional Redemption Amount: [●] per Calculation Amount
- (b) Notice periods: Minimum period: [●] days Maximum period: [●] days  
*(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent or Trustee)*
24. Final Redemption Amount: [[●] per Calculation Amount/specify other/see Appendix]
25. Early Redemption Amount payable on redemption for tax reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 6.5 (*Early Redemption Amounts*)): [[●] per Calculation Amount/specify other/see Appendix]

**GENERAL PROVISIONS APPLICABLE TO THE NOTES**

26. Form of Notes:
- (a) Form: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on [●] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note]\*  
[Temporary Global Note exchangeable for Definitive Notes on [●] days' notice]  
[Permanent Global Note exchangeable for Definitive Notes on [●] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note]  
[Notes shall not be physically delivered in Belgium, except to a clearing system, a depository or other institution for the purpose of their immobilisation in accordance with article 4 of the Belgian Law of 14 December 2005.<sup>8</sup>]  
*\*(N.B. The exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Notes in*

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<sup>8</sup> Include for Notes that are to be offered in Belgium.

*paragraph 6 includes language substantially to the following effect: "[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]."*

- (b) [New Global Note: [Yes][No]]
27. Additional Financial Centre(s): [Not Applicable/additional *financial centre(s)*]
- (Note that this paragraph relates to the place of payment and not Interest Period end dates to which sub-paragraphs 15(c) and 17(g) relate)*
28. Talons for future Coupons to be attached to Definitive Notes: [Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No]
29. CNY Currency Event (*Only applicable to CNY Notes*): [CNY Illiquidity]
- [CNY Inconvertibility]
- [CNY Non-Transferability]
- [specify CNY Currency Event]
- [Not Applicable]
30. Alternate Settlement Rate (if different from that set out in Condition 5.8 (*CNY Currency Event*)) (*Only applicable to CNY Notes*): [Not Applicable/specify *Alternate Settlement Rate*]
31. Party responsible for calculating the Alternate Settlement Rate (*Only applicable to CNY Notes*): **[[Insert name] (the "Alternate Settlement Rate Determination Agent")]**
32. Relevant Currency (*Only applicable to CNY Notes*): [U.S. dollars/euro/Sterling/specify *other*/Not Applicable]
33. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the
- Notes and interest due on late payment.
34. Details relating to Instalment Notes: [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Instalment Amount(s): [●]
- (b) Instalment Date(s): [●]
35. Other final terms: [Not Applicable/*other final terms*]

**[THIRD PARTY INFORMATION]**

[[*Relevant third party information*] has been extracted from [*specify source*]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [*specify source*], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of [Pirelli International plc/Pirelli & C. S.p.A.]:      [Signed on behalf of Pirelli Tyre S.p.A.:

By: .....

*Duly authorised*

By: .....

*Duly authorised /*

Signed on behalf of Pirelli & C. S.p.A.:

By: .....

*Duly authorised]*

## PART B – OTHER INFORMATION

### 36. LISTING

Listing: [Application [has been made/ is expected to be made] for the Notes to be listed on *[specify market – must not be a regulated market]* with effect from [●] ]/[Not Applicable]

### 37. RATINGS

Ratings: [The Notes to be issued [[have been]/[are expected to be]] rated *[insert details]* by *[insert the legal name of the relevant credit rating agency entity(ies)]*

*(The above disclosure is only required if the ratings of the Notes are different to those stated in the Base Prospectus)*

### 38. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[Save for any fees of *[insert as appropriate]* payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and the Guarantor and their affiliates in the ordinary course of business. - *Amend as appropriate if there are other interests]*

### 39. [USE OF PROCEEDS

(i) Reasons for the offer: [●]

(ii) Use of Proceeds: [●]

*(Only required if the use of proceeds is different to that stated in the Base Prospectus, including for any Eligible Green Projects, Social Projects, or to finance or re-finance any combination of Eligible Green Projects and/or Social Projects by way of a Sustainability Bond)*

### 40. OPERATIONAL INFORMATION

(i) ISIN: [●]

(ii) Common Code: [●]

(iii) FISN: [●]

(iv) CFI Code: [●]

(v) Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking, S.A. and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]

(vi) Delivery: Delivery [against/free of] payment

(vii) Names and addresses of additional Paying Agent(s) (if any): [●]



- (viii) Deemed delivery of clearing system notices for the purposes of Condition 12 (*Notices*): Any notice delivered to Noteholders through the clearing systems will be deemed to have been given on the [second] [business] day after the day on which it was given to Euroclear and Clearstream, Luxembourg.
- [(viii) Intended to be held in a manner which would allow Eurosystem eligibility: [Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]/
- [No. Whilst the designation is specified as "no" at the date of this Pricing Supplement, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]]

#### 41. **DISTRIBUTION**

- (i) Method of distribution: [Syndicated/Non-syndicated]
- (ii) If syndicated, names of Managers: [Not Applicable/*give names*]
- (iii) Stabilisation Manager(s) (if any): [Not Applicable/*give name*]
- (iv) If non-syndicated, name of relevant Dealer: [Not Applicable/*give name*]
- (v) U.S. Selling Restrictions: Reg. S Compliance Category [1/2/3]; [TEFRA D/TEFRA C/TEFRA not applicable]
- (vi) Additional selling restrictions: [Not Applicable/*Additional United States selling restrictions*]

*(Additional selling restrictions are only likely to be relevant for certain structured Notes, such as commodity-linked Notes)*

## TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes which will be incorporated into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the relevant Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Pricing Supplement in relation to any Tranche of Exempt Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Notes. The applicable Final Terms (which term shall be deemed to include a reference to the applicable Pricing Supplement where relevant, as set out below) (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to "Form of Final Terms in relation to Notes other than Exempt Notes" and "Form of Pricing Supplement in relation to Exempt Notes" for a description of the content of Final Terms and Pricing Supplements, respectively, which will specify which of such terms are to apply in relation to the relevant Notes.

This Note is one of a Series (as defined below) of Notes issued by Pirelli International plc ("**Pirelli International**") or Pirelli & C. S.p.A. ("**Pirelli**") (each an "**Issuer**" and together, the "**Issuers**") as specified in the applicable Final Terms (as defined below) or, in the case of Exempt Notes, the applicable Pricing Supplement (as defined below) and constituted by a Trust Deed (such Trust Deed as modified and/or supplemented and/or restated from time to time, the "**Trust Deed**") dated 19 December 2018 made between, *inter alia*, the Issuer and Deutsche Trustee Company Limited (the "**Trustee**", which expression shall include any successor as Trustee).

Notes issued by Pirelli International will be guaranteed by either Pirelli or Pirelli Tyre S.p.A. ("**Pirelli Tyre**") as specified as the Guarantor in the applicable Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement) (in such capacity, the "**Guarantor**") subject to the provisions of Condition 2.3 (*Release and Appointment of Guarantor*), as the case may be.

Notes issued by Pirelli will be guaranteed by Pirelli Tyre if it is specified as a Guarantor in the applicable Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement) (in such capacity, the "**Guarantor**"), subject to the provisions of Condition 2.3 (*Release and Appointment of Guarantor*). If no Guarantor is specified in the applicable Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement), the Notes will not have the benefit of a guarantee, **provided that** Pirelli Tyre shall provide a Guarantee in respect of such Notes in the circumstances set out in Condition 2.3(b).

References herein to a "**Guaranteed Note**" or to "**Guaranteed Notes**" shall be references to a Note or Notes, respectively, that is or are for the time being guaranteed by Pirelli or Pirelli Tyre as set out above and references to the Guarantor shall be to the entity which provides the Guarantee from time to time pursuant to Condition 2.3 (*Release and Appointment of Guarantor*).

In the case of Notes issued by Pirelli International, Pirelli International intends to specify:

- (a) Pirelli Tyre as the Guarantor in the applicable Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement), if at the Issue Date of the first Tranche of the Notes of the relevant Series the consolidated gross financial indebtedness of the Pirelli Tyre Group (as defined in Condition 3.2 (*Interpretation*)) represented more than 20 per cent. of the consolidated gross financial indebtedness of the Pirelli Group (as defined in Condition 3.2 (*Interpretation*)) as at the date of, and as calculated by reference to, the then latest annual or half-year consolidated financial statements of the Pirelli Tyre Group and the Pirelli Group, respectively; or
- (b) Pirelli as the Guarantor in the applicable Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement), in any other case.

In the case of Notes issued by Pirelli, Pirelli intends to specify Pirelli Tyre as the Guarantor in the applicable Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement) if at the Issue Date of the first Tranche of the Notes of the relevant Series the consolidated gross financial indebtedness of the Pirelli Tyre Group (as defined in Condition 3.2 (*Interpretation*)) represented more than 20 per cent. of the consolidated gross financial indebtedness of the Pirelli Group (as defined in

Condition 3.2 (*Interpretation*)) as at the date of, and as calculated by reference to, the then latest annual or half-year consolidated financial statements of the Pirelli Tyre Group and the Pirelli Group, respectively.

References herein to the "**Notes**" shall be references to the Notes of this Series and shall mean:

- (a) in relation to any Notes represented by a global Note (a "**Global Note**"), units of each Specified Denomination in the Specified Currency;
- (b) any Global Note; and
- (c) any definitive Notes issued in exchange for a Global Note.

The Notes, the Receipts (as defined below) and the Coupons (as defined below) have the benefit of an Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the "**Agency Agreement**") dated 19 December 2018 and made between, *inter alia*, the Issuer, the Trustee, Deutsche Bank AG, London Branch as issuing and principal paying agent and agent bank (the "**Agent**", which expression shall include any successor agent) and the other paying agents named therein (together with the Agent, the "**Paying Agents**", which expression shall include any additional or successor paying agents).

The final terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Note which supplement these Terms and Conditions (the "**Conditions**") or, if this Note is a Note which is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive (an "**Exempt Note**"), the final terms (or the relevant provisions thereof) are set out in Part A of the Pricing Supplement attached to or endorsed on this Note which supplement these Conditions and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the Conditions, replace or modify the Conditions for the purposes of this Note. References to the "**applicable Final Terms**" are, unless otherwise stated, to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note. References to the "**applicable Pricing Supplement**" in the case of Exempt Notes are, unless otherwise stated, to Part A of the Pricing Supplement (or the relevant provisions thereof) attached to or endorsed on this Note. Any reference in the Conditions to "**applicable Final Terms**" shall be deemed to include a reference to "**applicable Pricing Supplement**" where relevant. The expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including by Directive 2010/73/EU and includes any relevant implementing measure in the relevant Member State.

Interest bearing definitive Notes have interest coupons ("**Coupons**") and, in the case of Notes which, when issued in definitive form, have more than 27 interest payments remaining, talons for further Coupons ("**Talons**") attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Exempt Notes in definitive form which are repayable in instalments have receipts ("**Receipts**") for the payment of the instalments of principal (other than the final instalment) attached on issue. Global Notes do not have Receipts, Coupons or Talons attached on issue.

The Trustee acts for the benefit of the holders for the time being of the Notes (the "**Noteholders**", which expression shall, in relation to any Notes represented by a Global Note, be construed as provided below), the holders of the Receipts (the "**Receiptholders**") and the holders of the Coupons (the "**Couponholders**", which expression shall, unless the context otherwise requires, include the holders of the Talons), in accordance with the provisions of the Trust Deed.

As used herein, "**Tranche**" means Notes which are identical in all respects (including as to listing and admission to trading) and "**Series**" means a Tranche of Notes together with any further Tranche or Tranches of Notes which (a) are expressed to be consolidated and form a single series and (b) have the same terms and conditions or terms and conditions which are the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue.

Copies of the Trust Deed and the Agency Agreement are available for inspection during normal business hours at the principal office for the time being of the Trustee being at the date of the Base Prospectus, at Winchester House, 1 Great Winchester Street, EC2N 2DB, London, United Kingdom, and at the specified office of each of the Paying Agents. If the Notes are to be admitted to trading on the regulated market of

the Luxembourg Stock Exchange the applicable Final Terms will be published on the website of the Luxembourg Stock Exchange (*www.bourse.lu*). If this Note is an Exempt Note, the applicable Pricing Supplement will only be obtainable by a Noteholder holding one or more Notes and such Noteholder must produce evidence satisfactory to the Issuer, the Trustee and the relevant Paying Agent as to its holding of such Notes and identity. The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Trust Deed, the Agency Agreement and the applicable Final Terms which are applicable to them. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed and the Agency Agreement.

Words and expressions defined in the Trust Deed, the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in the Conditions unless the context otherwise requires or unless otherwise stated and **provided that**, in the event of inconsistency between the Trust Deed and the Agency Agreement, the Trust Deed will prevail and, in the event of inconsistency between the Trust Deed or the Agency Agreement and the applicable Final Terms, the applicable Final Terms will prevail.

In the Conditions:

- "euro" means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended;
- "Renminbi" and "CNY" mean the lawful currency of the People's Republic of China (the "PRC") which, for the purposes of these Terms and Conditions, excludes the Hong Kong Special Administrative Region of the People's Republic of China, the Macau Special Administrative Region of the People's Republic of China and Taiwan;
- "Sterling" means the currency of the United Kingdom;
- "CNY Notes" means the Notes denominated in Renminbi; and
- "US dollars" means the currency of the United States of America.

#### 1. FORM, DENOMINATION AND TITLE

The Notes are in bearer form and, in the case of definitive Notes, serially numbered, in the currency (the "**Specified Currency**") and the denominations (the "**Specified Denomination(s)**") specified in the applicable Final Terms. Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

Unless this Note is an Exempt Note, this Note may be a Fixed Rate Note, a Floating Rate Note or a Zero Coupon Note, or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

If this Note is an Exempt Note, this Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, a Dual Currency Interest Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Pricing Supplement.

If this Note is an Exempt Note, this Note may also be an Index Linked Redemption Note, an Instalment Note, a Dual Currency Redemption Note, a Partly Paid Note or a combination of any of the foregoing, depending upon the Redemption/Payment Basis shown in the applicable Pricing Supplement.

Definitive Notes are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in the Conditions are not applicable.

Subject as set out below, title to the Notes, Receipts and Coupons will pass by delivery. The Issuer, the Guarantor (if the Notes are Guaranteed Notes), the Paying Agents and the Trustee will (except as otherwise required by law) deem and treat the bearer of any Note, Receipt or Coupon as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but,

in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank SA/NV ("**Euroclear**") and/or Clearstream Banking, S.A. ("**Clearstream, Luxembourg**"), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Guarantor (if the Notes are Guaranteed Notes), the Paying Agents and the Trustee as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Global Note shall be treated by the Issuer, the Guarantor (if the Notes are Guaranteed Notes), any Paying Agent and the Trustee as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions "**Noteholder**" and "**holder of Notes**" and related expressions shall be construed accordingly. In determining whether a particular person is entitled to a particular nominal amount of Notes as aforesaid, the Trustee may rely on such evidence and/or information and/or certification as it shall, in its absolute discretion, think fit and, if it does so rely, such evidence and/or information and/or certification shall, in the absence of manifest error, be conclusive and binding on all concerned.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as the case may be. References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in Part B of the applicable Final Terms.

## 2. **STATUS OF THE NOTES AND THE GUARANTEE**

### 2.1 **Status of the Notes**

The Notes and any relative Receipts and Coupons are direct, unconditional, unsubordinated and (subject to the provisions of Condition 3 (*Negative Pledges*)) unsecured obligations of the Issuer and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.

### 2.2 **Status of the Guarantee**

If the Notes are Guaranteed Notes, the payment of principal and interest in respect of the Notes and all other moneys payable by the Issuer under or pursuant to the Trust Deed has been unconditionally and irrevocably guaranteed by the Guarantor (subject to Condition 2.3 (*Release and Appointment of Guarantor*)) (the "**Guarantee**", which term shall include any Guarantee provided under Condition 2.3 (*Release and Appointment of Guarantor*)) in the Trust Deed. The obligations of the Guarantor under its Guarantee are direct, unconditional (subject to the provisions of Condition 2.3 (*Release and Appointment of Guarantor*)), unsubordinated and (subject to the provisions of Condition 3 (*Negative Pledges*)) unsecured obligations of the Guarantor and (save for certain obligations required to be preferred by law) rank equally with all other unsecured obligations (other than subordinated obligations, if any) of the Guarantor from time to time outstanding.

### 2.3 **Release and Appointment of Guarantor**

(a) The following Condition 2.3(a) shall apply to Notes issued by Pirelli in respect of which Pirelli Tyre is specified as the Guarantor in the applicable Final Terms:

- (i) Subject to Condition 2.3(a)(iii)(C) below, Pirelli Tyre shall be automatically released from its obligations under its Guarantee upon delivery of a notice in writing to the Trustee signed by an authorised signatory of the Issuer and an

authorised signatory of Pirelli Tyre attaching each of the following documents, and the Issuer may request that the Trustee acknowledge receipt of such notice pursuant to this Condition 2.3(a)(i) and the Trustee shall grant such request within five Business Days of the request being received if the Trustee has received such notice and each of the following documents:

- (A) a certificate, in or substantially in the form set out in the Trust Deed, signed by an authorised signatory of the Issuer, confirming that the consolidated gross financial indebtedness of the Pirelli Tyre Group (as defined in Condition 3.2 (*Interpretation*)) represented not more than 20 per cent. of the consolidated gross financial indebtedness of the Pirelli Group (as defined in Condition 3.2 (*Interpretation*)) as at the date of, and as calculated by reference to, the then latest annual or half-year consolidated financial statements of the Pirelli Tyre Group and the Pirelli Group, respectively;
- (B) a certificate, in or substantially in the form set out in the Trust Deed, signed by an authorised signatory of the Issuer, confirming that no Event of Default has occurred and is continuing or would result from the release of Pirelli Tyre from its obligations under its Guarantee; and
- (C) a certificate, in or substantially in the form set out in the Trust Deed, signed by an authorised signatory of the Issuer and by an authorised signatory of Pirelli Tyre, confirming that no amount owed by Pirelli Tyre under its Guarantee is due and unpaid.

Upon receipt by the Trustee of such notice and documents, Pirelli Tyre shall be automatically, immediately and effectively released from its obligations under its Guarantee.

- (ii) If Pirelli Tyre is at any time released from its obligations under its Guarantee pursuant to Condition 2.3(a)(i) above, the Issuer shall thereafter (unless and until the occurrence of a Pirelli Merger (as defined in Condition 8.3 (*Definitions*))) be required, subject to Condition 2.3(a)(iii) below, within 20 days of the date of publication of each of (i) the Pirelli Group's annual audited consolidated financial statements, as approved by a meeting of its shareholders and (ii) the Pirelli Group's half-year unaudited consolidated financial statements, as approved by Pirelli and reviewed by its auditors, to deliver to the Trustee a certificate (a "**Compliance Certificate**") substantially in the form set out in the Trust Deed and upon which the Trustee may rely absolutely and without further enquiry, signed by an authorised signatory of the Issuer and stating that the consolidated gross financial indebtedness of the Pirelli Tyre Group represented not more than 20 per cent. of the consolidated gross financial indebtedness of the Pirelli Group as at the date of, and as calculated by reference to, the then latest annual or half-year consolidated financial statements of the Pirelli Tyre Group and of the Pirelli Group, respectively.
- (iii) If the Issuer is unable to make the statement required by and set out in Condition 2.3(a)(ii) above in the Compliance Certificate in respect of the accounting period to which its then latest annual or half-year consolidated financial statements relate, or if the Issuer otherwise fails to deliver the Compliance Certificate to the Trustee in accordance with Condition 2.3(a)(ii) above in respect of any such accounting period:
  - (A) the payment of principal and interest in respect of the Notes and all other moneys payable by the Issuer under or pursuant to the Trust Deed shall immediately be unconditionally and irrevocably guaranteed again by Pirelli Tyre, on the terms set out in the Trust Deed;
  - (B) the Issuer shall be released from its obligations under Condition 2.3(a)(ii) above; and

- (C) Pirelli Tyre may not at any time thereafter be released from its obligations as Guarantor pursuant to the mechanism set out in Condition 2.3(a)(i) above.
  - (iv) Notice of any release or re-appointment of Pirelli Tyre as Guarantor pursuant to this Condition 2.3(a) will be given by the Issuer to the Noteholders in accordance with Condition 12 (*Notices*).
- (b) The following Condition 2.3(b) shall apply to Notes issued by Pirelli in respect of which no Guarantor is specified in the applicable Final Terms:
  - (i) The Issuer shall (unless and until the occurrence of a Pirelli Merger (as defined in Condition 8.3 (*Definitions*))) be required, subject to Condition 2.3(b)(ii) below, within 20 days of the date of publication of each of (i) the Pirelli Group's annual audited consolidated financial statements, as approved by a meeting of its shareholders and (ii) the Pirelli Group's half-year unaudited consolidated financial statements, as approved by Pirelli and reviewed by its auditors, to deliver to the Trustee a Compliance Certificate substantially in the form set out in the Trust Deed and upon which the Trustee may rely absolutely and without further enquiry, signed by an authorised signatory of the Issuer and stating that the consolidated gross financial indebtedness of the Pirelli Tyre Group represented not more than 20 per cent. of the consolidated gross financial indebtedness of the Pirelli Group as at the date of, and as calculated by reference to, the then latest annual or half-year consolidated financial statements of the Pirelli Tyre Group and of the Pirelli Group, respectively.
  - (ii) If the Issuer is unable to make the statement required by and set out in Condition 2.3(b)(i) above in the Compliance Certificate in respect of the accounting period to which its then latest annual or half-year consolidated financial statements relate, or if the Issuer otherwise fails to deliver the Compliance Certificate to the Trustee in accordance with Condition 2.3(b)(i) above in respect of any such accounting period:
    - (A) the payment of principal and interest in respect of the Notes and all other moneys payable by the Issuer under or pursuant to the Trust Deed shall immediately be unconditionally and irrevocably guaranteed by Pirelli Tyre, on the terms set out in the Trust Deed;
    - (B) the Issuer shall be released from its obligations under Condition 2.3(b)(i) above; and
    - (C) Pirelli Tyre may not at any time thereafter be released from its obligations as Guarantor pursuant to this Condition 2.3(b).
  - (iii) Notice of any appointment of Pirelli Tyre as Guarantor pursuant to this Condition 2.3(b) will be given by the Issuer to the Noteholders in accordance with Condition 12 (*Notices*).
- (c) The following Condition 2.3(c) shall apply to Notes issued by Pirelli International in respect of which Pirelli Tyre is specified as the Guarantor in the applicable Final Terms:
  - (i) Subject to Condition 2.3(c)(iv) below, Pirelli Tyre shall be automatically released from its obligations under its Guarantee upon delivery of a notice in writing to the Trustee signed by an authorised signatory of the Issuer and an authorised signatory of Pirelli Tyre attaching each of the following documents, and the Issuer may request that the Trustee acknowledge receipt of such notice pursuant to this Condition 2.3(c)(i) and the Trustee shall grant such request within five Business Days of the request being received if the Trustee has received such notice and each of the following documents:
    - (A) a certificate, in or substantially in the form set out in the Trust Deed, signed by an authorised signatory of the Issuer, confirming that the

consolidated gross financial indebtedness of the Pirelli Tyre Group (as defined in Condition 3.2 (*Interpretation*)) represented not more than 20 per cent. of the consolidated gross financial indebtedness of the Pirelli Group (as defined in Condition 3.2 (*Interpretation*)) as at the date of, and as calculated by reference to, the then latest annual or half-year consolidated financial statements of the Pirelli Tyre Group and the Pirelli Group, respectively;

- (B) a certificate, in or substantially in the form set out in the Trust Deed, signed by an authorised signatory of the Issuer, confirming that no Event of Default has occurred and is continuing or would result from the release of Pirelli Tyre from its obligations under its Guarantee or the provision by Pirelli Tyre of its Guarantee as referred to below; and
- (C) a certificate, in or substantially in the form set out in the Trust Deed, signed by an authorised signatory of the Issuer and by an authorised signatory of Pirelli Tyre, confirming that no amount owed by Pirelli Tyre under its Guarantee is due and unpaid.

Upon receipt by the Trustee of such notice and documents, Pirelli Tyre shall be automatically, immediately and effectively released from its obligations under its Guarantee.

- (ii) Upon release of Pirelli Tyre from its obligations under its Guarantee under Condition 2.3(c)(i) above the payment of principal and interest in respect of the Notes and all other moneys payable by the Issuer under or pursuant to the Trust Deed shall immediately be unconditionally and irrevocably guaranteed by Pirelli, on the terms set out in the Trust Deed;
- (iii) If at any time Pirelli Tyre is released from its obligations under its Guarantee and Pirelli provides its Guarantee pursuant to Conditions 2.3(c)(i) and 2.3(c)(ii) above, the Issuer shall thereafter (unless and until the occurrence of a Pirelli Merger (as defined in Condition 8.3 (*Definitions*))) be required, subject to Condition 2.3(c)(iv) below, within 20 days of the date of publication of each of (i) the Pirelli Group's annual audited consolidated financial statements, as approved by a meeting of its shareholders and (ii) the Pirelli Group's half-year unaudited consolidated financial statements, as approved by Pirelli and reviewed by its auditors, to deliver to the Trustee a Compliance Certificate substantially in the form set out in the Trust Deed and upon which the Trustee may rely absolutely and without further enquiry, signed by an authorised signatory of the Issuer and stating that the consolidated gross financial indebtedness of the Pirelli Tyre Group represented not more than 20 per cent. of the consolidated gross financial indebtedness of the Pirelli Group as at the date of, and as calculated by reference to, the then latest annual or half-year consolidated financial statements of the Pirelli Tyre Group and of the Pirelli Group, respectively.
- (iv) If the Issuer is unable to make the statement required by and set out in Condition 2.3(c)(iii) above in the Compliance Certificate in respect of the accounting period to which its then latest annual or half-year consolidated financial statements relate, or if the Issuer otherwise fails to deliver the Compliance Certificate to the Trustee in accordance with Condition 2.3(c)(iii) above in respect of any such accounting period:
  - (A) the payment of principal and interest in respect of the Notes and all other moneys payable by the Issuer under or pursuant to the Trust Deed shall immediately be unconditionally and irrevocably guaranteed again by Pirelli Tyre, on the terms set out in the Trust Deed;
  - (B) Pirelli shall be automatically, immediately and effectively released from its obligations under its Guarantee;



- (C) the Issuer shall be released from its obligations under Condition 2.3(c)(iii) above; and
  - (D) Pirelli Tyre may not at any time thereafter be released from its obligations as Guarantor pursuant to the mechanism set out in Condition 2.3(c)(i) above.
- (v) Notice of any release or re-appointment of Pirelli Tyre as Guarantor, and any appointment or release of Pirelli as Guarantor, pursuant to this Condition 2.3(c) will be given by the Issuer to the Noteholders in accordance with Condition 12 (*Notices*).
- (d) The following Condition 2.3(d) shall apply to Notes issued by Pirelli International in respect of which Pirelli is specified as the Guarantor in the applicable Final Terms:
- (i) The Issuer shall (unless and until the occurrence of a Pirelli Merger (as defined in Condition 8.3 (*Definitions*))) be required, subject to Condition 2.3(d)(ii) below, within 20 days of the date of publication of each of (i) the Pirelli Group's annual audited consolidated financial statements, as approved by a meeting of its shareholders and (ii) the Pirelli Group's half-year unaudited consolidated financial statements, as approved by Pirelli and reviewed by its auditors, to deliver to the Trustee a Compliance Certificate substantially in the form set out in the Trust Deed and upon which the Trustee may rely absolutely and without further enquiry, signed by an authorised signatory of the Issuer and stating that the consolidated gross financial indebtedness of the Pirelli Tyre Group represented not more than 20 per cent. of the consolidated gross financial indebtedness of the Pirelli Group as at the date of, and as calculated by reference to, the then latest annual or half-year consolidated financial statements of the Pirelli Tyre Group and of the Pirelli Group, respectively.
  - (ii) If the Issuer is unable to make the statement required by and set out in Condition 2.3(d)(i) above in the Compliance Certificate in respect of the accounting period to which its then latest annual or half-year consolidated financial statements relate, or if the Issuer otherwise fails to deliver the Compliance Certificate to the Trustee in accordance with Condition 2.3(d)(i) above in respect of any such accounting period:
    - (A) the payment of principal and interest in respect of the Notes and all other moneys payable by the Issuer under or pursuant to the Trust Deed shall immediately be unconditionally and irrevocably guaranteed by Pirelli Tyre, on the terms set out in the Trust Deed;
    - (B) Pirelli shall be automatically, immediately and effectively released from its obligations under its Guarantee;
    - (C) the Issuer shall be released from its obligations under Condition 2.3(d)(i) above; and
    - (D) Pirelli Tyre may not at any time thereafter be released from its obligations as Guarantor pursuant to this Condition 2.3(d).
  - (iii) Notice of any release of Pirelli as Guarantor, and any appointment of Pirelli Tyre as Guarantor, pursuant to this Condition 2.3(d) will be given by the Issuer to the Noteholders in accordance with Condition 12 (*Notices*).

### 3. **NEGATIVE PLEDGES**

#### 3.1 **Negative Pledges**

So long as any Note or Coupon remains outstanding (as defined in the Trust Deed), neither the Issuer nor the Guarantor(s) (if the Notes are Guaranteed Notes) will, and each of the Issuer and the Guarantor(s) (if the Notes are Guaranteed Notes) shall procure that none of its Material

Subsidiaries will, create or permit to subsist any Security Interest (other than a Permitted Security Interest) upon the whole or any part of its present or future business, undertakings, assets or revenues (including any uncalled capital) to secure Relevant Indebtedness (other than any Relevant Indebtedness owed by any member of the Pirelli Group to another member of the Pirelli Group), without:

- (i) at the same time or prior thereto securing the obligations of the Issuer under the Notes, the Coupons and the Trust Deed or, as the case may be, the obligations of the Guarantor (if the Notes are Guaranteed Notes) under its Guarantee (if, in respect of Pirelli Tyre only, any such obligations exist at such time), equally and rateably therewith to the reasonable satisfaction of the Trustee; or
- (ii) providing such other security, guarantee, indemnity or other arrangement for the obligations of the Issuer under the Notes, the Coupons and the Trust Deed or, as the case may be, the obligations of the Guarantor (if the Notes are Guaranteed Notes) under its Guarantee (if, in respect of Pirelli Tyre only, any such obligations exist at such time), as the Trustee may in its absolute discretion consider to be not materially less beneficial to the interests of the Noteholders.

### 3.2 Interpretation

For the purposes of these Conditions:

- (a) "**Accounting Principles**" means generally accepted accounting principles in the jurisdiction of incorporation of the relevant Subsidiary or IFRS;
- (b) "**Material Subsidiary**" means at any time a Subsidiary of the Issuer or the Guarantor (if the Notes are Guaranteed Notes) whose total assets or total revenues (calculated on an unconsolidated basis, excluding all intra-group items and in accordance with the Accounting Principles applicable from time to time) equals or exceeds 10 per cent. of the consolidated total assets or consolidated total revenues of the Pirelli Group, as calculated by reference to the Reporting Package included in the then latest audited annual consolidated financial statements of the Pirelli Group. For this purpose:
  - (i) the total revenues and total assets of a Subsidiary will be determined from its then latest Reporting Package upon which the then latest audited annual consolidated financial statements of the Pirelli Group have been based; and
  - (ii) the consolidated total revenues and the consolidated total assets of the Pirelli Group will be determined from its then latest audited annual consolidated financial statements adjusted (where appropriate) to reflect the total revenues or total assets of any company or business subsequently acquired or disposed of,

Notwithstanding the above, any Subsidiary of the Issuer or the Guarantor (if the Notes are Guaranteed Notes) to which the Issuer, the Guarantor (if the Notes are Guaranteed Notes) or a Material Subsidiary disposes of all or substantially all of its assets will be treated as a Material Subsidiary, but only until it is demonstrated (by reference to the accounts of that Subsidiary referred to in Conditions 3.2(a)(i) and 3.2(a)(ii) above and the audited consolidated financial statements of the Pirelli Group referred to in paragraph Conditions 3.2(a)(iii) above for a period ended after that transfer) not to be a Material Subsidiary according to the tests set out above.

A report by an authorised signatory of the Issuer, addressed to the Trustee, that in their opinion a Subsidiary is or is not or was or was not at any particular time or throughout any specified period a Material Subsidiary, may be relied upon by the Trustee without further enquiry or evidence and, if relied upon by the Trustee, shall, in the absence of manifest or proven error, be conclusive and binding on all parties;

- (c) "**Pirelli Group**" means Pirelli and its Subsidiaries from time to time;

- (d) **"Permitted Security Interest"** means:
- (i) any Security Interest the creation of which has been approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders; or
  - (ii) any Security Interest existing at the Issue Date of the first Tranche of the Notes of the relevant Series, including any extension, renewal or replacement (or successive extensions, renewals or replacements), as a whole or in part, of any Security Interest referred to in this Condition 3.2(c)(ii), or of any Relevant Indebtedness secured thereby; provided that the principal amount of Relevant Indebtedness secured thereby shall not exceed the principal amount of Relevant Indebtedness originally so secured, and that such extension, renewal or replacement Security Interest shall be limited to all or any part of the same property or shares of stock that secured the Relevant Indebtedness extended, renewed or replaced (plus improvements on such property), or property received or shares of stock issued in substitution or exchange therefor; or
  - (iii) any Security Interest arising pursuant to any mandatory provision of law; or
  - (iv) any Security Interest created by any entity upon the whole or any part of its undertaking or assets and subsisting at the time such entity (A) merges or consolidates with or is demerged, contributed or merged into or transferred to the Issuer, the Guarantor (if the Notes are Guaranteed Notes) or any Material Subsidiary, (B) becomes a Material Subsidiary or (C) sells, contributes or transfers all or substantially all of its assets to the Issuer, the Guarantor (if the Notes are Guaranteed Notes) or any Material Subsidiary, **provided that** such Security Interest was not created in connection with, or in contemplation of, such merger, consolidation, demerger, contribution, transfer or sale or such entity becoming a Material Subsidiary and **provided further that** the amount of Relevant Indebtedness secured by such Security Interest is not subsequently increased; or
  - (v) any Security Interest securing Project Finance Relevant Indebtedness; or
  - (vi) any Security Interest created after the date of issuance of the Notes on any asset acquired by the person creating the Security Interest and securing only Relevant Indebtedness incurred for the sole purpose of financing or re-financing that acquisition, provided that the principal amount of such indebtedness so secured does not exceed the original amount of Relevant Indebtedness incurred and is limited to the overall cost of that acquisition; or
  - (vii) any Security Interest created after the date of issuance of the Notes on any asset improved, constructed, altered or repaired and securing only Relevant Indebtedness incurred for the sole purpose of financing or re-financing such improvement, construction, alteration or repair, provided that the principal amount of such Relevant Indebtedness so secured does not exceed the original amount of Relevant Indebtedness incurred and is limited to the overall cost of that improvement, construction, alteration or repair; or
  - (viii) any Security Interest which is created in connection with, or pursuant to, a limited-recourse financing, factoring, securitisation, asset-backed commercial paper programme or other like arrangement where the payment obligations in respect of the indebtedness secured by the relevant Security Interest are to be discharged solely from the revenues generated by the assets over which such Security Interest is created (including, without limitation, receivables); or
  - (ix) any Security Interest created or outstanding on Relevant Indebtedness in connection with convertible or exchangeable bonds or notes where the encumbrance created is over the assets into which the convertible or exchangeable bonds or notes may be converted or exchanged (as the case may be) and secures only the obligation of the relevant issuer or guarantor of the

bonds or notes to effect the conversion or exchange (as the case may be) of the bonds or notes into such assets; or

- (e) **"Person"** means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;
- (f) **"Pirelli Tyre Group"** means Pirelli Tyre and its Subsidiaries from time to time;
- (g) **"Project Finance Relevant Indebtedness"** means any present or future Relevant Indebtedness incurred in financing or refinancing the ownership, acquisition, construction, development, leasing, maintenance and/or operation of an asset or assets, whether or not an asset of a member of the Pirelli Group:
  - (i) which is incurred by a Project Finance Subsidiary; or
  - (ii) in respect of which the Person or Persons to whom any such Relevant Indebtedness is or may be owed by the relevant borrower (whether or not a member of the Pirelli Group) has or have no recourse whatsoever to any member of the Pirelli Group (other than a Project Finance Subsidiary) for the repayment thereof other than:
    - (A) recourse for amounts limited to the cash flow or the net cash flow (other than historic cash flow or historic net cash flow) from such asset or assets or the income or other proceeds deriving therefrom; and/or
    - (B) recourse for the purpose only of enabling amounts to be claimed in respect of such Relevant Indebtedness in an enforcement of any Security Interest given by such borrower over such asset or assets or the income, cash flow or other proceeds, deriving therefrom (or given by any shareholder or the like in the borrower over its shares or the like in the capital of the borrower) to secure such Relevant Indebtedness.
- (h) **"Project Finance Subsidiary"** means any direct or indirect Subsidiary of the Issuer:
  - (i) which is a single-purpose company whose principal assets and business are constituted by the ownership, acquisition, construction, development, leasing, maintenance and/or operation of an asset or assets; and
  - (ii) none of whose Relevant Indebtedness in respect of the financing of such ownership, acquisition, construction, development, leasing, maintenance and/or operation of an asset or assets is subject to any recourse whatsoever to any member of the Pirelli Group (other than such Subsidiary or another Project Finance Subsidiary) in respect of the repayment thereof, except as expressly referred to in subparagraph (ii)(B) of the definition of Project Finance Relevant Indebtedness.
- (i) **"Relevant Indebtedness"** means any indebtedness, whether present or future, which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock or certificate or other debt securities which is, or is capable of being, listed, quoted or traded on any stock exchange, over the-counter or other organised market for securities (but, for the avoidance of doubt, excluding *inter alia* any such indebtedness in the form of bank loans (including, but not limited to, syndicated loans, bilateral loans and sub-participated loans) or derivative contracts (including, but not limited to, swaps, options, forwards and futures)) or (ii) any guarantee and/or indemnity in relation to any such indebtedness;
- (j) **"Reporting Package"** means the special purpose IFRS financial report prepared for the inclusion in the consolidated financial statements of Pirelli;
- (k) **"IFRS"** means international accounting standards within the meaning of IAS Regulation 1606/2002 to the extent applicable to the relevant financial statements.

- (l) "**Security Interest**" means any mortgage, charge, pledge, lien or other security interest;
- (m) "**Subsidiary**" means an entity of which a Person has direct or indirect control, and control for this purpose means (i) the direct or indirect ownership of more than 50 per cent. of the Voting Share Capital of the relevant entity or (ii) the right to appoint or remove a majority of the board of directors of the relevant entity, whether by contract or otherwise; and
- (n) "**Voting Share Capital**" means, in respect of any Person, shares that carry a right to vote in an ordinary general meeting of that Person.

#### 4. **INTEREST**

##### 4.1 **Interest on Fixed Rate Notes**

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

In the case of CNY Notes, if Interest Payment Date Adjustment is specified as being applicable in the applicable Final Terms, if any Interest Payment Date falls on a day which is not a Business Day, the Interest Payment Date will be the next succeeding Business Day unless it would thereby fall in the next calendar month in which event the Interest Payment Date shall be brought forward to the immediately preceding Business Day. For these purposes, "**Business Day**" has the meaning given to it in Condition 4.2(a) (*Interest Payment Dates*).

If the Notes are in definitive form, except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest.

Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

As used in these Conditions, "**Fixed Interest Period**" means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

Except in the case of Notes in definitive form where an applicable Fixed Coupon Amount or Broken Amount is specified in the applicable Final Terms, interest shall be calculated in respect of any period by applying the Rate of Interest to:

- (a) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or
- (b) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

**"Day Count Fraction"** means, in respect of the calculation of an amount of interest in accordance with this Condition 4.1:

- (a) if **"Actual/Actual (ICMA)"** is specified in the applicable Final Terms:
  - (i) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the **"Accrual Period"**) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (I) the number of days in such Determination Period and (II) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or
  - (ii) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
    - (A) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
    - (B) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year;
- (b) if **"30/360"** is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360; and
- (c) if **"Actual/365 (Fixed)"** is specified in the applicable Final Terms, the actual number of days in the Fixed Interest Period divided by 365.
- (d) In these Conditions:

**"Determination Period"** means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

**"sub-unit"** means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent.

#### 4.2 **Interest on Floating Rate Notes**

(a) ***Interest Payment Dates***

Each Floating Rate Note bears interest from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

- (i) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or
- (ii) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, an **"Interest Payment Date"**) which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the

preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period. In these Conditions, "**Interest Period**" means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (i) in any case where Specified Periods are specified in accordance with Condition 4.2(a)(ii) above, the Floating Rate Convention, such Interest Payment Date (a) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of subparagraph (ii) below shall apply *mutatis mutandis* or (b) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (i) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (ii) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (ii) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (iii) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (iv) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Conditions, "**Business Day**" means a day which is both:

- (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and each Additional Business Centre specified in the applicable Final Terms; and
- (ii) either (a) in relation to any sum payable in a Specified Currency other than euro and Renminbi, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (b) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the "**TARGET2 System**") is open or (c) in relation to any sum payable in Renminbi, a day (other than Saturday, Sunday or public holiday) on which commercial banks in Hong Kong are generally open for business and settlement of Renminbi payments in Hong Kong.

(b) ***Rate of Interest***

The Rate of Interest payable from time to time in respect of Floating Rate Notes will be determined in the manner specified in the applicable Final Terms.

- (i) *ISDA Determination for Floating Rate Notes*

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this Condition 4.2(b)(i), "**ISDA Rate**" for an Interest Period means a rate equal to the Floating Rate that would be determined by the Agent under an interest rate swap transaction if the Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the "**ISDA Definitions**") and under which:

- (A) the Floating Rate Option is as specified in the applicable Final Terms;
- (B) the Designated Maturity is a period specified in the applicable Final Terms; and
- (C) the relevant Reset Date is the day specified in the applicable Final Terms.

For the purposes of this Condition 4.2(b)(i), "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**" and "**Reset Date**" have the meanings given to those terms in the ISDA Definitions.

Unless otherwise stated in the applicable Final Terms the Minimum Rate of Interest shall be deemed to be zero.

(ii) *Screen Rate Determination for Floating Rate Notes*

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (A) the offered quotation; or
- (B) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page (or such replacement page on that service which displays the information) as at 11.00 a.m. (Relevant Financial Centre time) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (A) above, no such offered quotation appears or, in the case of (B) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

(iii) *Benchmark Replacement:*

- (A) If a Benchmark Event occurs in relation to an Original Reference Rate when any Rate of Interest (or any component part thereof) remains to be determined by reference to such Original Reference Rate, then the Issuer shall use its reasonable endeavours to appoint as soon as



reasonably practicable, at the Issuer's own expense, an Independent Adviser to determine a Successor Rate, failing which an Alternative Rate (in accordance with Condition 4.2(b)(iii)(C)) and, in either case, an Adjustment Spread if any (in accordance with Condition 4.2(b)(iii)(D)) and any Benchmark Amendments (in accordance with Condition 4.2(b)(iii)(E)).

An Independent Adviser appointed pursuant to this Condition 4.2(b)(iii) shall act in good faith as an expert and in consultation with the Issuer. In the absence of bad faith or fraud, the Independent Adviser shall have no liability whatsoever to the Issuer, the Trustee, the Calculation Agent, the Paying Agents, the Noteholders or the Couponholders for any determination made by it or for any advice given to the Issuer in connection with any determination made by the Issuer, pursuant to this Condition 4.2(b)(iii).

- (B) If the Issuer is unable to appoint an Independent Adviser or the Independent Adviser appointed by it fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with this Condition 4.2(b)(iii) prior to the relevant Interest Determination Date, the Rate of Interest applicable to the next succeeding Interest Period shall be equal to the Rate of Interest last determined in relation to the Notes in respect of the preceding Interest Period (or alternatively if there has not been a first Interest Payment Date, the rate of interest shall be the initial Rate of Interest (subject, where applicable, to substituting the Margin that applied to such preceding Interest Period for the Margin that is to be applied to the relevant Interest Period). For the avoidance of doubt, this Condition 4.2(b)(iii)(B) shall apply to the relevant Interest Period only and any subsequent Interest Periods are subject to the subsequent operation of, and to adjustment as provided in, this Condition 4.2(b)(iii).
- (C) If the Independent Adviser, acting in a commercially reasonable manner and in good faith, determines that:
  - (1) there is a Successor Rate, then such Successor Rate shall (subject to adjustment as provided in Condition 4.2(b)(iii)(D)) subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Notes (subject to the operation of this Condition 4.2(b)(iii)); or
  - (2) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate shall (subject to adjustment as provided in Condition 4.2(b)(iii)(D)) subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Notes (subject to the operation of this Condition 4.2(b)(iii)).
- (D) If the Independent Adviser, acting in a commercially reasonable manner and in good faith, determines (i) that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) and (ii) the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the Successor Rate or the Alternative Rate (as the case may be).
- (E) If any Successor Rate, Alternative Rate or Adjustment Spread is determined in accordance with this Condition 4.2(b)(iii) and the Independent Adviser, acting in a commercially reasonable manner and in good faith, determines (i) that amendments to these Conditions

and/or the Agency Agreement are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread (such amendments, the "**Benchmark Amendments**") and (ii) the terms of the Benchmark Amendments, then the Issuer shall, subject to giving notice thereof in accordance with Condition 4.2(b)(iii)(F), without any requirement for the consent or approval of Noteholders, vary these Conditions and/or the Agency Agreement to give effect to such Benchmark Amendments with effect from the date specified in such notice.

- (F) Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments, determined under this Condition 4.2(b)(iii) will be notified promptly by the Issuer to the Trustee, the Calculation Agent, the Paying Agents and, in accordance with Condition 18, the Noteholders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.
- (G) Without prejudice to Conditions 4.2(b)(iii)(A), (B), (C), (D) and (E), the Original Reference Rate and the fallback provisions provided for in Condition 4.2(b)(ii) will continue to apply unless and until a Benchmark Event has occurred.

(iv) *Definitions:*

As used in Condition 4.2(b)(iii):

"**Adjustment Spread**" means either a spread (which may be positive or negative), or the formula or methodology for calculating a spread, in either case, which the Independent Adviser, acting in a commercially reasonable manner and in good faith, determines is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to Noteholders and Couponholders as a result of the replacement of the Original Reference Rate with the Successor Rate or the Alternative Rate (as the case may be) and is the spread, formula or methodology which:

- (A) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or (if no such recommendation has been made, or in the case of an Alternative Rate);
- (B) the Independent Adviser, acting in a commercially reasonable manner and in good faith, determines, is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be); (or if the Independent Adviser, acting in a commercially reasonable manner and in good faith, determines that no such industry standard is recognised or acknowledged);
- (C) the Independent Adviser, in its discretion, acting in a commercially reasonable manner and in good faith, determines to be appropriate.

"**Alternative Rate**" means an alternative benchmark or screen rate which the Independent Adviser, acting in a commercially reasonable manner and in good faith, determines in accordance with Condition 4.2(b)(iii)(C) has replaced the Original Reference Rate in customary market usage in the international debt capital markets for the purposes of determining rates of interest (or the relevant

component part thereof) for the same interest period and in the same Specified Currency as the Notes.

**"Benchmark Amendments"** has the meaning given to it in Condition 4.2(b)(iii)(E).

**"Benchmark Event"** means:

- (A) the Original Reference Rate ceasing to be published for a period of at least 5 Business Days or ceasing to exist; or
- (B) a public statement by the administrator of the Original Reference Rate that it will, by a specified date within the following six months, cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate); or
- (C) a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate has been or will, by a specified date within the following six months, be permanently or indefinitely discontinued; or
- (D) a public statement by the supervisor of the administrator of the Original Reference Rate that means the Original Reference Rate will be prohibited from being used or that its use will be subject to restrictions or adverse consequences, in each case within the following six months; or
- (E) it has become unlawful for any Calculation Agent or the Issuer to calculate any payments due to be made to any Noteholder using the Original Reference Rate.

**"Independent Adviser"** means an independent financial institution of international repute or an independent financial adviser with appropriate expertise appointed by the Issuer under Condition 4.2(b)(iii)(A).

**"Original Reference Rate"** means the originally-specified benchmark or screen rate (as applicable) used to determine the Rate of Interest (or any component part thereof) on the Notes.

**"Relevant Nominating Body"** means, in respect of a benchmark or screen rate (as applicable):

- (A) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or
- (B) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (1) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (2) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (3) a group of the aforementioned central banks or other supervisory authorities or (4) the Financial Stability Board or any part thereof.

**"Successor Rate"** means a successor to or replacement of the Original Reference Rate which is formally recommended by any Relevant Nominating Body.

(c) ***Minimum Rate of Interest and/or Maximum Rate of Interest***

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of Condition 4.2(b) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of Condition 4.2(b) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(d) ***Determination of Rate of Interest and calculation of Interest Amounts***

The Agent will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period.

The Agent will calculate the amount of interest (the "**Interest Amount**") payable on the Floating Rate Notes for the relevant Interest Period by applying the Rate of Interest to:

- (A) in the case of Floating Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or
- (B) in the case of Floating Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest in accordance with this Condition 4.2:

- (i) if "**Actual/Actual (ISDA)**" or "**Actual/Actual**" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (I) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (II) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (ii) if "**Actual/365 (Fixed)**" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (iii) if "**Actual/365 (Sterling)**" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (iv) if "**Actual/360**" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (v) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + D_2 - D_1}{360}$$

where:

"**Y1**" is the year, expressed as a number, in which the first day of the Interest Period falls;

"**Y2**" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"**M1**" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"**M2**" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"**D1**" is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D1 will be 30; and

"**D2**" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30;

- (vi) if "**30E/360**" or "**Eurobond Basis**" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + D_2 - D_1}{360}$$

where:

"**Y1**" is the year, expressed as a number, in which the first day of the Interest Period falls;

"**Y2**" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"**M1**" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"**M2**" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"**D1**" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D1 will be 30; and

"**D2**" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D2 will be 30;

- (vii) if "**30E/360 (ISDA)**" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + D_2 - D_1}{360}$$

where:

"**Y1**" is the year, expressed as a number, in which the first day of the Interest Period falls;

"**Y2**" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"**M1**" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"**M2**" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"**D1**" is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

"**D2**" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D2 will be 30.

(e) ***Notification of Rate of Interest and Interest Amounts***

The Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Trustee and any stock exchange on which the relevant Floating Rate Notes are for the time being listed (by no later than the first day of each Interest Period) and notice thereof to be published in accordance with Condition 12 (*Notices*) as soon as possible after their determination but in no event later than the fourth Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will promptly be notified to each stock exchange on which the relevant Floating Rate Notes are for the time being listed and to the Noteholders in accordance with Condition 12 (*Notices*).

(f) ***Determination or Calculation by Trustee***

If for any reason at any relevant time the Agent defaults in its obligation to determine the Rate of Interest or in its obligation to calculate any Interest Amount in accordance with Condition 4.2(b)(i) or Condition 4.2(b)(ii) above, as the case may be, and in each case in accordance with Condition 4.2(d) above, the Trustee shall, or shall appoint an agent on its behalf to, determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition 4.2(f), but subject always to any Minimum Rate of Interest or Maximum Rate of Interest specified in the applicable Final Terms), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee shall, or shall appoint an agent on its behalf to, calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the Agent.

(g) ***Certificates to be final***

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4.2 (*Interest on Floating Rate Notes*) by the Agent or the Trustee or its appointed agent shall (in the absence of fraud, wilful default or manifest error) be binding on the Issuer, the Guarantor (if the Notes are Guaranteed Notes) the Agent, the other Paying Agents and all Noteholders, Receiptholders and Couponholders and (in the absence of fraud, gross negligence or wilful default) no liability to the Issuer, the

Guarantor (if the Notes are Guaranteed Notes), the Noteholders, the Receiptholders or the Couponholders shall attach to the Agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

#### 4.3 **Exempt Notes**

In the case of Exempt Notes which are also Floating Rate Notes where the applicable Pricing Supplement identifies that Screen Rate Determination applies to the calculation of interest, if the Reference Rate from time to time is specified in the applicable Pricing Supplement as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Exempt Notes will be determined as provided in the applicable Pricing Supplement.

The rate or amount of interest payable in respect of Exempt Notes which are not also Fixed Rate Notes or Floating Rate Notes shall be determined in the manner specified in the applicable Pricing Supplement, **provided that** where such Notes are Index Linked Interest Notes the provisions of Condition 4.2 (*Interest on Floating Rate Notes*) shall, save to the extent amended in the applicable Pricing Supplement, apply as if the references therein to Floating Rate Notes and to the Agent were references to Index Linked Interest Notes and the Calculation Agent, respectively, and **provided further that** the Calculation Agent will notify the Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Pricing Supplement.

#### 4.4 **Accrual of interest**

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

- (a) the date on which all amounts due in respect of such Note have been paid; and
- (b) as provided in the Trust Deed.

### 5. **PAYMENTS**

#### 5.1 **Method of payment**

Subject as provided below:

- (a) payments in a Specified Currency other than euro and Renminbi will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively);
- (b) payments in euro will be made in euro by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque; and
- (c) payments in Renminbi will be made solely by credit to a registered Renminbi account maintained by or on behalf of the payee at a bank in Hong Kong in accordance with applicable laws, rules, regulations and guidelines issued from time to time (including all applicable laws and regulations with respect to the settlement of Renminbi in Hong Kong).

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 7

(*Taxation*), (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto.

## 5.2 **Presentation of definitive Notes, Receipts and Coupons**

Payments of principal in respect of definitive Notes will (subject as provided below) be made in the manner provided in Condition 5.1 (*Method of payment*) only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Notes, and payments of interest in respect of definitive Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia and its possessions)).

Fixed Rate Notes in definitive form (other than Long Maturity Notes (as defined below) and save as provided in Condition 5.4 (*Specific provisions in relation to payments in respect of certain types of Exempt Notes*)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 7 (*Taxation*)) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 15 (*Prescription*)) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note or Long Maturity Note in definitive form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A "**Long Maturity Note**" is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon **provided that** such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any definitive Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Note.

## 5.3 **Payments in respect of Global Notes**

Payments of principal and interest (if any) in respect of Notes represented by any Global Note will (subject as provided below) be made in the manner specified above in relation to definitive Notes or otherwise in the manner specified in the relevant Global Note, where applicable against presentation or surrender, as the case may be, of such Global Note at the specified office of any Paying Agent outside the United States. A record of each payment made, distinguishing between any payment of principal and any payment of interest, will be made either on such Global Note by the Paying Agent to which it was presented or in the records of Euroclear and Clearstream, Luxembourg, as applicable.



#### 5.4 **Specific provisions in relation to payments in respect of certain types of Exempt Notes**

Payments of instalments of principal (if any) in respect of definitive Notes, other than the final instalment, will (subject as provided below) be made in the manner provided in Condition 5.1 (*Method of payment*) only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will be made in the manner provided in Condition 5.1 (*Method of payment*) only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Note in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the definitive Note to which it appertains. Receipts presented without the definitive Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any definitive Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Upon the date on which any Dual Currency Note or Index Linked Note in definitive form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof.

#### 5.5 **General provisions applicable to payments**

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer or, as the case may be, the Guarantor (if the Notes are Guaranteed Notes) will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer or, as the case may be, the Guarantor (if the Notes are Guaranteed Notes) to, or to the order of, the holder of such Global Note.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States if:

- (a) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Notes in the manner provided above when due;
- (b) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and
- (c) such payment is then permitted under United States law without involving, in the opinion of the Issuer and the Guarantor (if the Notes are Guaranteed Notes), adverse tax consequences to the Issuer or the Guarantor (if the Notes are Guaranteed Notes).

#### 5.6 **Payment Day**

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, "**Payment Day**" means any day which (subject to Condition 15 (*Prescription*)) is:

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
  - (i) in the case of Notes in definitive form only, the relevant place of presentation;
  - (ii) each Additional Financial Centre specified in the applicable Final Terms; and
- (b) either (A) in relation to any sum payable in a Specified Currency other than euro or Renminbi, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (B) in relation to any sum payable in euro, a day on which the TARGET2 System is open or (C) in relation to any sum payable in Renminbi, a day on which banks and foreign exchange markets are open for business and settlement of Renminbi payments in Hong Kong.

## 5.7 Interpretation of principal and interest

Any reference in the Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

- (a) any additional amounts which may be payable with respect to principal under Condition 7 (*Taxation*) or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed;
- (b) the Final Redemption Amount of the Notes;
- (c) the Early Redemption Amount of the Notes;
- (d) the Optional Redemption Amount(s) (if any) of the Notes;
- (e) in relation to Exempt Notes redeemable in instalments, the Instalment Amounts;
- (f) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 6.5 (*Early Redemption Amounts*)); and
- (g) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in the Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 7 (*Taxation*) or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed.

## 5.8 CNY Currency Event

In the case of CNY Notes, if "CNY Currency Event" is specified in the applicable Final Terms and if by reason of a CNY Currency Event, the Issuer is not able to satisfy payments of principal or interest (in whole or in part) in respect of Notes when due in Renminbi in Hong Kong or the Guarantor (if the Notes are Guaranteed Notes) is not able to satisfy payments (in whole or in part) under the Guarantee when due in Renminbi in Hong Kong, the Issuer or the Guarantor (if the Notes are Guaranteed Notes), as the case may be, on giving not less than five nor more than 30 days' irrevocable notice to the Noteholders in accordance with Condition 12 (*Notices*) prior to the due date for payment (stating the occurrence of the CNY Currency Event, giving details thereof and the action proposed to be taken in relation thereto), shall be entitled to satisfy their respective obligations in respect of such payment by making such payment in the Relevant Currency (selected by the Issuer or the Guarantor (if the Notes are Guaranteed Notes), as the case may be, if applicable, and converted at the Alternate Settlement Rate as of a time selected by the Alternate Settlement Rate Determination Agent).

In such event, any payment in the Relevant Currency will be made in accordance with Condition 5.1 (*Method of payment*).

Any payment made under such circumstances in the Relevant Currency will constitute valid payment, and will not constitute a default in respect of the Notes.

For the purpose this Condition 5.8 and unless, in the case of Exempt Notes, stated otherwise in the applicable Pricing Supplement:

**"Alternate Settlement Rate"** means unless, in the case of Exempt Notes, otherwise specified in the applicable Pricing Supplement, the spot rate, determined by the Alternate Settlement Rate Determination Agent, in good faith and in a commercially reasonable manner, between Renminbi and the Relevant Currency, taking into consideration all available information which the Alternate Settlement Rate Determination Agent deems relevant (including, but not limited to, the pricing information obtained from the Renminbi non-deliverable market outside the PRC and/or the Renminbi exchange market within the PRC);

**"Governmental Authority"** means any *de facto* or *de jure* government (or any agency or instrumentality thereof), court, tribunal, administrative or other governmental authority or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) of Hong Kong;

**"Hong Kong"** means the Hong Kong Special Administrative Region of the People's Republic of China;

**"PRC"** means the People's Republic of China which, for the purpose of these Terms and Conditions, shall exclude Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan;

**"Relevant Currency"** means U.S. dollars, euro or Sterling, or, in the case of Exempt Notes, such other currency as may be specified in the applicable Pricing Supplement;

**"CNY Currency Event"** means any one of CNY Illiquidity, CNY Non-Transferability and CNY Inconvertibility;

**"CNY Illiquidity"** shall be deemed to occur if the general CNY exchange market in Hong Kong becomes illiquid as a result of which the relevant Issuer cannot obtain sufficient CNY in order to satisfy its obligation to pay interest or principal (in whole or in part) in respect of the Notes, or the Guarantor (if the Notes are Guaranteed Notes) cannot obtain sufficient CNY in order to satisfy its obligation to make payments (in whole or in part) under the Guarantee, as determined by the relevant Issuer, or the Guarantor (if the Notes are Guaranteed Notes), as the case may be, acting in good faith and in a commercially reasonable manner following consultation with two independent foreign exchange dealers of international repute active in the CNY exchange market in Hong Kong;

**"CNY Inconvertibility"** shall be deemed to occur if, upon the occurrence of any event, it is impossible for the relevant Issuer, or the Guarantor (if the Notes are Guaranteed Notes), as the case may be, to convert any amount due in respect the Notes or under the Guarantee in the general CNY exchange market in Hong Kong, other than where such impossibility is due solely to the failure of the relevant Issuer, or the Guarantor (if the Notes are Guaranteed Notes), as the case may be, to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the Issue Date of the first Tranche of the relevant Series and it is impossible for the Issuer, or the Guarantor (if the Notes are Guaranteed Notes), as the case may be, due to an event beyond the control of such Issuer, or such Guarantor (if the Notes are Guaranteed Notes), as the case may be, to comply with such law, rule or regulation). For the avoidance of doubt, the inability for a party to convert CNY solely due to issues relating to its creditworthiness shall not constitute CNY Inconvertibility; and

**"CNY Non-Transferability"** shall be deemed to occur if, upon the occurrence of any event, it is impossible for the Issuer, or the Guarantor (if the Notes are Guaranteed Notes), as the case may be, to transfer CNY between accounts inside Hong Kong or from an account inside Hong Kong to an account outside Hong Kong or from an account outside Hong Kong to an account inside

Hong Kong (including where the CNY clearing and settlement system for participating banks in Hong Kong is disrupted or suspended), other than where such impossibility is due solely to the failure of the Issuer, or the Guarantor (if the Notes are Guaranteed Notes), as the case may be, to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the Issue Date of the first Tranche of the relevant Series and it is impossible for the Issuer, or the Guarantor (if the Notes are Guaranteed Notes), as the case may be, due to an event beyond the control of such Issuer, or such Guarantor (if the Notes are Guaranteed Notes), as the case may be, to comply with such law, rule or regulation).

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5.8 by the Alternate Settlement Rate Determination Agent, will (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Guarantor (if the Notes are Guaranteed Notes), the Paying Agents, the Trustee and all the Noteholders.

## 6. REDEMPTION AND PURCHASE

### 6.1 Redemption at maturity

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Issuer at its Final Redemption Amount specified in the applicable Final Terms in the relevant Specified Currency on the Maturity Date specified in the applicable Final Terms.

### 6.2 Redemption for tax reasons

Subject to Condition 6.5 (*Early Redemption Amounts*), the Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is not a Floating Rate Note) or on any Interest Payment Date (if this Note is a Floating Rate Note), on giving not less than the minimum period and not more than the maximum period of notice specified in the applicable Final Terms to the Trustee and the Agent and, in accordance with Condition 12 (*Notices*), the Noteholders (which notice shall be irrevocable), if the Issuer satisfies the Trustee immediately before the giving of such notice that:

- (a) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 (*Taxation*) or the Guarantor (if the Notes are Guaranteed Notes) would be unable for reasons outside its control to procure payment by the Issuer and in making payment itself would be required to pay such additional amounts, in each case as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 7 (*Taxation*)) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date of the first Tranche of the Notes; and
- (b) such obligation cannot be avoided by the Issuer or, as the case may be, the Guarantor (if the Notes are Guaranteed Notes) taking reasonable measures available to it,

**provided that** no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or, as the case may be, the Guarantor (if the Notes are Guaranteed Notes) would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition 6.2, the Issuer shall deliver to the Trustee a certificate signed by an authorised signatory of the Issuer or, as the case may be, an authorised signatory of the Guarantor (if the Notes are Guaranteed Notes) stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the requirements referred to in Condition 6.2(a) above will apply on the date of the next payment due under the Notes and cannot be avoided by the Issuer or, as the case may be, the Guarantor (if the Notes are Guaranteed Notes) taking reasonable measures available to it and the Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders, Receiptholders and the Couponholders.

Notes redeemed pursuant to this Condition 6.2 will be redeemed at their Early Redemption Amount referred to in Condition 6.5 (*Early Redemption Amounts*) together (if appropriate) with interest accrued but unpaid to (but excluding) the date of redemption.

### 6.3 **Redemption at the option of the Issuer (Issuer Call)**

If Issuer Call is specified as being applicable in the applicable Final Terms, the Issuer may, having given not less than the minimum period (which shall be not less than 15 Business Days) nor more than the maximum period of notice specified in applicable Final Terms to the Noteholders in accordance with Condition 12 (*Notices*) (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in the applicable Final Terms together, if appropriate, with interest accrued but unpaid to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Final Terms.

The Optional Redemption Amount will be the specified percentage of the nominal amount of the Notes stated in the applicable Final Terms.

In the case of a partial redemption of Notes, the Notes to be redeemed (in this Condition 6.3, "**Redeemed Notes**") will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg, (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion) in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (in this Condition 6.3 such date of selection being hereinafter called the "**Selection Date**"). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 12 (*Notices*) not less than 15 days prior to the date fixed for redemption. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this Condition 6.3 and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 12 (*Notices*) at least five days prior to the Selection Date.

### 6.4 **Redemption at the option of the Noteholders (Investor Put/Change of Control Put)**

If:

- (a) Investor Put is specified as being applicable in the applicable Final Terms, upon the holder of any Note giving to the Issuer in accordance with Condition 12 (*Notices*) not less than the minimum period (which shall be not less than 15 Business Days) nor more than the maximum period of notice specified in the applicable Final Terms, upon the expiry of such notice, the Issuer will redeem such Note on the Optional Redemption Date; and/or
- (b) Change of Control Put is specified as applicable in the applicable Final Terms and a Change of Control Put Event (as defined below) has occurred, upon the holder of any Note giving notice to the Issuer in accordance with Condition 12 (*Notices*) during the Change of Control Put Period, the Issuer will redeem such Note on the Change of Control Put Date,

in each case, at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the date of redemption.

To exercise the right to require redemption of this Note the holder of this Note must, if this Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver, at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the relevant notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent (a "**Put Notice**") and in which the holder must specify a bank account to which payment is to be

made under this Condition 6.4 accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control. If this Note is represented by a Global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of this Note the holder of this Note must, within the relevant notice period, give notice to the Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on a Noteholder's instruction by Euroclear or Clearstream, Luxembourg or any common depositary or common safekeeper, as the case may be, for them to the Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time.

Any Put Notice or other notice given in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg given by a holder of any Note pursuant to this Condition 6.4 shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and the Trustee has declared the Notes to be due and payable pursuant to Condition 8 (*Events of Default and Enforcement*), in which event such holder, at its option, may elect by notice to the Issuer within 10 Business Days of such declaration but in any event no later than the due date of redemption, to withdraw the notice given pursuant to this Condition 6.4.

Promptly upon the Issuer becoming aware that a Change of Control Put Event has occurred, the Issuer shall notify the Trustee and provide the Change of Control Put Event Notice to the Noteholders in accordance with Condition 12 (*Notices*).

For the purposes of this Condition 6.4:

**"Acting in Concert"** means Persons who cooperate on the basis of an agreement, either expressed or tacit, verbal or written, even if invalid or ineffective, aimed at acquiring, maintaining or consolidating control of Pirelli or frustrating the achievement of the objectives of a takeover bid or exchange offer;

**"Change of Control"** means, save for a Permitted Change of Control:

- (i) the Sponsor, individually or Acting in Concert with the Permitted Investor:
  - (A) at any time ceases to control directly and/or indirectly more than 25per cent. of the ordinary voting shares of Pirelli; or
  - (B) at any time, ceases to beneficially own and control (directly or indirectly) a greater percentage of the ordinary shares or the votes attaching to ordinary shares of Pirelli than any other person or persons Acting in Concert; or
- (ii) at any time, any person or persons Acting in Concert, other than the Sponsor and/or the Permitted Investor and/or any of their Subsidiaries, appoints or removes the majority of the board of directors of Pirelli,

**provided that:**

- (a) in the event any of the requirements under paragraph (i) or (ii) above ceases to apply or is no longer satisfied but the Permitted Investor directly or indirectly controls Pirelli, no Change of Control shall be deemed to have taken place to the extent all the requirements under paragraphs (i), (ii) and (iii) of the definition of Permitted Investor are satisfied; and
- (b) (x) in the event the Permitted Investor directly or indirectly controls Pirelli and any of the requirements under paragraph (i), (ii) or (iii) of the definition of Permitted Investor ceases to apply or is no longer satisfied or, (y) following the occurrence of a Permitted Change of Control under paragraph (i) or (ii) of the definition thereof, any of paragraphs (A) and (B) under limb (i) of the definition of Permitted Change of Control or paragraph (B) under limb (ii) of the definition of Permitted Change of Control (as applicable) ceases to apply or is no longer satisfied, a Change of Control shall have taken place for all purposes hereof.

For purposes of the definition of Change of Control, Permitted Change of Control and Permitted Investor, "**control**" means the power (whether by way of ownership of shares or otherwise) to:

- (i) cast or control the casting of more than 50 per cent. of the maximum number of votes that might be cast at a general meeting of the relevant company; or
- (ii) appoint or remove or control the appointment or removal of the majority of the directors or other equivalent officers of the relevant company; or
- (iii) otherwise direct the management of the relevant company;

it being acknowledged for the sake of clarity that no Change of Control shall have taken place under paragraphs (a) and (b) of the proviso to the definition of Change of Control (or for the purpose of interpreting the definition of "**control**" above), as applicable, in the event that the Sponsor and the Permitted Investor, individually or Acting in Concert, have less than at any time 25 per cent., indirect ownership in Pirelli but it or (as applicable) they, and/or one or more of its or their Subsidiaries hold, individually or in aggregate, at any time more than 25 per cent. of the ordinary voting shares of Pirelli.

"**Change of Control Period**" means the period from the date of the first public announcement of an arrangement or event that could result in a Change of Control until the end of a 90-day period following public notice of the occurrence of the relevant Change of Control (or such longer period as the Rating of Pirelli or such other relevant entity, as applicable, is under examination by a Ratings Agency for a Rating to be assigned or reviewed, provided that such Rating assignment or Rating review period (A) has been publicly announced within the period ending 90 days after the date of the public notice of the occurrence of the relevant Change of Control and (B) does not exceed a period of 90 days after the date of the announcement referred to in the preceding paragraph (A)).

"**Change of Control Put Date**" means the day which is seven days after the expiration of the Change of Control Put Period.

A "**Change of Control Put Event**" shall occur if

- (a) a Change of Control occurs; or
- (b) there occurs a solvent dissolution of the Issuer or the Guarantor other than pursuant to a Permitted Merger;

and in either case paragraph (a) or (b) above the relevant Change of Control Period has expired.

"**Change of Control Put Event Notice**" means a notice given by the Issuer to the Noteholders in accordance with Condition 12 (*Notices*) specifying:

- (a) that Noteholders are entitled to exercise the Change of Control Put option;
- (b) the procedure for exercising the Change of Control Put option; and
- (c) such other information relating to the Change of Control Put option as the Trustee may require.

"**Change of Control Put Period**" means 90 days from the date on which the Change of Control Put Event Notice is duly given to Noteholders.

"**Investment Grade**" means a Rating assigned by a Ratings Agency which is at least equal to, or better than, Baa3 (in the case of Moody's), BBB- (in the case of Fitch or S&P) or an equivalent Rating awarded by another Ratings Agency.

"**Permitted Change of Control**" means:

- (i) the amalgamation, merger or corporate reorganisation (including without limitation through a contribution in kind) of the Sponsor with any person which would otherwise

result in a Change of Control pursuant to the definition thereof but for the fact that all of the following conditions are met:

- (A) the surviving entity is, or is directly or indirectly controlled by, a state-owned company organised under the laws of the People's Republic of China; and
  - (B) the surviving entity and any of its respective directors, officers is not a Sanctioned Person or an SSI Person; or
- (ii) the amalgamation, merger or corporate reorganisation (including without limitation through a contribution in kind) of Pirelli with any person which would otherwise result in a Change of Control pursuant to the definition thereof but for the fact that all of the following conditions are met:
- (A) the surviving entity (which is not Pirelli) will assume all or substantially all of the assets and liabilities of Pirelli, including all its rights and obligations under or in respect of the Notes in accordance with the applicable law;
  - (B) the surviving entity and any of its respective directors or officers is not a Sanctioned Person or an SSI Person; and
  - (C) the surviving entity (which may or may not be Pirelli) at the end of the Change of Control Period has the Required Rating.

Promptly upon Pirelli becoming aware that a Permitted Change of Control has occurred, Pirelli shall notify the Trustee of such in accordance with Condition 12 (*Notices*) specifying that the abovementioned conditions required for a Permitted Change of Control have been met, and shall provide all such other information relating to the Permitted Change Control as the Trustee may reasonably require to the extent they are available for Pirelli.

**"Permitted Investor"** means Camfin S.p.A., a company enrolled with the Companies' Register of Milan under Tax Code No. 00795290154 or any special purpose company in each case, provided that the following requirements are satisfied:

- (i) such company and any of its respective directors or officers is not a Sanctioned Person or an SSI Person;
- (ii) at any time, Marco Tronchetti Provera or a person nominated by Marco Tronchetti Provera is the Chief Executive Officer of such company and the Chief Executive Officer of Pirelli (in each case performing the functions normally associated with such roles); and
- (iii) Marco Tronchetti Provera or his immediate family (which shall mean the ambit which includes wife, daughters and sons, nieces and nephews) controls through voting rights, either directly or through his or their nominees, as applicable, the board of such company (including the operations and investments thereof) or more than 50 per cent. of the issued and outstanding voting shares or equity capital of such company is beneficially owned, directly or indirectly at any time, by Marco Tronchetti Provera or his immediate family (which shall mean the ambit which includes wife, daughters and sons, nieces and nephews).

Promptly upon Pirelli becoming aware that a Permitted Investor directly or indirectly controls Pirelli, it shall notify the Trustee of such in accordance with Condition 12 (*Notices*) specifying that the abovementioned conditions required for a Permitted Investor have been met, and shall provide all such other information relating to the Permitted Investor as the Trustee may reasonably require to the extent they are available for Pirelli.

**"Permitted Merger"** means the amalgamation, merger or corporate reorganisation (including without limitation through a contribution in kind) of the Issuer or the Guarantor (as applicable) where the surviving entity (which is not the Issuer or the Guarantor as applicable) will assume all or substantially all of the assets and liabilities of the Issuer or the Guarantor as applicable,



including all its rights and obligations under or in respect of the Notes in accordance with the applicable law, and no Change of Control has occurred.

**"Rating"** means a credit rating assigned by a Ratings Agency, which may be either (i) public or (ii) private/confidential and disclosed to the Trustee provided that the Trustee is duly authorised to notify such Rating to the Noteholders if strictly necessary and only if in compliance with applicable laws, or the rating is otherwise made public by the Issuer at the same time.

**"Ratings Agency"** means Moody's Investors Services Ltd ("**Moody's**"), Fitch Ratings Ltd ("**Fitch**"), Standard & Poor's Rating Services, a division of the McGraw Hill Companies Inc. ("**S&P**") or any of their successors.

**"Required Rating"** means, if immediately prior to the commencement of the Change of Control Period:

- (a) Pirelli has a Rating from any of the Ratings Agencies, a Rating which is at least as high as such Rating of Pirelli; and
- (b) Pirelli does not have a Rating from any of the Ratings Agencies, an Investment Grade Rating.

**"Sanctioned Country"** means, at any time, a country or territory which is the subject or target of any Sanctions from time to time.

**"Sanctioned Person"** means, at any time:

- (a) any person listed on the list of Specially Designated Nationals and Blocked Persons maintained by the Office of Foreign Assets Control of the U.S. Department of the Treasury, or any person subject to an asset freeze or a general prohibition on all transactions under any Sanctions-related list of designated persons maintained by the U.S. Department of State, or by the United Nations Security Council, the European Union or any EU member state;
- (b) any person ordinarily resident, located or organised in a Sanctioned Country; or
- (c) any person owned or controlled by any such person.

**"Sanctions"** means all economic or financial sanctions or trade embargoes imposed, administered or enforced from time to time by:

- (a) the U.S. government, including those administered by the Office of Foreign Assets Control of the U.S. Department of the Treasury or the U.S. Department of State; or
- (b) the United Nations Security Council, the European Union or Her Majesty's Treasury of the United Kingdom,

and collectively, the entities listed in paragraphs (a) and (b) above (including any successor entities that administer Sanctions) being the "**Sanctions Authorities**".

**"SSI Person"** means, at any time, a person listed on the Sectoral Sanctions Identifications List maintained by the Office of Foreign Assets Control of the U.S. Department of the Treasury.

**"Sponsor"** means China National Chemical Corporation or the entity resulting from a Permitted Change of Control.

## 6.5 **Early Redemption Amounts**

For the purpose of Condition 6.2 (*Redemption for tax reasons*) and Condition 8 (*Events of Default and Enforcement*), each Note will be redeemed at its Early Redemption Amount calculated as follows:

- (a) in the case of a Note with a Final Redemption Amount equal to the Issue Price of the first Tranche of the Series, at the Final Redemption Amount thereof;

- (b) in the case of a Note (other than a Zero Coupon Note) with a Final Redemption Amount which is or may be less or greater than the Issue Price of the first Tranche of the Series, at the amount specified in the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at its nominal amount; or
- (c) in the case of a Zero Coupon Note, at an amount (the "**Amortised Face Amount**") calculated in accordance with the following formula:

$$\text{Early Redemption Amount} = \text{RP} \times (1 + \text{AY})^y$$

where:

**RP** means the Reference Price;

**AY** means the Accrual Yield expressed as a decimal; and

**y** is the Day Count Fraction specified in the applicable Final Terms which will be either (i) 30/360 (in which case the numerator will be equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (ii) Actual/360 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (iii) Actual/365 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 365).

#### 6.6 **Specific redemption provisions applicable to certain types of Exempt Notes**

The Final Redemption Amount, any Optional Redemption Amount and the Early Redemption Amount in respect of Index Linked Redemption Notes and Dual Currency Redemption Notes may be specified in, or determined in the manner specified in, the applicable Final Terms. For the purposes of Condition 6.2 (*Redemption for tax reasons*), Index Linked Interest Notes and Dual Currency Interest Notes may be redeemed only on an Interest Payment Date.

Instalment Notes will be redeemed in the Instalment Amounts and on the Instalment Dates specified in the applicable Pricing Supplement. In the case of early redemption, the Early Redemption Amount of Instalment Notes will be determined in the manner specified in the applicable Pricing Supplement.

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition 6.6 and the applicable Pricing Supplement.

#### 6.7 **Purchases**

The Issuer, the Guarantor (if the Notes are Guaranteed Notes) or any Subsidiary of the Issuer, the Guarantor (if the Notes are Guaranteed Notes) may at any time purchase Notes (**provided that**, in the case of definitive Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Notes, if issued by Pirelli, may be held, reissued, resold or, at the option of the Issuer or the Guarantor (if the Notes are Guaranteed Notes), surrendered to any Paying Agent for cancellation. Any such Notes issued by Pirelli International shall be surrendered to any Paying Agent for cancellation.

6.8 **Cancellation**

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and any Notes purchased and cancelled pursuant to Condition 6.7 (*Purchases*) above (together with all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Agent and cannot be reissued or resold.

6.9 **Late payment on Zero Coupon Notes**

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 6.1 (*Redemption at maturity*), 6.2 (*Redemption for tax reasons*), 6.3 (*Redemption at the option of the Issuer (Issuer Call)*) or 6.4 (*Redemption at the option of the Noteholders (Investor Put/Change of Control Put)*) or upon its becoming due and repayable as provided in Condition 8 (*Events of Default and Enforcement*) is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 6.5(c) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

- (a) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (b) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Agent or the Trustee and notice to that effect has been given to the Noteholders in accordance with Condition 12 (*Notices*).

6.10 **Make-Whole Issuer Call**

The Issuer may redeem at any time in whole or in part any Series of the Notes then outstanding at an amount equal to the Make-Whole Amount together with interest (if any) accrued but unpaid to (but excluding) the relevant redemption date, having given not less than 25 days nor more than 60 days prior notice to the Noteholders in accordance with Condition 12 (*Notices*) (which notice shall be irrevocable and shall specify the date fixed for redemption, (such date the "**Make-Whole Optional Redemption Date**")).

As used in this Condition 6.10:

"**Make-Whole Amount**" means an amount calculated by the Agent equal to the higher of:

- (a) 100 per cent. of the principal amount of the Note to be redeemed; or
- (b) as determined by the Reference Dealers (as defined below), the sum of the then current values of the remaining scheduled payments of principal and interest (not including any interest accrued on the Notes to, but excluding, the Make-Whole Optional Redemption Date) discounted to the Make-Whole Optional Redemption Date on an annual basis (based on the actual number of days elapsed divided by 365 or (in the case of a leap year) by 366) at the Reference Dealer Rate (as defined below) plus the Redemption Margin,

plus, in each case, any interest accrued but unpaid on the Notes to, but excluding, the Make-Whole Optional Redemption Date.

As used in this Condition 6.10

"**Redemption Margin**" shall be as set out in the applicable Final Terms;

"**Reference Bond**" shall be as set out in the applicable Final Terms;

"**Reference Dealers**" shall be as set out in the applicable Final Terms; and

"**Reference Dealer Rate**" means with respect to the Reference Dealers and the Make-Whole Optional Redemption Date, the average of at least three quotations of the mid-market annual

yield to maturity of the Reference Bond or, if the Reference Bond is no longer outstanding, a similar security in the reasonable judgement of the Reference Dealers at 11.00 a.m. London time on the third business day in London preceding the Make-Whole Optional Redemption Date quoted in writing to the Issuer and the Trustee by the Reference Dealers.

In the case of a partial redemption of Notes, the Notes to be redeemed (in this Condition 6.10 "**Redeemed Notes**") will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg, (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion) in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (in this Condition 6.10 such date of selection being hereinafter called the "**Selection Date**"). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 12 (*Notices*) not less than 15 days prior to the date fixed for redemption. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this Condition 6.10 and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 12 (*Notices*) at least five days prior to the Selection Date.

## 7. TAXATION

All payments of principal and interest in respect of the Notes, Receipts and Coupons by or on behalf of the Issuer or the Guarantor (if the Notes are Guaranteed Notes) will be made free and clear of and without withholding or deduction for or on account of any present or future taxes, duties, assessments or government charges of whatever nature ("**Taxes**") imposed or levied by or on behalf of any Tax Jurisdiction (as defined below) unless such withholding or deduction is required by law. In such event, the Issuer or, as the case may be, the Guarantor (if the Notes are Guaranteed Notes) will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes, Receipts or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, Receipts or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

- (a) presented for payment in the Republic of Italy or the United Kingdom; or
- (b) the holder of which is liable for such taxes or duties in respect of such Note, Receipt or Coupon by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Note, Receipt or Coupon; or
- (c) the holder would be entitled to avoid such withholding or deduction in respect of such Note, Receipt or Coupon by making or procuring a declaration of non-residence or other similar claim for exemption to the competent tax authority, but has omitted to do so or failed to comply with applicable law in making or procuring such declaration or claim; or
- (d) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 5.6 (*Payment Day*)); or
- (e) in circumstances in which the procedures required under Decree 239 or any secondary legislation implementing the same (each as amended and/or supplemented from time to time) in order to benefit from an exemption from *imposta sostitutiva* have not been met or complied with by any holder who would be eligible under Decree 239 or any secondary legislation implementing the same (each as amended and/or supplemented from time to time) to benefit from such exemption from *imposta sostitutiva*, except where such procedures have not been met or complied with due to the actions or omissions of the Issuer; or

- (f) in respect of payments by Pirelli or Pirelli Tyre, on account of *imposta sostitutiva* or other withholding taxes pursuant to Decree 239, or Law Decree no. 512 of 2 August 1983, in each case as amended and supplemented, or
- (g) any combination of the above.

Notwithstanding anything to the contrary contained herein, any amounts to be paid by the Issuers or the Guarantors on the Notes will be paid net of any deduction or withholding imposed or required pursuant to Sections 1471 through 1474 of the Code, as amended, any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code (or any law implementing such an intergovernmental agreement) (a "**FATCA Withholding Tax**"), and none of the Issuers or the Guarantors will be required to pay additional amounts on account of any FATCA Withholding Tax.

As used herein:

"**Tax Jurisdiction**" means the Republic of Italy or any political subdivision or any authority thereof or therein having power to tax (in the case of payments by Pirelli or Pirelli Tyre) or the United Kingdom or any political subdivision or any authority thereof or therein having power to tax (in the case of payments by Pirelli International); and

the "**Relevant Date**" means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Trustee or the Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 12 (*Notices*).

## 8. EVENTS OF DEFAULT AND ENFORCEMENT

### 8.1 Events of Default

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-quarter in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall, (subject in each case to being indemnified and/or secured and/or pre-funded to its satisfaction) (but in the case of the happening of any of the events described in Conditions 8.1 (b) to 8.1(d) (other than the winding up or dissolution of the Issuer or the Guarantor (if the Notes are Guaranteed Notes), 8.1(e) to 8.1(g) inclusive, and (in respect of such paragraphs (other than as aforesaid)) 8.1(i) below, only if the Trustee shall have certified in writing to the Issuer and the Guarantor (if the Notes are Guaranteed Notes) that such event is, in its opinion, materially prejudicial to the interests of the Noteholders), give notice in writing to the Issuer that each Note is, and each Note shall thereupon immediately become, due and repayable at its Early Redemption Amount together with accrued interest as provided in the Trust Deed if any of the following events (each an "**Event of Default**") shall occur:

- (a) if default is made in the payment of any principal or interest due in respect of the Notes or any of them and the default continues for a period of 14 days; or
- (b) if the Issuer or the Guarantor (if the Notes are Guaranteed Notes) fails to perform or observe any of its other obligations under the Conditions or the Trust Deed and (except in any case where, in the opinion of the Trustee, the failure is incapable of remedy when no such continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 45 days next following the service by the Trustee on the Issuer or the Guarantor (if the Notes are Guaranteed Notes) (as the case may be) of notice requiring the same to be remedied; or
- (c) if (i) any Indebtedness for Borrowed Money (as defined in Condition 8.3 (*Definitions*)) of the Issuer, the Guarantor (if the Notes are Guaranteed Notes) or any Material Subsidiary (as defined in Condition 3.2 (*Interpretation*)) becomes due and repayable prematurely by reason of an event of default (however described); (ii) the Issuer, the Guarantor (if the Notes are Guaranteed Notes) or any Material Subsidiary fails to make

any payment in respect of any Indebtedness for Borrowed Money on the due date for payment as extended by any originally applicable grace period; or (iii) default is made by the Issuer, the Guarantor (if the Notes are Guaranteed Notes) or any Material Subsidiary in making any payment due under any guarantee and/or indemnity given by it in relation to any Indebtedness for Borrowed Money of any other person, save (in the case of (i) or (ii) above) where the Issuer, the Guarantor (if the Notes are Guaranteed Notes) or the relevant Material Subsidiary (as the case may be) is contesting in good faith in a competent court that the relevant Indebtedness for Borrowed Money is due and repayable and **provided further that** no event described in this Condition 8.1(c) shall constitute an Event of Default unless (1) the relevant Indebtedness for Borrowed Money or other relative liability due and unpaid, either alone or when aggregated (without duplication) with other amounts of Indebtedness for Borrowed Money and/or other liabilities due and unpaid in respect of all (if any) other events specified in (i) to (iv) above amounts to at least €50,000,000 (or its equivalent in any other currency) and (2) the relevant default has been subsisting (following expiry of any applicable grace period) for at least 45 days; or

- (d) if any order is made by any competent court or resolution passed for the winding up or dissolution (other than a solvent winding up or solvent dissolution) of the Issuer, the Guarantor (if the Notes are Guaranteed Notes) or any Material Subsidiary, and such order or resolution is not discharged or cancelled within 60 days, save on terms previously approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders, or for the purpose of a Permitted Reorganisation (as defined in Condition 8.3 (*Definitions*)); or
- (e) if the Issuer, the Guarantor (if the Notes are Guaranteed Notes) or any Material Subsidiary ceases to carry on all or substantially all of its business, or the Issuer, the Guarantor (if the Notes are Guaranteed Notes) or any Material Subsidiary stops payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due, or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent, save, in each case, (i) on terms approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders, or (ii) for the purpose of a Permitted Reorganisation; or
- (f) if (A) proceedings are initiated against the Issuer, the Guarantor (if the Notes are Guaranteed Notes) or any Material Subsidiary under any applicable liquidation (other than a solvent liquidation), insolvency, composition, reorganisation or other similar laws, or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer, the Guarantor (if the Notes are Guaranteed Notes) or any Material Subsidiary or, as the case may be, in relation to all or substantially all of the undertaking or assets of any of them, or an encumbrancer takes possession of all or substantially all of the undertaking or assets of any of them, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against all or substantially all of the undertaking or assets of any of them and (B) in any case (other than the appointment of an administrator) is not discharged within 60 days (**provided, however, that** this Condition 8.1(f) shall not apply to any proceedings which the Issuer, the Guarantor (if the Notes are Guaranteed Notes) or the relevant Material Subsidiary is contesting in good faith as capricious, frivolous or vexatious in nature); or
- (g) if the Issuer, the Guarantor (if the Notes are Guaranteed Notes) or any Material Subsidiary initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors), save (i) on terms approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders, or (ii) for the purpose of a Permitted Reorganisation;

- (h) if the Notes are Guaranteed Notes, if the Guarantee ceases to be, or is claimed by the Issuer or the Guarantor not to be, in full force and effect save that this Condition 8.1(h) shall not apply (i) to any release of a Guarantor from its obligations as Guarantor pursuant to Condition 2.3 (*Release and Appointment of Guarantor*) above or (ii) upon or following the occurrence of a Pirelli Merger (as defined in Condition 8.3); or
- (i) if any event occurs which, under the laws of any Relevant Jurisdiction, has or may have, in the Trustee's opinion, based on legal advice received by the Trustee relating to the laws of the Relevant Jurisdiction, an analogous effect to any of the events referred to in Conditions 8.1(d) to 8.1(h) above.

For the avoidance of doubt, no event which is a Change of Control Put Event will constitute an Event of Default

## 8.2 Enforcement

The Trustee may at any time, at its discretion and without notice, take such proceedings or any other action against the Issuer and/or the Guarantor (if the Notes are Guaranteed Notes) as it may think fit to enforce the provisions of the Trust Deed, these Conditions, the Notes, the Receipts and the Coupons, but it shall not be bound to take any such proceedings or any other action in relation to the Trust Deed, these Conditions, the Notes, the Receipts or the Coupons unless (i) it shall have been so directed by an Extraordinary Resolution or so requested in writing by the holders of at least one-fifth in nominal amount of the Notes then outstanding and (ii) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction.

No Noteholder, Receiptholder or Couponholder shall be entitled to proceed directly against the Issuer or the Guarantor (if the Notes are Guaranteed Notes) unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

## 8.3 Definitions

For the purposes of the Conditions:

**"Indebtedness for Borrowed Money"** means (i) any present or future indebtedness (whether being principal, premium, interest or other amounts) of any Person for or in respect of any borrowed money or any liability under or in respect of any amount raised by acceptance under any acceptance credit facility or (ii) any guarantee or indemnity in respect of such indebtedness;

**"Permitted Reorganisation"** means:

- (i) in respect of the Issuer or the Guarantor (if the Notes are Guaranteed Notes), any amalgamation, merger, demerger, reconstruction, reorganisation, consolidation, transfer or contribution of assets or other similar transaction whilst solvent of the Issuer or the Guarantor (if the Notes are Guaranteed Notes) whereby all or substantially all of the assets and liabilities of the Issuer or the Guarantor, including all its rights and obligations under or in respect of the Notes (in the case of the Issuer), the Trust Deed and (in the case of the Guarantor, if the Notes are Guaranteed Notes) its Guarantee (if any such obligations exist at such time), will be assumed in accordance with applicable law by a Person which, immediately after such assumption, is a member of the Pirelli Group; or
- (ii) in respect of any Material Subsidiary, any amalgamation, merger, demerger, reconstruction, reorganisation, consolidation, transfer or contribution of assets or other similar transaction whilst solvent of the relevant Material Subsidiary under which all or substantially all of the assets and liabilities of the Material Subsidiary are transferred, sold, contributed, assigned or otherwise vested in Pirelli or any member of the Pirelli Group.

**"Pirelli Merger"** means any amalgamation, merger, consolidation or similar transaction carried out between Pirelli Tyre and another company in the Pirelli Group and pursuant to which only a single entity (the **"Surviving Entity"**) survives and the Surviving Entity has assumed in accordance with applicable law all of the assets and liabilities of Pirelli Tyre and such Group company prior to the date of the relevant amalgamation, merger, consolidation or similar

transaction, including all the rights and obligations of Pirelli Tyre and such Group company under or in respect of the Notes, the Coupons and the Trust Deed, and, following a Pirelli Merger, references in these Conditions and the Trust Deed to Pirelli Tyre or such Group company shall be construed as references to the Surviving Entity.

"**Relevant Jurisdiction**" means each of the Republic of Italy and the United Kingdom.

9. **REPLACEMENT OF NOTES, RECEIPTS, COUPONS AND TALONS**

Should any Note, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Agent upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

10. **PAYING AGENTS**

The names of the initial Paying Agents and their initial specified offices are set out below. If any additional Paying Agents are appointed in connection with any Series, the names of such Paying Agents will be specified in Part B of the applicable Final Terms.

The Issuer is entitled, with the prior written approval of the Trustee, to vary or terminate the appointment of any Paying Agent and/or appoint additional or other Paying Agents and/or approve any change in the specified office through which any Paying Agent acts, **provided that**:

- (a) there will at all times be an Agent;
- (b) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority; and
- (c) there will at all times be a Paying Agent in a jurisdiction within Europe, other than the jurisdiction in which the Issuer or the Guarantor (if the Notes are Guaranteed Notes) is incorporated.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 5.5 (*General provisions applicable to payments*). Notice of any variation, termination, appointment or change in Paying Agents will be given to the Noteholders promptly by the Issuer in accordance with Condition 12 (*Notices*).

In acting under the Agency Agreement, the Paying Agents act solely as agents of the Issuer and the Guarantor (if the Notes are Guaranteed Notes) and, in certain circumstances specified therein, of the Trustee, and do not assume any obligation to, or relationship of agency or trust with, any Noteholders, Receiptholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Paying Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor paying agent.

11. **EXCHANGE OF TALONS**

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 15 (*Prescription*).

12. **NOTICES**

All notices regarding the Notes will be deemed to be validly given if published (a) in a leading English language daily newspaper of general circulation in London, and (b) if and for so long as



the Notes are admitted to trading on, and listed on the Official List of the Luxembourg Stock Exchange, a daily newspaper of general circulation in Luxembourg or the Luxembourg Stock Exchange's website, *www.bourse.lu*. It is expected that any such publication in a newspaper will be made in the *Financial Times* in London and the *Luxemburger Wort* or the *Tageblatt* in Luxembourg. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the Notes are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If publication as provided above is not practicable, a notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee shall approve.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream,

Luxembourg, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to the holders of the Notes on such day as is specified in the applicable Final Terms after the day on which the said notice was given to Euroclear and Clearstream, Luxembourg.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Agent. Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Agent through Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Agent and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

### 13. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION

#### 13.1 Meetings of Noteholders

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Receipts, the Coupons or any of the provisions of the Trust Deed. The above provisions are subject to compliance with mandatory laws, rules and regulations of the Republic of Italy in force from time to time.

- (a) In relation to Notes issued by Pirelli International, such meeting may be convened by the Issuer, the Guarantor (if the Notes are Guaranteed Notes) or the Trustee and shall be convened by the Issuer if required in writing by Noteholders holding not less than five per cent. in aggregate nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50 per cent. in aggregate nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the aggregate nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes, the Receipts or the Coupons or the Trust Deed (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes, the Receipts or the Coupons), the quorum shall be one or more persons holding or representing not less than two-thirds in aggregate nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in aggregate nominal amount of the Notes for the time being outstanding.

- (b) In relation to Notes issued by Pirelli, such meeting may be convened by the Directors of the Issuer or the Noteholders' Representative (as defined below) at their discretion and shall be convened by the Issuer at the request of the Trustee or, subject to mandatory provisions of Italian law, upon a requisition in writing signed by the holders of not less than one-twentieth in aggregate nominal amount of the Notes for the time being outstanding. If the Issuer defaults in convening such a meeting following such request or requisition by the Noteholders representing not less than one-twentieth in aggregate nominal amount of the Notes for the time being outstanding, the same may be convened by decision of the president of the competent court upon request by such Noteholders in accordance with article 2367, paragraph 2 of the Italian Civil Code. Every such meeting shall be held at such place as provided pursuant to Article 2363 of the Italian Civil Code, or as the Trustee may appoint or approve in writing. The constitution of any such meeting and the validity of resolution thereof shall be governed pursuant to the provision of Italian laws (including, without limitation, Legislative Decree No. 58 of 24 February 1998) and the Issuer's By-laws in force from time to time. Italian law currently provides that (subject as provided below) the quorum required at any such meeting will be: (A) in the case of a multiple calls meeting (i) in the case of a first meeting, one or more persons present being or representing Noteholders and holding not less than one half of the aggregate nominal amount of the Notes for the time being outstanding; (ii) in the case of an adjourned meeting, one or more persons present being or representing Noteholders and holding more than one third of the aggregate nominal amount of the Notes for the time being outstanding; and (iii) in the case of a further adjourned meeting, one or more persons present being or representing Noteholders and holding not less than one fifth of the aggregate nominal amount of the Notes for the time being outstanding, **provided that** the Issuer's by-laws may in each case (to the extent permitted under the applicable laws and regulations of the Republic of Italy) provide for a different majority; and (B) in the case of a single call meeting, the quorum under (A)(iii) above shall apply, **provided that** a different majority may be required by the Issuer's by-laws. The majority required to pass a resolution at any meeting (including, where applicable, an adjourned meeting) will be not less than two-thirds of the nominal principal amount of the outstanding Notes represented at the meeting; **provided however that** (A) considering certain proposals, as set out in article 2415 paragraph 1, item 2 of the Italian Civil Code (including any proposal to modify the maturity of the Notes or the dates on which interest is payable on them; to reduce or cancel the nominal amount of, or interest on, the Notes; or to change the currency of payment of the Notes) (each a "**Reserved Matter**") may only be sanctioned by a resolution passed at a meeting of the Noteholders by the higher of (i) one or more persons holding or representing not less than one half of the aggregate principal amount of the outstanding Notes, and (ii) one or more persons holding or representing not less than two thirds of the Notes represented at the meeting, and (B) the Issuer's by-laws may in each case (to the extent permitted under applicable Italian law) provide for higher majorities.

An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Receiptholders and Couponholders.

### 13.2 **Noteholders' Representative**

In relation to Notes issued by Pirelli, a representative of the Noteholders (*rappresentante comune*) (the "**Noteholders' Representative**"), subject to applicable provisions of Italian law, may be appointed pursuant to Article 2417 of the Italian Civil Code in order to represent the Noteholders' interests under these Conditions and to give effect to resolutions passed at a meeting of the Noteholders. If the Noteholders' Representative is not appointed by an Extraordinary Resolution of the Noteholders, the Noteholders' Representative shall be appointed by a decree of the court where the Issuer has its registered office at the request of one or more Noteholders or at the request of the Directors of the Issuer. The Noteholders' Representative shall remain appointed for a maximum period of three years but may be reappointed again thereafter.

### 13.3 **Modification and Waiver**

The Trustee may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes, these Conditions or the Trust Deed (other than in respect of a Reserved Matter in relation to Notes issued by Pirelli), or determine, without any such consent as aforesaid, that any Event of Default shall not be treated as such (other than in respect of a Reserved Matter in relation to Notes issued by Pirelli), where, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders so to do or may agree, without any such consent as aforesaid, to any modification which is of a formal, minor or technical nature or to correct a manifest error or an error which, in the opinion of the Trustee, is proven. Any such modification, waiver, authorisation or determination shall be binding on the Noteholders, the Receiptholders and the Couponholders and, unless the Trustee agrees otherwise, any such modification shall be notified by the Issuer to the Noteholders in accordance with Condition 12 (*Notices*) as soon as practicable thereafter unless the Trustee agrees otherwise, and any such waiver, authorisation or determination shall be notified by the Issuer to the Noteholders in accordance with Condition 12 (*Notices*) as soon as practicable thereafter if the Trustee shall so require.

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation or determination), the Trustee shall have regard to the general interests of the Noteholders as a class (but shall not have regard to any interests arising from circumstances particular to individual Noteholders, Receiptholders or Couponholders whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders, Receiptholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder, Receiptholder or Couponholder be entitled to claim, from the Issuer, the Guarantor (if the Notes are Guaranteed Notes), the Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders, Receiptholders or Couponholders except to the extent already provided for in Condition 7 (*Taxation*) and/or any undertaking or covenant given in addition to, or in substitution for, Condition 7 (*Taxation*) pursuant to the Trust Deed.

### 13.4 **Substitution**

The Trustee may, without the consent of the Noteholders, agree with the Issuer (or the previous substitute issuer under this Condition 13.4) (the "**Outgoing Issuer**") to the substitution (the "**Substitution**") in place of the Outgoing Issuer as the principal debtor under the Notes, the Receipts, the Coupons and the Trust Deed of another company being a Subsidiary of Pirelli (the "**Substituted Debtor**"), subject to the following:

- (a) the Outgoing Issuer delivers to the Trustee a certificate in the form and of substance satisfactory to the Trustees certifying that immediately prior to the Substitution, no payment in respect of the Notes or the Coupons is overdue and no Event of Default has occurred together with such other matters as the Trustee may require;
- (b) the giving by the Substituted Debtor of not less than 30 days' prior notice of the Substitution to the Noteholders in accordance with this Condition 13, stating that copies, or pending execution the agreed text, of all documents in relation to the Substitution as listed in this Condition 13.4, are available for inspection at the specified office of each of the Paying Agents;
- (c) the execution by the Substituted Debtor and by the other parties to the Trust Deed and the Agency Agreement of a supplemental trust deed (the "**Substitution Trust Deed**") and a supplemental agency agreement, respectively, and such other documents (if any) as may be necessary to give full effect to the Substitution (together, the "**Documents**") and (without limiting the generality of the foregoing) pursuant to which the Substituted Debtor shall undertake in favour of the Trustee and the Noteholders to be bound by these Conditions, the Trust Deed and the Agency Agreement as fully as if the Substituted

Debtor had been named in the Notes, the Trust Deed and the Agency Agreement as the principal debtor in respect of the Notes in place of the Outgoing Issuer and, (in the case of Notes issued by Pirelli) upon the first Substitution only, pursuant to which Pirelli shall unconditionally and irrevocably guarantee, all the obligations of the Substituted Debtor and any subsequent Substituted Debtor under the Notes and the Trust Deed (the "**Additional Guarantee**");

- (d) if the Substituted Debtor is incorporated, domiciled or resident in, or subject generally to the taxing jurisdiction of, a territory other than the Republic of Italy (in the case of Notes issued by Pirelli) or the United Kingdom (in the case of Notes issued by Pirelli International) or any political sub-division or any authority therein or thereof having power to tax, undertakings or covenants shall be given by the Substituted Debtor in terms corresponding to the provisions of Condition 7 (*Taxation*) with the Tax Jurisdiction being the jurisdiction in which the Substituted Debtor is incorporated, domiciled or resident in, or to whose taxing jurisdiction it is subject;
- (e) the Substitution Trust Deed containing representations and warranties by each of Pirelli (in the case of Notes issued by Pirelli and upon the first Substitution only), the Guarantor (if the Notes are Guaranteed Notes) and the Substituted Debtor that (i) it is validly incorporated and (to the extent applicable under the laws of its jurisdiction of incorporation) in good standing under the laws of its jurisdiction of incorporation; (ii) it has obtained all necessary governmental and regulatory approvals and consents for the Substitution and for the performance of its obligations under the Documents and that all such approvals and consents are in full force and effect; (iii) all other actions, conditions and things required to be taken, fulfilled and done to ensure that the Documents and the Notes and, in the case of Notes issued by Pirelli upon the first Substitution only, the Additional Guarantee and the obligations assumed by it thereunder represent legal, valid and binding obligations of the Substituted Debtor, the Guarantor (if the Notes are Guaranteed Notes) or Pirelli, as the case may be, enforceable by the Trustee and each Noteholder in accordance with their respective terms and subject to applicable bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally, have been taken, fulfilled and done and are in full force and effect; and (iv) the Noteholders will not become subject to any tax, duty, assessment, governmental charge or other adverse tax consequences as a result of the Substitution, except that neither the Substitute Debtor nor Pirelli shall be liable under such indemnity to pay any additional amounts either on account of "*imposta sostitutiva*" or on account of any other withholding or deduction in the event of payment of interest or other amounts paid to a non-Italian resident legal entity or a non-Italian resident individual which is resident in a country which does not allow for a satisfactory exchange of information with Italy;
- (f) the delivery of legal opinion(s) addressed to the Trustee and in a form and with a content reasonably acceptable to the Trustee, from a lawyer or firm(s) of lawyers of recognised standing in the jurisdiction of incorporation of the Outgoing Issuer and the jurisdiction of incorporation of the Substituted Debtor, confirming that (i) the conditions contained in Conditions 13.4(c), (d) and (e) have been fulfilled and (ii) the Documents and (in the case of Notes issued by Pirelli, upon the first Substitution only) the Additional Guarantee constitute legal, valid, binding and enforceable obligations of each of the Substituted Debtor and Pirelli and that each of Pirelli (in the case of Notes issued by Pirelli and upon the first Substitution only) and the Substituted Debtor has the power to enter into and perform the obligations to be assumed by it pursuant to the Documents and (in the case of Notes issued by Pirelli upon the first Substitution only) the Additional Guarantee, to the extent applicable to it; and
- (g) the delivery to the Trustee of a certificate of solvency of the Substituted Debtor relating to the period prior to and immediately following the Substitution reasonably satisfactory to the Trustee addressed to the Trustee and the Noteholders and signed by an authorised signatory of the Substituted Debtor (which certificate the Trustee may rely on absolutely).

Upon the execution of the Documents and compliance with the requirements listed above, the Outgoing Issuer shall be released from all of its obligations not then accrued as principal debtor

under these Conditions and the Trust Deed and the Substituted Debtor shall be deemed to be named in these Conditions and the Trust Deed as the principal debtor in place of the Outgoing Issuer and references in these Conditions and the Trust Deed to the "Issuer" shall, unless the context otherwise requires, be deemed to be references to the Substituted Debtor.

14. **INDEMNIFICATION OF THE TRUSTEE AND TRUSTEE CONTRACTING WITH THE ISSUER AND/OR THE GUARANTOR**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured and/or pre-funded to its satisfaction.

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (a) to enter into business transactions with the Issuer, the Guarantor (if the Notes are Guaranteed Notes) and/or any of their respective Subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer, the Guarantor (if the Notes are Guaranteed Notes) and/or any of their respective Subsidiaries, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders, Receiptholders or Couponholders and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

15. **PRESCRIPTION**

The Notes, Receipts and Coupons will become void unless claims in respect of principal and/or interest are made within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 7 (*Taxation*)) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or 5.2 (*Presentation of definitive Notes, Receipts and Coupons*) or any Talon which would be void pursuant to Condition 5.2 (*Presentation of definitive Notes, Receipts and Coupons*).

16. **FURTHER ISSUES**

The Issuer shall be at liberty from time to time without the consent of the Noteholders, the Receiptholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Notes.

17. **CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999**

No person shall have any right to enforce any term or condition of this Note under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

18. **GOVERNING LAW AND SUBMISSION TO JURISDICTION**

18.1 **Governing law**

These Conditions, the Trust Deed, the Agency Agreement, the Notes, the Receipts, the Coupons and any non-contractual obligations arising out of or in connection with these Conditions, the Trust Deed, the Agency Agreement, the Notes, the Receipts and the Coupons are governed by, and shall be construed in accordance with, English law. In respect of Notes issued by Pirelli, Conditions 13.1(a) and 13.2 (*Noteholders' Representative*) and Schedule 3 Part 2 of the Trust Deed (*Provisions for Meetings of Noteholders*) are subject to compliance with, and shall be construed in accordance with, the laws of the Republic of Italy.

#### 18.2 **Submission to jurisdiction by the Issuer**

The relevant Issuer and the relevant Guarantor (if any) irrevocably agrees, for the benefit of the Trustee, the Noteholders, the Receiptholders and the Couponholders, that the courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with these Conditions, the Trust Deed, the Notes, the Receipts and/or the Coupons (including a dispute relating to any non-contractual obligations arising out of or in connection with these Conditions, the Trust Deed, the Notes, the Receipts and/or the Coupons) and accordingly submits to the exclusive jurisdiction of the English courts.

The relevant Issuer and the relevant Guarantor (if any) waives any objection to the courts of England on the grounds that they are an inconvenient or inappropriate forum. The Trustee, the Noteholders, the Receiptholders and the Couponholders may take any suit, action or proceedings (together referred to as "**Proceedings**") arising out of or in connection with these Conditions, the Trust Deed, the Notes, the Receipts and the Coupons (including any Proceedings relating to any non-contractual obligations arising out of or in connection with these Conditions, the Trust Deed, the Notes, the Receipts and the Coupons) against the Issuer in any other court of competent jurisdiction and concurrent Proceedings in any number of jurisdictions.

#### 18.3 **Appointment of Process Agent**

In relation to Notes issued by Pirelli, and in relation to Guaranteed Notes, the Issuer and the relevant Guarantor appoints Pirelli International at its registered office at Derby Road, Burton-on-Trent, Staffordshire, DE13 0BH, United Kingdom as its agent for service of process, and undertakes that, in the event of Pirelli International ceasing so to act or ceasing to be registered in England, it will appoint another person approved by the Trustee as its agent for service of process in England in respect of any Proceedings. Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

#### 18.4 **Other documents and the Guarantor**

Pirelli and Pirelli Tyre have in the Trust Deed and the Agency Agreement submitted to the jurisdiction of the English courts and appointed an agent for service of process in terms substantially similar to those set out above.

## **USE OF PROCEEDS**

The net proceeds from each issue of Notes will be applied by the Issuers for their general corporate purposes and may be used to repay existing indebtedness, or if indicated in the applicable Final Terms, for Eligible Green Projects, Eligible Social Projects, or to finance and/or re-finance any combination of Eligible Green Projects and/or Eligible Social Projects (-together the Eligible Sustainable Projects-).

## DESCRIPTION OF PIRELLI, PIRELLI INTERNATIONAL, PIRELLI TYRE AND THE PIRELLI GROUP

### Overview

Pirelli is a leading worldwide manufacturer of tyres and a provider of related services, with an exclusive focus on the consumer market, providing tyres for cars, motorcycles and bicycles (the "**Consumer Business**"). Pirelli has a globally recognised brand and a distinct position in the manufacturing of high-end premium tyres, which are products designed to achieve the highest levels of performance, safety, noise reduction and grip on the road surface, and which are characterised by high-tech content and/or customisation (such products, "**High Value Products**"). Pirelli's High Value Products are divided into the following categories: Prestige; New Premium; Specialties; Super Specialties, Premium Motorcycle tyres and Velo Tyres (for bicycles). The current focus on the Consumer Business is the result of the Industrial Reorganisation started at the end of 2015 which led to the separation of the part of the business which related to the manufacture and marketing of tyres for heavy-duty vehicles for industrial, agricultural and/or passenger transport use in Italy and abroad (the "**Industrial Business**") and the acquisition by Pirelli of Aeolus's Consumer Business.

Pirelli manufactures tyres for both (i) original equipment manufacturers of cars and motorcycles for use on their newly produced vehicles which accounted for 26 per cent. of its net sales attributable to the Consumer Business for the year ended 31 December 2017, ("**Original Equipment**"), and (ii) as replacement parts for vehicles already in circulation in need of replacements due to wear or season changes, which accounted for 74 per cent. of its net sales attributable to the Consumer Business for the year ended 31 December 2017, respectively ("**Replacement**").

Pirelli is a leader in the prestige tyre sub-segment, i.e. tyres developed in collaboration with prestige car manufacturers (the "**Prestige**" segment) and in the Replacement market, within Europe, China and Brazil for new premium products, i.e. tyres with a rim size equal to or greater than 18 inches ("**New Premium**"). In the United States, a market that features a diverse range of New Premium tyres, Pirelli is among the top New Premium tyre manufacturers. In NAFTA, a region characterised by the highly varied nature of its New Premium tyre market, Pirelli is progressively strengthening its market share by leveraging its strength in the segment of "marked" tyres, i.e. those which are clearly identified with special markings and specially designed for Prestige and Premium cars, and where the company holds a leadership position. Moreover, due to the introduction of Specialties and Super Specialties in all the markets in which it operates, Pirelli has consolidated its distinctive positioning within the High Value Products segment.

With respect to the Replacement market for motorcycles, Pirelli (i) holds a position of leadership in Europe, Latam and APAC; (ii) is a global leader in the radial segment of the motorcycle tyre Replacement market; and (iii) is the third largest supplier of Premium tyres for motorcycles in the Replacement market in NAFTA.

Pirelli also offers tyres for cars or motorcycles that do not fall within the High Value Products line ("**Standard Products**"), but meet the needs of certain automobile and motorcycle manufacturers, and cover geographic areas where demand for High Value Products is still poorly developed.

With a presence in sporting competitions since 1907, Pirelli has been the exclusive supplier of the Formula 1™ World Championship since 2011, an activity that provides a constant challenge in terms of technological innovation and which is an important driver of brand value. Pirelli supplies tyres to 460 automobile and motorcycle championships (for 2018) such as the World Superbike Championships and prestigious single-brand races like the Ferrari Challenge and the Lamborghini Blancpain Super Trofeo.

Pirelli is engaged in research and development, mainly for High Value Products, with the highest levels of investments amongst the world's tyre manufacturers and is committed to continuous product improvement in terms of performance, safety, and reduction of environmental impact. This commitment is reflected in a large proportion of revenue generated by products introduced in the last five years (which accounted for approximately 61 per cent. of the revenue for the year ended 31 December 2017). Pirelli also holds a portfolio of active patents, grouped into approximately 715 families, each one extending over eight or nine countries, for a total of approximately 6,100 national patents the year ended 31 December 2017.



Through established partnerships with some of the most prestigious car manufacturers, Pirelli has a broad range of tyres in the High Value Products segment, which, as of 30 June 2018, includes around 2,350 homologations (of over 2,900 in total) from such manufacturers. Of this number, more than 2,050 include original marking. Pirelli has an extensive commercial presence, with a network of approximately 14,600 points of sale in over 160 countries, and a high level of exposure within the three main markets for High Value Products: Europe, NAFTA and APAC.

Net sales are only partially affected by seasonal variations. In general, sales volumes in seasonal markets (particularly in Europe, Russia and CIS and NAFTA) are affected in the first half of the year by the concentration of summer tyres and motorcycle tyre sales, while in the second half of the year by the concentration of winter tyres. All-season tyres are sold throughout the year, and in the other markets not affected by seasonal phenomena, without specific seasonal elements. The combined effect does not lead to a significant change in seasonal sales during the year. However, such phenomena, more significant in markets such as Europe and Russia, generally lead to lower trade receivables at the end of the year than the amount recorded in the course of the year, due almost entirely to the collection of receivables relating to sales of winter products in such markets during the fourth quarter, while the collection of a large portion of receivables relating to summer products generally occurs, in the same markets, within the third quarter.

Pirelli has a geographically diversified production structure, with 19 plants in 13 countries as of 30 June 2018 (18 plants in 12 countries following the disposal of the Venezuela plant in September 2018), with an aggregate production capacity of approximately 76 million tyres for cars for the year ended 31 December 2017. Of this production capacity, more than half is suitable for manufacturing High Value Products. Around 78 per cent. of the production capacity for car and radial motorcycle tyres was located, for the year ended 31 December 2017, in relatively low-cost production countries and Pirelli employed approximately 30,189 employees.

## **Business Review**

### ***Description of Pirelli operations, products and services***

Pirelli is a global manufacturer of tyres for cars, motorcycles and bicycles, and in recent years has been focused in particular on the development, production and marketing of High Value Products, with a gradual reduction in producing Standard products. Beginning with the 2014-2016 Business Plan, in November 2013, Pirelli focused the Consumer Business on the product and market segment with highest value, aligning the following functions to this end: research and development, relationships with car manufacturers, relationship with the distribution network and production capacity.

Three specific categories of Car High Value Products which, even though they are defined on the basis of different parameters (rim size, client and technical characteristics or customisation) overlap with each other and are associated with profit margins that are significantly higher than the average profit margins for Standard products, may be identified:

- **"New Premium"**. Tyres with a rim size equal to or greater than 18 inches, which are viewed as High Value Products by consumers primarily because of their size. They are intended primarily (but not exclusively) for Prestige cars which traditionally include automobile manufacturers such as Ferrari, Lamborghini, Maserati, Bentley, Bugatti, Rolls Royce, Porsche, Aston Martin, McLaren and Pagani (such cars, "**Prestige cars**" and such manufacturers, "**Prestige car manufacturers**"), and Premium cars, which traditionally include cars manufactured by manufacturers such as BMW, Mercedes, Audi, Alfa Romeo, Jaguar, Land Rover, Infiniti, Lexus, Lincoln, Acura, Cadillac, Tesla and Volvo (such cars, "**Premium cars**", and such manufacturers, "**Premium car manufacturers**"). In the year ended 31 December 2016, the New Premium tyres represented between 80 per cent. and 90 per cent. of the total High Value Products tyres sales;
- **"Prestige"**. Tyres that are designed and developed in partnership with Prestige manufacturers. In this case, the added value of the product lies in the fact that Prestige tyres are subject to homologation, and in most cases, to original marking. Prestige tyres are primarily, but not exclusively, have a rim size greater than 18 inches, and as such also belong to the New Premium tyre category; and

- **"Specialties" and "Super Specialties"**. High-tech tyres for cars of every class, which meet the needs of specific applications (such as Runflat) or customisations (e.g. "Colour Edition" tyres) of the end consumer and are seen by the consumer as High Value Products. In most cases, Specialties and Super Specialties tyres have a rim size greater than 18 inches (falling within the New Premium tyre segment) and are sometimes designed and developed in partnership with car manufacturers of Prestige cars (falling within the segment of Prestige tyres).

High Value Products also include:

- Tyres for high-end motorcycles that ensure high levels of performance, such as radial tyres for off-road use (enduro and motocross) or custom cruisers; and
- Top-end road racing bicycle tyres (P Zero Velo line) and e-bike tyres (Cycl-e line), focused on targeting high-end growing segments, engaging a younger and more gender-balanced customer base and exploiting new mobility trends.

Market Standard Products, which meet the needs of certain automobile and motorcycle manufacturers who request collaborations not only for high-end cars, or in markets where demand for High Value Products is still poorly developed, are also produced.

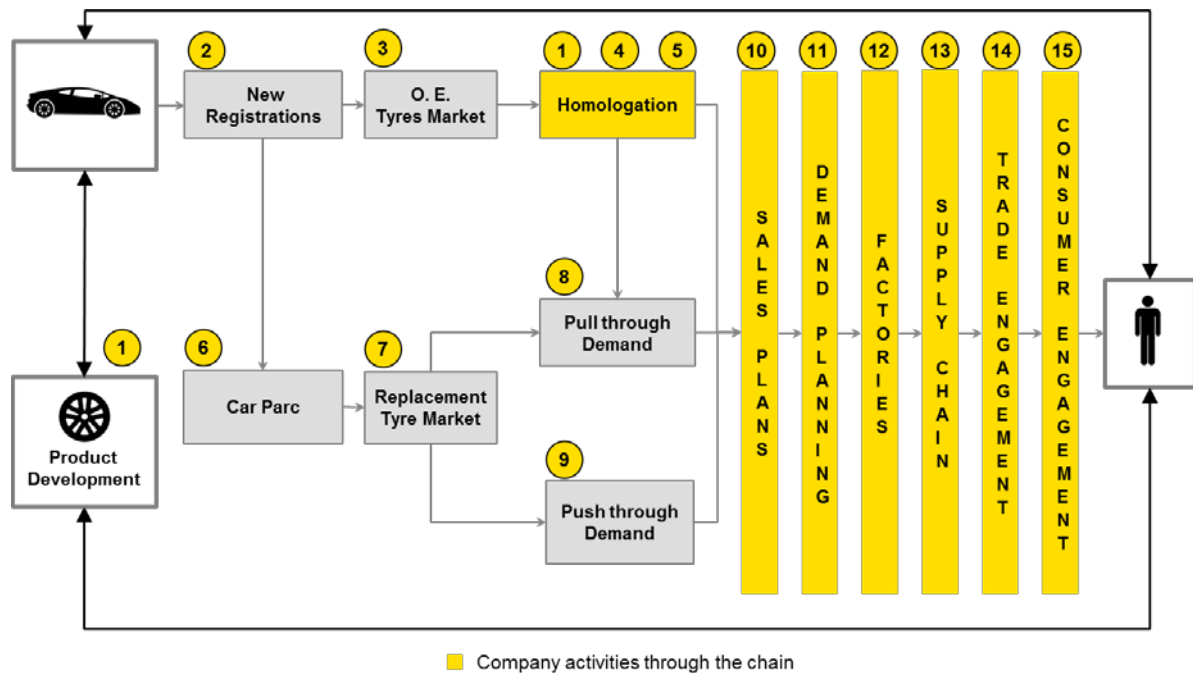
Pirelli's specific focus on the High Value Product segment requires the Pirelli Group to operate in close contact with the car manufacturers of Prestige and Premium cars, as well as with motorcycle manufacturers such as Ducati, BMW, MV Agusta, Triumph and KTM. Partnerships with producers are a fundamental starting point for ensuring a strong position within the High Value Product market, for both Original Equipment and Replacement. In the case of Original Equipment, car manufacturers benefit from a joint development process with the suppliers of tyres equipped on their models, through a homologation process that confirms the perfect combination of the tyre with the characteristics and the electronics of the car. The joint development of the tyre and its homologation also serves to build the loyalty of end consumers (generally higher in the High Value Product segment), which directly impacts the Replacement segment.

#### ***Car and Light Truck Products***

The products offered are divided into four main brands of tyres (product families): (i) P Zero; (ii) Cinturato; (iii) Winter; and (iv) Scorpion and on the variants of Specialty and Super Specialty tyres within each of these product families.

#### ***Operational model***

The wide range of products that the Pirelli Group offers are conceived, created, checked and marketed according to an organisational model based on an integrated supply-chain that ranges from product development to commercialisation and marketing. The following graph and paragraphs illustrate and describe the various processes throughout the supply-chain and the correlation between them in the context of this integrated process. The following graph presents the typical operating model for car tyres (a similar model is also applied with respect to motorcycle tyres).



Starting from the development of tyres, and continuing through a continual collaboration with the manufacturers of Premium and Prestige cars, Pirelli's business model seeks to develop an integrated process that spans from the car manufacturer to the end consumer, in order to provide products that can satisfy the needs of the most demanding users.

Partnerships with manufacturers are fundamental to the Pirelli Group's business model, since they allow the Pirelli Group to gain broad visibility in the technological innovations that such manufacturers intend to incorporate into their products before they are effectively launched in the market. This allows the Pirelli Group to appropriately plan its short and medium-term investments, particularly in research and development and production. The product development phase generally ends with the approval of the tyre approximately 24 months after Pirelli receives the invitation to participate in the supplier selection (while delivery of the first order generally takes place three years from date) (see points (1) and (4) in the chart above) and, as a result of a trade agreement, with the allocation of a supply quota (see point (5) in the chart above). In parallel to these activities (which are more relevant for High Value Products, while the Standard Products make use of the technical know-how Pirelli has acquired and its knowledge of the market), the Pirelli Group closely monitors the trends of the world car and motorcycle market, and in particular the developments in the registration of new cars (see point (2) in the chart above), which are generally directly related to the growth rate of the economy in the various countries in which they operate. As a result of the approvals, or homologations, obtained by the automobile manufacturers and the analysis of the registration trends, Pirelli is able to obtain medium and long-term visibility (three to four years) on the expected production in the Original Equipment market (see point (3) in the table above), consistent with the development process for new passenger cars, as well as development of new registrations.

In the upstream phases of the supply-chain, Pirelli also monitors the car parc in circulation (see point 6 in the chart above) at the global and regional levels, which forms the basis for reference for the Replacement market. By correlating the data for the vehicles in circulation to the tyre replacement rate, Pirelli is able to obtain a clear outlook on the demand trends in the Replacement market (see point (7) in the chart above) and the potential revenues to be generated in this market. This segment in turn can be broken down into a potential pull-through market (see point (8) in the chart above), which derives from the spare parts from cars equipped with at least one version of Pirelli approved tyres as Original Equipment (which are very easy to predict over a multi-year time horizon, characterised by dynamics of loyalty), and a potential push-through market (see point (9) in the chart above), which derives from the replacements needed on cars where Pirelli has no homologations (subject to broader competitiveness dynamics and dealing with specific integrated marketing plans). The potential push-through and pull-through markets, multiplied by the expected market share, generates the basis for sales plans (see point (10) in the chart above).

The sales plans, by way of demand planning (see point (11) in the chart above) are integrated with the production structure, which operates in close coordination with the purchasing departments. At a centralised and integrated level, orders from Original Equipment clients and "Tier 1" Replacement clients (i.e. clients who use the ordering method provided for in the Pirelli Group's sales agreements) are collected, and projections for the rest of the sales channels are formulated. This information is translated into production requests that are then allocated between production plants in such a way that seeks to minimise response times and maximise the level and efficiency of the service (see point (12) in the chart above).

The tyres produced are then distributed through the supply chain (see point (13) in the chart above) until they arrive at the distribution networks, or directly at the retail outlets (approximately 14,600 in 2017, compared with roughly 10,000 at the beginning of 2014), which allow the Pirelli Group to serve the customer base in an increasingly geo-localised way (see point (14) in the chart above). Downstream in the production chain, the Pirelli Group has also implemented a series of initiatives aimed at assisting the consumer, from brand consideration to repurchasing, for which the customer consults both digital and physical references. (See point (15) in the chart above).

### ***Description of the various functions of Pirelli***

Pirelli's organisational model of an integrated chain of production can be divided into the following main phases, which correspond to specific functions: (i) Product Development and Original Equipment (ii) Research and Development, (iii) Purchasing, (iv) Production Process, (v) Quality Control (vi) Supply Chain, (vii) Clients and points of sale, and (viii) Client Engagement and Marketing. Coordination and integration between the various phases of the chain are managed at the headquarters in Milan, mainly by the departments involved in demand planning, together with the logistics function which, in addition to dealing directly with distribution, also manage and oversee the entire production process from the purchase of raw materials to the delivery of the finished product.

The following paragraphs address each phase of the production cycle separately.

#### ***Product Development and Original Equipment***

The first phase of Pirelli's operating model consists in the development of the product in close collaboration with the Premium and Prestige car manufacturers, for the purpose of creating Original Equipment tyres for the cars they produce. The defining feature of the High Value Product sector is the high level of technological implementation that vehicle manufacturers require from their tyre manufacturers through product specifications and, as a result, these collaborations with vehicle manufacturers have proved to be crucial for tyre development. Examples of instances where this phenomenon has contributed to tyre development are the lowered tyre walls designed for a better grip on the road and greater space for breaking equipment, the technologies allowing for total mobility in the case of a puncture, tyres with low or very low rolling resistance for lower fuel consumption resulting in lower Co2 emissions.

Product development, supported by the testing and standardisation phases, is geared towards the development of tyres that fit the dynamic characteristics and electronics of the automobile.

Obtaining homologations allows the sale of tyres as original replacement. Only those tyres that are approved, or homologated, by an Original Equipment Manufacturer can be sold in respect of a given car model in the Original Equipment channel. This factor, particularly for Marked tyres, directly affects the Replacement segment due to greater customer loyalty, as customers frequently prefer to keep the same tyres as they had for their Original Equipment. The product development phase begins with the receipt of an invitation to tender or request for quote from the client. This request is generally sent by car or motorcycle manufacturers to a number of tyre suppliers, accompanied by technical specifications. Next, each tyre supplier negotiates the details of the partnership and commercial terms with the manufacturer in various stages to agree on the terms of an agreement and the appointment as official partner to the manufacturer. For partnerships with Premium and Prestige manufacturers, a supply share of between 20% and 25%, together with 4-5 other tyre manufacturers is generally obtained. In some cases, Pirelli is the exclusive supplier—this is mainly with Prestige car manufacturers whose production volumes are limited (such as Lamborghini and McLaren) or with American automakers limited to certain tyre sizes (and not all tyres mounted on one car model) sold only in the United States. Once the prices and the supply amount have been determined, the joint product development phase begins. During this phase, product

development costs are generally borne by the company, and are reflected in the final price of the tyres. Only in rare cases are they directly funded by the car manufacturers. Except for specific cases, the agreements include automatic price adjustment mechanisms based on the prices of raw materials (70% of the sales volume is covered by adjustment agreements based on cost matrices on a quarterly to annual basis, while in the remaining 30% of cases, the management of raw material trends is discussed during annual trade negotiations). Changes in the prices of raw materials are reflected in the price of tyres with an average time delay of approximately six months (between a minimum of three and a maximum of nine months). The majority of collaborations take place by means of commercial order-based trading, and written agreements are not always made. Supply contracts in written forms include compensation clauses, termination due to breach, and contractual resolution assumptions that have never been implemented in the recent past. However, there are no particular safeguards against credit risk in relationships with automakers, as this risk is considered to be of low relevance.

### *Research and Development*

The research and development activities carried out are a key phase in the development of new products and the obtaining of homologations. Consequently, Pirelli pays close attention to technological innovation and continuously carry out research and development activities in relation to materials, products and production processes.

As at 30 June 2018, the research and development function had approximately 1890 employees (equal to approximately 6% of total employees) based at Pirelli headquarters in Milan as well as in the local centers at Breuberg (Germany), Burton on Trent and Carlisle (England), São Paulo (Brazil) and Rome (United States), Silao (Mexico), Turin (Italy), Yanzhou (China), and Voronezh (Russia), Slatina (Romania), Subang (Indonesia) and Izmit (Turkey). The local centers allow for direct relationships with major automobile manufacturers and facilitate local market knowledge and contribute to adapt the innovations and improvements gained on a central level to the needs of such markets.

The research and development team, which is in close contact with other departments within the company, including marketing, in order to identify areas of greater interest based on customer feedback, focuses on three main objectives: (i) developing materials, products and processes to produce increasingly high performance tyres and adhere to the acceptance requirements set by manufacturers of Prestige and Premium cars; (ii) manage product complexity and reduce costs without sacrificing production quality; and (iii) analysing products offered by various suppliers in order to carry out their approval.

Among the innovations aimed at improving production processes referred to in point (i) above, there is the recent introduction of the "Smart Manufacturing" program, based on the use of the "data" through "Big Data analytics" techniques alongside "Lean Manufacturing" programs aimed at improving the production and maintenance processes, the productivity of the machines and the quality of the products, also on a prospective basis, notwithstanding a significant reduction in the size of the processing batches.

The research and development model, implemented in accordance with the Open Innovation Model, is complemented by collaborations with third parties, such as suppliers, universities, and car manufacturers, in order to predict technological innovations in the industry and to direct Pirelli's research and development efforts towards meeting the needs of the customers.

Specifically, the research and development team enters into joint-development and collaboration agreements with many universities and suppliers in Italy and abroad. These joint development agreements with strategic suppliers and partnerships with universities have allowed to achieve the forefront of technological innovation in the medium and long term, with regard to raw materials. At the same time, through the partnerships with Prestige and Premium car manufacturers, Pirelli has launched numerous short- and medium-term collaborative projects to cooperate in the development of innovative technology (more than 100 as of the end of 2017).

In addition, a constant monitor of the evolution of legislation in order to anticipate possible legal developments and anticipate production development activities in order to capture potential market opportunities is carried out.

The following paragraphs provide a description of the main research and development activities, including (i) new products; (ii) new materials (including nanotechnologies and organic biomaterials); (iii)

new production processes and tyre electronics; and (iv) innovations resulting from the collaboration with the Formula 1™ World Championship and other sports competitions.

#### *Development of new products*

To develop new products that are specifically intended to meet the needs and technical specifications of customers, Pirelli has established long-lasting relationships with major automobile manufacturers, including Alfa Romeo, Audi, Aston Martin, Bentley, BMW, Ferrari, Ford, Jaguar, Lamborghini, Land Rover, Maserati, McLaren, Mercedes, Pagani, Porsche and Volvo, as well as some of the most well-known motorcycle manufacturers, including BMW, Ducati, Triumph, KTM and MV Agusta.

In particular, the homologation at the end of the development process consists of a certification issued by manufacturers certifying how the tyre is consistent with the technical characteristics approved by the manufacturer for a specific vehicle (a "**Homologation**"). The Homologation process begins before the launch of a new model by automobile manufacturers, and lasts approximately 24 months.

In addition, all Prestige and Premium automobile manufacturers have gradually introduced "markings" on the sidewall of the tyre to give greater emphasis to the standardisation and ensure visibility in the Replacement channel for consumers and retailers when it comes to replacing a worn tyre with a new one of equal performance and quality. As of 30 June 2018, in Europe, Pirelli has a product line of more than 1,000 products with original marked homologations.

In 2014, Pirelli launched a project that directly involves end-users in Brand Monitoring surveys in the ten major markets (Italy, Germany, Spain, France, United Kingdom, Brazil, China, USA, Turkey and Russia). The continuous updating of this analysis over the years has allowed to improve the accuracy of research relating to the role of the brand and its image, as well as the various aspects that affect the end user's decision to purchase.

Another project launched in 2014 is Tyre Talk, an innovative project that sees the direct involvement of business customers through a web search platform, which is currently used by more than 500 members that form a select group of customer-partners that are able to contribute to the understanding of market dynamics as well as the development of new marketing tools and business opportunities. Specific market research was carried out in collaboration with certain consulting companies in early 2017 in anticipation of the launch of Pirelli Colour Edition and Pirelli Connesso™, in order to identify the preferences of Prestige and Premium customers on products and services and determine the price positioning on the market.

In addition to traditional research and development activities, Pirelli increasingly focused on reducing the environmental impact of its activities and products and is actively involved in the development of tyres with a low environmental impact (safe for the planet) that offer high performance (safe for people), including Seal Inside, Runflat and Cyber tyres (tyres that incorporate electronic sensors and are able to interact with vehicle control systems for increased safety and reduced fuel consumption).

Two new products were presented at the 2017 Geneva Motor Show:

- The Colour Edition of the P-Zero and Winter Sottozero tyres, for which the engineers have developed innovative materials and protection to ensure bright and durable shades; and
- Connesso, an integrated platform for the P-Zero or Winter Sottozero tyre available in black or Colour Edition that, with a sensor fixed in the groove (on the inner wall of the tyre itself) and connected to an application, creates dialogue with the driver by providing information on certain basic parameters of the tyre as well as a number of customised services.

Such products join other Specialties such as the Pirelli Noise Cancelling System, Runflat and Seal Inside (technology that allows the driver to proceed without losing air pressure even after the tyre has been punctured by an external object).

Lastly, Pirelli launched a new line of tyres for competition road cycling, on the market starting from September 2017: P Zero Velo, whose tread is silver-coloured for Road Racing, red for the Crono and blue for the four-season tyres. The product was developed with the innovative SmartNET Silica™, covered by the patent for the use of Nano Rod Silica, which allows for increased steering control, a significant reduction in heat generation and rolling resistance as well as high performance on wet surfaces.

### *Development of new raw materials*

Pirelli is active in the development of new materials like polymers fillers, rubber additives, reinforcing fibers and steel grades in order to continuously improve tyre characteristics such as rolling resistance, low temperature performance, mileage and handling. Furthermore, its activity focuses on the development of other biomaterials such as lignin and plasticisers/resins of natural origin; nanofillers for more durable and lighter structures.

In addition, to promote the research and development of new raw materials, collaboration agreements with various international and national institutions and universities were entered into. Such agreements include (i) the Joint Labs agreement originally made in 2012 and which was renewed in November 2017 until 2020) between Pirelli and the Politecnico di Milano aimed at research in the tyre industry, nanotechnologies, the development of new synthetic polymers, new chemical agents and new biopolymers; (ii); and (iii) numerous research projects with the University of Milano Bicocca as part of the Consortium for Advanced Materials Research (CORIMAV) and the Silvio Tronchetti Provera Foundation, which enable the development of innovative materials and solutions that are fundamental for the production of high performance tyres with low environmental impact.

### *Innovation of production processes*

In terms of production processes, Pirelli has developed innovative systems such as the Modular Integrated Robotised System (MIRS), a highly automated production system capable of handling different materials and producing a wide range of sophisticated and high performance tyres, or the Continuous Compound Mixing (CCM) system, which replaces the traditional compound preparation process with a continuous-running process and produces a higher quality product. Pirelli has also developed an advanced version of each of these systems, respectively the Next-MIRS and the P-TSM (Pirelli Twin Screw Mixing).

The "CVA™ Prototype": "Automatic Visual Tyre Control" is an automated product analysis system that uses innovative vision technology and artificial automation. The project was awarded the 2016 Oscar Masi Award for Industrial Innovation, organised by the Italian Association for Industrial Research (AIRI). At present, this operation is carried out manually and consists of inspecting all the internal and external zones of tyres for visual defects. CVA™ is a state-of-the-art system that combines fully automated mechanics with the use of high resolution and speed vision systems, and is based on computer systems that manage specially developed vision algorithms.

Pirelli also launched the "Smart Manufacturing" program in order to more effectively manage the variety of tyres in the factories. This program uses data through big data analytics techniques, alongside lean manufacturing programs, to improve production and maintenance processes, machine productivity, and product quality, as well as assess outcomes of future changes, despite a significant reduction in batch size.

### *Innovations from the collaboration with the Formula 1™ World Championship and other sports competitions*

Pirelli has been the only official supplier for the Formula 1™ World Championships since the 2011 season, and renewed the three-year contract until the 2019 season for the third time on 17 June 2016. Participation in the Formula 1™ World Championship has allowed Pirelli to develop new simulation models that will further lower product launch times and improve the quality of road product projects, making them more productive, compliant with stricter requirements and allowing for a better understanding of behaviour of materials in different operating temperatures.

In the motorbike industry, Pirelli has been the only official supplier of the Superbike World Championships (WSBK) since 2004, where advanced technologies are developed that are subsequently used in products sold for sport and road use.

Overall, in 2018, involvement in sports competitions includes 460 car and motorcycle championships at a national and international level.

### *Purchasing*

Significant importance is given to the planning and management of purchasing, and to relationship with suppliers, both with respect to being able to obtain the best conditions in terms of cost, response time,

innovation and product quality, and as an element for supporting the functionality and efficiency of the production process.

To this end, the purchasing function, which as of 30 June 2018, had 174 employees, is involved in decisions relating to planning for the needs of supplies on the market, from the initial phase of identifying products' technical specifications in collaboration with the Research and Development function, thus contributing to identifying the best opportunities in relation to the different needs to be met and to prepare an appropriate supply plan.

Relationships with main suppliers are primarily managed from the Milan headquarters. The entire supply phase is subject to strict monitoring, characterised by a process of qualification and approval, for all of suppliers, as well as main suppliers from the Milan office according to the Supplier Relationship Model. The entire procurement phase is based on a cross-functional procurement process, which is highly structured and automated from an operational point of view. In particular, this process comprises the following phases: (i) market research on potential suppliers; (ii) qualification of the supplier and product type-approval (of particular relevance for raw materials, auxiliary components, equipment and models), the various production sites at which the suppliers operate and the individual supplies, which must be accompanied by special certificates that demonstrate compliance with the required standards; (iii) offer; (iv) contracting and order management; and (v) vendor evaluation.

Supplier relationships are governed by contractual agreements that, in addition to indicating the terms and conditions of the supply, generally contain safeguards such as (i) confidentiality clauses and prevention of access to confidential information (information security), (ii) compliance with legislation applicable as regards anti- corruption, (iii) compliance with standards on business ethics and corporate responsibility, (iv) prohibition to undersupply (unless otherwise agreed upon), (v) the obligation to comply with safety regulations and (vi) compliance with quality standards (ISO 9001 certification level, product quality delivered according to the agreed upon standards, timely and proper delivery of the order. Suppliers who fail to comply with these contractual provisions may be subject to the payment of penalties (such as claims for damage caused by defects in raw materials and finished products, penalties for delayed delivery or the suspension of payments) as well as constitute conditions for contract termination (such as significant breaches of quality standards, corporate ethics and responsibility, access to confidential information, bankruptcy of the supplier, excessive duration of the force majeure provided for in the contract).

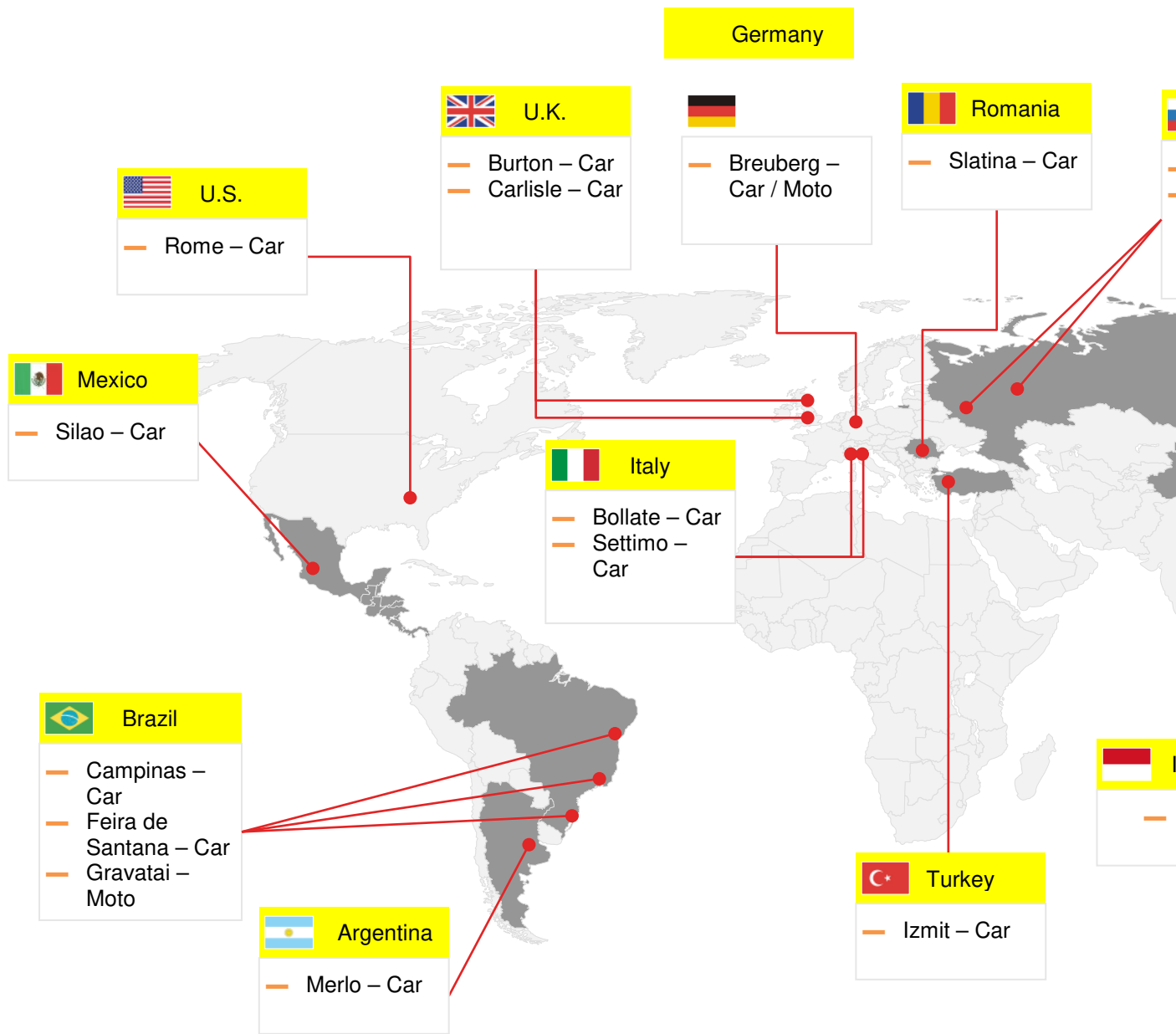
#### *Production process*

Pirelli mainly uses a delocalised production model, and has 19 production sites located in 12 countries (as of 31 October 2018). Utilisation levels in the plants were on average, approximately 90 per cent. for the period between 2016 and 2018.

On 9 October 2018 Pirelli acquired 49 per cent. stake in a joint venture with the Hixih Group which owns, through the company Jining Shenzhou Tyre Co., a new consumer tyre production plant in China. For further details, please see paragraph "*Recent Developments - Establishment of a new Joint Venture in China*" below.

On 7 September 2018, Pirelli sold its car tyre factory and all its operations in Guacara, Venezuela. For further details, please see paragraph "*Recent Developments - Disposal of tyre factory in Venezuela*" below. The following graphic shows the geographical location of the facilities as of 31 October 2018.





### *Quality Management*

Since 1970, Pirelli implemented a quality management system, which has been gradually introduced to all production centres. The primary management systems adopted are based on internationally recognised standards. The quality management system has recently undergone a process of alignment with the international standards for management systems, such as ISO 9001:2015 and the private automotive scheme IATF 16949:2016.

The chain of production is planned, guaranteed, and monitored throughout all of the business operations. With respect to raw materials and the production process, a monitoring plan that specifies the quality standards for each phase that must be respected in order for high quality products to be produced is in place. The monitoring begins during the raw material supply phase, continuing through the selection of suppliers and the controls of the individual suppliers, who must provide special certificates demonstrating their compliance with the standards agreed upon at the end of the supply contract phase. The monitoring continues during the manufacturing phases of the tyre, both through the verification of the correct operation of the machines, and through the analysis of the quality of the semi-finished products. The finished products are then subjected to visual checks and checks using instruments. In the case that any deviations from the standards established by the monitoring plan are detected, the tyres are restarted at the production line where the anomalies are small, or they are discarded. The certifications of the products, which allow the commercialisation of the products in the various markets in accordance with the regulations laid down by the different countries, are managed by a department dedicated to the area of Research and Development.

### *Supply Chain*

The tyres produced are distributed through the Supply Chain until they reach the distribution networks. Pirelli adopted a system of logistics planning and product handling which is adapted to the characteristics of its production structure and the different needs of its customer base.

In particular, the logistics system is divided between primary logistics (i.e. the transport from the production sites to the regional warehouses, where the assortment and the handling necessary to satisfy the demand of specific geographic areas are carried out) and secondary logistics (i.e. the delivery of products from the regional warehouses to the customers).

As of 30 June 2018, the logistics structure consists of 18 central warehouses (of which four are in South America, two are in Italy, one is in Germany, two are in the United Kingdom, one is in Romania, one is in Turkey, two are in Russia, two are in China, one is in Indonesia, one is in Mexico and one is in USA) and 38 regional warehouses of which two are in Italy, 12 are in the rest of Europe, eight are in South America, five are in North America and 11 are in the rest of the world. The management of these warehouses is fully outsourced, with the exception of certain sites in Brazil, China, Indonesia and Spain. This structure allows for delivery times ranging from 24 hours for orders managed by regional warehouses, to six to eight days for full-load deliveries managed by central warehouses to both Original Equipment and Replacement customers. The logistics department also pays specific attention to sustainability and environmental impact.

### *Clients and Points of Sale*

Pirelli uses a sales system capable of accessing the main markets through its active sales networks in more than 160 countries.

For Original Equipment, after obtaining homologations from the car manufacturers, Pirelli concludes agreements that define the quantity and mix of global sales worldwide, as well as the mechanisms by which the products are to be distributed between the individual geographic areas. Tyre sales are generally made on the basis of supply contracts for year-long periods, which determine the percentage of vehicles produced by the manufacturer for which Pirelli has been commissioned for the equipment, without providing for minimum quantities that such manufacturers are obliged to purchase. The exact size of the supply is then established on a quarterly basis depending on the actual production of vehicles indicated by the manufacturer. The management of the price policy in the Original Equipment channel is affected by the direct negotiation with the manufacturer, in which the contractual power of the car manufacturers is generally high. The contracts, except for specific exceptions, generally include automatic adjustment mechanisms to account for price trends of raw materials, with an average time delay of approximately six

months (between a minimum of three months and a maximum of nine months). 70% of the sales volume is covered by cost matrix agreements on a quarterly or annual basis, while in the remaining 30% of the cases, the management of raw material trends is discussed during annual trade negotiations.

With respect to car manufacturers Pirelli's customer base is particularly diversified and as of 31 October 2018, Pirelli supplies approximately 40 car manufacturers with Original Equipment.

In the Replacement market, the main types of customers are: (i) retailers, (ii) specialised distributors and (iii) car dealers.

The chain of proprietary stores (controlled distribution) is concentrated in a few countries in Latam and Europe, including Brazil (Comercial e Importadora de Pneus Ltda), Sweden (Dackia Aktiebolag), Switzerland (Pirelli tyre (Suisse) SA) Germany (Pneumobil GmbH) and Spain (Omnia Motor SA). Distribution through own sales outlets allows to not only generate profits, but also to create a unique experience for customers, understand new market trends and consumers, and offers the opportunity to develop and exploit innovative retail concepts that can be subsequently distributed throughout the network.

As of 30 June 2018, the global distribution network (consisting of subjects at which the consumer has the option of buying Replacement tyres, whether or not they are direct customers) has over 250,000 points of sale, which include the following, in addition to the retail outlets and the e-commerce channels described above:

- Car and motorcycle dealers (Pirelli sells to manufacturers like BMW, Mercedes, Audi or Porsche, which in turn distribute to their own dealers) are estimated at approximately 10,000 units;
- Points of sale (other than Pirelli's owned retail outlets) served through Tier 1 distributors, estimated at approximately 10,000 units; and
- Points of sale (other than Pirelli's owned retail outlets) served directly, competing proprietary shops and all of the rest of the distribution served by non-Tier 1 distributors, wholesalers and wholesale distribution chains for the remainder.

#### *Client Engagement and Marketing*

Pirelli provides assistance to end-users through retail sales outlets. Consumers are engaged through activities that are aimed at brand awareness (sponsorship and advertising), marketing (product launches, and promotions), and publicity campaigns as well as digital interactions (corporate website, product sites, social media and CRM initiatives). The marketing and communication activities are mainly intended to achieve the enhancement of High Value Products and the involvement of Prestige and Premium customers especially for those who own/drive a car equipped with Pirelli tyres in Original equipment.

In the years ended 31 December 2017 and 2016, investments in promotional/advertising activities in the Consumer Business accounted for 5.4% and 5.2% respectively of consolidated revenues, respectively, for an amount of approximately €286.4 million and €257.4 million respectively.

Pirelli's website, [pirelli.com](http://pirelli.com), was completely redesigned in 2015, to provide a smooth and attractive user experience, offering high quality content that emphasises the combination of innovation, technology and people.

#### *Relationship with PTG*

Certain companies in the Pirelli Group and some companies in the PTG group are parties to certain supply agreements, both active and passive, for raw materials (such as natural rubber and carbon black) or finished products. These agreements were signed within the context of the Industrial Reorganisation, and are intended to remain in force for a limited period.

In agreements entered into in the context of the separation of the Industrial Business in Brazil, Poland, Switzerland, Spain, Germany, Mexico and United Kingdom, there are certain non-competition obligations that prohibit the newly-established local company controlled by PTG from carrying out or launching activities relating to the Consumer tyres in competition with Pirelli's activities. Such prohibitions are generally imposed for a period of five years from the date of completion of the transactions, except for the

United Kingdom and Germany for which the duration is three years. In Colombia and Turkey, where the transaction provided for the establishment of two new consumer companies, the same prohibition (with a duration of five years) applies with respect to such companies with respect to Industrial Business activities.

In addition, in the context of the Industrial Reorganisation:

- **Pirelli Tyre** signed several licensing agreements with Aeolus and PTG to enable them to access Premium technology developed by Pirelli in industrial tyre-related activities and with PTG only to use certain trademarks owned by the Pirelli Group;
- The Pirelli Group and PTG (and some of its subsidiaries) have signed several service contracts of different durations for the temporary supply by the Pirelli Group of broad spectrum services and assistance to ensure full operational continuity for PTG and/or its subsidiaries in the phase following the Industrial Reorganisation.

### ***The Pirelli Brand***

Each year, several projects are implemented to enhance Brand Reputation and Consumers Engagement with a multi-stakeholders approach. Pirelli supports its brand through various activities, such as the following:

- **Brand Reputation:** Pirelli has a strong reputation on a worldwide level being in the first 30 most reputed companies in the world, and the third Italian company of this list (source: Rep Tracktm 2018, Reputation Institute). Pirelli has a specific Brand and Product Reputation model that provides a constant monitoring of the Trust of Pirelli and its Competitors on a global level; its communication approach takes always into account projects which contributes in building Pirelli Reputation.
- **Digital Presence and Social Media.** The visibility of the Pirelli brand translates into strong consumer involvement through an owned multimedia platform in which the global corporate website [pirelli.com](http://pirelli.com) has a pivotal role and which also includes digital and print magazines, such as [pirellicalendar.com](http://pirellicalendar.com), the [racingspot.com](http://racingspot.com), [worldmagazine.com](http://worldmagazine.com), as well as the websites dedicated to the different products. This platform is fully integrated with Pirelli's social media accounts on Instagram, Facebook, Twitter, Youtube and LinkedIn with the aim of ensuring a constant flow of content related to the company's activities and assets and to reach the consumer in each phase of the customer journey. For motorcycling the mobile application **Diablo Super Biker** has proven to be particularly significant.
- **Unique Tyre Supplier and sponsorships of the FIA Formula One World Championship (the "Championship")**, being the exclusive partner of the Championship for the third consecutive three-year period, since 2011.
- **Supply of tyres for the Superbike World Championship and more than 460 Motorsport Auto and Motorcycle Championships.** In the motorcycle industry, Pirelli has been the official supplier of the Superbike World Championship ("**WSBK**") since 2004. In addition, Pirelli is present at more than 460 automotive and motorcycle championships (in 2018), including the Blancpain GT Series, the Ferrari Challenge, the Lamborghini SuperTrofeo and the FIM Motocross World Championship. Pirelli also benefits from participating in these Motorsport events in terms of research and development, especially with respect to materials. Data collected from track experiences is also used for the development of road products (e.g. by applying complex grip simulation models and quality control processes developed for competitions).
- **Pirelli and Luna Rossa's New America's Cup Challenge.** On 13 August 2018, Pirelli entered into an agreement with Luna Rossa Challenge to establish a partnership aimed at the development of a multi-year project which will lead to Luna Rossa's participation in the next edition of the America's Cup, scheduled for New Zealand in 2021. The project envisages, over the four-year period 2018-2021, a series of regattas, events and activities with Pirelli and Prada as co-sponsors.

- Other Sponsorship activities. To name a few: Inter, Fisi, Fis, HHF: sponsorship activities are an important opportunity to support and enhance the Pirelli Brand via a consumer facing approach. The selection of the activities takes into account the characteristics of the client base, their geographic areas, of interest and the typology of the products to be promoted. Pirelli is a sponsor of various projects that allow to reach and engage a diverse audience, consistent with the business objectives.
- The Pirelli Calendar. The Pirelli Calendar (known as, The Cal™), which was created as a promotional tool in 1964, positions the brand and image of Pirelli in areas outside the automotive field, relating to the luxury lifestyle sector, providing the brand with visibility within a broad-reaching section of the population. The popularity of the Pirelli Calendar is very high.
- Pirelli Design. Pirelli Design is the latest evolution of the experience Pirelli has obtained in the design and fashion sector through the project P Zero. Pirelli Design seeks to be an incubator of Prestige projects that enhance the values of innovation, performance and glamour, inherent to the Pirelli brand, through the development of products in the lifestyle sector with prestigious partners.

## History

### *The origins (1872 – 1899)*

Pirelli was incorporated on May 15, 1883 as a limited partnership by shares (*società in accomandita per azioni*) under the name Pirelli & C. The term of duration of the company is fixed by the by-laws as ending 31 December 2100, and it may be extended by means of a specific shareholders' resolution. The company's origins date back to 1872, the year in which Giovanni Battista Pirelli founded the limited partnership (*società in accomandita semplice*) "G.B. Pirelli & C." in Milan for the purpose of manufacturing elastic rubber products. In 1883, G.B. Pirelli & C. was liquidated and Pirelli & C., a limited partnership by shares (*società in accomandita per azioni*), was established. In 1873, the first rubber-manufacturing plant was built in Milan. Subsequently, Pirelli & C. started producing rubber strips for carriage wheels (1885) and the first velocipede's tyre was launched (1894), as a result of several innovations in the preparation of the materials and in the shell packaging.

### *Growth and geographic expansion (1900 – 1999)*

The production of motor vehicle tyres started in 1901. Since then Pirelli experienced a growth marked by two main elements: attention to technological development in processes and products, supported by a steady commitment in competition, and geographic expansion.

The geographic expansion, in particular, was undertaken in the early 1900s, when Pirelli opened plants in Barcelona (Spain, 1902), Southampton (UK, 1913), Buenos Aires (Argentina, 1917), Manresa (Spain, 1924) and Burton on Trent (UK, 1928). During the same years, Pirelli began to be engaged in the sports sector: in 1907, Itala, an Italian car fitted with Pirelli tyres, won the Beijing to Paris motor race and in 1913, the first French Automobile Club Grand Prix was won by a Pirelli equipped car.

In 1922, the Pirelli & C. joint stock company was listed on the Milan Stock Exchange (in 2003 it was converted into a joint stock company), then on the New York exchange in 1929 (as the Italian company Pirelli, which was created from a restructuring of Pirelli & C.), making it the first Italian group with securities traded in the U.S. market. In the same year, Pirelli built the first plant in Brazil, which marked the start of its expansion in the country.

After the First World War, Pirelli designed and launched the first sporting tyre (Superflex Stella Bianca), an innovative product, well-known in Italy in the '30s, with a reinforced tread to prevent speed strokes. Starting in the '40s, Pirelli extended its presence in South America through the inauguration of the Santo André plant in Brazil (1940), followed by the opening of the plant in Merlo, Argentina (1955).

In 1949, Pirelli started to develop the Cinturato tyre, the first Pirelli-branded radial tyre sold at the beginning of 1953. The Cinturato, characterised by a robust textile radial belt between the carcass and the tread, represented an innovation thanks to its significantly higher safety, performance and survival characteristics compared to traditional tyres. In 1959, following the opening of a plant in Figline Valdarno, Italy, Pirelli introduced the production of steelcord.

During the '60s and the '70s, Pirelli confirmed its strategy of geographic expansion and capacity to maintain steady levels of technological innovation. In 1960, new plants were opened in Patras (Greece), Izmit (Turkey) and Gravatai (Brazil) and, in 1963, Pirelli acquired Veith Gummiwerke AG, a German-based tyre manufacturer. From a technological perspective, Pirelli started to design and produce low-profile tyres, that, taking advantage of the experience acquired by Pirelli in sporting contests, could satisfy the demands generated by the remarkable development in terms of the power of the vehicles produced by the most prestigious car manufacturers. This series has been continuously upgraded, leading to the production of super low-profile tyres, which represented a strength of both in sporting contests and in the industrial market. The '70s were years of great technological advancement, which saw the launch of Cinturato P7, P6 and P8.

In the '80s, Pirelli's commitment to technological innovation was reaffirmed by the introduction of the first radial tyre for motorcycles. During this period, the Pirelli Group consolidated its geographical expansion through the opening of two plants in Brazil (Sumarè (1984) and Feira de Santana (1986)), as well as through the acquisition of Metzeler Kaotsuck AG, a German company especially known for the manufacturing of motorcycle tyres (1986). This led to a strengthening of Pirelli competitive positioning in the market. In 1988, Pirelli acquired the Armstrong Tyre Company, a U.S. tyre manufacturer, through which gained a manufacturing presence in North America.

In the early '90s, Pirelli successfully undertook a challenging corporate and financial restructuring process following the recession and the failure to complete the acquisition of Continental AG, a transaction in which significant financial resources had been invested. The reorganisation ended in 1994. Since then Pirelli has resumed its geographical expansion, with a view towards locating production in markets with strong growth expectations and low-wage costs. Consistent with this approach, in 1999, Pirelli acquired control of Alexandria Tire Company SAE, an Egyptian licensee of Pirelli's technologies and manufacturer of radial tyres for lorries and buses.

#### ***The consolidation and the activities reorganisation (2000 – 2014)***

In 2000, Pirelli sold the terrestrial fiber optic cables business to Cisco and the optical components operations to Corning, for approximately €5 billion. In 2001, through Olimpia, Pirelli acquired a stake in Telecom Italia S.p.A., becoming the main shareholder until 2007.

In the early 2000s, the constant technological research activities enabled Pirelli to develop the Modular Integrated Robotised System (MIRS) technology, which was designed to substantially modify the tyre manufacturing process, and the compound room with CCM (Continuous Compound Mixing) technology, designed to allow for experimentation with innovative mixes and materials.

The ongoing search for an optimal production platform drove Pirelli to implement a strategy aimed at developing its business in high-growth countries. In 2004, Pirelli entered into a joint venture agreement with Continental AG for the implementation of steelcord production in Romania. The joint venture company, 80 per cent. owned by Pirelli, opened a steelcord production plant in Slatina in 2005. In 2005, Pirelli spun out its cables, energy systems and telecommunications assets into a newly-formed company named Prysmian S.p.A., which was sold to Goldman Sachs. In the same year, 2005, Pirelli opened its first tyre production plant in Shandong province, China. This was the beginning of its production in China.

In 2006, Pirelli opened its first tyre production plant in Romania (Slatina), which was extended in 2011. Plans to build an industrial complex in Settimo Torinese began in 2008 when two plants were joined together to form what was to become Pirelli's most cutting-edge facility. In recent years, Pirelli focused its research efforts on the development of energy efficient technologies for tyres; in 2009, Pirelli introduced the Cinturato P7 tyre, the first high performance tyre developed with a green philosophy.

In 2010, Pirelli completed the conversion to a pure tyre company by selling Pirelli Broadband Solutions and spinning off the real estate assets of Pirelli & C. Real Estate (as of the date of this Offering Circular, Prelios S.p.A.). Fondazione Pirelli's headquarters was inaugurated in the same year, one year after its establishment, to safeguard and celebrate its past and to promote its business culture as an integral part of Italy's national cultural assets.

In June 2010, after a 19-year hiatus, Pirelli returned to Formula 1™ racing and have been the exclusive tyre supplier since 2011. Pirelli has also been the exclusive tyre supplier in approximately 460 automobile and motorcycle championships.

In 2011, Pirelli extended its manufacturing presence in the Russian market by way of a joint venture with ROSTEC (at that time named Rostekhnologii), and strengthened its presence in Argentina by extending the Merlo facility. In 2012, Pirelli signed an agreement with Astra OtoParts to build, by way of a joint venture, a motorbike tyre plant in Indonesia. The facility was opened in 2015. Also in 2012, Pirelli's first plant in Mexico was opened, in Silao, focusing on the production of Premium tyres for the NAFTA market. In 2014, Pirelli sold the steelcord assets to Bekaert, a Belgian group and technological leader in steel wire transformation and coatings.

On 25 July 2011, Pirelli Tyre, ROSTEC and the Cypriot company GHP Asset Management Holdings Limited ("**GHP**") entered into a Joint Venture Agreement in relation to E-Volution Tyre B.V., a Dutch subsidiary of the Pirelli Group established on 30 August 2011 that, in turn, controls OOO Pirelli Tyre Russia, the Pirelli Group's Russian subsidiary, operating through the Voronezh and Kirov plants, headed by CJSC Voronezh Tyre Plant and LLC Industrial Complex Kirov Tyre, of which OOO Pirelli Tyre Russia holds 100% of the share capital. After a reorganisation of the Group's companies in Russia in 2018, the original joint venture has been restructured and OOO Pirelli Tyre Russia shareholding is currently owned as follows:

- E-Volution Tyre B.V. (currently wholly owned by Pirelli Tyre) holds 65% of the share capital;
- ROSTEC holds 25.005% of the share capital; and
- Panaland, a Cypriot company controlled by GHP, holds 9.995% of the share capital.

***The acquisition of Pirelli & C. S.p.A. by Marco Polo Industrial Holding S.p.A. (2015)***

On 22 March 2015, China National Chemical Corporation ("**ChemChina**"), a state-owned enterprise controlled by the State-owned Assets Supervision and Administration Commission of the State Council ("**SASAC**") of the People's Republic of China, and China National Tire & Rubber Corporation, Ltd. ("**CNRC**"), a company controlled by ChemChina, on the one hand, and Camfin S.p.A. ("**Camfin**"), Long-Term Investments Luxembourg S.A. ("**LTI**") and Coinv S.p.A. ("**Coinv**"), on the other hand, entered into a sale, purchase and co-investment agreement (the "**Transaction Agreement**") regarding:

- (a) the setting-up by CNRC of the corporate structure necessary for the implementation of the transaction;
- (b) the acquisition by Marco Polo Industrial Holding S.p.A. ("**MPH**"), of the ordinary shares of Pirelli directly held by Camfin;
- (c) the re-investment, by Camfin and LTI, of part of the profits derived by the sale of Pirelli's ordinary shares directly held by the abovementioned entities, in shares of Marco Polo;
- (d) the execution by the parties, as of the date of the closing of the sale, of a shareholders' agreement concerning all the shares held by them and containing certain provisions regarding, *inter alia*, both Marco Polo and Pirelli's corporate governance and the transfer of the respective shares (the "**First Shareholders' Agreement**"); and
- (e) the launch by MPH of a mandatory tender offer on the remaining ordinary share capital of Pirelli and of a voluntary tender offer on the overall saving shares issued by Pirelli, with the aim of delisting Pirelli,

(the transactions described in the foregoing paragraphs (a) through (e) above, collectively, the "**Acquisition**").

The Acquisition was aimed at creating a long-term industrial partnership between Pirelli, CNRC, Camfin and LTI, for the purpose of strengthening development plans, monitoring strategic geographical areas and integrating the Industrial Businesses of CNRC with Pirelli, maintaining continuity and autonomy of Pirelli's current managerial structure; all of the above in light of a possible relisting of Pirelli shares following the Industrial Reorganisation described below, which subsequently occurred in October 2017.

### ***Industrial Reorganisation (2015 - 2017)***

Between 2015 and 2017, Pirelli carried out the Industrial Reorganisation envisaged in the Transaction Agreement, which was aimed at strengthening the development of the Consumer Business, as well as protecting geographically strategic areas.

In particular, the Transaction Agreement provided that the Industrial Reorganisation should be carried out through: (i) the completion of the industrial reorganisation of the Pirelli Group already underway, following execution of the plan for 2013-2017, with the purpose of giving independent relevance to the Industrial Business (including the necessary R&D resources), by means of the incorporation of a separate entity controlled by Pirelli ("**Pirelli Industrial**"); (ii) the integration of Pirelli Industrial with some strategic assets owned by CNRC (the "**Strategic Assets of the CNRC**"); and (iii) the integration of Pirelli Industrial with a listed company controlled by CNRC, Aeolus Tyre Co. Ltd ("**Aeolus**").

The Transaction Agreement also established that, following the completion of the compulsory public tender offer and the establishment of Pirelli Industrial, the competent corporate bodies of CNRC and Pirelli should initiate the necessary corporate procedures for Pirelli Industrial to be integrated with the Strategic Assets of CNRC in a joint venture based in Beijing, and then later to complete the integration with Aeolus using a mechanism to be defined at a later date.

In this context, Pirelli negotiated the industrial and corporate steps for the reorganisation portion of the transaction with CNRC, taking into account the Chinese regulatory framework, which allowed Pirelli to start the process of integrating Pirelli Industrial and the Strategic Assets of CNRC with Aeolus, without having to first form the joint venture referred to above. Following the appropriate audits and evaluations, as of the second half of 2016, Pirelli considered taking the opportunity of this reorganisation to carry out a complete and definitive separation of the Industrial Business from the Consumer Business, while also in view of a better commercial performance in the Consumer Business.

This separation was completed in March 2017 and led to the separation and de-consolidation of the Industrial Business.

The industrial reorganisation transaction was accomplished, in summary, as follows:

- (a) the industrial reorganisation aimed at separating and ensuring the autonomy of the Industrial Business, through the contribution of the relevant going concerns to Pirelli Industrial, and subsequently renamed Prometeon Tyre Group S.r.l. (PTG or Prometeon); and
- (b) the acquisition by Pirelli Tyre of a stake equal to 80 per cent. of the registered capital of Jiaozuo Aeolus Tyre Co., Ltd., a Chinese company owned by Aeolus and engaged in the production and marketing of tyres for the Consumer Business (the transactions described in the foregoing paragraph (a) and this paragraph (b), together, the "**Industrial Reorganisation**").

### ***Contribution of the Industrial Business activities to Pirelli Industrial***

In 2015 and at the beginning of 2016, Pirelli carried out a worldwide corporate separation process of its Industrial Business activities, including shareholdings in foreign companies and subsequently contributed the relevant going concern, by means of deed effective as of 31 January 2016, to Pirelli Industrial, at that time controlled by Pirelli Tyre (with exceptions made for the industrial activities in China and Argentina which were completed only between 2017 and 2018 as better detailed in "*Recent Developments - Completion of the Industrial Reorganisation and focusing on the Consumer Business*" below).

In particular, on 15 January 2016, the Board of Directors of Pirelli Tyre approved the transfer of the Industrial Business to Pirelli Industrial.

On 22 January 2016, the shareholders' meeting of Pirelli Industrial decided to increase its nominal share capital to €99,970,000.00, in addition to €272,030,000.00 of total premium, and thus for a total value of €372,000,000.00, to be subscribed in-kind by Pirelli Tyre. Later, on 27 January 2016, and taking effect as of 31 January 2016, Pirelli Tyre assigned the going concern related to the Industrial Business, thus subscribing the capital increase of Pirelli Industrial.

In the deed of contribution (signed on 27 January 2016), Pirelli Tyre (the "**Assignor**") committed to indemnify and hold harmless Pirelli Industrial (the "**Assignee**"), for the full amount of any relative



payment, pursuant to art. 1223 of the Italian Civil Code, for the damages, liabilities, charges, costs or expenses that it may be obliged to support, for any cause and/or purpose (also in accordance with the provisions of art. 2560 of the Italian Civil Code) in relation to the going concern assigned, and which is related to the facts, actions, omissions and events occurring from the period prior to the effective date of the assignment and with the exception of the facts, actions, or omissions attributable to the Assignee and related to the conduct period (January 2016) for the rent of the going concern.

It was also agreed that, in relation to the same damages, liabilities, costs and charges, if the related payment is made by the Assignee, the Assignor shall be obliged to repay the full amount paid within 30 days of the Assignee's written request.

Between 2015 and 2016, Pirelli completed transactions consisting of the transfer of assets or businesses and demerger of the existing subsidiaries of Pirelli in Brazil, Colombia, Turkey, Poland, Switzerland, Spain, Germany, Mexico and the UK. In Colombia and Turkey, the transactions included the establishment of new consumer companies as the transferees of the assets and business, respectively, while in all other countries, the newly established companies were registered as the transferees or beneficiaries (in the case of a demerger) of the industrial business or relevant assets.

### ***Completion of the Industrial Reorganisation and focusing on the Consumer Business***

On 31 December 2016, the transfer to TP Industrial Holding S.p.A. ("**TPIH**"), at that time a wholly-owned subsidiary of Pirelli, of a stake equal to 52% of the registered capital of Pirelli Industrial, through the partial, proportional demerger of Pirelli Tyre in favour of TPIH, was completed. As a result of this transaction, 90% of Pirelli Industrial's registered capital was held by Pirelli (of which 38% through Pirelli Tyre and 52% through TPIH), while 10% was held by Aeolus.

On 13 January 2017, pursuant to a stock purchase agreement signed on 28 December 2016 between Pirelli Tyre and China Cinda (HK) Holdings Company Limited ("**Cinda HK**"), a company indirectly controlled by the Ministry of Finance of the People's Republic of China, the transfer of a stake equal to 38% of the registered capital of Pirelli Industrial by Pirelli Tyre to High Grade (HK) Investment Management Limited, a company indirectly controlled by Cinda HK previously designated by the latter as the purchaser, was completed. The transaction was concluded for a price of approximately €266 million, agreed upon between the parties with reference to the value of Pirelli Industrial as of 29 February 2016, as determined by the appraisal carried out by China United Assets Appraisal Group, a Chinese certified independent expert, in the context of the transaction for the transfer of 10% of Pirelli Industrial to Aeolus, carried out on 1 October 2016.

On 15 March 2017, Pirelli Tyre's entire stake in TPIH (holding 52% of Pirelli Industrial's registered capital) was assigned, through distribution-in-kind of the reserve for retained earnings and its portion of the merger surplus reserve, to Marco Polo International Holding Italy S.p.A. ("**MPH**"). Also on 15 March 2017, MPH's shareholders' meeting decided on the distribution-in-kind to Marco Polo of a proportion of the share premium reserve through assignment of Marco Polo's 100% holding in TPIH. As a result of the aforementioned assignments, 100% of the share capital of TPIH and, indirectly, 52% of the share capital of PTG, is currently held by Marco Polo. On 1 April 2017, Pirelli Industrial was renamed Prometeon Tyre Group S.r.l. (PTG).

### ***Agreements with Aeolus***

On 1 October 2016, pursuant to an asset injection agreement entered into on 3 June 2016 between Pirelli Tyre, CNRC and Aeolus, a listed company on the Shanghai Stock Exchange of which CNRC was the controlling shareholder, as subsequently amended on 28 June 2016 and on 6 September 2016, the following transactions were consummated:

- (a) the sale by Pirelli Tyre to Aeolus of a stake equal to 10% of the registered capital of Pirelli Industrial against payment by Aeolus as part of the separation process mentioned above, at a price equal to €70,067,516, as determined by China United Assets Appraisal Group (certified independent expert, designated jointly with Aeolus), through the application of the discounted cash flow method on the basis of the Pirelli Industrial five-year business plan; and
- (b) the concurrent acquisition by Pirelli Tyre of a stake equal to 80% of the registered capital of Jiaozuo Aeolus Tyre Co., Ltd., subsequently renamed Pirelli Tyre (Jiaozuo) Co., Ltd. (at that

time a company wholly owned by Aeolus, operating in the production and marketing of consumer tyres), at a price equivalent to RMB 497,673,280 (corresponding to approximately €67 million at the time of the transfer), as determined by China United Assets Appraisal Group (a certified independent expert, designated jointly with Aeolus), by the application of the cost method (known as the cost approach) based on the financial situation of Jiaozuo Aeolus Tyre Co., Ltd. on 29 February 2016.

With respect to the purchase of 80% of the share capital of Jiaozuo Aeolus Tyre Co., Ltd., the price was paid in October 2016 to Aeolus, and with the completion of the transaction, Pirelli Tyre assumed a net financial position of approximately RMB 500 million (equal to about €67 million at the time the transaction was completed).

The contract for the acquisition of 80% of the share capital of Jiaozuo Aeolus Tyre Co., Ltd. does not contain any clauses and/or limitations that may have a future unfavourable impact on Pirelli Tyre, which are not in line with market practices for similar transactions.

In the context of these transactions, on 28 June 2016, Pirelli Tyre and Aeolus entered into a patent and know-how license and technical assistance agreement, which became effective on 1 October 2016 and which will remain in force until 31 December 2030.

## **Recent Developments**

### ***Industrial Business Segregation in Argentina and China***

With the purpose of completely focusing on the Consumer Business, Pirelli undertook a series of transactions in Argentina and China aimed at fully accomplishing the Industrial Reorganisation.

With respect to China, between the end of 2017 and June 2018, Pirelli Tyre Co., Ltd. ("**Pirelli China**") entered into certain sale and purchase agreements with PTG and certain of its subsidiaries and Aeolus in relation to the acquisition by respectively PTG and certain of its subsidiaries and Aeolus of equipment and machineries owned by Pirelli China and related to the Industrial Business (the "**TBR Assets**"). The purchase price under the sale and purchase agreements was determined on the basis of an appraisal issued by a third party independent appraiser in line with the book value of the TBR Assets.

For the purpose of segregating the Industrial Business in Argentina, (i) on 28 June 2018, Pirelli Tyre purchased from PTG the minority stake owned by the latter in Pirelli Neumaticos S.A.I.C. ("**Pirelli Argentina**") and corresponding to 28.5% of the registered capital of the latter against payment of a purchase price in USD equivalent to approximately Euro 31.2 million and increased its stake in Pirelli Argentina from 71.5% to 100%; and (ii) on 29 June 2018, Pirelli Argentina sold to Prometeon Tyre Group de Argentina S.A., the local subsidiary of PTG ("**PTG Argentina**"), the assets related to the Industrial Business against payment by PTG Argentina of a purchase price in USD equivalent to approximately Euro 27 million.

### ***Establishment of a new Joint Venture in China***

On 9 October 2018, Pirelli Tyre completed the acquisition of a 49% stake in a joint venture with the Hixih Group which owns, through the company Jining Shenzhou Tyre Co., Ltd., a new consumer tyre production plant in China. Pirelli Tyre's investment for the acquisition of the 49% stake in the joint venture company has been approximately equal to Euro 65 million. Further, in the period from 1 January 2021 to 31 December 2025, Pirelli Tyre will be entitled to increase its participation up to 70%.

### ***Disposal of tyre factory in Venezuela***

On 7 September 2018, Pirelli Tyre sold its tyre plant in Venezuela, in the City of Guacara, together with all the other activities in the country. The transaction followed the deconsolidation occurred in 2015 of the local controlled entity, Pirelli de Venezuela CA.

### ***Formula One World Championship***

On 25 November 2018, Pirelli announced that it had renewed and extended its contract as Global Tyre Partner of the FIA Formula One World Championship, which was due to expire in 2019, for a further four years until 2023.

## **Relisting of Shares of Pirelli**

As described above, the ordinary shares of Pirelli were delisted in November 2015 in connection with the Acquisition. On 2 October 2017 Pirelli announced the completion of the global offering of its ordinary shares (the "**Shares**") and the admission to listing on the Mercato Telematico Azionario ("**MTA**") organised and managed by Borsa Italiana S.p.A. ("**Borsa Italiana**"). 400,000,000 shares were allocated to 33,329 applicants at the offer price set at Euro 6.50 per Share. Such Shares comprised 350,000,000 Shares from those offered by Marco Polo as selling shareholder and 50,000,000 from the exercise of an over-allotment option granted by the selling shareholder in the context of the IPO.

On 3 October 2017 J.P. Morgan Securities plc partially exercised a greenshoe option for 18,904,836 Shares, out of the 50,000,000 option Shares granted by Marco Polo, thus entailing the redelivery to the latter of 31,095,164 Shares lent for the purpose of the over-allotment. The purchase price of the option Shares was Euro 6.50 per Share, equal to the offer price in the global offering. The global offering, including the greenshoe option, comprised a total of 368,904,836 Shares (corresponding to approximately 37% of Pirelli's share capital).

The first day of trading on the MTA was 4 October 2017.

## **Intellectual Property**

Pirelli's competitive position depends on its ability to offer products that can be perceived as distinct from those of competitors, and respond to their initiatives.

This differentiation is achieved through highly technological products. The competitive advantage obtained through the product offering on the market must be protected and consolidated by intellectual property rights. Pirelli therefore pays special attention to the dynamics associated with technological development through the definition of technology, process and product investment strategies depending on the competitive advantage gained in terms of intellectual property, and the creation and management of a portfolio of trademarks, patents and designs that can consolidate such an advantage.

### ***Trademarks***

The Pirelli Group owns more than 790 trademarks, corresponding to over 8,700 trademark registrations around the world. Registrations are usually made in Europe (EU trademark covering the 28 countries of the European Union), USA, Canada, Argentina, Brazil, Turkey, Russia and China, as well as in other countries, depending on the specific needs. PIRELLI trademarks (the PIRELLI letters and logo and other figurative marks containing a Long P) are owned by Pirelli, while some institutional marks and trademarks are owned by Pirelli Tyre.

### ***Industrial patents and designs***

Pirelli has filed a variety of patents for inventions (of a product or process), which are the result of its business model that emphasises technological innovation. Generally, Pirelli files new priority patent applications for approximately 40-50 new inventions each year to cover innovative solutions developed relating to products and/or production processes.

Among product patents, special attention is paid to solutions related to new tread designs. The development of Specialties (Self-Sealing, PNCS, coloured tyres) has generated and continues to generate various patents. With respect to materials, approximately one quarter of new solutions patented each year relates to the use of new raw materials and/or the development of new compounds that improve product performance (rolling resistance, low temperature performance, mileage and handling, etc.). More than half of the new patents filed each year relate to improvements in the manufacturing processes, and in particular, the innovative MIRS, Next MIRS, CCM/P-TSM and CVA processes.

Pirelli has also patented numerous Cyber technology solutions, developed by Pirelli since the mid-1990s, as well as solutions used in the PIRELLI CONNESSO and CYBER CAR systems. The development and refinement of Velo products and processes has recently led to the registration of new patents.

Most of the patents are filed under the name of Pirelli Tyre. In accordance with a consolidated policy, research and development activities within subsidiaries are also centrally funded, with the resulting intellectual property rights belonging to Pirelli Tyre.

Patents active in the portfolio of the Pirelli Group are grouped into approximately 750 patent families (each of them in relation to a priority application) each extended on average to eight to nine countries, for a total of approximately 6,400 national patents. In addition to these, there are approximately 100 industrial design families for a total of about 470 national registrations.

### ***Licenses***

As part of the Industrial Reorganisation, Pirelli Tyre signed several licensing agreements with Aeolus and PTG to enable them to (i) access premium technology developed by Pirelli in relation to tyre-related activities and (ii) the use of certain trademarks owned by the Pirelli Group.

Furthermore, as of 30 June 2018, Pirelli is a party to certain licensing agreements related to the Pirelli Design project, which was created as a development of the Pirelli PZero project launched by Pirelli in the early 2000s. The objective of Pirelli Design, consistent with the focus on the Prestige and Premium car segments, is to enhance the Pirelli brand by developing licensed design-based projects that leverage on the technological know-how in conjunction with selected partners who are excellent in their business, in order to offer unique and iconic products. In particular, Pirelli has signed license agreements for products such as inflatable boats, skis and watches.

### ***Protection of Intellectual Property***

Pirelli has adopted a policy for managing the portfolio of trademarks and patents. As a preventive measure, before producing or marketing its products, Pirelli performs searches through specialised IP databases as well as by conducting market surveys to confirm that the sale of the products will not result in the infringement of third party trademarks or patents.

With respect to the new distinctive marks generated, Pirelli registers them as trademarks.

With respect to technical innovation, patent analysis is carried out and the tools best suited to obtain exclusive rights are identified, in terms of patents, industrial models and/or designs. For each family of trademarks, patents, industrial models or designs, a careful assessment is made about the countries in which to extend their protection, taking into account not only the countries in which Pirelli manufactures or markets its products but also those in which its direct competitors operate, for the proper protection of its competitive advantage. Pirelli also conducts periodic assessments to ensure that the internal use of trademarks and patents is in accordance with those filed, as well as to prevent third parties from illegally using its intellectual property. These assessments also extend to the internet domain names, both with respect to the existences of third-party rights and to territorial registration and extension.

### **Sustainability**

#### ***Sustainability Model***

Responsible management by Pirelli runs through the entire value chain. Every operating unit integrates economic, social and environmental responsibility in its activities, while cooperating constantly with the other units and external stakeholders to manage risks and opportunities connected to Pirelli's processes, products and services.

The Pirelli sustainability model (the "**Sustainability Model**") is inspired by the 10 principles of the United Nations Global Compact, of which Pirelli has been an active member since 2004 (other than being a Global Compact LEAD member), and by the stakeholder engagement principles set out in AA1000 Accountability Principles Standard and by the ISO 26000 Social Responsibility guidelines (full compliance verified by third party).

Pirelli's management systems follow internationally recognised standards, including ISO 9001, IATF 16949, ISO/IEC 17025 certifications for Quality, OHSAS 18001 certifications, SA8000 as the Pirelli reference standard (since 2004) to manage social responsibility inside the Pirelli Group and in the supply chain, ISO 37001 certification ISO 20400 (full compliance verified by third party). More specifically on the environment, ISO 14001 certifications for environmental management, ISO 14064 adopted for the

quantification and reporting of greenhouse gas emissions (GHG), the ISO 14040 family rules adopted for the methodology for calculating the environmental footprint of the product and the organisation and specifically, ISO-TS 14067 and ISO 14046 adopted for the determination of the carbon footprint and water resources (Pirelli Carbon and Water Footprint are published in Pirelli Annual Report 2017 – p. 134-135).

The integrated Sustainability Model is reflected in Pirelli's main policies<sup>9</sup>, outlining a comprehensive and detailed corporate positioning on key global sustainability issues.

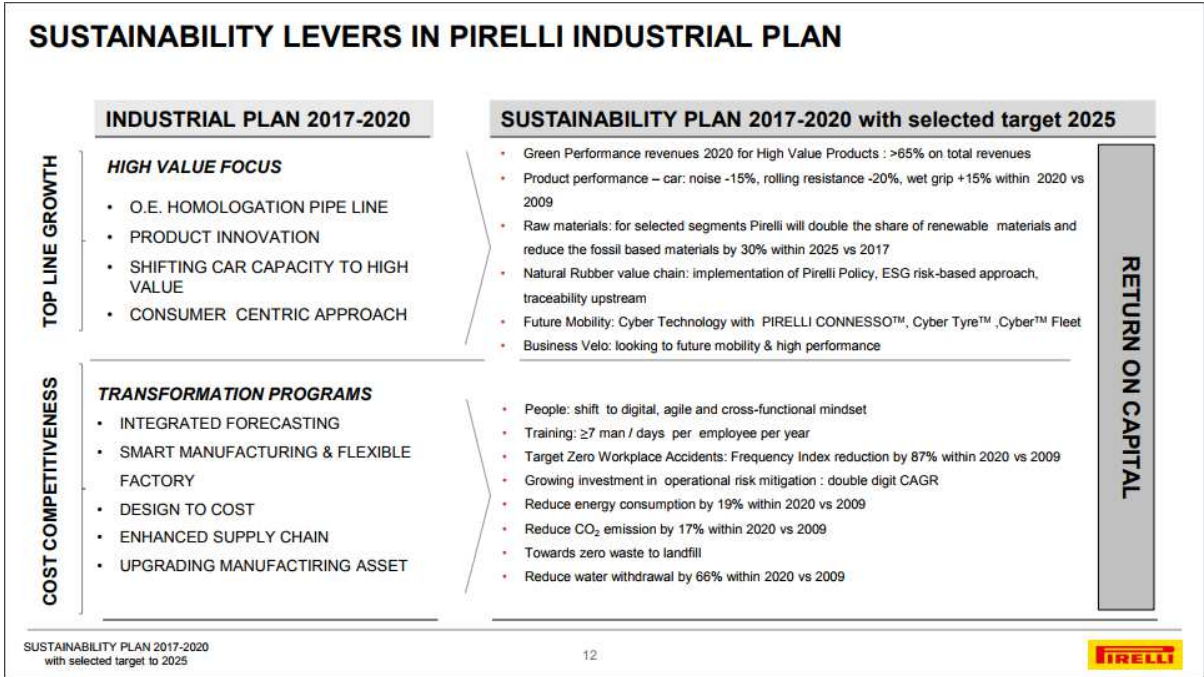
In terms of governance, sustainability targets and reporting are approved by the Board, and a specific responsibility on sustainability matters has been attributed to a Director. The Board is supported by the "Audit, Risks, Sustainability and Corporate Governance" Committee, which is composed of independent Directors only. The development of sustainability within Pirelli is guided by the Sustainability Steering Committee, a body appointed in 2004 by the CEO and made up of senior management representing all businesses and all functional responsibilities. The organisational structure is thus made up of the Group Sustainability and Risk Governance Department, which has oversight of sustainability and Risk Governance management at a Group level, and which proposes plans for sustainable development to the Sustainability Steering Committee and reports to the CEO. The Sustainability Department receives support from the Country Sustainability Managers for overseeing activities covering all affiliates of the Group. The role of the Country Sustainability Manager is held by country CEOs, who are supported by their first line in the operational management of country plans.

Pirelli's Sustainability Plan 2017-2020 with selected target to 2025, published on [www.pirelli.com](http://www.pirelli.com), is fully integrated in Pirelli's Business Plan. It includes quantitative targets concerning green performance revenues<sup>10</sup>, renewable materials innovation, product and processes environmental performances, employees health & safety, training and development, supply chain sustainable governance. The plan has been developed in accordance with the "Value Driver" model drawn up by the UN PRI (United Nations Principles for Responsible Investment) and UN Global Compact, and sets targets that combine growth, productivity, governance and risk management.

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<sup>9</sup> Policies are published on [www.pirelli.com](http://www.pirelli.com) and communicated to employees and stakeholders in local language. In particular, the following Policies are recalled: "The Values and the Ethical Code"; the "Code of Conduct"; the "Premium Integrity" Program; the "Global Antitrust and Fair Competition" Policy; the Group "Equal Opportunities Statement"; the "Health, Safety and Environment" Policy; the "Global Human Rights" Policy; the "Product Stewardship" Policy; the "Quality" Policy; the "Green Sourcing" Policy; the "Sustainable Natural Rubber" Policy; the "Social Responsibility Policy for Occupational Health, Safety, Rights and Environment"; the "Global Tax Policy"; the "Corporate Lobbying" Policy; the "Global Personal Data Protection" Policy; the Group "Whistleblowing" Policy.

<sup>10</sup> The Issuer's target on green performance revenues at the end of 2020 is 50% of total sales, and more than 65% of those of Pirelli High Value products. This figure was obtained by weighing the value of sales of Green Performance tyres on the total value of sales of Group tyres. Green Performance products identify the tyres that Pirelli produces throughout the world and that fall under rolling resistance and wet grip classes A, B, C according to the labelling parameters set by European legislation.



Pirelli's sustainability plan targets directly contribute to the global effort to achieve the United Nations Sustainable Development Goals (SDGs). In particular, it is possible to note the strong connection between the mentioned plan targets and the following SDGs:

- 3 - Good Health and Well-being;
- 4 - Quality Education;
- 6 - Clean Water and Sanitation;
- 7 - Affordable and Clean Energy;
- 9 - Industry, Innovation and Infrastructure;
- 12 - Responsible Consumption and Production;
- 13 - Climate Action

***Sustainability Rating***

Pirelli's integrated sustainable management model is globally recognised. According to the Sustainability Yearbook 2018 by RobecoSAM, Pirelli is the Global Leader in sustainable management for the Auto Components sector.

Pirelli Global Sector Leadership has been reconfirmed by RobecoSam and S&P Dow Jones through the DJSI Indices assessment for 2018.

Excellent results also come from the evaluation performed by other prestigious institutions including the Carbon Disclosure Project, FTSE4Good, Oekom, Sustainalytics and Ethibel.

**Risk Management**

***Enterprise Risk Management***

Pirelli has adopted a proactive risk governance model (the "**Risk Model**"), which, through the systematic identification, analysis and assessment of risk areas, is able to provide the Board of Directors and senior management with the tools needed to anticipate and manage the effects of these risks. The Risk Model systematically assesses three categories of risk:

### *Risks in the external context*

Risks that occur outside Pirelli's sphere of influence - this category includes risks related to macroeconomic trends, changes in demand, competitor strategies, technological innovation, the introduction of new rules and regulations, and country-specific risks (economic, security related, political and environmental risks).

### *Strategic risks*

Risks that are typical for a specific business sector, for which proper management is a source of competitive advantage, or on the contrary, the cause for the failure to achieve financial objectives. This category includes risks linked to markets, product innovation and development, human resources, raw material costs, production processes, financial risks and risks connected to merger and acquisition operations.

### *Operational risks*

Risks generated by the organisation and by corporate processes, whose occurrence does not necessarily result in any kind of competitive advantage. These types of risks include information technology, business interruption, legal compliance, health, safety & environment, and security-related risks.

Alongside the above-mentioned risks, there are also corporate social responsibility, environmental and business ethics risks. These are risks associated with the non-compliance with local and international regulations and corporate policies regarding respect for human and labour rights, the environment and business ethics and can be generated both by the organisation and as part of Pirelli's relative value chain, as well as within the supply chain. These risks in turn can lead to reputational risks.

Reputational risks are related to actions or events that could cause a negative perception of Pirelli on the part of its major stakeholders. The main areas of risk in this category are, in addition to the above-mentioned risks related to corporate social-environmental responsibility and to business ethics, risks of leadership, and the quality and level of product innovation.

In relation to the various macro-families of risk, the Board of Directors is assisted by two risk management committees, each with specific areas of responsibility. The Strategic Risks Managerial Committee, with jurisdiction over the risks inherent in the strategic choices made by the business or deriving from the outside context in which Pirelli operates. The Operational Risks Management Committee, focused on the prevention and management of risks inherent in the organisational structure, Pirelli's processes and systems as well as on sustainability issues.

The two committees are responsible for (i) adopting and promoting a systematic and structured process of identification and measurement of risks; (ii) examining the information on existing and potential internal and external risks to which Pirelli is exposed; (iii) proposing response strategies to risks, in terms of the complete and specific exposure to the different categories of risks; (iv) proposing the application of risk policy in order to ensure that the risk is reduced to "acceptable" levels and (v) monitoring the implementation of risk response strategies that have been defined, and the compliance with the risk policies adopted.

In terms of monitoring of risks deriving from the external context, the Strategic Risk Management Committee takes advantage of the support of the department of Enterprise Risk Management in the analysis of the main macroeconomic variables and political events, as well as of the models that are designed to analyse the long-term impact of potential macroeconomic changes on the market. The management committees use the functions for the Sustainability and Governance of Risks in which the Risk Officer is involved, who coordinates the assessment process and ensures the continuous monitoring of Pirelli's exposure to the primary risks, verifying the effective implementation at the level of individual business functions and organisational units of mitigation plans.

### *System of risk management and internal control relative to the financial reporting process.*

Pirelli has also implemented a specific and comprehensive risk management and internal control system, supported by a dedicated computer application, in relation to the process of the formation of the semi-annual and consolidated financial reporting to safeguard its equity, for compliance with laws and

regulations, for the efficiency and effectiveness of business operations, as well as the reliability, accuracy and timeliness of financial reporting.

In particular, the process of preparing financial reports takes place through the appropriate administrative and accounting procedures that have been drawn up in accordance with criteria established in Internal Control— Integrated Framework issued by the Committee of Sponsoring Organisations of the Treadway Commission.

The administrative/accounting procedures for the preparation of financial statements and all other financial reports are prepared under the responsibility of the Chief Financial Officer, who periodically attests to (in any case, in the annual/consolidated financial statements) their adequacy and effective application.

To enable the Chief Financial Officer to make this attestation, the companies and the relevant processes that feed and generate the data for the income statement, the statement of financial position or the financial statements have been mapped. The identification of companies that belong to the Pirelli Group and the relevant processes is carried out annually on the basis of quantitative and qualitative criteria. The quantitative criterion involves the identification of the Pirelli Group companies that, in relation to the selected processes, account for an aggregate value that exceeds a certain threshold of materiality. Qualitative criteria involve the examination of processes and companies that, in the opinion of the Chief Financial Officer, may present potential areas of risk despite not falling within the aforesaid quantitative parameters. For each selected process, the risk/control objectives associated with the preparation of the Financial Statements and any related disclosures, as well as to the effectiveness/efficiency of the internal control system in general, have been identified. For each control objective, specific verification procedures have been implemented and specific responsibilities have been assigned. A supervisory system has been implemented on the controls carried out by way of a mechanism of chain attestations. Any problems that emerge within the evaluation process are subject to action plans whose implementation is verified in subsequent closings. The quarterly issue of a declaration of the reliability and accuracy of the data supplied for the purposes of preparing Pirelli's consolidated financial statements is also ultimately provided by the Chief Executive Officer and the Chief Financial Officer of each subsidiary. In the lead-up to the Board of Directors' Meeting, at which the consolidated data as of 30 June and 31 December is approved, the results of the verification procedures are discussed by the Chief Financial Officer and the Chief Financial Officers of the Pirelli Group subsidiaries. The Internal Audit Department performs regular audits aimed at verifying the adequacy of the design and effectiveness of the controls on the subsidiaries, as well as the sampling procedures, selected on the basis of materiality criteria.

## Employees

### *Number of employees*

The table below shows the number of employees expressed in Full Time Equivalent employed by Pirelli as of 31 December 2017, as well as 30 June 2018 and 2017, by main categories.

	<b>31 December</b>	<b>30 June</b>	
	<b>2017</b>	<b>2018</b>	<b>2017</b>
<b>Employees</b>			
Executives .....	283	295	287
Staff.....	6,486	6,616	6,498
Blue Collar	23,420	24,615	24,043
<b>Total .....</b>	<b>30,189</b>	<b>31,526</b>	<b>30,828</b>

The following table shows the number of employees of the Group as of 30 June 2018, 30 June 2017 and 31 December 2017, by geographic area.

	<b>31 December</b>	<b>30 June</b>	
	<b>2017</b>	<b>2018</b>	<b>2017</b>
<b>Employees</b>			
Europe .....	15,008	15,369	15,071
NAFTA .....	2,619	2,636	2,319
Latam .....	7,839	8,747	7,855



MEA.....	561	642	649
APAC.....	4,162	4,132	4,933
<b>Total</b> .....	<b>30,189</b>	<b>31,526</b>	<b>30,828</b>

The number of employees indicated in the tables includes both temporary workers and fixed term workers employed by Pirelli.

### Repurchase of Bonds, Schuldschein financing and Patent Box

On 9 March 2018, Pirelli International proceeded with the early redemption in full of its 600 million euro bond denominated "*Pirelli International PLC €600,000,000 1.750 per cent. Guaranteed Notes due 18 November 2019*", listed on the Luxembourg Stock Exchange.

In addition, on 7 August 2018 Pirelli's Board of Directors, with reference to the Notes called "*Pirelli & C. S.p.A 600,000,000 euro 1,375 per cent Guaranteed Notes due 25 January 2023*" (the "**2023 Notes**"), issued by Pirelli and listed on the Luxembourg Stock Exchange, approved the repurchase of the 2023 Notes for a total nominal value of a maximum of 150 million euro - through open-market repurchases - as part of Pirelli's regular, pro-active management of its financial profile (the "**Partial Buy-Back**"). Any 2023 Notes repurchased by Pirelli through the Partial Buy-back will be cancelled.

On 30 October 2018, in line with the above Board of Directors decision, Pirelli mandated a leading investment bank to proceed with the Partial Buy-Back of the 2023 Notes, for a nominal maximum amount of 50 million euro through open-market repurchases. On 19 December 2018, Pirelli announced that under the Partial Buy-Back programme which closed on 14 December 2018, in aggregate 47 million euro in nominal amount of 2023 Notes have been repurchased by Pirelli and subsequently cancelled. Consequently the number of 2023 Notes in circulation as at such date is Euro 553 million.

On 26 July 2018, Pirelli closed a "*Schuldschein*" financing, guaranteed by Pirelli Tyre, for a total of 525 million euro. The financing, granted by primary market participants, is composed of (i) 82 million euro tranche with a three years maturity, (ii) 423 million euro tranche with a five years maturity and (iii) 20 million euro with a seven years maturity.

On 15 October 2018, Pirelli signed a preliminary agreement with the Italian Taxation Office with the aim of benefiting from the tax facilitations of the Patent Box, in relation to the fiscal years 2015-2019. The estimated tax benefit for the 3-year period 2015-2017 will be approximately 54 million euro. The Patent Box is a system of tax breaks that benefits companies which use, for instance, directly or through concessions, intellectual works, industrial patents, trademarks, designs, models and processes, formulae and information. The tax breaks will last five years (2015-2019) and can be renewed by signing a new agreement at the end of the period.

### Pirelli

#### Overview

Pirelli is a *società per azioni* (limited liability company limited by shares), organised under the laws of the Republic of Italy. Pirelli's registered office is at Viale Piero e Alberto Pirelli 25, Milan, Italy, telephone number +39 02 64421. The tax code and Milan Company Register registration number for Pirelli is 00860340157.

Pirelli was incorporated on 15 May 1883. Pirelli's corporate existence is currently scheduled to expire on 31 December 2100. Pirelli operates under Italian law.

Pirelli's business objects can be found in Article 2 of its by-laws.

For the principal activities of Pirelli, please see "*— Description of Pirelli operations, products and services*".

### ***Principal Shareholders***

As at the date of this Base Prospectus, Pirelli's fully subscribed and paid-up share capital is €1,904,374,374,935.66 divided into 1,000,000,000 ordinary shares with no indication of nominal value. As at the date of this Base Prospectus, there are no other classes of shares in issue.

Pirelli's shares are listed on the *Mercato Telematico Azionario* ("**MTA**") division of the Borsa Italiana S.p.A..

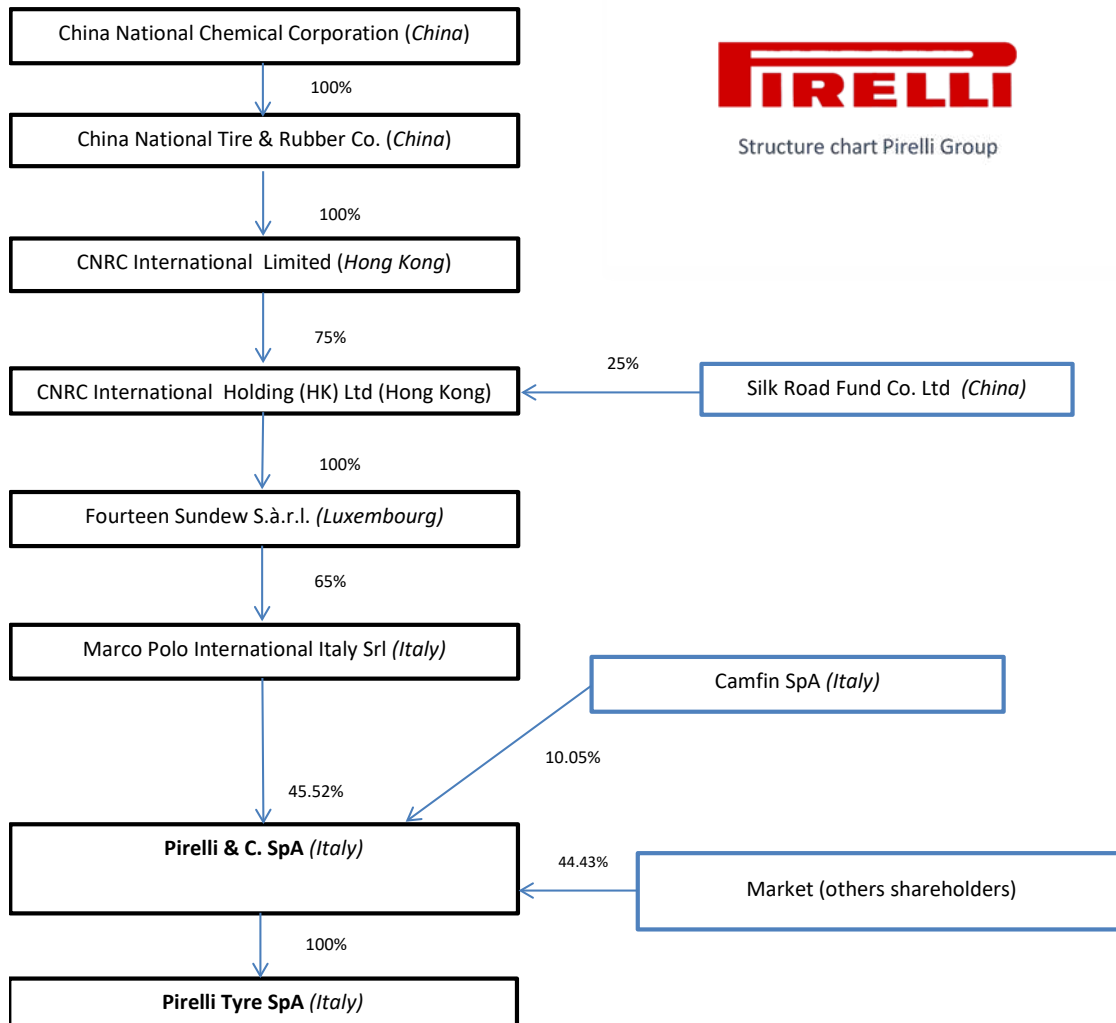
As at the date of this Base Prospectus on the basis of the shareholders' register, communications received pursuant to CONSOB Regulation No. 11971/1999 (as amended) and other information available to Pirelli, the main shareholders of Pirelli are (i) Marco Polo International Italy S.r.l. ("**Marco Polo**") with 455,212,508 ordinary shares equal to 45.52% of the ordinary share capital; and (ii) Camfin S.p.A. with 100,522,562 ordinary shares equal to 10.05% of the ordinary share capital. The remaining 444,264,930 shares equal to 44.43% are held by other shareholders.

On 8 August 2018 a total non proportional demerger of Marco Polo International Italy S.p.A. in favour of Marco Polo, LTI Italy S.r.l. (both newly constituted) and Camfin S.p.A was effective.

Fourteen Sundew S.à.r.l. holds 100% of the ordinary share capital of Marco Polo.

As far as Pirelli is aware, there are no arrangements, the operation of which may at a subsequent date result in a change of control of the Pirelli Group.

**Structure Chart *Pirelli Group***



***Measures in place to ensure major shareholder control is not abused***

Pirelli has adopted a procedure for transactions with related parties issued in compliance with the provisions of the Article 2391-bis of Italian Civil Code and CONSOB Resolution No. 17221/2010; such procedure establishes the principles and rules to which Pirelli and its subsidiaries must adhere in order to ensure transparency and substantial and procedural fairness of related parties transactions. The Board of Directors has established the Committee for Related Party Transactions.

In accordance with Pirelli's by-laws, the Shareholders' Meeting has appointed a board composed of fifteen members; currently eight of the fifteen board members are independent (which is greater than the number of independent directors required by law) and meet the requirements prescribed by law and by the Corporate Governance Code for Italian listed companies. Under Pirelli's by-laws, when the current board expires, one fifth of the board members to be appointed shall be drawn from slates other than the majority list. Pirelli's by-laws provide that any independent director must meet the independence requirements prescribed by law or by the Corporate Governance Code for Italian listed companies.

***Board of Directors***

Pursuant to Article 10 of its by-laws, Pirelli is managed by a Board of Directors composed of no more than 15 members, who remain in office for three financial years and may be re-elected.

The Board of Directors in charge as at the date of this Base Prospectus was (i) appointed by resolution of the Shareholders' Meeting on 1 August 2017 with effectiveness from 31 August 2017 until the date of the Shareholders' Meeting called to approve the financial statements for the year ended on 31 December 2019 and (ii) integrated with a further independent director (Mr. Giovanni Lo Storto) during the shareholders' meeting held on 15 May 2018 without the vote of the majority shareholder.

On 7 August 2018 Mr. Ning Gaoning was coopted by the Board of Directors after the resignation of Mr. Ren Janxin on 30 July 2018. Mr. Ning Gaoning's appointment will expire with the next Shareholders' Meeting pursuant to art. 2386 of the Italian Civil Code.

As at the date of this Base Prospectus, the Board of Directors of Pirelli is composed as follows:

<b>NAME</b>	<b>POSITION</b>	<b>PRINCIPAL ACTIVITIES OUTSIDE THE GROUP (IF ANY) (DIRECTORSHIPS)</b>
NING GAONING	CHAIRMAN	CHINA NATIONAL CHEMICAL CORPORATOIN LTD.; SINOCHEM CORPORATION LTD.; CHINA JINMAO HOLDINGS GROUP LTD; FAR EAST HORIZON LTD; SYNGENTA AG
MARCO TRONCHETTI PROVERA	CHIEF EXECUTIVE OFFICER AND EXECUTIVE VICE CHAIRMAN	CAMFIN S.P.A., MARCO TRONCHETTI PROVERA & C. S.P.A., TP INDUSTRIAL HOLDING S.P.A., RCS MEDIAGROUP S.P.A.
YANG XINGQIANG	DIRECTOR	CHINA NATIONAL CHEMICAL CORPORATION, ADAMA AGRICULTURAL SOLUTIONS LTD., MARCO POLO INTERNATIONAL ITALY S.R.L., TP INDUSTRIAL HOLDING S.P.A.
BAI XINPING	DIRECTOR	CHINA NATIONAL TIRE & RUBBER COMPANY LIMITED, MARCO POLO INTERNATIONAL ITALY

NAME	POSITION	PRINCIPAL ACTIVITIES OUTSIDE THE GROUP (IF ANY) (DIRECTORSHIPS)
		S.R.L., CHINA NATIONAL CHEMICAL EQUIPMENT CO. LTD, AEOLUS TYRE CO. LTD., FOURTEEN SUNDEW SÀRL, CNRC INTERNATIONAL LTD, TP INDUSTRIAL HOLDING S.P.A., CNRC CAPITAL LTD, CNRC INTERNATIONAL HOLDING (HK) LTD.
GIORGIO LUCA BRUNO	DIRECTOR	PROMETEON TYRE GROUP S.R.L, CAMFIN S.P.A., TP INDUSTRIAL HOLDING S.P.A., CAMFIN INDUSTRIAL S.P.A., MARCO TRONCHETTI PROVERA & C. S.P.A., GB&CO S.R.L. S97 PROFESSIONAL SERVICES S.R.L. S97 S.R.L.
LAURA CIOLI	DIRECTOR	BREMBO S.P.A., SOFINA S.A. A.MANZONI & C. S.P.A. GEDI GRUPPO EDITORIALE S.P.A. ELEMEDIA S.P.A. GEDI DIGITAL S.R.L.
DOMENICO DE SOLE	DIRECTOR	TOM FORD INTERNATIONAL,

<b>NAME</b>	<b>POSITION</b>	<b>PRINCIPAL ACTIVITIES OUTSIDE THE GROUP (IF ANY) (DIRECTORSHIPS)</b>
		ERMENEGLIDO ZEGNA S.P.A.,  NEWELL BRANDS,  SOTHEBY'S
ZE'EV GOLDBERG	DIRECTOR	-
GIOVANNI LO STORTO	DIRECTOR	UNIVERSITÁ LUISS GUIDO CARLI, DOBANK S.P.A., ASKANEWS S.P.A., INTERNAZIONALE S.P.A., POLA S.R.L., BASE PER ALTEZZA S.R.L., L.CAMPUS S.R.L., L.COM S.R.L., L.LAB S.R.L., FONDAZIONE MEDITERRANEO
TAO HAISU	DIRECTOR	MERCURIA (CHINA) INVESTMENT CO. LIMITED,  CHINA GLOBAL NATURAL RESOURCES INVESTMENT FUNDS,  MERCURIA ENERGY GROUP
MARISA PAPPALARDO	DIRECTOR	FINSTAR S.P.A.  BPER BANCA POPOLARE DELL'EMILIA ROMAGNA
CRISTINA SCOCCHIA	DIRECTOR	KIKO S.P.A.  LUXOTTICA S.P.A.,  ESSILORLUXOTTICA S.A.
GIOVANNI TRONCHETTI PROVERA	DIRECTOR	CAMFIN S.P.A.,  MARCO TRONCHETTI PROVERA & C. S.P.A.,  TP INDUSTRIAL HOLDING S.P.A.,  PROMETEON TYRE GROUP S.R.L.
FAN XIAOHUA	DIRECTOR	N/A

<b>NAME</b>	<b>POSITION</b>	<b>PRINCIPAL ACTIVITIES OUTSIDE THE GROUP (IF ANY) (DIRECTORSHIPS)</b>
WEI YINTAO	DIRECTOR	N/A
<b>NAME</b>	<b>POSITION</b>	<b>PRINCIPAL ACTIVITIES OUTSIDE THE GROUP (IF ANY) (DIRECTORSHIPS)</b>
NING GAONING	CHAIRMAN	CHINA NATIONAL CHEMICAL CORPORATOIN LTD.;  SINOCHEM CORPORATION LTD.;  CHINA JINMAO HOLDINGS GROUP LTD;  FAR EAST HORIZON LTD;  SYNGENTA AG
MARCO TRONCHETTI PROVERA	CHIEF EXECUTIVE OFFICER AND EXECUTIVE VICE CHAIRMAN	CAMFIN S.P.A.,  MARCO TRONCHETTI PROVERA & C. S.P.A.,  TP INDUSTRIAL HOLDING S.P.A.,  RCS MEDIAGROUP S.P.A.
YANG XINGQIANG	DIRECTOR	CHINA NATIONAL CHEMICAL CORPORATION,  ADAMA AGRICULTURAL SOLUTIONS LTD.,  MARCO POLO INTERNATIONAL ITALY S.R.L.,  TP INDUSTRIAL HOLDING S.P.A.
BAI XINPING	DIRECTOR	CHINA NATIONAL TIRE & RUBBER COMPANY LIMITED,  MARCO POLO INTERNATIONAL ITALY S.R.L.,  CHINA NATIONAL CHEMICAL EQUIPMENT CO. LTD,  AEOLUS TYRE CO. LTD.,

NAME	POSITION	PRINCIPAL ACTIVITIES OUTSIDE THE GROUP (IF ANY) (DIRECTORSHIPS)
		FOURTEEN SUNDEW SÀRL, CNRC INTERNATIONAL LTD, TP INDUSTRIAL HOLDING S.P.A., CNRC CAPITAL LTD, CNRC INTERNATIONAL HOLDING (HK) LTD.
GIORGIO LUCA BRUNO	DIRECTOR	PROMETEON TYRE GROUP S.R.L, CAMFIN S.P.A., TP INDUSTRIAL HOLDING S.P.A., CAMFIN INDUSTRIAL S.P.A.
LAURA CIOLI	DIRECTOR	BREMBO S.P.A., SPRINTITALY, SOFINA S.A.
DOMENICO DE SOLE	DIRECTOR	TOM FORD INTERNATIONAL, ERMENEGLIDO ZEGNA S.P.A., NEWELL BRANDS, SOTHEBY'S
ZE'EV GOLDBERG	DIRECTOR	-
GIOVANNI LO STORTO	DIRECTOR	UNIVERSITÀ LUISS GUIDO CARLI, DOBANK S.P.A., ASKANEWS S.P.A., INTERNAZIONALE S.P.A., POLA S.R.L., BASE PER ALTEZZA S.R.L., L.CAMPUS S.R.L., L.COM S.R.L., L.LAB S.R.L., FONDAZIONE MEDITERRANEO
TAO HAI SU	DIRECTOR	MERCURIA (CHINA) INVESTMENT CO.



<b>NAME</b>	<b>POSITION</b>	<b>PRINCIPAL ACTIVITIES OUTSIDE THE GROUP (IF ANY) (DIRECTORSHIPS)</b>
		LIMITED, CHINA GLOBAL NATURAL RESOURCES INVESTMENT FUNDS, MERCURIA ENERGY GROUP
MARISA PAPPALARDO	DIRECTOR	FINSTAR S.P.A. BPER BANCA POPOLARE DELL'EMILIA ROMAGNA
CRISTINA SCOCCHIA	DIRECTOR	LUXOTTICA S.P.A., ESSILORLUXOTTICA S.A.
GIOVANNI TRONCHETTI PROVERA	DIRECTOR	CAMFIN S.P.A., MARCO TRONCHETTI PROVERA & C. S.P.A., TP INDUSTRIAL HOLDING S.P.A., PROMETEON TYRE GROUP S.R.L.
FAN XIAOHUA	DIRECTOR	N/A
WEI YINTAO	DIRECTOR	N/A

*Board of Statutory Auditors*

As at the date of this Base Prospectus, the Board of Statutory Auditors of Pirelli is composed as follows:

<b>NAME</b>	<b>POSITION</b>	<b>PRINCIPAL ACTIVITIES OUTSIDE THE GROUP (IF ANY)</b>
FRANCESCO FALLACARA	CHAIRMAN	BANCA CONSULIA S.P.A. (ALTERNATE AUDITOR)  CAPITAL SHUTTLE S.P.A. (ALTERNATE AUDITOR)  MAIRE TECNIMONT S.P.A. (CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS)  RO. CO. EDIL. ROMANA COSTRUZIONI EDILIZIE

NAME	POSITION	PRINCIPAL ACTIVITIES OUTSIDE THE GROUP (IF ANY)
		(STANDING AUDITOR) HIRA FILM S.R.L. (EXTERNAL AUDITOR)
ANTONELLA CARÙ	STANDING AUDITOR	AUTOGRILL S.P.A. (STANDING AUDITOR)  AUTOGRILL ADVANCES BUSINESS SERVICES S.P.A. (STANDING AUDITOR)
FABIO ARTONI	STANDING AUDITOR	MAG JLT S.R.L. (STANDING AUDITOR)  ECOSESTO S.P.A. (STANDING AUDITOR)  PASTIFICIO CASTIGLIONI S.P.A. (CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS)  ELBA S.P.A. (CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS)  ALUCART S.R.L. (STANDING AUDITOR)  ALHOF DI A. HOFMANN S.P.A. (CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS)  FINSER S.P.A. (CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS)  V.I.P. S.P.A. (CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS)  BARRY CALLEBAUT ITALIA S.P.A. (CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS)  BARRY CALLEBAUT MANUFACTURING ITALIA S.P.A. (CHAIRMAN OF THE BOARD OF STATUTORY

NAME	POSITION	PRINCIPAL ACTIVITIES OUTSIDE THE GROUP (IF ANY)
		<p>AUDITORS)</p> <p>EURO TLX SIM S.P.A. (STANDING AUDITOR)</p> <p>DOLPHIN S.R.L. (CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS)</p> <p>CHROMAVIS S.P.A. (CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS)</p> <p>FALCK ENERGY S.P.A. (STANDING AUDITOR)</p> <p>VIP LOGISTICS S.P.A. (CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS)</p> <p>EMMA S.P.A. (STANDING AUDITOR)</p> <p>LONDON STOCK EXCHANGE GROUP HOLDINGS ITALIA S.P.A. (STANDING AUDITOR)</p> <p>ELITE S.P.A. (STANDING AUDITOR)</p> <p>FOODELICIOUS S.R.L. (SOLE AUDITOR)</p> <p>CASSA DI COMPENSAZIONE E GARANZIA S.P.A. (STANDING AUDITOR)</p> <p>ANTRIM S.P.A. (CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS)</p> <p>AMFIN HOLDIG S.P.A. (STANDING AUDITOR)</p> <p>GATELAB S.R.L. (ALTERNATE AUDITOR)</p> <p>TETIS S.P.A. (STANDING AUDITOR)</p>

NAME	POSITION	PRINCIPAL ACTIVITIES OUTSIDE THE GROUP (IF ANY)
		<p>ELITE SIM S.P.A. (STANDING AUDITOR)</p> <p>MONTE TITOLI S.P.A. (ALTERNATE AUDITOR)</p> <p>COSTER TECNOLOGIE SPECIALI S.P.A. (CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS)</p>
LUCA NICODEMI	STANDING AUDITOR	<p>F.C. INTERNAZIONALE S.P.A. (CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS)</p> <p>INTER MEDIA AND COMMUNICATION S.P.A. (CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS)</p> <p>INTER BRAND S.R.L. (CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS)</p> <p>BUCCELLATI HOLDING ITALIA S.P.A. (CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS)</p> <p>MARIO BUCCELLATI ITALIA S.R.L. (CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS)</p> <p>RESTIANI S.P.A. (CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS)</p> <p>ITALIAN CREATION GROUP S.P.A. (CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS)</p> <p>JMA CONSULTANTS EUROPE S.P.A. (CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS)</p> <p>DAINESE S.P.A.</p>

NAME	POSITION	PRINCIPAL ACTIVITIES OUTSIDE THE GROUP (IF ANY)
		<p>(STANDING AUDITOR)</p> <p>CORNELIANI S.P.A. (STANDING AUDITOR)</p> <p>SAVILLS SGR S.P.A. (STANDING AUDITOR)</p> <p>HOLDING DI PIERGIORGIO COIN S.R.L. (STANDING AUDITOR)</p> <p>WISE SGR S.P.A. (ALTERNATE AUDITOR)</p> <p>FARBANCA S.P.A. (ALTERNATE AUDITOR)</p> <p>PILLARSTONE ITALY S.P.A. (ALTERNATE AUDITOR)</p> <p>PILLARSTONE ITALY HOLDING S.P.A. (ALTERNATE AUDITOR)</p> <p>BORMIOLI PHARMA S.P.A. (CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS)</p> <p>POC HOLDING S.P.A. (STANDING AUDITOR)</p> <p>ONE AUDIT S.P.A. (STANDING AUDITOR)</p> <p>CPC S.R.L. (STANDING AUDITOR)</p> <p>AUGENS SGR S.P.A. (CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS)</p> <p>TP INDUSTRIAL HOLDING S.P.A. (CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS)</p> <p>PROMETEON TYRE GROUP S.R.L. (CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS)</p> <p>ISTITUTI OSPEDALIERI</p>

NAME	POSITION	PRINCIPAL ACTIVITIES OUTSIDE THE GROUP (IF ANY)
		<p>BERGAMASCHI S.R.L. (CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS)</p> <p>FOSSADELLO REAL ESTATE S.P.A. IN LIQUIDAZIONE (ALTERNATE AUDITOR)</p> <p>ARGOS WITYU ITALIA S.P.A. (CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS)</p> <p>MR&amp;MRS S.R.L. (CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS)</p> <p>FONTANAARTE S.P.A. (ALTERNATE AUDITOR)</p> <p>IMPRIMA S.P.A. (STANDING AUDITOR)</p> <p>ALKEMIA SGR S.P.A. (CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS)</p> <p>OCM S.P.A. (CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS)</p>
ALBERTO VILLANI	STANDING AUDITOR	<p>AGB NIELSEN MEDIA RESEARCH HOLDING S.P.A. (CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS)</p> <p>BTSR INTERNATIONAL S.P.A. (CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS)</p> <p>FRATELLI CONSOLANDI S.R.L. (CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS)</p> <p>HDP S.P.A. (CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS)</p> <p>12 CAPITAL PARTNERS</p>

NAME	POSITION	PRINCIPAL ACTIVITIES OUTSIDE THE GROUP (IF ANY)
		<p>SGR S.P.A. (CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS)</p> <p>SELECTA S.P.A. (CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS)</p> <p>SELECTA TAAS S.P.A. (CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS)</p> <p>QUATTRODUE S.P.A. (CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS)</p> <p>RIVA &amp; MARIANI GROUP S.P.A. (CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS)</p> <p>TENUTA MONTEMAGNO SOC. AGRICOLA S.P.A. (CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS)</p> <p>BENNET S.P.A. (STANDING AUDITOR)</p> <p>BENNET HOLDING S.P.A. (STANDING AUDITOR)</p> <p>CARCANO ANTONIO S.P.A. (STANDING AUDITOR)</p> <p>DE' LONGHI CAPITAL SERVICES S.R.L. (CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS)</p> <p>DE' LONGHI APPLIANCES S.R.L. (CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS)</p> <p>EFFE 2005 GRUPPO FELTRINELLI S.P.A. (STANDING AUDITOR)</p> <p>FINMEG S.R.L. (STANDING</p>

NAME	POSITION	PRINCIPAL ACTIVITIES OUTSIDE THE GROUP (IF ANY)
		<p>AUDITOR)</p> <p>GALLERIE COMMERCIALI BENNET S.P.A. (STANDING AUDITOR)</p> <p>INTEK GROUP S.P.A. (STANDING AUDITOR)</p> <p>LAMBDA STEPSTONE S.R.L. (STANDING AUDITOR)</p> <p>MEG PROPERTY S.P.A. (STANDING AUDITOR)</p> <p>OVER LIGHT S.P.A. (STANDING AUDITOR)</p> <p>VETUS MEDIOLANUM S.P.A. (CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS)</p> <p>SAN REMO GAMES S.R.L. (SOLE AUDITOR)</p> <p>ROYAL IMMOBILIARE S.R.L. (SOLE DIRECTOR)</p> <p>CALVI S.P.A. (DIRECTOR)</p> <p>PAMAL S.R.L. IN LIQUIDAZIONE (LIQUIDATOR)</p> <p>SO.SE.A. S.R.L. (DIRECTOR)</p> <p>VIANORD ENGINEERING SOCIÉTÉ PAR ACTION SIMPLIFIÉE (DIRECTOR)</p> <p>COMPAGNIA PADANA PER INVESTIMENTI S.P.A. (ALTERNATE AUDITOR)</p> <p>IMPRESA LUIGI NOTARI S.P.A. (ALTERNATE AUDITOR)</p> <p>VIATOR S.P.A. (ALTERNATE AUDITOR)</p> <p>LE ROCCE 85 S.P.A. (DIRECTOR)</p>



NAME	POSITION	PRINCIPAL ACTIVITIES OUTSIDE THE GROUP (IF ANY)
		<p>MARE BLU 85 S.P.A. (DIRECTOR)</p> <p>TP INDUSTRIAL HOLDING S.P.A. (STANDING AUDITOR)</p>
ELENIO BIDOGGIA	ALTERNATE AUDITOR	<p>CAMFIN INDUSTRIAL S.P.A. (ALTERNATE AUDITOR)</p> <p>CASA EDITRICE UNIVERSO S.P.A. (STANDING AUDITOR)</p> <p>C.F.M. C. FARMACEUTICA MILANESE S.P.A. (ALTERNATE AUDITOR)</p> <p>ESSELTE S.R.L. (ALTERNATE AUDITOR)</p> <p>ELESA S.P.A. (CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS)</p> <p>PRELIOS AGENCY S.P.A. (ALTERNATE AUDITOR)</p> <p>FINPOL S.P.A. (STANDING AUDITOR)</p> <p>PRELIOS CREDIT SERVICING S.P.A. (STANDING AUDITOR)</p> <p>PRELIOS INTEGRA S.P.A. (STANDING AUDITOR)</p> <p>MARCO TRONCHETTI PROVERA &amp; C. S.P.A. (CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS)</p> <p>CENTRALE IMMOBILIARE S.R.L. IN LIQUIDAZIONE (STANDING AUDITOR)</p> <p>SERVIZI AMMINISTRATIVI REAL ESTATE S.P.A. (CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS)</p> <p>PRELIOS VALUATIONS &amp;</p>

NAME	POSITION	PRINCIPAL ACTIVITIES OUTSIDE THE GROUP (IF ANY)
		<p>E-SERVICES S.P.A. (ALTERNATE AUDITOR)</p> <p>FRATELLI PURI NEGRI S.P.A. (STANDING AUDITOR)</p> <p>PRELIOS SOCIETÀ DI GESTIONE DEL RISPARMIO S.P.A. (CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS)</p> <p>TRIXIA S.R.L. (STANDING AUDITOR)</p> <p>RIVA DEI RONCHI S.R.L. IN LIQUIDAZIONE (STANDING AUDITOR)</p> <p>M&amp;C SAATCHI S.P.A. (STANDING AUDITOR)</p> <p>GEOLIDRO S.R.L. (STANDING AUDITOR)</p> <p>BANCA UBAE S.P.A. (STANDING AUDITOR)</p> <p>MANIFATTURE MILANO S.P.A. (CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS)</p> <p>ARMONIA SGR S.P.A. (STANDING AUDITOR)</p> <p>GOLFO ARANCI S.P.A. – IN LIQUIDAZIONE (CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS)</p> <p>TP INDUSTRIAL HOLDING S.P.A. (STANDING AUDITOR)</p> <p>PROMETEON TYRE GROUP S.R.L. (STANDING AUDITOR)</p>
FRANCA BRUSCO	ALTERNATE AUDITOR	<p>AZIENDA TERRITORIALE PER L'EDILIZIA RESIDENZIALE PUBBLICA DEL COMPRESORIO DI</p>

NAME	POSITION	PRINCIPAL ACTIVITIES OUTSIDE THE GROUP (IF ANY)
		CIVITAVECCHIA (A.T.E.R.) (STANDING AUDITOR)  ENAV S.P.A. (CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS)  MOF S.P.A. (STANDING AUDITOR)  BIANCAMANO S.P.A. (STANDING AUDITOR)  BENEDETTINA S.P.A. (ALTERNATE AUDITOR)  LAZIOCREA S.P.A. (ALTERNATE AUDITOR)  D-FLIGHT S.P.A. (CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS)
GIOVANNA ODDO	ALTERNATE AUDITOR	TIGLIO II S.R.L. IN LIQUIDAZIONE (LIQUIDATOR)  M.S.M.C. IMMOBILIARE DUE S.R.L. IN LIQUIDAZIONE (LIQUIDATOR)  CENTRALE IMMOBILIARE S.R.L. (LIQUIDATOR)  TRIXIA S.R.L. (CHAIRMAN OF THE BOARD OF DIRECTORS)  GROMIS S.R.L. IN LIQUIDAZIONE (LIQUIDATOR)  GANIMEDE DUE S.R.L. IN LIQUIDAZIONE (LIQUIDATOR)  LUPICAIA S.R.L. IN LIQUIDAZIONE (LIQUIDATOR)  INIZIATIVE RETAIL S.R.L. IN LIQUIDAZIONE (LIQUIDATOR)

NAME	POSITION	PRINCIPAL ACTIVITIES OUTSIDE THE GROUP (IF ANY)
		INIZIATIVE IMMOBILIARI S.R.L. IN LIQUIDAZIONE (LIQUIDATOR)  RIVA DE RONCHI S.R.L. IN LIQUIDAZIONE (LIQUIDATOR)  GEOLIDRO S.P.A. (CHAIRMAN OF THE BOARD OF DIRECTORS)  MARCO TRONCHETTI PROVERA & C. S.P.A. (STANDING AUDITOR)  MANIFATTURE MILANO S.P.A. (STANDING AUDITOR)  CAMFIN INDUSTRIAL S.P.A. (CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS)  TP INDUSTRIAL HOLDING S.P.A. (ALTERNATE AUDITOR)  PROMETEON TYRE GROUP S.R.L. (ALTERNATE AUDITOR)

The business address of each of the members of the board of directors and board of statutory auditors of Pirelli is Viale Piero e Alberto Pirelli 25, 20126 Milan, Italy.

### **Committees**

As at the date of this Base Prospectus, the Board of Directors of Pirelli has established the following committees. The members are appointed by the Board of Directors and they remain in office for the duration of the Board of Directors' mandate:

- (1) **Audit, Risks, Sustainability and Corporate Governance Committee:** The main task of this committee is to support the Board of Directors in connection with its assessments and decisions in relation to Pirelli's internal control and risk management system, as well as approval of the periodic financial reports pursuant to the Corporate Governance Code for listed companies.
- (2) **Related-parties transactions Committee:** This committee consults with and advises the Board of Directors with respect to related-party transactions in line with applicable laws, other than with respect to certain matters relating to the remuneration of directors vested with special roles and key managers, which is overseen by the Remuneration Committee.
- (3) **Remuneration Committee:** The Remuneration Committee plays a consulting, advisory and supervisory role in connection with determining and applying the remuneration policies of Pirelli for its employees and management.

- (4) ***Appointments and Successions Committee:*** This committee consults with and advises the Board of Directors with respect to nomination and successions matters in line with the Corporate Governance Code in relation to the composition of the Board of Directors.
- (5) ***Strategies Committee:*** Consults and advises the Board of Directors in connection with strategic guidelines as well as the identification and the terms and conditions of any strategic transaction of the Pirelli Group.

### ***Conflict of Interests***

As far as Pirelli is aware, there are no conflicts of interests between any duties to Pirelli of Pirelli's directors and statutory auditors and the private interests, and/or other duties, of such persons. In any event, if any conflicts of interest were to occur, the relevant transactions would be submitted to the competent bodies of Pirelli in compliance with applicable law and the rules and procedures of Pirelli concerning interests of directors and related parties transactions, as the case may be.

### ***External Auditors***

The 2016 Consolidated Financial Statements of Pirelli prepared in accordance with IFRS, were audited by EY. The audit report of EY are available to the public and incorporated by reference herein.

The business address of EY is Via Meravigli 12/14, Milan, Italy

The Shareholders' Meeting of 1 August 2017 conferred to PwC with effectiveness from 4 October 2017 (date of listing of Pirelli's shares on the stock exchange), the mandate to audit Pirelli's separate and consolidated financial statements for the years 2017 - 2025 and Pirelli's consolidated interim financial statements for the six months periods that will close at 30 June of the years 2018 to 2025.

The business address of PwC is Via Monte Rosa 91, Milan, Italy.

EY and PwC are authorised and regulated by the Italian Ministry of Economy and Finance (MEF) and registered on the special register of auditing firms held by the MEF and are also members of the ASSIREVI – Associazione Nazionale Revisori Contabili.

### **Pirelli Tyre**

#### ***Overview***

Pirelli Tyre is a *società per azioni* (limited liability company limited by shares), organised under the laws of the Republic of Italy. Pirelli Tyre's registered office is at Viale Piero e Alberto Pirelli 25, 20126 Milan, Italy, telephone number +39 02 64421. The tax code and Milan Company Register registration number for Pirelli Tyre is 07211330159.

Pirelli Tyre was incorporated on 22 December 1983. Pirelli Tyre's corporate existence is currently scheduled to expire on 31 December 2100. Pirelli Tyre operates under Italian law.

For the principal activities of Pirelli Tyre, please see "*— Description of Pirelli operations, products and services*".

#### ***Share Capital***

As at 30 June 2018, the fully paid and subscribed share capital of Pirelli Tyre was equal to Euro 558,154,000 divided into 558,154,000 shares with a par value of Euro 1 each.

#### ***Shareholder***

As at the date of this Base Prospectus, Pirelli Tyre is a wholly-owned subsidiary of Pirelli.

#### ***Board of Directors***

Pursuant to Article 14 of its by-laws, Pirelli Tyre is managed by a Board of Directors composed of no fewer than three and no more than nine members (unless a sole director is appointed pursuant to Article

18 of the by-laws). The members of the Board of Directors remain in office for the term established by the Shareholders' Meeting at the time of their appointment (currently no more than three financial years) and may be re-elected.

The Board of Directors in charge as at the date of this Base Prospectus was appointed by resolution of the Shareholders' Meeting on 12 July 2018 until the date of the Shareholders' Meeting called to approve the financial statements for the year ended on 31 December 2020.

As at the date of this Base Prospectus, the Board of Directors of Pirelli Tyre is composed as follows:

NAME	POSITION	PRINCIPAL ACTIVITIES OUTSIDE THE GROUP (IF ANY) (DIRECTORSHIPS)
MAURIZIO SALA	CHAIRMAN	FINANZIARIA ALBERTO PIRELLI S.R.L. (DIRECTOR)
FRANCESCO TANZI	DIRECTOR	ISTITUTO EUROPEO DI ONCOLOGIA S.R.L. (DIRECTOR)
DAVIDE SALA	DIRECTOR	N/A
ALBERTO BASTANZIO	DIRECTOR	CAMFIN S.P.A. (DIRECTOR)

#### ***Board of Statutory Auditors***

As at the date of this Base Prospectus, the Board of Statutory Auditors of Pirelli Tyre is composed as follows:

NAME	POSITION	PRINCIPAL ACTIVITIES OUTSIDE THE GROUP (IF ANY)
FABIO ARTONI	CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS	SEE ABOVE UNDER THE SECTION "PIRELLI".
ANTONELLA CARÙ	STANDING AUDITOR	SEE ABOVE UNDER THE SECTION "PIRELLI".
LUCA NICODEMI	STANDING AUDITOR	SEE ABOVE UNDER THE SECTION "PIRELLI".
ELENIO BIDOGGIA	ALTERNATE AUDITOR	SEE ABOVE UNDER THE SECTION "PIRELLI".
GIOVANNA ODDO	ALTERNATE AUDITOR	SEE ABOVE UNDER THE SECTION "PIRELLI".

The business address of each of the members of the board of directors and board of statutory auditors of Pirelli Tyre is Viale Piero e Alberto Pirelli 25, 20126 Milan, Italy.

#### ***Conflict of Interests***

As far as Pirelli Tyre is aware, there are no conflicts of interests between any duties to Pirelli Tyre of Pirelli Tyre's directors and statutory auditors and the private interests, and/or other duties, of such persons. In any event, if any conflicts of interests were to occur, the relevant transactions would be

submitted to the competent bodies of Pirelli Tyre in compliance with applicable law and the rules and procedures of Pirelli Tyre concerning interests of directors and related parties transactions, as the case may be.

#### ***External Auditor***

Pirelli Tyre's separate annual financial statements as at 31 December 2016 prepared in accordance with generally accepted accounting principles in the Republic of Italy have been audited by EY. The audit reports of EY are available to the public and incorporated by reference herein.

The Shareholders' Meeting on 26 April 2017 conferred to PwC a mandate to audit Pirelli Tyre's separate annual financial statements for the years 2017 – 2018 - 2019.

#### **Pirelli International**

##### ***Overview***

Pirelli International plc (Pirelli International, formerly Pirelli International Limited) is a public limited company, registered with the registrar of companies for England and Wales. Pirelli International's registered office is at Derby Road, Burton-on-Trent, Staffordshire, DE13 0BH, United Kingdom, telephone number +44 (0)12 83 525252. Pirelli International's company number is 04108548.

Pirelli International was incorporated on 10 November 2000 as Pirelli International Limited and re-registered as a public limited company on 14 April 2014. Pirelli International operates under English law.

The principal activity of Pirelli International is to manage the finances of the Pirelli Group.

Pirelli International makes loans and provides current account facilities to companies within the Pirelli Group. It also accepts deposits from and provides overdraft facilities to Pirelli Group companies. The majority of the capital required for the provision of those loans, that is not raised by borrowing from other Pirelli Group companies or Pirelli International's own capital, is sourced from external financial institutions.

Pirelli International enters into spot and forward foreign currency deals with Pirelli Group companies to enable those companies to cover their own foreign currency risks arising from their commercial and financial operations. The aggregate currency exposures, in terms of size and maturity dates, are then hedged with financial institutions to minimise the currency risk of Pirelli International and the Pirelli Group. Pirelli International also enters into interest rate derivatives and commodity derivatives to manage the income statement volatility of Pirelli International and the Pirelli Group.

Pirelli International is also the entity which centralises the purchase of natural rubber for the Pirelli Group; the natural rubber price volatility is hedged through commodity derivatives.

##### ***Share Capital***

As at 30 June 2018, the fully paid and subscribed share capital of Pirelli International was equal to Euro 250,000,000, divided into 250,000 shares with a par value of Euro 1,000 each.

##### ***Shareholder***

As at the date of this Base Prospectus, Pirelli International is a wholly-owned subsidiary of Pirelli Tyre.

### ***Board of Directors***

Pursuant to clause 11.2 of its Articles of Association, which requires a majority of all directors (as defined therein) to form a quorum at a board meeting, Pirelli International is managed by a Board of Directors composed as follows:

<b>NAME</b>	<b>POSITION</b>	<b>PRINCIPAL ACTIVITIES OUTSIDE THE PIRELLI GROUP (IF ANY) (DIRECTORSHIPS)</b>
FRANCESCO TANZI	DIRECTOR	ISTITUTO EUROPEO DI ONCOLOGIA S.R.L. (DIRECTOR)
VINCENZO DE CESARIS	DIRECTOR	N/A
ROBERT STONE	DIRECTOR	TOTAL TAX MANAGEMENT LTD
DOMINIC SANDIVASCI	DIRECTOR	N/A
WILLIAM BALLAN	DIRECTOR	N/A
GLEN ANDREWS	DIRECTOR	N/A
CHARANJIT SAGOO	COMPANY SECRETARY	N/A

The business address of each of the members of the board of directors of Pirelli International is Derby Road, Burton-on-Trent, Staffordshire, DE13 0BH, United Kingdom.

### ***Independent auditors***

Pirelli International's separate annual financial statements as at 31 December 2016 prepared in accordance with Financial Reporting Standard 101 in the United Kingdom, have been audited by Ernst & Young LLP. The audit reports of Ernst & Young LLP are available to the public and incorporated by reference herein.

The Shareholders' Meeting on 21 June 2017 conferred to PricewaterhouseCoopers LLP the mandate to audit Pirelli International's separate annual financial statements for the year 2017.

Ernst & Young LLP is registered to carry out audit work by the Institute of Chartered Accountants in England and Wales. The registered address of Ernst & Young LLP is 1 More London Place, London, SE1 2AF. The registered address of PricewaterhouseCoopers LLP is 1 Embankment Place, London, WC2N 6RH.

### ***Conflict of Interests***

As far as Pirelli International is aware, there are no conflicts of interest between any duties to Pirelli International of Pirelli International's Directors and the private interests, and/or other duties, of such persons. In any event, if any conflicts of interest were to occur, the relevant transactions would be submitted to the competent bodies of Pirelli International in compliance with applicable law and the rules and procedures of Pirelli International concerning interests of directors and related parties transactions, as the case may be.





## TAXATION

### UK TAXATION

*The following applies only to persons who are the beneficial owners of Notes and is a summary of the Issuer's understanding of current United Kingdom law and published HM Revenue and Customs practice as at the date of this Base Prospectus relating only to United Kingdom withholding tax treatment of payments of interest in respect of Notes. It does not deal with any other United Kingdom taxation implications of acquiring, holding or disposing of Notes. The United Kingdom tax treatment of prospective Noteholders depends on their individual circumstances and may be subject to change in the future. Prospective Noteholders who may be subject to tax in a jurisdiction other than the United Kingdom or who may be unsure as to their tax position should seek their own professional advice.*

#### ***Interest on the Notes***

##### ***Payment of Interest on Notes issued by Pirelli International***

Payments of interest by Pirelli International on the Notes issued by Pirelli International may be made without deduction of or withholding on account of United Kingdom income tax provided that the Notes are and continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act 2007. The Luxembourg Stock Exchange is a recognised stock exchange for these purposes. The Notes will satisfy this requirement if they are officially listed in Luxembourg in accordance with provisions corresponding to those generally applicable in EEA states and are admitted to trading on Luxembourg Stock Exchange's regulated market. Provided, therefore, that the Notes are and remain so listed, interest on the Notes issued by Pirelli International will be payable by Pirelli International without withholding or deduction on account of United Kingdom tax.

Interest on the Notes issued by Pirelli International may also be paid without withholding or deduction on account of United Kingdom tax where interest on the Notes is paid by a company and, at the time the payment is made, the Issuer reasonably believes (and any person by or through whom interest on the Notes is paid reasonably believes) that the beneficial owner is within the charge to United Kingdom corporation tax as regards the payment of interest; provided that HM Revenue and Customs ("HMRC") has not given a direction (in circumstances where it has reasonable grounds to believe that the above exemption is not available in respect of such payment of interest at the time the payment is made) that the interest should be paid under deduction of tax.

Interest on the Notes may also be paid without withholding or deduction on account of United Kingdom tax where the maturity of the Notes is less than 365 days and those Notes do not form part of a scheme or arrangement of borrowing intended to be capable of remaining outstanding for more than 364 days.

In other cases, an amount must generally be withheld from payments by Pirelli International of interest on the Notes issued by Pirelli International on account of United Kingdom income tax at the basic rate (currently 20 per cent.). However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Noteholder, HMRC can issue a notice to the Issuer to pay interest to the Noteholder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

The reference to "interest" in this UK Taxation section means "interest" as understood in United Kingdom tax law, and in particular any premium element of the redemption amount of any Notes redeemable at a premium may constitute a payment of interest subject to the withholding tax provisions discussed above. In certain cases, the same could be true for amounts of discount where Notes are issued at a discount. The statements above do not take into account any different definitions of "interest" or "principal" which may prevail under any other law or which may be created by the Terms and Conditions of the Notes or any related documentation.

##### ***Payment of Interest on Notes issued by Pirelli***

Payments of interest by Pirelli on the Notes issued by Pirelli may be made without withholding on account of United Kingdom income tax.

## ITALIAN TAXATION

The statements herein regarding taxation are based on the laws in force in Italy and on published practices of the Italian tax authorities in effect in Italy as at the date of this Base Prospectus and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. Pirelli will not update this summary to reflect changes in laws and if such a change occurs the information in this summary could become invalid. The following is a summary of certain material Italian tax consequences of the purchase, ownership, redemption and disposition of Notes for Italian resident and non-Italian resident beneficial owners only and it is not intended to be, nor should it be constructed to be, legal or tax advice. This summary also assumes that Pirelli is resident in the Republic of Italy for tax purposes, is structured and conducts its business in the manner outlined in this Base Prospectus. Changes in Pirelli's organizational structure, tax residence or the manner in which it conducts its business may invalidate this summary. This summary also assumes that each transaction with respect to the Notes is at arm's length. Where in this summary English terms and expressions are used to refer to Italian concepts, the meaning to be attributed to such terms and expressions shall be the meaning to be attributed to the equivalent Italian concepts under Italian law.

The following summary does not purport to be a comprehensive description of all the tax considerations which may be relevant to make a decision to subscribe for, purchase, own or dispose of the Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in security or commodities) may be subject to additional or special rules.

Prospective purchasers of the Notes are advised to consult their own tax advisers concerning the overall tax consequences of their acquiring, holding and disposing of Notes and receiving payments on interest, principal and/or other amounts under the Notes, including, in particular, the effect of any state, regional and local tax laws.

### Italian tax treatment of the Securities

The Notes may be subject to different tax regimes depending on whether:

- (a) they represent a debt instrument implying a use of capital (*impiego di capitale*), through which the Investors transfer to the Issuer a certain amount of capital, for the economic exploitation of the same, subject to the right to obtain a (partial or entire) reimbursement of such amount at maturity; or
- (b) they represent derivative financial instruments or bundles of derivative financial instruments, through which the Investors purchase indirectly underlying financial instruments.

### Tax Treatment of Notes issued by Pirelli.

Legislative Decree No. 239 of 1 April 1996, as subsequently amended ("**Decree 239**"), provides for the applicable regime with respect to the tax treatment of interest, premium and other income, including the difference between the redemption amount and the issue price (hereinafter collectively referred to as Interest), deriving from notes falling within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*), pursuant to Article 44 of Italian Presidential Decree No. 917 of 22 December 1986, as amended and supplemented ("**Decree 917**"), issued, *inter alia*, by companies resident of Italy for tax purposes whose shares are listed on a regulated market or on a multilateral trading platform of EU Member States or States party to the EEA Agreement allowing a satisfactory exchange of information with the Italian tax authorities as included in (i) the decree of the ministry of Economy and Finance of 4 September 1996 as subsequently amended and supplemented or (ii) once effective, any other decree that will be issued in the future under Article 11 paragraph 4 letter c) of Decree 239 (any of such decrees, the "**White List**").

The provisions of Decree 239 only apply to Notes issued by Pirelli to the extent that they qualify as bonds or debentures similar to bonds pursuant to Article 44 of Decree 917. For these purposes, pursuant to Article 44(2)(c)(2) of Decree 917, debentures similar to bonds ("*titoli similari alle obbligazioni*") are securities that incorporate an unconditional obligation of Pirelli to pay, at maturity (or at any earlier redemption), an amount not lower than their nominal value and which do not grant the holder any direct or indirect right to of participation to (or control of) management of Pirelli or of the business in relation to which they are issued.

Otherwise, Notes that do not qualify as debentures similar to bonds are characterized for Italian tax purposes as "atypical securities" and as such regulated by Law Decree No. 512 of 30 September 1983, as amended and/or supplemented from time to time (the *Law Decree 512*).

### Tax Treatment of Interest

*Italian Resident Noteholders* Where an Italian resident beneficial owner of the Notes (a "**Noteholder**") is (i) an individual not engaged in an entrepreneurial activity to which the Notes are connected, (ii) a non-commercial partnership (*società semplice*), pursuant to Article 5 of Decree 917 (other than a *società in nome collettivo* or *società in accomandita semplice* or *similar partnership*) or a professional association (iii) a non-commercial private or public institution (other than Italian undertaking for collective investments), (iv) a trust not carrying out mainly or exclusively commercial activities, the Italian State and public and territorial entities, or (v) an investor exempt from Italian corporate income taxation, Interest derived from the Notes are subject to a withholding tax, referred to as "*imposta sostitutiva*", levied at the rate of 26 per cent. All the above categories are qualified as "net recipients" (unless the relevant Noteholder described under (i), (ii) and (iii) above holds the Notes in a discretionary investment portfolio managed by an authorized intermediary and has validly opted for the application of the "*risparmio gestito regime*" (the "**Asset Management Regime**") under Article 7 of Legislative Decree No. 461 of 21 November 1997 ("**Decree 461**") (see "*Tax Treatment of Capital Gains*" below).

If the Noteholders described under (i) and (iii) above are engaged in an entrepreneurial activity to which the Notes are effectively connected, the *imposta sostitutiva* applies as a provisional tax. Interest will be included in the relevant Noteholder's income tax return and will be subject to ordinary income taxation and *imposta sostitutiva* may be recovered as a deduction from Italian income tax due.

Subject to certain conditions (including a minimum holding period requirement) and several limitations, Interest on the Notes (being financial instruments issued by an Italian resident corporation) may be exempt from income taxation if the Noteholder is an Italian resident individual not engaged in entrepreneurial activity and the Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets the requirements set forth in Article 1(100 - 114) of Law No. 232 of 11 December 2016 ("**Finance Act 2017**").

Where an Italian resident Noteholder who is the beneficial owner of the Notes is a company or similar commercial entity or a permanent establishment in Italy of a foreign company to which the Notes are effectively connected and the Notes are timely deposited, together with the relevant Coupon, with an Intermediary (as defined under paragraph "*Application of imposta sostitutiva*" below), Interest from the Notes will not be subject to *imposta sostitutiva*. They must, however, be included in the relevant Noteholder's annual income tax return and are therefore subject to general Italian corporate taxation (and, in certain circumstances, depending on the "*status*" of the Noteholder, also to the regional tax on productive activities ("**IRAP**").

Italian resident individuals holding Notes not in connection with entrepreneurial activity who have opted for the Asset Management Regime are subject to a 26 per cent. annual substitute tax (the "**Asset Management Tax**") on the increase in value of the managed assets accrued at the end of each tax year (which increase would include Interest accrued on the Notes). The Asset Management Tax is applied on behalf of the taxpayer by the managing authorized intermediary.

Interest on the Notes accrued during the relevant holding period in the hands of Italian resident real estate investment funds ("**Real Estate Funds**") and real estate closed-ended investment companies (*società di investimento a capitale fisso*, or "**real estate SICAFs**"), **provided that** *inter alia* the Notes are timely deposited, together with the relevant Coupons, with an Intermediary (as defined under paragraph "*Application of imposta sostitutiva*" below), are subject neither to *imposta sostitutiva* nor to any other income tax at the level of the Real Estate Fund or the real estate SICAF. However, a withholding or substitute tax of 26 per cent. will apply, in certain circumstances, to income realized by unitholders or shareholders of such Real Estate Funds or real estate SICAFs in the event of distributions, redemption or sale of the units or shares. Moreover, in certain circumstances, income realized by Real Estate Funds or real estate SICAFs is attributed pro rata to the Italian resident unitholders or shareholders irrespective of any actual distribution on a tax transparency basis.

Where an Italian resident Noteholder is a non-real estate open-ended or a closed-ended collective investment fund (a "**Fund**"), or an open-ended investment company (*Società di Investimento a Capitale*

*Variabile*, or "SICAV") or an a non-real estate SICAF (*Società di Investimento a Capitale Fisso non Immobiliare* or "non-real estate SICAF") established in Italy and either (i) the Fund, the SICAV or the non-real estate SICAF or (ii) their manager is subject to the supervision of a regulatory authority and the Notes are timely deposited, together with the relevant Coupon, with an Intermediary (as defined under paragraph "*Application of imposta sostitutiva*" below), Interest on the Notes accrued during the relevant holding period will not be subject to *imposta sostitutiva*, but must be included in the management results of the Fund, the SICAV or the non-real estate SICAF. The Fund, the SICAV or the non-real estate SICAF are subject neither to *imposta sostitutiva* nor to any other income tax at their level, but a withholding tax at a rate of 26 percent will instead apply, in certain circumstances, to distributions made in favor of unitholders or shareholders of the Fund, the SICAV or the non-real estate SICAF (the "**Collective Investment Fund Tax**").

Where an Italian resident Noteholder is a pension fund (subject to the regime provided for by article 17 of the Italian Legislative Decree of 5 December 2005, No. 252, a "**Pension Fund**") and, *inter alia*, the Notes are timely deposited, together with the relevant Coupon, with an Intermediary (as defined under paragraph "*Application of imposta sostitutiva*" below) Interest relating to the Notes and accrued during the relevant holding period will not be subject to *imposta sostitutiva*, but must be included in the results of the relevant portfolio accrued at the end of the tax period, which will be subject to a 20 percent substitute tax (the "**Pension Fund Tax**"). Subject to certain conditions (including minimum holding period requirement) and several limitations, Interest to the Notes may be excluded from the taxable base of the Pension Fund Tax if the Notes are included in a long-term savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth in Article 1 (100 - 114) of Finance Act 2017.

Such categories are qualified as "gross recipients".

#### *Application of imposta sostitutiva*

Pursuant to Decree 239, *imposta sostitutiva* is applied by banks, *società di intermediazione mobiliare* ("**SIM**"), fiduciary companies, *società di gestione del risparmio* ("**SGR**"), stockbrokers and other entities identified by a decree of the Ministry of Economy and Finance ("**Intermediaries**", and each, an "**Intermediary**"). An Intermediary must (a) be resident in Italy or be a permanent establishment in Italy of a non-Italian resident financial intermediary and (b) intervene, in any way, in the collection of Interest or in the transfer of the Notes. For the purpose of the application of the *imposta sostitutiva*, a transfer of Notes includes any assignment or other act, either with or without consideration, which results in a change of the ownership of the relevant Notes or in a change of the Intermediary with which the Notes are deposited.

Where the Notes and the relevant Coupons are not deposited with an Intermediary, the *imposta sostitutiva* is applied and withheld by any Italian financial intermediary or a permanent establishment in Italy of a non-Italian resident financial intermediary paying interest to a Noteholder, or absent that, by Pirelli and gross recipients that are Italian resident corporations or permanent establishments in Italy of non-resident corporations to which the Notes are effectively connected are entitled to deduct the *imposta sostitutiva* suffered from income taxes due.

Pursuant to article 9 of Decree 239, certain non-Italian resident entities or companies acting through a system of centralized administration of securities and directly connected with the Department of Revenue of the Italian Ministry of Economy and Finance intermediary are treated as equivalent to an Intermediary for the purposes of Decree 239 if certain specific conditions are met.

#### *Non-Italian Resident Noteholders*

Where the Noteholder is a non-Italian resident without a permanent establishment in Italy to which the Notes are effectively connected, an exemption from the *imposta sostitutiva* applies provided that the non-Italian tax resident Noteholder is either (i) a beneficial owner of the Interest and resident, for tax purposes, in State or territory included in the White List; or (ii) an international body or entity set up in accordance with international agreements which have entered into force in Italy; or (iii) a Central Bank or an entity which manages, *inter alia*, the official reserves of a foreign State; or (iv) an institutional investor, whether or not subject to tax, which is established in a State or territory included in the White List.

In order to ensure gross payment, non-Italian resident Noteholders must promptly deposit, directly or indirectly, the Notes, together with the Coupons relating to such Notes, directly or indirectly with:

1. an Italian or non-Italian resident bank or financial institution (the "**First Level Bank**"), acting as intermediary in the deposit of the Notes held directly or indirectly by the Noteholder with a Second Level Bank (as defined below); or
2. an Italian resident bank or certain other specific financial institutions, or a permanent establishment in Italy of a non-resident bank or certain other specific financial institutions, acting as depositary or sub-depositary of the Notes appointed to maintain direct relationships, via telematic link, with the Department of Revenue of the Ministry of Economy and Finance (the "**Second Level Bank**"). Organizations and companies that are not resident in Italy, acting through a system of centralized administration of securities and directly connected with the Department of Revenue of the Italian Ministry of Economy and Finance are treated as Second Level Banks, provided that they appoint an Italian fiscal representative (an Italian resident bank or certain other specific financial institutions, or the permanent establishment in Italy of a non-resident bank or certain other specific financial institutions, or a central depository of financial instruments pursuant to Article 80 of Legislative Decree No. 58 of 24 February 1998) for the purposes of the application of Decree No. 239. If a non-resident Noteholder deposits the Notes directly with a Second Level Bank, the latter shall be treated both as a First Level Bank and a Second Level Bank.

The exemption from the *imposta sostitutiva* for non-resident Noteholders is conditional upon:

- (i) the deposit of the Notes, either directly or indirectly, with an institution which qualifies as a Second Level Bank; and
- (ii) the submission to the First Level Bank or the Second Level Bank (as the case may be), concurrently with the deposit of the Notes, of a statement of the relevant Noteholder (*autocertificazione*), in which it declares, *inter alia*, that it is the beneficial owner of any interest on the Notes and it is eligible to benefit from the exemption from the *imposta sostitutiva*.

Such statement must comply with the requirements set forth by the Italian Ministerial Decree of 12 December 2001, is valid until withdrawn or revoked (unless some information provided therein has changed) and does not need to be submitted where a certificate, declaration or other similar document for the same or equivalent purposes was previously submitted to the same depository. The above statement is not required for non-Italian resident investors that are international bodies or entities set up in accordance with international agreements entered into force in Italy referred to in point (ii) above or Central Banks or entities also authorized to manage the official reserves of a State referred to in point (iii) above. Additional requirements are provided for "institutional investors" referred to in point (iv) above (in this respect see Circular No. 23/E of 1 March 2002 and No. 20/E of 27 March 2003).

Failure of a non-Italian resident Noteholder to comply promptly with the aforementioned procedures set forth in Decree 239 and in the relevant implementation rules will result in the application of *imposta sostitutiva* on Interest payments to a non-resident Noteholder.

The *imposta sostitutiva* will be applicable at the rate of 26 per cent. to Interest paid to Noteholders who do not qualify for the foregoing exemption or do not promptly and properly satisfy the requested conditions (including the procedures set forth under Decree 239 and in the relevant implementation rules). Non-Italian resident Noteholders who are subject to *imposta sostitutiva* might nevertheless be eligible for full or partial relief under an applicable tax treaty subject to timely filing of required documentation provided by Regulation of the Director of Italian Revenue Agency No. 2013/84404 of 10 July 2013.

## **Tax Treatment of the Notes issued by Pirelli International**

### ***Tax Treatment of Interest***

#### ***Italian Resident Noteholders***

Decree 239 regulates the tax treatment of interest, premiums and other income from notes issued, *inter alia*, by non-Italian resident entities. The provisions of Decree 239 only apply to Interest from those Notes issued by Pirelli International which qualify as bonds (*obbligazioni*) or debentures similar to bonds

(*titoli similari alle obbligazioni*) pursuant to Article 44 of Decree 917. For these purposes, pursuant to Article 44(2)(c)(2) of Decree 917, debentures similar to bonds are securities that incorporate an unconditional obligation to pay, at maturity (or at any earlier redemption), an amount not less than their nominal value and which do not grant the holder any direct or indirect participation to (or control of) management of Pirelli International or of the business in relation to which they are issued.

Where the Italian resident Noteholder, who is the beneficial owner of the Notes issued by Pirelli International, is: (i) an individual not engaged in an entrepreneurial activity to which the Notes are connected (unless the relevant Noteholder has validly opted for the application of the Asset Management Regime — see "*Tax Treatment of Capital Gains*" below), (ii) a non-commercial partnership (*società semplice*), pursuant to Article 5 of Decree 917 (other than a *società in nome collettivo* or *società in accomandita semplice* or *similar partnership*) or a professional association (iii) a non-commercial private or public institution (other than Italian undertaking for collective investments), or (iv) an investor exempt from Italian corporate income taxation, Interest derived from the Notes, accrued during the relevant holding period, are subject to a tax, referred to as "*imposta sostitutiva*", levied at the rate of 26 per cent. All the above categories are qualified as "net recipients".

If the Noteholders described under (i) and (iii) above are engaged in an entrepreneurial activity to which the Notes are effectively connected, the *imposta sostitutiva* applies as a provisional tax. Interest will be included in the relevant Noteholder's income tax return and will be subject to ordinary income taxation and *imposta sostitutiva* may be recovered as a deduction from Italian income tax due.

Where an Italian resident Noteholder who is the beneficial owner of the Notes is a company or similar commercial entity or a permanent establishment in Italy of a foreign company to which the Notes are effectively connected and such Notes are deposited with an Intermediary, Interest from such Notes will not be subject to *imposta sostitutiva*. They must however be included in the relevant Noteholder's income tax return and are therefore subject to general Italian corporate taxation (and, in certain circumstances, depending on the "*status*" of the Noteholder, also to IRAP), and such beneficial owner should be generally entitled to a tax credit for any withholding taxes applied outside Italy on Interest on Notes issued by Pirelli International.

Italian resident individuals holding Notes not in connection with entrepreneurial activity who have opted for the Asset Management Regime are subject to a 26 per cent. Annual Asset Management Tax on the increase in value of the managed assets accrued at the end of each tax year (which increase would include Interest accrued on the Notes). The Asset Management Tax is applied on behalf of the taxpayer by the managing authorised Intermediary.

For those categories of Noteholders not specifically mentioned in this paragraph and for Noteholders beneficial owners who are Real Estate Funds, real estate SICAFs, Funds, SICAVs, non-real estate SICAFs and Pension Funds holding the Notes, please refer to paragraph "*Tax treatment of Notes issued by Pirelli — Italian Resident Noteholders*" above.

#### *Application of imposta sostitutiva*

Pursuant to Decree 239, the 26 per cent. *imposta sostitutiva* is applied by an Intermediary. Italian Intermediaries (or permanent establishment in Italy of foreign Intermediaries) must intervene in any way in the collection of Interest or, also as transferees, in transfers or disposals of the Notes. For the purpose of the application of the *imposta sostitutiva*, a transfer of notes includes any assignment or other act, either with or without consideration, which results in a change of the ownership of the relevant notes or in a change of the Intermediary with which the notes are deposited. Where the Notes and the relevant Coupons are not deposited with an intermediary, the *imposta sostitutiva* is applied and withheld by Italian authorised Intermediary (or permanent establishment in Italy of foreign Intermediary), paying Interest to the Noteholder.

Where Interest on Notes issued by Pirelli International and beneficially owned by Noteholders qualifying as net recipients, as defined above, are not collected through the intervention of an Italian Intermediary and as such no *imposta sostitutiva* is applied, the Italian resident beneficial owners qualifying as net recipients will be required to declare Interest in their yearly income tax return and subject them to final substitute tax at a rate of 26 per cent., unless option for a different regime is allowed and made. Italian resident net recipients that are individuals not engaged in entrepreneurial activity may elect instead to pay ordinary personal income taxes at the progressive rates applicable to them in respect of Interest on such

Notes: if so, the beneficial owners should be generally entitled to a tax credit for withholding taxes applied outside Italy, if any.

#### *Non-Italian Resident Noteholders*

Interest payments relating to Notes issued by Pirelli International and received by non-Italian resident beneficial owners are not subject to taxation in Italy.

If Notes issued by Pirelli International and beneficially owned by non-Italian residents are deposited with an Italian bank or other resident intermediary (or permanent establishment in Italy of foreign Intermediary) or are sold through an Italian Intermediary (or permanent establishment in Italy of foreign Intermediary) or in any case an Italian resident Intermediary (or permanent establishment in Italy of foreign Intermediary) intervenes in the payment of Interest on such Notes, to ensure payment of Interest without application of Italian taxation a non-Italian resident Noteholder may be required to produce to the Italian bank or other intermediary a statement (*autocertificazione*) stating that he or she is not resident in Italy for tax purposes.

#### **Atypical securities**

Interest payments relating to Notes that are not deemed to fall within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) pursuant to Article 44 of Decree 917 may be subject to a withholding tax, levied at the rate of 26 per cent under Law Decree 512.

In the case of Notes issued by an Italian resident issuer, where the Noteholder is (a) an Italian individual engaged in an entrepreneurial activity to which the Notes are connected; (b) an Italian company or a similar Italian commercial entity; (c) a permanent establishment in Italy of a foreign entity to which the Notes are effectively connected; (d) an Italian commercial partnership; or (e) an Italian commercial private or public institution, such withholding tax is a provisional withholding tax. In all other cases, including when the Noteholder is a non-Italian resident, the withholding tax is a final withholding tax. For non-Italian resident Noteholders, the withholding tax rate may be reduced by any applicable tax treaty, subject to the compliance of the relevant requirements.

Subject to certain conditions (including a minimum holding period requirement) and several limitations, Interest on the Notes (being financial instruments issued by an Italian resident corporation) may be exempt from income taxation, including the withholding tax on interest, premium and other income relating to the Notes not falling within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*), shares or securities similar to shares pursuant to Article 44 of Decree 917, if the Noteholder is an Italian resident individual not engaged in entrepreneurial activity and the Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets the requirements set forth in Article 1 (100 - 114) of Finance Act 2017. If the Notes are issued by a non-Italian resident issuer, the withholding tax mentioned above does not apply to interest payments made to a non-Italian resident Noteholder and to an Italian resident Noteholder which is (a) a company or similar commercial entity (including the Italian permanent establishment of foreign entities); (b) a commercial partnership; or (c) a commercial private or public institution.

#### **Payments made by an Italian resident guarantor**

According to a certain interpretation, payments on the Notes made by an Italian resident guarantor under a guarantee should be treated, in certain circumstances, as payment by the relevant Issuer and should be subject to the tax regime described above. However, there are no public guidelines issued by the Italian tax authorities dealing with the Italian tax regime of payments on notes made by an Italian resident guarantor. Accordingly, there can be no assurance that the Italian tax authorities will not assert an alternative treatment of such payments or that the Italian courts would not support such an alternative treatment.

In particular, according to a different interpretation, if any future Italian resident guarantor makes any payments in respect of Interest on the Notes (or any other amounts due under the Notes other than the repayment of principal) it is possible that such payments may be subject to withholding tax at the applicable rate of 26 per cent, levied as a final tax or a provisional tax ("*a titolo d'imposta o a titolo di acconto*") depending on the "*status*" of the Noteholder, pursuant to Presidential Decree 29 September 1973, No. 600, as subsequently amended. In the case of payments to non-Italian resident Noteholders, the



withholding tax should be final. For non-Italian resident Noteholders, the withholding tax rate may be reduced by any applicable tax treaty, subject to the compliance of the relevant requirements.

### **Tax Treatment of Capital Gains**

Any capital gain realized upon the sale or redemption of the Notes would be treated as part of the taxable business income (and, in certain circumstances, depending on the "status" of the Noteholder, also as part of the net value of the production for IRAP purposes) if realised by an Italian company or a similar commercial entity (including the Italian permanent establishment of foreign entities to which the Notes are effectively connected) or Italian resident individuals engaged in an entrepreneurial activity to which the Notes are effectively connected.

Where an Italian resident Noteholder is an (i) an individual not engaged in entrepreneurial activity to which the Notes issued by the relevant Issuer are connected, (ii) a non-commercial partnership, (iii) a private or public institution not carrying out mainly or exclusively commercial activities, any capital gain realised by such Noteholder upon the sale or redemption of the Notes would be subject to an *imposta sostitutiva*, levied at the current rate of 26 per cent. (the "CGT") Noteholders may set off losses with gains.

In respect of the application of CGT, taxpayers may opt for one of the three regimes described below.

Under the tax declaration regime (*regime della dichiarazione*), which is the default regime for Italian resident individuals not engaged in an entrepreneurial activity to which the Notes are connected, the CGT on capital gains will be chargeable, on a cumulative basis, on all capital gains, net of any incurred capital loss, realized by the Italian resident individual Noteholder holding the Notes during any given tax year. Italian resident individuals holding the Notes not in connection with an entrepreneurial activity must indicate the overall capital gains realised in any tax year, net of any relevant incurred capital loss, in their annual tax return and pay the CGT on such gains together with any balance income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains realised in any of the four succeeding tax years.

As an alternative to the tax declaration regime, Italian resident individual Noteholders holding the Notes not in connection with an entrepreneurial activity may elect to pay the CGT separately on capital gains realized on each sale or redemption of the Notes (the *risparmio amministrato* regime). Such separate taxation of capital gains is allowed subject to (a) the Notes being deposited with Italian banks, SIMs or certain authorised financial intermediaries (including permanent establishments in Italy of foreign intermediaries) and (b) an express election for the *risparmio amministrato* regime being timely made in writing by the relevant Noteholder. The depository is responsible for accounting for *imposta sostitutiva* in respect of capital gains realised on each sale or redemption of the Notes (as well as in respect of capital gains realized upon the revocation of its mandate), net of any incurred capital loss. The depository is also required to pay the CGT to the Italian tax authorities on behalf of the Noteholder, deducting a corresponding amount from the proceeds to be credited to the Noteholder or using funds provided by the Noteholder for this purpose. Under the *risparmio amministrato* regime, any possible capital loss resulting from a sale or redemption of the Notes may be deducted from capital gains subsequently realised, within the same securities management, in the same tax year or in the following tax years up to the fourth. Under the *risparmio amministrato* regime, the Noteholder is not required to declare the capital gains in the annual tax return.

In the Asset Management Regime, any capital gains realised by Italian resident individuals holding the Notes not in connection with an entrepreneurial activity who have entrusted the management of their financial assets, including the Notes, to an authorised intermediary will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to a 26 per cent. substitute tax, to be paid by the managing authorised intermediary. Any depreciation of the managed assets accrued at year end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. The Noteholder is not required to declare the capital gains realised in the annual tax return.

Subject to certain conditions (including minimum holding period requirement) and several limitations, capital gains on the Notes may be exempt from any income taxation (including from the 26 per cent. CGT) if the Noteholder is an Italian resident individual not engaged in entrepreneurial activity and the

Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets all the requirements set forth in Article 1(100 - 114) of Finance Act 2017.

Any capital gains realized by a Noteholder which qualifies as a Real Estate Fund or a real estate SICAF are not taxable at the level of such. Please refer to section "*Tax treatment of Notes issued by Pirelli*", paragraph "*Tax Treatment of Interest Italian Resident Noteholders*" above.

Any capital gains realized by a Noteholder which qualifies as a Fund, a SICAV and a non real estate SICAF is subject neither to imposta sostitutiva nor to any other income tax in the hands of the above entities. Please refer to section "*Tax treatment of Notes issued by Pirelli*", paragraph "*Tax Treatment of Interest Italian Resident Noteholders*" above.

Any capital gains realized by a Noteholder which qualifies a Pension Fund will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject the Pension Fund Tax. Please refer to section "*Tax treatment of Notes issued by Pirelli*", paragraph "*Tax Treatment of Interest Italian Resident Noteholders*" above.

Capital gains realized by non-Italian resident Noteholders from the sale or redemption of Notes traded on regulated markets in Italy or abroad are not subject to the CGT (regardless of whether the Notes are held in Italy), subject to the timely filing of required documentation (in particular, a self-declaration that the Noteholder is not resident in Italy for tax purposes).

Capital gains realized by non-Italian resident Noteholders from the sale or redemption of Notes issued by an Italian or non-Italian resident issuer not traded on regulated markets may in certain circumstances be taxable in Italy if the Notes are held in Italy. However, non-Italian resident beneficial owners of Notes without a permanent establishment in Italy to which the Notes are effectively connected, are not subject to the CGT, **provided that** the beneficial owner is:

- (a) a resident, for tax purposes, of a state or territory included in the White List; or
- (b) an international body or entity set up in accordance with international agreements which have entered into force in Italy; or
- (c) an "institutional investor", whether or not subject to tax, which is established in a State or territory included in the White List; or
- (d) a central bank or an entity which manages, *inter alia*, the official reserves of a foreign State.

In order to ensure gross payment, non-Italian resident Noteholders must satisfy conditions similar to those set forth above to benefit from the exemption from the *imposta sostitutiva* in accordance with Decree 239 (see section "*Tax treatment of Notes issued by Pirelli*", paragraph "*Tax Treatment of Interest Non Italian Resident Noteholders*" above).

If none of the above exemptions apply, capital gains realized by non-resident Noteholders from the sale or the redemption of Notes may be subject to the CGT at the current rate of 26 per cent.. However, Noteholders might benefit from an applicable tax treaty with Italy, which may provide that capital gains realized upon the sale or redemption of the Notes are to be taxed only in the State where the recipient is tax resident, subject to certain conditions to be satisfied.

Under these circumstances, if non-Italian resident entities without a permanent establishment in Italy to which the Notes are effectively connected hold Notes with an Italian authorized financial intermediary and are subject to the *risparmio amministrato* regime or elect for the Asset Management Regime, exemption from Italian taxation on capital gains will apply upon condition that the non-Italian resident Noteholders file in time with the authorized financial intermediary appropriate documents which include, *inter alia*, a certificate of residence from the competent tax authorities of their Country of residence.

The *risparmio amministrato* regime is the ordinary regime automatically applicable to non-Italian residents holding Notes deposited with an Intermediary, but non-Italian resident Noteholders retain the right to waive this regime.

## Other Italian Tax Provisions

### *Inheritance and gift taxes*

Pursuant to Law Decree No. 262 of 3 October 2006, converted into Law No. 286 of 24 November 2006, as subsequently amended, the transfers of any valuable asset (including the Notes) as a result of death or donation (or other transfers for no consideration) are taxed as follows:

- (1) 4 per cent. on the value of the inheritance or the gift for transfers in favour of the spouse or direct relatives exceeding, for each beneficiary, a threshold of €1.0 million;
- (2) 6 per cent. on the value of the inheritance or the gift for transfers in favour of brothers/sisters exceeding, for each beneficiary, a threshold of €0.1 million;
- (3) 6 per cent. on the value of the inheritance or the gift for transfers in favour of relatives (*parenti*) up to the fourth degree and to all relatives in law in direct line (*affini in linea retta*) and to other relatives in law (*affini in linea collaterale*) up to the third degree; and
- (4) 8 per cent. on the value of the inheritance or the gift for transfers in favour of any other person or entity.

If the heir/heirress and/or the donee is a person with a severe disability pursuant to Law No. 104 of 5 February 1992, inheritance tax or gift tax is applied to the extent that the value of the inheritance or gift exceeds €1.5 million.

With respect to Notes listed on a regulated market, the value for inheritance and gift tax purposes is the average stock exchange price of the last quarter preceding the date of the succession or of the gift (including any accrued interest).

Italian inheritance tax and gift tax applies to non-Italian resident individuals for bonds issued by Italian resident companies.

If the donee sells the Notes for consideration, having received the Notes as a gift, the donee is required to pay the relevant CGT on capital gains as if the gift has never taken place.

### **Registration Tax**

Contracts relating to the transfer of the Notes are subject to the registration tax as follows:

- (i) public deeds and notarised deeds (*atti pubblici e scritture private autenticate*) are subject to fixed registration tax at rate of €200;
- (ii) non notarized private deeds (*scritture private non autenticate*) are subject to a fixed registration tax of €200 only in case of use or voluntary registration or if the so-called "*caso d'uso*" or "*enunciazione*" occurs.

If the contracts relating to the transfer of the Notes also include other clauses or provisions with economic content, additional Italian registration tax may be due, normally ranging from €200.00 to 3 per cent..

### **Stamp duty (financial instruments held through Italian financial intermediaries)**

According to Tariff Article 13(2*bis*, 2*ter*) of Presidential Decree No. 642 of 26 October 1972, a 0.2 per cent. stamp duty generally applies on an annual basis to any periodic reporting communications which may be sent by a financial intermediary to a Noteholder in respect of any Notes which may be deposited with such Italian resident financial intermediary. Communications and reports are deemed to be sent at least once a year even if the Italian financial intermediary is under no obligation to either draft or send such communications and reports. The Notes are included in the notion of financial products for these purposes. The stamp duty applies on a yearly basis at a rate of 0.20 per cent., calculated on the market value or—in the absence of a market value—on the nominal value or the redemption amount of any financial product or financial instruments (including the Notes). The stamp duty cannot exceed €14,000 for taxpayers different from individuals.

Based on the wording of the law and the implementing decree issued by the Italian Ministry of Economy on 24 May 2012, the 0.2 per cent. stamp duty does not apply to communications and reports that the Italian financial intermediaries send to investors who do not qualify as "clients" according to the regulations issued by the Bank of Italy. Communications and reports sent to this type of investors should be subject to the ordinary €2.00 stamp duty for each copy. Stamp duty applies both to Italian resident Noteholders and to non-Italian resident Noteholders, to the extent that the Notes are held with an Italian-based financial intermediary.

### **Wealth Tax on financial instruments deposited abroad**

Pursuant to Article 19(18) of Decree of 6 December 2011, No. 201 ("**Decree 201**"), Italian resident individuals holding financial assets—including the Notes—outside the Italian territory without the involvement of an Italian financial intermediary are required to pay a wealth tax at the rate of 0.20 per cent. (the tax being determined in proportion to the period of ownership).

This wealth tax applies on the market value of the Notes at the end of the relevant year or – in the absence of a market value– on the nominal value or the redemption value of such financial assets held outside the Italian territory. Taxpayers are generally permitted to deduct from the wealth tax a tax credit equal to any wealth taxes paid in the State where the financial assets are held (up to an amount equal to the Italian wealth tax due).

### **Tax monitoring obligations**

According to the Legislative Decree No. 167 of 28 June 1990, converted with amendments into Law No. 227 of 4 August 1990, as amended from time to time, individuals, non commercial institution and non commercial partnerships (*società semplici* or similar partnerships in accordance with Article 5 of Decree 917) resident in Italy for tax purposes, who during the fiscal year hold investments abroad or have financial foreign assets (including Notes held abroad and/or Notes issued by a non-Italian resident Issuer) must, in some circumstances, disclose the aforesaid investments the Italian Tax Authorities in their income tax return (or, in case the income tax return is not due, in a proper form that must be filed within the same time as prescribed for the income tax return).

The requirement applies also where the persons above, being not the direct holder of the financial instruments, are the actual owner of the instrument.

Furthermore, it is not necessary to comply with the above reporting requirement with respect to: (i) the Notes deposited for management with qualified Italian financial intermediaries; (ii) the contracts entered into through their intervention, upon condition that the items of income derived from the Notes have been subject to tax by the same intermediaries; or (iii) if the foreign investments are only composed of deposits and/or bank accounts and their aggregate value does not exceed a €15,000 threshold throughout the year.

### **THE PROPOSED EU FINANCIAL TRANSACTIONS TAX (FTT)**

On 14 February 2013, the European Commission published a proposal (the **Commission's Proposal**) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (each, other than Estonia, a **participating Member State**). However, Estonia has ceased to participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

## SUBSCRIPTION AND SALE

Notes may be sold from time to time by the Issuer to any one or more of BNP Paribas, Banca IMI S.p.A. Commerzbank Aktiengesellschaft, HSBC Bank plc, J.P. Morgan Securities plc, Mediobanca – Banca di Credito Finanziario S.p.A., Merrill Lynch International, Mizuho International plc and UniCredit Bank AG or to any other dealer as may be appointed (the "**Dealers**"). The arrangements under which Notes may from time to time be agreed to be sold by the Issuer to, and subscribed by, Dealers are set out in a Dealer Agreement dated 19 December 2018 (the "**Dealer Agreement**") and made between the Issuers, the Guarantors and the Dealers. If in the case of any Tranche of Notes the method of distribution is an agreement between an Issuer and a single Dealer for that Tranche to be issued by the relevant Issuer and subscribed by that Dealer, the method of distribution will be described in the relevant Final Terms as "Non-Syndicated" and the name of that Dealer and any other interest of that Dealer which is material to the issue of that Tranche beyond the fact of the appointment of that Dealer will be set out in the relevant Final Terms. If in the case of any Tranche of Notes the method of distribution is an agreement between an Issuer and more than one Dealer for that Tranche to be issued by the relevant Issuer and subscribed by those Dealers, the method of distribution will be described in the relevant Final Terms as "Syndicated", the obligations of those Dealers to subscribe the relevant Notes will be joint and several and the names and addresses of those Dealers and any other interests of any of those Dealers which is material to the issue of that Tranche beyond the fact of the appointment of those Dealers (including whether any of those Dealers has also been appointed to act as Stabilising Manager in relation to that Tranche) will be set out in the relevant Final Terms.

Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be subscribed by the Dealer(s) and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such subscription. The Dealer Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Notes. The Dealer Agreement provides that the obligations of the initial purchasers to subscribe for Notes are subject to certain conditions precedent, including (among other things) receipt of legal opinions from counsel.

**United States of America:** *Regulation S Category 1/2; TEFRA D or TEFRA C as specified in the relevant Final Terms or neither if TEFRA is specified as not applicable in the relevant Final Terms.*

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code and regulations thereunder.

Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that, except as permitted by the Dealer Agreement, it will not offer, sell or deliver Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Notes comprising the relevant Tranche, as certified to the Trustee or the Issuer by such Dealer (or, in the case of a sale of a Tranche of Notes to or through more than one Dealer, by each of such Dealers as to the Notes of such Tranche purchased by or through it, in which case the Trustee or the Issuer shall notify each such Dealer when all such Dealers have so certified) within the United States or to, or for the account or benefit of, U.S. persons, and such Dealer will have sent to each dealer to which it sells Notes during the distribution compliance period relating thereto a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering of Notes comprising any Tranche, any offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

## Prohibition of Sales to EEA Retail Investors

Unless the Final Terms or Drawdown Prospectus in respect of any Notes (or Pricing Supplement, in the case of Exempt Notes) specifies the "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms (or are the subject of the offering contemplated by a Drawdown Prospectus) in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

- (a) the expression "**retail investor**" means a person who is one (or more) of the following:
  - (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
  - (ii) a customer within the meaning of Directive 2002/92/EC (as amended or superseded, the "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

If the Final Terms (or Drawdown Prospectus) in respect of any Notes specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", in relation to each Member State of the EEA which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that with effect from and including the date on which the Prospectus Directive was implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto (or are the subject of the offering contemplated by a Drawdown Prospectus, as the case may be) to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (b) **Qualified investors**: at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (c) **Fewer than 150 offerees**: at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (d) **Other exempt offers**: at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive.

**provided that** no such offer of Notes referred to in paragraphs (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "**Prospectus Directive**" means Directive 2003/71/EC (as amended or superseded), and includes any relevant implementing measure in the Relevant Member State.

## United Kingdom

*Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:*

- (a) **No deposit-taking**: in relation to any Notes having a maturity of less than one year:
  - (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and:

- (ii) it has not offered or sold and will not offer or sell any Notes other than to persons:
  - (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or
  - (B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,

where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer:

- (b) **Financial promotion:** it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (c) **General compliance:** it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

### Republic of Italy

The offering of the Notes has not been registered with the *Commissione Nazionale per la Società e la Borsa* ("**CONSOB**") pursuant to Italian securities legislation and, accordingly, each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it has not offered or sold, and will not offer or sell, any Notes in the Republic of Italy in an offer to the public, and that sales of the Notes in the Republic of Italy shall be effected in accordance with all Italian securities, tax and exchange control and other applicable laws and regulation.

Any such offer, sale or delivery of the Notes or distribution of copies of the Base Prospectus or any other document relating to the Notes in the Republic of Italy must be:

- (a) made by investment firms, banks or financial intermediaries permitted to conduct such activities in the Republic of Italy in accordance with Legislative Decree No. 385 of 1 September 1993 (the "**Consolidated Banking Act**"), Legislative Decree No. 58 of 24 February 1998, CONSOB Regulation No. 20307 of 15 February 2018 (in each case, as amended from time to time) and any other applicable laws and regulations; and
- (b) in compliance with any other applicable laws and regulations requirement imposed by CONSOB (including, but not limited to, CONSOB Regulation No. 11971 of 14 May 1999, as amended), the Bank of Italy (including, the reporting requirements, where applicable, pursuant to Article 129 of the Consolidated Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time) or another Italian authority.

### France

Each Dealer has represented, warranted and undertaken and each further Dealer appointed under the Programme will be required to represent, warrant and undertake, that it has not offered or sold, and will not offer or sell, directly or indirectly, any Notes to the public in the Republic of France and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, the Base Prospectus, the relevant Final Terms or any other offering material relating to the Notes and such offers, sales and distributions have been and will be made in France only to (a) persons providing investment services relating to portfolio management for the account of third parties, (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*), and/or (b) qualified investors (*investisseurs qualifiés*) acting for their own account, and as defined in, and in accordance with, Articles L.411-1, L.411-2 and D.411-1 of the French *Code monétaire et financier*.



## **Japan**

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948), as amended (the "FIEA"). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer to sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident in Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, FIEA and other relevant laws and regulations of Japan.

## **People's Republic of China**

Each Dealer has represented, warranted and agreed that the Notes may not be offered or sold directly or indirectly in the PRC (which, for such purposes, does not include the Hong Kong or Macau Special Administrative Region or Taiwan). Neither this Base Prospectus nor any material or information contained or incorporated by reference herein relating to the Notes, which have not been and will not be submitted to or approved/verified by or registered with the China Securities Regulatory Commission ("CSRC") or other relevant governmental and regulatory authorities in the PRC pursuant to relevant laws and regulations, may be supplied to the public in the PRC or used in connection with any offer for the subscription or sale of the Notes in the PRC. The material or information contained or incorporated by reference in this Base Prospectus relating to the Notes does not constitute an offer to sell or the solicitation of an offer to buy any securities in the PRC. The Notes may only be offered or sold to PRC investors that are authorised to engage in the purchase of the Notes of the type being offered or sold. PRC investors are responsible for obtaining all relevant government regulatory approvals/licences, verification and/or registrations themselves, including, but not limited to, any which may be required from the State Administration of Foreign Exchange, CSRC, the China Banking Regulatory Commission, the China Insurance Regulatory Commission and other relevant regulatory bodies, and complying with all relevant PRC regulations, including, but not limited to, all relevant foreign exchange regulations and/or foreign investment regulations.

## **Hong Kong**

Each Dealer has represented, warranted and agreed that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes except for Notes which are a "structured product" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "SFO") other than (a) to "professional investors" as defined in the SFO and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under that SFO."

## **General**

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that (to the best of its knowledge and belief) it has complied and will comply with all applicable laws and regulations in each country or jurisdiction in or from which it purchases, offers, sells or delivers Notes or possesses, distributes or publishes this Base Prospectus or any Final Terms or any related offering material, in all cases at its own expense. Other persons into whose hands this Base Prospectus or any Final Terms comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from

which they purchase, offer, sell or deliver Notes or possess, distribute or publish this Base Prospectus or any Final Terms or any related offering material, in all cases at their own expense.

The Dealer Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date hereof, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the paragraph headed "*General*" above.

Selling restrictions may be supplemented or modified with the agreement of the Issuers. Any such supplement or modification may be set out in a supplement to this Base Prospectus.

## REMITTANCE OF PROCEEDS IN RENMINBI INTO OR OUT OF THE PRC

### *Current Account Items*

Under PRC foreign exchange control regulations, current account items refer to any transaction for international receipts and payments involving goods, services, earnings and other frequent transfers.

Prior to July 2009, all current account items were required to be settled in foreign currencies with limited exceptions. Following progressive reforms, Renminbi settlement of imports and exports of goods and of services and other current account items became permissible nationwide in 2012.

Since July 2013, the procedures for cross-border Renminbi trade settlement under current account items have been simplified and trades through e-commerce can also be settled under in Renminbi under the current regulatory regime. A cash pooling arrangement for qualified multinational enterprise group companies was introduced in late 2014, under which a multinational enterprise group can process cross-border Renminbi payments and receipts for current account items on a collective basis for eligible member companies in the group. In addition, the eligibility requirements for multinational enterprise groups have been lowered and the cap for net cash inflow has been increased in September 2015.

The regulations referred to above are subject to interpretation and application by the relevant PRC authorities. Local authorities may adopt different practices in applying these regulations and impose conditions for settlement of current account items.

### *Capital Account Items*

Under PRC foreign exchange control regulations, capital account items include cross-border transfers of capital, direct investments, securities investments, derivative products and loans. Capital account payments are generally subject to approval of, and/or registration or filing with, the relevant PRC authorities.

Until recently, settlement of capital account items, for example, the capital contribution of foreign investors to foreign invested enterprises in the PRC, were generally required to be made in foreign currencies. Under progressive reforms, foreign enterprises are now permitted use Renminbi to settle all capital account items that can be settled in foreign currencies. Cross-border Renminbi payment infrastructure and trading facilities are being improved. Approval, registration and filing requirements specifically for capital account payments in Renminbi are being removed gradually.

PRC entities are also permitted to borrow Renminbi-denominated loans from foreign lenders (which are referred to as "foreign debt") and lend Renminbi-denominated loans to foreign borrowers (which are referred to as "outbound loans"), as long as such PRC entities have the necessary quota, approval or registration. PRC entities may also denominate security or guarantee arrangements in Renminbi and make Renminbi payments thereunder to parties in the PRC as well as other jurisdictions (which is referred to as "cross-border security"). Under current rules promulgated by the State Administration of Foreign Exchange of the PRC ("**SAFE**") and PBoC, foreign debts borrowed, outbound loans extended, and the cross-border security provided by a PRC onshore entity (including a financial institution) in Renminbi shall, in principle, be regulated under the current PRC foreign debt, outbound loan and cross-border security regimes applicable to foreign currencies. After piloting in the free trade zones, PBoC and SAFE launched a nation-wide system of macro-prudential management on cross-border financing in 2016, which provides for a unified regime for financings denominated in both foreign currencies and Renminbi.

Since September 2015, qualified multinational enterprise groups can extend Renminbi-denominated loans to, or borrow Renminbi-denominated loans from, eligible offshore member entities within the same group by leveraging the cash pooling arrangements. The Renminbi funds will be placed in a special deposit account and may not be used to invest in stocks, financial derivatives, or non-self-use real estate assets, or purchase wealth management products or extend loans to enterprises outside the group.

The securities markets, specifically the Renminbi Qualified Foreign Institutional Investor ("**RQFII**") regime and the China Interbank Bond Market ("**CIBM**"), have been further liberalised for foreign investors. PBoC has relaxed the quota control for RQFII, and has also expanded the list of eligible foreign investors in CIBM, removed quota restriction, and granted more flexibility for the settlement agents to provide the relevant institutions with more trading facilities (for example, in relation to derivatives for hedging foreign exchange risk).

Interbank foreign exchange market is also opening-up. In January 2016, CFETS set forth qualifications, application materials and procedure for foreign participating banks (which needs to have a relatively large scale of Renminbi purchase and sale business and international influence) to access the inter-bank foreign exchange market.

Recent reforms introduced were aimed at controlling the remittance of Renminbi for payment of transactions categorised as capital account items. There is no assurance that the PRC Government will continue to gradually liberalise the control over Renminbi payments of capital account item transactions in the future. The relevant regulations are relatively new and will be subject to interpretation and application by the relevant PRC authorities. Further, if any new PRC regulations are promulgated in the future which have the effect of permitting or restricting (as the case may be) the remittance of Renminbi for payment of transactions categorised as capital account items, then such remittances will need to be made subject to the specific requirements or restrictions set out in such rules.

## GENERAL INFORMATION

### Authorisation

The establishment and update of the Programme and the issue of Notes have been duly authorised by resolutions of the Board of Directors of Pirelli International, as an Issuer, dated 22 December 2017 and 22 November 2018 and of Pirelli, as an Issuer, dated 21 December 2017 and 14 November 2018. The giving of the Guarantee by Pirelli Tyre, as a Guarantor, has been duly authorised by a resolution of the Board of Directors of Pirelli Tyre dated 21 December 2017 and the giving of the Guarantee by Pirelli, as a Guarantor, has been duly authorised by a resolution of the Board of Directors of Pirelli dated 21 December 2017.

### Listing and Admission to Trading of Notes

Application has been made to the CSSF to approve this document as a base prospectus. Application has also been made to the Luxembourg Stock Exchange for Notes issued under the Programme to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the Official List of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of MiFID II.

### Documents Available

For the period of 12 months following the date of this Base Prospectus, copies of the following documents will, when published, be available for inspection from the registered offices of the Issuers and from the specified office of the Paying Agent for the time being in Luxembourg:

- (a) the Articles of Association of Pirelli International;
- (b) the By-laws (*statuto*) (with an English translation thereof) of Pirelli;
- (c) the By-laws (*statuto*) (with an English translation thereof) of Pirelli Tyre;
- (d) the separate annual financial statements for the financial years ended 31 December 2016 and 2017 of Pirelli International, the separate annual financial statements for each of the financial years ended 31 December 2016 and 2017 of Pirelli Tyre, the consolidated annual financial statements for the financial year ended 2016 and 2017 of Pirelli. Pirelli currently prepares audited consolidated accounts on an annual basis, and Pirelli International and Pirelli Tyre currently prepares audited unconsolidated accounts on an annual basis;
- (e) the unaudited condensed consolidated half-year financial statements of Pirelli for the six months ended 30 June 2018, and the unaudited interim consolidated financial report of Pirelli as of and for the nine months ended 30 September 2018. The most recently published audited annual financial statements of each of Pirelli International and Pirelli and the most recently published unaudited interim financial statements (if any) of Pirelli (where necessary, with an English translation thereof), in each case together with any audit or review reports prepared in connection therewith. Pirelli currently prepares unaudited consolidated interim accounts on a quarterly and half-year basis;
- (f) the Trust Deed (which includes the Guarantees), the Agency Agreement and the forms of the Global Notes, the Notes in definitive form, the Receipts, the Coupons and the Talons;
- (g) a copy of this Base Prospectus;
- (h) any future Base Prospectuses, prospectuses, information memoranda, supplements and Final Terms and Pricing Supplements (in the case of Exempt Notes) (save that Pricing Supplements will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the relevant Issuer and the Paying Agent as to its holding of Notes and identity) to this Base Prospectus and any other documents incorporated herein or therein by reference; and

- (i) in the case of each issue of Notes admitted to trading on the Luxembourg Stock Exchange's regulated market subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document).

### **Clearing Systems**

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The appropriate Common Code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms (or Pricing Supplement, in the case of Exempt Notes). If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms or Pricing Supplement (in case of Exempt Notes).

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

### **LEI**

The Legal Entity Identifier of Pirelli International is 2138004U3NLEWA5ZHY32 and the Legal Entity Identifier of Pirelli is 815600A0C9AFC1F2A709.

### **Conditions for determining price**

The price and amount of Notes to be issued under the Programme will be determined by the relevant Issuer and each relevant Dealer at the time of issue in accordance with prevailing market conditions.

### **Yield**

In relation to any Tranche of Fixed Rate Notes other than Exempt Notes, an indication of the yield in respect of such Notes will be specified in the applicable Final Terms. The yield is calculated at the Issue Date of the Notes on the basis of the relevant Issue Price. The yield indicated will be calculated as the yield to maturity as at the Issue Date of the Notes and will not be an indication of future yield.

### **Significant or Material Change**

There has been no significant change in the financial or trading position of (i) Pirelli and the Pirelli Group since 30 September 2018 and (ii) Pirelli International and Pirelli Tyre since 31 December 2017, and there has been no material adverse change in the financial position or prospects of Pirelli, the Pirelli Group, Pirelli International and Pirelli Tyre since 31 December 2017.

### **Litigation**

Save as disclosed in the notes to the unaudited condensed consolidated half-year financial statements as at and for the six months ended 30 June 2018 of Pirelli which are incorporated by reference in this Base Prospectus, neither Pirelli International, Pirelli nor Pirelli Tyre, nor any other member of the Pirelli Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Pirelli International, Pirelli and Pirelli Tyre are aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of the Pirelli Group taken as a whole.

### **Auditors**

The separate annual financial statement for the financial year ended 31 December 2016 of Pirelli Tyre have been audited by EY independent auditors. The separate annual financial statement for the financial year ended 31 December 2017 of Pirelli Tyre have been audited by PwC, independent auditors.

The separate annual financial statement for the financial year ended 31 December 2016 of Pirelli International have been audited by Ernst & Young LLP, independent auditors. The separate annual financial statements for the financial year ended 31 December 2017 of Pirelli International have been audited by PricewaterhouseCoopers LLP, independent auditors.

The consolidated annual financial statement for the financial year ended 31 December 2016 of Pirelli have been audited by EY, independent auditors. The consolidated annual financial statement for the financial year ended 31 December 2017 of Pirelli have been audited by PwC, independent auditors.

#### **Post-issuance information**

The Issuer does not intend to provide any post-issuance information in relation to any issue of Notes.

#### **Dealers transacting with the Issuers and the Guarantors**

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, Pirelli International, Pirelli, Pirelli Tyre and their affiliates in the ordinary course of business. In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuers or the Guarantors, or the Issuers' or the Guarantors' affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuers or the Guarantors routinely hedge their credit exposure to the Issuers or the Guarantors consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such short positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. For the purpose of this paragraph the term "**affiliates**" includes also parent companies.

Certain of the Dealers are authorised by the Prudential Regulation Authority (the "**PRA**") and regulated by the PRA and the Financial Conduct Authority in the United Kingdom. None of the Dealers is acting for any actual or prospective holders of instruments, and are neither advising nor treating as a client any other person and will not be responsible to any actual or prospective holders of instruments and will not be responsible to anyone other than the Issuer for providing the protections afforded to its clients nor for providing the services in relation to the offering described in this Base Prospectus and / or the relevant Final Terms or Pricing Supplement or any transaction or arrangement referred to herein or therein. None of the Dealers nor any of their respective affiliates has authorised the content of, or any part of, Base Prospectus and/or the relevant Final Terms or Pricing Supplement.

## ISSUERS

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Staffordshire DE13 0BH  
United Kingdom

**Pirelli & C. S.p.A.**  
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20126 Milan  
Italy

## GUARANTORS

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20126 Milan  
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**Pirelli & C. S.p.A.**  
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## TRUSTEE

**Deutsche Trustee Company Limited**  
Winchester House  
1 Great Winchester Street  
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## ISSUING AND PRINCIPAL PAYING AGENT

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United Kingdom

## LEGAL ADVISERS

*To the Issuers and Guarantors as to English and Italian law*

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Corso Matteotti, 10  
20121 Milan  
Italy

## TAX ADVISORS

*as to Italian tax law*

**Freshfields Bruckhaus Deringer**  
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Italy

*To the Dealers as to English law and Italian law*

**Clifford Chance Studio Legale Associato**  
Piazzetta M. Bossi, 3  
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Italy

*To the Trustee as to English law*

**Clifford Chance LLP**  
10 Upper Bank Street  
London E14 5JJ  
United Kingdom



## AUDITORS

*To Pirelli International (for 2017 and 2018)*

**PricewaterhouseCoopers LLP**

1 Embankment Place  
London WC2N 6RH  
United Kingdom

*To Pirelli and Pirelli Tyre (for 2017 and 2018)*

**PricewaterhouseCoopers S.p.A.**

Via Monte Rosa, 91  
20149 Milan  
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*To Pirelli International (for 2016)*

**Ernst & Young LLP**

1 More London Place  
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United Kingdom

*To Pirelli (for 2016) and Pirelli Tyre (for 2016)*

**EY S.p.A.**

Via Meravigli, 12/14  
20123 Milan  
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## ARRANGER

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United Kingdom

## DEALERS

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Italy

**Commerzbank Aktiengesellschaft**

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60311 Frankfurt am Main  
Federal Republic of Germany

**HSBC Bank plc**

8 Canada Square  
London, E14 5HQ  
United Kingdom

**J.P. Morgan Securities plc**

25 Bank Street Canary Wharf  
London E14 5JP  
United Kingdom

**Mediobanca – Banca di Credito Finanziario  
S.p.A.**

Piazzetta Enrico Cuccia, 1  
20121 Milan  
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**Merrill Lynch International**

2 King Edward Street  
London EC1A 1HQ  
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**Mizuho International plc**

Mizuho House  
30 Old Bailey  
London EC4M 7AU  
United Kingdom

**UniCredit Bank AG**

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20154 Milan  
Italy

## LISTING AGENT

**Deutsche Bank Luxembourg S.A.**

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L-1115 Luxembourg  
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