

CERTIFICATIONS

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

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

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

of the administrative and accounting procedures for preparation of the consolidated financial statements, during the period January 1, 2018 – December 31, 2018.

2. In this regard it should be noted that the adequacy of the administrative and accounting procedures for preparation of the consolidated financial statements for the year ended December 31, 2018 was determined on the basis of an assessment of the internal control system. This assessment was based on a specific process defined in accordance with the criteria laid down in the "Internal Control – Integrated Framework" guidelines issued by the "Committee of Sponsoring Organizations of the Treadway Commission" (COSO), which is a reference framework generally accepted at the international level.

3. We also certify that:


3.1 the consolidated financial statements:

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

3.2 The report on operations includes a reliable analysis of the performance and results of operations, and of the situation of the reporting entity and of the Group of companies included in the scope of consolidation, together with a description of the principal risks and uncertainties to which they are exposed.

February 26, 2019

The Executive Vice Chairman and
Chief Executive Officer



(Marco Tronchetti Provera)

The Corporate Financial Reporting Manager



(Francesco Tanzi)



PIRELLI & C SPA

INDEPENDENT AUDITOR'S REPORT
IN ACCORDANCE WITH ARTICLE 14 OF LEGISLATIVE
DECREE 39 OF 27 JANUARY 2010 AND ARTICLE 10
OF REGULATION (EU) 537/2014

CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018



Independent auditor's report

in accordance with article 14 of Legislative Decree 39 of 27 January 2010 and article 10 of Regulation (EU) 537/2014

To the shareholders of Pirelli & C SpA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Pirelli & C SpA and its subsidiaries (the Pirelli group), which comprise the statement of financial position as of 31 December 2018, the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Pirelli group as of 31 December 2018, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, and with the regulations issued to implement article 9 of Legislative Decree 38/2005.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in section Auditor's Responsibilities for the Audit of the Consolidated Financial Statements of this report. We are independent of Pirelli & C SpA (the Company) based on ethic and independence regulations and standards applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 0805640211 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25123 Via Borgo Pietro Wulner 23 Tel. 0303697501 - **Catania** 95129 Corso Italia 102 Tel. 0957532311 - **Firenze** 50122 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 01029041 - **Napoli** 80121 Via dei Mille 16 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 00141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 0854545711 - **Roma** 00154 Largo Boehetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225780 - **Varese** 21100 Via Albuzzi 43 Tel. 0332285039 - **Verona** 37135 Via Francini 21/C Tel. 0458263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444393311

www.pwc.com/it



Key Audit Matters

How our audit addressed the key audit matter

Recoverability of brands with indefinite useful life and goodwill

Note 10 “Intangible assets”

As of 31 December 2018 the indefinite-lived intangible assets Pirelli brand and goodwill amount to € 2,270 million and € 1,886 million, respectively.

Recoverability of the carrying amount of Pirelli brand and goodwill were tested for impairment at the year-end, in accordance with IAS36 – Impairment of Assets.

The recoverable amount of Pirelli Brand is measured using its fair value, based on an income approach. This requires the use of estimates for revenue projections, implied royalty rates and discount rate. The recoverable amount of goodwill, entirely allocated to the Consumer segment, is measured using its fair value, based on the market price of the Company shares.

The recoverable amount of Pirelli Brand is compared with its carrying amount. The recoverable amount of the Consumer segment is compared with the carrying amount of segment assets and liabilities, including brand and goodwill.

Considering the magnitude of the carrying amounts and the subjective judgment in some of the assumptions used for the calculation of the fair values, the impairment test of the carrying amounts of Pirelli brand and goodwill represented a key matter in the audit of the consolidated financial statements.

We have performed an understanding and evaluation of the internal controls in place over the impairment testing of brand and goodwill.

We have performed, with the support of PwC experts, the following audit procedures:

- assessment over the adequacy of the impairment testing process in accordance with the requirement of the accounting standard;
- assessment of the allocation of goodwill to the group of cash generating units – CGU;
- assessment of the key assumptions used when determining the fair value, with focus to revenue projections, implied royalty rates and discount rate, including benchmarking e sensitivity analysis;
- testing of the accuracy of the carrying amounts of assets and liabilities directly attributable to the Consumer segment;
- testing the mathematical accuracy of the calculation model used.

We have assessed variances between projections used in previous years and actual results to evaluate the reliability and coherence with the market trend.

We have tested the accuracy and completeness of the disclosure presented in the notes to the consolidated financial statements.



Key Audit Matters

How our audit addressed the key audit matter

Revenue recognition

Note 3 “Adopted Accounting Standards”

Taking into account the adoption of the new accounting standard IFRS15 – “Revenue from contracts with customers” and considering the magnitude and the high volume of sales transactions carried out through a global distribution network, different sales channels and logistic platforms, revenue recognition represented a key matter in the audit of the consolidated financial statements.

We have carried out our procedures to verifying existence, completeness, accuracy and proper period of sales transactions.

For the main revenue streams identified using the requirements of the new accounting standard IFRS15, we have performed an understanding and evaluation of the internal controls over the revenue recognition and a validation of relevant controls.

We have tested the proper recognition of revenue through testing samples of sales transactions, obtaining appropriate supporting evidence with specific attention to key contractual terms that regulate the various performance obligations.

We have performed confirmation procedures over accounts receivable balances with the objective of validating trade receivables balances recorded in the consolidated accounts.

We have tested samples of sales returns transactions, credit notes and year-end accruals.

We have tested the accuracy and completeness of the disclosure presented in the notes to the consolidated financial statements.



Effects of the Patent Box tax benefit over the income tax provision

Note 39 "Taxes"

The net result of the group for the year 2018 has been favourably affected by lower income taxes for the introduction of the tax benefit mechanism for patents, technology, designs and brands, named "Patent Box".

The tax benefit was agreed with the Italian tax authority by the subsidiary Pirelli Tyre SpA on 15 October 2018. The benefit recorded in the 2018 consolidated accounts amounts to € 89 million, of which € 54 million relating to fiscal years 2015 to 2017.

Considering the magnitude of the impact in the 2018 consolidated accounts and the level of complexity regarding the calculation of the tax benefit, the Patent Box represented a key matter in the audit of the consolidated financial statements.

We have performed an understanding and evaluation of the internal controls in place over the calculation of the Patent Box tax benefit.

We have analysed, with the support of PwC tax experts, the agreement with the Italian tax authority and the coherence between the agreement and the methodology used for the calculation the tax benefit recorded in the 2018 consolidated financial statements.

We have tested the mathematical accuracy of the calculation model used and tested, on a sample basis, the information used with the supporting documentation.

We have tested the accuracy and completeness of the disclosure presented in the notes to the consolidated financial statements.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and with the regulations issued to implement article 9 of Legislative Decree 38/2005 and, in the terms prescribed by law, for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Management is responsible for assessing the group ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, management uses the going concern basis of accounting unless management intends either to liquidate Pirelli & C SpA or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing, in the terms prescribed by law, the group financial reporting process.



Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As part of an audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional scepticism throughout the audit.

Furthermore:

- we identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we design and perform audit procedures responsive to those risks; we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group internal control;
- we evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- we conclude on the appropriateness of management use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern;
- we evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- we obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



We also provide those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that are of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our report.

Additional Disclosures required by Article 10 of Regulation (EU) 537/2014

We were appointed by the shareholders of Pirelli & C SpA at the general meeting held on 1 August 2017 to perform the audit of the Company consolidated and separate financial statements for the years ending 31 December 2017 through 31 December 2025.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) 537/2014 and that we remained independent of the Company in conducting the audit.

We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to those charged with governance, in their capacity as audit committee, prepared in accordance with article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree 39/2010 and Article 123-bis, paragraph 4, of Legislative Decree 58/1998

Management of Pirelli & C SpA is responsible for preparing a report on operations and a report on the corporate governance and ownership structure of the Pirelli group as of 31 December 2018, including their consistency with the relevant consolidated financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) 720B to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree 58/1998, with the consolidated financial statements of the Pirelli group as of 31 December 2018 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of the Pirelli group as of 31 December 2018 and are prepared in compliance with the law.



With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree 39/2010, issued on the basis of our knowledge and understanding of the group obtained in the course of the audit, we have nothing to report.

Statement in accordance with article 4 of Consob Regulation implementing Legislative Decree 254/2016

Management of Pirelli & C SpA is responsible for the preparation of the non-financial disclosure in accordance with Legislative Decree 254/2016. We have verified that the non-financial disclosure was approved by the board of directors.

In accordance with article 3, paragraph 10, of Legislative Decree 254/2016, the non-financial disclosure is subject to separate audit reporting by our firm.

Milan, 3 April 2019

PricewaterhouseCoopers SpA

Signed by

Paolo Caccini
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers

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

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

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

of the administrative and accounting procedures for preparation of the separate financial statements, during the period January 1, 2018 – December 31, 2018.

2. In this regard it should be noted that the adequacy of the administrative and accounting procedures for preparation of the separate financial statements for the year ended December 31, 2018 was determined on the basis of an assessment of the internal control system. This assessment was based on a specific process defined in accordance with the criteria laid down in the "Internal Control – Integrated Framework" guidelines issued by the "Committee of Sponsoring Organizations of the Treadway Commission" (COSO), which is a reference framework generally accepted at the international level.

3. We also certify that:


3.1 the separate financial statements:

- a. were prepared in accordance with the applicable international accounting standards recognised in the European Union under the terms of Regulation (EC) 1606/2002 of the European Parliament and Council, of July 19, 2002;
- b. correspond to the information in the account ledgers and books;
- c. give a true and fair view of the financial position, the results of operations and cash flows of the reporting entity.

3.2 The report on operations includes a reliable analysis of the performance and results of operations, and of the situation of the reporting entity, together with a description of the principal risks and uncertainties to which they are exposed.

February 26, 2019

The Executive Vice Chairman and
Chief Executive Officer



(Marco Tronchetti Provera)

The Corporate Financial Reporting Manager



(Francesco Tanzi)



PIRELLI & C SPA

INDEPENDENT AUDITOR'S REPORT
IN ACCORDANCE WITH ARTICLE 14 OF LEGISLATIVE
DECREE 39 OF 27 JANUARY 2010 AND ARTICLE 10 OF
REGULATION (EU) 537/2014

SEPARATE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018



Independent auditor's report

in accordance with article 14 of Legislative Decree 39 of 27 January 2010 and article 10 of Regulation (EU) 537/2014

To the shareholders of Pirelli & C SpA

Report on the Audit of the Separate Financial Statements

Opinion

We have audited the separate financial statements of Pirelli & C SpA (the "Company"), which comprise the statement of financial position as of 31 December 2018, the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the separate financial statements give a true and fair view of the financial position of the Company as of 31 December 2018, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, and with the regulations issued to implement article 9 of Legislative Decree 38/2005.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in section Auditor's Responsibilities for the Audit of the Separate Financial Statements of this report. We are independent of the Company based on ethic and independence regulations and standards applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C.F. e P.IVA # Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 0805640211 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25123 Via Borgo Pietro Wulher 21 Tel. 0303697501 - **Catania** 95129 Corso Italia 102 Tel. 0957532311 - **Firenze** 50122 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 01029041 - **Napoli** 80121 Via dei Mille 16 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049877481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 0854545711 - **Roma** 00154 Largo Kochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscelle 43 Tel. 043225789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332285039 - **Verona** 37135 Via Financ 21/C Tel. 0458263001 - **Vicenza** 36100 Piazza Pontebaldollo 9 Tel. 0444393311

www.pwc.com/it

OPINION BILANCIO DI ESERCIZIO

**Key Audit Matters****Recoverability of brands with indefinite useful life**

Note 9 "Intangible assets".

As of 31 December 2018 the indefinite-lived intangible asset Pirelli brand amounts to € 2,270 million.

Recoverability of the carrying amount of Pirelli brand was tested for impairment at the year-end, in accordance with IAS36 – Impairment of Assets.

The recoverable amount of Pirelli Brand is measured using its fair value, based on an income approach. This requires the use of estimates for revenue projections, implied royalty rates and discount rate.

The recoverable amount of Pirelli Brand is compared with its carrying amount.

Considering the magnitude of the carrying amount and the subjective judgment in some of the assumptions used for the calculation of the fair value, the impairment test of the carrying amount of Pirelli brand represented a key matter in the audit of the separate financial statements.

How our audit addressed the key audit matter

We have performed an understanding and evaluation of the internal controls in place over the impairment testing of the Pirelli brand.

We have performed, with the support of PwC experts, the following audit procedures:

- assessment over the adequacy of the impairment testing process in accordance with the requirement of the accounting standard;
- assessment of the key assumptions used when determining the fair value, with focus to revenue projections, implied royalty rates and discount rate, including benchmarking e sensitivity analysis;
- testing the mathematical accuracy of the calculation model used.

We have assessed variances between projections used in previous years and actual results to evaluate the reliability and coherence with the market trend.

We have assessed the accuracy and completeness of the disclosure presented in the notes to the separate financial statements.

Responsibilities of Management and Those Charged with Governance for the Separate Financial Statements

Management is responsible for the preparation of separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and with the regulations issued to implement article 9 of Legislative Decree 38/2005 and, in the terms prescribed by law, for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.



Management is responsible for assessing the Company ability to continue as a going concern and, in preparing the separate financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the separate financial statements, management uses the going concern basis of accounting unless management intends either to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing, in the terms prescribed by law, the Company financial reporting process.

Auditor's Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the separate financial statements.

As part of an audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional scepticism throughout the audit. Furthermore:

- we identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error; we design and perform audit procedures responsive to those risks; we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company internal control;
- we evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- we conclude on the appropriateness of management use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;



- we evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that are of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our report.

Additional Disclosures required by Article 10 of Regulation (EU) 537/2014

We were appointed by the shareholders of Pirelli & C SpA at the general meeting held on 1 August 2017 to perform the audit of the Company consolidated and separate financial statements for the years ending 31 December 2017 through 31 December 2025.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) 537/2014 and that we remained independent of the Company in conducting the audit.

We confirm that the opinion on the separate financial statements expressed in this report is consistent with the additional report to those charged with governance, in their capacity as audit committee, prepared in accordance with article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree 39/2010 and Article 123-bis, paragraph 4, of Legislative Decree 58/1998

Management of Pirelli & C SpA is responsible for preparing a report on operations and a report on the corporate governance and ownership structure of Pirelli & C SpA as of 31 December 2018, including their consistency with the relevant separate financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) 720B to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree 58/1998, with the separate financial statements of the Company as of 31 December



2018 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the separate financial statements of the Company as of 31 December 2018 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree 39/2010, issued on the basis of our knowledge and understanding of the Company obtained in the course of the audit, we have nothing to report.

Milan, 3 April 2019

PricewaterhouseCoopers SpA

Signed by

Paolo Caccini
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers

GRI CONTENT INDEX

GRI STANDARD	DISCLOSURE	PAGE NUMBER, URL	OMISSION	MATERIAL TOPIC	
101: Foundation 2016					
GRI 102: GENERAL DISCLOSURES 2016	102-1 Name of the organization	200			
	102-2 Activities, brands, products, and services	201-202 Corporate website (www.pirelli.com) area about/Pirelli in brief and area about/what we do			
	102-3 Location of headquarters	200			
	102-4 Location of operations	374-379 Corporate website (www.pirelli.com) area investors/ reports and results/ presentations and webcast/ Company Presentation (March 2019)			
	102-5 Ownership and legal form	202-203, 235			
	102-6 Markets served	120 Corporate website (www.pirelli.com) area about/Pirelli in brief			
	102-7 Scale of the organization	77, 143, 160, 203			
	102-8 Information on employees and other workers	162, 165-166			
	102-9 Supply chain	133-135			
	102-10 Significant changes to the organization and its supply chain	108, 133-135, 160, 163-164			
	102-11 Precautionary Principle or approach	94-100			
	102-12 External initiatives	108-109			
	102-13 Membership of associations	185-188			
	102-14 Statement from senior decision-maker	6-8, 10-13			
	102-15 Key impacts, risks, and opportunities	94-100			
	102-16 Values, principles, standards, and norms of behavior	113-114, 125, 136, 164, 172, 178 Corporate website (www.pirelli.com), area sustainability/main sustainability policies			
	102-17 Mechanisms for advice and concerns about ethics	115-117			Business Ethics & Integrity
	102-18 Governance structure	202, 209, 214-216, 218-226, 228			Corporate Governance
	102-19 Delegating authority	109, 225-226, 228			Corporate Governance
	102-20 Executive-level responsibility for economic, environmental, and social topics	109			Corporate Governance
	102-21 Consulting stakeholders on economic, environmental, and social topics	109, 111, 130			Corporate Governance, Community Engagement
	102-22 Composition of the highest governance body and its committees	211-212, 220-226, 228, 236-237, 240-241			Corporate Governance
	102-23 Chair of the highest governance body	211-212			Corporate Governance
	102-24 Nominating and selecting the highest governance body	202-203, 209-210			Corporate Governance

GRI STANDARD	DISCLOSURE	PAGE NUMBER, URL	OMISSION	MATERIAL TOPIC	
GRI 102: GENERAL DISCLOSURES 2016	102-25 Conflicts of interest	229-230		Corporate Governance	
	102-26 Role of highest governance body in setting purpose, values, and strategy	109, 225-226, 228		Corporate Governance	
	102-27 Collective knowledge of highest governance body	214		Corporate Governance	
	102-28 Evaluating the highest governance body's performance	215-216		Corporate Governance	
	102-29 Identifying and managing economic, environmental, and social impacts	225-226		Corporate Governance	
	102-30 Effectiveness of risk management processes	94-100, 225-226		Corporate Governance	
	102-31 Review of economic, environmental, and social topics	219, 225-226		Corporate Governance	
	102-32 Highest governance body's role in sustainability reporting	109, 225-226		Corporate Governance	
	102-33 Communicating critical concerns	226		Corporate Governance	
	102-34 Nature and total number of critical concerns			Confidentiality Constraints	Corporate Governance
	102-35 Remuneration policies	253-271			Corporate Governance
	102-36 Process for determining remuneration	253-255			Corporate Governance
	102-37 Stakeholders' involvement in remuneration	253-255			Corporate Governance
	102-38 Annual total compensation ratio			Confidentiality Constraints	Corporate Governance
	102-39 Percentage increase in annual total compensation ratio			Confidentiality Constraints	Corporate Governance
	102-40 List of stakeholder groups	111-113			
	102-41 Collective bargaining agreements	176			
	102-42 Identifying and selecting stakeholders	111			
	102-43 Approach to stakeholder engagement	111			
	102-44 Key topics and concerns raised	111-113			
	102-45 Entities included in the consolidated financial statements	108, 143, 374-379			
	102-46 Defining report content and topic Boundaries	108-109, 496-502			
	102-47 List of material topics	111-113			
	102-48 Restatements of information	108			
	102-49 Changes in reporting	111-113, 496-502			
	102-50 Reporting period	108			
	102-51 Date of most recent report	108			
	102-52 Reporting cycle	108			
	102-53 Contact point for questions regarding the report	109			
	102-54 Claims of reporting in accordance with the GRI Standards	108			
	102-55 GRI content index	496-502			
	102-56 External assurance	507-511			

GRI STANDARD	DISCLOSURE	PAGE NUMBER, URL	OMISSION	MATERIAL TOPIC
GRI 201: ECONOMIC PERFORMANCE 2016	GRI 103: Management Approach 2016	96, 118-119, 136-137, 177-178		
	201-1 Direct economic value generated and distributed	118		Financial Health
	201-2 Financial implications and other risks and opportunities due to climate change	96, 136-137		Financial Health
	201-3 Defined benefit plan obligations and other retirement plans	177-178, 336-344, 356-357		Financial Health
	201-4 Financial assistance received from government	119		Financial Health
GRI 202: MARKET 2016	GRI 103: Management Approach 2016	165, 167		
	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	167		
	202-2 Proportion of senior management hired from the local community	165		
GRI 203: INDIRECT ECONOMIC IMPACTS 2016	GRI 103: Management Approach 2016	185, 188		
	203-1 Infrastructure investments and services supported	118-119, 188-196		Community Engagement
	203-2 Significant indirect economic impacts	118-119, 185-196		
GRI 204: PROCUREMENT PRACTICES 2016	GRI 103: Management Approach 2016	134		
	204-1 Proportion of spending on local suppliers	134		
GRI 205: ANTI-CORRUPTION 2016	GRI 103: Management Approach 2016	114-115, 126-127		
	205-1 Operations assessed for risks related to corruption	114-115		Business Ethics & Integrity
	205-2 Communication and training about anti-corruption policies and procedures	114-115, 126-127, 214	Information Unavailable: % of employees trained on anti-corruption currently not disclosed by category and region	Business Ethics & Integrity
	205-3 Confirmed incidents of corruption and actions taken	115		Business Ethics & Integrity
GRI 206: ANTI-COMPETITIVE BEHAVIOR 2016	GRI 103: Management Approach 2016	114-115		
	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	115		Business Ethics & Integrity
GRI 301: MATERIALS 2016	GRI 103: Management Approach 2016	113-114, 135, 150, 158		
	301-1 Materials used by weight or volume	135	Confidentiality Constraints	Renewable Materials
	301-2 Recycled input materials used	135		
	301-3 Reclaimed products and their packaging materials	150, 158		End of Life Tyre Recovery and Recycling

GRI STANDARD	DISCLOSURE	PAGE NUMBER, URL	OMISSION	MATERIAL TOPIC
GRI 302: ENERGY 2016	GRI 103: Management Approach 2016	98, 136-141, 143-144, 154		
	302-1 Energy consumption within the organization	144-145		Responsible Use of Natural Resources
	302-2 Energy consumption outside of the organization	137-141		Responsible Use of Natural Resources
	302-3 Energy intensity	144-145		Responsible Use of Natural Resources
	302-4 Reduction of energy consumption	144		Responsible Use of Natural Resources
	302-5 Reductions in energy requirements of products and services	154-156		Responsible Use of Natural Resources
GRI 303: WATER 2016	GRI 103: Management Approach 2016	98, 136-141, 148-149		
	303-1 Water withdrawal by source	149-150		Responsible Use of Natural Resources
	303-2 Water sources significantly affected by withdrawal of water	150		Responsible Use of Natural Resources
GRI 304: BIODIVERSITY 2016	303-3 Water recycled and reused	150		Responsible Use of Natural Resources
	GRI 103: Management Approach 2016	136, 138-141, 152		
	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	152		
	304-2 Significant impacts of activities, products, and services on biodiversity	152		
GRI 305: EMISSIONS 2016	304-3 Habitats protected or restored	148, 152		
	304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations	152		
	GRI 103: Management Approach 2016	96, 98, 136-141, 146, 148		
	305-1 Direct (Scope 1) GHG emissions	145-147		Climate Change & GHG Emissions Management
	305-2 Energy indirect (Scope 2) GHG emissions	145-148		Climate Change & GHG Emissions Management
	305-3 Other indirect (Scope 3) GHG emissions	133, 136-141, 146, 148		Climate Change & GHG Emissions Management
	305-4 GHG emissions intensity	145-147		Climate Change & GHG Emissions Management
GRI 306: EFFLUENTS AND WASTE 2016	305-5 Reduction of GHG emissions	145-148		Climate Change & GHG Emissions Management
	305-6 Emissions of ozone-depleting substances (ODS)	153		
	305-7 Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	152-153		
	GRI 103: Management Approach 2016	98, 136-141, 148-150		
	306-1 Water discharge by quality and destination	150		
	306-2 Waste by type and disposal method	150-151		
	306-3 Significant spills	153		
GRI 307: ENVIRONMENTAL COMPLIANCE 2016	306-4 Transport of hazardous waste	150-151		
	306-5 Water bodies affected by water discharges and/or runoff	150		
	GRI 103: Management Approach 2016	98, 136		
	307-1 Non-compliance with environmental laws and regulations	153		Legal & Regulatory Compliance

GRI STANDARD	DISCLOSURE	PAGE NUMBER, URL	OMISSION	MATERIAL TOPIC
GRI 308: SUPPLIER ENVIRONMENTAL ASSESSMENT 2016	GRI 103: Management Approach 2016	100, 113-114, 126-127		
	308-1 New suppliers that were screened using environmental criteria	126-128		Responsible Procurement
	308-2 Negative environmental impacts in the supply chain and actions taken	128-129		Responsible Procurement
GRI 401: EMPLOYMENT 2016	GRI 103: Management Approach 2016	97-98, 162-164, 166, 177-178		
	401-1 New employee hires and employee turnover	162-164		
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	177-178		
	401-3 Parental leave	166		Employees Well-Being & Work-life Balance
GRI 402: LABOR/ MANAGEMENT RELATIONS 2016	GRI 103: Management Approach 2016	98, 113-114, 175-176		
	402-1 Minimum notice periods regarding operational changes	175-176		Labour Relations Management
GRI 403: OCCUPATIONAL HEALTH AND SAFETY 2016	GRI 103: Management Approach 2016	98, 178-179		
	403-1 Workers representation in formal joint management-worker health and safety committees	179		Occupational Health&Safety, Labour Relations Management
	403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	179-183	Confidentiality Constraints: abstentee rate not disclosed publicly	Occupational Health&Safety
	403-3 Workers with high incidence or high risk of diseases related to their occupation	181		Occupational Health&Safety
	403-4 Health and safety topics covered in formal agreements with trade unions	176, 179		Occupational Health&Safety
GRI 404: TRAINING AND EDUCATION 2016	GRI 103: Management Approach 2016	97-98, 170-171		
	404-1 Average hours of training per year per employee	173		Training & Development
	404-2 Programs for upgrading employee skills and transition assistance programs	171-172		Training & Development
	404-3 Percentage of employees receiving regular performance and career development reviews	170-171		Training & Development
GRI 405: DIVERSITY AND EQUAL OPPORTUNITY 2016	GRI 103: Management Approach 2016	164-165, 203		
	405-1 Diversity of governance bodies and employees	160-161, 165-166, 203, 211-212		Diversity & Equal Opportunities
	405-2 Ratio of basic salary and remuneration of women to men	166-167		Diversity & Equal Opportunities, Human Rights
GRI 406: NON-DISCRIMINATION 2016	GRI 103: Management Approach 2016	164-165		
	406-1 Incidents of discrimination and corrective actions taken	165		Diversity & Equal Opportunities, Human Rights
GRI 407: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING 2016	GRI 103: Management Approach 2016	98, 100, 126-127, 159-160, 175-176		
	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	127-129, 159-160, 176-177		Labour Relations Management, Human Rights, Responsible Procurement
GRI 408: CHILD LABOR 2016	GRI 103: Management Approach 2016	98, 100, 126-127, 159-160, 175-176		
	408-1 Operations and suppliers at significant risk for incidents of child labor	127-129, 159-160, 176-177		Human Rights, Responsible Procurement

GRI STANDARD	DISCLOSURE	PAGE NUMBER, URL	OMISSION	MATERIAL TOPIC
GRI 409: FORCED OR COMPULSORY LABOR 2016	GRI 103: Management Approach 2016	98, 100, 126-127, 159-160, 175-176		
	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	127-129, 159-160, 176-177		Human Rights, Responsible Procurement
	GRI 103: Management Approach 2016	159-160		
GRI 410: SECURITY PRACTICES 2016	GRI 103: Management Approach 2016			Information Unavailable: % of security personnel trained on human rights currently not available
	410-1 Security personnel trained in human rights policies or procedures			
GRI 411: RIGHTS OF INDIGENOUS PEOPLES 2016	GRI 103: Management Approach 2016	159-160		
	411-1 Incidents of violations involving rights of indigenous peoples	115-117		Human Rights
GRI 412: HUMAN RIGHTS ASSESSMENT 2016	GRI 103: Management Approach 2016	100, 159-160		
	412-1 Operations that have been subject to human rights reviews or impact assessments	159-160, 176-177		Human Rights
	412-2 Employee training on human rights policies or procedures	159-160		Information Unavailable: number of hours of training on human rights and % of employees trained currently unavailable
	412-3 Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	125-127		Human Rights
GRI 413: LOCAL COMMUNITIES 2016	GRI 103: Management Approach 2016	159-160		
	413-1 Operations with local community engagement, impact assessments, and development programs	111, 159-160		Information Unavailable: information currently unavailable Community Engagement
	413-2 Operations with significant actual and potential negative impacts on local communities	159-160		Information Unavailable: information currently unavailable Community Engagement
GRI 414: SUPPLIER SOCIAL ASSESSMENT 2016	GRI 103: Management Approach 2016	100, 113-114, 126-127		
	414-1 New suppliers that were screened using social criteria	126-129		Responsible Procurement
	414-2 Negative social impacts in the supply chain and actions taken	127-129		Responsible Procurement
GRI 415: PUBLIC POLICY 2016	GRI 103: Management Approach 2016	119		
	415-1 Political contributions	119		
GRI 416: CUSTOMER HEALTH AND SAFETY 2016	GRI 103: Management Approach 2016	98, 113-114		
	416-1 Assessment of the health and safety impacts of product and service categories	126		Product Quality & Safety
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	125		Legal & Regulatory Compliance

GRI STANDARD	DISCLOSURE	PAGE NUMBER, URL	OMISSION	MATERIAL TOPIC
GRI 417: MARKETING AND LABELING 2016	GRI 103: Management Approach 2016	154-158		
	417-1 Requirements for product and service information and labeling	124, 154-158		
	417-2 Incidents of non-compliance concerning product and service information and labeling	125		Legal & Regulatory Compliance
	417-3 Incidents of non-compliance concerning marketing communications	125		Legal & Regulatory Compliance
GRI 418: CUSTOMER PRIVACY 2016	GRI 103: Management Approach 2016	113-114		
	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	125		Legal & Regulatory Compliance
GRI 419: SOCIOECONOMIC COMPLIANCE 2016	GRI 103: Management Approach 2016	113-114		
	419-1 Non-compliance with laws and regulations in the social and economic area	125		Business Ethics & Integrity, Legal & Regulatory Compliance

**OTHER MATERIAL TOPICS IDENTIFIED
(not covered or partially covered by the GRI Standards)**

Material Topic	Page Number
Employees Well-Being & Work-life Balance	174-175, 179
Customer Satisfaction	121-124
Product Quality & Safety	124-125
Product Environmental Sustainability	154-158
Road Safety Initiatives	188-189

UNGC PRINCIPLES SUMMARY TABLE

AREAS OF THE GLOBAL COMPACT	GLOBAL COMPACT PRINCIPLES	DIRECTLY RELEVANT GRI INDICATORS	INDIRECTLY RELEVANT GRI INDICATORS
HUMAN RIGHTS	Principle 1 - Business should promote and respect internationally proclaimed human rights in their respective spheres of influence	Disclosure 407: Freedom of Association and Collective Bargaining Disclosure 408: Child Labor Disclosure 409: Forced or Compulsory Labor Disclosure 410: Security Practices Disclosure 411: Rights of Indigenous Peoples Disclosure 412: Human Rights Assessment Disclosure 414: Supplier Social Assessment Disclosure 103-2: Grievance Mechanism	Disclosure 413: Local Communities
	Principle 2 - Business should ensure that they are not, albeit indirectly, complicit in human rights abuses	Disclosure 410: Security Practices Disclosure 412: Human Rights Assessment Disclosure 414: Supplier Social Assessment	
LABOUR STANDARDS	Principle 3 - Businesses should uphold the freedom of association of workers and recognise the right to collective bargaining	Disclosure 402: Labour/Management Relations Disclosure 403: Occupational Health and Safety Disclosure 407: Freedom of Association and Collective Bargaining Disclosure 410: Security Practices Disclosure 102-11: Precautionary Principle or Approach Disclosure 102-41: Collective Bargaining Agreements	
	Principle 4 - Business should uphold the elimination of all forms of forced and compulsory labour	Disclosure 409: Forced or Compulsory Labor Disclosure 410: Security Practices	Disclosure 412: Human Rights Assessment
	Principle 5 - Business should uphold the effective elimination of child labour	Disclosure 408: Child Labor Disclosure 410: Security Practices	Disclosure 412: Human Rights Assessment
	Principle 6 - Business should uphold the elimination of discrimination in respect of employment and occupation	Disclosure 401: Employment Disclosure 404: Training and Education Disclosure 405: Diversity and Equal Opportunity Disclosure 406: Non-Discrimination Disclosure 410: Security Practices Disclosure 102-8: Information on Employees and other Workers	Disclosure 202: Market Presence Disclosure 401: Employment Disclosure 412: Human Rights Assessment Disclosure 414: Supplier Social Assessment Disclosure 102-41: Collective Bargaining Agreements
ENVIRONMENT	Principle 7 - Businesses should support a precautionary approach to environmental challenges	Disclosure 102-11: Precautionary Principle or Approach Disclosure 201: Economic Performance	Disclosure 301: Materials Disclosure 302: Energy Disclosure 303: Water Disclosure 304: Biodiversity Disclosure 305: Emissions Disclosure 306: Effluents and Waste Disclosure 307: Environmental Compliance
	Principle 8 - Business should undertake initiatives to promote greater environmental responsibility	Disclosure 301: Materials Disclosure 302: Energy Disclosure 303: Water Disclosure 304: Biodiversity Disclosure 305: Emissions Disclosure 306: Effluents and Waste Disclosure 307: Environmental Compliance Disclosure 308: Supplier Environmental Assessment Disclosure 103-2: Grievance Mechanism	Disclosure 201: Economic Performance
	Principle 9 - Businesses should encourage the development and diffusion of environmentally friendly technologies	Disclosure 301: Materials Disclosure 302: Energy Disclosure 303: Water Disclosure 305: Emissions	
ANTI-CORRUPTION	Principle 10 - Businesses should work against corruption in all its forms, including extortion and bribery	Disclosure 205: Anti-Corruption Disclosure 419: Socioeconomic Compliance Disclosure 102-16: Values, Principles, Standards, and Norms of Behavior Disclosure 102-17: Mechanism for Advice and Concerned about Ethics	Disclosure 205: Anti-Corruption Disclosure 419: Socioeconomic Compliance Disclosure 102-16: Values, Principles, Standards, and Norms of Behavior Disclosure 102-17: Mechanism for Advice and Concerned about Ethics

SDGS SUMMARY TABLE

SUSTAINABLE DEVELOPMENT GOALS (SDGS)	PARAGRAPHS DESCRIBING THE GROUP'S ACTIVITIES IN SUPPORT OF THE SDGS AND RELEVANT TARGETS
1 - NO POVERTY	Company Initiatives for the External Community (Solidarity p.191-192)
2 - ZERO HUNGER	Company Initiatives for the External Community (Solidarity p.191-192)
3 - GOOD HEALTH AND WELL-BEING	Welfare and Initiatives for the Internal Community (pp.174-175) Occupational Health, Safety and Hygiene (pp.178-183) Company Initiatives for the External Community (Road Safety pp.188-189, Sport and Social Responsibility p.191, Health pp.192-193) <u>Target:</u> → Accident Frequency Index: -87% by 2020 compared to 2009
4 - QUALITY EDUCATION	Training (pp.171-173) Company Initiatives for the External Community (Training pp.190-191, Culture and Social Value pp.193-194) <u>Target:</u> → Training: investment in employee training of at least an average of 7 man days
5 - GENDER EQUALITY	Diversity Management (pp.164-168)
6 - CLEAN WATER AND SANITATION	Water Management (pp.148-150) <u>Target:</u> → Specific withdrawal of water -66% by 2020 compared to 2009
7 - AFFORDABLE AND CLEAN ENERGY	Joining the Task Force on Climate-Related Financial Disclosures (TCFD) (pp.136-137) Energy Management (pp.143-145) Management of Greenhouse Gas Emissions and Carbon Action Plan (pp.145-148) <u>Target:</u> → Specific Energy Consumption: -19% by 2020 compared to 2009
8 - DECENT WORK AND ECONOMIC GROWTH	Our Suppliers (pp.125-135) Internal Community (pp.160-183)
9 - INDUSTRY, INNOVATION AND INFRASTRUCTURE	Company Initiatives for the External Community (Training pp.190-191) <u>Target:</u> → For specific product segments it is foreseen, by 2025 and compared with 2017, the doubling of the weight of renewable materials used and the reduction by 30% of raw materials derived from fossils
10 - REDUCED INEQUALITIES	Diversity Management (pp.164-168)
11 - SUSTAINABLE CITIES AND COMMUNITIES	Principal International Commitments for Sustainability (WBCSD pp.186-187) Company Initiatives for the External Community (Road Safety pp.188-189, Solidarity pp.191-192) <u>Targets:</u> → Improvement of product performances in 2020: → Car products: -20% average rolling resistance, +15% on wet surfaces, -15% noise (vs 2009) → Moto products: -10% average rolling resistance, +40% performance on wet surfaces, +30% for mileage (vs 2009) → Velo: +5% braking performance, +10% wet surfaces (vs 2017)
12 - RESPONSIBLE CONSUMPTION AND PRODUCTION	Joining the Task Force on Climate-Related Financial Disclosures (TCFD) (pp.136-137) Energy Management (pp.143-145) Management of Greenhouse Gas Emissions and Carbon Action Plan (pp.143-145) Water Management (pp.148-150) Waste Management (pp.150-151) Company Initiatives for the External Community (Training pp.190-191) <u>Targets:</u> → Specific Energy Consumption: -19% by 2020 compared to 2009 → Specific CO ₂ Emissions: -17% in 2020 compared to 2009 → Water Specific Withdrawal: -66% by 2020 compared to 2009 → Waste Recovery: >95% by 2020

SUSTAINABLE DEVELOPMENT GOALS (SDGS)	PARAGRAPHS DESCRIBING THE GROUP'S ACTIVITIES IN SUPPORT OF THE SDGS AND RELEVANT TARGETS
13 - CLIMATE ACTION	CDP Supply Chain (p.133) Joining the Task Force on Climate-Related Financial Disclosures (TCFD) (pp.136-137) Management of Greenhouse Gas Emissions and Carbon Action Plan (pp.143-145) Main International Commitments for Sustainability (International Commitments against Climate Change pp.187-188) <u>Targets:</u> → Specific Energy Consumption: -19% by 2020 compared to 2009 → Specific CO ₂ Emissions: -17% in 2020 compared to 2009 → Green Performance Revenues: >50% of total revenues and >65% on High Value Product Revenues by 2020 compared to 2009 → Improvement of product performances in 2020: → Car products: -20% average rolling resistance, +15% performance on wet surfaces, -15% noise (vs 2009) → Moto products: -10% average rolling resistance, +40% performance on wet surfaces, +30% for mileage (vs 2009) → Velo: +5% braking performance, +10% wet surfaces (vs 2017)
14 - LIFE BELOW WATER	Water Management (pp.148-150)
15 - LIFE ON LAND	Sustainability of the Natural Rubber Supply Chain (pp.129-131) Company Initiatives for the External Community (Training pp.190-191)
16 - PEACE, JUSTICE AND STRONG INSTITUTIONS	Programs of Compliance 231, Anti-corruption, Privacy and Antitrust (pp.114-115)
17 - PARTNERSHIPS FOR THE GOALS	Sustainability of the Natural Rubber Supply Chain (pp.129-131) Main International Commitments for Sustainability (pp.185-188) Company Initiatives for the External Community (pp.188-194)

CORRELATION TABLE WITH TOPICS LISTED IN ART. 2, D. LGS 254/2016

	TOPICS FROM D. LGS 254/2016	REFERENCE PARAGRAPH	PAGE NUMBER
ENVIRONMENTAL ASPECTS	Use of Energy Resources (from renewables and non-renewables)	→ Risks Related To Environmental Issues → Energy Management	98, 143-145
	Use of Water Resources	→ Risks Related To Environmental Issues → Water Management	98, 148-150
	Greenhouse Gas Emissions and Air-Polluting Emissions	→ Risks Related To Climate Change → Joining the Task Force on Climate-Related Financial Disclosures (TCFD) → Management of Greenhouse Gas Emissions and Carbon Action Plan → Solvents → NO _x Emissions → Other Emissions and Environmental Aspects	96, 136-137, 145-148, 152-153
SOCIAL ASPECTS	Health and Safety	→ Employee Health and Safety Risks → Occupational Health, Safety and Hygiene	98, 178-183
	Training and Development	→ Risks associated with Human Resources → Development → Training	97-98, 170-173
	Welfare	→ Welfare and Initiatives for the Internal Community	174-175
	Dialogue with Employees	→ Litigation Risks → Listening: Group Opinion Survey → Industrial Relations	98, 174-178
	Actions for Gender Equality	→ Diversity Management → Sustainability and Diversity Policy	164-168, 203
	Respect for Human Rights: Measures Taken and Prevention	→ Risks relative to Corporate Social and Environmental Responsibility, Business Ethics, and Third-Party Audits → Human Rights Governance → Diversity Management	100, 159-160, 164-168
GOVERNANCE ASPECTS	Fight against Active and Passive Corruption	→ Risks relative to Corporate Social and Environmental Responsibility, Business Ethics, and Third-Party Audits → Programs of Compliance 231, Anti-corruption, Privacy and Antitrust	100, 114-115



PIRELLI & C SPA

INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED NON-FINANCIAL DISCLOSURE IN ACCORDANCE WITH ARTICLE 3, PARAGRAPH 10 OF LEGISLATIVE DECREE 254/2016 AND WITH ARTICLE 5 OF CONSOB REGULATION 20267 ADOPTED BY RESOLUTION OF JANUARY 2018

FOR THE YEAR ENDED 31 DECEMBER 2018



Independent auditor's report on the consolidated non-financial disclosure

In accordance with article 3, paragraph 10 of Legislative Decree 254/2016 and with article 5 of Consob Regulation 20267 adopted by resolution of January 2018

To the board of directors of Pirelli & C SpA

In accordance with article 3, paragraph 10 of the Legislative Decree 254/2016 (the Decree) and with article 5 of CONSOB Regulation 20267/2018, we have performed a limited assurance engagement on the consolidated report on responsible management of the value chain / non-financial disclosure of Pirelli & C SpA and its subsidiaries (Pirelli group) as of and for the year ended 31 December 2018, prepared in accordance with article 4 of the Decree and included in section Report on Responsible Management of the Value Chain of the annual report 2018 of Pirelli group, approved by the board of directors of Pirelli & C SpA on 26 February 2019 (the NFD).

Responsibility of the directors and of the board of statutory auditors for the NFD

The directors are responsible for the preparation of the NFD in accordance with articles 3 and 4 of the Decree and with the Sustainability Reporting Standards, issued by Global Reporting Initiative in 2016 (GRI Standards), and with the process suggested in AA1000APS (AccountAbility Principles Standards).

The directors are responsible, in accordance with the law, for the implementation of internal controls necessary to ensure that the NFD is free from material misstatement, whether due to fraud or unintentional errors. The directors are responsible for identifying the content of the NFD, within the matters mentioned in article 3, paragraph 1 of the Decree, considering the activities and characteristics of the group and to the extent necessary to ensure the understanding of the group activities, its trends, its results and related impacts. The directors are responsible for defining the business and organisational model of the group and, with reference to the matters identified and reported in the NFD, for the policies adopted by the group and for the identification and management of risks generated or faced by the group.

The board of statutory auditors is responsible for overseeing, in accordance with the law, the compliance with the Decree.

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: Ancona 60131 Via Sandro Totti 1 Tel. 0712132311 - Bari 70122 Via Abate Cimma 72 Tel. 0805640211 - Bologna 40126 Via Angelo Finelli 8 Tel. 0516186211 - Brescia 25123 Via Borgo Pietro Wulher 23 Tel. 0303697501 - Catania 95129 Corso Italia 102 Tel. 0957532311 - Firenze 50121 Viale Gramsci 15 Tel. 0552482811 - Genova 16121 Piazza Piccupietra 9 Tel. 010290411 - Napoli 80121 Via dei Mille 16 Tel. 08136181 - Padova 35138 Via Vicenza 4 Tel. 049871481 - Palermo 90141 Via Marchese Ugo 60 Tel. 091349737 - Parma 43121 Viale Tanara 20/A Tel. 0521273911 - Pescara 65127 Piazza Ettore Troilo 8 Tel. 0854545711 - Roma 00151 Largo Rodotri 29 Tel. 065790251 - Torino 10122 Corso Palestro 10 Tel. 011559771 - Trento 38122 Viale della Costituzione 33 Tel. 046127004 - Treviso 31100 Viale dell'Unità 90 Tel. 0422696911 - Trieste 34125 Via Cesare Battisti 18 Tel. 0403480781 - Udine 33100 Via Pascolle 43 Tel. 043225789 - Varese 21100 Via Albuzza 43 Tel. 0332285039 - Verona 37135 Via Francini 21/C Tel. 0458263001 - Vicenza 36100 Piazza Pantielandolfo 9 Tel. 0444393311

www.pwc.com/it



Auditors' independence and quality control

We are independent in accordance with the principles of ethics and independence disclosed in the Code of Ethics for Professional Accountants published by the International Ethics Standards Board of Accountants, which are based on the fundamental principles of integrity, objectivity, competence and professional diligence, privacy and professional behaviour. Our audit firm adopts the International Standard on Quality Control 1 (ISQC Italy 1) and, accordingly, maintains an overall quality control system which includes processes and procedures for the compliance with ethical and professional standard and with applicable laws and regulations.

Auditors' responsibility

We are responsible for expressing, on the basis of the work performed, a conclusion regarding the compliance of the NFD with the Decree, with the GRI Standards and with the process suggested in the AA1000APS. We conducted our engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) – Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000 Revised), issued by the International Auditing and Assurance Standards Board (IAASB), for limited assurance engagements. The standard requires that we plan and perform procedures to obtain a limited assurance that the NFD does not contain material errors. The procedures performed in a limited assurance engagement are less in scope than those performed in a reasonable assurance engagement in accordance with ISAE 3000 Revised (reasonable assurance engagement) and, therefore, do not provide us with a sufficient level of assurance to become aware of all significant facts and circumstances that might be identified in a reasonable assurance engagement.

The procedures performed on the NFD are based on our professional judgement and consisted of interviews, primarily with company personnel responsible for the preparation of the NFD, in the analysis of documents, recalculations and other procedures aimed at obtaining evidence as appropriate.

In particular, we have performed the following procedures:

1. analysis of the relevant matters reported in the NFD relating to the activities and characteristics of the group, in order to assess the reasonableness of the selection process used, in accordance with article 3 of the Decree, with the reporting standard adopted and considering AA1000SES (Stakeholder Engagement Standard);
2. analysis and assessment of the criteria used to identify the consolidation area, to assess its compliance with the Decree;
3. comparison of the financial information reported in the NFD with the information reported in the group consolidated financial statements;
4. understanding of the following matters:
 - o business and organisational model of the group, with reference to the management of the matters specified by article 3 of the Decree;



- o policies adopted by the group with reference to the matters specified by article 3 of the Decree, actual results and related key performance indicators;
- o main risks, generated or faced by the group, with reference to the matters specified in article 3 of the Decree.

With reference to such matters, we have carried out some validation procedures on the information presented in the NFD and other audit procedures as described under point 6. below;

5. understanding of the processes underlying the preparation, collection and management of the qualitative and quantitative material information included in the NFD. In particular, we have held meetings and interviews with the management of Pirelli & C SpA and with the management of Pirelli Neumaticos SA de CV, Pirelli Pneus Ltda and Pirelli Tyre SpA and we have performed limited analysis and validation procedures, to gather information about the processes and procedures for the collection, consolidation, processing and submission of the non-financial information to the function responsible for the preparation of the NFD;
6. analysis of policies and procedures in place and of the coherence of the sustainability management model compared to UNI ISO26000 principles, among which: governance, human rights, relationship and work conditions, and environment.

Moreover, for significant information, considering the activities and characteristics of the group:

- at a group level,
 - a) with reference to the qualitative information included in the NFD, and in particular to the business model, the policies adopted and the main risks, we carried out interviews and obtained supporting documentation to verify its consistency with available evidence;
 - b) with reference to quantitative information, we performed analytical procedures and limited tests, in order to assess, on a sample basis, the proper consolidation of the information;
- for the industrial sites located in Silao (Mexico) and Feira de Santana (Brazil), which were selected on the basis of their activities, their contribution to the performance indicators at consolidated level and their location, we carried out site visits during which we met local management and gathered supporting documentation regarding the compliance with procedures and calculation methods used for the key performance indicators.



Conclusions

Based on the work performed, nothing has come to our attention that caused us to believe that the NFD of the Pirelli group as of 31 December 2018 and for the year then ended has not been prepared, in all material respects, in compliance with articles 3 and 4 of the Decree, with the GRI Standards and with the principles of inclusivity, materiality and responsiveness of AA1000APS, as described in the Methodological note of the Report on Responsible Management of the Value Chain.

Milan, 3 April 2019

Signed by

Paolo Caccini
(Partner)

Signed by

Paolo Bersani
(Authorized signatory)

This report has been translated into English from the Italian original solely for the convenience of international readers