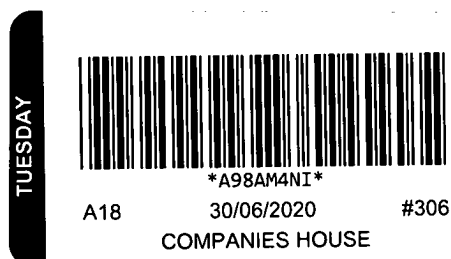




**Pirelli International Limited (formerly Pirelli International plc)**  
**Annual Reports and Financial Statements**

**31 December 2019**

**Registered Office:**  
**Derby Road**  
**Burton-on-Trent**  
**Staffordshire**  
**DE13 0BH**



**Registered in England**  
**No. 4108548**

**PIRELLI INTERNATIONAL LIMITED**

**ANNUAL REPORTS AND FINANCIAL STATEMENTS**  
For the year ended 31 December 2019

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# **Pirelli International Limited**

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## **DIRECTORS AND ADVISERS**

### **Directors:**

Mr G Cangelosi

Mr D A Sandivasci

Mr G Andrews

Mr R J Stone

Mr W D J Ballan

### **Company Secretary:**

Mr C S Sagoo

### **Auditors:**

Rostance Edwards Ltd  
1 & 2 Heritage Park  
Hayes Way  
Cannock  
Staffordshire  
WS11 7LT

### **Registered Office:**

Derby Road  
Burton-on-Trent  
Staffordshire  
DE13 0BH

# **Pirelli International Limited**

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## **STRATEGIC REPORT**

For the year ended 31 December 2019

The directors present their strategic report of Pirelli International Limited ("the Company") for the year ended 31 December 2019.

### **Review of Business**

The Company made a profit before tax for the year of €13,692,000 (2018: €23,630,000). After tax the Company made a profit of €10,839,000 (2018: €16,462,000).

The return on capital employed (profit or loss before tax as a percentage of net assets) for 2019 was positive 5.25% (2018: positive 8.72%).

The Company ceased undertaking the management of the finances for the Pirelli & C. S.p.A. group of companies during 2019 but continues to undertake the natural rubber procurement for the Pirelli & C. S.p.A. group of companies. The Company considers the result for 2019 to be satisfactory.

The Pirelli & C. S.p.A. group monitors key performance indicators (KPIs) on all aspects of its development, performance and business position including return on capital employed, profit before taxation and gearing. From the perspective of the Company, it is controlled by the Pirelli & C. S.p.A. group. The Company's principal KPIs are therefore integrated with those of the Pirelli & C. S.p.A. group. Accordingly, the principal KPIs of Pirelli & C. S.p.A., which include those of the Company, are discussed in the Report of the Directors in the Pirelli & C. S.p.A. Annual Report which does not form part of this report.

### **Principal Risks and Uncertainties**

The Company has minimal direct exposure to business risks as it only transacts business on behalf of other Pirelli & C. S.p.A. group companies.

Due to the Company's operations, its principal risks and uncertainties largely relate to financial risks as discussed below.

### **Financial Risk Management**

The Company's operations expose it to liquidity, interest rate, credit and foreign currency risks. Whilst the Company deals in commodities, it has no exposure because all variations in price are recharged to fellow Pirelli Group affiliates. The Company has in place a risk management programme that seeks to limit the adverse effects on its financial performance by monitoring levels of debt finance and currency exposure. Given the size of the Company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the Board. The policies set by the Board are implemented by the Company's finance department.

In order to ensure stability of cash flows, it is the Company's policy to operate with financial receivables and payables being repayable within one year at variable interest rates unless longer term committed facilities are available when it ensures its matching receivables have repayment dates no longer than the termination dates of such facilities. The Company undertakes interest rate swap contracts with banks to hedge interest rate risk arising where euro denominated facilities have a repayment date significantly longer than the assets. The Company undertakes cross currency swap contracts with banks to hedge foreign currency and interest rate risks arising where non-euro denominated facilities have a repayment date significantly longer than the assets. The Company uses derivative financial instruments to manage its currency exposure of financial receivables and payables that are not denominated in euros. The Company undertakes spot and forward foreign currency deals with fellow subsidiary companies of the Pirelli & C. S.p.A. group to enable those companies to cover their own foreign currency risks arising from their commercial operations. The aggregate currency exposures, in terms of amounts and maturity dates, are covered with derivative financial instruments from banks to effectively minimise the Company's risk.

# Pirelli International Limited

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## STRATEGIC REPORT (continued) For the year ended 31 December 2019

### Financial Risk Management (continued)

Credit risks are primarily associated with loans and other receivables, the vast majority of which are made to fellow subsidiary companies within the Pirelli & C. S.p.A. group. Credit risks are also associated with derivative financial instruments undertaken with third parties and fellow subsidiary companies within the Pirelli & C. S.p.A. group. The Company is only allowed to deal with third parties as approved by Pirelli & C. S.p.A. The level of exposure is set by senior management of the Company.

### Brexit

As a result of a referendum held on 23 June 2016, the UK left the European Union ("EU") on 31 January 2020 and entered a transition period due to finish on 31 December 2020 during which the UK government and the EU will negotiate their future relationship. Whilst this future relationship is being agreed, there is a high degree of uncertainty and consequently market volatility is expected. The impact of this volatility and uncertainty on the Company is yet to be determined. The directors are monitoring the situation, but no strategic decision about the future of the Company's business has yet been taken. To date, there have been no matters that warrant adjustment to the financial results as at 31 December 2019 and for the year then ended.

### Post Balance Sheet Event - Coronavirus (COVID-19) Pandemic

The measures adopted by many countries to combat COVID-19 during 2020 have led to a severe global economic downturn. The Pirelli & C. S.p.A. group has instigated measures to mitigate the effect on its core consumer tyre business and ensured it has a substantial liquidity margin with debt maturities guaranteed for around 3 years, details of which are available on its website. The directors believe COVID-19 will not materially impact the Company.

### Section 172 Statement

This S172 statement, which is reported for the first time, explains how the directors:

- have engaged with employees, suppliers, customers and others; and
- have had regard to employee interests, the need to foster the company's business relationships with suppliers, customers and others, and the effect of that, including on the principal decisions taken by the Company during the financial year.

The S172 statement focuses on matters of strategic importance to the company, and the level of information disclosed is consistent with the size and the complexity of the business.

### *General confirmation of directors' duties*

The directors accept their duty to promote the success of the Company for the benefit of its members as a whole and have regard to the wider stakeholder interests below:

### *S172(1) (A) "The likely consequences of any decision in the long term"*

Pirelli's Responsible management runs through the entire value chain. Every operating unit integrates economic, social and environmental responsibility in its own activity, while cooperating constantly with other units and with stakeholders; this allows the Pirelli & C. S.p.A. group to effectively manage risks and opportunities related to its processes, products and services, with a constant focus on innovation and with the awareness of the role of a multinational group in a global context.

## Pirelli International Limited

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### STRATEGIC REPORT (continued) For the year ended 31 December 2019

#### Section 172 Statement (continued)

On 19 February 2020 Pirelli & C. S.p.A. released its new Industrial Plan including sustainability targets for 2022-2025-2030.

The Targets:

- align with the Company's social and environmental material impacts; and
- pursue corporate preparedness to mitigate risks while taking growth opportunities arising from global scenarios in 2025-2030, including technological breakthroughs, digital innovation, climate change and circular economy, cybersecurity needs, population growth and raw materials scarcity, smart and connected mobility.

#### *S172(1) (B) "The interests of the Company's employees"*

The directors recognise that the Company's employees are fundamental and core to our business and delivery of our strategic ambitions. The success of our business depends on attracting, retaining and motivating employees. From ensuring that we remain a responsible employer, from pay and benefits to our health, safety and workplace environment, the directors factor the implications of decisions on employees and the wider workforce, where relevant and feasible.

The Talent Development process aims to ensure business continuity by supporting the identification and development of people with the potential to cover the positions of greater complexity, those who already hold strategic positions and so-called critical know-how (that is, people with key skills that are difficult to replace).

#### *S172(1) (C) "The need to foster the Company's business relationships with suppliers, customers and others"*

The role of Pirelli in an economic and social context is tied to its capacity to create value through a multi-stakeholder approach, i.e. by sustainable and lasting growth that can reconcile the interests and expectations of all those with whom the Company interacts. The Company actively engages with its stakeholders, who have been identified through Company training initiatives, feedback from employees, communities, training and education, together with support and guidance from Milan HQ, which include:

- customers, as the Pirelli way of doing business is based on customer satisfaction;
- employees, who make up the wealth of knowledge and driving force of the Pirelli & C. S.p.A. group;
- shareholders, investors and the financial community;
- suppliers, with which it shares a responsible approach to business;
- the environment, institutions, government and non-government bodies;
- pension schemes;
- the communities in which its sites are located.

The Company strictly adheres to the Pirelli & C. S.p.A. group policies and educates its employees through a structured training programme of new legislation and risks. The Company adopted the Pirelli & C. S.p.A. group anti-corruption programme through a board resolution and also provided training to employees. The Company also prepares an annual modern slavery statement, which is resolved upon by the board and published on the Pirelli website.

### Section 172 Statement (continued)

#### *SI72(1) (D) "The impact of the Company's operations on the community and the environment"*

The Pirelli & C. S.p.A. group considers environmental protection as a fundamental value in the exercise and development of its activities.

The Pirelli & C. S.p.A. group Values and Ethical Code states that "key consideration in investment and business decisions is environmental sustainability, with the Group supporting eco-compatible growth, not least through the adoption of special technologies and production methods (where this is operationally feasible and economically viable) that allow for the reduction of the environmental impact of Group operations, in some cases even below statutory limits".

The environmental management model adopted is detailed in the following Pirelli & C. S.p.A. group policies and specifically: "Health, Safety and Environment" policy, "Product Stewardship" policy, "Quality" policy, "Social Responsibility Policy for Occupational Health, Safety and Rights, and Environment", and the "Green Sourcing" policy.

All the documents mentioned above are communicated to Pirelli & C. S.p.A. group employees in their local language and published in multiple languages in the Sustainability section of the [pirelli.com](http://pirelli.com) website, available to the external community.

#### *SI72(1) (E) "The desirability of the Company maintaining a reputation for high standards of business conduct"*

Backed by a strong industrial tradition, the Pirelli & C. S.p.A. group today is a world leader in tyre manufacturing and ranks alongside players of international stature in all its operating sectors. Through its development over the years the Pirelli & C. S.p.A. group has acquired international scale that is complemented by its strong roots across a variety of local communities. The Pirelli & C. S.p.A. group owes its competitive strength to the professional expertise of its human resources, to its technological know-how and research capability, to quality, and to an unwavering focus on customer needs. Thanks to these factors the Pirelli & C. S.p.A. group can produce and market high-quality products and operate successfully out of different locations and in various markets worldwide.

A talent for innovation and an ability to pioneer industrial changes spurs the Pirelli & C. S.p.A. group to continually improve on them in terms of quality and of environmental and social impact, as in its development of products and solutions in the green economy sector. The conduct of the Pirelli & C. S.p.A. group is guided by an Ethical Code which anyone involved with the group, all over the world, is required to put into practice consistently and responsibly. The internationally renowned excellence the Pirelli & C. S.p.A. group's Corporate Governance is a foremost and systematic commitment for our top management. The Pirelli & C. S.p.A. group approach to enterprise aims to strike the best balance between personal responsibility and team work as well as between strategy that is planned centrally and operating responsibility that is decentralised locally. The Pirelli & C. S.p.A. group sustained growth owes its impetus to the sound creation of value for shareholders and investors in general and to its due regard for the interests of all who interact with it.

#### **Section 172 Statement (continued)**

##### *S172(1) (F) "The need to act fairly as between members of the Company"*

After weighing up all relevant factors, the directors consider which course of action best enables delivery of our strategy through the long-term, taking into consideration the impact on stakeholders, and in doing so will act fairly as between members of the Company.

##### *Stakeholder engagement*

The interactions that take place between stakeholders are analysed in detail in order to effectively manage the relations with them and to create sustainable and shared value.

Dialogue, interaction and involvement are calibrated to meet the needs of consultation of the various types of stakeholder and include meetings, interviews, surveys, joint analyses, road-shows and focus groups.

Feedback received from stakeholders contributed to the corporate evaluation of the priorities for action, influencing the Pirelli & C. S.p.A. group development strategy set out in the Industrial Plan and the Group materiality matrix.

Each year the activity of Stakeholder Engagement as well as relevant feedback is reported in the accounts of Pirelli & C. S.p.A.

The Board considers that the key stakeholders of strategic importance to the Company are our employees, customers and suppliers.

Further details on the engagement and involvement of our employees can be found in the Report of the Directors.

The principle customer relationship is with the Pirelli & C. S.p.A. group and this is managed internally from a strategic perspective.

Supplier communications, expectations and collaborations are managed through a number of different channels, which are both formal and informal.

Each supplier has a dedicated point of contact within the Purchasing Department who is responsible for the management of ongoing trading relationships, as well as exploring new opportunities for existing and new suppliers. This process is enhanced by the use of a dedicated supplier portal which helps to formalise and record interactions.

The Pirelli & C. S.p.A. group regularly commissions independent audits to sector leading companies to review the compliance of Pirelli suppliers with their ethical, social and environmental responsibilities, as provided inter alia in the sustainability clauses that they signed.

Vendor Rating Reports are compiled annually following an internal evaluation campaign that involves all the functions which play an active role in the Supplier Relationship lifecycle. The reports are used as a basis for selecting Suppliers Awards or to identify areas of improvement for the working relationship.



## **Pirelli International Limited**

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### **STRATEGIC REPORT (continued)** **For the year ended 31 December 2019**

#### **Section 172 Statement (continued)**

##### *Principal decisions*

The board of directors convenes at least annually to approve the financial statements of the previous year. In addition board meetings are held to approve key projects, investments and financial transactions as well as any key issues which impact on and are key factors in the running of the business.

For the year ending 31 December 2019, the Board consider that the following is an example of principle decisions that the Company made in the year:

- Adoption of Group Policies – the Pirelli & C. S.p.A. group is heavily focused on its compliance activities and provides policies with guidance and training to its employees to protect and guard against such risks. The Company adopts the Pirelli & C. S.p.A. group anti-corruption programme through a board resolution on an annual basis. The Company also prepares an annual modern slavery statement, which is resolved upon by the Board and published on the Pirelli website.

**By Order of the Board**



**C S Sagoo**

**Secretary**

**28 May 2020**

**Registered Office:**  
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**Burton-on-Trent**  
**Staffordshire**  
**DE13 0BH**

**Registered in England**  
**No. 4108548**

# **Pirelli International Limited**

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## **REPORT OF THE DIRECTORS**

For the year ended 31 December 2019

The directors present their annual report and the financial statements of Pirelli International Limited ("the Company") for the year ended 31 December 2019.

### **Principal Activity**

The principal activities of the Company are the management of the finances and natural rubber procurement for the Pirelli & C. S.p.A. group of companies.

### **Going concern**

The directors, with consideration to the risks the Company faces, have assessed the Company's ability to continue as a going concern and confirm that they are satisfied that the Company currently has adequate resources to continue in business for at least one year from the date of this report. For this reason, they believe it is appropriate to prepare the financial statements of the Company on a "going concern" basis.

### **Results and Dividends**

The Company made a profit before tax for the year of €13,692,000 (2018: €23,630,000). After tax the Company made a profit of €10,839,000 (2018: €16,462,000).

The return on capital employed (profit or loss before tax as a percentage of net assets) for 2019 was positive 5.25% (2018: positive 8.72%).

The directors are not recommending the payment of a final dividend for the year (2018: €21,000,000).

### **Future Developments**

The directors aim to maintain the management policies which have resulted in the Company's performance for the year ended 31 December 2019 and expect the existing level of activity to be maintained for at least one year from the date of this report.

### **Directors**

The directors of the Company are shown on page 1. Messrs F Tanzi, V De Cesaris and W D J Ballan resigned as directors on 26 April 2019. Mr G Cangelosi was appointed as a director on 26 April 2019. Mr W D J Ballan was reappointed as a director on 27 June 2019.

There are no directors' interests requiring disclosure under the Companies Act 2006.

### **Corporate Governance**

The Company has established internal control and risk management systems in relation to the process for preparing financial statements. The key features of these internal control and risk management systems are:

- Senior management conducts various checks on internal financial controls periodically.
- Senior management regularly monitors and considers developments in accounting regulations and best practice in financial reporting, and where appropriate, reflects developments in the financial statements. Appropriate briefings and/or training are provided to key finance personnel on relevant developments in accounting and financial reporting.
- A written certificate is provided annually by the management confirming that the internal financial controls have been reviewed and highlighting any departures from the controls system that the Company has determined to be appropriate practice.
- The financial statements are subject to review by a local finance manager prior to being submitted to the Finance function.
- The financial statements are subject to review by the Finance function for unusual items, unexplained trends and completeness. Any unexplained items are referred back to local management to explain.

## **Pirelli International Limited**

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### **REPORT OF THE DIRECTORS (continued)**

For the year ended 31 December 2019

#### **Corporate Governance (continued)**

- The Finance function compares the financial statements to the management accounts received during the year and obtains explanations for any material differences.
- The draft financial statements are prepared by a qualified accountant.
- The Board reviews the draft financial statements. The Board receives reports from management and the external auditors on significant judgements, changes in accounting policies, changes in accounting estimates and other pertinent matters relating to the financial statements.
- The financial statements are subject to external audit.

#### **Financial Risk Management**

See section under the same name in the Strategic Report on page 2.

#### **Registration as a Private Limited Company**

The Company had been registered as a public limited company. On 2 January 2020, the Company was re-registered as a private limited company under the new name Pirelli International Limited.

#### **Employee Involvement**

The Pirelli & C. S.p.A. group recognises the crucial importance of human resources in the belief that the key to success in any business is the professional input of the people that work for it in a climate of fairness and mutual trust. The Pirelli & C. S.p.A. group safeguards health, safety and industrial hygiene in the workplace, both through management systems that are continually improving and developing and by promoting an approach to health and safety based on prevention and the effective handling of occupational risk.

The Pirelli & C. S.p.A. group considers respect for workers' rights as fundamental to the business. The Company is committed to ensuring that it complies with its legal obligations pursuant to Human Rights legislation. More information can be found in the Company's modern slavery statement which is available on its website. Working relationships are managed by placing particular emphasis on equal opportunity, on furthering each person's career development, and on promoting diversity as adding value by creating a multi-cultural working environment.

The above mentioned principles are reiterated in the Pirelli & C. S.p.A. group policies "Social Responsibility Policy for Occupational Health, Safety and Rights and Environment", "Human Rights Policy" and "Equal Opportunities Statement".

It is the Company's policy to keep employees informed of matters which are of interest or concern to them as employees through the established practice of regular, direct communication between management and employees and their representatives. Due consideration is given to their interests when taking management decisions.

The Board thanks all employees for their continued support and dedication throughout the year.

#### **Disabled Employees**

The Company provides equal employment opportunities for disabled persons, where their skills and aptitudes can be used, and provides disabled employees with the same opportunities for continued employment, promotion, career development and training as other employees. In the event of an employee developing a disability, every effort is made to ensure their employment with the Company continues and appropriate training is provided.

## **Pirelli International Limited**

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### **REPORT OF THE DIRECTORS (continued)** **For the year ended 31 December 2019**

#### **Statement on Engagement with Suppliers, Customers and Others in a Business Relationship with the Company**

A statement on engagement with stakeholders including suppliers, customers and others in a business relationship with the Company is included in the Strategic Report above.

#### **Statement of Disclosure of Information to Auditors**

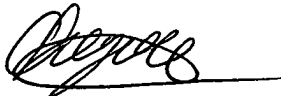
In the case of each of the persons who are directors of the Company at the date of this report:

- so far as each of the directors is aware, there is no relevant audit information (as defined by the Companies Act 2006) of which the Company's auditors are unaware; and
- each of the directors has taken all of the steps that he ought to have taken as a director to make himself aware of any relevant audit information (as defined) and to establish that the Company's auditors are aware of that information.

#### **Auditors**

Rostance Edwards Ltd, Chartered Accountants, have indicated their willingness to continue in office and a resolution for their reappointment will be proposed at the Annual General Meeting.

#### **By Order of the Board**



**C S Sagoo**

**Secretary**

**28 May 2020**

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## **Pirelli International Limited**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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The directors are responsible for preparing the Report of the Directors, the Strategic Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**By Order of the Board**



**C S Sagoo**

**Secretary**

**28 May 2020**

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## INDEPENDENT AUDITOR'S REPORT

To the members of Pirelli International Limited

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### Report on the audit of the financial statements for the year ended 31 December 2019

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#### Opinion

We have audited the financial statements included within the Annual Reports and Financial Statements (the "Annual Report") of Pirelli International Limited (the "Company") for the year ended 31 December 2019 which comprise the income statement, the statement of comprehensive income, the statement of changes in equity, the balance sheet and the notes to the financial statements which include a summary of the significant accounting policies.

This report is made solely to the Company's members, as a body, in accordance with chapter 3 of part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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#### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Company's trade, customers, suppliers and the wider economy.

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## INDEPENDENT AUDITOR'S REPORT

To the members of Pirelli International Limited (continued)

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### Other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

With respect to the Strategic Report and Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included

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### Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
  - the financial statements are not in agreement with the accounting records and returns; or
  - certain disclosures of directors' remuneration specified by law are not made; or
  - we have not received all the information and explanations we require for our audit.
- 

### Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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## INDEPENDENT AUDITOR'S REPORT

To the members of Pirelli International Limited (continued)

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### Auditor's responsibilities for the audit of the financial statements

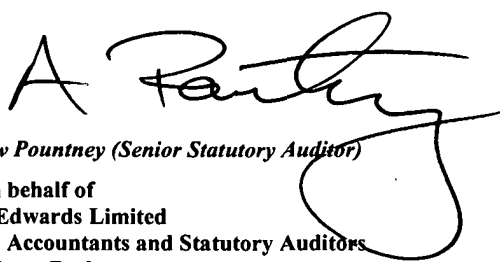
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) 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 these financial statements.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and 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.
- 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' 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's 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 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.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance 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.

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*Mr Andrew Pountney (Senior Statutory Auditor)*

for and on behalf of  
Rostance Edwards Limited  
Chartered Accountants and Statutory Auditors  
1 & 2 Heritage Park  
Hayes Way  
Cannock  
Staffordshire  
WS11 7LT

28 May 2020



**Pirelli International Limited****INCOME STATEMENT**

For the year ended 31 December 2019

	<i>Notes</i>	<b>2019</b> <b>€000</b>	<b>2018</b> <b>€000</b>
<b>Turnover</b>	3	<b>140,484</b>	154,717
Cost of sales		<b>(133,330)</b>	(148,334)
<b>Gross profit</b>		<b>7,154</b>	6,383
Distribution costs		<b>(2,376)</b>	(2,630)
Administrative expenses		<b>(2,103)</b>	(3,437)
Interest receivable and similar income	4	<b>278,335</b>	543,071
Interest payable and similar charges	5	<b>(267,318)</b>	(519,757)
<b>Profit on ordinary activities before taxation</b>	6	<b>13,692</b>	23,630
Taxation charge	8	<b>(2,853)</b>	(7,168)
<b>Profit for the financial year</b>		<b>10,839</b>	16,462

## Pirelli International Limited

### STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	<i>Notes</i>	<b>2019</b> <b>€000</b>	<b>2018</b> <b>€000</b>
<b>Profit for the financial year</b>		<b>10,839</b>	<b>16,462</b>
<b>Other comprehensive income:</b>			
<b>Items that can be reclassified to profit or loss:</b>			
Fair value gain recognised in respect of discontinuation of cash flow hedges	17	-	9,549
Fair value loss recognised in respect of cash flow hedges	17	-	(455)
Deferred tax recognised in respect of cash flow hedges	17	-	(1,637)
Other comprehensive income for the year net of tax		-	7,457
<b>Total comprehensive income for the year</b>		<b>10,839</b>	<b>23,919</b>

**Pirelli International Limited****STATEMENT OF CHANGES IN EQUITY**

For the year ended 31 December 2019

	<i>Called up Share Capital €000</i>	<i>Hedging Reserve €000</i>	<i>Profit and Loss Account €000</i>	<i>Total €000</i>
<b>At 1 January 2018</b>	<b>250,000</b>	<b>(7,457)</b>	<b>4,582</b>	<b>247,125</b>
Profit for the financial year	-	-	16,462	16,462
Other comprehensive income	-	7,457	-	7,457
Total comprehensive income for the year	-	-	16,462	23,919
<b>At 31 December 2018</b>	<b>250,000</b>	<b>-</b>	<b>21,044</b>	<b>271,044</b>
Profit for the financial year	-	-	10,839	10,839
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	10,839	10,839
Dividends (see note 9)	-	-	(21,000)	(21,000)
<b>At 31 December 2019</b>	<b>250,000</b>	<b>-</b>	<b>10,883</b>	<b>260,883</b>

# Pirelli International Limited

## BALANCE SHEET

At 31 December 2019

	Notes	2019 €000	2018 €000
<b>Non-current assets</b>			
Other non-current financial assets	11	-	82,375
Derivative financial instruments	12	425	38,288
Deferred tax asset	18	10	171
		<u>435</u>	<u>120,834</u>
<b>Current assets</b>			
Other current financial assets	11	350,886	621,762
Derivative financial instruments	12	406	40,042
Prepayments and accrued income		1	122
Cash at bank and in hand	13	53	607,857
		<u>351,346</u>	<u>1,269,783</u>
<b>Total assets</b>		<u>351,781</u>	<u>1,390,617</u>
<b>Capital and reserves</b>			
Called up share capital	19	250,000	250,000
Profit and loss account	20	10,883	21,044
<b>Total equity</b>	20	<u>260,883</u>	<u>271,044</u>
<b>Non-current liabilities</b>			
Derivative financial instruments	12	842	39,885
		<u>842</u>	<u>39,885</u>
<b>Current liabilities</b>			
Current finance debt	14	-	959,697
Trade and other financial payables	15	89,412	105,421
Derivative financial instruments	12	644	14,526
Accruals and deferred income		-	44
		<u>90,056</u>	<u>1,079,688</u>
<b>Total liabilities</b>		<u>90,898</u>	<u>1,119,573</u>
<b>Total equity and liabilities</b>		<u>351,781</u>	<u>1,390,617</u>

The financial statements on pages 15 to 41 were approved by the Board of Directors on 28 May 2020 and signed on its behalf by:



**W D J Ballan**

**Director**

# **Pirelli International Limited**

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## **NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2019

### **1. Authorisation of Financial Statements and Statement of Compliance with FRS 101**

Pirelli International Limited (the "Company") is a private company limited by shares, domiciled and incorporated in England and Wales. The financial statements of the Company for the year ended 31 December 2019 were authorised for issue by the board of directors on 28 May 2020 and the balance sheet was signed on the board's behalf by W D J Ballan.

These financial statements were prepared in accordance with the Companies Act 2006 and Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). FRS 101 is part of the Financial Reporting Council's revised financial reporting standards applicable in the United Kingdom and Republic of Ireland.

The Company's financial statements are presented in euros and all values are rounded to the nearest thousand euros (€000) except when otherwise indicated.

The results of Pirelli International Limited are included in the consolidated financial statements of Pirelli & C. S.p.A. which are available from Company's registered office at Derby Road, Burton-on-Trent, Staffordshire, DE13 0BH.

The principal accounting policies adopted by the Company are set out in note 2.

### **2. Accounting Policies**

#### **2.1 Basis of Preparation**

The financial statements are prepared on a going concern basis in accordance with the historical cost convention and in accordance with FRS 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2019. These policies have been applied consistently throughout the year.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

(b) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of paragraph 79(a)(iv) of IAS 1 and paragraph 73(e) of IAS 16 Property, Plant and Equipment;

(c) the requirements of IAS 7 Statement of Cash Flows;

(d) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;

(e) the requirements of paragraph 17 of IAS 24 Related Party Disclosures; and

(f) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

#### **2.2 New Standards, Amendments and IFRIC Interpretations**

There are no amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2019 that have had a material impact on the Company's financial statements.

**2.3 Judgements and Key Sources of Estimation Uncertainty**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following judgement has had the most significant effect on amounts recognised in the financial statements:

***Fair Value Measurement of Financial Instruments***

When the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is determined using appropriate valuation techniques including discounted cash flow models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

**2.4 Significant Accounting Policies*****Going Concern***

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least one year from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

***Current versus Non-current Classification***

The Company presents assets and liabilities in the balance sheet based on the current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

## **Pirelli International Limited**

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### **NOTES TO THE FINANCIAL STATEMENTS (continued)** For the year ended 31 December 2019

#### **2.4 Significant Accounting Policies (continued)**

##### ***Property, Plant and Equipment***

Property, plant and equipment are stated at cost.

The cost of property, plant and equipment is their purchase cost together with any incidental costs of acquisition.

Depreciation is provided on completed property, plant and equipment, on a straight line basis at such rates as will write off the cost of the various assets over the periods of their expected useful lives.

The principal annual rates of depreciation used are as follows:

Fixtures, fittings and equipment      5% - 50%

##### ***Revenue Recognition***

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of rebates, discounts, returns, value added taxes and other sales taxes or duty.

The Company recognises revenue when performance obligations have been satisfied and for the Company this is when the goods have transferred to the customer and the customer has control of these. The Company bases its estimate of rebates and returns on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

##### ***Interest***

Interest is recognised as it accrues using the effective interest method.

##### ***Taxation***

The charge for taxation is based on the result for the year and takes account of taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Full provision for deferred tax is made, on an undiscounted basis using the liability method, for timing differences where there is an obligation to pay more tax, or a right to pay less tax, in the future.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits in the foreseeable future from which the reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

##### ***Retirement Benefits***

The Company operates a defined contribution pension scheme to which contributions are required to be made by the employer and the members. The Company's contributions are charged to the income statement in the periods in which they fall due.

**2.4 Significant Accounting Policies (continued)*****Foreign Currencies***

The Company's reporting and primary functional currency is the euro. Transactions not denominated in euros are reported in euros at the rates of exchange ruling when the transactions were made.

Monetary assets and liabilities not denominated in euros are translated into euros at the exchange rates ruling at the balance sheet date. The Company uses derivative financial instruments to manage its exposure in this regard. The sterling euro exchange rate at the end of 2019 was 0.85080 (2018: 0.89453). The US dollar euro exchange rate at the end of 2019 was 1.1234 (2018: 1.1450).

Foreign exchange revaluation differences are dealt with as part of the result for the year.

***Fair Value Measurement***

The Company measures financial instruments, such as derivatives, at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- i) In the principal market for the asset or liability, or
- ii) In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.



**2.4 Significant Accounting Policies (continued)*****Financial Instruments***

Financial assets, liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

The Company makes loans and provides current account facilities to companies within the Pirelli & C. S.p.A. group. It also accepts deposits from and provides overdraft facilities to group companies. The excess of the funding required for the provision of loans and current accounts over the amount raised from borrowing from other group companies, as well as the Company's own capital, is sourced using external financial institutions.

Loans receivable and other receivables are initially recognised at cost plus any direct issue costs. They are subsequently carried at amortised cost using the effective interest rate method (see below). Interest income, together with gains and losses when the loans and receivables are derecognised or impaired, are recognised in the income statement.

Interest-bearing loans payable and overdrafts are recorded at the value of the proceeds received less any direct issue costs. They are subsequently stated at amortised cost using the effective interest rate method (see below).

The effective interest rate method calculates the rate of interest that is necessary to discount the estimated stream of principal and interest cash flows (excluding any impact of credit losses) through the expected life of the financial instrument or, when appropriate, a shorter period to equal the amount at initial recognition. That rate is then applied to the carrying amount at each reporting date to determine the interest income (assets) or interest expense (liabilities) for the period. In this way, interest income or expense is recognised on a level yield to maturity basis. In the determination of the effective interest rate, the estimation of the cash flows does not take into consideration any future credit losses anticipated on that instrument.

Derivatives are initially recognised at fair value on the date when a derivative contract is entered into, and they are subsequently remeasured at their fair value. Derivative financial instruments utilised by the Company include interest rate swaps, cross currency interest rate swaps, forward exchange contracts and natural rubber futures. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The Company designates certain derivatives as cash flow hedges.

At the inception of the transaction, the Company documents the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of interest rate swaps is recognised in the income statement within 'Interest payable'.

When a hedging instrument expires or is sold, terminated, exercised or no longer meets the criteria to be designated as a hedge, or whenever the Company voluntarily revokes the designation, hedge accounting is interrupted. The fair value adjustments accumulated in equity will not be reversed until the hedged item produces an effect in the income statement. Subsequently they are reversed in the income statement over the periods in which the acquired financial asset or assumed financial liability impact the income statement. When the hedged item is no longer expected to have any impact on the income statement, the fair value adjustments accumulated in equity are immediately reversed in the income statement.

**2.4 Significant Accounting Policies (continued)**

***Financial Instruments (continued)***

The fair values of various derivative instruments used for hedging purposes are disclosed in note 12. Movements on the hedging reserve in other comprehensive income are shown in note 17. The full fair value of a hedging derivative is classified as a non-current asset or liability where the remaining hedged item is more than 12 months, and as a current asset or liability where the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

The Company recognises financial instruments in its financial statements when it enters into a binding agreement to receive/deliver cash or other economic benefits and derecognises them once all parties to the agreement have discharged all of their obligations.

All financial assets and liabilities are settled net in cash. All loans receivable, payable, current accounts and overdrafts bear interest which is calculated based on specified margins over/under market interest rates. These margins are subject to change at any time at the discretion of the issuer/provider.

Interest income and expenses are recognised in the income statement on an accruals basis. Income from trading in shares includes dividend income which is recognised upon receipt.

## Pirelli International Limited

### NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 December 2019

#### 3. Turnover

	2019 €000	2018 €000
<i>Geographical market supplied:</i>		
United Kingdom	11,502	13,159
Rest of Europe	79,332	83,217
Americas	24,432	34,958
Asia	25,218	23,383
	<u>140,484</u>	<u>154,717</u>

*All of the Company's turnover, results and net assets are attributable to the Company's core activities, which are all based in the United Kingdom and are considered to be one class of business.*

#### 4. Interest Receivable and Similar Income

	2019 €000	2018 €000
Interest receivable from Pirelli & C. S.p.A. group companies	15,591	68,826
Fees receivable from Pirelli & C. S.p.A. group companies	-	37,869
Other interest receivable	42,569	51,386
Gains on derivative instruments	188,424	241,051
Exchange gains on non-euro denominated assets and liabilities	31,751	143,939
	<u>278,335</u>	<u>543,071</u>

#### 5. Interest Payable and Similar Charges

	2019 €000	2018 €000
Interest payable to Pirelli & C. S.p.A. group companies	41,881	29,671
Fees payable to Pirelli & C. S.p.A. group companies	-	6,517
Other interest, commissions and fees payable	411	72,415
Losses on derivative instruments	202,045	219,268
Exchange losses on non-euro denominated assets and liabilities	22,981	191,886
	<u>267,318</u>	<u>519,757</u>

## Pirelli International Limited

### NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

#### 6. Profit on Ordinary Activities before Taxation

	2019 €000	2018 €000
<i>Profit on ordinary activities before taxation is stated after charging:</i>		
Administrative expenses	2,026	3,489
Auditor's remuneration:		
- statutory audit services	77	125
Release of bad debt provision	-	(177)
	<u>          </u>	<u>          </u>

#### 7. Directors and Employees

	2019 €000	2018 €000
<i>Directors</i>		
<i>Emoluments:</i>		
Aggregate emoluments	50	52
	<u>          </u>	<u>          </u>
Company contributions to defined contribution pension scheme	-	-
	<u>          </u>	<u>          </u>

*A number of the directors were employed and remunerated as directors or executives of Pirelli & C. S.p.A. and its subsidiaries ("the Group") in respect of their services to the Group as a whole, and it is therefore considered that there is no appropriate basis on which they can apportion part of their remuneration for their services to the Company.*

*During the current and previous years there were no directors to whom retirement benefits accrued.*

	2019 €000	2018 €000
<i>Employees</i>		
<i>Staff costs during the year:</i>		
Salaries	92	245
Social security costs	10	20
Other pension costs	9	12
	<u>          </u>	<u>          </u>
	111	277
	<u>          </u>	<u>          </u>

*Other pension costs represents contributions payable by the Company to the defined contribution pension scheme.*

*The average monthly number of persons employed by the Company during the year excluding directors was:*

	2019 Number	2018 Number
Administration	2	6
	<u>          </u>	<u>          </u>

## Pirelli International Limited

### NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

#### 8. Taxation

	2019 €000	2018 €000
<i>Analysis of tax charged in year</i>		
<b>Current tax:</b>		
United Kingdom:		
Group relief	(2,431)	(2,781)
Adjustment in respect of prior years	126	(179)
Overseas tax	(304)	(3,259)
Exchange rate adjustment to sterling liability	(83)	(31)
<b>Total current tax charge</b>	<b>(2,692)</b>	<b>(6,250)</b>
<b>Deferred tax:</b>		
Origination and reversal of timing differences	(105)	(1,090)
Adjustments in respect of prior year	(56)	172
<b>Total deferred tax charge</b>	<b>(161)</b>	<b>(918)</b>
<b>Total tax charge for year</b>	<b>(2,853)</b>	<b>(7,168)</b>

The tax expense in the income statement for the year is higher (2018: higher) than the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are reconciled below:

	2019 €000	2018 €000
<i>Reconciliation</i>		
Profit on ordinary activities before tax	13,692	23,630
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)	(2,601)	(4,490)
Effects of:		
Expenses not deductible for taxation	7	(2)
Impact of difference between corporation tax and deferred tax rate	-	2
Adjustments to tax charge in respect of previous periods	70	(7)
Overseas tax deductible	58	619
Exchange rate adjustment to sterling tax liability	(83)	(31)
Overseas tax payable	(304)	(3,259)
<b>Total tax charge for the year</b>	<b>(2,853)</b>	<b>(7,168)</b>

## Pirelli International Limited

### NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 December 2019

#### 9. Distributions made and Proposed

	2019 €000	2018 €000
<b><i>Dividends declared and paid during the year:</i></b>		
Final dividend for 2018 (€84 per share)	21,000	-
None declared and paid during 2018	-	-
	<u>21,000</u>	<u>-</u>
<b><i>Proposed for approval at the annual general meeting but not recognised as a liability as at 31 December:</i></b>		
None proposed for 2019	-	-
Final dividend for 2018 (€84 per share)	-	21,000
	<u>-</u>	<u>21,000</u>

#### 10. Property, Plant and Equipment

	<i>Fixtures, fitting and equipment €000</i>
<b><i>Cost:</i></b>	
At 1 January 2019	282
Disposals	(282)
	<u>-</u>
At 31 December 2019	-
<b><i>Depreciation:</i></b>	
At 1 January 2019	282
Eliminated in respect of disposals	(282)
	<u>-</u>
At 31 December 2019	-
<b><i>Net book value:</i></b>	
At 31 December 2018	-
	<u>-</u>
At 31 December 2019	-
	<u>-</u>

# Pirelli International Limited

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

### 11. Other Financial Assets

	2019 €000	2018 €000
<b>Non-current assets:</b>		
Loans to Pirelli & C. S.p.A. group companies	-	82,375
	<u>-</u>	<u>82,375</u>

Loans to Pirelli & C. S.p.A. group companies by currency		€000	€000
EUR	Euro	-	28,755
CNY	Chinese Renminbi	-	-
MXN	Mexican Peso	-	-
RON	Romanian Leu	-	53,620
		-	82,375

### Current assets:

Loans to Pirelli & C. S.p.A. group companies	322,593	570,899
Amounts owed by Pirelli & C. S.p.A. group companies	28,293	50,863
	<u>350,886</u>	<u>621,762</u>

Loans to Pirelli & C. S.p.A. group companies by currency		€000	€000
EUR	Euro	318,792	289,536
AUD	Australian Dollar	-	11,546
CNY	Chinese Renminbi	4	71,982
GBP	Pounds Sterling	-	41,058
MXN	Mexican Peso	11	35,880
RON	Romanian Leu	-	11,051
RUB	Russian Ruble	3,727	101,219
SEK	Swedish Krona	-	2,132
USD	US Dollar	59	6,118
Other	Various	-	377
		322,593	570,899

Amounts owed by Pirelli & C. S.p.A. group companies by currency		€000	€000
EUR	Euro	7,029	37,882
CNY	Chinese Renminbi	3,757	4,020
GBP	Pounds Sterling	885	3,067
MXN	Mexican Peso	1,765	-
RON	Romanian Leu	8,493	-
RUB	Russian Ruble	5,374	-
USD	US Dollar	990	5,894
		28,293	50,863

At the date of these financial statements, no loans to Pirelli & C. S.p.A. group companies are overdue.

At the date of these financial statements, €3.7m (2018: €6.6m) of amounts owed by Pirelli & C. S.p.A. group companies are overdue. Typical payment terms are between 30 and 90 days for trade related receivables.

The carrying amounts of other financial assets are considered to approximate to their fair values and represent the maximum credit risk at the balance sheet date.

## Pirelli International Limited

### NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

#### 12. Derivative Financial Instruments

	2019 €000	2018 €000
<b>Non-current assets:</b>		
<b>Non-hedge accounted derivative financial instruments:</b>		
Cross currency interest rate swaps with banks	-	24,646
Cross currency interest rate swaps with Pirelli & C S.p.A. group companies	-	10,818
Interest rate swaps with Pirelli & C S.p.A. group companies	425	2,824
Total	425	38,288
<b>Current assets:</b>		
<b>Non-hedge accounted derivative financial instruments:</b>		
Cross currency interest rate swaps with banks	-	26,005
Forward foreign exchange contracts with banks	-	7,818
Forward foreign exchange contracts with Pirelli & C S.p.A. group companies	406	6,219
Total	406	40,042



## Pirelli International Limited

### NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

#### 12. Derivative Financial Instruments (continued)

	2019 €000	2018 €000
<b>Non-current liabilities:</b>		
<b>Non-hedge accounted derivative financial instruments:</b>		
Cross currency interest rate swaps with banks	-	11,313
Cross currency interest rate swaps with Pirelli & C S.p.A. group companies	-	23,846
Interest rate swaps with banks	842	4,726
<b>Total</b>	<b>842</b>	<b>39,885</b>
<b>Current liabilities:</b>		
<b>Non-hedge accounted derivative financial instruments:</b>		
Cross currency interest rate swaps with Pirelli & C S.p.A. group companies	-	4,225
Forward foreign exchange contracts with banks	-	3,722
Forward foreign exchange contracts with Pirelli & C S.p.A. group companies	644	6,579
<b>Total</b>	<b>644</b>	<b>14,526</b>

*The non-current and current non-hedge accounted derivative financial instruments include cross currency interest rate swaps and interest rate swaps to cover exchange and interest rate risks.*

*The current non-hedge accounted derivative financial instruments also include forward foreign exchange contracts to hedge trade and financial positions at the balance sheet date not denominated in euros. The stated amounts are fair values which have been determined by using forward exchange rates at the balance sheet date. The vast majority of these contracts mature within six months and account for most of the stated values.*

*All derivative financial instruments were measured using Level 2 inputs as defined in the Fair Value Measurement note in Significant Accounting Policies on page 22. There were no movements between Levels 1, 2 and 3 during 2019 nor were there any during 2018.*

#### 13. Cash at Bank and In Hand

Cash at bank and in hand at 31 December 2019 amounted to €53,000 (2018: €607,857,000) is predominately euro based and is represented mainly by investments via the short-term deposit market and/or cash on bank current accounts held with leading banking counter-parties, all with a credit rating in line with the Pirelli Group Liquidity and Counterparty Risk Policy, at interest rates consistent with the prevailing market conditions.

## Pirelli International Limited

### NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

#### 14. Finance Debt

	2019 €000	2018 €000
<b>Current liabilities:</b>		
Bank loans and overdrafts (unsecured)	-	11,160
Loans from Pirelli & C. S.p.A. group companies	-	948,537
	<u>-</u>	<u>959,697</u>

Bank loans and overdrafts (unsecured) by currency		€000	€000
EUR	Euro	-	452
MXN	Mexican Peso	-	358
RUB	Russian Ruble	-	10,255
USD	US Dollar	-	92
Other	Various	-	3
		-	11,160

Loans from Pirelli & C. S.p.A. group companies by currency		€000	€000
EUR	Euro	-	755,803
AUD	Australian Dollar	-	53
CHF	Swiss Franc	-	26,366
CNY	Chinese Renminbi	-	5,332
GBP	Pounds Sterling	-	82,501
JPY	Japanese Yen	-	1,252
MXN	Mexican Peso	-	3,810
NOK	Norwegian Krone	-	414
PLN	Polish Zloty	-	869
RON	Romanian Leu	-	8,787
RUB	Russian Ruble	-	4,045
SGD	Singapore Dollar	-	587
TRY	Turkish Lira	-	470
USD	US Dollar	-	58,232
Other	Various	-	16
		-	948,537

The carrying amounts of finance debt falling due within one year are considered to approximate to their fair values.

Neither at the date of these financial statements, nor during the reporting period, has any default occurred in respect of any finance debt falling due within one year.

## Pirelli International Limited

### NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

#### 15. Trade and Other Financial Payables

	2019 €000	2018 €000
<b>Current liabilities:</b>		
Trade payables	86,696	94,363
Amounts owed to Pirelli & C. S.p.A. group companies	2,611	10,590
Other creditors	105	468
	<b>89,412</b>	<b>105,421</b>

Trade and other financial payables by currency		€000	€000
EUR	Euro	30,701	46,611
CNY	Chinese Renminbi	7	-
GBP	Pounds Sterling	2,504	3,658
SGD	Singapore Dollar	199	223
USD	US Dollar	56,001	54,929
		<b>89,412</b>	<b>105,421</b>

The carrying amounts of trade and other financial payables are considered to approximate to their fair values.

#### 16. Financial Instruments – Risk Management

##### Financial risk management

The Company's operations expose it to liquidity, interest rate, credit and foreign currency risks. The Company's financial risk management strategy focuses on the unpredictability of financial markets, and seeks to minimise adverse impacts of this unpredictability on the financial performance of the Pirelli group. The Company has in place a risk management programme that seeks to limit the adverse effects on its financial performance by monitoring levels of debt finance and currency exposure. The Company enters into derivative financial instruments to hedge certain risk exposures on behalf of the wider Pirelli group.

The Company holds the following financial assets and liabilities at the year-end date:

	<i>Financial assets at fair value through profit and loss</i>		<i>Financial assets at fair value through profit and loss</i>	
	<i>Loans and receivables</i>	<i>2019 €000</i>	<i>Loans and receivables</i>	<i>2018 €000</i>
Derivative financial instruments	-	831	-	78,330
Trade and other receivables	350,886	-	704,137	-
Cash and cash equivalents	53	-	607,857	-
	<b>350,939</b>	<b>831</b>	<b>1,311,994</b>	<b>78,330</b>

## Pirelli International Limited

### NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

#### 16. Financial Instruments – Risk Management (continued)

	<i>Financial liabilities at amortised cost</i>	<i>Liabilities at fair value through profit and loss</i>	<i>Financial liabilities at amortised cost</i>	<i>Liabilities at fair value through profit and loss</i>
	<i>2019</i>	<i>2019</i>	<i>2018</i>	<i>2018</i>
	<i>€000</i>	<i>€000</i>	<i>€000</i>	<i>€000</i>
Derivative financial instruments	-	1,486	-	54,411
Trade and other payables	89,412	-	105,465	-
Finance debt	-	-	959,697	-
	<u>89,412</u>	<u>1,486</u>	<u>1,065,162</u>	<u>54,411</u>

There are no material differences between the fair values and the book values stated above. The fair value is determined by reference to discounted cash flows at prevailing market rates for similar finance debt.

#### Credit risk

Credit risk arises from cash and cash equivalents, balances receivable from other group undertakings, derivative financial instruments with other group undertakings and financial institutions, and deposits with banks. The principal risk arises from transactions with financial institutions and banks, such as those involving derivatives, cash and cash equivalents and deposits. To reduce the credit risk, the Pirelli group has concentrated its main activities with a core of banks that have secure credit ratings. For each bank, individual risk limits are set based on its financial position, credit ratings, past experience and other factors. The utilisation of credit limits is regularly monitored.

Management continually review specific balances for potential indicators of impairment. In the instance where an indicator is identified, management will determine overall recovery from a legal perspective and provide for any irrecoverable amounts.

The Company has no trade receivables from customers (2018: nil).

The ageing analysis of the amounts owed by Pirelli & C. S.p.A. group companies (from date of past due) but not considered to be impaired is as follows:

	<i>2019</i>	<i>2018</i>
	<i>€000</i>	<i>€000</i>
Not past due	24,584	44,505
Less than one month past due	2,069	1,418
One to two months past due	1,378	1,434
More than two months past due	262	3,506
	<u>28,293</u>	<u>50,863</u>

At the date of these financial statements, no loans to Pirelli & C. S.p.A. group companies are overdue.

In the event of counterparty default, relating to derivative financial assets and liabilities, offsetting would apply and financial assets and liabilities held with the same counterparty would net off.

## Pirelli International Limited

### NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

#### 16. Financial Instruments – Risk Management (continued)

##### Market risk

Market risk is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The operations of the Company expose it to three types of market risk, being foreign exchange risk, interest rate risk and commodity price risk.

##### Foreign exchange risk

The Company is exposed to foreign exchange risk from future commercial transactions, as well as recognised assets and liabilities in currencies different to its functional currency. The Company seeks to manage this exposure, where possible, through matching foreign currency assets and liabilities. Where a net exposure exists, the group seeks to manage this through consideration of the issue of foreign currency debt or entering into foreign exchange derivatives. Further details of derivatives held in cash flow hedge relationships, with the purpose of managing foreign currency risk, are disclosed within Note 17.

The exposure in currencies of financial assets and liabilities is as follows:

At 31 December 2019	EUR €000	CNY €000	GBP €000	MXN €000	RON €000	RUB €000	USD €000	Other €000	Total €000
<b>Financial assets:</b>									
Cash and cash equivalents (note 13)	22	-	29	-	-	-	2	-	53
Other financial assets (note 11)	325,821	3,761	885	1,776	8,493	9,101	1,049	-	350,886
Interest rate swaps (note 12)	425	-	-	-	-	-	-	-	425
Forward FX contracts (note 12)									
Cash inflows	13,096	-	-	-	344	-	27,178	-	40,618
Cash outflows	(27,195)	(6,847)	(373)	(268)	-	(1,661)	(3,868)	-	(40,212)
	<u>312,169</u>	<u>(3,086)</u>	<u>541</u>	<u>1,508</u>	<u>8,837</u>	<u>7,440</u>	<u>24,361</u>	<u>-</u>	<u>351,770</u>
<b>Financial liabilities:</b>									
Trade and other payables (note 15)	30,701	7	2,504	-	-	-	56,001	199	89,412
Interest rate swaps (note 12)	842	-	-	-	-	-	-	-	842
Forward FX contracts (note 12)									
Cash inflows	(25,986)	(3,286)	-	-	(179)	(5,000)	(32,908)	(2,747)	(70,106)
Cash outflows	43,713	187	512	1,486	8,785	12,387	3,155	525	70,750
	<u>49,270</u>	<u>(3,092)</u>	<u>3,016</u>	<u>1,486</u>	<u>8,606</u>	<u>7,387</u>	<u>26,248</u>	<u>(2,023)</u>	<u>90,898</u>

# Pirelli International Limited

## NOTES TO THE FINANCIAL STATEMENTS (continued) <sup>1</sup>

For the year ended 31 December 2019

### 16. Financial Instruments – Risk Management (continued)

#### Foreign exchange risk (continued)

At 31 December 2018	EUR €000	CNY €000	GBP €000	MXN €000	RON €000	RUB €000	USD €000	Other €000	Total €000
<b>Financial assets:</b>									
Cash and cash equivalents (note 13)	586,989	5,313	28	-	31	13,972	687	837	607,857
Other financial assets (note 11)	356,173	76,002	44,125	35,880	64,671	101,219	12,012	14,055	704,137
Cross currency swaps (note 12)	(935,588)	-	-	-	-	-	997,057	-	61,469
Interest rate swaps (note 12)	2,824	-	-	-	-	-	-	-	2,824
Forward FX contracts (note 12)									
Cash inflows	822,801	67,173	157,427	230,459	116,374	8,498	143,673	108,587	1,654,992
Cash outflows	(803,119)	(103,169)	(86,814)	(18,567)	(175,660)	(130,892)	(265,927)	(56,807)	(1,640,955)
	<u>30,080</u>	<u>45,319</u>	<u>114,766</u>	<u>247,772</u>	<u>5,416</u>	<u>(7,203)</u>	<u>887,502</u>	<u>66,672</u>	<u>1,390,324</u>
<b>Financial liabilities:</b>									
Finance debt (note 14)	756,255	5,332	82,501	4,168	8,787	14,300	58,324	30,030	959,697
Trade and other payables (note 15)	46,611	-	3,658	-	-	-	54,929	223	105,421
Accruals	-	-	44	-	-	-	-	-	44
Cross currency swaps (note 12)	(955,773)	-	-	-	-	-	995,157	-	39,384
Interest rate swaps (note 12)	4,726	-	-	-	-	-	-	-	4,726
Forward FX contracts (note 12)									
Cash inflows	(952,517)	(13,892)	(42,110)	(27,232)	(109,960)	(28,441)	(409,547)	(59,240)	(1,642,939)
Cash outflows	688,489	77,982	74,434	255,547	121,285	21,471	299,944	114,088	1,653,240
	<u>(412,209)</u>	<u>69,422</u>	<u>118,527</u>	<u>232,483</u>	<u>20,112</u>	<u>7,330</u>	<u>998,807</u>	<u>85,101</u>	<u>1,119,573</u>

The values of finance debt, receivables, payables, cash and derivative financial instruments, denominated in currencies other than the functional currency of the Company are subject to exchange rate movements.

#### Interest rate risk

Interest rate risk arose principally from the committed senior facility which attracted interest with varying rates. However, this facility was assumed by Pirelli & C. S.p.A. on 29 November 2018 and so the Company's exposure to interest rate risk is much reduced. Before that date, the Company managed its interest rate risk by using a mix of fixed and floating rate debt with varying repayment terms in addition to the use of derivative financial instruments. The Company had an interest rate management policy aimed at optimising net interest cost and reducing volatility in the income statement. As part of this policy, a proportion of the finance debt accrued interest at fixed rates and was no longer exposed to changes in the floating rates. The remaining floating part of the Company's finance debt was exposed to changes in the floating interest rates. Further details of derivatives that were originally held in cash flow hedge relationships, with the purpose of managing interest rate risk, are disclosed within Note 17.

#### Commodity price risk

The Company procures natural rubber and sells it to other Pirelli affiliates. In order to mitigate a proportion the inherent commodity price risk, the Company buys and sells natural rubber futures up to six months forward. At 31 December 2019, there were no open natural rubber futures. Natural rubber is priced in US dollars so an element of the commodity price risk is subject to foreign exchange risk. The Company manages this element by the use of other derivative instruments such as forward foreign contracts.

## Pirelli International Limited

### NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

#### 16. Financial Instruments – Risk Management (continued)

##### *Liquidity risk*

The Company is responsible for managing the liquidity requirements for much of the Pirelli Group. Since 29 November 2018 (see note 15), the Company's principal source of funds is from loans from Pirelli & C. S.p.A. group companies to ensure that there is sufficient liquidity available to enable the long-term strategy of the Pirelli Group to be maintained. Cash flow forecasting and monitoring is performed by the Company, to ensure it has sufficient cash to meet operational needs.

The following are the minimum undiscounted contractual cash flows of the Company:

	<i>Timing of cash flows</i>		
	<i>Less than one year €000</i>	<i>Between one and five years €000</i>	<i>Total €000</i>
At 31 December 2019			
Trade and other payables	89,412	-	89,412
Derivative Financial Instruments:			
Interest rate swaps – settled net	-	417	417
Forward foreign exchange deals – inflows	(110,724)	-	(110,724)
Forward foreign exchange deals – outflows	110,962	-	110,962
	<u>89,650</u>	<u>417</u>	<u>90,067</u>

	<i>Timing of cash flows</i>		
	<i>Less than one year €000</i>	<i>Between one and five years €000</i>	<i>Total €000</i>
At 31 December 2018			
Bank loans and overdrafts (unsecured)	11,160	-	11,160
Loans from Pirelli & C. S.p.A. group companies	948,620	-	948,620
Trade and other payables	105,421	-	105,421
Derivative Financial Instruments:			
Cross currency swaps – inflows	(3,802,389)	(3,755,053)	(7,557,442)
Cross currency swaps – outflows	3,898,984	3,731,375	7,630,359
Interest rate swaps – settled net	-	1,902	1,902
Forward foreign exchange deals – inflows	(3,297,931)	-	(3,297,931)
Forward foreign exchange deals – outflows	3,294,195	-	3,294,195
	<u>1,158,060</u>	<u>(21,776)</u>	<u>1,136,284</u>

## **Pirelli International Limited**

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### **NOTES TO THE FINANCIAL STATEMENTS (continued)**

For the year ended 31 December 2019

#### **16. Financial Instruments – Risk Management (continued)**

##### ***Capital Risk Management***

The Directors consider the capital of the Company to relate to share capital and company reserves, and long term finance debt. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Directors carefully monitor the Company's long term borrowings including the ability to service debt and long-term forecast covenant compliance. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or borrow additional debt.

#### **17. Derivatives Designated as Cash Flow Hedges**

As at 31 December 2017, certain cross-currency interest rate swaps, interest rate swaps and commodity futures had been designated as cash flow hedges. None existed as at 31 December 2018 nor at 31 December 2019. The fair value losses associated with the commodity futures were reversed to the income statement in 2018 when the hedged items produced an equivalent effect in the income statement. On 29 November 2018, hedge accounting was discontinued in respect of the cross-currency interest rate swaps and interest rate swaps as the hedged item was no longer expected to have any impact on the income statement and the fair value adjustments accumulated in equity were immediately reversed in the income statement.

The net fair value loss attributable to these contracts that had not been taken through the income statement at 31 December 2018 was €nil. A deferred tax asset of €nil arose in respect of these contracts. The change in the net of the fair value loss and the deferred tax asset, amounting to a profit of €7,457k in aggregate, was booked to the Hedging Reserve in 2018.

On 29 November 2018, upon discontinuation of hedge accounting, unrealised losses of €7,886k on currency interest rate swaps and €1,663k on interest rate swaps were reversed in the income statement in 2018.



## Pirelli International Limited

### NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

#### 18. Deferred Taxation

	2019 €000	2018 €000
Capital allowances in advance of depreciation	(8)	(10)
Other short term differences	(2)	-
Tax losses	-	(161)
	<u>(10)</u>	<u>(171)</u>
Total deferred tax asset	<u>(10)</u>	<u>(171)</u>
	2019 €000	2018 €000
<b>Reconciliation</b>		
At 1 January	(171)	(2,726)
Deferred tax charge recognised in the income statement	161	918
Deferred tax charge (credit) recognised in other comprehensive income	-	1,637
	<u>(10)</u>	<u>(171)</u>
At 31 December	<u>(10)</u>	<u>(171)</u>

*Deferred tax liabilities have not been discounted.*

*Under UK tax legislation in place at 31 December 2019, the corporation tax rate was due to reduce to 17% from 1 April 2020. The Company has projected the periods of reversal of timing differences and has calculated the effective deferred tax rates for those periods. Accordingly a deferred tax rate of 17% has been applied to those timing differences arising from capital allowances in advance of depreciation.*

*The UK Government has announced that the planned reduction in the corporation tax rate to 17% from 1 April 2020 will not now take place. The corporation tax rate will therefore remain at 19% from 1 April 2020. If the legislation keeping the corporation tax rate at 19% had been enacted as at 31 December 2019, the deferred tax asset would be €11,000.*

## Pirelli International Limited

### NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

#### 19. Issued Share Capital

	2019 €000	2018 €000
<i>Allotted, called up and fully paid:</i>		
250,000 Ordinary shares of €1,000 each	<u>250,000</u>	<u>250,000</u>

#### 20. Reconciliation of Shareholders' Funds and Movements on Reserves

	Share Capital €000	Hedging Reserve €000	Profit and Loss Account €000	Total €000
At 1 January 2018	250,000	(7,457)	4,582	247,125
Profit for the financial year	-	-	16,462	16,462
Fair value losses (see note 17)	-	(455)	-	(455)
Fair value losses recycled to the income statement on discontinuation of cash flow hedges (see note 17)	-	9,549	-	9,549
Deferred tax (see note 17)	-	(1,637)	-	(1,637)
At 31 December 2018	<u>250,000</u>	<u>-</u>	<u>21,044</u>	<u>271,044</u>
Profit for the financial year	-	-	10,839	10,839
Dividends (see note 9)	-	-	(21,000)	(21,000)
At 31 December 2019	<u>250,000</u>	<u>-</u>	<u>10,883</u>	<u>260,883</u>

#### 21. Related Parties

The Company has used the exemption under paragraph 8(k) of FRS 101, as a subsidiary undertaking of Pirelli & C. S.p.A. which prepares consolidated financial statements, not to disclose transactions with other entities that are part of, or investees of, the Pirelli & C. S.p.A. group. Balances with the Pirelli & C. S.p.A. group are shown in notes 11, 12, 14 and 15.

Apart from related party transactions with the Pirelli & C. S.p.A. group, there are no related transactions with the China National Chemical Corporation group.

Apart from balances with the Pirelli & C. S.p.A. group, there are no balances with the China National Chemical Corporation group.

## **Pirelli International Limited**

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### **NOTES TO THE FINANCIAL STATEMENTS (continued)**

For the year ended 31 December 2019

#### **22. Parent Companies**

The Company's immediate parent company is Pirelli Tyre S.p.A.. Pirelli Tyre S.p.A. is wholly owned by Pirelli & C. S.p.A. which is the smallest group for which consolidated accounts are prepared. The Company's ultimate parent company and controlling party is China National Chemical Corporation which is the largest group for which consolidated accounts are prepared.

Pirelli Tyre S.p.A. and Pirelli & C. S.p.A. are incorporated in Italy. China National Chemical Corporation is a Chinese state owned company incorporated in the People's Republic of China.

Copies of the accounts of Pirelli Tyre S.p.A., Pirelli & C. S.p.A. and China National Chemical Corporation can be obtained from the Company's registered office at Derby Road, Burton-on-Trent, Staffordshire, DE13 0BH.