



Pirelli & C. S.p.A.

Shareholders' Meeting 15 February 2016

Merger plan by absorption of
Marco Polo Industrial Holding S.p.A. into Pirelli & C. S.p.A.

MERGER PLAN BY ABSORPTION
OF
MARCO POLO INDUSTRIAL HOLDING S.P.A.
INTO
PIRELLI & C. S.P.A.

(prepared pursuant to and in accordance with Articles 2501-*bis*, par. 2 and 2501-*ter* of the Italian Civil Code)

CONTENTS

1.	Introduction	1
2.	Parties to the Merger	2
	2.1 <i>Surviving Company</i>	2
	2.2 <i>Absorbed Company</i>	3
3.	By-Laws of the Surviving Company and consequent amendments deriving from the Merger.....	3
4.	Merger implementation and exchange ratio.....	4
5.	Method of allocation of the shares of the Surviving Company	6
6.	Date from which the shares of the Surviving Company allocated in exchange will be entitled to a share of the profits.....	8
7.	Economic and financial plan with an indication of the sources of financial resources foreseen for meeting the obligations following on from the merger	8
	7.1 <i>The economic and financial plan</i>	8
	7.2 <i>Sources of the financial resources foreseen for meeting the obligations following on from the Merger</i>	11
	7.3 <i>Sensitivity analysis in a basic scenario and three stressed scenarios</i>	11
	7.4 <i>Conclusions</i>	12
8.	Effective date of the Merger.....	12
9.	Treatment, if any, for special classes of shareholders and for holders of securities other than shares.	13
10.	Special advantages possibly reserved for directors of the Parties to the Merger.....	13
11.	Merger terms and conditions.....	13
	Appendices	14

The Board of Directors of Pirelli & Co. S.p.A. (“**Pirelli**” or the “**Surviving Company**”) and Marco Polo Industrial Holding S.p.A. (“**Marco Polo Industrial Holding**” or the “**Absorbed Company**”) prepared this merger plan pursuant to Articles 2501-*bis* and 2501-*ter* of the Italian Civil Code (the “**Merger Plan**” or the “**Plan**”) related to the merger (so called “reverse merger”) by absorption of Marco Polo Industrial Holding into Pirelli (the “**Merger**”).

1. Introduction

a) On 22 December 2015, the Boards of Directors of Pirelli and Marco Polo Industrial Holding, in light of the positive outcome of:

- the mandatory tender offer (the “**Mandatory Tender Offer**”), launched by Marco Polo Industrial Holding – pursuant to Articles 106, par. 1-*bis*, and 109 of Legislative Decree No. 58 of 24 February 1998, as subsequently amended and integrated (the “**Consolidated Financial Act**” or “**TUF**”), as well as the applicable implementing provisions set forth in the regulation approved by Consob resolution No. 11971 of 14 May 1999, as subsequently amended and integrated (the “**Consob Issuers Regulation**”) – on all the ordinary shares of Pirelli at a price of Euro 15.00 per each Pirelli share tendered, further to which Marco Polo Industrial Holding owns, directly or indirectly (including in the Marco Polo Industrial Holding stake also the treasury ordinary shares of Pirelli), 100% of the ordinary shares of Pirelli that have been consequently delisted effective from 6 November 2015, and
- the voluntary tender offer (the “**Voluntary Tender Offer**” and, together with the Mandatory Tender Offer, the “**Offers**”), launched by Marco Polo Industrial Holding – pursuant to Art. 102 of the TUF, as well as the applicable provisions set forth in the Consob Issuers Regulation – on the savings shares of Pirelli at a price of Euro 15.00 per each Pirelli share tendered, further to which and to others purchases of savings shares, Marco Polo Industrial Holding owns, directly or indirectly (including in the Marco Polo Industrial Holding stake also the treasury savings shares of Pirelli) more than 93.2% of the savings shares of Pirelli,

as well as in line with the reasons for the said Offers and the future plans put forth in the relevant offer document, have resolved to commence the Merger by approving the Merger Plan which shall be considered in the context of the transaction contemplated by the sale and purchase and co-investment agreement executed on 22 March 2015 between China National Chemical Corporation (“**ChemChina**”), a state owned enterprise incorporated under the laws of the People’s Republic of China, and China National Tire & Rubber Co., Ltd. (controlled by ChemChina) (“**CNRC**”), on one side, and Camfin S.p.A. (“**Camfin**”) and its shareholders Coinv S.p.A. and Long-Term Investments Luxembourg S.A. (“**LTI**”), on the other side, (subsequently amended and integrated in accordance with an amending and supplementing agreement signed by the same parties on 5 August 2015, the “**Sale And Purchase and Co-Investment Agreement**”), aimed at implementing a long-term industrial partnership in relation to Pirelli, with the goal to strengthen its development plans, to cover geographically strategic areas and to achieve the integration of tire activities of the Industrial segment of CNRC and Pirelli, by preserving the continuity and independence of the current management structure of the Pirelli Group (the “**Transaction**”).

- b) In light of the shareholders structure consequent to the Offers, it was decided that the legal form most suitable was the merger by absorption of Marco Polo Industrial Holding into Pirelli (so called “reverse merger”) considering the advantages deriving from the continuation of Pirelli as surviving company.
- c) On 23 November 2015 the Board of Directors of Pirelli resolved to call on 15 February 2016 the Extraordinary Shareholders’ Meeting to approve (i) the mandatory conversion (the “**Mandatory Conversion**”) of savings shares into a special class of newly issued delisted non-voting shares (the “**Special Shares**”), (ii) the adoption of a new By-Laws consequent to the delisting of the ordinary shares and to the Mandatory Conversion, and (iii) the merger of Pirelli with its parent company Marco Polo Industrial Holding.
- d) Following the joint petition of Pirelli and Marco Polo Industrial Holding, in a decree filed on 27 November 2015 the Court of Milan appointed KPMG S.p.A., with registered office in Milan, via

Vittorio Pisani No. 25, which is subject to the supervision of Consob, as common expert pursuant to and in accordance with Art. 2501-*sexies* of the Italian Civil Code (the “**Common Expert**”).

- e) As a result of the *de jure* control by the Absorbed Company over the Surviving Company following the Offers and due to the significance of the Merger, it constitutes a related-party transaction of “major importance” pursuant to the regulations containing the provisions on related-party transactions, adopted by the Consob with Resolution No. 17221 of 12 March 2010 (the “**Regulations on Related-Party Transactions**”) and the procedure approved by the Board of Directors of Pirelli pursuant to Art. 2391-*bis* of the Italian Civil Code and Art. 4, par. 1, of the Regulations on Related-Party Transactions, as last amended on 13 May 2013 (the “**Procedure on Related-Party Transactions**”). Therefore, the Committee on Related-Party Transactions has been involved in the preliminary phase of the Merger and the Merger Plan has been approved with the favourable opinion of the Committee on Related-Party Transactions pursuant to the Regulations on Related-Party Transactions and the Procedure on Related-Party Transactions with respect to the existence of an interest for Pirelli in the execution of the Merger, as well as on the expedience and substantive fairness of the terms and conditions set forth in the Merger Plan (see Section 4 below). In carrying out its work, the Committee for Related-Party Transactions of Pirelli relied on financial and legal advisors with proven professional experience.
- f) As a result of recourse to the financial debt assumed by Marco Polo Industrial Holding to purchase the shares of Pirelli, Art. 2501-*bis* of the Italian Civil Code applies. Therefore:
- pursuant to Art. 2501-*bis*, par. 2, of the Italian Civil Code, the Merger Plan indicates the financial resources provided for the fulfilment of the obligations of the company resulting from the Merger (see Section 7 below);
 - pursuant to Art. 2501-*bis*, par. 4, of the Italian Civil Code, the report issued by the Common Expert must certify the reasonableness of the indications contained in the Merger Plan for the financial resources provided for the fulfilment of the obligations of the company resulting from the Merger;
 - pursuant to Art. 2501-*bis*, par. 5, of the Italian Civil Code, Reconta Ernst & Young S.p.A., with registered office in Milan, via della Chiusa No. 2, the auditing firm in charge in auditing the financial statements of Pirelli and Marco Polo Industrial Holding, issues the report attached to the Merger Plan as Appendix “B”;
 - Pirelli and Marco Polo Industrial Holding will make available to public, in accordance with applicable laws, pursuant to Art. 2501-*bis*, par. 3, and 2501-*quinquies* of the Italian Civil Code, a report explaining the reasons justifying the Merger, containing an economic and financial plan indicating the source of the financial resources and a description of the objectives intended to be achieved.
- g) On the date of the Merger Plan, Pirelli owns No. 351,590 treasury ordinary shares and No. 408,342 treasury savings shares; Marco Polo Industrial Holding does not own any treasury share.
- h) On the date of the Merger Plan, neither Pirelli nor Marco Polo Industrial Holding has stock option plans in existence.

2. Parties to the Merger

2.1 Surviving Company

Pirelli & C. S.p.A.

- Pirelli & C. S.p.A. is an Italian company limited by shares (*società per azioni*) subject to the management and coordination in accordance with Art. 2497 of the Italian Civil Code of Marco Polo International Italy S.p.A.
- Registered office in Milan, Viale Piero e Alberto Pirelli No. 25.
- Share capital of Euro 1,345,380,534.66 divided into 487,991,493 shares with no par value, of which 475,740,182 ordinary shares and 12,251,311 savings shares with no par value. It is noted that the

extraordinary shareholders' meeting of Pirelli has been called on 15 February 2016 to approve, among other things, the Mandatory Conversion.

- Enrolled with the Companies' Registry of Milan, tax code and VAT No. 00860340157.

The following table shows the ordinary shareholders and savings shareholders of Pirelli at the date of the Merger Plan.

Shareholder	Ordinary shares	% of the ordinary share capital	% of the entire share capital
Marco Polo Industrial Holding S.p.A.	No. 475,388,592	99.926%	97.417%
Treasury shares	No. 351,590	0.074%	0.072%

Shareholder	Savings shares	% of the savings share capital	% of the entire share capital
Marco Polo Industrial Holding S.p.A.	No. 11,018,242	89.935%	2.258%
Treasury Shares	No. 408,342	3.333%	0.084%
Shares of third parties	No. 824,727	6.732%	0.169%

2.2 Absorbed Company

Marco Polo Industrial Holding S.p.A.

- Marco Polo Industrial Holding S.p.A. is an Italian company limited by shares (*società per azioni*) with a sole shareholder, subject to the management and coordination in accordance with Art. 2497 of the Italian Civil Code of Marco Polo International Italy S.p.A..
- Registered office in Milan, via San Primo No. 4.
- Share capital of Euro 10,195,652.10 divided into no. 32,777,910 ordinary shares with no par value.
- Enrolled with the Companies' Registry of Milan, tax code and VAT No. 09065250962.

The following table shows the ordinary shareholders and savings shareholders of Marco Polo Industrial Holding at the date of the Merger Plan.

Shareholder	Ordinary shares	% of the ordinary share capital
Marco Polo International Holding Italy S.p.A.	No. 32,777,910	100%

Pirelli and Marco Polo Industrial Holding S.p.A. are the “**Parties to the Merger**”.

3. By-Laws of the Surviving Company and consequent amendments deriving from the Merger

The Extraordinary Shareholders' meeting of the Surviving Company called to resolve upon the Merger will also resolve upon, within the context of the Mandatory Conversion's approval, the text of the new By-Laws which reflects the understandings reached by and between ChemChina, CNRC, Camfin, LTI, LTI Holding S.r.l. (“**LTI Ita**”) in the shareholders' agreement executed on 11 August 2015 (the “**Shareholders' Agreement**”).

The company name (Article 1), the registered office (current Article 3) and the duration (current Article 4) of the Surviving Company will not be amended.

The text of the new By-Laws is illustrated in the relevant Board of Directors' report referred to in Art. 125-ter, par. 1, of the TUF to the shareholders meeting on 15 February 2016, and hereby it is pointed out that:

- without prejudice to the transfer of ordinary shares as part of a new IPO of the shares of the Surviving Company, any transfer of ordinary shares is prohibited until 5 November 2020 (Article 8.2);
- the transfer of Special Shares is subject to the pre-emption right granted to the other Special Shares holders registered on the shareholders' book (Article 8.3);
- the resolutions of the shareholders' meeting referred to the relocation of the operational and administrative headquarter of Pirelli out of Milan and the transfer of the Pirelli technology know how as well as the relevant amendments of the By-Laws are to be approved with the favourable vote of at least 90% (ninety per cent) of the represented ordinary share capital of the Surviving Company (Article 13.2);
- the Surviving Company is managed by a board of directors composed of 16 (sixteen) directors, appointed with the voting list mechanism (Article 16);
- pursuant to applicable laws, the shareholders' meeting appoints the board of statutory auditors which is composed by (x) 5 (five) members, including 3 (three) effective statutory auditors and 2 (two) alternate statutory auditors, or, where an express request is made by the Chief Executive Officer of the shareholder directly Controlling the Company designated by Camfin or by the director of the shareholder directly Controlling the Company designated by LTI, (y) 7 (seven) members, including 5 (five) effective statutory auditors and 2 (two) alternate statutory auditors (Article 21);
- the statutory accounts audit is exercised by an independent auditing company registered on the relevant public register (Article 22);
- it is contemplated an arbitration clause for resolving any dispute arising out among the shareholders or between the shareholders and the Surviving Company or between the directors, the statutory auditors and/or the liquidators and Pirelli regarding rights pertaining to corporate relations (Article 27.2).

The same Extraordinary Shareholders meeting of the Surviving Company will also resolve upon the clause according to which the Special Shares held by each shareholder, which individually holds a participation of less than 2% of share capital represented by such Special Shares, may be redeemed by the Company in the event that a shareholder owns, directly or indirectly, more than 95% of the share capital represented by Special Shares (Articles 8.4 and 8.5).

The resolution of adoption of the new By-Laws of the Surviving Company and the Mandatory Conversion will become effective regardless of the completion of the Merger.

Following the Merger and its perfection, the abovementioned post-Merger By-Laws of the Surviving Company will be further amended solely with respect to Article 5.1 in order to reflect the variation of the number of shares of the share capital due to the Exchange Ratio. More specifically, Art. 5.1 will be as follows: *“The fully subscribed and paid-in share capital amounts to Euro 1,345,380,534.66 (one billion three hundred and forty five million three hundred and eighty thousand five hundred and thirty four point six six) and is represented by no. 208,085,491 (two hundred eight million eighty-five thousand four hundred ninety-first) shares without par value, of which 202,174,767 (two hundred two million one hundred seventy-four thousand seven hundred sixty-seventh) Ordinary Shares (as defined herein) and no. 5,910,724 (five million nine hundred tenthousand seven hundred twenty-fourth) Special Shares (as defined herein)”*.

The full text of the abovementioned post-Merger new By-Laws of the Surviving Company is attached to this Merger Plan and it forms an integral and substantive part thereof (Appendix “A”).

4. Merger implementation and exchange ratio

The Merger will be completed through the absorption of the parent company Marco Polo Industrial Holding into Pirelli (so called reverse merger). Given that in the Surviving Company there are minority shareholders

(whose stake represents, on the date hereof, 0.169% of the share capital), the ratio between the assets economic value of the Parties to the Merger has been determined and the exchange ratio established (the “**Exchange Ratio**”).

Since: (a) the minority shareholders participate in the share capital of the Surviving Company while the share capital of the Absorbed Company is held by a sole shareholder, and (b) the Absorbed Company’s equity consists basically in the stake held in the Surviving Company and the related debts, the Exchange Ratio is served by: (i) the allocation to the sole shareholder of the Absorbed Company of a number of shares (ordinary and special class shares) lower than the number of shares currently held by the Absorbed Company in the Surviving Company, (ii) the minority shareholders will maintain the shares currently held, and (iii) the cancellation, without reduction of the share capital, of the shares currently held by the Absorbed Company in the Surviving Company exceeding to the allocation set forth in Paragraph (i) above.

Without prejudice to the prohibition of treasury shares allocation pursuant to Art. 2504-*ter* of the Italian Civil Code, the Merger exchange of shares in favour of the sole shareholder of the Absorbed Company will be completed through the allocation of the two classes of shares of the Surviving Company (ordinary shares and savings shares or, if the Mandatory Conversion has become effective, Special Shares) originally held by the Absorbed Company, in the same proportion existing between the two classes of shares owned by the Absorbed Company before the Merger. The shares of the Surviving Company held before the Merger by the Surviving Company to be used for the Merger exchange will be allocated directly to the sole shareholder (Marco Polo International Holding Italy S.p.A.) of the Absorbed Company, which means that such shares shall not be considered, not even for one moment, as held by the Surviving Company and, therefore, without the transaction being considered as a “purchase of treasury shares”. As a result of the simultaneous transfer of the shares of Pirelli to the shareholder of Marco Polo Industrial Holding, the negative reserve for treasury shares in portfolio required under Art. 2424, par. 1, of the Italian Civil Code (as amended by the Legislative Decree n. 39 of 18 August 2015) shall not be established, since the above provision is not applicable in relation to the Merger.

The merger financial statements referred to in Art. 2501-*quater*, par. 1, of the Italian Civil Code are the following: (i) for Pirelli, in accordance with Art. 2501-*quater*, par. 2, of the Italian Civil Code, the half-yearly financial report at 30 June 2015 prepared pursuant to Art. 154-*ter*, par. 2, of TUF, approved by the Board of Directors of Pirelli on 6 August 2015; and (ii) for Marco Polo Industrial Holding, the financials at 30 November 2015 prepared on the basis of international accounting principles based IAS/IFRS approved by the Board of Directors of Marco Polo Industrial Holding on 22 December 2015.

The Board of Directors of the Parties to the Merger have reached the determination of the following common Exchange Ratio for both classes of shares:

No. 6.30 shares of the Surviving Company to be allocated following the Merger to the sole shareholder of the Absorbed Company for each No. 1 share of the Absorbed Company owned before the Merger by the sole shareholder of the Absorbed Company.

No cash payments are planned.

The reasons justifying the Exchange Ratio are explained in the reports prepared by the Boards of Directors of Pirelli and Marco Polo Industrial Holding pursuant to Art. 2501-*quinquies* of the Italian Civil Code, which will be made available to the public in accordance with applicable laws. For identifying the values to be attributed to Pirelli and Marco Polo Industrial Holding for the determination of the Exchange Ratio the Board of Directors of the Surviving Company has relied on financial and industrial advisors with proven professional experience.

As for the Merger Plan, on 22 December 2015, a reasoned favourable opinion was expressed by the Committee for Related-Party Transactions of Pirelli with respect to the existence of an interest for Pirelli in the execution of the Merger, as well as with respect to the expedience and substantive fairness of the terms and conditions set forth in the Merger Plan. As mentioned in the introduction, in carrying out its work, the Committee for Related-Party Transactions of Pirelli relied on financial and legal advisors with proven professional experience.

The shares of the Surviving Company to be allocated in exchange will be made available to the single shareholder of Marco Polo Industrial Holding according to the allocation method and the procedures provided for the allocation of shares in dematerialised form referred to in Section 5 below.

As mentioned in the introduction, as a result of recourse to the financial debt assumed by Marco Polo Industrial Holding to purchase the majority stake in Pirelli, Art. 2501-*bis* of the Italian Civil Code (“*Merger following leveraged buyout*”) applies to the Merger and consequently the Merger Plan will indicate the financial resources provided for the fulfilment of the obligations of the company resulting from the merger (Art. 2501-*bis*, par. 2, of the Italian Civil Code).

The expert’s report referred to in Art. 2501-*sexies* of the Italian Civil Code that, in accordance with Art. 2501-*bis*, par. 4, of the Italian Civil Code, shall certify the reasonableness of the indications contained in the merger plan pursuant to Art. 2501-*bis* of the Italian Civil Code, will be prepared by KPMG S.p.A. as Common Expert of the Parties to the Merger appointed pursuant Art. 2501-*sexies* of the Italian Civil Code in a decree filed on 27 November 2015 by the Court of Milan, which is the court of the place where the Companies to the Merger have their registered office. The report will be made available to the public in accordance with applicable laws.

The report referred to in Art. 2501-*bis*, par. 5, of the Italian Civil Code, is prepared by Reconta Ernest Young S.p.A., the auditing firm in charge in auditing the financial statements of the Parties to the Merger, and it is attached to Merger Plan as Appendix “B”;

5. Method of allocation of the shares of the Surviving Company

As said, the Merger will be implemented – taking into account the minimal rounding off necessary in order to balance the operation on a mathematical basis – as follows:

- cancellation of all the shares of Marco Polo Industrial Holding;
- allocation on the basis of the Exchange Ratio to the sole shareholder Marco Polo Industrial Holding of No. 201,823,177 Pirelli ordinary shares and No. 4,677,655 Pirelli savings shares (or, if the Mandatory Conversion has become effective, Special Shares); and
- cancellation of the residual No. 273,565,415 ordinary shares of Pirelli and No. 6,340,587 savings shares of Pirelli (or, if the Mandatory Conversion has become effective, Special Shares) held by Marco Polo Industries Holding, with no reduction of the share capital since Pirelli shares have no par value;

the above is without prejudice to the adjustments due to the possible purchases, by Marco Polo Industrial Holding, of additional savings shares of Pirelli (or, if the Mandatory Conversion has become effective, Special Shares) entered into before the Merger is implemented.

The other savings shareholders of Pirelli (or, after the Mandatory Conversation, the holders of Special Shares) will retain the shares held by them. Also the number of treasury shares held in portfolio by Pirelli (i.e. No. 351,590 ordinary shares and No. 408,342 savings shares or, if the Mandatory Conversion has become effective, Special Shares) will remain unchanged.

No cash payments are planned.

The shares representing the entire share capital of Marco Polo Industrial Holding and all the ordinary and savings shares of Pirelli held by Marco Polo Industrial Holding are pledged in favour of the following financial institutions:

1. J.P. Morgan Securities plc;
2. Barclays Bank plc;
3. Banca Popolare di Milano S.c. a r.l.;
4. Bank of America, N.A., Milan Branch;
5. The Bank of Tokyo - Mitsubishi UFJ, Ltd.;
6. The Bank of Tokyo - Mitsubishi UFJ, Ltd., Milan Branch;

7. BNP Paribas, Italian Branch;
8. China Construction Bank (Europe) S.A.;
9. Commerzbank Aktiengesellschaft Filiale di Milano;
10. HSBC Bank plc;
11. ICBC (Europe) S.A.;
12. ICBC (Europe) S.A., Milan Branch;
13. ING Bank N.V., Milan Branch;
14. Banca IMI S.p.A.;
15. Mediobanca – Banca di Credito Finanziario S.p.A.;
16. Mizuho Bank, Ltd., Milan Branch;
17. Naxitis S.A., Milan Branch;
18. Société Générale S.A.;
19. Société Générale, Milan Branch;
20. Standard Chartered Bank;
21. UniCredit S.p.A.;
22. Bank of America Merrill Lynch International Limited;
23. China Construction Bank Corporation, Hong Kong Branch;
24. Intesa Sanpaolo S.p.A.;
25. J.P. Morgan Limited;
26. J.P. Morgan Europe Limited,

to secure the fulfilment of the obligations under the loan agreement “*Bidco Senior Facilities Agreement*” originally executed on 30 April 2015 contemplating, among other things, the facilities granted to Marco Polo Industrial Holding for the purchase of the Pirelli shares by Marco Polo Industrial Holding, with the consequent application to the Merger of Art. 2501-*bis* of the Italian Civil Code (“*Merger following leveraged buyout*”).

Therefore, after the Merger contemplated by this Project, the right of pledge in favour of the abovementioned secured creditors will remain unchanged on all ordinary shares and savings shares (or, if the Mandatory Conversion has become effective, Special Shares) of the Surviving Company allocated to the sole shareholder of Marco Polo Industrial Holding S.p.A. and the allocation in exchange of the pledged shares of the Surviving Company to Marco Polo International Holding Italy S.p.A. shall be duly registered. The pledged shares of the Surviving Company will continue to be deposited through BNP Paribas Securities Services of Milan, as agent of the secured creditors.

The share certificates representing the shares of Marco Polo Industrial Holding will be cancelled after the perfection of the Merger contemplated by this Merger Plan.

While the Mandatory Conversion and, as of competence, the adoption of the new By-Laws, pursuant to Art. 146, par. 1, letter b), of the TUF, are subject to the approval of the special assembly of savings shareholders that has been called for this purpose by the Board of Directors on 15 February 2016; the Merger does not need to be submitted for approval to a Special Meeting of savings shareholders (nor of holders of Special Shares after the Mandatory Conversion has become effective), since the characteristics of the savings shares (or, if the Mandatory Conversion has become effective, Special Shares) are not amended due to the Merger.

No charge will be made payable by the sole shareholder of the Absorbed Company for the Merger exchange.

The ordinary shares of the Surviving Company allocated to service the exchange will be made available starting from the effective date of the Merger.

6. Date from which the shares of the Surviving Company allocated in exchange will be entitled to a share of the profits

The ordinary shares and savings shares (or, if the Mandatory Conversion has become effective, Special Shares) of Pirelli that will be allocated in the Merger will have the same dividend entitlement date as the ordinary shares and savings shares (or, if the Mandatory Conversion has become effective, Special Shares) outstanding on the effective date of the Merger.

The savings shareholders that will not vote in favour of the Mandatory Conversion and the new By-Laws (as far as it pertains to them) will be entitled to exercise the withdrawal right pursuant to Articles 2437-*quinquies* and 2437 of the Italian Civil Code. The Mandatory Conversion will not affect the right to the dividend as will be resolved by Pirelli with respect to the financial year ending on 31 December 2015, since the Special Shares will have the same economic rights of the Savings Shares. However, since the Mandatory Conversion could take place prior to the distribution of the dividend of the financial year ending on 31 December 2015, the savings shareholders who will exercise their withdrawal right will not be entitled to such dividend.

7. Economic and financial plan with an indication of the sources of financial resources foreseen for meeting the obligations following on from the merger

7.1 *The economic and financial plan*

The administrative bodies of Pirelli and Marco Polo Industrial Holding have applied the discipline foreseen under articles 2501-*bis* and 2501-*quinquies* of the Civil Code to this transaction.

For this purpose, in preparing the documentation in respect of the Merger, the administrative bodies of the companies taking part in the Merger have formulated, as is required under the third paragraph of art. 2501-*bis* of the Civil Code mentioned, an economic and financial plan (1 January 2015 – 31 December 2019) which is based on updating the Strategic Plan 2013-2017 with the addition of the projections for the two-year period 2018 – 2019 obtained by extrapolation (hereafter referred to as “the **2015-2019 Plan**”). Additionally, solely for the purpose of verifying the sustainability of financial indebtedness post-merger of Pirelli, the projections for the two-year period 2018-2019 have been further extrapolated up until 2023. (hereinafter the “Inertial Projections” and the 2015-2019 Plan, the “**Economic and Financial Plan of the Merger**”).

The Economic and Financial Merger Plan was drafted with the following criteria:

- From the economic standpoint:
 - a) The 2015-2019 Plan has been prepared starting from the projections for 2015-2019 and contained in the press release – drafted pursuant to Art. 103, section 3 of the Consolidated Financial Text and Art. 39 of the Issuer Regulation – approved by the Board of Directors of Pirelli on 2 September 2015, expressly its assessments of the Offers and published in annex to the relative Offer Document. These forecasts exclude all benefit arising from the *partnership* that will bring a global leader in the sector of industrial tyres into being and expansion of the business in Asia by the Pirelli Group, and have been obtained by updating the 2013-2017 plan and formulating forecasts for 2018-2019 by means of extrapolation. The 2018-2019 projections were processed by assuming the non-realisation of new expansion investments as well. These projections have been used by financial *advisors* to assess ordinary and savings shares in Pirelli & C. S.p.A. for the purposes of the Offers;
 - b) The forecasts and projections set forth under the foregoing point have been updated on the basis of the results as at 30.09.2015 considering: a) the variances taking place between the guidelines for August 2015 (in respect of the entire accounting period) and that for November 2015; b) the significant devaluation of the Brazilian *real* that occurred in the third quarter of 2015. The effects both of the variances and the devaluation of the real have been incorporated into the forecasts for the subsequent years. This update has translated into incomes and cash flows that are lower than those implied in the forecasts and projections used in the evaluations for the purposes of the Offers mainly in respect of the consequences of the devaluation of the Brazilian currency;
 - c) The projections thus updated have then been further extrapolated up until 2023 solely for the purposes of verifying the sustainability of debt. Consistently with this aim, a hypothesis of extreme prudence has been adopted in respect of the constancy of the operating results of the Group from

2019 to 2023, so as to have available a check upon the sustainability of the debt excluding the contribution made to the growth of operating results (also solely for the mere effects of inflation);

- from the financial standpoint:
- d) extension of the period of extrapolation up until 2023 solely for the purposes of verifying the financial sustainability of indebtedness has been defined so as to be able to grant visibility to the dynamic of indebtedness beyond the normal horizon of five year planning, within a prudent hypothesis of constancy of operational flows after 2019. Even in the absence of growth in operational results, the company would record net financial charges for 2023 substantially in line with those recorded by Pirelli in 2015 pre-Merger).
- e) The Economic and Financial Merger Plan considered refinancing of debt for Pirelli and Marco Polo Industrial Holding through a mix of financing instruments (*secured* and *unsecured*) representing the best management forecast, formulated also on the basis of the draft proposals made by the financial *advisors*. These refinancings, if carried out prior to the requirements for redemption of current debt applying, may render recourse to the *mergeco facility* set up by Marco Polo Industrial Holding (a syndicated loan subscribed to by a pool of 18 banks for an aggregate sum of Euro 6.8 billion and described in paragraph 7.2 below) unnecessary;
- f) Throughout the period covered by the Plan (2015-2019) and the subsequent extrapolations (2020-2023) an absence of dividend distribution in respect of ordinary shares and solely distribution of dividends on savings shares (applying to profit from the 2015 accounting period) and Special Shares (applying to profits for the subsequent accounting periods) up to the limits of the minimum guaranteed dividend (amounting to 7% of 3.19 Euros per share) has been assumed.

The Economic and Financial Merger Plan has been prepared using a set of assumptions about the realization of future events and actions that will have to be undertaken by the Directors that include, *inter alia*, general and hypothetical assumptions related to future events and actions by Directors that will not necessarily occur, and to events and actions that the Directors and management cannot influence or can influence only in part, regarding the trend of the main economic and financial indicators or other factors that might influence their evolution, indicated above and primarily related to: i) the non-realisation of new expansion investments in the period 2018-2019 and in the subsequent periods; ii) the constancy of the operating flows from 2020 to 2023, therefore without any contribution of the growth of the operating results; iii) the refinancing of Pirelli and Marco Polo Industrial Holding debt through a mix of “secured” and “unsecured” financing instruments; iv) the non-distribution of dividends to ordinary shares and the distribution of dividends only to the saving shares and to the future special shares within the limits of the minimum guaranteed dividend and v) the positive completion of the merger transaction.

It should be however noted that, due to the uncertainties of the occurrence of future events, with respect to the realization of the event and its quantification and time of occurrence, variations between actual results and those forecasted in the Economic and Financial Merger Plan may be material, even if the events anticipated under the aforementioned hypothetical assumptions and under the Inertial Projections occur.

The Economic and Financial Merger Plan was prepared according to accounting principles and criteria that are consistent with those used by Pirelli in preparing the consolidated financial statements as at 31 December 2014 (International Financial Reporting Standards or “IFRS”) to which reference is hereby made for a detailed setting out of these principles and criteria, and have been prepared in accordance with a “post-Merger” logic basis, i.e. considering the aggregate values of the Companies Participating in the Merger, with effect from as early as 1 January 2016, including especially the net financial position of the Company being Incorporated.

Here below the 2015-2019 Plan and the extrapolations for the sole purpose of verifying the sustainability of debt for the period 2020-2023 is shown:

PIRELLI & C POST MERGER	PROFIT & LOSS AND NET FINANCIAL POSITION					INERTIAL PROJECTIONS FOR THE SOLE PURPOSE OFSUSTAINABILITY DEBT CHECK			
	EuroMIn @ Hystorical rates					EuroMIn @ Hystorical rates			
	2015	2016	2017	2018	2019	2020	2021	2022	2023
Net Sales	6.291,1	6.699,7	7.057,2	7.204,9	7.280,7	7.280,7	7.280,7	7.280,7	7.280,7
-Variation %	4,5%	6,5%	4,3%	2,1%	1,1%	0,0%	0,0%	0,0%	0,0%
EBITDA before restructuring expenses	1.242,8	1.356,1	1.466,5	1.501,4	1.510,8	1.510,8	1.510,8	1.510,8	1.510,8
-% of net sales	19,8%	20,2%	20,8%	20,8%	20,8%	20,8%	20,8%	20,8%	20,8%
EBIT before restructuring expenses	925,0	1.020,7	1.116,6	1.147,7	1.156,6	1.160,1	1.160,1	1.160,1	1.160,1
-% of net sales	14,7%	15,2%	15,8%	15,9%	15,9%	15,9%	15,9%	15,9%	15,9%
Restructuring expenses	(55,0)	(48,0)	(20,0)	(20,0)	(20,0)	(20,0)	(20,0)	(20,0)	(20,0)
EBIT	869,9	972,7	1.096,6	1.127,7	1.136,6	1.140,1	1.140,1	1.140,1	1.140,1
-% of net sales	13,8%	14,5%	15,5%	15,7%	15,6%	15,7%	15,7%	15,7%	15,7%
Net income/(loss) from equity investments	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Financial income/(expenses)	(259,6)	(379,4)	(337,3)	(306,1)	(278,4)	(253,6)	(228,4)	(204,8)	(170,0)
PBT	610,3	593,3	759,2	821,6	858,2	886,5	911,7	935,3	970,1
Fiscal charges	(213,6)	(228,2)	(271,5)	(287,6)	(300,4)	(310,3)	(319,1)	(327,4)	(339,5)
- Tax rate %	-35,0%	-38,5%	-35,8%	-35,0%	-35,0%	-35,0%	-35,0%	-35,0%	-35,0%
Net income before discontinued oper.	396,7	365,1	487,7	534,0	557,8	576,2	592,6	608,0	630,5
Discontinued operations	(14,6)	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Net Income	382,1	365,1	487,7	534,0	557,8	576,2	592,6	608,0	630,5
Net financial position	5.038,1	4.756,7	4.361,7	3.911,2	3.426,9	2.940,1	2.377,0	1.798,5	1.257,4

PIRELLI & C POST MERGER	NET CASH FLOW					INERTIAL PROJECTIONS FOR THE SOLE PURPOSE OFSUSTAINABILITY DEBT CHECK			
	EuroMIn @ Hystorical rates					EuroMIn @ Hystorical rates			
	2015	2016	2017	2018	2019	2020	2021	2022	2023
EBIT before restr.expenses	925,0	1.020,7	1.116,6	1.147,7	1.156,6	1.160,1	1.160,1	1.160,1	1.160,1
Amortisation and depreciation	317,8	335,4	349,9	353,7	354,2	350,7	350,7	350,7	350,7
Net capital expenditures	(390,2)	(386,8)	(397,1)	(328,7)	(318,9)	(318,9)	(318,9)	(318,9)	(318,9)
Change in working capital	(152,3)	(42,4)	(46,1)	(47,3)	(47,6)	0,0	0,0	0,0	0,0
Pension funds	(45,0)	(60,0)	(60,0)	(60,0)	(60,0)	(60,0)	(60,0)	(60,0)	(60,0)
LTI	0,0	0,0	(60,0)	0,0	0,0	(60,0)	0,0	0,0	(60,0)
Other variations	0,0	0,0	20,0	20,0	20,0	20,0	20,0	20,0	20,0
FREE CASH FLOW	655,3	866,9	923,3	1.085,4	1.104,3	1.091,9	1.151,9	1.151,9	1.091,9
Other variations	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
OPERATING CASH FLOW	655,3	866,9	923,3	1.085,4	1.104,3	1.091,9	1.151,9	1.151,9	1.091,9
Financial income/(expenses)	(259,6)	(379,4)	(337,3)	(306,1)	(278,4)	(253,6)	(228,4)	(204,8)	(170,0)
Fiscal charges	(213,6)	(228,2)	(271,5)	(287,6)	(300,4)	(310,3)	(319,1)	(327,4)	(339,5)
NET OPERATING CASH FLOW	182,1	259,3	314,4	491,8	525,5	528,0	604,4	619,7	582,3
Financial asset acquisition	(27,6)	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Financial asset disposals	120,0	100,0	115,0	0,0	0,0	0,0	0,0	0,0	0,0
Real estate disposals	0,0	5,0	5,0	0,0	0,0	0,0	0,0	0,0	0,0
Write off Venezuela incl. in financial exp.	23,3	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Deferred active tax incl. in fiscal charges	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Cash-out for restructuring operations	(39,6)	(48,0)	(20,0)	(20,0)	(20,0)	(20,0)	(20,0)	(20,0)	(20,0)
Other dividends paid	(10,1)	(7,0)	(8,0)	(10,0)	(10,0)	(10,0)	(10,0)	(10,0)	(10,0)
Exchange rates difference/other	27,2	(25,3)	(10,2)	(10,0)	(10,0)	(10,0)	(10,0)	(10,0)	(10,0)
Net cash flow before divid.	275,3	284,0	396,2	451,8	485,5	488,0	564,4	579,7	542,3
Dividend paid by Parent	(179,5)	(2,6)	(1,2)	(1,2)	(1,2)	(1,2)	(1,2)	(1,2)	(1,2)
Impact of Steel Cord dismissal	45,6	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Debt push down	(4.200,0)	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
NET CASH FLOW	(4.058,6)	281,4	395,0	450,6	484,3	486,8	563,1	578,5	541,1

7.2 Sources of the financial resources foreseen for meeting the obligations following on from the Merger

In order to meet the obligations following on from the Merger, Marco Polo Industrial Holding has foreseen and made a syndicated credit facility available to the company resulting from the Merger, subscribed to by a pool of 18 banks for an aggregate sum of Euro 6.8 billion. The sum of Euro 6.8 billion is split into two tranches, one of Euro 6 billion foreseen in the technical form of a term loan (aimed at redemption of the initial and structural debt of the company resulting from the Merger), and one of Euro 800 million in the technical form of revolving credit facility (the use of which will allow the company resulting from the merger to meet the seasonal nature of the business and need for working capital).

The facility, referred to as the *Mergeco Facility Agreement*, has a due date of 31 December 2016 agreed with the lending banks.

Pirelli intends to achieve a debt structure that is “balanced”, refinancing the company resulting from the Merger without making use of the *Mergeco facilities Agreement*, but having direct recourse of the bond market and the banking market so as to diversify its sources of financing and obtain the right mix of due dates and costs. In order to minimise the risk of refinancing the Group, and financial, market conditions permitting, Pirelli intends to stabilise its debt in advance as compared to the effect of the merger and so, prudentially, financial charges and redemptions included in the financial plan are those connected to the more onerous of the scenarios described, i.e. the one in which the *Mergeco facilities Agreement* is not used.

Prudentially, the hypotheses of refinancing foresee:

- Euro 3,5 billion of bank financing in the form of a *term loan*, split into 2 tranches of which one of Euro 2 billion with due date at 3 years and cost of 4.0% p.a. and one of Euro 1.5 billion, due date at 5 years, cost 4.5% per annum with amortising profile;
- Euro 2,5 billion of bond debt in USD and/or Euros, with due date at 7 years and cost of 6% p.a. (bullet form);
- Euro 1 billion in a Revolving Credit Facility with due date at 5 and estimated cost amounting to 4.25% p.a.;

in addition to the Euro 0.7 billion of local financing in countries with structurally weak currencies which would be maintained and whose cost is approximately 10% p.a.

Bank debt and bond lands, when they fall due along the forecast horizon have been progressively replaced with bank financing and bonds for sums that have been increasingly lower. The financial structure at 2023 sees a reduction in bank debt to 250 million Euros (from the original 3.5 billion Euros) and bond debt at 1.9 billion Euros (from the original 3.5 billion Euros) with a progressively greater weight of *secured* financial facilities as compared to *unsecured* financial facilities.

The cost of debt to Pirelli post-Merger is expected to be, approximately 6%, in line with that of pre-Merger thanks to a diverse mix of currencies. In particular, in the post-merger scenario as compared to the pre-Merger one, currency in Euro will be privileged and whose rate of interest, which is relatively less onerous as compared to other currencies, will be counteracted by an increase, at last initially, in credit spread due to the greater financial leverage of the Group.

7.3 Sensitivity analysis in a basic scenario and three stressed scenarios

Verification of the capacity of the Company to redeem debt at the due dates set, in addition to on the basis of the 2015-2019 Plan added to by the extrapolations for the period 2020-2023 (so-called base scenario), has been founded on alternative stressed scenarios that consider (in increasing order of stress):

- a) the effects of the main risk factors as can be represented on the basis of a possible diverse dynamic in the main key operating variables in the 2015-2019 horizon as compared to what is implicit in the forecasts. This diverse dynamic has been simulated through the Monte Carlo method up until 2019 and then extrapolated for subsequent years. This situation echoes the analysis of risk factors for the main variables (risk & opportunity assessment) made at the same time as approving each new plan and attributes a probability of a diverse dynamic in the main key variables as compared to that of the

plan becoming manifest as lower than 100%. The minimum expected value for operating income (after restructuring costs) obtained with a level of confidence of 95% and which defines downside from the perspective of management, makes up the first stressed scenario;

- b) the effects of the main risk factors relating to the key operating variables set forth under the foregoing point assigning a probability of becoming manifest of 100%. In this case the minimum value of operating income (after restructuring costs) is found to be lower than the downside scenario and makes up the second stressed scenario;
- c) the effects of the main risk factors relating to the key operating variables set forth under the foregoing point (probability of becoming manifest at 100%) and an increase in costs of debt as compared to the base scenario of 200 base points with effect from 1 January 2016 (without a matching effect in terms of greater yield from cash on hand). This scenario, which also considers the effects of financial stress in addition to the maximum stress in operating variables, makes up the third stressed scenario.

Verification of the financial sustainability of debt has also looked at abidance by the most widespread ratios expressing the basis for calculating the *financial covenants* that are the most common in loan contracts. In all the scenarios (in the base scenario and in the three scenarios considered, with a growing level of stress) the ratios display satisfactory levels. Details are given below:

<i>In mln of Euro</i>									
Base Scenario	2015	2016	2017	2018	2019	2020	2021	2022	2023
Net Debt - Final	5.038	4.757	4.362	3.911	3.427	2.940	2.377	1.798	1.257
Net Margin on Facilities Activated	800	1.001	1.010	1.022	1.020	1.013	994	968	930
Net Margin on Total Available Facilities	800	1.001	1.010	1.022	1.140	1.133	1.614	2.188	2.750
Net Debt /EBITDA ante-restructuring costs	4,05x	3,51x	2,97x	2,60x	2,27x	1,95x	1,57x	1,19x	0,83x

<i>In mln of Euro</i>									
First Stressed Scenario (Events Prob. < 100%)	2015	2016	2017	2018	2019	2020	2021	2022	2023
Net Debt - Final	5.038	4.803	4.462	4.070	3.648	3.229	2.736	2.232	1.771
Net Margin on Facilities Activated	800	978	936	893	830	758	670	571	456
Net Margin on Total Available Facilities	800	978	936	893	950	878	1.290	1.791	2.276
Net Debt /EBITDA ante-restructuring costs	4,05x	3,74x	3,21x	2,87x	2,57x	2,28x	1,93x	1,58x	1,26x

<i>In mln of Euro</i>									
Second Stressed Scenario (Events Prob. = 100%)	2015	2016	2017	2018	2019	2020	2021	2022	2023
Net Debt - Final	5.038	4.818	4.496	4.124	3.724	3.327	2.858	2.379	1.944
Net Margin on Facilities Activated	800	971	912	849	765	671	560	437	296
Net Margin on Total Available Facilities	800	971	912	849	885	791	1.180	1.657	2.116
Net Debt /EBITDA ante-restructuring costs	4,05x	3,82x	3,31x	2,97x	2,67x	2,40x	2,07x	1,72x	1,41x

<i>In mln of Euro</i>									
Third Stressed Scenario (Events Prob. = 100% + ΔCod = +2%)	2015	2016	2017	2018	2019	2020	2021	2022	2023
Net Debt - Final	5.038	4.914	4.686	4.402	4.085	3.768	3.377	2.972	2.605
Net Margin on Facilities Activated	800	923	769	615	445	270	80	-119	-331
Net Margin on Total Available Facilities	800	923	769	615	565	390	700	1.101	1.489
Net Debt /EBITDA ante-restructuring costs	4,05x	3,89x	3,45x	3,17x	2,93x	2,72x	2,44x	2,15x	1,89x

7.4 Conclusions

In the light of the data commented above, it is reasonable to believe that the incorporating company Pirelli will be able to abide by the financial undertakings deriving from the credit facilities, both in terms of the plan of redemptions of capital and in terms of payment of interest. The financial resources that it is expected will be generated over the life of the Economic and Financial Merger Plan will indeed allow the obligations deriving from the Merger transaction to be met, and at the same time allow Pirelli to maintain its capacity to make the investments needed for carrying on its business.

8. Effective date of the Merger

The Merger effective date, in accordance with Article 2504-*bis*, par. 2, of the Italian Civil Code will be specified in the deed of merger and may follow the last filing required under Art. 2504 of the Italian Civil Code.

Starting from the Merger effective date, the Surviving Company will succeed into all the assets and liabilities of the Absorbed Company.

For accounting purposes, the operations of the Absorbed Company will be charged to the financial statement of the Surviving Company as of 1st of January 2016.

As set forth pursuant to art. 172, comma 9, of D.P.R. n. 917 dated 22 December 1986, the tax effects of the Merger will start as of 1st of January 2016.

9. Treatment, if any, for special classes of shareholders and for holders of securities other than shares

The savings shareholders (and the holders of the Special Shares once the Mandatory Conversion becomes effective) are granted with the following capital treatment:

- priority in the repayment of the capital up to Euro 3.19 for each savings share (or Special Shares);
- in the event of a reduction of the share capital due to losses, the reduction has no effect on savings shares (or Special Shares, if any) except for the portion not included in the full extent covered by the ordinary shares;
- following the mandatory allocations to statutory reserves, the Company's net year-end profits shall be distributed to the savings shareholders as follows: savings shares shall be awarded a dividend of seven per cent of Euro 3.19; if a dividend of less than seven per cent of Euro 3.19 is awarded to savings shares in a given financial year, the difference shall be computed as an increase to be added to the preference dividend over the subsequent two financial years; and, in any case, a dividend higher, compared to the dividend awarded to ordinary shares, by an amount corresponding to two per cent of Euro 3.19.

Neither Pirelli nor Marco Polo Industrial Holding issued any other securities with a special treatment reserved under the Merger.

10. Special advantages possibly reserved for directors of the Parties to the Merger

No special treatment is provided for the directors of the Parties to the Merger.

11. Merger terms and conditions

The completion of the Merger transaction is subject to the following terms and conditions being met:

- (a) lack of contrary opinion expressed by the Common Expert regarding the congruence of the Exchange Ratio; and
- (b) the obtainment of the certification by the Common Expert regarding the reasonableness of the indications contained in the Merger Plan pursuant to Article 2501-*bis*, par. 2, of the Italian Civil Code.

All documentation required under Art. 2501-*septies* of the Italian Civil Code will be filed in the period required by applicable laws and it will remain filed until the approval of the Merger.

* * *

Milan, 22 December 2015.

Pirelli & C. S.p.A.

Chief Executive Officer and
Executive Vice Chairman
Marco Tronchetti Provera

Signature on the original Italian version

Marco Polo Industrial Holding S.p.A.

Managing Director
Giorgio Luca Bruno

Signature on the original Italian version

Appendices

- “A” By-Laws of the Surviving Company effective after the Merger
- “B” Report prepared by Reconta Ernst Young S.p.A., the auditing firm in charge in auditing the financial statements of Pirelli and Marco Polo Industrial Holding, pursuant to Art. 2501-*bis*, par. 5, of the Italian Civil Code.

* * *

This is a courtesy English translation of the Italian original document. In case of inconsistency the Italian original version shall prevail.

ARTICLES OF ASSOCIATION

Article 1

(Company Name)

A joint stock company is incorporated with the name of Pirelli & C. Società per Azioni or, in abbreviated form, Pirelli & C. S.p.A. (hereafter, the “**Company**” or “**Pirelli**”).

Article 2

(Registered Office)

- 2.1. The Company has its registered, operational and administrative headquarter in Milan. The operational and administrative headquarter may not be transferred outside the Municipality of Milan except with prior authorisation from the ordinary Shareholders' Meeting in accordance with Article 11.1 below to be resolved upon with the majorities set out in Article 13.2 below.
- 2.2. By resolution of the Board of Directors, secondary headquarters, branches, technical, administrative and representative offices and agencies of any nature may be opened, transferred and closed, in Italy and abroad.

Article 3

(Corporate Purpose)

- 3.1. The Company has as its corporate purpose:
 - a) the assumption of Participations in other companies or entities both in Italy and abroad;
 - b) the financing and technical and financial coordination of the companies or entities in which it invests;
 - c) the purchase and sale, possession, management or placement of public or private securities.
- 3.2. The Company may also perform the following activities:
 - the production and trade, directly or through Participations in other companies, of tyres, as well as raw materials, semi-finished products, equipments, machineries, directly or indirectly related to the tyres production;

- the research, development, experimentation and industrialization of tyres; studio and elaboration of manufacturing procedures of tyres and parts thereof, as well as any related and connected activities;
- the financing, technical and financial coordination of the companies or entities in which it invests; the purchase and sale, possession, management and placement of public and private securities of social property;
- the coordination and organization of the activities of the group in which it invests;
- the provision of management and business services, therein including use of the trademark, strategic planning, research and development, technical manufacturing specifications, marketing, advertising, sale, distribution, finance, management and data processing.
- the production and trade, directly or through Participations in other companies, of sportswear and clothing in general as well as provisions of services or taking representation agencies related to different goods as long as produced and commercialized by companies of the Pirelli Group (as defined herein) with the exception of real estate.

3.3. The Company may also perform any related, instrumental or in any case useful activity for achieving the corporate purpose, therein including, without limitation, obtaining patents for trade mark and any other form of intellectual and industrial property protection, purchasing and selling such rights, purchasing and licensing the same, as well as the provision of collateral and/or personal guarantees (also in favour of third parties), the assumption and granting of loans, in any form, or other forms of financing (therein including corporate guarantees) in favour of companies controlled by the Company.

3.4. The activities reserved to persons registered on professional registers and the activities set out in Art. 106 of Italian Legislative Decree n. 385 dated September, the 1st 1993 are excluded, to the extent that they are performed in relation to the public, along with reserved activities in general and those not permitted in accordance with applicable legal provisions.

Article 4

(Duration)

The term of duration of the Company is fixed to 31 December 2100; that term may be extended without the shareholders being entitled to any withdrawal right.

Article 5

(Share Capital and Shares)

- 5.1. The fully subscribed and paid-in share capital amounts to Euro 1,345,380,534.66 (one billion three hundred and forty five million three hundred and eighty thousand five hundred and thirty four points six six) and is represented by no. 208,085,491 (two hundred eight million eight hundred and fifty thousand four hundred and ninety one) shares without par value (the “**Shares**” and each one the “**Share**”), of which 202,174,767 (two hundred two million one hundred seventy four thousand seven hundred and sixty seven) Ordinary Shares (as defined herein) and no. 5,910,724 (five million nine hundred and ten thousand seven hundred and twenty four) Special Shares (as defined herein).
- 5.2. The Shares are registered. The Shares might be represented by share certificates or dematerialized.
- 5.3. In the event of capital increases by issuing shares against payment, the option right may be excluded or limited in respect of the applicable laws.
- 5.4. By resolution of the Shareholders' Meeting, the share capital may be increased even by way of contributions in kind or of receivables, as well as permitted assets, in compliance with applicable laws, the provisions of these Articles of Association and the resolutions of the Shareholders' Meeting.
- 5.5. Each Share is indivisible. In the event of co-ownership of one or more Shares, the rights of the co-owners in relation to the Company, except as provided by Article 2347 of the Italian Civil Code, must be exercised by a joint representative.

Article 6

(Categories of Shares)

- 6.1. The shares are divided into ordinary shares (the “**Ordinary Shares**”) and special shares (the “**Special Shares**”).
- 6.2. Ordinary Shares award the right to one vote per share. The Special Shares do not carry voting rights.
- 6.3. As well as any rights and privileges provided for in other parts of these Articles of Association, Special Shares shall have priority in the repayment of the capital up to Euro 3.19 (three point nineteen) for each Special Share. In the event of a reduction of the share capital due to

losses, the reduction has no effect Special Shares except for the portion not included in the full extent covered by Ordinary Shares.

- 6.4. In the event of a share capital increase being carried out by issuing shares of only one class, such shares must be offered on option also to the holders of the other class of shares.
- 6.5. In the event of a share capital increase being carried out by issuing of both Ordinary Shares and Special Shares:
- the holders of Ordinary Shares shall be entitled to receive an option on Ordinary Shares, and on Special Shares to make up any difference;
 - the holders of Special Shares shall be entitled to receive an option on Special Shares, and on Ordinary Shares to make up any difference.
- 6.6. The expenses related to the organisation of the special savings shareholders meetings shall be borne by the Company.

Article 7

(Withdrawal)

The Shareholders who do not take part in the approval of the following resolutions:

- extension of the term of duration of the Company; and
- introduction, modification or removal of restrictions on the circulation of shares

shall not be entitled to exercise the right of withdrawal.

Article 8

(Prohibition of Transfer of Shareholding in Ordinary Shares; Pre-emption on the Transfer of Special Shares; Redemption)

8.1 For the purposes of these Articles of Association:

(i) “**Transfer**” means any sale or disposal, with or without consideration, the result of which, directly or indirectly, involves the transfer to third parties of ownership (or beneficial ownership) and/or bare ownership and/or detention, and/or possession and/or any other real or personal right of enjoyment on the Participations in the Company (or part of them), or the constitution or transfer, with or without consideration, of any real or personal right of enjoyment of the Participations in the Company (or part of them), therein including, by way of example, the transfer on a fiduciary basis,

the constitution in pledge or usufruct, the constitution in trust, the contribution, exchange, merger, demerger and transfer of business division, and also including disposals implemented for the purposes and to the effects of the transfer of Control (*as defined herein*) over companies or entities holding, directly or indirectly, that Participation;

(ii) “**Participation**” means any Share, Ordinary or Special, or option right, subscription or pre-emption in accordance with the applicable laws, as well as any other instrument, therein including financial instruments, warrants and/or convertible bonds, granting rights of vote or the right to purchase, receive or subscribe, in any form, ownership or another real right over Shares and the related rights, therein including any derivatives, directly or indirectly held, that grant to the beneficiary a long position on the Shares;

(iii) “**Person**” means any individual, corporation, partnership, firm, association, unincorporated organization or other entity;

(iv) “**Control**” has the meaning set out in Article 2359, Paragraph 1, No. 1 of the Italian Civil Code. The terms “**Controlling**”, “**Subsidiary**” and the verb “**to Control**” will be interpreted accordingly.

8.2 Except for the Transfers of Participations in the context of the IPO (as defined below), any Transfer of a Participation in Ordinary Shares to any Person is prohibited until 5 November 2020. The Transfer prohibition in this Article 8.2 will not apply in respect of constitution of pledges on the Company’s Participations in favour of banks or financial intermediaries, as a guarantee of fully perform of the obligations provided by the Loan Agreements (as defined below), as well as in the event of enforcement of such pledges, in any way carried out. The same Transfer prohibition shall not apply in respect of any Special Shares, without prejudice to the application of the pre-emption right of the owners of Special Shares registered in the shareholders’ ledger, referred to in Article 8.3 below.

8.3 Without prejudice to Article 8.2 above, if a shareholder (the “**Transferring Shareholder**”) intends to Transfer, in whole or in part, its Participation in Special Shares (the “**Participation Subject to Transfer**”) in favour of other shareholders or third parties, all shareholders holding Special Shares registered in the shareholders’ ledger (the “**Non-Transferring Shareholders**”) will be entitled to a pre-emption right in the purchase concerning all, and not less than all, the Participation Subject to

Transfer at the same terms and conditions at which the Transferring Shareholder intends to perform the Transfer of the Participation Subject to Transfer (the “**Pre-emption Right**”). To this purpose:

- (A) the Transferring Shareholder shall offer in pre-emption, all and not less than all, the Participation Subject to Transfer to each Non-Transferring Shareholder by way of written notice (the “**Notice of Offer of Pre-Emption**”), sent, by recorded delivery with return receipt anticipated by fax or e-mail with notice of receipt, to the Board of Directors of the Company, it being expressly understood that the Notice of Offer of Pre-Emption must indicate: (i) the number of Special Shares constituting the Participation Subject to Transfer which the Transferring Shareholder intends to Transfer, (ii) where identified, the Person to which the Transferring Shareholder intends to Transfer the Participation Subject to Transfer (the “**Transferee**”), (iii) the terms and conditions, including the purchase price, at which the Transferring Shareholder intends to Transfer the Participation. The Transferring Shareholder will attach to the Notice of Offer of Pre-Emption, the copy of the binding offer or any contract for the purchase of the Participation Subject to Transfer with the Transferee Shareholder, if available. The Board of Directors will publish, on the Internet website of the Company, a notice whereby the Non-Transferring Shareholders are informed about the receipt of the Notice of Offer of Pre-Emption, disclosing the information of items (i) and (iii) above, but not on the identity of the Transferring Shareholder, nor of the Transferee, even if indicated. Each Non-Transferring Shareholder will be entitled to obtain, at its own expenses, a copy of the Notice of Offer of Pre-Emption from the Company;
- (B) Where the consideration for the Participation Subject to Transfer, as indicated in the Notice of Offer of Pre-Emption, is in kind and not in cash (such as, for example, in the case of exchange, contribution in kind, merger and demerger, Transfer of business or business division) or for no consideration (such as, for example without limitation, *mortis causa*) within 20 (twenty) Business Days from receipt of the Notice of Offer of Pre-Emption, the Board of Directors of the Company will determine the fair market value of the Participation Subject to Transfer at which the Pre-Emption Right may be exercised or will appoint an independent expert for the determination of such fair market value of the Participation Subject to Transfer within the

- same term. When the fair market value has been determined, the Board of Directors will publish the notice provided for under (A) above indicating also the fair market value;
- (C) Each Non-Transferring Shareholder may exercise the Pre-emption Right, under penalty of forfeiture, within 30 (thirty) days from the date of publication of the notice under (A) above, by sending, by registered letter with return receipt anticipated by fax or e-mail with notice of receipt, to the Board of Directors of the Company, an appropriate written notice of acceptance (the “**Notice of Acceptance**”) and the Board of Directors of the Company will communicate it to the Transferring Shareholder;
- (D) If the Pre-Emption Right has been exercised by more than one Non-Transferring Shareholder, the Participation Subject to Transfer will be allocated among such Non-Transferring Shareholders in proportion to the number of Special Shares owned by each of them. If no Non-Transferring Shareholder has exercised the Pre-Emption Right, the Company will be entitled, in compliance with Art. 2357 of the Italian Civil Code, to purchase the Participation Subject to Transfer at the price, terms and conditions set forth in the Notice of Offer of Pre-Emption, by sending the relevant notice to the Transferring Shareholder within 5 (five) days of the expiration of the term for the exercise of the Pre-Emption Right;
- (E) In the event that no Pre-Emption Right has been exercised by the Non-Transferring Shareholders and by the Company in accordance with (D) above, the Transferring Shareholder will be entitled to Transfer the whole Participation Subject to Transfer to the Transferee possibly identified in the Notice of Offer of Pre-Emption or to third parties within the subsequent 3 (three) months, provided that such Transfer shall be carried out under the same terms and conditions indicated in the Notice of Offer of Pre-Emption. If the Transfer is not completed within 3 (three) months and the Transferring Shareholder intends to Transfer, in whole or in part, the Participation Subject to Transfer, the provisions set out in this Article 8.3 will apply once again. After the completion of the Transfer of the Participation Subject to Transfer to the Transferee Shareholder in compliance with the terms and conditions set out in this Article 8.3, the Transferring Shareholder shall notify, by registered letter with return receipt or by fax or certified e-mail with notice of receipt, the Board of Directors of the

Company, and confirming the terms and conditions under which the Transfer of the Participation Subject to Transfer was completed and identifying the purchaser;

(F) If the Pre-emption Right is exercised by one or more Non-Transferring Shareholders or by the Company under (D) above, the completion of the Transfer of the Participation Subject to Transfer in favour of those Non-Transferring Shareholders (the “**Execution of the Pre-emption Right**”) will take place under the terms and conditions set out in this Article 7.3.2 and in accordance with the provisions below:

- (i) the date and, in the event the Special Shares are not de-materialized, the place of Execution of the Pre-emption Right must be chosen by the Non-Transferring Shareholder that has exercised the Pre-emption Right (or, in the case under (D) above, by the Company) and communicated to the Transferring Shareholder in the Acceptance Notice or within the subsequent 5 (five) “**Business Days**” (i.e. the calendar days other than Saturdays, Sundays and any other day on which the financial institutions are not open for ordinary business in Milan), it being expressly understood that the Execution of the Pre-emption Right must occur as soon as reasonably possible and, in any case, within 15 Business Days from the Notice of Acceptance;
- (ii) at the date of Execution of the Pre-emption Right, the Participation Subject to Transfer will be Transferred to the Non-Transferring Shareholder (or, in the case under (D) above, to the Company) that has exercised the Pre-emption Right free from any constraint, encumbrance and/or right of third parties, at the same time as payment of the respective price in cash by that Non-Transferring Shareholder;
- (iii) the Transferring Shareholder and the Non-Transferring Shareholder who has exercised the Pre-emption Right (or, in the case under (D) above, to the Company), insofar as each is responsible, will implement and complete any act and formality required by law and by these Articles of Association in order to Transfer ownership of the Participation Subject to Transfer, as well as the payment of the relevant purchase price.

- 8.4 In the event that a shareholder owns, directly or indirectly, a participation at least equal to 95% of the share capital of the Company represented by Special Shares, the Special Shares held by each shareholder, which individually holds a participation of less than 2% of share capital represented by such Special Shares, may be redeemed by the Company, in compliance with Art. 2357 of the Italian Civil Code. The Special Shares owned by the Company as treasury shares are added to the participation relevant for the calculation of the 95 % threshold above.
- 8.5 For the purposes of the redemption, the Board of Directors will publish on the Company's Internet website, a notice to the Special Shares' owners setting out: (i) a declaration of redemption, by the company, of the Special Shares; (ii) the date on which the redemption will become effective and, consequently, the redeemed Special Shares will be purchased by the Company and transferred to it; (iii) the purchase price of the redeemed Special Shares, determined pursuant to Art. 2437-ter, par. 2, of the Italian Civil Code, and the terms of payment; (iv) the modalities relating to the transfer of the same Special Shares. Art. 2437-quarter of the Italian Civil Code does not apply.

Article 9

(Pirelli Know-How)

For the purposes of these Articles of Association, “**Pirelli Technological Know-How**” means: all the industrial and intellectual property rights in tire business, pursuant to any applicable law in effect from time to time, including, without limitation, patents and models (including applications submitted to obtain them), know how (including, without limitation, any technical information relating to products and processes, therein including data, formulations, drafts, software, documentation, technical manufacturing specifications, management data, facilities layouts, quality standards, and any combination of them), as well as (notwithstanding the product segment) the Pirelli trademarks and anything that is subject to copyright protection or similar right; whose ownership or availability pertains to the Company or the companies directly or indirectly Controlled by the Company.

The Pirelli Technological Know-How may not be subject, in whole or in part, to any act of transfer and/or disposal for any reason and in any manner (including through the granting of licences) except with prior authorisation from the ordinary shareholders' meeting in accordance with Article 10.1 below to be resolved upon with the majorities set out in Article 13.2 below, except for the granting of non-exclusive licenses at

market conditions: (a) in favour of the Company or companies directly or indirectly Controlled by the Company; or (b) in favour of third parties, within the ordinary business management or marketing or promotional activities. Acts of transfer and/or disposal of Pirelli Technological Know-How functional to the company reorganisation of Pirelli's Industrial Company Division and its possible integration with some strategic assets owned by China National Tire & Rubber Corporation, Ltd. and with the Participation held by the latter in the company Fengshen Tires Stock Limited Company, a company registered and listed in China with licence no. 410000100002081 (the “**Industrial Reorganisation**”), are not subject to the aforementioned Shareholders' Meeting authorisation.

Article 10

(Loans)

The shareholders may provide to the Company, in order to allow the achievement of the corporate purpose, financial resources or sums of cash, both interest bearing and non-interest bearing, with or without the obligation of repayment, in compliance with applicable regulatory and legislative provisions and these Articles of Association. The assumption of loans will occur in compliance with, and within the limits permitted by, applicable laws and in particular the criteria established by the Inter-Ministerial Committee for Credit and Savings.

Article 11

(Shareholders' Meeting; Special Assembly)

- 11.1. The Shareholders' Meeting is both ordinary and extraordinary and resolves upon the issues reserved to it by law and by these Articles of Association. In addition, the Shareholders' Meeting, in accordance with and by virtue of Article 2364, Paragraph 1, no. 5) of the Italian Civil Code, authorises the Board of Directors to complete any of the acts set out in Articles 2.1 and 9 under the terms and conditions set out therein.
- 11.2. The Shareholders' Meeting may be held in any location in Italy, even a location other than the headquarters of the Company, or in another State of the European Union or in the People's Republic of China; the right to attend or represent others at the Shareholders' Meeting is regulated by law and by these Articles of Association.
- 11.3. Holders of rights to vote may appoint a representative by proxy issued in accordance with existing

regulatory and legislative provisions. The proxy must be granted in writing, must be sent to the Company in electronic format and the respective documentation must be retained in the Company records.

- 11.4. The right to attend and vote at the Shareholders' Meeting is regulated by the applicable provisions of law and these Articles of Association.
- 11.5. The Special Assembly of holders of Special Shares may be convened, as set forth in the following Article 12.1, by the Board of Directors of the Company each time it is deemed appropriate or when required by applicable laws. The Special Assembly is validly held and validly resolves with the majorities provided by applicable laws.

Article 12

(Convocation of Shareholders' Meeting)

- 12.1. The Shareholders' Meeting may be convened by the Board of Directors each time it is deemed appropriate by sending a notice of convocation, with at least 8 (eight) days' prior notice before the date of the Shareholders' Meeting, by way of: *(i)* letter sent to all holders of Ordinary Shares indicated in the shareholders' book, to the directors and to the auditors by postal service or equivalent means, with notice of delivery; or, alternatively, *(ii)* any other means, therein including, by way of example, fax or e-mail message sent and received by all the persons indicated above, which guarantees proof of receipt of the notice of convocation by the respective recipient. The notice of convocation will be prepared in Italian and English, it being understood that, in the event of a discrepancy between the two versions, the English version will prevail.
- 12.2. The Shareholders' Meeting may also be convened, within the limits set out in Article 2367 of the Italian Civil Code, at the request of as many holders of Ordinary Shares as represent at least 10% (ten per cent) of the subscribed share capital of the Company represented by Ordinary Shares, provided that the request indicates the matters to be discussed.
- 12.3. The Shareholders' Meeting must be convened without delay every time a request is made by the Board of Statutory Auditors.
- 12.4. The notice of convocation may indicate a second date of call for another day, where the Shareholders' Meeting at first call is not validly held.

- 12.5. In the absence of the formalities provided for the convocation, the Shareholders' Meeting is validly held when the entire share capital of the Company represented by Ordinary Shares is represented and the majority of members of the Board of Directors and Board of Statutory Auditors are in attendance at the Shareholders' Meeting; in that case, each of the participants may object to the discussion of matters on which they do not feel to be sufficiently informed.
- 12.6. The Shareholders' Meeting must be convened by the Board of Directors at least once a year, within 120 (one hundred and twenty) days from the end of the financial year or, where permitted in accordance with applicable provisions of law, within 180 (one hundred and eighty) days.

Article 13

(Resolutions of the Shareholders' Meeting)

- 13.1. Except as otherwise provided below, the ordinary and extraordinary Shareholders' Meeting is validly held and validly resolves with the majorities provided by applicable law.
- 13.2. In derogation of the foregoing, the resolutions of the ordinary Shareholders' Meeting referred to in Articles 2.1 and 9 above, as well as those of the extraordinary Shareholders' Meeting concerning a change to this Article 13.2 or Articles 2.1, 9 and 11.1 above or Article 27.4 below, are approved with the favourable vote of at least 90% (ninety per cent) of the share capital of the Company represented by Ordinary Shares and provided that the shareholder who directly exercises Control over the Company is represented at the respective Shareholders' Meeting in accordance with Article 13.3 (A) below.
- 13.3. Subject to the foregoing, the following resolutions adopted by the Shareholders' Meeting:
- (i) any decision relating to actions to pursue directors' liabilities, in accordance with Articles 2392 and 2393 of the Italian Civil Code;
 - (ii) any increase and/or reduction of share capital other than any increase and/or reduction of share capital that:
 - (x) is required by law; and/or
 - (y) is necessary to allow for the refinancing of the debt deriving from the financial documents (including the guarantee packages) relating to the loan of Marco Polo Industrial Holding S.p.A. and of the Company executed on 30 April 2015, as from time to time amended and/or

integrated, in relation to the transaction targeting the acquisition of control over the latter and the de-listing of the respective shares (the “**Loan Agreements**”), at their maturity or in the case of breach or potential material breach of the financial covenants contained therein; it being understood that any increase of the share capital in accordance with points (x) and (y) will be offered as an option to all the shareholders of the Company according to Article 2441 of the Italian Civil Code and the subscription price per Share will have to be determined according to fair market value;

- (iii) dissolution of the Company;
- (iv) mergers (other than the mergers set out in Articles 2505 and 2505-*bis* of the Italian Civil Code) and/or demergers;
- (v) any amendment to the company's Articles of Association other than those (a) set out in Article 2365 of the Italian Civil Code, and (b) set out in Article 13.2 above of these Articles of Association;

will be legitimately adopted at the respective Shareholders' Meeting provided that:

- (A) the shareholder that directly exercises Control over the Company is represented at the respective Shareholders' Meeting by a special proxy appointed jointly (i) by the chairman of the board of directors, (ii) by the chief executive officer, or, from the Significant Date, a further director of such shareholder that has been directly or indirectly expressed by the Class B Majority Shareholder, as defined in the articles of association of the company exercising direction and coordination over the Company (the “**Company Exercising Direction and Coordination**”) (the “**Designated Director B1**”), as well as (iii) by an additional director of such Controlling shareholder (the “**Designated Director B2**”), which has been directly or indirectly expressed by the Class B Minority Shareholder, as defined in the Articles of Association of the Company Exercising Direction and Coordination (it being understood that, for the purposes of this Articles of Association, “**Significant Date**” ha the same meaning provided in the articles of association of the Company Exercising Direction and Coordination);
- (B) the shareholder directly Controlling the Company, represented as provided for above, is duly

authorised in accordance with the provisions of its articles of association, as well as, going through the related shareholding structure up to the Company Exercising Direction and Coordination (included), with the provisions of the articles of association of the company in turn Controlling such shareholder.

Article 14

(Right to attend and vote at the Shareholders' Meeting)

- 14.1 Holders of Ordinary Shares holding the right to vote may attend at the Shareholders' Meeting, as long as it is proved their legitimacy also in accordance with the provisions of Article 13.3 (A) above. Each Ordinary Share attributes the right to 1 (one) vote. Disjointed voting is not permitted.
- 14.2 In order to attend at the Shareholders' Meeting the prior deposit of the Ordinary Shares or respective share certificates (if issued) is not required.
- 14.3 The Shareholders' Meeting may even take place with attendees spread in a number of locations, linked by audio/video, provided that the collegial method and the principles of good faith and equality of treatment of the shareholders are respected. In particular, it is necessary that:
- (i) the chairman of the Shareholders' Meeting and the person taking minutes, who will proceed to draft and sign the minutes, are attending in the same location, with the meeting being deemed to be held in that location;
 - (ii) the chairman of the Shareholders' Meeting is able, even by way of his office, to ascertain the identity and legitimacy of the attendees, to regulate the conduct of the meeting, to ascertain and announce the results of the vote;
 - (iii) the person taking minutes is able adequately to hear the events of the Shareholders' Meeting being recorded;
 - (iv) the attendees are able to participate in the discussion and simultaneous vote on the items on the agenda, as well as to read, receive and send documents;
 - (v) the notice of convocation indicates any special methods of connection by audio and/or video conference.
- 14.4 The chairman of the Shareholders' Meeting will chair the meeting and lead the discussion in

compliance with the law and these Articles of Association. To that end, the chairman, amongst other things: (i) will verify that the Shareholders' Meeting is validly held; (ii) will ascertain the identity of the attendees and their legitimacy – also with respect to the provisions of these Articles of Association – to attend at the meeting, therein including those attending by proxy; (iii) will ascertain that the quorum required to adopt the Shareholders' Meeting resolutions has been reached; (iv) will lead the meeting, even arranging for a different order of discussion of the items on the agenda indicated in the notice of convocation of the Shareholders' Meeting. The chairman will also take the appropriate measures to allow a proper discussion and vote, will establish its procedure and will ascertain the respective results. The chairman will be entitled to use a simultaneous translation service in English and Chinese.

- 14.5 The minutes of the ordinary Shareholders' Meeting will be drafted in Italian and English, both to be transcribed in the book; in the case of a discrepancy between the two versions, the English version will prevail. With reference to the minutes of the extraordinary Shareholders' Meetings, a translation in English will be provided to the attendees who request the same; in the case of a discrepancy between the two versions, the Italian version will prevail.

Article 15

(Chairman and Secretary)

- 15.1. The Shareholders' Meeting will be chaired by the chairman of the Board of Directors or, in the case of his absence or waiver, by the Chief Executive Officer and Executive Vice Chairman or, in the case of his absence or waiver, by the person elected by majority of the attendees.
- 15.2. The chairman of the Shareholders' Meeting will appoint a secretary, even a non-shareholder, and where necessary one or more scrutineers, even non-shareholders. The assistance of the secretary is not necessary when the minutes of the meeting are drawn up by a notary.

Article 16

(Appointment of the Board of Directors)

- 16.1. The Company is managed by a Board of Directors composed of 16 (sixteen) directors, even non-shareholders, who remain in office for a maximum period of 3 (three) financial years and may be re-elected.

- 16.2. The appointment of the Board of Directors will occur based upon slates submitted by the shareholders, in which the candidates must be listed by a sequential number.
- 16.3. The submitted slates must be (a) signed by the shareholders who submitted them, and (b) filed at the headquarter of the Company and made available at least 2 (two) calendar days prior to the date of the Shareholders' Meeting convened to resolve upon the appointment of the directors, except for the case in which all the shareholders waive such term. Together with each list, by the term indicated above, the representations by which the individual candidates irrevocably accept their candidacy and certify, under their own liability, the non-existence of causes of ineligibility and incompatibility, as well as the existence of the requirements prescribed by the applicable law for the respective roles, must be filed. The slates are made available to the shareholders at the legal head office of the Company.
- 16.4. The shareholders that, alone or with other shareholders, hold a Participation in the share capital represented by Ordinary Shares at least equal to 10% (ten per cent) may submit, or contribute to submitting, one slate.
- 16.5. Each shareholder holding the right to vote, together with its Affiliates, may submit, or contribute to submitting, a single slate and may vote in favour of a single slate; each candidate may appear on only one slate. Slates that do not comply with the provisions set out above may not be voted upon. "**Affiliate**" means, in relation to a company or other entity, any company or other entity that, directly or indirectly, Controls, is Controlled by, or is subject to Joint Control with that company or entity.
- 16.6. The election of the Board of Directors will proceed as follows:
- (i) the members of the Board of Directors will be elected from the slate that obtained the highest number of votes from those submitted;
 - (ii) the first of the candidates indicated in that slate will be elected as Chairman of the Board of Directors;
 - (iii) until the Significant Date the candidate listed at position 9 of the slate will be elected as Chief Executive Officer and Executive Vice Chairman of the Company.
- 16.7. Where no slate is submitted, the appointment of the Board of Directors will not take place in

accordance with the voting slate system described above, but rather by resolution of the Shareholders' Meeting made with the favourable vote of the majority of shareholders attending the Shareholders' Meeting and provided that the shareholder directly Controlling the Company is represented by a special proxy appointed in compliance with the provisions set out in Article 13.3 (A) above. The same process will be followed with reference to directors still to be elected, where the slate that obtained the highest number of votes does not contain a sufficient number of candidates. Without prejudice to Article 2369, Paragraph 3, of the Italian Civil Code.

- 16.8. Where, during the course of a financial year, a director resigns or in any case ceases office for any reason, the process will proceed in accordance with the law.
- 16.9. Where, during the financial year, the majority of members of the Board of Directors is missing, the remaining directors will automatically cease their office and that termination will have effect from the moment in which the board is reconstituted by appointment of the Shareholders' Meeting.
- 16.10. In that case, the Shareholders' Meeting will be urgently convened by the directors remaining in office to appoint the new Board of Directors.
- 16.11. If all the directors cease office, due to resignations or for another reason, the Shareholders' Meeting must be convened urgently to appoint the new Board of Directors by the Board of Statutory Auditors, which may, in the meantime, complete acts of ordinary administration.

Article 17

(Chairman of the Board of Directors and Representation of the Company - Secretary)

- 17.1. In addition to the powers expressly attributed to him by these Articles of Association – and without prejudice to the exclusive competence of the Chief Executive Officer and Executive Vice Chairman referred to in Article 18.2 below – the Chairman of the Board of Directors has the legal representation of the Company, even in court. The Chairman will therefore have broad powers to bring judicial actions and appeals at any stage of jurisdiction, also in proceedings before the *Corte di Cassazione*, to submit petitions and lawsuits in the criminal venue, to appear as civil party for the Company in criminal cases, to bring actions and appeals before all administrative jurisdictions, to intervene and defend in cases of actions and appeals that involve the Company granting the necessary mandates and powers of attorney for that purpose.

- 17.2. The other directors have the legal representation of the Company within the limits of the powers delegated to them or in all other cases provided by these Articles of Association. In the cases and within the limits of the delegated powers, they will be entitled to the same powers and rights as the Chairman described above.
- 17.3. The Board of Directors and, within the limits of the powers due to them or granted by the Board of Directors itself, the Chairman as well as the Chief Executive Officer and Executive Vice chairman, are authorised to grant the representation of the Company before third parties and in court to Directors and in general to employees and possibly to third parties.
- 17.4. The Board of Directors may, in addition, appoint, even on a permanent basis, a secretary, even extraneous to the Board of Directors itself.

Article 18

(Powers of the Board of Directors and Chief Executive Officer and Executive Vice Chairman - Meetings and Resolutions of the Board of Directors)

- 18.1. The Board of Directors is invested with all the widest powers for the ordinary and extraordinary management of the Company, without exception, and it proceeds, in particular, with everything not reserved by law or by these Articles of Association to the competence, including authorisations, of the Shareholders' Meeting, without prejudice to the compliance with the procedures and the obligations lying upon the Company as a consequence of the direction and coordination activities to which it is subject, as set forth by the Articles of Association of the Company Exercising Direction and Coordination. In particular, the Board of Directors of the Company has exclusive competence, in addition to all the powers provided for by law, including those provided for by art. 2381 of the Italian Civil Code, over all resolutions concerning the issues listed below, with reference both to Pirelli, and to any other company (even foreign, provided that it does not have shares listed on a regulated market) that is subject to the direction and coordination of Pirelli, except for intra-group operations:
- (i) assumption or granting of loans of a value exceeding Euro 200,000,000 (two hundred million) and of a duration exceeding 12 (twelve) months;

- (ii) issuance of financial instruments to be listed on a European or non-European regulated market, for a total value greater than Euro 100,000,000 (one hundred million), and/or revocation from listing of those instruments;
- (iii) issuance of guarantees in favour or in the interest of third parties for amounts greater than Euro 100,000,000 (one hundred million);
- (iv) signature of derivatives contracts (a) with notional value exceeding Euro 250,000,000 (two hundred and fifty million), and (b) different from those having as their exclusive purpose and/or effect the hedging of corporate risks (e.g., hedging of rate risk, hedging of exchange rate risk, hedging of risk linked to market of raw materials);
- (v) purchase or sale of participations of control or association in other companies for a value greater than Euro 150,000,000 (one hundred and fifty million), when this involves the entry or exit from geographical and/or commodities markets;
- (vi) purchase or sale of participations other than those described in point (v) above, for a value exceeding Euro 250,000,000 (two hundred and fifty million);
- (vii) purchase or sale of businesses or business branches of strategic importance or, in any case, of a value exceeding Euro 150,000,000 (one hundred and fifty million);
- (viii) purchase or sale of assets or other property of strategic importance, or, in any case, of a total value exceeding Euro 150,000,000 (one hundred and fifty million);
- (ix) completion of particular significance transactions with related parties, being such the transactions satisfying the conditions provided in Appendix 1 of the “*Procedure for Transactions with Related Parties*” approved by the Board of Directors of the Company on 3 November 2010, as subsequently amended;
- (x) definition of the Company's remuneration policy;
- (xi) determination, in compliance with the Company's internal policies and the applicable regulation, of the remuneration of the chief executive officers and directors who are vested with special offices and, where required, the allocation among the members of the Board of Directors of the aggregate remuneration approved by the Shareholders' Meeting in accordance with Article 2389, Paragraph 3, of the Italian Civil Code;

- (xii) approval of the strategic, industrial and financial plans of the Company and the group related to it (“**Pirelli Group**”);
- (xiii) adoption of rules of corporate governance of the Company and definition of the guidelines of Pirelli Group’s corporate governance;
- (xiv) definition of the guidelines on the internal control system, therein including the appointment of a director responsible for supervising the internal control system, defining his tasks and powers;
- (xv) any other matter which should be vested with the competence of the Board of Directors of a listed company pursuant to provisions of the self-regulation code that the company will approve to implement;
- (xvi) the issues for which a qualified majority is required in accordance with Article 18.7 below;
- (xvii) the Significant Matters, as defined by Article 18.2(B) below.

It is understood that the aforementioned provisions will apply to whatever operation related to the subjects from (i) to (ix) of the present article 18.1, whose value overtakes, for every single operation or series of related operation (carried out within a common executive program or strategic plan) the abovementioned thresholds.

18.2. Subject to the competence of the Board of Directors in relation to the attributions reserved to it exclusively by law, as well as in accordance with Article 18.1 above, until August, 11th 2020 the following powers are necessarily delegated to the Chief Executive Officer and the Executive Vice Chairman of the Company, with the exclusion of the possibility to delegate them to other or additional directors, with the power to sub-delegate specific tasks or tasks’ categories:

- (A) exclusively, the powers of ordinary management of Pirelli and Pirelli Group indicated below concerning the issues listed below, with reference both to Pirelli, and to any other company (including foreign companies, provided that they do not have shares listed on a regulated market) which is subject to the direction and coordination of Pirelli that must be implemented by Pirelli and/or by any other company (therein including any non-listed foreign company) subject to direction and coordination by Pirelli:

- (i) assumption or granting of loans of a value no greater than Euro 200,000,000 (two hundred million) and of a duration up to a maximum of 12 months;
- (ii) issuance of financial instruments to be listed on a European or non-European regulated market, for a total value not exceeding Euro 100,000,000 (one hundred million), and/or delisting of those instruments;
- (iii) issuance of guarantees in favour or in the interest of third parties for amounts not exceeding Euro 100,000,000 (one hundred million);
- (iv) signature of derivatives contracts (a) with notional value not exceeding Euro 250,000,000 (two hundred and fifty million), and (b) having as their exclusive purpose and/or effect the hedging of corporate risks (e.g., hedging of rate risk, hedging of exchange rate risk, hedging of risk linked to market of raw materials);
- (v) purchase or sale of participations of control or association in other companies for a value no greater than Euro 150,000,000 (one hundred and fifty million), when this involves the entry or exit from geographical and/or commodities markets;
- (vi) purchase or sale of participations other than those described in point (v) above, for a value not exceeding Euro 250,000,000 (two hundred and fifty million);
- (vii) purchase or sale of businesses or business branches of a value no greater than Euro 150,000,000 (one hundred and fifty million), with the exception of acts of purchase and/or sale of businesses or business branches having strategic importance for the Company reserved to the exclusive competence of the Board of Directors in accordance with Article 18.1(vii) above;
- (viii) purchase or sale of assets or other property of a total value not exceeding Euro 150,000,000 (one hundred and fifty million), with the exception of acts of purchase and/or sale of assets or other property having strategic importance for the Company reserved to the exclusive competence of the Board of Directors in accordance with Article 18.1(viii) above;
- (ix) the finalisation of intra-group operations;
- (x) any other issue related to the ordinary management of Pirelli and Pirelli Group not reserved to the competence of the Board of Directors by law and by these Articles of Association.

It is understood that the aforementioned provisions will apply to whatever operation related to the subjects from (i) to (viii) of the present article 18.2, whose value does not exceed, for

every single operation or series of related operation (carried out within the same executive program or strategic plan) the thresholds mentioned above.

- (B) the power to propose to the Board of Directors (the “**Power of Proposal**”) the adoption of the following resolutions (jointly, the “**Significant Matters**”):
- (i) approval of the budget and business plan of the Company and the Pirelli Group, as well as any significant change to those documents;
 - (ii) any resolution concerning industrial partnerships or strategic joint ventures involving Pirelli and/or Pirelli Tyre S.p.A. and/or any Affiliate of Pirelli..

it being understood that: (a) the competence to resolve upon the Significant Matters will be reserved exclusively to the Board of Directors and/or to the Shareholders' Meeting, where appropriate; and (b) where the Board of Directors does not approve the proposal of the Chief Executive Officer and Executive Vice Chairman, the respective resolution must be motivated and in any case take account of the best interest of the Company;

- (C) the power, that shall be exercised within the term of November, 5th 2019, to commence and complete the procedure of new admission to listing of the Ordinary Shares of the Company, by way of (i) an *initial public offering* (“**IPO**”) in accordance with the provisions of the shareholders' agreement entered into between China National Tire & Rubber Corporation, Ltd., China National Chemical Corporation, Camfin S.p.A., Long-Term Investments Luxembourg S.A. and LTI Holding S.r.l. on August, 11th 2015 (the “**Shareholders' Agreement**”) and (ii) the merger by incorporation of the Company and all companies at that time Controlled by the Company Exercising Direction and Coordination into the latter company (the “**Merger**”) which will become effective only at the completion date of the IPO.

Where the Board of Directors of the Company decides to reserve to its competence any of the powers attributed to the Chief Executive Officer and Executive Vice Chairman by virtue of this Article 18.2(A), that decision must be adopted by the unanimous vote of all directors in office.

- 18.3. The Chief Executive Officer and Executive Vice Chairman will have the exclusive power, until November, 5th 2019 or, in case the IPO procedure would be started within such date until April, 5th

2020, to represent the Company in the IPO procedure and to decide - taking account of the best interest of Pirelli and Pirelli Group and the success of the IPO - the terms and conditions of the IPO - including, without limitation, the selection and appointment of consultants, including the joint global coordinators, one of which will be appointed by the Board of Directors of the Company at the indication of the Chairman of the Board of Directors of the Company - and to perform all activities deemed necessary or opportune at its sole discretion to guarantee the success of the IPO, it being understood that:

- (i) the choice of the stock market for the purposes of the IPO will be under the exclusive competence of the Board of Directors of the Company, which will resolve in that regard at the proposal of the Chief Executive Officer and Executive Vice Chairman and with the majorities provided in Article 18.5 below, it being understood that any possible decision adopted by the Board of Directors against the respective proposal of the Chief Executive Officer and Executive Vice Chairman must be motivated and must in any case take account of the best interest of the Company; and
- (ii) where the per Share price defined as part of the IPO is lower than Euro 15,00 per Share, the IPO will be continued only subject to resolution of the Board of Directors adopted with the qualified majority referred to in Article 18.7 below.

18.4. The Board of Directors may appoint one or more than one advisory and purposeful committee.

18.5. Unless otherwise provided by other provisions of these Articles of Association, all resolutions of the Board of Directors are adopted in the presence of majority of directors in office and with the favourable vote of the absolute majority of directors present, provided that at least (x) 1 (one) of the directors appointed by the Chief Executive Officer of the Company directly Pirelli, and (y) 1 (one) of the directors expressed, directly or indirectly, by the Class B Minority Shareholder (as defined in the Articles of Association of the Shareholder Company Exercising Direction and Coordination) are present. In the event of equal votes, the vote of the Chairman will be decisive.

Where, however, a meeting of the Board of Directors is convened and this cannot be validly held due to the absence of the requirements set out in letters (x) and (y) above, in that case the Chairman of the Board of Directors will reconvene the Board of Directors as soon as possible to resolve upon

the same agenda and that new meeting of the management body will be validly held in the presence of at least a half of the directors, irrespective of whether or not the directors referred to in letters (x) and (y) are present, and every resolution will be validly adopted with the favourable vote of the majority of directors present notwithstanding that, in the case of equal votes, the vote of the Chairman will be decisive.

18.6. Where the Chairman exercises his decisive vote, it must be motivated and in any case take account of the best interest of the Company.

18.7. Notwithstanding what is indicated in Articles 18.5 and 18.6 above, the approval of the following resolutions of the Board of Directors will always require (at any convocation) the presence and favourable vote of at least 11 (eleven) directors, without prejudice to the compliance with the procedure and the obligations lying upon the Company as a consequence of the direction and coordination activities to which it is subject, as set forth in the articles of association of the Company Exercising Direction and Coordination:

- (a) any proposal or recommendation to be submitted to the Shareholders' Meeting in relation to any of the issues indicated in Article 13.2 above;
- (b) any resolution in relation to increases and/or reductions of capital, as well as mergers, demergers and/or liquidation of the Company, of Pirelli Tyre S.p.A. and/or any Affiliate of Pirelli;
- (c) any decision relating to the Assumption of Indebtedness (as defined below), except where necessary for the purpose of refinancing the debt subject to the Loan Agreements at their expiry (where “**Assumption of Indebtedness**” means: (i) the assumption by the Company of debt financing or other form of indebtedness, other than those provided by the Loan Agreements and (ii) the granting of guarantees in favour of third parties, provided that in both cases (i) and (ii): (a) they concern a debt financing or indebtedness or guarantees for an amount exceeding Euro 450,000,000 (four hundred and fifty million) per individual transaction or series of connected transactions; and/or (b) such transaction or series of connected transactions causes the breach by the Company of the financial covenants and/or ratios provided by the Loan Agreements, and/or provides financial covenants and/or ratios that are less favourable for

- the Company with respect to those provided for, and agreed, in the Loan Agreements; and/or
- (iii) any subsequent refinancing of debts of the Company in accordance with the Loan Agreements, including through the issuance of bonds; and/or (iv) material changes to the terms of the Loan Agreements, including, by way of example, the financial covenants and ratios);
- (d) any proposal regarding the distribution of dividends and/or reserves and/or any other form of distribution of income, with the exclusive exception of the distribution of profits and/or reserves and/or income that is necessary for the purpose of refinancing the debt under the Loan Agreements and/or within the limits of a ratio between distributed dividends and net financial year profits not exceeding 40% (forty per cent);
- (e) any transaction with Related Parties other than those provided in the Shareholder Agreement, meaning, by “**Related Party**”, with reference to each shareholder and/or direct or indirect Parent Company of that shareholder, to the Company and its direct or indirect Subsidiaries, any Person which may be considered as a “related party” in accordance with Annex 1 to CONSOB Regulation No. 17221/2010, as amended with Resolution No. 17389/2010;
- (f) (i) any transfer and/or act of disposal, according to any method, of the Pirelli Technological Know-How (including the concession of licences), except for those functional to the Industrial Reorganisation and (ii) any transfer of the operational and administrative headquarter outside the Municipality of Milan, subject in both cases to the prior authorisation of the ordinary Shareholders' Meeting in accordance with Article 11.1 above to be resolved upon with the majorities set out in Article 13.2 below;
- (g) any decision relating to liability actions provided by Article 2393-*bis* of the Italian Civil Code;
- (h) any transaction overspending the annual budget and/or the business plan of the Company and the Pirelli Group of a value exceeding of Euro 35,000,000 (thirty-five millions);
- (i) any decision concerning industrial partnerships or strategic joint ventures involving Pirelli and/or Pirelli Tyre S.p.A. and/or whichever Affiliate of Pirellis.

18.8. Resolutions concerning the approval and/or modification of the budget and/or the business plan of the Company and of Pirelli Group are made in compliance with the provisions set out in Article 18.7 above and with the majorities provided therein, it being understood that, where after 2 (two)

meetings of the Board of Directors those majorities are not reached, at the third meeting the resolution will be approved with the favourable vote of the majority of the directors attending the meeting and, in the case of equal votes, the Chairman will have a casting vote.

- 18.9. The Company will exercise the activity of management and coordination in accordance with and by virtue of Articles 2497 et seq of the Italian Civil Code over the direct and indirect Subsidiary companies.

Article 19

(Meetings of the Board of Directors)

- 19.1. The Board of Directors may meet even in a location other than the registered office, provided that that location is in Italy, in a State of the European Union or in the People's Republic of China, every time the Chairman of the Board of Directors deems it opportune or at the written request of at least 2 (two) directors of the Company.
- 19.2. The meetings of the Board of Directors are chaired by the Chairman of the Board of Directors or by any other director who may act as a substitute. The meetings of the Board of Directors are convened by written notice prepared in Italian and English (it being understood that, in the case of a discrepancy between the two versions, the English version will prevail), to be sent to all directors and to all auditors at the domicile recorded in the corporate books by way of recorded delivery letter, letter sent by hand, fax or e-mail with notice of receipt, which must be received at least 3 (three) Working Days – or, in urgent cases, at least 24 (twenty-four) hours before – prior to the day of the meeting. “**Business Day**” means any calendar day other than Saturday, Sunday and any other day on which the banks are not engaged in day to day business operations in Milan (Italy), Beijing (People's Republic of China), Luxembourg or Moscow (Russia).
- 19.3. The notice of call shall indicate the day, location and time of the meeting, the list of items to be discussed and any special methods of connection by audio and/or video conference. In the absence of formal convocation, the Board of Directors is validly held when all directors in office and the effective statutory auditors are in attendance.
- 19.4. At the request of each director, meetings of the Board of Directors may also be held with attendees spread in a number of locations, linked by audio and/or video.

- 19.5. At the request of any director, submitted in good time, the meetings of the Board of Directors will use the simultaneous translation service in English. The translation will be done by one or more qualified translators who speak accurate Italian and English and who are reasonably acceptable for all the directors.
- 19.6. The minutes of the meetings of the Board of Directors will be prepared in Italian and English, both to be transcribed in the book. In the event of discrepancy between the two versions, the English version will prevail.

Article 20

(Remuneration of Directors)

- 20.1. Subject to the provisions of Article 20.3 below, the members of the Board of Directors will not receive any fee for the role, with the exception for attendance at individual meetings of the Board of Directors.
- 20.2. In any case, the directors are entitled to the reimbursement of reasonable documented expenses, incurred in the exercise of their office.
- 20.3. The remuneration of the directors invested with the role of Chairman and Chief Executive Officer and Executive Vice Chairman is established by the Board of Directors, having liaised with the Board of Statutory Auditors, in respect of any limits determined by the Shareholders' Meeting.

Article 21

(Board of Statutory Auditors)

- 21.1. The Board of Statutory Auditors is composed by a number of members determined by the Shareholders' Meeting at the time of appointment and equal to, as appropriate, (x) 5 (five) members, including 3 (three) effective statutory auditors and 2 (two) alternate statutory auditors, or, where an express request is made by the Chief Executive Officer of the shareholder directly Controlling the Company (or, from the Significant Date the Designated Director B1) or the Designated Director B2 by registered letter sent to the Board of Directors of the Company at least 5 (five) Working Days prior to the final deadline for filing the slates (y) 7 (seven) members, including 5 (five) effective statutory auditors and 2 (two) alternate statutory auditors. The Board of Statutory Auditors remains

in office for 3 (three) financial years until the date of the Shareholders' Meeting convened to approve the financial statements relating to the third financial year of its mandate.

- 21.2. The appointment of the Board of Statutory Auditors will occur on the basis of slates submitted by shareholders. The slates will be split into two sections: one for candidates for the role of effective statutory auditor and the other for candidates for the role of alternate statutory auditor.
- 21.3. The slates submitted by the shareholders must (a) be signed by the shareholders submitting them, (b) be filed at the headquarter of the Company and be made available at least 2 (two) calendar days prior to the date of the Shareholders' Meeting convened to resolve upon the appointment of the Board of Statutory Auditors. The slates are made available to the shareholders at the registered office.
- 21.4. Shareholders holding Shares that, alone or with other shareholders, hold a participation in the share capital of the Company represented by Ordinary Shares at least equal to 10% (ten per cent) may submit, or contribute to submitting, one slate.
- 21.5. Each shareholder, together with its Affiliates, may submit, or contribute to submitting, a single slate and may vote in favour of a single slate; each candidate may appear in only one slate. Slates not complying with the provisions set out above may not be voted upon.
- 21.6. Together with each slate, the declarations by which the individual candidates accept their candidacy and certify, under their own liability, the non-existence of causes of ineligibility and incompatibility, as well as the occurrence of the requirements prescribed by the applicable law for the respective offices, must be filed.
- 21.7. The election of the Board of Statutory Auditors will proceed as follows:
 - (i) the members of the Board of Statutory Auditors will be chosen from the candidates of the slate that obtained the highest number of votes from those submitted;
 - (ii) the first of the candidates indicated in that slate will be appointed Chairman of the Board of Statutory Auditors.

Where no slate is submitted, the appointment of the Board of Statutory Auditors will not take place in accordance with the voting slate system identified above, but rather by resolution of the Shareholders' Meeting assumed with the favourable vote of the majority of Shareholders attending

and provided that the Controlling shareholder is represented by a special proxy appointed in accordance with Article 13.3(A).

- 21.8. The Chairman of the Board of Statutory Auditors must be registered in the register of statutory auditors.
- 21.9. The members of the Board of Statutory Auditors must have the requirements of integrity, professionalism and independence required by applicable provisions of law.
- 21.10. The effective statutory auditors are due a remuneration calculated based upon professional rates, where not otherwise determined by the Shareholders' Meeting.
- 21.11. The Board of Statutory Auditors must meet at least once every 90 (ninety) days at the initiative of any of its members. The meetings of the Board of Statutory Auditors are validly held with the presence of the majority of the effective statutory auditors and resolve with the favourable vote of the absolute majority of the auditors attending the meeting.
- 21.12. Meetings of the Board of Statutory Auditors may even take place with attendees spread in a number of locations, linked by audio and/or video, provided that all participants can be identified and can participate in the discussion and intervene in real time in the discussion of the items on the agenda, can examine, receive and send documents. Where the requirements set out above are complied with, the meeting will be deemed to be held in the place in which the Chairman of the Board of Statutory Auditors is in attendance or, in his absence, in the place in which the eldest auditor is located.

Article 22

(Statutory Accounts Audit)

- 22.1. The statutory accounts audit is exercised by an independent auditing company registered on the appropriate public register. However, where the conditions provided by Article 2409-*bis*, Paragraph 2, of the Italian Civil Code are met, the statutory accounts audit may be attributed by the ordinary Shareholders' Meeting to the Board of Statutory Auditors.
- 22.2. The requirements, duties and attribution of the statutory accounts audit and the responsibilities of the auditing company are regulated by law.

Article 23

(Financial Year)

The financial year ends on 31 December each year.

Article 24

(Profits)

- 24.1. 5% (five per cent) of the net profits resulting from the annual financial statements of the Company will be deducted to be allocated to the ordinary legal reserve until the latter has reached a fifth of the share capital of the Company.
- 24.2. The remaining portion will be divided between the shareholders as follows:
- a) Special Shares are awarded a dividend of 7% (seven percent) of Euro 3.19 (threepointnineteen); if a dividend of less than 7% (seven percent) of Euro 3.19 (threepointnineteen) is awarded to Special Shares in a given financial year, the difference shall be calculated as an increase to be added to the preference dividend over the subsequent two financial years;
 - (b) any profits remaining following the award of the aforementioned dividend to Special Shares are distributed amongst all the Shares – unless the Shareholders' Meeting, at the proposal of the Board of Directors, resolves to make special allocations to extraordinary reserves, or for other uses or decides to carry forward some of such profits to the next year - in such a way that Special Shares shall receive an aggregate dividend which is higher, compared to the dividend awarded to Ordinary Shares, by an amount corresponding to 2% (two percent) of Euro 3.19 (threepointnineteen).
- 24.3. In case reserves are distributed Special Shares shall be awarded the same rights as Ordinary Shares.
- 24.4. Interim dividends may be distributed in compliance with the law.

Article 25

(Dissolution)

- 25.1 The Company dissolves for the causes established by law.
- 25.2 In the event of dissolution of the Company, Articles 2484 et seq of the Italian Civil Code will apply.

Article 26

(Shareholders' Book)

The domicile of the shareholders, directors, auditors and independent auditors, the respective fax numbers, e-mail addresses or other contact details – as regards relationships with the Company and for the purpose of any communication required by these Articles of Association or that must be sent by the Company to its shareholders - are those recorded by the shareholders' book.

Article 27

(Final Provisions)

27.1 Reference

For anything not provided by these Articles of Association, the provisions of law will be applied.

27.2 Arbitration Clause

Any controversy arising out between the shareholders, or between shareholders and the Company, or among Directors, Statutory Auditors and/or liquidator and the Company, relating available rights related to the social relationship – including the controversy related to the validity, effectiveness, execution and enforceability of the current Articles of Association – as well as relating available rights related to the Shareholder Agreement – including the controversy related to the validity, effectiveness, execution, enforceability and resolution of the current Shareholder Agreement – shall be settled by the exclusive jurisdiction of an arbitration composed of three arbitrators, the arbitration shall be accordant to the Rules of arbitration of the International Chambers of Commerce (the **“ICC Rules”**).

All the arbitrators shall be appointed by the International Court of Arbitration of the International Chambers of Commerce (the **“Court”**). The nationality of the President of the Arbitrators could not be Italian as well as Russian or Chinese. The place of arbitration shall be Paris, the hearings, as well as pleadings, shall be in English. The Arbitrators will decide in the customary manner, according to Italian law. The arbitration award shall be final and binding for the parts.

27.3 Temporary composition of the Board of Directors

As a temporary waiver to Article 16.1 above, until the draft financial statements as of 31 December 2015 is approved, the Board of Directors of the Company will be composed by 15 (fifteen) directors.

27.4 New admission to listing of Ordinary Shares of the Company

Where the procedure of new admission to listing of the shares of the Company is completed in accordance with Article 18.2(C) above, Articles 2.1, 9 and 11.1 will be maintained in their current formulation and Article 13.2 will be replaced by this Article:

“The resolutions of the ordinary Shareholders' Meeting referred to in Articles 2.1 and 8 above, as well as those of the extraordinary Shareholders' Meeting concerning an amendment to this Article or Articles 2.1, 9 and 11.1 above, are approved with the favourable vote of a number of shareholders who represent at least 90% (ninety per cent) of the share capital of the Company.”

PIRELLI & C. S.P.A.

Independent Auditors' Report
pursuant article 2501-*bis*, V° comma of the Italian Civil Code

December 2015

Independent Auditors' Report

Pursuant article 2501-bis, V° comma of the Italian Civil Code
(Translation from the original Italian text)

To the Board of Directors of
Pirelli & C. S.p.A. and
Marco Polo Industrial Holding S.p.A.

1. We examined the projections for the years 2015-2019 (the "Projections") included in the economic and financial plan 2015-2023 (the "Economic and Financial Plan of the Merger") comprising the consolidated income statements, the consolidated cash flow statements and the consolidated net financial position for the years from 2015 to 2023, together with the assumptions and the elements on which the Projections are based, including the targets that are intended to be reached through the merger by absorption into Pirelli & C. S.p.A. (the "Surviving Company" or "Pirelli") of Marco Polo Industrial Holding S.p.A. (the "Absorbed Company" or "Marco Polo Industrial Holding"). The Economic and Financial Plan of the Merger includes for the period from 2020 to 2023 certain extrapolated projections (the "Inertial Projections"). The Projections included in the Economic and Financial Plan of the Merger and the related assumptions and elements, and the Inertial Projections are the responsibility of the Directors of the Surviving Company and of the Absorbed Company. This report has been prepared by us as independent auditors of Pirelli and of Marco Polo Industrial Holding.
2. The Economic and Financial Plan of the Merger has been prepared by the Directors of the Surviving Company and of the Absorbed Company, to be included in the explanatory report required by article 2501-*quinquies* of the Italian Civil Code (the "Explanatory Report of the Board of Directors"), that explains and supports the merger plan by absorption between the Surviving Company and the Absorbed Company pursuant articles 2501-*bis* and 2501-*ter* of the Italian Civil Code. The Economic and Financial Plan of the Merger has been prepared using a set of assumptions about future events and actions that will have to be undertaken by the Directors, that include, *inter alia*, general and hypothetical assumptions, related to future events and actions by the Directors that will not necessarily occur, and to events and actions that the Directors and management cannot influence or can influence only in part, regarding the trend of the main economic and financial indicators or other factors that might influence their evolution, primarily related to: i) the non-realization of new expansion investments in the period 2018 - 2019 and in the subsequent periods; ii) the constancy of the operating flows in the period from 2020 to 2023, therefore without any contribution of the growth of the operating results; iii) the refinancing of Pirelli and Marco Polo Industrial Holding debt through a mix of "secured" and "unsecured" financing instruments; iv) the non-distribution of dividends to ordinary shares and the distribution of dividends only to the saving shares and to the future special shares within the limits of the minimum guaranteed dividend, and v) the positive completion of the merger transaction.
3. Our examination has been performed in accordance with procedures provided by the *International Standard on Assurance Engagements ("ISAE") 3400 "The Examination of Prospective Financial Information"* issued by the *International Auditing and Assurance Standards Board ("IAASB")*. The conclusions reached with regards to the Projections are presented in the following paragraph 4. With regards to the Inertial Projections, the procedures performed and the results reached are included in paragraph 5.

4. Based on our examination of the evidence supporting the assumptions and the elements used to prepare the Projections as described by the Directors in the explanatory notes to the Economic and Financial Plan of the Merger, nothing has come to our attention which causes us to believe, to date, that these assumptions and elements do not provide a reasonable basis for the preparation of the Projections, assuming the occurrence of the hypothetical assumptions about future events and actions by the Directors mentioned in paragraph 2 above. Further, in our opinion the Economic and Financial Plan of the Merger has been prepared in accordance with accounting principles consistent with those applied by Pirelli in the consolidated financial statements at December 31, 2014, prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union.
5. The Inertial Projections have been prepared by the Directors of the Surviving Company and of the Absorbed Company for the period from 2020 to 2023. As illustrated in the Explanatory Report of the Board of Directors, such Inertial Projections represent the extrapolation on an inertial basis of the Projections for the period from 2015 to 2019. The Inertial Projections do not assume impacts deriving from hypothetical assumptions additional with respect to those used in the preparation of the Projections. Based on the elements used by the Directors of the Surviving Company and of the Absorbed Company in the extrapolation of the Inertial Projections, we have verified the mathematical correctness of their application, without noting exceptions.
6. However, it should be noted that due to the uncertainties of the occurrence of future events, with respect both to the realization of the event and to its quantification and time of occurrence, variations between actual results and those forecasted in the Economic and Financial Plan of the Merger may be material, even if the events anticipated under the hypothetical assumptions, mentioned in paragraph 2 above, and the Inertial Projections occur.
7. This report has been prepared for the sole purposes of the requirements of article 2501-bis, V° comma of the Italian Civil Code, within the merger plan by absorption between the Surviving Company and the Absorbed Company, and cannot be used, in whole or part, for any other purposes.
8. We have no responsibility to update this report for events and circumstances occurring after the current date.

Milan, December 22, 2015

Reconta Ernst & Young S.p.A.
Signed by: Pietro Carena, partner

This report has been translated into the English language solely for the convenience of international readers