



Pirelli & C. S.p.A.

**REPORT OF THE COMMON REPRESENTATIVE OF THE
HOLDERS OF PIRELLI & C. S.p.A. SAVINGS SHARES TO THE
SPECIAL MEETING OF THE SAVINGS SHAREHOLDERS**

15 FEBRUARY 2016

PIRELLI & C.

Italian company limited by shares (*società per azioni*)
Registered office in Milan - Viale Piero e Alberto Pirelli No. 25
Share capital EUR 1,345,380,534.66 fully paid-in
Registration number at the Companies Register of Milan, tax code and VAT number 00860340157

SPECIAL MEETING OF SAVINGS SHAREHOLDERS

Milan, Viale Sarca No. 214
Monday, 15 February 2016, 12.00 P.M. (noon)

Agenda

- 1. Approval of the resolution concerning the mandatory conversion of savings shares into new delisted non-voting shares proposed to the extraordinary meeting of Pirelli shareholders.*
- 2. Pertaining resolutions with respect to the adoption of a new text of by-laws consequent to the delisting of the ordinary shares and to the mandatory conversion of savings shares into new delisted non-voting shares proposed to the extraordinary meeting of Pirelli shareholders.*

REPORT OF THE COMMON REPRESENTATIVE OF THE SAVINGS SHAREHOLDERS

Dear Shareholders,

You were convened by notice published on 23 November 2015 on the web site of the Company www.pirelli.com and published in excerpt on the newspapers “Il Sole 24 Ore” and “Milano Finanza” on 24 November 2015 for a special meeting on 15 February 2016, 12.00 P.M. (noon), in single call, to discuss and resolve about the items of the agenda.

Following such call, in my capacity as Common Representative of the savings shareholders, I have deemed appropriate to prepare of this report, without prejudice to any further intervention I reserve to make also during the meeting.

For the purposes of this report, the definitions contained in the Board of Director’s Explanatory Report (the “**Explanatory Report**”) - drafted pursuant to Article 125-ter of the TUF and Article 72 of the Consob Issuers Regulation, as well as according to Schemes 3 and 6 of Annex 3A of the Consob Issuers Regulation - will apply.

For a complete description of the Mandatory Conversion and the text of the new by-laws, as submitted by the Company Board of Directors, please refer to the Explanatory Report.

In this report I will highlight those aspects which are most relevant for the savings shareholders, in order to allow them to evaluate the resolutions on the agenda of the special meeting scheduled on 15 February 2016.

It results from the Explanatory Report that the proposal of Mandatory Conversion follows the Tender Offers launched on the ordinary and savings share capital of Pirelli at EUR 15 per share by Marco Polo Industrial Holding, a company indirectly controlled by ChemChina through CNRC.

As a result of the Offers, Marco Polo Industrial Holding owns, directly and indirectly, 100% of the Pirelli ordinary shares, which, therefore, have been delisted on 6 November 2015. As to Savings Shares, following the Offers and as a result of further purchases of Savings Shares, Marco Polo Industrial Holding owns directly and indirectly (also considering the Savings Shares owned by Pirelli as treasury shares) 93.268% of the savings share capital.

Therefore, as of the date of this report, No. 824,727 residual savings shares are owned by third party shareholders, representing 0.169% of the total share capital and 6.732% of the savings share capital of Pirelli.

The Company points out that:

- the first proposal provides the Mandatory Conversion of the Savings Shares into Special Shares (special class of newly-issued, non-voting shares and non-listed shares) on the basis of a conversion ratio of No. 1 (one) Special Share, with no par value, for each No. 1 (one) Savings Share, with no par value, with no cash adjustment;
- it intends to proceed to the Mandatory Conversion of the Savings Shares into Special Shares, with their consequent delisting from the Electronic Stock Market organised and managed by Borsa Italiana S.p.A., in light of the small number of the Savings Shares owned by third party shareholders and the small volumes traded;
- the delisting of the Savings Shares is encompassed within the context of the envisaged merger between Pirelli and its controlling shareholder Marco Polo Industrial Holding (*the merger also constitutes an item of the agenda of the ordinary shareholders' Meeting scheduled on 15 February 2016; for further information please refer to the specific report prepared by the Company Board of Directors and publicly available on the web site www.pirelli.com*);
- as of the effective date of the Mandatory Conversion, the holders of Savings Shares, who have not exercised their withdrawal right pursuant to Article 2437-*quinquies* and Article 2437 of the Italian Civil Code, will be holders of financial instruments not traded in any regulated market, making it difficult to liquidate their investment;
- the proposal of Mandatory Conversion is in the best interest of the Company, because it allows a simplification of the management structure and a consequent cost reduction;
- the holders of Savings Shares converted into Special Shares will not lose the economic privileges attributed to the Savings Shares pursuant to Articles 6 and 18 of the by-laws currently in force;
- the economic privilege currently payable to Ordinary Shares according to Article 18.2, letter b), of the current by-laws will no longer be provided for;
- the Conversion Ratio has been determined by the Company Board of Directors on the basis of several considerations, including, in particular, the rationale underlying the proposal of Mandatory Conversion, as well as the fact that the economic privileges attributed to Savings Shares and Special Shares are identical;
- the second proposal provides the adoption of a new text of Pirelli by-laws that reflects: (i) the delisting of the Company's ordinary shares from the Mercato Telematico Azionario managed by Borsa Italiana S.p.A.; (ii) the Mandatory Conversion; and (iii) the Shareholders' Agreement entered into on 11 August 2015 by and between the direct and indirect shareholders of Marco Polo International Italy, a company that exercises direction and coordination activity over Pirelli;
- the Company intends to adapt the by-laws according to the envisaged completion of the Company's delisting (involving both ordinary and Savings Shares), *inter alia* by eliminating the provisions not applicable to non-listed companies;

- pursuant to the new by-laws, the transfer of Special Shares to other shareholders or third parties will be subject to the exercise of the preemption right by each of the other holders of Special Shares (as well as, in case of failure to exercise the preemption, to the potential purchase by the Company); this could result in further impact on the times and modalities of liquidation of the investment;
- the new Pirelli by-laws also provides that the Special Shares may be redeemed by the Company (pursuant to the new Article 2437-*sexies* of the Italian Civil Code) in the event that a shareholder owns, directly or indirectly, a participation at least equal to 95% of the share capital represented by Special Shares, a condition currently not met;
- the savings shareholders who did not concur in the Special Meeting to the approval of the resolutions concerning the Mandatory Conversion and the new by-laws will be entitled to exercise the withdrawal right pursuant to Article 2437-*quinquies* and Article 2437 of the Italian Civil Code;
- the liquidation price equal to EUR 14.978 per share that will be paid to the holders of Special Shares was determined with reference to the criteria set forth under Article 2437-*ter*, paragraph 2, of the Italian Civil Code for the liquidation of the shares following the exercise of the withdrawal right.

The Company further points out that the Mandatory Conversion will not affect the savings shareholders' right to possibly receive the dividend distributed following the approval of the financial statements as of 31 December 2015 given that the Special Shares will have the same economic rights as the Savings Shares. However, as it is envisaged that the Mandatory Conversion will become effective prior to the possible dividend distribution during the year 2016, the savings shareholders exercising their withdrawal right pursuant to Articles 2437-*quinquies* and 2437 of the Italian Civil Code will not receive such dividend.

Finally, the Board of Directors specified that the savings shareholders will not bear any fee, expense and/or commission arising from the Transaction.

Terms and modalities of the completion of the Mandatory Conversion are set forth by the Explanatory Report. The date of effectiveness of the Mandatory Conversion will be agreed with Borsa Italiana S.p.A. and disclosed by notice.

For details regarding terms and modalities in order to exercise the withdrawal right and the liquidation procedure concerning the shares subject to withdrawal, please refer to the Explanatory Report.

The proposals of Mandatory Conversion and adoption of the new text of by-laws are subject to the approval of the extraordinary Pirelli shareholders' Meeting called on 15 February 2016 and the approval by the special Pirelli savings shareholders' meeting called on the same date.

As already mentioned, Marco Polo Industrial Holding owns, as of the report herein, 100% of the Pirelli ordinary shares and 93.268% of the Savings Shares.

* * *

With reference to the Mandatory Conversion and the adoption of the new by-laws, the Common Representative briefly points out the following:

- the delisting goal was announced in the context of the Offers at EUR 15 per Pirelli (ordinary and savings) share, launched by the current controlling shareholder of Pirelli;
- the Offers were successful and the delisting of Pirelli's ordinary shares was achieved;

- the Conversion Ratio does not envisage any premium; it is also a conversion into a class of shares which carry the same economic privileges, not comparable to conversions of savings shares into ordinary shares;
- the current Savings Shares trading volumes are significantly low and the current market prices are lower than both the tender offer price (EUR 15) and the liquidation value that would be paid for the shares subject to withdrawal (EUR 14.978);
- the Special Shares would not be traded on any regulated market and therefore the Savings Shareholders not exercising the withdrawal right which they are entitled to pursuant to Articles 2437-*quinquies* and 2437 of the Italian Civil Code, would hold financial instruments difficult to liquidate;
- the transfer of Special Shares to other shareholders or third parties would be subject to the potential exercise of the right of preemption, with a further impact on the terms and conditions of the liquidation of their investment;
- following the exercise of the withdrawal right it is possible that the conditions for the exercise of the right of redemption provided by the new by-laws (i.e. the achievement of a participation of at least 95% of the share capital represented by the Special shares) are met, as the controlling shareholder already owns directly or indirectly 93.2% of the Savings Shares;
- the price paid to the Special Shareholders upon exercise of the redemption will be determined pursuant to the criteria envisaged by Article 2437-*ter*, paragraph 2, of the Italian Civil Code for the liquidation of shares of non-listed companies and, therefore, as of today, such value of liquidation cannot be estimated; this value could be even lower or significantly lower than the one of the current withdrawal (EUR 14.978);
- it is believed that, also in light of influential scholarship, the resolutions on the agenda of the Special Meeting may be validly adopted at majority;
- the controlling shareholder has a number of votes sufficient to approve the resolutions in the Special Meeting at majority;
- in order to be entitled to exercise the withdrawal right, the shareholder may not concur to the approval of the resolutions which determine such right.

As of today and on the basis of the evaluations carried out and taking into account the items above, the Common Representative believes that the minority savings shareholders should carefully evaluate the exercise of the withdrawal right in the event of, as it is presumable, the resolutions at issue will be approved by the competent corporate bodies and will become effective.

In any event, the final evaluation is reserved to the free determination of the owners of savings shares, who may decide taking into account every element upon which such resolutions are based and subsequently, if necessary, assume their decisions on the exercise of the withdrawal right.

* * *

Finally, considering that – as specified in the Explanatory Report – once the Mandatory Conversion becomes effective, the Special Shares will not be listed on any regulated market and, therefore, no common organization for the holders of Special Shares will be provided for, nor is it provided the appointment of a common representative, given that Article 147-*bis* of the TUF is not applicable, I deem appropriate to report the following on the activity performed since my appointment, which took place in the Special Shareholders Meeting of 27 January 2015.

During the financial year 2015, I attended to the ordinary shareholders' meeting on 14 May 2015 during which it was resolved, *inter alia*: 1) the approval of the financial statements as of 31

December 2014, 2) the appointment of No. 6 members of the board of directors, 3) the renewal of the board of the statutory auditors with a mechanism of slates' vote, 4) the approval of the remuneration policy, 5) the renewal of the insurance policy "*Directors and Officers Liability Insurance*" as well as 6) the authorization to buy treasury shares. With reference to the dividend approved on that occasion for the Savings Shareholders, please refer to the Annual Report.

With regard to the well-known corporate events that concerned Pirelli & C. S.p.A. in the last financial year, the Company always promptly provided me with the relevant information, through the sending of the press releases published from time to time.

As far as concerns the Special Class Fund composed by EUR 40,000.00, as per resolution of the Special Shareholders' Meeting dated 27 January 2015, adopted pursuant to Article 146, paragraph 1, letter c), of the TUF, during the financial year 2015 I have not made any withdrawals. Such fund, therefore, maintains its initial integrity.

The current report is available for Pirelli's Savings Shareholders until the term envisaged by Article 125-ter of Legislative Decree No. 58/1998 (*Testo Unico della Finanza*).

Best regards.

Milan, 15 January 2016

Avv. Angelo Cardarelli

Common Representative of Pirelli & C. S.p.A. Savings Shareholders

(signed on the original Italian version)

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