



**Pirelli & C. S.p.A.**

## **Report to the Shareholders' Meeting**

Mandatory conversion of Savings Shares into a special class of newly shares.  
Related and consequent resolutions.

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. Related and consequent resolutions.

**Pirelli & C. S.p.A.**

**Report to the Extraordinary Shareholders' Meeting**

**15 February 2016**

***Mandatory conversion of Savings Shares into a special class of newly shares***

***Related and consequent resolutions***

***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***

***Related and consequent resolutions***

(Approved by the Board of Directors on the date 22 December, 2015)

Dear Shareholders,

We have convened you in extraordinary session to submit to Your approval: (i) the proposal of mandatory conversion of Pirelli & C. S.p.A. ("**Pirelli**" or the "**Company**") savings shares into a special class of newly issued shares; and (ii) the proposal of adoption of a new By-Laws consequent to the delisting of the ordinary shares and the aforementioned mandatory conversion of the savings shares; all as described in this report (the "**Report**"), prepared according to Article 125-*ter* of Legislative Decree n. 58 of 24 February 1998, as amended (the "**TUF**") and the Article 72 of the implementing regulation on issuers, adopted by Consob with resolution n. 11971 of 14 May 1999, as amended (the "**Issuers Regulation**"), as well as according to the Schemes 3 and 6 of Annex 3A to the Issuers Regulation. Please note that the deliberative proposal in point 3 of the agenda of this extraordinary meeting, involving the merger between the Company and Marco Polo Industrial Holding S.p.A., is described with separate report prepared by the Pirelli Board of Directors pursuant to Article 2501-*quinquies* of the Italian Civil Code.

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## **A.- MANDATORY CONVERSION**

### **A.1.- Reasons justifying the conversion proposal**

The proposal submitted to Your approval envisages the mandatory conversion (the "**Mandatory Conversion**") of the Pirelli savings shares (the "**Savings Shares**") into a special class of newly issued, non-voting Company shares (the "**Special Shares**"), on the basis of a conversion ratio of n. 1 (one) Special Share, with no par value, for each n. 1 (one) Savings Share, with no par value, with no adjustment.

Special Shares will carry no voting rights in the General Shareholders' Meeting of the Company, and will carry the same economic privileges attributed to the Saving Shares pursuant to Articles 6 and 18 of the Pirelli's By-Laws current on the date of this Report.

The Special Shares will not be listed in any regulated market. In addition, (i) the transfer of Special Shares to other shareholders or third parties will be subject to the potential exercise of a

right of preemption 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), according to the terms and conditions of the new Pirelli's By-Laws, and (ii) 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 Article 2357 of the Italian Civil Code (in reference to these issues please see below the Section B of the current Report).

Further changes of the By-Laws consequent to the Mandatory Conversion, involving articles 5, 6, 7, 8, 9, 11 and 18 of the current Pirelli's By-Laws, are described in Section B below, together with the description of the new By-Laws submitted to vote.

The proposal of Mandatory Conversion follows the public tender offer launched on the ordinary and savings share capital of Pirelli (the "**Offers**"), according to the Articles 102 and following of the TUF, by Marco Polo Industrial Holding S.p.A. ("**Marco Polo Industrial Holding**"), company indirectly controlled by China National Chemical Corporation ("**ChemChina**") through China National Tire & Rubber Co., Ltd. ("**CNRC**").

At the outcome of the Offers, Marco Polo Industrial Holding owns, directly and indirectly (adding to the shareholding of Marco Polo Industrial Holding also the treasury ordinary shares owned by Pirelli), 100% of the Pirelli ordinary shares, which therefore have been delisted as of 6 November 2015.

As for the Savings Shares, at the outcome of the Offers and further to additional purchases, Marco Polo Industrial Holding currently owns, directly and indirectly (adding to the shareholding of Marco Polo Industrial Holding also the treasury Savings Shares owned by Pirelli) 93.268% of the savings share capital. In particular, no. 824,727 Savings Shares, representing 0.169% of the total share capital and 6.732% of the savings share capital of Pirelli, currently remain owned by minority shareholders (the "**Residual Savings Shares**").

In light of the small number of Residual Savings Shares and the small volumes traded, the Company intends to pursue as soon as possible the conversion into Special Shares, with their

consequent delisting from the Mercato Telematico Azionario organized and managed by Borsa Italiana S.p.A. (the “**Delisting**”).

Moreover, the Delisting constituted the target of the acquisition of Pirelli by ChemChina, announced on 22 March 2015.

The Delisting is also encompassed within the context of the envisaged merger between Pirelli and his controlling shareholder Marco Polo Industrial Holding.

The proposal of Mandatory Conversion, which allows to achieve the Delisting in advance of the closing of the above-mentioned merger, is in the best interest of the Company, because it allows a simplification of the management structure and a consequent cost reduction (it should also be considered, in addition, that the Delisting was already envisaged in the event that the delisting of Savings Shares was not achieved at the outcome of the Offers, as also described in the offer document published by Marco Polo Industrial Holding in accordance with applicable law on 8 September 2015). Such proposal provides for the allocation of non-voting shares to the savings shareholders (with the same economic privileges of the outstanding Savings Shares) and provides, for those who did not concur to the relevant resolution, the right of withdrawal according to Article 2437-*quinquies* and Article 2437 of the Italian Civil Code (please refer to Section C of this Report).

#### **A.2.- Description of the rights and privileges attributed to the Savings Shares**

On the date hereof, Pirelli's subscribed and paid in share capital is equal to Euro 1,345,380,534.66, divided into no. 487,991,493 shares, with no par value, of which no. 475,740,182 ordinary Shares and no. 12,251,311 Savings Shares.

Only the Savings Shares are still listed on the Mercato Telematico Azionario organized and managed by Borsa Italiana S.p.A..

Pursuant to Article 145 of Italian TUF, Saving Shares are not entitled to vote in the General Shareholders' Meeting (without prejudice to the provisions of Article 146 and following of Italian TUF), but are vested with economic privileges.

In particular, according to the Article 18 of the Pirelli's By-Laws in force on the date hereof, the annual net profits, after allocations to reserves provided by law, are divided as follows:

- (i) Savings Shares are awarded a dividend of 7% (seven percent) of Euro 3.19 (threepoinnineteen); if a dividend of less than 7% (seven percent) of Euro 3.19 (threepoinnineteen) is awarded to the Savings 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; any profits remaining following the award of the aforementioned dividend to saving Shares are distributed amongst all shares in such a way that Savings Shares shall receive an aggregate dividend which is higher, compared to the dividend awarded to Ordinary Shares, by an amount corresponding to the 2% (two percent) of Euro 3.19 (threepointnineteen);
- (ii) notwithstanding the above with respect to the increased dividend provided to Savings Shares, Ordinary Shares are awarded a dividend of 5% (five percent) of their implied book value (defined as the ratio between the amount of the share capital and the total number of issued shares);
- (iii) any remaining profits shall be distributed amongst all the shares, in addition to the allocations mentioned at points (i) and (ii) above, 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 some of such profits forward to next year.

In case reserves are distributed, Savings Shares shall be awarded the same rights as the other shares.

Also, according to the Pirelli's By-Laws in force on the date hereof, Savings Shares shall have priority in the repayment of the capital up to Euro 3.19 (threepointnineteen) for each share. Finally, in the event of a reduction of the share capital due to losses, the reduction has no effect on Savings Shares except for the portion not covered by other shares.

The pre-emption right does not change. Therefore – in analogy with the provisions of the current By-Laws in respect of Savings Shares – in the event of a share capital increase being carried out by issuing of both Ordinary Shares and Savings Shares, (i) the holders of Ordinary Shares shall be entitled to receive Ordinary Shares in the first place and Special Shares to

make up any difference; and (ii) the holders of Special Shares shall be entitled to receive Special Shares in the first place, and Ordinary Shares to make up any difference.

### **A.3.- Issues relating to the Mandatory Conversion**

The holders of Savings Shares converted into Special Shares will not lose the economic privileges provided by the Savings Shares pursuant to articles 6 and 18 of the Pirelli's By-Laws in force on the date hereof: the same economic privileges shall be awarded to Special Shares, with no interruption. In addition, following the Mandatory Conversion, 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.

However, the Company does **not** intend to apply for admission to listing of the Special Shares and, consequently, the Special Shares will not be subject to Articles 145 and following of the TUF.

Therefore, on the effective date of the Mandatory Conversion, the holders of Savings Shares who have not exercised their right of withdrawal pursuant to Articles 2437-*quinquies* and 2437 of the Italian Civil Code (please refer to Section C of this Report), will be holders of financial instruments not traded in any regulated market, **making it difficult to liquidate their investment.**

Notwithstanding the above, the transfer of Special Shares to other shareholders or third parties will be subject to the potential exercise of a **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), under the terms and conditions provided for by the Pirelli By-Laws (as a result of the changes described below in this Report); this could result in further impact on the times and modalities of liquidation of their investment. The Pirelli By-Laws (as a result of the changes described below) will also provide that, in the event 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, according to

a mechanism similar to the one provided by Article 111 of the TUF in relation to shares and securities which confer voting rights. Pursuant to Article 2437-*sexies* of the Italian Civil Code, the price paid to the holders of Special Shares upon redemption will be determined according 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. It is possible that, as a result of the possible exercise of the right of withdrawal in compliance with Articles 2437-*quinquies* and 2437 of the Italian Civil Code by the current Savings Shareholders, Marco Polo Industrial Holding comes to hold, directly or indirectly, a participation at least equal to 95% of the share capital represented by Special Shares and, therefore, the conditions arise to exercise the right of redemption by the Company.

Finally, in consideration of the fact that the shares issued by the Company have no par value, the Mandatory Conversion will not give rise to an increase of the Pirelli share capital, which shall remain unchanged, nor to an increase of the number of the total outstanding shares outstanding, with no consequent change to the implied par value of all the shares.

**A.4.- Number of Savings Shares held by the controlling shareholder pursuant to Article 93 of the TUF**

On the date hereof, Pirelli is indirectly controlled, pursuant to Article 93 of Italian TUF, by ChemChina, through, *inter alia*, Marco Polo Industrial Holding.

In particular, on the date hereof, Marco Polo Industrial Holding owns directly no. 475,388,592 Pirelli Ordinary Shares, equal to the entire ordinary share capital of the Company (without considering no. 351,590 Ordinary Shares owned by Pirelli as treasury shares).

More specifically, on the date hereof, Marco Polo Industrial Holding owns directly no. 11,018,242 Savings Shares equal to 89.935% of the savings share capital of Pirelli; it should be noted that Pirelli owns no. 408,342 Savings Shares, equal to a further 3.333% of the savings share capital.

Marco Polo Industrial Holding and Pirelli are both subject to direction and coordination of Marco Polo International Italy S.p.A. (company indirectly controlled by ChemChina and participated by Camfin S.p.A., Long-Term Investments Luxembourg S.A. and LTI Holding S.r.l.).

**A.5.- Intention of the controlling shareholder to carry out trading activity on the market of Savings Shares**

Considering that the Delisting (also) of the Savings Shares represented one of the goals pursued with the launch of the tender offers, it cannot be excluded that Marco Polo Industrial Holding, in compliance with applicable law, purchases Savings Shares on or outside the regulated market, before the effective date of the Mandatory Conversion, in order to further increase its shareholding in the Company's savings share capital.

**A.6.- Commitments to conversion undertaken by the Savings Shareholders, with specific reference to the controlling shareholder**

Being a Mandatory Conversion, all the Savings Shares will be automatically converted into Special Shares. Therefore, this section of Scheme 6 of Annex 3a to the Issuers Regulation does not apply.

**A.7.- Profits distributed by the Savings Shares in the last five years**

The following table reports the profits per share distributed by Pirelli to the Savings Shareholders since 2011:

Figures in Euro

Year of dividend distribution				
2011	2012	2013	2014	2015
0.229	0.34	0.39	0.39	0.431

Special Shares resulting from the Mandatory Conversion will receive regular dividend. The Mandatory Conversion will not affect the right to possibly receive the 2016 dividend following approval of the financial statements as of 31 December 2015, given that, as mentioned, 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.

**A.8.- Possible conversion adjustment and related criteria of determination**

The Mandatory Conversion does not provide any conversion adjustment.

**A.9.- Conversion ratio and related criteria of determination**

The Company's Board of Directors has resolved to propose the Mandatory Conversion of the Savings Shares into Special Shares on the basis of a conversion ratio of no. 1 (one) Special Share, with no par value, per each no. 1 (one) Savings Share, with no par value, without adjustment (the "**Conversion Ratio**").

The Conversion Ratio will be determined by the Board of Directors of the Company based on a number of considerations, including, in particular:

- (i) the rationale underlying the proposal of Mandatory Conversion, already mentioned in Paragraph A.1 above; and
- (ii) the fact that the economic privileges attributed to Savings Shares and Special Shares are identical.

**A.10.- Procedures for exercising the Mandatory Conversion**

The Mandatory Conversion will take place through Monte Titoli S.p.A., which will give instructions to the intermediaries, participating in the centralized management system, with which the Savings Shares are deposited. All the operations regarding the execution of the Mandatory Conversion will be performed by the above-mentioned intermediaries and Monte Titoli S.p.A..

The Mandatory Conversion operations will take place without any charge for the Savings Shares.

The Savings Shares not dematerialized should be converted (and the holders will receive, consequently, Special Shares) exclusively upon delivery of the relevant certificates to an

intermediary authorized to participate in the centralized management system in dematerialized form.

The intermediaries holding the accounts of each Savings Shares holder will assign to each holder the number of Special Shares resulting from the Conversion Ratio.

The effective date of the Mandatory Conversion will be determined in agreement with Borsa Italiana S.p.A., in accordance with the trading calendar, and will be disclosed by a notice published on the Company's internet website ([www.pirelli.com](http://www.pirelli.com)) and on a national newspaper, according to the Article 72, Paragraph 5, of the Issuers Regulation. Consequently, the Savings Shares will be withdrawn from trading on the Mercato Telematico Azionario managed and organized by Borsa Italiana S.p.A..

Special Shares will not be traded in any regulated market.

#### **A.11.- Possible conditions of effectiveness of the Mandatory Conversion**

The Mandatory Conversion proposal is subject to the approval of the Pirelli Extraordinary Shareholders' Meeting convened on 15 February 2016 and also needs to be approved by the Special Meeting of the holders of savings shares called on the same day.

The effectiveness of the Mandatory Conversion is not subjected to any condition, given that the mandatory conversion will be performed in accordance with the provisions of Paragraph A.10 above.

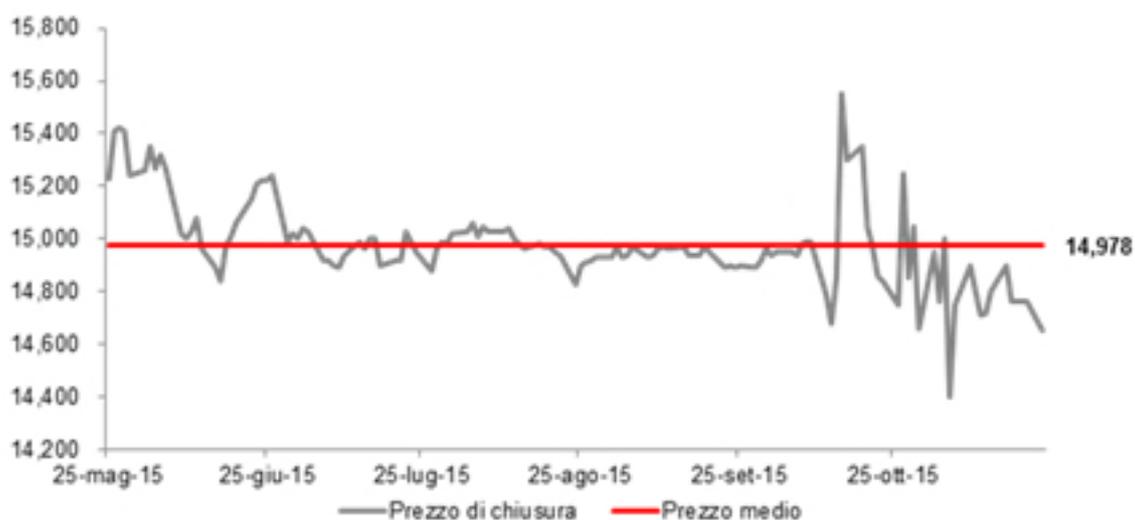
#### **A.12.- Number of Savings Shares subject to conversion and number of Special Shares offered for conversion**

In execution of the Mandatory Conversion, all no. 12,251,311 Savings Shares will be converted into Pirelli Special Shares.

On the basis of the Conversion Ratio (1:1), the Special Shares resulting from the Mandatory Conversion will be no. 12,251,311.

#### **A.13.- Savings Shares' price in the last six months**

The following chart shows the Savings Shares' price trend in the period 23 May 2015 – 23 November 2015 (corresponding to the previous six months of trading prior to the date of publication of the notice of call of the Company's Extraordinary Meeting and the Special Meeting of the holders of Savings Shares referred to in this Report).



#### **A.14.- Possible incentives to Mandatory Conversion**

There are no incentives to Mandatory Conversion.

#### **A.15.- Possible effects of Mandatory Conversion on stock option's plans involving Savings Shares**

There are no stock option's plans involving the Savings Shares.

#### **A.16.- Composition of share capital before and after the Mandatory Conversion**

On the date hereof, the subscribed and paid in Pirelli share capital is equal to Euro 1,345,380,534.66, divided into no. 487,991,493 shares, with no par value, of which no. 475,740,182 Ordinary Shares and no. 12,251,311 Savings Shares.

As a result of the Mandatory Conversion, the Pirelli's share capital, still equal to Euro 1,345,380,534.66, will be divided into no. 487,991,493 shares, with no par value, of which no. 475,740,182 Ordinary Shares and no. 12,251,311 Special Shares.

#### **A.17. Change in ownership consequent to Mandatory Conversion**

The Mandatory Conversion does not involve per se any change to the ownership structure of Pirelli.

#### **A.18. Main destination of the net revenue of the Mandatory Conversion**

The Mandatory Conversion does not envisage the payment of any balance in favor of the Company. Therefore, Pirelli will not get any revenue from the Mandatory Conversion.

### **B.- ADOPTION OF NEW BY-LAWS**

#### **B.1.- Reasons for the proposal of adopting a new By-Laws**

We also submit to Your approval the proposal of adoption of a new text of Pirelli's By-Laws, with the purpose to reflect, at the same time: (i) the delisting of the Ordinary Shares from the Mercato Telematico Azionario organized and managed by Borsa Italiana S.p.A.; (ii) the Mandatory Conversion; and (iii) the agreements provided by the shareholders' agreement (the "**Shareholders' Agreement**") entered into on 11 August 2015 by and between the direct and indirect shareholders (namely ChemChina, CNRC, Camfin S.p.A. ("**Camfin**"), Long-Term Investments Luxembourg S.A. ("**LTI**"), LTI Holding S.r.l. ("**LTI Holding**") and others) of Marco Polo International Italy S.p.A. ("**Marco Polo International Italy**"), a company that, as mentioned, exercises direction and coordination over Pirelli.

In relation to items (i) and (ii) above, it is necessary to adapt the By-Laws according to the envisaged completion of the Company's delisting (involving both Ordinary and Savings Shares). This will be achieved, on the one hand, by eliminating the provisions related to non-listed companies and, on the other hand, by integrating some non-mandatory statutory provisions. As mentioned, the proposed By-Laws does not include changes to the content of economic privileges currently attributed to the Savings Shares and that will also be attributed to the Special Shares.

In relation to item (iii) above, we note that the Shareholders' Agreement contains provisions relating to Pirelli's corporate governance as well as provisions regarding the transfer of shares

in the same Company (which reflects, with some changes and integrations, the By-Laws of the current sole ordinary shareholder of Pirelli). The essential content of such provisions – as well as, in general, those involving the governance of Marco Polo International Italy and the companies through which the latter controls Pirelli – was made public via the dissemination, pursuant to Articles 122 of the TUF and 130 of the Issuers Regulation, on 12 August 2015, of the essential information document concerning the Shareholders' Agreement (as subsequently amended and supplemented).

## **B.2.- Content of the proposed By-Laws**

Below is a summary description of the content of the most relevant clauses of the proposed By-Laws text. In particular, highlighted are the changes directly resulting from the Mandatory Conversion, with a comparison between the clauses relating to the Savings Shares in the current By-Laws and the provisions regarding Special Shares to be introduced in the new By-Laws proposed for adoption.

The full version of the By-Laws proposed for adoption is attached to the current Report sub A1, while sub A2 is attached the same By-Laws integrated with the redemption clause below.

### Article 1 – Company's Name

There are no changes involving the Company's name.

### Article 2 – Registered Office

There are no changes involving the Company's registered office. It is provided that the operational and administrative headquarter may not be transferred outside the Municipality of Milan except upon prior authorisation from the ordinary Shareholders' Meeting, approved with the favourable vote of at least 90% of the ordinary share capital of the Company.

### Article 3 – Corporate Purpose

With a view to the envisaged "**Industrial Reorganization**" (as defined and described in the tender offer document published by Marco Polo Industrial Holding in relation to the Offers), the corporate purpose is supplemented to contemplate the activities of production and trade, as well as research, development, experimentation and industrialization in the tire industry (and related activities).

The activities provided by the Article 2 of the current By-Laws remain unchanged.

Article 4 - Duration

There are no changes involving the duration of the Company.

Article 5 – Share Capital and Shares

There are no changes involving the amount of Pirelli’s share capital.

The reference to Special Shares in the division of the share capital reflects the Mandatory Conversion. Moreover, it is specified that the Company’s shares (both Ordinary and Special) will be dematerialized – as it is today – or represented by share certificates.

The provision concerning the possible exclusion of the pre-emption right to the maximum extent of 10% of pre-existent share capital, as provided by the Article 5.2 of the current by-Laws, has been eliminated, since not applicable to companies with non-listed shares.

Current Text	Proposed Text
<p>5.1 The 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. 487.991.493 (four hundred eighty seven million nine hundred ninety one thousand four hundred ninety three) shares without par value, of which 475.740.182 (four hundred seventy five million seven hundred forty thousand one hundred eighty two) Ordinary Shares and no. 12.251.311 (twelve million two hundred fifty one thousand three hundred eleven) Savings Shares.</p>	<p>5.1 The <b>fully</b> 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. 487.991.493 (four hundred eighty seven million nine hundred ninety one thousand four hundred ninety three) shares without par value (<b>the “Shares” and each one the “Share”</b>), of which 475.740.182 (four hundred seventy five million seven hundred forty thousand one hundred eighty two) Ordinary Shares (<b>as defined herein</b>) and no. 12.251.311 (twelve million two hundred fifty one thousand three hundred eleven) <del>Savings Shares</del> <b>Special Shares (as defined herein)</b>.</p>

	<b><u>5.2 The Shares are registered. The Shares might be represented by share certificates or dematerialized.</u></b>
5.2 In resolutions to increase the share capital by issuing shares against payment, pre-emption right may be excluded for up to a maximum of ten percent of the previously existing capital, provided that the issue price corresponds to the market value of the shares and that this is confirmed in a specific report prepared by the firm appointed to audit the accounts.	<i>Replaced by the following clause:</i> <b><u>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.</u></b>
5.3 If so resolved by the shareholders' meeting, the share capital may also be increased by means of contributions in kind or of receivables.	<del>5.4 If so resolved</del> <b><u>By resolution of the Shareholders' Meeting</u></b> , the share capital may be increased <del>by means of</del> <b><u>even by way of</u></b> contributions in kind or <del>of receivables</del> credits, <b><u>as well as permitted assets, in compliance with applicable laws, the provisions of these Articles of Association and the resolutions of the Shareholders' Meeting.</u></b>
5.4 If resolved by the Shareholders' Meeting, the share capital may be reduced also by assignment of non-cash assets to the shareholders.	<i>Replaced by the following clause:</i> <b><u>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.</u></b>

### Article 6 – Categories of Shares

The clause regulates, in addition to Ordinary Shares, the new category of Special Shares, which retain the same rights and privileges as the Savings Shares, as highlighted in the following comparative table.

Pursuant to applicable law, the possibility of issuing Special Shares to the bearer is not contemplated.

As the Company's shares will not be listed on any regulated market, no common organization for the holders of Special Shares is provided for, nor is provided the appointment of a common representative, given that Article 147-*bis* of the TUF is not applicable.

Below are the changes proposed to the current Article 6:

Current Text	Proposed Text
6.1 The shares are divided into ordinary shares and savings shares	6.1 The shares are divided into ordinary shares <del>(the</del> <b><u>“Ordinary Shares”</u></b> ) and special shares <del>(the</del> <b><u>“Special Shares”</u></b> ).
6.2 Ordinary shares award the right to one vote per share; they may be either registered or bearer shares insofar as the law permits, and in this case may be converted from one type to the other, especially at the shareholder's request and expense.	6.2 Ordinary Shares award the right to one vote per share; <del>they may be either registered or bearer shares insofar as the law permits, and in this case may be converted from one type to the other, especially at the shareholder's request and</del> expense. [...]
6.3 Savings shares do not carry voting rights and, unless the law provides otherwise, are bearer shares.	<del>(follows art. 6.2) [...]</del> Savings The <b><u>Special Shares</u></b> do not carry voting rights and, unless the law provides otherwise, are bearer shares.
6.4 They may be converted into registered shares on request and expense of the shareholder.	<i>Repealed. Cfr. art. 5.2 proposed text (above).</i>

<p>6.5 As well as any rights and privileges provided for by law and in other parts of these By laws, savings shares shall have priority in the repayment of the capital up to EUR 3.19 (threepointnineteen) per share. In the event of a reduction of the share capital due to losses, the reduction has no effect on savings shares except for the portion not included in the full extent covered by other shares.</p>	<p>6.3 As well as any rights and privileges provided for <del>by law and</del> in other parts of these By - laws, <b><u>Special Shares</u></b> shall have priority in the repayment of the capital up to Euro 3.19 (threepointnineteen) <del>per share</del> <b>for each Special Share</b>. In the event of a reduction of the share capital due to losses, the reduction has no effect on <del>savings shares</del> <b><u>Special Shares</u></b> except for the portion not included in the full extent covered by <del>other shares</del> <b><u>Ordinary Shares</u></b>.</p>
<p>6.6 Savings shares shall retain the rights and privileges contemplated by law and by these By laws also in the event that the Company's ordinary and/or savings shares are delisted.</p>	<p><i>Repealed.</i></p>
<p>6.7 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 to the holders of all classes of shares.</p>	<p>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 <b>also</b> to the holders of <del>all classes of shares</del> <b><u>the other class of shares</u></b>.</p>
<p>6.8 In the event of a share capital increase being carried out by issuing of both ordinary and savings shares: a) the holders of ordinary shares shall be entitled to receive an option on ordinary shares, and on savings shares to make up any difference; b) the holders of savings shares shall be entitled to receive an option on savings shares, and on ordinary shares to make up any difference.</p>	<p>6.5 In the event of a share capital increase being carried out by issuing of both Ordinary Shares and <del>savings</del> <b><u>Special Shares</u></b>:</p> <ul style="list-style-type: none"> <li>• the holders of Ordinary Shares shall be entitled to receive an option on Ordinary Shares, and on <del>savings</del> <b><u>Special Shares</u></b> to make up any difference;</li> <li>• the holders of <del>savings</del> <b><u>Special Shares</u></b> shall be entitled to receive an option on <del>savings</del> <b><u>Special Shares</u></b>, and on Ordinary Shares to make up any difference.</li> </ul>

6.9 Any introduction or removal of restrictions on the circulation of shares does not award the right of withdrawal to shareholders who do not take part in the approval of the relating resolution.	<i>Cfr. art. 7 proposed text (below).</i>
6.10 The savings shareholders' organisation is governed by law and by these By laws. The expenses related to the organisation of the special savings shareholders meetings and the remuneration of the common representatives of savings shareholders shall be borne by the Company .	6.6 <del>The savings shareholders' organisation is governed by law and by these By laws. The expenses related to the organisation of the special savings <b>Special</b> shareholders meetings and the remuneration of the common representatives of savings shareholders shall be borne by the Company .</del>

#### Article 7 – Withdrawal Rights

As it is currently provided, no withdrawal right is attributed to the shareholders who did not concur to approving the resolutions regarding the extension of the term of duration of the Company (cfr. Article 4.2 of the current By-Laws) and the introduction, alteration or removal of limitations on the circulation of shares (cfr. Article 6.9 of the current By-Laws).

#### Article 8 – Prohibition of Transfer of Shareholding in Ordinary Shares; Pre-emption on the Transfer of Special Shares; Redemption

Pursuant to the Shareholders' Agreement, any transfer of a participation in Ordinary Shares until 5 November 2020 is prohibited, except for the transfers in the context of a new listing application of Company's Ordinary Shares (see art. 19 below). Also, as anticipated in relation to the Mandatory Conversion, the transfer of Special Shares to other shareholders or third parties will be subject to the potential exercise of a right of pre-emption by each of the other holders of Special Shares, at the terms and conditions more precisely indicated in the same Article 8 of the new By-Laws. It is necessary to highlight, in particular, that if no shareholder has exercised the pre-emption right, the Company will be entitled, in accordance with Article 2357 of the Italian Civil Code, to purchase the participation subject to transfer at the price, terms and conditions set forth for the exercise of the right of pre-emption.

#### Article 9 – Pirelli Know-How

It is provided that, subject to the exception set out in the Article 9, Pirelli Technological Know-How (as defined therein) may not be transferred except upon prior authorisation by the Ordinary Shareholders' Meeting, resolved upon with the favorable vote of shareholders representing at least 90% of the ordinary share capital of the Company. Acts of transfer and disposal of Pirelli's Technological Know-How functional to Industrial Reorganisation (as defined therein) are not subject to the restrictions above.

Article 11 – Shareholders' Meeting; Special Assembly

With particular reference to the Special Assembly of the holders of Special Shares, there is no power of the common representative to call the Special Assembly, since the common representative is not provided for by the law applicable to non-listed shares. It is confirmed that the costs relating to the organization of the Special Assembly are levied on the Company. The changes to the current Article 7.10 are described below:

Current Text	Proposed Text
<p>7.10 Special meetings of savings shareholders shall be convened by the common representative of savings shareholders or by the Board of Directors of the Company whenever they deem necessary or in accordance with the law.</p>	<p><del>11.5 Special meetings of savings shareholders</del> <b>The Special Assembly of holders of Special Shares</b> may be convened, <b>as set forth in the following Article 12.1</b>, <del>by the common representative of savings shareholders</del> or by the Board of Directors of the Company each time it is deemed appropriate or when required by applicable law. <b><u>The Special Assembly is validly held and validly resolves with the majorities provided by applicable law.</u></b></p>

Article 12 – Convocation of Shareholders' Meeting

With reference to the procedures and terms of convocation of the Shareholders' Meeting, it is envisaged that a notice of convocation is sent to ordinary shareholders indicated in the

Shareholders' book with at least 8 (eight) days' prior notice, by way of registered letter with delivery receipt, or by any other means which guarantee the proof of receipt.

Such procedures and terms of convocation also apply with reference to Special Shareholders' Special Assembly.

#### Article 13 – Resolutions of the Shareholders' Meeting

In addition to the reinforced majority of 90% (ninety percent) of Company's share capital represented by ordinary shares required for approval of the resolutions related to the transfer of Pirelli's operational and administrative headquarter as well as the transfer of Pirelli Technological Know-How (see above), special procedures for the participation and representation at the Meeting are provided for, so as to ensure, pursuant to Shareholders' Agreement, the compliance with the prerogatives and the veto rights attributed to the companies (Camfin, LTI and LTI Holding) which have a minority interest in Marco Polo International Italy.

#### Article 16 – Appointment of the Board of Directors

The Company is managed by a Board of Directors composed of 16 (sixteen) directors, appointed through a mechanism of slates' vote to ensure, in accordance with the Shareholders' Agreement, that companies (Camfin, LTI and LTI Holding), which have a minority interest in Marco Polo International Italy, may have their candidates elected to the Board.

#### Article 18 - Powers of the Board of Directors and the Executive Vice Chairman and Chief Executive Officer; Meetings and Resolutions of the Board of Directors

In accordance with the Shareholders' Agreement, a delegation of management powers to the Company's Executive Vice Chairman and Chief Executive Officer is provided until 11 August 2015 in relation to the matters listed in Article 18.2 (A) of proposed By-Laws. Also in compliance with the Shareholders' Agreement, moreover, the Company's Executive Vice Chairman and Chief Executive Officer is granted with the power to propose the adoption of the resolutions involving "Significant Matters", as well as involving new listing operations of Company's Ordinary Shares.

It is envisaged that the resolutions of the Board of Directors shall only be valid if adopted in the presence of the majority of the Board members in office and by a majority vote of the Board members present, provided that at least one of the Board members which are indirectly designated by both Camfin and LTI/LTI Holding has voted in favour of said resolutions; in the event of a tied vote, the Chairman (designated by CNRC) shall hold the casting vote. On some particular matters which are relevant in the context of the Shareholders' Agreement, it is provided the adoption of resolutions with the presence and the favourable vote of at least 11 (eleven) directors.

#### Articolo 21 – Board of Statutory Auditors

It is envisaged the appointment of a Board of Statutory Auditors 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 Marco Polo Industrial Holding, (y) 7 (seven) members, including 5 (five) effective statutory auditors and 2 (two) alternate statutory auditors. Also the statutory auditors are appointed with a mechanism of slates' vote so as to ensure, pursuant to Shareholders' Agreement, the compliance with the prerogatives and the veto rights attributed to the companies (Camfin, LTI and LTI Holding) which have a minority interest in Marco Polo International Italy.

#### Article 22 – Audit of the Company's accounts

It is provided that audit of the Company's accounts is exercised by an independent auditing company registered with the competent public register.

#### Article 23 – Financial Year

No changes involving the closing date of the financial year are provided for.

#### Article 24 – Profits

The clause reflects the Mandatory Conversion and reports, with no changes, the Special Shares' prerogatives related to the distributions of profits and reserves. The privilege currently provided in favour of Ordinary Shares is eliminated.

Below is a description of the proposed changes to current Article 18 of the By-Laws:

Current Text	Proposed Text
	<p>24.1. <u>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.</u></p>

<p>18.1 Following the mandatory allocations to statutory reserves, the Company's net year-end profits shall be distributed as follows:</p> <p>a) savings shares shall be awarded a dividend of seven percent of EUR 3.19 (threepointnineteen); if a dividend of less than seven percent of EUR 3.19 (threepointnineteen) 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; any profits remaining following the award of the aforementioned dividend to savings shares shall be distributed amongst all the shares in such a way that savings shares shall receive an aggregate dividend which is higher, compared to the dividend awarded to ordinary shares, by an amount corresponding to two percent of EUR 3.19 (threepointnineteen);</p> <p>b) notwithstanding the foregoing provisions regarding the aggregate higher dividends awarded to savings shares, ordinary shares shall be awarded a dividend corresponding to a maximum of five percent of their implied book value (i.e., the ratio between overall share capital and number of issued shares).</p>	<p><del>24.2. Following the mandatory allocations to statutory reserves, the Company's net year-end profits shall be distributed.</del> <b><u>The remaining portion will be divided between the shareholders</u></b> as follows: a) <del>savings</del> <b><u>Special Shares</u></b> are awarded a dividend of 7% (seven percent) of Euro (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;</p> <p><b><u>(b) any profits remaining following the award of the aforementioned dividend to <del>savings</del> Special Share 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 some of such profits forward to the next year -</u></b> 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 <b><u>2% (two percent)</u></b> of Euro 3.19 (threepointnineteen).</p> <p><del>b) notwithstanding the foregoing provisions regarding the aggregate higher dividends awarded to savings shares, ordinary shares shall be awarded a dividend corresponding to a maximum of five percent of their implied book value (i.e., the ratio between overall share capital and number of issued shares).</del></p>
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<p>18.2 The remaining profits shall be distributed amongst all the shares, in addition to the allocations contemplated in the foregoing points a) and b), unless the shareholders' meeting, on the proposal of the Board of Directors, resolves to make special allocations to extraordinary reserves or for other uses, or decides to carry some of such profits forward to the next year.</p>	<p><i>Repealed.</i></p>
<p>18.3 Should reserves be distributed, savings shares shall be awarded the same rights as other shares.</p>	<p>24.3. In case reserves are distributed <del>savings</del> <b><u>Special Shares</u></b> shall be awarded the same rights as other shares <b><u>Ordinary Shares</u></b>.</p>
<p>18.4 Interim dividends may be distributed in compliance with the law.</p>	<p><i>Unchanged.</i></p>

#### Article 27 – Final Provisions

An arbitration clause has been introduced, applicable in case of any dispute arising out among the shareholders, or the shareholders and the Company, or the Directors, Statutory Auditors and/or the liquidators and the Company, relating to disposable corporate-related rights, as well as the disposable rights related to the Shareholders' Agreement. It is provided that any dispute subject to the arbitration clause shall be settled by the exclusive jurisdiction of an arbitration panel composed of three arbitrators; the arbitration shall be subject to the Rules of Arbitration of the International Chambers of Commerce, as more precisely indicated in the arbitration clause.

In addition, under a transitory clause, as a temporary waiver to the new Article 16.1 (which provides for a Company's Board of Directors composed by 16 [sixteen] directors), until the effective approval of the draft budget on December 31, 2015 by the Board of Directors, the latter will consist of 15 [fifteen] directors.

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Finally, a further modification of the By-Laws as illustrated above will be proposed to the Shareholders' Meeting, by introducing in Article 8 a clause providing that - in the event 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 Article 2357 of the Italian Civil Code, according to a mechanism similar to that provided by Article 111 of Italian TUF for shares and other equities with voting right. Special Shares held by the Company are added to the relevant participation for the purpose of calculating the 95% threshold above. In compliance with Article 2437-*sexies* of the Italian Civil Code, the price recognized to Special Shares' holders, in the exercise of redemption, will be determined according to the criteria envisaged by Article 2437-*ter*, Paragraph 2, of the Italian Civil Code, for the shares' liquidation following the exercise of withdrawal.

#### **C.- RIGHT OF WITHDRAWAL**

As the resolution on the Mandatory Conversion involves the delisting of the Savings Shares, and considering the adoption of a new By-Laws with the content described above, the savings shareholders who did not concur in the Special Meeting of the holders of Savings Shares to the approval of the Mandatory Conversion and of the new By-Laws (which will be submitted to them as of competence) will be entitled to exercise the right of withdrawal pursuant to Article 2437-*quinquies* and Article 2437 of the Italian Civil Code (the "**Right of Withdrawal**").

The liquidation value that will be paid to the entitled savings shareholders who have exercised the Right of Withdrawal is equal to Euro 14.978 per share.

The abovementioned liquidation value, in compliance with Article 2437-*ter* of the Italian Civil Code, was determined with exclusive reference to the arithmetic average of the Savings Shares' closing prices on the stock market during the six months prior to the publication of the notice of call of the meeting in which the resolutions which entitle to the Right of Withdrawal have been adopted, and it will be communicated to the public via special notice published on a national newspaper pursuant to applicable law.

Below are the terms and conditions for exercising the Right of Withdrawal as well as the liquidation procedure of the shares subject to withdrawal.

**C.1-** Pursuant to Article 2437-*bis* of the Italian Civil Code, those entitled to withdrawal may exercise, for all or part of the Savings Shares helded, the Right of Withdrawal by way of registered letter ("**Declaration of Withdrawal**") to be sent to the Company's registered office within 15 (fifteen) calendar days from the date of registration of the Mandatory Conversion's resolution in the Companies' Register. The completed registration will be disclosed by publication of a notice on a national newspaper and on the Company's website ([www.pirelli.com](http://www.pirelli.com)).

The Declaration of Withdrawal must be sent by registered letter to the following adress:

**Pirelli & C. S.p.A.**

*Segreteria Societaria – Operazione recesso*

Viale Piero e Alberto Pirelli, n. 25

20126 – Milano (Italia)

However, it is recommended to those entitled to withdrawal, in order to ensure a smooth progress of the procedure, to anticipate the Declaration of Withdrawal via certified mail (at the e-mail adress: [assemblea@pec.pirelli.it](mailto:assemblea@pec.pirelli.it)) or via fax to +39 02 6442 4426, notwithstanding the requirement to send the Declaration of Withdrawal by registered letter pursuant to applicable law, as described above.

The Declaration of Withdrawal must contain the following information:

- personal data, tax code, domicile (and, if possible, phone number) of the withdrawing shareholders for the communications involving the Right of Withdrawal;
- the number of shares being the object of the exercise of the Right of Withdrawal;
- details of the withdrawing shareholders' bank account on which the liquidation value of the above shares shall be credited;
- details of the intermediary managing the securities account on which the shares subject to the exercise of the Right of Withdrawal are registered, with the details relating to this account.

**C.2-** Without prejudice to item C.1 above, it should be noted that, according to Article 23 of Banca d'Italia-Consob's Regulation of 22 February, 2008 as subsequently amended (*"Regolamento recante la disciplina dei servizi di gestione accentrata, di liquidazione, dei sistemi di garanzia e delle relative società di gestione"*), the "**Banca d'Italia-Consob's Regulation**", the standing to the exercise of the right of withdrawal according to Article 2437 of the Italian Civil Code is confirmed by a communication of the intermediary to the issuer.

Savings shareholders intending to exercise the Right of Withdrawal are required to apply for the sending of the above-mentioned communication to the Company by the intermediary enabled to keeping the accounts according to the law, pursuant to Article 21 of the Banca d'Italia-Consob's Regulation. Such notice shall certify:

- the uninterrupted ownership, in the hands of withdrawing shareholder, of the Pirelli Savings Shares in relation to which the Right of Withdrawal is exercised from the date of the shareholders' meeting the resolutions of which entitle to the exercise of the Right of Withdrawal until the date of exercise of the same Right of Withdrawal, pursuant to Article 127-bis, Paragraph 2, of the Italian TUF;
- no pledge or other lien exists on the Pirelli Savings Shares in relation to which the Right of Withdrawal is exercised; otherwise, the withdrawing shareholders will be required to transmit to the Company, as a condition of eligibility of the Declaration of Withdrawal, a special statement by the pledgee, or by the person in favour of which another constraint on the shares is levied, whereby such person gives his irrevocable consent to the liquidation of the shares subject to withdrawal in accordance with the instructions of the withdrawing shareholder.

**C.3.-** In compliance with Article 2437-bis of the Italian Civil Code and the regulatory provisions, the shares subject to communication pursuant to Article 23 of Banca d'Italia-Consob's Regulation (and then the Savings Shares on which is exercised the Right of Withdrawal by the entitled) may not be transferred, by the same intermediary, until the liquidation procedure is completed.

**C.4.-** In the event that one or more than one shareholders exercise the Right of Withdrawal, the liquidation procedure will take place according to the provisions of Article 2437-*quater* of the Italian Civil Code, and in particular:

- (i) the Company's directors will offer the shares of the withdrawing shareholders in pre-emption to the other savings Shareholders who have not exercised the Right of Withdrawal, as well as to the ordinary shareholders; a period of not less 30 days from the filing date of the offer with the Milan Companies' Register will be granted in order to exercise the right of pre-emption; the shareholders who exercise the option right will have, moreover, a pre-emption right in the purchase of the shares subject to the Right of Withdrawal that have remained outstanding, provided that they concurrently submit the relevant request; in the event that the Company's shareholders do not purchase the shares of the withdrawing shareholders, the Company's directors may offer such shares on the market;
- (ii) should there remain shares subject to withdrawal not being purchased, such shares will be reimbursed by way of redemption by the Company in compliance with Article 2437-*quater*, Paragraph 5, of the Italian Civil Code, also by the way of derogation to the provisions of the Article 2357, Paragraph 3, of the Italian Civil Code.

Pirelli will communicate in due course all the necessary information in order to exercise the Right of Withdrawal as well as any other rights in this paragraph.

**D.- PROPOSAL OF RESOLUTION FOR EXTRAORDINARY SHAREHOLDERS' MEETING**

On the basis of the above, the Board of Directors submits to Your approval the following proposal of resolution.

*“The extraordinary Shareholders' Meeting of Pirelli & C. S.p.A.,*

- (a) *having considered and approved in its entirety the Board of Directors' Report on the proposal of Mandatory Conversion (as herein defined) and the proposal of adoption of a new By-Laws,*

- (b) *having acknowledged that the Special Meeting of the holders of savings shares of Pirelli & C. S.p.A. was convened on 15 February 2016 in order to resolve, pursuant to and by effect of Article 146 of D.Lgs. n. 58/1998 and as of competence, on the same proposal of Mandatory Conversion and adoption of a new By-Laws,*
- (c) *on the assumption of the approval by the Special Meeting of the holders of savings shares of Pirelli & C. S.p.A. of the proposal of Mandatory Conversion and adoption of a new By-Laws;*

**resolves**

- 1) (A) *to approve the mandatory conversion (the "Mandatory Conversion") of savings shares into a special class of newly issued shares of the Company, on the basis of a conversion ratio of no. 1 (one) share of the special class newly issued for each savings share, without conversion adjustment nor increase or decrease of the Company's share capital; (B) to consequently approve, with effect from the effective date of Mandatory Conversion, the new By-Laws attached to the above-mentioned Board of Directors' Report (also is attached to the current minutes sub (\_\_\_\_));*
- 2) *to approve the introduction, in Article 8 of the By-Laws referred to under 1) above and with the same effective date, of additional new Articles 8.4 and 8.5; the By-Laws, comprehensive of such further modification is attached to the current minutes sub \_\_\_\_\_;*
- 3) *to mandate the Company's Board of Directors, through the Chairman, the Chief Executive Officer and the Executive Vice Chairman, on a several basis, and with power to subdelegate, in order to perform the resolutions above, determine and agree with Borsa Italiana S.p.A. the effective date of Mandatory Conversion (and thus the pertaining statutory modifications as described under 1 and 2 above, without prejudice to the provisions of Article 2346 of the Italian Civil Code), make communications and filings pursuant to applicable law, also related to the adoption of the new By-Laws as approved above, with authority to introduce the non-material amendments, adjustments or additions appropriate for the above purpose or required by the Authorities, also upon registration with the Companies' Register, and, in general, in order to provide everything necessary for*

*the complete execution of the same resolutions, with each and any power necessary for the purpose, none of which is excluded or excepted.”*

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**Annexes:**

**A.1 New By-Laws.**

**A.2 New By-Laws integrated with the redemption clause.**

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This Report is made available to the public in accordance with applicable laws at the Company's registered office, on the Company web site [www.pirelli.com](http://www.pirelli.com) as well as on the authorized storage information system "NIS-Storage" ([www.emarketstorage.it](http://www.emarketstorage.it)).

Milan, 22 December 2015.

The Board of Directors of Pirelli & C. S.p.A.

## Annex A1

### 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 1<sup>st</sup> 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. 487,991,493 (four hundred eighty seven million nine hundred ninety one thousand four hundred ninety three) shares without par value (the “**Shares**” and each one the “**Share**”), of which 475.740.182 (four hundred seventy five million seven hundred forty thousand one hundred eighty two) Ordinary Shares (as defined herein) and no. 12,251,311 (twelve million two hundred fifty one thousand three hundred eleven) 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

(threepointnineteen) 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)**

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.

## **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, 11<sup>th</sup> 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, 5<sup>th</sup> 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, 11<sup>th</sup> 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, 5<sup>th</sup> 2019 or, in case the IPO procedure would be started within such date until April, 5<sup>th</sup> 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.”*

## Annex A2

### 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 1<sup>st</sup> 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. 487,991,493 (four hundred eighty seven million nine hundred ninety one thousand four hundred ninety three) shares without par value (the “**Shares**” and each one the “**Share**”), of which 475.740.182 (four hundred seventy five million seven hundred forty thousand one hundred eighty two) Ordinary Shares (as defined herein) and no. 12,251,311 (twelve million two hundred fifty one thousand three hundred eleven) 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

(threepointnineteen) 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, 11<sup>th</sup> 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, 5<sup>th</sup> 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, 11<sup>th</sup> 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, 5<sup>th</sup> 2019 or, in case the IPO procedure would be started within such date until April, 5<sup>th</sup>

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.”*