

PIRELLI & C.
Società per Azioni
Milan - Via G. Negri 10
Tax Code and Number of Registration
with the Milan Companies Register no. 00860340157

NOTICE TO PIRELLI & C. S.P.A. SAVINGS SHAREHOLDERS
(published pursuant to Article 84 of CONSOB Regulation no. 11971/99)

Pirelli & C. S.p.A. (“**Pirelli**”) notifies that, on December 21, 2007, (the “**Registration Date**”) the following resolutions have been registered with the Milan Companies Register:

- (a) the resolution of the Pirelli extraordinary shareholders’ meeting, held on December 12, 2007, which approved, *inter alia*, the voluntary reduction of the share capital through reduction of the nominal value of both ordinary and savings shares, as well as the consequent amendment to Article 5 of the By-Laws; and
- (b) the resolution of the special meeting of Pirelli savings shareholders, held on December 14, 2007, which approved, to the extent of its competence, the above-mentioned resolution of the extraordinary shareholders’ meeting.

In more details, both resolutions refer to the reduction of the nominal value of both ordinary and savings shares, from EUR 0.52 to EUR 0.29 each, which shall be executed as follows:

- distribution to all shareholders of an amount equal to EUR 0.154 per each ordinary or savings share held (the “**Extraordinary Dividend**”), for an aggregate amount of EUR 826,657,590.53;
- creation of a reserve (for EUR 407,960,888.83), so to optimize the current financial structure of the Company.

With regard to tax implications, being the transaction a capital reimbursement, the reduction of capital is tax neutral both for the Company and for the relevant shareholder.

Shareholders entitled to the withdrawal

Pursuant to Article 2437, para. 1, lett. (g) of Italian Civil Code, given that, as a consequence of the amendment to the By-Laws, a substantial modification of the participation rights granted to the class will be triggered, Pirelli savings shareholders who did not concur to the approval of the resolution of the special savings shareholders’ meeting under the previous lett. (b) - therefore both savings shareholders who did not participate to the meeting, either directly or through proxy, and those who abstained from voting or voted against the proposed resolution - may exercise the right of withdrawal provided that such shareholders owned the Pirelli savings shares for which the right of withdrawal is exercised prior to the extraordinary shareholders meeting mentioned in lett. (a) above (thus, prior to December 12, 2007), and that the same have uninterruptedly held the ownership of the shares until the date when the Certification (as defined below) will have been issued (the “**Entitled Shareholders**”).

Pursuant to the law, the effects of any withdrawal right exercised by Entitled Shareholders (the “**Withdrawing Shareholders**” or, individually, the “**Withdrawing Shareholder**”) in the terms described hereunder shall be subject to the condition that Pirelli does not revoke, within 90 days from the Registration Date, the resolution of the extraordinary shareholders’ meeting mentioned in letter (a) above. Indeed, any such revocation would trigger the provision of Article 2437-*bis* of Italian Civil Code, thus removing the reason which justifies the exercise of the withdrawal right.

Liquidation value

The liquidation value of the Pirelli savings shares for which the withdrawal right is exercised shall be equal to EUR 0.8055 for each savings share. Such value has been determined in accordance with Article 2437-*ter*, para. 3, of Italian Civil Code, by making exclusive reference to the simple arithmetic average (calculated by Borsa Italiana S.p.A.) of the official prices of Pirelli savings shares in the six month period preceding November 10, 2007, i.e. the date of publication of the notice of call for the extraordinary shareholders' meeting convened to resolve upon the voluntary reduction of capital and the consequent amendment to the Company's By-Laws.

Withdrawal Notice

Pursuant to Article 2437-*bis* of Italian Civil Code, Entitled Shareholders may exercise the right of withdrawal by mailing a registered letter (the "**Withdrawal Notice**") to Pirelli & C. S.p.A., Corporate Secretary, Via Gaetano Negri 10, 20123 Milan, within 15 calendar days from the Registration Date, therefore within January 5, 2008. The Withdrawal Notice shall indicate:

- (i) the particulars and the tax code (if assigned) of the Withdrawing Shareholder, the domicile (and, if possible, a telephone number) for any communications pertaining to the withdrawal process;
- (ii) the number of the savings shares for which the right of withdrawal is exercised, with the particulars of the intermediary where they are deposited (through the same intermediary, Pirelli will transfer to the Withdrawing Shareholder the amount of the liquidation value of the savings shares for which the right of withdrawal is exercised).

An *ad-hoc* certification issued by an authorised intermediary joining the centralised administration system managed by Monte Titoli S.p.A. (the "**Certificate**") shall be attached by the Withdrawing Shareholder to the Withdrawal Notice, attesting:

- (i) that the Withdrawing Shareholder held the Pirelli savings shares for which the right of withdrawal is exercised uninterruptedly from a date prior to the extraordinary shareholders' meeting mentioned in lett. (a) above (therefore, prior to December 12, 2007), until the date when the Certificate is issued;
- (ii) the absence of pledge or other liens on the Pirelli savings shares for which the right of withdrawal is exercised. Otherwise, the Withdrawing Shareholder shall transmit to Pirelli, with the same formalities and together with the Withdrawal Notice, as a condition for such Withdrawal Notice being accepted, an *ad-hoc* declaration issued by the pledgee or by the different person in favour of whom any other encumbrance on Pirelli savings shares may have been created, giving irrevocable consent to the liquidation of the Pirelli savings shares for which the right of withdrawal is exercised in accordance with the Withdrawing Shareholder's instructions.

If not transmitted together with the Withdrawal Notice, the above-mentioned Certificate shall be mailed to Pirelli & C. S.p.A., Corporate Secretary, Via Gaetano Negri 10, 20123 Milan, by no later than January 10, 2008.

Pursuant to Article 2437-*bis*, para. 2, of Italian Civil Code, concurrently with the issue of the above-mentioned Certificate, the Pirelli savings shares for which the right of withdrawal is exercised shall be blocked by the intermediary until their transfer and the subsequent payment of their liquidation value, as resulting at the end of the procedure described below.

It is the Withdrawing Shareholders' duty to ensure both the correctness of the information contained in the Withdrawal Notice and its timely mailing to Pirelli within the deadline indicated above, with Pirelli taking no responsibility in this respect. Any Withdrawal Notice mailed after the deadline, lacking of any of the required information or not timely accompanied with the Certificate shall not be taken into consideration.

Liquidation procedure

Pursuant to Article 2437-*quater* of Italian Civil Code, the Pirelli savings shares for which the right of withdrawal is exercised shall be subject to the pre-emptive right of all the other shareholders in proportion to the number of shares, either ordinary or savings, owned by them (the “**Pre-emptive Offer**”).

The Pre-emptive Offer shall be made by Pirelli promptly as soon as the number of shares for which the right of withdrawal is exercised shall be finally determined. Pursuant to the law, a term of not less than 30 days from the deposit of the Pre-emptive Offer with the Milan Companies Register shall be given for the exercise of the pre-emptive right.

Pirelli shareholders exercising the respective pre-emptive right in the Pre-emptive Offer will have a right of first refusal in the purchase of the saving shares remained not purchased in the Pre-emptive Offer, provided that such shareholders make an *ad-hoc* request concurrently with the exercise of the pre-emptive right.

In the event that the shareholders do not purchase, in whole or in part, the shares of the Withdrawing Shareholders, the directors will be required to offer such shares to third parties through an offer on the stock exchange and, should such offer not allow to liquidate the remaining shares, the same will comply with the further requirements provided by Article 2437-*quater* of Italian Civil Code.

Pirelli will communicate how to accept the Pre-emptive Offer and any further related information in the Pre-emptive Offer Notice which shall be deposited with the Milan Companies Register, pursuant to Article 2437-*quater*, para. 2, of Italian Civil Code. The Notice shall also be published on at least one national newspaper (Il Sole 24 Ore).

Availability of the liquidation value

The payment of the liquidation value of the saving shares for which the right of withdrawal is exercised shall be made as soon as the liquidation procedure will be completed.

It is expected that such payment may be made at a date close to the execution date of the reduction of capital (and in any case prior to the distribution of the Extraordinary Dividend), as long as all the shares will have been placed with the shareholders as a result of the Pre-emptive Offer and the exercise of the right of first refusal, if any. Such circumstance will be timely notified through a notice published on at least one national newspaper (Il Sole 24 Ore).

For the sake of clarity, the Withdrawing Shareholders who will have validly exercised the right of withdrawal shall not be entitled to be paid the Extraordinary Dividend equal to EUR 0.154 per share.

Milan, December 22, 2007