

**Report of the Common Representative on the proposals concerning the items on the agenda of the meeting of the holders of Pirelli & C. S.p.A. saving shares called on 28<sup>th</sup>, 30<sup>th</sup> and 31<sup>st</sup> January 2012**

Dear Shareholders,

You have been called to a special meeting to appoint the common representative of the holders of Pirelli& C. saving shares for the financial years 2012, 2013 and 2014, falling due the term of the mandate conferred to me by the special meeting of the saving shareholders held on 28<sup>th</sup> January, 2009 for the three years-period 2009/2011. <sup>1</sup>

You are also called to resolve upon the fee in favour of the common representative.

You are then called to resolve upon the creation of a fund for the expenses necessary to protect the common interests of the holders of saving shares as well as on the related statement of account pursuant to article 146, paragraph 1, letter c) of the Legislative Decree February 24, 1998, n. 58. <sup>2</sup>

In relation to the statement of account on the fund, created following the resolutions of the meeting held on January, 28<sup>th</sup> 2009 in an amount equal to EUR 40,000, I hereby inform you that such amount has not been used in this period. Let me remind you that according to article 6.10 of the Company's By-Laws it is stated that the fee in favour of the common representative (€ 8,000, as resolved by the meeting of holders of saving shares) is charged to the Company.

With reference to the items of the agenda, the special meeting shall adopt resolutions in first and second call with the favourable vote of the saving shares representing respectively the twenty and the ten percent of the saving shares issued. On third call the special meeting shall adopt resolutions by the simple majority of those present, regardless of the proportion of the capital they represent.

Then I would like to give you a brief summary of the activities undertaken during my office, in which the process of separation of the real estate activities performed by Pirelli RE has been finalized and all the not strategic activities has been sold, becoming in this way Pirelli a "*pure Tyre company*".

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<sup>1</sup> In accordance with Italian Law, both natural persons (whether or not holders of savings shares) and legal persons authorized to provide investment services as well as trust companies may be appointed as common representatives. The term of the office can not exceed three fiscal years. There is no legal limit to the re-appointment of the Common Representative.

<sup>2</sup> (2) Art. 146, paragraph 1 of Legislative Decree February 24, 1998, n. 58

1. Special shareholders' meetings of holders of savings shares shall resolve:

- a) on the appointment and removal of the common representative and legal action for liability against such person;
- b) on the approval of resolutions adopted by the shareholders' meeting of the company that prejudice the rights of the category, with the favorable vote of shares representing at least twenty per cent of the shares of the class in question;
- c) on the creation of a fund for the expenses necessary to protect common interests and the related statement of accounts; the fund shall be advanced by the company, which may recover the advance from the profits due to holders of savings shares in excess of any amount guaranteed
- d) on the settlement of disputes with the company, with the favorable vote of shares representing at least twenty per cent of the shares of the class in question;
- e) On other matters of common interest.

First of all, the Company has always provide me all the information relevant to the main operations, promptly sending to me the whole documentation made available to the public.

During my mandate, I attended all four ordinary shareholders' meetings of the Company held in the period (21<sup>st</sup> April, 2009, 21<sup>st</sup> April, 2010, 15<sup>th</sup> July, 2010 and 21<sup>st</sup> April, 2011)

I paid particular attention to the resolutions submitted to the extraordinary shareholders' meeting called on 15<sup>th</sup> July, 2010. In such a meeting, Pirelli & C. ordinary shareholders resolved to delete the nominal value of the ordinary and saving shares and to reverse stock split of ordinary and saving shares in a ratio of 1 new ordinary share or 1 new saving share for every 11 shares held in the same category. During the same meeting it was also approved the separation from Pirelli & C. S.p.A. of Pirelli & C. Real Estate S.p.A. (now Prelios S.p.A.). For this purpose, it was approved the voluntary reduction of the share capital for an amount of € 178,813,982.89, equal to the shareholding in Pirelli & C. Real Estate.

The Company has duly explained the above mentioned operations in reports of the Board of Directors and press releases issued for the market; for the voluntary reduction of the share capital an Information Document has also been published in accordance with the Law.

The procedures of the above mentioned operations did not require the call of a meeting of the holder of saving shares.

In fact, further to the resolutions taken by the mentioned meeting held on July 2010, has been changed in the By-Laws the reference to the nominal value of the shares with a fix amount (€ 3,19) equal to the value of the accountant parity of the shares further to the cancellation of the nominal value and the stock split operation. In order to maintain unchanged the right of savings shares to the postponement of losses participation, it has been established that any losses will have no effect on the saving shares, save for the fraction of losses not covered by the ordinary shares.

The reduction of the share capital through assignment of Pirelli RE shares did not entail changes of the rights and the privileges attached to the Company's savings shares, as such rights, after the cancellation of the nominal value, remain at the fixed value and therefore not affect by the change in the accounting par value of the Company shares resulting from the reduction in company share capital.

For completeness' sake, let me remind you that in 2011 a further reduction of the share capital has been completed in order to accomplish the assignment of Prelios SpA shares (further Pirelli RE) resolved and started in 2010. This reduction does not entail any reduction of Company assets, as the amount of the reduction is applied to net assets with the aim of eliminating the negative reserve generated by the conclusion of the operation of assignation.

Finally, let me point out that during my mandate the General Meeting of Ordinary Shareholders (on 21<sup>st</sup> April, 2010 and on 21<sup>st</sup> April, 2011) and the Board Meeting of the Company (3<sup>rd</sup> November, 2010) have resolved and approved some amendments to the Company's By-Laws related to the approval of Legislative Decree 27<sup>th</sup> January 2010 No. 27, which implements "*Directive 2007/36/EC on the exercise of certain rights of shareholders in listed companies*" which has introduced some amendments to the Italian civil code and to the Legislative Decree 24<sup>th</sup> February, 1998 no. 58, with the aim of promoting the participation of shareholders in general meetings and of facilitating the exercise (including cross-border ambit) of the right to vote.

For further information, it is possible to refer to the reports of the Board of Directors of Pirelli & C. S.p.A. and to the minutes of the General Meeting available on the web-site of the Company [www.pirelli.com](http://www.pirelli.com).

Also in this case, I can say that the resolutions submitted to the approval of the General Meeting of the Ordinary Shareholders, and in particular to the one held on July, 2010, has enabled to maintain rights and privileges on the saving shares of the Company.

Further to the above mentioned reduction, the share capital of Pirelli & C. S.p.A. amounts at present to Euros 1,345,380,534.66, divided into no. 487,991,493 shares without nominal value, of which 475,740,182 (Euro 1,311,603,971.79) ordinary shares and 12,251,311 savings shares (Euro 33,776,562.87) saving shares. The saving shares represent 2.5% of the whole share capital. At present, the Company owns no. 408,342 ordinary shares whose voting right is suspended

Finally, I also point out that according to the provisions of the Company's By-Laws regulating the the rights of the holders of saving shares, the Company has granted the holders of saving shares, on the occasion of the the payment of the saving shares' dividend for the financial year 2009 (which took place on 27<sup>th</sup> May, 2010), also the amount relevant to the dividend not assigned in 2008.

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Dear Shareholders,

I have been holding the office of Common representative of the holders of saving shares for four mandates (my first appointment took place on January 21<sup>st</sup>, 2000).

I deem necessary, even with regret, to communicate you that I am not available for a renewal of the office, so that a good alternance can be granted.

Thank you for the confidence given.

Milan, December 22, 2011

The common representative of the holders of saving shares of Pirelli & C.

Avv. Giovanni Pecorella