PIRELLI & C. SPA

AUDITORS' REPORT ON THE ISSUE PRICE OF THE NEW SHARES RELATING TO THE CAPITAL INCREASE WITH EXCLUSION OF SHAREHOLDERS' OPTION RIGHTS PURSUANT TO ART. 2441, FIFTH AND SIXTH PARAGRAPHS, OF THE CIVIL CODE AND ART. 158, FIRST PARAGRAPH, OF LEGISLATIVE DECREE 58/1998

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To the Shareholders of
Pirelli & C. SpA

1 Purpose and object of the engagement

In connection with the proposed capital increase with exclusion of shareholders' option rights pursuant to Articles 2441, paragraphs 5 and 6 of the Italian Civil Code and Article 158, paragraph 1, of Legislative Decree 58/1998 ("TUIF"), we have received from Pirelli & C. Sp. (hereinafter "Pirelli & C." or the "Company") the report of the board of directors (the "Board of Directors" or the "Directors") dated 5 February 2021, prepared pursuant to Article 2441, paragraph 6, of the Italian Civil Code (the "Directors' Report" or the "Report"), which illustrates and explains the proposal for a capital increase with exclusion of shareholders' option rights, indicating the criteria adopted by the Board of Directors to determine the price of the new shares to be issued.

The proposal of the Board of Directors, as described in the Directors' Report, regards the issue of a convertible, interest-free, *senior unsecured guaranteed equity-linked* bond in the amount of EUR 500,000,000 (five hundred million), with maturity on 22 December 2025, reserved for qualified investors and guaranteed by Pirelli Tyre SpA (hereinafter "Pirelli Tyre" or the "Guarantor") denominated "*EUR 500 million Senior Unsecured Guaranteed Equity-linked Bonds due 2025*" (the "Bond" or the "Loan") and, consequently, the proposal to increase the share capital, to service the conversion of the Bond, for payment and in divisible form, excluding option rights pursuant to Article 2441, paragraph 5, of the Italian Civil Code for a maximum amount of EUR 500,000,000 (five hundred million), including any share premium, to be paid in one or more tranches through the issue of up to 80,192,461 ordinary shares of the Company, having the same characteristics as the outstanding ordinary shares, subject to the adjustments provided for and referred to below in this report (the "Capital Increase" and, together with the Bond, the "Transaction").

According to the Directors' Report, the proposed Capital Increase is therefore instrumental in enabling the Company to issue shares to service the conversion of the Bond. The proposed Capital Increase will be submitted to the approval of the Extraordinary Shareholders' Meeting set for 24 March 2021.

With reference to the Transaction described above, the Board of Directors of the Company has engaged us to express, pursuant to Article 2441, paragraphs 5 and 6 of the Italian Civil Code and Article 158, paragraph 1, of the TUIF, our opinion on the adequacy, in terms of reasonableness and non-arbitrariness in the circumstances, of the criteria proposed by the Directors for the purpose of determining the issue price of the new shares of Pirelli & C. in the context of the Capital Increase, as well as on their correct application.

2 Summary of the Operation

2.1 introduction

The proposed Capital Increase, as described in the Directors' Report, is in connection with the issuance of the Bond, which is reserved for qualified investors, Italian and foreign, outside the United States of America pursuant to *Regulation S of* the *Securities Act* of 1933, and also excludes other jurisdictions in which the offer or placement of the bonds (as defined *below*) would be subject to specific authorisation (the "Institutional Investors") and excludes in any event any offer to the public.

The terms and characteristics of the Bond are described in the *Trust* Deed which also includes the "*Terms and Conditions of the bonds*" (the "Terms and Conditions" or the "Conditions"). The Terms and Conditions are published on the Company's website.

According to the Directors, the placement of the Bonds (the "Bonds") was initiated with Institutional Investors immediately following the Board Meeting on 14 December 2020 and completed on 15 December 2020.

As described in the Directors' Report, the initial conversion price of the Bonds into ordinary shares is set at Euro 6.235 per share, subject to adjustment, as per the Terms and Conditions, in line with current market practice for this type of financial instrument.

The Terms and Conditions provide that, if the Shareholders' Meeting does not approve the Capital Increase by 30 June 2021 (the so-called "*Long-Stop Date*"), the Company may decide to redeem the Bond in full by paying in cash of an amount equal to the greater of: *(i)* 101% of the principal amount of the Bond and *(ii*) 101% of the *fair market value* of the Bond (as defined in the Conditions). If the Shareholders' Meeting resolves to authorise the convertibility of the Bond and consequently to increase the capital to service the conversion, the Company shall be required to send a notice to the holders of the Bonds (the "*Physical Settlement Notice*"), as a result of which they will be granted, from the date specified therein (the "*Physical Settlement Date*"), and in any case not earlier than 10 and not later than 20 trading days of the Italian Stock Exchange starting from the date of the Physical Settlement *Notice*, the right to convert into ordinary shares of the Company, from the *Physical Settlement Date* until the seventh day prior to the maturity date of the Bond according to the terms and limitations set forth in the Conditions. In particular, the Conditions provide for certain time windows in which the conversion of the Bonds will not be possible in order, inter alia, to simplify the administrative management in connection with certain corporate events.

2.2. Main characteristics of the Bond

According to the Directors' Report and the Conditions, the Bond has the following main characteristics:

- aggregate principal amount: Euro 500,000,000;
- minimum denomination of the Bonds: Euro 100,000;
- date of issue: 22 December 2020;

- duration: 5 years, with maturity on 22 December 2025;
- currency: Euro;
- issue price of the bonds: equal to 100% of their principal amount;
- interest rate: zero, the Bonds will not pay any coupon;
- effective rate of return to maturity (Yield To Maturity): zero;
- guarantees: the Bond will be initially guaranteed by Pirelli Tyre; the guarantee may be terminated under certain conditions set forth in the Conditions. The Conditions also include negative pledge clauses, by virtue of which the Company and the Guarantor are prohibited from *pledging*, directly or through their relevant subsidiaries (as identified in the Conditions), collateral (other than the permitted collateral, as identified in the Conditions) on further indebtedness, other than intra-group indebtedness, represented by securities, without (i) such collateral being first or simultaneously pledged or extended as security for the Bonds or (ii) any other collateral or security interests created or additional security interests created which are deemed by the *Trustee*, in its sole discretion, to be substantially similar to the collateral security interests created in respect of such additional indebtedness;
- initial conversion price: Euro 6.235 (six point two hundred and thirty-five) per share, subject to adjustments as per the Conditions, in line with current market practice for this type of financial instrument (including in terms of *dividend protection*);
- accrual date: from the date of issue;
- potential conversion: subject to the approval by the Company's Shareholders' Meeting of the Capital Increase no later than the Long-Stop Date;
- redemption: at maturity, the principal must be reimbursed in a single payment in an amount equal to 100% of the principal amount, except in the case of early redemption;
- early redemption by the Company: the right of the Company to redeem the Bond early and in full at its principal amount, (i) in the event that, starting from a certain date, the *parity value* of the Bonds (as calculated in accordance with the Conditions) is, for a certain number of days, higher than Euro 130,000 (one hundred and thirty thousand), all as detailed in the Conditions (the so-called "*Issuer's Soft Call*"); (ii) in the event that conversion or early redemption rights have been exercised in a percentage equal to or higher than 80% (eighty per cent.) of the principal amount of the Bond (so-called "*Clean Up Call*"); (iii) if the Company is required, in relation to the payments due, to pay taxes relating to bondholders as a result of changes in the tax legislation (so-called "*Tax Call*"); (iv) if the Capital Increase is not approved, for an amount equal to the higher of (a) 101% (one hundred and one percent) of the principal amount of the Bond, and (b) 101% (one hundred and one percent) of the *fair market value* of the Bonds, calculated by an independent entity on the basis of the average price of the Bonds during the five open market days following the notice of early redemption;
- *Change Of Control* and *Free Float Event*: during the period of time set out in the Conditions, upon the occurrence of a change of control event (so-called "*Change Of Control*") or if the free float of the Company's ordinary shares (calculated according to the procedures set out in the Conditions) falls below a certain threshold and remains there for a certain number of open market days from the first day on which it fell below that threshold (so-called "*Free Float Event*"), each bondholder will be entitled to, alternatively (i) the right to request early

redemption at the nominal value of the Bonds, through the exercise of a put option or (ii) a new conversion price (if necessary also in the form of settlement according to the *Cash Settlement Amount* mechanism), lower than the original one and based on the time elapsing between the event and the maturity of the Bonds; all in accordance with the terms and procedures identified in the Conditions;

- listing: Vienna MTF, managed by the Vienna Stock Exchange;

- applicable law: English law, except for those aspects which are governed by Italian law.

2.3 *Objectives of the Transaction and reasons for the exclusion of the option rights*

The Directors' Report specifies that the issuance of the Bond, the Capital Increase and the approval of the convertibility of the Bonds constitute a unitary transaction aimed at providing the Company with a funding instrument capable of raising resources from the capital market in a short period of time and on terms (cost and duration) deemed convenient for the Company. Furthermore, the Report specifies that, in deciding to proceed with the issue of the Bond - with the consequent proposal to approve the Capital Increase -, the Board of Directors, in a market context characterised by high volatility in light of the impact, inter alia, of the Covid-19 emergency and the progress of negotiations relating to the so-called "Brexit" (the outcome of which - at the date of determination by the Board of Directors - was still uncertain), reports having taken into account the following main advantages:

- the possibility of benefiting from positive market windows as soon as they become available, given the aforementioned volatility, by means of a rapid placement with Institutional Investors, with a reference market, in terms of the number of investors, compatible with the assumed amount and a rapid execution period;

- the extremely rapid execution period, which allowed the Company to minimise its exposure to market risk compared to alternative instruments, such as the issue of a non-convertible bond, a syndicated or pooled loan, or a capital increase with the option rights. In the *trade-off* between the certainty of the issuing conditions on the one hand and the recognition of the option right on the other, the first alternative was preferred, as it is considered that this choice is in the best interests of the shareholders, as it allows the Company to issue a relatively small number of new shares at the best possible price, provided, of course, that the conversion conditions are met. At the same time, the timing of the placement, which started after the market closed, mitigated the risk that the announcement might be followed by speculative trading on the shares concerned, with a potential damage to the final issue price;

- the raising of funds at favourable conditions of cost and duration, also in view of the *equity-linked* characteristics of the Bonds;

- the placement of shares at a premium of 45% with respect to the Reference Price (as defined *below*) at the time of issuance of the Bonds, where a capital increase with option rights - as per market practice - would have been carried out at a discount; the above premium already takes into account the possibility that the Company may distribute dividends during the life of the Bond up to the amount of Euro 0.060 per share in relation to the financial year ended 31 December 2020, Euro 0.110 per share in relation to the financial year ending 31 December 2021, Euro 0.128 per share in relation to the financial year ending 31 December 2022, Euro 0.141 per share in relation to the financial year ending 31 December 2023 and Euro 0.155 per share in relation to the financial year ending 31 December 2024, without the conversion price being adjusted to compensate the bondholders for the dividends distributed (the so-called "dividend protection" clause);

- the opportunity to optimise - in an economic context impacted by Covid-19, as last communicated to the market on 11 November 2020 - the debt profile of the group held by the Company (the "Pirelli Group"), extending its maturities, and to preserve the cash generated by the *business*, thanks to the non-interest-bearing nature of the Bonds.

In their Report, the Directors indicate that the placement of the Bond was addressed to Institutional Investors specialised in *equity-linked* instruments because, on the one hand, of the complexity of the financial characteristics of the Bond, which, by their nature, normally require an appreciation by investors with high technical knowledge and, on the other hand, of the desire to ensure the successful completion of the transaction in a short period, not compatible with the requirements and timing of placement with other categories of investors, including *retail* investors. The offer of the Bond to Institutional Investors allowed the timely raising of financial resources from non-banking capital market, allowing the Company to take advantage of the opportunities offered by the favourable market and the placement conditions deriving from the *equity-linked* characteristics of the Bond. The Board of Directors believes that the issue of the Bond is in the interest of the Company, which has raised funds on the market at favourable conditions in terms of both cost and duration.

The Directors then proceeded to submit for approval to the Extraordinary Shareholders' Meeting the proposed Capital Increase to service the Bond, with the exclusion of option rights. The Board of Directors believes that the exclusion of option rights is in the best interest of the Company pursuant to Article 2441, paragraphs 5 and 6, of the Italian Civil Code for the reasons described in the Directors' Report, including:

- the decision to reserve the subscription of the Bond to Institutional Investors only, thus excluding the shareholders' option right on the subsequent Capital Increase, is related to the high degree of complexity and to the characteristics of the financial instruments, so-called *equity-linked*, which make them unsuitable for a *retail* investor (and therefore for an indistinct offer to all Company's shareholders). The use of the *equity-linked* instrument (and the particular structure and characteristics of the Bond, offered, inter alia, in minimum amount of Euro 100,000), aimed exclusively at Institutional Investors, constitutes an effective means of obtaining non-banking financial resources at particularly convenient conditions, which is well suited to the Company's current needs and allows an improvement in the financial situation and related costs, not otherwise obtainable (and in particular not obtainable with traditional convertible bond instruments offered in option to shareholders);

- the issuance and placement of *equity-linked* instruments requires an offer on the market with very short execution period that require the exclusion of option rights and the exclusion of the public offering procedure of the Bonds, which would require more onerous corporate obligations, longer execution times, higher costs and greater execution risks;

- the approval of the Capital Increase and the possibility of converting the Bond eliminate the cash settlement option held by the Bondholders, except in the event of early redemption, potentially stabilising the acquisition of the resources raised through the Bond;

- the potential conversion of the Bonds into Pirelli & C. ordinary shares, or in any case the potential issue of shares under the Bond, would allow the Company: (i) to strengthen its capital structure and diversify its financial structure, while limiting the related cash outlay related to the payment of financial charges and capital at maturity and (ii) to expand its shareholder base.

3 Nature and scope of this report

The purpose of this opinion, issued pursuant to Article 2441, paragraph six, of the Italian Civil Code and Article 158, paragraph one, of the TUIF, is to reinforce the disclosure to existing shareholders excluded from option rights, pursuant to Article 2441, paragraph five, of the Italian Civil Code, regarding the methods adopted by the Directors to determine the issue price of the shares for the purposes of the planned Capital Increase.

More specifically, this opinion discloses the valuation methods used by the Directors in determining the issue price of the shares and any valuation difficulties encountered by them and includes our considerations on the appropriateness, reasonableness and non-arbitrariness, of the valuation methods adopted by the Directors, as well as their correct application.

In reviewing the valuation methods adopted by the Directors, we have not made an economic valuation of the Company. This valuation was carried out solely by the Directors.

This opinion is therefore not intended to, and does not, comment on the economic and strategic reasons of the Transaction.

4 Documentation used

In the course of our work, we have obtained from or through the Company such documents and information that we considered useful in the circumstances. In particular, we have obtained and analysed the following documentation made available to us:

- Report of the Board of Directors of Pirelli & C. dated 5 February 2021 illustrating the proposed Capital Increase with exclusion of the shareholders' option rights, pursuant to Article 2441, paragraphs 5 and 6 of the Italian Civil Code, indicating the criteria adopted by the Board of Directors to determine the issue price of the new shares;
- minutes of the Board of Directors ' meeting of 14 December 2020 which approved an unconditional guarantee issued by Pirelli Tyre SpA in favour of the Bond;
- executive determination of the resolution of the Board of Directors of 15 December 2020 approving the terms and conditions of the Bond;
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- Terms and Conditions of the Bonds;
- documentation summarising the results of the placement process of the Bond (the so-called "'*bookbuilding*');
- Pirelli & C. press releases on the launch and conclusion of the placement of the Bond, issued on 14 and 15 December 2020, respectively;
- Pirelli & C. press release on the admission to trading of the Bond of 18 December 2020;
- performance of the market prices of Pirelli & C.'s shares registered on Borsa Italiana's Electronic Equity Market in the six-month observation period defined by the Directors prior to 14 December 2020, as well as extended (one year) and shorter (three months and one month) periods, as well as other information such as stock volatility, average daily volumes and stock liquidity;

- the trend of the market prices of Pirelli & C. shares registered on Borsa Italiana's Electronic Equity Market during the six-month observation period preceding the date of the publication of the notice of the call of the Extraordinary Shareholders' Meeting (19 February 2021), as well as additional extended and shorter periods, and the trend of the prices of the Bonds on the Vienna MTF market;
- detailed documentation relating to the criteria and methods for determining the issue price of the new Pirelli & C. shares proposed by the Directors;
- Pirelli & C.'s current Articles of Association, for the purposes of this Opinion;
- quarterly financial report as at 30 September 2020;
- other elements and news publicly available regarding Pirelli & C., as well as any other information deemed useful for the performance of our engagement.

We have also obtained specific written representation dated 2 March 2021 signed by the Company's legal representative, that, to the best of the Company's Directors' knowledge, as of the date of this Report no material changes have occurred, nor have any facts or circumstances occurred that would make significant changes to the data and information taken into account in performing our analyses and/or that could have a significant impact on the assessments prepared by the Directors.

5 Valuation methods adopted by the Directors in determining the issue price of the shares

As stated in their Report, the Directors, in consideration of the characteristics of both the Bonds and the Capital Increase, resolved to propose to the Shareholders' Meeting that the issue price of the shares resulting from the Capital Increase be equal to the conversion price of the Bonds, without prejudice to compliance with the criteria set forth in Article 2441, paragraph six, of the Italian Civil Code, according to which the issue price (equal to Euro 6.235) cannot, in any case, be lower than the price determined on the basis of the shareholders' equity resulting from the last approved financial statements, also taking into account the performance of Pirelli & C.'s share price on the Italian Stock Exchange during the last six months.

As stated in the Report, the initial conversion price of the Bonds - given the nature of the Bond, which is intended to become convertible into ordinary shares subject to the approval of the Shareholders' Meeting - was determined by the Directors, in accordance with market practice for such financial instruments, at the outcome of the placement of the Bond on the basis of the market value of the Company's ordinary shares and the quantity and quality of demand expressed in the context of the placement of the Bond with Institutional Investors.

In this respect, the Directors note that, to the best of their knowledge, when formulating their proposals for *bookbuilding* purposes, Institutional Investors, in accordance with established practice in similar transactions, mainly evaluate the following financial characteristics of a Bond similar to the present one: (i) the conversion price and (ii) the interest rate paid, if any, all in combination.

As disclosed in the Report, the Bond does not provide for the payment of any coupon *(i.e.*, it pays an interest rate of 0.00% and has an effective rate of return at maturity of 0.00%) and, therefore, the determination of the conversion price took this circumstance into account. The conversion price was therefore determined by the Board of Directors on the basis of a "reference price" of the shares underlying the bond issue (so-called "*reference share price*"), increased by a conversion premium, determined on the basis of the quantity and quality of the demand expressed in the context of the placement which, as illustrated above, takes into account, inter alia, the characteristics of the relevant bond issue, as well as the issuer.

For the purposes of determining the reference price corresponding to the actual market value of the ordinary Shares, the Directors took into account the price of the placement of the Company's ordinary Shares made by the *Joint Global Coordinators* [1] at the same time as the placement of the Bonds (the "Concurrent *Delta Placement*"), on behalf of the subscribers of the Bonds for their *hedging* purposes with regard to the market risk deriving from the investment in the Bonds.
This price, which amounted to Euro 4.300 per Pirelli & C. ordinary share (the "Reference Price"), was determined by means of a so-called *Accelerated Bookbuidling Process*.

The use of the *Concurrent Delta Placement* mechanism as a method for identifying the Reference Price of Pirelli & C. ordinary shares was justified by the Board of Directors on the basis of the following reasons: (i) the decision to carry out the Transaction after the market closing in order to avoid exposure to fluctuations in the price of the Italian Stock Exchange during the Transaction, taking into account that in the final part of the calendar year the volumes traded on most of the securities are reduced; (ii) the opportunity to have a base value that more closely corresponds to the price that Institutional Investors (at which the Pirelli & C. ordinary shares were placed in the context of the Concurrent Delta Placement) were willing to purchase and underwrite for the Pirelli & C. ordinary shares and, therefore, to reduce the impact of market volatility mentioned in point (i) above.

In the last year, according to the Board of Directors in its Report, the *Concurrent Delta Placement* started to represent a more frequently used operating practice also in the Italian market.

The Directors then applied a conversion premium of 45% (the "Conversion Premium") to the Reference Price, established in advance on the basis of the input received from the banks appointed for the transaction and market conditions, resulting in a conversion price of Euro 6.235.

As reported by the Directors, the Conversion Premium of 45% is consistent with the premium used in similar transactions. In particular, taking into account similar issuance transactions, recorded on *databases* usually used for such verifications, which *(i)* were carried out on the markets of the European Economic Area and the United Kingdom; and *(ii)* were concluded in the period between 14 December 2017 and 14 December 2020, the average conversion premium was 42.6% compared to the relevant reference prices.

In addition, the Directors point out that the Reference Price alone was higher than the volume-weighted average price of Pirelli & C. shares traded in the last six months prior to 14 December 2020 (inclusive), which was Euro 3.941.

In compliance with the provisions of Article 2441, paragraph six, of the Italian Civil Code, for the purposes of setting the issue price of the new ordinary shares to service the possible conversion of the Bonds, the Board of Directors also reports that it has considered the value of Pirelli & C.'s shareholders' equity, as well as the arithmetic mean of the price of the Company's ordinary shares, recorded on the basis of the official prices registered on Borsa Italiana in the six-month period preceding the date of 14 December 2020 (inclusive), equal to Euro 3.856.

Finally, the Report recalls that, pursuant to the Term and Conditions, the initial conversion price may be subject to adjustment on the date of conversion in accordance with market practice for this type of

[1] The Company reports that the placement of the Bond was handled by Credit Suisse Securities (Europe) Limited and Goldman Sachs International, as *joint global coordinator* and *joint bookrunner* (the "Joint Global Coordinators"), while BNP Paribas, China International Capital Corporation Hong Kong Securities Limited, Intesa Sanpaolo SpA, Mizuho International plc, UniCredit Bank AG, Milan Branch acted as joint bookrunners alongside the Joint Global Coordinators (collectively, the "Joint Bookrunners").

instrument, upon the occurrence of the specific events indicated, by way of example but not limited to, in paragraph 1.6 of the Report.

With reference to the case of *change of control* and *free float event*, as defined and regulated in the Terms and Conditions, in the opinion of the Directors, the adjustment to the conversion price is justified by the specific nature of the events described therein. In particular, upon the occurrence of each of these events, it is envisaged that investors may be granted a specific conversion ratio, for a limited period of time (90 days), adjusted downwards with respect to the initial conversion price, on the basis of a mathematical formula that takes into account the time at which the relevant event occurs and the overall duration of the Bond, in order to reflect the value (not enjoyed) of the option underlying the Bonds, in accordance with the terms and procedures set out in detail in the Terms and Conditions.

In consideration of the analyses carried out, the Board of Directors considered that the criteria adopted to determine the initial conversion price of the Bonds and therefore the issue price of the conversion shares (and the relative conversion ratio) were consistent with the criteria established by Article 2441, paragraph six, of the Italian Civil Code and, therefore, appropriate to identify a price that would preserve the financial interests of the Company's shareholders, in consideration of the exclusion of option rights.

6 Valuation difficulties encountered by the Board of Directors

The Report does not highlight any particular difficulty encountered by the Directors in the assessment referred to in the previous paragraph.

7 Results of the valuation carried out by the Board of Directors

On the basis of the analyses carried out by the Board of Directors, applying the criteria indicated above in Paragraph 5, i.e. taking into account the placement price of the Company's ordinary Shares made by the *Joint Global Coordinators* in the context of the *Concurrent Delta Placement*, amounting to Euro 4.300, and a Conversion Premium of 45%, the issue price of the Shares to service the conversion of the Bond was equal to **Euro 6.235** per Share (the "Issue Price").

8 Work done

For the purpose of our engagement, we carried out the following main procedures:

- carried out a critical reading of the Directors' Report and the documentation received from the Company;
- having examined the minutes of the Board of Directors of the Company of 14 December 2020 and the executive determination of 15 December 2020relating to the Transaction and, for the purposes hereof, the Company's current Articles of Association;
- collected and examined the evidence that the methodological approach adopted by the Directors for the purpose of identifying the criteria for determining the Issue Price of the new shares was technically suitable, in the specific circumstances, from the point of view of reasonableness and non-arbitrariness;
- verified that the reasons disclosed by the Board of Directors for the determination of the Issue Price of the shares are complete and not contradictory;

- verified the consistency of the data used with the reference sources, including the documentation used, described in paragraph 4 above;

- carried out checks on the performance of the stock market prices of Pirelli & C. shares both in the six months preceding the date of the start of the placement procedure of the Bond (14 December 2020), in line with the analyses carried out by the Directors, and in the six months preceding the date of publication of the notice of the call of the Extraordinary Shareholders' Meeting (19 February 2021), as well as verifying the accuracy of the calculations carried out. More generally, stock market prices were also observed over further longer (one year) and shorter (three months and one month) periods from both of the above dates;

- carried out checks to ascertain the significance of the Pirelli & C. share price, through an analysis of the free float, the volatility of the share, the average daily trading volumes, the *bid/ask spread* and the *turnover velocity*, as well as checks on the performance of the quotations of the Bonds on the Vienna MTF market;

- analysed analysts' *reports* on Pirelli & C. stock for coverage;

- developed independent valuation methods related to the *fair value* of the bondholder's implicit right to convert the bond into shares (*call* option), also with the objective of checking how sensitive the results may be to changes in the underlying assumptions;

- carried out independent analyses of conversion premiums used in transactions carried out in the 36 months prior to 14 December 2020 for the issue of convertible bonds in Italy and Europe;

- held discussions with the Company's management regarding events occurring after the launch of the Transaction, with reference to any facts or circumstances that may have a significant effect on the data and information taken into account in carrying out our analyses, as well as on the results of the evaluations;

- obtained a representation letter from the Company's legal representatives on the valuation elements made available to us and on the fact that, to the best of their knowledge, at the date of our opinion, there are no significant changes to be made to the reference data of the Transaction and to the other elements taken into consideration, such as to entail the need to update the valuations prepared by the Directors.

9 Comments and clarifications on the appropriateness of the valuation methods adopted by the Directors for determining the Issue Price of the shares

As a preliminary remark, it should be noted that the subject of this opinion is the Issue Price in the context of the Capital Increase to service the Bond. As illustrated in the Directors' Report, the issuance of the Bond, the Capital Increase and the approval of the convertibility of the Bond constitute a unitary transaction aimed at providing the Company with a funding instrument capable of raising, in a short period of time and on terms (in terms of cost and duration) deemed convenient for the Company, financial resources on the capital market.

The Directors' Report prepared to illustrate the Capital Increase transaction under examination, describes the reasons underlying the methodological choices made by the Directors and the logical process followed to determine the Issue Price of the shares to service the aforementioned Bond. In this regard, in view of the purpose of this opinion, we express below our considerations on the adequacy, in terms of reasonableness and non-arbitrariness, of the method adopted by the Directors to determine the Issue Price of the new shares of Pirelli & C. in the context of the Capital Increase, as well as on its correct application.

- The Directors have determined the Issue Price of the new shares in the Capital Increase to be the same as the conversion price of the Bonds, which is Euro 6.235. This price was determined by the Directors on 15 December 2020, the date on which the *accelerated bookbuilding* process for the Bond was completed, on the basis of the following two components: *(i)* Reference Price, equal to Euro 4.300, identified on the basis of the price of the accelerated placement of the Company's ordinary shares *(Concurrent Delta Placement*) and *(ii*) Conversion Premium, equal to 45% of the Reference Price. The choice of the Directors to determine the Conversion Price on the basis of a Reference Price of the shares underlying the Bond (the so-called "*reference share price*"), increased by a premium determined on the basis of the quantity and quality of the demand expressed in the context of the placement, appears to be in line with market practice for similar transactions and therefore, in the circumstances, reasonable and not arbitrary.

- With regard to the methods of determining the Reference Price, the Directors have decided to use the price of the placement of the Company's ordinary shares made by the *Joint Global Coordinators* at the same time as the placement of the Bonds (the "*Concurrent Delta Placement*" mechanism). As mentioned in the Report, the use of the *Concurrent Delta Placement* mechanism as a method for identifying the Reference Price of Pirelli & C. ordinary shares is an increasingly common operating practice on the Italian market, to the best knowledge of the Company's Board of Directors, and was justified, among other things, by *(i)* the decision to carry out the transaction at closed markets in order to avoid being exposed to fluctuations in the price of the Italian Stock Exchange during the session, taking into account that in the final part of the calendar year the volumes traded on most securities are low; and *(ii)* the opportunity to have a base value that corresponds more closely to the price that Institutional Investors are willing to purchase and underwrite for Pirelli & C. ordinary shares and, therefore, reduce the influence of the market volatility referred to in point *(i*) above. In light of the above, the choice made by the Directors for the identification of the Reference Price appears, under the circumstances, in line with practice, supported and not arbitrary.

- The Reference Price identified in the context of the *Concurrent Delta Placement* was also supported by the Directors through an analysis of the stock market price of Pirelli & C. shares; the stock market price criterion is commonly accepted and used both nationally and internationally and is constantly used in professional practice when dealing with shares listed on regulated markets. In fact, stock market prices generally express the value attributed by the market to the shares being traded and consequently provide important indications regarding the value of the company to which the shares refer, as they reflect the information available to analysts and investors, as well as their expectations regarding the company's economic and financial performance. The use of stock exchange quotations is also consistent with the provisions of Article 2441, paragraph six, of the Italian Civil Code. It should also be noted that Pirelli & C. stock is characterised by a good level of price significance in view of the liquidity of the stock reflected in the volumes traded, the number of transactions executed *(turnover velocity*) and the *bid/ask spread*. Moreover, the extensive *coverage* by analysts is a further indicator of the significance of the share price, which is the subject of extensive coverage by independent Italian and international analysts and frequent updating of *consensus* estimates.

- In this respect, the Directors point out that, in the six months preceding the date of 14 December 2020 (included), the Pirelli & C. share showed a volume weighted average price of Euro 3.941, therefore lower than the Reference Price of Euro 4.300. Moreover, in light of the analyses carried out by us, the Reference Price is substantially in line with the average price of the Company's shares in the month prior to 14 December 2020, and in any case higher than the average three-month and one-year values prior to 14 December 2020. The analyses of the stock market price of the Company's shares therefore confirm the reasonableness and non-arbitrariness, under the circumstances, of the value of the Reference Price resulting from the *Concurrent Delta Placement*.

- In addition, the Directors' decision to carry out their analysis of the stock market price of the share over an *unaffected* time period, i.e. prior to the announcement of the Transaction and therefore not influenced by the news to the market, appears to be in line with the best valuation practices. Moreover, in the specific circumstances, given that the analysis of the stock market price trend of Pirelli & C. shares was carried out in order to support the determination of the Reference Price in the context of the *Concurrent Delta Placement*, the Directors' decision to take into consideration an average of stock market prices prior to that date is to be considered reasonable and not arbitrary. In any case, we have also carried out checks on the performance of the stock up to the date of publication of the notice of the call of the Extraordinary Shareholders' Meeting (19 February 2021). Over the six-month time horizon adopted by the Directors, the average prices (both arithmetic and weighted) are in any event lower than the Reference Price, further confirming the reasonableness and non-arbitrariness of the Reference Price identified by the Directors.

- The Directors, for the purpose of determining the Reference Price of the new shares, have not adopted any further valuation, principal and/or control methodologies. In the present case, also in view of the specific purpose of the Capital Increase, which is to make available the convertible shares for the possible conversion of the Bond, the Directors' decision to refer exclusively to "direct" market criteria appears reasonable overall. The Transaction, following the approval of the Capital Increase and the transformation of the Bonds into convertible bonds, would in fact consist of raising new capital which, in the current market context, can only take into account the conditions expressed by the market at the time of the placement of the Bond. In view of the above, the Directors' decisions in this regard appear to be consistent with the overall structure of the Transaction and the purpose of the Capital Increase to service the conversion of the Bond.

- As anticipated, the determination of the Issue Price by the Directors resulted in the application of a Conversion Premium with respect to the Reference Price. This choice is also in line with established practice for this type of transaction and is therefore reasonable and not arbitrary.

- With reference to the measurement of the conversion premium applied by the Directors, equal to 45% of the Reference Price, the Directors state in their Report that this premium is consistent with that applied in recent similar transactions. In particular, the Directors considered a sample of similar transactions in the European Economic Area and the United Kingdom in the thirty-six months prior to 14 December 2020 and this *benchmarking* exercise revealed an average conversion premium of 42.6% of the relevant reference prices, which is lower than that identified by the Company's Directors in the circumstances. We have in turn carried out further analysis in relation to the conversion premiums used in transactions that took place in the thirty-six months prior to 14 December 2020 for the issue of convertible bonds in Italy, which support what the Board of Directors has stated. In light of the indications of the Directors, as well as the independent checks carried out by us related to the *fair value* of the implied right of the bondholder to convert the Bond into shares (*call* option), also the measurement of the Conversion Premium results under the circumstances not arbitrary as well as supported.

10 Specific limitations, valuation difficulties and other significant issues encountered by the auditor in performing this engagement

With regard to the difficulties and limitations encountered in carrying out our engagement, the following should be noted:

- valuations using market variables and parameters are subject to developments in the financial markets. The performance of financial markets and stock exchanges, both Italian and international, has tended to show significant fluctuations over time. Speculative pressures in one direction or another, completely unrelated to the economic and financial prospects of individual companies, can also influence the performance of securities. The application of market methodologies may therefore identify values that differ to a greater or lesser extent, depending on the time of valuation;

- the application of market methods is further complicated by the current uncertain macroeconomic environment and financial markets, which have been characterised by unusual levels of volatility, also due to the global emergency linked to Covid-19. To date, it is not foreseeable what further impact this emergency may have on the real economy and financial markets in the medium to long term;

- as part of the overall methodological approach, the Directors have not adopted any additional valuation, principal and/or control methodologies of an analytical nature. This methodological choice has already been the subject of our considerations in section 9 above.

Attention is also drawn to the following aspects:

- according to the Directors' Report, under the terms of the Bond Regulations, each bondholder, in the event of a change of *control* of the Company or in the event that the free float of the Company's ordinary shares (calculated in accordance with the procedures set out in the Regulations) falls below a certain threshold and remains there for a certain number of open market days from the first day on which it fell below that threshold (a free float event), shall be entitled alternatively (i) to request early redemption at par value of the Bonds, by exercising a put option or (ii) to be paid a price for the free float of the Company's ordinary shares, for a limited period of time (90 days), adjusted downwards with respect to the initial conversion price, on the basis of a mathematical formula that takes into account the time at which the relevant event occurs and the overall duration of the Bond, in order to reflect the (untaken) value of the option underlying the Bonds, in accordance with the terms and conditions set out in detail in the Regulations;

- according to what the Directors point out in their Report, the Conversion Premium already takes into account the possibility that the Company may distribute dividends during the life of the Bond up to the amount of Euro 0.060 per share in relation to the financial year ended 31 December 2020, Euro 0.110 per share in relation to the financial year ending 31 December 2021, Euro 0.128 per share in relation to the financial year ending 31 December 2022, Euro 0.141 per share in relation to the financial year ending 31 December 2023 and Euro 0.155 per share in relation to the financial year ending 31 December 2024, without the conversion price being adjusted to compensate the holders of the Bonds for the dividends distributed (the so-called "dividend clause"); if the Company decides to distribute dividends during the life of the Bond in the amount higher, in relation to each financial year, than the corresponding amount indicated above, the conversion price of the Bonds - and consequently the Issue Price - will be adjusted, on the basis of the formulas provided for in the Regulations, in order to compensate Bondholders for the amount of dividends distributed;

- notwithstanding the foregoing, according to the Directors' Report, the Conditions provide that the initial conversion price will be subject to adjustment, in line with market practice for this type of financial instrument, upon the occurrence, inter alia, of the following events, listed by way of example but not limited to: reverse stock split or reverse split of outstanding ordinary shares; bonus issues of ordinary shares (excluding capital increases to service share-based compensation plans, pursuant to Article 114-bis of the TUIF); allocation to ordinary shareholders and/or issuance of ordinary shares, convertible financial instruments, rights or options entitling the holder to underwrite ordinary shares, at a price below the price of the ordinary shares, which are not offered to bondholders (with the exclusion of capital increases to service compensation plans based on financial instruments, pursuant to Article 114-bis TUIF); amendments to the rights of financial instruments already issued that give the right or involve obligations to convert into ordinary shares such as to allow the acquisition of ordinary shares for a price below the market price;

- it is not in the scope of our engagement to comment on the determinations of the Directors concerning the structure of the Transaction in the context of the Company's objectives, the related fulfilments, the timing of its initiation and execution;

- the Report does not indicate any time restrictions for the newly issued shares, with the consequent full control of the Bond holders, following the delivery by the Company of the compendium shares, to negotiate such shares on the market.

11 Conclusions

On the basis of the documentation examined and the procedures set forth above, and taking into account the nature and scope of our work, as set forth in this report, without prejudice to what is discussed in paragraph 10 above, we believe that the criteria for determining the Issue Price adopted by the Directors is appropriate, as, under the circumstances, it is reasonable and not arbitrary, and has been correctly applied for the purposes of determining the Issue Price of Euro 6.235 for each new share of Pirelli & C. as part of the Capital Increase with exclusion of option rights pursuant to Article 2441, paragraph 6, of the Italian Civil Code, to service the conversion of the Bond.

Milan, 2 March 2021

Signed by

Paolo Caccini
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers