

# **CIR S.p.A. - Compagnie Industriali Riunite**

## **EXTRAORDINARY SHAREHOLDERS' MEETING**

**12 September 2022 - Single Convocation**

### **EXPLANATORY REPORT OF THE BOARD OF DIRECTORS ON UNDER AGENDA ITEM 1**

**CANCELLATION OF 170,000,000 TREASURY SHARES CURRENTLY OWNED BY THE COMPANY WITHOUT A CORRESPONDING SHARE CAPITAL REDUCTION. AMENDMENT TO ART. 4.1 OF THE COMPANY BYLAWS. RESOLUTIONS PERTAINING TO AND RESULTING FROM THE SAME**

*(drafted pursuant to Article 125-ter of Legislative Decree No. 58 of 24 February 1998, as amended and supplemented, and Article 72, paragraph 1-bis, of Consob Regulation No. 11971 of 14 May 1999, as amended)*

Dear Shareholders,

The Board of Directors of CIR S.p.A. - Compagnie Industriali Riunite (hereinafter referred to as "**CIR**", the "**Company**"), by means of this report (the "**Report**"), prepared in accordance with Article 73 of the Regulations adopted by Consob Resolution 11971/1999 (the "**Rules for Issuers**") and Annex 3A, Schedule 4, to the aforesaid Rules for Issuers, hereby submits for your approval the proposal **(i)** to cancel n. 170,000,000 treasury shares currently owned by the Company, without reducing the share capital; (the "**Operation**") and **(ii)** to consequently amend Article 4.1 of the Company's Bylaws, with the granting of a specific proxy to execute both decisions.

## 1. Foreword

As of 28 July 2022, the Company held 190,164,977 treasury shares, representing 14.89% of the number of shares making up the share capital.

Specifically, as of 31 December 2021, the Company held 179,456,492 treasury shares, and during 2022, until 28 July 2022, the Company acquired additional 10,773,770 shares for a total countervalue of EUR 4,433,555.75, following the launch on 16 March 2022 of a first treasury share purchase programme that ended on 29 April 2022, which was followed on the same date by the launch of a second programme that is still ongoing.

## 2. Description of and rationale for the Operation

The Operation consists of the cancellation of 170,000,000 treasury shares currently owned by the Company, representing 13.31% of the number of shares comprising the share capital.

The cancellation would be effected without any reduction of the nominal share capital, taking into account that the shares representing the share capital of the Company are without any indication of nominal value.

It should be noted that from an accounting point of view, From an accounting point of view, if deliberated, the cancellation of the treasury shares would not have any effects on the economic result and would not cause any change in the total value of net assets, but would lead to an increase in the implicit value of the shares that have not been cancelled. Indeed, from an accounting point of view, there would be a reduction of the own shares in the portfolio and a corresponding reduction of an equal amount in the treasury share reserve, as better shown in the table below.

CIR S.p.A - Synthesis of Financial Position as at 30 June 2022 (in thousands of euros)			
	A	B	A+B=C
	30/06/2022	Cancellation treasury shares	Pro-Forma 30/06/2022
<b>Activities</b>	707,777		707,777
Share Capital	638,604		638,604
Non-disposable reserves (legal, share premium, other)	35,857		35,857
Disposable reserves (including profits carried forward)	16,473		16,473
Profit of the period	9,341		9,341
Treasury shares in portfolio	97,122	- 87.232	9,890
Reserve for treasury shares in portfolio	- 97,122	87.232	- 9,890
<b>Net assets</b>	<b>700,275</b>		<b>700,275</b>
Non-current liabilities	7,502		7,502
<b>Liabilities and Net Assets</b>	<b>707,777</b>		<b>707,777</b>

Following the cancellation of 170,000,000 treasury shares, based on the number of shares held by the Company as of July 28, 2022), the Company would have a residual 20,164,977 treasury shares, representing 1.82% of the number of shares making up the share capital (net of any further purchases that will be made between the date of this Report and the date of actual cancellation). The remaining number of treasury shares would be sufficient to fulfil the obligations deriving from the programmes for the assignment of shares of the Company to employees, members of the boards of directors of CIR and its subsidiaries, currently in place, consistent with one of the purposes for which the Ordinary Shareholders' Meeting of 29 April 2022 granted authorisation to purchase and/or sell treasury shares.

The rationale for the Operation consists in the fact that the number of treasury shares currently held by the company is close to the limit set forth in Article 2357, paragraph 3, of the Italian Civil Code, consisting of the fifth part of the share capital, and therefore the flexibility for the Company to purchase additional treasury shares is reduced with respect to its net assets and its free cash flow. Furthermore, at present, no use of the treasury shares in question in extraordinary transactions is planned.

The cancellation of 170,000,000 treasury shares currently owned by the Company, representing 13.31% of the number of shares making up the share capital, and the consequent amendment to Article 4.1 of the Company's Bylaws, would allow the Company the flexibility to purchase treasury shares.

### **3. Amendment of Article 4 of the Company's Bylaws**

The cancellation of treasury shares entails the amendment of Article 4.1 of the Company's Bylaws insofar as it indicates the number of shares into which the share capital is divided. Article 4.1 of the Company's Bylaws would therefore be reworded as indicated in the New Text column of the proposed resolution below.

The Board of Directors points out that the effectiveness of the proposed resolution is subject to its registration in the Company Register pursuant to Article 2436, paragraph 5, of the Civil Code.

### **4. Information about the recurrence of the right of withdrawal**

The proposed amendment to the Company's Bylaws does not constitute one of the cases provided for the exercise of the right of withdrawal by shareholders pursuant to Article 2437 of the Civil Code.

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All of the above, we propose that you pass the following resolution:

*"The Shareholders' Meeting of CIR S. p. A. - Compagnie Industriali Riunite, having regard to the Explanatory Report of the Board of Directors,*

#### *DELIBERATION*

- 1. to cancel 170,000,000 (one hundred and seventy million) ordinary shares with no par value, while maintaining the amount of the share capital unchanged;*
- 2. To amend Article 4.1 of the Company's Bylaws as indicated in the New Text column (where changes from the current text are highlighted):*

CURRENT TEXT	NEW TEXT
<p><b>Article 4.1</b></p> <p>The share capital is Euro 638,603,657 (six hundred thirty-eight million six hundred three thousand six hundred fifty-seven) consisting of 1,277,207,314 (one billion two hundred seventy-seven million two hundred three hundred fourteen) shares with no par value.</p> <p style="text-align: center;">(...)</p>	<p><b>Article 4.1</b></p> <p>The share capital is Euro 638,603,657 (six hundred thirty-eight million six hundred three thousand six hundred fifty-seven) consisting of <b>1,107,207,314 (one billion one hundred seven million two hundred seven thousand three hundred fourteen)</b> shares with no par value.</p> <p style="text-align: center;"><i>the rest unchanged</i></p>

3. *to grant the Board of Directors - and on its behalf the Chairman and the CEO, severally and not jointly - all powers necessary to execute, also through proxies, this resolution and file it for registration with the Register of Enterprises, accepting and introducing any formal and non-substantial amendments, additions or deletions thereto that may be required by the competent Authorities, and carrying out the relevant publicity formalities".*