



Pirelli & C. S.p.A.

Reports to the Meeting of the Shareholders

Purchase and disposal of treasury shares
Resolutions relating and consequent thereto.

To the Shareholders,

With the resolution you adopted on May 13, 2013, you authorised the purchase of the Company's own shares up to a maximum number such as to not exceed 10% of the share capital and for a maximum period of 18 months from the date of the resolution.

At the date of this report no such shares have been bought pursuant to that authorisation, the Board of Directors has not exercised it, and it will cease to have effect on November 13, 2014.

The reasons that led the Directors to recommend adoption of the resolution in May 2013 still apply and for that reason we think it right to recommend to this Meeting of the Shareholders, in order to avoid calling a new meeting close to the above expiry date, that you renew the authorisation to purchase and to dispose of the Company's own shares, given the motivations and in accordance with the manner and the terms as set out below

1. MOTIVATIONS FOR WHICH AUTHORISATION IS REQUESTED

The reasons for the request and the main aims the Board of Directors of Pirelli & C. S.p.A. (hereafter "**Pirelli**" or the "**Company**") intends to pursue, through the transactions concerned by the authorisation that we recommend you renew, are as follows:

- to purchase own shares as a medium and long-term investment ;
- to intervene directly or through intermediaries, in compliance with the applicable provisions, in order to moderate share price fluctuations and to smooth the trend in trading and prices in the presence of short-term distortions reflecting excessive volatility or reduced market liquidity;
- to acquire holdings of own shares for use in any extraordinary financial transactions or for other uses deemed to be of financial, operational and/or strategic interest for the Company;
- to offer shareholders a further means to realise the cash value of their investment.

With specific regard to the request for authorisation to purchase own shares, we state that in the present circumstances that request is not for the purposes of effecting a reduction in share capital through the cancellation of the shares so purchased.

2. MAXIMUM NUMBER, CLASS AND PAR VALUE OF SHARES TO WHICH THE AUTHORISATION REFERS

The proposal is to authorise the Board of Directors to purchase both the Company's (fully paid-up) ordinary shares and savings shares, in a single operation or in several, in a quantity that the Board of Directors may freely determine up to a maximum number of shares that does not exceed 10% of the share capital, having regard for the own shares

that it holds directly and those as may be held by its subsidiaries (accordingly, at the present time, some 48.7 million shares).

In any event, the purchases will be made - in compliance with the provisions of Article 2357, paragraph 1 of the Italian Civil Code - subject to the limits of distributable net income and the available reserves in the Company's most recent regularly approved financial statements.

We advise you that concurrent with transactions to purchase, assign, or exchange own shares, or to transfer them as a consideration in kind, the Company, in accordance with applicable legal provisions and accounting standards, makes the required entries in the accounts. In the event of assignment, of exchange, of transferral as a consideration, or of impairment, further purchases may be undertaken up to the expiry of the authorisation voted by the shareholders, without prejudice either to the statutory quantitative limits on the number of own shares as may be held from time to time by the Company or by its subsidiaries, or to the terms and conditions established by the Meeting of the Shareholders.

3. RELEVANT INFORMATION IN ASSESSING COMPLIANCE WITH ARTICLE 2357, PARAGRAPH 3 OF THE ITALIAN CIVIL CODE.

The Company's subscribed and paid-up share capital is represented by 487,991,493 shares, with no par value, including 475,740,182 ordinary shares and 12,251,311 savings shares, corresponding to an overall value of 1,345,380,534.66 euros.

At the present date, the Company holds directly 351,590 of its own ordinary shares, corresponding to 0.07% of the capital of that class and of the entire share capital, as well as 408,342 own savings shares, corresponding to 3.3% of that class of capital and corresponding to 0.084% of the entire share capital, whereas no Pirelli & C. shares are held by its subsidiaries.

You are informed that the following reserves, which are not subject to restriction and are freely distributable:

- Retained earnings reserve 220,185,000 euros
- Business combination reserve 12,467,000 euros

are entered in the Company's draft financial statements for the financial year ending at December 31, 2013 - duly approved by the Board of Directors in its meeting of March 27, 2013 and submitted for the approval of today's Meeting of the Shareholders, called also to vote on this recommendation to authorise the purchase and disposal of own shares.

For completeness we note that, as reported, the Legal Reserve stands at 129,620,000 euros and the IAS Operating Reserve at 42,576,000 euros.

4. DURATION OF AUTHORISATION

The Board of Directors recommends that the authorisation to purchase the Company's own shares is granted for a period of 18 months from the date when the Meeting of the Shareholders adopts the corresponding resolution. The Board may proceed with the authorised transactions in a single operation or in several and at any time.

The time limit of 18 months does not apply to any transactions to dispose of the own shares as may be purchased by virtue of the above authorisation.

5. MINIMUM AND MAXIMUM AMOUNT PAYABLE

The share purchase price will be determined on each separate occasion, having regard to the chosen procedure for carrying out the transaction and in compliance with possible regulatory provisions or with permitted market practice. Whatever the circumstances, however, it shall not be lower than 15% below or higher than 15% above the weighted average official Stock Exchange price for the shares registered by Borsa Italiana S.p.A. in the three sessions prior to each individual transaction

With regard to the assignment of own shares, this transaction may be executed at the price, or, in any case, in accordance with the criteria and conditions, as determined by the Board of Directors, having regard to the execution procedures adopted, the share price trend in the period prior to the transaction, and the Company's best interests.

6. PROCEDURES TO EXECUTE THE TRANSACTIONS

Given that different purposes may be pursued through transactions with own shares, the Board of Directors recommends that the authorisation is granted for carrying out purchases of own shares in accordance with any of the procedures permitted by current legislation, to be chosen, on each occasion, at the discretion of the Board, and therefore, currently:

- by means of a public offer of purchase or exchange;
- through purchases executed on regulated markets, in compliance with the operating procedures established by Borsa Italiana S.p.A. and having the characteristics as in under Article 144-*bis* of the Issuers' Regulation;
- by the proportional allocation of put options to shareholders to be exercised within the term of the authorisation set out in paragraph 4, above.

Nevertheless, the authorisation sought from the Meeting of the Shareholders does not include the right to purchase own shares through buying or selling derivative instruments traded on regulated markets that entail the physical delivery of the

underlying shares, even if allowed under article 144-bis, point c) of the Issuers Regulation.

As regards disposals, the Board of Directors recommends that the authorisation permits the adoption of any procedure as appears appropriate for achieving the purposes pursued – including the use of own shares to service share incentive plans – to be executed both directly and through intermediaries, in compliance with the relevant national and European Union law and regulations in force.

Transactions to purchase and dispose of own shares for which the authorisation is requested will be executed in compliance with the applicable legislation including, in particular, in compliance with the national and European Union laws and regulations on market abuse.

Transactions to purchase and assign own shares shall be subject to proper notice, in compliance with the applicable duties of disclosure.

7. POSSIBLE CANCELLATION OF OWN SHARES PURCHASED

As already stated, the purchase of the Company's own share is not for the purposes of effecting a reduction in share capital through the cancellation of the shares so purchased.

* * *

In the light of all that has been stated, we think it right to recommend the renewal of the relevant authorisation.

Therefore, we invite you to approve the following

RESOLUTION

“The Ordinary Meeting of the Shareholders:

- having noted the Directors' recommendation;
- having regard to the provisions set out under Article 2357 and Article 2357-ter of the Italian Civil Code, Article 132 of Legislative Decree No. 58 of February 24, 1998, and Article 144-bis of the Issuers' Regulation adopted by Consob with resolution No. 11971 of May 14, 1999, as subsequently amended;
- having noted that, today, the Company holds directly 351,590 of its own ordinary shares, corresponding to 0.07% of the capital in that class and of the entire share capital, as well as 408,342 own savings shares, corresponding to 3.3% of the capital in that class and to 0.084% of the entire share capital, while no Pirelli & C. shares are held by its subsidiaries;

- having regard to the financial statements at December 31, 2013;
- having taken stock of the reasons to renew the authorisation for transactions to purchase and dispose of own shares for the purposes and through the procedures illustrated above

ADOPTS A RESOLUTION

a) to authorise the Board of Directors to purchase the Company's own shares, both ordinary and savings shares, though in any case within the maximum limit as provided in Article 2357, paragraph 3 of the Italian Civil Code, that is, up to a maximum number of shares such as not to exceed 10% of Pirelli's share capital at the time, taking into account the own shares already held by the Company and the own shares which may be held by its subsidiaries, establishing that:

- the purchase may be undertaken, In a single operation or in several , within 18 months from the date of this resolution, using any of the procedures as in Article 132 of Legislative Decree No. 58 of February 24, 1998 in conjunction with Article 144-*bis* points a), b), and d), of the Issuers' Regulations adopted by Consob with resolution No. 11971 of May 14, 1999, as subsequently amended, taking into account the specific exemption provided under Article 132, paragraph 3 of Legislative Decree No. 58 of February 24, 1998 and, in any case, using any procedure as allowed in national and Community laws and regulations in the matter, and in compliance with any other rule applicable, including national and Community laws and regulations regarding market abuse, with the sole exception of the purchase procedure in article 144-*bis*, letter c) of the Issuers' Regulation cited above;
- transactions to purchase own shares shall be subject to proper notice, in compliance with the applicable duties of disclosure;
- the purchase price of each share shall not be lower than 15% below or higher than 15% above the weighted average official Stock Exchange price for the shares registered by Borsa Italiana S.p.A. in the three sessions prior to each individual transaction;
- the purchases of own shares shall be made using the distributable net income and the reserves not subject to restrictions as shown in the last duly approved financial statements with respect to the date of the transaction, and at the same time an own shares reserve shall be formed, and in all cases the required accounting entries shall be made observing the legal practice and limits,

in any event, the foregoing shall conform and comply with any other applicable relevant provisions in law and in regulations in force at the time;

b) to authorise, in full or in part, without time limits, the disposal of the own shares purchased, both directly and through intermediaries, in accordance with the

resolution set out in point a), even before having exercised in full the authorisation to purchase the own shares, establishing that:

- the disposal may be executed in accordance with the purposes and using any of the procedures permitted by law, including use of own shares to service share incentive plans, and in accordance with every other applicable law and regulation, including national and Community laws and regulations relating to market abuse;
 - transactions to assign the own shares shall be subject to proper notice, in compliance with the applicable duties of disclosure;
 - the sale of the own shares may transacted In a single operation or in several and at any time, including through a public offer, an offer to shareholders, on the market or as part of any extraordinary transactions. The shares may also be sold through being coupled with bonds or warrants to cover their respective exercise and, in any case, in accordance with the procedures permitted by the laws and regulations in force, at the discretion of the Board of Directors;
 - the disposals of the own shares may be executed at the price or, in any case, in accordance with the conditions and the criteria as determined by the Board of Directors, having regard to the execution procedures adopted, to the trend in share prices during the period prior to the transaction, and to the Company's best interests;
 - in any event the disposals may be executed in accordance with the procedures permitted by the laws and regulations in force, at the discretion of the Board of Directors;
- c) to make every accounting entry as necessary or appropriate in relation to the transactions in the own shares, in accordance with Article 2357-ter, paragraph 3 of the Italian Civil Code, in compliance with the legislation in force and the applicable accounting standards;
- d) to confer on the Board of Directors – and on the Chairman and Chief Executive Officer on behalf of the Board – the fullest powers necessary to execute the transactions to purchase and dispose of the own shares, also by means of subsequent transactions, and however, to implement the above-mentioned resolutions, also through attorneys, and to comply with the requests which may be made by the competent authorities.”