



**Pirelli & C. S.p.A.**

**Reports to the Shareholders' Meeting**

**Purchase and disposal of treasury shares. Related and consequent resolutions.**

(Approved by the Board of Directors on March 31, 2015)

Dear Shareholders,

with the resolution passed on June 12, 2014 you authorised the purchase of treasury shares up to a maximum number of shares that does not exceed 10% of the *pro-tempore* share capital, and for a maximum period of 18 months from the date of the resolution.

At the date of this report no shares have been purchased under that authorisation, which the Board of Directors has so far not used, and which will expire on 12 December 2015.

Since the same opportunities still exist that led the Directors to propose to you the resolution of June 2014, we believe that it will be useful to propose, at today's meeting and in order to prevent the convening of another meeting towards the end of the abovementioned expiry date, a renewal of the authorisation to purchase and dispose of treasury shares, in light of the reasons and in the manner and terms as set out below.

## **1. REASONS WHY THE AUTHORISATION IS BEING REQUESTED**

The conditions of the request, and the main objectives that the Board of Directors of Pirelli & C. S.p.A. (hereinafter referred to as "**Pirelli**" or the "**Company**") intends to pursue by means of the actions which it proposes in order to renew the authorisation are as follows:

- purchase treasury shares with a view to investment in the medium and long term;
- intervene, in compliance with the current provisions, directly or through intermediaries, in order to contain anomalous movements in share prices and to regularise trends in trading and prices, in the event of temporary distorting phenomena connected to excess volatility or low trading liquidity;
- acquire a portfolio of treasury shares which can be disposed of in the context of extraordinary financial transactions, or for other purposes deemed to be in the financial, operational and/or strategic interests of the Company;
- offer shareholders an additional means of monetising their investment.

With particular reference to the request for authorisation to purchase treasury shares, it should be noted that, at present, such a request is not intended as a means to reduce the share capital via cancellation of the treasury shares purchased.

## **2. MAXIMUM NUMBER, CLASS AND NOMINAL VALUE OF SHARES TO WHICH THE AUTHORISATION APPLIES**

The proposal is to authorise the Board of Directors to purchase (fully paid-up) shares in the Company, which can be both ordinary and savings shares, on one or more occasions, to an extent freely determined by the Board of Directors up to a maximum number of (treasury) shares not exceeding 10% of the share capital, with this applying to treasury shares held both directly and by subsidiaries (currently, therefore, this amounts to approximately 48.7 million shares).

In any event, the purchases will be carried out - in accordance with the provisions of Article 2357, paragraph 1 of the Civil Code - within the limits of distributable profits and available reserves according to the Company's latest properly approved financial statement.

Please note that, in the event of purchase, disposal, exchange or transfer of treasury shares, the Company, in compliance with the provisions of applicable law and accounting principles, will carry out the proper accounting entries. In the event of sale, exchange, transfer or depreciation, it will be possible to proceed to further purchase transactions up to the expiration of the authorisation provided by the shareholders' meeting, subject to the legal limits on quantities, and with regard to the number of shares that, from time to time, may be held by the Company or by its subsidiaries, as well as the conditions established by Shareholders' Meeting.

## **3. USEFUL INFORMATION FOR ASSESSING COMPLIANCE WITH ART. 2357, PARAGRAPH 3, C.C.**

The Company's subscribed and paid-up share capital amounts to 487,991,493 shares, without nominal value, of which 475,740,182 are ordinary shares and 12,251,311 are savings shares, amounting to a total value of 1,345,380,534.66 euros.

As of today, the Company directly holds 351,590 ordinary treasury shares, representing 0.07% of that share class and of the entire share capital, and 408,342 treasury savings shares, amounting to 3.3% of that share class and 0.084% of the entire share capital, while there are no Pirelli & C. shares held by its subsidiaries.

It is noted that in the Company's draft financial statement for the year ending 31 December 2014 - approved by the Board of Directors at its meeting on 31 March 2015 and submitted for the approval of shareholders at today's Shareholders' Meeting, as well

as the vote on this proposal to authorise the purchase and disposal of treasury shares - reports the following reserves as available and freely distributable:

- Reserves and retained earnings of                      euro 245.739 thousand
- Concentration Reserves of                                  euro 12.467 thousand

And finally there is registration of legal Reserves, of euro 139.215 thousand, and management IAS Reserves of euro 57.510 thousand.

#### **4. TERM OF THE AUTHORISATION**

The Board of Directors proposes that the authorisation to purchase treasury shares be granted for a period of 18 months from the date on which the Shareholders' Meeting adopts said resolution. The Board may proceed with the authorised transactions on one or more occasions, and at any time.

The aforementioned time limit of 18 months does not apply to any disposal transactions of treasury shares acquired under the shareholders' meeting's authorisation.

#### **5. ESTABLISHED MINIMUM AND MAXIMUM**

The shares' purchase price will be identified from time to time, and will consider the chosen mode for carrying out the transaction and will be in compliance with any applicable regulations or accepted market practices, but, in any event, shall not be more than 15% lower or higher than the weighted average price of the shares as registered by the Italian Stock Exchange in the three days prior to each transaction.

Regarding the sale of treasury shares, this may be done at the price, or at least according to the criteria and conditions, as determined by the Board of Directors, with consideration being given to the methods employed, the trend of stock prices in the period preceding the transaction, and the best interests of the Company.

#### **6. METHOD USED FOR CARRYING OUT TRANSACTIONS**

In view of the different objectives pursuable via the progressive refinement of treasury share transactions, the Board of Directors proposes that authorisation be granted for carrying out purchases of treasury shares according to any of the methods allowed by

current law, to be identified, from time to time, at the Board's discretion, and these are therefore currently:

- via public offer for purchase or exchange;
- via purchases made on regulated markets, according to the transactional procedures established by the Italian Stock Exchange and fulfilling the provisions of Art. 144-*bis* of the Issuers' Regulations;
- via proportional allocation, to shareholders, of put options to be exercised within the term of the authorisation mentioned in paragraph 4 above.

Excluded from the authorisation proposed at the Shareholders' Meeting is the ability to make purchases of treasury shares via the purchase and sale of derivative instruments traded on regulated markets that provide for the physical delivery of the underlying shares, even though such is covered by Article 144-bis, letter c), of the Issuers' Regulations.

As for disposal transactions, the Board of Directors proposes that the authorisation should allow for the adoption of any method deemed appropriate to meet the objectives pursued - including the use of treasury shares to service stock incentive plans - to be executed either directly or through intermediaries, and that are in compliance with the laws and regulations in force, both nationally and in the European Union (EU).

The purchase and sale transactions of treasury shares for which authorisation is requested will be carried out in compliance with applicable law and, in particular, in compliance with the legal and regulatory provisions that exist at both the national and EU levels, with regard to market abuse.

Purchase and sale transactions of treasury shares will be done with adequate notice, in compliance with the applicable disclosure requirements.

## **7. CANCELLATION OF PURCHASED TREASURY SHARES**

As mentioned above, the purchase of treasury shares is not intended as a means to reduce the share capital via cancellation of the treasury shares purchased.

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In view of the above, we believe it would be beneficial for you to renew the proposed authorisation.

We therefore invite you to approve the following

#### RESOLUTION

“The Shareholders’ Meeting:

- notes the Directors' proposal;
- taking into account the provisions of Articles 2357 and 2357-*ter* of the Civil Code, of Article 132 of the Legislative Decree of 24 February 1998 no. 58 and of Article 144-*bis* of the Issuers’ Regulations adopted by Consob with resolution no. 11971 of 14 May 1999, as amended;
- notes that, as of today, the Company directly holds 351,590 ordinary treasury shares, amounting to 0.07% of that share class and of the entire share capital, and 408,342 treasury savings shares, amounting to 3.3% of that share class and 0.084% of the entire share capital, while there are no Pirelli & C. shares held by its subsidiaries;
- pursuant to the financial statement ending 31 December 2014;
- there is an opportunity to renew the authorisation to carry out purchase and disposal transactions for treasury shares, for the objectives and in the manner described above

#### RESOLUTION

- a) to authorise the Board of Directors to purchase treasury shares, both of ordinary and savings type, within the maximum limit provided for in Article 2357, paragraph 3 of the Civil Code and, more specifically, up to a maximum number of such shares that does not exceed 10% of the *pro-tempore* share capital of Pirelli, taking into account the shares already held by the Company and those held by subsidiaries, establishing that:
- the purchase can be made in one or more tranches, within 18 months from the date of this resolution, using any of the methods set out in the combined provisions of Articles 132 of the Legislative Decree of 24 February 1998 no. 58 and 144-*bis*, letters a), b) and d) of the Issuers’ Regulations adopted by Consob

with resolution no. 11971 of 14 May 1999, as subsequently amended, taking into account the specific exemption provided by paragraph 3 of said Article 132 of the Legislative Decree of 24 February 1998 no. 58 and, in any event, using any other method authorised by the laws and regulations in force, both at the national and EU levels, and in compliance with all other applicable regulations, including laws and regulations, at the national and EU levels, with regard to market abuse, with the sole exception of the purchase methods provided for in Article. 144-*bis*, letter c), of the abovementioned Issuers' Regulations;

- purchase transactions of treasury shares will be done with adequate notice, in compliance with the applicable disclosure requirements;
- the purchase price of each share must not be more than 15% lower or higher than the weighted average price of the shares as registered by the Italian Stock Exchange in the three days prior to each transaction;
- purchases of treasury shares must be made by using distributable profits and retained earnings and available reserves from the last properly approved financial statement at the time of carrying out the transaction, constituting treasury shares reserve, and this being accompanied by the accounting entries such as are necessary within the law,

as above, and, in any event, in accordance with and subject to the other provisions of any law and regulations in force *pro-tempore* on such matters;

b) to authorise, in whole or in part, and without time limits, the disposal, either directly or through intermediaries, of the treasury shares purchased pursuant to the resolution under section a), including before having fully exercised the authorisation to purchase treasury shares, establishing that:

- the disposal can be carried out according to the objectives, and using any of the methods permitted by law, including the use of treasury shares to service stock incentive plans, and that are in compliance with all other applicable regulations, including legal and regulatory provisions at national and EU levels, with regard to market abuse;
- sale transactions of treasury shares will be done with adequate notice, in compliance with the applicable disclosure requirements;
- assignment of treasury shares may take place on one or more occasions, and at any time, including public offer, to shareholders, on the market or in the

context of any extraordinary transactions. The shares may also be transferred in combination with bonds or warrants for the exercise of same and, in any event, according to the methods permitted by the laws and regulations in force, at the discretion of the Board of Directors;

- disposal of treasury shares may be done at the price, or at least according to the conditions and criteria, determined by the Board of Directors, with consideration being given to the methods employed, the trend of stock prices in the period preceding the transaction, and the best interests of the Company.
  - disposal may, in any event, be carried out according to the methods permitted by the laws and regulations in force, at the discretion of the Board of Directors;
- c) to carry out, in accordance with Art. 2357-ter, third paragraph of the Civil Code, all accounting entries that are necessary or appropriate in connection with treasury shares transactions, observing the provisions of applicable laws and accounting standards;
- d) to grant to the Board of Directors - and thereby to the Chairman and/or the CEO - the broadest powers necessary to carry out transactions for the purchase and disposal of treasury shares, including via subsequent transactions between them and, in any case, to implement the aforementioned resolutions, including via agents, in a manner that complies with any requests from the competent authorities.