



Pirelli & C. S.p.A.

Minutes of the Ordinary General Meeting
of Shareholders held on 12 June, 2014

(ENGLISH COURTESY TRANSLATION – THE ITALIAN VERSION SHALL PREVAIL)

PIRELLI & C. SOCIETÀ PER AZIONI
ORDINARY SHAREHOLDERS' MEETING ON JUNE 12, 2014

The Ordinary Shareholders' Meeting of **PIRELLI & C. S.p.A.** (hereinafter, the “**Company**” or “**Pirelli**”) began at 10:35 a.m. on June 12, 2014 in Milan, Viale Sarca n. 214.

Mr. Marco Tronchetti Provera chaired the Shareholders' Meeting pursuant to the Bylaws and, with the unanimous approval of those present, he asked Prof. Piergaetano Marchetti to act as Secretary of the meeting. Prof. Marchetti accepted this request and expressed his thanks.

First of all, the Chairman announced that:

- the Shareholders' Meeting has been called to discuss and resolve on the following

AGENDA

1. *Financial Statements at 31 December, 2013. Resolutions relating and consequent thereto.*

2. *Appointment of the Board of Directors:*

- *determination of the number of the members of the Board of Directors;*
- *determination of the term of office of the Board of Directors;*
- *appointment of the Directors;*
- *determination of the annual remuneration of the members of the Board of Directors.*

3. *Remuneration policy: consultation.*

4. *Three year cash incentive plan (2014-2016) for the Management of the Group. Resolutions relating and consequent thereto.*

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

- pursuant to applicable laws and regulations, the notice of call was published on the website of the Company and of Borsa Italiana S.p.A. on April 18, 2014. The notice of call was also published in the newspapers “Il Sole 24 Ore” and “Italia Oggi” on April 19, 2014; the call of meeting was also announced to the market through publication of a specific press release on April 18, 2014;

- the Company has not received any request for modifications of the agenda or motions for resolutions on matters already on the agenda, pursuant to applicable laws and regulations;

- the share capital is euro 1,345,380,534.66, divided into 487,991,493 shares without par value, including 475,740,182 ordinary shares and 12,251,311 savings shares;

- as at today, the Company owns 351,590 ordinary shares, and 408,342 savings shares held as treasury stock.

The Chairman then:

- announced that at 10:40 a.m., a total of 818 shareholders were entitled to vote in person or by proxy at the Shareholders' Meeting for 312,750,136 ordinary shares. Therefore, the meeting participants hold a total of 65.739693% of the ordinary shares.

- confirmed and acknowledged that the Ordinary Shareholders' Meeting has been duly assembled and may discuss and resolve on the items listed on the agenda.

Continuing, he made the other announcements as follows:

- the documentation regarding the various items on the agenda was published as provided by law and regulation. In particular, on April 18, 2014 the following documents were published at the same time as publication of the notice of call:

- the Directors' Reports on all items of the agenda and the related proposals for resolution;
- the Annual Financial Report – including the draft financial statements, the consolidated financial statements, the Board of Directors' Report on Operations, and the certification pursuant to Article 154-bis, paragraph 5, of Legislative Decree 58 of February 24, 1998 (the "Consolidated Law on Finance," also referred to hereinafter as "TUF") – together with the related reports of the Board of Statutory Auditors and the independent auditor, the Annual Report on Corporate Governance and Structure of Share Ownership and the Sustainability Report;
- the Information Document prepared in accordance with Article 84-bis of the Issuers Regulation in regard to the incentive plan indicated at the fourth item on the agenda;

- in addition to being filed at the Company head office, these documents were published on the website of the Company and of Borsa Italiana S.p.A. on April 18, 2014 and, when required, sent to Consob. This same documentation (with the exception of the aforementioned Information Document) is included in the print version of the Annual Financial Report distributed at the entrance; this set of documents was also sent before the Shareholders' Meeting to anyone who requested it;

- another folder has been distributed at the entrance, containing documentation on the list of candidates for the Company Board of Directors and the documentation indicated in Article 144-octies of Consob Resolution no. 11971/99. Pursuant to that Consob resolution, this folder was made available to the public at the Company head office, Borsa Italiana and the Company website on May 20, 2014, and the

stocking mechanism was also transmitted. Moreover, the Company issued a specific press release on May 20, 2014 to inform the market promptly that the voting slates for the Board of Directors had been submitted;

- the annual reports of the subsidiaries and financial highlights of associated companies were also filed at the Company head office on May 16, 2014;

- according to the information contained in the Register of Shareholders as supplemented by the notices received pursuant to Article 120 of Legislative Decree 58/1998 and the other information available to the Company, the following own voting shares totalling more than 2% of the ordinary share capital:

		Number of shares	% of ordinary share capital
1	LAURO SESSANTUNO S.P.A. all indirectly through . Camfin SpA - 96,669,168 shares (20.32%) . Cam Partecipazioni SpA - 110,673 shares (0.02%) . Cam 2012 SpA - 27,831,232 shares (5.85%)	124,612,324	26.19
2	MALACALZA INVESTIMENTI S.R.L.	33,206,664	6.98
3	MEDIOBANCA S.p.A.	21,922,205	4.61
4	EDIZIONE S.r.l. of which indirectly through . Schematrentaquattro S.p.A. - 14,434,805 shares (3.03%)	21,921,364	4.61
5	HARBOR INTERNATIONAL FUND	18,763,853	3.94

- 351,590 ordinary shares, representing about 0.07% of the ordinary share capital, are also owned by Pirelli & C. S.p.A., while the subsidiaries do not own any Pirelli & C. S.p.A. shares;

- the list of names of those persons attending the meeting will be available at the entrance to the conference hall as soon as it is printed, and will then be enclosed to the minutes, complete with the additional information required under applicable laws and regulations;
- the voting shareholders are asked to indicate whether they are disqualified to vote pursuant to applicable laws and regulations;
- in regard to the existence of shareholders' agreements as provided in Article 122 of Legislative Decree 58/1998, a folder has been provided at the entrance, containing the essential information required under Article 130 of Consob Resolution no. 11971/99 in regard to the shareholders' agreements reported to the Company; the agreements between Nuove Partecipazioni SpA, Unicredit SpA, Intesa Sanpaolo SpA and Long-Term Investments Luxembourg S.A – which were recently announced to the market by these parties – provide that the governance of Pirelli remain unchanged and based on the fundamental guidance role played by the Board, in accordance with international best practices. It is also expected that all strategic matters, definition of the business plan and Pirelli budget will be submitted to the Board of Directors by the Chairman and CEO and be approved by a majority of its members, just as is done now;
- for the Board of Directors – aside from the Chairman – the following Directors attended the meeting: Alberto Pirelli, Anna Maria Artoni, Alberto Bombassei, Luigi Campiglio, Elisabetta Magistretti, Luigi Roth, Luca Rovati, Carlo Secchi and Manuela Soffientini;
- for the Board of Statutory Auditors, Francesco Fallacara (Chairman), Antonella Carù and Enrico Laghi (who arrived after the meeting began) were in attendance;
- representatives of the independent auditor, the press, financial experts and analysts, and the meeting staff members were present, as well as a group of students who had asked to attend the meeting; the joint representative of savings shareholders, Prof. Giuseppe Niccolini, was also present.
- Computershare S.p.A., the Company's Designated Representative, pursuant to Article 135-undecies of Legislative Decree 58/98, as the entity to which voting shareholders could give proxies with voting instructions on all or certain of the motions on the agenda, had informed him that it had not received any proxy;
- the current versions of the Shareholders' Meeting Regulation and Company Bylaws were available at the entrance to the meeting hall;
- pursuant to Article 127-ter of Legislative Decree 58/98 (TUF), the shareholder Marco Bava submitted several questions to the Company before the Shareholders' Meeting today. As provided in the cited statute, a specific folder containing the answers to those questions has already been published on the

Company website in a “question & answer” format and is available at the entrance to the meeting hall. Shareholder Bava has also requested certain information about the shareholders attending the Shareholders' Meeting. This information is found in the customary lists appended to the minutes; therefore, it was not read aloud so as not to slow down the proceedings of the meeting. These lists have also been provided at the entrance to the meeting together with a list of the journalists attending the meeting. As requested by the shareholder, the answers given will be appended to the minutes of this Shareholders' Meeting;

- so that all meeting participants might participate in discussion should they wish, the Chairman exercised his authority under the law and the Shareholders' Meeting Regulation in setting a 15-minute limit on the speaking time allotted to each speaker; he asked everyone to comply with this time-limit so that the proceedings could be conducted in an orderly and fair fashion, and to make comments material to the agenda topic being discussed at any one time;

- he asked those who wished to speak on the various agenda topics to make a reservation by using the specific form (speaker request form) handed out during reception and to be sent to the specific speaker station on his left. When their turn to speak came up, they were supposed to step up to the microphone and not speak from their seat in the audience, so that everyone might clearly hear them;

- he also announced that a recording system was operating in order to facilitate drafting of the minutes, and that a simultaneous translation service from Italian into English and from English into Italian was also available;

- the personal data collected by means of the sound recording, and those obtained during meeting registration, would be processed only for the purpose of properly managing the Shareholders' Meeting and preparation of its minutes. All data processing would be carried out in compliance with privacy laws;

- audio and video recordings of the meeting proceedings by participants were prohibited.

The Chairman also pointed out that, in view of facilitating the proceedings, the Company uses a special information system for recording the presence of participants at the Shareholders' Meeting and during voting, which is now used at many general meetings. He explained its operating procedures, recalling that a special “assisted voting” station had been set up for the proxies who wanted to cast different votes for the various shares that they were representing. Should anyone have any questions on how to vote, the meeting staff was prepared to assist them as necessary. Then the Chairman:

- asked the participants not to leave the meeting hall and not to re-enter it during voting so that the number of people present might be accurately counted;
- pointed out that the radiovoters would also be used to detect people's presence every time they momentarily enter or exit the meeting hall, and that they must be returned to the meeting staff when they leave the Shareholders' Meeting for the last time or at its conclusion;
- since the documentation for each point to be discussed had been provided to the public long before the meeting date, as well as having been sent to anyone who requested it and also handed out when they entered the meeting room, he would not read it, as customary.

* * *

Then the Chairman turned to the **first item on the agenda**, in regard to the most important events to be reported after approval of the draft financial statements by the Board of Directors, on March 27, 2014. He first observed that the Board of Directors meeting on May 7, 2014 approved the interim management statements at March 31, 2014, provided to all meeting participants at the entrance to the meeting hall.

He then briefly reviewed the highlights for the first quarter. He pointed out that the 1Q 2014 results showed growth for the principal operating indicators, reflecting the recovery of demand in Europe since 4Q 2013 and the growing positive contribution to overall results made by the premium segment, on which Pirelli has focused. This growth occurred in spite of the translation effect, tied to the continuous appreciation of the euro and volatility of other currencies. The Chairman continued by noting that consolidated net sales grew 8% overall, to euro 1,473.2 million, due especially to steady improvement in the price/mix component, which grew by 4.6% during the period. The Company also performed well in Russia, where net sales – excluding the translation effect – increased by 5.4% and profitability was in the “high single digits”. Furthermore, the Chairman observed that the interim management report at March 31, 2014 also contains information about the total debt-for-equity exchange of the bond issued by Prelios (the “Convertendo”) that had been subscribed by Pirelli as part of the plan to restructure the financial debt of Prelios. Following the exchange of debt for equity, the percentage of voting shares in Prelios held by Pirelli (represented by Class A shares) is now about 29%, of which about 7% are freely transferable and about 22% restricted by lock-up obligations until July 2016 (with automatic renewal for another three years unless cancelled) envisaged in the agreements between the shareholders of Fenice (Pirelli, Intesa Sanpaolo S.p.A, UniCredit S.p.A. and Feidos 11

S.p.A). Moreover, in consequence of the conversion, Pirelli has also received about 93 million Class B shares – unlisted and without voting rights – that, under the agreements reached by the shareholders of Fenice S.r.l., must be granted to Fenice itself, which will thus continue to hold all the Class B shares even after exchange of debt for equity. The strategy of Pirelli to focus on its core tyre business obviously remains unchanged. As repeatedly announced to the market, Pirelli is not a long-term investor in the real estate sector and, as such, may seize any opportunities that arise on the market to develop its investment in Prelios, in light of the existing agreements amongst the shareholders of Fenice.

Finally, the Chairman reported that on May 24, 2014 Pirelli and Rosneft signed two Memoranda of Understanding that consolidate and expand their industrial and commercial cooperation. One of these provides for opening new Pirelli retail outlets through the Rosneft service station network, while the other calls for cooperation in making and supplying synthetic rubber.

Before opening discussion, the Chairman:

- announced that the fee charged by the accounting firm Reconta Ernst & Young S.p.A.:
- totalled euro 65,128, for a total of 915 hours, to audit the Annual Financial Report 2013 of Pirelli & C. S.p.A.;
- totalled euro 124,835, for a total of 1,431 hours, to audit the Consolidated Financial Statements 2013 of the Pirelli & C. Group;
- totalled euro 66,047, for a total of 702 hours, for the limited audit of the Half-Yearly Financial Report at June 30, 2013 of the Pirelli & C. Group;
- stated that, as reported in previous years, these fees are in addition to the fee of euro 14,000 for the activities connected with the fairness opinion on certain of the information contained in the Report on Corporate Governance and the Structure of Share Ownership 2013, pursuant to Article 123-*bis* of Legislative Decree 58/1998;
- he also observed that the time and fees charged for auditing the annual report also included the billable time dedicated to auditing proper record-keeping by the Company and proper accounting of operations in the Company ledgers. These fees do not include out-of-pocket expenses and the Consob supervisory fee, which are billed at cost.

The Chairman then mentioned that, as has become a tradition in recent years, Pirelli has developed a communication program for the annual financial report, to express the values of the firm in an innovative and original way. “Spinning the Wheel” – this is the title of the 2013 edition, which received an outstanding response from the traditional media and social media – brought ten talented young persons from around the world to Pirelli headquarters in Milan on January 30-31, 2014. Coordinated by the author and director Hanif Kureishi, they reflected on the theme of talent and, working with the resources of their individual disciplines – biology, physics, cookery, design, architecture and singing – “reinvented” the wheel. As in past years, the applications for accessing the annual report figures from tablets and smartphones will also be available after the meeting;

- he then opened discussion by reminding everyone to make statements pertaining to the specific topic in question and that each speaker was subject to a 15-minute time limit. The shareholders would be able to vote upon conclusion of the questions, answers, and any replies.

Borlenghi, after observing that the generation of cash remained at a high level and that the results appeared extremely positive, highlighted the decision to confirm the dividend paid last year, notwithstanding a slight contraction in profits. He then mentioned that the net sales forecasts for the current year had been reduced (partly on account of the negative translation effect), while consolidated EBIT was confirmed to be euro 850 million. Returning to the net income for the year, the shareholder observed that the equity investments in Prelios and RCS had negatively impacted that result. Continuing, he observed that the agreement with the Russian Rosneft Group had great potential, considering the presence of this partner on emerging markets like China, Asia, Africa and Central America.

He asked what growth potential the Company did have, partly in light of the long economic crisis that has frozen consumer spending and blocked growth and development. Finally, he asked whether the agreement with Rosneft might represent a way for Russia to enter Europe. He announced that he would vote in favour.

Rimbotti mentioned that he had sent the text of his own questions in advance. As usual, these must be considered as helpful comments. He observed how the gap between the consolidated results and the results of Pirelli & C. is narrowing, having shrunk from euro 157 million to euro 114 million. He thought that this was something positive, and pointed out that the subsidiary Pirelli Tyre generates a

significant amount of value, as proved by the distribution of a euro 310 million dividend. He asked what other possible investments could produce positive results in future.

Continuing, the shareholder cited the numerical figures of the Group's account receivables and remarked how the provision for bad debts was quite limited: he wondered if this were due to the fact that credit had been extended only under secure conditions. Finally, referring to a recent news item concerning a bad deal made with the financier Alberto Micalizzi, he asked whether there was a system to avoid any repeats of the Micalizzi affair in future.

Antolini offered his congratulations for the annual report as presented: net profit was down slightly, but shareholders' equity had increased by about euro 40 million. However, he noted that Company shares today are the result of a reverse stock split carried out in the past, and that in this perspective the return did not seem all that high. Nonetheless, he thought that the market price of this stock did not reflect the Group's financial position, and so asked that attention be devoted to stock market prices.

Continuing his comments, the shareholder generally urged that great attention be dedicated to protecting investments, which he thought are too frequently neglected. He emphasised that membership in industry specific associations was particularly important. The shareholder then called attention to the Carige affair. In his opinion, the management of that bank was quite positive, while it was now passing through a critical time. He expressed his greatest concern in this regard, fearing that the Italian industrial system might become increasingly mortified.

Returning to the annual report, the shareholder recalled the large amount that had been impaired for investments, and was particularly critical of the performance of RCS Mediagroup S.p.A. ("RCS"), a company active in media segments that, Antolini emphasised, now have so much influence as to discredit anyone in an instant. The shareholder added that for his part, he felt damaged by the performance of RCS and its recent cancellation of shares and reverse stock splits. He asked whether Pirelli had a representative or not on the Board of Directors of that investee company, and recommended that it monitor the management of that investee more closely in any event.

Finally, he mentioned that Mediobanca failed to complete a warrant conversion deal in past, voicing his harshest criticism in that regard as well.

Facchetti, after having proposed a 20% reduction in the remuneration for directors that do not attend the annual meeting, recalled how the Chairman had recently extended the prospect of his commitment to the Company from 2017 to 2019. The shareholder then focused on the past investment in Telecom Italia, recalling how the newspapers, and particularly a mediocre journalist in his opinion at the Corriere della Sera, who was then followed by others, at a certain point had started reporting untrue

facts and comments, which as such bothered those who had invested in Telecom and in Pirelli. For example, this was the case of the comment according to which Telecom was forced to pay out dividends to meet the debt servicing requirements of Pirelli. That comment was groundless given that Pirelli never received a dividend from Telecom. Subsequently, other attacks were made against the Chairman, also in connection with the Telecom affair, like those made by Mr. Robledo. However, the shareholder pointed out that the Chairman is now putting all those matters behind him. He believed that the criticism connected with the real estate deals made with Pirelli Real Estate and Telecom were likewise groundless.

The shareholder went on to say that the recent attack against Mr. Tronchetti Provera by Mr. De Benedetti was particularly annoying. In his opinion, the latter [De Benedetti] should think more about the disappointing performance of Cofide, which is stingy with dividends notwithstanding the court judgement awarding [De Benedetti] damages in the lawsuit against Berlusconi.

He then proceeded to the announced deal with Rosneft, recalling how Camfin had been forced to divest all investments other than Pirelli. He wondered whether the new Russian partner has also demanded divestment of the equity stakes in Prelios, RCS, Alitalia, Mediobanca, etc., that Pirelli still holds. Moreover, after having recalled the Chairman's wish to see greater participation by institutional funds in the share capital of Pirelli, he wondered whether there was any intention to eliminate the savings shares category, following the example of what other listed Italian companies have done. In regard to South America, he asked whether the Chairman had the impression that a recession might start soon in Brazil as well. He concluded his comments by asking whether there were any plans to reduce the average cost of debt, given that the average value of 6.09% during this period seemed particularly high. **Tarditi** pointed out that in fact, the cost of debt was even as high as 6.23%, in spite of the interest rate cuts by the ECB. He asked what was being considered in this regard, and particularly whether the possibility of issuing a “convertendo” debt-for-equity bond had been considered, perhaps with a somewhat high conversion price.

Cardillo, after having observed that the annual report seemed interesting in terms of its design and even more restrained than in past – when it contained photographs of top management, letters to the shareholders and so on – emphasised that it would be interesting to organise something in view of Expo 2015. So, he asked whether any participation by Pirelli in this event was being planned. He continued by saying that the Expo should only focus on food, although after attending a conference with the mayor and other politicians, he was able to confirm that full awareness of this topic was missing. Moreover, Italy has a problem with insufficient production of food, since about 70% of domestic

demand is satisfied by domestic production, although it can boast of quality and niche products. So, he reiterated his suggestion to invest in the event, by proposing initiatives such as the distribution of “P Zero” chocolates in the shape of a tyre.

The shareholder then proceeded to discuss the issue of director remuneration. He emphasised that when a director receives a certain compensation, whether it is fixed or variable, he then has to return to the Parent Company that set the emolument any additional remuneration that he might receive as director, including membership on the board of directors of subsidiaries. He believes that this does not occur at the Pirelli Group, and that there are directors who have instead received remuneration for positions obtained through the Parent Company without returning anything at all to the latter.

Returning to the Telecom matter, mentioned by another shareholder, Cardillo pointed out how in his opinion, one of the keys to interpreting that affair can be found in the simultaneous merger between Pirelli S.p.A. and the then Pirelli & C. S.a.p.a. (“Pirellina”). In his opinion, this merger served the shareholders of Pirellina to acquire the old Pirelli S.p.A. at a discount. He continued that one of the assets appraised by Pirellina was Pirelli Real Estate, a company that had just been listed on the stock market at a price of about euro 20. He thinks that those events are still extremely topical today, partly because the present balance sheet still carries a “black hole” represented by the shareholding in Prelios, the survivor company of Pirelli Real Estate (in turn formerly named Milano Centrale), which in his opinion was managed very badly and in violation of the law. In this regard, he recalls that he had already raised this issue in 2004, when he wrote to Carlo Puri Negri, remarking that the company had contracted bonds for euro 4 billion against share capital of about euro 20 million. The shareholder alleged that by so doing, it undertook a speculative enterprise.

When asked by the Chairman to stick to the agenda, **Cardillo** (after having made ironical comments on the upcoming call of the Prelios general meeting at the evocative address Via Lazzaretto [translator's note: "lazzaretto" in Italian traditionally means the place where plague and other contagious disease victims were quarantined]) insisted on discussion of the facts that he had mentioned. He pointed out that the prospectus published by Pirelli Real Estate in 2002 had not mentioned that the company would have operated in the real estate sector on a leveraged basis for extremely high amounts and modest levels of capital, and that the company allegedly also operated in the credit business. He continued by recalling that he had mentioned these circumstances not only in a letter sent via registered mail in June 2004 but also during the Prelios shareholders' meeting on April 21, 2011, when he raised the issue of a liability lawsuit on this point. And then, the directors were fined by Consob and the Banca d'Italia for unfair transactions.

The **Chairman** weighed in on this issue, to point out that these allegations are untrue: the directors who were fined were the directors of the real estate group asset management company, which then continued on its path, and not the directors of Prelios. Moreover, these involve circumstances that occurred in 2002-2004.

Cardillo reiterated that the emolument received by the Chairman from Prelios should have been paid to Pirelli. He then returned to the reasons why, in his opinion, the entire Board of Directors bears liability, and in particular the directors with executive authority. He alleged that these latter were the ones that had operated in the real estate sector by contracting debt. The shareholder continued that this sector certainly did suffer a grave downturn in business, but in the specific case, the gravity of the situation was even worse due to the recourse to bank borrowings. In Cardillo's opinion, banks like Intesa Sanpaolo and UniCredit also have specific liability for this activity. He also complained of the severance pay given to Puri Negri, which he said amounted to euro 10 million.

The **Chairman** spoke up again, pointing out how shareholder Cardillo's comments are aimed at giving the wrong impression of one of the few real estate companies that managed to continue operating in consequence of the efforts made by, among others, its shareholders and the market. Mr. Tronchetti Provera recalled that this market slumped into a profound crisis that has now lasted over eight years. Prelios is one of the extremely rare cases of a real estate company that survived, and the shareholders' arguments aim at stirring up controversy over that recovery, including attacks on individuals not present at this meeting. This is unacceptable, partly because meeting participants have to talk only about what is on the agenda.

Cardillo in turn argued that the issues he has raised are confirmed by a series of documents (which he then put on the Chairman's table and which are appended to these minutes). He also believes that the events as described will impact the 2014 financial statements in terms of capital losses. He confirmed that until 2008 the (then) Pirelli Real Estate had share capital of euro 21 million, in contrast with turnover of euro 4 billion, with that turnover being financed partly by a euro 300 million loan from Pirelli & C. He also criticised the fact that Pirelli Real Estate was used to determine the exchange ratio for the merger between Pirelli S.p.A. and Pirellina. Then, he recalled the recapitalisation of Pirelli Real Estate for up to euro 420 million in 2009 and the subsequent reduction of share capital by half in 2012, until the latest reduction in capital by another euro 4.8 million (with reverse stock split) of 2013, while it remains liable to Pirelli & C. for euro 200 million.

He asked why Pirelli no longer allowed Prelios to use the meeting hall, holding that this signifies a taking of distance. He also affirmed that in his opinion, the directors of Pirelli have specific liability in

not having taken action against the directors of Pirelli Real Estate/Prelios for having speculated and, in so doing, for having acted contrary to what was announced in the 2002 listing prospectus.

Marino stated first of all that he lost his way when entering the meeting, and specifically in regard to the door to be used. In future he recommended paying more attention to these organisational details. Continuing, he requested details about the agreement with the new Russian group, since relying on press reports was insufficient. He then referred to the “Malacalza” matter, sharing the impression that the agreement reached with it made that group very happy. So, he asked why on earth such a high price was paid, to the point of making an agreement that was apparently unfavourable to Pirelli, even if, the shareholder observed, he thought that its benefits could be realised in the end.

On this point, the **Chairman** pointed out that the Malacalza family had not made any agreement with Pirelli and that Malacalza Investimenti was still a shareholder of the Company.

Marino, speaking again, recalled the statements made by Mr. De Benedetti, a businessman – the shareholder observed – who is now facing far from trivial problems with Sorgenia. These statements, which have already been mentioned during the shareholders' meeting, were made not so much against Marco Tronchetti Provera individually as against the Chairman of Pirelli. And yet, the shareholder observed that he had never seen an adequate reply by the Company in the press. As a shareholder, while it is true that this did not involve a personal attack, he expected that a position would be taken, and in any event, perhaps a comment on why the decision was taken not to reply. He claimed that remaining silent was not appropriate.

Continuing with his own questions, he asked what the Group's exposure was to Intesa Sanpaolo and UniCredit and who represents Pirelli at RCS, insofar as the Group still has a 5% stake in the equity of that publishing group. Then, in regard to the ongoing investigations, he said that he was pleased that everything seemed to have calmed down. From what he had been able to understand, the criminal offence still being charged against the Chairman is of secondary importance compared with the initial hypotheses. In any event, he said that he was convinced that everything would work out for the best. In this regard, he asked whether the Company was aware of further investigations beyond what has been reported in the press.

He then asked for clarifications about the Next Mirs project, for which a euro 14 million loan should be obtained from the Region of Piedmont. He then asked for a progress report, how much has been invested, and whether it is expected that the project will be completed soon or not. He also asked to know the amount of charitable donations by the Group and the Group level coverage pursuant to Law 68 of 1999.

The shareholder then referred to the Group whistleblowing procedure (described in the sustainability report), observing how employees can also file anonymous reports of any misdeeds by colleagues, employees, managers, etc. He said that he was struck by the possibility that anonymous reports could be filed, holding that in principle, when someone wants to make claims or accusations, he or she should do so openly. By allowing accusers to remain anonymous, the shareholder maintains, the Group seems to encourage employees to engage in forms of denunciation or defamation, possibly benefiting from it in terms of career advancement. He asked for clarifications in this regard, and concluded by asking whether there were any existing relationships and contracts between the Pirelli Group and the Telecom Group.

D'Atri was pleased to see how participation at the shareholders' meeting was constantly growing, and requested that further improvements be made in the information provided on the website and, in general, the ways in which the Company interacts with stakeholders, which may include implementing innovations like holding online shareholders' meetings.

Referring to the questions asked by Bava, he reiterated the request to know why the shareholders' meeting is not called to approve the insurance policies covering directors, and also asked for an analytical description of the tax rate, the reasons for its increase, and the percentage impact of domestic taxation and international taxation.

Referring to Prelios, while personally not wishing to revisit the past, he would rather ask for information about its current business prospects, and what its future prospects can be, including in quantitative terms.

Once again, he asked for the cost of labour as a percentage of net sales and forecasts for the future, also in reference to the number of employees broken down by geographical areas. Furthermore, he asked what impact exchange rates had on Company performance and whether there were forms of protection against it, especially in regard to fluctuations in the euro/dollar exchange rate. In this regard, he asked whether a stress test had been carried out in regard to the possibility that [Italy] leave the eurozone.

In regard to the sustainability report, he appreciated the fact that it is addressed to stakeholders in general, and emphasised how in future it might be possible to imagine creating the occasion to discuss these issues, possibly with a specific item on the agenda or, even better, organising a specific meeting open to all stakeholders. In regard to the contents of this section, he asked for information about green performance, and particularly the reasons why this is such a hard target to meet. More in general, he asked whether the overall judgement in terms of sustainability was positive or negative, emphasising

how these are issues that are prospectively more important than the results as measured merely in terms of a dividend.

With no one else requesting time to ask questions, the **Chairman, Mr. Tronchetti Provera**, proceeded to give the answers that follow.

In response to the questions by Borlenghi and the other shareholders, the partnership with Rosneft began with the prospect of making an approach to the commercial potential of Rosneft itself, which operates 2,900 service stations, including those acquired from British Petroleum in Russia. Pirelli was ready to introduce high-end products on the market, and on the other hand, its competitors, especially one, were already able to benefit from quite an effective distribution network. So, an initial agreement was signed with Rosneft, enabling the Group to use its sales network and acquire high visibility. Under this agreement, the target is to have 200 sales outlets by 2019 where Pirelli can offer its own tyres. At the same time, Rosneft became the world's biggest listed oil company as measured by reserves, with operations that it is developing in regions of interest to Pirelli, such as Central America and China. These developments will offer further opportunities.

The second area of collaboration was research and development, based on the continuous search for ever-more complex and sophisticated materials. Today there are two agreements, one in Armenia and one in the Vladivostok area, which specifically concerns the development of these high technology products. Development remains a vital element for the Group, and agreements exist in these areas with Japanese and American partners as well.

In this context, it is clear that politics have absolutely no impact on the partnership: the basic aim, for the Group, is to enter and strengthen its position in the richest winter market in the world, not only in terms of its size but also in terms of product type, considering that 60% of the winter products in Russia are studded tyres. Therefore, technological excellence can contribute high added value.

Proceeding to give answers to several of Rimbotti's questions, the Chairman, after thanking the shareholder for having notified the Company of his questions before the meeting, as usual, he recalled that 99% of Group activity is now concentrated in the tyre business. As previously announced the plan was presented, the Company plans to dispose of its remaining equity stakes, with the expectation of realising about euro 150 million between 2014 and 2014. In regard to trade receivables, he noted that since January 1, 2012 an insurance policy has been in effect with an Allianz Group company to cover trade receivables in the replacement segment. Over the years, we have managed to make agreements of

this kind in 35 countries, thereby drastically reducing credit risk. The gross value of trade receivables in the replacement segment at December 31, 2013 was euro 1.3 billion, and the ratio between credit facilities granted and credit facilities received was 79%. The Chairman reiterated that the cited policy reduced solvency risk, and consequently reduced bad debts. These amounts were recalculated with greater precision at December 31, 2013, as a balancing entry reducing the provision for bad debts, with the income statement being credited euro 7.9 million.

In regard to the press report on a presumed loss of euro 11 million for the property in Sesto San Giovanni, Mr. Tronchetti Provera emphasised that this news was untrue. He pointed out that in this matter Pirelli was the target of attempted fraud, although it incurred no specific loss.

The Chairman then proceeded to the questions and observations made by Antolini, recalling how the Company stock has performed very well over the last several years, even in comparison with its competitors. If one looks at growth during the last several years, it can be confirmed that the reverse stock split carried out at the time has not had any negative impact. The reverse stock split was merely a form of simplification that did not cause any dilution in shareholder interests: what counts is the value of the Company, which is growing in consequence of the results it has achieved.

In response to Facchetti, the Chairman recalled that the agreement with Rosneft provides for co-investment in Camfin, and no direct investment in Pirelli. So, the agreements to demerge the non-core equity investments concern the investments held today by Camfin, as can be inferred from the abstract of the agreement that has also been published on the Company website. There is no interference in management decisions, which continue to be the prerogative of the Board of Directors, which shall decide issues by majority vote, without any pre-determination of its strategic choices.

Instead, in regard to the presence of institutional funds – including foreign funds – in the share capital of Pirelli, the Chairman observes that their weight was about 16% in 2009, compared with about 40% today. Of these, 20% are located in the United States, and the others in England and Europe. Then, with the new partnership, 13% will be owned indirectly by a Russian shareholder, with this further emphasising the global dimension of the Company. For that matter, globalisation of the ownership structure is tracking the globalisation of the firm, with only 6% now held in Italy, 34% in Europe and the remainder in the rest of the world. In regard to the savings shares, he then pointed out that they represent 2% of the share capital, with this being widely dispersed amongst retail investors. He is favourable to a possible conversion of savings shares. It involves overcoming several technical obstacles that are partly due to the peculiarity of this type of shares, which are widely distributed amongst small shareholders and bearer shareholders, which also complicates mapping them.

Mr. Tronchetti Provera then dwelt on Latin America, pointing out how the gross domestic product is forecast to grow by little more than 2%. In regard to the activity of Pirelli, a slowdown is under way especially in the original equipment segment, while the replacement segment continues to perform well. Moreover, the incentives offered for trucks, new cars and agricultural equipment have been reduced, and a general revision in the governmental incentive system is under way. While it is true that the automotive industry has entered an objective crisis in Brazil, it is true that Brazil is a country whose fundamentals are extremely solid, with a similarly reassuring debt structure, so the country still offers interesting potential. Then, it must be observed that the slowdowns in Brazil and Latin America are balanced by the results produced in other areas of the world (such as Russia and China), and the overall improvement in the European situation. So, the plans of the Pirelli Group are solid and confirmed.

Continuing with his answers, the Chairman observed that the amount of the cost of debt is consistent with the overall geographic presence of the Group, and in particular, its presence in rapidly developing economies. Group policy aims to obtain balanced financing in all areas of the world. This means high rates in areas suffering from high inflation, since the Group does not want to engage in speculative manoeuvres on exchange rates and interest rates. In any event, the finance departments are always actively seeking financing at market rates, and thus in the individual markets where loans are contracted.

More generally in regard to the plan, Mr. Tronchetti Provera observes how the currency effect has assumed great importance, and how the translation of figures into euros for reporting purposes is penalising, given the over-valuation of the European currency. However, what is important is to continue generating cash and improving profitability. This is what is happening, in spite of particularly intense currency fluctuations. In any event, the greatest effort continues to be made (and specifically in reference to Tarditi's observation) to take advantage of the best market conditions in view of reducing the cost of Group debt as much as possible.

Proceeding to the questions raised by Cardillo, the Chairman observed that possible initiatives linked to the Expo are being examined, although agreements have already been made to use several areas of Pirelli for events related to the exhibition that contribute value to Milan and the role that Pirelli has always played in this city. Instead, in regard to the real estate sector, the Chairman observed that there is no "black hole" in the Pirelli balance sheet. Prelios has announced a plan to restructure its debt and relaunch its business by focusing on the services business. The shareholders, and thus also Pirelli, have made their contribution to supporting this path in a market context where nearly all big operators have failed to survive. The position of Pirelli today is that of a mere shareholder without any financial

receivables. So, the risk is represented by the book value of the investment, worth about euro 140 million.

Developing this theme, the Chairman recalled that the reorganisation process at Prelios began with the distribution of shares to Pirelli shareholders several years ago. Since then, Prelios has worked hard on cleaning up its balance sheet, and signs of interest are now beginning to appear on the market. This sign of recovery may give Pirelli the opportunity to develop this investee company – which is not considered a strategic investment – and naturally in the framework of existing agreements with other shareholders. In any event, Pirelli presently has no commitments to make further investments and believes that the approach it has taken is fair.

In regard to Marino's questions, the Chairman again observed that the abstract of the agreement with Rosneft is available on the Company website, just as are the existing agreements with the shareholders of Camfin. A propos of this, he referred again to the comments that he had made at the beginning of his answers. He then assured that a reply had been given to the statements made by Mr. De Benedetti, emphasising in any event that all information concerning management of the investment made by the Group in Telecom is completely and transparently reported on the Pirelli website. This information contradicts the negative narrative that some people have tried to validate for a long time now, which has also been contradicted by the outcome of the judicial proceedings.

He then clarified that Pirelli does not have any representatives at RCS and, as far as he knew, no judicial investigations were under way other than those that have been reported in the press. Still replying to Marino, Mr. Tronchetti Provera observed that the possibility offered to employees to file anonymous reports is consistent with the best international practice approved by all rating agencies. In point of fact, most of the reports are signed, and the filing of manifestly false reports allows the Company to take appropriate measures. He continued by saying that the charitable donations made by the Group amount to euro 5.162 million, and the principle areas of its charitable activity are in the fields of education, culture, research and solidarity. On the other hand, the industrial natural and long-term presence of Pirelli manufacturing sites leads it to work in collaboration with the local communities, in such a way as to contribute to the healthy growth of the social fabric in which each individual factory is located. Moreover, Pirelli has always been highly appreciated in indices that rate concern for sustainability, because it is true, as has also been observed, that the value of an industrial company is also measured by its capacity to produce wealth and long-term investments that are useful to the local area where it operates. This is one of the reasons why Pirelli has managed to survive for 140 years.

The exposure to Unicredit and Intesa is in line with that of the other banks that have lent money to the Group. At December 31, 2013, the exposure of the Group to its principal creditor banks totalled euro 575 million.

Instead, in regard to the Next Mirs project, he noted that this involves an innovation project based at Settimo Torinese, aimed at automating the system with robots. It is now in a start-up phase that will become fully operational beginning in 2015. The total investment made thus far has been about euro 35 million.

The Group, he added again in response to Marino's comments, has drafted and signed agreements with the competent authorities to promote the hiring of disabled workers, since these involve issues which have always been closely monitored. In regard to relations with Telecom, he recalled that there are existing agreements for the provision of telephone services both in Italy and in Brazil and other countries. Moreover, these contracts have been made after calls for tenders from different service providers.

Referring to d'Atri's questions, the Chairman observed that Pirelli is the beneficiary of the insurance policies covering the activity of directors. He explained that these policies are aimed at indemnifying the Company against damages or costs that it might sustain in consequence of the organic relationship between the Company and the directors. So, these are not insurance policies designed to cover specific individuals. He continued by explaining that the tax rate is 39%, compared with 32% in 2012. The increase reflects the impairment of the Prelios "convertendo" debt-for-equity instrument, and the impact of measuring deferred tax assets. Net of these impairments, the tax rate would be consistent with what has been previously announced to the market (35%). He added that the cost of employees as a percentage of net sales, net of restructuring charges, was 19.3% in 2013, compared with 19.6% in 2012.

He then returned to the issue of exchange rates, to reiterate that the presentation of Company results in euro is now penalising. However, what is important is good overall operating performance, albeit in a general context that is not always reassuring. The growing geographical diversification of the Group allows it to balance the risk related to the different rates at which global economies are developing, and the focus on high technology, shields it from competition by developing nations that can count on far lower labour costs. The Group intends to continue in this direction, with it already being able to count on supplying 50% of the original equipment on the most prestigious cars, such as Ferrari, Maserati, Lamborghini, Porsche and so on. This has been made possible by all the researchers and all the skilled workers, to whom everybody's thanks have to go.

The path that Pirelli is pursuing, as Mr. Tronchetti Provera emphasised yet again, also consists of a new approach to distribution, aimed at identifying with greater precision the areas where it is necessary to have sales outlets where tyres can be changed. Then there is the development of electronics and sensors, which will give tyres a different role from its traditional one. This is the perspective in which the investments at Settimo Torinese are being made, supported in part by financing from the Region of Piedmont. The idea is to develop the tyre of the future, the cybertyre, capable of exchanging information with the car, improving safety conditions. Growing attention is also being dedicated to environmental issues, which is aimed at rendering production systems more and more environmentally friendly. Pirelli is considered to be a leader in this field, which gives us cause for great pride.

Continuing his responses on these themes, the Chairman added that green performance is a parameter applied in the European Union, on the basis of which Pirelli products have achieved absolutely excellent results, thereby demonstrating its superiority to the tyres made in countries with less advanced technologies. Environmental impact is also reduced by eliminating aromatic oils, reducing water use and also recycling it.

Antolini responded by observing how the aggregate market value of listed Italian companies is far lower than it was before the crisis, unlike what has taken place in the United States, where market indices have recovered and even increased their value. So, the reasons for the problems and anomalies existing in Italy have to be analysed in detail. In his opinion, the reasons lie particularly in a political determination to destroy private initiative. He regretted that the savings of a lifetime of work have been largely lost due to the negative performance of the companies in which he has invested.

Cardillo referred to certain parts of the annual report that provide information about the participation of Pirelli in the capital increase of Fenice, a company which is a shareholder of Prelios. More precisely, Pirelli has exchanged its financial receivable of euro 173.5 million for shares and equity instruments worth euro 169 million, with the collection of euro 3.6 million [in cash]. This transaction has reduced the assets resulting from the position in Prelios by several tens of millions of euro. Continuing, he observed how page 35 of the annual report shows that the impact of the fair value adjustment of the Prelios “convertendo” debt-for-equity issue, by a negative euro 44.3 million, has been aggravated by another negative euro 12.8 million in the last quarter. He noted that all of this has been done for a company that had to reduce its share capital from euro 200 million to euro 4 million. The shareholder then reiterated that when Pirelli controlled Pirelli Real Estate, transactions were carried out that, in his opinion, were inconsistent with the bylaws, as he had pointed out previously. The bylaws of Prelios

forbade it from engaging in particular activities subject to special authorisation. And yet, as he had already complained in 2004 and in 2011, including his proposal for a liability lawsuit made then at the shareholders' meeting, Pirelli RE operated a business through its "Credit Servicing" subsidiary, making non-performing long-term loans, which is an activity subject to authorisation by the Banca d'Italia. He recalled that the investment in that subsidiary amounted to 100% of its share capital. So, it is wrong to reply (as he had been answered at the time) that by reasoning in this way, no industrial company could hold an equity investment in a bank, because it is one matter to hold an equity investment, for example a 5% stake in an asset (as a bank might be, in fact) not allowed under the bylaws, and it's another matter to engage in restricted activities through fully owned subsidiaries.

The shareholder also noted that the second observation was that the old Pirelli RE made exaggerated use of credit, by operating a risky business that had not been disclosed in the 2002 prospectus. He also recalled that the company caused losses of 90% to the investors that subscribed the shares on listing, and these are complaints that he made at the time, both in a letter sent via registered mail and by making statements at the shareholders' meeting. He criticised the fact that the final outcome of these dealings was the departure of Puri Negri with euro 10 million as a severance package.

So, the shareholder believes that such conduct by the then directors, including the current Chairman, is also the cause for liability on the part of the present directors of Pirelli. Due to this liability, Prelios risks being a black hole because no one can know what the final loss of this company will be.

Marino, after observing that the organisation of the shareholders' meeting seems designed to discourage small shareholders from speaking at the meeting, for example by not offering a refreshment break, observed that he would have expected the Chairman would refresh the shareholders' memories of the answer given to Mr. De Benedetti. For that matter, he observed that the shareholders cannot rely exclusively on press reports, since it can very well happen that such reports do not correspond with what has been said to the journalists. Likewise, he observed that his question on the coverage pursuant to Law 68/99 was aimed at knowing the exact number of covered and uncovered liabilities, but these figures have not been provided. He believes that small shareholders should be accorded more respect by giving them a more complete response. He also complained that he had not received adequate information about the Next Mirs investment. He asked whether the euro 35 million investment was the amount incurred by the Group, or if this amount also included the euro 14 million received from the Region of Piedmont.

Finally, he asked whether the questions that might be made in advance are appended or not to the minutes, observing that this is done in most cases, thereby protecting the small shareholder.

The **Chairman** confirmed that an excellent job had been done for Prelios, so that a company operating in a hard-hit sector could continue operating. This was done to protect everyone, both shareholders and workers. The company had based its own business on a model that worked well from 2000 to 2005-2006, and which subsequently became untenable thereafter. The Prelios affair represents an example of the effort made to prevent the collapse of a company from causing irreparable damage to the financial system and employees.

The Chairman regretted the inconveniences brought up by the shareholder Marino, assuring that the Company has always endeavoured to facilitate, and not to impede, its shareholders. He would take measures so that the shareholder might enjoy the opportunities that all Pirelli shareholders – including the “smallest” ones – have always enjoyed, since there was the effort to assure maximum transparency in all matters, due in part to the information available on the Pirelli websites and archive. In this regard, he hoped that on future occasions, even shareholder Marino might take notice of the efforts made by the Company to encourage the greatest possible participation by shareholders at the Shareholders' Meeting. In regard to the dispute with Mr. De Benedetti, he said that he did not want to reprise written, published statements. He reminded the meeting that the comments on industrial management have been answered in the information that has also be published on the Company website, and no one has every been able to challenge or deny that information. In regard to the comments of a private nature, an answer would naturally be given to them in private.

The figures for the coverage pursuant to Law 68/99 are variable over time, with the key fact being full compliance by Pirelli. The Chairman declared that more precise data may be provided afterwards. A table illustrating these data is appended to these minutes.

The investment of euro 35 million in Next Mirs is the investment made by the Group itself, and applies to two production lines. The loan is for research and is tied to innovation projects.

Finally, he confirmed that the answers to the questions submitted before the meeting will be appended to the minutes.

With no one else asking to speak, the Chairman:

- declared that discussion on the first item of the agenda was closed;
- announced that the shareholders voting on the resolution in person or by proxy totalled **825** shareholders representing **315,863,255** ordinary shares, equal to **66.394067%** of the total ordinary share capital;

- then put the motion for approval of the annual report and allocation of net income up for vote with the radiovoter at 1:05 p.m., with said motion being set out on pages 120 and 121 of Volume 1 of the annual report distributed at the entrance to the meeting hall and transcribed as follows:

“The Shareholders’ Meeting:

- having examined the Annual Financial Report at December 31, 2013;*
- having taken note of the report of the Board of Statutory Auditors;*
- having taken note of the report of the independent auditors;*

RESOLVES

a) to approve the financial statements of the Company for the year ended December 31, 2013, as presented by the Board of Directors, in their entirety and their individual captions, with the provisions proposed, which show a net income of euro 191,891,145;

b) to allocate the 2013 net income of euro 191,891,145 as follows:

- 5% to the legal reserve: euro 9,594,557

to the shareholders:

euro 0.32 () to each of the 475,388,592 (**) ordinary shares, for a total of euro 152,124,349*

euro 0.39 () to each of the 11,842,969 (**) savings shares, for a total of euro 4,618,758*

- the remainder to retained earnings: 25,553,481

** Before the required withholding taxes.*

*** Net of the 351,590 ordinary shares currently owned by the Company.*

**** Net of the 408,342 savings shares currently owned by the Company.*

c) to authorise the directors, if the dividends specified at sub-indent b) above are paid prior to the purchase or sale of treasury shares, to allocate to and/or draw the amount of the dividend related to those shares from retained earnings, and to allocate to that same item the balance of the rounding that might result on payment of the dividend;

The dividend for 2013 will be collectible from June 19, 2014, with coupon detachment date on June 16, 2014 (“record date” on June 18, 2014).

The majority of the Shareholders' Meeting approved the resolution.

426,840 shares voted against.

34,143,499 shares abstained.

1,057,876 non-voting shares.

The remaining 280,235,040 shares present at the meeting voted in favour.

All of these results are illustrated in the enclosed details.

The Chairman proclaimed the result by acknowledging that the following had been approved:

- the annual report of Pirelli & C. S.p.A. at December 31, 2013;
- allocation of net income for 2013.

Recalling that the dividend for 2013 would be collectible from June 19, 2014, with coupon detachment date on June 16, 2014 (“record date” on June 18, 2014).

* * *

Proceeding to discussion of the **second item on the agenda**, the Chairman recalled that:

- according to the terms and conditions set out in Article 10 of the Bylaws and applicable laws, including regulatory provisions, and in compliance with the provisions of the Corporate Governance Code of listed companies, two slates of candidates had been filed at the Company head office;
- the first was submitted by Camfin S.p.A., while the second was submitted by a group of asset management companies (“società di gestione del risparmio”) and financial intermediaries that are shareholders of the Company. All the additional documentation required under law and the Bylaws was submitted with the slates of candidates;
- the submitters of the second slate also declared on filing, in light of available information on significant shareholdings or the publication of shareholders' agreements, that there were no links as envisaged in Article 147-ter, paragraph three, of the Consolidated Law on Finance (“TUF”);
- as previously mentioned at the beginning of the shareholders' meeting, the Company published the slates in compliance with the provisions of Article 144-octies of Consob Resolution no. 11971/99;
- all the information required under applicable law and the Bylaws in relation to the parties that submitted the slates and candidates for the Board of Directors was contained in the folder distributed to the meeting participants;

- the composition of both slates (with indication of the candidates who declared that they satisfied the prerequisites for independence pursuant both to the Corporate Governance Code of Listed Companies and the provisions of the TUF) was as follows:

Slate number 1, submitted by Camfin S.p.A., was composed by:

- 1) Marco Tronchetti Provera
- 2) Alberto Pirelli
- 3) Anna Maria Artoni (independent)
- 4) Luigi Piergiuseppe Ferdinando Roth (independent)
- 5) Paolo Fiorentino
- 6) Gaetano Micciché
- 7) Claudio Sposito
- 8) Riccardo Bruno
- 9) Piero Alonzo (independent)
- 10) Emiliano Nitti (independent)
- 11) Luciano Gobbi (independent)
- 12) Enrico Parazzini
- 13) Claudia Bugno (independent)
- 14) Romina Guglielmetti (independent)
- 15) Stefano Bugliosi (independent)

Slate number 2, submitted by a group of domestic and international asset management companies and financial intermediaries that are shareholders of Pirelli & C., listed in detail in the folder distributed to the meeting participants, was composed by:

- 1) Elisabetta Magistretti (independent)
- 2) Manuela Soffientini (independent)
- 3) Paolo Pietrogrande (independent)

- eight candidates on slate no. 1 and all three candidates on slate no. 2 declared that they satisfied the prerequisites for independence established for statutory auditors by Article 148, paragraph 3 of the TUF, as well as satisfaction of the prerequisites established by the Corporate Governance Code of Listed Companies to be qualified as independents;

- the composition of the slates satisfied the requirements imposed by applicable law and the Bylaws concerning “gender balance”;

- with the consent of the meeting participants, reading of the curricula vitae of the candidates on both slates was skipped, given that they were already well-known and the fact that they had been available for some time;
- at the same time it submitted its slate, Camfin also proposed that:
 - the number of seats on the Board of Directors be set at 15;
 - the term of the Board of Directors to be appointed be set at three financial years, and thus until the shareholders' meeting called to approve the annual report of Pirelli & C. S.p.A. at December 31, 2016;
 - the aggregate annual compensation of the Board of Directors be set at a maximum of euro 1,500,000, pursuant to Article 2389, paragraph 1, Italian Civil Code, with this amount to be allocated amongst its members in compliance with the resolutions that will be approved in this regard by the Board of Directors itself.

The Chairman then extended his thanks to all members of the current Board of Directors for the valuable contribution they made to the work of the Board during their term. He expressed his special thanks to Professor Secchi who, as Lead Independent Director, was long a reliable leader for all Independent Directors, including in his capacity as Chairman of the Internal Control, Risks and Corporate Governance Committee, and made a decisive contribution to the results and recognition received by the Pirelli governance model over the past years.

Having stated that four distinct votes would be held on the following, respectively:

- determination of the number of seats on the Board of Directors;
- determination of the term of the Board of Directors;
- election of the Directors by voting on the two submitted slates;
- determination of the compensation to be paid to the Directors;

he then opened discussion by reminding everyone to make statements pertaining to the specific topic in question and that each speaker was subject to a 15-minute time limit.

Rimbotti, while dwelling on the characteristics of several of the candidates presented by Camfin, although votes are cast for the entire slate and the presence of Mr. Marco Tronchetti Provera as the lead candidate represents a guarantee for shareholders, referred to the presence of candidates that arouse some concern. In particular, the shareholder mentioned that Mrs. Claudia Bugno holds the position of Director at the Ministry of Economic Development and pointed out that public employees, who as such are “the citizens' employees”, in his opinion should be able to accept private positions only after being

authorised to do so, which should be granted on the basis of adequate grounds. Having pointed out that Mrs. Bugno is also a member of many boards of directors and management and control bodies (including the Supervisory Committee of the Italian Province of the Congregation of Churches of the Immaculate Conception), the shareholder asked whether the Ministry were aware of those positions. Moreover, the shareholder pointed out that the attorney Romina Guglielmetti has never held other management positions in the past and asked what real contribution she might make to the Board of Directors. Then, he asked whether the candidate Gaetano Miccichè were the same individual who recently left Intesa Sanpaolo and whether the candidate Riccardo Bruno is related to Giorgio Luca Bruno, a director of Camfin and Chairman of Prelios.

Antolini observed that the failure by Camfin to renominate Mr. Bombassei, whom the shareholder considers a qualified individual, partly on account of the activities that his company operates in the automotive sector; therefore, he asked for confirmation that his absence was due to professional commitments and not to a lack of confidence in the company.

Cardillo, asked how voting would be held on the item being discussed.

The **secretary** explained that four distinct votes would be held on, respectively, determining the number of members of the Board of Directors; determining the term of the Board of Directors; election of the Directors by voting on the two lists submitted; determining the compensation to be paid to the Directors.

Cardillo, in regard to the number of directors, stated that he was opposed to appointing “a plethora of directors”, which in his opinion was useful only for application at the Company of the so-called “Cencelli manual”, i.e. to allow each of the parties that have a certain interest in the Company to designate their own representative. Moreover, the shareholder continued, the majority of directors will not be assigned management responsibilities, but they will be asked to join committees like the Remuneration Committee and the Nominations Committee; nevertheless, in the shareholder's opinion, once they are appointed, they – gratified to belong to a prestigious Board of Directors like that of Pirelli, might not be adequately independent to assess (and possibly oppose, if necessary) the proposals made on these matters, particularly in regard to remuneration. In support of his opinion, the shareholder pointed out that in criminal court the directors of companies are more and more frequently affirming that they never participated in management of the company and sometimes not even the Board of Directors meetings. In light of all this, the shareholder believes that the number of Directors should be limited to 4 or 5 members and that a higher number is justified only by the logic of exchanging favours.

Then turning to the candidates nominated by Camfin, the shareholder pointed out that the first candidate on the slate is Mr. Marco Tronchetti Provera, with whom the shareholders are very well acquainted and for this reason should not wish to elect him, considering that, according to the calculation parameters developed by a well known internet service provider for which the shareholder requests confirmation, the value of Pirelli stock has fallen by 70% over the last 10-12 years.

The **Chairman** pointed out that these calculations were incorrect.

Cardillo pointed out that if these calculations were correct, it would mean that if someone had invested euro 100,000 a decade ago, he would now have stock worth euro 25,000. He requested confirmation that this allegation was exact.

The **Chairman** repeated that these are incorrect calculations and that the shareholder thus bases his reasoning on a mistaken premise.

Cardillo repeated that he had obtained these data from the *Yahoo* website and reiterated his request to know the ratio between the present value of Company stock and its value 10-12 years ago. According to the graphic on that website, that ratio would be about 1:4. Then focusing on the candidates nominated by Camfin, the shareholder (after having observed that the statements appended to the slate contain a typographical error in the date of a cited regulatory provision), said that he thought it was appropriate here that Mr. Marco Tronchetti Provera claim responsibility for the past management of Pirelli itself, in regard to numerous aspects with which the shareholder said he had raised issue on various occasions. In particular, he recalled the matter of the sale of the Cables and Systems business unit and complained, more in general, that Marco Tronchetti Provera had always taken a financial and not an industrial approach to operating the Company.

He then emphasised that the comments on the candidate's lack of specific qualifications as described in their curricula vitae (which shareholder Rimbotti mentioned in regard to counsel Guglielmetti) appear particularly evident in the case of Mr. Alberto Pirelli, who graduated from university with a degree in ichthyology, and thus in a field that is certainly far removed from the one in which the Company operates. The shareholder recalled that the specialised field of the Company resulted from the initial intuition of Giuseppe Colombo, who convinced the young Gian Battista Pirelli to study natural rubber instead of silk. Moreover, the shareholder pointed out that Alberto Pirelli's presence on the Board is important today mainly because of his long experience at the firm and for his name, which is the same as that of the Company.

Then the shareholder again criticised the excessive number of Directors and their absence at the shareholders' meeting, although their presence is often useless in his opinion. He pointed out how the

Chairman himself, in his capacity as Director of other companies like Mediobanca, frequently attended their annual shareholders' meetings, even if he would leave them after the opening rituals. So, the shareholder affirmed his opposition to the nomination of Marco Tronchetti Provera, although he was aware that this position would be in the minority upon voting. In Cardillo's opinion, the votes would also be superfluous, because the shareholders' meeting would limit itself to approving the agreements already made when the Camfin slate was submitted. Then addressing the Chairman, the shareholder asked him to look at Pirelli as an important industrial enterprise, and thus with an industrial approach and instead not in view of divesting, which might take place in 2017 or 2019. For the shareholder, less attention should be devoted to finance (and thus, for example, to Mediobanca), while concentrating instead on the interests of the market, the shareholders and the nation. The shareholder again mentioned Gian Battista Pirelli, whose history demonstrates the key role played by universities and study in society. In the shareholders' opinion, the universities should update their teaching methods so that they might return to being the driving force of Italian society and help prevent the nation from remaining mired in corruption and crisis.

Turning back to the past vicissitudes of the Company, the shareholder negatively rated the role played by the Chairman, especially in the Telecom venture, which in his opinion had the effect of reducing the value of Pirelli.

Facchetti, disagreed with Cardillo by saying that it was positive for the Company and its shareholders that the Chairman remain on the Board of Directors. He asked how many Directors would be elected, given that the slates contained a total of 18 candidates.

The **Chairman** observed that Camfin had proposed that the number of seats on the Board of Directors be set at 15.

Facchetti expressed his appreciation for the proposed reduction in the number of Board members. The shareholder then asked whether it was already envisaged that the three candidates included on the Camfin slate as representatives of Lauro 61 might be replaced by representatives of Rosneft following completion of their investment.

With no one else asking to speak, the **Chairman** first pointed out that, considering the proposal to reduce the number of Directors to 15 and the existence of the minority slate, the last three candidates nominated by Camfin would not be elected. He then thanked Rimbotti for his observations and pointed out that Mrs. Bugno is highly qualified and is an individual of recognised quality. He pointed out that the Company is unaware of any reasons as to why there was any incompatibility with the ministerial

duties she held, while assuring that this aspect is nonetheless subject to constant monitoring and review. He then pointed out that counsel Guglielmetti is a respected professional who, moreover and as previously mentioned, would most likely not be elected due to the slate voting mechanism. He then mentioned that the candidate Riccardo Bruno has no family ties with Giorgio Bruno, and he confirmed that Mr. Bombassei enjoys the full trust of the Company, having made a significant contribution to the work of the Board of Directors on the basis of his industrial experience. He said that he understood that he could not be renominated now due to his numerous professional and political commitments. The Chairman then reiterated his own gratitude to Mr. Bombassei and all the outgoing directors for the work they had done on the Board of Directors and its Committees, hoping that the *Corporate Governance Code of Listed Companies* would soon accept the proposal to allow publication of the minutes of these bodies, which would also make it possible to overcome a widespread but mistaken belief that boards of directors were “bands of pirates” in search for a director's chair, instead of places of intense work such as at Pirelli, where the Directors have certainly contributed to evolution in the corporate governance of the Company.

He emphasised that the fairness of the directors' conduct is confirmed by the fact that when the supervisory authorities had reviewed the minutes of the Board of Directors meetings or committee meetings, they never raised any criticism in this regard. A propos, he reiterated the particular merit of Professor Secchi, who as independent director contributed to constant improvement in the governance of Pirelli, which constitutes one of the sources of pride for the Company.

In response to Cardillo, the Chairman first observed that the value of Pirelli stock had grown by 360% over the past five years, and that from 2004 until now (as can be easily checked by using platforms like Bloomberg), it had risen from about euro 8 to over euro 12. He then observed that the allegation that the shareholders had suffered a 75% loss in the value of their investment was false, and thus the shareholder's comments in regard to liability for the destruction of that value were unacceptable, insofar as they were based on a false premise. In regard to the other matters mentioned by Cardillo, the Chairman asked him to look at the relevant documents on the Company website, which punctually contain all the information necessary for full and thorough review of these transactions. He concluded on this point by confirming that the only objective pursued by the Board of Directors was to have the Company perform well. He then thanked Facchetti for his confidence and, with him, all the shareholders that stand alongside the Company at times of success and in times of trouble.

With no one else asking to speak, the Chairman:

- declared that discussion on the second item of the agenda was closed;
- announced that the shareholders voting on the resolution in person or by proxy totalled **819** shareholders representing **315,860,676** ordinary shares, equal to **66.393525%** of the total ordinary share capital;
- then put the motion by Camfin to set the number of members of the Board of Directors at 15 up for vote with the radiovoter at 1:40 p.m.

The majority of the Shareholders' Meeting approved the resolution.

33,412,669 shares voted against.

929,783 shares abstained.

1,057,876 non-voting shares.

The remaining 280,460,348 shares present at the meeting voted in favour.

All of these results are illustrated in the enclosed details.

The Chairman then proclaimed the result by acknowledging that the motion to set the number of seats on the Board of Directors at fifteen had been approved.

He then:

- announced that the shareholders voting on the resolution in person or by proxy totalled **818** shareholders representing **315,860,674** ordinary shares, equal to **66.393524%** of the total ordinary share capital;
- put the motion by Camfin to set the term of the new Board of Directors at three financial years, and thus until the shareholders' meeting called to approve the annual report at December 31, 2016, up for vote with the radiovoter at 1:46 p.m.

The majority of the Shareholders' Meeting approved the resolution.

35,535,906 shares voted against.

925,009 shares abstained.

1,064,346 non-voting shares.

The remaining 278,335,413 shares present at the meeting voted in favour.

All of these results are illustrated in the enclosed details.

The Chairman proclaimed the result by acknowledging that the motion to set the term of the new Board of Directors at three financial years, and thus until the shareholders' meeting called to approve the annual report at December 31, 2016, had been approved.

He then:

- announced that the shareholders voting on the resolution in person or by proxy totalled **818** shareholders representing **315,860,674** ordinary shares, equal to **66.393524%** of the total ordinary share capital;
- put the submitted slates up for vote with the radiovoter at 1:48 p.m.

The vote gave the following results.

2,665,923 shares voted against.

33,246,940 shares abstained.

34,700 non-voting shares.

196,272,360 shares voted in favour of the Slate submitted by Camfin.

83,640,751 shares voted in favour of the Slate submitted by a group of international asset management companies and financial intermediaries.

All of these results are illustrated in the enclosed details.

The Chairman proclaimed the result by acknowledging that:

- slate number 1 had received the majority of votes cast at the shareholders' meeting, and from which twelve Directors would thus be elected in the order that they were listed, and specifically:

- 1) Marco Tronchetti Provera
- 2) Alberto Pirelli
- 3) Anna Maria Artoni (independent)
- 4) Luigi Piergiuseppe Ferdinando Roth (independent)
- 5) Paolo Fiorentino
- 6) Gaetano Micciché
- 7) Claudio Sposito
- 8) Riccardo Bruno
- 9) Piero Alonzo (independent)
- 10) Emiliano Nitti (independent)

11) Luciano Gobbi (independent)

12) Enrico Parazzini

- the remaining three directors would be elected from slate number 2:

1) Elisabetta Magistretti (independent)

2) Manuela Soffientini (independent)

3) Paolo Pietrogrande (independent)

- therefore, eight out of fifteen (over 53%) of the Directors satisfy the prerequisites for being qualified as independent.

He then:

- announced that the shareholders voting on the resolution in person or by proxy totalled **819** shareholders representing **315,860,676** ordinary shares, equal to **66.393525%** of the total ordinary share capital;

- put up for vote with the radiovoter at 1:51 p.m. the motion by Camfin to set the aggregate annual compensation of the Board of Directors at a maximum of euro 1,500,000, pursuant to Article 2389, paragraph 1, Italian Civil Code, with this amount to be allocated amongst its members in compliance with the resolutions that will be approved in this regard by the Board of Directors itself.

The majority of the Shareholders' Meeting approved the resolution.

915,095 shares voted against.

1,134,323 shares abstained.

1,062,648 non-voting shares.

The remaining 312,748,610 shares present at the meeting voted in favour.

All of these results are illustrated in the enclosed details.

The Chairman proclaimed the result by acknowledging that the motion had been approved to set the aggregate annual compensation of the Board of Directors at a maximum of euro 1,500,000, pursuant to Article 2389, paragraph 1, Italian Civil Code, with this amount to be allocated amongst its members in compliance with the resolutions that will be approved in this regard by the Board of Directors itself.

* * *

Proceeding to discussion of the **third item on the agenda**, the Chairman observed and remarked that:

- beginning with the shareholders' meeting held in April 2011 – one year in advance of the statutory deadline – the Pirelli Group Remuneration Policy was put up for an advisory vote by the shareholders' meeting;

- the Policy put up for vote this year was prepared on the basis of the Policy for the previous years and the experience accumulated in applying it. It reflects the fact that the Board of Directors has adopted a new Long Term Incentive Cash Plan for 2014-2016 (“new LTI Plan”) in support of the Industrial Plan 2013-2017, with the consequent premature termination of the Long Term Incentive Cash Plan for 2012-2014 without any payments, either full or pro-rated, of the three-year incentive offered under it. The new LTI Plan, whose objectives are consistent with those set out in the Industrial Plan 2013-2017 presented last November, consistently with the variable remuneration mechanisms adopted at the international level, is also based on the performance of Pirelli stock (reflected in the Total Shareholder Return) and allows full alignment of management interests with shareholder interests;

- in particular, the Plan has been revised since last year to reflect, on the one hand, the fact that the new LTI Plan eliminates the “Bonus Bank” mechanism and, on the other hand, revision of the variable MBO incentive that envisages, in relation to the previous incentive, a different rolling mechanism for deferral of a portion of the accrued MBO and any deferred increase in the MBO accrued upon meeting specific targets in the following year. This deferral mechanism means that the time when part of the variable long-term period amounts accrued will actually be paid in 2018, insofar as it is conditioned on the degree to which the financial year 2017 results are achieved (and in the second year after conclusion of the three-year period covered by the LTI 2014-2016).

- following elimination of the “Bonus Bank” mechanism, the entire MBO 2013 incentive is paid out without making any “accrual”;

- finally, the variable incentive percentages have been adjusted for all members of management that – as compared with the previous LTI Plan 2012-2014 – set a slightly lower target for the earnings prospect, with absolutely no change in the total compensation package on accomplishment of the targets between the target and the maximum; instead, there is a more marked reduction if the results are achieved at a level corresponding to the entry threshold (which is lower than the target);

As envisaged in Article 123-ter of Legislative Decree 58/98, the Remuneration Report is broken down into two distinct sections:

I. the first section illustrates:

a) the Pirelli Remuneration Policy for Directors, General Managers and Managers with strategic responsibilities, as well as the general Pirelli Policy covering the remuneration of all management;

b) the procedures used to adopt and implement this Policy.

II. the second section, by name for the members of the management and control bodies, and the General Managers, as well as in aggregate format for the Managers with strategic responsibilities (whose number has been increased to reflect the new organisational structure adopted by Pirelli):

a) provides an adequate representation of each of the items that compose remuneration, including the treatment applicable when the office holders leave their positions or terminate their employment relationship, highlighting the consistency with the Policy approved during the previous year;

b) accounts for the compensation paid in 2013 for any reason and in any form by the Company and the subsidiaries or associated companies, while reporting components of the aforementioned compensation that can be related to activities performed in years prior to the reference year and also highlighting the compensation to be paid in one or more subsequent financial years for the activity performed during the reference year, possibly indicating an estimate for the components that cannot be objectively quantified in the reference year;

- as provided by the TUF, the Board of Directors asks the shareholders' meeting to express its opinion by voting on the part of the Remuneration Report indicated in the first section;

- the Remuneration Report was approved by the Board of Directors after receiving the favourable opinion of the Remuneration Committee, which is composed entirely of independent directors. The report also illustrates the terms and conditions for exercising the functions performed by that Committee;

- he then opened discussion by reminding everyone to make statements pertaining to the specific topic in question and that each speaker was subject to a 15-minute time limit. The shareholders would be able to vote upon conclusion of the questions, answers, and any replies.

Ritter, pointed out that the vote is merely advisory, but at the same time is very useful insofar as it allows the non-controlling shareholders to participate at least in terms of information; in this regard, he proposed that the Board of Directors undertake in future to comply with the result of the voting, even if it is non-binding, and more in general, he hoped that in future policy would remit remuneration decisions to the non-controlling shareholders alone. He asked what positions the independent directors

had taken on the proposal and whether divergent opinions had been expressed. He also asked whether there was a policy in terms of proportion between compensation and dividends, pointing out that the ratio today is such that remuneration amounts to about 6.5% of dividends. He then observed that Professor Laghi, Statutory Auditor, receives greater compensation than the Chairman of the Board of Statutory Auditors, insofar as he performs additional duties. He asked how much time is dedicated to those activities, including in relation to Professor Laghi's other professional commitments. He concluded by asking whether there was a succession policy.

Cardillo, referring in part to Ritter's comments, hoped that Mr. Tronchetti Provera, acting in the name or on behalf of the new Board of Directors, would signal a break with the past by promising they would not accept additional compensation for their membership as representatives of Pirelli on the boards of directors of other companies. In fact, if a Director is designated by Pirelli to join another board of directors, the shareholder pointed out that it would be appropriate and necessary that he devolve the remuneration for such a position to Pirelli, which gave him that mandate. He hoped that a position would be taken in this sense.

With no one else asking to speak, the **Chairman** again recalled that Pirelli had introduced shareholder consultation a year earlier than the statutory deadline, and thus anticipating its good governance obligations. He again expressed the hope that shareholders would be able to consult the minutes of Committee meetings, which would allow them to check whether the Remuneration Committee, which is composed solely of independent directors, applies the highest standards of transparency by using comparable companies as benchmarks and assuring the consistency of shareholder and management interests, in the spirit of the Total Shareholder Return program. He then recalled that specific incentives are in place for the different functions. This tool is essential in an increasingly competitive market, in order to maintain the capacity to attract and retain talent.

Turning to the specific questions that were asked, the Chairman noted that the compensation of Professor Laghi as indicated in the Pirelli Annual Report also reflects – as provided by applicable law – the compensation he received from the listed investee company Prelios. He pointed out that all the emoluments received at companies where he was director representing Pirelli (Mediobanca, RCS, Intesa Sanpaolo) were actually passed on to Pirelli itself. He confirmed that the compensation received from subsidiaries, as in the past for Prelios, were a component of his total emolument and, as such, were accounted for in the consolidated financial statements. He then noted that several succession plans exist, as listed analytically in the annual report documents, and concluded by confirming that for a

global enterprise like Pirelli, having 15 directors corresponded with the necessary logic of maintaining committees within the Board of Directors that had an adequate number of “independent” directors.

With no one else asking to speak, the Chairman:

- declared that discussion on the third item of the agenda was closed;
- announced that the shareholders voting on the resolution in person or by proxy totalled **818** shareholders representing **315,860,675** ordinary shares, equal to **66.393525%** of the total ordinary share capital;
- then put the Pirelli Group Remuneration Policy up for advisory vote with the radiovoter at 2:10 p.m., with said policy being set out on pages 125 and 126 of Volume 1 of the folder distributed at the entrance to the meeting hall.

The majority of the Shareholders' Meeting approved the resolution.

6,699,853 shares voted against.

1,186,575 shares abstained.

1,596,648 non-voting shares.

The remaining 306,377,599 shares present at the meeting voted in favour.

All of these results are illustrated in the enclosed details.

The Chairman proclaimed the result and acknowledged that the Shareholders' Meeting had expressed its advisory vote in favour of the Group Remuneration Policy as set out in the report submitted by the Board of Directors.

* * *

Proceeding to discussion of the **fourth item on the agenda**, the Chairman observed and remarked that:

- the Shareholders' Meeting was also asked to approve, for the part tied to Total Shareholder Return, adoption of the LTI (Long Term Incentive) three-year incentive plan 2014-2016 for Company management, previously announced to the market on February 28, 2014 and linked to the targets set in the Industrial Plan 2013-2017;
- the new LTI Plan – approved by the Board of Directors as proposed by the Remuneration Committee – sets management targets that are consistent with the targets set in the Industrial Plan 2013-2017

presented to the financial community last November. Moreover, consistently with the variable remuneration mechanisms adopted at the international level, it will also continue to be based on the performance of Pirelli stock (as reflected in the Total Shareholder Return) and allows full alignment of management interests with shareholder interests. Adoption of the new plan follows the premature termination of the Long Term Incentive Cash Plan for the three-year period 2012-2014 without having paid out any amounts, either in full or pro-rated, of the three-year incentive envisaged therein;

- the shareholders' meeting was thus asked to vote on the new three-year incentive plan 2014-2016 for the portion related to Total Shareholder Return;

- all details of the new LTI plan are contained in the report prepared by the Directors and the information document published pursuant to current law and delivered at the entrance to the meeting hall.

He then opened discussion by reminding everyone to make statements pertaining to the specific topic in question and that each speaker was subject to a 15-minute time limit. The shareholders would be able to vote upon conclusion of the questions, answers, and any replies.

Di Gioia expressed his negative opinion on the incentive plan for managers with strategic responsibilities, insofar as it is extremely costly and based on an average assessment of the second half of last year, when Pirelli stock was trading at a level lower than today, which undermines the incentive function.

For **Cardillo**, the incentive plan can effectively be considered excessive due to the fact that if it refers to a time when the value of the stock was significantly lower than now (e.g. euro 8), there would be no incentive plan but a remuneration plan. If an incentive plan were to be implemented now, the shareholder believed that current stock prices should be referred to, and not past ones. In this regard, he brought up an episode from the past, recalling that Pirelli & C. S.a.p.A. had sold shares in Pirelli Real Estate to Mr. Puri Negri (who was also one of its directors) at an extremely low price (about euro 11), and then bought them back a year later at a high price (about euro 20), allowing Mr. Puri Negri to realise a gain of several million euro with just one transaction that had no particular merits. For the shareholder, that episode teaches us that incentives have a positive function provided that they begin at the time when the shareholders' meeting approves them and thus referring to the values in effect at that time.

Tarditi agreed with the previous comments and also pointed out that the real value of Pirelli is definitely higher than its current market value and so, even more convincingly, using euro 9 or 10 as

the reference value (*average during the last half-year period*) seems to apply the slogan “you like to win easily” used in a recent ad.

With no one else asking to speak, the **Chairman** recalled that the three-year plan in discussion was prepared in the second half of 2013, so the increase in the stock quotation represents implementation of what management had undertaken to do, and it may be rewarded; he also pointed out that the stock price is not the only parameter used for the incentive. He then confirmed that, in this type of incentive plan, approval by the Shareholders' Meeting comes after a long period of preparatory work and definition of the incentives, involving all Group units worldwide, so it is a structural consequence that the plan be submitted to the Shareholders' Meeting some time after its preparation and implementation. **Tarditi** observed that, in his opinion, there were already clear signs last year, when the plan was prepared, that the stock price would rise to at least euro 12, as demonstrated by the sale completed by Intesa Sanpaolo at the beginning of January for euro 12.50.

The **Chairman** confirmed what he had just illustrated and added that the cost of the LTI Plan was about euro 115 million and applied to over 320 persons worldwide, if the set targets were met.

With no one else asking to speak, the Chairman:

- declared that discussion on the fourth item of the agenda was closed;
- announced that the shareholders voting on the resolution in person or by proxy totalled **818** shareholders representing **315,468,338** ordinary shares, equal to **66.311056%** of the total ordinary share capital;
- put the proposed motion up for vote with the radiovoter at 2:26 p.m., and transcribed here as follows:
“Shareholders,

on the basis of what has been illustrated, we ask you to:

- 1. approve – pursuant to Article 114-bis of Legislative Decree 58 of February 24, 1998, as amended – the adoption of a Three-year Cash Incentive Plan 2014-2016 (the “LTI Plan”) for Pirelli Group management, in the part where it is also based on the market performance of Pirelli stock, in the terms illustrated in this Report and as described in greater detail in the Information Document (prepared pursuant to Article 84-bis, paragraph 1, of the Issuers Regulation). The LTI Plan provides, inter alia, that a portion of the LTI Bonus be determined on the basis of a Total Shareholder Return target calculated as Pirelli performance and also an index composed by selected peers in the tyre industry;*
- 2. grant the Board of Directors – and on its behalf, to the Chairman – all powers necessary for full and*

complete implementation of the LTI Plan.”

The majority of the Shareholders' Meeting approved the resolution.

83,085,054 shares voted against.

1,163,848 shares abstained.

1,591,876 non-voting shares.

The remaining 229,627,560 shares present at the meeting voted in favour.

All of these results are illustrated in the enclosed details.

The Chairman proclaimed the result of voting by acknowledging that the shareholders' meeting had approved the adoption of a Three-year Incentive Plan 2014-2016 (the “LTI Plan”) for Pirelli Group management, based partially on financial instruments and granted a mandate to the Board of Directors – and to the Chairman on its behalf – for full and complete implementation thereof.

* * *

At this point, the **Chairman** asked Cardillo to make his proposal in regard to filing a liability lawsuit. **Cardillo** proposed approval of a liability lawsuit in the following terms: *“against all members of the Board of Directors, for their not having in turn filed a liability lawsuit against the previous directors of the company, based on their not having taken action against the directors of Prelios, Pirelli Real Estate and, in particular, against Mr. Puri Negri and Mr. Tronchetti Provera, who in their capacity as directors of Pirelli Real Estate used financial leverage that was prohibited for excessive, on the basis of share capital that amounted to about euro 20 million until 2008, thereby acquiring equity investments in real estate and financial assets for about euro three billion, in violation of, inter alia, the bylaws of Pirelli Real Estate, which in Article 4.3 absolutely forbade engaging in restricted activities: this rule was avoided through the acquisition of a company authorised to operate in the financial sector, named “Credit Servicing”, and a majority of whose equity capital was controlled, between 80% and 100% (inasmuch as Crédit Agricole would subsequently become a shareholder thereof), and for having accorded excessive benefits to the directors of Pirelli Real Estate, and particularly to Mr. Puri Negri, for over euro 10 million, at the time that he left Pirelli Real Estate”*.

Cardillo then reiterated that the present and past losses of Pirelli Real Estate and Prelios must be attributed to the previously mentioned conduct and as charged in a letter sent via registered mail on June 11, 2004 to Mr. Puri Negri and to Mr. Tronchetti Provera. He pointed out that he had submitted

this registered letter. He mentioned that he himself, Cardillo, had repeated these charges at the Shareholders' Meeting of Prelios on April 21, 2011. He also reiterated that this risky manner of operating Pirelli Real Estate was not mentioned in the 2002 prospectus, in which Pirelli & C. S.a.p.a. sold 14,150,000 shares to the public at the price of approximately euro 20 per share, as compared with the current value of euro 0.60. Furthermore, the shareholder mentioned that fines were imposed by Consob and the Banca d'Italia on the directors of Pirelli Real Estate, including Puri Negri, as affirmed in the documents which he says that he has submitted. He also affirmed that he had submitted three groups of documents in confirmation of the foregoing allegations. For these reasons, he asked that the shareholders' meeting vote in favour of filing a liability lawsuit against the Board of Directors of the Company.

In response to the request for explanations from the meeting participants, and in particular from shareholder **d'Atri**, the **secretary** observed that shareholder Cardillo held that the charges against the directors consist, inter alia, in not having filed a liability lawsuit against the previous directors even in the financial year that recently ended.

One of the meeting participants observed that the events at the basis of the charges made by the shareholder Cardillo refer to 2004.

Cardillo responded in turn by saying that Prelios has had a negative impact even on the 2013 financial statements, and thus its consequences have not ended.

The **Chairman** observed that this posed a problem of admissibility, given the comments made during the shareholders' meeting. He believed that the shareholders' meeting could decide whether or not to proceed, while pointing out that there were great uncertainties, given that the proposal concerns matters dating back to 2004 or 2002, which do not relate to the annual report discussed at this meeting, that the outgoing Board of Directors of Pirelli had had no direct authority to manage Prelios, that the Prelios shares had been assigned to Pirelli shareholders previously without any objections being raised. In his opinion, the request made by shareholder Cardillo ten years after the fact is not admissible, while the shareholders' opinion on this matter could be asked at this meeting.

Cardillo held instead that the motion was admissible because there has been no interruption with the past. He reiterated the criticisms made in connection with the failure to disclose in the Pirelli RE prospectus that the activity would be operated, that recourse to euro 3 billion in debt would be made against euro 20 million of equity capital, and the operation of, in his opinion, an unlawful activity like the one operated by Credit Servicing. He repeated again that he had repeatedly submitted his criticisms, but in his opinion, the Chairman always refused to act, rendering his past liability an issue in the

present. In the shareholders' opinion, every year passed without acting on the events of 2002 entails a source of additional liability, and thus substantiates the continuity that, in his opinion, makes it possible to act now.

The **Chairman** observed how the facts affirmed by the shareholder did not exist and absolutely unsubstantiated.

On request by several shareholders, the Chairman then ordered a brief break in the meeting so that everyone could obtain any instructions as necessary from their own proxy grantors (at 2:40 p.m.).

The meeting resumed at 2:45 p.m., and the Chairman, confirming that he believed that the motion was not admissible, asked the shareholders' meeting if it thought that the motion submitted by shareholder Cardillo was instead admissible.

Only shareholder Cardillo (holder of 2 shares) stated that he was in favour, and the Chairman thus proceeded to discussion of the last item on the agenda.

* * *

Proceeding to discussion of the **fifth item on the agenda**, the Chairman observed and remarked that:

- the reasons why the Board of Directors requested the renewal of authorisation were illustrated in detail in the report included in volume 1 of the Annual Report, from page 130 to page 133, which also indicates the related motions for to be resolved;
- in regard to the resolution approved last [*sic*], when the Board of Directors requested the renewal of authorisation, it excluded from its request the right to make purchases of treasury shares through the purchase and sale of derivative financial instruments traded on regulated markets that require delivery of the physical certificates of the underlying shares, although this case falls among those envisaged in Article 144-bis, sub-indent c) of the Issuers Regulation;
- this involves a useful technical instrument that is provided to the Board of Directors even if its use is not envisaged at this time. He also stated that in 2013 and in this first half of 2014, no purchases or sales of treasury shares had been made.

He then opened discussion by reminding everyone to make statements pertaining to the specific topic in question and that each speaker was subject to a 15-minute time limit. The shareholders would be able to vote upon conclusion of the questions, answers, and any replies.

Cardillo expressed his opposition to the purchase of treasury shares, holding that the resolution posed

risks in the part where it authorises both purchases and sales. For the shareholder, it was clear that the Company, both when it buys and when it sells treasury shares, has an asymmetrical advantage in terms of the information available to the market and individual shareholders, insofar as shareholders do not dispose of the information possessed by the Board of Directors. The shareholder also holds that the Board of Directors has an objective conflict of interest. He again referred to the remuneration plan that had just been approved, which identified the value of Company stock as a parameter for giving an incentive to employees, contract workers and directors. The shareholder thus held that there was a conflict of interest because the directors earn if the stock price rises and, with the authorisation to buy and sell shares, they could influence the stock price.

He recalled one of his own personal experiences in this regard, concerning a fund reserved for the employees of Banca Intesa that, with a share capital of euro 80 million, managed to “manoeuvre” transactions for euro 45 billion, losing about euro 40-50 million in consequence of these dealings, which Cardillo himself managed to get returned to the employee shareholders of that fund. He then reiterated the risks of an uncontrolled movement where an asymmetry of information and conflicts of interest existed. He wished that the Company would perform well and might achieve important industrial results, on behalf of its collaborators, employees and even shareholders, but above all the nation, because the national interest coincides with Pirelli realising good results by developing its fundamental activity, its capacity to innovate, its marketing, and its adaptation to customer requirements.

With no one else asking to speak, the Chairman:

- declared that discussion on the fifth item of the agenda was closed;
- announced that the shareholders voting on the resolution in person or by proxy totalled **817** shareholders representing **315,855,675** ordinary shares, equal to **66.392474%** of the total ordinary share capital;
- put the proposed motion up for vote with the radiovoter at 2:54 p.m., and it is transcribed here as follows:

"The Ordinary Shareholders' Meeting:

- *having acknowledged the Directors' proposal;*
- *having regard to the provisions set out under Article 2357 and Article 2357-ter of the Italian Civil Code, Article 132 of Legislative Decree 58 dated February 24, 1998, and Article 144-bis of the*

Issuers Regulations adopted by Consob with Resolution No. 11971 dated May 14, 1999, as subsequently amended;

- *having acknowledged that, today, the Company owns directly 351,590 ordinary treasury shares, corresponding to 0.07% of the category as well as of the entire share capital and 408,342 savings treasury shares, corresponding to 3.3% of the class share capital and corresponding to 0.084% of the entire share capital, while no Pirelli & C. shares are held by its subsidiaries;*
- *having regard to the financial statements closed at December 31, 2013;*
- *having ascertained the opportunity of renewing the authorisation to execute transactions to purchase and dispose of treasury shares for the purposes and based on the procedures illustrated above.*

RESOLVES

- a) *to authorise the Board of Directors to purchase both ordinary and savings treasury shares, and regardless within the maximum limit envisaged under Article 2357, paragraph 3 of the Italian Civil Code, and more precisely, up to a maximum number of shares that do not exceed 10% of Pirelli's pro-tempore share capital, taking into account the treasury shares already held by the Company and the treasury shares which may be held by its subsidiaries, establishing that:*
- *the purchase may be made, in one or more sessions, within 18 months from the date of this resolution, using any of the procedures envisaged in the joint provision set out under Article 132 of Legislative Decree No. 58 of February 24, 1998, sub-indents a), b) and d) of the Issuers Regulation adopted by Consob with resolution No. 11971 dated May 14, 1999, as subsequently amended, taking into account the specific exemption envisaged under Article 132, paragraph 3 of Legislative Decree No. 58 dated February 24, 1998, and however, using any other procedure permitted by the applicable national and European Union legislative and regulatory provisions which govern the subject and in accordance with every other applicable law and regulation, including the national and European Union legislative and regulatory provisions, also with reference to market abuse, with the sole exception of the purchase procedures set out under Article 144-bis, sub-indent c), of the Issuers Regulation cited hereinabove;*
 - *adequate information shall be provided concerning the transactions to purchase treasury shares, in compliance with the applicable information obligations;*

- *the purchase price of each share shall not be less than or greater than 15% compared to the weighted average of the official stock exchange prices of shares registered by Borsa Italiana S.p.A. in the three sessions prior to each individual transaction;;*
- *the purchases of treasury shares shall be executed by using the distributable net income and unrestricted reserves disclosed in the last regularly approved financial statements at the date the transaction is executed, by establishing a treasury shares reserve, and however, proceeding to perform the required accounting entries in accordance with the methods and limits prescribed by law;*

in any event, the foregoing shall be in accordance with and shall comply with any other applicable provisions of law and the pro-tempore regulatory provisions which govern the subject;

b) to authorise, in full or in part, without time limits, the disposal of the treasury shares purchased, both directly and through intermediaries, in accordance with the resolution set out at sub-indent a), even before having exercised in full the authorisation to purchase treasury shares, by providing that:

- *the disposal may be executed in accordance with the purposes and using any of the procedures permitted by law, including use of treasury shares to service share incentive plans, and in accordance with every other applicable law and regulation, including national and European Union legislative and regulatory provisions, with reference to market abuse;*
- *adequate information shall be provided with reference to the transactions to dispose of treasury shares, in compliance with the applicable information obligations;*
- *the treasury shares may be transferred in one or more sessions and at any time, also based on a public offer, an offer to shareholders, on the market or in the framework of possible extraordinary transactions. The shares may also be transferred by being combined with bonds or warrants to exercise the foregoing, and however, in accordance with the procedures permitted by the applicable provision of law or regulatory provision, at the Board of Directors' discretion;*
- *the disposals of treasury shares may be executed at the price, or however, in accordance with the conditions and the criteria determined by the Board of Directors, having regard to the execution procedures adopted, to the trend of 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 applicable provisions of law and the regulatory provisions, at the Board of Directors' discretion;*
- c) *to execute every accounting entry necessary or appropriate, in relation to the transactions concerning treasury shares, in accordance with Article 2357-ter, paragraph 3 of the Italian Civil Code, in compliance with the current provisions of law and the applicable accounting standards;*
- d) *to grant the Board of Directors – and the Chairman and/or Chief Executive Officer on its behalf – all and full powers as necessary to execute purchases and disposals of treasury shares, including by means of transactions executed one after the other and, regardless, to implement the aforementioned resolutions, including by means of attorneys, by complying with might be requested by the competent authorities.”*

The majority of the Shareholders' Meeting approved the resolution.

3,574,810 shares voted against.

956,501 shares abstained.

1,591,876 non-voting shares.

The remaining 309,732,488 shares present at the meeting voted in favour.

All of these results are illustrated in the enclosed details.

The Chairman proclaimed the result by acknowledging that the proposal by the Board of Directors for authorisation to purchase and the procedures for disposal of treasury shares had been approved.

Having completed discussion of the agenda, the Chairman announced that the shareholders' meeting was terminated at 3:00 p.m.

The Secretary

The Chairman

Attached documents:

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