

**Purchase and disposal of treasury shares.  
Resolutions pertaining thereto and resulting therefrom.**

Dear Shareholders,

We submit to your approval the request for authorisation to purchase and dispose of treasury shares - in accordance with Article 2357 and Article 2357-ter of the Italian Civil Code, Article 132 of the category capital and Article 144-bis of the Issuers' Regulations adopted by Consob with resolution No. 11971 dated May 14, 1999, as subsequently amended (hereafter, the "**Issuers Regulations**") - in view of the motivations, in accordance with the procedures and the terms illustrated below.

**1. MOTIVATIONS FOR WHICH AUTHORISATION IS REQUESTED**

The assumptions underlying the request and the principal objectives which the Board of Directors of Pirelli & C. S.p.A. (hereafter, referred to as "**Pirelli**" or the "**Company**") intends to pursue with the transactions for which the authorisation is to be granted are as follows:

- to purchase treasury shares as a medium and long-term investment ;
- to intervene directly or through intermediaries, in compliance with the applicable provisions, in order to limit anomalous movements in the listings and to regulate the trend of negotiations and prices, in relation to transitory distortions associated with excess volatility or insufficient liquidity of exchanges;
- to provide a treasury shares portfolio available in the context of possible extraordinary financial transactions or for other uses deemed to be of financial, operational and/or strategic interest for the Company;
- to offer shareholders a further tool to monetise their investment.

You are hereby informed that with particular reference to the request for authorisation to purchase treasury shares, this request is not currently directed at transactions to reduce the share capital by cancelling the treasury shares purchased.

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

The proposal is to authorise the Board of Directors to purchase both the Company's ordinary shares and savings shares (entirely unrestricted), in one or more sessions, in a

quantity to be freely established by the Board of Directors up to maximum number of shares (treasury shares) that does not exceed 10% of the share capital, also considering the treasury shares owned both directly and the shares which may be owned by its subsidiaries.

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

You are hereby informed that the Company will make the appropriate accounting entries at the time the transactions to purchase, dispose of, exchange and confer treasury shares are executed, in compliance with the legal provisions and the applicable accounting standards. In the event of disposal, exchange, conferral or impairment, further purchase transactions may be executed up to the expiry of the deadline set out in the shareholders' meeting authorisation, without prejudice to the quantity limits established by law, also in relation to the number of treasury shares which, from time to time, can be held by the Company or by its subsidiaries, as well as the terms and conditions established by the Shareholders' Meeting.

### **3. USEFUL INFORMATION FOR THE PURPOSES OF ASSESSING COMPLIANCE WITH ARTICLE 2357, PARAGRAPH 3 OF THE ITALIAN CIVIL CODE.**

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

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 capital and corresponding to 0.084% of the entire share capital, whereas no Pirelli & C. shares are held by its subsidiaries.

It is important to note that the following unrestricted and freely distributable reserves:

- Net income reserve carried forward                      euro 154 million;
- Reserve for concentrations    euro 12 million

are entered in the Company's draft financial statements referred to the financial year closed as at December 31, 2012 - duly approved by the Board of Directors in the Meeting held on March 11, 2013 and submitted to the approval of today's Shareholders' Meeting,

also called to resolve this proposal for authorisation to purchase and to dispose of treasury shares.

For the sake of completeness it is confirmed that the Legal Reserve amounting to euro 118 million and the IAS Reserve management have been entered.

#### **4. DURATION OF AUTHORISATION**

The Board of Directors proposes that the authorisation to purchase treasury shares is granted for a period of 18 months from the date the Shareholders' Meeting will adopt the corresponding resolution. The Board may proceed with the authorised transactions in one or more sessions and at any time.

The foregoing time limit of 18 months does not apply to possible transactions to dispose of treasury shares which may be purchased by virtue of the Shareholders' Meeting authorisation.

#### **5. MINIMUM AND MAXIMUM AMOUNT PAYABLE**

The share purchase price will be identified from time to time, having regard to the procedure selected to execute the transaction and in compliance with possible regulatory provisions or permitted market practice, but, in any event, shall not be less than or greater than 15% compared to the weighted average of the official Stock Exchange prices for shares registered by Borsa Italiana S.p.A. in the three sessions prior to each individual transaction.

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

#### **6. PROCEDURES TO EXECUTE THE TRANSACTIONS**

In consideration of the different purposes which may be pursued when executing transactions involving treasury shares, the Board of Directors proposes that the authorisation is granted to execute purchases of treasury shares in accordance with any of the procedures permitted by current legislation, to be identified, from time to time, at the discretion of the Board concerned, and therefore, currently:

- by means of a public offer of purchase or exchange;

- with purchases executed on regulated markets, in compliance with the operating procedures established by Borsa Italiana S.p.A. and having the characteristics set out under Article 144-*bis* of the Issuers Regulations;
- by purchasing and selling derivative instruments negotiated on regulated markets which envisage the physical delivery of the underlying shares and at the terms and conditions established by Borsa Italiana S.p.A.;
- by the proportional allocation of sale options to shareholders to be exercised within the duration deadline of the authorisation set out in paragraph 4, above.

As regards the disposal transactions, the Board of Directors proposes that the authorisation permits the adoption of any procedure found to be appropriate to achieve the purposes pursued – including the use of treasury shares to service share incentive plans – to be executed both directly and through intermediaries, in compliance with the applicable national and European Union legislative and regulatory provisions which govern the subject.

The transactions to purchase and dispose of treasury shares for which the authorisation is requested will be executed in compliance with the applicable legislation and, in particular, in compliance with the national and European Union legislative and regulatory provisions, also with reference to market abuse.

Adequate information will be provided concerning the purchase and disposal of treasury shares, in compliance with the applicable information obligations.

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

As stated previously, the purchase of treasury shares is not directed at transactions to reduce the share capital by cancelling the treasury shares purchased.

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Accordingly, in consideration of the foregoing, we deem it useful to propose to proceed to issue an authorisation in this regard.

Therefore, we invite you to approve the following

RESOLUTION

“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 No. 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 as at December 31, 2012;
- having ascertained the opportunity of granting 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 at any rate 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 and Article 144-*bis* of the Issuers Regulations 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;

- 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 in point a), even before having exercised in full the authorisation to purchase treasury shares, establishing that:
- the disposal may be executed in accordance with the purposes and using any of the procedures permitted by law, including use of 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 confer on the Board of Directors – and on the Chairman and Managing Director on behalf of the Board – the fullest powers necessary to execute the transactions to purchase and dispose of the treasury shares, also by means of subsequent transactions, and however, to implement the above-mentioned resolutions, also through attorneys, and to comply with the requests which may be made by the competent authorities.”

The Board of Directors

Milan, March 11, 2013