



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

Minutes of the Ordinary and Extraordinary General  
Meeting of Shareholders held on 13th May, 2013

**PIRELLI & C. SOCIETÀ PER AZIONI**  
**ORDINARY SHAREHOLDERS' MEETING ON MAY 13, 2013**

The Ordinary and Extraordinary Shareholders' Meeting of **PIRELLI & C. S.p.A.** (hereinafter, the “**Company**” or “**Pirelli**”) began at 10:30 a.m. on May 13, 2013 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**

**Ordinary Part**

- 1. Financial Statements as of 31st December, 2012. Inherent and consequent resolutions.*
- 2. Appointment of three members of the Board of Directors and/or reduction of the number of members of the Board of Directors.*
- 3. Remuneration policy: consultation.*
- 4. Purchase and disposal of treasury shares. Inherent and consequent resolutions.*

**Extraordinary Part**

omitted

- 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. in April 3, 2013; the call of meeting was also announced to the market through publication of a specific press release on the same day. The notice of call was also published in the newspapers “Il Sole 24 Ore” and “MF” on April 4, 2013;

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

- in regard to confirmation of the quorums:
- 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 10:33 a.m., a total of 699 shareholders were entitled to vote in person or by proxy at the Shareholders' Meeting for **327,980,535** ordinary shares. Therefore, the meeting participants hold a total of **68.941104%** of the ordinary shares.

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

The Chairman then proceeded to announce and acknowledge as follows:

- the documentation regarding the various items on the agenda was published as provided by law and regulation. In particular, on April 3, 2013, the following documents were made available to the public:
- 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*, subsection 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.

In addition to being filed at the Company head office, these documents have been published on the website of the Company and of Borsa Italiana S.p.A. at the previously indicated date 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; this folder contains documentation submitted by the shareholder Camfin S.p.A. on April 24, 2013

concerning item 2 on the agenda of the ordinary part of the Shareholders' Meeting. As shareholder and member of the Pirelli & C. Shareholders' Agreement, Camfin proposes that the Shareholders' Meeting confirm Carlo Salvatori as Director of the Company and appoint Jean Paul Fitoussi and Luca Rovati as new directors. The Company published this proposal in a press release on April 24, 2013.

- the annual reports of the subsidiaries and financial highlights of associated companies were also filed at the Company head office on April 24, 2013;

- 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 individuals and entities own voting shares totalling more than 2% of the ordinary share capital:

		<b>Number of shares</b>	<b>% of ordinary share capital</b>
1	<p><b>MARCO TRONCHETTI PROVERA</b> who directly owns 1,251 shares (0%) and indirectly through</p> <ul style="list-style-type: none"> <li>. Camfin SpA - 96,669,168 shares (20.32%)</li> <li>. Cam Partecipazioni SpA - 110,673 shares (0.02%)</li> <li>. Cam 2012 SpA - 27,831,232 shares (5.85%)</li> </ul>	<b>124,612,324</b>	<b>26.19</b>
2	<p><b>ASSICURAZIONI GENERALI S.p.A.</b> which directly owns 8,233,700 shares (1.73%) and indirectly through:</p> <ul style="list-style-type: none"> <li>. Ina Assitalia SpA - 9,540,840 shares (2.00%)</li> <li>. Generali Vie S.A - 5,218,181</li> </ul>	<b>23,595,142</b>	<b>4.96</b>

	shares (1.10%) . Alleanza Toro SpA - 600,077 shares (0.12%) . Genertel Life SpA - 2,344 shares (0%)		
3	<b>EDIZIONE S.r.l.</b>	<b>22,705,157</b>	<b>4.77</b>
4	<b>MEDIOBANCA S.p.A.</b>	<b>21,922,205</b>	<b>4.61</b>
5	<b>ALLIANZ SE</b> all through Allianz SpA	<b>21,390,129</b>	<b>4.50</b>
6	<b>FINSOE S.p.A.</b> of which indirectly through - FONDIARIA – S.A.I. SpA - 21,188,443 shares (4.45%) - Milano Assicurazioni SpA - 120,545 shares (0.03%) - Popolare Vita SpA - 13,575 shares (0%)	<b>21,322,563</b>	<b>4.48</b>
7	<b>RUANE CUNNIF &amp; GOLDFARB INC.</b>	<b>11,206,661</b>	<b>2.36</b>

- 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 shareholders agreements envisaged in Article 122 of Legislative Decree 58/1998, a Pirelli & C. S.p.A. Shareholders' Agreement is currently in force. The following shareholders subscribe to the Shareholders' Agreement (an excerpt of which is indicated from page 106 to page 108 of Volume O of the document file distributed to meeting participants), with the number of shares contributed and the related percentage of outstanding ordinary share capital being indicated for each one of them:

	<b>Number of shares contributed</b>	<b>% of total outstanding ordinary share capital</b>
CAMFIN S.p.A.	96,669,168	20.32
MEDIOBANCA S.p.A.	21,922,205	4.61
EDIZIONE S.r.l.	21,921,364	4.61
FONDIARIA - SAI S.p.A.	21,032,307	4.42
ALLIANZ S.p.A.	20,977,270	4.41
ASSICURAZIONI GENERALI S.p.A. (of which 5,218,181 shares through Generali Vie S.A. and 7,525,388 shares through Ina Assitalia S.p.A. )	20,977,269	4.41
INTESA SANPAOLO S.p.A.	7,683,568	1.62
SINPAR S.p.A.	3,015,320	0.63
Massimo MORATTI (all through CMC S.p.A., of which 1,838,459 shares registered on a fiduciary basis in the name of Cordusio Società Fiduciaria per azioni)	2,343,392	0.49
Total	216,541,863	45.52

- in addition to the Chairman, the following persons attended the meeting:  
-- the Directors: Alberto Pirelli, Carlo Acutis, Anna Maria Artoni, Franco Bruni, Luigi Campiglio, Pietro Guindani, Giulia Maria Ligresti, Elisabetta Magistretti, Luigi Roth,

Carlo Secchi, Carlo Salvatori, and Manuela Soffientini, with the other Directors having excused absences;

-- all Statutory Auditors;

-- representatives of the independent auditor, the media, financial experts and analysts, and the shareholders' meeting staff;

-- the Common Representative of Savings Shareholders, Prof. Giuseppe Niccolini.

The Chairman:

- reported that, as announced on Friday, May 10, 2013, Mr. Vittorio Malacalza had resigned as Deputy Chairman and Director of the Company.

Continuing, the Chairman:

- announced that Servizio Titoli 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;

- he also noted that the current versions of the Shareholders' Meeting Regulation and Company Bylaws were available at the entrance to the meeting hall;

- he announced that, pursuant to Article 127-ter of Legislative Decree 58/98, the shareholder D&C Governance S.r.l. had sent a series of questions to the Company before today's Shareholders' Meeting, and specifically on May 10, 2013.

A specific file containing responses by the Company to its questions has been distributed to all participants of today's meeting at the entrance to the meeting hall, compliance with Article 127-ter, last subsection, of Legislative Decree 58/98.

A document in the same format containing the answers by the Company has also been handed out at the entrance to the meeting hall in response to questions submitted by the shareholder Paolo Cirino Pomicino in relation to the shareholders' meeting today. Therefore, he will not read both of the cited documents, which are appended to these minutes;

- 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 also 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; 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 headsets were available at the entrance to the meeting hall)
- he pointed out that 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;
- on the other hand, he pointed out that audio and video recordings of the meeting proceedings by participants were prohibited;
- he informed the meeting that, in view of facilitating the proceedings, the Company uses a specific information system for recording the presence of participants at the Shareholders' Meeting and during voting.

Before proceeding to discussion of the matters on the agenda, the Chairman briefly illustrated the voting procedures, which had not changed since the last Shareholders' Meetings. For this purpose, he showed a slide illustrating the operating instructions for the "radiovoter," a special electronic device given to the meeting participants, and explained how to use this device. His only caveats were that a special "assisted voting" station had been set up for the proxies who wished to cast different votes for all the shares they represented, and that he would give precise instructions afterwards on the voting procedures for the Statutory Auditor slates, which were slightly different from before. Should anyone have any questions on how to vote, the meeting staff was prepared to assist them as necessary.

Finally, 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. He pointed out that the radiovoters would also be used to reveal 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.



Proceeding to the items on the agenda, the Chairman pointed out that 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.

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Then, the Chairman turned to the **first item on the agenda**, entitled: “*Financial Statements as of 31st December, 2012. Inherent and consequent resolutions*” and gave a brief presentation on Company stock performance and its share ownership.

The Chairman observed that in industrial terms – from 2009 on – the Company's focus on the tyre business has been aimed at privileging capital expenditure in those business segments more heavily reliant on high technology. This strategy has generated major results through implementation over two phases. In the period 2009-2012, the firm increased its net sales of tyres from a little less than euro 4 billion to over euro 6 billion in 2012. At the same time, EBIT rose from about euro 250 million to about euro 780 million. This means that its operating income has tripled. This was the result of a series of major developments as measured in geographical and other terms. The share of net sales represented by Europe in the 2012 annual financial statements fell from over 40% to about 38% and to about 33% in 1Q 2013. This reflects a fundamental structural change tied to the capital expenditure made (and which continues to be made) both in Asia and in Latin America, the United States, Romania, and Russia, with the closure of two important plants in Spain and Italy, which were dedicated to the standard segment. One of these was converted into a logistic centre, and the other (Settimo Torinese) into an extremely high technology factory, the most advanced in the Group. The strategy of focusing on the premium segment and sustained growth in profitability drove the Company to perform better than its sector peers on the stock market in 2011 and 2012. The Company's market capitalization has risen from over euro 2 billion to over euro 4 billion, with the value of its stock rising by about euro 1 billion in 2011 and another euro 1 billion or so in 2012. This market performance has also driven a structural change in the ownership structure, with just over 30% of outstanding stock owned by foreign institutional investors at December 31, 2009. Now that same class of investors accounts owns 71% of outstanding Company stock. The "retail" class of investors, who owned 43% of outstanding stock in 2009, now owns only 25%. Italian institutional investors, who

previously owned 3% of outstanding stock now own 4%. The overwhelming majority of foreign institutional investors are "long investors," who are investing in what the Group is doing and proposes to do, even after publication of the results for the first quarter of the year. The first quarter of 2013 shows that Pirelli is still growing, and that it is the only one of the big players in its sector that managed to grow, by focusing on the premium tyre segment.

"Premium" means technology, and we are focusing on this with extremely satisfying results. In the automotive original equipment segment, the Group has 50% market share in the "prestige" segment (in which the most prestigious brands compete). This means that the Pirelli research and development teams are able to supply the cars that need more technology than any other category in the world. Approval as original equipment in the premium sector has led the Company to claim 20% market share. This accomplishment has been tellingly confirmed by the fact that the Chinese factory has been approved by all major European and non-European car makers, which have opened new car factories in what will be the biggest market in the world over the next few years.

The focus on technology and high-end products is a card that will let the Company win the challenge in these years, including Europe. By using factories that rely more and more on technology, employment levels can be maintained in Europe by exporting advanced technologies. The decision to delay presentation of the new multi-year plan for several months was taken precisely in order to observe and better understand what is actually going on in Europe. The Chairman continued by saying that the focus on technology is supported by a young and highly motivated management team (the first line of managers are less than 50 years old on average). This strategy comes with a strong commitment to be increasingly competitive and continue growing.

In regard to the significant events to be remarked after approval of the draft annual report by the Board of Directors, on March 11, 2013, he observed that the Board of Directors had met on May 7, 2013 and approved the interim management report at March 31, 2013. The press release that was formally sent to Consob, Borsa Italiana and media agencies pursuant to applicable laws and regulations, of which the Chairman cited several salient details, had been previously distributed to the meeting participants.

He observed that in order to give greater visibility to the medium-long term reference scenario and because the macroeconomic and business context in which Pirelli operates is constantly subject to significant change, with recent intensification of this process, it was decided on April 5, 2013 to postpone presentation of the 2013-2017 business plan,

originally scheduled for May 2013, until November 2013.

He then remarked that after the end of the first quarter, on April 15, 2013 a Memorandum of Understanding was signed by Pirelli and Rosneft for the first Pirelli premium flagship store in Russia. It will be located inside the new Rosneft service station in Sochi, on the Black Sea coast in the region of Krasnodar. The agreement represents a new, important step towards development of the strategic commercial and marketing collaboration agreement initialled by the two partners on December 20, 2012.

In regard to the Program set up to carry out the complex process of relaunching the Prelios Group, in which Pirelli & C. has agreed to participate as lender together with the Lending Banks of Prelios and the other parties involved, as reported to the market on March 27, 2013 and in relation to which Pirelli & C. published the mandatory Information Document on April 3, 2013, the Chairman announced that, as stipulated in the preliminary agreements, the parties have signed the final agreements to restructure to the financial debt and subscribe to the capital increase that was approved by resolution of the Prelios shareholders' meeting on May 8, 2013.

The participation by Pirelli & C. in the Program was unanimously approved by the Board of Directors on February 28, 2013, after the Related-Party Transactions Committee issued its opinion in full compliance with the guarantees and procedures established by law and the Consob Related-Party Transactions Regulation.

On Thursday, May 9, 2013, Pirelli & C. received a request from Consob to publish clarifications regarding this Program pursuant to Article 114(5) of Legislative Decree 58/1998.

In particular, Consob asked that certain information and news be read out at the Shareholders' Meeting today, and also asked the Related-Party Transactions Committee to publish and provide this Shareholders' Meeting with an amendment to the Information Document published by Pirelli & C. on April 3, 2013.

Both the amendment to the Information Document, as requested by Consob, together with the opinion issued by the legal expert on the "possible interpretations of the

nature of the credit claim by Pirelli & C. on Prelios" have been distributed at the entrance to the meeting hall, along with a copy of the Information Document previously published on April 3, 2013.

Taking turns with the Secretary, he then read the foregoing as reported in the Minutes of the Shareholders' Meeting and in the press release that will be issued at the end of the Shareholders' Meeting.

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#### Information requested by Consob

Consob requests: **a description of any appraisals carried out on the amount of the real estate assets of Prelios, considering that repayment of the convertendo bond exchangeable for Prelios Shares (the "Convertendo") that will be issued as part of the overall program to recapitalise Prelios, rebalance its financial structure and relaunch its business activities depends on the disposal value of those very assets.**

In this regard, it is observed that:

The appraisals of the real estate assets of Prelios were carried out during the financial due diligence activities conducted on Prelios. In particular, the balance sheets at June 30 and at September 30, 2012 were examined, as well as the detailed information on the investee companies and real estate investment trusts provided by Prelios in the dataroom, inclusive of the carrying value and an estimate of the market value of the assets. It should be recalled that the balance sheets of Prelios at June 30 and at September 30, 2012 examined by Pirelli & C. were subjected to limited audits.

Moreover, the real estate assets are included in the Prelios Strategic Plan, which represents one of the cornerstones of the program in question, with specific measurement of the disposal value of these assets.

The estimate of disposals envisaged in the Prelios Strategic Plan reflects the major uncertainty prevailing on the real estate market and a forecast that recovery will begin only in 2014, the period when the principal disposals will begin. These appraisals were also certified on March 28, 2013 by the independent expert pursuant to Article 67(3)(d) of the Italian Bankruptcy Law. In particular, the independent expert certified that the corporate figures were true and that the Prelios Strategic Plan was feasible

and adequate in view of reducing the debt exposure and rebalancing the financial position of Prelios.

Pursuant to the agreements made by the parties to the Program, its execution was always conditioned on issuance of that certification by the independent expert.

Consob requests: **indication of the appraisal methods used to recognise the euro 173 million receivable from Prelios in the annual consolidated financial statements of Pirelli & C. S.p.A. at December 31, 2012, given that the program calls for conversion of the financial receivable partly into Prelios shares and partly into the convertendo bond, which will accrue an interest rate of 1% capitalised at the maturity date.**

In this regard, it is observed that:

As reported on pages 170, 178 and 208 of the consolidated financial statements and on pages 273 and 285 of the statutory financial statements at December 31, 2012, the recognised value of the financial receivable from Prelios, measured in the amount of euro 173 million, considers the assumptions underlying the capital transaction, which is now being executed, aimed at relaunching the business development prospects and financial restructuring of the corporate group headed by Prelios S.p.A., as well as rebalancing of its overall financial position. The program calls for converting a portion of the financial receivable into equity and another portion into equity instruments (the *convertendo* or debt for equity instruments), with a cash option exercisable by Prelios.

The value recognised on the basis of these assumptions does not indicate the need to impair the receivable at the reporting date, with its principal assumption being that the transaction will be ultimately carried out.

In particular, the portion of the receivable that will be converted into Prelios Shares upon completion of the capital increase approvals process will result in the Prelios shares being recognised at their fair value. That fair value will correspond to the closing stock market price on the day that the capital increase is completed or on the day after the capital increase, but after the shareholding dilution effects have occurred. Any difference between the book value of the receivable and the value of Prelios shares measured at fair value will be recognised in the income statement.

When the value of the receivable was recognised in the financial statements at December 31, 2012, it was estimated that at the time of conversion, the Prelios stock

market price would substantially reflect the price for subscription of the capital increase, and thus would not have a material impact on the income statement.

In regard to the portion of the receivable to be replaced by the *Convertendo*, it must be noted that the *Convertendo* is a financial instrument covered by the rules set out in IAS 39 (Financial Instruments: Recognition and Measurement) and that since it does give rise to “fixed or measurable payments,” it cannot be qualified as a “receivable,” but rather as a capital instrument.

In particular, it will be designated as a "financial asset at fair value through profit or loss."

The *Convertendo* envisages that the receivable be “converted” into Prelios shares at a price equal to the greater of the capital increase subscription price (post-reverse stock split euro 0.5953) and their market price (if the Prelios shares are listed on that date, corresponding to the weighted average of the official stock market prices of ordinary Prelios shares in the month before the conversion date).

Therefore:

- if the market price is greater or equal to the subscription price of the capital increase, there will be no impact on the income statement;
- if, instead, the market price will be less than the subscription price of the capital increase, a loss will be generated in the income statement equal to the difference between the two prices.

In the value recognised at December 31, 2012 for the portion of the receivable reserved for the *Convertendo*, no impairment losses were recognised insofar as at the date on which the financial statements were approved by the Board of Directors and on the date of this Shareholders' Meeting, it is estimated that on the basis of the market prices of Prelios stock, its market price at the exchange date will not be less than the subscription price of the capital increase, which has already been determined as indicated above.

Finally, it must be noted that the 1% interest that will accrue on the *Convertendo* will be capitalised until maturity. This interest may be settled with Prelios shares, as in the case of the capital, at the maturity date. Therefore, the greater number of Prelios shares that will be received in consequence of the interest will be included in the fair value measurement of the aforementioned capital instrument. This component will contribute to the change in fair value of the instrument.

The balancing entry will be recognised in the income statement for each year following recognition.

Consob requests: **description of the measured values to reflect the alternative scenarios for the recoverability of the receivable from Prelios both in regard to the possibility of not restructuring the financial debt of Prelios and the possibility of a bankruptcy proceeding;**

The analysis of the estimated amounts that could be recovered for the Pirelli & C. receivable from Prelios in scenarios alternative to execution of the Program shows that execution of the Program and its acceptance by Pirelli & C. are essential for Pirelli & C. being able to maximise the value of that receivable.

Since the Lending Banks would not have executed the Program without the participation of Pirelli & C. as a major financial creditor of Prelios and that the Program is the result of negotiations with Prelios, the Lending Banks and Feidos undertaken beginning in July 2012, following a call for competing bids issued by Prelios in its search for a business partner, it must be pointed out that if the financial debt of Prelios had not be restructured (inclusive of the receivable claimed by Pirelli & C.) at sustainable levels, as envisaged in the Program, there would not have been any concrete possibility to pursue any other capital transaction for the same purpose of rebalancing the financial position of Prelios.

That said, Prelios would have immediately ceased to be a going concern, with inevitable consequences in terms of triggering a bankruptcy proceeding, as has been repeatedly affirmed by Prelios itself in its corporate disclosure documents and, finally, in the directors' report on approval of the draft financial statements at December 31, 2012 and the Interim Management Statement at March 31, 2013.

It is clear that in a hypothetical bankruptcy proceeding the expectations of recovering the receivable would have been gravely prejudiced both in terms of the time involved and the percentage of recovery.

Moreover, detailed analyses of the origin and evolution of the Pirelli & C. receivable (which will be provided to the public according to the same terms and conditions as the Information Document for Related-Party Transactions of April 3, 2013), have highlighted a material risk that the financial risk now claimed by Pirelli & C. from Prelios might be considered subject to treatment as

legal subordination pursuant to Articles 2467 and 2497-*quinquies* Italian Civil Code, insofar as they derive, through various acts of renewal and amendment, from a loan granted before demerger of the real estate business from the tyre business (concluded in October 2010), when Pirelli & C. was still the controlling shareholder and responsible for management and coordination of Pirelli & C Real Estate (now Prelios). It is clear that in the case of legal subordination, all hopes of recovering the receivable of Pirelli & C. in a hypothetical bankruptcy of Prelios would be substantially compromised.

Finally, Consob requests: **a description of the reviews conducted in regard to the existence of an interest of the Company and all shareholders in the aforementioned Program, while also considering that the latter envisages the disbursement of euro 25.3 million in "new cash".**

The Board of Directors of Pirelli & C. has found that the Company and all the shareholders are interested in the Transaction on the premise that, on the one hand, it represents a necessary condition for assuring that Prelios remain a going concern, in the absence of which there would have been the premises for initiating a bankruptcy proceeding, with obviously negative consequences on the timing and amount of the receivable that could be recovered, and, on the other hand, it offers, if the targets set in the Prelios Strategic Plan are realized, the prospect for full recovery of the Pirelli & C. receivable and the new financial resources contributed as part of the Program consistently with the appraisals made by all the

Lending Banks of Prelios.

In particular, for the purpose of reaching its own findings, the Board of Directors of Pirelli & C.:

- considering the possibility of recovering the original receivable in bankruptcy proceedings, even given the previously illustrated risk of legal subordination, has decided that in this scenario, the prospects of recoverability would be seriously compromised;
- has ascertained the possibility of full recovery of the original receivable and the new resources contributed as part of the Program if the targets set in the 2013-2016 Strategic Plan drafted by Prelios management and certified by an



independent expert pursuant to Article 67(3)(d) Bankruptcy Law were achieved;

In regard to the contribution of new financial resources, note that this contribution:

- is an essential premise for realisation of the Program;
- is made both by Pirelli & C. and the other two principal financial creditors of Prelios, in proportion to their respective credit claims on Prelios;
- represents 0.33% of the consolidated assets of the Pirelli & C. Group at December 31, 2012.
- Finally, note that the aims and procedures for carrying out the overall Program, including the aforementioned contribution of new financial resources, does not prejudice or conflict with the strategic goals of the Pirelli & C. Group, which are aimed at achieving global leadership in the premium tyre segment.

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Prof. Secchi, Chairman of the Related-Party Transactions Committee spoke up to clarify that the Related-Party Transactions Committee has constantly monitored the negotiations related to the Prelios Program.

One figure may help the audience to understand what he meant: the Committee has met 12 times over about six months.

During these meetings, the Committee constantly monitored the evolution of the Program, requesting clarifications and making observations to the persons responsible for analysing the Program itself and leading the negotiations.

As previously mentioned by the Chairman, Prof. Secchi noted that the Committee has also retained one of the world's top investment banks with experience in restructuring/refinancing operations, to provide it with support in making its own assessment of the potential impact of restructuring the financial debt of Prelios on the credit claim of Pirelli on Prelios, and has met with one of the most important lawyers in Italy to discuss the legal classification of the Pirelli receivable in order to assess its impact. The Committee also agreed with management that the Pirelli strategy of focusing on its own core business is not modified by execution of the program whose purpose is to maximize the value of its outstanding credit claim on Prelios, which arose when the real estate business was spun off from the

Pirelli Group. That strategy has been widely approved by the market, as can be confirmed by the sharp increase in the value of Pirelli stock, which has risen by about 100% from the time the spin-off was announced until now.

He concluded by reiterating, as previously mentioned by the Chairman, that the Committee promptly met to examine the requests made by Consob and to approve the amendments to the Information Document published on April 3, 2013 and published before the beginning of the Shareholders' Meeting complete with the legal expert's opinion on the "possible interpretations of the nature of the credit claim of Pirelli & C. on Prelios."

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Before opening discussion on the first item on the agenda, the Chairman:

- announced that the fee charged by the accounting firm Reconta Ernst & Young S.p.A.

- totalled euro 64,350, for a total of 1,073 hours, to audit the Annual Financial Report 2012 of Pirelli & C. S.p.A.;
- totalled euro 123,350, for a total of 1,493 hours, to audit the Consolidated Financial Statements 2012 of the Pirelli & C. Group;
- totalled euro 64,060, for a total of 642 hours, for the limited audit of the Half-Yearly Financial Report at June 30, 2012 of the Pirelli & C. Group;

- stated that, as reported last year, these fees are in addition to the fee of euro 16,000 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 2012, 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 observed that once again this year, the Company had decided to give the annual report a distinctively innovative format, by engaging the participation of young university students in the project. He hoped that readers would appreciate the fact that it was called "Imagining the Future with... You". This is the compendium of new values for the future of Pirelli, provided by university students who

participated with contributions made via Facebook and the Pirelli corporate website, and some of which have been published in the annual report. After the Shareholders' Meeting

the corporate applications of Pirelli & C. for tablets and smartphones will also be available.

The Chairman then opened up discussion on the first point of the agenda, 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 observed that the premium segment, which has been generously contributing to the profits of certain car makers and component manufacturers, is also boosting the bottom line at Pirelli. This segment now generates about euro 2 billion in net sales, or 47% of consumer business revenue. So, it appears that these highly profitable products have made it possible fully to absorb the contraction in volumes, especially on the European market.

As for the results, he pointed out that the Group closed 2012 with net profit up 27% from the previous year, while also boosting net sales to about euro 6 billion, which were driven by the growing importance of sales in the high-end segment. So, it does not appear that Pirelli needs to tap the short-term debt market, because it has a health cash cushion of about euro 1.5 billion and this liquidity covers Company obligations through the end of 2015. The Company has decided not to award any bonus to its managers this year because it did not reach the qualifying threshold, in spite of extremely positive results. Pirelli continues to develop its business in Russia, where it has opened premium tyre production lines with an investment of euro 100 million, as reported to the market. He requested confirmation that Russia is a strategic market, where Pirelli offers expertise, technology and collaboration to Russian authorities. He asked what they are offering in exchange, what are the forecasts for growth and development in that country this year, against the backdrop of the severe crisis that is still afflicting Italy. He concluded his remarks by announcing that he would vote to approve the 2012 annual report.

Cini requested that the savings shares be converted into ordinary shares. He believes that the growth of net sales in other countries in consequence of efficiency and consequently lower costs is a warning to those in Italy who pay too much in terms of bureaucracy and taxes.

He asked:

- whether it is true that in Mato Grosso, Brazil, tax exemptions of 90-95% on profits are granted to those who make new investments there;
- for information about the business in Mexico and the target market of products made at the plants in Brazil;
- clarifications on the 41% plunge in net income in the first quarter of 2013, due partly to the impairment of investments and, given the weight that the exchange rates assumed in that quarter, he asked what were the reasons for the negative foreign exchange impact on Pirelli, while the same devaluation boosted profits at Bridgestone;
- what were the reasons for the delay in publishing the business plan, which caused a fall on the Stock Market;
- explanations of the dispute at Camfin, warning how the Olimpia experience warns against overly complex shareholders agreements.

Cini hoped that the Chairman would hang tough in the dispute with Malacalza, not wanting that anyone think (recalling the Telecom damage claims six years later and after the court acquittals) that Pirelli is a sort of “automatic teller machine” at the convenience of anyone.

Cini then continued by requesting clarification on the “bailouts” of RCS and Prelios and, in particular, the capital increases and issuance of a debt-for-equity convertible bond by the latter. He concluded by requesting information about the collaboration with ENI for the cultivation of a new plant and whether good news may be had in terms of net profit and employment for 2013.

Rimbotti requested that his comments be recorded in the minutes (which were submitted in advance to the Company, as customary) and a copy of the minutes. He expressed his appreciation for the approach taken by management and closure of the gap between the consolidated result and the result of Pirelli Tyre. However, he asked for clarifications on the reason why the Company is keeping – given the continuous losses at some companies (RCS) and, plausibly, the insignificant contribution to the consolidated result – of the minority stakes in RCS, Mediobanca, Internazionale Football Club and sponsorship of the latter. In regard to Prelios, he noted that people discuss numerous aspects, but not about the revenue and net profit, which it apparently might not even resume making until 2016; that really seems like too long a time.

Facchetti mentioned his own faithful attendance of the Pirelli Shareholders' Meeting, at which he learned a lot. He paid his compliments to the Pirelli Formula 1 team, which contributes to making competition more interesting, which had often become boring over the last several years. However, he asked whether the episodes of tyre tread loss suffered by several racing car drivers might not harm the image of Pirelli. He asked what the shareholding in Prelios would be after the capital increase and the convertendo.

He observed that the Company's non-controlling shareholdings include Alitalia and Grandi Stazioni, as well as its return to Prelios and, recalling the assumption of concentrating only on Pirelli Tyre, he wondered whether, at least, it were not appropriate to combine all the other equity investments in a special holding company. He criticised the absence of Mr. Pagliaro and hoped that Consob would consider reducing the compensation of directors who miss shareholders' meetings.

Given that the investments in Russia and Mexico are now operational and given the imminent release of a new business plan, he urged that the dividend payout be raised by 40% to 50%.

Cardillo recalled that his participation at the shareholders' meeting dates back to at least a decade ago, when he had the opportunity to suggest the use of websites, which everyone then did.

Although he generally does not like to bring up the past, he could not avoid recalling that he had warned, both personally and in writing, about the risk posed by Pirelli Real Estate, by pointing out the critical situations when the stock price was even performing well. He regretted not having a large enough shareholding pursuant to Article 2374 Italian Civil Code to request postponement of the Shareholders' Meeting, due to the fact that only now, and after asking for it, since he had not found it in the folder given to him, a 45-page long opinion by a famous lawyer, which he thus has not had time to read. Instead, he has read the last lines of the answer given to Cirino Pomicino, where in response to the question on how the ordinary shareholders' meeting of Pirelli could resolve on such a delicate issue (the restructuring of Prelios) in the face of stunning gaps in disclosure, it was said that the shareholders' meeting was not asked to resolve on that deal. He observed that this was not exact, because at least indirectly, the shareholders' meeting is asked to resolve, and if this were not the case, the legal opinion would not have been handed out. That legal opinion could have been put on the internet or mailed to the shareholders. In this regard, he

suggested that the Chairman save money in future on printed material and give the shareholders a CD copy of the annual financial report. Cardillo continued that the question of information is material, because, for example, anyone who disagreed might file a liability lawsuit, which would be hard to do if the facts are announced only at the Shareholders' Meeting. So, it is hard to vote a motion of confidence in the Board of Directors through approval of the annual report if the opinions and documents provided only today have not been read.

Cardillo then observed that, in regard to management, the research and development costs, in contradiction with Pirelli policy, have in fact grown in absolute terms, but fallen in percentage terms (from 3.0% to 2.9%) of net sales. This is no small drop given the importance of technological improvements which in past (e.g. fibre optics) have produced great results.

He asked whether consultant and legal fees are included, as it seems to him and improperly so, in research and development costs.

He commented that the 20% in employee headcount was a positive thing, and that figure would have been even more positive if the figure included Italy, given the disastrous employment situation in Italy.

He asked for additional clarification on the increase in net borrowings and the foreign exchange effect, wondering whether if there were no remedies, such as recourse to derivatives, to hedge currency risk.

He also asked:

- whether Vittorio Malacalza, who recently resigned from the Board of Directors, had filed a claim for damages;
- whether there are any directors under investigation or legal action pending pursuant to Legislative Decree 231/2001.

Mr. Cardillo, referring to the comments in the Directors' Report on Operations concerning the macroeconomic context, dedicated the last part of his comments to an examination of the problem of public debt and its management. This problem is extremely material, also on account of its impact on Company revenue, but which has not yet been adequately resolved, given that the experts and institutions involved have proved incapable of managing it. People in Italy and the European Union need to think of an unconventional use of aggregate public debt. He himself has come up with a possible solution that would make it possible to save about euro 70 billion. He mentioned that he had piqued the interest of various decision makers (Grilli and

Barca), and shortly afterwards Bersani made his proposal for unconventional management of the public debt by floating a new bond for euro 50 billion to pay companies and creditors of the national government. This is a positive approach at a time when citizens are being asked not only to make savings and pay new taxes, but naive and wrong because these impositions further worsen the debt exposure and interest expenses. He hopes that his own solution, which he obviously cannot avoid disclosing, might be accepted in the national interest. His own site "who controls who" contains proposals, answers and materials.

Fabris recalled his own, long-term attendance at the Shareholders' Meeting, where Pirelli has proven (and the current Chairman, in contrast with the Italian norm, respects tradition) to be a company open to small shareholders.

He asked:

- the cost of managing the shareholders' register;
- the costs of the shareholders' meeting;
- the fees paid to the independent auditor for preparing tax returns and the amount of the contribution to Consob that he considers a "bribe" since the body that dictates the rules asks for a percentage on them with which, together with the revenue generated by penalties imposed for even minor violations, the supervisory body uses to cover its own budget;
- the minimum, maximum and average indebtedness of the Group and the Parent Company;
- the costs of the expert opinions for the Prelios operations and the opinion handed out today, expressing satisfaction with the fact that the opinion was made available to the Shareholders;
- information about the tax litigation involving Olimpia and whether the Agenzia delle Entrate has been ordered to pay the legal expenses;
- information about attainment of the production targets in Mexico for 2013;
- what is meant by saying that half of production in Russia has been achieved.

With no one else asking to speak, the Chairman began to answer these questions, while stating that he would organise his answers to the questions raised by the shareholders according to their thematic connections.

The Chairman first gave an explanation of the business activity in Russia, where production has already begun and is expected to cover half of premium segment sales in that country with local production by the end of the year. Manufacturing tyres in

Russia makes it possible to realise lower industrial and logistic costs, without bearing the heavy customs duties that are applied on imports in that country. The aim is to achieve net sales of about euro 300 million by the end of the year, with operating income (EBIT) in the "single digits". A few delays had been encountered but, thanks to the Russian partner and a quality management, they were overcome in spite of the complexity of red tape in that country, while achieving results, including qualitative results, that were truly impressive.

As for the forecasts for 2013, the Chairman recalled that after the quarterly report, he already had reason to confirm confidence that the mix of products and regions where the Company operates is sufficient to offset the slowdown in Europe, which is impacted by the appreciation of the euro. In fact, while the exchange rate had been a fairly neutral element in the past, now has an impact of over 40% on consolidated results. The very fact that Bridgestone prepares its financial statements in yen, with its domestic market growing, has meant that it is not suffering like others.

As for Camfin, the Chairman emphasises that recent events do not concern Pirelli, which remains on its own path, but have piqued the interest of long-term institutional investors. He reiterated that what is significant is that today those very investors account for 70% of the shareholders accounting this meeting, as well as the fact that meetings with investors have risen from about 270-280 about two years ago to about 600 in 2012. The results are evident: the market shareholders of Pirelli, together with its historic shareholders, that have supported its development even in tough years. Still responding to Cini (and to certain questions submitted by others), the Chairman explained as follows:

- the issue of converting the savings shares is as recurrent an issue as it is complex, with which others have struggled in the face of not a few problems. This issue will continue to be monitored notwithstanding the numerous complexities involved;
- Brazilian law actually does provide tax incentives, even if they affect indirect taxes more than they do direct taxes. Tax breaks have been exploited as much as possible for the investment in Bahia, thereby winning a ten-year exemption on a major portion of income;
- in Mexico, Pirelli is on track to meeting its target of making one and a half million tyres in 2013. The factory in Mexico offers a triple advantage: the possibility of directly providing the entire NAFTA market without the long delivery times previously associated with exports from Brazil; cost reduction: logistics, customs and



industrial costs; the possibility of freeing up production capacity in Bahia so as to keep up with growth in the high-end Brazilian market.

Returning to the results (again in response to Cini and others), the Chairman observes that when the first quarter of 2013 is compared with the first quarter of 2012, it must be remembered that that period benefited from the 2011 price increases, with that benefit gradually disappearing. In 2013, it must also be remembered that winter weather negatively impacted sales in Europe and Russia, by moving back the best time to switch to summer tyres. This transition occurred about a month late this year, in mid-April, with growing sales volumes now being reported.

As for the delay in submitting the new plan, the Chairman reiterates how it is correlated with the need to have as reliable a picture as possible of the growth prospects in Europe, construed as the possibility not only for growth of the internal market, but also as productive capacity of high-end products targeting foreign markets. In fact, the aim is to render the production and export of extremely high technology products a structural phenomenon, by targeting primarily the original equipment market which, although it is slightly penalised in terms of price as compared with the replacement market, also permits reaching a pool of customers that need to be won over worldwide. This explains the importance of creating an adequate commercial organisation and conducting a careful market survey. The positioning on high technology product segments and the creation of new product platforms also enables us to maintain our prices by breaking out of the downward spiral resulting from lower raw material prices.

In regard to governance and past complexity (e.g. at the time of Olimpia), the Chairman observes how Pirelli has a clear, linear governance that is also appreciated at the international level, with a Board of Directors composed of highly professional and dedicated individuals. This allows the company to maintain the identity and profile that Pirelli has built up over twenty years and a governance system that has been ranked among the best practices, regardless of the issues that exist between shareholders.

It does seem appropriate or decorous to dwell on the past vicissitudes of Telecom, or on the related judicial investigations in which the court decisions have given clear and detailed answers.

In regard to the equity investments, the Chairman illustrated the reasons why it seemed useful for Pirelli to maintain an historic, but quantitatively insignificant

shareholding in Mediobanca, which represents a precious observation platform overlooking the domestic and international markets targeted by Pirelli, as previously mentioned.

The situation at RCS is common knowledge, and in this case Pirelli believes that its duty as shareholder is to stimulate rapid reorganisation that will allow it to return to profitability in an extremely challenging sector.

As for Prelios, the Chairman explained that Pirelli, if the market failed to subscribe the capital increase, would become shareholder of Prelios in consequence of its subscribing the rights issue for a maximum of euro 26.3 million through conversion of a portion of its receivable from Prelios and for a maximum of euro 2.3 million through subscription and cash payment. Moreover, Pirelli would convert its residual receivable in the convertendo for about euro 147.2 million (again assuming if the market did not subscribe the capital increase). Inter alia, the convertendo calls for mandatory conversion into ordinary shares and class B shares of Prelios at December 31, 2019, although Prelios could redeem the bonds in cash on maturity. The price for conversion of the convertendo into Prelios shares will be the greater of euro 0.5953 (price of the Prelios rights issue after the reverse stock split) and the market value of the Prelios shares at the conversion date.

He also explained (continuing his answer) that after the Prelios capital increase, Pirelli will directly own 17% if the market fails to subscribe to the rights issue (share not subject to lock-up). In the case of complete conversion of the convertendo into ordinary shares, the direct shareholding might rise to about 25%. However, Pirelli will not recover control and influence over the management of Prelios.

The agreement with ENI concerns a plant having particular characteristics that makes a product similar to natural rubber, but which grows faster and tolerates drier soil. The possible development of this crop is thus being monitored with interest.

The Chairman concluded his answers to Cini by confirming that the Company is now on track to meeting the target of 2013 marking an improvement over 2012, which was already an extraordinary year.

In response to Rimbotti, the Chairman, referring to explanations already given on various themes, observed that the book value of the investment in the football club F.C. Internazionale had actually been reduced to zero, while the sponsorship – notwithstanding the lacklustre soccer season – remains interesting according to all available data. The strength of Inter and the utility of the sponsorship are also related

to the social commitment of Inter itself (with the soccer camps that try to get kids off the street) in many countries where Pirelli has a presence. Like the entire industrial world, Pirelli needs a modern social and health system that promotes development.

In regard to Prelios, he confirmed that there is no doubt as to the problems it faces, even if management has announced that it is beginning to see signs of evolution and perhaps prospects for repatriating investments from abroad.

Prelios, with about euro 10 billion of invested assets, still represents an extremely important business and manages to remain competitive with its services in a market that has endured several extremely troubled years.

Moving on to Facchetti's questions, the Chairman answered that research on the technological improvement of Formula 1 tyres continues with extraordinary results. It certainly would be wonderful to have the possibility of testing the product even before the race in view of the collective interest of the various team, the show, and technological development.

As for the non-controlling interests, while the Chairman recalled what he had already said about Mediobanca, RCS and Prelios, he noted that the investment in Alitalia is very small on the balance sheet, and was acquired at a particular time as a signal of concern for investment in Italy. It would certainly be mistaken to rush into divesting that shareholding.

The problems of non-controlling interests result from the problems of the Italian market. So, it seems fairer to work on a constructive solution to come out of this delicate situation. However, 93% of Group activities lie outside Italy and 67% outside Europe.

As for the dividends, Pirelli follows a policy that is consistent with best practices and balanced with respect to the need to protect investments. Of course, great attention is focused on the evolution of cash flow and assessments of investors, who currently consider the dividend policy to be fair.

In response to Cardillo, the Chairman confirmed that there certainly had been the sensation in the real estate sector that something would happen sooner or later. However, the attempt was made to counter this serious situation in order to save the company and jobs.

As for the disclosures made in regard to Prelios, the Chairman repeated that the information document, legal opinion, amendment and all other information were provided to the public and the Shareholders' Meeting as required by Consob and in

absolute transparency. Pirelli and its Chairman are not accustomed to hiding behind claims of not being responsible for matters over which the Shareholders' Meeting has a prerogative.

The equality of the shareholders, transparency and fair governance are constant lines of conduct that have been recognised and trusted on the markets and internationally. This is the approach that will continue to be followed. Personal issues are another matter, not being related to the Company's interest, which really do not concern the Shareholders' Meeting.

In regard to the growth in employee headcount, the Chairman observed that it is certainly related to the geographical expansion of the business. In more general terms, the Chairman said that he was optimistic about employment prospects in Europe, where the focus is on professional expertise and constant in-service training. Pirelli endeavours to have training activities in Italy, focuses on research, training in various countries (from Turkey to Mexico), is convinced that Europe will remain a powerhouse of technological innovation that, as such, obviously requires adequate investments, but may be the keystone for recovering competitiveness.

The Chairman also clarified in response to Cardillo that:

- the consultancy and legal fees incurred to support the patent application process totalled about euro 5 million;
- the cost of investments in high technology is equal to about 7% of premium net sales;
- no measures have been taken pursuant to Legislative Decree 231 against the Company, or persons who in their capacity as directors of Pirelli are subject to investigation; the Chairman's vicissitudes are common knowledge and it would not be decorous to revisit them.

He agreed with Cardillo that the issue of managing the public debt is one of great common interest, but on which he was unable to give any answers at this meeting.

In response to Fabris, the Chairman stated as follows:

- the activities related to the "shareholders office," including the Securities Service are performed by the outsourcer Servizio Titoli S.p.A. with support from the delegated functions of the Company. The fee for these services is determined annually on the basis of the volume of activity and extraordinary transactions that are executed, and also on the basis of whether or not a dividend is paid by the Company. The fee also reflects management by Servizio Titoli of the deposit relationships with shareholders

and employees or former employees of the Company whose shares and bonds are kept in custody by Pirelli;

- as for the activities performed by Servizio Titoli as designated representative, as has also been indicated in the documents delivered to the shareholders for answers provided to D&C Governance, the fee amounts to euro 6,000 including use of the specific IT platform.

More generally, the costs for this Shareholders' Meeting are quite low, even considering publication of the notices of call of meeting and payment of the dividend in newspapers, amounting to about euro 130-150 thousand;

- the fees charged by Reconta for preparation of the tax return are included in the fees related to revision of the financial statements that were announced at the beginning of work;

- the total cost of the opinions prepared for Prelios amounts to about euro 800,000, of which euro 50,000 for the opinion prepared by the law firm Lombardi Molinari e Associati;

- the Consob contribution made in relation to the independent auditor amounts to a percentage of the consideration paid for auditing the annual statutory financial statements and consolidated financial statements; the amount for Pirelli amounts to about euro 18 thousand;

- the maximum indebtedness of more than euro 1.8 billion was reached during the year in September, due to the capital expenditure made during the year (Russia, acquisitions of chains in Sweden and Brazil) and seasonal variations in business. The minimum indebtedness during the year of euro 1.2 billion reflected seasonal variations in business and the net sales receipts on winter tyres

in Europe and Russia. In regard to the parent company, the minimum net indebtedness during the year – and in fact was a positive surplus – was reached in December, when it hit euro 289 million; on the other hand, the maximum peak was reached in March, for a negative euro 160 million. The parent company is nonetheless influenced by the flow of collections and payments of dividends;

the Olimpia tax litigation, which concerns four tax years, entails a cost of about euro 250-300 thousand per year. The amount of this litigation runs to about euro 100 million, and the judgements issued at all levels of jurisdiction have been in favour of Pirelli, on a final basis for two tax years, with the legal costs for these last two years being split between the parties.

In regard to the manufacturing activity in Mexico and Russia, the Chairman referred to the answers already given to the other shareholders.

The following shareholders replied in turn.

Cardillo expressed his thanks for the answers given, but disagrees over the possibility of including legal and patent application costs under research and development expenses, holding that if the result allows patenting, research and development has concluded and the additional expenses must be classified as different items.

Referring to the initial statements made by the Chairman in regard to the Shareholders' Meeting activities, he believes that the ban on making recordings is not envisaged in the Shareholders' Meeting Regulation and is inconsistent with the guise of transparency that the Chairman himself would like to adopt as his own style.

In regard to the relations between shareholders, he believes that they may have an impact on the Company. It is one matter if a shareholder that has held an important position leaves the Company by "slamming the door," but if he claims damages or raises important issues, then the Shareholders' Meeting must be informed.

In response, the Chairman clarified that no claim for damages had been made. If that had been the case, the Shareholders' Meeting would have obviously been informed.

Cardillo continued by observing that in regard to the Chairman's affairs, he is not accustomed to reading many newspapers. The question concerned the involvement of directors in general in legal proceedings, and he had the impression that the Chairman had denied that there were any criminal or other legal actions underway against himself, the key figure at the Company.

Facchetti stated his satisfaction with the Chairman's answers. He asked if any contacts had been made to renew the Formula 1 contract and whether the Chairman was concerned about renewal of the shareholders agreement, given that various members of it appear to be signalling their uncertainty and the decline of the arrangement in general.

The Chairman replied by clarifying that the patenting process is a typical phase of the development that follows research. This fact lies at the basis of the firm opinion of lawyers on the accounting allocation of the related expenses.

In regard to the recording of Shareholders' Meeting proceedings, the Company records them to guarantee transparency and the minutes. What the Company wishes to avoid are unfair uses of the recordings, for example phrases taken out of their overall context.

He confirmed that he is not party to pending legal proceedings in his capacity as Pirelli director. The other, familiar matters are following a long process where nothing has been determined thus far that would have to be published, without adding anything to what has been affirmed in complete tranquillity.

As for Formula 1, the Company is moving in the right direction and hopes to be able quickly to renew a relationship that has given, including in regard to the incentive for persons and research, great satisfaction that will subsequently have an impact on consumer output as well.

In regard to the shareholders agreement, the Chairman recalls how the strategy of focusing on the high end has led to more than 30% of the share capital being owned by long-term institutional investors: American, English, North European and Asian. This base is complemented by another 4% or so of share capital in the hands of Italian investors, as well as the shareholders that have manifested and continue to manifest their confidence in management, and who he thinks will continue to do so until the Company produces results. A team of young managers is being created who can guarantee the future of the firm. The greatest satisfaction for a business owner is to be able to leave the company at a certain point and see it fly.

The members of the shareholders agreement will decide what to do. So far, these shareholders are satisfied with the results achieved by Pirelli and its management. They want to stay the course.

With no one else asking to speak, the Chairman:

- declared that discussion on the first item of the agenda was closed;
- announced that, at 12:59 p.m., the shareholders voting on the resolution in person or by proxy totalled 699 shareholders representing **328,018,937** ordinary shares, equal to **68.949176%** of the total ordinary shares;;
- then put the motion for approval of the annual report and allocation of net income up for vote with the radiovoter at 1:00 p.m., with said motion being set out on pages 132 and 133 of Volume Y of the folder distributed at the entrance to the meeting hall and transcribed as follows:

*“The Shareholders’ Meeting:*

- *having examined the Annual Financial Report at December 31, 2012;*
- *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, 2012, 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 234,415,750;

b) to allocate the 2012 net income of euro 234,415,750 as follows:

- 5% to the legal reserve: euro 11,720,788

- 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: euro 65,951,855;

\* 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 sale of the treasury shares, to draw the amount of the dividend related to those shares

from retained earnings and to allocate to that item the balance

of the rounding that may result from the dividend payment operation.

The dividend for 2012 will be collectible from May 23, 2013, with coupon detachment date on May 20, 2013.

**The majority of the Shareholders' Meeting approved the resolution.**

179,810 shares voted against.

158,488 shares abstained.

The remaining 327,680,639 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, 2012;
- allocation of net income for 2012;

and reminding the shareholders that the dividend for 2012 will be collectible from May 23, 2012, with coupon detachment date on May 20, 2012. Those who were



shareholders at the end of the record date, May 22, 2013 specified by the Company in compliance with the Borsa Italiana calendar may collect the dividends.

\* \* \*

Proceeding to discussion of the **second item on the agenda**, entitled: “*Appointment of three members of the Board of Directors and/or reduction of the number of members of the Board of Directors*”, the Chairman noted that, as previously mentioned, the proposal made by Camfin, in its capacity as shareholder and member of the Pirelli & C. Shareholders Agreement, envisages confirmation of Carlo Salvatori as Director (after previously being co-opted) and the appoint of Jean Paul Fitoussi and Luca Rovati to replace Mario Greco and the late Prof. Paolo Ferro-Luzzi, whose uncommon human and professional qualities he recalled yet again.

The curricula vitae of Jean Paul Fitoussi (who has affirmed that he meets the qualifications of an “independent” director pursuant to, inter alia, the Corporate Governance Code of Borsa Italiana S.p.A.) and Luca Rovati are contained in the documents submitted by Camfin and – as previously mentioned – promptly published by the Company on its own website. Therefore, he would skip reading them.

On the basis of this proposal, the number of current members of the Board of Directors would be confirmed as twenty.

The Board of Directors would then take measures as necessary following the resignation tendered by Mr. Vittorio Malacalza on Friday, May 10, 2013. His replacement cannot be dealt with today.

The Chairman then opened up discussion on the second item of the agenda, 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.

Rimbotti observed that the Board of Directors meets a little more than once every quarter, with a high percentage of absences by Massimo Moratti.

He approved the confirmation of Mr. Salvatori, but he would have preferred that the number of director seats be reduced rather than fill the other vacant seats. He asked whether Luca Rovati could be considered an independent director or not.

Cardillo asked whether the candidates were elected on a slate or separately. When it was replied that they had been elected on a single slate, since the motion had been formulated in those terms, he expressed his objection to that method, since it would

force him to vote against all the candidates, since he was opposed to Fitoussi since, in his opinion, he was not particularly active on the Supervisory Board of Banca Intesa. He approved of the fact that Mr. Gualtieri is no longer present, since he believed that what his curriculum vitae claimed was untrue, i.e. that he had brilliantly settled the issue of the provisions of Banca Intesa in relation to the IBI pension fund. As attorney for 800 of the 1,200 members, he was in fact able to affirm that the matter actually has not been settled.

Fabris wondered why the opportunity offered by this Shareholders' Meeting had not been exploited to reduce the number of directors, given the recent resignation of Director Malacalza. Moreover, the meeting agenda even envisaged such a solution. This would relieve the Board of Directors of the burden of co-opting yet another director.

The Chairman replied that when the Pirelli Shareholders Agreement came up for its three-year renewal, he had proposed that the number of director seats be set at twenty in order to draw on an adequate variety of professional expertise. With one year left before its expiry, it appears advisable to comply with that recommendation with a sort of renewal that, in regard to Fitoussi, replaces another top-quality individual with vision, and not only internally but also internationally.

Rovati is an industrialist who can make a valid contribution to the Board of Directors and is also a member of the industrial world that collaborates with and reinforces the Group. As shareholder of the Marco Tronchetti Provera & C. S.p.A. holding company, he is obviously not independent.

With no one else asking to speak, the Chairman:

- announced that, at 1:14 p.m., the shareholders voting on the resolution in person or proxy was unchanged from the previous vote, while the number of shares represented totalled **328,020,637** ordinary shares, equal to **68.949534%** of the total ordinary shares;

- then put the motion made by Camfin S.p.A. to confirm Carlo Salvatori as Director of the Company until expiry of the term of the entire Board of Directors and to elect Jean Paul Fitoussi and Luca Rovati as new directors, in replacement of Mario Greco and Paolo Ferro Luzzi, up for vote with the radiovoter at 1:15 p.m. In the case of these other two new appointees,

their term will expire at the same time as the rest of the Board of Directors.

The number of members of the Board of Directors would remain unchanged, at twenty. One seat currently remains vacant due to the resignation of Mr. Vittorio Malacalza.

**The majority of the Shareholders' Meeting approved the resolution.**

36,399,880 shares voted against.

274,864 shares abstained.

The remaining 291,345,893 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 the appointment of Carlo Salvatori, Jean Paul Fitoussi and Luca Rovati as Members of the Company Board of Directors until expiry of the term of the current Board of Directors had been approved and that the Board of Directors continued to have twenty Director seats.

\* \* \*

Proceeding to discussion of the **third item on the agenda**, entitled: ***“Remuneration Policy; consultation”***, the Chairman announced and reported that at the Shareholders' Meeting held in April 2011 – acting one year before the statutory deadline – the Pirelli Group Remuneration Policy was submitted to the Shareholders' Meeting for an advisory vote.

The new Policy submitted to vote this year by the Shareholders' meeting was drafted on the basis of the experience with the Policy last year and the related experience in implementation. It also considers the regulatory obligations adopted by Consob and adoption of the Long-Term Cash Incentive Plan for the three-year period 2012-2014, approved by the Shareholders' Meeting last year inasmuch as it envisages, inter alia, that a portion of the incentive be determined on the basis of a Total Shareholder Return target calculated as the performance of Pirelli compared with the FTSE/MIB Index Total Return - periodically calculated by FTSE and available on the database of Borsa Italiana – as well as in reference to an index composed by selected peers in the tyre sector.

As compared with last year, he noted that consistently with best practices and also satisfying the requests of certain long investors and proxy advisors, the indemnity was revised in the event of resignation or termination of Directors granted special positions and delegated specific responsibilities who were not executive employees of the Company. In particular, the Remuneration Policy for 2012 stated that Pirelli does not have to pay indemnities or extraordinary compensation in connection with

termination of the aforementioned individuals' mandate. The payment of a specific indemnity – equal to three years' compensation – might be granted, after review by the delegated corporate bodies, in the following cases: (i) termination by the Company without cause; (ii) resignation of the Director with cause, with this meaning, for example, a substantial modification of his role or delegated authority and/or a hostile takeover.

As proposed by the Remuneration Committee, the Board of Directors has decided that any specific indemnity recognised in the aforementioned cases be for two years' compensation.

As envisaged in Article 123-*ter* of Legislative Decree 58/98, the Remuneration Report submitted to the Shareholders' Meeting 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, personally concerning the individual members of the management and control bodies, the General Managers and, for the purpose of corporate governance since the premises established in the Consob Regulation are not satisfied, the Managers with strategic responsibilities:

a) provides an adequate representation of each of the items composing remuneration, including the compensation envisaged in the event of expiry of the position or

termination of the employment relationship, while highlighting its consistency with the approved Policy approved in the previous year;

b) accounts for the compensation paid in 2012 for any reason and in 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 pointing out 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.

The Chairman noted that:

- as envisaged in Legislative Decree 58/98, the Shareholders' Meeting must hold an advisory vote on the portion of the Remuneration Report indicated in the first cited 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 present at this Shareholders' Meeting. The report also illustrates the terms and conditions for exercising the functions performed by that Committee.

The Chairman then opened discussion on the third item of the agenda 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.

With no one asking to speak, the Chairman:

- announced that, at 1:20 p.m., the shareholders voting on the resolution in person or by proxy totalled 697 shareholders representing **328,020,623** ordinary shares, equal to **68.949531%** of the total ordinary share capital;

- then put the Pirelli Group Remuneration Policy up for advisory vote with the radiovoter at 1:21 p.m., with said policy being set out on pages 134 and 135 of Volume Y of the folder distributed at the entrance to the meeting hall.

**The majority of the Shareholders' Meeting approved the resolution.**

2,876,242 shares voted against.

1,728,584 shares abstained.

The remaining 323,415,797 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.

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Proceeding to the fourth and last item on the agenda of the ordinary part: ***“Purchase and disposal of treasury shares: related and consequent resolutions”***, the Chairman mentioned that the reasons why the Board of Directors have requested authorisation are illustrated in detail in the report on pages 135 to 139 of the annual report, which also indicates the related motions for resolution. The concern restoring the Company, which now has sufficient available reserves, with a useful technical instrument, although its use is not presently envisaged.

He then opened the floor up to discussion on this topic.

Maresca, given the very small number of treasury shares currently owned, expressed scepticism as to the utility of purchasing treasury shares. He asked what would be the possible circumstances and conditions in which this would happen, while observing that such purchase implied that there were undistributed profits or available reserves. But by adding up the available profits and reserves, one would find that the Company could purchase treasury shares representing no more than 2/3% of the share capital, far from the 10% envisaged in the resolution. On the other hand, the market price of Company stock tends to correspond to its value as shown in the annual report. So, he asked what reasoning lay behind the proposal and what policy the Company intended to pursue with the proposal to purchase treasury shares given its available cash and market value.

The Chairman replied that by aligning itself with international practice, and given the existence of usable reserves, the intention was to continue disposing of an opportunity, as in the past, that might be useful even if, given present circumstances, there were no specific plans.

With no one else asking to speak, the Chairman announced that, at 1:27 p.m., the shareholders voting on the resolution in person or by proxy totalled 697 shareholders representing **327,979,803** ordinary shares, equal to **68.940950%** of the total ordinary share capital.

He put the motion up for vote with the radiovoter at 1:28 p.m., with said motion being set out on pages 137, 138 and 139 of the annual report folder set out hereunder.

#### 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 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, 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 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;
  - adequate information shall be providing 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 majority of the Shareholders' Meeting approved the resolution.**

15,451,304 shares voted against.

322,484 shares abstained.

The remaining 312,196,015 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 proposal by the Board of Directors to authorise the purchase and the procedures for disposal of treasury shares.

With the ordinary part of the meeting having ended at 1:29 p.m., the Shareholders' Meeting proceeded to the extraordinary part which is recorded in separate minutes.

The Secretary

s/

The Chairman

s/

## **Pirelli & C. S.p.A. – Shareholders’ Meeting on May 13, 2013**

### **Answers to questions made on May 10, 2013 by the shareholder D&C GOVERNANCE SRL**

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#### **1. How many proxies have been sent to the Designated Representative?**

*The Designated Representative, Servizio Titoli S.p.A., reported on May 10, 2013 that it had not received proxies pursuant to Article 135-decies of Legislative Decree 58/1998 (TUF).*

#### **2. What is the cost of the Designated Representative?**

*The fee agreed for the mandate, which also envisages the use of an IT platform, is Euro 6,000.*

#### **3. Does the Company have a Procedure for Reporting Material Transactions by Subsidiaries?**

*To facilitate the ordinary organisation of the information flow, the Company has implemented a specific Procedure since July 2002 that defines in exact terms what rules must be followed to comply with the disclosure obligations imposed pursuant to Article 150(1) of Legislative Decree 58 of 1998 (“TUF”) in regard to the activities performed by the Directors with executive authority – inter alia through the organisational structures of the Company and its subsidiaries – both in discharging the authority granted to them and in executing the transactions resolved by the Board of Directors itself. After the “Related-Party Transactions Procedure” came into force – adopted by Consob in 2010 – the Company has implemented its own specific procedure in the same ambit, approved by the Board of Directors in November 2010 on the basis of a unanimously favourable opinion issued by the members of the Internal Control, Risks and Corporate Governance Committee. The full text of the Procedure for Information Flows to Directors and Auditors is available at [www.pirelli.com/corporate-governance](http://www.pirelli.com/corporate-governance).*

#### **4. When was the last time that the adequacy of the procedure for management and processing of insider information and publication of announcements and information and the procedure for reporting material transactions by subsidiaries were tested?**

*Inter alia, on the basis of application experience, the delegated corporate functions constantly monitor the procedures adopted to manage and publish insider information, which are also periodically updated. Moreover, proper application of these procedures is subject to the periodic analyses of information flows performed by the Supervisory Body as envisaged by the Company Organisational Model.*

#### **5. How many shareholders submitted questions prior to the Shareholders’ Meeting?**

*No other shareholder submitted questions to the Company before the May 13, 2013 Shareholders’ Meeting.*

#### **6. Did the company give answers before the Shareholders’ Meeting? If not, why?**

*Since the shareholder D&C GOVERNANCE SRL submitted its own questions only a few hours before the final deadline for submitting them (Friday, May 10, 2013), the Company decided that it was appropriate to give answers during the Shareholders’ Meeting to the questions it had received beforehand, in view of promoting a better dialogue with shareholders and allowing all participants to be adequately informed.*

#### **7. Why was the registered electronic mail address (“PEC”) [assemblea@pec.it](mailto:assemblea@pec.it) not mentioned in the notice of call of meeting as an alternative for sending in questions?**

*As stated in the notice of call of the Shareholders’ Meeting, the Company provided the Shareholders with a specific procedure for submitting any questions on its own website. It also offered the possibility of sending these questions via mail to the registered office or via fax to 02.6442.4426 without any other specific obligation (registered mail, certified mail, etc.) to facilitate use of the tool.*

**8. In regard to the information contained on the website, how is the chain of responsibility guaranteed up to the Board of Directors for the information contained on the website (pursuant to Article 125-quarter TUF).**

*Specifically in regard to the information contained on the Company website (pursuant to Article 125-quarter of the Consolidated Law on Finance – TUF), the delegated corporate functions, as agreed with the Chairman and Chief Executive Officer, assure the fairness of the content of what is published in accordance with the terms and conditions indicated by applicable regulations. These publications may not be made before having conducted all reviews as appropriate and, when required by law, that the Company has satisfied the disclosure obligations imposed by applicable laws and regulations. Compliance with these is the responsibility of the General Counsel, in collaboration with the other delegated functions (Administration, Communication and Investor Relations).*

**9. What are the levels for certification of the fairness of the information on the site?**

*The Pirelli corporate website has always represented one of the principal channels of communication between the Company and its stakeholders. The contents of the site (and also its graphic layout and presentation of data) are constantly updated by or on instruction by the head offices of each function. As envisaged, the documents published on the website are certified by different parties. In regard to the mandatory disclosures that are published in the form of press releases, the Company has established a specific procedure that guarantees approval by all the interested parties before announcements or documents are released to the market and published on the Company website.*

**10. Are the press releases approved by the Board of Directors? Who is responsible for their content?**

*Not all press releases are necessarily approved by the Board of Directors, although, specifically in regard to the press releases containing price sensitive information, they are regulated by specific procedures adopted by the Company for this purpose. The press releases are normally drafted and published by the Communication Office in collaboration with the corporate functions according to their responsibilities after obtaining approval by the Chairman and Chief Executive Officer.*

**11. What are the resources dedicated by the Company for management of relationships with shareholders outside of the e-mail/fax/telephone channel to the Investor Relator?**

*In 2012, financial communications were focused on reinforcing the dialogue with the principal stakeholders: from the institutional investors, including the SRI (Socially Responsible Investing) investors – which represent 72% of the outstanding shares – to the individual investors (25% of the outstanding shares), to the bondholders and financial analysts. In 2012, meetings were held with over 600 institutions including investors and potential investors (20% more than the previous year) after organising roadshows to major financial centres and participation and specialised industry conferences. Moreover, the Formula 1 races offered an important opportunity for presenting the Pirelli business to the financial community. At the principal Grand Prix races held in 2012 (from Monte Carlo to Singapore, and from Monza to Austin, Texas, etc.), Pirelli has promoted meetings with financial analysts and leading local investors with focus sessions dedicated to technology, products, brand and distribution. The Company is also focused on innovations, as testified by the fact that immediately after the Shareholders' Meeting, the Annual Report 2012 can be consulted on different platforms and electronic devices to offer maximum accessibility to content with a digital system that includes a website and different mobile applications.*

**12. Has the approval rating of the Pirelli Shareholders Club been assessed?**

*The Shareholders Club was introduced in 2012 to reinforce ties with retail investors. This space is dedicated to individual shareholders, offering them a channel for direct communication with the Company. The various services that it offers include: information about the performance of Pirelli stock and its peers, updates on business results and a focus on new car, motorcycle and commercial vehicle tyres, PZero fashion products, innovations and Pirelli events ranging from culture to sports. The Shareholders Club is also a dedicated communication channel, with the possibility of real-time participation at events, from conference calls on results to the Shareholders' Meeting, by sending questions via e-mail. The Shareholders Club had 320 members at the end of 2012, divided between shareholders and potential individual investors, testifying to the interest in the initiative.*

**13. What are the existing mechanisms in the corporate structure that support gender balance and equal opportunity for access to management positions – in addition to those imposed by any statutes governing the composition of management and control bodies?**

*The Pirelli Group has been and is firmly committed to compliance with the principle of equal opportunity at the workplace, without discrimination on the basis of sex, marital status, sexual orientation, religious faith, political and trade union opinions, race, ethnic origin, nationality, age or handicap. Pirelli opposes any form of direct or indirect discrimination and/or harm against individuals or groups by other individuals or groups, while undertaking to prevent and take action to halt such conduct.*

*The Pirelli Group is also committed to preventing discrimination in all spheres of working life, from recruitment to decisions on compensation, occupational status, assignment of duties, training and career advancement. These decisions are taken only and exclusively according to the skills, experience and professional potential possessed by these resources and the results that they achieve. The Group has whistleblowing and equal opportunity protection procedures in place that are designed to promote achievement of the aforementioned objectives, as well as a series of corporate practices and processes testifying to the Group's commitment to equal opportunity. The Group Equal Opportunities Statement is available in the Sustainability section of the Group website.*

*At the organisational level, the Pirelli Group has a Group Equal Opportunity Manager to monitor equal opportunity and promote diversity, who reports to the Sustainability Steering Committee, chaired by the Chairman. The Group also has a Welfare Manager for adequate protection of the balance between life and work. Moreover, a series of corporate processes have been established with particular focus on: the designation of managers to improve relations between genders and between nationalities, the impact on families of foreign job assignments and careers abroad (i.e. policies are in place for the employee's domestic partner, even if the latter is not a Group employee); management of maternity leaves from work through specific programs designed to support the return to work; the guarantee of equal development opportunities during the "people review", where efforts are always made to enrich the pipeline of successions with people having different backgrounds, both according to their nationality and gender, recruitment activities by head-hunting firms, to facilitate the search for persons outside the Group who might enrich it in terms of diversity.*

**14. What is the spending budget granted to the internal control committee and internal auditor so that they can perform their duties?**

*The Internal Control, Risks and Corporate Governance Committee and Internal Audit are provided with adequate financial resources so that they may perform their duties with complete freedom of expenditure, substantially without established limits, provided that they be reasonable, which – in any event – has never raised any specific problems.*

**15. Was the last update of the Organisational Model envisaged in Legislative Decree 231/2001 delegated to an external consultant?**

*To assure punctual and constant updates to the Organisational Model envisaged in Legislative Decree 231/2001, Pirelli relies on the skills and professional expertise of the delegated internal functions of the Group as well as the specific expertise of the members of the Supervisory Body, without reliance on external consultants.*

**16. Is it possible to know the salient aspects of Supervisory Body (OdV) activity during 2012?**

*Once again during 2012 (and also during the first several months of this financial year), the Supervisory Body has monitored compliance with the Organisational Model adopted by the Company, its adequacy and effective implementation. The salient aspects of Supervisory Body activity in 2012 have been: (i) analysis of periodic information flows, (ii) the request for specific audits; (iii) acknowledgement of the results of audits; (iv) monitoring of the new offenses envisaged in Legislative Decree 231/2001 and consequent assessment of their impact on the Organisational Model envisaged in Legislative Decree 231/2001. All proposed modifications to the Organisational Model are first submitted to the Supervisory Body for approval.*

**17. How many related-party transactions were not subject to the procedures envisaged for Transactions of Minor Significance and Great Significance pursuant to the exclusion limits established by the Consob regulation? What was the object of the transaction and the related counterparty?**

*The procedure adopted by Pirelli to manage related-party transactions is highly restrictive and envisages a very low trigger threshold (euro 150 thousand). Other transactions that are not covered by the procedure are those executed on an arm's length basis or standard conditions, without prejudice to statutory disclosure obligations. The financial statement items related to related-party transaction and their breakdown according to the type of parties with which they were executed are fully described in the Annual Financial Report, to which reference is made.*

**18. How many requests for information by Consob pursuant to Article 115 of Legislative Decree 58/1998 have been received by the Company during the year? What was the object of the request?**

*In 2012 the Company received just one request for information pursuant to Article 115 of Legislative Decree 58/1998. In particular, the Authority requested information on the involvement of the Related-Party Transactions Committee in granting Prelios S.p.A. an extension for payment of interest on the outstanding loan, as well as suspension of the tests on the covenants. A similar disclosure was requested from the Board of Statutory Auditors. The Company and its Board of Statutory Auditors provided the requested information to Consob by the stipulated deadlines.*

## Pirelli & C. S.p.A. – Shareholders’ Meeting of May 13, 2013

### Answers to questions submitted by the shareholder Paolo Cirino Pomicino on May 6, 2013

- 1 “While it is understandable why Pirelli & C. S.p.A. has been willing to renegotiate its own credit claim (due date and interest rate), what is not understood why the controlling shareholder of Prelios S.p.A., i.e. Camfin, should be replaced in that capacity, considering inter alia that Camfin is also the principal shareholder of Pirelli S.p.A., as if it were not sufficient for it to be the recipient of a block of non-voting shares, thereby demonstrating that it considers Pirelli shareholders to be simple cannon fodder”

*In regard to the program intended to strengthen the financial position and relaunch the business prospects of Prelios S.p.A. (hereinafter, the “Program”), to be implemented through recapitalisation and restructuring of its financial debt, and also considering the entry of a new business partner, it must be remembered that:*

- i. *the first agreement for a loan by Pirelli to Prelios (then named Pirelli & C. Real Estate S.p.A. – “**Pirelli RE**”) was made on October 25, 2007, with Pirelli granting its then subsidiary a revolving credit facility for a maximum euro 750 million and a term of 18 months (“**First Credit Facility**”). This credit facility was subsequently (a) modified for the first time in November 2008, resulting in the interest rate being raised and the term of the loan being extended for another 18 months, and (b) modified for the second time in November 2009, in consequence of which the interest rate was raised yet again and the maturity was pushed back further, from May 5, 2010 to May 16, 2011. On occasion of this last modification, the amount that Pirelli RE could use pursuant to the First Credit Facility was further reduced to a maximum of euro 150 million, with the exposure of Pirelli & C. to its then subsidiary Pirelli RE being significantly curtailed;*
- ii. *on July 31, 2009, Pirelli RE agreed a loan for euro 320 million falling due on July 31, 2012 with a pool of banks – including Intesa San Paolo as agent bank – (the “**Club Deal Loan**”);*
- iii. *on October 18, 2010, to carry out the separation of Pirelli RE from the Pirelli Group (an operation – which was part of the strategy set out in the Pirelli Business Plan 2009-2011 – first resolved by the Extraordinary Shareholders’ Meeting of Pirelli & C. on July 15, 2010 and then completed on October 25, 2010), for the specific purpose of obtaining the necessary authorisation from the lending banks participating in the Club Deal, Pirelli assumed the obligation towards those banks to maintain the euro 150 million credit facility granted to its then subsidiary Pirelli RE (now Prelios) until July 2012 – February 2013, with the additional obligation of extending this loan until July 2017 if various conditions were met, consisting in the failure to satisfy certain financial covenants and/or failure to achieve certain earnings and financial targets (“**Second Credit Facility**”). This Second Credit Facility too was amended by agreement in view of, inter alia, redefining certain financial covenants applied to Prelios;*
- iv. *following negotiations undertaken in September 2011, on December 28, 2011 Pirelli and Prelios made an agreement for a “new” credit facility in favour of Prelios (“**Third Credit Facility**”), intended to refinance the then existing credit facility (Second Credit Facility) by modifying its terms and conditions, particularly including the usable amount (increased to euro 160 million) and maturity (set at July 2017). Pursuant to the OPC Procedure, the grant of the Third Credit Facility to Prelios (classified as a related-party transaction of great significance because it exceeded the significance thresholds established by the Consob Regulation and the OPC Procedure) underwent the decision approvals process envisaged in Article 12 of the OPC Procedure. After receiving the favourable opinion of the OPC Committee, the Company Board of Directors approved granting this credit facility to Prelios on November 8, 2011. Moreover, pursuant to the Consob Regulation and the OPC Procedure, on December 30, 2011 the Company published the mandatory information document (currently available on the Pirelli website). That information document illustrates all the details of the terms, conditions and characteristics of the transaction;*
- v. *on December 28, 2011, the lending banks participating in the Club Deal (the “**Lending Banks**”) and Prelios made an agreement to substitute the Club Deal Loan with a new loan (“**New Club Deal Loan**”) up to a maximum of euro 359 million. For their part, Pirelli and the Lending banks made an inter-creditor agreement whereby, inter-alia, Pirelli promised not to implement any contractual remedy against Prelios in relation to the Third Credit Facility until the full repayment of the New Club Deal Loan, with the*

- exception of the request for repayment of the lent principal upon expiry of the Third Credit Facility (July 2017) if the Lending Banks exercised contractual remedies against Prelios for default on the New Club Deal Loan payment obligations or financial commitments;*
- vi. in regard to the Third Credit Facility, in June 2012 Pirelli & C. (after obtaining approval from the OPC Committee) granted Prelios, inter alia, suspension of the financial covenants from June 30, 2012 to June 30, 2013 and deferral until June 30, 2013 of payment on the interest owed by Prelios at June 30, 2012 and December 31, 2012, respectively, for a total of about euro 13.5 million. This consequently raised the financial receivable of Pirelli & C. from Prelios to a total of about euro 173.5 million at December 31, 2012;*
  - vii. in regard to the New Club Deal Loan, in June 2012 Prelios and the Lending banks granted, inter alia, suspension of the financial covenants from June 30, 2012 to June 30, 2013 and extension of payment of the interest owed by Prelios at June 30, 2012 until December 31, 2012 for about euro 14.7 million.*

*So, the receivable of Pirelli & C. from Prelios originates from demerger of the real estate business unit (then named Pirelli RE) from the Pirelli Group. It should be emphasised that the market price of Pirelli stock has risen by about 100% between the date that the spin-off was announced and today.*

*It must also be added that the participation by Pirelli in the Program does not imply any change in the strategy of Pirelli to focus on its own core tyre business, due to the terms, conditions and purposes of the Program.*

*The participation of Pirelli in the Program has also been positively received, considering inter alia the entry of a new industrial partner in Prelios and the participation by members of the current Prelios Shareholders Agreement in the Program itself.*

*As illustrated in the Program Information Document, the Board of Directors has found that Pirelli has an interest both in the contribution of "new" financial resources and in restructuring of its own credit claim on Prelios in the terms described above, insofar as the overall restructuring program as described – of which the restructuring of the Pirelli receivable and the support by Pirelli with "new" financial resources are an essential premise – guarantees Prelios the resources deemed necessary by the latter to achieve the targets set out in its own Strategic Plan (certified, as previously mentioned, by an independent expert pursuant to Article 67(3)(d) of Royal Decree 267 of 1942) which, if achieved, would guarantee recovery by Pirelli of its financial receivable from Prelios.*

*The inference that the choices of Camfin have influenced those made by Pirelli is groundless.*

*Pirelli has approved the Program by applying the strict principles envisaged for related-party transactions, assessing the interest of and advantages for Pirelli in carrying out the overall Program in order to maximize the value of its receivable which, it should be recalled, as previously mentioned, originates with the Pirelli Group real estate business unit demerger.*

*In this regard, we refer to the Information Document on the Program and its appendices.*

**2 “Why have the creditors not requested an appraisal of part of the real estate assets managed by the Prelios Group, given that its consolidated net equity fell by euro 73.3 million in the last three months of 2012?”**

*Complementing the Program Information Document distributed to the Shareholders’ Meeting today on request by Consob, additional details are now provided on the method used to carry out the appraisals.*

*As previously mentioned, the estimated disposal values envisaged in the Prelios Strategic Plan reflect the significant uncertainty prevailing on the real estate market and the expectation that recovery would begin only in 2014, the period when the principal disposals would begin. These appraisals were also certified on March 28, 2013 by the independent expert pursuant to Article 67(3)(d) Bankruptcy Law. In particular, the independent expert has certified that the corporate figures are true and that the Prelios Strategic Plan is feasible, and that it is adequate to assure restructuring of the financial debt of Prelios and rebalancing of its financial position.*

**3 Why did Prelios S.p.A. not alert its creditors to the possibility that the company, given its present and manifest incapacity to generate income, and given the continuing crisis in the real estate sector, might reasonably ask the shareholders to make capital contributions in the near future, thus prospectively raising the risk of conversion of the debt into equity and de facto risking further damaging their financial position?”**

*The overall Program has received broad consensus from the Prelios shareholders’ meeting held a few days ago.*

*In regard to Pirelli – as stated in the Information Document and the amendment to it requested by Consob and distributed to the Shareholders' Meeting – the Company has performed sensitivity analyses on the scenarios that are better and worse than what is envisaged in the Prelios Strategic Plan and their consequent impact on the recovery value of the Pirelli receivable.*

- 4 Has the possibility stated at question 3 been brought to the attention of the shareholders of Pirelli S.p.A., who have been called to resolve at the May 13, 2013 Shareholders' Meeting on the motion to accept the plan to restructure their credit claim on Prelios S.p.A.?**

*Since this is a management act, regardless of the existing relationship with Prelios, the matter fell under the typical purview of the Board of Directors.*

- 5 Disregarding the absolutely unacceptable conditions for conversion envisaged in the plan, have the shareholders of Pirelli been provided with a cost/benefit analysis of the transformation of this receivable into a shareholding that, if the capital increase were fully subscribed and the convertendo bond converted, would result in the company owning far more than 17% and perhaps more than 30% of the capital of Prelios, considering the fact that the real estate business has absolutely nothing to do with the core business of Pirelli?**

*As illustrated in the Related-Party Transactions Committee opinion appended to the Information Document, the strategy of Pirelli to focus on its own core business remains unchanged by execution of the program. The reasons underlying the choice of Pirelli to execute the program have already been explained, and reference has already been made to the sensitivity analysis on the best-case and worst-case scenarios and the consequent effects on the recovery value of the Pirelli receivable.*

- 6 In the final analysis, how can the Pirelli Ordinary Shareholders' Meeting resolve on such a delicate matter in the face of such glaring information deficiencies?**

*As previously mentioned, the Shareholders' Meeting has not been asked to resolve on the Program.*



STUDIO NOTARILE MARCHETTI  
Via Agnello n. 18  
20121 Milano – Tel. 02 72021846 PBX

Notary's Register No. 18.563

File No. 5.992

*Minutes of Extraordinary Shareholders' Meeting of a listed company*

REPUBLIC OF ITALY

In the year **2013 (two thousand thirteen)**,  
on the **27<sup>th</sup> (twenty-seventh)** day  
of the month of **May**,  
in Milan, Via Agnello n. 18.

I, the undersigned **Piergaetano Marchetti**, Notary Public  
in Milan, a member of the Milan Notary Association, as  
requested - in the person of the Chairman of the Board of  
Directors and legal representative, Mr. *Marco Tronchetti*  
*Provera* - of the listed "società per azioni" (joint-stock  
company) named:

**"Pirelli & C. Società per Azioni"**

or, in abbreviated form, **"Pirelli & C. S.p.A."**, with  
registered office in Milan, Viale Piero e Alberto Pirelli  
n. 25, share capital euro 1,345,380,534.66 fully paid-in,  
Taxpayer Identification Number and Milan Companies  
Register number: 00860340157, entered in the Milan  
Administrative Business Register (R.E.A.) at number 1055  
(hereinafter, the **"Company"**),

I am now going to draft and sign the minutes of the  
**Extraordinary** Shareholders' Meeting of the aforementioned  
Company, held on its only call and attended without  
interruption by me in Milan at Viale Sarca n. 214 on

**May 13 (thirteenth), 2013 (two thousand thirteen)**

in accordance with the notice of call mentioned herein,  
to discuss and resolve on the agenda copied herein.

\*\*\*

In acknowledgement that the minutes of the proceedings of  
the agenda of the Extraordinary Shareholders' Meeting,

which I, Notary Public, attended, are as set out hereunder, with the minutes of the Ordinary Part of that meeting having been separately recorded.

\*\*\*

PURSUANT TO THE BYLAWS, MR. TRONCHETTI PROVERA, ACTING IN HIS CAPACITY AS CHAIRMAN OF THE BOARD OF DIRECTORS, CHAIRED THE SHAREHOLDERS' MEETING AND, FIRST OF ALL - AT 1:25 (ONE TWENTY-FIVE O'CLOCK) P.M. - ASKED ME, NOTARY, TO DRAFT THE MINUTES OF THE EXTRAORDINARY PART AS WELL AND, AFTER RECALLING THAT THE AGENDA STATES: "**AMENDMENT TO ARTICLE 7 (SHAREHOLDERS' MEETING), ARTICLE 10 (ADMINISTRATION OF THE COMPANY), ARTICLE 16 (BOARD OF STATUTORY AUDITORS) OF THE COMPANY BY-LAWS AND INTRODUCTION OF ARTICLE 21 (TRANSITIONAL CLAUSE) TO THE COMPANY BY-LAWS. INHERENT AND CONSEQUENT RESOLUTIONS**", CITES, AS RELEVANT, ALL THE STATEMENTS, REQUESTS AND INFORMATION PROVIDED AT THE BEGINNING OF THE SHAREHOLDERS' MEETING AS SET OUT HEREUNDER:

- 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. in April 3, 2013;
- the notice of call was also published in the newspapers "Il Sole 24 Ore" and "MF" on April 4, 2013; the call of meeting was also announced to the market through publication of a specific press release on the same day;
- the Company has not received any request for modifications of the agenda 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 documentation related to the different matters on the agenda of the Extraordinary Shareholders' Meeting was

published pursuant to applicable laws and regulations. In particular, at the same time that the notice of call was published on April 3, 2013, the Directors' Report on the sole item on the agenda of the Extraordinary Shareholders' Meeting and the related motions for resolution was made available to the public;

- in addition to being filed at the head office of the Company, the aforementioned Report was published on the Company website and on the website of Borsa Italiana on April 3, 2013 and sent to Consob;

- this Report is included in the folder containing the printed Annual Report handed out at the entrance to the meeting hall; this folder was also sent before the Shareholders' Meeting to anyone who requested it;

- 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 individuals and entities own voting shares totalling more than 2% of the ordinary share capital:

	<b>Number of shares</b>	<b>% of ordinary share capital</b>
<b>MARCO TRONCHETTI</b>	<b>124,612,324</b>	<b>26.19%</b>
<b>PROVERA</b>		
who directly owns 1,251 shares (0%)		
and 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%)		

<b>ASSICURAZIONI GENERALI S.p.A.</b>	<b>23,595,142</b>	<b>4.96%</b>
which directly owns 8,233,700 shares (1.73%)		
and indirectly through:		
. Ina Assitalia SpA - 9,540,840 shares (2.00%)		
. Generali Vie S.A - 5,218,181 shares (1.10%)		
. Alleanza Toro SpA - 600,077 shares (0.12%)		
. Genertel Life SpA - 2,344 shares (0%)		
<b>EDIZIONE S.r.l.</b>	<b>22,705,157</b>	<b>4.77%</b>
<b>MEDIOBANCA S.p.A.</b>	<b>21,922,205</b>	<b>4.61%</b>
<b>ALLIANZ SE</b> all through Allianz SpA	<b>21,390,129</b>	<b>4.50%</b>
<b>FINSOE S.p.A.</b>	<b>21,322,563</b>	<b>4.48%</b>
of which indirectly through		
- FONDIARIA – S.A.I. SpA - 21,188,443 shares (4.45%)		
- Milano Assicurazioni SpA - 120,545 shares (0.03%)		
- Popolare Vita SpA - 13,575 shares (0%)		
<b>RUANE CUNNIF &amp; GOLDFARB INC.</b>	<b>11,206,661</b>	<b>2.36%</b>

- 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.

Then, the Chairman, during the Ordinary Shareholders' Meeting:

- asked the voting shareholders to indicate whether they were disqualified to vote pursuant to applicable laws and regulations;

- in regard to the shareholders agreements envisaged in Article 122 of Legislative Decree 58/1998, a Pirelli & C. S.p.A. Shareholders' Agreement is currently in force. The following shareholders subscribe to the Shareholders' Agreement; with the number of shares contributed and the related percentage of outstanding ordinary share capital being indicated for each one of them:

	<b>Number of shares contributed</b>	<b>% of total outstanding ordinary share capital</b>
CAMFIN S.p.A.	96,669,168	20.32
MEDIOBANCA S.p.A.	21,922,205	4.61
EDIZIONE S.r.l.	21,921,364	4.61
FONDIARIA - SAI S.p.A.	21,032,307	4.42
ALLIANZ S.p.A.	20,977,270	4.41
ASSICURAZIONI GENERALI S.p.A.	20,977,269	4.41
(of which 5,218,181 shares through Generali Vie S.A. and 7,525,388 shares through Ina Assitalia		

S.p.A.)		
INTESA SANPAOLO S.p.A.	7,683,568	1.62
SINPAR S.p.A.	3,015,320	0.63
Massimo MORATTI (all through CMC S.p.A., of which 1,838,459 shares registered on a fiduciary basis in the name of Cordusio Società Fiduciaria per azioni)	2,343,392	0.49
Total	216,541,863	45.52

- he announced that in addition to himself, the Chairman, the following persons attended the meeting:

-- the Directors: Alberto Pirelli, Carlo Acutis, Anna Maria Artoni, Franco Bruni, Luigi Campiglio, Pietro Guindani, Giulia Maria Ligresti, Elisabetta Magistretti, Luigi Roth, Carlo Secchi, Carlo Salvatori, and Manuela Soffientini, with the other Directors having excused absences;

-- all Statutory Auditors;

-- representatives of the independent auditor, the media, financial experts and analysts, and the shareholders' meeting staff, and the Common Representative of Savings Shareholders, Prof. Giuseppe Niccolini;

- he reported that, as announced on Friday, May 10, 2013, Mr. Vittorio Malacalza had resigned as Deputy Chairman and Director of the Company;

- he announced that Servizio Titoli 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;

- he also noted that the current versions of the Shareholders' Meeting Regulation and Company Bylaws were available at the entrance to the meeting hall;
- 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 also 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 headsets were available at the entrance to the meeting hall);
- he pointed out that 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;

- on the other hand, he pointed out that audio and video recordings of the meeting proceedings by participants were prohibited.

Continuing, the Chairman, during the Ordinary Shareholders' Meeting:

- he informed the meeting that, in view of facilitating the proceedings, the Company uses a specific information system for recording the presence of participants at the Shareholders' Meeting and during voting, and that since the "radiovoter" voting system had already been used at many shareholders' meetings and the voting procedures were very simple (as well as illustrated in the slide being projected behind him), he did not dwell on the technical procedures used for voting, referring to the instructions handed out at the entrance together with the device for more information;

- he only noted that the proxy holders who wanted to cast different votes for the various shares that they represented, a special "assisted voting" station had been set up, and that the meeting staff could provide assistance as necessary if there were any questions over voting;

- finally, he 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;

-- he pointed out that the radiovoters would also be used to reveal 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.

After making all these preliminary announcements, the Chairman:



- announced that at 1:29 (one twenty-nine o'clock) p.m., a total of 699 shareholders were entitled to vote in person or by proxy at the Shareholders' Meeting for **327,972,803** ordinary shares. Therefore, the meeting participants hold a total of 68.939479% of the ordinary shares.

- HE THEN ANNOUNCED THAT THE EXTRAORDINARY SHAREHOLDERS' MEETING HAS BEEN DULY ASSEMBLED AND MAY DISCUSS AND RESOLVE ON THE SOLE ITEM LISTED ON THE AGENDA: *AMENDMENT TO ARTICLE 7 (SHAREHOLDERS' MEETING), ARTICLE 10 (ADMINISTRATION OF THE COMPANY), ARTICLE 16 (BOARD OF STATUTORY AUDITORS) OF THE COMPANY BY-LAWS AND INTRODUCTION OF ARTICLE 21 (TRANSITIONAL CLAUSE) TO THE COMPANY BY-LAWS. INHERENT AND CONSEQUENT RESOLUTIONS."*;

- he explained that, as previously done for the documentation on the agenda of the Ordinary Shareholders' Meeting, he would skip reading of the Directors' Report on the proposed amendments to the Bylaws, which had also been published, as previously mentioned, in compliance with applicable laws and regulations and found on pages 346 through 356 of Volume Y at the end of the printed volume handed out at the entrance to the Meeting Hall, while noting that the proposed amendments, as illustrated in detail in that Report, were mainly intended to bring the Bylaws into compliance with new statutory and regulatory provisions, particularly in regard to the rules governing gender balance on the board of directors and board of statutory auditors of listed companies.

A copy of the Directors' Report on the sole item on the agenda of the Extraordinary Shareholders' Meeting is enclosed to these minutes as **Schedule A**.

The Chairman then opened up discussion.

With no one asking to speak, the Chairman:

- announced that discussion on the sole item on the agenda of the Extraordinary Shareholders' Meeting was closed;

- proposed, partly in order to speed up the process, that just one vote be held on all of the proposed amendments, although voting on each one could be done if so requested, especially by the foreign funds;
- he again asked of those present the courtesy of not leaving the meeting hall for the entire duration of the voting process;
- as previously mentioned, he explained that a special "assisted voting" station had been set up for the proxy holders who wanted to cast different votes for the various shares that they represented, while the other voting shareholders and proxies could remain seated while voting with the radiovoter;
- he announced that those entitled to vote on the resolution in person or by proxy were now - at 1:31 (one thirty-one o'clock) p.m. - unchanged from the previous count;
- he then put up the motions for vote using the radiovoter related to the amendments of articles 7 (General Meeting), 10 (Administration of the Company), 16 (Board of Statutory Auditors) of the Company's Bylaws and introduction in the Bylaws of article 21 (-transitional clause), found on page 350 to page 356 of Volume Y in the folder handed out at the entrance to the meeting hall and transcribed hereunder (with only the proposed text of the articles whose content was to be amended indicated here).

*"The Extraordinary Shareholders' Meeting of Pirelli & C. S.p.A.,*

- *having examined the Directors' Report on the proposed amendments of articles 7 (General Meeting), 10 (Administration of the Company), 16 (Board of Statutory Auditors) of the Company's Bylaws and introduction in the Bylaws of a "new" article 21;*

#### RESOLVES

- 1) *to amend articles 7 (seven) (General Meeting), 10 (ten) (Administration of the Company), 16 (sixteen) (Board of Statutory Auditors) of the Company's*

*Bylaws and introduction in the Bylaws of a “new” article 21 (twenty-one) as follows:*

**“Article 7**

7.1 The calling of shareholders’ meetings, which may be held anywhere in Italy, including in a place other than the Company’s registered office, the right to attend meetings and representation at same are all regulated by law and by these By-laws.

7.2 Ordinary and extraordinary meetings are held on single call. The corresponding resolutions are adopted by the majorities required by law.

7.3 Persons with voting rights may appoint a representative by proxy issued as provided by the current law and regulations.

The proxy may be notified to the Company by electronic means, making alternative use of one of the following methods:

- a) use of the dedicated section of the Company website, indicated by the Company in the notice of call;
- b) dispatch of a message to the certified electronic mail address at the address indicated by the Company in the notice of call.

The notice of call may also circumscribe the method to be used for the specific shareholders’ meeting to which the notice refers to one of the aforementioned methods.

The Company designates, for each general meeting, one or more persons who may be appointed as a proxy holder by those entitled to vote at the meeting, with voting instructions for all or some of the items on the agenda. The proxy has no effect with respect to the items for which no voting instructions have been given. The designated proxy holders, the method and time limits for the issue of proxies are set in the notice of call.

7.4 The ordinary shareholders’ meeting must be called in accordance with the law within a maximum of 180 days after the end of the Company’s financial year.

7.5 The directors, in the cases and manners provided by law, must forthwith call the general meeting when this is required by members representing at least a twentieth of the share capital.

7.6 The members who require the meeting to be called prepare a report on the proposed items to be discussed. The Board of Directors, together with the publication of the notice of call and in the manner prescribed by law, makes available to the

public the report prepared by the members, along with its potential assessment thereof.

7.7 The members who, even together, represent at least one fortieth of the share capital may, in the cases and according to the manner and conditions legally prescribed, ask to add items to the agenda, specifying in their request the new items proposed thereby or propose resolutions on items already included in the agenda for the meeting.

7.8 The new items or the proposed additional resolutions on items already included in the agenda, submitted under paragraph 7 of Article 7 of the By-Laws, are published, according to the provisions of law, in the same manner prescribed for the publication of the notice of call.

7.9 The members who ask to put new items on the agenda prepare a report on the items which they propose to discuss, and deliver it to the Board of Directors by filing it at the Company's offices before the last date indicated for submission of the request for additions to be made to the agenda or the reason for the proposed additional resolutions submitted on items already included in the agenda. The Board of Directors, simultaneously to the publication of the notice of additions to the agenda and in the manner prescribed by law, makes available to the public the report prepared by the members, along with its potential assessment thereof.

7.10 Special meetings of savings shareholders shall be convened by the common representative of savings shareholders or by the Board of Directors of the Company whenever they deem necessary or in accordance with the law.

#### **“Article 10**

10.1 The Company shall be managed by a Board of Directors composed of no less than seven and no more than twenty-three members who shall remain in office for three financial years (unless the shareholders’ meeting establishes a shorter term at the time of their appointment) and may be re-elected. The shareholders’ meeting establishes the number of members of the Board of Directors, which remains unchanged until said meeting resolves otherwise.

10.2 The Board of Directors is appointed on the basis of slates presented by the shareholders pursuant to the following paragraphs hereof, in which the candidates are listed by consecutive number.

10.3 The slates presented by the shareholders, which must be undersigned by the parties submitting them, must be filed at the Company's registered office, and be

available at least twenty five days before the date set for the shareholders' meeting that is required to decide upon the appointment of the members of the Board of Directors. They are made available to the public at the registered office, on the Company website and in the other ways specified by Consob regulations at least 21 days before the date of the general meeting.

10.4 Each shareholder may present or take part in the presentation of only one slate and each candidate may appear on only one slate on pain of ineligibility.

10.5 Only shareholders who, alone or together with other shareholders, hold a total number of shares representing at least 1 percent of the share capital entitled to vote at the ordinary shareholders' meeting or the minor percentage, according to the regulations issued by Commissione Nazionale per le Società e la Borsa, are entitled to submit slates, subject to their proving ownership of the number of shares needed for the presentation of slates within the term specified for their publication by the Company.

10.6 Together with each slate, statements must be filed in which the individual candidates agree to their nomination and attest, under their own liability, that there are no grounds for their ineligibility or incompatibility, and that they meet any requisites prescribed for the positions. Together with such statements, a curriculum vitae must be filed for each candidate, including their relevant personal and professional data and mentioning the offices held in management and supervisory bodies of other companies and their satisfaction of the requisites of independence prescribed for directors of listed companies by the law or by the governance code endorsed by the Company. In order to ensure gender balance, slates that contain a number of candidates equal to or more than three must contain a number of candidates of the less represented gender at least matching the minimum laid down in statutory and/or regulatory provisions as in force at the time, in accordance with what will be stated in the notice of the Shareholders' Meeting. Any changes that occur up to the date of the Shareholders' meeting must be promptly notified to the Company.

10.7 Any slates submitted without complying with the foregoing provisions shall be disregarded.

10.8 Each person entitled to vote may vote for only one slate.

10.9 The Board of Directors is elected as specified below:

a) four-fifths of the directors to be elected are chosen from the slate which obtains the highest number of votes cast by the shareholders, in the order in which they are listed

on the slate; in the event of a fractional number, it is rounded-down to the nearest whole number;

b) the remaining directors are chosen from the other slates; to this end, the votes obtained by the various slates are divided by whole progressive numbers from one up to the number of directors to be elected. The quotients thus obtained are assigned to the candidates on each slate in the order they are respectively listed thereon. On the basis of the quotients assigned, the candidates on the various slates are ranked in a single list in decreasing order. Those who have obtained the highest quotient are elected.

If more than one candidate obtains the same quotient, the candidate from the slate that has not yet elected a director or that has elected the lowest number of directors is elected.

If none of such slates has as yet elected a director or they have all elected the same number of directors, the candidate from the slate which obtained the highest number of votes is elected. If the different slates obtain the same number of votes and their candidates are assigned the same quotients, a new vote is held by the entire shareholders' meeting and the candidate who obtains the simple majority of the votes is elected.

10.10 The appointment of the Board of Directors must take place in compliance with the rules on gender balance in force at the time. If applying the slate voting mechanism fails to secure the minimum number of directors of the less represented gender that is required by the statutory and/or regulatory rules in force at the time, the appointed candidate of the more represented gender indicated with the higher progressive number on the slate that attracts most votes shall be substituted by the non-appointed candidate of the less represented gender, drawn from the same slate on the basis of their progressive order of presentation, and so on, slate by slate (solely with regard to slates with a number of candidates equal to or more than three), until the minimum number of directors of the less represented gender is reached. If at the end, said procedure does not secure the result just indicated, the substitution will be made through a resolution of the Shareholders' Meeting voted by a relative majority, subject to the nomination of persons of the less represented gender.

10.11 If the application of the slate voting system shall not ensure the appointment of the minimum number of independent Directors required by the law and/or regulation, the appointed non-independent candidate indicated with the higher progressive

number in the slate which has obtained the higher number of votes is replaced by the non-appointed independent candidate included in the same slate on the basis of the progressive order of the presentation and so on, slate by slate, until the minimum number of independent Directors shall be appointed, without prejudice, whatever the circumstances, to compliance with the gender balance as provided by law and/or regulation in force at the time.

10.12 When appointing directors who, for whatsoever reason were not appointed under the procedure established herein, the shareholders' meeting shall vote on the basis of the majorities required by law, without prejudice, whatever the circumstances, to compliance with the gender balance as provided by law and/or regulation in force at the time.

10.13 If one or more vacancies occur on the Board during the course of the financial year, the procedure established in article 2386 of the Italian Civil Code shall be followed, without prejudice, whatever the circumstances, to compliance with the gender balance as provided by law and/or regulation in force at the time.

10.14 In the event a Director cease to comply with the independence requirements, this does not cause his/her ceasing to be a Director provided that the Directors in office complying with legal independence requirements are a number at least equal to the minimum number requested by laws and/or regulations.

10.15 The Board of Directors shall elect its own Chairman, if the shareholders' meeting has not already done so, and may also appoint one or more Deputy Chairmen.

10.16 In the absence of the Chairman, a Deputy Chairman or a Managing Director, in that order, shall act in his/her stead; should there be two or more Deputy Chairmen or Managing Directors, the Board shall be presided over by the elder of same respectively.

10.17 The Board of Directors shall appoint a Secretary, who need not be a director.

10.18 Until the shareholders' meeting resolves otherwise, the directors shall not be subject to the prohibition contemplated in article 2390 of the Italian Civil Code.”

#### **“Articolo 16**

16.1 The Board of Statutory Auditors shall be composed of three standing and three alternate auditors, who must be in possession of the requisites established under applicable laws and regulations; to this end, it shall be borne in mind that the fields and sectors of business closely connected with those of the Company are those stated in the Company's purpose, with particular reference to companies or corporations

operating in the financial, industrial, banking, insurance and real estate sectors and in the services field in general.

16.2 The ordinary shareholders' meeting shall elect the Board of Statutory Auditors and determine its remuneration. The minority shareholders shall be entitled to appoint one standing auditor and one alternate auditor.

16.3 The Board of Statutory Auditors shall be appointed in compliance with applicable laws and regulations and with the exception of the provisions of paragraph 17 of this article 16, on the basis of slates presented by the shareholders in which candidates are listed by consecutive number.

16.4 Each slate shall contain a number of candidates which does not exceed the number of members to be appointed.

16.5 Shareholders who, alone or together with other shareholders, represent at least 1 percent of the shares with voting rights in the ordinary shareholders' meeting or the minor percentage, according to the regulations issued by Commissione Nazionale per le Società e la Borsa for the submission of slates for the appointment of the Board of Directors shall be entitled to submit slates.

16.6 Each shareholder may present or take part in the presentation of only one slate.

16.7 The slates of candidates, which must be undersigned by the parties submitting them, shall be filed in the Company's registered office at least twenty five days prior to the date set for the shareholders' meeting that is required to decide upon the appointment of the members of the Board of Statutory Auditors, except for those cases in which the law and/or the regulation provide an extension of the deadline. They are made available to the public at the registered office, on the Company website and in the other ways specified by Commissione Nazionale per la Società e la Borsa regulations at least 21 days before the date of the general meeting. Without limitation to any further documentation required by applicable rules, including any regulatory provisions, a personal and professional curriculum including also the offices held in management and supervisory bodies of other companies, of the individuals standing for election must accompany the slates together with the statements in which the individual candidates agree to:

- their nomination
- declare, under their own liability, that there are no grounds for their ineligibility or incompatibility, and that they meet the requisites prescribed by law, by these By-laws and by regulation for the position.



Any changes that occur up to the date of the Shareholders' meeting must be promptly notified to the Company.

16.8 Any slates submitted without complying with the foregoing provisions shall be disregarded.

16.9 Each candidate may appear on only one slate, on pain of ineligibility.

16.10 The slates shall be divided into two sections: one for candidates for the position of standing Auditor and one for candidates for the position of alternate Auditor. The first candidate listed in each section must be selected from among the persons enrolled in the Register of Auditors who have worked on statutory audits for a period of no less than three years. In compliance with the current provisions relating to gender balance, slates that - taking account of both sections - present a number of candidates equal to or exceeding three, must include candidates of each gender both in the section for standing statutory auditors and in the section for alternates.

16.11 Each person entitled to vote may vote for only one slate.

16.12 The Board of Statutory Auditors shall be elected as specified below:

a) two standing members and two alternate members shall be chosen from the slate which obtains the highest number of votes (known as the majority slate), in the consecutive order in which they are listed thereon;

b) the remaining standing member and the other alternate member shall be chosen from the slate which obtains the highest number of votes cast by the shareholders after the first slate (known as the minority slate), in the consecutive order in which they are listed thereon; if several slates obtain the same number of votes, a new vote between said slates will be cast by all those entitled to vote attending the meeting, and the candidates on the slate which obtains the simple majority of the votes will be elected.

16.13 The chair of the Board of Statutory Auditors shall pertain to the standing member listed as the first candidate on the minority slate.

16.14 If, considering the standing statutory auditors and the alternates separately, the application of the slate voting mechanism fails to secure the minimum number of statutory auditors of the less represented gender as required by law and/or regulation in force at the time, the appointed candidate of the more represented gender indicated with the higher progressive number in each section of the slate that attracts most votes shall be substituted by the non-appointed candidate of the less represented gender drawn from the same section of the same slate on the basis of their progressive order of presentation.

16.15 The position of a standing auditor which falls vacant due to his/her death, forfeiture or resignation shall be filled by the first alternate auditor chosen from the same slate as the former. If filling the position in this way fails to produce a make-up of the Board of Statutory Auditors that complies with the rules in force on gender balance, the position will be filled by the second alternate drawn from the same slate. If, subsequently, there is a need to substitute another statutory auditor from the same slate that obtained the most votes, the other alternate drawn from the same slate shall fill the position, whatever the outcome. In the event of the replacement of the Chairman of the Board of Statutory Auditors, the chair shall pertain to the statutory auditor of the same slate as the outgoing chairman, following the order contained in the list, subject in all cases to observance of the requirements in law and/or in the company bylaws for holding that office and to compliance with gender balance as provided by law and/or regulation currently in force; if it proves impossible to effect substitutions and replacements under the foregoing procedures, a shareholders' meeting shall be called to complete the Board of Statutory Auditors which shall adopt resolutions by relative majority vote.

16.16 When the shareholders' meeting is required, pursuant to the provisions of the foregoing paragraph or to the law, to appoint the standing and/or alternate members needed to complete the Board of Statutory Auditors, it shall proceed as follows: if auditors elected from the majority slate have to be replaced, the appointment shall be made by relative majority vote without slate constraints, without prejudice, whatever the circumstances, to compliance with the gender balance as provided by law and/or regulation in force at the time; if, however, auditors appointed from the minority slate have to be replaced, the shareholders' meeting shall replace them by relative majority vote, appointing them where possible from amongst the candidates listed on the slate on which the auditor to be replaced appeared and in any event in accordance with the principle of necessary representation of minorities to which these By-Laws ensure the right to take part to the appointment of the Board of Statutory Auditors, without prejudice, whatever the circumstances, to compliance with the gender balance as provided by law and/or regulation in force at the time. The principle of necessary representation of minorities shall be considered complied with in the event of the appointment of Statutory Auditors nominated before in the minority slate or in slates different other than the one which obtained the highest number of votes in the context of the appointment of the Board of Statutory Auditors.

16.17 In case only one slate has been presented, the shareholders' meeting shall vote on it; if the slate obtains the relative majority of the share capital, the candidates listed in the respective section shall be appointed to the office of standing auditors and alternate auditors; the candidate listed at the first place in the slate shall be appointed as Chairman of the Board of Statutory Auditors.

16.18 When appointing auditors who, for whatsoever reason, were not appointed under the procedures established herein, the shareholders' meeting shall vote on the basis of the majorities required by law, without prejudice, whatever the circumstances, to compliance with the gender balance as provided by law and/or regulation in force at the time.

16.19 Outgoing members of the Board of Statutory Auditors may be re-appointed to office.

16.20 Meetings of the Board of Statutory Auditors may, if the Chairman or whoever acts in his/her stead verifies the necessity, be attended by means of telecommunications systems that permit all attendees to participate in the discussion and obtain information on an equal basis.”

#### **“TRANSITION CLAUSE**

##### **Article 21**

21.1 The make-up of the Board of Statutory Auditors as indicated in article 16.1 characterised by the appointment of three standing statutory auditors and three alternates, shall be applied as from the first renewal of the control body after one year from the date Law no. 120 of 12 July 2011 takes effect. Up to that time the Board of Statutory Auditors shall be made up of three standing statutory auditors and by two alternates.”

**2) to grant the Board of Directors – and on its behalf, to the current Chairman of the Board of Directors – full authority and all powers as necessary to implement the foregoing resolutions and execute all acts and/or formalities as necessary for them to be entered in the Companies Register, accepting and making those modifications, additions or deletions, both formal and unsubstantial, that might be requested by the delegated authorities.”**

The majority of the Shareholders' Meeting approved this resolution.

158,774 shares abstained.

No votes against.

No non-voters.

The remaining 327,814,029 shares voted in favour.

All of these numbers are documented in the appended voting details.

The Chairman proclaimed the result by acknowledging that the motion to amend articles 7 (seven), 10 (ten), and 16 (sixteen) of the Bylaws and the introduction of a new article 21 (twenty-one) in the Bylaws received the favourable vote of more than two thirds of those present, and was thus approved by a majority.

With nothing else to resolve, the Chairman announced the end of the Shareholders' Meeting at 1:35 (one thirty-five o'clock) p.m.

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The following documents are enclosed to these minutes, in addition to the Directors' Report on the only item of the agenda for the previously mentioned Extraordinary Shareholders' Meeting:

- the list of names of the participants at the Shareholders' Meeting, including the detailed breakdown of voting, as **Schedule B**; and
- the Bylaws that incorporate the amendments approved by the Shareholders' Meeting, as **Schedule C**.

These minutes are signed by me, Notary, at six o'clock p.m.

They

consist of seven sheets of paper typewritten by a person under my supervision and completed under my hand on twenty-five pages and up to here on the twenty-sixth page.

s/ Piergaetano Marchetti, Notary