

RESOLUTIONS

MOTION FOR APPROVAL OF THE ANNUAL FINANCIAL REPORT AND ALLOCATION OF NET INCOME

Shareholders,

The financial year at December 31, 2013 closed with net income of euro 191,891,145.

The Board of Directors proposes to distribute a dividend, net of the required allocation to the legal reserve and gross of the required withholding taxes, of:

- euro 0.32 for each ordinary share;
- euro 0.39 for each savings share.

If you agree with our proposals, we ask you to pass the following

RESOLUTIONS

“The Shareholders’ Meeting:

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

RESOLVES

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

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

5% to the legal reserve	9,594,557
to the shareholders:	
● euro 0.32 (*) to each of the 475,388,592 (**) ordinary shares, for a total of	152,124,349
● euro 0.39 (*) to each of the 11,842,969 (**) savings shares, for a total of	4,618,758
● the remainder to retained earnings	25,553,481

(*) Before the required withholding taxes.

(**) Net of the 351,590 ordinary shares currently held by the Company.

(***) Net of the 408,342 savings shares currently held 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 2013 will be collectible from June 19, 2014, with coupon detachment date on June 16 21, 2014.”

APPOINTMENT OF THE BOARD OF DIRECTORS:

- **Determination of the number of members of the Board of Directors**
- **Determination on the term of office of the Board of Directors;**
- **Appointment of the Directors;**
- **Determination of the annual remuneration of the members of the Board of Directors.**

To the Shareholders,

The Board of Directors currently in office was appointed by the Ordinary Meeting of the Shareholders of April 21, 2011 for a fixed period of three financial years that lasts until the Meeting of the Shareholders called to approve the financial statements for the year ending December 31, 2013.

Accordingly, the Board is now due to cease holding office through the expiry of its natural term. For this reason the Meeting of the Shareholders is called on to appoint a new Board of Directors subject to deciding on the number of board members, their term of office, and the corresponding remuneration.

In this connection, you are advised that article 10 of the Company Bylaws (reproduced in full at the end of this report) lays down that the Board of Directors of the Company must be made up of a number of members between 7 (seven) and 23 (twenty-three) and fixes their term in office as three financial years, stating that the Meeting of the Shareholders when voting their appointment can decide on a shorter term than three years and that the Directors can be reappointed.

You are also reminded that in accordance with article 10 of the Company Bylaws the appointment of the Board of Directors shall be made on the basis of slates presented

by members that, alone or along with other members, hold shares that together represent at least 1 percent of the share capital of the Company entitled to vote in the Ordinary Meeting of the Shareholders, or such lesser percent as requested in the rules of Consob (Commissione Nazionale per le Società e la Borsa), and they shall have a duty to prove their ownership of the number of shares needed to present the slates before the time limit when the Company must publicize the slates. We note in this connection that in its resolution no. 18775 of January 29, 2014, Consob has in fact fixed the threshold for presenting slates of candidates at 1 percent.

The slates, in which the candidates are consecutively numbered, must be signed by the members submitting them and must be filed with the registered office of the Company at least 25 days prior to that set for the Meeting of the Shareholders called to vote the appointment of the Board of Directors.

The slates of the candidates must be made publicly available at the registered office of the Company, on its Internet website, and in other ways as provided in the rules of Consob at least 21 days before the date of the Meeting of the Shareholders.

Together with each list a statement accepting nomination must be filed by the candidates as well as a declaration in which they certify, on their own responsibility, that there are no grounds for their ineligibility or incompatibility and that they have the requisites as may be laid down for the respective positions. Along with the declarations each candidate must likewise file a curriculum vitae listing their personal and professional particulars with a statement (which may be appended) of the appointments they have held in management and auditing positions at other companies and any reason that suits them to be regarded as independent, judging by criteria that are legally prescribed or adopted by the Company (Corporate Governance Code for listed companies).

In this regard, it may be noted that the Board of Directors of the Company in its resolution of April 21, 2011 confirmed its stance, in conformity with the provisions of the Corporate Governance Code, as to the maximum number of appointments held by its members in other companies and judged to be compatible with effectively performing the role of Director in Pirelli & C.;

the Members that intend to present slates are accordingly requested to consult that document, published on the Internet website of the Company at www.pirelli.com, in the Corporate Governance section.

The point is also made that Law no. 120 of July 12, 2011 introduced gender quotas for corporate bodies of listed companies, laying down that said companies must, for at least three terms of office, guarantee compliance with a requirement for a division in the make-up of corporate bodies. In effect, the less-represented gender must obtain at least one third of the directors and of the standing auditors elected.

However, the legislator has decided that at the first renewal of the boards of directors and statutory auditors, after one year from the date when said law came into force (accordingly, as from August 12, 2012), the quota of the less-represented gender is to be at least one fifth of the directors and of the standing auditors elected.

Accordingly, in order to ensure a balance between the genders, article 10 of the Company Bylaws provides that slates where the number of candidates equals two or more must include candidates of the less-represented gender at least in the minimum measure required by laws and regulations at the time. This being the first renewal of the Board of Directors after the law in question has taken effect, that measure is one fifth (rounding upwards) of the directors to be elected.

Any alterations as may occur up to the day when the Meeting of the Shareholders takes place must be promptly notified to the Company.

Each member may present, or join in presenting, a single slate and each candidate may put themselves forward on just one slate, failing which they shall be ineligible.

As laid down by Consob, the members that present a slate must give evidence of their identity and of their overall percentage shareholding. Slates presented in disregard of the provisions in article 10 of the Company Bylaws shall be treated as not presented.

Finally, taking account of the results of the self-assessment process for financial year 2013 conducted by the Board of Directors, the Board of Directors recommends that in presenting the slates the shareholders should bear in mind (i) that greater store should be set on fielding a variety of different skills, and also on the

presence of independent directors, who could make up the majority of the Board and must be in sufficient number to guarantee that the Committees can operate; (ii) that a preponderant focus on financially-related skills is a risk to be avoided, so that a balance may be struck between different professional roles, knowledge, and experience; (iii) that the presence of economists is helpful to the Board in analysing scenarios and understanding the way the business and markets are going; (iv) the need for a certain continuity in the make-up of the Board in order to conserve the knowledge the Company and the Group has built up over time.

All the above having been stated, the Board of Directors,

- having noted the provisions of the Company Bylaws regarding the make-up of the Board and the procedures for appointing it

invites the Meeting of the Shareholders:

- to decide on the number of members of the Board of Directors and to determine their period in office as well as their remuneration;
- to vote for the slates of candidates for the office of company director, presented and publicised in accordance with the procedures and terms in article 10 of the Company Bylaws and of the legal provisions, including regulations, applicable.

Bylaws - 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 inelig-

bility 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 procedure 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.

REMUNERATION POLICY: CONSULTATION

To the Shareholders,

Pursuant to the provisions of Article 123-ter, subsections 3 and 6, of the Consolidated Law on Financial Intermediation, we have called you to submit the first section of the Remuneration Report for your advisory non-binding vote. This Report illustrates the policy governing the remuneration of the members of the administrative bodies, of the General Managers, of Managers with strategic responsibility, and of Senior Managers and Executives in the Pirelli Group.

The Policy submitted for your vote this year has been prepared on the basis of policy in previous years as well as the related experience applying it, and it complies with Consob's regulatory provisions. It also takes account of the fact that a new Long Term Cash Incentive Plan for the period 2014-2016 ("new LTI Plan") has been adopted by the Board of Directors in support a new 2013-2017 Industrial Plan and in response to the resultant early termination of the Long Term Cash Incentive Plan for 2012-2014. Regarding the 2012-2014 LTI, no disbursement under its 3-year incentive arrangements was made, not even a prorated payment.

The new LTI Plan, consistent with pay mechanisms adopted internationally, is based inter alia on Pirelli's stock market performance (reflected in Total Shareholder Return), so ensuring that the interests of management and those of the shareholders fully coincide. As compared with the previous year, the Policy includes a number of changes stemming notably from the fact that the new LTI Plan dispenses with the need for the so-called "Bonus Bank" mechanism and from a revision of the MBO variable incentive. As against the earlier one, the revised MBO scheme adopts a different rolling mechanism for deferring part of the accrued MBO incentive and for possibly providing enhanced payment, subject to deferral, of the accrued incentive on the achievement of set objectives in the following year. The effect of the deferral mechanism is that part of the accrued medium/long-term variable com-

ponents is effectively paid in financial year 2018, because payout is made contingent on the level of results achieved for financial year 2017. (Accordingly, payout is in the second year after the end of the three years covered by the 2014-2016 LTI).

With the so-called "Bonus Bank" mechanism now no longer operative, you are advised that the entire 2013 MBO incentive accrued shall be paid out without there being any "setting aside".

Additionally, the percentages of variable incentive have been revised for the entire Management. The effect, as compared with the previous LTI Plan for 2012-2014, is a marginally reduced prospect of earnings for achievement at the target level, but without any alteration in the total compensation package for achieving results in the intermediate range between the target level and the maximum level. By contrast there is a more noticeable reduction for achieving results at the entry threshold level (a lower level as compared to the target level). In accordance with Article 123-ter of the Consolidated Law on Financial Intermediation, the Remuneration Report submitted comprises two separate sections: see below.

- the first section illustrates:
 - the Pirelli Remuneration Policy for Directors, General Managers and Managers with strategic responsibility and, more generally, the Pirelli Remuneration Policy for all of Management;
 - the procedures used for adoption and implementation of this Policy;
- Section II presents the information below, relating it to named members of the Boards of Directors and Statutory Auditors and to named General Managers, while treating Managers with strategic responsibility (now more numerous given the new organisational structure adopted by Pirelli) as an aggregate:
 - a proper explanation of each item that makes up their remuneration, including the arrangements envisaged where an appointment is ended or an employment relationship terminated, highlighting its consistency with the Policy approved during the previous year;
 - an account of the compensation that the Company and its subsidiaries or associates

paid in financial year 2013, for whatever reason and in whatever form, highlighting any components of that compensation related to activities performed in years prior to the reference year, while also highlighting the compensation to be paid in one or more subsequent years in consideration for the activity performed during the reference year, and may indicate an estimate of components not objectively quantifiable in the reference year.

As envisaged by the Consolidated Law on Financial Intermediation, we request that you express your opinion by voting on the first section of the Remuneration Report.

THREE YEAR CASH INCENTIVE PLAN (2014-2016) FOR THE PIRELLI GROUP MANAGEMENT. RESOLUTION RELATING AND CONSEQUENT THERETO

To the Shareholders,

In its meeting of February 27, 2014, the Board of Directors approved the adoption of a new 2014-2016 3-year cash incentive plan for Pirelli Group Management ("LTI Plan") geared to the objectives of the 2014-2016 period as in the 2013-2017 Industrial Plan, which was presented on November 6, 2013 along with a preview of the LTI Plan guidelines. In addition, the decision on the "new" LTI Plan was taken in accordance with article 2389 of the Italian Civil Code, following a recommendation by the Remuneration Committee and the favourable opinion of the Board of Statutory Auditors in relation to the persons concerned by the opinion that was sought. The LTI Plan is submitted for the approval of the Meeting of the Shareholders in accordance with article 114-bis of Legislative Decree 58/1998 (the Consolidated Law on Financial Intermediation) in that it entails, among other things, that a part of the incentive shall be based on a Total Shareholder Return objective calculated in terms of Pirelli's performance as well with regard to an index comprising selected peers in the tyre industry.

The key information on the LTI Plan is set out below. For a more detailed description, instead, please see the Disclosure Document drawn up in accordance with paragraph 1, article 84-bis, of Consob resolution no. 11971 of 14th May 1999 (the "Issuers' Regulation"), which is publicly available at the registered office of Pirelli & C. S.p.A. (viale Piero e Alberto Pirelli 25, Milan) as well as at www.pirelli.com and at Borsa Italiana S.p.A. (Piazza degli Affari, 6, Milan) together with this report.

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Reasons for adopting the Plan¹

In accordance with best practice, nationally and internationally, the Remuneration Policy for financial year 2014 adopted by Pirelli (the “**2014 Policy**”) is tailored to Pirelli’s aim of attracting, motivating, and retaining human resources having the professional standing needed to successfully pursue Group aims.

The 2014 Policy and the 2014-2016 LTI Plan (an integral part of the Policy) are designed in such a way as to align the interests of Management with those of the shareholders through the pursuit of the overriding objective of creating sustainable value over the medium-long term period by forging an effective and verifiable link between, on the one hand, remuneration and, on the other, individual performance and that of Pirelli.

The 2014 Policy was formulated on the basis of the experience of applying policy in past years, resulting in a better designed framework and improved content, as well as of suggestions gleaned over time from our main Proxy Advisors, to enable a thorough understanding of the link between Management remuneration structure and value creation over the medium-long term. The 2014 Policy also takes account of the regulatory requirements adopted by Consob in its resolution no. 18049 of December 23, 2011.

The LTI Plan has been adopted in support of a new Industrial Plan for 2013-2107, concurrent with the early termination of the 2012-2014 LTI Plan, in respect of which no pay-out was made of the corresponding three-year incentive, not even a prorated one.

Beneficiaries of the Plan²

The LTI Plan regards Pirelli Management (made up of Executive Directors of Pirelli & C. and Group Executives in general) and may be extended to those who, over the 3-year period, join the Group Management or take up an Executive post. Where this happens, their inclusion in the Plan is conditional on participating in the LTI Plan for at least an entire financial year and the incentive percentages are adjusted to reflect the number of

months of effective participation in the Plan.

In particular, the participants in the LTI Plan are, among others, the Chairman and Chief Executive Officer of Pirelli & C., Marco Tronchetti Provera, the Deputy Chairman, Alberto Pirelli (in his capacity as Senior Manager), the General Manager Operations, Gregorio Borgo, and the managers with strategic responsibility Maurizio Boiocchi (Chief Technical Officer), Giuliano Menassi (Senior Vice President Manufacturing), Maurizio Sala (Chief Planning and Controlling Officer), Francesco Tanzi (Chief Financial Officer and Manager with responsibility for preparing the Company’s accounting documents), and Christian Vasino (Chief Human Resources Officer).

Performance objectives and calculation of the Bonus³

Management remuneration is made up of three structural elements:

- fixed component;
- an annual variable component (MBO incentive): this is a pre-determined percentage of the fixed component, with percentages that rise according to the position held and considering the benchmarks for each individual. If the objectives are attained at target level this percentage can range from a minimum of 20% for Executives (managers at Pirelli’s Italian Companies or employees at the Group’s foreign Companies holding a position equivalent to that of an Italian manager) up to a maximum of 100% for the Directors holding a special office who have been assigned specific functions. According to the role of the person concerned, it is designed to reward the annual performance of the Group, of the Company and/or of the function to which he or she belongs. A limit is applied to the maximum MBO incentive obtainable and is set at twice the incentive obtainable at the target level; for the Directors holding special offices and assigned specific functions, it is 2.5 times the incentive obtainable at the target level. To encourage continuity of results over time, payment of

¹ Information required under article 114-bis, para. 1, point a) of the Consolidated Law on Financial Intermediation.

² Information required under article 114-bis, para. 1, points b) and b-bis of the Consolidated Law on Financial Intermediation

³ Information required under article 114-bis, para. 1, point c) of the Consolidated Law on Financial Intermediation.

about 25% of the MBO incentive as may be accrued is deferred to the following year subject to the respective MBO incentive being accrued (so that payment of it is at risk), and in addition there is a possible reward mechanism for providing an enhanced payment of the entire MBO depending on the level of attainment of the MBO objectives in the following year (for the purposes of the Annual Total Direct Compensation, this element, which is subject to deferral and enhanced payment, is classified along with the medium/long-term variable component);

- the medium/long-term variable component: made up of the LTI bonus aimed at rewarding Group performance during the 2014-2016 period and of the above-mentioned MBO- element variously subject to deferral and enhanced payment.

Like the MBO incentive, the LTI bonus is a pre-determined percentage of the fixed component, with percentages that rise according to the respective role and considering the benchmarks for each individual. If the objectives are attained at the target level this percentage can range from a minimum of 50% for Executives to a maximum of 250% for the Directors holding a special office who have been assigned specific functions. A limit is applied to the LTI maximum incentive obtainable and it is set at twice the incentive obtainable at the target level.

The LTI Plan, which is based on cash and makes no provision for shares or share options, is conditional on achieving the 3-year objectives and is calculated as a percentage of the gross annual fixed component (GAS) received by the beneficiary at the date when his/her participation in the Plan is established.

Access to the 2014-2016 LTI Plan is conditional on fulfilling an objective, the Creation of positive Value over the 3-year period, which measures the capacity of the company to create positive value over the medium-long term by relating post-tax profits from ordinary operations to the level of invested capital and its cost. Specifically, this objective equates to the difference between NOPAT (Net Operating Profit After Tax) and the weighted average cost of fixed capital plus working capital.

In addition, the following three types of objective have been set, the first two of which are independent from one another, along with their respective weightings:

- Group Total Shareholder Return ("**TSR**"), an objective applying equally to Management as a whole and comprising two mutually independent sub-objectives: (i) absolute TSR, with a weighting that accounts for 40% of the total LTI bonus and (ii) relative TSR, with a 20% weighting, measured against a panel of selected peers. Fuller details on the application of the Total Shareholder Return objective can be found in the document released at the time of the Meeting of the Shareholders;
- an objective specific to each Executive concerning their respective organisational unit (Group, Region, Business Unit): Return on Sales (ROS), calculated as the ratio between accumulated Ebit after restructuring charges over the 3-year period and accumulated turnover over the same period; the weighting of ROS in the total LTI bonus is 30%;
- the remaining 10% is calculated on the basis of Sustainability Indicators relating to the positioning of Pirelli in two indices, with equal weighting: (i) Dow Jones Sustainability Index, Autoparts and Tyre Sector, and (ii) FTSE4Good Tyre. This objective is effective only if the entry threshold for at least one of the two economic/financial objectives above is reached.

Associated with all three of the objectives (**TSR, ROS, and Sustainability**) is a minimum value (an entry threshold level). At this level there is a pay-out that is 75% – for each objective – of the incentive amount obtainable for performance at the target level.

Regarding each objective, where the set minimum value is not attained, no right is accrued by the beneficiary to the corresponding part of the incentive.

Regarding the **TSR** and **ROS** objectives, for intermediate results ranging between the minimum value (entry threshold) and the target level or between the target level and the maximum level, the final assessment shall be made through linear scaling.

Period of Bonus Pay-out

Where the objectives are achieved, pay-out of the medium/long-term incentive (the so-called LTI Bonus) to participants in the LTI Plan will be in the first half of 2017 ("**Pay-out Date**") barring where, by December 31 2016, there has been cessation (for whatever reason) of their appointment and/or employment status.

Under the mechanism described above for sustaining continuity of results over the longer term, payment of 25% of the MBO incentive as may be accrued in connection with financial year 2016 shall be deferred to the following year (and, accordingly, shall be at risk of payment). Indeed, depending respectively on whether and at what level the 2017 MBO incentive is accrued, pay-out of the deferred 25% of the 2016 MOB incentive accrued, plus a possible enhancement of the entire 2016 MBO incentive, shall be made in the first half of 2018.

If the individual's term in office and/or employment relationship should end for any cause or reason before completion of the 3-year period, the beneficiary – including Directors holding special offices and invested with special functions (as in the case of the Chairman and Chief Executive Officer, Mr. Tronchetti Provera) – ceases to be part of the LTI Plan and consequently the LTI bonus will not be paid, not even on a pro-rated basis.

Duration of the Plan and Amendments

The Plan, relating to financial years 2014-2016, shall end on the Pay-out Date. As to the procedure in place for carrying out any revision of the LTI Plan, please refer to the Disclosure Document.

Special incentive fund for worker participation in undertakings⁴

The Plan receives no financial support from the Special incentive fund for worker participation in undertakings as in Law no. 350 of December 24, 2003, article 4, paragraph 112.

* * *

The LTI Plan ranks as being of "particular importance" in that it regards, among others, the Chairman and Chief Executive of Pirelli & C., the General Manager Operations, and individuals with strategic responsibility in that they have regular access to privileged information and have the power to make decisions that affect the development and the future prospects of the Group.

Given that the LTI Plan is monetary, and makes no provision for granting shares or options on securities, but solely a cash award partly linked to the stock market performance of Pirelli's ordinary shares, the Disclosure Document prepared under current rules does not include the prescribed information on arrangements for awarding shares or share options.

* * *

To the Shareholders,

on the basis of the above, we ask that:

- you approve – in accordance with article 114-bis, Legislative Decree no. 58 of 24 February 1998, as subsequently amended and supplemented – the adoption of a 2014-2016 3-year Incentive Plan (the "LTI Plan") for Pirelli Group Management based, with regard to the part based inter alia, on the stock market performance of Pirelli, such as presented above in this Report and as further detailed in the Disclosure Document (drawn up in accordance with paragraph 1, article 84-bis, of the Issuers' Regulation). In fact, under the provisions of the LTI Plan, part of the LTI Bonus is calculated on the basis of a Total Shareholder Return objective in terms of Pirelli's performance and with regard to an index made up of selected "peers" in the tyre industry;
- to confer on the Board of Directors – and on its behalf on the Chairman – all powers needed for the complete and full implementation of the LTI Plan.

⁴ Information required under article 114-bis, para. 1, point d) of the Consolidated Law on Financial Intermediation.

PURCHASE AND DISPOSAL OF TREASURY SHARES RESOLUTIONS RELATING AND CONSEQUENT THERETO

To the Shareholders,

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

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

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

1. MOTIVATIONS FOR WHICH AUTHORISATION IS REQUESTED

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

- to purchase own shares as a medium and long-term investment;
- to intervene directly or through intermediaries, in compliance with the applicable provisions, in order to moderate share price fluctuations and to smooth the trend in trading and prices in the presence of short-term distortions reflecting excessive volatility or reduced market liquidity;
- to acquire holdings of own shares for use in any ex-

traordinary financial transactions or for other uses deemed to be of financial, operational and/or strategic interest for the Company;

- to offer shareholders a further means to realise the cash value of their investment.

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

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

The proposal is to authorise the Board of Directors to purchase both the Company's (fully paid-up) ordinary shares and savings shares, in a single operation or in several, in a quantity that the Board of Directors may freely determine up to a maximum number of shares that does not exceed 10% of the share capital, having regard for the own shares that it holds directly and those as may be held by its subsidiaries (accordingly, at the present time, some 48.7 million shares).

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

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

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

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

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

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

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

are entered in the Company's draft financial statements for the financial year ending at December 31, 2013 - duly approved by the Board of Directors in its meeting of March 27, 2014 and submitted for the approval of today's Meeting of the Shareholders, called also to vote on this recommendation to authorise the purchase and disposal of own shares.

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

4. DURATION OF AUTHORISATION

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

The time limit of 18 months does not apply to any transactions to dispose of the own shares as may be

purchased by virtue of the above authorisation.

5. MINIMUM AND MAXIMUM AMOUNT PAYABLE

The share purchase price will be determined on each separate occasion, having regard to the chosen procedure for carrying out the transaction and in compliance with possible regulatory provisions or with permitted market practice. Whatever the circumstances, however, it shall not be lower than 15% below or higher than 15% above the weighted average official Stock Exchange price for the shares registered by Borsa Italiana S.p.A. in the three sessions prior to each individual transaction. With regard to the assignment of own shares, this transaction may be executed at the price, or, in any case, in accordance with the criteria and conditions, as determined by the Board of Directors, having regard to the execution procedures adopted, the share price trend in the period prior to the transaction, and the Company's best interests.

6. PROCEDURES TO EXECUTE THE TRANSACTIONS

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

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

Nevertheless, the authorisation sought from the Meeting of the Shareholders does not include the right to purchase own shares through buying or selling deriva-

tive instruments traded on regulated markets that entail the physical delivery of the underlying shares, even if allowed under article 144-*bis*, point c) of the Issuers Regulation.

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

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

7. POSSIBLE CANCELLATION OF OWN SHARES PURCHASED

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

* * *

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

Therefore, we invite you to approve the following

RESOLUTION

"The Ordinary Meeting of the Shareholders:

- having noted the Directors' recommendation;
- having regard to the provisions set out under Article 2357 and Article 2357-*ter* of the Italian Civil Code, Article 132 of Legislative Decree No. 58 of February 24, 1998, and Article 144-*bis* of the Issuers' Regulation adopted by Consob with resolution No. 11971 of May 14, 1999, as subsequently amended;

- having noted that, today, the Company holds directly 351,590 of its own ordinary shares, corresponding to 0.07% of the capital in that class and of the entire share capital, as well as 408,342 own savings shares, corresponding to 3.3% of the capital in that class and to 0.084% of the entire share capital, while no Pirelli & C. shares are held by its subsidiaries;
- having regard to the financial statements at December 31, 2013;
- having taken stock of the reasons to renew the authorisation for transactions to purchase and dispose of own shares for the purposes and through the procedures illustrated above

ADOPTS A RESOLUTION

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

- the purchase may be undertaken, In a single operation or in several, within 18 months from the date of this resolution, using any of the procedures as in Article 132 of Legislative Decree No. 58 of February 24, 1998 in conjunction with Article 144-*bis* points a), b), and d), of the Issuers' Regulations adopted by Consob with resolution No. 11971 of May 14, 1999, as subsequently amended, taking into account the specific exemption provided under Article 132, paragraph 3 of Legislative Decree No. 58 of February 24, 1998 and, in any case, using any procedure as allowed in national and Community laws and regulations in the matter, and in compliance with any other rule applicable, including national and Community laws and regulations regarding market abuse, with the sole exception of the purchase procedure in article 144-*bis*, letter c) of the Issuers' Regulation cited above;

- transactions to purchase own shares shall be subject to proper notice, in compliance with the applicable duties of disclosure;
 - the purchase price of each share shall not be lower than 15% below or higher than 15% above the weighted average official Stock Exchange price for the shares registered by Borsa Italiana S.p.A. in the three sessions prior to each individual transaction;
 - the purchases of own shares shall be made using the distributable net income and the reserves not subject to restrictions as shown in the last duly approved financial statements with respect to the date of the transaction, and at the same time an own shares reserve shall be formed, and in all cases the required accounting entries shall be made observing the legal practice and limits, in any event, the foregoing shall conform and comply with any other applicable relevant provisions in law and in regulations in force at the time;
- b)** to authorise, in full or in part, without time limits, the disposal of the own shares purchased, both directly and through intermediaries, in accordance with the resolution set out in point a), even before having exercised in full the authorisation to purchase the own shares, establishing that:
- the disposal may be executed in accordance with the purposes and using any of the procedures permitted by law, including use of own shares to service share incentive plans, and in accordance with every other applicable law and regulation, including national and Community laws and regulations relating to market abuse;
 - transactions to assign the own shares shall be subject to proper notice, in compliance with the applicable duties of disclosure;
 - the sale of the own shares may transacted in a single operation or in several and at any time, including through a public offer, an offer to shareholders, on the market or as part of any extraordinary transactions. The shares
- may also be sold through being coupled with bonds or warrants to cover their respective exercise and, in any case, in accordance with the procedures permitted by the laws and regulations in force, at the discretion of the Board of Directors;
- the disposals of the own shares may be executed at the price or, in any case, in accordance with the conditions and the criteria as determined by the Board of Directors, having regard to the execution procedures adopted, to the trend in share prices during the period prior to the transaction, and to the Company's best interests;
 - in any event the disposals may be executed in accordance with the procedures permitted by the laws and regulations in force, at the discretion of the Board of Directors;
- c)** to make every accounting entry as necessary or appropriate in relation to the transactions in the own shares, in accordance with Article 2357-ter, paragraph 3 of the Italian Civil Code, in compliance with the legislation in force and the applicable accounting standards;
- d)** to confer on the Board of Directors – and on the Chairman and Chief Executive Officer on behalf of the Board – the fullest powers necessary to execute the transactions to purchase and dispose of the own shares, also by means of subsequent transactions, and however, to implement the above-mentioned resolutions, also through attorneys, and to comply with the requests which may be made by the competent authorities.”

The Board of Directors
Milan, March 27, 2014