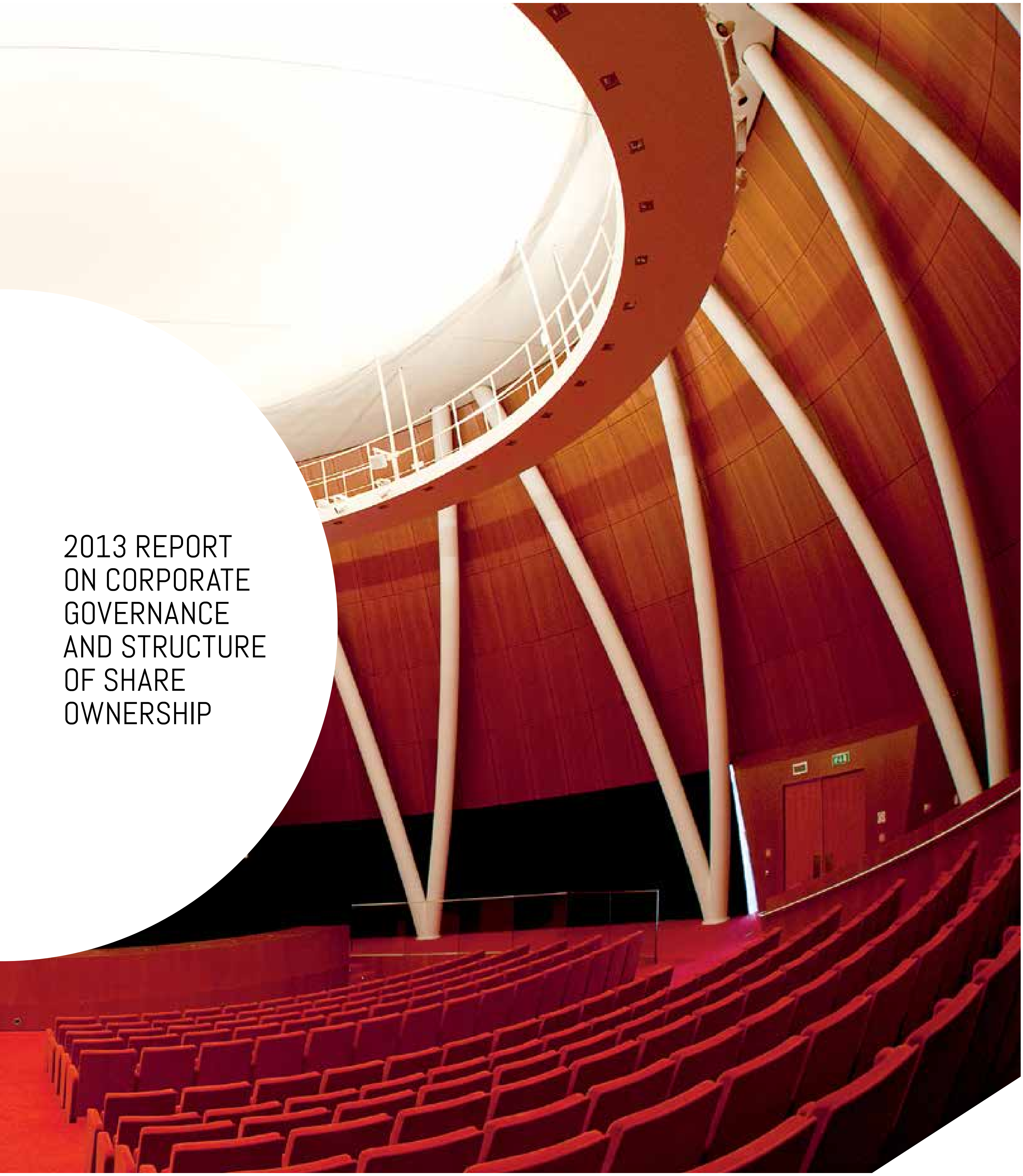

2013 REPORT ON CORPORATE GOVERNANCE AND STRUCTURE OF SHARE OWNERSHIP

1. PROFILE OF THE COMPANY ISSUING THE REPORT

Pirelli & C. is the joint-stock company listed on the Italian Stock Exchange (Borsa Italiana) and is the Parent Company of the multinational group specialising in the tyre sector, and a leading company in the top of the range and high technological content segments.
The company was founded in 1872, and today Pirelli has production facilities in four continents and operates in more than 160 countries worldwide.
Pirelli stands out for its long industrial tradition that has always been combined with a capacity for innovation, product quality and a strong brand. This strength has also been supported from 2002 by the fashion and high-tech project of PZero and today further enhanced by the Formula 1, for which Pirelli is the exclusive supplier.
Pirelli has always focused on research and development in line with its green performance strategy and works with constant and growing attention paid to products and services of high quality and technology and a low environmental impact.
The awareness that an efficient corporate governance system represents one of the essential factors to achieve the objectives of creating sustainable value drives Pirelli to maintain its corporate governance system constantly in line with national and international best practices.
The Company adopts the traditional system of administration and control. Pirelli's Corporate Governance system is based on the following factors: (i) the central function played by the Board of Directors that is responsible for the strategic guidance and supervising the Company's overall business activities, with policy-making powers in relation to the overall administration and the authority to intervene directly in a series of significant decisions necessary or useful to achieve the company purpose; (ii) the central role of Independent Directors (iii) an effective internal control system; (iv) a pro-active risk management system; (v) a remuneration system, in general, and an incentive system, in particular, for Managers associated with medium and long-term economic objectives in order to align the management's interests with the shareholders' interests, by pursuing the priority objective of creating sustainable value in the medium/long term, by establishing a strong link between remuneration, on the one hand, the performance of individuals and Pirelli's performance, on the other hand; (vi) a strict discipline concerning potential conflicts of interest and solid principles of conduct to execute transactions with related parties.
The governance system is formally defined in the Code of Ethics, in the Company Bylaws, in the Regulations concerning Shareholders' Meetings and in a series of principles and procedures which are periodically updated to assure best practices.
It is important to confirm that in the interim financial report Pirelli highlights the updates and integrations made to its corporate governance system compared to the information contained in the annual report.
Pirelli was declared the "Best Corporate Governance in Italy" for the fourth consecutive year in the framework of the World Finance Corporate Governance Award 2013.

During 2013, and for the second consecutive year, Pirelli sponsored the ICGN Annual Conference held in New York, confirming the importance that Corporate Governance aspects represent for Pirelli.

PIRELLI WAS DECLARED THE "BEST CORPORATE GOVERNANCE IN ITALY" FOR THE FOURTH CONSECUTIVE YEAR IN THE FRAMEWORK OF THE WORLD FINANCE CORPORATE GOVERNANCE AWARD 2013

2. INFORMATION ON THE STRUCTURE OF SHARE OWNERSHIP (IN ACCORDANCE WITH ARTICLE 123-BIS, PARAGRAPH 1 OF THE UNIFIED FINANCE LAW (TUF)) AS OF MARCH 27, 2014

A) STRUCTURE OF THE SHARE CAPITAL

The subscribed and paid-in share capital amounts to euro 1,345,380,534.66, divided into a total of 487,991,493 shares without par value indicated, of which 475,740,182 (euro 1,311,603,971.79) are ordinary shares and 12,251,311 (euro 33,776,562.87) are savings shares.
The Share Capital has not changed during the 2013 financial year.

Rights and obligations

The shares are divided into ordinary shares and savings shares, without par value.
The ordinary shares entitle the holder to one vote per share; they are registered shares or bearer shares to the extent permitted by law, and in this case, can be converted from one type of share to the other type of share at the holder's request and expense.
Savings shares do not have voting rights and are bearer shares, unless otherwise provided for by law, and can be converted into registered savings shares at the shareholder's request and expense.
In addition to the rights and privileges envisaged by law and by the Company Bylaws, savings shares have the right of first refusal in the reimbursement of capital up to the amount of euro 3.19 per share. If the share capital is reduced due to losses, the reduction does not affect the savings shares, except for the part of the loss that exceeds the portion of capital represented by the other shares.
Savings shares retain the rights and privileges set forth by law and by the Company Bylaws, even if the ordinary shares and savings shares are excluded from trading.
If the share capital is increased by issuing shares of a single category, these shares must be offered as an option to all categories of shareholders.
If the share capital is increased by issuing ordinary and savings shares:

- holders of ordinary shares are entitled to receive options for ordinary shares and savings shares for any possible difference;
- holders of savings shares are entitled to receive options for savings shares and ordinary shares for any possible difference.

The net annual profit is divided as follows, after the legal allocation to reserve has been made:

- savings shares are attributed an amount up to 7% of euro 3.19; if the savings shares are assigned a dividend of less than 7% of euro 3.19 in a given financial year, the difference is added to the preference share dividend in the two following financial years; the profit that remains after the dividend specified above has been assigned to the savings shares is apportioned among all the shares so that the savings shares receive a dividend that is 2% of euro 3.19 higher, overall, compared to the dividend received by the ordinary shares;
- ordinary shares are attributed an amount of up to 5% of their par value in accounting terms (defined as the ratio between the amount of the share capital and the overall number of shares issued), without prejudice to the above provisions concerning the overall increased dividend payable to savings shares.

The remaining profit will be distributed among all the

shares, in addition to the sums assigned as outlined above, unless the Shareholders' Meeting resolves special allocations to extraordinary reserves or for other uses, or decides to carry forward part of the foregoing portion of profit.
Savings shares have the same rights as the other shares if reserves are distributed.
Advances on dividends may be distributed as provided for by law.

Financial instruments which attribute the right to subscribe to new issue shares

No financial instruments which attribute the right to subscribe to new issue shares were issued at the Date of the Report.

Stock incentive plans

The Company does not currently have stock incentive plans.
In the meeting held on February 27, 2014, based on the proposal by the Remuneration Committee and with the favourable opinion of the Board of Auditors, **the Company's Board of Directors resolved to anticipate the closure of the three-year cash incentive plan – Long Term Incentive 2012-2014 – for the Pirelli Group Management (so-called LTI Plan) and concurrently approved the "launch" of a "new" 2014-2016 LTI Plan to support the aims set out in the 2013-2017 Industrial Business Plan presented to the financial community in London last November 6, 2013.**
Pursuant to Article 114-*bis* of the Unified Finance Law (TUF), the 2014-2016 LTI Plan will be submitted to the approval of the Shareholders' Meeting to approve the Financial Statements for 2013 regarding the part in which this LTI plan, as previously, envisages, inter alia, that part of the incentive is determined on the basis of a Total Shareholder Return objective.
Further details on the "new" LTI Plan are provided in the information document prepared, in accordance with the combined provisions of Article 114-*bis* of the Unified Finance Law (TUF) and Article 84-*bis* of the Issuers Regulation and in the Remuneration Policy referred to the 2014 financial year; these documents will be available on the Pirelli Internet website, at the latest 30 days and 21 days, respectively, prior to the Shareholders' Meeting to approve the Financial Statements for 2013.

B) RESTRICTIONS ON THE TRANSFER OF SECURITIES

There are no restrictions on the transfer of securities.

C) SIGNIFICANT SHAREHOLDINGS

The parties owning shares with voting rights in the Ordinary Shareholders' Meeting, and representing more than 2% of the ordinary capital, according to the requirements published by Consob, are listed in Table 2.

D) SECURITIES WHICH CONFER SPECIAL RIGHTS

There are no securities which confer special rights of control.

E) EMPLOYEE SHAREHOLDINGS: MECHANISM TO EXERCISE VOTING RIGHTS

There are no mechanisms to exercise voting rights in the case of employee shareholdings when such voting rights are not exercised directly by the employees concerned.

F) RESTRICTIONS ON VOTING RIGHTS

There are no restrictions on voting rights (such as, for example: limitations on voting rights at a given percentage or at a certain number of votes, time limits imposed to exercise the voting rights or systems in which, with the Company's co-operation, the financial rights associated with the securities are separate from ownership of the securities).

G) SHAREHOLDER AGREEMENTS

On March 15, 2014 UniCredit S.p.A.; Intesa Sanpaolo S.p.A.; Nuove Partecipazioni S.p.A. and Rosneft Oil Company entered into general agreements (in the form of a term sheet) which include some shareholder agreements, as well as the principles, essential terms and conditions and the aims of a partnership for an in-

vestment/reinvestment transaction in a special vehicle company (so-called Holdco) – 50% of the respective share capital will be held by Rosneft Oil Company and 50% will be held by a newco, that in turn, is 80% owned by Nuove Partecipazioni S.p.A., 10% owned by UniCredit S.p.A. and 10% owned by Intesa Sanpaolo S.p.A.. The Holdco would own the Pirelli shareholding that is currently owned by Camfin S.p.A. and by its subsidiaries.
The foregoing transaction will be implemented through a series of corporate transactions subject to an agreement being entered into among the parties and subject to obtaining all the necessary consents and approvals from their respective competent corporate bodies and from any possible competent Authorities.
The reader is referred to the abstract available on the Pirelli Internet website for further information on the general agreements and on the agreements concerning Pirelli's future governance, as well as the standstill clause envisaged by the above agreements.
A shareholders' agreement was entered into on June 4, 2013 between the following parties, in the framework of an operation to rationalise the share ownership structures of Camfin S.p.A.: on the one hand, Marco Tronchetti Provera & C. S.p.A., Marco Tronchetti Provera Partecipazioni S.p.A., Gruppo Partecipazioni Industriali S.p.A., Nuove Partecipazioni S.p.A. and on the other hand, Lauro Cinquantaquattro S.r.l., Intesa Sanpaolo S.p.A. and UniCredit S.p.A. The shareholders' agreement included, inter alia, provisions relating to the governance of Lauro Sessantuno S.p.A. and Camfin[1] S.p.A., as well as Pirelli & C. S.p.A., with reference to some aspects and within the limits permitted by the legal regime and the nature of the subsidiary, in order to achieve the shared objective of providing stability to the share ownership structures of Camfin S.p.A. and thereby to create the best conditions to create further value with reference to the shareholding held thereby in Pirelli.
The reader is referred to the extract available on the Pirelli Internet website for further details concerning the provisions contained in the so-called "Lauro Shareholders' Agreement".
Completion of the final agreements envisaged by the foregoing general agreement entered into among UniCredit S.p.A.; Intesa Sanpaolo S.p.A.; Nuove Partecipazioni S.p.A. and Rosneft Oil Company will entail superseding the so-called "Lauro Shareholders' Agreement".
Furthermore, it is important to note that on October 31, 2013, the parties participating in the "Sindacato Blocco Azioni Pirelli & C. S.p.A." (Pirelli & C. S.p.A. Shareholders' Agreement) (in particular: Camfin S.p.A., Edizione S.r.l., Fondiaria-Sai S.p.A., Assicurazioni Generali S.p.A., Intesa Sanpaolo S.p.A., Mediobanca S.p.A., Massimo Moratti and Sinpar S.p.A.) notified that they had terminated this shareholders' agreement mutually and in advance (expiring on April 15, 2014) effective from October 31, 2013.

H) AMENDMENTS TO COMPANY BYLAWS

Amendments to the Company Bylaws are resolved as provided for by law.

I) REGULATIONS APPLICABLE TO THE APPOINTMENT AND SUBSTITUTION OF DIRECTORS AND THE BOARD OF AUDITORS

In this regard, the reader is referred to the Board of Directors Section and to the Board of Auditors Section.

L) CHANGE OF CONTROL CLAUSES AND STATUTORY PROVISIONS CONCERNING A PUBLIC PURCHASE OFFER

Change of control clauses

There is no party that can exercise control over Pirelli & C., either directly or indirectly, also by virtue of shareholder agreements, individually or jointly with other parties included in shareholders' agreements.
It follows that no change of control of the Company can be envisaged at present.
For the sake of completeness, the following is confirmed. The bond loan amounting to 500 million euro placed on the market by Pirelli & C. envisages that the bondholders are entitled to avail of the clause to request early repayment if a "Change of Material Shareholding" occurs that corresponds to the following cases: (i) Pirelli & C. no longer holds (directly or directly) a percentage of

at least 85% of the share capital of Pirelli Tyre (barring the case that Pirelli Tyre is not incorporated in or does not incorporate Pirelli & C. or in another company of the Pirelli Group); (ii) a party other than one or more of the shareholders participating in the Pirelli Shareholders' Agreement (provided Camfin S.p.A. continues to participate as the first shareholder of Pirelli & C. among the participants) holds more than 50% of the share capital of Pirelli & C. with voting rights or acquires the right to appoint or remove the majority of the members of the Board of Directors[2]; (iii) Camfin S.p.A. no longer holds (directly or indirectly) at least 20% of the share capital of Pirelli & C. with voting rights.

A similar clause is envisaged, except for the provision indicated in point (iii) above: (a) in the agreement entered into among Pirelli & C., Pirelli Tyre and Pirelli International Ltd. and a pool of lending banks in relation to granting Pirelli a revolving line of credit amounting to 1.2 billion euro; (b) in the bond loan issued by Pirelli International Limited on the American market for an overall value of 150 million American dollars and guaranteed by Pirelli Tyre; (c) in the "Schuldschein" loan obtained by Pirelli International Limited and guaranteed by Pirelli & C. and by Pirelli Tyre for 155 million euro, overall.

Lastly, it is important to note that the joint venture agreement currently in place between Pirelli Tyre and PT Astra Otoparts Tbk envisages that in the event of a change of control of one party, the other party shall have a so-called right to terminate the joint-venture. In particular, if the change of control concerns Pirelli Tyre then PT Astra Otoparts Tbk would have a so-called put option to sell its shareholding to Pirelli, whereas in the opposite case, Pirelli Tyre would have a so-called call option to purchase the shareholding owned by PT Astra Otoparts Tbk.

Statutory provisions concerning a public purchase offer

On a preliminary count, it is important to remember that Article 104 of the Unified Finance Law (TUF) envisages that Italian listed companies whose securities are subject to the offer shall refrain from executing actions or transactions which may conflict with achieving the offer's objectives (so-called passivity rule), barring an authorisation by the Shareholders' Meeting. It is also envisaged that the companies' bylaws may derogate from the passivity rule foreseeing that the Board of Directors may adopt "defensive measures", even without an authorisation expressed in this sense by the Shareholders' Meeting.

Furthermore, Article 104-*bis* of the Unified Finance Law (TUF) (recorded as the "Breakthrough rule) establishes that the bylaws of Italian listed companies can foresee that when a public purchase offer or an exchange is promoted and involves the securities issued by them: (i) the restrictions on the transfer of securities envisaged in the Company Bylaws are not applicable in relation to the bidder during the offer acceptance period, nor are the restrictions on voting rights envisaged in the Company Bylaws or in the Shareholders' Agreements applicable in the Shareholders' Meetings convened to resolve the actions and transactions envisaged under Article 104 cited above; (ii) when the bidder, after an offer, holds at least 75% of the share capital with voting rights in resolutions concerning the appointment or revocation of Directors or Members of the Management Board or Supervisory Board, then the following conditions shall not apply in the first Shareholders' Meeting convened to amend the Company Bylaws or to revoke or appoint Directors or Members of the Management Board or Supervisory Board after closing the offer: the restrictions on voting rights envisaged in the Company Bylaws or in shareholders' agreements, nor any special right concerning the appointment or revocation of the Directors or Members of the Management Board or Supervisory Board envis-

[1] At the Date of the Report, Lauro Sessantuno S.p.A. owns the entire share capital of Camfin S.p.A..

[2] It is important to note that on October 31, 2013, the parties participating in the "Sindacato Blocco Azioni Pirelli & C. S.p.A." (Pirelli & C. S.p.A. Shareholders' Agreement) (namely: Camfin S.p.A., Edizione S.r.l., Fondiaria-Sai S.p.A., Assicurazioni Generali S.p.A., Intesa Sanpaolo S.p.A., Mediobanca S.p.A., Massimo Moratti e Sinpar S.p.A.) notified that they had terminated this shareholders' agreement mutually and in advance (expiring in April 15, 2014) effective from October 31, 2013.