PRESS RELEASE

PIRELLI & C. SPA SHAREHOLDERS' MEETING

- RESULTS FOR 2012 APPROVED
- DECISION TO DISTRIBUTE DIVIDENDS OF 0.32 EURO PER ORDINARY SHARE AND 0.39 EURO PER SAVINGS SHARE
- JEAN PAUL FITOUSSI, LUCA ROVATI AND CARLO SALVATORI NOMINATED TO BOARD
- AUTHORIZATION OF OWN SHARE BUY-BACK AND DISPOSITION APPROVED
- VOTE IN FAVOR OF REMUNERATION POLICY

Milan, 13 May 2013 – The shareholders of Pirelli & C. SpA met today in ordinary session and approved results for 2012, which ended with a consolidated net profit of 398.2 million euro and parent group net profit of 234.4 million euro, deciding on the distribution of dividends of 0.32 euro per ordinary share and 0.39 euro per savings share. The dividend payment date is May 23rd, 2013 (ex-dividend date is May 20th and record date May 22nd, 2013).

Shareholders nominated Jean Paul Fitoussi (independent), Luca Rovati and Carlo Salvatori, already coopted into the Board in July 2012, until the term of the present Board ends, which is until the 2013 results are approved.

Shareholders also approved the authorization requested by the Board of Directors for the buy-back and disposition of own shares up to 10% of Company Capital and for a maximum period of 18 months, as well as some modifications to the bylaws in relation to the adoption of the discipline regarding gender balance within the administrative and control bodies of listed companies, and to put in motion the reception of new legal and regulatory dispositions.

Shareholders also expressed themselves in favour of the Company's remuneration policy, with 98.6% of the voting capital.

It should be noted that documents relating to the 2012 results are available to the public at the Company's headquarters in Milan at Viale Piero e Alberto Pirelli 25 and at o Borsa Italiana S.p.A. as well as at the Company' website www.pirelli.com.

The minutes of the shareholders' meeting will be available to the public in the same way by June 11th, 2013.

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Consob, with a request formulated in accordance with art. 114, comma 5, TUF communicated on May 9th, 2013, invited the Company to provide shareholders, including them into the relative minutes and reporting them in the present Press Release, with the following information and news:

1. **the description of the eventual verifications carried out in relation to the consistency of the real estate assets of Prelios S.p.A. ("Prelios") taking into account that the reimbursement of the bond issue convertible into Prelios shares ("Convertible"), that will be issued in the context of the total operation aimed at the asset reinforcement, financial re-balancing and re-launch of the industrial activities of Prelios ("Operation"), depends of the value created by the activities themselves.**

In this regard it should be noted that:
The verifications carried out with regard to the consistency of the real estate assets of Prelios were conducted in the context of the activities of financial due diligence carried out on Prelios. In particular, the asset situation on June 30th and September 30th, 2012 were examined and the information in detail on the company and the real estate funds in which it has stakes made available by Prelios in the data room, including the book value and an estimate of the market value of the assets. It should be noted that the asset situation on June 30th and September 30th, 2012 of Prelios examined by Pirelli & C. were subject to limited accounts auditing. It should be noted that the real estate assets are included on Prelios's Strategic Plan, which constitutes one of the pillars one which the operation in question in founded, with the specific value enhancement of these assets for the purposes of disposal.
The estimate of the value of the disposals considered in the Prelios Strategic Plan takes into account the situation of relevant uncertainty of the real estate market and the expectations of a recovery only beginning from 2014, the period from which the main disposals will take place. These evaluations were also the object of testimony delivered on March 28, 2013 by the independent expert, in accordance with art. 67, comma 3, letter. d) Bankruptcy Law. In particular, the independent expert attested to the veracity of the company data and feasibility of the Prelios Strategic Plan, as well as the suitability of the same in pursuit of the goal of resolution of Prelios's debt exposure and to ensure the re-balancing of its asset and financial situation.
It should be noted that, in the context of the agreements between the parties to the Operation, the execution of the same was predicated on the release of the aforementioned attestation.

2. **The indication of the method of valuation adopted with regard to the inclusion in the consolidated accounts of the Company on December 31st, 2012 of credit of 173 million euro towards Prelios, given that the operation calls for the conversion of the financial credit in part into shares of Prelios and in part in the convertible instrument which matures a capitalized interest rate of 1% at maturity;**

In this regard it should be noted that:
As stated in pages 170, 178 and 208 of the consolidated balance sheet, and on pages 273 and 285 of the results for the year ended December 31, 2012, the valuation of the financial credit towards Prelios, of 173 million euro, considers the hypothesis underlying the extraordinary operation, today in the execution phase aimed at the re-launching the outlook for industrial development and the asset and financial reinforcement of the group headed by Prelios S.p.A., as wel as the re-balancing of the overall financial structure. The operation calls for the conversion of

financial credit in part into participations and in part into participatory instruments (cd *Convertible*), with a cash option in Prelios's favour. The valuation effected on the basis of these assumptions does not does not highlight the need to bring write-downs for losses of value of the credit at the date of the balance sheet and has as its key assumption the positive conclusion of this operation.

In particular, the credit quota which will be converted in Prelios Shares at the end of the procedural course for the approval of the capital increase will call for the registering of the Prelios debentures at fair value; the fair value will correspond to the stock market price at the closing of the day on which the capital increase is finalized or the day after the operation, in any case post dilutive effects. The eventual difference between the book value of the credit and the value of the the Prelios debentures valued at fair value will be included in the balance sheet. In the valuation of the credit in the results to December 31st, 2012, it is estimated that, at the moment of conversion, the stock market price of the Prelios debenture will substantially reflect the subscription price of the capital increase, not creating therefore significant effects on the balance sheet.

In relation to the portion of credit that will be substituted by the Convertible instrument, it should be noted that the Convertible is an instrument that falls within the context of application of the IAS 39 (financial instruments: inclusion and valuation) and that, not originating "fixed or determinable payments", it cannot be qualified as "credit", but as an instrument representative of capital which will be designated as "financial activity at fair value included in the balance sheet".

The *Convertible* calls for the conversion of Prelios debentures at a price equal to the higher between the subscription price of the capital increase (post regrouping 0.5953 Euro) and the market price (calculated, in the event that Prelios shares are listed on that date, as the weighted average of the official stock market prices of Prelios ordinary shares in the month prior to the date of conversion). Therefore:

- If the market price is higher than or equal to the subscription price of the capital increase, there will be no impact on the balance sheet;
- If instead the market price is lower that the subscription price of the capital increase, it will generate a loss on the balance sheet equal to the difference between the two prices.

In light of the above, in the valuation of December 31st, 2012 of the portion of credit destine to the *Convertible*, there were no losses of value in that, on the date of the approval of the results by the Board of Directors, and as confirmed also on the date of the present shareholders' meeting, it is estimated, in light of the performance of Prelios Shares on the stock market, that the market price of the same on the date of exchange will not be below the subscription price of the capital increase, already defined today.

It should be noted, in conclusion, that the portion of interest of 1% which will mature on the *Convertible* will be capitalized to maturity. This interest can be resolved in Prelios shares, as will happen for the capital, on the date off maturation. Therefore, the greatest number of Prelios shares which will be received as a consequence of the interest will be included in the fair valuation of the already cited instruments representative of capital. This component will contribute to the variation of fair value of the instrument. The counterpart will be included in the balance sheet for each of the years following the inclusion of the same.

3. **The description of the valuations regarding alternative hypotheses regarding the recoverability of the credit towards Prelios both in relation to the hypothesis of no operation of re-modulation of the financial debt of Prelios and in relation to the hypothesis of an eventual competitive procedure;**

The analysis of the estimates of the recoverability of the credit of Pirelli & C. towards Prelios in the alternative scenarios f execution of the Operation show that the finalization of the Operation and the participation of Pirelli & C. are essential to allow Pirelli & C. to maximize the value of this credit.

Given that the Financing Banks would not have launched the Operation without the participation of Pirelli & C. as the significant creditor of Prelios and that the Operation resulted from a process of negotiation with Prelios, the Financing Banks and Feidos launched in July 2012, at the conclusion of a competition promoted by Prelios to find an industrial partner, it should be noted that, if there had been no re-modulation of the financial debt of Prelios (included the credit of Pirelli & C.) to sustainable levels, as contemplated in the Operation, there would not have been the concrete possibility of pursuing any other extraordinary operation for the equity and financial re-balancing of Prelios. In such a scenario, moreover, the basis for Prelios to continue as a going concern would have been immediately lacking, with inevitable consequences in terms of the insolvency of Prelios and the recurrence of the suppositions for the launch of competitive procedures, as had been announced many times by Prelios itself in company documents and, finally, in the minutes of the Board of Directors meeting which approved results for the year ended December 31st, 2012 and the intermediate results for the three months ended March 31st, 2013.

It is evident that in the hypothetical context of a competitive procedure, it appears evident that the expectations of recoverability of the credit would be gravely prejudiced by that scenario in terms both of time and percentage of realization.

Further, a deep analysis of the origins and evolution of Pirelli & C.'s credit (which will be made available to the public in the same ways as the information document for operations with related parties of April 3rd, 2013), there was a significant risk that the financial credit today held by Pirelli & C. towards Prelios could be considered subject to a regime of legal deferment as in arts. 2467 and 2497-*quinquies* cod. civ., in that derived, through various acts of renewal and modification, a financing conceded before the operation of separation of the real estate activities from those of the tyre sector (concluded in October 2010), when Pirelli & C. was still the controlling partner and exercised direction and control with regard to Pirelli RE & C. (today Prelios). Under this profile it is evident that, in the case of legal deferment, all recoverability of the credit of Pirelli & C. in a hypothetical competitive procedure of Prelios would be substantially compromised.

4. **The description of the valuations carried out in regard to the existence in the interests of the Company and all stakeholders for the cited Operation, taking into account that the latter entails the outlay of "new funds" of 25.3 million euro.**

The Board of Directors of Pirelli & C. ascertained the interest of the company and all stakeholders for the Operation on the supposition that the same, on the one hand, represents a necessary condition to ensure the continuity of Prelios as a going concern, in the absence of which the conditions for the launch of competitive procedure might have recurred, with evident prejudicial consequences for the time and values of recovery of credit and, on the other hand, offers, in the event of the achievement of the goals set in Prelios' Strategic Plan, a perspective of full recovery of the credit of Pirelli & C. and the new funds brought within the context of the Operation in line with the valuations effected by all the Financing Banks of Prelios.

In particular, for the purposes of its own determinations, the Board of Directors of Pirelli & C. also:

- Evaluated the possibility of recovering the original credit in the hypothesis of a competitive procedure and in light of the risk of the legal illustrated before, deducing that, in this scenario, the expectations of recoverability would be gravely compromised;
- Ascertained the possibility of full recovery of the original credit and the new funds brought in the context of the Operation in the event of the achievement on the goals set in the Strategic Plan 2013-2016 prepared by the management of Prelios and attested on March 27th, 2013 by an independent expert in accordance with and as a consequence of the effects of art. 67, comma 3, lett. d), Bankruptcy Law;

With reference to the contribution of new funds, it should be noted that this contribution:

- Is an essential condition for the realization of the Operation under examination;
- Is carried out by Pirelli & C. and the other two main financial creditors of Prelios, in proportion to their credit positions towards Prelios;
- Represents 0.33% of the active consolidation of the Pirelli & C. group on December 31st, 2012.

It should be noted, in conclusion, that the Operation in total, included the cited contribution of new funds, does not prejudice or contrast with the strategic direction of the Pirelli & C. group aimed at world leadership in the premium tyre segment.

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Always at the request of Consob, (i) the Committee for Operations with Related Parties made available to Shareholders an addition of the information document on the operation aimed at the asset reinforcement, financial rebalancing and industrial re-launch of the activities of Prelios S.p.A. through the recapitalization of the same and the re-modulation of its total financial debt already published by the Company on April 3rd, 2013 and (ii) the Company has made available to Shareholders the opinion of the legal expert charged with the evaluation the possible qualifications regarding the nature of the Pirelli's credit towards Prelios.

In that regard it should be noted that, as requested by Consob, today as already communicated, the addition to the cited Information Document, to which is attached the cited expert opinion on the possible qualifications on the nature ot Pirelli's credit towards Prelios, was lodged at teh Company's headquarters, in Milano at Viale Piero e Alberto Pirelli no. 25 and published on the website www.pirelli.com as well as at Borsa Italiana S.p.A.

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