

Remuneration Statement for the year 2010

1. Principles

The Remuneration Statement for the year 2010 illustrates the policy that the Pirelli Group implemented during the year 2010 in connection with the remuneration and provides a final statement of it in connection with the different types of beneficiary parties, without prejudice to the obligations of transparency provided by other applicable provisions of law or regulations.

2. The Remuneration "Table"

SURNAME AND NAME	OFFICE HELD	PERIOD FOR WHICH THE OFFICE WAS HELD	OFFICE EXPIRY	EMOLUMENTS FOR THE OFFICE IN THE COMPANY THAT DRAWS UP THE FINANCIAL STATEMENTS (9)		NON-MONETARY BENEFITS		BONUSES AND OTHER INCENTIVES (10)		OTHER COMPENSATION	
Tronchetti Provera Marco	Chairman	01/01//2010 - 31/12/2010	2010 fin. statements appr.	2.490				2.385		1.075	(1)
Pirelli Alberto	Deputy Chairman	01/01//2010 - 31/12/2010	2010 fin. statements appr.	640		5	(1)	110	(1)	368	(1)
Puri Negri Carlo Alessandro	Deputy Chairman	01/01/2010 - 29/07/2010	-	224							
Malacalza Vittorio	Deputy Chairman	29/07/2010 - 31/12/2010	2010 fin. statements appr.	21	(2)						
Acutis Carlo	Director	01/01//2010 - 31/12/2010	2010 fin. statements appr.	50							
Angelici Carlo	Director	01/01//2010 - 31/12/2010	2010 fin. statements appr.	74	(3)						
Antonelli Cristiano	Director	01/01//2010 - 31/12/2010	2010 fin. statements appr.	74	(3)						
Benetton Gilberto	Director	01/01//2010 - 31/12/2010	2010 fin. statements appr.	50							
Bombassei Alberto	Director	01/01//2010 - 31/12/2010	2010 fin. statements appr.	70	(4)						
Bruni Franco	Director	01/01//2010 - 31/12/2010	2010 fin. statements appr.	74	(3)						
Campiglio Luigi	Director	01/01//2010 - 31/12/2010	2010 fin. statements appr.	50							
Cucchiani Enrico Tommaso	Director	01/01//2010 - 31/12/2010	2010 fin. statements appr.	50							
Libonati Bernardino	Director	01/01//2010 - 30/11/2010	-	64	(6)						
Ligresti Giulia Maria	Director	01/01//2010 - 31/12/2010	2010 fin. statements appr.	50							
Moratti Massimo	Director	01/01//2010 - 31/12/2010	2010 fin. statements appr.	50							
Pagliari Renato	Director	01/01//2010 - 31/12/2010	2010 fin. statements appr.	50	(5)						
Paolucci Umberto	Director	01/01//2010 - 31/12/2010	2010 fin. statements	70	(4)						

			appr.								
Perissinotto Giovanni	Director	01/01//2010 - 31/12/2010	2010 fin. statements appr.	50							
Pesenti Giampiero	Director	01/01//2010 - 31/12/2010	2010 fin. statements appr.	70	(4)						
Roth Luigi	Director	01/01//2010 - 31/12/2010	2010 fin. statements appr.	74	(3)						
Secchi Carlo	Director	01/01//2010 - 31/12/2010	2010 fin. statements appr.	89	(7)						
Gori Francesco	General Manager					7	(1)	901	(1)	1.350	(1)
Laghi Enrico	Chairman, Board of Auditors	01/01//2010 - 31/12/2010	2011 fin. statements appr.	62							
Gualtieri Paolo	Statutory auditor	01/01//2010 - 31/12/2010	2011 fin. statements appr.	42							
Sfameni Paolo Domenico	Statutory auditor	01/01//2010 - 31/12/2010	2011 fin. statements appr.	57	(8)						
Other executives with strategic responsibility						11		947		1.700	

1) From Pirelli Tyre

2) In office since 29 July 2010

3) Of which Euro 24 thousand as member of the Internal Control, Risks and *Corporate Governance* Committee

4) Of which Euro 20 thousand as member of the Remuneration Committee

5) Emoluments deposited again in the company he/she belongs to

6) Of which Euro 18 thousand as member of the Remuneration Committee

7) member of the Internal Control, Risks and *Corporate Governance* Committee (Euro 24 thousand) and of the Supervisory Body (Euro 15 thousand)

8) Of which Euro 15 thousand as member of the Supervisory Body

9) The items shown in this column contain Euro 50 thousand (except for Deputy Chairman Malacalza, for whom the item contains Euro 21 thousand and for Puri Negri, for whom it contains Euro 29 thousand) of compensation pertaining to the year 2010, to be received in 2011

10) The items shown in this column contain compensation pertaining to the year 2010, to be received in 2011

The Chairman, Deputy Chairman A. Pirelli, General Manager and the other executives with strategic responsibility are included in the LTI three-year incentive plan that according to the coinvestment mechanism, envisages disbursement of 50% of the incentive achieved for the years 2009 and 2010, while the remaining 50% accrued as a whole would be disbursed in 2012, increased by 100% in case three-year goals envisaged by the LTI 2009-2011 Plan are attained, otherwise reduced by 50% should said goals not be attained. Please refer to the text of the Corporate Governance Report, section "Remuneration of directors and remuneration policy" for more details on how the incentive plan works.

3. **Remuneration of the directors**

As far as the remuneration of the directors is concerned, the contents of paragraph 5 of the Policy is provided in full hereunder.

Within the Board of Directors it is possible to distinguish between:

- (i) directors assigned special offices to whom specific authorities can also be delegated;
- (ii) directors not assigned special offices.

The assignment of powers for only cases of urgency to directors does not in itself apply to depicting them as directors to whom specific authorities are delegated.

As at 31 December 2010 they were:

- directors assigned special offices the Chairman of the Board of Directors Marco Tronchetti Provera and Deputy Chairmen Alberto Pirelli and Vittorio Malacalza; the Chairman was also delegated specific authorities

(please refer to the Report on Corporate Governance and Ownership Structure for greater detail);

- directors not assigned special offices the Directors Carlo Acutis; Carlo Angelici; Cristiano Antonelli; Gilberto Benetton; Alberto Bombassei; Franco Bruni; Luigi Campiglio; Enrico Tommaso Cucchiani; Giulia Maria Ligresti; Massimo Moratti; Renato Pagliaro; Umberto Paolucci; Giovanni Perissinotto; Giampiero Pesenti; Luigi Roth; and Carlo Secchi.

At the time it appointed the Board of Directors, the Pirelli Shareholders' Meeting of April 2008 established a total compensation for remuneration of the directors pursuant to art. 2389 paragraph 1 of the Italian Civil Code, and appointed the task of determining its breakdown to the Board of Directors.

Specifically, the Shareholders' Meeting of April 2008 resolved a total gross annual compensation equal to Euro 1.2 million, broken down as follows by the Board of Directors:

- Euro 50 thousand for each director;
- Euro 24 thousand for each member of the Internal Control, Risks and Corporate Governance Committee;
- Euro 20 thousand for each member of the Remuneration Committee.

In line with the best practices, a varying compensation component was not provided for the directors not assigned special offices (as defined above).

A compensation of Euro 15 thousand was then assigned to the Director who is member of the Supervisory Body.

Directors are also reimbursed the expenses they bear for carrying out their appointments.

In line with the best practices, an insurance policy, the so-called D&O (*Directors & Officers*) *Liability* is provided for civil liability towards third parties of the company bodies, General Managers, Executives with strategic responsibility, Senior Managers and Executives in carrying out their functions aimed at holding the Group harmless from the burdens deriving from associated indemnity, consequent to the forecasts established on the subject of the applicable national collective bargaining agreement and the rules on mandate, not including the cases of fraud and grave offence.

It is reported that the Shareholders' Meeting is also called to renew the Board of Directors at the time of approval of the financial statements as at 31 December 2010.

4. The remuneration of the directors assigned special offices to whom specific authorities were also delegated

In line with the General Policy on Remuneration described above, the remuneration of the Chairman of the Board of Directors Marco Tronchetti Provera (as at 31 December 2010 sole director assigned special offices to whom specific authorities were also delegated) is made up of:

- a gross annual fixed component;
- a varying annual component that can be attained when reaching predefined company goals (see MBO);
- a varying medium/long-term component (see LTI);

For the year 2010, the Chairman received a gross annual fixed compensation equal to a total of Euro 3,564,826 of which (i) Euro 2,439,826 for the office of Chairman of Pirelli & C. S.p.A.; (ii) Euro 50,000 for the office of Board Member of

Pirelli & C. S.p.A.; (iii) Euro 1,075,000 for the office of Chairman of Pirelli Tyre S.p.A.

As for the MBO varying annual component, the Board of Directors had assigned the Chairman of the Board of Directors an incentive/MBO connected with the economic results achieved at Group level and related to the attainment of specific goals set by the Board for the year 2010. In particular, on the basis of the analyses carried out with the help of the leading executive compensation consulting companies of the sector (Towers Watson and Hay Group), the Company assigned an annual incentive for 2010 founded on a mechanism that envisages a financial (Net Financial Position) access condition (so-called on/off) and dependent on a quantitative parameter of annual profitability (PBIT), developed on the basis of an in-depth comparative analysis on the market positioning in compensation terms as to a comparable sample of Italian and international companies.

On the basis of the final data of the financial statements as at 31 December 2010, the Chairman attained an MBO annual incentive equal to a total of Euro 4,770,378 gross of which, according to the "coinvestment" mechanism of the LTI 2009-2011 plan, only 50% is immediately disbursed, equal to Euro 2,385,189 gross. The total remaining accrued 50% would be disbursed in 2012, increased by 100% in the case the goals of the LTI 2009-2011 Plan are attained, otherwise to be reduced 50% in the case these goals are not attained.

Remember that with reference to the varying medium/long-term component, Chairman Marco Tronchetti Provera is beneficiary of the LTI 2009-2011 Plan and also of that of 2011-2013, having the characteristics described in paragraph 9 of the Policy.

For the sake of completeness, it is reported that the Chairman is not included in the incentive plan by way of financial instruments that however as at the date of this Report the Company does not have in being.

Finally, please note that in complete consistency with what is stated in paragraph 6 of the Policy, for the Chairman of the Board of Directors in his capacity of director holding special offices and to whom specific authorities have been delegated and not being bound by executive employment with the Group, the Board of Directors has envisaged, similar to what is guaranteed by the law and/or the National Collective Bargaining Agreement with Italian executives of the Group:

- the assignment of the Component of Retirement Benefit (C.R.B.) pursuant to art. 17, paragraph 1, subparagraph c) of Income Tax Consolidation Act no. 917/1986 having characteristics similar to those typical of the Staff Leaving Indemnity (SLI) pursuant to art. 2120 of the Italian Civil Code recognised, according to the law, to the Italian executives of the Group and including contributions paid by the employer that would be due to the Social Security Institutions or Pension Funds in the case of executive employment.
- a policy regarding accidents that should happen to them in carrying out their appointments;
- a treatment for permanent disability and for death caused by illness.

5. The remuneration of the General Manager

In line with the General Policy on Remuneration described above, the remuneration of General Manager Francesco Gori (as at 31 December 2010 sole General Manager) is made up of:

- a gross annual fixed component;

- a varying annual component that can be attained when reaching predefined company goals (see MBO);
- a varying medium/long-term component (see LTI).
- benefits typically paid to Pirelli executives.

General Manager Francesco Gori received a gross annual fixed component for the year 2010 equal to a total of Euro 1,150,000 of which (i) Euro 1,050,000 by way of gross annual remuneration for the office of General Manager; (ii) Euro 100 thousand by way of gross annual fixed compensation for the office of Managing Director of Pirelli Tyre S.p.A..

During 2010 General Manager Mr. Gori received the annual tranche for the Non-Competition Agreement, agreement of which he holds; for a description of the policy on non-competition agreements, please refer to paragraph 11 of the Policy. As for the MBO varying annual component, the Board of Directors had also assigned the General Manager Mr. Gori an incentive/MBO connected with the economic results achieved at Group level and related to the attainment of specific goals set by the Board for the year 2010. In particular, on the basis of the analyses carried out with the help of the leading executive compensation consulting companies of the sector (Towers Watson and Hay Group), the Company assigned an annual incentive for 2010 founded on a mechanism that envisages a financial (Net Financial Position) access condition (so-called on/off) and dependent on a quantitative parameter of annual profitability (PBIT), developed on the basis of an in-depth comparative analysis on the market positioning in compensation terms as to a comparable sample of Italian and international companies.

On the basis of the final data of the financial statements as at 31 December 2010, the General Manager attained an MBO annual incentive equal to a total of **Euro 1,802,500 gross** of which, according to the “coinvestment” mechanism of the LTI 2009-2011 plan, only 50% is immediately disbursed, **equal to Euro 901.250 gross**. The total remaining accrued 50% would be disbursed in 2012, increased by 100% in the case the goals of the LTI 2009-2011 Plan are attained, otherwise to be reduced 50% in the case these goals are not attained.

With reference to the varying medium/long-term component, please remember that also General Manager Mr. Gori is beneficiary of the LTI 2009-2011 Plan and also of that of 2011-2013, having the characteristics described in paragraph 9 of the Policy.

For the sake of completeness, it is reported that the General Manager is not included in the incentive plan by way of financial instruments that however as at the date of this Report the Company does not have in being.

6. Executives with strategic responsibility

In line with the General Policy on Remuneration, the remuneration of the Executives with strategic responsibility is made up of:

- a gross annual fixed component;
- a varying annual component that can be attained when reaching predefined company goals (see MBO);
- a varying medium/long-term component (see LTI);
- benefits typically paid to Pirelli executives.

The Executives with strategic responsibility as at 31 December 2010 are:

- Mr. Francesco Chiappetta, lawyer, Group General Counsel and Manager of General and Institutional Affairs;

- Mr. Maurizio Sala, Director of Group Management Control;
- Mr. Francesco Tanzi, Finance Manager and Executive in charge of drawing up the corporate accounting documents.

The Executives with strategic responsibility received a total of Euro 1.7 million in aggregate form for the year 2010.

All Executives with strategic responsibility are beneficiaries of the LTI 2009-2011 Plan as well as that of 2011-2013 having the characteristics described in paragraph 9 of the Policy.

For the sake of completeness, it is reported that the Executives with strategic responsibility are not included in incentive plans by way of financial instruments that however as at the date of this Report the Company does not have in being.

7. Senior managers and executives

In line with the General Policy on Remuneration, the remuneration of senior managers and executives is made up of:

- a gross annual fixed component;
- a varying annual component that can be attained when reaching predefined company goals (see MBO);
- a varying medium/long-term component (see LTI);
- benefits typically paid to Pirelli executives.