



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

**Minutes of ordinary shareholders' meeting  
of May 10, 2012**

**PIRELLI & C. SOCIETÀ PER AZIONI**  
**MINUTES OF ORDINARY SHAREHOLDERS' MEETING OF MAY 10, 2012**

The Ordinary Shareholders' Meeting of **PIRELLI & C. S.p.A.** (hereinafter, the “**Company**” or “**Pirelli**”) began at 2:10 p.m. on May 10, 2012 in Milan, Viale Sarca n. 214.

Mr. Marco Tronchetti Provera chaired the Shareholders' Meeting pursuant to the Bylaws and, with the unanimous approval of those present, he asked Prof. Carlo Marchetti to act as Secretary of the meeting. Prof. Marchetti accepted this request and expressed his thanks.

First of all, the Chairman announced that:

- the Shareholders' Meeting has been called to discuss and resolve on the following

**AGENDA**

- 1. Annual Financial Report at December 31, 2011. Inherent and consequent resolutions.**
- 2. Appointment of Two Members of the Board of Directors**
- 3. Board of Statutory Auditors:**
  - *appointment of the standing and the alternate members;*
  - *appointment of the Chairman;*
  - *determination of the remuneration of the members.*
- 4. Remuneration Policy: consultation.**
- 5. Three-year (2012-2014) cash incentive plan for management of the Group. Inherent and consequent resolutions.**

- pursuant to applicable laws and regulations, the notice of call was published on the website of the Company and of Borsa Italiana S.p.A., as well as in “Il Sole 24 Ore” and “MF” on March 30, 2012; the call of meeting was also announced to the market through publication of a specific press release on the same day;

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

- in regard to confirmation of the quorums:

-- the share capital is euro 1,345,380,534.66, divided into 487,991,493 shares without par value, including 475,740,182 ordinary shares and 12,251,311 savings shares;

-- as at today, the Company owns 351,590 ordinary shares, and 408,342 savings shares held as treasury stock.

The Chairman then announced that at 2:11 p.m., a total of 861 shareholders were entitled to vote in person or by proxy at the Shareholders' Meeting for **302,015,201** ordinary shares. Therefore, the meeting participants hold a total of **63.483223%** of the ordinary shares.

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

The Chairman then proceeded to announce and acknowledge as follows:

- the documentation regarding the various items on the agenda was published as provided by law and regulation. In particular, on March 29, 2012 the following documents were made available to the public:

- the Directors' Reports on all items of the agenda and the related proposals for resolution;
- the Annual Financial Report – including the draft financial statements, the consolidated financial statements, the Board of directors' report and the certification pursuant to Article 154-*bis*, subsection 5, of Legislative Decree 58 of February 24, 1998 – together with the related reports of the Board of Statutory Auditors and the independent auditor, the Annual Report on Corporate Governance and the Corporate Structure and the Sustainability Financial Report;
- the Information Document prepared pursuant to Article 84-*bis* of the Issuers Regulation in regard to the LTI plan discussed at the fifth and final item on the agenda;

in addition to being filed at the Company head office, these documents have been published on the website of the Company and of Borsa Italiana S.p.A. at the previously indicated date and, when required, sent to Consob; this same documentation (with the exception of the aforementioned Information Document) is included in the print version of the Annual Financial Report distributed at the entrance; this set of documents was also sent before the Shareholders' Meeting to anyone who requested it;

- another folder has been distributed at the entrance; this folder contains documentation related to the two slates of candidates to the Company Board of Statutory Auditors submitted by the shareholders, containing the information and documentation envisaged in Article 144-octies of Consob Resolution no. 11971/99; pursuant to that Consob resolution, this same documentation has been provided to the public at the Company head office, at Borsa Italiana and on the Company website, as follows:

- slate 1, submitted by the shareholders belonging to the Pirelli & C. S.p.A. Shareholders' Agreement, was published on April 17, 2012;
- slate 2, submitted by a group of asset management companies and financial brokers, was published on April 19, 2012;

the Company has notified the market of these document filings by publishing specific press releases;

- the annual reports of the subsidiaries and financial highlights of associated companies were also filed at the Company head office on April 24, 2012;
- according to the information contained in the Register of Shareholders as supplemented by the notices received pursuant to Article 120 of Legislative Decree 58/1998 and the other information available to the Company, the following own voting shares totalling more than 2% of the ordinary share capital:

		<b>Number of shares</b>	<b>% of ordinary share capital</b>
1	<b>MARCO TRONCHETTI PROVERA</b> who directly owns 1.251 shares (0%) and indirectly through . Camfin SpA - 124,500,400 shares (26.17%) . Cam Partecipazioni SpA - 110,673 shares (0.02%)	<b>124,612,324</b>	<b>26.19</b>
2	<b>ASSICURAZIONI GENERALI S.p.A.</b> which directly owns 10,356,963 shares (2.18%) and indirectly through: . Ina Assitalia SpA - 9,540,840 shares (2.00%) . Generali Vie S.A - 5,218,181 shares (1.10%) . Alleanza Toro SpA - 898,909 shares (0.19%) . Genertel Life SpA - 3,512 shares (0%)	<b>26,018,405</b>	<b>5.47</b>
3	<b>EDIZIONE S.r.l.</b>	<b>22,705,157</b>	<b>4.77</b>
4	<b>MEDIOBANCA S.p.A.</b>	<b>21,922,205</b>	<b>4.61</b>
5	<b>ALLIANZ SE</b> of which indirectly through: . Allianz SpA - 21,490,129 shares (4.52%)	<b>21,490,129</b>	<b>4.52</b>
6	<b>PREMAFIN FINANZIARIA S.p.A.</b> of which indirectly through: . Fondiaria - S.A.I. SpA - 21,188,443 shares (4.45%) . Milano Assicurazioni SpA - 120,545 shares (0.03%) . Popolare Vita SpA - 13,575 shares (0%)	<b>21,322,563</b>	<b>4.48</b>

- 351,590 ordinary shares, representing about 0.07% of the ordinary share capital, are also owned by Pirelli & C. S.p.A., while the subsidiaries do not own any Pirelli & C. S.p.A. shares;
- the list of names of those persons attending the meeting will be available at the entrance to the conference hall as soon as it is printed, and will then be enclosed to the minutes, complete with the additional information required under applicable laws and regulations;
- the voting shareholders are asked to indicate whether they are disqualified to vote pursuant to applicable laws and regulations;
- in regard to the shareholders agreements envisaged in Article 122 of Legislative Decree 58/1998, a Pirelli & C. S.p.A. Shareholders' Agreement is currently in force. The following shareholders subscribe to the Shareholders' Agreement (an excerpt of which is indicated from page 102 to page 104 of Volume B of the document file distributed to meeting participants), with the number of shares contributed and the related percentage of outstanding ordinary share capital being indicated for each one of them:

	<b>Number of shares contributed</b>	<b>% of total outstanding ordinary share capital</b>
CAMFIN S.p.A.	96,669,168	20.32
MEDIOBANCA S.p.A.	21,922,205	4.61
EDIZIONE S.r.l.	21,921,364	4.61
FONDIARIA - SAI S.p.A.	21,032,307	4.42
ALLIANZ S.p.A.	20,977,270	4.41
ASSICURAZIONI GENERALI S.p.A. (of which 5,218,181 shares through Generali Vie S.A. and 7,525,388 shares through Ina Assitalia S.p.A. )	20,977,269	4.41
INTESA SANPAOLO S.p.A.	7,683,568	1.62
SINPAR S.p.A.	3,015,320	0.63
Massimo MORATTI (all through CMC S.p.A.)	2,343,392	0.49

<b>Total</b>	<b>216,541,863</b>	<b>45.52</b>
--------------	--------------------	--------------

- in addition to the Chairman, the following persons attended the meeting:

-- the Directors: Mr. Vittorio Malacalza, Mr. Alberto Pirelli, Ms Anna Maria Artoni, Mr. Alberto Bombassei, Mr. Franco Bruni, Mr. Luigi Campiglio, Mr. Paolo Ferro-Luzzi, Mr. Pietro Guindani, Ms Elisabetta Magistretti, Mr. Luigi Roth, Mr. Carlo Secchi, and Mr. Giuseppe Vita, with the other Directors having excused absences;

-- all Statutory Auditors, with the exception of Prof. Paolo Gualtieri, who has justified his absence;

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

-- the Common Representative of Savings Shareholders, Prof. Giuseppe Niccolini, who is participating at the Shareholders' Meeting for the first time and who is welcomed by the Chairman.

Continuing, the Chairman:

- announced that Servizio Titoli S.p.A., the Company's Designated Representative, pursuant to Article 135-*undecies* of Legislative Decree 58/98, as the entity to which voting shareholders could give proxies with voting instructions on all or certain of the motions on the agenda, had informed him that it had not received any proxy;

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

- he announced that, pursuant to Article 127-*ter* of Legislative Decree 58/98, the shareholder Marco Bava had sent a series of questions to the Company before today's Shareholders' Meeting. A specific file containing responses to his questions has already been published on the Company website in a "question and answer" format, specifying that answers to certain of these questions that are directly related to information available only at the Shareholders' Meeting itself, will be given during the proceedings of that meeting. The Chairman also announced that during the Shareholders' Meeting, he will respond to certain of the requests made by shareholder Rimbotti;

- so that all meeting participants might participate in discussion should they wish, the Chairman exercised his authority under the law and the Shareholders' Meeting Regulation in setting a 15-minute limit on the speaking time allotted to each speaker; he asked everyone to comply with this time-limit so that the proceedings could be conducted in an orderly and fair fashion, and to make comments material to the agenda topic being discussed at any one time;

- he also asked those who wished to speak on the various agenda topics to make a reservation by using the specific form (speaker request form) handed out during reception and to be sent to the specific speaker station; when their turn to speak came up, they were supposed to step up to the microphone and not speak from their seat in the audience, so that everyone might clearly hear them;
- he also announced that a recording system was operating in order to facilitate drafting of the minutes, and that a simultaneous translation service from Italian into English and from English into Italian was also available (the headsets were available at the entrance to the meeting hall):
- he pointed out that the personal data collected by means of the sound recording, and those obtained during meeting registration, would be processed only for the purpose of properly managing the Shareholders' Meeting and preparation of its minutes. All data processing would be carried out in compliance with privacy laws;
- on the other hand, he pointed out that audio and video recordings of the meeting proceedings by participants was prohibited;
- he informed the meeting that, in view of facilitating the proceedings, the Company uses a specific information system for recording the presence of participants at the Shareholders' Meeting and during voting.

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

Finally, the Chairman asked the participants not to leave the meeting hall and not to re-enter it during voting so that the number of people present might be accurately counted. He pointed out that the radiovoters would also be used to reveal people's presence every time they momentarily enter or exit the meeting hall, and that they must be returned to the meeting staff when they leave the Shareholders' Meeting from the last time or at its conclusion.

Proceeding to the items on the agenda, the Chairman pointed out that since the documentation for each point to be discussed had been provided to the public long before the meeting date, as well as having

been sent to anyone who requested it and also handed out when they entered the meeting room, he would not read it, as customary.

\* \* \*

Then, the Chairman turned to the **first item on the agenda**, entitled: “*Annual Financial Report at December 31, 2011. Inherent and consequent resolutions*” in regard to the significant events to be remarked after approval of the draft annual report by the Board of Directors, on March 12, 2012, he observed that before the Shareholders’ Meeting, the Board of Directors had met and approved the interim management report at March 31, 2012 and the press release that was formally sent to Consob, Borsa Italiana and media agencies pursuant to applicable laws and regulations. He summarised the salient details of the press release, a copy of which had been previously distributed to the meeting participants.

The Chairman then read the press release distributed by the Company in regard to the decision announced today that Francesco Gori was going to leave the Pirelli Group.

The Chairman noted the many years contributed by Mr. Gori to development of the Company. Recent organisational changes are leading to a lighter first line that has more direct contact with the market. This was the basis for Mr. Gori’s decision, taken in full agreement with the Chairman, to conclude a fruitful collaboration that had lasted 33 years. As suggested by the Chairman, the Shareholders’ Meeting expressed its own appreciation to Mr. Gori with general applause.

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

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

- totalled euro 62,420, for a total of 1,033 hours, to audit the Annual Report 2011 of Pirelli & C. S.p.A.;
- totalled euro 119,650, for a total of 1,587 hours, to audit the Consolidated Financial Statements 2011 of the Pirelli & C. Group;
- totalled euro 62,130, for a total of 656 hours, for the limited audit of the Half-Yearly Report at June 30, 2011 of the Pirelli & C. Group;

- stated that, as reported last year, these fees are in addition to the fee of euro 16,000 for the activities connected with the fairness opinion on certain of the information contained in the Report on Corporate Governance and the Structure of Share Ownership 2011, pursuant to Article 123-*bis* of Legislative Decree 58/1998;

- he also observed that the time and fees charged for auditing the annual report also included the billable time dedicated to auditing proper recordkeeping by the Company and proper accounting of operations in the Company ledgers. These fees do not include out-of-pocket expenses and the Consob supervisory fee, which are billed at cost.

The Chairman then observed that this year the Company had decided to give the annual report a distinctively innovative format, seeking to reveal not only the numbers but also the spirit that inspires the daily work of Group employees. He expressed his personal thanks to everyone inside the Group who believed in this project and the designer Stefan Glerum and art director Francesco Valtolina for their demonstrated commitment and passion.

Before proceeding to examine the annual report, the Chairman also mentioned a new Pirelli programme sponsored by Pirelli on behalf of its individual shareholders, named the “Pirelli Shareholders Club.” He pointed out that the purpose of this programme is to help Pirelli investors become more familiar with its world and products. By joining the Club, shareholders may receive not only all information they might need to know the Company, its results and its prospects, but also qualify for exclusive rewards associated with the Pirelli world, such as sporting, cultural and lifestyle events. This initiative is also open to those people who are not yet Company shareholders but are interested in becoming more familiar with the Pirelli world.

All information related to this initiative will be published on the Company website when and as appropriate.

The Chairman then opened up discussion on the first point of the agenda, reminding everyone to make statements pertaining to the specific topic in question and that each speaker was subject to a 15-minute time limit. The shareholders would be able to vote upon conclusion of the questions, answers, and any replies.

**Borlenghi**, after noting that he was a shareholder faithful to the Company and its shareholders’ meetings, observed that the shareholders are asked to approve a “record-breaking” annual report that shows net sales up by 16.6%, net income of euro 440 million, and an average profitability 10.3% higher than market expectations, as well as a dividend increase, which had gone up to euro 0.27 per share from euro 0.165 last year. He emphasised that these results also allow the Company to revise upwards its sales and earnings targets for the current year, so that it was right for management to be rewarded as well, having achieved the targets set for the three-year period 2009-2011. The principal positive aspects for the year are the focus on high-end tyres and the positive performance of emerging markets, while the only negative aspect seems to be impairment of the shareholding in RCS

MediaGroup for about euro 17 million. He then requested information about production in Argentina, the construction of a plant in Mexico and the acquisition of plants in Russia, concluding with his announcement that he would vote to approve the annual report.

**Cini** recalled that several years ago, certain individuals at the shareholders' meeting had called for the Company to bring in "a Marchionne," a man capable of leading the relaunching of the Group; facts have shown that Pirelli has found "its Marchionne" in the Chairman and in all Group employees and contractors. The Annual Financial Report 2011 shows the solid footing of the Group and its great capacity to diversify its plants and presence in emerging countries, which are typical features of a genuine multinational company. He asked what forecasts the Board of Directors was making for 2012 and asked what actions could be taken in regard to Company equity investments showing negative performance (Mediobanca, RCS MediaGroup, Prelios); he also asked to know the due dates, terms and conditions for repayment of the loan granted to Prelios and the expectations surrounding the future of the existing shareholders agreement on Pirelli shares. Then, in regard to savings shares, he noted that their value is now half of what it was a few years ago, and expressed the wish that their conversion into ordinary shares might be considered. In this regard, he recalled past statements made by the Chairman on the problems, due in part to regulatory restrictions, connected with such a conversion, and asked whether these still represent an obstacle and whether they are quantifiable in terms of costs. In general, he mentioned his own personal experiences, which prove just how harmful bureaucracy is in Italy, frequently requiring the submission of a large number of documents or signatures for extremely simple administrative procedures. He expressed his wish that even Confindustria take strong action on this point. Then, in regard to the Chairman's compensation, he first expressed the opinion that the related media uproar was driven by populism or the desire to wound the Chairman himself. He recalled that the management incentive plan was approved when Pirelli stock was trading at a far lower price than today. Then, in regard to the recurring polemics that taxation of corporate profits was too low, he recalled that shareholders pay a 20% withholding tax on the dividends they receive, and asked what the Company's tax burden was. This shareholder continued speaking, by noting that the specialised press had given credit to a German study on the possibility of obtaining synthetic rubber from dandelion flowers. He observed that this species is also present in Italy and hoped that the project might also be developed at Pirelli Labs. He concluded by asking the Company to consider the opportunity of developing the "Pirelli" brand in the luxury sector, hoping that the Chairman might contribute to settling the disputes existing within RCS and reiterating his satisfaction with the annual report and his appreciation for the accomplishments of the Board of Directors.

**Staffa**, after mentioning that he had been a shareholder for a long time, pointed out that the shareholders' meeting is asked to approve an annual report documenting excellent results, thanks especially to the new range of tyres made in China, where the biggest production plant is located. He then expressed his appreciation for the net income, net sales and dividend, with his only regret being the 20% withholding tax that shareholders must pay on the dividends they receive, especially in the face of the enormous waste that apparently still prevails in the public sector. He expressed the wish that the 2011 results be confirmed in future and confirmed his confidence in the Board of Directors.

**D'Atri** appreciated the choice made for the new graphic design of the annual report, especially for the message of confidence in young people and the focus on improving the information obtained from them. If the purpose is to produce a document that shareholders can keep over time, he suggested that the part dedicated to proposed resolutions be eliminated in future and instead update it after the shareholders' meeting with the resolutions approved by the shareholders. He also expressed the wish that the focus on communication also be concentrated on greater integration with the new media and new technological products that might flank traditional paper media.

The **Chairman** responded that a version of the annual report formatted for the iPad has already been prepared, confirming the Company's intention to exploit innovative communication tools.

**D'Atri** expressed his satisfaction and continued by hoping that in future new technologies might have a positive impact on shareholders' meeting proceedings, through ever-greater use of tools like the exchange of questions and answers via internet, the exchange of digitalised documents, etc. These sorts of information technology applications might also benefit Board of Directors and Board of Statutory Auditor meetings. These would involve innovations that affect not only the form but also the substance of shareholder participation. He then hoped that the Company would move in this direction, and also include savings shareholders and their Joint Representative.

**Facchetti** expressed his appreciation for the positive results and, in particular, expressed his approval (giving a grade of 10/10) for the decision to become worldwide supplier to Formula 1 competition, since this finally enables people to watch an interesting event accompanied by competent contributions on tyre technology; his question was whether the Company gained a positive return on its image. Instead, he gave a minus 10 grade on the issue of stock options. While appreciating the use of this tool, he pointed out that corporate communication on this issue has been inadequate, since it has not sufficiently illustrated that stock options are tied to meeting the targets set in the three-year business plan. However, he criticised the tendency of the media to focus on individual situations that generate the most clamour at a particular time (such as managerial compensation in this period), without

considering the overall situation (e.g. by comparing this compensation with those of newspaper and television news directors, soccer players, etc.). He then offered a brief review of other tyre manufacturers, aside from the Company: Continental, Bridgestone, Michelin, and Goodyear (mentioning their sales and profits). He asked instead for information on the sales and profits of Nokian, which were unavailable to him. He then concluded by requesting information about the Pirelli Concept Store in Milan and especially if it had generated the expected results.

**Barni** stated that he was a small investor accustomed to attending shareholders' meetings in order to express his own criticism and ask questions, including "uncomfortable" ones. However, the Pirelli Annual Report 2011 does not leave much room for complaint or criticism. Aside from the "formal" report, comprised of numbers and results, which are certainly positive in this case, there was still a "real report" that had to be considered, consisting of expectations for the future; and the expectations that Italian society in general (and certainly not Pirelli) offers to young people appear "catastrophic." Great transformations have occurred over the past twenty years in information, culture, distribution and especially production, which now requires far fewer people than in the past. A production and distribution system has been created that might stop working in future, paralysing the country with effects even greater than the great catastrophes of the past.

Finally, in regard to the compensation paid to the Board of Directors, he observed that, in his opinion, it was too high, albeit deserved, especially when contrasted with the serious situation confronted by numerous people in Milan, in Italy and around the world.

With no one else asking to speak, the **Chairman** replied as follows.

He reminded Borlenghi that the Company cannot directly interfere with the management of companies in which it holds non-controlling interests. The current economic situation is very difficult and many companies are unable to achieve satisfactory results. When this affects companies in which Pirelli holds an equity interest, Pirelli endeavours to make its own contribution within the limits of its own role and position. On the other hand, its activities in Argentina, Mexico and Russia are the source of great satisfaction, in spite of the statutory limits on imports in Argentina. At this time, the Company is party to ten-year co-financing agreement with the Argentine government for the construction of a new factory, and negotiations are moving forward on another agreement that will allow it, during this period, to be exempt from mandatory restrictions that impose balanced trade between Argentina and Brazil. These agreements will allow its results to continue growing. Specifically in regard to Mexico, the Chairman emphasised that production for the NAFTA market, which includes Canada, the United States and Mexico, was started up faster than planned. Company production in Mexico generates major

savings on import duties charged by these countries and shorter delivery times than for exports from Brazil, which are subject to a 4% tariff and entail average delivery times of 45 days for shipment by sea. It is expected that output in Mexico will reach 400 thousand units by the end of 2012, and over 1.5 million units by 2013, or about 25% of the products sold on the North American market. At full capacity, this output will be solid and profitable, focused on high-end products.

As for the Company's presence in Russia, continued Mr. Tronchetti Provera, sales figures show growing exports of high-end products made in Europe to that country. The two factories located on Russian soil are currently being reorganised, since modifications were necessary especially on the quality of compounds. The target for 2013 is that the Pirelli brand account for at least half of output, gradually flanking the current brand and thus allowing the Company to exploit an extraordinary growth opportunity.

Responding to Cini, he noted first of all that the equity investments in other companies represent a minimal portion of net equity, or about 5% of assets carried on the balance sheet. As for the loan to Prelios, the Chairman noted how this latter company, in a truly difficult time for the real estate sector, has made enormous efforts by simplifying its own organisation, cutting costs and giving new impetus to its asset management business. The current credit position of Pirelli (now about euro 160 million) did not originate as a pure investment, but was instead necessitated by the spin-off of Prelios from Pirelli. That demerger in turn was necessitated by the risk factor that real estate connoted and still connotes. To guarantee Prelios complete independence by severing all equity ties, it was necessary to maintain the euro 150 million loan in order to obtain authorisation for the demerger. The current exposure to Prelios – which is working very hard on its own reorganisation and thus moving in the right direction – has to be compared with the previous arrangement, which involved an equity investment that impacted the Pirelli balance sheet to the tune of about euro 400 million. Prelios, as Mr. Tronchetti Provera reiterated, is still engaged in an extremely profound restructuring operation, as testified by the refinancing that, albeit at a certain cost, the banking system has granted the company far in advance of the expiry of its existing credit lines. So, from Pirelli's point of view, management of the investment in Prelios, with the substitution of a euro 400 million commitment in equity with a commitment of euro 160 million in financing, has generated an increase in value.

As for the Pirelli shareholders agreement, the Chairman recalled that this agreement will expire in April 2013 and aggregates about 46% of share capital. So, towards the end of 2012, the shareholders' wishes are going to be surveyed. It might even happen that some participant decides to withdraw from the

agreement or that new participants will sign on, but this will not have any particular impact on the general balance of the Group, which is assured by the existence of a lead shareholder, i.e. Camfin.

Then, in relation to the savings shares, Mr. Tronchetti Provera emphasised that the share capital they represent is extremely fragmented, with the consequence that all efforts made by the Company to deal with the issue have been in vain, given the impossibility of obtaining the necessary approval from the general meeting of savings shareholders. In regard to the more general issue of bureaucracy and the role of Confindustria, he observed that at this delicate juncture, efforts are focused, with the aid of common sense and the assistance of all institutions, on the path towards recovery not only by Italy but also all of Europe. He emphasised that recovery, while respecting budgetary constraints, must involve incentives for investments and guarantees for job security. Otherwise, the social situation could become unsustainable. Therefore, it is desirable that serious development decisions be taken that also have a positive impact on systemic liquidity. Unfortunately, excessive bureaucracy represents the consequence of historic stratification of different elements of complexity in the construction of social life in Italy, which now make radical simplification desirable, and for which the first signals are appearing.

In regard to the new frontiers for rubber production, the studies carried out thus far on the possibility of using substances derived from plants have still not produced significant results in terms of cost-effectiveness, while techniques for partial recovery of end-of-life tyres are at a more advanced stage. However, the Company is strongly focused and active in research on alternatives to natural rubber. Moreover, some results have already been achieved, especially for the recovery of particulates.

Continuing with his answers, the Chairman noted that the Pirelli brand has been appraised by *Interbrand* as having a value of about euro 2.3 billion, obtained by using the financial analysis criteria normally used to measure business assets.

In regard to compensation, he noted that the 2009-2011 incentive plan was offered to 87 executives. The Chairman's compensation for 2011 was euro 8 million, including the variable annual component. Press reports on the Chairman's compensation referred to the entire three-year period 2009-2011 and were not the result of distraction by the Pirelli Press Office – which has instead always proved to be efficient – but rather that of a smear campaign. In point of fact, the Chairman received about euro 14 million in 2012, which certainly do not refer to just one year, but are instead the result of the entire three-year 2009-2011 incentive plan. So, it was a plan that set a series of ambitious targets for those three years, targets that have all been fully met, allowing the Company to increase its value significantly.

In regard to the detailed question about taxation, he pointed out that the Company income tax rate is 33%, while the dividend distributed to natural persons is subject to a 20% tax rate.

In regard to certain points of the new business plan, the Chairman recalled that it involves focusing on the Premium segment, which represents the most profitable segment and that enjoyed the most growth both on the market as a whole and specifically at Pirelli. In 2012 this focus, while confronted with a contraction in volumes on the southern European market, will allow the Company to meet and top its profitability targets, with 12% increase in profitability expected. This will be the result of efforts made by the entire Company and especially the choices tied to focusing on the Premium segment in view of preserving its market share in this area, reducing the impact of low-profit products, the growth of volumes in China, and the recovery of market share in the United States. The growth in Group earnings, which have been confirmed in recent disclosures and press releases as being near the top of the target range, is also the result of growth in the Premium segment on the European market, in spite of the general crisis.

The Chairman continued speaking on this point, pointing out that the market in Southern European (but not the market in Germany and Northern Europe) has contracted due to reduced use of cars by individuals, due to the crisis and higher gasoline prices, while the German market was impacted by an especially cold winter that delayed the seasonal replacement of winter tyres. In spite of all these factors, he reiterated that Pirelli has had record results and hopes that especially when Europe finally begins showing signs of recovery, they can improve even more.

Referring to certain of the questions asked by d'Atri, the Chairman gave assurances that the greatest possible efforts and maximum passion are being dedicated to communication and integration of media resources. Work is also proceeding on the creation of a digital marketing structure, and the Annual Financial Report 2011 is also available for the first time in an iPad compatible version.

Responding to Facchetti, he confirmed that the return in terms of image on sponsorship of Formula 1 can be measured on the basis of an international study by *IFM*, which has quantified the value of the 2011 season in the amount of about euro 800 million for sale of advertising space. But what counts even more is that this initiative creates opportunities for the Group's most important customers, for example by allowing them to attend races and exploiting the opportunity offered by Grand Prix races to organise business meetings and make new and better business agreements. This is also true for soccer matches, which are also used by Company marketing staff to attract people to the Pirelli world.

The Chairman continued by noting that Nokian is an excellent Finnish company specialising in the replacement tyre market, has EBIT of 25%, and operates almost exclusively in Russia (where it was the

first firm to enter the market with large volumes) and the Scandinavian Peninsula, and thus concentrates on the winter segment. It is an efficient competitor but is small compared with Pirelli. This shows that you can operate successfully in those countries, even if you are highly focused geographically. For its part, Pirelli has a far broader geographical reach and product line, allowing it to aim at becoming a leader in the Premium segment, and assuring it long-term stability, thanks in particular to the daily contribution made to technological capacity.

In regard to the questions raised by shareholder Rimbotti, the Chairman pointed out that the equity investments in Inter and the Istituto Europeo di Oncologia have a marginal impact on the balance sheet. Also in reference to the questions raised by shareholder Rimbotti, the Chairman stated that the directors who have not participated at certain Board of Directors meetings (and thus Mr. Moratti and Mr. Perissinotto, among others) have always justified their absences. As stated in the Report on Corporate Governance, the average frequency of attendance at Board of Directors meetings is still quite high, and their rate of attendance at Board of Directors standing committee meetings is even higher.

Finally, he reminded Barni that the compensation received by directors and key managers is reported in detail in the remuneration report, with a complete description of the individual items. He reiterated that the amounts recently reported in the press are the result of a misleading representation of actual facts.

Having completed his answers, **Chairman** gave the floor to responses by the shareholders.

**Staffa** observed that on the basis of his personal experience, the company is weak in the new car original equipment segment. He himself has had different company cars and several personal cars (including various Fiat models and, a while ago, a Ferrari), and only on one occasion was the original equipment comprised by Pirelli products.

The **Chairman** observed that in the high-end segment, Pirelli supplies about 50% of the original equipment on Ferraris, Maseratis, Porsches, McLarens and Bentleys, and about 20% of Audis, Mercedes and BMWs; it is the leader for original equipment in China for Audi, BMW, Mercedes and Volvo. On the other hand, the Company's presence in the medium-low range was cut back some time ago, due to the low profitability of that segment.

Before proceeding to voting, the **Chairman** recalled that shareholder Marco Bava sent several questions to the Company before today's Shareholders' Meeting. Reference has to be made to the specific file published on the Company website in question and answer" format for most of the answers given by the Company, as stated at the beginning of the meeting. For the remaining questions that have not been answered by means of publication on the Company website, since they are directly related to

the Q1 2012 results approved today by the Board of Directors, the Chairman gave the following answers indicated below:

Question: Net financial (liquidity)/debt position of the Group at the date of the Shareholders' Meeting, with average historic rates for interest income and expenses.

The **Chairman** responded by observing the net financial (liquidity)/debt position of the Group at March 31, 2012 was a negative euro 1,305 million, up euro 737 million from December 31, 2011.

The average cost of debt for the period was 5.5%.

The return on cash and cash equivalents varies considerably according to geographical area and origin. Comparisons would be insignificant. However, he recalled that the current cash management policy imposes, inter alia, absolute limits and concentrating ratings for counterparties and markets.

With this policy, the minimum requested return is equal to the benchmark index minus 30 basis points.

Question: "What has been the net sales performance of each business segment between the beginning of the year and now"?

The **Chairman** answered that Group net sales grew by 11.1% in the first quarter from the same period of 2011. The consumer tyre segment grew by 17.1% and the industrial tyre segment contracted by 2.6%.

Finally, in regard to the request made by shareholder Bava for certain data referring to the shareholders present at the Shareholders' Meeting, the **Chairman** observed that this information has been provided in the customary lists appended to the minutes; consequently, he was not going to read it so as not to slow down the meeting, while also mentioning that it was still available at the entrance to the meeting hall.

With no one else asking for the floor, the Chairman:

- declared that discussion on the first item of the agenda was closed;
- announced that, at 3:39 p.m., the shareholders voting on the resolution in person or by proxy totalled 867 shareholders representing **323,325,743** ordinary shares, equal to **67.962673%** of the total ordinary shares;
- then put the motion for approval of the annual report and allocation of net income up for vote with the radiovoter at 3:39 p.m., with said motion being set out on page 115 of Volume A of the folder distributed at the entrance to the meeting hall and transcribed as follows:

*"The Shareholders' Meeting:*

- *having examined the Annual Financial Report at December 31, 2011;*

- 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, 2011, 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 272,474,107;*

*b) to allocate the 2011 net income of euro 272,474,107 as follows:*

*- 5% to the legal reserve: euro 13,623,705*

*- to the shareholders:*

*euro 0.27 (\*) to each of the 475,388,592 (\*\*) ordinary shares, for a total of euro 128,354,920*

*euro 0.34 (\*) to each of the 11,842,969 (\*\*) savings shares, for a total of euro 4,026,610*

*the remainder to retained earnings: euro 126,468,872*

*(\*) 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 2011 will be collectible from May 24, 2012, with coupon detachment date on May 21, 2012."*

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

No share voted against.

244,594 shares abstained.

226,356 shares did not vote.

The remaining 322,854,793 shares present at the meeting voted in favour.

All of these results are illustrated in the enclosed details.

The Chairman proclaimed the result by acknowledging that the following had been approved:

- the annual report of Pirelli & C. S.p.A. at December 31, 2011;
- allocation of net income for 2011;

and reminding the shareholders that the dividend for 2011 will be collectible from May 24, 2012, with coupon detachment date on May 21, 2012.

\* \* \*

Proceeding to discussion of the **second item on the agenda**, entitled: “*Appointment of Two Members of the Board of Directors*,” the Chairman noted that, as explained in the Directors’ Report, Ms. Manuela Soffientini and Mr. Giuseppe Vita had to be confirmed as Directors, after having been co-opted by the Board of Directors following the resignation of Prof. Francesco Profumo (an independent Director elected on the “minority” slate) Mr. Enrico Tommaso Cucchiani (a non-executive Director elected on the majority slate).

The Chairman recalled that, in regard to the co-optation of Manuela Soffientini, the Nominations and Successions Committee decided that it was appropriate to consult with Assogestioni in choosing the candidates to propose to the Board of Directors, although it had no obligation to do so under the law or the Corporate Governance Code, insofar as Prof. Profumo had been elected on the minority slate submitted by a group of Italian asset management companies and certain institutional investors specifically sponsored by Assogestioni.

Finally, the Chairman pointed out that the curricula vitae of Manuela Soffientini and Giuseppe Vita had been handed out at the entrance to the meeting hall, and thus he would skip reading them.

The Chairman then opened up discussion on the second item of the agenda, reminding everyone to make statements pertaining to the specific topic in question and that each speaker was subject to a 15-minute time limit. The shareholders would be able to vote upon conclusion of the questions, answers, and any replies.

With no one else asking for the floor, the Chairman:

- announced that, at 3:44 p.m., the shareholders voting on the resolution in person or by proxy totalled 865 shareholders representing **323,324,833** ordinary shares, equal to **67.962481%** of the total ordinary shares ;
- then put the motion for confirmation of the Company Directors Manuela Soffientini and Giuseppe Vita until expiry of the term of the entire Board of Directors up for vote with the radiovoter at 3:44 p.m.

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

4,319,836 shares voted against.

1,447,506 shares abstained.

670,250 shares did not vote.

The remaining 316,887,241 shares present at the meeting voted in favour.

All of these results are illustrated in the enclosed details.

The Chairman proclaimed the result by acknowledging that the appointment of Manuela Soffientini and Giuseppe Vita as member of the Board of Directors of the Company until expiry of the term of the current Board of Directors had been approved and that the Board of Directors consequently had twenty members.

\* \* \*

Proceeding to discussion of the **third item on the agenda**, entitled: ***“Board of Statutory Auditors: appointment of the standing and the alternate members; appointment of the Chairman; determination of the remuneration of the members.”***, the Chairman announced that:

- pursuant to the terms and conditions set out in Article 16 of the Bylaws and applicable laws and regulations, and pursuant to the Corporate Governance Code of listed companies, two slates of candidates had been filed at the Company head office; all the additional documentation required under applicable law and the Bylaws was filed together with the lists;
- as previously mentioned at the beginning of the Shareholders' Meeting, the Company had published the submitted slates in compliance with the provisions of Article 144-*octies* of Consob Resolution 11971/99. In particular:
  - on April 17, 2012, the Company issued a press release that announced:

- that just one slate of candidates had been submitted on time by Camfin, Mediobanca, Edizione, Fondiaria-Sai, Allianz, Assicurazioni Generali, Intesa Sanpaolo, Sinpar and Massimo Moratti, members of the Pirelli & C. SpA Shareholders' Agreement;
- the composition of the submitted slate;
- the availability, on the same April 17, 2012, at the Company head office, Borsa Italiana and the Company website, of the information and documentation filed by the shareholders together with the list pursuant to applicable laws and regulations;
- the extension of the deadline for submission of any additional slates until April 19, 2012 and reduction to 0.75% of the percentage of ordinary shares necessary to submit these new slates;
- a new slate of candidates was submitted by a group of asset management and financial broker companies was filed by the April 19, 2012 deadline; the filing of this new slate was promptly announced with the publication of a new press release;
- the folder distributed to the meeting participants contains all information as required under applicable laws and regulations and the Bylaws in regard to the shareholders that submitted the slates and the candidates to the Board of Statutory Auditors; in this regard, the Chairman also noted that all the candidates have affirmed their independence pursuant to the Corporate Governance Code and that, if appointed, would hold no more positions than allowed by Consob.

The Chairman then read the names on the two slates submitted, as indicated hereunder:

**Slate number one**, submitted by the members of the Pirelli & C. S.p.A. Shareholders' Agreement:

Section 1 – Standing Statutory Auditors

1. Enrico Laghi
2. Antonella Carù
3. Paolo Domenico Sfameni

Section 2 – Alternate Statutory Auditors

1. Umile Sebastiano Iacovino
2. Luigi Guerra

**Slate number two**, submitted by a group of asset management companies and financial intermediaries:

Section 1 – Standing Statutory Auditors

1. Fallacara Francesco

Section 2 – Alternate Statutory Auditors

1. Lorenzatti Andrea

explaining that the curricula vitae of the candidates and the positions they hold – updated today – are contained in the folder available to the meeting participants that will then be appended to the minutes of the Shareholders' Meeting, pursuant inter alia to the provisions of Section 2400, last subsection, of the Italian Civil Code.

With the unanimous consent of the Shareholders' Meeting, the Chairman skipped reading the candidates' curricula vitae, partly on account of their notoriety.

The Chairman also noted that:

- the shareholders that submitted slate number one had also proposed to the Shareholders' Meeting – considering inter alia the responsibilities delegated to the Board of Statutory Auditors by Legislative Decree 39/2010 and the possibility of assigning Supervisory Body functions to this corporate body – that the gross annual compensation of the standing Statutory Auditors be set in the amount of euro 50,000 euro and the gross annual compensation of the Chairman of the Board of Statutory Auditors be set in the amount of euro 75,000;
- the shareholders that submitted slate number two also affirmed, when they submitted their slate, and on the basis of available information related to significant shareholdings or publication of shareholders agreements, that no relations existed pursuant to Article 148(2) of the Consolidated Finance Law (TUF).

At this point, the Chairman expressed his personal thanks and that of the Board of Directors to the current members of the Board of Statutory Auditors for the work they had performed during their mandate. He then opened discussion on the third item of the agenda by reminding everyone to make statements pertaining to the specific topic in question and that each speaker was subject to a 15-minute time limit.

With no one asking for the floor, the Chairman:

- announced that, at 3:51 p.m., the shareholders voting on the resolution in person or by proxy totalled 866 shareholders representing **323,325,742** ordinary shares, equal to **67.962673%** of the total ordinary share capital;
- explained that, since two slates of candidates had been submitted, two separate votes would be held, concerning respectively:
  - the appointment of standing and alternate Statutory Auditors;
  - the determination of fees for members of the Board of Statutory Auditors.

while the Chairman of the new Board of Statutory Auditors, if elected standing Statutory Auditor, would be the first candidate listed on the slate that obtained the least number of votes.

Then, in regard to election of the standing and alternate Statutory Auditors for 2012, 2013 and 2014 through voting on the two slates submitted, pursuant to Article 16 of the Bylaws, the Chairman recalled that list number ONE was submitted by the shareholders belonging to the Pirelli & C. Shareholders' Agreement Syndicate, while list number TWO was submitted by a group of asset management companies and financial intermediaries.

He then explained that voting would be carried out with the radiovoter, but in accordance with procedures slightly different from those used before, which he then illustrated, while also explaining that the procedures for using the radiovoter were described in detail in the document handed out to meeting participants upon registration, and finally explaining that the proxies who wished to cast different votes for the various shares they represented should use the special "assisted voting" station that had been set up.

The Chairman then put the slates submitted for election of candidates to the Board of Statutory Auditors up for vote with the radiovoter at 3:54 p.m., while asking the shareholders to vote for one of the two slates of Statutory Auditor candidates that they had previously submitted.

**The voters returned the following results.**

Slate number one, submitted by the members of the Pirelli & C. S.p.A. Shareholders's Agreement  
251,669,672 shares voted in favour.

Slate number two, submitted by a group of asset management companies and financial intermediaries:  
71,365,962 shares voted in favour.

238,141 shares voted against.

50,864 shares abstained.

1,103 shares did not vote.

All of these results are illustrated in the enclosed details.

The Chairman proclaimed the result by acknowledging that:

- slate number one had received the majority of votes cast by the Shareholders' Meeting, from which are elected, in the order that they are listed, two standing Statutory Auditors and one alternate Statutory Auditor, and specifically:

-- Enrico Laghi and Antonella Carù as standing Statutory Auditors;

-- Umile Sebastiano Iacovino as alternate Statutory Auditor;

- the remaining two members of the Board of Statutory Auditors were elected from slate number two, and thus:

-- Fallacara Francesco as standing Statutory Auditor;

-- Lorenzatti Andrea as alternate Statutory Auditor;

- in consequence of these elections and pursuant to Article 16 of the Bylaws, the Chairman of the Board of Statutory Auditors is Francesco Fallacara, listed first on the slate submitted by a group of asset management companies and financial intermediaries that received fewer votes in favour from the Shareholders' Meeting than the first slate.

The Chairman then reminded the shareholders, as previously mentioned, that the complete list of management and supervisory positions held by the elected statutory auditors at other companies would be enclosed to the minutes of the Shareholders' Meeting.

The Chairman, with the same number of voting shareholders, then put the proposal to set the gross annual compensation of the standing Statutory Auditors at euro 50,000, and the gross annual compensation of the Chairman of the Board of Statutory Auditors at euro 75,000, up for vote with the radiovoter according to the customary procedures at 3:57 p.m., (these amounts reflect the duties assigned to the Board of Statutory Auditors by Legislative Decree 39/2010 and the possibility of attributing Supervisory Body functions to the Board of Statutory Auditors).

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

859,708 shares voted against.

7,637,292 shares abstained.

3,003,326 shares did not vote.

The remaining 311,825,416 shares present at the meeting voted in favour.

All of these results are illustrated in the enclosed details.

The Chairman proclaimed the result.

\* \* \*

Proceeding to discussion of the **fourth item on the agenda**, entitled: “**Remuneration Policy: consultation**,” the Chairman observed and explained that:

- the Pirelli Group Remuneration Policy was put up for advisory vote at the Shareholders’ Meeting in April 2011 – one year ahead of the statutory deadline;
- the new Policy that is being submitted for vote by the Shareholders’ Meeting this year has been prepared on the basis of the Policy application experience last year. Therefore, its structure has been refined and its content expanded, by incorporating in it elements that had previously been contained in the application criteria, in view of facilitating full comprehension of the link existing between the structure of management remuneration and the creation of value over the medium-long term. The new Policy also reflects the recent regulatory provisions adopted by Consob in Resolution in December 2011 and the adoption of a new Long Term Incentive Plan. Pirelli has decided to terminate the existing plan for the three-year period 2011-2013 by proposing a new one for the three-year period 2012-2014 that is consistent with the Business Plan for that same period;
- therefore, as envisaged in Article 123-ter TUF, the Remuneration Report submitted to the Shareholders’ Meeting is broken down into two distinct sections:

I. the first section illustrates:

- a) the Pirelli Remuneration Policy for Directors, General Managers, Managers with strategic responsibilities and, more generally, the Pirelli Remuneration Policy for all of management;
- b) the procedures used for adoption and implementation of this Policy;

II. the second section, regarding specific members of the Board of Directors and Board of Statutory Auditors, the General Managers and, as a corporate governance disclosure since the conditions imposed by the Consob Regulation do not apply, for Managers with strategic responsibility:

- a) provides an adequate representation of each item that composes remuneration, including the treatment envisaged in the event of expiration of the position or termination of the employment relationship, highlighting its consistency with the Policy approved during the previous year;
- b) accounts for the compensation paid in 2011 for any reason and in any form by the Company and by its subsidiaries or associates, 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 exchange for the activity performed during the reference year, possibly by indicating an estimate of the components

that cannot be objectively quantified in the reference year;

- as envisaged by the Consolidated Finance Law (TUF), the Shareholders' Meeting is asked to express its opinion by voting on the first section of the Remuneration Report, as previously cited;

- the Remuneration Report was approved by the Board of Directors after the Remuneration Committee, comprised entirely of independent directors attending this Shareholders' Meeting, had issued its favourable opinion. The report also refers to the operating procedures of that Committee.

The Chairman then opened up discussion on the fourth item of the agenda, reminding everyone to make statements pertaining to the specific topic in question and that each speaker was subject to a 15-minute time limit. The shareholders would be able to vote upon conclusion of the questions, answers, and any replies.

**Siviero** mentioned that he had been a shareholder for a long time and that this was partly due to his appreciation for the support given by Pirelli to Milan during hard times in the past. The company is now solid and has a positive balance sheet. However, in a time of economic crisis like the present, he was amazed that such high compensation was being granted. Reducing managers' pay might also allow higher dividends, and thus share out the benefits of positive results between managers and shareholders. It might stand as a good example for public sector pay, which represents a truly regrettable phenomenon in his opinion.

**Barni**, first referred to his previous remarks on his concerns over the durability of the current financial and economic system; he then complained about the compensation awarded to the Chairman: euro 8 million for 2011 and euro 14 million in 2012 on the basis of annual financial results, totalling euro 22 million that, in the shareholders' opinion, even if considered over the span of three years, was an excessive amount; for the future, he suggested – in view of, among other things, the general change in the economic and financial system that he hopes for – that compensation be benchmarked to the profits distributed to shareholders.

**Maresca**, first congratulated the entire executive staff and the Chairman for the excellent annual results as reported; however, he proposed that the Shareholders' Meeting approve a 10% cut in managers' compensation: in his opinion, that sort of decision would send a strong and important message to the market, and might also have a positive impact on the price of Pirelli stock, since it would represent a shock for the entire system.

**D'Atri** first recalled that the Shareholders' Meeting was called to approve the first part of the Remuneration Report, on the basis of a new law whose limits are manifest: therefore, the discussion does not refer to real compensation that has actually been paid (which is instead the issue at question in

the annual report), but rather to the remuneration policy, an issue that concerns not only Pirelli but rather a whole series of factors. In this regard, it would have been appropriate for the members of the Remuneration Committee to mention whether there is a correspondence between the remuneration policy and the compensation actually received, and the methods used to calculate performance-linked compensation. In this sense, he criticised the choice of lawmakers to have the shareholders' meeting approve general policies only, which might be acceptable in the abstract but diverge from their guiding principles upon application. For the future, he suggested that the Remuneration Committee analytically and concretely illustrate the choices made by the Board of Directors, in view of a relaxed discussion.

With no one else asking to speak, the **Chairman** replied as follows.

As mentioned by shareholder d'Atri, the Shareholders' Meeting is obligated by law to express its advisory opinion on general remuneration policies, while the specific compensation awarded in 2011 has been stated in the annual report, which was approved in turn without opposition. He also noted that the annual report acknowledges the fact that the structure of the Chairman's remuneration has been altered following his waiver of a significant portion of the annual fixed component. What is stated in the annual report is certainly more valid than what is reported in the press, which occasionally seeks only to discredit its targets.

With no one else asking for the floor, the Chairman:

- declared that discussion on the fourth item of the agenda was closed;
- announced that, at 4:24 p.m., the shareholders voting on the resolution in person or by proxy totalled 864 shareholders representing **323,324,289** ordinary shares, equal to **67.962367%** of the total ordinary shares;
- then put up the Pirelli Group Remuneration Policy for vote with the radiovoter at 4:24 p.m., as set out on pages 87 ff. of Volume A of the folder distributed to the meeting participants.

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

49,564,439 shares voted against.

2,013,953 shares abstained.

3,002,223 shares did not vote.

The remaining 268,743,674 shares present at the meeting voted in favour.

All of these results are illustrated in the enclosed details.

The Chairman proclaimed the result and then acknowledged that the Shareholders' Meeting had expressed its advisory vote in favour of the Group Remuneration Policy in the version set out in the Directors' Report submitted by the Board of Directors.

\* \* \*

Proceeding to discussion of the **fifth and last item on the agenda**, entitled: *“Three-year (2012-2014) cash incentive plan for the management of the Group. Inherent and consequent resolutions,”* the Chairman announced and noted in this regard that:

- in 2009 Pirelli adopted a long-term cash incentive (LTI) plan for senior management (about 90 managers) tied to achievement of the cumulative EBIT targets set out in the 2009-2011 business plan, consistently with variable compensation mechanisms generally adopted at the domestic and international levels, in view of aligning management and shareholder interests through the creation of sustainable value over the medium-long term;
- in this context, total shareholder return was one of the targets set in the LTI plan in question (which expired in 2011). Actual results far exceed the targets set in the 2009-2011 plan: Pirelli has repeatedly revised its earnings guidance upward over the period. Moreover, the total shareholder return was 128% between Q4 2008 and Q4 2011. The three-year incentive plan was totally self-financing: its cost was already including in earnings figures, as documented by the annual reports for the three financial years;
- voting on a motion by the Remuneration Committee, the Board of Directors has approved the launch of a new three-year incentive plan offered to all of Group management and tied to the new, challenging targets set for the three-year period 2012-2014. Like the previous plan, the new incentive plan calls for management to waive receiving at year-end 50% of the annual incentive for 2012 and 2013. The waived amount will be set aside in a “bonus bank” that will be paid out at the end of the three-year period with a supplement only if the long-term targets are achieved. Instead, if these targets are not met, only half of the accrued bonus bank will be paid out. The weight of total shareholder return is increased in the benchmarks to which the three-year incentive is tied, and the position of Pirelli in leading global sustainability indices is introduced;
- therefore, the Shareholders' Meeting is asked to express its opinion on the part of the new three-year 2012-2014 incentive plan that is tied to total shareholder return. The Directors' Report and the disclosure statement published pursuant to applicable laws and regulations set out complete details of the LTI plan.

Before opening the floor to discussion, the **Chairman** pointed out that Pirelli governance has traditionally judged to be one of the best on the market, in terms of transparency, equity and sustainability. This is the effort that the Company intends to pursue over the coming years.

Thus opening discussion, **Moletti** suggested extending the duration of the plan from three to five years, a more significant period that better justifies a supplemental bonus.

**Maresca** affirmed his opposition to the use of stock options.

The **Chairman** responded by explaining that the plan in question does not grant stock options and that Pirelli does not offer any stock options plan. What is being proposed is a monetary incentive plan, approved by the Board of Directors as recommended by the Remuneration Committee, which ties the bonus to Pirelli stock performance and other benchmarks as well.

**Maresca** took note of this clarification.

**Barni** emphasised the importance of this vote, which does not concern (as was the case for the vote on the annual report) previously granted bonuses, but rather those to be awarded in future and specifically for the three-year period 2012-2014. He stated that he had not understood the so-called “co-investment” mechanism and announced that he would vote against the motion in any event, holding that the compensation in general and the bonuses envisaged in the plan were excessive. He asked the shareholders to vote against it.

**Rimbotti** asked the Company and, on its behalf, the Chairman to disclose the mathematical formula used to calculate the incentive plan, in the interest of shareholders and the market in general, pointing out in particular that award of the 50% variable portion is not certain but instead depends on results. This formula is not generally known and should be disclosed instead.

With no one else asking for the floor, the **Chairman** referred to the answers already given on the issue and, continuing, assured Rimbotti that the details of the plan had already been published in Company press releases and the additional documentation prepared for this purpose pursuant to applicable laws, and would continue to be transparent. In regard to the proposal for an extension of the plan period to five years, he reminded the meeting that the Company operates in a market where the unit of time used is a three-year period. Consequently, three years represent a proper reference horizon for measuring performance. Moreover, Pirelli is acting responsibly towards the market and shareholders by raising the threshold of plan targets even further, convinced that it will meet them on the strength of its products, employees and geographical scope.

With no one else asking for the floor, the Chairman:

- declared that discussion on the fifth item of the agenda was closed;

- announced that, at 4:44 p.m., the shareholders voting on the resolution in person or by proxy totalled 862 shareholders representing **323,286,289** ordinary shares, equal to **67.954380%** of the total ordinary shares;
- he then put the proposed resolution set out on page 127 of Volume A of the folder distributed to meeting participants as transcribed below for vote with the radiovoter at 4:44 p.m.:

*“Shareholders,*

*on the basis of the foregoing presentation, we ask that you:*

- 1. approve – pursuant to Article 114-bis of Legislative Decree 58 of February 24, 1998, as amended – adoption of a three-year incentive plan for 2012-2014 (the LTI Plan) for Pirelli Group Management, partially based on financial instruments, in the terms illustrated in this Report and as better illustrated in the Disclosure Document (prepared pursuant to Article 84-bis (1) of the Issuers Regulation). The LTI Plan envisages that, inter alia, the remaining one third of the difference between the target-based pure LTI Bonus and the maximum LTI Bonus be determined on the basis of a total shareholder return target calculated as performance of Pirelli stock compared with the FTSE/MIB Index Total Return, periodically calculated by FTSE and present on the database of Borsa Italiana and the index composed of selected peers in the tyre sector;*
- 2. grant the Board of Directors – and for it, the Chairman – all power as necessary for full, complete implementation of the LTI Plan.”*

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

2,597,125 shares voted against.

1,662,849 shares abstained.

670,250 shares did not vote.

The remaining 318.356.065 shares present at the meeting voted in favour.

All of these results are illustrated in the enclosed details.

The Chairman proclaimed the result and acknowledged that the Shareholders’ Meeting had approved the adoption of a three-year incentive plan for 2012-2014 (the “LTI Plan”) for Pirelli Group management, partially based on financial instruments, and granted the Board of Directors – and for it, the Chairman – all power as necessary for full, complete implementation thereof.

\* \* \*

Having completed discussion of the agenda and with no one asking for the floor, the Chairman announced the end of the Shareholders' Meeting and thanked those who had attended it.

The time was 4:45 p.m.

The Secretary

The Chairman