



## **PRESS RELEASE**

### **BOARD APPROVES NEW LONG TERM INCENTIVE PLAN (LTI) FOR EXECUTIVES, TO SUPPORT ACHIEVEMENT OF TARGETS IN 2013/2017 INDUSTRIAL PLAN**

### **TERMINATES OLD LTI PLAN (2012-2014) WITHOUT ANY PAYMENTS**

*Milan, 28 February 2014* – The Board of Directors of Pirelli decided to terminate, with effect from December 31st, 2013, the cash Long Term Incentive Plan (LTI) for executives adopted in 2012 to support the targets set for the 3-year period 2012-2014 without any payment, not even pro-quota, of the 3-year bonus. At the same time, the Board approved the adoption of a new plan - always for all executives (about 330 participants) – linked to the targets for the period 2014/2016 contained in the 2013/2017 industrial plan presented on November 6<sup>th</sup>, 2013, when the guidelines for the new LTI were also provided.

The “new” LTI plan was decided upon also in accordance with article 2389 of the civil code, at the proposal of the Remuneration Committee and with the favourable opinion of the Internal Auditors, in relation to the subjects for whom such opinions are required. In the part linked to Total Shareholder Return, the 2014/2016 LTI plan will be submitted for the approval of shareholders at the shareholder meeting called to approve results for the year ended December 31, 2013..

The 3-year LTI plan, in line with the mechanisms of variable remuneration adopted at the international level, is also based on the performance of Pirelli shares (so-called TSR) and allows the alignment of the interests of management themselves with those of shareholders. The 2014/2016 plan, as in the past, is completely self-financing, in that the relative charges are included in the data of the industrial plan.

The “new” LTI Plan includes an on/off condition, represented by the creation of value over the 3-year period, and the three following targets:

- o Group Total Shareholder Return (TSR) , with a total weight at target of 60% of the LTI award;
- o Group Return on Sales (ROS) , with a total weight at target of 30% of the LTI award;
- o Positioning of Pirelli in selected sustainability indicators at the global level, with a weight at target of 10% of the LTI award.

The functioning of the TSR target is in turn articulated in two “sub-targets” which are independent of each other:

- absolute TSR (with a weight at target of 40% of the LTI total award);
- relative TSR in relation to a selected panel of peers (weight at target of 20% of the LTI award).

The LTI Plan ends on December 31st, 2016 and sets April 2017 as the date for the eventual payment to participants of the medium-long term award matured, on conditions that the same, on December 31st, 2016, have not ended (for whatever reason) their mandate and/or their relationship as an employee.

Among others, participating in the 2014/2016 LTI Plan, are the Chairman and CEO of Pirelli & C. Marco Tronchetti Provera, the deputy Chairman Alberto Pirelli (as a senior manager), the Chief Operating Officer Gregorio Borgo, the managers with strategic responsibility Maurizio Boiocchi (Chief Technical Officer), Maurizio Sala (Chief Planning and Controlling Officer), Francesco Tanzi (Chief Financial Officer and manager indicated for the preparation of the company’s accounts) and Christian Vasino (Chief Human Resources Officer).

The LTI Plan is also aimed at the Group's Executives (that is executives of the Italian group and employees with overseas units of the Group with a position or role equal to an Italian executives) and can be extended also to those who, over the 3-year period, assume, either because of internal career growth or if newly employed, an Executive position.

The LTI Plan is also aimed at retention. In cases of cessation of mandate and/or of the relationship of employee for whatever reason before the end of the 3-year period, the person – including Directors with particular charges to which specific attributions are attached (as is the case for Chairman and CEO Mr. Tronchetti Provera) – participation in the LTI plan ceases and as a consequence the LTI award will not be paid, not even on a pro-quota basis.

For more information on how the 2014/2016 LTI Plan functions, please consult the Report on Remuneration which will be submitted (for the part relative to the Policies in the matter of remuneration in Pirelli for the year 2014) to a consultative vote of the Shareholders' Meeting called to approve results for the year ended December 31st, 2013 and which will be made available to the public at least 21 days before said meeting, as well as the illustrative report and the information document relative to the 2014/2016 LTI Plan which will be available to the public, in the terms and manner indicated in present law, in accordance with and as an effect of art. 114 bis of the Testo Unico della Finanza and art. 84 bis of Consob's Issuers Regulation.

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