

Shareholders agreement published pursuant to art. 122 of Legislative Decree 24.2.1998, n. 58 – Essential Information pursuant to art. 130 of Consob Regulation n. 11971/1999, as subsequently amended

PIRELLI & C. S.P.A.

On March 22, 2015 (the "**Signing Date**") China National Chemical Corporation, a state owned enterprise controlled by the State-owned Assets Supervision and Administration Commission of the State Council (SASAC) of the People's Republic of China ("**CC**"), and China National Tire & Rubber Corporation, Ltd., a company controlled by CC ("**CNRC**"), on one side, and Camfin S.p.A. ("**CF**"), Long-Term Investments Luxembourg S.A. ("**LTI**") and Coinv S.p.A. ("**Coinv**"), on the other side (collectively, the "**Parties**"), entered into a sale and purchase and co-investment agreement (the "**Agreement**") which rules, subject to the satisfaction of the conditions precedent provided by the same Agreement:

- (i) the acquisition, by a newly-established Italian joint stock company (*società per azioni*), indirectly controlled by CNRC ("**Bidco**"), of the ordinary shares of Pirelli & C. S.p.A. ("**Pirelli**" or the "**Company**") held by CF directly and (to the extent possible, as described below) indirectly through CAM 2012 S.p.A. ("**CAM 2012**") (the "**Participation**");
- (ii) the reinvestment by CF of a portion of the proceeds from the sale and purchase of the Pirelli ordinary shares directly held by CF;
- (iii) the execution among the Parties, on the date of completion of the sale and purchase ("**Closing Date**"), of a shareholders agreement setting forth provisions concerning, amongst others, the corporate governance of the Company and of its controlling entities and the transfer of the relevant shares (the "**Shareholders Agreement**");
- (iv) after the Closing, the launch by Bidco of a mandatory tender offer on the remaining ordinary share capital of Pirelli pursuant to Sections 106, paragraph 1-*bis*, and 109 of Legislative Decree of February 24, 1998, n. 58 ("**TUF**") at the price of Euro 15,00 per share and of a voluntary tender offer on the entire saving share capital of the same Pirelli at the price of Euro 15,00 per share, subject to reaching no less than 30% of the saving share capital, with the goal to delist the Company (collectively, the "**Offer**").

The purpose of the transaction so structured (the "**Transaction**") is the implementation of a long-term industrial partnership between CNRC and the existing shareholders of CF (Coinv and LTI) in relation to Pirelli. Upon completion of the Transaction, CC is expected to exercise control over the Company.

More in details, the Agreement provides that, in view of the transfer of the Participation, CNRC shall incorporate a Hong Kong-based company ("**SPV HK**"), which shall be controlled by CNRC and potentially participated by other investors. SPV HK shall incorporate a Luxembourg company ("**SPV Lux**") and the latter shall incorporate an Italian joint stock company ("**Newco**"). Newco shall then incorporate an Italian joint stock company ("**Holdco**") and Holdco shall incorporate Bidco (Newco, Holdco and Bidco, collectively, the "**Italian Entities**"). On the Closing Date: (i) CNRC shall control SPV HK; (ii) SPV HK shall own 100% of the share capital of SPV Lux; (iii) SPV Lux shall own 100% of the share capital of Newco; (iv) Newco shall own 100% of the share capital of Holdco; and (v) Holdco shall own 100% of the share capital of Bidco.

The Agreement then provides, subject to the satisfaction of the relevant conditions precedent, that: (i) the shares of the Company directly owned by CF (equal to 20.3% of the voting share capital of Pirelli) shall be transferred to Bidco on the Closing Date; (ii) the other shares included in the Participation (equal to 5.9% of the voting share capital of Pirelli), owned by CAM 2012 – a part of which serves, and a part of which secures, an exchangeable bond issued by the same CAM 2012 – shall be either transferred to Bidco on the Closing Date, to the extent possible under the above-mentioned exchangeable bond, or transferred to Bidco in the context of the Offer, and/or in any event syndicated to the Shareholders Agreement, in accordance with the provisions of the Agreement.

On the same Closing Date, CF shall reinvest a portion of the proceeds from the sale and purchase by subscribing, at the same conditions of CNRC, a share capital increase of Newco of variable amount (the "**Reinvestment**"). As a result of the Reinvestment, the share capital of Newco shall be held as follows:

- CNRC (through SPV Lux): between 50.1% and 65%;
- CF (directly): between 35% and 49.9%.

In addition, the Agreement provides that, on the same Closing Date, the shareholders of CF (Coinv and LTI) shall be entitled to implement a corporate restructuring of the same CF, whose purpose is to allow the exit of LTI from the share capital of CF and the attribution to LTI (directly or through a newly-established Italian vehicle) of a direct participation in Newco equal to 36.0% of the Newco stake held by CF, which shall maintain a stake in Newco equal to 64.0% of the initial stake (the "**CF Restructuring**"). The CF Restructuring may be completed also after the Closing Date with the same proportions. After the CF Restructuring, the share capital of Newco shall be held as follows:

- CNRC (through SPV Lux): between 50.1% and 65%;
- Coinv (through CF): between 22.4% and 31.9 (or, following the possible subscription of the Additional Capital Increase, as defined below, 37.3%);
- LTI (directly or through the vehicle "**LTI Newco**"): between 18% and 12.6%;

provided however that the participation held by CNRC shall never be reduced below 50.1%.

The Closing is subject to the satisfaction of a number of conditions precedent, including the approval of the competent antitrust authorities and of the other competent authorities, the actual granting of the facilities under the loan agreements entered into with the lenders, the absence of restrictive measures imposed by any authority.

The Agreement, to which is attached the form of the Shareholders Agreement which shall be entered into on the Closing Date, includes also a number of provisions relevant for the purposes of article 122, paragraphs 1 and 5, of the TUF and of the applicable provisions of Consob resolution n. 11971 of May 14, 1999 as subsequently amended ("**Issuers Regulation**").

In particular, the Agreement includes a number of provisions, relevant for the purposes of article 122, paragraphs 1 and 5, of the TUF, summarized below.

Undertakings regarding the Board of Directors of Pirelli

Subject to the satisfaction of the conditions precedent referred to above, the Agreement provides for the undertaking of CF to procure that on the Closing Date, up to two directors of Pirelli resign from office effective from the Closing Date, with cooptation of two new directors indicated by Bidco.

In addition, CF shall use reasonable efforts to procure that one effective auditor and one alternate auditor of Pirelli resign from office effective from the Closing Date.

The Agreement finally provides for the undertaking of CF to procure that, following completion of the Offer, the directors of the Company appointed out of the slate presented by CF resign from office, with consequent call of the shareholders' meeting to resolve pursuant to art. 2386 of the civil code.

Undertakings of the Parties in case of alternative offer

In case of launch by third parties of a tender offer alternative to the Offer, the Agreement provides for a period of consultation of the Parties and sets forth the respective rights and obligations of the same Parties in relation to such alternative offer, including, in case of adherence by CF to the alternative offer prior to the Closing Date, the obligation of the latter to pay a break-up fee for an amount of Euro 100 million.

Undertakings regarding the Merger

Subject to the satisfaction of the conditions precedent referred to above, the Agreement provides that, in accordance with the applicable laws and corporate governance procedures:

- (i) in case, following the Offer, Pirelli is delisted, a merger by way of incorporation of Pirelli and Bidco into Holdco shall be resolved upon; or
- (ii) in case Pirelli is not delisted, a merger by way of incorporation of Pirelli into Bidco aimed at delisting Pirelli shall be resolved upon, Pirelli provided however that the opt-out consideration due to the ordinary shareholders of Pirelli does not exceed the Offer price, or, if this is not the case, with simultaneous listing of Bidco; or
- (iii) in case the merger under (ii) above is not completed, the Parties will decide whether to proceed with the merger by way of incorporation of Bidco into Holdco;

(each of the mergers described above, the "**Merger**").

Undertakings on the Industrial Reorganization

The Parties have agreed to procure that, in accordance with the applicable laws and corporate governance procedures:

- (i) the Company implements and completes the ongoing industrial project, aimed at granting autonomous relevance to the *Industrial tyre* business, also through a separate entity (referred to in the Agreement as "**Pirelli Industrial**");
- (ii) the procedures for the combination of *Pirelli Industrial* with certain strategic asset owned by CNRC (the "**CC Asset**" are completed);
- (iii) the combination of *Pirelli Industrial* with Fengshen Tires Stock Limited Company (Aeolus), company participated by CC is completed;

(the above, collectively, the "**Industrial Reorganization**").

Standstill undertakings

The Agreement provides for the undertaking of each Party not to purchase nor carry out any transaction concerning the Pirelli shares or other financial instruments connected thereto which may cause an increase of the Offer price, as well as of the sell-out price and the squeeze-out price.

Shareholders Agreement

The Agreement finally provides that, on the Closing Date, subject to the satisfaction of the conditions precedent provided by the Agreement, the Parties shall enter into the Shareholders Agreement in the form and substance of the annex attached to the Agreement.

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The Shareholders Agreement sets forth the rules and the contractual undertakings of the Parties regarding, amongst others, the corporate governance of the Italian Entities and of Pirelli, the possible relisting of Pirelli in case the delisting of the same is achieved and the regime for the transfer of the participations held by the Parties in the Italian Entities and in Pirelli.

Company whose financial instruments are interested by the Shareholders Agreement

Newco, company not yet incorporated.

Holdco, company not yet incorporated.

Bidco, company not yet incorporated.

Pirelli & C. S.p.A., with registered office in Milan, Viale Piero e Alberto Pirelli, n. 25, registered at the Companies Register of Milan at n. 00860340157, having, at the Signing Date, a share capital of Euro 1,345,380,534.66, represented by n. 475,740,182 ordinary shares and n. 12,251,311 saving shares. The shares of the Company are listed on the *Mercato Telematico Azionario* organized and managed by Borsa Italiana S.p.A..

Parties to the Shareholders Agreement

- China National Chemical Corporation, Chinese company with registered office in Beijing (People's Republic of China), registered with the State Administration for Industry and Commerce of People's Republic of China under n. 10000000038808;
- China National Tire & Rubber Corporation, Ltd., Chinese company with registered office Beijing (People's Republic of China), registered with the State Administration for Industry and Commerce of People's Republic of China under n. 10000000008065;
- Camfin S.p.A., Italian company with registered office in Milan, Piazza Borromeo n. 12, number of registration with the Companies Register of Milan, Tax Code and VAT n. 00795290154;
- Long-Term Investments Luxembourg S.A., Luxembourg company with registered office in 412F, route d'Esch, L.2086, Luxembourg (Grand Duchy of Luxembourg);
- Coinv S.p.A., Italian company with registered office in Milan, Piazza Borromeo n. 12, number of registration with the Companies Register of Milan, Tax Code and VAT n. 08852660961.

It is also provided that the not-yet established Luxembourg company which shall be indirectly controlled by CNRC, and which shall directly own the controlling participation in Newco, shall be a party to the Shareholders Agreement.

In addition, it is provided that LTI Newco, the not-yet established Italian company which shall be entirely controlled by LTI and which shall directly own the participation in Newco in the case of the CF Restructuring may be a party to the Shareholders Agreement.

Percentages and number of financial instruments subject to the Shareholders Agreement

The Shareholders Agreement concerns the shares and the financial instruments issued by the not yet established companies Newco, Holdco, and Bidco, as well as the ordinary shares of Pirelli which shall be held by Bidco on the Closing Date and thereafter, following the Offer, as illustrated above, as well as the Pirelli shares held by CF through CAM 2012, in any case syndicated to the Shareholders Agreement.

In any case, on the Closing Date, Bidco shall purchase all the shares of the Company directly owned by CF (equal to 20.3% of the voting share capital of Pirelli). As regards the shares owned by CAM 2012 (equal to 5.9% of the voting share capital of Pirelli) the same shall be transferred to Bidco on the Closing Date, or as soon as possible after such date, also, as the case may be, in the context of the Offer, and in any event shall be syndicated to the Shareholders Agreement, in accordance with the provisions of the Agreement.

Content of the Shareholders Agreement

Governance of Italian Entities

Corporate Purpose

The corporate purpose of SPV HK, SPV Lux, CF, LTI, LTI Newco (if existing) and of the Italian Entities will consist exclusively in the holding and management (directly or indirectly) of the Pirelli Shares under the provisions of the Shareholders Agreement and the carrying out of the usual activities instrumental, complementary or useful for the achievement of the corporate purpose.

Participations in Newco

The participations held in Newco by CF (the "**CF Stake**") and by CNRC (the "**CNRC Stake**") shall be equal:

- (i) at the date of signing of the Shareholders Agreement, to 49.9% with reference to the CF Stake and to 50.1% with reference to the CNRC Stake;

(ii) at the "**Completion of the Offer**" (that is the date of payment to shareholders who have adhered to the Offer of the relevant consideration, taking into account any reopening of the terms of the same Offer, also in the context of possible procedures of sell-out and squeeze-out) and subsequently at the subscription of the capital increases reserved, respectively, to CF and to CNRC: (x) if Pirelli is delisted to a percentage of 35% with reference to the CF Stake and to a percentage of 65% with reference to the CNRC Stake, and (y) if Pirelli is not delisted, to a percentage between 35% and 49% with reference to the CF Stake and to a percentage between 51% and 65% with respect to the CNRC Stake; and

(iii) at the date of completion of an additional capital increase (the "**Additional Capital Increase**"), opened for subscription up to 6 months following the "**Offer Closing Date**" (i.e. the date falling not later than 1 business day before the date on which Bidco will pay to the shareholders the price of the mandatory tender offer): (x) if Pirelli is delisted, to a percentage of 49.9% with respect to the CF Stake and to a percentage of 50.1% with respect to the CNRC Stake, if the Additional Capital Increase is fully subscribed by CF, or to a percentage between 35% and 49.9% with respect to the CF Stake and to a percentage between 50.1% and 65% with respect to the CNRC Stake if the Additional Capital Increase is not subscribed, or is subscribed only partially, by CF, and (y) if Pirelli is not delisted, to a percentage equal to 49% with respect to the CF Stake and to a percentage of 51% with reference to the CNRC Stake, if the Additional Capital Increase is fully subscribed by CF, or a percentage between 35% and 49% with respect to the CF Stake and to a percentage between 51% and 65% with respect to the CNRC Stake, if the Additional Capital Increase is not subscribed, or is only partially subscribed by CF.

It is understood that, starting from the completion of the Restructuring of the CF Stake, (x) any reference to the CF Stake shall be deemed as a reference to the participation of CF in Newco following the Restructuring of CF (the "**CF Restructured Stake**", equal to 64% of the CF Stake) and to the participation of LTI in Newco (the "**LTI Stake**", equal to 36% of the CF Stake); (y) the CF Restructured Stake shall be in a range between 22.4% and 37.3% (if CF subscribes the Additional Capital Increase) and (z) the LTI Stake shall be in a range between 12.6% and 18.0% of the share capital of Newco; and (w) the CNRC Stake shall never fall below 50.1%.

Corporate Governance of Newco

By-Laws

The Parties agree that the corporate governance of Newco shall be in line with the provisions of the Shareholders Agreement as reflected, to the maximum extent possible, in the by-laws of Newco.

Board of Directors

The Board of Directors of Newco shall be appointed through a voting slate system and shall be composed by 16 directors appointed as follows: (a) CNRC shall be entitled to present a slate for the appointment of directors in its capacity as "Class A" shareholder and 8 directors shall be appointed from such slate presented by CNRC, it being understood that 1 of them shall be appointed as chairman (the "**Newco Chairman**"); (b) CF and LTI or LTI Newco, as the case may be, as holders of shares of "Class B" (the "**Class B Shareholders**") shall be entitled to appoint 8 directors, it being understood that (i) each Class B Shareholder shall have the right to submit a slate for the appointment of directors, (ii) 5 directors shall be appointed from the slate presented by CF (the "**CF Slate**"), one of whom to be appointed as chief executive officer of Newco (the "**Newco CEO**"), provided that such slate is presented by CF, and (iii) 3 directors shall be appointed from the slate submitted by LTI (the "**LTI Slate**"). (This provision shall be amended if the Restructuring of CF is not completed at the First Closing Date.)

Should a director cease from office for any reason whatsoever, the shareholder of Newco which appointed the ceased director shall have the right to appoint the new director in order to preserve the composition of the Board of Directors described above. The same shall apply in case of revocation.

Board of Statutory Auditors

The Board of Auditors of Newco shall be appointed through a voting slate system, according to the following provisions: (a) CNRC shall be entitled to appoint 2 effective auditors and 1 alternate auditor; (b) the Class B Shareholders shall be entitled to appoint 1 effective auditor, who shall be the Chairman of the Board of Statutory Auditors, and 1 alternate auditor.

Upon request of CF or LTI the Board of Statutory Auditors shall be increased to 5 effective members to be appointed as follows: (i) CNRC shall be entitled to designate 3 effective members, one of which shall be the Chairman of Board of Statutory Auditors; (ii) CF shall be entitled to designate 1 effective member and 1 alternate auditor; and (iii) LTI Newco shall be entitled to designate 1 effective member and 1 alternate auditor.

Resolutions of the corporate bodies

The Parties agree that the resolutions of the competent corporate bodies of Newco shall be validly adopted in accordance with the following principles:

(A) *if within the competence of the shareholders' meeting of Newco:* except as provided below, the *shareholders' meeting* of Newco shall be validly held and may validly resolve in accordance with the provisions of the Italian civil code and, in case of tied vote in the second call, the Newco shares of CNRC shall have an additional vote. Furthermore, except as otherwise provided by other provisions of the Shareholders Agreement, the following resolutions submitted to the shareholders' meeting of Newco will require the prior approval of the meeting of the Class B Shareholders which shall resolve with a quorum of 87%:

(i) actions to pursue directors' liabilities;

(ii) capital increases and capital decrease other than those which (x) are required by law and/or (y) are necessary for the purposes of refinancing the facilities of the loan agreements relating to the Transaction (the "**Loan Agreements**") at expiration or in case of breach or material potential breach of the financial covenants, and/or (z) are necessary to complete the purchase of additional Pirelli shares within 12 months as of the Offer Closing Date, provided with respect to (z) that (A) such purchases are made at a price equal to or lower than the price of the mandatory tender offer and (B) do not exceed the aggregate investment of CF (and, after the CF Restructuring, of CF and LTI) in the Transaction (equal to Euro 1,149 million); (it being understood that all capital increases shall be offered pursuant to article 2441 to all the shareholders and the price per share in relation thereto is determined at fair market value);

(iii) liquidation, mergers (other than mergers under articles 2505 and 2505-*bis* of the Italian civil code) and demerger, provided in each case that the Parties shall be required to vote in favor of the approval of the Mergers;

(iv) amendments to the clauses of the Newco by-laws (other than amendments under article 2365 of the Italian civil code);

(B) *if within the competence of the Board of Directors of Newco:*

(1) except as provided in paragraph (2) below, a Board of Directors' meeting shall be validly held if the majority of the directors is in attendance and any resolution shall be validly taken with the favorable vote of the absolute majority of the directors in attendance, provided that at least 1 of the directors designated by CF and 1 of the directors designated by LTI are in attendance and that, in case of a tied vote, the Newco Chairman shall be given the casting vote; however, if a board meeting is called and cannot be validly held because of the absence of at least one of the directors designated by the Class B Shareholders, the Chairman of the board shall reconvene as soon as practicable the Board to resolve upon the same agenda and such new meeting shall be validly held even if half of directors is in attendance, regardless of whether the directors designated by the Class B Shareholders are in attendance, and any resolution shall be validly taken with the favorable vote of the majority of the directors in attendance provided that, in case of a tied vote, the Newco Chairman shall have the *casting vote*;

(2) except as provided in paragraph (B)(4) below, the approval of the following resolutions shall always require (in any call) the presence and the favorable vote of at least 9 directors: (a) any proposals or recommendation to be submitted to the shareholders' meeting of Newco with respect to the matters listed under paragraph A) above; (b) the exercise of the voting rights in the shareholders' meeting of Holdco, Bidco and Pirelli with respect to the matters listed under the paragraph "*Corporate Governance of Pirelli –Resolutions of the corporate bodies*"; (c) the transfer, in whole or in part, of the participation in Holdco, of the participation in Bidco, of the Pirelli shares except in the event of an alternative offer, where the provisions of the Agreement shall apply and - if Pirelli is not delisted - the purchase (either directly or through Bidco) of any further Pirelli shares or that triggers either the obligation to launch a mandatory tender offer over Pirelli or any financial covenants set forth in the Loan Agreements, provided however that the Parties shall be bound to approve the transfers already contemplated in the Agreement; (d) the "Assumption of Indebtedness" (to be deemed as the assumption of forms of debt other than the Loan Agreements and the granting of guarantees in favor of third parties (x) for an amount in excess of Euro 450 million and/or (y) if such transaction or series of connected transactions cause the breach by the relevant company of the financial covenants and ratios provided for by the Loan Agreements, and/or provides for financial covenants and/or ratios which are less favorable for the relevant company than those provided for, and agreed in, the Loan Agreements; and/or (z) any subsequent refinancing of the sums disbursed to the relevant company under the Loan Agreements; and/or (w) changes to the material terms of the Loan Agreements), unless where necessary to refinance the indebtedness under the Loan Agreements at maturity or in the event of a breach or potential material breach of the financial covenants; (e) any transaction with related parties other than those contemplated by the Agreement and its Annexes;(f) the actions under article 2393-bis of the Italian civil code; (g) any transaction outside the annual budget and/or the business plan of Newco which has a value higher than Euro 7.5 million (it being understood that, at the Closing Date the Parties shall adjust reasonably and in good faith this threshold if and to the extent strictly necessary in order to allow CNRC to consolidate); (h) any amendments to the Offer; (i) instructions on Holdco and/or Bidco and/or Pirelli if delisted pursuant to article 2497 of the Italian Civil Code in relation to all the matters referred to in this paragraph (B)(2) and in the following paragraph (B)(3) (referred to in the paragraph "*Corporate governance of Pirelli - Resolutions of the corporate bodies*") to be resolved upon by the corporate bodies of Holdco and/or Bidco and/or Pirelli if delisted;

(3) the approval and/or amendment of the budget and/or the business plan of Newco shall always remain within the competence of the Board of Directors and the same rule under paragraph B(1) shall apply;

(4) the Newco by-laws shall provide that all the matters listed in paragraph (B)(2) above, to be decided at the level of Newco, Holdco or Bidco, shall require the prior favorable vote of the meeting of the Class B Shareholders under article 2364, paragraph 1, n. 5, of the Italian civil code with a quorum of 87%.

Corporate Governance of the other Italian Entities

The provisions on the governance and the composition of the corporate bodies of Newco apply *mutatis mutandis* to Holdco, Bidco and (subject to the clarifications indicated below) Pirelli if delisted, as well as, in case of Merger, to each of the above companies which, upon completion of such Merger, has directly and/or indirectly the control over Pirelli.

Corporate Governance of Pirelli

General Principles

The Parties acknowledge the pivotal role of the current top management of Pirelli to direct and manage the company and monitor the industrial, economic and financial conditions that should lead, in case of delisting, to its possible relisting and agree that all the above qualitative prerogatives shall be maintained also in case of delisting, as conditions essential for preserving Pirelli industrial history and for a successful valorization and, where possible, relisting of the same. In this respect, the Parties acknowledge the fundamental role of Mr. Marco Tronchetti Provera, in his office of chief executive officer of Pirelli, in leading the top management and ensuring the

continuity of the Pirelli's business culture also through a leading role in the designation of his successor, pursuant to what set forth in this Shareholders Agreement.

Finally, the Parties agree that the new Pirelli by-laws, both in case of delisting and in case it remains listed, as the case may be, shall provide that the technological know-how of the Company shall never be transferable in any manner whatsoever to any third parties unless approved with the super majority indicated below, provided however that Pirelli Industrial's technological know-how will be used in the context of the combination of the CC Assets and the combination with Aeolus.

In light of the fundamental legacies of Pirelli with its traditions and entrepreneurial culture, the new by-laws shall provide that the headquarters (*sede operativa e amministrativa*) of Pirelli shall remain in Milan unless otherwise resolved with the super majority indicated below.

New by-laws if Pirelli is not delisted

In the event that, following completion of the Offer, Pirelli remains listed, the Parties undertake: (i) to procure that an extraordinary shareholders' meeting of Pirelli is held to approve a new by-laws and (ii) to vote at such shareholders' meeting in favor of the approval of the same. In addition, the corporate governance of Pirelli shall, in any case, be in line with the provisions of the Shareholders Agreement, which shall be reflected, to the maximum extent possible, in the new by-laws.

Board of Directors if Pirelli is not delisted

The Parties undertake to procure that the Board of Directors of Pirelli, in case it is not delisted, is composed by 15 members (4 of whom to be independent) and shall be elected through a voting slate system with the aim to ensure the following composition, it being understood that, with respect to the applicable provisions of law on gender balance, the Parties shall allocate proportionally between them the number of candidates of the less represented gender to be appointed.

The slate presented by Bidco (the "**Bidco Slate**") shall composed of a number of candidates not lower than 15, to be designated and ranked in the following manner. With reference to the first twelve candidates:

(x) the Bidco Chairman, designated by CNRC, shall be entitled to designate: 8 positions in the Bidco Slate, of which: (a) the first place by order in the Bidco Slate shall be the Pirelli Chairman and the second place in the Bidco Slate shall be the CEO and Executive Vice Chairman of Pirelli, Mr. Marco Tronchetti Provera, as long as he is in office or thereafter the chief executive officer indicated by the Bidco CEO, (b) other 6 candidates will be ranked at numbers 3, 5, 7, 9, 11 and 12 on the Bidco Slate, including 2 independent directors to be ranked in the Bidco Slate at n. 11 and 12;

(y) the Bidco CEO, designated by CF, shall be entitled to designate 2 positions in the Bidco Slate, ranked at numbers 4 and 8 on the Bidco Slate, including 1 independent director to be ranked in the Bidco Slate at n. 8;

(z) the Bidco Director designated by LTI shall be entitled to designate 2 positions in the Bidco Slate ranked at numbers 6 and 10, on the Bidco Slate, including 1 independent director to be ranked in the Bidco Slate at n 10;

as for the remaining 3 candidates for the event that no minority directors will be appointed, the Bidco Chairman shall be entitled to designate 1 candidate to be ranked in the Bidco Slate at n. 13; the Bidco CEO shall be entitled to designate 1 candidate to be ranked in the Bidco Slate at n. 14 and the Bidco Director designated by LTI shall be entitled to designate 1 candidate to be ranked in the Bidco Slate at n. 15.

Board of Statutory Auditors if Pirelli is not delisted

The Parties undertake to procure that the Board of Statutory Auditors of Pirelli, in case it is not delisted, is appointed as follows: (a) the Bidco Chairman shall be entitled to designate 1 effective member and 1 alternate auditor; (b) the Bidco CEO shall be entitled to designate 1 effective member, and 1 alternate auditor.

It being understood that in the event that no member of the Board of Statutory Auditor is elected by the minority shareholders the remaining 1 effective member and 1 alternate auditor shall be appointed upon Bidco Chairman's designation and the Chairman of the Board of Statutory Auditors will be the member designated by the Bidco CEO.

Chairman

The Pirelli Chairman shall have the power to legally represent the company as well as the other powers granted to the chairman according to the current by-laws of the Company. The Chairman shall also chair the Remuneration Committee.

CEO and Executive Vice Chairman - Significant Matters

Mr. Marco Tronchetti Provera shall be the CEO and Executive Vice Chairman of Pirelli for an initial term of at least five years. The CEO and Executive Vice Chairman shall be delegated the exclusive power and authority concerning the ordinary management of the Company and its group, consistently with the power and authority currently attributed to Mr. Marco Tronchetti Provera in its capacity as current Chairman and Chief Executive Officer of Pirelli – with the exclusion of the powers which shall be the competence of the Pirelli Chairman and with the limitations set out below – and the power to propose to the Board of Directors (the "**Power to Propose**") the adoption of the following resolutions (collectively, the "**Significant Matters**"): (i) approval of the business plan and the budget, as well as any material amendments thereto; (ii) any resolution concerning industrial partnerships or strategic joint ventures of Pirelli and/or Pirelli Tyre and/or any affiliate of Pirelli (the "**Principal Subsidiaries**"), subject in any case to the prior examination and discussion in the Strategies Committee indicated below.

All the Significant Matters will be reserved to the Board of Directors and/or the shareholders' meeting, as the case may be. The Parties also agree that, with respect to the Significant Matters, any possible decision taken in the Board of Directors against the relevant proposal submitted to the Board by the CEO and Executive Vice Chairman shall be motivated and shall in any case take into account the best interest of Pirelli.

For the case in which Pirelli is delisted, the CEO and Executive Vice Chairman of Pirelli is also delegated the exclusive power to request and obtain the relisting of Pirelli within the fourth anniversary of the date of Completion of the Offer as better described below.

Resolutions of the corporate bodies

The resolutions of the competent corporate bodies of Pirelli shall be validly taken and passed in accordance with the following principles:

(A) *if within the competence of the shareholders' meeting*: except as indicated here below, the shareholders' meetings of Pirelli shall be validly held and shall validly resolve in accordance with the provisions set forth by the Italian civil code, provided however that in the shareholders' meeting called to resolve on the following matters: (i) actions to pursue directors' liabilities; (ii) capital increases and capital decreases other than those which are required by law and/or which are necessary for the purposes of refinancing or avoiding a breach or material potential breach of the financial covenants of the facilities of the Loan Agreements; (iii) liquidation; (iv) mergers (other than simplified mergers under art. 2505 and 2505-bis of the Italian civil code) and demergers; (v) amendments to the clauses of the existing Pirelli by-laws (other than the amendments pursuant to art. 2365 of the Italian civil code); the vote of Bidco (or, following the Merger or the other controlling shareholder) shall be legitimate only upon condition that, in such meetings, the relevant shareholder is represented by a proxy jointly appointed by the Bidco Chairman, the Bidco CEO and the Bidco Director designated by LTI. In any case the resolutions in relation to the clauses to be inserted in the new Pirelli by-laws pursuant to the previous paragraph

"General Principles" as well as any amendment to the relevant provisions in the new Pirelli by-laws shall be resolved upon with a majority of 90% (ninety per cent) of the ordinary share capital.

(B) if within the competence of the Board of Directors:

(1) save as provided under (2) and (3) below, in case of a tied vote, the Chairman shall be given the casting vote;

(2) the approval of the following resolutions shall always require (in any call) the favorable vote of at least 11 directors: (a) any proposals or recommendation to be submitted to the extraordinary shareholders' meeting of Pirelli with respect to the matters listed under paragraph (A) above; (b) share capital increases or decreases, mergers, demergers or liquidation of any of the Principal Subsidiaries; (c) Assumption of Indebtedness, except where necessary for the purposes of refinancing the facilities of the Loan Agreements; (d) proposals concerning any sort of dividend and/or reserve distribution and/or any other form of distribution save for those necessary for the purposes of refinancing the facilities object of the Loan Agreements and for normal pay out of 40%; (e) any transaction with related parties (subject to, in case the Company remains listed, compliance with the existing procedure on related parties transactions) excluding the Industrial Reorganization; (f) any transfer and/or disposal in any manner whatsoever the technological know-how of Pirelli (including licensing) save for the technological know-how of Pirelli which will be used in the context of the combination of the CC Assets and the combination with Aeolus; (g) actions pursuant to Art 2393-*bis* of the Italian civil code; (h) any transaction outside the annual budget and/or business plan of Pirelli having a value higher than Euro 35 million (at the Closing Date the Parties shall reasonably adjust this threshold in good faith if and to extent strictly required to allow consolidation by CNRC);

(3) in case Pirelli is delisted any resolution concerning industrial partnerships or strategic joint ventures of Pirelli and/or of the Principal Subsidiaries shall require the prior approval of 11 directors.

Please note that the approval and/or the amendments to the budget and/or the business plan of Pirelli shall always be the competence of the Board of Directors and shall be resolved with the presence and the favorable vote of at least 11 directors, provided that, after 2 meetings of the Board of Directors in which such quorum is not met, at the third meeting called for the approval and/or amendment of the budget and/or the business plan of Pirelli, the resolution shall be approved with the favorable vote of a majority of the directors attending such meeting and, in case of a tied vote for the sole case in which Pirelli is not listed, the Chairman of Pirelli shall be given the casting vote.

Management

The current top manager of Pirelli, which shall be identified by Pirelli, including Mr. Marco Tronchetti Provera, in his capacity as Pirelli CEO and Executive Vice Chairman, shall benefit of the value creation at level of the Company, through incentive mechanisms to be developed on the basis of a long term incentive plan in accordance with the international best practice. The management shall be in charge of the day to day management of Pirelli, the implementation of the business plan and the recruitment and promotion of key personnel of Pirelli and its group in line with the procedure currently in place in Pirelli (which provides for the appointment of the *dirigente preposto* pursuant to art. 154-bis of the TUF by the Board of Directors) and under the supervision of the Remuneration Committee and the Committee for the Appointment and Succession as applicable.

Succession procedure of the current Chief Executive Officer

In preparation of the succession of Mr. Marco Tronchetti Provera in relation to the office of Chief Executive Officer of Pirelli the general rules already adopted by the Board of Directors of the Company shall apply with the involvement of the Committee for the Appointment and Succession, with the following integrations: (i) the candidate to be considered for succession will be indicated to the Committee for the Appointment and Succession by the Pirelli CEO and Executive Vice Chairman, (ii) an international independent primary HR firm will be appointed to evaluate the candidate, and (iii) the Committee for the Appointment and Succession will resolve upon the

proposal of the CEO and Executive Vice Chairman, in case of tie vote, with the casting vote of the Pirelli CEO and Executive Vice Chairman. Provided that the above HR firm has validated the proposed candidate, the following shall apply: (i) either the Board of Directors of Pirelli appoints by means of co-optation the proposed candidate pursuant to art. 2386 of the Italian Civil Code or (ii) CF and CNRC shall cause their respective non-independent directors to resign to cause the Board to cease and the Newco CEO, Holdco CEO or Bidco CEO, as the case may be, shall have the right to designate the new Pirelli CEO in the relevant Newco Slate, Holdco Slate or Bidco Slate, as the case may be. In case Mr. Marco Tronchetti Provera is no longer able for any reason whatsoever to accomplish the above activities, the above prerogatives belonging to him will pass on to one of the members designated by CF in the Committee for the Appointment and Succession, as indicated by CF. In such case, the procedure for the selection of the candidate shall be the same as described above, provided however that none of the members of such Committee for the Appointment and Succession will have the casting vote. In any such case, provided that the above HR firm has validated the proposed candidate, the following shall apply: (i) if the Committee does not approve the candidate proposed by the member of the Committee for the Appointment and Succession indicated by CF or (ii) the Board of Directors of Pirelli does not appoint him by means of co-optation pursuant to art. 2386 of the Italian Civil Code, then CF and CNRC shall cause their respective non-independent directors to resign to cause the Board to cease and the candidate proposed by the member of the Committee for the Appointment and Succession indicated by CF shall be indicated in the relevant Newco Slate, Holdco Slate or Bidco Slate, as the case may be, by any of the Board members appointed by CF to be elected as new Pirelli CEO.

The above procedure shall remain in full force and effective for 5 years from the date of execution of the Shareholders Agreement.

Internal Committees

The Parties agree that, exclusively in case Pirelli remains listed, it shall substantially maintain the committees and procedures currently in place, with the significant role currently attributed to the independent directors, in line with the best practice of international and Italian listed companies. In particular, Pirelli shall have and maintain the following internal committees, with the following composition:

- (i) Internal Control and Risks Committee, composed of n. 3 independent directors;
- (ii) Strategies Committee, composed of n. 7 directors, of which: (a) n. 2 directors designated by the Class B Shareholders, one of them to be the Pirelli CEO and Vice Executive Vice Chairman, who shall be the chairman of the Strategies Committee and the other one to be appointed among those designated by the Bidco Director designated by LTI, (b) n. 3 directors designated by CNRC and (c) n. 2 independent directors;
- (iii) Committee for the Appointment and Succession, composed of n. 4 directors, of which: (a) n. 2 directors to be selected out of those designated by the Class B Shareholders, 1 of them to be the Pirelli CEO and Vice Executive Vice Chairman, who shall chair the Committee for the Appointment and Succession and shall have the casting vote, and the other to be an independent director designated by the Bidco Director designated by LTI, (b) n. 2 directors designated by CNRC, one of them to be the Pirelli Chairman; and
- (iv) Remuneration Committee, composed of n. 3 non-executive directors, of which: (a) n. 1 director designated by the Class B Shareholders, and (b) n. 1 director designated by CNRC, to be the Pirelli Chairman who shall be the chairman of the Remuneration Committee.

In any case in which the casting vote is exercised by the Chairman of either Newco, Holdco, Bidco or Pirelli, as applicable, or by the Chairman of the Appointment and Succession Committee of Pirelli such casting vote shall be motivated.

Provisions concerning the transfer of the shares of the Italian Entities and of Pirelli

Restrictions to transfer

Lock-Up Period

The Parties agree that the main goal of the Transaction is the value creation of Pirelli and its group and, in case of delisting, its re-listing through the IPO described herein. Consistently with the above, the Parties agree that, without prejudice to the Permitted Transfers as defined herein and to the right of the Class B Shareholders to sell their respective Participations in Pirelli within the context of the IPO and to the rights herein below, the Parties shall not transfer their respective participations in Newco and Pirelli (as well as any right or financial instrument connected thereto, each a "**Participation**") until the expiry of the fifth anniversary as of the Completion of the Offer.

Right of First Offer of CNRC

Each Class B Shareholder hereby irrevocably grants to CNRC a right of first offer (the "**Right of First Offer**") exercisable (i) in case, after the expiry of the Call Option Exercise Period (as defined below), any or both of the Class B Shareholders intend to transfer, in whole or in part, their respective Participation to a third party, including to any other shareholder of the relevant company (if any) other than the other Class B Shareholder and (ii) in case of a Change of Control (as defined below), provided however that the Right of First Offer shall not be triggered in connection with the Change of Control if the Participation of the Parties to which the Change of Control applies is transferred to the other Newco shareholders holding the same Class of shares.

Tag-along right

Should CNRC intend to transfer, after the expiry of the Call Option Exercise Period (as defined below), all or part of its Participation to a third party other than an affiliate, CNRC shall grant to each and both the Class B Shareholders the right of co-sale under the terms and conditions better described in the Shareholders Agreement.

Permitted transfers

In partial derogation to the restrictions above: (i) CNRC and each of the Class B Shareholders shall be entitled to transfer between them, in whole or in part, their respective Participation (it being agreed and understood that a pre-emption right among the shareholders of the same class of shares will apply except in case of exercise of the Put Option (as defined below) and of exercise of the Right of First Offer); (ii) CNRC and each of the relevant Class B Shareholder shall be entitled to transfer, in whole or in part, their respective Participation to one or more affiliates.

The Parties also agree that in case CF has not exercised in whole its subscription right in relation to the Additional Capital Increase, under the Agreement, the transfer by CNRC of a participation equal to the portion not subscribed by CF, and in any case never exceeding 14%, if Pirelli is not De-listed (it being understood that in such a case the CNRC Stake shall never be below 51%), and 14.9% if Pirelli is De-listed (it being understood that if Pirelli is De-listed and the forced sale described below is exercised the CNRC Stake shall never be below 50.1%), is not subject to the lock up during the period starting from the end of the 12th month until the end of the 24th month after the Offer Closing Date (the "**Disposable Newco Stake**"), provided that such Transfer is carried out as follows:

- (a) starting from the end of the 12th month and until the end of the 18th month after the Offer Closing Date, CF shall have the right to cause CNRC to sell the Disposable Newco Stake to no more than 3 investors, which shall not be related parties to CF;
- (b) starting from the end of the 18th month and until the end of the 24th month after the Offer Closing Date, if the Forced Sale has not taken place, CNRC will be free to sell the Disposable Newco Stake to no more than 3 investors, which shall not be related parties to CNRC;
- (c) the relevant buyer of the Disposable Newco Stake shall not be entitled to exercise any of the governance rights set out for the class A shares under the Shareholders Agreement or the by-laws of Newco.

Re-listing and IPO

In case of delisting of Pirelli, during the initial four years following Completion of the Offer (the "**Re-listing Period**") (it being understood that in case the IPO preparation is under progress at the expiry of the Re-listing Period, the Re-listing Period will be automatically extended, only for one time, by additional 5 months to allow completion of IPO), CF shall have the right to ask the Pirelli CEO to cause the re-listing of Pirelli through an initial public offering (the "**IPO**") concerning at least the Participations held by CF and LTI in Pirelli.

The Pirelli CEO and Executive Vice Chairman shall have the powers to represent Pirelli in the IPO procedure and to decide – taking into account the best interest of Pirelli and its group and the success of the IPO – the terms and conditions of the IPO – including, without limitation, the choice and appointment of counsels and advisors, including the joint global coordinators except one of them that will be appointed by CNRC – and to carry out any and all activities deemed necessary or appropriate in his sole discretion to ensure the successful completion of the IPO. Notwithstanding any of the foregoing, it is hereby agreed and understood that in the event that the IPO price per share is lower than the price per share of the mandatory tender offer, the IPO shall be launched only upon agreement of the parties.

CNRC shall provide its reasonable cooperation for the success of the IPO including CNRC accepting to be diluted provided that that CNRC, after the dilution, maintains the control over Pirelli pursuant to Article 2359 of the Italian Civil Code, the right to consolidate the Company in its accounts and remains the main shareholder of Pirelli. In the context of the IPO, CF and LTI will have the right to sell all or part of their stakes with priority over CNRC subject to market conditions/standards for the size of a secondary offering of shares.

Exit procedures

Put Option in favor of the Class B Shareholders

In the following circumstances each of the Class B Shareholders shall have the right to exercise a put option on the participation held by the same in Newco (the "**Put Option**"): (i) in the event that following Completion of the Offer or within 12 months following the Offer Closing Date, Pirelli is delisted, and the IPO has not been completed within the expiry of the Re-listing Period as possibly extended (pursuant to what indicated above); (ii) in case of completion of Merger B, if and to the extent that Pirelli is delisted without Bidco being listed, and the IPO has not been completed within the expiry of the Re-listing Period as possibly extended.

The Put Option shall be exercisable by the relevant Class B Shareholder for a period of 6 months as from the expiry of the Re-listing Period, as extended pursuant to the above (the "**Put Exercise Period**").

The purchase price to be paid by CNRC or the relevant designee for the purchase of the participation under the put option shall be equal to the amount reinvested by the relevant Class B Shareholder into Newco and any further subscriptions by the same Class B Shareholder of share capital increases of Newco in order to purchase additional Pirelli shares within 12 months from the Offer Closing Date, less any dividends and distributions actually received by the relevant Class B Shareholder with respect to the option participation.

Demerger

The Newco By-Laws shall provide that, if and to the extent that Pirelli is not delisted after Completion of the Offer or within 12 months following the Offer Closing Date and any of the following events occur: (i) at the expiry of the first 3-year term the Shareholders Agreement is not renewed; or (ii) the Shareholders Agreement is automatically renewed after the initial 3-year term and in such case as at the expiry of fourth year as of Completion of the Offer; in such cases each of the Class B Shareholders shall be entitled to request and obtain the collapse into Newco of Holdco and/or Bidco, as the case may be, and the non-proportional demerger of Newco, with the attribution in favor of CF (or a wholly-owned subsidiary of CF) and in favor of LTI Newco (or a

wholly-owned subsidiary of LTI Newco) of assets (including a number of shares of Pirelli) and debts proportional to their Participation.

Call Option

For a period of (a) 6 months as from the expiry of the Put Option Period or (b) one month as of receipt of the notice requesting the Newco demerger (the "**Call Option Exercise Period**"), CNRC shall have the right to purchase, directly or through a different Person designated by the same, the Participations held by both the Class B Shareholders (the "**Call Option**").

The purchase price to be paid by CNRC or by the relevant designee for the Participation object of the Call Option shall be equal to (i) in case Pirelli is delisted: the exercise price of the Put Option or, if higher, the fair market value of the Participation, with a cap of 110% of the exercise price of the Put Option or (ii) in case Pirelli is listed: the exercise price of the Put Option or if higher the market value of the Participation object of the Put Option calculated as the see through based on 3 month average share price of Pirelli.

Term and effectiveness of the Shareholders Agreement

Term and automatic renewal

The Shareholders Agreement shall be executed on the Closing Date, subject to the satisfaction of the conditions precedent set forth in the Agreement, and shall enter into force on the same date Closing Date and shall remain in full force and effect:

- (i) in case of delisting of Pirelli, until the fifth anniversary of the Closing Date;
- (ii) in case Pirelli remains listed, until the fifth anniversary of the Closing Date for any provision concerning Newco, Holdco and Bidco and the third anniversary of the Closing Date for any provision concerning Pirelli.

The Shareholders Agreement shall be automatically renewed for a further term of 2 years, unless a Party notifies in writing the other of its intention not to renew the Shareholders Agreement at least four months prior to the expiration of the relevant term.

Automatic Termination

The rights and prerogatives provided by the Shareholders Agreement in favor of the Class B Shareholders (as in the by-laws of the Italian Entities and of Pirelli) are granted on the assumption and provided that (i) their aggregate Participation is at least equal to 20% of Newco and (ii) the CF Restructured Stake is at least equal to 13% and (iii) the LTI Stake is at least equal to 7%. The dilutions caused by any capital increase necessary to refinance the indebtedness under the Loan Agreements at the expiry or in case of breach or potential material breach of the financial covenants shall be considered for the purposes of the above thresholds only if persisting 12 months after their occurrence, it being agreed and understood that CNRC shall grant to CF and/or LTI, as the case may be, the possibility to cure such dilution at the same conditions for 12 months after the dilution has taken place.

However, CF and LTI will in any case maintain a proportional representation in the corporate bodies of Newco as shall be provided in the relevant by-laws.

Change of Control

In case (i) Mr. Marco Tronchetti Provera or his heirs cease to hold, directly or indirectly, jointly or individually, following completion of Restructuring of the CF Stake, the Control of CF and/or Coinv, (ii) RFR Long-Term Investments cease to hold, directly or indirectly, jointly or individually, the Control of LTI and/or, where existing and following completion of Restructuring of the CF Stake, LTI Newco (a "**Change of Control**"), then CNRC shall be entitled to early terminate this

Shareholders Agreement with respect to the relevant Class B Shareholder and/or to exercise the Right of First Offer in both cases by means of a written notice to be sent to the relevant Class B Shareholder not later than 1 month following the date on which CNRC has been informed in writing or has become aware of the Change of Control.

Control

It is provided that, pursuant to the Shareholders Agreement, CC shall exercise, through CNRC, the control over the Company.

Type of shareholders agreement

The provisions of the Shareholders Agreement are relevant for the purposes of article 122, paragraphs 1 and 5, of the TUF.

Bodies of the Shareholders Agreement

Not provided.

Liquidated damages in case of breach of obligations

No liquidated damages are provided for the breach of the obligations under the Shareholders Agreement.

Office of the Companies Register

The Shareholders Agreement has been filed on the date hereof with the Companies Register of Milan.

March 27, 2015