

**TERM SHEET WITH SHAREHOLDERS' UNDERTAKINGS CONCERNING
PIRELLI & C S.p.A.**

**Essential information pursuant to Article 130 of Consob regulation n. 11971/1999, as
subsequently amended**

WHEREAS

On March 15, 2014

- (i) **Unicredit S.p.A.**, with registered office in Rome, Via Alessandro Specchi 16, corporate capital Euro 19,654,856,199.43 entirely paid-in, tax code, VAT number and number of registration with the Rome Companies' Register 00348170101, with shares listed on the Mercato Telematico Azionario organized and managed by Borsa Italiana S.p.A. ("**MTA**"), holding company of the UniCredit banking group, registered with the *Albo dei Gruppi Bancari* code 2008.1 ("**UC**");
- (ii) **Intesa Sanpaolo S.p.A.**, with registered office in Turin, Piazza San Carlo 156, corporate capital Euro 8,549,266,378.64 entirely paid-in, tax code and number of registration with the Turin Companies' Register 00799960158, VAT number 0810700152, with shares listed on the MTA, registered with the *Albo delle Banche* at n. 5361 and holding company of the Intesa Sanpaolo Bank Group ("**ISP**");
- (iii) **Nuove Partecipazioni S.p.A.**, with registered office in Milan, Piazza Borromeo n. 12, corporate capital Euro 249,314,516.00, entirely paid-in, tax code, VAT number and number of registration with the Milan's Companies Register 08264530968 ("**NP**"); and
- (iv) **Rosneft Oil Company**, with registered office in Moscow (Russia), Sofiyskaya Embarkment, (the "**Strategic Investor**" and, together with NP, ISP and UC, the "**Parties**" and each individually a "**Party**"),

have reached an understanding (as a term sheet) which includes certain provisions having the nature of shareholders' undertakings as well as the principles, the essential terms and the goals of a partnership between NP, UC, ISP and the Strategic Investor (collectively, the "**Term Sheet**") regarding a transaction for the investment/reinvestment (the "**Transaction**") in a special purpose vehicle ("**Holdco**") whose corporate capital will be held 50% by the Strategic Investor and 50% by a newco which will in turn be participated (*x*) as to 80% by NP, (*y*) as to 10% by UC, and (*z*) as to 10% by ISP ("**Newco**"). Holdco will hold in Pirelli & C. S.p.A. the equivalent of the participation currently held by Camfin S.p.A. and its controlled companies.

Subject to a final agreement between the Parties and to the obtainment of all necessary consents and approvals of the competent corporate bodies of the Parties and of any competent Authority, the Transaction above shall be implemented through a number of corporate transactions. The Parties have the goal to procure that the partnership lasts for five years with tacit renewal for further three years unless a non-renewal notice is sent by any Party.

In view of the above, please find below the essential information required by Article 130 of Consob regulation n. 11971/1999, as subsequently amended, with respect to the shareholders' undertakings set forth in the Term Sheet, starting from the standstill clause which is immediately effective. For maximum transparency in favor of the market, please find below also the description of the other provisions of the Term Sheet regarding the future governance of Pirelli, the obligations of prior consultation for the exercise of voting rights on certain matters regarding Pirelli, the limits to the transfer of the shares of Pirelli and the mechanisms of "exit" from the investment, which provisions shall all enter into force upon completion of the Transaction.

COMPANY WHOSE FINANCIAL INSTRUMENTS ARE INTERESTED BY THE TERM SHEET

Pirelli & C. S.p.A., with registered office in Milan, Viale Piero e Alberto Pirelli n. 25, corporate capital Euro 1,345,380,534.66 entirely paid-in, tax code, VAT number and registration number with the Companies' Register of Milan 00860340157 (hereinafter "**Pirelli**"), whose shares are listed on the MTA organized and managed by Borsa Italiana S.p.A..

The Term Sheet concerns also the interests in Holdco and Newco.

AGGREGATE SHARES CONTRIBUTED TO THE TERM SHEET

The Term Sheet concerns the entire participation in Pirelli now held by Camfin and its controlled companies, *i.e.*, n. 124,611,073 ordinary shares of Pirelli.

PARTIES TO THE TERM SHEET

- (i) **Unicredit S.p.A.** ("UC") – as identified above;
- (ii) **Intesa Sanpaolo S.p.A.** ("ISP") – as identified above;
- (iii) **Nuove Partecipazioni S.p.A.** ("NP") – as identified above; and
- (iv) **Rosneft Oil Company** (the "**Strategic Investor**") – as identified above.

SHARES CONTRIBUTED BY EACH PARTY TO THE TERM SHEET

In case of completion of the Transaction Holdco would come to hold the participation in Pirelli currently owned by Camfin S.p.A. and its controlled companies, *i.e.*, n. 124,611,073 ordinary shares of Pirelli.

The table below indicates for each Party to the Term Sheet the percentage interest in Pirelli referable to such Party through Holdco in case of completion of the Transaction.

Parties to the Term Sheet	Future percentage interest in Pirelli (*)
Unicredit S.p.A.	1.31%
Intesa Sanpaolo S.p.A.	1.31%
Nuove Partecipazioni S.p.A.	10.48%
Rosneft Oil Company	13.10%
Total	26.19%

(*) *rounded-up to the second decimal. Camfin currently holds, directly or indirectly, approximately 26.19% of the ordinary shares of Pirelli.*

TYPE AND CONTENT OF THE TERM SHEET

Pursuant to Article 122 of legislative decree 24 February 1998 n. 58 ("**TUF**"), the Term Sheet includes shareholders' undertakings concerning the standstill clause, as well as clauses concerning: the governance of Pirelli, the obligations of prior consultation for the exercise of voting rights on certain matters and the limits to the transfer of the shares of Pirelli as better described under point (iv) of the paragraph "governance of Pirelli" below, and mechanisms of "exit" from the investment.

Such clauses, as described below, will be reflected in a shareholders' agreement which will be negotiated among the Parties in the context of the broader negotiations of the final contractual documentation of the Transaction (the "**Shareholders' Agreement**").

None of the Parties will exercise control over Pirelli as an effect of the Term Sheet.

The Term Sheet also provides that Holdco will present a slate for the appointment of the board of directors of Pirelli, composed as follows:

- (a) Newco shall be entitled to designate half of the slate (including two independent directors), of which 4 (including the Chairman and CEO of Pirelli) shall be designated by NP and 2 by ISP and UC (one each, one of which shall be a member of the Strategies Committee);
- (b) the Strategic Investor shall be entitled to designate the other half of the slate (including 2 independent directors).

Standstill Clause

The Term Sheet provides for a standstill clause pursuant to which the Parties have agreed not to purchase and not to make any relevant transaction on the shares of Pirelli until the earlier of (i) the date of execution between the Parties of the final contractual documentation or (ii) the term of 6 months from the date of execution of the Term Sheet. After execution of the final contractual documentation the limits to the transfer of the shares (standstill) will be governed by such contractual documentation.

Governance of Pirelli

Pursuant to the Term Sheet, the governance of Pirelli will be based on the following principles which, to the extent feasible and subject to reaching the necessary quorums in Pirelli's shareholders' meeting, shall be inserted in Pirelli's by-laws:

- (i) the board of directors of Pirelli – for which, to the extent possible, will be adopted the so-called "*monistic method*" (*i.e.*, one-tier board system) - will be composed of 15 directors, appointed through a voting slate mechanism, of which 12 to be designated by the slate of candidates which will obtain the majority of the votes cast. The remaining 3 directors, as mandatory pursuant to Italian law, shall be designated from the other slates of candidates. The slate which will be filed by Holdco will be composed as follows: (a) Newco shall be entitled to designate half of the slate (including two independent directors), of which 4 (including the Chairman and CEO of Pirelli) shall be designated by NP and 2 by ISP and UC (one each, one of which shall be a member of the Strategies Committee) and (b) the Strategic Investor shall be entitled to designate the other half of the slate (including 2 independent directors).
- (ii) any proposal regarding the approval of the Business Plan and the Budget, as well as any material amendments thereto shall be made by Pirelli's Chairman and CEO to the board of directors of Pirelli, which will approve the relevant decisions with the favorable vote of the majority of the directors;
- (iii) any proposal regarding industrial partnerships or strategic joint ventures of Pirelli or any of its principal subsidiaries shall be made by Pirelli's Chairman and CEO to the board of directors of Pirelli subject to the prior examination and discussion in the Strategies Committee of Pirelli. The board of directors of Pirelli will approve the relevant resolutions with the favorable vote of the majority of the directors of Pirelli;
- (iv) the approval of any resolution concerning share capital increases or decreases, mergers or demergers or the liquidation of Pirelli or any of its principal subsidiaries shall be subject to previous consultation between Newco and the Strategic Investor at the level of Holdco in any case in view of pursuing the best entrepreneurial interest of Pirelli and of all its shareholders, after which the Parties shall vote as per the agreement between Newco and the Strategic Investor, failing which the Parties shall cause that at the level of the competent body of Pirelli the resolution be not passed;

- (v) Pirelli's Chairman and CEO shall be granted the powers and the authority concerning the current ordinary management of Pirelli and its group;
- (vi) Pirelli shall substantially maintain the Committees and procedures currently in place, with the significant role currently attributed to the independent directors;
- (vii) in the revised governance – subject to adoption of the *monistic method* (i.e. one-tier monistic system) – the *Internal Control and Risks Committee* shall be replaced by the *Management Control Committee* and shall be composed by three independent directors, while the other Committees of Pirelli shall remain the following:
 - (aa) the *Strategies Committee*, composed of 7 directors of which 2 selected among those designated by Newco, 2 among those designated by the Strategic Investor and 3 independent directors,
 - (bb) the *Committee for the Appointment and Succession*, composed by 4 directors, 2 of which independent, and
 - (cc) the *Remuneration Committee*, composed by 3 independent directors

Limits to the transfer of the shares

Lock-up

The Parties have agreed a four year lock-up period starting from the date on which the Parties will execute the coinvestment agreement concerning the Transaction.

During such lock-up period no transfer of the shares of Holdco, of other instruments which grant the right to acquire or subscribe such shares or derivatives providing the beneficiary with a long position on such shares will be allowed. However the shares of Holdco can be transferred (i) in favor of controlled or controlling companies with adequate protection mechanisms for the event in which the “control” relationship ceases to exist, or (ii) in cases of transfers between the Parties.

Sale procedure, winding up and exit

After the expiry of the lock-up period, the Parties shall (upon request of either Newco or the Strategic Investor) activate a trade sale procedure for the sale of all the shares of Holdco or all the shares of Pirelli held by Holdco. The Parties shall be obliged to proceed to the sale in the context of such procedure only if the Strategic Investor and Newco will agree to proceed with such sale, taking into account the best entrepreneurial interest of Pirelli. If the trade sale procedure is not completed within 6 months from the end of the lock-up period, each of the Strategic Investor and Newco (or any of its shareholders) shall be entitled to request and obtain the dissolution of Holdco and the attribution to each Party (or to wholly-owned subsidiaries of the same) of the respective pro-rata shareholding in Pirelli (based on the respective direct or indirect participation in Holdco) together with the pro-rata portion of Holdco's indebtedness (hereinafter such portion of Pirelli shares and indebtedness, the “**Pro-Rata Interest**”). During the procedure the Parties shall (i) be bound not to transfer their respective participation in Holdco and (ii) consult to find a common strategy to dispose of their participations in Holdco (and indirectly in Pirelli) with a view to maximizing the proceeds of any such disposal taking also into account the best entrepreneurial interest of Pirelli.

In the event that the Strategic Investor and Newco reach an agreement on such disposal, all the shares of Holdco (and/or all the shares of Pirelli owned by Holdco) shall be disposed of according to such agreement. In the event that an agreed solution on such disposal could not be found, each of the Parties shall receive its respective Pro-Rata Interest, upon the attribution of which all the agreements among the Parties shall be deemed terminated, with the exception of any possible, further or different agreement, if any, reached between the Parties during the above mentioned sale or liquidation procedure; the Parties have also undertaken to evaluate other exit strategies to be included and regulated in the final agreements.

Vacancy of the office of CEO, right to sell and dissolution procedure

If the Pirelli's Chairman and CEO appointed upon completion of the Transaction voluntarily resigns from his office as CEO without just cause or without the consent of the Strategic Investor, the Strategic Investor shall have the right to sell all of its shares in Holdco to NP at the price providing an IRR on the investment of the Strategic Investor in the acquisition of such shares at the level of

10% at the time of the resignation mentioned above. In the put option event, if so requested by ISP or UC, each of NP, UC and ISP shall receive its respective Pro-Rata Interest.

In case the Pirelli's Chairman and CEO appointed upon completion of the Transaction ceases to hold his office of CEO of Pirelli for natural reasons, Newco and the Strategic Investor will consult during a six month consultation period to seek an agreement on how to proceed in their best respective interests; if no agreement is achieved between Newco and the Strategic Investor during such period, each of the Parties shall receive its respective Pro-Rata Interest, upon the attribution of which all the agreements among the Parties shall be deemed terminated.

TERM AND EFFECTIVENESS OF THE TERM SHEET

As indicated above, the standstill clause will remain in force until the earlier of (i) the date of execution between the Parties of the final contractual documentation or (ii) the term of 6 months from the date of execution of the Term Sheet.

As to the Shareholders' Agreement, the Term Sheet provides that the same will have a term of 5 years, with tacit renewal for further three years unless a non-renewal notice is sent by any Party.

COMPANIES' REGISTER OFFICE

The Term Sheet has been filed with the Companies' Register of Milan on March 20, 2014.