PRESS RELEASE

PIRELLI, RUSSIAN TECHNOLOGIES AND SIBUR HOLDING SIGN AGREEMENT TO DEVELOP JOINT ACTIVITIES IN THE TYRE SECTOR IN RUSSIA

Milan, Moscow 26 November 2010 - Pirelli, Russian Technologies and Sibur Holding today in Moscow signed a memorandum of understanding (MOU) to define a series of agreements for the development in Russia of joint activities in the tyre and steelcord sectors, as well as in the supply and high-technology production of synthetic rubber derivatives. The closing is expected by June 2011.

With regard to the tyre sector, in particular, the agreement lays the foundation for the joint launch of a process of rationalization and reorganization of the tyre activities of Sibur Holding, one of Russia’s major operators in the petro-chemical sector. The agreements call for a process of reorganization aimed at selecting the assets of Sibur Russian Tyres that will be conferred to two joint ventures constituted by Pirelli and Russian Technologies (JV1, JV2). This process will be based on the guidelines and business plan agreed by the three partners. The first joint venture will receive the assets of Sibur Russian Tyres that are convertible to Pirelli standards in the car, agro radial and truck all steel sectors. These assets, pending the finalization of the transactions, will be managed by Pirelli from the beginning on the basis of a manufacturing and technology agreement. The second joint venture, instead, will receive the assets relevant to the production of car tyres for the original equipment sector, aimed at satisfying increasing demand in the Russian market, as well as those for the production of truck and conventional agro tyres. JV2 will also hold a significant stake in Sibur Russian Tyres. Further, Pirelli will acquire a direct stake of 10% in Sibur Russian Tyres in exchange for its technical and managerial input. To this end, Pirelli will provide, under license, its technologies and production processes and participate in the technological upgrade of the plants, as well as providing its knowhow in the areas of logistics, quality control and organization of activities.

For Sibur, its tyre business will benefit from Pirelli’s cutting edge technology and with the Italian group’s industrial support Sibur’s tyre also expects a significant improvement in its business results. The new technological link between the two groups in synthetic rubber will also facilitate the introduction of new kinds of synthetic rubber to improve tyre performance.

Further, the deal will help create synergies between the automobile, tyre and synthetic rubber sectors in Russia, improve the offering to customers and enhance the international competitiveness of the Russian tyre and Auto industry.

The partnership between Russian Technologies, Sibur and Pirelli will also support the development of the Russian tyre and Auto industries and, by attracting investment to the tyre sector, will enable the creation of modern high-technology and high quality products for both industries. As a result of the agreement, one of the world’s leading tyre producers – Pirelli – will locate its production facilities in the Russian Federation.
Today's memorandum foresees the joint development of technologies for the production of synthetic rubber derivatives to be used in the production of top-of-the-range car tyres, an area where synthetic rubber, rather than natural, is mostly used.

As well, within the scope of the MOU, Pirelli and Russian Technologies will build a factory for the production of steelcord, the metallic ribbon used in radial tyres, and giant tyres in Samara, in the special economic zone of Togliatti.

In detail, these agreements state:

1. that, in line with plans already announced to establish a plant in the special economic zone of Togliatti, Pirelli and Russian Technologies, through a 50-50 joint venture (JV1), will build a plant for the production of steelcord in Samara, as well as the production of giant tyres.

2. that Sibur Holding will undertake to cede to JV1, the 50-50 joint venture between Pirelli and Russian Technologies, the assets convertible to Pirelli standards in the car, radial agro and truck all steel sectors, chosen as a result of the rationalization and reorganization process jointly developed by the three partners. JV1 will maintain a 90% stake in the assets and Sibur Holding will hold the remaining 10%. Pending the finalization of the transactions, and on the basis of a manufacturing and technology agreement, Pirelli will manage from the start these assets, which will enable the achievement of a production capacity including 3 million car tyres, predominantly ‘winter’, by the end of 2011.

3. that Sibur Holding will cede 40.1% of Sibur Russian Tyres, a company belonging to the Russian holding containing other tyre activities, to a second 50-50 joint venture between Pirelli and Russian Technologies (JV2). JV2 will receive the assets relevant to the production of car tyres for the original equipment sector, as well as those for the production of truck and conventional agro tyres. The value of the transaction will be determined on the basis of a valuation being carried out by an adviser chosen by the partners. Pirelli will also directly acquire 10% of Sibur Russian Tyres in exchange for its managerial and technical input. Pirelli will therefore provide, under license, its technology and production processes, participate in the plants’ technological upgrade, and provide its know-how in the areas of logistics, quality control and the organization of activities. Once these transactions and the reorganization of the activities of Sibur Russian Tyres by Pirelli, Russian Technologies and Sibur Holding are completed, Sibur Holding will have a 49.9% stake in Sibur Russian Tyres compared with its present 100%. The agreement, in fact, requires the reorganization of Sibur Russian Tyres’ activities based on the guidelines and business plan agreed by the partners. This process, as mentioned earlier, will identify the assets and activities relevant to JV1’s business and those that will be kept and developed within the perimeter of JV2;

4. that Pirelli and Sibur Holding define agreements in the area of the production of synthetic rubber that call for Sibur Holding to act as long-term supplier to Pirelli and the two joint ventures (JV1, JV2), as well as for the joint development of new high-technology products derived from synthetic rubber to be used in the production of top-of-the-range car tyres;

5. that the partnership may offer a further opportunity for development and consolidation through the possible acquisition of or merger with Nizhnekamskshina, a tyre producer controlled by Tatneft.
Sergey Chemezov, Director General of the Russian Technologies State Corporation, said: “In order to be more competitive it is necessary to cooperate with companies which apply advanced technologies and solutions. It is the basis of our collaboration with Pirelli. We are determined to keep to the same rules in choosing our partners from now on.”

Alexander Dyukov, Chairman of the Board of Directors of SIBUR Holding OJSC, said: “Partnership with one of the world’s leading tyre producers and a Russian company that represents the automotive industry opens the challenge for SIBUR’s tyre business. Following possible consolidation of the Russian tyre sector using advanced western technologies will increase marketability of national economics and help SIBUR to increase capitalization of its investment in this segment.”

Marco Tronchetti Provera, Pirelli Chairman, said: “The agreement signed today is a significant acceleration of our push into the Russian market compared with the initial plan, with a financial commitment substantially in line with that forecast in our 2011-2015 financial plan. Russia is a key market for our strategy of growth in all business segments, consumer and industrial. The partnership announced today with two such important groups as Russian Technologies and Sibur Holding will allow us to also participate in the rationalization and consolidation of the Russian tyre market and to take advantage of possible opportunities linked to the acquisition of plants already equipped with a good level of technology.”

About SIBUR

SIBUR is the leader of petrochemistry in Russia and Eastern Europe. The Company operates across the entire petrochemical process chain from gas processing to the production of monomers and plastics, mineral fertilizers, tyres and industrial rubber items, as well as the processing of plastics.SIBUR produces over 2000 different brands of products. The Company processes more than half of APG and produces 23% of propylene, 23% of polypropylene, 17% of polyethylene, from 30 to 49% of different rubbers, 34% of tires, 16% of nitrogen fertilizers, and considerable part of other petrochemical products in Russian market.SIBUR incorporates plants that employ over 50 000 people in 20 regions of Russia. The Company is managed along product-division lines – Hydrocarbon Feedstock, Synthetic Rubbers, Plastics and Organic Synthesis Products, Mineral Fertilisers and Tyres.Gazprombank Group is the principle shareholder of SIBUR Holding JSC, with control of more than 95 % of the company shares. SIBUR Holding JSC is managed by SIBUR LLC that acts as the holding company’s sole executive body.Over recent years, the company has consistently delivered healthy financial and operational results. In 2009, SIBUR Group plants processed 16,8 billion cu m of APG and produced 15 million tons of petrochemicals and 14,8 billion cu m of LPG.

About Russian Technologies

The Russian Technologies State Corporation is designed to assist Russian organizations-developers and manufacturers of high technology industrial products in their development, production and export by providing support in domestic and foreign markets and attracting investments to different industries including defense industrial complex. Its main functions are assistance to organizations in various sectors of industry including defense industrial complex, in developing and producing high technology industrial products; Promotion and sales in the domestic and foreign markets of high-technology industrial products, associated by-products and intellectual property; Participation in the implementation of the state policy in the sphere of military-technical cooperation of the Russian Federation with foreign states and state armaments programme; Attracting investments to different sectors of industry including defence industrial complex, for the purpose of development and production of competitive high-technology products including military equipment; Advertising and exhibition activities for the benefit of different sectors of industry including defence industrial complex, participation in the organisation and management of exhibitions (demonstrations) of civil, military and dual-purpose products in the territory of the Russian Federation and abroad; Assistance to organisations in various sectors of industry including defence industrial complex, in carrying out applied research projects in
prospective areas of science and technology, and putting into production advanced technologies with the purpose of enhancing the level of domestic developments of high technology industrial products and reducing their time and costs; Assistance to the organization acting as a state intermediary in foreign trade operations related to military-purpose products; Performance of other functions in compliance with federal laws and decrees of the President of the Russian Federation.

About Pirelli

The fifth largest tyre maker in the world by sales, Pirelli is leader in the high-end segments with high technological content. Founded in 1872, there are now 19 Pirelli Tyre factories throughout the world, on four continents, operating in more than 160 countries. Pirelli, listed on Milan Stock Exchange, is distinguished by its long industrial tradition, which has always combined a capacity for innovation with product quality and brand strength. A strength which, since 2002, has also been based on the fashion and high-tech project of PZero, the value of which has been further recognized by the Formula 1, for which Pirelli Tyre is the exclusive supplier for the three-year term 2011-2013. In line with its ‘green performance’ strategy, Pirelli, which has always focused on research and development, operates with ever increasing attention to products and services of high quality and technology and low environmental impact.

***

Rashid Nureev – Media Relations SIBUR +7 (495) 937-17-26 mob. +7 916 400 03 14 - NureevRG@sibur.ru
Media & Investor Relations, SIBUR – Russian Tyres, +7 495 980 5534 (ext 4635)

***

Dmitry Morozov - Media Relations Russian Technologies Mob. tel +7 963 777 38 33
D.I.Morozov@rostechn.ru

***

Pirelli Press Office – Tel. +39 02 64424270 – pressoffice@pirelli.com
Pirelli Investor Relations – Tel. +39 02 6442949 – ir@pirelli.com
www.pirelli.com