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Rostekhnologii, SIBUR and Pirelli sign memorandum of understanding on joint activities in the tyre industry

Moscow, 26 November 2010. Today the state corporation "Rostekhnologii", the OJSC "SIBUR Holding" and the Italian company "Pirelli" signed a memorandum of understanding (MOU) to conclude a series of deals on joint activities in the tyre industry and steelcord production, as well as in the sphere of high-tech production and the supply of products derived from the processing of synthetic rubber. It is expected that these agreements will be signed before June 2011.

This document announces joint activities between "Rostekhnologii" and "Pirelli" in reorganising and improving the effectiveness of the tyre business of SIBUR, one of the major players in the Russian petrochemical industry. This memorandum provides for the involvement of the assets of "SIBUR- Russian Tyres" in creating two joint ventures, established with the companies "Pirelli" and "Rostekhnologii" (joint venture 1 and joint venture 2). The first joint venture will involve the assets of "SIBUR-Russian Tyres", which correspond to the standards set by "Pirelli" in terms of tyre production for different purposes, and these assets shall be selected through a streamlining and reorganisation processes carried out by three partners. Furthermore, SIBUR will promote sale of the assets of joint venture 1, in accordance with the standards of "Pirelli". The assets will be selected as a result of this reorganisation process and the respective decisions adopted by the three partners. Joint venture 1 shall receive 90% of the assets and 10% shall be held by SIBUR. Prior to the completion of the transaction, the partners will manage the assets on the basis of special agreements, which will allow achieving a production volume of 3 million tyres by the end of 2011.

The second joint venture will receive assets for the production of automobile tyres for the industrial sector (delivery for their configuration), as well as tyres for heavy-duty trucks and agricultural machinery. This joint venture will aim to meet the increasing demand observed on the Russian market. SIBUR will transfer the second joint venture, established with "Pirelli" and "Rostekhnologii" equal stakes of 40.1% in the company "SIBUR- Russian Tyres". "Pirelli" will also gain control over a 10% stake in "SIBUR-Russian Tyres" in exchange for technological and managerial contributions to the development of the tyre holding. "Pirelli" will provide its technology and will participate in the technological development of the respective plants, including the application of its own know-how in terms of logistics, quality control and the organisation of the company's activities. After completion of the transfer of assets and restructuring share SIBUR in ОАО SIBUR - Russian Tyres will be 49.9% (currently the share of SIBUR is 100%). The reorganisation process will be implemented after the three partners of the business plan and related business services.

The partners shall also conclude agreements in the sphere of the production and supply of synthetic rubber, according to which SIBUR shall, on a long-term basis, supply raw materials for "Pirelli" and the two joint ventures. They would also provide for the joint development of production of new high-tech products made of rubber for the manufacture of modern high-quality tyres.

SIBUR's tyre business will have access to the modern technologies of "Pirelli", which, along with industrial support from "Pirelli", will make the tyre business more efficient. Close cooperation between the partners with respect to supplying raw materials should facilitate the creation of new types of synthetic rubbers to be used in improvement the quality of the tyre products.

The resultant synergies between automotive producers, tyre manufacturers and synthetic rubber producers should result in the production of modern products and a strengthened position of Russia's tyre and automotive industries.

In addition, according to the memorandum, "Pirelli" and "Rostekhnologii" will build a production plant in the Samara region - in the special economic zone (SEZ) of Togliatti - which will be dedicated to producing metal cord used in the steel radial tyres. A project for the construction of a plant for the production of super large tyres should also be elaborated.

This new partnership does not rule out the possibility of the continued strategic partnership with the company Tatneft, in particular with its tyre business, as outlined in the documents previously signed between SIBUR and Tatneft.

At the signing ceremony of the MOU, the Director-General of "Rostekhnologii", Sergey Chemezov, stated, "To ensure the growth of competitiveness of the Russian economy, we need to develop cooperation with those companies that propose to implement the most advanced and promising technical solutions and technologies and are ready to invest in the development and modernisation of our enterprises. That is namely what formed the basis of cooperation with the company "Pirelli". We shall henceforth adhere to this principle in selecting our partners in future."

The President of "Pirelli", Marco Tronchetti Provera, noted, "the Memorandum signed today significantly accelerates our entry into the Russian market compared with our initial plan, and it corresponds with our financial projections for 2011-2015. Russia is a key market in our development strategy. The cooperation announced today with such major companies as "Rostekhnologii" and SIBUR will allow us to participate in improving the efficiency and consolidation of the Russian tyre market and it will provide an advantage in terms of organising joint activities using the most advanced technical equipment in the industry."

The Chairman of the Board of Directors of the OJSC "SIBUR Holding", Alexander Dyukov, stressed that "a partnership with one of the world's leading tyre manufacturers and the largest Russian company in the automotive sector opens up new prospects for SIBUR in terms of the tyre business. The following possible consolidation of the Russian tyre industry, using advanced technologies from western countries, will increase the competitiveness of our national economy and enable SIBUR to increase the capitalisation of its investments in this segment."

Reference information:

The state corporation "Rostekhnologii" was established in accordance with federal law of the Russian Federation. The purpose of this corporation is to promote the development, production and export of hi-tech industrial products by providing support to Russian companies on the domestic and external markets, including developers and manufacturers of high-tech industrial production, as well as attracting investment for organising various industries. The corporation includes 28 holdings in defence-related and civilian industries and approximately 600 companies, including such industrial giants as "AVTOVAZ", "KAMAZ", and "VSMPO-Avisma".

SIBUR is the leader on the petrochemical market in Russia and Eastern Europe, providing full-cycle coverage in this industry: gas processing, production of monomers, plastics, rubber, fertilisers, tyres and rubber products, as well as plastics processing. SIBUR is a vertically integrated company, in which gas processing capacity provide petrochemical plants with raw materials of its own production.

The Holding unites enterprises in 20 regions of Russia with a total of more than 50,000 employees. Management is structured according to a product-divisional principle: SIBUR's team includes three directorates (hydrocarbons, plastics and organic synthesis, synthetic rubber) and two affiliated companies ("SIBUR- Fertilisers" and "SIBUR-Russian Tyres").

The company "Pirelli and C SpA" is a parent company, registered on the Italian Stock Exchange as part of an international group operating in 160 countries, and has a rich experience of more than 135 years in the sphere of manufacturing. The company "Pirelli Tyre" is the fifth-largest tyre manufacturer in the world in terms of profit and is a leader in the high-performance market segments. The Company owns 32 companies around the world. "Pirelli" also operates in the sphere of real estate through its company "Pirelli RE", the assets of which are mainly located in Italy and Germany. Thanks to its concentration in technology and research, in recent years, through its companies "Pirelli Eco Technology" and "Pirelli Ambiente", a number of industrial initiatives involving a high level of innovation were launched, such as in the field of sustainable mobility and renewable energy. The Group also includes the company "Pirelli Broadband Solutions", which provides broadband access.

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