

PRESS RELEASE

(pursuant to article 114 of Italian Legislative Decree n. 58/1998)

Milan, 22 March 2015

CHINA NATIONAL TIRE & RUBBER CO. (CNRC), A SUBSIDIARY OF CHINA NATIONAL CHEMICAL CORPORATION (CHEMCHINA), CAMFIN S.P.A. (CAMFIN) AND CAMFIN'S SHAREHOLDERS SIGNED A BINDING AGREEMENT FOR A LONG TERM INDUSTRIAL PARTNERSHIP WITH RESPECT TO PIRELLI & C. S.P.A. (PIRELLI)

- *Long term industrial value creation in the tyre sector: the partnership strengthens Pirelli's development plans, reinforces coverage of strategic geographical areas and enables the company to double its volumes in the Industrial tyre business (from approximately 6 million pieces to approximately 12 million) through a future combination of the industrial tyre assets of CNRC and Pirelli.*
- *Central to the agreement is the continuity and autonomy of the Pirelli group's present managerial structure. The transaction envisions CNRC appointing the Chairman and Marco Tronchetti Provera remaining as the Chief Executive Officer of Pirelli.*
- *Pirelli's Headquarters and its intellectual property foundation to be kept in Italy: "supermajority" required to authorize de-localization of the Headquarters and transfer of Pirelli's know-how to third parties.*
- *The agreement contemplates (i) the purchase of the stake held by Camfin in the share capital of Pirelli, (ii) the simultaneous reinvestment by Camfin of a portion of the sale proceeds, (iii) the purchase will be carried out by an newly established Italian joint stock company (**Bidco**) which will be indirectly controlled by CNRC in partnership with Camfin through two newly established Italian joint stock companies (**Newco** and **Holdco**), (iv) following the completion of the purchase, a Mandatory Tender Offer (**MTO**) on the remaining ordinary share capital of Pirelli at a price of Euro 15 per ordinary share (this price reflects approximately a 28% and 18% premium over the average trading price of Pirelli's ordinary shares in the past 6 months and 3 months before market closing 20 March 2015 respectively) and Voluntary Tender Offer (**VTO**) on the entire saving share capital of Pirelli at a price per saving share of Euro15 (this price reflects a 39% and 29% premium over the average trading price of Pirelli's saving shares in the past six months and three months respectively before 20 March 2015), subject to reaching at least 30% of the saving share capital (**MTO** and **VTO** jointly the **Offer**), will be launched by Bidco for the purpose of de-listing of Pirelli (v) the dividend related to the 2014 results shall be paid prior to the purchase by Bidco of the Pirelli shares held by Camfin.*
- *The completion of the transaction is subject to the conditions typical of a transaction of this nature and is expected during the summer of 2015, after antitrust and other relevant authority approvals.*
- *The transaction is financed by the Parties and acquisition financing commitments fully underwritten by J.P. Morgan.*

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CNRC and Camfin have agreed to form an industrial partnership with the objective of boosting the ongoing growth strategy of Pirelli. The partnership strengthens the Group's presence in a strategic geographic area characterized by strong growth as well as giving birth to a global leader in the Industrial tyre segment. To this end, Pirelli's Industrial tyre business will be reorganized through its integration with certain strategic assets of CNRC and with the Fengshen Tires Stock Limited Company ("AEOLUS", a listed company in which CNRC has a stake). This integration will deliver a doubling of volumes in the Industrial business (Truck, Agro, OTR, etc.) from approximately 6 million pieces to approximately 12 million.

The Parties recognize the pivotal role of Pirelli's current top management as a key factor for the ongoing success and growth of Pirelli and its business. In fact, the partnership is predicated on the continuation of Pirelli's entrepreneurial and business culture.

The operation envisages the integration of the Industrial tyre business of Pirelli and certain assets of CNRC, an expansion of Pirelli's business in Asia, and a potential de-listing of Pirelli (depending on the outcome of the Offer).

The assets and know-how that make Pirelli a leading global player will remain a central part of the partnership: the Research and Development centre and the Headquarters of Pirelli will continue to be located in Italy. The agreements signed call for a "supermajority" equal to 90% of the share capital in order to authorize the delocalization of the Headquarters and the transfer to third parties of Pirelli's intellectual property.

The transaction is structured as follows:

ChemChina and CNRC have entered into a Sale and Purchase and Co-Investment Agreement (the **Agreement**) with Camfin and its shareholders with respect to the stake representing 26.2% of the ordinary share capital of Pirelli held by Camfin. Part of this stake will be sold at the closing of the sale and purchase (the **Closing**) and the remaining part will be syndicated effective as of the closing and then sold in the Offer.

The purchase will be carried out at a price of Euro 15 per ordinary share by Bidco which is wholly owned by two newly established Italian joint stock companies (**Newco** and **Holdco**) to be controlled indirectly by CNRC and participated by Camfin through the re-investment of a portion of the sale proceeds.

Today CNRC also entered into the commitment letter with J.P. Morgan, as arranger and underwriter, of the acquisition debt financing relating to the envisaged transaction, including the Offer.

Pursuant to the Agreement, the completion of the purchase by Bidco, which as of today is expected to occur by the end of summer 2015, is subject to various conditions precedent, including clearance by the relevant antitrust authorities, approval by the Chinese governmental authority and any other competent authority, actual draw down of the funds as per the loan agreements entered into with the lenders, and no restrictive measures being imposed by any authority.

Upon fulfilment of the above conditions precedent and completion of the initial purchase by Bidco, CNRC, Camfin, Coinv (a company indirectly controlled by Marco Tronchetti Provera and with stakes held by Intesa Sanpaolo S.p.A. and UniCredit S.p.A.) and Long Term Investments Luxembourg S.A. (**LTI**), a private Russian investment company, will enter into the Shareholders Agreement (**SHA**).

Under the terms of the shareholders agreement, the CEO of Pirelli has the power to decide when to re-list Pirelli.

At Closing, Camfin will reinvest a portion of the sale proceeds by subscribing at the same conditions as CNRC to a stake of Newco representing initially up to 49.9% of its share capital. Newco will be always controlled and consolidated by CNRC. For six months following the closing of the MTO, Camfin has the ability to complete the initial subscription to maintain its holding up to 49.9%. The shareholding of CNRC in Newco will never be reduced below 50.1% in the context of this transaction.

In the context of the transaction, it is foreseen that LTI will exit Camfin's capital receiving a direct stake in Newco. If as a consequence of the level of subscription to the MTO, CNRC should find itself with a participation in Newco equal to 50.1%, the remaining portion, equal to 49.9%, will be held by Camfin, which will have become a company entirely controlled by Coinv S.p.A., in a percentage between a minimum of 22.4% and a maximum of 31.9% and by LTI, in a percentage between a minimum of 12.6% and a maximum of 18%. It is also foreseen that Camfin and LTI will sign an agreement with regard to their relation in Newco.

Bidco will launch the MTO on the remaining ordinary share capital of Pirelli pursuant to article 106, paragraph 1 and article 109 of Legislative Decree 58/1998, as amended, at a price of Euro 15 per share, therefore at the same price per share paid by Bidco to Camfin pursuant to the Agreement and will launch the VTO on the entire saving share capital of Pirelli at a price per saving share of Euro 15, subject to reaching at least 30% of the saving share capital, with the purpose of potentially de-listing Pirelli.

The Agreement also contemplates the mechanisms for the respective investments of CNRC and Camfin in order to fund the transaction, the MTO, the VTO and the following steps (including the potential mergers in the acquisition structure), the possible de-listing of Pirelli and, after completion of the MTO, the reorganization and value accretion of Pirelli to be implemented also through the reorganization of the Industrial division of Pirelli and its combination with certain Chinese strategic assets owned by CNRC, to be carried out in compliance with the applicable laws and corporate governance rules, including related parties transactions procedure.

The SHA to be signed at Closing by ChemChina, CNRC, Camfin, Coinv and LTI will contemplate:

- (i) the corporate governance and the composition of the Board of Directors of the relevant entities; Bidco, Newco, Holdco and Pirelli in the de-listed scenario will have a Board of Directors composed of 16 directors, 8 directors, including the Chairman (with casting vote in case of a tied vote), appointed by CNRC and 8 directors, including CEO, appointed by Camfin and LTI; if Pirelli remains listed it will maintain its existing governance, publicly recognised to be in line with the best international standards for listed companies, and a Board of Directors of 15 members (4 of whom independent) elected through the current voting slate system with the aim of ensuring the following composition: 8 designated by CNRC, including Pirelli's Chairman and Pirelli's CEO and Executive Vice Chairman Marco Tronchetti Provera, as long as he is in the office; 4 designated by Camfin and LTI and 3 designated by the minority slate;
- (ii) special quorum for the resolution of the relevant corporate bodies on certain matters;
- (iii) the role of Marco Tronchetti Provera in leading the top management and ensuring the continuity of Pirelli's business culture;
- (iv) CNRC will appoint Pirelli's Chairman, with the power to legally represent the company, and Marco Tronchetti Provera will be the CEO and Executive Vice Chairman of the Pirelli group;
- (v) provisions on transfer of shares, including (a) 5 year lock-up on Newco, (b) permitted transfers and (c) a disposable CNRC stake in Newco of up to 14.9%; this disposable stake held by CNRC

in Newco may be transferred to no more than 3 investors (who shall not be related parties to CNRC or Camfin or LTI) designated by Camfin, starting from the end of the 12th month and until the end of the 18th month after the Offer, or by CNRC, starting from the beginning of the 19th month and until the end of the 24th month after the Offer, provided that CNRC's shareholding in Newco shall never be reduced to below 50.1%; no governance rights will be granted to those third party investors;

(vi) the re-listing of Pirelli through an IPO expected by the fourth year following the transaction.

Finally, the parties establish reciprocal rights for the cases: (a) Pirelli is de-listed and the IPO has not been completed within 4 years, a put option in favour of Camfin and LTI exercisable at a price equal to Camfin's reinvestment (less dividends and distributions); if the put option is not wholly exercised there is a call option in favour of CNRC; (b) if Pirelli is not de-listed, the (non-proportional) demerger of the vehicle participated by CNRC and Camfin, upon request by Camfin or LTI at the end of the fourth year after the transaction; in case the demerger is activated by Camfin or LTI there is a call option in favour of CNRC.

(The SHA will be published within the terms and in accordance with article 122 of Legislative Decree 58/1998).

Statement of Mr. Jianxin Ren, Chairman of ChemChina

"We are delighted with the opportunity to team up with Mr. Marco Tronchetti Provera and his team to continue to build together a world class organization and a market leader in the global tyre industry"

Statement of Mr. Marco Tronchetti Provera

"The partnership with a global player like ChemChina, through its affiliates, represents a great opportunity for Pirelli. CNRC's approach to business and strategic vision guarantee Pirelli's development and stability."

Statement of Long Term Investments

"We are pleased to be part of the long term development of ChemChina and Pirelli's partnership. We believe the transaction will entirely satisfy the shareholders' interests."

List of Advisors

Financial Advisors: Rothschild and ChemChina Finance Corp. to ChemChina and CNRC, J.P. Morgan to CNRC, Lazard to Camfin and Ligerion to Long Term Investments.

Legal Advisors:

ChemChina and CNRC: Pedersoli e Associati Studio Legale (with respect to Italian law), Clifford Chance (with respect to the financing) and Jun He (with respect to Chinese law);

J.P. Morgan Securities PLC: Latham&Watkins

Camfin: Chiomenti and Lombardi Molinari Segni (with respect to the financing)

Long Term Investments: Linklaters.

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