



PRESS RELEASE

PIRELLI GROWS IN GERMANY WITH “HIGH-TECH” FACTORY FOR THE TOP END OF THE WORLD AUTOMOTIVE INDUSTRY AND TARGETS 1 BILLION EURO REVENUE IN 2010

IN 2007, REVENUE OF PIRELLI TYRE GERMANY AMOUNTED TO 850 MILLION EUROS. IN THE LAST FOUR YEARS, THANKS TO INVESTMENTS IN RESEARCH AND INNOVATION OF 190 MILLION EUROS, GROUP TURNOVER IN GERMANY ROSE 30%

THE BREUBERG FACTORY IS THE LARGEST MANUFACTURING SITE FOR TYRES IN GERMANY: IT HAS ANNUAL PRODUCTION CAPACITY OF 10 MILLION PIECES AND SUPPLIES CARMAKERS AND MOTORCYCLE MANUFACTURERS OF THE CALIBRE OF AUDI, BMW, DUCATI, HONDA, FERRARI, LAMBORGHINI, MASERATI, MERCEDES, PORSCHE, VOLKSWAGEN, VOLVO

BREUBERG PRODUCTION ALLOWS PIRELLI TO BE THE NUMBER ONE COMPANY IN EUROPE IN MOTORCYCLE TYRES AND AMONG THE LEADERS FOR HIGH PERFORMANCE CAR TYRES

INNOVATION IS THE KEY ELEMENT AT THE FACTORY, WHICH USES IN PART THE MIRS ROBOTIZED MANUFACTURING PROCESS AND HOSTS PIRELLI’S SECOND-LARGEST R&D CENTRE IN EUROPE WITH STAFF OF CLOSE TO 200

Breuberg (Germany), 26 May 2008 – The **Pirelli Group** presented today its **industrial activities** and **plans for growth** of the tyre business in **Germany**, during a press conference held at the **Breuberg factory** with the participation of, among others, the Chairman of Pirelli & C. SpA, **Marco Tronchetti Provera**, the Italian Ambassador to Germany, **Antonio Puri Purini**, the CEO of Pirelli Tyre, **Francesco Gori**, and the CEO of Pirelli Deutschland, **Guglielmo Fiocchi**.

Germany is a **key market** for the **growth strategies** of Pirelli: it is the **No. 1 automobile market in Europe** (in 2007 close to **6.2 million** cars and light trucks were manufactured in Germany, more than **30%** of the entire production of the European Union) and hosts some of the **most important auto and motorcycle manufacturers in the world**. The **strong presence** in the German market allows the Group to **develop** further its **presence in original equipment, strengthening** at the same time the **focus on high value added market segments** and **research and innovation activity**, thanks in part to continuous confrontation with vehicle manufacturers.

The **manufacturing core** of the Pirelli Group in Germany is the Breuberg factory, purchased **45 years** ago following the acquisition of Veith. Production in Breuberg contributes in a determining way to Pirelli’s positioning in the high performance market segments. The plant produces **tyres of the highest technological level for cars and motorcycles in the top of the range at the international level**. Tyres made in Breuberg are mounted as original equipment on cars of automakers of the calibre of Audi, BMW, Ferrari, Lamborghini, Maserati,

Mercedes, Porsche, Volkswagen, and Volvo, and on motorcycles of BMW, Ducati and Honda. It is in large part thanks to Breuberg, therefore, that the Pirelli Group is **among market leaders in the high performance and ultra high performance segments** of the business of **car tyres** and is in **first place in Europe** in the business of **motorcycle tyres**. Production in Breuberg amounts to **10 million** pieces per year (**80%** car tyres and **20%** motorcycle tyres). About **50%** is destined for the **German market** and the remaining **50%** for the **rest of Europe**, including **Russia**, a country whose tyre market is growing strongly, especially at the high end, and where **Pirelli plans to establish a direct industrial presence by the end of 2009**.

In the last **four years**, Pirelli's activities in Germany registered significant growth, partly thanks to a consistent flow of **investments in innovation**, which in the period amounted to more than **190 million euros**. Between 2004 and 2007, Pirelli's **turnover** in Germany rose overall by **30%**. In 2007, revenues of Pirelli Tyre Germany amounted to around **850 million euros**. The **objective** of Pirelli Tyre Germany is to reach **revenues of 1 billion euros in 2010**. In 2007 alone, **Pirelli tyres** were homologated for **more than 150 new vehicle models**: 126 car and 31 motorcycle models.

Breuberg is one of Pirelli's most important factories in the world and the largest tyre factory in Germany. The facility rises on an area of **367 thousand** square metres and employs **2,600** people, of which about **200** entirely dedicated to **research and development activity**. The plant, in fact, hosts the **most important research centre** of Pirelli Tyre in Europe after the one in Milan. Innovation is the main strength of the Breuberg facility. In 2007, **investments in research and new technologies** amounted to about **50 million euros**. Breuberg is **one of the most important knowledge centres Pirelli has in the world**: it is here that training of engineers and blue collar workers destined for the Group's newest factories takes place. And Breuberg technicians export their know-how to the various manufacturing sites of Pirelli: currently there are 20 German engineers working in factories outside of Germany, in particular in China, Romania and the United States. In 2007, there were a total of **2,600 training days** organized by Breuberg technicians for employees of the new industrial plants of Pirelli around the world.

The focus of Breuberg on premium segments is partly linked to the presence of **MIRS** (*Modular Integrated Robotized System*) production lines, the innovative **robotized process patented by Pirelli**, capable of manufacturing ultra high performance car and motorcycle tyres **reducing manufacturing phases** from the traditional **14 to three**. The system is capable of covering the entire manufacturing cycle, from the mixes to the finished product, without interruptions, without semifinished products to move, without intermediary stockpiling phases and without wasting energy. In addition to MIRS, Breuberg also uses **the most advanced non-robotized manufacturing technologies**. The factory possesses all the most important **international certifications** for quality (ISO/TS 16949), safety (OHSAS 18001), environment (ISO 14001) and health (AOK). A plant at **Merzig** for the production of steelcord completes Pirelli's industrial presence in Germany. Overall, there are about **3,400 employees** of Pirelli Tyre in **Germany**.

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