



PRESS RELEASE

PIRELLI INVESTS 100 MILLION DOLLARS IN BRAZIL FOR NEW TECHNOLOGY HUB DEDICATED TO TYRES FOR SPECIALIZED VEHICLES

THE NEW INVESTMENT IS IN ADDITION TO THE PLAN, ILLUSTRATED LAST JULY, FOR 300 MILLION DOLLARS OF INVESTMENTS FOR THE PERIOD 2008-2011, THUS BRINGING THE TOTAL TO 400 MILLION DOLLARS

THE GROUP CONSOLIDATES ITS LEADERSHIP IN LATIN AMERICA AND AIMS TO FULFILL DEMAND FOR TYRES FOR EARTHMOVING EQUIPMENT, DIGGING AND MINING, ESTIMATED TO INCREASE 37% IN BRAZIL AND 25% IN LATIN AMERICA, AS WELL AS FOR AGRICULTURAL VEHICLES, WHERE 15% GROWTH IS EXPECTED IN LATIN AMERICA

THE GROUP ANNOUNCES ITS RETURN TO EXPORTING TYRES FOR SPECIALIZED VEHICLES WORLDWIDE IN 2011

THE NEW INVESTMENTS WILL ALLOW AN OVERALL 40% INCREASE IN PRODUCTION OF TYRES FOR EARTHMOVING AND AGRICULTURAL VEHICLES IN 2010-2012

THE TECHNOLOGY HUB FOR SPECIAL VEHICLES BROADENS THE SCOPE OF THE RESEARCH CENTER AT SANTO ANDRE' IN BRAZIL, AND BECOMES ONE OF THE PIRELLI TYRE RESEARCH CENTERS THAT REPRESENT THE CORE OF PIRELLI RESEARCH

THE INVESTMENTS ANNOUNCED TODAY BY PIRELLI CHAIRMAN MARCO TRONCHETTI PROVERA AT THE BRAZIL – ITALY ECONOMIC FORUM IN THE PRESENCE OF PRESIDENT LULA, ITALIAN MINISTER SCAJOLA, CONFINDUSTRIA CHAIRMAN MARCEGAGLIA, AND ITALIAN BANKING ASSOCIATION CHAIRMAN FAISSOLA

WITH THE OCCASION OF THE ECONOMIC FORUM, "RETRATOS DO BRASIL" EXHIBITION INAUGURATED AT THE SAO PAULO BIENNALE, ORGANIZED FOR THE CELEBRATION OF EIGHTY YEARS OF PIRELLI'S PRESENCE IN BRAZIL

Sao Paulo, Brazil, 10 November 2009 – The Pirelli Group aims to grow further in Latin America and in Brazil, strengthening its position in the segment of tyres for earthmoving and agricultural equipment, and announced its return to worldwide export in these businesses starting from 2011. The new plans for growth in Latin America and Brazil, which are added to those announced last July for car and industrial vehicle tyres, were presented on the occasion of the II Brazil-Italy Economic Forum in the presence of Luiz Inácio Lula da Silva, president of the Federative Republic of Brazil, Claudio Scajola,

Italian minister of Economic Development, **Umberto Vattani**, chairman of the Italian foreign trade board, **Emma Marcegaglia**, chairman of Confindustria, **Corrado Faissola**, chairman of the Italian banking association and **Marco Tronchetti Provera**, chairman of the Pirelli Group.

New investments, research, demand in industrial and agro vehicles segments

Coherently with the strategy to strengthen in high growth **segments and markets**, the **Group will invest overall** in the construction, digging and mining and agricultural vehicles segments **100 million dollars**, destined to increase **manufacturing capacity and develop the most advanced technologies** for radial tyres, both for agro and earthmoving equipment, in the **new technology hub for special vehicles in Santo André in Brazil**. The new center of excellence enlarges the technology hub at Santo André and strengthens the worldwide research and development activities of the Pirelli Group, which have always been concentrated within Pirelli Tyre.

The **new investments will be concentrated in the Pirelli manufacturing area at Santo André** and are destined for creation of a **cutting edge department** for production of tyres for earthmoving equipment, for **modernization and enlargement of manufacturing capacity** of the divisions destined for agricultural vehicles, and for development of the most advanced technologies for radial tyres. These **research and development activities will be realized**, in collaboration with the vehicle manufacturers, in the **new technology hub for specialized tyres**.

The **100 million dollars of new investments** in the segment of specialized tyres, those for agricultural and construction, digging and mining equipment **are additional with respect to the investment plan for 300 million dollars for the period 2008-2011** destined for production and **technological development of car and industrial vehicle tyres**. That plan was illustrated in Sao Paulo last July, on the occasion of the start of the celebrations for 80 years of Pirelli's industrial and commercial presence in Brazil.

The strategy to **strengthen in Brazil in the segments of earthmoving and agricultural vehicles** will consolidate the **leadership of the Pirelli Group in Latin American markets and aims to satisfy increasing demand in these areas**, with innovative products developed together with vehicle manufacturers. At worldwide level, the segment of **specialized tyres** is expected to **grow over the next three years** by a total of around **7.5%**.

On the basis of these growth forecasts, Pirelli foresees a **return to export** of specialized tyres to **world markets starting in 2011**.

In particular, in the segment of construction, digging and mining vehicles, the **fastest growing markets are expected to be Brazil, forecast for the period 2010-2013 to grow 37% overall compared with 2008**, and Latin America in general, estimated to grow **25% in the same period**. These estimates are mainly linked to large infrastructure works on the continent such as the **new Panama Canal**, works related to the **2016 Rio de Janeiro Olympics**, and the **World Cup Soccer games in Brazil in 2014**.

In the **agricultural segment** too, **Brazil and all of Latin America** are expected to be the most promising markets, with rising overall demand of **+20% and +15% respectively in the period 2010-2013**, compared with 2008.

The new investments will allow for an **overall production increase of 40%** for earthmoving and agricultural vehicle tyres in the 2010-2012 three-year period.

Pirelli in South America

In the period 2004-2007 about **300 million dollars** had already been invested in Brazil for technological innovation in Pirelli factories, renewal of the product portfolio, as well as to **increase manufacturing capacity, which grew in the period more than 25%** overall in all the main areas: car, motorcycle, industrial vehicle, agricultural vehicle and earthmoving equipment.

Between 2005 and 2008, Pirelli sales in South America **increased overall by 21%, reaching more than two billion dollars in 2008 for the first time. Brazil** contributed more than **60%** of this result, or more than **1.2 billion dollars in sales revenue**.

Pirelli Tyre's **growth target** in Brazil for the **2009-2011 three year period is an overall increase in sales revenue of more than 10%** compared with 2008, despite a 2009 which, as previously announced, will suffer from the heavy crisis in worldwide demand.

Brazil, where Pirelli has been **present since 1929**, is one of the fundamental countries for the Group's growth strategy. This country represents the **first automobile and industrial vehicle market in the South American continent**, one of the largest in the world. Brazil hosts the major automakers, motorcycle manufacturers, and industrial vehicle producers of South America and many of the top manufacturers worldwide.

The strong presence in this market appears particularly strategic in the current phase of world economic crisis, both because the area, driven in particular by the emerging economy of Brazil, has been less affected by the fall in demand, and because it offers a more efficient cost structure and a competitive base for exports.

The **industrial and technological heart** of Pirelli in South America is the **Santo André plant, which became part of the Group 80 years ago** and which employs 2,200 people in production of tyres for cars, motorcycles and industrial vehicles. Over the course of time, the industrial and commercial presence and importance of the Group has grown consistently, to the point where **today Pirelli is absolute leader in Brazil and in all of South America**.

Thanks in part to the **Research and Development Center of Santo André**, Pirelli's factories in Brazil are a **point of reference** for the automobile, motorcycle, and industrial vehicle industries, both for South and for North America. At its Brazilian sites Pirelli in fact produces tyres destined for all manufacturers present in the area including **Fiat, Chrysler, New Holland, Iveco, Volkswagen, Audi, General Motors, Ford, Peugeot, Daimler, Honda, Suzuki, Yamaha, Mitsubishi, Toyota, Mazda, Scania, and Volvo**.

The **technological and industrial hub** of Santo André, now enlarged with the research and development hub for specialized tyres, is one of the centers of excellence at worldwide

level not only of the Pirelli Group but of the entire tyre industry. In particular, the research center of Santo André works in a network with Pirelli's other centers operating in Italy, Germany, the UK, the US and China. The Proving Ground in Sumaré that extends over 200,000 square meters and has become the **reference point for tyre tests and for tests of vehicles of all segments** (auto, motorcycle, agricultural and industrial, SUVs etc.) completes the Santo André hub of excellence.

In **2008 South America represented 33% of overall sales revenue of Pirelli Tyre**, equal to more than 4.1 billion euros (more than 6 billion dollars). The position of **absolute leadership in South America** is expressed both in the original equipment channel, and in all the main replacement markets, in particular in Brazil, where Pirelli can count on a distribution network of more than 600 exclusive points of sale.

The **leadership position** in Brazil and throughout South America has been confirmed many times over the years by numerous market surveys. At the end of October, market survey "**Top of Mind**", promoted by the editorial group Folha de Sao Paulo, in its nineteenth edition, awarded the **Pirelli brand as the most well-known to a male public**. The brand of the Italian group, in fact, was indicated by men surveyed as the one **most readily recalled, in absolute terms, among all the brands in all categories present in the country**. In addition, among a sample of about 6000 people interviewed in 160 Brazilian cities, Pirelli was the brand by far most recognized in the tyre category, with a historic record of points and a significant lead over its closest competitor.

Approximately **90% of the South American production** of Pirelli Tyre is concentrated in Brazil, of which more than 35% is destined for export, including towards NAFTA area markets (the United States, Canada, and Mexico) for original equipment of the Ford Mustang and F150, the GM Camaro, the Mercedes ML, the VW Beetle and for products destined for the replacement market.

Currently, out of the **23 factories** overall in the Pirelli Tyre Group, **7 are in the South American continent** and are destined for production of tyres for car, industrial vehicle, motorcycle, agricultural equipment and earth-moving and construction equipment. Five factories are in Brazil (Feira de Santana in the North of the country, Santo André, Sumaré and Campinas in the state of Sao Paulo, Gravataí in the South), one in Venezuela, near Caracas, and one in Argentina, near Buenos Aires. The headquarters of Pirelli in South America is in the city of Sao Paulo.

Overall, **employees** of Pirelli Tyre in **South America** count about **11,400 of which more than 9,600 in Brazil**.

'Retratos do Brasil,' an exhibition to celebrate eighty years of Pirelli in Brazil

On the occasion of the II Brazil Italy Economic Forum, Pirelli inaugurated, in the context of the **celebration of its 80 year anniversary in Brazil**, the exhibition 'Retratos do Brasil', a selection of works of art from the Pirelli Collection and the Pirelli / MASP Photography Collection, which will remain until 6 December at the **Biennale of Sao Paulo**, one of Latin America's most internationally well-known cultural centers.

The exhibition was **inaugurated** on the evening of 9 November by the **Italian Ambassador to Brazil, Gherardo La Francesca, the Italian General Consul in Sao Paulo Marco Marsilli and the Chairman of Pirelli Marco Tronchetti Provera**, in the presence of government, institutional and cultural authorities, both federal and from the State of Sao Paulo, as well as the Italian delegation present at the Economic Forum.

The **paintings and photographs** in 'Retratos do Brasil' recount Brazil through the **faces of its inhabitants and its most significant places volti dei suoi abitanti e i luoghi più significativi**, painted by artists like Di Cavalcanti, Carybé, Clóvis Graciano, Aldemir Martins, Djanira, and many others, who have created a modern imagery, bringing art closer to the people on the street, making it a dynamic emblem of what it means to be Brazilian. The paintings are exhibited to the public for the first time, while the Pirelli photo collection is the result of one of the longest, most significant partnerships realized between a company, Pirelli, and a museum, the MASP.

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