



PRESS RELEASE

PIRELLI: PRELIMINARY AGREEMENT SIGNED WITH HIXIH GROUP TO BUILD PARTICULATE FILTER FACTORY. INDUSTRIAL HUB CREATED IN SHANDONG PROVINCE

The new factory will require an investment in different phases which on the basis of the evolution of the market could reach 50 million euros over three years, with annual production of around 100 thousand filters and 1200 employees

Beijing, 15 September 2009 – Pirelli signed a "Memorandum of Understanding" with Hixih Group (previously the Yinhe Group), already a partner of Pirelli since 2005 in tyre manufacturing, to build a plant for manufacturing of filters in Yanzhou, in the province of Shandong.

The agreement is linked to the protocols signed today with the Italian Ministry for the Environment, Land and Sea, the Ministry of Environmental Protection of the People's Republic of China and the Municipality of Beijing for distribution of cutting edge technologies for reduction of polluting emissions from diesel vehicles in China. The agreement will allow Pirelli to strengthen and consolidate the presence it has had in China since 2005.

The new factory, whose construction is expected to begin in the first quarter of 2010, will be located in the same area where the manufacturing sites developed by the two partners for production of truck and car tyres were built, and will thus create a diversified industrial hub able to profit from synergies in manufacturing and distribution of the two products.

The plant for particulate filters, both 'retrofit' and for original equipment, will be developed gradually. The investment, already included in the 2009-2011 industrial plan, will take into account the evolution of the market and could reach 50 million euros in three years, with manufacturing capacity of around 100,000 filters per year and approximately 1200 employees.

The Feelpure™ filter systems produced by Pirelli Eco Technology are able to reduce particulate emissions from diesel engines by more than 90%, and NO₂ emissions by 50%. The systems can be installed on vehicles already in circulation (retrofit), representing an immediate and affordable application, which guarantees significant environmental advantages in a short time. Following the pilot project launched in Beijing in 2008, the filters produced by the Pirelli Group, thanks to their particular technological characteristics, were recently homologated. The Beijing Municipality has already ordered a significant quantity of Pirelli Eco Technology filter systems which will be fitted on buses in the capital city.

The Pirelli Group has had an industrial presence in China since 2005, when its first factory for truck tyres was built in Yanzhou in the Shandong province. In the same area, at the end of 2007, the Group launched a second factory for manufacturing of high performance car tyres.

With investments amounting to more than 2 billion RMB, or more than 200 million euros, as of today, the industrial site currently uses advanced manufacturing technology and represents a manufacturing, logistics and commercial hub for the entire Asia-Pacific region for the Pirelli Group. Today about 60% of Pirelli's overall production in China is for the local market, while the remaining 40% is exported to other Asia-Pacific markets.

With a headcount of nearly 2,000 employees, today the two factories produce about 700,000 tyres per year in the truck segment and 2.5 million tyres in the car segment: the industrial plan target is to reach about one million truck tyres and about 5 million car tyres in the 2009-2011 three-year period.

The plan for creating a site for production of particulate filters represents the third phase of development for the Pirelli Group in China and a further step in its international consolidation. Today Pirelli counts 23 factories in 12 countries.

China, in particular, represents one of the most interesting markets for Pirelli, where the brand of the Italian group is rapidly affirming itself. In 2008 the Group photographed and presented the 'Pirelli Calendar' in Shanghai, and, more recently, signed an agreement for three-year sponsorship of the main Chinese football championship, the 'Chinese Super League', now called the 'Pirelli Super League'.

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