



PRESS RELEASE

PIRELLI READY TO STRENGTHEN ITS POSITION IN ARGENTINA WITH A PROJECT WHICH FORESEES INVESTMENT OF APPROXIMATELY 300 MILLION DOLLARS BY 2014 TO BUILD A NEW RADIAL TRUCK TYRE FACTORY

**THE PROJECT FOR THE NEW FACTORY WILL DELIVER PRODUCTION CAPACITY OF
700,000 RADIAL TRUCK TYRES TO SATISFY GROWING INTERNAL DEMAND AND FOR
EXPORT TO MERCOSUR MARKETS**

**REVENUES IN ARGENTINA SEEN AT 500 MILLION DOLLARS IN 2011
(+40% COMPARED WITH 2010)**

Buenos Aires, Milan 13 October 2011 – Pirelli is ready to strengthen its position in Argentina with a project to build a new radial truck tyre factory which aims to rebalance the company's position in South America. The project, which will take the macro-economic context and demand dynamics into account, calls for investment from 2012 of approximately 300 million dollars for the first phase of development which ends in 2014. This investment is part of the total foreseen for the industrial segment as announced to the market last year with the presentation of the industrial plan. A second phase would require additional investment of about 200 million dollars. The Argentinian government, accompanying Pirelli's commitment, will facilitate the project by funding part of the investment at a facilitated interest rate and by guaranteeing the delivery of services (gas, energy, electricity, etc.)

The first investment phase aims to deliver an annual production capacity of 700,000 pieces and employ about 700 people. The second phase would enable the plant to reach a potential production capacity of 1.4 million pieces, at full operation, and employ about 1,200 people. When the project is completed, it would bring Pirelli's total number of employees in Argentina to approximately 2,300 people, including the 1,100 already employed at the Merlo plant.

Pirelli's growth plan under consideration was presented today at a meeting in Buenos Aires, at the Residencia Presidencial de Olivos. The participants were the President of Argentina, Cristina Fernández de Kirchner, the Minister for Industry, Débora Giorgi, the chairman of Pirelli, Marco Tronchetti Provera, and the chairman of Pirelli Neumáticos Argentina, Franco Livini.

The project, which aims to further strengthen Pirelli's leadership in South America, is part of the company's international expansion strategy which, in recent years, has seen an increasing direct industrial presence in countries like Argentina which have fast rates of growth and competitive industrial costs, in the context of a region-based logic which permits, among other things, the containment of effects connected with exchange rate fluctuations. The new plant, in particular, would satisfy increased demand for radial tyres in a country whose economic growth is attracting new investment from the automotive industry. The dynamism of the auto market in South America is also linked to the launch of new industrial projects by some of the major car makers, including Fiat, Ford, Renault, Volkswagen, Toyota, Peugeot, Mercedes, Mitsubishi, General Motors, Hyundai and Honda, whose recent total investment plans for the area amounted to over 20 billion dollars. The Truck Business Unit in South America counts among its clients such major truck makers as Ford, Scania, Volvo, Man, IVECO, Mercedes and Agrale. Today, Pirelli satisfies the demand in Argentina with imports from other production sites.

According to data released by the National Association of Automobile Manufactures (Adefa), production in Argentina in the first nine months of 2011 grew by over 23%, compared with the same period in 2010, and the full year is expected to see record production of more 800,000 vehicles. According to data from the Association of Dealerships in Argentina (Acara), sales of new vehicles in

August 2011 were 32% higher in total than a year earlier, with auto sales 31.5% higher and heavy vehicles 33% higher, which demonstrates the favourable demand trend in the truck segment and which, in the coming years, will result in a larger replacement market.

The planned strengthening of Pirelli's position in the country could bring Argentina to represent 13% of the Pirelli group's total truck tyre production. The investment will not only allow us to satisfy growing internal market demand, which will absorb 50% of production, but also that of the important export markets like other markets of the Mercosur area.

In 2011, Pirelli estimates that its revenues in Argentina will reach 500 million dollars, an increase of 40% from 2010.

The project for the new factory, the construction of which is expected to start at the beginning in 2012, foresees the production of technologically innovative tyres, which offer efficient solutions in terms of performance, safety, eco-sustainability and economy of usage. The product lines foreseen will use SATT technology of the latest generation, which lengthens product life, optimizes wear and improves driving precision. Compounds and tread patterns are planned and optimized as a function of the performances required in their different uses.

Output from the new site, would be in addition to the 5 million pieces already produced annually for the entire car, Suv and light truck range at the Merlo factory, in the province of Buenos Aires, where Pirelli has operated since 1951 and where production capacity is already being increased. Last year, Pirelli announced a 100 million dollar investment to increase capacity in the SUV and Light Truck segments in Merlo. Merlo's output today represents, as said earlier, 10% of total production in South America and 20% of car tyre production in the area.

Pirelli's Truck Business Unit

Pirelli's Truck Business Unit has six plants, located in Turkey, Italy, Egypt, China and Brazil, where there are two. All the division's factories utilize the group's most modern production technology and draw on Research and Development carried out in Izmit, Santo André (Brazil), Yanzhou (China) and Milan, which ensure that the tyre design is in line with the specific needs of different markets.

The global growth strategy adopted in recent years has allowed Pirelli's Truck Business Unit to confirm its weight in traditional markets and to expand into rapidly growing economies. In particular, thanks to the recent investments in Brazil and China, the Unit can count on significant, competitive production capacity to satisfy the growing demand for tyres for industrial vehicles, which is particularly strong in fast growing economies. This strategy has ensured Pirelli a leadership position in some of these markets, beginning with those of the Mediterranean area, particularly Turkey and Egypt and in South America.

Pirelli in Argentina

Of the 19 production sites which today compose Pirelli's industrial universe, 7 facilities - 1 in Argentina, 5 in Brazil, 1 in Venezuela - are located in the South American continent with production that covers the entire range of segments: auto, industrial vehicles, motorcycles, agricultural machinery and worksite machinery.

Pirelli has been in Argentina for more than a century. In fact, it participated in the Buenos Aires Expo of 1910, formally marking the birth of Pirelli Argentina. The step up in size happened in 1929, at the edges of the capital where the company built a new factory for electrical conductors: the "La Rosa" factory. In 1948, it became Industrias Pirelli Saic and in 1956 Pirelli Argentina acquired a factory in Bella Vista, outside Buenos Aires, where it concentrated all its rubber processing, both for the cables sector and diversified products. In 1968, with the acquisition of 100% of Coplan, in which it had held 50% from 1951, Pirelli began the direct production of tyres in the town of Merlo, where the group's plant has grown over the years and where the company is still located.