



THE MARKET

Pirelli is a large group with three important characteristics:

- A 135-year history and brand identity
- A global presence with around 70 percent of revenues coming from outside of Italy
- Business interests that range from tyres, real estate, broadband solutions, the environment and high-end, high-tech fashion.

Pirelli Tyre is the world's fifth largest operator in terms of turnover in the global tyre market, with levels of profitability among the highest in the sector. In 2006, Pirelli tyre sales grew by 8.7 percent, reaching nearly four billion Euros.

Operating results grew over 2005 despite an increase in the cost of raw materials, which affected the tyre industry worldwide. Approximately half of all Pirelli Tyre products are sold in Europe, around 35 percent in the Americas, and the balance 15 percent in the Africa/Asia and Pacific region.

Pirelli is a name known and trusted worldwide.

ACHIEVEMENTS

Pirelli's marketing and technical expertise has benefited from its success in motorsport, with many of its road tyres derived from rally technology.

The drive to improve efficiency and flexibility culminated in the Pirelli organisation adopting a Japanese initiative called "Total Productive Maintenance" (TPM). Pirelli's Turkish factory was the first to implement the TPM philosophy and the improvements in factory output, efficiency, cleanliness and the reduction of machine breakdowns were very quickly visible to all. TPM has since been implemented in all Pirelli tyre factories.

The Pirelli Group acquired ISO 9001 standard certification of this system in 1993. Currently 100 percent of Pirelli's plants are certified in conformity with the most recent edition of this standard. To satisfy the requirements of automotive manufacturers, the Pirelli Group has acquired certification of its system of Quality Management according to the ISO/TS 16949 standard in 1993, and has maintained conformity to the standard ever since.

All Pirelli manufacturing plants including its Vizzola testing facility are ISO 14001 certified. Pirelli was included in the Dow Jones Sustainability World Index in 2005 and in the FTSE4



GoodSustainability Index in 2006.

HISTORY

In a long and eventful history, Pirelli milestones have brought the company to its super brand status. They include:

In 1872 Giovanni Battista Pirelli, a 24-year-old engineer, established Pirelli & Co. A year later, he set up the first general rubber goods factory in Milan.

Pirelli manufactured its first pneumatic passenger car tyre in 1901, and in 1917 the production of general rubber goods was started in Spain. Argentina began in 1919 and Belgium in 1938.

The Superflex Stella Bianca sports tyre was launched in 1927, and 1929 saw the manufacturing of cable and tyres in Brazil and the UK respectively.

From the 1920s onwards, racing drivers like Nuvolari, Ascari and later Fangio, began to score a lengthy series of victories with Pirelli tyres. To date, the company boasts over 80 successes in as many International Grand Prix races, with six World Driver Championships and 18 victories with Alfa Romeo and Ferrari in the legendary Mille Miglia race.

In 1948 the Cinturato radial tyre was born. Geographical expansion continued and factories designed for the manufacture of general rubber goods were set up in France in 1957 and in Greece



and Turkey in 1960. The sixties and seventies saw further expansion, with the Veith Tyre Company acquired in Germany.

In 1971 Pirelli joined forces with Dunlop, a venture that had the distinction of being a forerunner of the concentration trend in the rubber industry, but the union was dissolved in 1980. During those years, Pirelli invented the low profile tyre, which remains the most significant technological innovation since the radial tyre.

The company focused on the introduction and worldwide distribution in 1994 of the Pirelli P Zero range of ultra-low-profile tyres, destined for the most prestigious flagship models.

The Management Information Retrieval System (MIRS) production process for the automatic manufacture of high performance tyres came into operation in 2000. While the MIRS mini-factories spread to Germany, the UK and the USA, the system was also applied to motorcycle tyre production. In 2002, the futuristic automated CCM (Continuous Compound Mixing) tread compound room came into operation at the Milan Bicocca plant.

2005 brought the inauguration of the Group's first truck tyre factory in Yanzhou, China, and a new steel-cord plant was established in Romania.

Innovative and dynamic, Pirelli continues to design, produce and manufacture cutting-edge products that up the ante in the industry.

THE PRODUCT

Over one hundred years' experience of tyre technology has enabled Pirelli to combine in their products maximum levels of safety, durability and comfort. Each Pirelli tyre not only provides much desired performance, but also a "feel for the road" and a communication with the driver, allowing a better understanding of the vehicle's performance. In short, Pirelli makes every journey an enjoyable and trouble-free adventure.

In 1951 Pirelli introduced the first fabric belted radial tyre, the Cinturato CF 67. This was continuously developed and by 1975, a new series of radials for cars emerged, starting with the P3 and followed by the P4, P5, P6, P7, P8 and the very latest new P Zero.

The introduction of low profile tyres for cars, trucks and agricultural vehicles developed since the mid 1970s has also been of major importance in improving the performance of tyres in response to ever-increasing speed and power capability of newer vehicles.

In the early 1980s tyres with low rolling resistance that reduce power absorption and save fuel were developed. Developments in material science over the years have led to a variety of new materials being used in tyre construction, thereby making the products safer, more comfortable and more durable.

RECENT DEVELOPMENTS

The tyre development process commences at the early stages of new vehicle chassis design and all such requirements are benchmarked against earlier Pirelli products or competitor's tyres. An indoor test facility houses a wide variety of tyre testing equipment and machinery. Owing to the importance of safety, high speed and durability, performance testing features highly in the



manufacturing process.

Complementing the indoor testing of tyres is additional testing conducted on an outdoor test track. Tyres are evaluated on cars supplied by various manufacturers. Low speed evaluation takes place on local roads under normal operating conditions, but to test the tyre to its full capabilities, further testing takes place on tracks owned by vehicle manufacturers or at Pirelli's very own test facility in Vizzola, Italy.

Most recently, the anxiously awaited new P Zero had its world premiere at the Dubai Autodrome. In February 2007, two weeks of track testing with some of the most extreme supercars showed that the new P Zero family is one of the most revolutionary in high performance tyres, able to guarantee superior sports performance, safety and comfort. It's called "P Zero the Hero" and has been created to match the highest performing cars with cutting-edge technology that presents the jewel in the crown of Pirelli research.

PROMOTION

Communications strategy at Pirelli focuses on transparency, coordination of global communications, high-quality and high-performance brand identity, and innovative tools. Pirelli's advertising campaigns have always been innovative and award winning, in keeping with its global image.

The company has insisted on concepts of sport and exclusiveness in its advertising. The "Power is nothing with control" campaign dates from 1994, initially using American athlete Carl Lewis, French athlete Marie-Jo Perec and Brazilian football star Ronaldo to enhance the message.

Another extremely powerful marketing tool is the coveted Pirelli calendar. The calendar, first produced in 1964, links each month with a particularly well known model portrayed by the world's leading photographers. The calendar positions the brand in general as cutting-edge, avant-garde and elegant. The tradition spans 33 editions and the limited print runs and exposure given to its presentation by the media have made the calendar a fantastic success.

Pirelli has also introduced another innovative marketing tool called "Pirelli Film" on its website. In 2006, the company introduced a short feature film called "The Call," a Gothic thriller



starring Naomi Campbell and John Malkovitch. In 2007, Pirelli Film launched another short feature "Mission Zero," with Uma Thurman playing the leading role. The film was released in conjunction with the unveiling of the stellar new tyre product, the new P Zero.

BRAND VALUES

Around the globe, tyres are essential to national economies. For over a century, Pirelli has grown as a truly multinational corporation, deeply rooted in local markets. Pirelli's business is centred on these key transport markets in which it is among the world leaders and innovators.

Pirelli prides itself on its technological and research capacity in terms of both professional skills as well as resources. These strengths provide the company with the ability to produce the latest technology and to incorporate this new technology in its products that offer the finest performance, safety, durability and comfort.

THINGS YOU DIDN'T KNOW ABOUT PIRELLI

- Pirelli's 100th world rally championship (WRC) victory came at the 1997 Safari Rally, when Colin McRae won with a Subaru Impreza WRC. The car did not suffer a single puncture throughout the entire event
- Pirelli boasts over 80 Grand Prix successes and six World Driver championships
- Pirelli is the 5th largest tyre manufacturer in the world