

PIRELLI INAUGURATES NEW TIRE FACTORY IN BAHIA

President Luiz Inácio Lula da Silva takes part in the inauguration of another Pirelli plant in Brazil, where the company is a market leader.

Pirelli inaugurates, on September 12, its new Feira de Santana factory in Bahia. With a primary investment which amounts to about US\$ 120 million, the plant has 32,000 square meters of constructed area. The initial daily production corresponds to 2,500 high performance radial tires, which will be destined to the domestic and Latin-American markets, as well as the American and European ones. "We are augmenting our production capacity to meet the market needs", states the president of the Pirelli Group in Brazil Giorgio della Seta. In 2005, when the factory will be producing at full operating capacity, approximately 7,500 tires will be manufactured a day. On a second phase, investments of more than US\$80 million are already delineated, which will allow the increase of the capacity of production to 13 thousand tires a day.

Pirelli has been installed in Feira de Santana since 1986, when it took over Cia. Pneus Tropical and commenced to manufacture conventional tires for trucks, light trucks, passenger cars and buses. The new plant was built next to the existing factory and gained automated process controls, as well as latest generation machinery, which guarantee high productivity together with high quality level. Among other products, from the passenger car lines to the recreational (sports cars) ones, the new plant will manufacture the Cinturato P4, the Scorpion and the P6 for the Nafta market, which are all successful launchings of the company.

Feira de Santana is the second commercial pole of Bahia. Strategically located, the pole makes it possible for Pirelli to promptly meet the needs of the several replacement markets. In addition to this, we already own a plant there which has a high performance and outstanding industrial cultures, together with an old relationship with the municipal district. "This friendly liaison determined our choice concerning the best place for the enlargement of our production capacity", reinforces the CEO of Pirelli Tires in Latin America, Carlos Redondo. The further important advantages are the proximity to the modern port of Salvador, which will facilitate the export logistics and the closeness to the Camaçari industrial pole, where the firm already possesses one of its assembly centers.

Future Expectations – The installation of the new factory allows us, in the short run, to create 360 jobs, besides the 300 existing ones at the old plant. All the collaborators were recruited in the region, including those who worked in the civil construction, which

resulted in an immediate and positive impact in the commerce, transportation and service areas. The new employees' technical training has been prioritized: the firm implemented a comprehensive program of professional improvement that consisted of 20 hundred training hours, put into practice together with some regional entities.

The new plant also reflects Pirelli's environmental concerns. At that place, some environmentally-friendly projects are being developed in order to substitute oil burning by natural gas, in addition to the implementation of a new liquid effluent treatment station, which enables us to recuperate 95% of the water from the household and the process consumption, and the construction of an industrial embankment for the refuse that will benefit all the industries of the region.

The investments in Feira de Santana won't remain at the current level. Pirelli Tires has an enlargement project for the new plant which, in the future, should augment our production capacity and, consequently, increase the personnel. "Pirelli has always laid its bet on the future of the country and this is one more proof that Latin America – and Brazil especially – is a priority for the Group", adds Giorgio della Seta.

History - The Pirelli Group has been operating in Brazil for almost 75 years. Its activities began in 1929 in Santo André (SP), initially producing power cables. In 1940, it also began manufacturing tyres for trucks in the same location and, subsequently, in Campinas (SP), tyres for automobiles. In the seventies, it inaugurated the Gravataí plant (RS), responsible for the production of tyres for motorcycles, and the Sumaré plant – SP (steel cords). At that time, the cornerstone of the Feira de Santana (BA) plant was laid down, where the new production line is being inaugurated.

Currently, the Pirelli tyre sector produces in Brazil, approximately 18 million tyres per year, employing about 6,200 people in five plants that, together with the Guacara and Merlo units in Venezuela and Argentina respectively, registered a turnover of US\$750 million in 2002. The Cable and Systems sector operates in Brazil four plants, all in the State of São Paulo, where about 1000 employees work in the production of cables and systems for the Power and Telecommunications sectors. Together with the Argentina unit, last year approximately US\$230 million were invoiced.

TECHNOLOGY AND INVESTMENT IN THE HUMAN FACTOR GUARANTEE QUALITY

The new plant unites qualified professionals with the most advanced equipment for the tire production

The new Feira de Santana factory is one of the most modern of the Pirelli Group in the world. Not only the equipment but also the productive process has been carefully studied so that the plant can operate in a safe way, manufacturing tires that will be exported to extremely demanding markets, such as the United States one. "The increase in productive capacity of the Feira de Santana will enable Pirelli to reach higher efficiency and flexibility. And these will be possible thanks to investments in advanced technology and in the development of its human resources, two elements that characterize the firm's policy", states the industrial director of Latin America Frederico Muraro.

When the issue is human factor, one of the main allies of Pirelli is the Centro de Educação Tecnológica do Estado da Bahia (CETEB), where most of the new employees were selected. "The region has a great potential with highly qualified people thanks, mainly, to the Centro work, which has been receiving constant support from Pirelli. It is an institution that values the potential of human beings through knowledge and this is very important for our company", Muraro puts in relief.

Another aspect that confirms Pirelli's philosophy of investing in its employees' development is concerned with the wide training program, internal and external, implemented by the Human Resources area, and characterized mainly by the knowledge exchange among the employees of several Pirelli plants. In 2003 over 20 thousand training hours were realized, also including courses given in Santo André and Campinas, where two of the biggest Latin American factories are located. "This experience exchange makes the responsibility for the development of the new factory be shared also by employees from other plants, expanding the team work concept and enhancing several aspects of the human relationship", adds Muraro.

TECHNOLOGY - Parallel to the development of new employees, Pirelli has also invested in technology. One visit to the new plant is enough to see what the most modern technologies in this segment are. In Banburys, the rubber compounds elaboration indicates the beginning of tire manufacturing and, as all the processes, receives special attention from Pirelli. The mixture of materials like oils, polymers, rubbers, lampblack and

the other chemical products is made automatically, according to the specific quantities for each kind of compound.

From this stage on, new processes begin in the semi-finished area. Feira de Santana has modern rubber extrusion lines that produce rolling bands, flanks and the other profiled which are used later in the process of tire manufacturing. The Quadruplex Extrusion Line, for example, has electronic devices that control profiles, weight, width and velocity, eliminating automatically the parts which do not follow the specifications.

At this production stage the preparation is also made, the rubberizing and the cutting of the textile and steel fabrics which coat the tires. In the calanders and cutters installed in Feira de Santana, this process is, once more, monitored automatically by the latest generation systems for the materials weight and thickness control. And that is not all. The beads made of steel cords that tie the tire to the vehicle's wheel rim are also produced by machines which have computerized systems that allow simultaneous outlets, besides the possibility of obtaining various geometries.

At the building phase, an innovative technology has been implanted by Pirelli, which has installed in that place unique phase confecting machines. These machines construct the tire carcasses by adding all the semi-ready produced in the previous phases. From then on, the vulcanization process begins, in which the carcasses are given the final shape of the tire, after being molded in high tension and high temperature presses, controlled and monitored by sophisticated equipment and softwares that guarantee the process precision and uniformity.

Before leaving the factory, the tires are always submitted to a final control, firstly manual and then automatic. Technology is once more present at this stage: computerized machines verify the product uniformity, in order to guarantee its distribution within the required quality specifications. "Feira de Santana is gaining a factory that aggregates the tradition and the know-how of Pirelli to the most sophisticated and efficient means of tire production. This is a bet the company lays on a project that could be a reference to the other Pirelli plants in the world", adds Muraro.

AN ODISSEY OF CHALLENGES AND ACHIEVEMENTS

The integration of Pirelli with Feira de Santana is one of the main aspects of the plant, which records important achievements in different areas.

The history of Pirelli in Feira de Santana has been characterized by challenges since the firm acquired, in 1986, Cia. Pneus Tropical, which belonged to the company J. Macedo, inaugurated ten years before. In the last 17 years, the plant celebrated different achievements in different areas. “We have a commitment that is not only limited to manufacturing high quality tires; our responsibility goes beyond the firm gates. We need to be important not only to the clients who purchase our products, but also to each inhabitant of a community where our factory is inserted”, explains the plant manager Eugênio Croxatto. “Pirelli’s trajectory in Bahia shows that this commitment has always been a priority to the firm”, he adds.

And we don't lack examples that prove the close relationship the factory has with the community, which publicly acknowledges the firm contribution. In 1993 and 1995, Pirelli was awarded with the “Environment Vigilante” prize, conceded by the City Hall, due to its environmentally-friendly policy. In 1994, it received the ECO94 prize, delivered by the American Chamber of Commerce in recognition of the “Life Quality – Communitarian Participation in Cholera Prevention”, which involved around 1,500 people among employees and family members. Three years later the National Confederation of Industry conceded to the plant the National Energy Conservation award, which resulted from the excellent results obtained after the substitution of the hot water system in the vulcanization line by a system with inert gas (nitrogen). The US\$ 212 thousand investment provided the plant with an economy of 17% in the fuel total consumption, that is, about 950 tons of oil a year.

Other important social initiatives are related to the cultural area. One of the most significant symbols of Bahia received a contribution from Pirelli Feira de Santana, which in 1995 adhered to the campaign “Pelourinho, mankind patrimony. Everybody has to preserve”. Recently, the plant sponsored the recuperation of the Igreja dos Remédios and the Igreja São José das Itapororocas, one of the oldest temples of the region, built in 1653. The plant typical activities also includes the participation in the Inter Pirelli Campus, a project that promotes the well-being of, in Brazil, about 4000 young people (aged 8 to 14) from impoverished communities. In Feira de Santana alone, over 250 children are granted sports education, school activity accompanying and basic orientations on hygiene and

health, besides a series of initiatives implemented with the aid of regional entities, such as Universidade Estadual de Feira de Santana.

The Centro de Educação Tecnológica do Estado da Bahia (CETEB) also illustrates the importance Pirelli gives to the local community. Created in 1998 by the Bahia state government together with the private sector of the Feira de Santana region, aims to attend to the increasing demand for skilled labor force in the region. Among 27 other companies, Pirelli participates actively in the deeds promoted by the Centro, considered to be responsible for the remarkable growth of the professionals' quality level in Feira de Santana. Most of the employees who were recruited to work at the new Feira factory, for instance, were hired via CETEB. The figures corroborate the efficiency of this initiative: the municipal district occupies, currently, the second place in the state ranking with the best index of skilled labor force, being surpassed only by Salvador. However, it leaves Camaçari behind, one of the biggest industrial poles of Bahia.

The same seriousness that characterizes the relationship with the local community is also a trademark of Feira de Santana when the issue is overcoming challenges, principally those ones related to quality, which is commitment number one at Pirelli. In 1997, following the Group's policy, Feira de Santana implemented the Quality Management System and managed to be certified with the ISO 9001. Four years later, it celebrated new achievements: the QS9000, ISO/TS16949 and the ISO 14001 certificates. Now, it is ready to obtain, in June 2004, the OHSAS 18001 certificate, which attests another equally important commitment defended by the plant: being a model firm also in terms of safety and health at work.

XAPURI – It is at the Feira de Santana plant that Pirelli manufactures the Xapuri tire, launched in 2000. Produced with 100% natural rubber from Acre, the product is the result of an important initiative sponsored by Pirelli. Implemented in 1998, the Xapuri project contributed to the sustainable development of the impoverished communities from Acre, in the northern region of Brazil. By means of a technical cooperation agreement with two cooperatives from the Sena Madureira and Xapuri region, the initiative takes care of the local labor force training and promotes the installation of modern equipment, in order to improve the extraction, production and chemical treatment of raw rubber plates. With the aid of Pirelli technicians, the rubber gatherers of the region have learned how to produce high quality rubber.

IN LATIN AMERICA, PIRELLI'S PRESENCE IS EVEN MORE SIGNIFICANT

*Quality, productivity, environment
and security are all valued aspects
for Pirelli in all its units*

Latin American markets represent about 25% of sales in the tire sector for Pirelli around the world. In relation to 2001, the company sales increased 10% last year, helped by the rise of exportations. Besides commercial aspects that prove the strategic importance of Latin America, figures are also expressive in the industrial area. In 2002, for example, one out of three tires commercialized around the world was produced by one of the South American Units of the Group, which also keeps fifteen other factories in the other continents.

Besides Feira de Santana, Pirelli Tires keeps six other factories in Latin America: Santo André, Campinas, Gravataí and Sumaré in Brazil; Guacara in Venezuela; and Merlo in Argentina. Apart from that, it also has commercial offices in Chile, Colombia and Mexico and also a wide range of retailers, which only in Brazil, covers 700 sales points.

In the country, Pirelli is a prominent leader in the original equipment market. Almost half the vehicles produced in Brazil leave the factory equipped with Pirelli tires. In the rest of Latin American countries, the company participation has been increasing year after year mainly in Argentina and Venezuela.

RESEARCH AND DEVELOPMENT - Among the 600 researchers, project leaders and professionals connected to research and development, 130 are in Latin America. Santo André is the seat of the main Pirelli R&D area around the world, which works in an integrated fashion with the rest. In this way, each new product that Pirelli launches to the world has passed through technical analysis in Brazil, where tests, studies and evaluations are carried out. That is why, when the question is pioneering, Brazilian Pirelli does not lack examples, because the company allots 2.6% of its billing to research.

The company was responsible for the installation of the first manufacturer's test track in Latin America in 1988. Situated in the city of Sumaré, the test track occupies an area of 45,000 m² and counts with an infrastructure, which allows the realization of endless kinds of evaluations, including off-road tires.

CERTIFICATIONS - The company was also the first tire manufacturer in Brazil to possess its quality system certified by the norms ISO 9001, in 1993. In Argentina and Venezuela, Merlo and Guacara units followed the same track and obtained their certifications in 1995 and 1998, respectively. Another historical conquest comes from Japan. Brazilian Pirelli is the only tire manufacturer in the continent to receive the "Total Productivity Maintenance" granted in 1996 by the Japanese Institute JIPM - Japan Institute of Plant Maintenance, one of the best companies in the world in the area of industrial efficiency.

When the question is security and environment, Pirelli also stands out. From 1998 to 2001, all the Brazilian factories went through rigorous auditing and achieved the ISO 14001 certification, which certifies the efficiency of environmental management implemented in all the units.

The same attention was given to certification processes OHSAS 18001, related to the management system in the area of health and work: Santo André, Campinas, and Gravataí have already certified their systems. Sumaré is getting ready for the final auditing in November this year, as well as Feira de Santana, which should be recommended in June 2004, when the final auditing will take place.

AROUND THE WORLD - Considered to be one of the five largest manufacturers around the world, Pirelli Tires employs today 20,000 people, in 22 factories, located in ten countries and a hundred twenty commercial offices that cover all continents.

Inaugurated in 1940, Pirelli Santo André (SP) is the seat of the largest factory of truck and bus radial tires of the Pirelli group around the world. It also manufactures tires for agriculture, off the road, tubes, flaps and employs 1400 people.

The largest plant of radial car tires and derivatives of the group in Latin America is situated in Campinas (SP). The Sumaré Unit (SP) in use since 1984 employs 206 people. It is focussed on the production of metallic cords used in the manufacture of radial tires.

Gravataí Unit (RS), which is in an expansion phase, has 1400 employees and has come to be the largest moto tire factory of the whole group. Its production started in 1976 and is turned, mainly, to the manufacturing of tires for motorbikes, motorcycles, scooters and bicycles as well as conventional tires for cars, pick-ups, buses, trucks, industrial vehicles and front tractors.

Feira de Santana (BA) closes the cycle of the industrial units in Brazil. Conventional tires for cars, buses, light and heavy trucks are produced there, as well as car radial tires and SUV radial tires (sports utilitarian vehicles). Previously called "Cia Pneus Tropical", it was acquired by Pirelli in 1986.

In Argentina, the Merlo Unit (Buenos Aires province) produces radial car tires and conventional truck tires. Founded in 1955, it has at present 518 employees. The youngest member of the Latin American group is situated In Venezuela. Opened in 1990, the

Guacara unit employs 455 people and produces conventional and radial tires for cars and pick-ups.