

WORLD



The quarterly magazine for Pirelli's management throughout the world - July 2001 - No.28



**P6 and P7:
a Worldwide Echo**



Nanotechnologies: the Chips of the Future

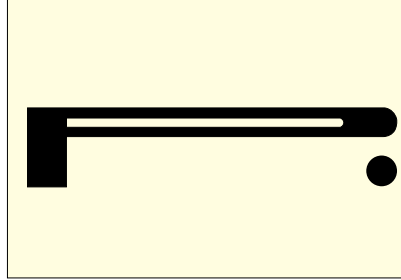
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News from the Whole World

A word recurs with particular frequency in the headlines of this issue of Pirelli World: *worldwide* - starting from the cover story on the international press coverage of our P6 and P7 tyres, launched in the spring in Barcelona.

From Slovenia to Croatia, from Canada to Taiwan, the world's motoring magazines have been featuring our new products (page 22). While African media have been filled by our Scorpion range recently launched in Nairobi (page 12), on other continents it was our tyres fitted to the Ford WRCs in the World Rally Championship that drew attention to our sporting activities in Greece and Argentina (page 21).

In the Telecom Cables and Systems the latest news comes from the United States: the alliance with Alloptic, signed in Atlanta during *Supercomm* in June (page 9). As for Energy Cables and Systems, their international leading role has been recently reinforced by the acquisition of BICC's energy activities. The plant of Erith in Britain is at the centre of a report in this issue (page 15).

Within this frame, the most relevant event has been the opening of the new financial headquarters in Grosvenor Street in the heart of London (page 10). To celebrate, the Group sponsored an exhibition of Italian terracottas at the Victoria and Albert Museum: a way of saying, as stated the Chairman of Pirelli UK, Lord Patrick Limerick, that our presence reflects a role that reaches beyond economic aims.

At the forefront of the telecom world

Nanotechnologies: the Chips of the Future

Pirelli's optical telecommunications adventure is a long-running, never-ending revolution: the latest chapter, within the Pirelli Labs, is the study of nanotechnologies

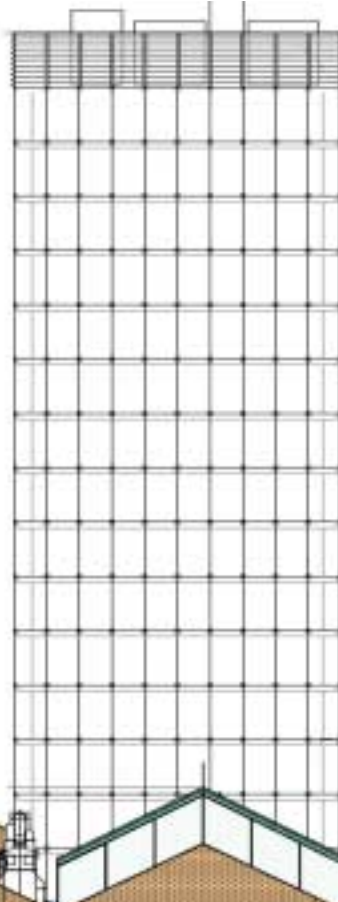
The creation of the Pirelli Labs is the latest step in Pirelli's optical telecommunications adventure, which began in the mid-Seventies with the start of optical fibre production. This transmission component that has increasingly substituted the traditional copper over the years, is the starting point of the ongoing revolution which is taking place in the telecommunications sector. The second significant phase of this revolution took place, with the help of Pirelli, at the beginning of the Nineties. That was the period in which a small group of people in the Pirelli R&D laboratories at Bicocca came up with the first commercial optical amplifier, due to an emergent technology that permitted the use of a special optical fibre in which atoms of an appropriate chemical element were inserted: erbium. That device, which permitted the amplification of an optical signal without necessarily converting it into an electronic format,

was the beginning of so-called "photonics", a discipline destined to work alongside and, in some cases, substitute electronics.

This led to an explosion in optical networks, with the substitution of all conventional electronic apparatus with optical equipment. Pirelli was among the first to understand the significance of the change that was just around the corner, so it was in pole position in the Nineties when this transformation of the telecom networks took place. The changeover started with the large grids and submarine networks (in which the potential of optics immediately established itself, in spite of high

costs), and continues today in all areas, moving ever closer to the local networks and the end user.

In this environment in the Nineties, Pirelli assembled an ever bigger group of researchers and technicians who brought to life Pirelli photonics, a development that has grown in both terrestrial optics – the big networks submarine systems (in synergy with both optical and energy submarine cables), and optical components funda-



mental to the creation of those systems.

Last year, after making a strategic choice and repositioning itself within the telecom business, which had become too closely linked to network software rather than of real hardware, Pirelli sold its photonics terrestrial systems business to Cisco and its optical components business to Corning. But it retained its submarine optics and optical fibres operations, both of which are in close synergy with the rest of the Cables and Systems Sector's activities. At the same time, given the prospect of ever-growing business in the local network market, a new optical systems sector was established in Pirelli. It is the so-called "access network", dedicated to the development of optical solutions that can economically reach right into the home of the end user.

In addition, a research nucleus has been kept intact at Pirelli that is able to recreate new photonics of a kind different from the first, able to respond in an innovative and efficient manner to the needs of new optical systems. It is from that nucleus that the Pirelli Labs Optical Innovation section was born, an organisation whose involvement in the technological field reflects those needs.

Today, to innovate means to deal with the nanotechnologies optical field, which represents the technolo-

gical load-bearing axis of the new Labs, able to respond to the need to ensure optics evolve along the lines of electronics. The term "nanotechnologies" indicates technologies that provide manufacturing on a nanometer scale (100nm or 0.0001 millimeters). Pirelli Labs researchers aim to control materials' properties, such as the optical ones, without modifying the chemical structure, thus obtaining so-called photonic crystal devices. The dimensions of these devices can, therefore, be reduced from the centimeter to the millimeter scale.

Nanostructures that will be used in optical components will allow Pirelli to exploit all wavelengths currently available in optical cables (thanks to the DWDM technology) and maximise data transmitted on each fibre. Miniaturisation technologies derived from ULSI (Ultra Large Scale Integration) systems made tools available for the fabrication of advanced micro-components (with basic dimensions of one micron or one thousandth of millimetre) suitable for photonic innovation.

Technologically, some of the most important features of miniaturised systems are the capacity to produce low cost micro-components on a large scale; strong affordability of semiconductors micro-components, thanks to the deep knowledge of these materials and to their world

wide diffusion; opportunity of developing complex devices that can efficiently operate in reduced space; lower weight and consumption; better overall performance.

In order to confront all possible applications, Pirelli Labs will focus on silicon devices, as well as on other semiconductor substrates, like gallium arsenide and indium phosphide. Silicon is actually the basic substrate for the fabrication of passive optical devices and it relies on a consolidated technological platform that is suitable for large-scale production volumes. It has a "natural propensity" for a future integration of optics and ULSI electronic systems, mainly due to the fundamental properties of its very common oxide.

Research and fabrication of nanotechnology based components and high performance optical fibers will be conducted in the Labs' Clean Rooms, which will account for about 5,000 square meters in the new structure.

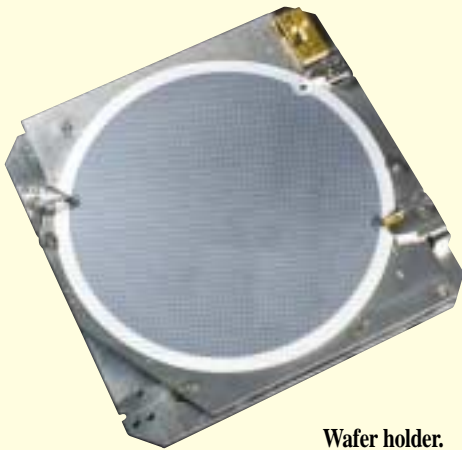
A Clean Room is a special lab environment in which a rigorous control on various physical and chemical parameters is pursued. This constant monitor is needed to maximise performance and stability as concerns advanced machines output and process control, for both production and research activities. The most critical variables to be accurately checked are the temperature (20-23 degrees range), humidity (40-45% range) and air quality.

**1970-2000:
from
evolution to
revolution**



The architect's model for the new Pirelli Labs building.

Wafer Processing: a Highly Sophisticated and Challenging Matter

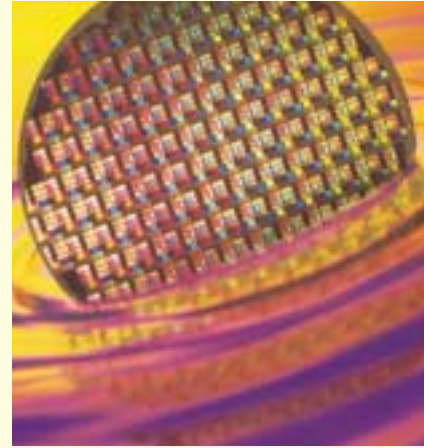


Wafer holder.

Wafer is the starting material for pro-electronics applications. It is a flat circular sample of a semi-conductor element (silicon, germanium, or element compounds), with electrical conductivity, being midway between a conductor (like copper) and an insulator (like plastic).

Very advanced technological steps (left picture show a chuck holder for accurate positioning before the pattern transfer to the wafer surface), allow the definition of hundreds of devices (picture right) having the same feature dimensions, the same range of thickness for each level of the planary-built component and identical optical performance under prolonged testing.

Hence, in order to fully succeed in nanotechnology fabrication (with minimum size being in the range of $100\text{ nm} = 10^{-7}$ metres) you have to guarantee the repeatability of the process not so far away from the atomic scale.



Fully completed device manufacturing process.

Since the contaminant particles have dimensions very close to the minimum device feature sizes, they can seriously affect component performance. Thus a strict control on how people work and wear (dedicated Gore-Tex uniforms) inside the clean room is needed; moreover continuous vertical airflow is arranged, with additional mini-environments for the most critical equipment. A huge amount of facilities have to be correlated with a clean-room project and realisation, such as the process exhaust systems (for each different waste emission), the re-circulation air system, the chilled and hot water facilities, the raised floor arrangement, the correct clean room partition between process and service areas, and the fire-fighting system. Technical criteria are defined for acoustical noise, vibrations, grounding resistance, magnetic field sources, charging voltage. These have to be maintained permanently stable in order to conjugate experimental goals with the rigorous envi-

ronment safe requirements.

Finally, a high grade of automation is found in any clean room facility, to assist operations for process equipment control, computer integrated manufacturing and even mechanisation (transfer of wafer cassettes from one process tool to another by robots) in the case of more mature production lines. Due to the highly advanced and top-secret researches carried out by Pirelli Labs, access to Clean Rooms will be restricted: only forty-fifty researchers and technicians will be granted access and strict security controls will be carried out.

Moreover, the Pirelli Labs will undertake the fabrication of a device that is highly integrated in both optical and electronic terms. This process consists of three technological phases: the initial design of a specific component (the "design" phase) is translated into reality through the definition of sub-micrometric structures (the "front end" phase) on a silicon wafer or other semi-conduc-

ting material; the various chips thus created are then diced, packaged and individually tested so as to check their proper functioning for the initial design purposes ("back end" phase).

The initial design of a component usually stems from a market analysis or from direct co-operation with customers. In order to meet the project's technical specifications, which ensure the performance of the component, a layout database is produced by means of various advanced design programmes. These allow for the two or three-dimensional visualisation of the various structures within the device.

The world of telecommunications is evolving as fast as its transmitters: Pirelli leads the way. The process of transforming the Group into e-Pirelli is being pursued in all its aspects, beginning with technology and research, which are the most important instruments with which to develop the future.

by Pierluigi Franco, Milan

Pirelli presents its licensing project with a new logo

A Brand New Brand

The Group enters the world of fashion through licensing agreements for the distribution of clothing, shoes and accessories

Carlo Corti Galeazzi reports from the Pitti Show, Florence

It has been classified by the prestigious *Financial Times* as the 27th most famous logo in the world. The Pirelli brand is synonymous everywhere with innovation and extremely high technology, but it also has a long sporting tradition and, thanks to the legendary Pirelli Calendar, an image of

and will continue to make tyres, cables and handle real estate. At the same time, we shall appear in a new world. Pirelli is entering the fashion business with a brand-licensing project of double significance: the creation of a new channel of communication and the birth of a new activity.

Design, production and distribu-

other, but in reality closely related. Fashion means the way we are because it reflects and inspires our behaviour, but it also means every day life: windows, shops, advertising posters are all part of our daily diet and this new incursion into the world of fashion will give Pirelli exposure in them all.

The Pirelli brand recently took its first step in the fashion business by giving a preview of the new elongated P project of creativity and style at the Pitti Immagine Uomo in Florence, one of the biggest annual male fashion events, where it received a very warm welcome.

The project includes the development of items for men's and women's leisure time, all of which will be of high-class design and an unmistakable personality, created with great attention to quality and of hi-tech materials.

Pirelli men and women will dress with sober and contemporary ele-

Technological design



creativity, style and glamour.

And it is precisely this image of a strong brand with great potential, able to assert itself even beyond the company's core businesses, that has encouraged the Group to consider further exploiting the potential of its logo. That is why it has been decided that the Pirelli brand is now sufficiently mature to move into the fashion world.

No diversification, no extension of our core businesses. We make

tion of clothing, shoes and accessories branded with the elongated P are to be assigned to competent outside licensees: international businesses with broad experience, considerable know-how, and extremely high quality managerial skills. And Pirelli will have the last word on everything, particularly quality, minimum guaranteed and royalties on turnover.

Communication and fashion: two worlds apparently distant from each

gance, their theme being "sophisticated comfort". Their style will be sporty without being technical, elegant but without formality.

The new line – strictly made in Italy – will be produced exclusively with materials derived from innovative fibres and technological design.

Pitti Uomo was also the occasion on which a completely new logo was presented; "revised" to achieve a modern look. An all-black elonga-



The Piorelli stand at Palazzo Pitti in Florence during the Pitti Show.

ted P, solitary but with clear, clean-cut lines. The only new addition, a point and that, too, is black. The important requirements are that the logo is liked, that it is recognised and that, above all, it leads right back to Piorelli.

The potential success of the new Piorelli logotype represents the greatest encouragement as the Group begins this new adventure.

But what really struck the Pitti staff and members of the public in Florence, was the Piorelli stand. A part from the novelty of the new brand, it was the architectural element of the stand that played a major role. All black with steel inserts, floor and walls in technological rubbery material that was

**Sporty
but elegant
style**

pleasant to walk on and to touch.

Created by the architect Francesca Ciotti, without doubt the structure was a great attraction. Different to all the other stands, which were purely commercial, the Piorelli offered a *son et lumière* show, starring the films of our most famous advertising campaigns projected on the wall.

From the mischievous Sharon Stone to Perce being chased by water, ice and fire monsters, passing on to Carl Lewis, his legendary races on water and dare-devil ascents of the Statue of Liberty and the New York's skyscrapers.

Glamour and provocation were the main theme on the opposite wall. This time the leading role was taken

by the most beautiful women in the world, in a behind the scenes collage of Piorelli's most recent calendars: a breath of fresh air, because such things have never before been seen at Pitti, the men's fashion mecca.

Two glass cases recounted the concepts of the Piorelli shoes and clothes and gave a glimpse of the creations to come. A tremendous teaser that sparked off visitors' curiosity and interest in Piorelli and its licensees.

In the middle of it all, the new logo: a large elongated P with a dot, all in shining steel. Passing the stand, one gifted designer commented, "Congratulations: it is modern, clean and very recognisable". So Piorelli's debut into the fashion world has indeed got under way with a more than encouraging beginning.

The development of the Group's patent culture

Taking Care of Ideas

In an age of razor-sharp competition, the protection of technology and techniques, and therefore ideas, has become an important instrument of value creation

The culture of patenting inventions is surprisingly not particularly widespread in Europe due to a number of reasons. First of all, today's prevailing culture tends to favour publishing, rather than patenting, an invention (a tendency particularly rife in the academic world). In addition, the overall supporting structure is not firmly rooted: just think that in Europe very few countries have a national organisation to examine and grant patents. The European community has partly filled the gap with a Convention for the examination of patents, which includes 20 countries and functions (in three languages: English, French and German) as a central organisation. Normally, patenting is not a priority for an inventor: he sees it as something which complicates his life rather than something which makes a competitive advantage of his invention.

In recent years things have begun to change. The start of privatisation and liberalisation has sparked off a kind of competition completely different from the past: it is today more real and more

keenly fought. Due to this change, patents have become property of unequalled value, as instruments by which one's competitive advantage is maintained. The tide started to shift towards the

deep approach was necessary: as Pier Giovanni Giannesi, Head of Industrial Property, says "Until changes such as this don't get right down to people's stomach, they aren't yet real. The rule is fairly simple: if you invent something useful in the business, you must immediately try to get a patent to protect it, provided that it fulfils the three indispensable qualities required: it must be new, inventive and sufficiently well described".

The first step was to change the patent as a business tool: the transformation of inventions into patents becomes an effective method of business protection on the one hand, and of business access on the other.

In the first instance, a patent is an instrument of business protection. It's the case of companies selling products or services that exploit advanced technology. Patents play a fundamental part in protecting the advantages derived from having used avant-gard technologies, satisfied needs and solved problems before anyone else. The patent becomes an essential element in stabilising one's competitive advantage.

Three Know-How Groups

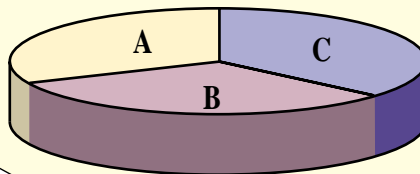
Only with in-depth knowledge of prior art it is possible to begin developing "the new". Once identified and protected with patents or secret, know-how made available to people within the Company acts as a "value multiplier". Technically speaking, know-how can be divided into three groups of which groups A and B are known but group C is secret:

A – not patented know-how: includes all expired patents that have, therefore, become part of the public domain.

B – patented know-how: the know-how of every company, which is communicated to the public through patents, but is protected and inaccessible, unless licensed, for the life of the patent.

C – Secret know-how: unknown to the others but identified and protected for the company, in that it is secret and protected as an industrial property right. It is the property of the company, distinguished legally and physically from the people concerned.

Every company has, therefore, its own part of B and C (proprietary know-how). In recent years, Pirelli has concentrated on expanding B, as part of the new and powerfully focused patents culture developed. In future, one objective will be to even better identify and organise (C) in order to increase its competitive advantage.



right direction, one which Pirelli - one of the European companies with the highest number of patents obtained - had already found. Nevertheless, in front of the new situation, a new and

A Successful Patent Application

On 14 June, ten Pirelli patents granted in 2000 received the Pirelli Inventions Award.

Below is a description of one of them, with an explanation of the problem and the solution found.



Section of a tread with conductive inserts.

Technologically, 100% silica tread compounds make a tyre non-conductive and reduce its resistivity. That means the vehicle builds up an electrostatic charge, which it then discharges as the driver and passengers leave, transmitting to them an unpleasant shock. The phenomenon also adversely affects vehicles' electronics and disturbs the onboard radio.

Pirelli has developed a patented solution to the problem, under which it brings a part of the inner layer of the tyre's tread compound to the surface in a small area of the tread, where it performs the task of a conductor, efficiently discharging the static so that the driver and passengers remain unharmed. The technology by which the insert is applied is industrially simple and is carried out with a patented extrusion process. This invention has been applied to Pirelli tyres with 100% silica tread compounds (P3000, P6000, P6000 Powergy, P6, P7 and Winter Snowsport) for a number of years and has also been the subject of exchange patent licensing.

Beyond protection, a patent can also become an instrument of access to the business and the technology of others through a cross licence mechanism: a company “drops” the barrier created by one of its patents, allowing another company to access it, subject to reciprocity. It is an exchange in nature: the result is permission to use a technology beyond one’s capability. This mechanism permits businesses to enter into new fields and increase their competitiveness.

The second step was to introduce the concept of patents as exceptionally valuable assets. In fact, if judged through certain appraisal techniques, patents can become a measurement of how much value is produced by a business. It is clear that to create value and profit a business must invest in the future and, therefore, in research: the gap between research and invention – and, therefore, patenting – is fairly narrow. To be able to evaluate a patent is to be able to measure the investment made.

For this purpose, Pirelli has introduced a system of patent appraisal based

on three main parameters. The first measures the competitive advantage of the solution developed: whether, for example, the company is the first to solve a technical problem or the problem is known and the company offers the best among alternative solutions. The second parameter concerns the scope of the patent: if the scope is sufficiently broad the invention is not easily circumvented and is sufficiently covered to prohibit others to achieve the same result with solutions not protected by the patent. The third measures the validity of the patent: if the invention is counterfeited, the patent holder must be able to resist the validity attacks raised by the infringer.

“In a few words”, explains Giannesi, “the parameter measures the probability that others are interested in solving the same technical problem as us; the second that others need technology adopted by Pirelli to solve that same problem; the third that if others start using a solution similar to ours’, we are able to stop them with a valid patent”.

Similar measurement systems have been adopted by Pirelli and a few

other companies around the world: normally the details of such systems are not made available to the public. At the beginning its adoption encountered a cultural barrier even among patent professionals, but given the change in the competitive climate, the method has been progressively incorporated into the daily working mentality.

“As well as being one of the few to use these evaluation techniques, we have also introduced various initiatives to motivate people and involve them in the patents problem with the full support of the top management.” First introduced in 1995, the Pirelli Invention Awards this year took place on 14 June at the Bicocca degli Arcimboldi in Milan: 10 patents have deserved a golden award and 100 applications were recognized with a silver award, having been filed in 2000. “In addition”, continues Giannesi, “we are also running training courses to ensure our inventors know the constraints within which they may operate, meaning the nature and the characteristics of the prior art, without knowledge of which it is impossible to originate inventions. It is necessary to understand what it is known in the art in order to go beyond it and create”. The invention should be described in factual terms by the inventor in comparison with the prior art. A patent attorney is ready to help the inventor in doing this. Every Pirelli patent attorney also has a copy of a Guide to Quality, to check on the quality of a patent application before filing it with the appropriate examining organisation.

The world of inventions is a complicated one – or at least it seems that way from the outside one – and it is difficult to enter. Patents, which are really vehicles that introduce new technologies to everyone else, do not just make those discoveries accessible; they also appraise and protect them, giving them the proprietary characteristics they deserve.

by Livia Armellini, Milan

Pirelli announces its agreement with Alloptic at *Supercomm 2001*

The Supercom-nection

The Group joins forces with the leading American manufacturer of fibre optic solutions for access networks worldwide

Ivan Dompé reports from Atlanta, USA

As with every year, Pirelli made its appearance at *Supercomm 2001*, held this year in Atlanta.

On that occasion, Pirelli Cables and Systems announced the conclusion

of an agreement with Alloptic Inc. to develop new optical solutions for access networks and fibre-to-the-home applications. Founded in 1999 with headquarters in Livermore, California, Alloptic is the leading manufacturer of IP, Gigabit Ethernet, state-of-the-art high-speed fibre optic solutions for access networks worldwide.

Alloptic is a venture capital organisation funded pre-IPO start-up that pioneered an advanced converged platform concept to support integrated voice, data and video services over a broadband fibre optic infrastructure.

Under the agreement, Pirelli becomes an Alloptic shareholder, with a 13.8% equity stake.

The Group has invested US\$12 million, subscribing the majority of a new private placement of preferred stock (Series C Preferred Stock) issued by Alloptic Inc. In addition,

Pirelli Cables and Systems would have the possibility of receiving warrants to purchase an additional maximum of 3% of Series C Preferred Stock and will also have one member and one observer on the Alloptic Board of Directors.



Developing leading edge solutions

Pirelli will promote and distribute products and solutions originating from the alliance under its own brand outside North America, and jointly with Alloptic in North America.

The alliance will ensure seamless world-wide customer relationship management and give network providers a single source for a complete fibre optic access solution that includes fibre optic cable, optical interconnects and optical network equipment.

“We believe that this alliance with a fast-growing, leading-edge start-up will contribute strength to our market position”, said Kevin E. Riddett, General Manager of Pirelli Cables and Systems Telecom. “Pirelli is now able to offer a broader range of state-of-the-art technologies and more advantageous solutions to its customers”.

Tom Engdahl, President and Chief Executive Officer of Alloptic, added:

“While this alliance spells success for both Pirelli and Alloptic, the true winner is the network provider.

The strength of this joint solution is the immediate economic benefit it gives to them.

The Pirelli-Alloptic alliance will deliver a clearly optimised, radi-

cally faster solution that will allow network providers

to deliver revenue-generating, converged services at the speeds and the cost required to maintain subscriber satisfaction”.

Pirelli and Alloptic will offer an optimised, packaged solution designed to enhance the buying power of network providers.

The alliance will build on Pirelli’s proven leadership in delivering point-to-point fibre-to-the-home solutions and its leading position in the world cable and fibre market, while Alloptic brings leading-edge technology.

The full integration of Pirelli and Alloptic technologies will provide next-generation fibre-to-the-home and networking services, and will allow innovative, purely optical - and inherently broadband - links to be provided to end users.

Alloptic and Pirelli will also be involved in research and development projects to further enhance their technologies for optical signal access and distribution.

The Group's new financial headquarters presented to the economic community

Building the Future, Restoring the Past

The opening of the new London offices was announced at the presentation of a restoration programme jointly sponsored by Pirelli and the V&A



Inside Pirelli's new offices in Grosvenor Street, London.

Andrea Kerbaker reports from London, UK

The date is 9 July. The setting is provided by the majestic rooms of one of the most important museums in the world, the Victoria and Albert, in London. The occasion is the presentation of a restoration project of eight Italian terracottas, jointly sponsored by Pirelli and the museum. Not just any terracottas, but those pieces which form part of both the national collection of sculpture and of the most significant

collection of Italian sculpture outside Italy: the works will be on display as part of the unprecedented exhibition *Earth & Fire - Italian Terracotta Sculpture from Donatello to Canova* to be held at the V&A in Spring 2002.

Besides the terracottas, the gathering held at the V&A provided the occasion to celebrate the official opening of the new international financial headquarters in London. All treasury activities as well as relations with the investors and the financial community have been transferred to the London offices. A decision which

has been taken in consideration of the prevailing presence outside Italy of our operating activities, the increasingly decisive role played by the international capital markets as well as the growing management speed required by the new economy. Carlo Buora, Managing Director of Finance and Administration, announced at the V&A that the next acquisition by Pirelli will be made in Milan but will probably be "put into practice" from London. The new headquarters, he explained, will be headed by the Group's financial General Manager Luciano Gobbi. "We wanted to transfer treasury and finance in general, but also investor relations, because London is the reference point of all international finance, not only European. It will be much easier to keep financial contact from a city such as London, instead of Basle - where we've been based up to now - or Italy. Coherently with the Group's international character we thought of diverting this type of activity to London". Mr. Buora then underlined that Pirelli will handle all financial, treasury and merger and acquisition operations from London, as this will become the thinking and operative centre for this kind of activities. The new office building in Grosvenor Street, right in the heart of the old London Belgravia area, is a six-floor construction hosting 30 employees.

As far as the restoration programme is concerned, objects to be conserved

Pirelli and the V&A: Together to Support Cultural Growth

by the Earl of Limerick, Chairman of Pirelli UK

Below is the speech given by the Chairman of Pirelli UK, the Earl of Limerick, at the presentation of the restoration programme held at the V&A in London on the 9 July.

“This initiative with the Victoria & Albert is the latest step in our world wide cultural commitment. Just to give you some examples, we have helped the Louvre to restore its Etruscan rooms, we contributed to the Gala-Salvador Dalí Foundation in Barcelona and we are institutional supporters of La Scala Theatre Museum in Milan as well as of the MASP in Sao Paulo. More recently, we funded the restoration of the Capitoline Gallery in Rome and played a part in the conservation of the Brera Gallery in Milan.

We organise these initiatives in the countries where we operate, because we do not want to be active in their economic life only. Our goal is to contribute to their cultural life too, with the aim of helping their growth in all fields. Our commitment bears witness to the awareness of a company's civil and social responsibilities, reflecting a role which reaches beyond economic aims.

As for the Victoria & Albert, our relation dates back to the late 1980's when we contributed to the design and installation of the Garden where we are now. I was there when my predecessor as Chairman of Pirelli UK, the Lord Thorneycroft, opened the garden. Since then, the Garden bears the name of our Company, which is inscribed on the base of the fountain, while you can see our logo printed at the entrance of the garden.

Among other examples of this co-operation, it's worth mentioning the many launches of the Pirelli Calendar which were organised here in recent years, and those which we will certainly organise in the years to come. V&A's Italian terracottas collection, with its works from so many outstanding artists like Bernini, Donatello or Verrocchio, is one of the most important in the world. Contributing to its conservation has been immediately seen as an opportunity to write a new chapter in the history of our partnership with the Museum.

The V&A is one of the most important museums in the world, providing an invaluable resource to people who, like us, have a love of the arts. We are proud to have the opportunity to work again with the Museum and wish the best to the forthcoming exhibition, the Earth & Fire - Italian Terracotta Sculpture from Donatello to Canova, where all objects to be conserved in this collaboration will be shown.”



Lord Limerick delivering his speech at the V&A.



One of the terracotta pieces to be restored with Pirelli's contribution.

and studied with the support of Pirelli include the Forteguerra Model, models for the church of Santa Croce in Florence, and the Forzori Altar.

The Forteguerra monument model by Andrea del Verrocchio (1435-1488), a small sketch-model for the monument of Cardinal Niccolò Forteguerra, which was the winning entry in a competition commissioned by the city council of Pistoia, where the cardinal was born. Verrocchio died before the monument could be completed and so this remains the only record of his initial idea for the design.

The models for the Church of Santa Croce in Florence pulpit panels by Benedetto da Maiano (1442-1497): they are three-dimensional designs copied when carving the scenes in marble for the pulpit, which is considered to be Benedetto's masterpiece. Two of the V&A's terracotta models will be conserved with Pirelli's support. Fittingly, the Italian Cast Court at the Museum also houses a plaster cast of the pulpit (bought in 1884) enabling V&A visitors to compare the terracotta designs and the pulpit itself.

Finally, the Forzori Altar, attributed to Donatello (1386-1466), or his circle. Donatello was the most important and influential sculptor in fifteenth-century Italy and this piece shows similarities with works he produced during his stay in Padua between 1443 and 1447.

With the contribution of Pirelli, the forthcoming *Earth & Fire* exhibition will highlight the significance of terracotta in all its forms over four centuries of spectacular Italian sculpture from the Renaissance to the age of Neo-classicism.

Scorpion tyres launched on the East African market

Under the African Sky

The Tyre Sector presents its policies and objectives to its East African importers and Key Point customers during a tailor made event held near Nairobi

Alessandra Rossi reports from Nairobi, Kenya

Saturday July 7th: Karen Army Base near Nairobi. Rocks, sand and shrubs under a burning sun. Far away, never-ending lands, wildlife, wonderful landscapes. In this incredible scenario, Pirelli set up its 2001 launch for East African importers and Key Point customers.

The morning session was devoted to Pirelli's group policies and product presentation, placing a particular emphasis on Scorpion tyres. With its many tread patterns and sizes, the Scorpion family is the right answer for Africa's diverse road surfaces, ranging from asphalt roads to the extreme driving conditions of the savannah. To travel alone in wild lands a considerable expertise

is undoubtedly needed: Wayne Dicks, champion of the Scorpion Off Road College in South Africa, explained to all participants the most effective techniques to better appreciate the 4x4 driving tests in which they participated during the afternoon. Afterwards, the Kenya Rally Championship leaders and racing champions drove customers at high speed, showing them the limits that Pirelli motor sport tyres can withstand. It was a day to remember for the 200 importers and customers from Kenya, Uganda, Ethiopia and Madagascar.

Valter Donati, Area Manager for East Africa, explained the philosophy of Pirelli's East African approach to the Group's leading partners at the Nairobi event: "... Pirelli has been in East Africa for quite some time. Our objective is to establish a long term plan and build a solid market share, offering the right product backed up by professional after-sales support. We were lucky because we found enthusiastic and co-operative people, and with them we're also deve-

techniques. On 8 and 9 July training and focused discussions will further develop these concepts, in order to establish a personal approach to all importers and customers. We're quite happy with the results we have achieved so far – having become the first brand in terms of quality appreciation everywhere in East Africa. Market shares are good and growing; Pirelli is the leading imported brand in Kenya and some other countries in the region for passenger car, light commercial and heavy truck tyres.

We have no intention of stopping there and, from a solid commercial presence, we will increase market coverage in terms of retail network development and professional after sales service. Between 2001 and 2002, P.K.P shops will become widespread all across Kenya, Uganda, Ethiopia, Sudan, Madagascar, Mauritius and Reunion.

Every end-user entering a

P.K.P. shop will find the right tyre for his needs and professional staff offering quality and reliability of service".

Africa does not only mean unforgettable sunsets, white beaches and safaris. It is an extremely young and powerful continent, where people are aggressively fighting for their future. Economic development creates possibilities and solutions for those who are willing to stand up and face the challenge, adding their efforts to those of other men and women. And the Pirelli team is behind them in their quest for a better future.



veloping a Pirelli identified network: Pirelli Key Points. The P.K.P. partnership bonds together Pirelli, the importers and owners of the most professional shops of East Africa. Each dealer who becomes a member, keeps his own identity and runs his business independently. Meanwhile, through the distributors, he can take full advantage of Pirelli's experience and its high brand awareness. He can upgrade his shops and increase turnover by obtaining substantial advantages in terms of tyre range supplies, commercial and marketing facilities, training and other

Launching new safety management procedures

Target: Safety

Safety Focus, now in its pilot phase, is the Tyre Sector's new programme aimed at increasing safety and reducing the risk of accidents in all its factories worldwide

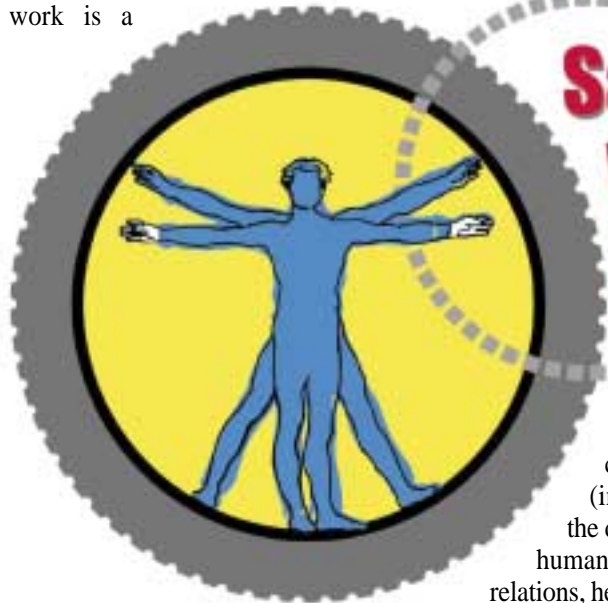
Carlisle, Merlo, Santo André, Settimo Vettura, Pirelli Reifenwerke: they are not only some of Pirelli's biggest tyre plants across the world, but also the plants chosen to test the new safety management programme launched by the Tyre Sector. It is a programme of fundamental importance because the protection of integrity, health and well being of all employees at work is a

a training programme involving all levels of the Sector's organisational structure, devised to develop greater awareness of the values of safety and the importance of carrying out safety-oriented behaviours. Finally, an internal communication campaign that integrates and promotes the whole process.

A Safety Steering Committee will manage and co-ordinate the program-

definition of an Occupational Health & Safety Policy by which, in agreement with the Pirelli Group Policy of 1995, each factory has to set out the principles it intends to pursue to improve the management of safety aspects.

The main activities to be carried out (Do), include the identification of hazards and the assessment of job-



Safety is nothing without control. Let's work together.

priority objective of the Tyre Sector. With this in mind, the Tyre Sector has launched Safety Focus, a programme that includes various operative measures divided into three different plans. First of all, a new safety management system based on advanced methods, with the objective of complying with the rigorous international standard OHSAS18001 and obtaining official certification by an accredited external body. Secondly,

me, and all functions directly involved in the process will take part in it (industrial directors of the different business units, human resources, industrial relations, health and environment).

In particular, the committee will control the certification process in the pilot factories, evaluate plans, projects and related investments, guarantee strategic investments in training and communication, estimate accident trends and define annual improvement targets.

The implementation of the safety management system follows the PDCA philosophy (Plan, Do, Check and Act): the first step (Plan), is the

related risks. An action plan is then defined, focusing on technical activities, improvement of operational instructions and people's knowledge of them. A set of behavioural rules is set up (e.g. how to manage abnormal situations in a safe manner), and communicated to workers through technical training. Specific tools will be implemented in order to check and ensure that rules are followed, and to carry out preventive and corrective actions required. Employees will be encouraged to become involved and highlight possible safety problems by making suggestions and will be trained to manage problems and prevent accidents.

Finally, in order to ensure the adequacy and effectiveness of the system, an audit plan (Check) and a periodical

review process of the factory management (Act) will be established and maintained. In many factories, most of the above-mentioned activities are already part of the safety management procedure but through this programme they become institutionalised and tuned to the Sector's new standards.

Work started in early 2001 with the preparation in a set of safety management procedures, with the objective of setting standard references to be followed in all factories. The Sector's procedures are now being implemented into a set of pilot factories - Carlisle in the UK, Merlo in Argentina, Pirelli Reifenwerke (PRW) in Germany, Santo André in Brasil and Settimo Vettura in Italy.

The objective is to achieve certification of the safety management systems between next December and May. Certification will be provided by SGS-ICS, the Group's certification body for the ISO14001 environmental management system. This choice will enable the Sector to achieve an optimisation and cost reduction of the safety and environment certification process.

The implementation of a safety management system is not possible without the involvement and the commitment of everyone in the factories. That is why the *Safety Focus* programme also includes an innovative training

plan and communication campaign.

The training plan is articulated in workshops, which are divided into five categories: a workshop for the management team, for the trainers, for the safety managers, for the assistants and for the operators, ranging from two to eight hours each per session. The objectives are making the top management sponsor a culture of safety awareness; fostering a sense of ownership by factory management; generating sensitivity and commitment towards safety oriented behaviours in the operational staff. The first workshop, directed to the top management, started on 14 June. All other workshops will be implemented by the end of this year in the pilot plants and will

tion and messages to all the factory personnel. The initiative's logo and slogan "*Safety is nothing without control. Let's work together*" identifies all initiatives connected with the programme, and paraphrases the more famous one associated with the Sector's products. This choice seemed to be the right one because it ensures a powerful communicative impact, it recalls the concept of control, the centralisation of operators and the search for equilibrium: all concepts which further emphasise the necessity to pay attention to safety whilst working. The communication campaign will include a series of instruments such as posters located in different areas of the factories, "safety totems" used to bring the communication campaign message wherever it is needed, and other tools

customised according to the different cultural characteristics of the country where they are employed.

Safety Focus is a programme that is articulate, organic and, without doubt, complex. It is nonetheless adequately designed to reach the anticipated result: reducing the number of accidents in our factories. Phase one has just started, but we

are already aware that the fundamental levers for the success of this initiative are inexorably linked to the commitment and the involvement of all - at every level. Let's work together then, for our own and everyone else's safety.

by *Simone Cencetti, Milan*

An all-involving programme



The Settimo Vettura plant, one of those chosen for the implementation of Safety Focus' pilot phase.

later gradually extend to all factories across the world.

In order to enforce training effectiveness the *Safety Focus* programme will also include an internal communication campaign which will enable the communication of relevant informa-

Erith, UK: following the integration process

Erith's New Reality

The ex-BICC cable plant entered the Group last year. *Pirelli World* reports on its development and the adaptation of the new business strategies introduced



Livia Armellini reports from Erith, UK

June 2001, the UK. The first thing one sees travelling down to Erith by train on the south eastern railway network is the impressive plant's tower with the Pirelli red logo 'towering' on it. Quite a sight, given that the surroundings are made of small towns with the characteristic two-floor houses, and the only other high constructions are the distant London skyscrapers seen on the hazy horizon line. There was no need to say more than "the Pirelli plant, please" to the minicab driver, who could not even remember how was the plant called before Pirelli took over in August last year. So here we are, in Erith, one of the four British plants now owned by our Group after the BICC acquisition,

fully concluded last February. Erith is in fact the only heavy industry in the whole southern London area. Present on the site since the 1880s, the ex British Insulated Callender Cables plant started making cables in 1896: seventy years later, in 1965, it counted 1,300 workers and expanded over 63 acres. The plant is conveniently situated on the banks of the river Thames, an essential characteristic for the submarine cable business.

When Pirelli acquired the plant, Erith produced terrestrial cables, hosted a two-year old submarine cable unit, was equipped for the production of accessories and for installations. Merging into the Pirelli reality meant numerous positive aspects for both the

Group and the plant: for Pirelli, the acquisition of a operative site with a great potential, conveniently located within the greater London area, strategically important to satisfy the growing demand of cable production. For Erith, the entrance into a significantly bigger business dimension, backed by a solid structure and a world-wide renowned name, and the opportunity to reorganise its business structure on a more efficient model. Indeed, the task was to transform a business site such as Erith into a plant organised on a functional basis, focused on manufacturing only. The aim for 2002 is to concentrate Erith's production capabilities on high voltage and submarine cables. The strategy? Combining Pirelli's capability to rationalise costs with Erith's investments, in order to obtain the best possible outcome and - at the same time - make the most of Erith's past.

In order to pursue this objective, it has been necessary to apply a downsizing in a number of commercial, finance, human resources and other functions which Pirelli traditionally manage on a centralised basis. Most of these sectors have been re-directed and moved to Eastleigh, the UK cable headquarters.

Changing the structures of a business that has been the same for so many years and influencing the mentality of its workers is no easy task. But it has primary importance for Pirelli, which understood the delicacy of the matter and focused its energy on explaining - first of all - to everyone exactly what was going on. Erith is a plant which is deeply located in local history: all the workforce comes from Erith itself or nearby towns. It is one of those places where tradition is passed over from father to son, and to which people are deeply attached. In theory, one more reason to be diffident about the "newcomers". But a series of meetings organised and

**Pirelli
and Erith:
a perfect
match**

run by Steve Price, Erith's new Plant Manager, were introduced in order to explain the reasons and the methods of the forthcoming changes: many topics were illustrated, among which family trees with the plant's new structure, the present and the predicted financial position (this motivated workers because they felt as a true and vital part of the business), future investment for both submarine and terrestrial cables, operational issues

(safety, quality, skills, customer service, improvement activities, maintenance, strategic plans, etc.). In groups of 30, all Erith employees had the opportunity to hear what the "new



people" had to say. Workers have undergone training through new and simplified methods; the capability of the plant has been reviewed; the best managers and engineers came in to help from the Group's headquarters and the Southampton plant. "People saw it as a challenge", Steve Price explains, "as a project of which they

had to be part; they felt Erith was a plant with promising future prospects. Definitely the place to be". This created a relevant amount of enthusiasm which was transmitted to the people already working here, who therefore saw the 'newcomers' much as helpers and innovators, rather than merely 'the new owners'. In line with this, hierarchical structures have been abolished and a more friendly and informal approach implemented. "The adoption of open-doors, and first-name policies" –continues Price – "as well as other non-autocratic work methods helped in creating a relaxed and positive atmosphere, and facilitated the integration process. Everybody felt that Pirelli was there to bring positive innovations and managerial know-how".

"Our aim is to extract the best of the best from both worlds, employing Pirelli's strategies merging them with the positive aspects from the plant", explains Paul Lines, UK's Director of Manufacturing for Energy Cables. "At the beginning, we tried to understand the situation, what kind of investment was required, and how to get control of the business; the next steps was long term investment to increase capacity to make longer and longer

lengths of cables, and the adoption of Pirelli's organisational and business strategies. Nine months have passed since the acquisition: Erith has not 'turned the corner' yet, but it is definitely and rapidly heading towards the objectives which were set out". Pirelli believes strongly in Erith's capacity, and apart from the large scale invest-

ment of 100 million Euro made in the last ten years in VCV technology and in the state-of-the-art submarine plant, since the acquisition Pirelli immediately put in some 28 million Euro more, for a three year plan aimed at further expanding the range and the capabilities of terrestrial and submarine production. Touring the plant, which can be accessed directly from the offices, the first thing you notice are some non-operative areas: these are all being reorganised, explains Steve Price, because that is where the accessories and installation facilities were placed. Now that the plant will dedicate all its capacity to high voltage and submarine cables, they will be used to expand the submarine cable area. Apart from the areas undergoing transformation, the plant is nonetheless fully at work: at the moment it is producing cables for a submarine cable link in Venice, which will be loaded and shipped to Italy in August. The link will cross the lagoon from Venice to Mestre, passing through the island of Murano. As for the past months, Erith has produced cables for projects in various countries all over the world, such as China, Ireland, Singapore, Spain, UK, Austria, America, and Malaysia. Continuing the tour, Steve Price also explains that all the machinery is undergoing either revision or modernisation, as part of the three year plan investment which covers also the new technology aspect. Last but not least, a visit on the top of the tower. Here is immediately very hot and silent, compared to the noise and the cool temperature downstairs, due to the height and the heat produced by the machines in such a restricted floor space. In order to fully integrate Erith, it is necessary to merge the two top qualities of the previous and the present management: Paul Lines' motto is "Erith and Pirelli together will create a perfect partnership". Once the process will be fully completed, Erith will be a good example of business integration undertaken with skill and sensibility.

The Group confirms its presence in Brazil's life

Writing Palmeiras With the Long P...

Pirelli to sponsor Palmeiras, one of São Paulo's football teams, and a traditional mine of champions

Carlo Corti Galeazzi reports from São Paulo, Brazil

The Long P logo will appear on the shirts of Palmeiras of São Paulo as a result of a three-year sponsorship agreement, signed in the city in front of an enthusiastic audience that applauded, sang, and danced - or, rather, *bailava*. Pirelli has indeed recently announced an agreement for a sponsorship deal with Palmeiras: the contract will be valid until December 31st, 2003, with a renewal option to be agreed by both parties.

The Pirelli logo will be featured on the players' strips and all the other sportswear and accessories used by them and by the technical staff of the various teams within the Sociedade Esportiva Palmeiras.

The logo will also appear on all

PR and communications materials, as well as featuring prominently on pitch-side hoardings.

Futebol bailado. A lot more than just words. A concept within which there is a philosophy of life, a hope of joy for an entire population, Brazilian, and a source of entertainment for lovers of the greatest game in the world, football.

Following the agreement, *Futebol bailado* also for Pirelli.

To delight in and enjoy, to take up important opportunities in terms of commercial and communications strategies, to continue to assert ourselves as market leader in both cables and systems and tyres in a fundamentally important country to our Group like Brazil. A country in which we are perceived as part of the national life, so strongly is Pirelli integrated into the fabric of Brazilian society.

Founded in 1914, the Sociedade Esportiva Palmeiras is one of the leading clubs in Brazilian football: it was established by a number of Italian sports enthusiasts of the Brás area of São Paulo, once populated exclusively by expatriate Italians, who founded the club then named "Palestra Italia". Colours: green, white and red. The name was changed to today's Palmeiras in 1942 and the red of the Italian national Tricolour has disappeared from the team's shirts, but its team's home ground is still called "Palestra Italia", a 45,000 seats stadium for an extremely warm public, a real *torcida*.

With more than 12 million supporters, the "verdao" or Palmeiras "greens" play in all of the most important Brazilian and South American competitions: the Paulista and Brasileiro Championship, Torneo di Rio and Brazil Cup, the Libertadores and Mercosul Cup. And this year, the team was invited to compete in the Clubs' World Championship, a tournament later cancelled by FIFA due to the failure of one of its companies.

The club's achievements (its trophy room is incredibly impressive) include four victories in the Brazilian Championship, three in the Brazilian Cup, 21 Paulista Championship titles. On the international scenario, Palmeiras won the 1998 Mercosul Cup and in 1999



it became the first Brazilian team to win the Libertadores Cup, the equivalent of the European Champions' League.

Palmeiras has always been a veritable mine of champions. Many great players from both the past and the present have worn its white and green shirt: to mention just a few, Djalma Santos and Luis Pereira, the mythical defenders of the Fifties and Sixties; Vavà, who together with Didi and Pelé, formed the magic trio of the Seleção team, world champion in 1954; then there was Leao, the national team's goalkeeper, when the couple of high-scoring champions was made by Jairzinho and Pelé at first, and later by Zico and Socrates; Roberto Carlos, who is now at Real Madrid; Roque Junior now a top Milan player; "Pendolino"- Cafu helped Rome win the championship; Rivaldo, today a forward at Barcelona, the forbidden dream of all the world's great teams.

These are the premises, now the agreement, which includes an innovative system of incentives linked to results in both national and international competitions.

Bonuses tied to the achievement of pre-fixed sports performance will represent a stimulus for the company in terms of the strategic development of the team in technical and competitive areas, adequate acquisition campaigns and continuous pressure for the development of a winning mentality on the part of both the players and the team managers.

The Italian experience with Inter-Milan has demonstrated that football is a privileged vehicle in terms of Pirelli logo visibility, consolidation of our image and use as a marketing lever. And it will be even more so in Brazil, where football is by far the most popular sport.

An icy debut for the new Pirelli winter tyres

Some Like it... Cold

Reykjavik was the setting for the presentation of Winter Snowcontrol and Scorpion Ice&Snow, the first winter tyres supported by a dedicated TV advertisement campaign

Not so very long ago, winter tyres were considered highly specialised products. They were effective on snow, but they also had characteristics that limited their use in other seasons of the year, like low speed limits and noise generation on dry roads.

But that is all in the past. Winter tyre technology has been completely revolutionised: while returning vastly improved performance on snow and in the wet, new generation winter tyres provide high speed and optimum

This year, Iceland was chosen for the presentation of Pirelli's new winter tyres. On 16 May, a significant cross section of opinion leaders in winter tyres travelled to Reykjavik to discover how the Group's new Winter Snowcontrol and Scorpion Ice&Snow performed, tyres that are already beginning to make their debut in Scandinavia



comfort in the dry. The winter tyre market segment is growing continuously in Europe, where Pirelli sells 17% of its production. The Sector's biggest winter tyre market is Germany, with sales in Switzerland and Austria steadily increasing and the alpine and mountainous areas of Italy returning useful results.

and in the local market. May could seem an unsuitable time of year for a winter tyre launch, with summer just around the corner, but not in Iceland: the timing was just right, given that northern market motorists begin to buy their winter tyres from the late spring.

The event was a presentation among glaciers. Guests left Reykjavik aboard a small aircraft, their destination a glacier. From the plane's window, passengers could see nothing but a sprawling white wil-

derness that spread from horizon to horizon. Then the aircraft banked over a waterfall, climbed again and turned towards the glacier. Another turn and down, aiming for a lava-coloured runway on which the plane landed. But the question the passengers asked themselves was how would they climb to their destination - the top of a glacier! The answer turned out to be simple – seven minutes in a “super-jeep”. The reflection of the sun bouncing off the snow was so strong that no-one could take off their sunglasses: if they did, they risked snow blindness for a couple of days.

Different routes, an Icelander explains: the off-road 4x4 test track, a handling circuit and traction tests on the snow. Many rushed towards the traction tests first, pleased to be able to satisfy the curiosity that had built up during the glacier climb. It was a beautiful sunny day, even though the temperature was -7°C . So away with the cars. The Winter Snowcontrol and Scorpion Ice&Snow story begins...

The great care and attention to detail with which the Icelandic presentation was organised and executed, underline the new importance winter tyres have assumed in the Pirelli Tyre Sector. The reason for which the Group decided it was time to provide its new products with a strong communicative push that went beyond the usual presentation to dealers. So for the first time in our company's history, the creation of a television commercial exclusively for winter tyres began to take shape. After briefing Armando Testa, the Group's advertising agency, the creative organisation came up with a TV advertisement proposal that was both original and effective. Just imagine a film



made entirely in slow motion in a dark, cold place in which every shot is accompanied by a powerful sound design: that is the essence of the new commercial. The plot: the viewer sees a detail of a sliding door that is thrown open, from which a mysterious steam-like substance comes wafting out. It turns out to be a shot of a large refrigerated store; inside, it is full of huge tuna fish hanging by their tails. A close-up of our star, who walks safely and calmly, making his way between the fish. Suddenly, something else appears: hung up amid the frozen fish is the black profile of a tyre, which is seen turning on its own axis. The tyre stops spinning and the tread pattern of the WinterSport comes into focus. Super Claim: “Pirelli Winter SnowSport. Loves winter like no-one else”. The man grabs the tyre and takes it away. As he leaves, the logotypes of the motoring magazines, in whose comparative tests our winter tyres came top, appear on the door.

That is the story: to make the spot more memorable, it was necessary to find the right person to play the role of fish seller-tyre dealer, a well-known person who could be recognised by the public.

The choice fell on Walter Rohrl, the German twice world rally champion, who won his titles on Pirelli. A strong testimonial, who is well known in central Europe.

The commercial was shown in Iceland as a preview, and will be on air all over Europe from next Autumn; for some markets including Germany, Switzerland, Austria and Italy, it will take the place of the summer tyre advertisement, now being shown.

A head start such as this, with a television advertisement and a presentation on a glacier could not be signed other than by two really special tyres. Tyres that can be nothing other than Pirelli.

by Enrico Gandolfi, Milan

MKM has successfully implemented the web site dedicated to our distributors

The Hungarian Way

The Hungarian version of the *Cable@Pirelli* site has been awarded the special prize in the logistics section by the country's leading industrial trade fair

A hundred and eighteen years in cable manufacturing and three as part of the Pirelli world: that is our Hungarian affiliate, MKM. Acquired by the Group in October 1998, MKM was immediately integrated into the Pirelli organisation. In order to achieve that goal, the Hungarian company had to comply with the requirements of the global trend of modernisation, among them the installation of an electronic management system. So in December 1999, MKM introduced SAP R3, the integrated company management system, and developed its B2B projects and services. Back at the headquarters in Milan, the Cables and Systems team had already developed various B2B projects to achieve a strategic change in the traditional vision of business. *Cable@Pirelli* is one of them: an extranet site with access restricted to Pirelli's distributors, developed with the aim of managing order entry and tracking, providing after sales support and reducing time and cost. Launched at

the beginning of 2000, it has then been extended to many countries around the world. Within the Group, Hungary was the first non-Italian company to adopt the system. *Cable@Pirelli* arrived at MKM in March 2000. By February 2001, already 66% of domestic sales orders were being placed using the new, revolutionary web solution. May 2001: little more than a year after it was first installed, *Cable@Pirelli* received significant recognition. MKM - Pirelli was awarded the Logistics Special Prize of the Hungarian industrial trade fair, *Industria*, for *Cable@Pirelli* - a prestigious and internationally acknowledged award. *Industria* is the most prominent International Industry Trade Fair in the Danube region of the European Union and has been so since the Sixties.

The 2001 exhibition, opened by the Hungarian Minister of Economy, was held in Budapest from 22-25 May and attracted more than 700 exhibitors from eighteen countries. The awards were presented during a press conference,

resulting in wide local coverage of MKM's achievement. The Hungarian version of *Cable@Pirelli* works in the same way as the pilot scheme: the homepage communicates with the SAP R3 system through a software interface. Orders arrive directly into the company management system with all logistics parameters required by the partners, such as delivery date, individual lengths, packing, comments, partner-relevant price and discount levels. Customers can place their orders round the clock, seven days a week with no restrictions. The homepage is continuously being developed and updated, with special offers and further services. At the same time, the system keeps a record of orders that have been dispatched and enables customers to trace the goods' status in real time. It is possible to track current, future and past due deliveries and check on completed consignments. As well as its commercial functions, the system also has communication tools, such as web-mail and newsletters, and it is capable of building a technical information database with a catalogue and datasheets. MKM provides access to e-services for all its contracted domestic distributors, including customer services, background support, training and updated information, to handle the system safely. In future, the number of available services will increase and the company - maintaining its traditional contacts with its partners and considering the mutual economic advantages - will apply a wider range of CRM or Customer Relationship Management and web-marketing.

by **Zoltán Bercsek**, E-Business Project Manager, MKM-Budapest



MKM's headquarters in Budapest .

Rally Championship 2001, Greece: the third double in a row

A Turning-Point Victory

Pirelli and Colin McRae now head the world rally drivers' championship, while after three successive victories Ford/Pirelli lead the manufacturers one

Victory in the Rally of Argentina at the beginning of May gave Pirelli its first success with Ford – the Group's new world rally championship partner as of this year – since the Eighties. More than anything else, it marked the end of a lean period that lasted almost a year. And that, even though having been in contention for the 2000 world title right up until the last event of the season. Now, after winning in Argentina and Cyprus, Pirelli has also scored a June victory on some of the series' toughest of unmade special stages, in Greece.

Dominating the Acropolis Rally, Colin McRae and his Ford Focus WRC gave Pirelli its 120th world championship rally win and is now at the top of the drivers' points table: a real turning point in the title chase. Cars on Pirelli tyres (Ford and Subaru) won all the stages of the Acropolis except the last, underlining the excellent competitive level of the loose surface PZero range, both in terms of performance and reliability.

Petter Solberg's second place in Greece, driving a Subaru-Pirelli, ensured our third double in a row – 1st and 2nd places – in this year's world championship. And had it not been for the retirement of Carlos Sainz (Ford) and Richard Burns (Subaru) on the last day due to mechanical problems, they would have made it a perfect 1-2-3-4 for Pirelli.

Mid-way through the championship, Pirelli is living one of those magic

moments. That is confirmed by important numbers, like these. So far this year, Pirelli has won 83 out of a possible 128 special stages. And if we limit our analysis to the world championship's last three rallies on the loose, we see that Pirelli has won a massive 54 out of a total of 62 stages. The quality of Pirelli tyres on rough, unmade stages is nothing new, considering Colin McRae has won the Acropolis, known for its jagged, tyre slicing earthen surfaces, a record four times, three of them on Pirelli.

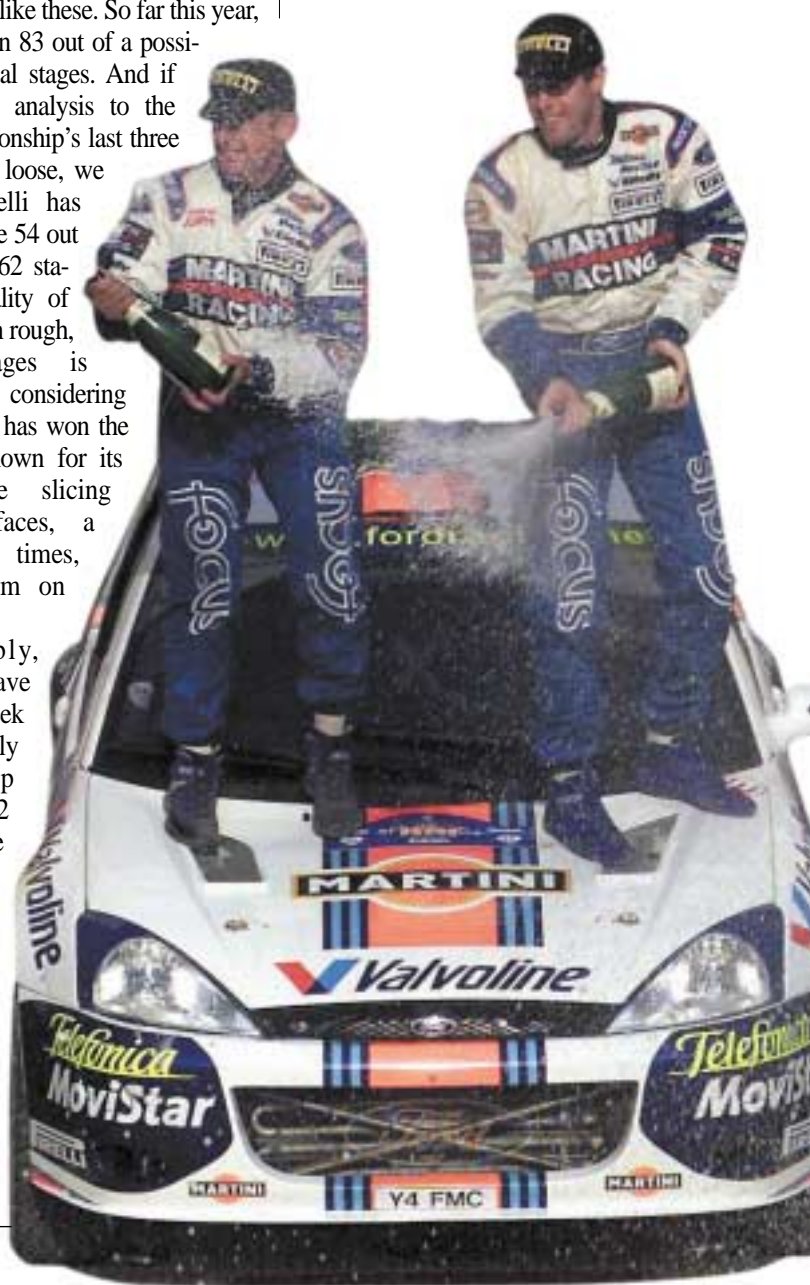
Remarkably, our tyres have won the Greek world rally championship counter 12 times over the years with different cars and drivers, who have always been able to put on an exceptional performance on

such nightmare special stages to build this remarkable record.

The world rally championship will be off to Kenya in mid-July.

On the red earth of Africa, with its high speeds and tough weather conditions, Pirelli won in the last three world championship rallies. The 2000 Safari Rally ended last year with an exclusively Pirelli podium, the top spot going to Richard Burns, who won in his Pirelli-fitted Subaru, without experiencing a single tyre problem. A technical result that speaks for itself loud and clear, even to those with less than a passing interest in tyre technology...

by Roberto Boccafogli, Milan



International features of Pirelli Tyre's latest products

P6 and P7: a Worldwide Echo

P6 and P7 have made their debut in all Pirelli's most important markets. Below, a selection of articles from other countries where their echo has equally arrived loud and clear



Auto Loisirs - May 2001 (Belgium)

...P6 and P7, those new tyres, have a neutral design, compared to all other products made by the Milan manufacturer until now.

A design wanted by the majority of the manufacturers, who like sobriety of line and easy of fitting.

Pirelli made us discover the new tyres in a sporting context: the famous Rally of Catalonia, a round in the World Rally Championship.

A choice dictated by the technology and the highly sporting character of a tyre that has reached an equilibrated level. In effect, it was noted during the tests conducted in the Barcelona area that this new tyre is quieter and more comfortable, while offering quality grip both in the wet and dry.

Le Journal de Quebec - 7 May 2001 (Canada)

...A new generation of P6 and P7 has been launched. They are new tyres that use the best new materials and technology, conceived to equip a vast range of vehicles, from top range saloons to top performance station wagons. Without forgetting the high performance coupé and cabriolet. These two tyres are produced in a new factory in Milan, Italy, - which uses mostly robotised systems - called MIRS (Modular Integrated Robotised System). The tyres produced by this procedure are so perfect that they do not need any balancing when they are fitted: they are perfectly balanced...



Drive - May 2001 (Greece)

...In Spain, we had the opportunity to take an idea about the behaviour of the two tyres to both wet and dry road surfaces. But we have to observe how the tyres behave to the difficult conditions in Greece in order to have an utterly objective opinion. We have to estimate how much the noise is restricted in minimum levels towards national road where the speeds are high. In rounds, the braking is progressive so as for the driver not to get scared. We had the chance to test the tyres to different cars of different versions. But we cannot conclude until the behaviour of tyres will be observed on Greek roads...

Taiwan Motor - May 2001 (Taiwan)

...The wet test took place on 'curved' circuit with sprinklers wetting the road's surface. First, we drove P6 (205/60 R15) fitted to a Ford Focus. The asphalt's friction coefficient was quite low and the road was fairly slippery. It seemed the drive wheels slipped slightly when accelerating in a corner.

However, with the aid of ABS, P6 was able to keep the car under control when the brakes were applied. Next, we tested P7 (225/45R17) on a Volvo S60. Due to the size of the car, it slipped when cornering. But after the previous experience of the P6, we switched off the STC system and found out that the water displacement ability of P7 is the same as P6. In conclusion, the performance of both P6 and P7 was really impressive...



Auto Blic 20 - June 2001 (Croatia)

...The Italians return to tradition: two brand new high category tires will use again old designations - P6 and P7. Pirelli has obviously abandoned the previous way of tires designation by means of four-digits numbers (P6000 and P7000). Pirelli pneumatic P6 will be interesting for the limousine, caravan and monovoluminous middle class cars drivers, while the asymmetric P7 tire will attract first of all the new generation sports cars owners. With the new tires comes along also the new way of promotion: two web pages have been opened in internet: www.pirellip6.com and www.pirellip7.com with the prize winning games. The principal prizes are journey to the 1000 Lakes Rally in Finland, 3 gratis safety driving courses at Imola and 50 sets of tires P6 and P7...

Car Magazine - June 2001 (Japan)

...New tyres from Pirelli are P6 and P7. Those who have long history in automobile might want to shout, "Oh!", just when hearing those names. P7, appeared in 1970's and shot to stardom instantly. P6, aroused yearning to a 60's low-profile tire. Those P6 and P7 have revived. (...) However, Pirelli is different. They never end just by making the requirements of car makers satisfactory. While clearing all such the requirements of car makers, they also have precisely completed dry handling in their unique manner. In spite of having trad pattern with hig-wet performance looking land ratio, they provide firm gripping at dry and steering response tight enough. There is no delay in response in the vicinity of neutral. Of course, it is Pirelli. It is not too sensitive, not too nervous, and is completed to a mild character as a whole...



Auto Magazin - June 2001 (Slovenia)

...At Pirelli they make the point that safety is the top priority for both. The P6 is for those more interested in comfort and mileage than sports performance. When developing P6, they paid much attention to achieving a maximum reduction in rolling resistance and increasing silence. In spite of that, P6 responds very well even in the wet, in particular under braking. The point in the side wall of the tyre that registers the greatest rolling resistance has now been moved closer to the tread. That ensures a better response of the tyre and a better sensation at the wheel. Much more even and regular wear guarantees these tyres a decisive increase in mileage. The characteristics of the used tyre have also been improved. The tread profile does not become modified with use, which ensures driving characteristics similar to those of a new tyre...

World Brief

Brazil: 25 Years of the Gravataí Plant

April 1974: Pirelli buys a piece of land in the area of Gravataí, near Recife, in Brazil. June 2001: 25 years later, the Group celebrates the silver anniversary of the tyre plant built on that land, now one of Pirelli's biggest. A series of events have been organised to commemorate the anniversary: veteran employees have been invited to remember important periods through picturesque and original tales regarding life in the factory; a photographic exhibition has been staged with pictures illustrating the story of the plant from its birth to today.



Blood Donations at Pirelli Reifenwerke

When blood is in short supply during the summer months, blood donor organisations are always on the look out for new ideas. For many years the German Red Cross, the DRK, has maintained a long and successful partnership with Pirelli Reifenwerke at Breuberg-Sandbach: the

company gives its employees permission to donate blood during working hours, a tradition that dates back to April 1958. After a long break, the DRK's blood donor vehicle returned to Pirelli. Of the 60 people who volunteered to give their blood, 53 were accepted, 18 of them being first time donors: an exemplary number. Helmut Grunewald, a Pirelli employee, was decorated with the organisation's gold medal to mark the 25th time he has donated blood. Among the other contributors was Karl-Heinz Freitag, called the 'prince of donors' because he has given his blood no fewer than 95 times!

www.pirelli.com Receives the 2001 Internet Key Award

Pirelli has won the vehicles and accessories category of the 2001 Internet Key Award scheme. Organised by the editorial group Media Key, the competition is directed towards promoting creativity, technological innovation and communication online, with the objective of supporting the creation of a "Made in Italy" style on the web. This year's edition, the second, included 18 categories divided in three areas: web sites, Internet advertising campaigns and ads on line. At the gala evening, held on 4 July in Milan, all winners received a diploma and the Internet Media Key trophy.

Australia: Pirelli Tyres Equip the New V8 Series

Pirelli will be the exclusive tyre



supplier to Australia's newest motor racing tyres, the "V8 Brutes" for production based Ford and Holden V8 Utes. Pirelli was chosen from a range of brands submitted as the best all round tyre for ultimate performance across varied conditions. The tyre to be raced on will be the 235/45ZR17 93Y PZero Rosso Corsa. The new six round series will run across the three Eastern States of Australia and will accompany other major events, such as the Nations Cup and GTP Production series. At the first round of the series at Wakefield Park near Goulburn, Pirelli enjoyed a clean sweep of victories across these three categories, fitted to spectacular vehicles such as Ferrari, Ford Mustang and Lamborghini as well as the Ford and Holden V8 Utes.

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