

WORLD

The quarterly magazine for Pirelli's management throughout the world - August 2002 - No.32



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Strong Values for New Approaches

Half way through the year, a period usually dedicated to making assessments, Pirelli presents a series of strategically important innovations to the Group. On June 18, Marco Tronchetti Provera inaugurated the new CCM (Continuous Compound Mixing Room), the complement to our MIRS process. Today, the system is able to produce 250 kg of compound an hour, which will rise to 1000 kg an hour in the near future. Another Pirelli breakthrough in the tyre making process, the CCM is a unique and will strengthen our leadership in the field of high range products.

June 25th: Pirelli & C Real Estate debuted on Milan's Stock Exchange. After a decade of exponential growth, the company now employs 1,000 people and has an annual turnover in excess of € 700 million: today, it is one of the leading players in its field in Europe. A great deal of this success comes from the winning business model adopted by the company, which combines both asset management and service provider activities.

July 9th: Pirelli Energy Cables & Systems inaugurated the deepest submarine energy cable ever installed anywhere in the world. The link – which reaches a depth of 1.000 metres - connects Italy and Greece by a 312 km long cable, uniting for the first time the Greece with the rest of Europe. The connection is also the most powerful unrepeated DWDM submarine system in the Mediterranean region.

July 22th: the Ravenna Festival held this year's final concert in New York, in memory of the victims of 11th September, and it was available to everyone - live - on our web site www.pirelli.com.

In different areas, each with their different rules and players, the Pirelli Group presents ideas, projects and results that strengthen its leading position as a non-stop protagonist of innovation on the international scene.

After a decade of dramatic growth

Pirelli & C. Real Estate Goes Public

With the resources yielded by the quotation the company will consolidate its leadership in asset management and in providing service to the real estate industry



number of successful operations, including the acquisition of Unim (former Ina real estate property company) and Edilnord (from the Fininvest Group) as well as the property portfolios of Compart-Montedison, Rizzoli-Corriere della Sera Group, Banca di Roma, RAS and Toro, today Pirelli & C. Real Estate employs over 1,000 people with a sales volume in excess of €700 million a year, as a result of which the company ranks amongst the leading European players. In the first three months of the year, the Pirelli & C. Real Estate's typical activities registered a net income of almost €16 million, with a rise of over 400%. Consolidated turnover totalled €100 million.

On June 25 Pirelli & C. Real Estate made its official debut on the Milan Stock Exchange: 14,150,000 shares (equaling 34.8% of the share capital) were made available to the market through the coordination of Mediobanca, Morgan Stanley and UBM. An additional stake in the form of a green-shoe option may bring the flotation up to 40%, while Pirelli & C. will retain the majority through its 55.2% holding.

The listing of Pirelli & C. Real Estate follows a decade of dramatic growth, initiated with the huge recovery project of Bicocca, a former industrial area in Milan. Since then the company has developed a powerful and innovative business model for the real estate sector, which resulted in high levels of efficiency and profitability.

In 1992 Pirelli & C. Real Estate employed 36 people, with consolidated turnover of €1 million. After a

Pirelli & C. Real Estate's innovative business model integrates the activities of asset manager with those of service providing for the real estate industry.

As an asset manager, the company is involved in the active and strategic management of real estate investments, usually holding significant minority stakes in partnership with some of the largest international investment funds. Total assets now under management have reached a

market value of €7.8 billion, increasing to €9.8 billion upon completion of the Tiglio Project (integration of the Pirelli-Telecom Group real estate property, areas and services).

As service provider Pirelli & C. Real Estate supplies a wide range of services to the private and public real estate industry: acquisition, implementation, management and sale of property resources, including project, property and facility management, residential and commercial agency and credit servicing. Today, the global portfolio of Pirelli & C. Real Estate in the service providing area has a market value of €18.6 million, growing to €25.5 million with the Tiglio Project.

Going public addressed two distinct objectives: further development of the Pirelli & C. Real Estate's activities and consolidation of the leadership positioning in the Italian real estate market. Financial means obtained from the IPO will be directed to Pirelli & C. Real Estate core business: as far as asset management is concerned, the objective is to expand the activities to other market segments (such as, among others, industrial, hotel and retail property asset management) and focusing on the 'holiday houses' with regard to residential property.

The lines of action decided upon aim to increase asset management in the short-medium term on the one hand and on the other to launch the first long-term real estate closed-end fund including the best qualified concentration of properties and offices ever created in Italy, to be followed by other specialist real estate funds dealing with other specific typologies of assets, which would make a significant contribution to the financing and further development of the real estate industry in Italy. Furthermore, the company plans to expand its presence to the main European cities.



Some of the buildings built by Pirelli & C. Real Estate in the Bicocca area in Milan.

As a service provider, Pirelli & C. Real Estate intends to further reinforce its leadership in the full range of real estate services. Another important project is the strengthening of the residential agency franchising network, aiming to bring the currently fragmented Italian offer under one single leading brand. The objective is to create in the next five years a network comprising 2,500 estate agents (accounting for 15% to 20% of the market), starting from the existing 120 sale points acquired through the Edilnord operation. In addition, the company is also considering the development of new services such as the re-qualification of buildings to being environmentally-friendly.

To meet the objective of adding new business segments to its activity, Pirelli & C. Real Estate has recently entered into the non performing loans (NPLs) securitisation market. Following the acquisition of a NPLs business by the parent company Pirelli & C. last January, and after having renamed it Pirelli & C. Credit

Servicing, Pirelli & C. Real Estate bought a qualified minority holding in a vehicle with a €150 million NPLs portfolio. Thus, the total book value of the NPLs portfolio currently managed by the company amounts to about €900 million. This market indeed offers significant growth opportunities thanks to the large amount of NPLs and will provide Pirelli & C. Real Estate also with the possibility to increase its global property portfolio through direct transactions and/or participation in auctions.

As of today, the Italian property market is one of the most promising ones in Europe: the growth in price and transactional volumes experienced in these last years is likely to continue with this positive trend for at least another four to five years. With this scenario ahead, Pirelli & C. Real Estate's business model – structured to maximise positive market peaks while no longer being affected by market downturns – will be efficient in bringing satisfaction to its shareholders and to the whole Pirelli Group.

by Andrea Gaudenzi, Milan

2.500 estate agents in the next 5 years

Pirelli's CCM: the new fully automatic mixing room

The Continuous Compound Mixing Room

The MIRS™ project has been completed by the launch of modules for motorcycle and truck tyre production



Daniele Pirola reports from Bicocca, Milan

“**T**he new CCM mixing room, which is the result of advanced Pirelli research, is a completely unique system in the world and constitutes the ideal complement to MIRS™: that is how Marco Tronchetti Provera defined and presented to the press and the international financial community

on 18 June 2002 a completely new development in tyre production. It is the revolutionary CCM (Continuous Compound Mixing) system, an absolutely unique process for the production of compounds, which is able to ensure a quantitative control of materials with a level of precision that has no precedent in its segment of the tyre industry. The conference took place in the Pirelli area of Bicocca, Milan, Italy, adjacent to the MIRS™ plant,

where the new mixing room has been built.

The CCM mixing room represents the logical completion of the MIRS™ project; the production of the compound becomes part of the automatic factory managed on-line. The CCM continuous compound mixing system is covered by seven different families of patents - one of which has already been granted in the United States of America, while other much more recent applications have been filed in USA, Europe, Japan and South America - that give Pirelli a significant competitive advantage, both in terms of business and value for the company.

The CCM permits the management of a complex given by 40 components - from polymers to additives, from carbon black to sulphur and silica - the presence and composition of which varies depending on the type of tyre being produced. Built in a record time of 24 months, on an area of 800 square metres and requiring an investment of €10 million, the CCM compound room at Bicocca is today a pilot plant able to produce 250 kg of compound an hour, a figure destined to become an hourly 1000 kg once the room becomes fully operational.

“The objective of the MIRS™ process”, says Chairman of Pirelli SpA Marco Tronchetti Provera, “is to strengthen the leadership of Pirelli in the high range products and in growing and profitable sectors, focusing on the most advanced products in terms of performance, safety and reliability. MIRS™ technology permits the optimisation of the process, increasing plant productivity and flexibility and accelerating the answer to the needs of an automotive market that evolves fast”.

The Continuous Compound Mixing represents a unique technological breakthrough; the lead time, which is about 24 hours in the traditional mixing process, is greatly reduced to 4.7 hours, energy consumption is lowered by over 20%, the variability of the physical properties of the compound is 70% lower.

“With the creation of the Pirelli CCM, the final objective of the MIRS™ system has been achieved”, says Renato Caretta, Chief of Engineering Technology for Pirelli Tyres. “And that is to make MIRS™ a completely autonomous and flexible system, able to produce tyres by a continuous and integrated process. Applying the basic principles of process continuity, modularity and flexibility to the compound room, Pirelli has extended to the materials area the same strategy that is at the basis of the overall MIRS™ system, to revolutionise the traditional manufacturing cycle.”

The flow of CCM, which requires two double screw extruders that work in continuity, fed pneumatically with the various components, means being able to work continuously, without interruption and without intermediate storage. The computerised management of the feed flows permits a total control of ingredients and chemical reactions, temperatures and mixing conditions; it also drastically reduces the production of powders which, in the case of the Bicocca compound room, does not exceed the level of 0.3 mg per cubic metre compared with the 10 mg/cubic metre limit set by European Union regulations.

“In the same way that MIRS™ guarantees the control of technology, CCM guarantees the control of materials that go into constructing tyres, improving the physical, mechanical and behavioural elements in a decisive manner”, adds Enrico Albizzati, managing director of Pirelli Labs – Materials Innovation. “In addition, reduced times of permanence and extremely high process temperatures allow us to adopt new materials for the compound that cannot be used in traditional technology. Thanks to the synergy between MIRS™ and CCM we will, therefore, have the possibility of introducing a new generation of tyres to the market, with performance unimaginable up to now”.

Together with the creation of the CCM compound room, the MIRS™ programme has taken another important step forward with the installation - at the



pilot plant at Bicocca - of the first robotised module for the production of motorcycle tyres. The motorbike tyre field is an area of application in which the potential of MIRS™ will be particularly beneficial; for a motorcycle, in fact, the tyre plays an extremely important role in ensuring the necessary conditions of safety and grip and determining the performance of the vehicle. The first homologation test for the new MIRS™ motorcycle tyres for Original Equipment on the Aprilia RSV 1000 R has been successful. Aprilia says that this first test demonstrated “a great balance between comfort and stability, setting an absolutely new benchmark”, and a “high uniformity of acceleration forces” that permits “precise and balanced handling”, and an “outstanding grip in braking”.

The pilot Bicocca module will soon lead to the installation of the first MIRS™ motorcycle tyre production modules at the Metzeler factory in Breuberg, Germany. And considerable progress is now being made in the MIRS™ truck tyre programme; at Bicocca, robots are now ‘learning’ to handle truck tyres that weigh 50 kilos and more.

Regarding the car and SUV tyres, production based on the MIRS™ process is

working at full speed, with the three modules at the plant at Breuberg, Germany, being used –among others- to make Pirelli Eufori@ Run Flat tyres for the BMW Mini. A fourth line is almost ready to begin production, while the installation of a fifth module is now coming to an end. So Germany is starting to become the main production centre and reference point for Pirelli’s MIRS™ car programme. Two lines are also in operation at the Group’s Burton-on-Trent factory in Britain, focalised on HP/UHP tyres, and the lines for the North American market.

Pirelli’s American MIRS™ project is also proceeding to plan: the construction of the Georgia factory has already been completed and the plant is close to start-up, with production scheduled to begin in July 2002. By the end of this year three U.S. modules will be in operation, essentially producing SUV and car HP/UHP for the Original Equipment and the North-American Replacement.

The MIRS™ system has become in only one year and a half (it was launched by Pirelli in July 2000) the point of reference in the tyre industry: the CCM completes the project and thus strengthens Pirelli’s leadership in the high performance tyres.

Pirelli links Greece with Europe

A Record in Depth

A power cable up to a kilometre below the sea's surface connects Greece with Italy and the rest of the European Union

The deepest laid direct current submarine cable ever installed by Pirelli Cables and Systems was inaugurated on 9 July 2002. Now at a depth of up to 1,000 metres, it is the first direct link of its kind between Western Europe and Greece and will connect the Italian

ENEL-TERNA, the main Italian Electricity Transmission Board, and Otranto. This terrestrial section, which connects the centre of Salento with the coast, is also an important achievement for Pirelli as it is one of the longest land links of high tension oil-filled cable ever installed, with a

carrying capacity of 500 MW in direct current at 400 kV. The decision to abandon the overhead lines originally planned for the project and adopt an underground cable system was due to the growing attention to environmental

A new mechanised cable laying system, developed and patented

by Pirelli, was used for the first time to install 14 of the 43.5 kms of the Italian underground section: the machine digs, lays and buries the cable simultaneously and, as well as its functional advantages, guarantees a notable reduction in such operations' impact on the environment.

The link, between Italy's Apulian coast at Otranto and Epirus in the Greek area of Aetos, meant laying 163 km of submarine cable, which for a significant part of its length lies at a depth of 1,000 metres, a world record for a power cable link. The depth at which the cable was laid, combined

with its level of voltage, required the solution of a number of formidable technical problems. In the deepest areas, it was decided to simply let the cable settle on the seabed, while on the two continental shelves, up to a depth of 150m, the cable was buried under the sea bottom, to avoid the risk of damage by fishing equipment or anchoring systems.

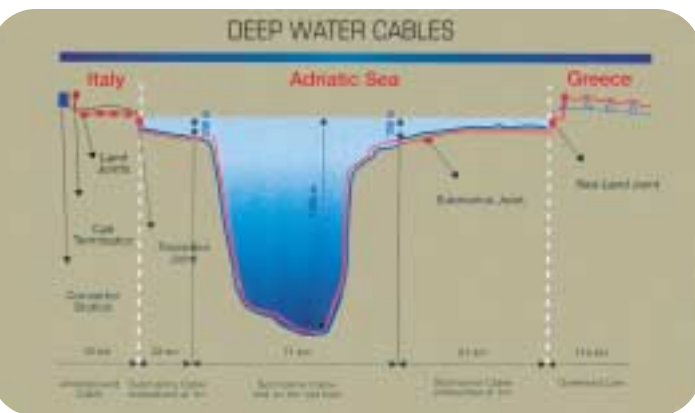
The energy cable, which can transmit 500 Megawatts of power – the amount consumed by half the city of Milan – enters the sea near the port of Otranto and crosses the Otranto Strait in the lower Adriatic. It comes ashore along the steep underwater slopes near the island of Corfù and the Albanian border, in Greek waters. From there, the connection continues from Aetos via overhead lines to Arachthos, where the conversion station is located.

The cable, which has a diameter of 120 mm and weighs 45 kg/m, was made at Pirelli Cavi e Sistemi Energia submarine cable factory at Arco Felice, near Naples. The line has a double high-tensile steel external armour able to resist to high pulling forces during the laying operation, as well as to protect the cable during installation and its life.

It comes as no surprise that Pirelli is able to lay a power cable a kilometre below the sea surface: in addition to experience accumulated over the years in installing submarine cables at increasing depths, in the mid-Eighties the Group carried out a development project on behalf of an American company that contemplated the design of a suitable cable and trial installation up to 2000 metres down in the Pacific ocean.

The Italy-Greece link is now fully operational: the project was designed to accommodate a doubling of transmission capacity in future years, changing from monopolar to bipolar system with the addition of a second twin pole.

by Renato Grampa, Milan



and Greek electricity networks.

As the first interconnection between Greece and the rest of the European Union Countries, the project is considered of a high strategic importance. Before project implementation, Greece was the only country that was not linked directly with other EU countries with energy interconnections. At the same time, the undertaking gives an additional possibility of interconnecting with the Balkan and Middle Eastern countries.

The overall length of the link is 204 kilometres, with 43.5 km underground route between the Galatina station of

Two days - 14 June and 22 July: the former, the date of the first of the most important 10 events that comprise the Ravenna Festival. The latter was the date of the final occasion entitled Musicians of a United Europe, under which members of some of Europe's greatest orchestras performed in New York at the Armory building, which was used as a casualty reception area after the World Trade Centre's twin towers collapsed.

More than a month of outstanding music that culminated by reaching out across the Atlantic Ocean to New York in an effort to build a 'bridge of brotherhood along the roads of friendship with art and culture', as the festival's motto says.

The choice of a location for the final concert could have been nowhere other than New York, a city lacerated by the tragedy of 11 September. After numerous concerts that enlivened the warm nights of Ravenna, the festival moved to the Big Apple on Monday 22 July. New York was a new destination for "Le Vie dell'Amicizia" or 'The Roads of Friendship' and was made possible by Pirelli, which first joined forces with the organisers of the Ravenna Festival in 1998 to stage a concert in Beirut and continued in subsequent years with others in Jerusalem, Moscow, Erevan and Istanbul.

The overseas concerts have attempted to offer moments of reflection on the recent, tragic happenings that have devastated the international scene, taking to their troubled locations notes of hope and solidarity. To give voice to the music of Rossini's William Tell, Beethoven's Eroica and Verdi's Va pensiero - a repertoire that celebrated the ideal of heroism and exalted peace - there was a group of extraordinary soloists, including Barbara Frittoli, Marianna Kulikova and Giuseppe Sabbatini. The orchestra, which was conducted by Riccardo Muti and especially created for the occasion, was composed of musicians from Europe's best known musical institutions, among

The Ravenna Festival concludes in the Big Apple

A Concert for New York

Pirelli and some of the world's greatest musicians come together in New York for an evening of music and solidarity



A concert in the S. Apollinare in Classe church in Ravenna

them the Wiener Philharmoniker of Austria, the Berliner Philharmonisches Orchester of Germany, the Royal Philharmonic of Great Britain and the Orchestra Filarmonica della Scala of Italy, plus an important representative group from the New York Philharmonic. As well as the continual presence at all the Ravenna season's concerts of the Associazione del Coro Filarmonico della Scala directed by Maestro Bruno Casoni, a large group of artists from the City of New York Choir also participated to further underscore the brotherhood and union that exists between the peoples of the world.

After the success of the live transmissions of recent years from Moscow and Istanbul, the closing concert of this year's Ravenna Festival was also transmitted live on Pirelli's www.pirelli.com web site. Thanks to a streaming link that began at 8pm New York time (2am in Italy) that continued until the end of the performance, members of the public throughout the world had the chance to enjoy this exceptional event as it unfolded. RAI Radiotelevisione

Italiana also contributed to the promotion of the entire Ravenna Festival project by transmitting the concert in full on its top RAI 1 TV channel, with in depth reporting by the new head of RAI 1 and ex-TG 1 New York correspondent Fabrizio del Noce and Bruno Vespa, one of Italy's leading television political commentators and authors, all of which was also transmitted by the RAI's Radio 3.

The New York concert brought to a close this year's Ravenna Festival, which conveyed the peaceful and cheering power of great music to men and women across the world.

by *Livia Armellini, Milan*

Knowledge management

A Shared Patrimony

A new system is being developed that will ensure those with the need to know can share the intellectual capital of the entire Group



In a working environment of shorter business cycles and rapid technological change, a company's intellectual capital framework is its primary value-creation dynamic. And it is this focus on intellectual property that has caused our times to be dubbed "the knowledge era".

For Pirelli, the "knowledge era" has already been marked by a series of events one of the most impressive being the sale of parts of our photonic business to Cisco and Corning, which demonstrated that intangible assets – people, their knowledge and patents – are sources of competitive advantage and value creation in business.

That imposition is confirmed by the information contained in the three-year plan, which indicates product and process innovation as the fundamental strategic driver that can guarantee an increase in profitability.

The implementation of that strategy must, inevitably, pass through a highly structured management of knowledge, which is the engine and activator of innovation.

For some years now, the people who operate in Pirelli's research and development and marketing functions have posed themselves the problem of how to use technology so as to be able to research, organize and share knowledge necessary for the development of innovation. Today, specific portals are available that have led to a faster fruition and sharing of knowledge.

But the management of knowledge can no longer remain a function exclusive to employees working in a specific area of its concentration.

In fact, people operating in many processes and support activities all share the need to organise, research and pool information in a more efficient manner.

Moreover in a complex and diverse organisation like Pirelli's, with its many skills and different kinds of experience spread across its length and breadth, knowledge is not only represented by documents and sources of

information, but also by 'tacit knowledge'.

Gathering and organising daily used information, explicit knowledge currently stored in documents and tacit knowledge is to give significance to such wisdom. To give value to the Group's intellectual capital, it is necessary to understand how that knowledge is formed and how we can ensure that people use it efficiently.

To capitalise on what has already been realised and create a Knowledge Management model able to manage the ever-growing requests for organisation and diffusion of knowledge, a new Knowledge Management System project has been launched with the objective of fashioning a management system of content common to the entire Group.

The key element for success is a good system by which people can quickly find the information they need. A system that is not simply an answer to the question 'where can I find...?', but a completely new way of working, where information is divided into topics and stored in different 'rooms', therefore creating a 'virtual office'. Finding the right information at the right time and working in a virtual room are the key elements of this innovative Pirelli project. The drawbacks of such a system are mainly two: first, all technology is evolving faster than people's needs and is not always user friendly; the second is people's lack of awareness and diffidence towards new tools, which in fact would help them work better. These elements generate a complexity that obstructs the implementation of the project and that requires time before it can be overcome.

Pirelli's KMS project has been designed to avoid such difficulties and to be easy to use. Its main functions provide tools that give everyone access to all the portal's documentation. Immediate results include avoiding double output (two people unknowingly doing the same work), meeting a request in minimum time, focusing more effectively

on projects due to the availability of a tailor made room in which to find only the relevant information, safe in the knowledge that the data is protected and accessible only to the right people.

Technically, Pirelli's KMS will be a new and powerful searching system that will underneath our Enterprise Portal Employee Online and will work like this: the user will subscribe to the system and automatically receive the authorisation to enter the site. Access to the portal is tailor-made: entry is open to all, but each person is only allowed access to his/her specific area of interest. The aim is to make all publishable information accessible to all the target employees. But knowledge is not made up of complex content alone; it also comprises highly practical and apparently simple information which,

however, brings with it a significant loss of time. A few examples: the need to know how to read the pay roll or how to order a new computer. Or perhaps to be brought up to date with the latest information emanating from a congress in one's specific field of interest. The system will provide the information needed quickly and in a user friendly way: that is the goal. Everyone allowed to enter the portal is also permitted to insert any document considered helpful to his/her colleagues in the forum area.

A pilot phase of the Pirelli KMS project has begun, involving the IT and Sales & Marketing areas of different businesses, providing all the information useful to employees in respon-

ding to customers' needs, dealing with a considerable number of processes and a great deal of customer knowledge, which is often hard to find. The KMS is based on the concept that an organisation – especially a big one – cannot simply rely on individual employees for critical knowledge. Intellectual capital must be guarded and be available when needed: KMS is the tool with which to satisfy that competitive need.

KMS will also give the company an opportunity to create an effective knowledge community, paradoxically



Previous page: Rodin's "The Thinker". Above: the Tyre Sector's knowledge portal.

independent from people and yet based on them, at one and the same time throughout the entire organisation.

The project will also enable users to identify people who have specific know-how or tacit knowledge, gather their testimonies through interviews and manage the information those interviews generate as if it were a Word file. Using that system, the knowledge that currently belongs to the individual will be shared and the risk of it being lost will be avoided.

The long-term objective of KMS is to obtain from people knowledge that will form an enormous added value for the company.

by Silvia Vanini, Milan

P6 and P7 Russian presentation

News from the Russian Front

In a vast land of fierce competition, Pirelli introduces its new high performance summer tyres



Russia is the only country in the world where the motoring seasons change so suddenly from summer to winter and back again. A fact confirmed by the many existing legends about the Russian and especially the Siberian winter...

It is therefore little wonder that, with the descent of an early frost and certainly after the first snow fall, the majority of Russian motorists automatically fit their winter tyres and use them non-stop until March or April, when the tempera-

ture rises and on go the summer covers. There is no need to invent any special promotion: the 'promoter' is the weather, which forces Russians to spend money on two sets of tyres, one summer and the other winter.

So it will come as no surprise that the biggest selling winter tyre in this country is one that can be studded. Even some SUV owners prefer studded tyres. Naturally enough, that is reflected in Pirelli's commercial operations in Russia, where 75% of sales there are accounted

for by Winter Studdable Plus and other modifications of the old Direzionale, and only 25% by other Pirelli winter tyres sold in the area.

Russian tyre dealers usually start to build their summer tyre stock as early as January in order to be able to offer their customers a full range by March.

The new P6/P7 were officially unveiled here in March 2001, but due to limited availability, the new Pirelli tyres did not arrive in Russia in volume until the summer of 2002.

Russia is a market of harsh competition in which there is not just the classic presence of Michelin, Bridgestone, Goodyear and Continental, but also strong sales efforts by Nokia Tyres, who are local production minded, and Gislaved.

At the same time, the Scandinavian brands are fairly potent due to their excellent winter tyre image: in fact, the Hakkapeliitta and Nord Frost brands are becoming so well known in Russia that they are often used as a generic for the winter tyre itself, rather like Jeep for off-road 4x4 vehicles or Hoover for vacuum cleaners.

In Russia, Pirelli has always had the image of a prestigious brand specialising in ultra-high performance tyres. The company's good corporate relations with car makers and tuners help greatly in this respect. In this country there is almost no middle class but there is

a sharp division between the rich and poor, the latter far more numerous, although the 'new Russians' are well known all over the world. For example, according some data Brabus sells the greatest number of its cars in Russia. Foreign visitors to Moscow say that there is no other city in the European orbit where it is possible to see so many Mercedes-Benz S-Class and new BMW 7 Series cars by just standing at a city crossroads for 30 minutes. That is why the Russian market has such great potential for Pirelli: people here are very concentrated on the brand of product they use.

Pirelli was the first among all the tyre producers here to make a professional presentation of its products at such a high level as we did recently with the P6/P7, during which there was a technical presentation by a specialist from Europe and a test driving for those who attended. Pirelli Moscow has good relations with the local offices of Audi, BMW, and DaimlerChrysler so they provided S-Class, A6 and 5-Series cars which our guests could drive on comfort and noise tests, plus the C-Class, A4 and 3-Series for dry handling. The new E-Class, BMW 7-Series and Audi A8 were also loaned to us for exhibition.

The first Pirelli tyre presentation in Russia was a great success and aroused considerable interest in the P6/P7 among the country's motoring press. Dealers also attended the introduction, bringing the total presence to more than 150 people. After the event most publications carried articles comparing the Pirelli presentation with international exhibitions, saying only at those events is it possible to see such cars together in one place, and describing the excellent quality of new Pirelli P6/P7.

by Alexey Kojoukhov, Marketing Manager, Pirelli Moscow

The new Tyre Sector print advertising campaign

A Fist Full of Tyre

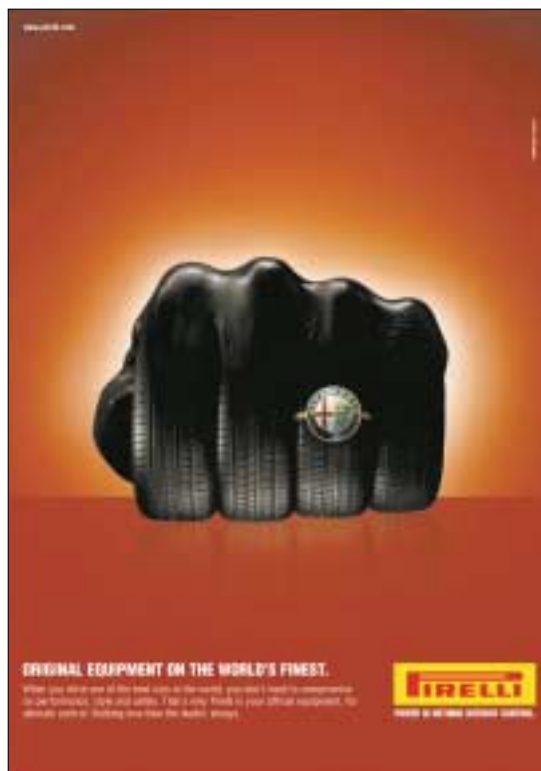
A look behind the scenes at how the creative idea for Pirelli's hard-hitting new tyre press advertisement campaign was born

Characteristics: it is fitted as original equipment by the world's top car manufacturers; it provides superior road control; it is the unchallenged leader in quality. It is not difficult to work out what we are talking about: it is a Pirelli tyre. An item that is as unique as it is special, from the point of view of those who have to create a new advertising campaign.

The briefing given to the Armando Testa agency for the new print campaign was not simple, yet the final idea was ingenious.

But to explain how the idea came

about is difficult for someone who is not in the business: we therefore asked Maurizio Sala, the agency's creative director, to tell us how he and his team came up with the "fist". "What is there in a campaign that communicates its values with strength, that attracts significant international creative recognition, that carries on a long company tradition of innovative messages,



is impactful and radically different to the competition? It is an idea, one can answer simply. But where there is an idea there is also strategic thought, and where there is a strategic thought there is also an

advantage for the consumer.

And where there is an advantage there is always a superior product. A virtuous chain that also drove the search for Pirelli's new press advertising campaign for the world market.

A no-nonsense visual that hits out, evocative. A simple concept and rewarding, the best cars in the world select Pirelli. Do you need anything else? No, because it is not necessary. So the creative research can begin.

"The synthesis is the first objective. When one thinks of the press, one must consider that the advertisement will inevitably end up in the middle of a mass of pages packed with graphics, large and small format photographs, articles, rival ads, which are there with the objective of standing out in the eyes of the consumer. People who are often happy to get away from this chaotic assault by turning the page and going somewhere else.

To halt such a move and hold people's attention requires two things: be simple so as not to confuse the

reader and be original so as to arouse his curiosity.

Creative researchers hold long debates on this subject. They invent metaphors, visual concepts. They attempt to lay out pages, try to imagine how certain solutions will come out once they have been photographed. But it is not easy.

There is always something that does not work: sometimes too didactic, other times too complex, not incisive enough on other occasions.

One needs impact, a slap, a punch to the imagination of the reader. "Wait a minute, you said a punch?" asks the creative man. "Yes, a punch", confirms the client, surprised by the spark of sudden interest. A sheet of blank paper, a felt tipped pen, a few drafts and the fist that delivers the punch has been drawn. A black fist.

A fist with fingers made of a tyre. Four fingers, like there are four wheels on a car. "Good, strong, direct. It evokes strength, power, control", says the client. But how can we say we are chosen for the best cars? The question is no sooner asked than the pen is at it again, drawing a ring.



Simple,
direct,
effective

In the setting, a car badge. One brand that marries another. "Your passion in safer hands", recites the copywriter, going straight to the point. Concise, like the visual it accompanies.

We look at each other; someone says perhaps we've got it. But there is a moment of silence: it always happens when an idea is born. It is the moment in which everyone in the group makes his own mental check: is everything there? What's missing? Are there any negatives? Does it fit the briefing? Is it in the style of the brand?

Will it be understood all over the world? Then, one by one, everyone smiles: the check went fine.

An idea has been born. From that moment, the Pirelli advertisement starts to take off".

by *Giovanna Giusti, Milan*

Cables for Central America

Down Mexico Way

Pirelli is to supply a turnkey cable project that will secure the distribution of electricity in Guadalajara, Mexico's second biggest city

The leading electrical energy company in Mexico, Comision Federal Electricidad (CFE), has selected Pirelli as the exclusive provider of a turnkey project in the Agua-Azul area of the state of Jalisco.

Worth €12.5 million, the project is considered of strategic importance to the country and its completion will increase the safety and efficiency of the electrical system of the country's second biggest city, Guadalajara, and its over five million inhabitants. The new installation will connect three large sub-stations at Agua-Azul, Atequiza and Alamos in the centre of the city by underground cable.

The project was developed and the contract won by Pirelli Mexico, coordinated by the Group's Italian and French offices in an international public tender operation announced six months ago, in which Pirelli beat off opposition from Europe's biggest cable manufacturers and others in the Far East.

The project includes the elaboration of engineering services, the supply of 30 km of 230 Kv cable, civil work and the installation of the cables with accessories. It will be carried out under the supervision and responsibility of Pirelli, who will also train 10 CFE engineers in France and 12 technicians in Mexico in how the system works.

A further challenge will be to finish the job in only 270 days as requested, in that it will be necessary to close the Guadalajara distribution circuit as soon as possible and adjust a reserve line between the three sub-stations,

which must kick into parallel operation in the case of a problem with the prime network.

The importance of the project is underscored by the fact that this urban line is one of the first in Mexico to be requested with ecological characteristics, and will comprise underground cables in special PVC tubes, covered

the last two years that, following new changes in politics and the free conduct of commerce between Europe and Mexico, the Group has set up an office of representation under Pirelli Brazil for the purpose of developing business for the Group's Telecom and Energy Sectors in Mexico, Central America and the Caribbean.



Cathedral and government palace in Guadalajara.

with special thermal sand. That technique, which is little used in Central America due to its high cost, will bring a notable increase to the lifespan of the system, drastically reduce its visual impact and electro-smog.

Pirelli's presence in Mexico dates back to 1957, when a joint venture was established with the Anaconda-Condumex group. Pirelli sold its share of that organisation in 1990, but a technology transfer agreement remained in place until 1993. It is only in

Pirelli is currently the leading supplier of OPGW cables in Mexico, with more than 3000 kms of the product sold to CFE in recent years. It has also installed almost all the Fluid-Filled cables in the hydroelectric centres of Chiapas, which meets 35% of Mexico's power needs.

The Guadalajara contract once again confirms Pirelli as one of the top international suppliers of cables and systems to Mexico.

by Antonio Capristo, Guadalajara

Communication on the web

Environment and Safety at Work

All you need to know on safety, environment and health in Pirelli is now available on the intranet portal

Environment, health and safety are fundamental subjects which become more important as each day passes, particularly in industry. Always attentive to such matters but at the same time ever more frequently using new technologies, Pirelli recently inaugurated a new Environment, Health and

Safety portal on its own intranet. Welcoming the introduction of the new site, Enrico Albizzati, managing director of Pirelli Labs, said that it was conceived to optimise communications and exchanges of information on the environment, health and safety at every level in the Group – corporate, sector, country and operating unit. “The objective is to give everyone the chance of sharing best practices, problems, suggestions and

external working groups and in support of our clients.”

The portal makes available to everyone who navigates Employee Online the wealth of knowledge the Group has built up on such matters, and also sets out to facilitate and stimulate integration with other functions, so as to ensure that the protection of the environment and the health and safety of workers remains at the forefront of the company consciousness.

From the visual and functional points of view, the portal is divided into four main areas, each with its own role.

The *Navigation Area* groups together all the environment, health and safety sites on the intranet, now giving a single fast access to the corporate sites and various sections. Each sector site is managed by heads of function so as to guarantee a secure reference and rapid updating for all users at Group, sector and operating unit levels.

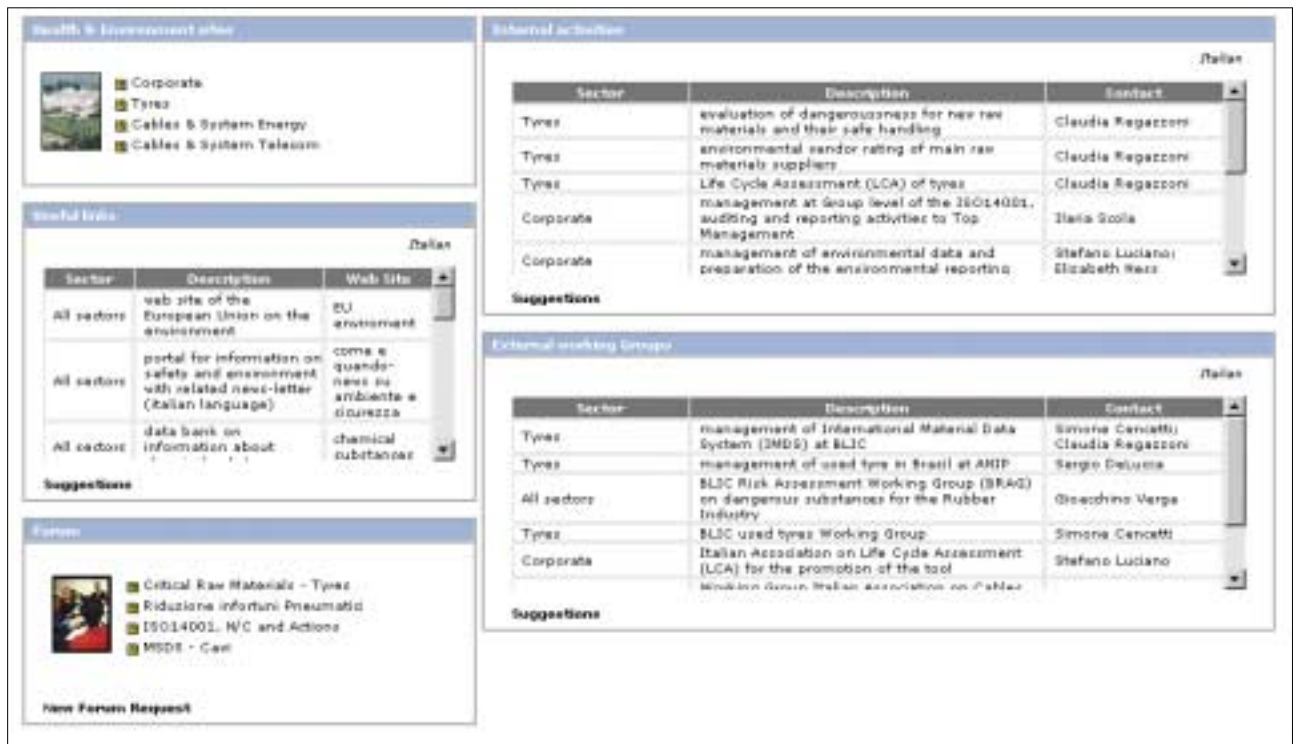
The Tyre Sector’s site, in particular, was recently updated and represents a developing archive of all key documentation.

The *Internal Activities* area explains whom to contact on specific matters.

All the main activities carried out internally and the people to contact by e-mail are listed inside a box.



useful information to improve the management of environment, health and safety in our factories, to ensure Pirelli contributes effectively in



The Tyre Sector's Health and Environment Internet area.

The *External Working Group* zone describes the technical working groups at National and International level in which Pirelli participates.

The key channels of information are given in the *Useful Links* box, which is a selected list of Internet sites that can be contacted quickly and effectively to obtain reliable, current and useful news concerning the protection of the environment, and pro-active management of the health and safety of workers. Some examples? The web site of the European Union on the environment, the data bank of information on chemical substances, the international portal on safety (ILO and EASHW) and many others.

The last section is called *Forum* and is the area for virtual discussion reserved for experts in the field, to ask questions, exchange ideas, signal problems, and suggest solutions.

This is not an area in which to file

documents nor is it intended as an alternative to e-mail. It is a series of round tables to stimulate the creation of working teams on specific subjects. Matters covered in the forum include: reduction of accidents in the factories; the system of environmental management to ISO 14001 including analysis of non-conformities that have emerged during audits; management of critical raw materials both as a support to Risk Assessment and for the definition of safe usage in the operating units; and finally, the creation of the material safety data sheets necessary for all commercial products.

To further facilitate international communication, and to allow the active participation of everyone, it is possible to send suggestions to the *Internal Activities and External Working Groups and Useful Links* segments.

Every user also has the possibility

of opening a new forum, inserting data he or she considers could be useful to other colleagues, and exchanging opinions. Furthermore, because the portal is open to all of the vast Pirelli intranet population throughout the world, two languages have been used – Italian and English.

To fully achieve its objective of improving communications, resolving problems quickly and efficiently and sharing the best solutions, the Environment Health and Safety team is counting on the participation of all intranet users: in this initial phase, reactions and comments are absolutely essential, because this working instrument for the management of environment, health and safety wants most of all to be useful to the people who actually use it.

So each person interested in this new initiative is encouraged to make suggestions that could help to improve this service and make it ever more effective.

by *Claudia Regazzoni, Milan*

Improving reliability and reducing cost

High Potential Solutions

No more termite problems for Australia's utility Western Power thanks to Pirelli's Termitex™ technology



Western Power is a corporate utility owned by the State Government of Western Australia that operates throughout the region, a 2,525,000 square kilometre land mass comprising more than a third of the Australian continent, which is home to only 10% of the country's population. Electricity is delivered to customers through two major interconnected systems, one in the southwest corner of the State and the other in the Pilbara region in the north, as well as 29 separate networks in remote areas. A strategic alliance between Western Power and Pirelli, which was first established in 1999, is bringing improved power reliability to Western Australia's Kimberley region. Western Power had a problem with termites eating through the PVC coating of its underground cables and causing blackouts, especially in the Kimberley and Pilbara regions. The solution provided by Pirelli was one of underground cables containing Termitex™,

a power cable termite protection technology that Western Power has adopted for a \$4.5 million upgrade to the Broome power distribution network.

The upgrade involved the installation of a new sub-station close to Broome's major load centres plus laying 15km of 33kV and 23km of 11kV cable containing Termitex™. Provision was also made for the sub-station to be supplied with electricity from a new, independently operated sub-unit, which will replace Broome's existing power generating plant operated by Western Power. An upgrade planned for 2002/03 will see the installation of an additional 15km of 33kV cable containing Termitex.

Western Power's General Manager of Commercial Services, Megan Enders, said the alliance was producing tangible benefits for the residents and businesses of Broome. "As well as eliminating cyclone damage, these new underground power cables con-

taining Termitex™ will significantly reduce the risk of interruptions to power supplies caused by termite damage, further adding to the reliability of the Broome distribution system. This strategic alliance not only ensures our security of power cable supply but fosters a close working relationship between Western Power and Pirelli, producing innovative ways of identifying and eliminating unnecessary costs and introducing savings."

Pirelli Power Cables & Systems Australia Chief Executive Officer Andy Summers said the strategic alliance gave Western Power access to the world's leading power cable research and development laboratories. "We see alliances with major stakeholders like Western Power as crucial to the research and development process, because the feedback Western Power gives us is very important in identifying where improvements can be made".

The Termitex™ technology has application potential in any country in the world where termites are attacking underground cables. Previously, subterranean lines were protected by the use of strong nylon and brass outer coatings, which can become prohibitively expensive for large installations. Termitex™ eliminates the need for that extra strong protection through the use of a non-toxic deterrent in the outer coating.

Termitex™ was developed by Pirelli's research division in Europe and was extensively tested in Australia in the early 1990's, work that is still in progress. Western Power is the first company in Australia to use the new technology on such a large scale.

Under their strategic alliance, Western Power and Pirelli hold technology forums to discuss potential projects aimed at improving the reliability and reducing the cost of power for consumers. This often leads to collaborative work on projects, such as the Broome Termitex™ initiative.

by Ken Grady, Sidney, Australia

Motorcycle racing

World Championships on the Horizon

Two thirds of the way through the 2002 season, Pirelli moto race victories and top placings are bringing this year's titles into view

The motorcycle tyre business unit's top sports activity has been divided into two main sectors – speed on the race track and the rough and tumble of motor cross. Two different kinds of motorbike racing that are in perfect harmony with the profile of the Pirelli bike tyre brand disciplines in which the company has always come up with winning products that are victorious as much in sport as they are on the commercial front.

On the speed side, the choice of categories in which to compete came down to Supersport, Superbike and Superstock, therefore privileging the racing sector that provides a true link with the product, instead of the more demanding form of competition reserved for way-out prototypes, which are a long way from daily reality.

With two thirds of the season over, the

analysis of results achieved so far fully supports that choice, rewarding the work of the Pirelli Competizioni technicians with whom our partners have been able to achieve numerous successes. In the Supersport World Championship, Pirelli has climbed onto the podium seven times in eight races. Our leading rider, Frenchman Fabien Foret, has scored three victories – it would have been four without a fortuitous disqualification for an insignificant technical irregularity – and has always scored points in the other races. He is currently leading the world championship table.

The tyre development programme for Superbike started up again last year and is proceeding to plan. Pirelli is filling the techno-performance gap that was the inevitable result of a 10-year absence from this branch of the sport, following all the success achieved in the 1988-1991 period.

European Superstock is a motorcycle championship of the Superbike segment with rigorous technical regulations, in which the Pirelli mono-tyre is fundamental. Superstock is considered the training ground for future Supersport and Superbike champions in which the age limit is 23, with each fiercely fought race an exciting spectacle.

Having won no less than 40 of the 65 world championships in which it has competed, motor cross for Pirelli is a form of bike racing in which the dominance and supremacy of its tyres is a fact of life. Just by analysing the period considered to be the new era of the company in cross - from 2001 onwards - it can be seen that Pirelli mounted riders won 35 world championship races and took 93 podium places in the 125, 250 and 500 cc classes. And that confirms the competitiveness of historic products like the MT32 and MT32A rear tyres and the MT83F front, used by the works Hondas, Suzukis and Yamahas.

French champion Mickael Pichon is firmly in the lead of the 2002 250 cc world cross title chase and is on his way to taking his second successive world title, while Belgian ace Stefan Everts could achieve a sensational record in the 500 cc class as a result of winning five world championships.

by Pierpaolo Gardella, Milan



Gerardo Bastos, a life with Pirelli

A Family Affair

One of Brazil's biggest tyre dealers and owner of the world's largest tyre store celebrates his thirty five years with Pirelli

When the subject of tyres comes up in Ceara', the northeastern state of Brazil, people immediately think of Gerardo Bastos. Enterprise and entrepreneur share the same name, one being a synonym for the other, and both project the Pirelli image - credibility, tradition, honesty and reliability.

by the company and Pirelli has an 80% share of the local market, not counting sales in adjacent states.

The sales strategies that brought about this considerable success come from decades of sheer dedication. There are no periodical promotions or amazing customer care tactics to lure the clients to the Bastos premi-

company's desk is intentionally placed near the counter in the headquarters store, where he is always available to personally attend to his customers, large and small.

Mr. Bastos greets his clients throughout the day, talks to his employees, walks around the service area and gives his attention to whoever steps into the store. By his side - and also behind the counter - are his two sons, Gerardo Filho and Jose' Bastos, who manage the GB network together with their father.

According to Gerardo Bastos, the key to success is to stay close to the customer. "When the customer approaches the counter", Mr. Bastos says, " he sees me and instantly relies on the house as he knows that, if there's any problem, I'll be there for him."

That is the single most notable feature about the entrepreneur. A man who, by the age of 12, obtained his first job as a helper in a fabric store. By the age of 14, Mr. Bastos was an assistant working behind a counter of an auto parts and tyre store, which also happened to be a Pirelli dealer. He worked in the same store for 27 years with considerable dedication and climbed his way up to commercial director, although promotion did not make a great deal of a difference to his manner. He enjoyed walking around the store greeting his customers, personally making sure they were being well looked after and seeing that the business was run his way.

Married and with seven children,



Gerardo Bastos is one of the biggest Pirelli tyre dealers in Brazil. His 35 years of hard work have yielded five stores – four of them in the city of Fortaleza, the state capital of Ceara', and the fifth in Sao Paulo, Brazil's biggest city. The total area covered by the stores is over 40,000 square meters, all built exclusively for sales.

The Gerardo Bastos figures are impressive: for instance, 60% of the Ceara' tyre market is accounted for

ses. On the contrary, the goal is to keep faith with customers through the practice of honest pricing and personalised care, which is incomparably practiced by Gerardo Bastos himself, a dedicated 75-year-old entrepreneur who personally opens his business every day at 6:30 am.

In Mr. Bastos' way of working there is no room for closed offices or secretaries who choose who can and cannot be served by the owner of the business. Unusually, the head of the

by the age of 41 Mr. Bastos decided it was time for him to trust in his own ability and start his own business. He went ahead quickly and opened his first store on 1 September 1967.

It was a multi-brand shop covering 120 square meters in the downtown's commercial area of Ceara', where Mr. Bastos sold car parts and tyres. Soon afterwards, he decided he did not have enough room, so he moved to bigger premises in the same street. In 1976 Mr. Bastos started his biggest store, which sprawls across 17.300 square meters.

"I like big stores which can offer comfort to the customer and where I can stock merchandise. It is always very important to have the merchandise where you can see it.", says Mr. Bastos, who gradually began to realise the need to dedicate his business to one single brand and to understand the advantages and disadvantages of each brand and type of merchandise. Step by step, he started to reduce the number of his suppliers and cut down the variety of parts he sold, so that he eventually turned his business into one of solely tyres and became a Pirelli dealer exclusively in 1998.

"As time passed", Mr. Bastos said, "I realised that if I worked with four brands I'd never get big. I was diluting the business too much. Therefore I started to slowly reduce my offer to one brand. Pirelli is a serious company, which offers an excellent product and where one can speak to the boss face to face, and this is preponderant for a serious and honest relationship."

All of Mr. Bastos' mega-stores are currently built in a standardised manner - they are large, comfortable, strategically located and have a special GB style. They maintain a constant flow of sales and offer all servi-

ces related to tyres, including balancing, alignment and shock absorber assistance, with the intention of ensuring the best service for their customers. The company's cleanliness and organisation are impressive, but so is its technology, which is considered fundamental. The system of purchase control, which keeps a personal data file on each customer, is a result of a constant search for new technologies. This emphasis has the objective of creating an unending upgrade of all GB systems. Whatever machinery might contribute the improvement of customer service is carefully considered for possible acquisition.

A total store area of 40.000 mq

insist on working with their father. All six plus Mr. Bastos' wife follow the managerial statute rigorously. The final word always comes from the father, who is respected and admired by everyone. Mr. Bastos managed to establish and build solid business and create a close-knit family, all of whom have the same love and sense of responsibility for the father's company.

This year, the Gerardo Bastos company celebrates its 35th anniversary. When the head of the organisation was asked how he managed to overcome hardships due to the constant floating Brazilian economy, Mr. Bastos answered evenly, "The secret to overcoming crises is hard work. Everyday is a new day,



Once the customer approaches the counter he can see the well organised and displayed stock, as he can the GB owners behind the counter, always ready to personally solve any problem and to serve whoever is interested in any available product or service. Personal care is, in fact, the biggest benefit offered by the group, an efficient recipe that generates credibility and loyalty.

Gerardo Bastos is a real patriarch who has seven children, six of whom

that must be lived with all its hardships and joys... but nothing is easy. In order to sell, one needs to know how to buy, to stock in the right season, to know how the customer's decision process works at the time of acquisition. One needs to take good care of the brand, to always practice a just and honest pricing policy and never, ever slack off in caring for the customers interests."

by Zarhi El Malek, Santo André, Brazil

The 11th Pirelli photographic collection

Aspects of Brazil

At the San Paolo Museum of Art, the annual photographic exhibition dedicated to young talent took place with 61 new pictures

As a global company active in many countries and different types of market, Pirelli has established many cultural events of an international level, associating its name with institutions of the highest order throughout the world. The Group also supports the so-called 'minor arts' including photography, which it promotes with important initiatives that go beyond its famous calendar, a cult object for the last 35 years and for which great names like Richard Avedon, Herb Ritts and Annie Leibowitz have created pictures.

In 1991, Pirelli and the San Paolo Museum of Art or MASP, holders of the principal collection of pictures of Latin America, jointly initiated a project for the formation of a photographic collection by Brazilians and people linked to Brazil for professional reasons. The MASP-Pirelli collection was started to help conserve a record of Brazilian traditions, with the intention of also making a substantial contribution to visual culture and projecting photography as an art form. By acquiring hundreds of photographs, Pirelli has contributed to create what is today the most important photographic archive in the country: year by year a commission of experts has been constituted that has evaluated thousands of photographs, each time selecting about 100 of them that best represent Brazil and Brazilian life. Once a significant number of images have been chosen, the year's Pirelli Collection is created and that has the double advantage of increa-

sing the cultural patrimony of the museum and giving exposure to the country's most talented photographers.

All of the 650 pictures by 181 photographers in the Pirelli Collection are brought together in an annual catalogue for an exhibition that is hosted in turn by the leading museums of Latin America and other



countries. This year, 61 pictures by 18 photographers were displayed at an exhibition that opened on 7 May and ran for six weeks. The works are of different photographic styles that show the creativity, present multiple perspectives and views of the world, ranging from photo-journalism of the Fifties, Sixties and Seventies to documentary research, fashion and the most conceptual and meaningful pictures, used as means of expression and criticism.

With this exhibition Brazil, home of great photographers like Sebastiao

Salgado and Mario Cravo Neto, has a tremendous opportunity of giving exposure to its culture and to the talent of the people who have created the new Pirelli Collection images, as well as comparing itself with the various trends and innovative currents that have characterised the creation of international art over the years.

The intention of the initiative is to enable photographers to be not only recorders of the Brazilian lifestyle but also creative, using photography as a rich language of multiple significance and different inflections.



For 11 years the MASP-Pirelli collection has promoted such an intense form of photography that, in its complexity and variety of expression, it can be seen as going beyond just the images its pictures portray and attempting to understand their diverse meanings and to feel the emotions they transmit.

by Emanuela Ottolina, Milan

From Algeria to Palma de Mallorca

High Capacity Links

Pirelli Submarine Telecom Systems has installed the most powerful unrepeatere DWDM system in the Med

A consortium of telecom operators made up of Algérie Telecom, Telefónica de España, France Telecom and Telecom Italia, together with Pirelli Submarine Telecom Systems recently announced the successful integration of the "ALPAL-2" system into the Mediterranean telecom networks. "ALPAL-2" is a high-capacity unrepeatere submarine telecommunications link between Algiers and Palma de Mallorca, Spain.

Spanning 312 km, the submarine connection is based on Dense Wavelength Division Multiplexing technology and will provide a direct, ultra-fast and fully reliable link between Algeria and Spain, and from there to the existing European telecom networks with a design capacity of 160 Gigabit per second. The so-called "ALPAL-2" network is the most powerful unrepeatere DWDM submarine system available in the Mediterranean region.

The new system linking Europe to Africa lands at Ses Covetes on the southern coast of the Balearic Island of Mallorca, close to Palma on one side and at El Djemilla, close to Algiers on the African continent.

The system has been supplied by Pirelli Submarine Telecom Systems on a full turn-key basis, from the engineering phase through to final commissioning and testing as well as training to Customers' technicians both in Algeria and Spain. During the preliminary discussions for the route engineering Pirelli technicians

contributed to select the best solution capable of combining technical constraints with environmental/local restrictions on the Spanish side.

The submarine cable has been buried on the seafloor up to a water depth of 1000m, the maximum depth along the route being above 3000 m. As specifically required by the Consortium of Purchasers Pirelli also acted as advisor for the operations of project financing on behalf of the Algerian Customer (50% of the contract value). The system was commissioned in a time-frame of 13 months, fully in respect, or better in advance of the contractual terms. Commercial operation of the system is expected to be started by the operators latest by July 2002.

The new ALPAL-2 cable will guarantee

a better reliability of international links and will improve the quality of service. Supplied on a turnkey basis the submarine link was completed using state-of-the-art technology, specifically designed to integrate DWDM transmission with existing and future systems, including a four-fibre pairs cable and integrated remote pumping technology.

The system was delivered two weeks ahead of the contractual schedule, and will provide solutions for today's and future needs on corporate enterprise networks, the Internet, on-line service reticulations, digital pay-TV and cellular network backbones, including voice, data, image and video.

by Roberto Tavazzani, Milan



1902-2002: 100 years of excellence

A Special Birthday

The Bocconi University celebrates its centenary with a special exhibition on modernity as expressed by the city of Milan between 1890 and 1915

This year, the Luigi Bocconi Commercial University celebrates its 100th anniversary. To mark the occasion, an important exhibition, entitled “Il Nuovo Mondo, Milano 1890-1915” (The New World, Milan 1890-1915), will be staged in collaboration with the Milan municipal council, which will be the principal event during the winter season at the city’s Palazzo Reale. The Bocconi University has been - and will remain - a leading protagonist of modern Italy: its jubilee year and the exhibition will be an important occasion on which to confirm and strengthen that tradition.

How could Pirelli not be involved in such an event? Links between the Group and the Bocconi have been extremely close right from the outset, when Ferdinando Bocconi’s son died at Adua in 1896 and his father created a superior school in his honour, for the training of company executives and business experts: an undertaking that set an example and shows how a businessman can invest his money in the training of leaders of the national economy and the greater prosperity of the country. At Ferdinando Bocconi’s side from the beginning was Giovanni Battista Pirelli, founder of our Group, who was always ready to support new ventures likely to help Italy grow and flourish. A role in line with the ‘incessant

progress’ concept that he regarded as the basic principal of his industrial vision.

It is because of the importance of those close ties that Pirelli has decided to become one of the main sponsors of the exhibition, which will focus on modernity and its expression during the period of great transformation and development that took place in the city of Milan between 1890 and 1915. The intention is to illustrate to visitors through the testimony of a wealth of artistic, cultural, scientific and technological production of the period, the harmony of cultural, social and techno-scientific, political and institutional strength that led Milan and Italy to take the problematical yet inescapable road to progress and wealth.

It will be an exhibition dedicated to the present and the future: the story of the events that took place in Milan presented in this way will help evoke in the minds of visitors the debt its citizens owe the distant past, which opened up the road to such a bright future. The exhibition will demonstrate the complexity that there was and is at the heart of modern experience using a myriad of media – from paintings to posters, the cinema to music, photography to literature, newspapers to advertising,, etc.: an exhaustive list of



One of the images on show at the exhibition dated 1915 from the Pirelli Archive.

elements with which to illustrate the diverse aspects of a world in transformation.

The exhibition will comprise three principal sections: the labyrinth of modernity, which will confront visitors with questions raised by the changes imposed by the events that led to 20th century modernity; Milan at the start of the ‘modern’ century, entirely dedicated to illustrating how Milan accepted the stimulus of European modernity; Milan as modern as the future, where the visitor will be invited to ‘leave their mark’ on the exhibition and will be able to understand how their preferences and those of other people affect the overall scenario.

The ambitious objectives of the exhibition will be achieved by the Bocconi University with the support and participation of the principal institutions, which have contributed to the history of modernity: they are Milan’s public authorities, its Polytechnic, Catholic University, University of Studies, La Scala, the Corriere della Sera newspaper, the great banks, the major publishers and industries – like Pirelli.

by Livia Armellini, Milan

Rally victories in East Africa

Pirelli Takes All

The Safari Rally may be the star event of the year, but Pirelli competes in the area all season long and is the reigning Kenya and Reunion Island champion

Kenya played host once again to the world's top rally drivers and their teams for the Safari Rally in July, the only round in the World Rally Championship to take place on the African continent. Throughout the three days of red dust, possible torrential rain and rocks typical of the bush, the teams had a real rough and tumble taste of Africa, something the newcomers to the Dark Continent will remember for the rest of their lives. For the many local rally fans the Safari is the event: even the Masai children skip school to watch this incredible carnival of speed and to see their heroes in action. Many come to see the great stars of the world rally circus, most of them knowing that Pirelli won the 2001 world drivers' title with Richard Burns. "But we are the Kenya Rally champions as well, thanks to a great performance by Rory Green and Orson Taylor in their Subaru Impreza", said Walter Donati, Pirelli East Africa area manager. "And we are actively fighting to keep the title for 2002. This year, we are competing with the best drivers and cars and thanks to the victories obtained so far,

we're leading the 2002 Kenya Rally championship. By the way, we should not forget that Pirelli is beating the competition not only in Kenya, but also in another country in the East Africa region, where rallying is considered the national sport - Reunion Island"

In that country, winding roads and

2001 Reunion Rally Championship and a possible 2002 champion - celebrates his victory with Pirelli.

"This serious commitment to East Africa's major Rally Championships", said Mr. Donati, "clearly shows our final goal is to be number one in motor sport here. And we are reaching the objective. However, this is not just something we want to achieve in motor sport alone. It is this winning Pirelli philosophy, which is applied to the way we do business in this region: people who care about vehicles and tyre performance have to acknowledge our high quality standards. No matter what you are driving, from the smallest vehicle to the fastest rally car, Pirelli is the best you can think of".



harsh undulations force rally cars to continuously accelerate and brake. Cornering at high speeds on narrow roads built on overhanging rock with the Indian Ocean way below requires a lot of self-control and great driving skill. Perhaps there is little time to appreciate the fact that the car is always glued to the asphalt during all rally stages by its tyres but, once on the podium, Malik Unia - winner of

This is part of a wider strategy the company adopted long ago, successfully involving not only the Pirelli team in the area, but also its importers and distributors, local rally teams, the Pirelli headquarters and the end user, the person for whom the company maintains such high quality standards. In order to always give customers "the best" both in term of products and after sale service.

by Alessandra Rossi, Milan

World Brief

Training for the Paris-Dakar

The Brazilian Country Rally Cross Championship began on 30 May. Created as a training event for the Paris Dakar, it is a journey through the history of Brazil in search of untravelled routes. All the country's teams that compete in the Paris-Dakar do so on Pirelli tyres, an important support for the teams, also due to a new tyre test track established at Valinhos in the State of San Paolo. The Brazilian championship comprises 6 stages that take the competitors on a voyage of discovery of their country, from Rio de Janeiro to San Paolo passing through attractive areas such as Porto (Baja delle Nevi-Santa Catarina) and the State of Minas Gerais, the noted coffee growing region.

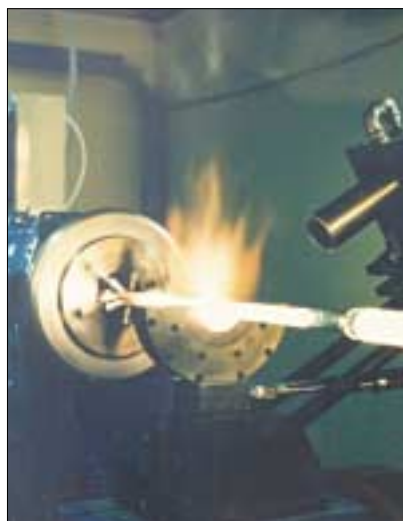
Pirelli announces aerial drop cable for fiber to the home

Pirelli Communications Cables and Systems North America announced the expansion of its drop cable family with the introduction of ResiLink™ LT Aerial Drop Cable for fiber-to-the-home (FTTH) applications. ResiLink LT cables are ideal for FTTH drop installations that bring high bandwidth fiber optic capacity the last mile to the user's home. The cables incorporate design features to enhance ease of installation and consequently reduce installation costs, as well as to ensure longevity after installation. In addition, the cable design also stresses durability and convenient access to the optical fibers for splicing. The tube and the messenger are connected in a zipcord-style construction that allows separation of the two components at

the point where the messenger is anchored. This feature also allows the optical fibers to be fully protected up to the point of termination.

From France to Brazil: new resin junctures

Pirelli is now commercializing on the Brazilian cables market a new innovative product: a resin juncture that allows people to work better than using conventional ones, saving a lot of time and energy. This new solution to joint cables is already used by the main Brazilian energy supply organizations, such as Light, the largest private company that operates in the electricity sector. After the launch of the cable Elasppeed, which applied splice technology into the medium voltage accessories market, Pirelli found another innovative way to improve the



quality of the cables and to be leader in this field. This product, remarkably easier to use, guarantees a better work, efficiency, speed and safety.

The Pirelli Internet sites: a global world

Pirelli's network of Asiatic Internet



web sites was completed at the end of June: on the 20th, the Group's Chinese language

Hong Kong site made its debut, the last in a series that includes Japan, China, Taiwan, Singapore, Malaysia and now Hong Kong. During the same month of June, four games linked to the launch of the PZero Nero made their first appearance on four Asiatic sites, offering a sailor's bag bearing the Pirelli logo as the prize. On the British Pirelli.com, visitors found a promotion in which participants could win 50 tickets to attend the Land Rover motor fair.

As in the past two years, on 22 July navigators were able to see the Ravenna Festival concert conducted by Maestro Riccardo Muti, this time held in New York to mark the Twin Towers disaster.

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