



PIRELLI & C. REAL ESTATE PRESS RELEASE

MANAGEMENT OF NON-PERFORMING LOANS: BONDS ENTIRELY PLACED FOR A TOTAL OF ALMOST 80 MILLION EURO

Portfolio management entrusted to Pirelli RE Credit Servicing

Milan, April 28th, 2003 – Today saw the completion of the securitisation of a portfolio of *non-performing loans*, with the issue of securities worth overall **79.36 million Euro**, and a book value of **200 million Euro**, owned by **CFT Finanziaria**, in which both the Pirelli & C. Real Estate Group and the Cassa di Risparmio di Firenze have equal stakes of 47%, and the Cassa di Risparmio di San Miniato holding the remaining 6%.

The transaction, in which the Pirelli & C. Real Estate Group is servicer for the portfolio – through its subsidiary **Pirelli RE Credit Servicing** – while Dresdner Kleinwort Wasserstein have acted as arranger and sole book runner, was implemented through three bond issues (by the specialist company Vindex) broken down as follows:

- ? a **senior** issue amounting to approximately **49 million Euro**, with “AAA” and “Aaa” ratings from Standard & Poor’s and Moody’s respectively;
- ? a **mezzanine** issue, worth **10 million Euro** with a “BB” rating from Standard & Poor’s;
- ? a **junior** issue worth **20.36 million Euro**.

The transaction forms part of the **non-performing loans asset management** activity recently launched by Pirelli & C. Real Estate. It also takes place against the backdrop of promising development prospects. Against this backdrop the Group has drawn on its experience, both in real estate and in the structuring of financial operations, to create its own **characteristic model**.

The initial phase consists of the **evaluation** and **gathering** of receivables from various sources, mainly banks, who - given the lack of a sufficiently large portfolio to set up a securitisation operation - wish to cede assets made up of non-performing loans. These receivables are then drawn together within a company (as is the case with

CFT Finanziaria) for which Pirelli & C. Real Estate – as per their traditional business model – carries out **all management activities** while retaining a **strategic minority share in the investment**; the receivables are subsequently securitised.

Pirelli RE Credit Servicing, drawing on the Group's specific competencies, then acts as *servicer* managing **credit recovery** through negotiation with the debtors (out-of-court settlement) or through executive procedures.

In this final phase, the Pirelli & C. Real Estate Group may take part in court auctions for the acquisition of real estate originally used as collateral against the unpaid debts. The company subsequently proceeds with its traditional role, exploiting and developing the various real estate assets involved through its residential and commercial sector asset management business units, and through the Group's various service companies.

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