



PRESS RELEASE

BOARD EXAMINES PRELIMINARY FIGURES

- **2003 CLOSES WITH STRONG GROWTH IN RESULTS, REACHING THE HIGHEST TARGETS SET OUT FOR THE FIRST YEAR OF THE THREE-YEAR PLAN 2003-2005**
 - **AGGREGATE PRODUCTION VALUE:**
~ 1,525 MILLION EURO, + 18%
 - **EBIT INCLUDING INCOME FROM PARTICIPATIONS:**
~ 128 MILLION EURO, + 25%
- **NET FINANCIAL POSITION NEGATIVE AT ~ 9 MILLION EURO**
- **ASSET MANAGEMENT: SALES WORTH ~ 2,040 MILLION EURO (BOOK VALUE OF 1,600 MILLION) AND ACQUISITIONS WORTH ~ 1,590 MILLION EURO OF THE PORTFOLIO UNDER MANAGEMENT**
 - **SERVICES: PRODUCTION VALUE OF**
~ 322 MILLION EURO, + 61%

Milan, February 12th, 2004 – The Board of Directors of Pirelli & C. Real Estate met today to examine the preliminary, non-audited figures for 2003.

Also the year just closed was particularly important year for Pirelli RE, with the Group achieving the **highest targets** set out for the first year of the three year plan (2003-2005).

Some of the highlights from 2003:

- **major acquisitions** of prime real estate portfolios for subsequent development and exploitation;
- **consolidation** of the new **non-performing loans** business;
- the launch in October of the **Pirelli RE Franchising** affiliation campaign for the creation of a network of retail real estate agencies, closing the year with the signature of **258 contracts**;
- The traditional asset management and service provider businesses were bolstered by the **new fund management business**; December saw the final

authorisation of the Public Offer for the sale and listing of Pirelli RE SGR's first managed fund, **Tecla Fondo Uffici**.

Before a detailed examination of the figures, it is worth recalling that Pirelli RE is a management company that invests in real estate portfolios (and manages non-performing loans) mainly through significant minority stakes (asset management and fund management) providing these and other clients with a wide range of real estate services (service provider activities). Consequently, the **aggregate production value net of acquisitions** and **EBIT including income from equity participations** (pro-quota) are the most significant indicators of the business volume managed by the Group and results at operational level, respectively.

Performance of the Group in 2003

The **aggregate production value**, net of acquisitions, totalled approximately **1,525 million Euro**, with growth of **18%** compared to the figure of 1,297 million Euro in 2002. The value of consolidated production alone as at December 31st was approximately 649 million Euro, as compared with 491 million Euro in 2002 (+32%).

EBIT including pro-quota income from equity participations totalled approximately **128 million Euro**, as compared with 102 million Euro in 2002, representing **growth** of **25%**. Of this result approximately 67 million Euro arose from income from equity participations, already net of taxation.

The **net financial position** recorded a negative value of approximately **9 million Euro**, as against the negative figure of 71 million Euro on June 30th, 2003 and the positive figure of 12 million Euro at the close of 2002. The improvement compared to June 30th, 2003 stems from the reduction of working capital.

The **adjusted financial position** (gross of shareholders' loans to companies where a minority stake is held) was negative at approximately **224 million**, as against the negative figure of 249 million Euro on June 30th, 2003 and the negative figure of 167 million Euro at the close of 2002. The **expected gearing** is essentially **in line with that of the previous year**.

Performance of main sectors of activity in 2003

Asset Management Activities (not including areas)

Asset Management activities recorded an **aggregate production value**, net of acquisitions, equal to approximately **1,147 million Euro**, as compared with 1,020 million Euro in 2002, representing growth of **12%**.

EBIT including pro-quota income from equity participations totalled approximately **90 million** Euro, as compared with 75 million Euro the previous year, an **increase of 20%**.

The exploitation of assets under management generated **sales** of approximately **2,040 million** Euro at market value (as against a book value of **1,600 million**), an increase of 111% compared with the previous year. **Capital gains** totalled approximately 440 million Euro, an increase of 81% compared to 2002.

The book value of **acquisitions** was approximately **1,590 million** Euro.

Fees of approximately **46 million** Euro were generated, as against 28 million Euro in 2002, representing growth of 64%.

Specifically, as regards the **non-performing loans** business, the Company closed 2003 with a **portfolio under management** worth approximately 200 million Euro at book value (140 of which acquired in 2003), and approximately **930 million Euro at nominal value**. In 2003 the Company also implemented the first securitisation of a portfolio, for a value of 200 million Euro.

Areas Asset Management Activities

As at December 31st, 2003, this business unit, whose strategic focus consists of the exploitation of land areas for subsequent development by the product business units, managed a **portfolio** with a land surface area of approximately 5 million square metres and **1.8 million square metres of building capacity for**. The key figures for this business unit cannot be compared on a period-for-period basis insofar as they are linked to the various phases of town planning permission procedures, and only become apparent in the subsequent development phase as part of the activities of the product business units.

The **aggregate production value**, net of acquisitions, totalled approximately **57 million** Euro. **EBIT including pro-quota income from equity participations** was approximately **8 million** Euro.

Service Provider Activities

Services recorded a **consolidated production value** of approximately **322 million** Euro, as compared with 200 million over the same period of the previous year, with an increase of **61%**.

EBIT from these activities was approximately **51 million** Euro, as against 29 million Euro in 2002, with growth of **75%**. The **ROS** (return on sales) was almost 16%, as compared with 14.5% in 2002.

Network Activities

Activities related to the Pirelli RE Franchising network were largely geared to the affiliation of agencies for the provision of real estate, banking and insurance services to the retail market. Over the period in question the network – in line with forecasts – bore operating costs of approximately 5 million Euro.

Events further to December 31st, 2003

- Last January 26th witnessed the launch of the **Public Offer for the sale and listing of Tecla Fondo Uffici**. This fund for retail investors will consist of 66 properties designed mainly for commercial-office use. Contributions have brought a market value of approximately 951 million Euro, up to a value of 808 million Euro. The **Public Offer for the sale and listing** will be closed next February 27th.

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- As at yesterday's the Company holds 2,284,825 of **its own shares**, equal to 5.6% of the share capital, at an average value per share of 22.81 Euro.

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