



PRESS RELEASE

BOARD OF DIRECTORS APPROVES FINANCIAL STATEMENTS AS AT MARCH 31st, 2004: COMPANY GROWTH TREND CONTINUES

- **AGGREGATE VALUE OF PRODUCTION NET OF ACQUISITIONS: 418.8 MILLION EURO, +18% COMPARED TO THE FIRST QUARTER OF 2003**
 - **EBIT INCLUDING INCOME FROM PARTICIPATIONS: 30.6 MILLION EURO, +24%**
 - **CONSOLIDATED NET INCOME: 25 MILLION EURO, +25%**
- **SHAREHOLDERS' EQUITY: 444.9 MILLION EURO AS COMPARED WITH 421.6 MILLION EURO AT THE END OF 2003**
- **NET FINANCIAL POSITION: NEGATIVE AT 37.6 MILLION EURO**

Milan, May 10th, 2004 – The Board of Directors of Pirelli & C. Real Estate today approved the quarterly report as at March 31st, 2004.

Before a detailed examination of the figures, it is worth recalling that Pirelli RE is a management company which manages special purpose vehicles and funds owner of real estate assets and non performing loans portfolios, investing through minority stakes (asset management and fund management activity) and providing these and other clients with a full range of real estate specialist services (service provider activity). Consequently, the **aggregate value of production** net of acquisitions and **EBIT (including pro-quota income from participations)** are the most significant respective indicators of the business volume managed by the Group and results at operational level.

Performance of the Group in the first quarter of 2004

The **aggregate value of production**, net of acquisitions, totalled **418.8 million** Euro, with **growth of 18%** as compared with 355.7 million Euro in the first quarter of 2003. The value of consolidated production alone stood at 104.4 million Euro as against 131.9 million Euro in the first quarter of 2003; net of acquisitions (not featured at consolidated

level in in the Company's business model), the figure stood at 104.4 million Euro, as against 97.2 million Euro in the first quarter of 2003.

EBIT (including pro-quota income from participations) totalled **30.6 million** Euro, as against 24.7 million Euro in the first quarter of 2003, representing **growth** of **24%**.

The **consolidated net income** was **25 million** Euro, as compared with i 20 million Euro in the first quarter of 2003, with **growth** of **25%**.

Shareholders' equity as at March 31st, 2004 was **444.9 million** Euro as compared with 421.6 million Euro at the end of 2003. The increase is largely due to results over the period.

The **net financial position** was negative at **37.6 million** Euro, as compared with the negative figure of 9.2 million Euro at the end of 2003. This variation mainly stems from payments related to acquisitions of real estate assets carried out in previous years, as well as new investments.

The **adjusted financial position** (gross of shareholders loans to companies where a minority stake is held) was negative at **271.5 million** Euro as compared with the negative figure of 223.7 million Euro at the end of 2003. The **gearing ratio** stood at **0.60** as against 0.53 on December 31st, 2003.

Performance of main areas of activity in the first quarter of 2004

Asset Management Activities

In the first quarter of 2004 **Asset Management** activities recorded an **aggregate value of production net of acquisitions** equal to **326.9 million** Euro, as compared with 283.5 million Euro over the same period in 2003, an increase of 15%.

EBIT (including pro-quota income from participations) totalled **28.8 million** Euro as set against 18.3 million Euro in the first quarter of 2003, with an increase of 57%.

Over the period in question the exploitation of assets allowed for the generation of **sales** to third parties and conferrals to funds for an overall total of **1,049.5 million** Euro with gross capital gains of 133.2 million Euro, as set against sales in the first quarter of 2003 of 479.1 million Euro. **Acquisitions** over the period equalled **31.2 million** Euro, of which 31 million Euro related to non-performing loans (gross book value), as against 148.8 million Euro in the first quarter of 2003. In addition, an outline agreement was signed for the acquisition by Morgan Stanley of a significant minority share in a previously securitised credit portfolio with a residual gross book value of 2.5 billion Euro.

Asset management activities generated fees worth **9.9 million Euro** as opposed to 12.1 million Euro in the first quarter of 2003. The difference stems from fees related to acquisitions that will be concluded as of the second quarter.

Service Provider Activities

The specialist real estate **services business** recorded a **consolidated production value of 79.9 million Euro** as compared with 61.6 million in the first quarter of 2003, with an **increase of 30%**. **EBIT was 8.2 million Euro**, in line with the figure of 8.1 million Euro recorded over the first quarter of 2003. This result reflects the integration (which is still being perfected) of the facility businesses acquired the previous year. Net of facility activities the ROS (return on sales) was 17%, in line the first quarter of 2003.

Franchising Services Distribution Activity

The arrival in the first quarter of UniCredit Banca per la Casa (part of the UniCredito Italiano Group), who took a 10% stake in the share capital of Pirelli RE Franchising, put the final touch to the equity framework of the dedicated company specialising in the distribution of real estate services and banking and insurance products to the retail market. UniCredit Banca per la Casa, a partner in the issuing of home loans, thus joined Assicurazioni Generali and SelmaBipiemme Leasing (Mediobanca Banking Group), each of whom already hold a stake of 10% and who act, respectively, as partners in the distribution of insurance products and real estate leasing.

Events further to the end of the period

Further to March 31st, 2004 a number of agreements were completed for the **acquisition of real estate assets** worth a total of more than **470 million euro**. Of this figure, residential assets accounted for approximately 275 million Euro, commercial assets accounted for approximately 150 million Euro and mixed use assets related to approximately 45 million Euro.

Outlook for 2004

On the basis of the data currently available, all reasonable forecasts suggest that in 2004 **EBIT (inclusive of results from participations)**, will record further growth in line with the three year plan for 2003-2005

The **three year plan** for **2004-2006** will be examined by the Board of Directors at the meeting convened for next June 1st. On the same day the Plan will be presented to the financial community and the press.

For further information please contact:
Pirelli RE Press Office Tel. +39/02/8535.4270
Pirelli RE Investor Relations Tel. +39/02/8535.4057
www.pirellirealestate.com

Herewith attached is a summary of the income statement and balance sheet for the first quarter of 2003 and 2004

Addendum 1

Highlights of Income Statement

Million Euro	1.1.04-31.3.04	1.1.03-31.3.03	
Aggregate Production Value, net of acquisitions	418,8	355,7	18%
Consolidated Production Value	104,4	131,9	
EBIT including Income from Equity Participations	30,6	24,7	24%
Income before Extraordinary Items	31,0	25,0	
Net Income from Real Estate Activities	25,0	20,0	25%

Addendum 2

Consolidated Balance Sheet

	<u>March 31st, 2004</u>	<u>December 31st, 2003</u>	<u>March 31st, 2003</u>
Fixed Assets	322	313,4	254,1
Of which equity participations in funds and real estate investment companies	156	149,7	128,2
Net Working Capital	204,3	162,3	205,4
Of which inventories	318,9	325	369,2
Net Invested Capital	526,3	475,7	459,5
Shareholders' Equity	450	424,8	388,9
Of which minority interests	5,1	3,2	0,7
Funds and Provisions	38,7	41,7	50,6
Net Financial Position (liquid)/owed	37,6	9,2	20
Total NIC coverage	526,3	475,7	459,5
Loans from shareholders	233,9	214,5	180
Total investments in participations, real estate investment	389,9	364,2	308,2
Adjusted financial position	271,5	223,7	200
Adjusted gearing position	0,6	0,53	0,5

Consolidated Income Statement

Euro Milioni	<u>1/1/04-31/03/04</u>	<u>1/1/03-31/03/03</u>
Production Value	104.4	131.9
Of which acquisitions	0.0	34.7
Production Value, net of acquisitions	104.4	97.2
EBITDA	14.9	14.2
Depreciation	(4.9)	(3.3)
EBIT	9.9	10.9
Income from Equity Participations	20.7	13.9
EBIT including Income from Equity Participations	30.6	24.7
Financial Income	0.3	0.3
Income before Extraordinary Items.	30.9	25.0
Extraordinary items	(1.7)	0.0
P.B.T.	29.2	25.0
Income taxes	(4.6)	(5.1)
Net Income	24.7	19.9
Minority Interests	0.3	0.1
Net income after minority interests	25.0	20.0