PRESS RELEASE

2004-2006 THREE-YEAR PLAN EXAMINED BY BOARD OF DIRECTORS:

• GROWTH TARGETS OF EBIT INCLUDING INCOME FROM EQUITY
  PARTICIPATIONS CONFIRMED BETWEEN 20% AND 25% FOR 2004 AND
  2005, FORECAST OF FURTHER TWO DIGIT GROWTH IN 2006: AN
  ANNUAL AVERAGE OF 20% FOR THE THREE YEARS

  • NET FINANCIAL POSITION ESSENTIALLY
    IN LINE WITH CURRENT LEVELS

ASSET MANAGEMENT AND FUND MANAGEMENT

• CONSOLIDATION OF LEADERSHIP IN OPPORTUNISTIC ASSET
  MANAGEMENT, WITH SUBSTANTIAL DEVELOPMENT IN
  NON PERFORMING LOANS

• ACCELERATION OF THE GROWTH IN LONG TERM
  ASSET/FUND MANAGEMENT

• PORTFOLIO INCREASE FROM 6.7 TO 11.6 BILLION EURO AT BOOK
  VALUE (10 BILLION EURO AT CURRENT MARKET VALUE ON
  CB RICHIARD ELLIS ANALYSIS)

• LAUNCH OF FURTHER SEEDED REAL ESTATE FUNDS
  SPECIALISED BY PROPERTY TYPES

SERVICE PROVIDER ACTIVITIES

• OPTIMISATION OF THE ORGANISATION AND FOCUS ON
  HIGH ADDED-VALUE ACTIVITIES

FRANCHISING NETWORK

• BREAK EVEN IN 2005, PROFIT IN 2006 WITH A SIGNIFICANT
  CONTRIBUTION TO THE GROUP’S AVERAGE ANNUAL GROWTH

• 1,500 AGENCIES OPERATIONAL AT END OF 2006


In 2003 Pirelli RE fully achieved the economic results it had set; EBIT including income from equity participations, for 128 million Euro, showed growth of 25% compared to the
previous year, at the highest levels envisaged by the development plan. The Company thus confirms the growth targets of EBIT including income from equity participations between 20% and 25% for 2004 and 2005, with the forecast of further two digit growth also for 2006, for average annual growth of about 20% in the three-year period 2004-2006.

The Group’s development will be largely self-financed. The net financial position will remain essentially in line with current levels.

As far as asset management and fund management activities are concerned, growth is expected in the period for the operating result including pro quota income from equity participations for about an average 20% per year, thanks to the consolidation of leadership in opportunistic asset management, with substantial development in non performing loans and acceleration of growth in long term asset/fund management.

The portfolio under management is expected to increase from 6.7 billion Euro at book value at the end of 2003 (with an average Pirelli RE holding of 26%), to 11.6 billion Euro at book value at the end of 2006. The three year period will see the continuation of the rapid turnover of opportunistic assets, with an average holding of 28%, and the launch of further seeded real estate funds, with an average holding of 3.8%. The average holding of Pirelli RE in all assets at the end of 2006 will be approximately 19%.

EBIT for service provider operations is estimated to grow by an annual average of 15%, thanks to the optimisation of the organisation and the focus on high added-value activities.

Below are the forecasts for the single sectors.

Asset management residential

In this sector Pirelli RE’s development strategy envisages:

- continuation of the block purchase and later sale in single units, which in the vast majority of cases sees tenants themselves become purchasers;
- entry into the market of holiday homes;
- new quality product development;
- the exploitation of synergies with non performing loans asset management;
- the creation of a strategic partnership with a specialised investor;
- the assessment of new opportunities abroad.

The dimensions of the management portfolio by residential asset management will essentially remain stable, with annual investments and acquisitions for about 0.8 billion Euro and sales (at book value) for 0.8 billion Euro.
Asset management commercial and fund management

The commercial sector continues to have high liquidity and strong interest in financial products linked to the real estate sector. Here, the Pirelli RE strategy envisages:

- the continuation of the **block acquisition** of opportunistic products;
- the launch of **5 seeded real estate funds**, specialised by product, in addition to Tecla, successfully placed in the first quarter of 2004, and Cloe, whose placement is planned for June this year;
- the creation of **joint ventures with Institutions** (banks, insurance companies, public and private bodies) to enhance their portfolios;
- the assessment of new opportunities **abroad**.

As far as fund management is concerned, the 2004-2006 programme plans to launch a fund specialised in retail & entertainment within the year, another in industrial property, two in office and one in hotel by 2006.

The opportunistic asset management portfolio under management will change from 5 billion Euro at book value at the end of 2003 to 2.5 billion Euro at the end of 2006. The portfolio under management through long term asset/fund management, after the placement of Tecla for a value of 0.8 billion Euro, is expected to grow to 5.1 billion Euro at the end of 2006. Overall, in 2006 asset management and fund management portfolio will be 7.6 billion Euro, a growth of over 50% compared to 5 billion Euro at the end of 2003.

Asset management non performing loans

The Pirelli RE strategy in this field of operations, which sees few operators in a very fragmented market, envisages:

- the **acquisition of new portfolios** that will entail a change in the total property mix under Pirelli RE’s opportunistic asset management, to compensate the reduction in the commercial portfolio over the three years
- consolidation of the **leadership position** in the Italian market after the creation of the joint venture with Morgan Stanley;
- the development of **synergies** with the **distribution network**.

The portfolio of credits under management is expected to grow from 0.2 billion Euro at net book value at the end of 2003 to 2.5 billion euro at the end of 2006, through intense acquisition operations. Asset management non performing loans will also include securitisation operations and the underwriting of junior bond issues.
Areas and development

In this field, the Group intends to continue its work of enhancing the areas, with possible acquisitions to complete the portfolio mix, for later development by the Pirelli RE product business units and the disposal to third parties of the minority part not of interest to the Group. Of the current portfolio, characterised by a building area of 2.3 million square metres, 20% is under development, 20% will be developed by 2006, 30% will be developed at a later time and the remaining 30% will be sold to third parties.

Franchising network

The goals of the Pirelli RE Franchising network, for the distribution of real estate and financial products and services are:

- implementation of an extensive territorial coverage, with a target of 1,500 agencies operational by 2006;
- support for asset management and service provider operations;
- increase the weight of financial products related to real estate within the range of services offered.

The project envisages total investment of 20 million Euro, reaching the break-even point in 2005 and profit in 2006, with a significant contribution to the Group’s average annual growth.

Service provider

For this sector, in which Pirelli RE operates through specialised companies, the following are planned for the period 2004-2006:

- the increase of value through the optimisation of the organisation, investments in information technology and cost efficiency measures;
- focus on high added-value activities, for better positioning with the clientele;
- specialisation also by product type, in line with what is already underway in the asset management business units.

For the various areas of activity, the strategy of Pirelli RE will focus in particular:

- for Pirelli RE Agency, on consolidation of the leadership position in the Italian market and on exploitation of synergies with the franchising network and with the sector non performing loans;
- for Pirelli RE Property Management, which plays a strategic role both for asset management and fund management, on the development of new specializations in segments such as retail & entertainment and hotels;
- for Pirelli RE Project Management on the growing increase in the importance of the new product development in the framework of asset management strategies;
• for Pirelli RE Facility Management on consolidation of the leadership position in private clients and focus on high added-value activities, based on “occupancy cost concept”;

• for Pirelli RE Credit Servicing on the synergies with asset management non performing loans and on integration of the activities that will rise from the joint venture with Morgan Stanley, in the framework of which the acquisition is envisaged of a share of 49% of SIB, a non performing loans management company (with a put & call option on the remaining 51% from June 2006).

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