**JOINT PRESS RELEASE**

*Milan, May 24th, 2002* - The joint venture companies established by Morgan Stanley Real Estate Funds and Pirelli & C. Real Estate, together with Pirelli SpA, Olivetti, Telecom Italia, Seat Pagine Gialle, have today signed a binding framework agreement referred to as Tiglio Project. The aim of Tiglio Project is the creation of value across a range of real estate assets – buildings, land and real estate services – currently valued at 3.3 billion Euros. Key features of the project include:

- the **integration** of a range of non-residential **properties**, mainly offices in the Milan and Rome areas, capitalising fully on the assets according to their specific characteristics: by type, by matching risk/yield profiles, location, duration of lease contracts, as well as through the achievement of economies of scale in the management of these assets;

- the **bringing together** of a series of **sites** mainly in Milan and Rome and strategically located in terms of their development plans;

- the **establishment**, in the first half of 2003, of **one or more real estate investment funds**, incorporated under Italian or foreign law, based on non-residential properties and with the aim of contributing significantly to the future financing of the real estate sector;

- the professional **development of the real estate personnel** (approximately 200 individuals) working in the Olivetti and Telecom Italia Groups through their integration into Pirelli & C. Real Estate, the market’s leading operator.

**Transaction Structure**

The buildings and land covered by the project have been valued by Richard Ellis and Reag respectively who have accorded them an overall total worth of approximately 4 billion Euros at market values.

The transfer of these assets, according to the terms of the transaction structure and not taking into account any amendments arising from the due diligence process, will take place at a value of 3.3 billion Euros. This is expected to occur on July 31st 2002 and in any case no later than the binding deadline date of September 30th 2002.

The parties will ensure the implementation of the necessary steps for the completion of the Project, subject to obtaining financing and to the transfer to the Telecom Italia Group of 40% of the assets of Im.SER. Im.SER is owned 60% by Beni Stabili and 40% by Telecom Italia.

The shareholding structure of the two vehicles will be related proportionally to the value of the assets being transferred and will be constituted as follows:

- **Tiglio I** will be owned 51.8% by the Joint Venture established by Morgan Stanley Real Estate Fund III (75%) and Pirelli & C. Real Estate (25%), with the remaining 48.2% being owned by Telecom Italia (36.7%), Olivetti (8.8%), Seat Pagine Gialle (2.1%) and Pirelli (0.6%);

- **Tiglio II** will be 51% owned by the Joint Venture established by Morgan Stanley Real Estate Fund IV (75%) and Pirelli & C. Real Estate (25%) with the remaining 49% being held by Telecom Italia.
Tiglio I and Tiglio II will be approximately 20% self-financed with the remaining 80% being in the form of non-recourse financing.

The agreement also foresees the transfer to Pirelli & C. Real Estate of those company functions providing real estate services (project management, property management and agency services) both for the transferred assets and also for other real estate assets utilised by Telecom Italia and Olivetti. These functions currently serve a portfolio assets of approximately 6.8 billion Euros value. The transfer will take place giving a combined value of 18 million Euros to these business activities (15 million Euros to the services arms of Telecom Italia and 3 million Euros to the services arms of Olivetti Multiservice).

The asset management activities (strategic real estate asset management) will be taken over by Pirelli & C. Real Estate, on terms consistent with existing conditions of contract with leading Italian and international investors (Morgan Stanley Funds, Whitehall, Peabody, etc.).

Following the creation of the investment funds and the launch of the first phase of the value enhancement of the land areas in the portfolio, the exit of the industrial partners (Pirelli, Olivetti, Telecom Italia and Seat) is envisaged.

With regard to the facility management activities, the agreement foresees a ‘best efforts’ basis for the integration of the respective company arms responsible for carrying out the activities described above within a single Company. This Company will be held jointly by the various Tiglio Project companies with in addition Telecom Italia Mobile.

The agreement is subject to the approval of the Market and Competition Authority.

Lazard Real Estate acted as financial advisers to Pirelli, Olivetti and Telecom Italia, while Morgan Stanley acted as financial advisers to the joint ventures between Morgan Stanley and Pirelli & C Real Estate. Studio Chiomenti acted as legal advisers to the transaction.