PRESS RELEASE

BOARD EXAMINES PRELIMINARY FIGURES AS AT JUNE 30TH: STRONG GROWTH TREND CONFIRMED

- CONSOLIDATED NET PROFIT: 71 MILLION EURO AS COMPARED TO 13,1 MILLION EURO IN THE FIRST HALF OF 2001
- CONSOLIDATED NET PROFIT BEFORE EXTRAORDINARY AND NON-RECURRING ITEMS: 32 MILLION EURO AS COMPARED TO 14.6 MILLION EURO IN THE FIRST HALF OF 2001
- PBEIT: 42 MILLION EURO AS COMPARED TO 20.8 MILLION EURO IN THE FIRST HALF OF 2001
- SHAREHOLDERS EQUITY: RISING TO 314 MILLION EURO VERSUS 131 MILLION AT THE END OF 2001
- NET FINANCIAL POSITION: -55 MILLION EURO (-141.6 MILLION AT THE END OF 2001)
- ASSET MANAGEMENT ACTIVITIES: ASSETS UNDER MANAGEMENT OF ABOUT 8 BILLION EURO
- SERVICE PROVIDER ACTIVITIES: REVENUES OF 87 MILLION EURO (+85% COMPARED TO THE FIRST HALF OF 2001)

Milan, July 29th, 2002 – The Board of Directors of Pirelli & C. Real Estate met today to examine the preliminary, non-audited results for the Group for the first half ending as of June 30th, 2002.

Before a detailed examination of key financial and economic indicators, it is worth recalling that the activities of Pirelli & C. Real Estate have mainly been developed through the acquisition of significant minority stakes in companies that own real estate assets, which are then entirely managed by Pirelli & C. Real Estate. Given that these minority stakes are consolidated at equity, this development is not reflected in the consolidated value of production nor in consolidated Ebit and consequently the respective growth figures differ from those of the other indicators set out below. Consequently the aggregate value of production, which also includes 100% of the value of production of the minority participations, is a more significant indicator of the business volume managed by the Group and its consequent results.

The aggregate value of production for the first half of 2002 totalled approximately 3,350 million euro (versus 358 million euro in the first half of 2001 – the increase is
principally due to significant acquisitions made). More specifically, **asset management activities** generated a production value of approximately 3,259 million euro – of which about 111 million euro related to fully consolidated companies, about 3,135 million euro related to companies where a minority stake is held, and approximately 13 million euro related to asset management fees; **service provider activities** generated a value of production of about 87 million euro.

The **consolidated value of production** totalled approximately **217 million** euro, versus 184.3 million euro for the first half of 2001; before extraordinary and non-recurring items, this amounts to approximately **216 million** euro, as compared with 176.5 million euro for the first half of 2001, representing growth of about **22%**.

**EBIT** amounted to 29 million euro as compared to 28.3 million euro for the first half of 2001; before extraordinary and non-recurring items, this amounts to 32 million euro as compared to 30.9 million euro for the first half of 2001, with about a **4%** increase.

**PBEIT** (**profit before extraordinary, interest and taxes**), which also includes income from equity participations, was approximately **42 million** euro, as compared with 20.8 million euro in the first half of the previous year; before extraordinary and non-recurring items, this amounts to about **45 million** euro, versus 26 million euro for the first half of 2001 – growth of about **73%**.

**Profit before tax** totalled approximately **92 million** euro, as compared with 19.8 million euro for the first half of 2001; before extraordinary and non-recurring items, this amounts to approximately **43 million** euro, as compared with 22.1 million euro for the first half of 2001, representing growth in the order of **95%**.

**Net profit** totalled approximately **71 million** euro, versus 13 million euro for the first six months of 2001; before extraordinary and non-recurring items, this amounts to approximately **32 million** euro, as compared with 14.6 million euro for the first half of 2001, an increase of about **119%**.

The most significant extraordinary and ‘non-recurring’ items that contributed to the results detailed above relate to the completion of the works for the Arcimboldi Theatre and to the transformation of Casaclick from a portal to a marketing tool for the franchising network (a total of -3 million euro against profit before extraordinary, interest and taxes) as well as to the sale of the final tranche of the ex-Unim stock portfolio for a total impact of extraordinary and non-recurring activities on net profit of about 39 million euro.

**Shareholders equity** as at June 30th, 2002 amounted to approximately **314 million** euro, an increase when compared to the figure of 131 million euro at the end of 2001,
reflecting also the increase in share capital arising from quotation on the Stock Exchange (105 million).

The net financial position was negative for approximately 55 million euro, versus a negative position of 141.6 million euro at the end of 2001.

The financial position, gross of shareholders loans to companies where a minority stake is held, was negative for approximately 268 million euro, as compared with a negative position of 381 million euro at the end of 2001, with a ratio to shareholders equity of 0.9 (versus 2.9 on December 31st, 2001).

Overall capital invested in minority participations amounted to approximately 313 million euro as compared with 294.4 million euro at the end of 2001. Of the 313 million, about 100 million was in the form of equity participations and 213 million as shareholders loans.

Performance of the main areas of activity in the first half of 2002

Asset Management Activities
Over the first six months of 2002 the Asset Management business unit continued its activity of enhancing value of the assets under management, generating revenues from sales in excess of 483 million euro, growth of 73% compared to the first half of 2001, with gross capital gains of 169 million euro. Pirelli & C. Real Estate’s pro-quota share in this figure was approximately 70 million euro (average stake of 41%\(^1\)).

In the same period the business unit also acquired new portfolios (mainly in the centres of Milan and Rome) for approximately 2.9 billion euro, with Pirelli & C. Real Estate holding an average stake of about 30%. Assets under management as at June 30\(^{th}\) 2002 amounted to about 8 billion euro\(^2\).

As regards specific initiatives designed to exploit the assets under management, it should be noted that:
- the Residential Asset Management business unit generated revenues from sales of about 277 million euro (+97%), with gross capital gains of approximately 87 million euro, of which Pirelli & C. Real Estate’s pro-quota share equal to approximately 33 million euro; these disposals arose from the sale of more than 1,700 units. New acquisitions were made for approximately 800 million euro, of which about 746 million euro relative to property portfolios at an average price of

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\(^1\) This stake also includes the result from the Land Asset Management business unit, in which Pirelli & C. Real Estate operates at 100% in the first phase of development.

\(^2\) Initial estimate of market value, currently under review by CB Richard Ellis.
2,100 euro per sqm. The average stake of Pirelli & C. Real Estate in the acquisitions was equal to approximately 29%.

- the Commercial Asset Management business unit generated revenues from sales of 166 million euro (+38%), with gross capital gains of approximately 60 million euro, of which Pirelli & C. Real Estate’s pro-quota share equal to approximately 15 million euro. New acquisitions were made for approximately 2,000 million euro, of which about 1,855 million euro relative to property portfolios at an average price of 2,850 euro per sqm. The average stake of Pirelli & C. Real Estate in the acquisitions was equal to approximately 30%.

- the Land Asset Management business unit disposed of areas for a value of around 40 million euro, with gross capital gains of approximately 28 million euro, of which Pirelli & C. Real Estate’s pro-quota share equal to approximately 21 million euro. Land sites originally for industrial use were also acquired in the Greater Milan area, worth approximately 68 million euro, at an average price of 170 euro per sqm. Pirelli & C. Real Estate’s current average stake of 40% will be reduced to approximately 31% to allow for the entry of new institutional investors.

- the Non-Performing Loans Asset Management business unit acquired a portfolio of non-performing loans from Credito Fondiario Toscano, for a gross book value of approximately 137 million euro and a purchase price of approximately 62 million euro (equal to 45% of the gross book value). The overall gross book value of non-performing loans wholly managed by Pirelli & C. Real Estate, and where the company has a minority stake, thus rose to about 192 million euro. The current average stake of Pirelli & C. Real Estate, equal to 44%, will be reduced to about 25% at the same time as the securitisation of the portfolio planned for the end of the year.

Service Provider Activities
In the first six months of 2002, revenues from the Service Provider activities amounted to approximately 87 million euro as compared with 47 million over the same period in the previous year, with an increase of approximately 85%. Of this figure, approximately 30% derives from internal growth with the remainder from acquisitions.

The portfolio for which the Pirelli & C. Real Estate Group provided services amounted to approximately 20 billion euro3 as at June 30th, 2002.

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3 Initial estimate of value, currently under review by CB Richard Ellis
Outlook for the second half

The second half of the year should confirm the positive performance of the Group’s activities.

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The management report as of 30th June will be examined by Pirelli & C. Real Estate's Board of Directors scheduled for 10th September 2002.

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In conformity with what emerged from recent work carried out by the Corporate Governance Committee which led to modifying and integrating the Self-Regulation Code, the Board of Directors has approved a procedure fixing a Code of Conduct for carrying out all operations (including intergroup) with correlated parties (principally managers and auditors). This quite independently of the fact that there are "disclosure" obligations (recently indicated in the new article 71 (2) of Consob's so-called "Issuer Regulations") only in relation to some of such operations (those liable to have "an effect on safeguarding company assets or on the completeness and fairness of information, including accounting information").

At the same time, internal rules have been re-defined with greater precision. These concern the gathering of more complete information not only regarding operations with correlated parties but also those of greater economic, financial and proprietary significance, intergroup ones as well as atypical or unusual ones and the supplying of such information to the Board of Directors and the Board of Auditors, pursuant to article 150 (1) of the T.U.F. (Unified Financial Code).

The Board has also confirmed its intention to be constantly receptive to the need to modify said rules, whether this need is generated by the market and the authorities responsible for monitoring it or is dictated by changes in the Group's organisation. In this light, it was resolved that the Internal Control Committee (now known as the "Committee for Internal Control and Corporate Governance") will also monitor periodic updating of the said rules and that Pirelli and the companies it owns observe the Code of Conduct they have adopted.

The procedures referred to above can be found in the Internet site www.pirellirealestate.com from 31st July 2002.

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