



PIRELLI & C. REAL ESTATE PRESS RELEASE

BOARD EXAMINES PRELIMINARY FIGURES

- **2002 CLOSES WITH STRONG GROWTH IN RESULTS**
- **AGGREGATE PRODUCTION VALUE: 1,298 MILLION EURO, NET OF ACQUISITIONS, +114% AS COMPARED TO 607.6 MILLION EURO IN 2001**
- **EBIT INCLUDING INCOME FROM PARTICIPATIONS: 102 MILLION EURO AS AGAINST 47.2 MILLION EURO IN 2001, +116%**
- **ASSET MANAGEMENT: ASSETS UNDER MANAGEMENT RISE FROM 5.2 BILLION EURO AT THE CLOSE OF 2001 TO APPROXIMATELY 9.7 BILLION**
- **SERVICE ACTIVITIES: PRODUCTION VALUE 199 MILLION EURO, +106%**
- **IMPROVED NET FINANCIAL POSITION: UP TO +12 MILLION EURO AS COMPARED TO -141.6 AT THE END OF 2001**
 - **FURTHER GROWTH EXPECTED IN 2003**
- **THREE-YEAR PLAN, 2003-2005, TO BE SUBMITTED TO THE BOARD WHICH WILL APPROVE DEFINITIVE RESULTS**

Milan, February 19th, 2003 – The Board of Directors of Pirelli & C. Real Estate met today to examine the preliminary, non-audited results for the Group for the year ending on December 31st, 2002.

2002 was a particularly important year for Pirelli & C. Real Estate:

- the year witnessed **major acquisitions** of premium real estate assets to be developed, managed, and exploited;
- the Company became operational in **new lines of business** that offer strong prospects for the future, foremost among these is non-performing loans;

- **strategic reorganisation** launched for the **commercial property portfolio**, with the creation of a first line of **long term investments** that will lead to the establishment of real estate funds;
- the **flotation of the Company** was completed, attracting an influx of financial resources as a support to investments.

The achievement of these key strategic objectives allowed the company to close the year on the crest of a **strong upwards trend** in results, fully **confirming** the **development plans** announced by the Company at the outset of quotation, while laying the foundations for the **further growth**.

Before a detailed examination of the figures, it is worth recalling that Pirelli & C. Real Estate is a management company that invests in real estate portfolios mainly through significant minority stakes, while being encharged for their complete management. Consequently, the **aggregate production value** and **EBIT including results from participations** (pro-quota) are the most significant indicators of the business volume managed by the Group and results at operational level, respectively.

Financial statements as at December 31st, 2002

The **aggregate production value** for 2002, net of acquisitions, totalled approximately **1,298 million Euro** with an increase of **114%** as against 607.6 million Euro in 2001. The same value, including acquisitions, amounted to 6,019 million Euro as compared to 792.7 million Euro in 2001. The value of **consolidated production** alone as at **December 31st** was roughly **492 million Euro**, as compared with 326.2 million Euro in 2001.

EBIT including income from participations (pro-quota) totalled approximately **102 million Euro**, as compared with 47.2 million Euro in 2001 (+116%). Of this result 60 million Euro arose from income from participations and were thus already net of taxation. This dramatic growth contrasts starkly with the figure of 2.9 million Euro recorded the previous year.

The **net financial position** improved to a positive value of approximately **12 million Euro**, as against the negative figure of 141.6 million Euro recorded at the end of 2001. The improvement on the figure recorded on December 31st, 2001 not only reflects the disposal of portfolio securities and the increase in capital arising

from flotation on the Stock Exchange, but also the positive cash-flow position; all this despite intense investment activities in real estate assets and services companies.

There was also improvement in the financial position gross of shareholders loans to companies where a minority stake is held, with a negative result of **166 million Euro** as opposed to the negative value of 380.7 million Euro at the close of 2001.

Performance of main areas of activity in 2002

Asset Management Activities

In 2002, the **Asset Management** business recorded an aggregate **value of production**, net of acquisitions, of approximately **1,085 million Euro** (as against 499.6 million in 2001). New acquisitions stood at approximately 4.7 billion Euro, of which approximately 1.2 were attributable to the Group.

The exploitation of assets under management led to the generation of revenues in the order of **1,032 million Euro**, and gross capital gains of approximately **273 million Euro** with roughly 114 attributable to the Group.

Assets under management as at December 31st, 2002, at market value, amounted to approximately **9.7 billion Euro**¹, of which the Group holds approximately 25%. With respect to the estimate as of December 31st, 2001 of 5.2 billion Euro, this represents an increment of about 4.5 billion Euro.

Asset management activities generated fees worth approximately 30 million Euro as compared with 17.9 million in 2001 (+68%). EBIT for these activities was **10 million Euro**, as compared with 5.9 million in 2001.

Service Provider Activities

The value of production from **Service Provider** activities, wholly consolidated, amounted to approximately **199 million Euro** as compared with 96.6 million the previous year, with an increase of approximately **106%**. Of this figure, approximately 27% stemmed from internal growth with the remainder coming from acquisitions. EBIT for these activities stood at approximately **29 million Euro**¹, as against 19.3 million in 2001.

¹ Initial estimate, currently being finalized, by CB Richard Ellis.

As at December 31st, 2002 the portfolio for which the Group Service Provider business provided services had a market value of approximately 27.9² billion Euro, as against an estimated value of 14.3 billion Euro, representing growth of approximately **13.6 billion** Euro (95%).

Key events in the last quarter

- The **first line** for **long term investment** was set up through two vehicles (known as Tiglio I and Tiglio II) as recipient for commercial real estate assets worth **3.15 billion** Euro. Pirelli & C Real Estate - who has a stake of approximately 13% in the vehicles - is solely responsible for the asset management activities and for the provision of the related specialist services.
- At the end of December the Pirelli & C. Real Estate Group acquired a 20% stake in the newly constituted company to which the **Marzotto Group** has ceded **development areas in disuse**. At the same time a framework agreement was signed for the concentration within the same company, by the end of June 2003, of development areas drawn from the assets of the Pirelli & C. Real Estate, Olivetti and Telecom Italia Groups (for an overall surface area of roughly **3 million square metres**, of which **1 million square** metres can be **built** upon); the agreement also grants Pirelli & C. Real Estate the mandates for the **asset management** and **specialist services** associated with this newly assembled portfolio.
- In the fourth quarter of 2002 the Pirelli & C Real Estate Group continued with the **acquisition of portfolios** designated mainly for **residential use**, for a value in excess of **110 million** Euro. The assets acquired from Unipol, Meie Aurora, Allianz, Il Limone and Risanamento Napoli are mainly located in Milan and Naples, accounting for an overall surface area of approximately 42.000m².
- At the close of the fourth quarter, the company **CFT Finanziaria**, in which Pirelli & C. Real Estate holds a stake of 47%, (the same stake as that held by Cassa di Risparmio di Firenze), ceded its outstanding mortgage receivables to a **securitisation** vehicle, whose services will be entrusted to Pirelli & C. Real Estate.

Events after December 31st, 2002

- In February the Group reached an agreement with **Deka Immobilien Investment GmbH** (Deka Group), a leading European player in the management of open real

² Initial estimate, currently being finalized, by CB Richard Ellis.

estate funds for assets under management. The agreement is geared to the sale of four premium properties located in downtown Milan, for a value of approximately **130 million** Euro and gross **capital gains** of roughly **20 million** euro. Owned by the joint venture with Morgan Stanley Real Estate Funds, these properties occupy an overall surface area in excess of 30.000m², and are part of the recently acquired real estate assets formerly owned by RAS.

Outlook for 2003

On the basis of the data currently available, all reasonable forecasts suggest that in the current year **EBIT inclusive of results from participations** (pro-quota) will record further growth compared to the previous year. As was the case in 2002, this growth should prove stronger in the second half of the year, once the effects of the exploitation of the recently acquired real estate assets have had their full impact.

During the course of the Board of Directors meeting, which will approve finalized 2002 figures, the Board will also examine the Company's **three-year plan for 2003-2005**.

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