



PIRELLI & C. REAL ESTATE PRESS RELEASE

BOARD APPROVES FY 2002 FINANCIAL STATEMENTS WITH STRONG GROWTH IN RESULTS

- **AGGREGATE PRODUCTION VALUE, NET OF ACQUISITIONS: 1,297.1 MILLION EURO, +113% AS COMPARED TO 607.6 MILLION EURO IN 2001**
- **EBIT INCLUDING INCOME FROM EQUITY PARTICIPATIONS: 102.2 MILLION EURO AS AGAINST 47.2 MILLION EURO IN 2001, +117%**
 - **CONSOLIDATED NET INCOME FROM REAL ESTATE ACTIVITIES INCREASES 147% TO 82.6 MILLION EURO FROM 33.5 MILLION EURO IN 2001**
 - **CONSOLIDATED NET INCOME, INCLUDING OTHER ITEMS (DISPOSAL OF SECURITIES PORTFOLIO EX UNIM), AMOUNTS TO 125.3 MILLION EURO AS COMPARED TO 161.4 MILLION EURO IN 2001**
 - **SHAREHOLDERS' EQUITY INCREASES TO 367.9 MILLION EURO FROM 131 MILLION EURO AT THE END OF 2001**
 - **BOARD PROPOSES DIVIDEND OF 1.25 EUROS PER SHARE**
 - **FURTHER GROWTH EXPECTED IN 2003**
 - **THREE-YEAR PLAN, 2003-2005, TO BE SUBMITTED TO THE BOARD TO BE HELD ON MARCH 27**

Milan, March 12th, 2003 – The Board of Directors of Pirelli & C. Real Estate examined and approved financial statements for the year ending on December 31st, 2002.

2002 was a particularly important year for the Company:

- 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 activities mainly through significant minority stakes, while being entrusted for their complete management. Consequently, the **aggregate production value**, net of acquisitions and **EBIT including income from equity participations** (pro-quota) are the most significant indicators of the business volume managed by the Group and results at operational level, respectively.

The **aggregate production value** for 2002, net of acquisitions, totalled **1,297.3 million Euro** with an increase of **113%** as against 607.6 million Euro in 2001. The same value, including acquisitions, amounted to 6,018.8 million Euro as compared to 792.7 million Euro in 2001. The value of **consolidated production** alone as at December 31st was **491.5 million Euro**, as compared with 326.2 million Euro in 2001.

EBIT including income from equity participations (pro-quota) totalled **102.2 million Euro**, as compared with 47.2 million Euro in 2001 (+117%). Of this result 60.1 million Euro was due to income from equity participations and was thus already net of taxation. This dramatic growth contrasts starkly with the figure of 2.9 million Euro recorded the previous year.

Consolidated net income from real estate activities totalled **82.6 million euro**, as against 33.5 million euro in 2001, with an increase of **147%**. Consolidated net income, including other components, principally linked to the sale of the securities portfolio in both years, which derived from the Unim transaction, was equal to 125.3 million euro, as compared to 161.4 million euro in 2001.

Shareholders' equity as at December 31st, 2002 amounted to **367.9 million euro**, a significant increase as compared to the figure of 131 million euro at the close of 2001. The increase of 236.9 million euro was mainly due to net income for the period as well as the increase in share capital arising from quotation on the Stock Exchange (105 million).

Considering Shareholders' Equity of 367.9 million Euro, in addition to the implicit capital gain with respect to book value of 719.7 million euro, the Company's **Net Asset Value** amounts to **1,087.6 million euro**. This amount does not however include the activities of **Service Provider** and **Asset Management Fees**, which together produced an EBIT in 2002 of **38.5 million euro**.

The **net financial position**, gross of shareholders loans to companies where a minority stake is held, was negative for **166.7 million Euro** as opposed to the negative value of 380.7 million Euro at the close of 2001. The resulting gearing ratio was 0.5 as opposed to 2.9 as of December 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 **1,084.5 million Euro** (as against 497.1 million in 2001). New acquisitions stood at approximately 4,721.5 billion Euro, of which approximately 1,205.2 were attributable to the Group.

The exploitation of assets under management led to the generation of revenues in the order of **1,031.9 million Euro**, and gross capital gains of approximately **273 million Euro** of which 114 attributable to the Group.

Aggregate EBIT was equal to **566.4 million euro**, an increase of 154% with respect to 222.8 million euro in 2001. The Group's share amounted to 178.6 million euro as opposed to 93.1 million euro in 2001.

Assets under management as at December 31st, 2002, at market value, amounted to **9.7 billion Euro**¹, of which the Group holds just over 26%. With respect to the estimate as of December 31st, 2001 of 5.2 billion Euro, this represents an increment of 4.5 billion Euro.

Asset management activities generated **fees** worth **29.9 million Euro** as compared with 17.9 million in 2001 (+67%). EBIT for these activities was **9.6 million Euro**, as compared with 5.9 million in 2001.

Service Provider Activities

The **value of production** from **Service Provider** activities, wholly owned, amounted to approximately **199.8 million Euro** as compared with 96.6 million the previous year, with an increase of **107%**. Of this figure, approximately 27% stemmed from internal growth with the remainder coming from acquisitions. EBIT for these activities stood at **28.9 million Euro**, as against 19.3 million in 2001.

As at December 31st, 2002 the portfolio for which the Group Service Provider business provided services had a market value of approximately **27.9 billion Euro**¹, as against an estimated value of 14.3 billion Euro, representing growth of approximately **13.6 billion Euro**.

Events after December 31st, 2002

- During the months of January and February 2003, the group continued its policy of acquiring real estate portfolios, mainly residential, by underwriting a preliminary agreement and finalizing other agreements relative to the acquisition of 9 buildings, located in Milan and Naples, for a total value of 77 million euro, of which the Group's share is 27 million euro. This amount is in addition to the 110 million euro of property acquired in Q4 of 2002, of which the Group's share is about 38 million euro.
- In February the Group reached an agreement with Deka Immobilien Investment GmbH (Deka Group), a leading European player in the management of open real 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

¹ Based on an evaluation by CB Richard Ellis.

area in excess of 30.000m², and are part of the recently acquired real estate assets formerly owned by RAS.

- During the month of February, together with other partners, the group presented a proposal to participate in a competition to receive a mandate for the technical and administrative valuation of the State's real estate holdings.
- Again, during the month of February, together with other partners, the group won a mandate to manage and develop information technology services for the Ministry of Public Instruction, University Research, and the organization of the compound called Villa Lucidi, an Edp and Ministry formation center. The awarding contract, valid for five years, renewable for other two years, has a value of about 200 million euro. Pirelli & C. Real Estate will be encharged to manage the center, through its facility management division.
- On March 3rd, the Group, together with property funds managed by Morgan Stanley and Goldman Sachs, presented an initial non-binding offer, within the context of a competitive auction, for the real estate portfolio being sold by Enel Real Estate SpA (ENEL Group). The acquisition consists of more than 1,300 building, mostly for office and industrial use, located throughout Italy, as well as the related personnel which manages the same building.

Outlook for 2003

On the basis of the data currently available, all reasonable forecasts suggest that in the current year **EBIT inclusive of income from equity participations** 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.

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The Board of Directors will propose to The Shareholders' Assembly a **dividend of 1.25 euros** per share. The Board has therefore encharged the Vice President and CEO to convene the General Assembly to approve the Financial Statements for Fiscal Year 2002, most likely within the first ten days of the month of May; in which case the dividend would most likely be distributed before the end of June.

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Furthermore, the Board will propose to the Shareholders' Assembly to increase the number of Directors from 13 to 14 with the nomination of an additional Director, to

renew the authorisation to acquire and sell Treasury Shares, after having revoked the previous authorisation relative to the portion not executed.

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The Board of Directors will hold a meeting on March 27 to examine the Company's **three-year plan for 2003-2005.**

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Herein attached is a summary of the income statement and balance sheet, which haven't yet been audited by the accounting firm nor verified by the internal audit committee.

Highlights Income Statement

Million Euro	Actual December 2002	Actual December 2001	Variation
Aggregate Production Value, net of acquisitions	1,297.3	607.6	689.7
Consolidated Production Value	491.5	326.2	165.3
EBIT including Income from Equity Participations	102.2	47.2	55.0
Income before Extraordinary Items	99.9	43.9	56.0
Net Income from Real Estate Activities	82.6	33.5	49.1
Other components (*)	42.7	127.9	(85.2)
Total Net Income	125.3	161.4	(36.1)

(*) deriving principally in both years from the sale of the securities portfolio acquired in the Unim transaction

Consolidated Balance Sheet

Million Euro	Actual December 2002	Actual December 2001
Fixed Assets	218.8	74.2
<i>Of which equity participations</i>	<i>109.1</i>	<i>55.2</i>
Net Working Capital	190.5	249.4
<i>Of which inventories</i>	<i>383.7</i>	<i>350.3</i>
Net Invested Capital	409.3	323.6
Shareholders' Equity	368.8	132.1
<i>Of which minority interests</i>	<i>0.9</i>	<i>1.1</i>
Funds and provisions	52.8	49.9
Net Financial Position	(12.3)	141.6
Net Invested Capital	409.3	323.6
Gearing Net Financial Position	(0.0)	1.1
NFP gross of shareholders' loans	166.7	380.7
Gearing NFP gross of shareholders' loans	0.5	2.9

Consolidated Income Statement

Million Euro

	ACTUAL DECEMBER 2002			ACTUAL DECEMBER 2001		
	Total	Recurring Activities	Non Recurring Activities	Total	Recurring Activities	Non Recurring Activities
Production Value	491.5	491.3	0.2	326.2	311.6	14.6
<i>Of which acquisitions</i>	<i>91.2</i>	<i>91.2</i>	<i>0.0</i>	<i>64.5</i>	<i>64.5</i>	<i>0.0</i>
Production Value, net of acquisitions	400.3	400.1	0.2	261.7	247.0	14.6
EBITDA	51.8	54.1	(2.3)	48.6	54.1	(5.5)
Depreciation	(9.6)	(8.7)	(0.9)	(4.3)	(4.3)	0.0
EBIT	42.1	45.4	(3.3)	44.3	49.8	(5.5)
Income from Equity Participations	60.1	60.1	0.0	2.9	8.5	(5.6)
EBIT including Income from Equity Participations	102.2	105.5	(3.3)	47.2	58.3	(11.1)
Financial Income from Participations	13.1	12.6	0.5	13.5	11.3	2.2
Other financial income/expenses	(15.4)	(14.5)	(0.9)	(16.8)	(15.7)	(1.1)
Income before Extraordinary Items	99.9	103.6	(3.7)	43.9	53.9	(10.0)
Extraordinary items	49.9	(2.5)	52.4	163.8	(3.0)	166.8
P.B.T.	149.8	101.1	48.7	207.7	50.9	156.8
Income taxes	(24.3)	(18.3)	(6.0)	(46.3)	(17.4)	(28.9)
Net Income	125.5	82.8	42.7	161.4	33.5	127.9
Minority Interests	(0.2)	(0.2)	0.0	0.0	0.0	0.0
Net income after minority interests	125.3	82.6	42.7	161.4	33.5	127.9