



## **PIRELLI & C. REAL ESTATE PRESS RELEASE**

### **FIRST QUARTER REPORT APPROVED: SIGNIFICANT GROWTH IN RESULTS CONTINUES**

- **AGGREGATE PRODUCTION VALUE NET OF ACQUISITIONS: 355.7 MILLION EURO, + 73% COMPARED TO MARCH 31ST, 2002**
- **EBIT INCLUDING INCOME FROM EQUITY PARTICIPATIONS: 24,7 MILLION EURO, +27% COMPARED TO MARCH 31ST, 2002**
  - **CONSOLIDATED NET INCOME FROM REAL ESTATE ACTIVITIES: 20 MILLION EURO, + 26% COMPARED TO MARCH 31ST, 2002**
- **SHAREHOLDERS' EQUITY INCREASES TO 388.2 MILLION EURO (367.9 MILLION EURO AT THE CLOSE OF 2002)**
- **NET FINANCIAL POSITION NEGATIVE 20 MILLION EURO AS COMPARED TO A POSITIVE VALUE OF 12.3 MILLION EURO AT THE END OF 2002, LARGELY DUE TO INVESTMENTS MADE**
  - **FOR 2003 FURTHER GROWTH FORECAST FOR EBIT INCLUDING INCOME FROM EQUITY PARTICIPATIONS**

*Milan, May 6th, 2003* – The Board of Directors of Pirelli & C. Real Estate have approved the report for the first quarter as at March 31<sup>st</sup>, 2003.

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 taking on full responsibility for their management. Consequently, the **aggregate production value** net of acquisitions and **EBIT including the pro quota income from equity participations** are the most significant indicators of the business volume managed by the Group and results at operational level, respectively.

## **The Pirelli Real Estate Group**

The **aggregate production value**, net of acquisitions, totalled **355.7 million Euros** with growth of **73%** compared to the figure of 205.9 million Euros for the first quarter of 2002. The total including acquisitions was **504.6 million Euros** as against 677.1 million Euros over the same period in 2002. The value of **consolidated production as at March 31st was 131.9 million Euros**, as compared with 100.6 million Euros on March 31<sup>st</sup>, 2002.

**EBIT including pro quota income from equity participations** totalled **24.7 million Euros**, as compared with 19.5 million Euros over the first quarter of 2002, representing **growth** of **27%**. Of this result 13.9 million Euros arose from pro quota income from equity participations, already net of taxation.

The **net consolidated result from real estate activities** was **20 million Euros**, as against 15.9 million Euros for the first quarter of 2002, with growth of **26%**. Net consolidated profit as at March 31st, 2002, equal to 56 million Euros, included 40.1 million Euros, almost entirely related to the sale of the last part of former Unim share portfolio.

**Shareholders' equity** as at March 31st, 2003 totalled **388.2 million Euros**, an increase compared to the figure of 367.9 million Euros at the end of 2002.

The **net financial position** recorded a negative value of **20 million Euros**, as against the positive figure of 12.3 million Euros at the close of 2002. The variation compared to December 31st, 2002 stems largely from investments.

The **financial position gross of shareholders' loans to companies where a minority stake was held** was negative, at **200 million Euros** as compared with the negative figure of 166.7 million Euros at the close of 2002. The gearing ratio stood at approximately 0.5, in line with the ratio recorded in December 2002.

## **Asset Management Activities**

For the first quarter of 2003 aggregate **Asset Management** activities recorded a production **value**, net of acquisitions, equal to **295.7 million Euros**, as compared with 168.6 million Euros in the first quarter of 2002. New acquisitions accounted for **148.9 million Euros**. The Group's share of this figure was **67.3 million Euros**.

The exploitation of assets under management generated earnings of **479.1 million Euros** and gross capital gains of **104.4 million Euros**. The Group's share in this figure was 30.4 million Euros.

**Aggregate EBIT** stood at **150.2 million Euros**, an increase of **71%** when set against the figure of 87.7 million Euros on March 31<sup>st</sup>, 2002. The Group's share in this figure totalled 42.4 million Euros as compared with 35.2 million Euros for the first quarter of 2002.

Asset management activities generated **fees** of **13.4 million Euros** as against 5.8 million Euros in the first quarter of 2002 (+131%). EBIT from these activities amounted to **3.7 million Euro**, as compared with 1.7 million Euros on March 31<sup>st</sup>, 2002 (+118%).

### **Service Provider Activities**

**Turnover** from wholly owned **Service Provider** operations totalled **61.8 million Euros** as compared with 36.9 million in the first quarter of 2002. **EBIT** from these activities, compared with the same period during the last year, was **8.1 million Euros**, as compared with 6.3 million Euros on March 31<sup>st</sup>, 2002, representing growth of 29%.

Activities dedicated to the realization of the franchising network are under way and involved charges of 1.3 million Euros during the period.

### **Outlook for 2003**

On the basis of the information currently available, 2003 should see **further growth** in **EBIT including the pro quota result from equity participations** when compared to the previous year.

For further information please contact:  
Pirelli Press Office Tel. +39 02 8535.4270  
[www.pirellirealestate.com](http://www.pirellirealestate.com)

*In attachment highlights of Income Statement of Income and Balance sheet for first quarter 2003 and 2002.*

*Addendum 1*

## Highlights of the Income Statement

millions of Euro	<b>1/1/2003 - 31/3/2003</b>	<b>1/1/2002 - 31/3/2002</b>
<b>Aggregate production value, net of acquisitions</b>	<b>355.7</b>	<b>205.9</b>
Consolidated production value	131.9	100.6
<b>EBIT including income from equity participations</b>	<b>24.7</b>	<b>19.5</b>
<b>Income before extraordinary income/charges</b>	<b>25.0</b>	<b>18.9</b>
<b>Net income for the period from real estate activities</b>	<b>20.0</b>	<b>15.9</b>
Other components (*)	0.0	40.1
Total net income for the period	20.0	56.0

(\*) Almost entirely related to the sale of the last part of former Unim share portfolio

*Addendum 2*

## Consolidated Balance Sheet

millions of Euro	<b><u>March 31<sup>st</sup>, 2003</u></b>	<b><u>December 31<sup>st</sup>, 2002</u></b>
<b>Fixed assets</b>	<b>254.1</b>	<b>218.8</b>
of which participations in equity-based companies	128.0	109.1
<b>Net Working Capital</b>	<b>205.4</b>	<b>190.5</b>
of which inventory	369.2	383.7
<b>Total Net Invested Capital</b>	<b>459.5</b>	<b>409.3</b>
<b>Shareholders' equity</b>	<b>388.9</b>	<b>368.8</b>
of which minority holdings	0.7	0.9
<b>Funds and provisions</b>	<b>50.6</b>	<b>52.8</b>
<b>Net financial position (cash/debt)</b>	<b>20.0</b>	<b>(12.3)</b>
<b>Total equity, funds and net financial position</b>	<b>459.5</b>	<b>409.3</b>