



PIRELLI & C. REAL ESTATE PRESS RELEASE

BOARD EXAMINES PRELIMINARY FIGURES AS AT JUNE, 30TH: GROWTH TREND CONFIRMED AT THE TOP END OF THE THREE-YEAR PLAN 2003-2005 FORECASTS

- **AGGREGATE PRODUCTION VALUE NET OF ACQUISITIONS: 693 MILLION EURO, + 44% COMPARED TO 480.7 MILLION EURO IN THE FIRST HALF OF 2002**
- **EBIT INCLUDING INCOME FROM PARTICIPATIONS: 53 MILLION EURO, +26% COMPARED TO 42 MILLION EURO IN THE FIRST HALF OF 2002**
- **NET FINANCIAL POSITION: NEGATIVE AT 71 MILLION EURO AS COMPARED TO + 12.3 MILLION AT THE END OF 2002, DUE TO INVESTMENTS MADE AND THE DIVIDEND PAYMENT (EQUAL TO 48 MILLION EURO)**
- **EBIT INCLUDING INCOME FROM PARTICIPATIONS FORECAST GROWTH WITH RESPECT TO 2002**

Milan, July 29th, 2003 – The Board of Directors of Pirelli & C. Real Estate met today and approved the preliminary, non-audited figures for the Group for the period ending on June 30th, 2003. Growth trend in results confirmed at the top end of the three-year plan 2003-2005 forecasts.

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** 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.

Performance of Pirelli & C. Real Estate over the first half of 2003

The **aggregate production value**, net of acquisitions, totalled approximately **693 million** Euro with growth of **44%** compared to the figure of 480.7 million Euro for the first half of 2002. The value of **consolidated production** as at June 30th was **282 million** Euro, as compared with 216.9 million in 2002 (+30%).

EBIT including income from equity participations totalled approximately **53 million** Euro, as compared with 42 million Euro over the first half of 2002, representing **growth** of **26%**. Of this result approximately 24 million Euro arose from income from equity participations, already net of taxation, an increase of 86% when compared to the figure of 12.9 million Euro the previous year.

The **net financial position** recorded a negative value of approximately **71 million** Euro, as against the positive figure of 12.3 million Euro at the close of 2002 and a negative value of 54.8 million Euro on June 30th, 2002. The variation compared to December 31st, 2002 stems largely from investments and the dividend payment of 48 million euro.

The **financial position gross of shareholders' loans to companies where a minority stake is held** was negative, at approximately **249 million** Euro as compared with the negative figure of 166.7 million Euro at the close of 2002 and the negative figure of 267.5 million Euro on June 30th, 2002.

Performance of the main sectors of activity over the first half of 2003

Asset Management Activities

For the first half of 2003 **Asset Management** activities recorded an **aggregate production value**, net of acquisitions, equal to approximately **548 million** Euro, as compared with 385 million Euro in the first half of 2002. New acquisitions accounted for approximately **183 million** Euro. The Group's share of this figure was approximately **69 million** Euro.

The exploitation of assets under management generated earnings of approximately **784 million** Euro (+62% compared to the first half of 2002) and gross capital gains of approximately **177 million** Euro. The Group's share in this figure was approximately 61 million Euro.

Asset management activities generated **fees** of approximately **25 million** Euro as against 13 million Euro in the first half of 2002. EBIT from these activities amounted to approximately **7 million** Euro, as compared with 4.2 million Euro in the first half of 2002 (+67%).

Service Provider Activities

The **production value** from **Service Provider** operations, fully consolidated, totalled approximately **144 million** Euro as compared with 86.8 million in the first half of 2002. EBIT from these activities was approximately **21 million** Euro, as compared with 12.7 million Euro in the first half of 2002 (+65%).

In addition, activities dedicated to the realisation of the franchising network and the development of the portal are under way and involved – as expected – charges of roughly 3 million Euro.

Events further to June 30th, 2003

- On July 16th, the joint venture between Pirelli & C. Real Estate (25%) and Morgan Stanley Real Estate Funds (75%) was awarded the tender for the acquisition of part of the non-instrumental real estate portfolio of the **Fondiaria-SAI** Group for a price of **980 million** Euro. This portfolio consists of **87 properties**, largely for commercial use, and occupying a surface area of roughly 460.000m² mainly in Milan, Florence and Rome. By July 31st, a preliminary contract should be signed for the acquisition, while the closing of the transaction should take place by the end of October.

- Following the framework agreement signed on December 23rd, 2002, the **concentration within a single vehicle of the construction development areas** was completed as of July 21st. Earlier, the development sites sold off by the **Marzotto** Group had already been transferred to this vehicle. The overall value of the assets is roughly **200 million** Euro, with construction capacity of more than 3 million cubic metres. The concentration of these sites within a single dedicated company will initially allow for the **optimisation of the town planning activities**, and subsequently **a customised and effective exploitation** by the Group specialised asset management business units.

Outlook for 2003

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

§

The Board of Directors of Pirelli & C. Real Estate at the meeting convened for September 3rd will examine the management report as at June 30th.

§

Lastly, the **organisational model** stipulated by Law Decree 231/01 has now been approved. The new model features a well-constructed pyramidal organization based on specific principles and procedures of internal control, reflecting the Ethical Code of Conduct adopted by the Company. This project specifically entailed a detailed analysis of the risks inherent in the company structure as well as an analysis of the organizational systems already in place.

Furthermore a **Supervisory Committee** has been appointed, with a mandate until the end of the Board's term. Members include Dario Trevisan, independent Board member and Chairman of the internal control & Corporate Governance Committee, Roberto Bracchetti, Chairman of the Internal Audit Committee, and Nicolas Marchi, member of Auditing Division of Pirelli & C. S.p.A. Consequently, the Committee is composed of members who possess the necessary professional skills for the social management as well as the autonomy required by law. The Supervisory Committee has been entrusted with the necessary powers to guarantee that the organizational model and management system adopted by the company are working in a punctual and efficient manner.

§

The Boards of Directors has also appointed **Marc Petit** as **General Manager Finance**. Petit, aged 47, who has been Vice-Chairman and CFO of Iveco Group, boasts longstanding experience, both in Italy and abroad, in important international groups such as Sabena, Cereol-Eridania Beghin-Say and Serono. Administration, Control and Systems Department, which reports to the CEO, is still managed by the Central Director Gerardo Benuzzi.

For further information please contact:
Pirelli Press Office Tel. +39 02 8535.4270
www.pirellirealestate.com