



PIRELLI & C. REAL ESTATE PRESS RELEASE

BOARD APPROVES FIRST HALF FINANCIAL STATEMENTS AS AT JUNE 30TH: GROWTH IN RESULTS CONFIRMED

- **AGGREGATE PRODUCTION VALUE NET OF ACQUISITIONS:
693.0 MILLION EURO, + 44%**
- **EBIT INCLUDING INCOME FROM EQUITY PARTICIPATIONS:
53.3 MILLION EURO, +27%**
- **CONSOLIDATED NET INCOME FROM REAL ESTATE
ACTIVITIES: 40.3 MILLION EURO, +26%**
- **NET FINANCIAL POSITION: IN LINE WITH COMPANY
DEVELOPMENT PLANS, NEGATIVE AT 71.4 MILLION EURO AS
COMPARED WITH + 12.3 MILLION AT THE END OF 2002**
- **WITH ACQUISITION OF FONSAI, ASSETS UNDER MANAGEMENT
INCREASE TO 10.2 BILLION EURO; SERVICED ASSETS AMOUNT TO
30.1 BILLION EURO**
- **PORTFOLIO TURNOVER: NEW ACQUISITIONS STOOD AT
APPROXIMATELY 1 BILLION EURO (INCLUDING FONSAI);
GENERATING EARNINGS OF APPROXIMATELY 0.8 BILLION EURO**
- **FORECAST GROWTH IN RESULTS OF REAL ESTATE
ACTIVITIES IN 2003 COMPARED TO 2002**

Milan, September 3rd, 2003 – The Board of Directors of Pirelli & C. Real Estate, met today, examined and approved the Group financial statements for the first half ending on June 30, 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 activities 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.

The **aggregate production value**, net of acquisitions, totalled **693.0 million** Euro, with an increase of over 44% as against 480.7 million Euro in the first half of 2002. The value of **consolidated production** alone as at June 30th was **282.2 million** Euro, as compared with 216.9 million Euro in 2002.

EBIT including income from equity participations totalled **53.3 million** Euro, as compared with 42 million Euro in the first half of 2002, representing **growth** of approximately **27%**. Of this result, 23.7 million Euro was due to income from equity participations, as compared with 12.9 million Euro the previous year, representing growth of 83.7%

Consolidated **net income** from real estate activities totalled **40.3 million** Euro, as against 32 million Euro in the first half of 2002, with an increase of approximately 26%. On June 30th, 2002 the consolidated net income, equal to 71.4 million Euro, included 39.4 million Euro principally due to the sale of the final part of the Unim securities portfolio.

Shareholders' equity as at June 30, 2003 amounted to **359.8 million** Euro as compared to 367.9 million at the close of 2002. The decrease of 8.1 million was mainly due to the difference between the distribution of dividends (48.7 million Euro) and net income for the period (40.3 million Euro).

The **ROE** (return on equity) on an annual basis on June, 30 was 22%.

The **net financial position** was negative for **71.4 million** Euro, as opposed to the negative value of 54.8 million Euro on June, 30th 2002 and the positive value of 12.3 million Euro at the close of 2002. The variation compared with December 31, 2002 is due to investment activities, payment of dividends and growth in net working capital, where growth was in any case lower than that of turnover.

The financial position **gross of loans to companies where a minority stake is held**, was negative for **249.3 million** Euro, as opposed to the negative value of 267.5 million Euro on June 30, 2002 and to the negative value of 166.7 million Euro at the close of 2002. The **gearing** ratio was **0.7** as opposed to 0.8 as at June 30, 2002, and to 0.5 as at December 31, 2002.

Performance of main areas of activity in the first half of 2003

Asset Management Activities

During the first six months of 2003 the **Asset Management** business unit recorded an aggregate **production value**, net of acquisitions, of **548.6 million** Euro, as against 385 million Euro in the first half of 2002. New acquisitions (land and buildings) amounted to **183.4 million** Euro (of which **69 million** were attributable to the Group), in addition to 33 million Euro of non performing loans (of which 15.5 million Euro attributable to the Group).

Further to June, 30th the acquisition of part of the portfolio of the **Fondiaria-SAI** Group was defined for a value of approximately **780 million** Euro.

The exploitation of assets under management generated earnings of **784.7 million** Euro (+62.5% compared to the first half of 2002) and gross capital gains **177.6 million** Euro, of which 60.6 attributable to the Group.

Aggregate EBIT was equal to 261 million Euro, an increase of 36.6% with respect to 191 million Euro in the first half of 2002. The Group's share amounted to 82.7 million Euro as opposed to 75.4 million Euro in the first half of 2002.

Assets under management as at June 30th, 2003 at market value - based on an evaluation by CB Richard Ellis - amounted to **9.4 billion** Euro, as compared with **9.7 billion** Euro as at December 31st, 2002 and 8.3 billion Euro at June 30th, 2002. Including the recently acquired part of the portfolio of the Fondiaria-SAI Group (the latter being considered at the acquisition value), assets under management stood at **10.2 billion** Euro, of which the Group held a **26.2% share**.

Asset management activities generated **fees** worth **25.2 million** Euro as compared with 13 million Euro over the first half of 2002. EBIT for these activities was **6.8 million** Euro, as compared with 4.2 million Euro over the first half of 2002, with an increase of approximately 62%.

Service Provider Activities

The **production value** from **Service Provider** activities, wholly owned, amounted to **144.3 million** Euro as compared with 86.8 million over the first six months of 2002. **EBIT** for these activities stood at **20.7 million** Euro, as against 12.7 million Euro in the first half of 2002 (+63%).

Work is also underway for the creation of the franchising network and the development of the portal. As foreseen for the period this entailed operational costs of 2.7 million Euro.

As at June 30, 2003, the portfolio for which the Group's specialist companies provided services had a market value - based on an evaluation by CB Richard Ellis - of **29.3 billion** Euro (including assets under management of 9.4 billion Euro), as against a value of 27.9

billion Euro at the close of 2002, and approximately 22.5 billion Euro as at June 30th, 2002. Including the part of the portfolio of the Fondiaria-SAI Group (the latter being considered at its acquisition value), serviced assets increased to **30.1 billion Euro**.

Net Asset Value

Given the shareholders' equity of 359.8 million Euro, plus the implicit pro-quota capital gains of 692.4 million Euro on the book value of the assets, the **Net Asset Value** of the company as at June 30, 2003 stood at **1,052.2 million Euro**. This figure does not take into account **service activities** and **asset management fees**, which generated EBIT of **27.5 million Euro** in the first half of 2003.

Outlook for 2003

On the basis of the data currently available, it is reasonable to expect **growth of the real estate activities for 2003** compared to the previous year.

Other events

As at June 30, 2003 Pirelli & C. Real Estate owns **1,782,881 of its own shares**, equal to approximately **4.4%** of the share capital, with a balance sheet value of 22.53 Euro per share.

§

On Thursday, September, 4th, at 10.00 local time (9.00 GMT) Carlo Puri Negri, CEO of Pirelli & C. Real Estate, will hold a conference call to present the results of the company for the first half of 2003.

Journalists can listen to the presentation, without being able to ask any questions, by calling +39/06/33485042 followed by the code 44077#. The contents of the conference call will be available from the www.pirellirealestate.com website shortly thereafter.

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

Here with attached is a summary of the income statement and balance sheet as at June 30th, 2003, which have not as yet been audited by the accounting firm or verified by the internal audit committee.

Addendum 1

Highlights of Income Statement

Million Euro	1 st half 2003	1 st half 2002
Aggregate Production Value, net of acquisitions	693.0	480.7
Consolidated Production Value	282.2	216.9
EBIT including Income from Equity Participations	53.3	42.0
Income before Extraordinary Items	53.2	40.3
Net Income from Real Estate Activities	40.3	32.0
Other components (*)	0.0	39.4
Total Net Income	40.3	71.4

(*) deriving almost entirely from the sale of the final part of the ex-Unim securities portfolio

Addendum 2

Consolidated Balance Sheet

Million Euro	<u>June 30, 2003</u>	<u>December 31, 2002</u>	<u>June 30, 2002</u>
Fixed Assets	252.9	218.8	182.2
<i>Of which equity participations</i>	118.2	109.1	101.0
Net Working Capital	234.5	190.5	232.7
<i>Of which inventories</i>	362.5	383.7	396.8
Net Invested Capital	487.4	409.3	414.9
Shareholders' Equity	360.2	368.8	315.3
<i>Of which minority interests</i>	0.4	0.9	1.4
Funds and provisions	55.8	52.8	44.8
Net Financial Position (liquid)/indebted	71.4	(12.3)	54.8
of which liquidity/short term financial activities	(112.1)	(74.2)	(71.3)
of which shareholders' loans	(177.9)	(179.0)	(212.7)
of which other medium/long-term activities	(0.2)	(0.2)	(0.2)
of which short term financial liabilities	161.2	31.2	322.4
of which mid/long term financial liabilities	200.4	209.9	16.6
Net Invested Capital	487.4	409.3	414.9

Addendum 3

Consolidated Income Statement

Million Euro	FINAL JUNE 2003	FINAL JUNE 2002
	Total	Total
Production Value	282.2	216.9
Of which acquisitions	37.3	27.9
Production Value, net of acquisitions	244.9	189.0
EBITDA	37.0	33.0
Depreciation	(7.4)	(3.9)
EBIT	29.5	29.1
Income from Equity Participations	23.7	12.9
EBIT including Income from Equity Participations	53.3	42.0
Financial Income from Participations	4.8	6.5
Other financial income/expenses	(4.9)	(8.2)
Income before Extraordinary Items	53.2	40.3
Extraordinary items	0.3	51.3*
P.B.T.	53.5	91.6
Income taxes	(13.2)	(20.2)
Net Income	40.2	71.4
Minority Interests	0.1	0.0
Net income after minority interests	40.3	71.4
of which net income of the real estate activities	40.3	32.0
of which net income of other components	0.0	39.4 (*)

(*) value largely due to the sale the final part of the Unim securities portfolio