PIRELLI RE BUYS WITH CITIGROUP A PORTFOLIO OF NON PERFORMING LOANS WORTH 520 MILLION EURO AT GROSS BOOK VALUE FROM DEUTSCHE BANK

THIS DEAL RAISES THE PIRELLI RE PORTFOLIO OF NPLs UNDER MANAGEMENT TO ONE BILLION EURO AT GBV

PIRELLI RE'S CREDIT SERVICING COMPANY RECEIVES AN "ABOVE AVERAGE" RATING FROM STANDARD & POOR'S

Milan, November 28th, 2003 – Pirelli RE continues to expand its business in the new sector of co-investment in and management of non performing loans. Localto, (Citigroup/Pirelli RE) has purchased a portfolio of non performing loans, mainly secured, from **Deutsche Bank A.G.**, originating from **Banca Nazionale del Lavoro**. The overall price of this portfolio is around **98 million** Euro compared with a gross book value of **520 million** Euro.

As a result of this deal Pirelli RE now has **4,000 loans** under its **management**, with a gross book value of some Euro **1 billion**.

After initial optimization, the newly-acquired portfolio, together with those that the Group is negotiating to buy, will form the object of a **securitization** worth approximately **150 million** Euro, foreseen for the **second half of 2004**. All the above operations will help optimize the value of the assets acquired and the related revenue streams.

Pirelli RE's credit servicing company will manage the loans just acquired and will act as servicer in the forthcoming securitization. In October, this company obtained an "**above average**" rating from **Standard & Poor's**, ranking it among the **leading operators in its sector**.

Pirelli RE Credit Servicing is managed by a team that has operated in the specific financial sector of mortgage loans and property leases since the 1980s. Since 1999 the company has specialized in managing non performing loans on behalf of third parties. Working closely with the Group's other specialist business units, the company administers the recovery of loans by negotiating with debtors out-of-court or via executive procedures. In the last stages, the Pirelli RE Group may take part in court-ordered auctions to purchase, in the absence of other participants, the properties originally put up to secure the defaulting loans, subsequently conducting its usual job of value enhancement.

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