PIRELLI RE

PRESS RELEASE

• 2003 BALANCE SHEET APPROVED: YEAR CLOSED WITH STRONG GROWTH TREND IN RESULTS

• AGGREGATE VALUE OF PRODUCTION NET OF ACQUISITIONS: 1,525.5 MILLION, +18% (1,297.3 MILLION IN 2002)

• EBIT INCLUDING INCOME FROM PARTICIPATIONS: 128.1 MILLION, +25% (102.2 MILLION IN 2002)

• CONSOLIDATED NET INCOME: 102.1 MILLION, +24% (82.6 MILLION FROM REAL ESTATE ACTIVITIES IN 2002)

• SHAREHOLDERS' EQUITY: 421.6 MILLION, AS COMPARED WITH 367.9 MILLION AT THE END OF 2002

• ASSETS UNDER MANAGEMENT: 10,474 MILLION AT MARKET VALUE, ATTRIBUTABLE SHARE 28% (9,756 MILLION IN 2002, 27%)

• NET FINANCIAL POSITION NEGATIVE AT 9.2 MLN

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• DIVIDEND OF 1.41 EURO PER SHARE PROPOSED, AS COMPARED WITH 1.25 EURO IN 2002

• PROPOSED AT THE NEXT GENERAL MEETING OF SHAREHOLDERS THE INTRODUTION OF LIST VOTING FOR THE APPOINTMENT OF THE BOARD OF DIRECTORS

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• 2004, STARTED WITH SUCCESSFUL PLACEMENT OF TECLA FONDO UFFICI, FURTHER GROWTH EXPECTED

Milan, March 22nd, 2004 – The Board of Directors of Pirelli & C. Real Estate have approved the company balance sheet as at December 31st, 2003.

In the year just closed the Company fully achieved its **financial and income targets**, reaching 25% growth in EBIT (including income from participations), and its development targets in new sectors, as expected in the three-year plan for 2003-2005.

The year in particular saw the launch of the **fund management** business, which completes the opportunistic business model with a long term market strategy; the structuring of the sector for the management and the investment in **non-performing loans**, a cornerstone of development of this activity over the coming years; the launch of **Pirelli RE Franchising**, for the **distribution** of real estate and financial services to the retail market.

Before a detailed examination of the figures, it is worth recalling that Pirelli RE is a management company which manages special purpose vehicles and funds owner of real estate and non performing loans portfolios, investing through minority stakes (asset management and fund management activity) and providing these and other clients with a full range of real estate specialist services (service provider activity). Consequently, the **aggregate value of production** net of acquisitions and **EBIT (including pro-quota income from participations)** are the most significant respective indicators of the business volume managed by the Group and results at operational level.

Financial statements and key figures in 2003

The **aggregate value of production**, net of acquisitions, totalled **1,525.5 million Euro** with **growth** of **18%** as compared with 1,297.3 million Euro in 2002. The value of consolidated production alone as at December 31st, 2003 stood at 649 million Euro, as against 491.5 million Euro in 2002.

EBIT (including pro-quota income from participations) totalled **128.1 million Euro**, as against 102.2 million Euro in 2002, representing **growth** of **25%**.

The **consolidated net income** was **102.1 million Euro**, as compared with 82.6 million Euro attributable to real estate activities in 2002, with **growth** of **24%**. Year 2002 also featured other non-real estate income components (mainly related to the disposal of securities portfolio ex-UNIM), for a value of 42,7 million Euro.

Shareholders' equity as at December 31st, 2003 was **421.6 million Euro** as compared with 367.9 million Euro at the end of 2002. The increase of 53.7 million Euro is largely due to the differential between the distribution of dividends (48.7 million Euro) and the profit for the period (102.1 million Euro).

Assets under management stood at **10,474 million Euro** at market value[1] (against 9,756 million Euro on December 31st, 2002). The **share attributable to Pirelli RE** was **2,922 million Euro**, equal to **28%** of the total (2,601 million Euro, equal to 27%,

[1] Real estate and land areas valued based on CB Richard Ellis analysis.

in 2002) with **implicit gross capital gains** of **713.9 million Euro** on the book value of the assets.

The **Net Asset Value** (the sum of shareholders' equity and implicit pro-quota capital gains) of the Company therefore stood at **1,135.5 million Euro**. This figure does not yet include investments in **non-performing loans** and **service provider activities** in asset management, fund management, specialist services, and the **distribution** of real estate and financial services**.**

The **net financial position** was negative at **9.2 million Euro**, as compared with the positive figure of 12.3 million Euro atv the close of 2002. This variation stems from investment activities and the payment of dividends which were offest by a significant reduction in net working capital, achieved against the backdrop of growth in turnover.

Adjusted financial position (gross of shareholders loans to companies where a minority stake is held) was negative at **223.7 million Euro** as compared with the negative figure of 166.7 million Euro at the end of 2002. The **gearing ratio** stood at **0.53** as against 0.45 on December 31st, 2002.

The number of employees as at December 31st, 2003 was 1,515, as compared with 1,208 at the close of 2002.

Performance of main areas of activity in 2003

Asset Management Activities

In 2003 **Asset Management** activities recorded an **aggregate value of production net of acquisitions** equal to **1,147.5 million Euro**, as compared with 1,020.1 million Euro in 2002, an increase of 12%.

EBIT (including pro-quota income from participations) totalled **90.4 million Euro** as set against 74.9 million Euro in 2002, with an increase of 21%.

Assets under management as at December 31st 2003, at market value, amounted to **10,025 million Euro** (against 9,283 million Euro on December 31st, 2002) consisting of 9,100 million Euro in real estate (9,052 million Euro in 2002) and 925 million Euro in non-performing loans at gross book value (231 million Euro in 2002). The year saw acquisitions worth **1.587,4 million Euro**; the exploitation of assets under management led to the generation of **sales revenues** (at market value) of **2,037.7 million Euro** (a book value of 1,602.6 million Euro), with capital gains of 435.1 million Euro.

Asset management activities generated **fees** worth **46 million Euro** as opposed to 27.9 million Euro in 2002 (growth of 65%).

Land Areas

As at December 31st, 2003 this business unit, focused on incrising value aimed to a following development by the product business units, managed a **portfolio** with a **land surface area** of approximately **5 million** square metres and **1.8 million square metres of building capacity**. The key figures for this business unit cannot be compared on a like for like basis as they are linked to the various phases of planning permission procedures, and only become apparent in the subsequent development phase as part of the activities of the product business unit.

The **aggregate production value**, net of acquisitions, totalled **57.1 million Euro**. **EBIT including income from participations** was **8.2 million Euro**.

The **assets managed** by the business unit as at December 31st, 2003, at market value, amounted to **449 million Euro** as compared with 473 million Euro on December 31st, 2002, further to the sale to third parties of an area for 3.4 million Euro, the transfer to the office products business unit of an area for 38.5 million Euro and the exploitation of the portfolio for a value of 17.9 million Euro.

Fund Management Activities

Prepared during 2003, has started with the placing of the first listed private seeded fund in Italy, Tecla Fondo Uffici. The placement was completed on March 1st, 2004. This business plays a strategic role in the development of Pirelli RE and represents the completion of the Company's business model.

Service Provider Activities

The **Services** business recorded a **consolidated production value of 322 million Euro** as compared with 199.8 million in 2002, with an **increase** of **61%**. **EBIT** was **50.6 million Euro** as compared with 28.9 million Euro in 2002, representing **growth** of **75%**. The recorded ROS (return on sales) was almost 16%, as against 14% in 2002.

The **services portfolio** (beneficiaries of services provided by the Group's specialist companies) had a market value, as at December 31st, 2003 of **30,269 million Euro** (including 10,474 million Euro of managed assets), as compared with the figure of 27,899 million Euro at the close of 2002.

Franchising Services Distribution Activity

Business activities related to the Pirelli RE Franchising network were geared to the process of affiliation. The year closed with the signing of 258 contracts and more than 150 operational agencies for the provision of agency services to the retail market. Over 2004 the range of services offered will be extended to financial and insurance services.

Over the period in question, and in line with forecasts, the network posted operating costs of 5.2 million Euro.

Events further to December 31st, 2003

• March 1st, 2004 witnessed the completion of the Public Offer for the sale and listing of Tecla Fondo Uffici, the first private seeded fund listed in Italy, promoted by Pirelli RE SGR. Applications outstripped availability by 44% and led to oversubscription for both the Public Offer and for the Institutional Placing, with more than 37,000 subscriptions. The offer price was set at 505 Euro per share. As at Friday March 19th, the value of a unit in Tecla Fondo Uffici on the MTA Market was 510 Euro, +1% compared to the placement price.

Outlook for 2004

On the basis of the data currently available, all reasonable forecasts suggest that in the current year **EBIT (inclusive of results from participations)** will record further growth in line with the three year plan for 2003-2005

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The Board of Directors will propose to the Shareholder's General Meeting the distribution of an increased **dividend at 1.41 Euro per share** (compared to 1.25 Euro in 2002). The Board therefore authorised the President and the Vice President and Managing Director to call the Ordinary and Extraordinary General Meeting of Shareholders, for next May 7th (in first call) and for May 10th (in second call) for approval of the 2003 Balance Sheet; the dividend will be paid by on May 20th, 2004 (detachment of coupon on May 17th, 2004).

Furthermore, the Ordinary General Meeting of Shareholders will be called upon to pass resolutions as to the following matters: a new authorisation for the acquisition and sale of treasury shares (subject to revocation of the previous resolution passed on May 6th, 2003); the appointment of the Board of Directors and the Board of Auditors (whose mandate expires with the approval of the 2003 balance sheet); the remuneration to be paid to the Supervisory Authority appointed in compliance with Law Decree 231/2001; the proposal for the adoption of a Regulatory Code.

The Extraordinary General Meeting of Shareholders will be called upon to approve proposals for statutory modifications in compliance with the new legislation as set down in the Company Law Reform Act. Among the most remarkable modifications, there will be a motion for the introduction of list voting for the appointment of the Board of Directors and a motion for the attribution to the Board of Directors of the right to increase the company share capital and to issue convertible bonds as ordinary shares, as stipulated by Articles 2443 and 2420, paragraph 3 of the Civil Code.

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This evening, at 5.30pm (4.30pm GMT), the Company Vice President and Managing Director, Mr.Carlo Puri Negri, will host a conference call to present the key figures for 2003 to the financial community.

The slides of the presentation may be downloaded from the website www.pirellirealestate.com 30 minutes before the conference call starts.

Journalists may follow the presentation by telephone, (although they may not ask questions), by dialling the number +39/06/33485042. The contents of the conference call will be available from the www.pirellirealestate.com website in audiostreaming, into the section Investor Relations.

For further information please contact:
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Herewith attached is a summary of the income statement and balance sheet as at December 31st, 2003

Addendum 1

Highlights of Income Statement

Million Euro	December 31st, 2003	December 31st, 2002	
Aggregate Production Value, net of acquisitions	**1,525.5**	**1,297.3**	18%
Consolidated Production Value	649.0	491.5	
EBIT including Income from Equity Participations	**128.1**	**102.2**	25%
Income before Extraordinary Items	128.9	99.9	
Net Income from Real Estate Activities	**102.1**	**82.6**	24%
Other Components (*)	0.0	42.7	
Total Net Income	102.1	125.3	

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

Addendum 2

Consolidated Balance Sheet

	December 31st, 2003	December 31st, 2002
Fixed Assets	**313.4**	**218.8**
Of which equity participations	*149.7*	*109.1*
Net Working Capital	**162.3**	**190.5**
Of which inventories	*325.0*	*383.7*
Net Invested Capital	**475.7**	**409.3**
Shareholders' Equity	**424.8**	**368.8**
Of which minority interests	*3.2*	*0.9*
Funds and Provisions	**41.7**	**52.8**
Net Financial Position (liquid)/owed	**9.2**	**(12.3)**

Addendum 3

Consolidated Income Statement

Euro Milioni	December 31st, 2003	December 31st, 2002
Production Value	**649.0**	**491.5**
Of which acquisitions	170.2	91.2
Production Value, net of acquisitions	**478.8**	**400.3**
EBITDA	79.1	51.7
Depreciation	(18.0)	(9.6)
EBIT	61.1	42.1
Income from Equity Participations	67.0	60.1
EBIT including Income from Equity Participations	**128.1**	**102.2**
Financial Income from Participations	10.2	13.1
Other financial income/expenses	(9.4)	(15.4)
Income before Extraordinary Items.	128.9	99.9
Extraordinary items	(6.2)	49.9
P.B.T.	**122.7**	**149.8**
Income taxes	(21.2)	(24.3)
Net Income	101.5	125.5
Minority Interests	0.6	(0.2)
Net income after minority interests	102.1	125.3

Net Income from Real Estate Activities	**102.1**	**82.6**
Other Components (*)	0.0	42.7

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