



PRESS RELEASE

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PIRELLI & C. REAL ESTATE: 1st QUARTER FINANCIAL STATEMENTS APPROVED; STRONG INCOME GROWTH

CONSOLIDATED INCOME FROM TYPICAL ACTIVITIES:

- **INCOME BEFORE INTEREST, EXTRAORDINARY ITEMS AND TAX:
21.4 MILLION EURO (+ 289%)**
 - **NET INCOME: 15.9 MILLION EURO (+ 413%)**

CONSOLIDATED RESULTS:

- **TURNOVER: 100.6 MILLION EURO**
- **INCOME BEFORE INTEREST, EXTRAORDINARY ITEMS AND TAX:
19.5 MILLION EURO**
 - **NET INCOME: 56 MILLION EURO**
- **NET BORROWINGS DOWN TO 46.5 MILLION EURO
FROM 141.6 MILLION EURO END 2001**

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- **SHAREHOLDERS' MEETING
SETS NUMBER OF DIRECTORS AT 13**
- **MARCO TRONCHETTI PROVERA CHAIRMAN
CARLO PURI NEGRI DEPUTY CHAIRMAN
AND MANAGING DIRECTOR**
- **FOUR NON EXECUTIVE DIRECTORS ON BofD**

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BofD ADOPTS CODE OF SELF-GOVERNANCE

Milan, 3 May 2002 – At today’s meeting the Board of Directors of **Pirelli & C. Real Estate SpA** approved the Company’s Financial Statements at 31 March.

Financial Statements at 31 March 2002

As in the case of the financial statements for the year ended 31 December 2001, in order to allow a more accurate evaluation of the Company’s performance, the consolidated statement of income has been subdivided into “typical” activities, i.e. recurring operations, and “other activities”, i.e. non recurring items and/or items not connected to the core business.

Net income for the period was 56 million euros, compared to 2.5 million euros in the first quarter of 2001. The **net income for the period from typical activities** amounted to **15.9 million** euros, compared to 3.1 million euros in the previous year, showing a growth of **412.9%**. The net income from other activities, mainly characterised by capital gains from transfers of portfolio securities, was equal to **40.1 Million** euros, versus a loss of 0.6 million euros for the first quarter of 2001.

Consolidated turnover at 31 March 2002 amounted to **100.6 million** euros, compared to 74 million euros at the end of March 2001 (**+35,9%**). **Typical activities alone** accounted for **100 million** euros, a **41.6%** improvement on the 70.6 million euros for the same period last year. This growth was brought about by the expansion of all Group operations.

Income before interest, extraordinary items and tax (that is to say operating income plus consolidated attributed income from equity valued minority real estate investments) was equal to **19.5 million** euros, compared to 3 million euros in the first quarter of 2001. In terms of **typical activities**, the March 2002 figure, equal to **21.4 million** euros, compares with 5.5 million euros in same period of the previous year (**+289,1%**).

Fixed assets, predominantly participations, amounted to **115 million** euros, versus 74.2 million euros at the end of 2001. The increase was mainly due to the acquisition of Gruppo Edilnord 2000 companies referred to below.

The **net working capital** at **168.5 million** euros, compares with 249.4 million euros at the end of 2001.

The **net financial situation** shows a negative **46.5 milioni** euros, compared to negative 141.6 million euros at 31 December 2001. The 95.1 million euros improvement was brought about by the disposal of portfolio securities (to an extent of 75.9 million euros) as well as by the strong performance of typical operations.

Shareholder equity at the end of the period amounted to **190.5 million** euros, compared to 131 million euros at the end of 2001.

Group Highlights:

The Pirelli & C. Real Estate Group completed a further series of important transactions in the period, as set out below:

- In January 2002 the Company **purchased** from parent company Pirelli & C. the entire share capital of **Pirelli & C. Credit Servicing**, a company established to manage non performing loans, thus entering a new field of activity and completing the range of services offered.
- January also witnessed completion of an agreement, signed in November 2001, the object of which was the **acquisition** by Pirelli & C. Real Estate of 100% of the share capital of three service companies (**Edilnord Progetti**, **Edilnord Gestioni** and **Servizi Immobiliari Edilnord**) and, in keeping with the Company's business model, not only the acquisition but also the management of qualified minority holdings in Gruppo Edilnord 2000 ownership vehicles of building land in the Milan area.
- The minority stake held in **Eurostazioni** was **sold** in March to the parent Pirelli & C., in order to focus even more on the core business.
- Also in March, with Morgan Stanley funds, a binding agreement was signed concerning the **acquisition** from **Banca di Roma** of real estate assets worth over **550 million** euros. The value of this portfolio will be enhanced in keeping with the Company's customary business model.
- March also witnessed acceptance of the bid made by Pirelli & C. Real Estate, together with Morgan Stanley funds and other partners, for the **purchase** of Proprietà Immobiliari Spa, the company that owns the **RAS Group's** non-instrumental assets, consisting of 107 buildings, most of them prestigious and over 50% of which are located in the centre of Milan. Pirelli & C. Real Estate was also awarded the property and facility management division. The consideration for the entire operation was **1,666 million** euros.
- At the end of March the Group, together with Morgan Stanley funds, **purchased** from Investimenti e Gestioni S.p.A. (Fiat Group), Immobiliare San Babila S.p.A., a company owning non-instrumental prestige assets located mainly in Milan and Rome, the overall value of which amounts to approximately **240 million** euros.

Significant events after 31 March 2002:

- In April Pirelli & C. Real Estate S.p.A. completed two acquisitions in the field of Facility Management services, with the objective of strengthening the Group's presence in this services area: the first concerns **Cam Energia e Servizi S.r.l.** (a subsidiary of Cam Finanziaria SpA) and the second the entire share capital of **Altair Facilities Management SpA.**
- **Pirelli & C. Real Estate** and **Msmc** – a joint-venture between The Morgan Stanley Real Estate Fund (75%) and Pirelli & C. Real Estate (25%), which manages it – finally approved the executive phase of a project concerning the integration of Pirelli SpA Group and Olivetti-Telecom Italia Group assets and service activities, thus completing the process initiated with the parties concerned in December 2001.
- In April, the Group acquired a qualified minority interest in a non performing loans owning vehicle with a portfolio worth around **150 million** euro. **The other shareholders are Cassa di Risparmio di Firenze and Cassa di Risparmio di San Miniato.** With this operation, the gross book value of non performing loan portfolios currently managed by the Pirelli & C. Real Estate S.p.A. Group amounts to approximately 900 million euros. Negotiations are in progress to increase the amount managed further, the aim being to proceed with a securitization by the end of the year.

The **Shareholder Meeting of Pirelli & C. Real Estate** was held immediately after the above mentioned meeting of the Board of Directors.

Sergio Lamacchia was appointed in lieu of Andrea Pecchio, who had stepped down on account of other professional responsibilities.

Furthermore, the Shareholders' Meeting decided to **increase the number of Directors** on the Board **from 10 to 13**, also in view of the listing application in progress and in order to comply with listed companies corporate governance requirements, and appointed **Reginald Bartholomew, Claudio Recchi** and **Livio Strazzera** as non executive directors, in addition to **Giampietro Nattino.**

The other 9 members of the Board remain unchanged: **Marco Tronchetti Provera**, Chairman of the Company, **Carlo Alessandro Puri Negri**, Deputy Chairman and Managing Director, Giovanni Nassi, Deputy Chairman, Carlo Bianco, Emilio Biffi, Carlo Orazio Buora, Giulio Malfatto, Giampietro Nattino, Vincenzo Sozzani.

The members of the **Board of Statutory Auditors** also remain unchanged: Roberto Brachetti (Chairman), Paolo Carrara and Gianfranco Polerani (Standing Auditors), Franco Ghiringhelli e Paola Giudici (Alternate Auditors); they shall remain in office,

together with all members of the Board of Directors, until the Financial Statements for the year ending in 2003 have been approved.

The **Board of Directors** met immediately after the Shareholders' Meeting and passed the following resolutions.

- **Adoption of Code of Self-Governance.** The Board of Directors decided to adjust the Company's corporate governance system to the Code of Self-governance of listed companies, by passing a framework resolution within which the **Remuneration Committee** was established, composed of the non executive and/or independent directors Sergio Lamacchia, Giampietro Nattino and Claudio Recchi, as well as the **Internal Control Committee**, composed of the non executive and/or independent directors Carlo Buora, Giampietro Nattino and Livio Strazzera.
- An **Investment Committee** was established, composed of: Marco Tronchetti Provera, Carlo Puri Negri, Carlo Buora and Claudio Recchi.
- **Stock Options Plan.** Finally, the Board entrusted the newly established Remuneration Committee with the task of drawing up a stock option plan, subject to the settlement and closure of those in force, in order to enhance management loyalty over the next three years. Such plan will be examined by the Board of Directors at the meeting which will be held on May 9.

Attachments

Highlights of Statement of Income and Balance sheet for first quarter 2002 and 2001.

Statement of Income

(million Euro)	March 2002			March 2001		
	Total	Typical Activities	Other Activities	Total	Typical Activities	Other Activities
Turnover	100,6	100,0	0,6	74,0	70,6	3,4
Cost of turnover	(88,4)	(85,9)	(2,5)	(63,3)	(59,1)	(4,2)
Operating income	12,2	14,1	(1,9)	10,7	11,5	(0,8)
Income from participations	7,3	7,3	0,0	(7,7)	(6,0)	(1,7)
Income before interest, extraordinary items and tax	19,5	21,4	(1,9)	3,0	5,5	(2,5)
Financial income / charges	(0,6)	(0,2)	(0,4)	(1,7)	(1,3)	(0,4)
Income before extraordinary income /charges	18,9	21,2	(2,3)	1,3	4,2	(2,9)
Extraordinary income / charges	51,3	0,1	51,2	2,9	0,0	2,9
Income before tax	70,2	21,3	48,9	4,2	4,2	0,0
Tax	(14,2)	(5,4)	(8,8)	(1,8)	(1,2)	(0,6)
Net income	56,0	15,9	40,1	2,4	3,0	(0,6)
Income attributable to Minorities	0,0	0,0	0,0	0,1	0,1	0,0
Net income for the period	56,0	15,9	40,1	2,5	3,1	(0,6)

(*) data shown in the "other activities" column include a series of non core and/or non recurring operations; in particular: internet operations, almost entirely directed at the development of an open portal; Eurostation, a financial participation sold during the first quarter of 2002 to the parent Pirelli & C.; the effects of the Unim derived securities portfolio and the construction of the Teatro degli Arcimboldi.

NB: Turnover means total proceeds plus variations in the value of inventory; income before interest, extraordinary items and tax means operating income plus pro-quota income derived from equity valued real estate participations.

Balance Sheet (million euros)

	31/03/02	31/12/01	31/03/01
Fixed assets	115.0	74.2	156.8
Net working capital	168.5	249.4	399.0
- of which inventory	380.0	346.0	340.9
Net funds employed	283.5	323.6	555.8
Net financial situation	46.5	141.6	424.4
Net cash flow	95.1	222.9	(59.9)
Sahreholders' equity for the period	190.5	131.0	76.5

N.B. The net financial situation does not include a loan for the development of a building that has already been placed and for which a project financing type contract has already been drawn up.