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PIRELLI & C. REAL ESTATE: BOARD CALLS SHAREHOLDERS' MEETING TO PASS RESOLUTION ON STOCK MARKET LISTING

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2001 FINANCIAL STATEMENTS APPROVED:

TURNOVER OF ASSETS MANAGED EXCEEDS 700 MILLION EUROS

CONSOLIDATED INCOME FROM TYPICAL OPERATIONS:

TURNOVER: 312 MILLION EUROS, +67%

OPERATING INCOME: 50 MILLION EUROS, +44%

CHARACTERISTIC RESULT: 58 MILLION EUROS, +45%

NET INCOME: 34 MILLION EUROS, +63%

CONSOLIDATED RESULTS:

§ **TURNOVER: 326 MILLION EUROS, +34%**

§ **OPERATING INCOME: 44 MILLION EUROS, +28%**

§ **CHARACTERISTIC RESULT: 47 MILLION EUROS, +38%**

§ **NET INCOME: 161 MILLION EUROS, +6%**

Milan, 13 March 2002 - At today's meeting the Board of Directors of **Pirelli & C. Real Estate SpA** adopted the following resolutions:

Listing Project

The Board of Directors has called a **Shareholders' Meeting** for 2 April 2002. In **ordinary** session the Meeting is called to pass a resolution on the application to list the company's ordinary shares on Italy's Mercato Telematico Azionario.

In **extraordinary** session, also convened for 2 April, the Shareholders' Meeting shall examine a **capital increase** for the purposes of the listing, and a stock option plan for company employees and directors, for the purpose of promoting the medium to long-term loyalty of the company's human resources.

With the project to list Pirelli & Co Real Estate, that should proceed at the earliest moment compatible with the required technical steps and market conditions, the Pirelli Group intends to realise the full value of this area of business and at the same time equip the company with new resources to promote its growth.

Pirelli & C. Real Estate CEO **Carlo Puri Negri** comments: "With Pirelli & C. Real Estate we have developed a "management company" business model which, in the case of the greatest international success stories in this field, has evolved into a fund management company model. With the plan for a stock market listing announced today we intend to strengthen our market leadership and, in line with our business model, soon launch our first managed real estate fund."

Lazard has been appointed as adviser to the listing project.

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2001 Financial Statements

The Board of Directors adopted the draft financial statements for the period 1 July–31 December 2001. The Board also adopted the 2000 and 2001 annualised financial statements. In order to facilitate a more accurate evaluation of the company's performance, the annualised statements of income for 2000 and 2001 are shown in two categories: "typical activities", that is to say recurring operations, and "other activities", which groups together non-recurring items and/or items not associated with the core business.

The 2001 **consolidated turnover** was equal to **326 million euros**, up **34%** compared with the 2000 figure of 244 million euros. Typical operations alone corresponded to **312 million euros**, a **67%** improvement on the 186 million euros registered last year. This increase was the result of expansion of Group operations in **asset management** and **services**.

It should be noted that in accordance with the business model adopted by the company, a significant portion of Pirelli & C. Real Estate Group activities consists of the full management of investments with a qualified minority interest in the investment itself. The total turnover of the assets managed, that is equal to total turnover including that of companies counted at equity, was **700 million euros**.

Operating income amounted to **44 million euros**, compared with 34 million euros in 2000, corresponding to growth of **28%**. Operating income from typical activities amounted to **50 million euros**, up **44%** compared with the figure of 34 million euros for the preceding year.

The **characteristic result** (operating income plus the addition of proceeds from resulting real estate company interests) was equal to **47 million euros**, compared with 34 million euros in 2000 (**+38%**). In terms of typical operations, the 2001 figure of **58 million euros** was up **45%** on the 40 million euros posted during the preceding year.

The **company's net income** was equal to **161 million euros**, compared with 152 million in 2000 (**+6%**). Company **net income** from **typical** operations was equal to **34 million euros**, up **62%** against the preceding year figure of 21 million euros.

Fixed assets, predominantly consisting of securities and participating interests, amounted to **74 million euros**, against 168 million euros posted at the end of 2000. Almost the entire decrease may be ascribed to the sale of portfolio securities.

Floating capital was equal to **249 million euros**, compared with 324 million euros at the end of 2000.

The **net financial status** amounted to **142 million euros**, of which 76 million euros refer to the debt secured on the remainder of the securities portfolio. This compares with 364 million euros at 31 December 2000.

Company **shareholders' equity** amounted to **131 million euros**, compared with 74 million euros at the end of 2000.

Significant events during 2001

During the year the Pirelli & C. Real Estate Group completed restructuring of its corporate and organisational structure following the acquisitions undertaken in 1999 and 2000 (Unim; the real estate assets of Compart, Parnasi, RCS and Risanamento Napoli; acquisition of the services business of Unim and Risanamento Napoli; Cagisa, Regus Italia, Agied). The Group has since launched a new series of major operations as listed below:

- At the end of June 2001 a **strategic agreement** was entered into with Anglo-Australian Group **Bovis Lend Lease** for development of Project Management services for Major Works.
- In June 2001 Pirelli & C. Real Estate underwrote an agreement to **acquire** the entire registered capital of Facility Management service group **Altair FM SpA**, in order to reinforce the Group's presence in this services segment. This objective was pursued through further acquisitions during the course of the year.
- In August 2001 the company and Aedes Immobiliare SpA signed a contract with the Fininvest Group for **acquisition** of **Edilnord 2000**. Under the terms of the deal, Pirelli & C. Real Estate is to acquire 100% of the registered capital of three services companies (Edilnord Progetti, Edilnord Gestioni and Servizi Immobiliari Edilnord). In conformity with the company's standard business model, along with management it will take on qualified minority stakes in ownership vehicles for buildable sites in the Milan area.
- In October, with "The Morgan Stanley Real Estate Fund", a binding commitment was underwritten with the **Banca di Roma** for **acquisition** of real estate assets for a value of approximately **560 million euros**. Realisation of the value of this portfolio will be undertaken in accordance with the company's standard business model.
- In December a project was launched – whose guidelines have since been approved by the relevant companies – to optimise and integrate the assets and services activities present across the real estate units of the Olivetti-Telecom Group and the Pirelli Group.

Subsequent events and prospects for 2002

- In January 2002 the Company rounded off its range of services by **acquiring** from controlling company Pirelli & C. the entire capital of non-performing credit management company **Pirelli & C. Credit Servicing**.
- Early in March 2002 the residual securities portfolio was sold, realising **net gains** exceeding **40 million euros**. This resulted in a 76 million euro improvement to the net financial status.
- The plan to **acquire** Facility Management company **Cam Energia e Servizi SpA** (controlled by Cam Finanziaria SpA) has been approved.
- At the present time Pirelli & C. Real Estate is engaged with partners in a competitive **bid for acquisition** of **RAS Group** non-instrumental property assets.

In conclusion, **prospects for the current year** remain positive, particularly in view of the good performance of the industry as a whole.

The following tables provide statement of income and balance sheet highlights for the years 2001, 2000 and 1999.

Statement of Income

(million euros)	YEAR ENDING DEC. 2001			YEAR ENDING DEC. 2000			1999
	Total	Typical activitie	Other **	Total	Typical activitie	Other **	Total
Turnover	326.2	311.6	14.6	244.4	186.4	58.0	203.2
Operating income	44.3	49.8	(5.5)	34.5	34.5	0.0	19.8
Income from interests	2.9	8.5	(5.6)	(0.2)	5.6	(5.8)	(0.3)
Characteristic result	47.2	58.3	(11.1)	34.3	40.1	(5.8)	19.5
Financial income/charges	(3.3)	(4.4)	1.1	(42.2)	(7.0)	(35.2)	(4.2)
Income prior to extraord.	43.9	53.9	(10.0)	(7.9)	33.1	(41.0)	15.3
Extraord. income/charges	163.8	(3.0)	166.8	206.2	(1.7)	207.9	0.3
P.B.T.	207.7	50.9	156.8	198.3	31.4	166.9	15.6
Fiscal	(46.3)	(17.4)	(28.9)	(46.3)	(11.2)	(35.1)	(4.8)
Net income	161.4	33.5	127.9	152.0	20.2	131.8	10.8
Minority net income	0.0	0.0	0.0	0.4	0.4	0.0	0.2

- Data in the "other activities" column include a variety of non-core and/or non-recurring activities. Specifically: Internet activities, almost entirely regarding development of an open portal; Eurostazioni, a financial interest currently being sold to the **Pirelli & C. Group**; promissory notes from Unim in the securities portfolio, which has now almost entirely been sold, in addition to the effects of the Unim transaction during company restructuring and reorganisation; construction of the Teatro degli Arcimboldi.

NB: Value of Production signifies the total turnover plus the variation in the asset value of property stock. Characteristic Result signifies the total operating result plus the pro quota participations calculated at equity.

Balance Sheet

	31/12/2001	31/12/2000	31/12/1999
(figures in million euros)			
Fixed assets	74.2	168.0	11.0
Floating capital	249.4	324.3	108.7
- of which inventory	346.0	308.3	295.6
<i>% requiring placement</i>	<i>36%</i>	<i>49%</i>	<i>58%</i>
Net invested capital	323.6	492.3	119.7
Net financial status	141.6	364.5	78.0
Net cash flow (from end of prec. year)	222.9	(286.5)	(19.8)
Company shareholders' equity	131.0	74.0	29.2

N.B. The net financial status does not include loans for development projects regarding buildings that have already been placed, and for which project financing or similar contracts are in existence.