



Pirelli & C. Real Estate S.p.A.

Head office Via G. Negri 10, Milan

Authorized share capital Euro 22,402,491

Paid-up share capital Euro 20,302,491

Milan Company Register no. 02473170153

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## **BOARD OF DIRECTORS, BOARD OF STATUTORY AUDITORS, INDEPENDENT AUDITORS**

### **BOARD OF DIRECTORS**

Marco Tronchetti Provera	Chairman
Carlo A. Puri Negri	Deputy Chairman and CEO
Giovanni Nassi	Deputy Chairman
Reginald Bartholomew	Director
Carlo Bianco	Director
Emilio Biffi	Director
Carlo Buora	Director
Sergio Lamacchia	Director
Giulio Malfatto	Director
Giampietro Nattino	Director
Claudio Recchi	Director
Vincenzo Sozzani	Director
Livio Strazzerà	Director
Gianluca Grea	Secretary

### **BOARD OF STATUTORY AUDITORS**

Roberto Bracchetti	Chairman
Paolo Carrara	Standing auditor
Gianfranco Polerani	Standing auditor
Franco Ghiringhelli	Alternate auditor
Paola Giudici	Alternate auditor

### **GENERAL MANAGERS**

Carlo Bianco	General manager Residential Portfolio
Emilio Biffi	General manager Commercial and Land Portfolio
Giulio Malfatto	General manager Services and Corporate Development

### **INDEPENDENT AUDITORS**

PricewaterhouseCoopers S.p.A.  
Via Vittor Pisani, 2  
20124 Milan

## **DIRECTORS' REPORT ON OPERATIONS FOR THE PERIOD JANUARY 1, 2003 - MARCH 31, 2003**

Pirelli & C. Real Estate is a management company that invests in real estate companies mostly through minority stakes, subsequently taking complete charge of their management. This activity is referred to as its *Asset Management* business. It also provides a wide range of real estate services to these companies and to third-party customers. This activity is known as its *Service Provider* business.

The consolidated financial statements at March 31, 2003 report consolidated net income from real estate activities of Euro 20.0 million, 26% higher than the figure of Euro 15.9 million in the first quarter of 2002. Total consolidated net income including other income was Euro 56.0 million in the first quarter of 2002, most of which was associated with the disposal of the Unim securities portfolio.

### **SIGNIFICANT EVENTS IN THE FIRST QUARTER OF THE YEAR**

The Pirelli & C. Real Estate Group undertook a further series of important transactions during the period, as described below:

- The Group continued to acquire portfolios mainly for residential use, signing purchase deeds for 9 buildings located in Milan and Naples, worth a total of Euro 77 million, in addition to Euro 41.7 million in other properties in Naples, purchased via an interest in the company Geolidro. Preliminary purchase agreements for Euro 33.9 million were also signed during the period, with completion expected to take place shortly.
- In February, the Group presented an application, together with other partners, for admission to a call for bids by the government land agency for the job of performing the administrative and technical census of its property portfolio.
- Again in February, Pirelli & C. Real Estate, together with other partners, won the bid to manage and upgrade the Public Education department's IT services. This contract will last five years, renewable for a further two, and is worth around Euro 200 million. Pirelli & C. Real Estate will be in charge of facility management activities.
- On March 3, 2003, the Group presented, together with Goldman Sachs and Morgan Stanley funds, an initial non-binding offer as part of the competitive bidding procedure to purchase Enel Real Estate S.p.A. from the ENEL Group. This company has a portfolio of over 1,300 properties mostly for office and industrial use, located throughout the country.

Its acquisition would also involve taking on the staff who manage these buildings. The Group passed the first round of the selection process and was admitted to the next phase, involving the preparation of a second non-binding offer, duly presented on April 14, 2003.

- In March, the Group completed the sale of a portfolio of four prestigious properties located in the centre of Milan to real estate funds belonging to the Deka Group. These properties were purchased in 2002 from RAS and are mostly used as offices with over 30,000 square metres in floor space. The sale price was Euro 130 million, generating a gross capital gain of Euro 20 million, of which Euro 6.6 million attributable to Pirelli & C. Real Estate.

- At the end of March, MSMC Immobiliare Due, in which Pirelli & C. Real Estate holds an indirect interest of 25% (the remaining 75% is owned by companies belonging to the Morgan Stanley Real Estate Fund group), sold its 50% interest in the share capital of Prime Properties S.r.l. to Aedes S.p.A., which already owned the other 50%. Prime Properties is a company with a portfolio of properties located in Milan and Rome, worth around Euro 150 million. The sale price was Euro 25 million, generating a gross capital gain of Euro 7.7 million, of which around Euro 2 million attributable to Pirelli & C. Real Estate.

- Also at the end of March, AIDA and MSMC Immobiliare 4, in which Pirelli & C. Real Estate holds indirect interests of 33% and 25% respectively (the respective 67% and 75% remaining interests are owned by companies belonging to the Morgan Stanley Real Estate Fund group) sold two office buildings, one in the centre of Naples belonging to the property portfolio acquired from RAS, and the other in Turin, belonging to the portfolio purchased from Toro Assicurazioni, to local private investors. These sales took place at a price of Euro 25 million, generating a capital gain of Euro 7 million, of which Euro 2 million attributable to Pirelli & C. Real Estate.

- On March 31, Pirelli & C. Real Estate and The Peabody Fund (a joint venture between O'Connor Capital Partners and JP Morgan-Chase) reached an agreement to develop two new projects in the retail & entertainment segment. In keeping with its traditional business model, Pirelli & C. Real Estate, which will have a 25% minority stake in the investment, will act as project manager, through its asset management and specialist services. Pirelli & C. Real Estate has already started work on these projects, entertainment complexes in Milan (Bicocca area) and Turin (Moncalieri), involving an overall investment of around Euro 200 million.

## **REVIEW OF OPERATING RESULTS**

Euro/million	<b>1st quarter 2003</b>	<b>1st quarter 2002</b>
<b>Aggregate production value net of acquisitions</b>	<b>355.7</b>	<b>205.9</b>
<b>Consolidated production value</b>	<b>131.9</b>	<b>100.6</b>
<b>EBIT including income from investments</b>	<b>24.7</b>	<b>19.5</b>
<b>Result before extraordinary items</b>	<b>25.0</b>	<b>18.9</b>
<b>Net income from real estate activities</b>	<b>20.0</b>	<b>15.9</b>
Other income (*)	0.0	40.1
Net income	20.0	56.0

(\*) Almost entirely arising from the sale of the last part of the former Unim securities portfolio

Before looking at the results in detail, it should be remembered that Pirelli & C. Real Estate is a management company that invests in real estate companies mostly through minority stakes, subsequently taking complete charge of their management. This means that the aggregate production value, net of acquisitions, and EBIT including income from investments are the best indicators of the Group's turnover and operating results respectively.

Aggregate production value, net of acquisitions, amounts to Euro 355.7 million, having risen 73% with respect to Euro 205.9 million reported in the first quarter of 2002. Inclusive of acquisitions, production value amounts to Euro 504.6 million (Euro 677.1 million in the first quarter of 2002). Consolidated production value totals Euro 131.9 million at the end of March (Euro 100.6 million in the first quarter of 2002).

EBIT including income from investments has increased by 27% to Euro 24.7 million (Euro 19.5 million in the first quarter of 2002). This includes Euro 13.9 million in pro-rata income from investments, net of taxes, as shown in the table annexed to this report.

Consolidated net income from real estate activities is Euro 20.0 million, 26% higher than the figure of Euro 15.9 million in the first quarter of 2002. Consolidated net income in the first quarter of 2002 was Euro 56.0 million, which included other income almost entirely associated with the sale of the last part of the Unim securities portfolio.

## **Performance of the main business sectors in the first quarter of 2003**

We shall now look at the aggregate results of the individual business sectors; this means that we shall consider 100% of the results of the associated companies, which in turn contribute on a pro-rata basis to the consolidated results of Pirelli & C. Real Estate. The results of the individual business units are shown in the tables annexed to this report.

### **A. Asset management**

Asset management reported aggregate production value, net of acquisitions, of Euro 295.7 million, compared with Euro 168.6 million in the first quarter of 2002. Acquisitions totaled Euro 148.9 million, of which Euro 67.3 million pertaining to the Group.

Thanks to enhancements in the value of assets under management, sales of Euro 479.1 million were made (up 132% on the year before), generating gross capital gains of Euro 104.4 million, of which Euro 30.4 million attributable to the Group.

Aggregate EBIT climbed 71% to Euro 150.2 million, up from Euro 87.7 million in the first quarter of 2002. The Group's share was Euro 42.4 million, compared with Euro 35.2 million in the first quarter of 2002.

The asset management business generated fees of Euro 13.4 million, up 131% on the figure of Euro 5.8 million in the first quarter of 2002. Its EBIT came to Euro 3.7 million, an increase of 118% on the Euro 1.7 million reported in the first quarter of 2002.

Comments on the performance of the individual business units are provided below:

- **Residential Asset Management** posted production value, net of acquisitions, of Euro 78.8 million compared with Euro 75.3 million in the first quarter of 2002.

Acquisitions amounted to Euro 118.7 million, of which Euro 47.4 million pertaining to the Group.

The business unit generated sales of Euro 132.8 million, with gross capital gains of Euro 35.4 million, of which the Group's share was Euro 12.9 million. Total sales were 10% lower than in the first quarter of 2002, which had featured a major block sale generating extremely high gains.

Aggregate EBIT came to Euro 32.7 million, compared with Euro 52.8 million in the first quarter of 2002, which benefitted from the exceptional gains on the block sale referred to above. The Group's share amounted to Euro 12.9 million, compared with Euro 19.8 million in the first quarter of 2002.

The residential asset management business generated Euro 5 million in fees, up 230% on the figure of Euro 1.5 million reported in the first quarter of 2002. Its EBIT came to Euro 1.1 million, compared with Euro 0.3 million in the corresponding period of 2002.



- Commercial Asset Management posted production value, net of acquisitions, of Euro 204.4 million, compared with Euro 77.5 million in the first quarter of 2002.

Acquisitions amounted to Euro 30.0 million, of which Euro 19.8 million pertaining to the Group. Thanks to enhancements in the value of assets under management, sales of Euro 346.3 million were made to third parties (Euro 46.8 million the year before), generating gross capital gains of Euro 69.0 million, of which Euro 17.5 million attributable to the Group.

Aggregate EBIT climbed to Euro 113.7 million, up from Euro 29.1 million in the first quarter of 2002. The Group's share was Euro 27.0 million, compared with Euro 9.6 million in the first quarter of 2002.

The commercial asset management business generated fees of Euro 7.0 million, up from Euro 3.6 million in the corresponding period of 2002. Its EBIT came to Euro 2.6 million, up from the figure of Euro 1.6 million reported in the first quarter of 2002.

- Land and Urbanization Asset Management posted production value, net of acquisitions, of Euro 12.1 million, compared with Euro 15.6 million in the first quarter of 2002. No new land suitable for building was purchased during the quarter.

Aggregate EBIT amounted to Euro 4.0 million, down from Euro 5.8 million in the first quarter of 2002, which had benefitted from a major deal. The Group's share was Euro 2.7 million, compared with Euro 5.8 million in the first quarter of 2002.

The land asset management business generated fees of Euro 1.1 million, up from Euro 0.5 million in 2002.

- Non Performing Loans Asset Management posted production value of Euro 0.4 million, of which Euro 0.1 million from minority interests in other companies, and Euro 0.3 million in asset management fees, compared with Euro 0.2 million in the first quarter of 2002.

Aggregate EBIT was basically at breakeven, in line with the first quarter of 2002.

## B. Service Provider

This fully consolidated business reported production value of Euro 61.8 million, up 67% on the figure of Euro 36.9 million in the corresponding quarter of last year.

EBIT was Euro 8.1 million, up 29% from Euro 6.3 million in the first quarter of 2002. The disproportionate increase in production value relative to EBIT is mainly due to the above-average growth in the facility and property management sectors. These are low margin but strategic businesses that complement the asset management business, especially in the case of property management services. These two businesses nonetheless posted a higher return on sales (R.O.S.) than in the corresponding prior year period.

Work is also in progress on setting up the franchise network, with costs of Euro 1.3 million being charged to the quarter.

The services are provided by specialist companies, controlled by Pirelli & C. Real Estate. A brief comment on their performance is provided below:

- *Residential Agency*: consolidated production value amounted to Euro 7.1 million, slightly below the figure reported in the first quarter of 2002, due to a drop in revenues from non-brokerage related activities. During the quarter, the agency stipulated agreements for Euro 167.7 million, mostly on behalf of the Residential Asset Management business unit, compared with Euro 122.5 million in the previous year (+37%).

EBIT was Euro 2.5 million, up from Euro 2.4 million in the first quarter of 2002.

- *Commercial Agency*: consolidated production value amounted to Euro 5.3 million, compared with Euro 6.3 million in the first quarter of 2002, which featured a large concentration of appraisal fees. During the quarter, the agency brokered Euro 433.4 million in sales, negotiated Euro 8.7 million in lease charges and carried out appraisals on 311 properties, worth a total of Euro 1,159 million.

The business unit's EBIT came to Euro 1.8 million, up 29% on Euro 1.4 million recorded in the first quarter of 2002, thanks to an increase in higher margin brokerage fees.

- *Project Management*: consolidated production value amounted to Euro 6.9 million, staying in line with the corresponding prior year period. Pirelli & C. Project Management managed jobs worth Euro 49 million, 20% higher than the Euro 41 million reported in the first quarter of 2002.

The business unit's EBIT came to Euro 1.1 million, down from Euro 1.7 million in the first quarter of 2002, which benefited from revenues for high-margin extraordinary maintenance work.

- *Property Management*: consolidated production value amounted to Euro 17.9 million, 66% higher than the figure of Euro 10.8 million recorded in the first quarter of 2002. Several new contracts were signed in the first quarter of the year, while an agreement was also reached with INPS (the Italian social security authorities) to help it sell the properties formerly belonging to INPDAI (the state pension fund for managerial staff).

The business unit's EBIT came to Euro 1.3 million, up from Euro 0.5 million in the first quarter of 2002.

- *Facility Management*: production value for the first quarter amounted to Euro 23.2 million, up from Euro 4.8 million in the corresponding period a year earlier. This very significant increase was mostly due to the acquisitions made in the second quarter of 2002. During the first quarter of 2003, the company gained new contracts worth Euro 26 million, 90% of which lasting over several years.

The principal contracts were made with the Municipality of Arese (Euro 5.3 million over 7 years), the Ministry of Education (Euro 7.4 million over 5 years – as the first installment of the share of a global contract worth Euro 200 million) and the Settimo Torinese factory of Pirelli Pneumatici (Euro 8.6 million over 3 years).

The company also gained additional contracts worth Euro 41 million under the master contract with the Treasury Ministry, won under tender in 2002.

EBIT is Euro 1.5 million, up from Euro 0.2 million in the first quarter of 2002.

- *Credit Servicing*: this business reported consolidated production value of Euro 1.2 million, up from Euro 0.6 million in the first quarter of 2002.

The business unit's EBIT was breakeven, analogous to the first quarter of 2002.

## **REVIEW OF THE FINANCIAL POSITION**

(in millions of euro)	<b><u>March 31, 2003</u></b>	<b><u>December 31, 2002</u></b>
<b>Fixed assets</b>	<b>254.1</b>	<b>218.8</b>
of which investments in companies valued at equity	<i>128.2</i>	<i>109.1</i>
<b>Net working capital</b>	<b>205.4</b>	<b>190.5</b>
of which inventories	<i>369.2</i>	<i>383.7</i>
<b>Net invested capital</b>	<b>459.5</b>	<b>409.3</b>
<b>Shareholders' equity</b>	<b>388.9</b>	<b>368.8</b>
of which minority interests	<i>0.7</i>	<i>0.9</i>
<b>Provisions and financing</b>	<b>50.6</b>	<b>52.8</b>
<b>Net financial position</b>	<b>20.0</b>	<b>(12.3)</b>
of which: cash/short-term financial assets	<i>(78.5)</i>	<i>(74.2)</i>
of which: shareholders' loans	<i>(180.0)</i>	<i>(179.0)</i>
of which: other medium/long-term assets	<i>(0.2)</i>	<i>(0.2)</i>
of which: short-term borrowings	<i>33.7</i>	<i>31.2</i>
of which: medium/long-term borrowings	<i>245.0</i>	<i>209.9</i>
<b>Total sources of funding</b>	<b>459.5</b>	<b>409.3</b>

Shareholders' equity attributable to the Group amounted to Euro 388.2 million at March 31, 2003, compared with Euro 367.9 million at the end of 2002.

The net financial position was a negative Euro 20.0 million, compared with a positive Euro 12.3 million at the end of 2002. The change with respect to December 31, 2002 was mainly due to investments made.

The financial position, excluding shareholders' loans to companies in which the Group has minority interests, was a negative Euro 200.0 million, compared with a negative Euro 166.7 million at the end of 2002. The gearing ratio was around 0.5 at quarter end, unchanged since December 31, 2002.

Fixed assets totaled Euro 254.1 million, having increased by Euro 35.3 million on the figure of Euro 218.8 million reported at the end of 2002.

The increase is due to minority investments in subsidiary and associated companies (mostly reflecting their results for the period), investments in treasury shares, and higher intangible assets due to the purchase of businesses in the service provider segment.

Net working capital amounted to Euro 205.4 million at quarter end, up from Euro 190.5 million three months earlier. The increase in working capital reflects a reduction in trade payables that more than offset the decrease in inventories.

## **SUBSEQUENT EVENTS**

- As part of the Tiglio project, at the start of April, Pirelli & C. Real Estate and Olivetti agreed upon the terms for merging the facility management businesses run by Olivetti Multiservices and Pirelli & C. RE Facility Management. This operation involves Pirelli & C. Real Estate allotting treasury shares to Olivetti, which in turn will transfer over its facility management business, valued at Euro 22.5 million and concentrated in a specific company known as OMS Facility. This deal follows those completed in 2002 with Altair Facilities Management, Cam Energia e Servizi and the Service Division of RAS. It signifies Pirelli & C. Real Estate's establishment of a new business that will be one of the leaders in the Italian facility management sector, thanks to turnover of some Euro 150 million.
- On April 28, the securitization was completed of a portfolio of non performing mortgage loans with a book value of Euro 200 million, owned by CFT Finanziaria, in which the Group and Cassa di Risparmio di Firenze both hold a 47% interest, with the remaining 6% in the hands of Cassa di Risparmio di San Miniato. The conclusion to this operation involved issuing notes for a total value of Euro 79.4 million, which have already been placed in full. The Pirelli & C. Real Estate Group acted as the servicer of the related loan portfolio through its subsidiary Pirelli RE Credit Servicing.

## **OUTLOOK**

Based on the available information, it is reasonable to expect that the Group will improve its EBIT (including its share of income from investments) in 2003. As in 2002, this growth will mostly take place in the second half of the year, when the effects of the value-enhancement measures applied to recently acquired real estate will be fully recognized.

## **TRANSACTIONS WITH GROUP COMPANIES AND RELATED PARTIES**

All the transactions performed, including those between Pirelli & C. Real Estate S.p.A. and its subsidiary and associated companies and those among subsidiaries themselves, formed part of the Group's normal course of business and were conducted on an arm's length basis. Furthermore, there were no such transactions of an unusual or atypical nature or any that might have raised potential conflicts of interest.

The following table shows transactions between the Pirelli & C. Real Estate Group and its ultimate parent company and the latter's subsidiaries during the first quarter of the year.

	<b>Parent company Pirelli &amp; C. A.p.A.</b>	<b>Subsidiaries of Pirelli &amp; C. A.p.A.</b>	<b>Total</b>
Trade and other receivables	13.9	4.2	18.1
Trade and other payables	(0.9)	(11.5)	(12.4)
Financial receivables	-	25.7	25.7
Financial payables	(1.9)	(26.4)	(28.3)
Revenues from sales and services	-	2.5	2.5
Goods and services purchased	(0.4)	(17.5)	(17.9)
Financial income	-	-	-
Financial expenses	-	(0.3)	(0.3)
Extraordinary income	-	-	-
Extraordinary expenses	-	-	-

- Transactions undertaken by Pirelli & C. Real Estate S.p.A., and its subsidiaries, with Pirelli & C. A.p.A. mainly relate to:

1. trade receivables: this balance includes Euro 13.6 million in consolidated VAT credits;
2. financial payables relating to a loan granted to Holdim S.r.l.;

- Transactions undertaken by Pirelli & C. Real Estate S.p.A. and its subsidiaries with companies controlled by Pirelli & C. A.p.A. mainly relate to:

1. trade receivables for asset and facility management services provided to the Pirelli Group;
2. trade payables, including Euro 9.8 million by way of the balance of the purchase price of two buildings in Milan acquired from Pirelli Cavi e Sistemi Energia S.p.A.;
3. financial receivables referring to the positive balance on the current account between Pirelli & C. Real Estate S.p.A. and Pisefi S.p.A.;
4. financial payables referring to the loan granted by Pirelli & C. Luxemburg S.A. to Projet Saint Maurice S.A.;
5. revenues from sales and services principally consisting of asset and facility management services provided to the Pirelli S.p.A. Group;
6. goods and services purchased including Euro 16.4 million relating to two buildings in Milan for commercial use, sold by Pirelli Cavi e Sistemi Energia S.p.A. to Kappa S.r.l..

- Transactions undertaken by Pirelli & C. Real Estate Sp.A. and its subsidiaries with associated and related companies are as follows:

	Unconsolidated subsidiaries	Associated companies	Related companies	Total
Trade and other receivables	0.3	25.4	42.8	68.5
Trade and other payables	-	(14.0)	(1.6)	(15.6)
Financial receivables	20.6	152.6	23.5	196.7
Financial payables	-	(0.1)	-	(0.1)
Revenues from sales and services	0.4	12.7	17.5	30.6
Goods and services purchased	-	(0.9)	(0.6)	(1.5)
Financial income	-	2.0	0.4	2.4
Financial expenses	-	-	-	-
Extraordinary income	-	-	-	-
Extraordinary expenses	-	-	-	-

Trade receivables and revenues from services refer to contracts signed with the service companies for asset management, property, facility, project, residential agency, commercial agency and administrative services.

Trade and other payables to associated companies mostly refer to advances for urbanization charges received by Pirelli & C. Opere Generali for urbanization work forming part of the Bicocca Project.

Financial transactions mainly relate to loans to finance the real estate activities of the individual Group companies.

· Lastly, to provide complete disclosure, it should be noted the transactions taking place in the first quarter of 2003 between the Pirelli & C. Real Estate Group and the Olivetti Telecom Group. These transactions formed part of the ordinary course of business and were conducted on an arm's length basis. Furthermore, there were no transactions of an unusual or atypical nature or any that might have raised potential conflicts of interest.

1. revenues from sales and services: mostly relating to agency, property and project services (Euro 4.5 million);
2. goods and services purchased: mostly relating to telecommunication services received (Euro 0.4 million);
3. trade receivables: relating for the most part to the services described above (Euro 5.5 million);
4. trade payables: relating to the costs described above (Euro 0.4 million).

Milan, May 6, 2003

## **APPENDICES TO THE DIRECTORS' REPORT ON OPERATIONS**

### Consolidated activities

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## 1) PRE - Highlights from the Consolidated Income Statement

### Pirelli & C Real Estate

Euro/million

	Actual March 03	Actual March 02	Change
<b>1 Aggregate production value (net of acquisitions)</b>	<b>355.7</b>	<b>205.9</b>	<b>149.8</b>
<b>2 Consolidated production value</b>	<b>131.9</b>	<b>100.6</b>	<b>31.3</b>
<b>3 EBIT incl. income from investments</b>	<b>24.7</b>	<b>19.5</b>	<b>5.3</b>
<b>4 Profit before extraordinary items</b>	<b>25.0</b>	<b>18.9</b>	<b>6.0</b>
<b>5 Net income from real estate activities</b>	<b>20.0</b>	<b>15.9</b>	<b>4.1</b>
<b>6 Other income (*)</b>	<b>0.0</b>	<b>40.1</b>	<b>(40.1)</b>
<b>7 Net income</b>	<b>20.0</b>	<b>56.0</b>	<b>(36.0)</b>

(\*) Almost entirely arising from the sale of the former Unim securities portfolio

## 2) PRE - Consolidated Income Statement

### Pirelli & C Real Estate

Euro/million	ACTUAL MARCH 2003	ACTUAL MARCH 2002		
	Total	Total	Real estate activities	Other income
<b>1 Production value</b>	<b>131.9</b>	<b>100.6</b>	<b>100.0</b>	<b>0.6</b>
<i>2 of which acquisitions</i>	<i>34.7</i>	<i>21.1</i>	<i>21.1</i>	<i>0.0</i>
<b>3 Production value net of acquisitions</b>	<b>97.2</b>	<b>79.5</b>	<b>78.9</b>	<b>0.6</b>
<b>4 EBITDA</b>	14.2	14.1	15.7	(1.6)
<b>5 Amortization and depreciation</b>	(3.3)	(1.9)	(1.6)	(0.2)
<b>6 EBIT</b>	10.9	12.2	14.1	(1.9)
<b>7 Income from investments</b>	13.9	7.3	7.3	0.0
<b>8 EBIT incl. income from investments</b>	<b>24.7</b>	<b>19.5</b>	<b>21.4</b>	<b>(1.9)</b>
<b>9 Interest income from investments</b>	2.5	3.7	3.2	0.5
<b>10 Other interest income/expense</b>	(2.2)	(4.3)	(3.4)	(0.9)
<b>11 Profit before extraordinary items</b>	<b>25.0</b>	<b>18.9</b>	<b>21.2</b>	<b>(2.3)</b>
<b>12 Extraordinary items</b>	0.0	51.3	0.1	51.2
<b>13 Profit before taxes</b>	<b>25.0</b>	<b>70.2</b>	<b>21.4</b>	<b>48.9</b>
<b>14 Income taxes</b>	(5.1)	(14.2)	(5.4)	(8.8)
<b>15 Net income before minority interests</b>	<b>20.0</b>	<b>56.0</b>	<b>15.9</b>	<b>40.1</b>
<b>16 Minority interests</b>	0.0	(0.0)	(0.0)	0.0
<b>17 Net income</b>	<b>20.0</b>	<b>56.0</b>	<b>15.9</b>	<b>40.1</b>

### 3) PRE - Consolidated Income Statement - Contribution to Pro-Quota Income from investments

Pirelli & C Real Estate

Euro/million

		1st quarter 2003	1st quarter 2002
EBIT- Companies valued using the equity method		143.7	77.0
Net income - Companies valued using the equity method		53.0	20.6
<b>P&amp;CRE share of net income</b>	<b>(A)</b>	<b>13.9</b>	<b>7.3</b>
<b>EBIT - Companies <u>consolidated line-by-line</u></b>	<b>(B)</b>	<b>10.8</b>	<b>12.2</b>
<b>P&amp;CRE EBIT incl. income from investments</b>	<b>(A)+(B)</b>	<b>24.7</b>	<b>19.5</b>

**4) PRE - Consolidated Balance Sheet**  
**Pirelli & C. Real Estate**

Euro/million	ACTUAL March 2003	ACTUAL December 2002
<b>1 Fixed Assets</b>	<b>254.1</b>	<b>218.8</b>
property, plant and equipment / intangible assets	68.3	56.9
equity participations / other	185.8	161.9
<i>of which investments in companies valued at equity</i>	<i>128.2</i>	<i>109.1</i>
<b>2 Net Working Capital</b>	<b>205.4</b>	<b>190.5</b>
inventories	369.2	383.7
trade receivables	180.1	159.5
trade payables	(153.9)	(139.2)
payables for properties	(40.3)	(71.9)
payables for downpayments/advances	(97.9)	(94.9)
other payables/receivables	(51.8)	(46.7)
<b>3 Net Invested Capital</b>	<b>459.5</b>	<b>409.3</b>
<b>4 Shareholders' Equity</b>	<b>388.9</b>	<b>368.8</b>
<i>of which minority interests</i>	<i>0.7</i>	<i>0.9</i>
<b>5 Provisions and Financing</b>	<b>50.6</b>	<b>52.8</b>
<b>6 Net Financial Position</b>	<b>20.0</b>	<b>(12.3)</b>
<b>7 Total sources of funding</b>	<b>459.5</b>	<b>409.3</b>
<b>8 Financial position excluding shareholders' loans</b>	<b>200.0</b>	<b>166.7</b>
<b>9 Financial position excluding shareholders' loans/Equity</b>	<b>0.5</b>	<b>0.5</b>

## 5) PRE - Consolidated Income Statement: breakdown by activity

Pirelli & C Real Estate

Euro/million

	ACTUAL MARCH 2003					ACTUAL MARCH 2002						
	Total	Investments	Asset	Service Provider		Holding Costs	Total	Investments	Asset	Service Provider		Holding Costs
			Management Fees	Services	Franchising				Management Fees	Services	Franchising	
<b>1 Production value</b>	<b>131.9</b>	<b>61.0</b>	<b>13.4</b>	<b>61.6</b>	<b>0.2</b>	<b>(4.3)</b>	<b>100.0</b>	<b>57.5</b>	<b>5.8</b>	<b>36.9</b>	<b>0.0</b>	<b>(0.0)</b>
<i>2 of which acquisitions</i>	<i>34.7</i>	<i>34.7</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>21.1</i>	<i>21.1</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
<b>3 Production value net of acquisitions</b>	<b>97.2</b>	<b>26.3</b>	<b>13.4</b>	<b>61.6</b>	<b>0.2</b>	<b>(4.3)</b>	<b>78.9</b>	<b>36.4</b>	<b>5.8</b>	<b>36.9</b>	<b>0.0</b>	<b>(0.0)</b>
<b>4 EBITDA</b>	<b>14.2</b>	<b>3.1</b>	<b>3.9</b>	<b>10.2</b>	<b>(1.0)</b>	<b>(2.1)</b>	<b>15.7</b>	<b>8.7</b>	<b>1.9</b>	<b>7.4</b>	<b>0.0</b>	<b>(2.2)</b>
<b>5 Amortization and depreciation</b>	<b>(3.3)</b>	<b>(0.1)</b>	<b>(0.2)</b>	<b>(2.2)</b>	<b>(0.3)</b>	<b>(0.6)</b>	<b>(1.6)</b>	<b>(0.1)</b>	<b>(0.1)</b>	<b>(1.1)</b>	<b>0.0</b>	<b>(0.3)</b>
<b>6 EBIT</b>	<b>10.9</b>	<b>3.0</b>	<b>3.7</b>	<b>8.1</b>	<b>(1.3)</b>	<b>(2.6)</b>	<b>14.1</b>	<b>8.6</b>	<b>1.7</b>	<b>6.3</b>	<b>0.0</b>	<b>(2.5)</b>
<b>7 Income from investments</b>	<b>13.9</b>	<b>13.9</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(0.0)</b>	<b>7.3</b>	<b>7.3</b>	<b>0.0</b>	<b>(0.0)</b>	<b>0.0</b>	<b>(0.0)</b>
<b>8 EBIT incl. income from investments</b>	<b>24.7</b>	<b>16.9</b>	<b>3.7</b>	<b>8.1</b>	<b>(1.3)</b>	<b>(2.7)</b>	<b>21.4</b>	<b>15.9</b>	<b>1.7</b>	<b>6.3</b>	<b>0.0</b>	<b>(2.6)</b>
<b>9 Interest income from investments</b>	<b>2.5</b>	<b>2.5</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>3.2</b>	<b>3.2</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>10 Other interest income/expense</b>	<b>(2.2)</b>	<b>(1.9)</b>	<b>0.0</b>	<b>(0.5)</b>	<b>(0.0)</b>	<b>0.3</b>	<b>(3.4)</b>	<b>(3.1)</b>	<b>0.0</b>	<b>(0.3)</b>	<b>0.0</b>	<b>0.1</b>
<b>11 Profit before extraordinary items</b>	<b>25.0</b>	<b>17.5</b>	<b>3.7</b>	<b>7.6</b>	<b>(1.3)</b>	<b>(2.4)</b>	<b>21.2</b>	<b>16.0</b>	<b>1.7</b>	<b>6.0</b>	<b>0.0</b>	<b>(2.5)</b>
<b>12 Extraordinary items</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(0.0)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.1</b>	<b>0.3</b>	<b>0.0</b>	<b>(0.1)</b>	<b>0.0</b>	<b>(0.1)</b>
<b>13 Profit before taxes (P.B.T.)</b>	<b>25.0</b>	<b>17.5</b>	<b>3.7</b>	<b>7.5</b>	<b>(1.3)</b>	<b>(2.4)</b>	<b>21.4</b>	<b>16.3</b>	<b>1.7</b>	<b>5.9</b>	<b>0.0</b>	<b>(2.6)</b>

**14 P.B.T. ASSET MANAGEMENT**

**21.2**

**18.0**

**6) PRE - Asset Management Income Statement: breakdown by Business Unit**

Pirelli & C Real Estate

Euro/million

	ACTUAL MARCH 2003								
	Total	RESIDENTIAL A.M.		COMMERCIAL A.M.		LAND A.M.		NON PERFORMING LOANS A.M.	
		Investments	Asset Management Fees	Investments	Asset Management Fees	Investments	Asset Management Fees	Investments	Asset Management Fees
<b>1 Production value</b>	<b>74.4</b>	<b>24.6</b>	<b>5.0</b>	<b>27.8</b>	<b>7.0</b>	<b>8.6</b>	<b>1.1</b>	<b>0.0</b>	<b>0.3</b>
<i>2 of which acquisitions</i>	<i>34.7</i>	<i>18.3</i>	<i>0.0</i>	<i>16.4</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
<b>3 Production value net of acquisitions</b>	<b>39.7</b>	<b>6.4</b>	<b>5.0</b>	<b>11.4</b>	<b>7.0</b>	<b>8.6</b>	<b>1.1</b>	<b>0.0</b>	<b>0.3</b>
4 EBITDA	7.0	0.6	1.2	0.2	2.7	2.3	0.1	(0.0)	(0.1)
5 Amortization and depreciation	(0.3)	(0.1)	(0.1)	(0.0)	(0.1)	(0.0)	(0.0)	0.0	(0.0)
6 EBIT	6.7	0.5	1.1	0.2	2.6	2.3	0.1	(0.0)	(0.1)
7 Income from investments	13.9	3.2	0.0	10.7	0.0	(0.1)	0.0	0.1	0.0
<b>8 EBIT incl. income from investments</b>	<b>20.6</b>	<b>3.7</b>	<b>1.1</b>	<b>10.9</b>	<b>2.6</b>	<b>2.2</b>	<b>0.1</b>	<b>0.1</b>	<b>(0.1)</b>
9 Interest income from investments	2.5	1.2	0.0	1.0	0.0	0.3	0.0	0.0	0.0
10 Other interest income/expense	(1.9)	(1.0)	0.0	(0.9)	0.0	(0.2)	0.0	0.1	0.0
<b>11 Profit before extraordinary items</b>	<b>21.2</b>	<b>3.9</b>	<b>1.1</b>	<b>11.0</b>	<b>2.6</b>	<b>2.4</b>	<b>0.1</b>	<b>0.2</b>	<b>(0.1)</b>
12 Extraordinary items	0.0	(0.0)	0.0	0.0	0.0	0.1	0.0	0.0	0.0
<b>13 Profit before taxes</b>	<b>21.2</b>	<b>3.8</b>	<b>1.1</b>	<b>11.0</b>	<b>2.6</b>	<b>2.4</b>	<b>0.1</b>	<b>0.2</b>	<b>(0.1)</b>

	ACTUAL MARCH 2002								
	Total Real Estate Activities	RESIDENTIAL A.M.		COMMERCIAL A.M.		LAND A.M.		NON PERFORMING LOANS A.M.	
		Investments	Asset Management Fees	Investments	Asset Management Fees	Investments	Asset Management Fees	Investments	Asset Management Fees
<b>14 Production value</b>	<b>63.2</b>	<b>5.4</b>	<b>1.5</b>	<b>36.9</b>	<b>3.6</b>	<b>15.2</b>	<b>0.5</b>	<b>0.0</b>	<b>0.2</b>
<i>15 of which acquisitions</i>	<i>21.1</i>	<i>0.0</i>	<i>0.0</i>	<i>21.0</i>	<i>0.0</i>	<i>0.1</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
<b>16 Production value net of acquisitions</b>	<b>42.1</b>	<b>5.4</b>	<b>1.5</b>	<b>15.9</b>	<b>3.6</b>	<b>15.1</b>	<b>0.5</b>	<b>0.0</b>	<b>0.2</b>
17 EBITDA	10.5	0.9	0.3	1.8	1.7	6.0	(0.1)	0.0	(0.0)
18 Depreciation	(0.2)	(0.0)	(0.0)	(0.0)	(0.1)	(0.0)	(0.0)	0.0	(0.0)
19 EBIT	10.3	0.9	0.3	1.7	1.6	6.0	(0.1)	0.0	(0.0)
20 Income from investments	7.3	7.1	0.0	0.3	0.0	(0.0)	0.0	0.0	0.0
<b>21 EBIT incl. income from investments</b>	<b>17.7</b>	<b>8.0</b>	<b>0.3</b>	<b>2.0</b>	<b>1.6</b>	<b>5.9</b>	<b>(0.1)</b>	<b>0.0</b>	<b>(0.0)</b>
22 Interest income from investments	3.2	2.2	0.0	1.0	0.0	0.0	0.0	0.0	0.0
23 Other interest income/expense	(3.1)	(1.3)	0.0	(1.2)	0.0	(0.7)	0.0	0.1	0.0
<b>24 Profit before extraordinary items</b>	<b>17.7</b>	<b>8.9</b>	<b>0.3</b>	<b>1.8</b>	<b>1.6</b>	<b>5.2</b>	<b>(0.1)</b>	<b>0.1</b>	<b>(0.0)</b>
25 Extraordinary items	0.3	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.0
<b>26 Profit before taxes</b>	<b>18.0</b>	<b>8.9</b>	<b>0.3</b>	<b>2.0</b>	<b>1.6</b>	<b>5.2</b>	<b>(0.1)</b>	<b>0.1</b>	<b>(0.0)</b>

7) PRE - Service Provider Income Statement: breakdown by Business Unit

Pirelli & C Real Estate

Euro/million

	SERVICE PROVIDER - ACTUAL MARCH 2003							FRANCHISING	Total incl. franchising
	Total Real Estate Activities	RESIDENTIAL AGENCY	COMMERCIAL AGENCY	PROPERTY	PROJECT	FACILITY	CREDIT SERVICING		
<b>1 Production value</b>	<b>61.6</b>	<b>7.1</b>	<b>5.3</b>	<b>17.9</b>	<b>6.9</b>	<b>23.2</b>	<b>1.2</b>	<b>0.2</b>	<b>61.8</b>
<i>2 of which acquisitions</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
<b>3 Production value net of acquisitions</b>	<b>61.6</b>	<b>7.1</b>	<b>5.3</b>	<b>17.9</b>	<b>6.9</b>	<b>23.2</b>	<b>1.2</b>	<b>0.2</b>	<b>61.8</b>
<b>4 EBITDA</b>	10.2	2.7	2.0	2.2	1.4	1.9	0.1	(1.0)	9.2
<b>5 Depreciation</b>	(2.2)	(0.2)	(0.2)	(0.9)	(0.3)	(0.5)	(0.0)	(0.3)	(2.4)
<b>6 EBIT</b>	8.1	2.5	1.8	1.3	1.1	1.5	0.0	(1.3)	6.8
<b>7 Income from investments</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>8 EBIT incl. income from investments</b>	<b>8.1</b>	<b>2.5</b>	<b>1.8</b>	<b>1.3</b>	<b>1.1</b>	<b>1.5</b>	<b>0.0</b>	<b>(1.3)</b>	<b>6.8</b>
<b>9 Interest income from investments</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>10 Other interest income/expense</b>	(0.5)	(0.0)	(0.1)	(0.1)	(0.1)	(0.2)	0.1	(0.0)	(0.6)
<b>11 Profit before extraordinary items</b>	<b>7.6</b>	<b>2.4</b>	<b>1.7</b>	<b>1.2</b>	<b>1.0</b>	<b>1.2</b>	<b>0.1</b>	<b>(1.3)</b>	<b>6.3</b>
<b>12 Extraordinary items</b>	(0.0)	0.0	(0.0)	(0.0)	(0.0)	0.0	(0.0)	0.0	(0.0)
<b>13 Profit before taxes</b>	<b>7.5</b>	<b>2.4</b>	<b>1.7</b>	<b>1.2</b>	<b>1.0</b>	<b>1.2</b>	<b>0.1</b>	<b>(1.3)</b>	<b>6.2</b>
<b>14 ROS</b>	<b>13%</b>	<b>35%</b>	<b>33%</b>	<b>8%</b>	<b>15%</b>	<b>7%</b>	<b>3%</b>	<b>0%</b>	

	SERVICE PROVIDER - ACTUAL MARCH 2002						
	Total Real Estate Activities	RESIDENTIAL AGENCY	COMMERCIAL AGENCY	PROPERTY	PROJECT	FACILITY	CREDIT SERVICING
<b>15 Production value</b>	<b>36.9</b>	<b>7.6</b>	<b>6.3</b>	<b>10.8</b>	<b>6.9</b>	<b>4.8</b>	<b>0.6</b>
<i>16 of which acquisitions</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
<b>17 Production value net of acquisitions</b>	<b>36.9</b>	<b>7.6</b>	<b>6.3</b>	<b>10.8</b>	<b>6.9</b>	<b>4.8</b>	<b>0.6</b>
<b>18 EBITDA</b>	7.4	2.7	1.6	1.0	1.9	0.2	0.0
<b>19 Amortization and depreciation</b>	(1.1)	(0.3)	(0.1)	(0.5)	(0.1)	(0.1)	(0.0)
<b>20 EBIT</b>	6.3	2.4	1.4	0.5	1.7	0.2	0.0
<b>21 Income from investments</b>	(0.0)	0.0	0.0	0.0	0.0	(0.0)	0.0
<b>22 EBIT incl. income from investments</b>	<b>6.3</b>	<b>2.4</b>	<b>1.4</b>	<b>0.5</b>	<b>1.7</b>	<b>0.1</b>	<b>0.0</b>
<b>23 Interest income from investments</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>24 Other interest income/expense</b>	(0.3)	(0.1)	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)
<b>25 Profit before extraordinary items</b>	<b>6.0</b>	<b>2.3</b>	<b>1.4</b>	<b>0.5</b>	<b>1.7</b>	<b>0.1</b>	<b>(0.0)</b>
<b>26 Extraordinary items</b>	(0.1)	(0.0)	0.0	(0.1)	0.0	0.0	(0.0)
<b>27 Profit before taxes</b>	<b>5.9</b>	<b>2.3</b>	<b>1.4</b>	<b>0.4</b>	<b>1.7</b>	<b>0.1</b>	<b>(0.0)</b>
<b>28 ROS</b>	<b>17%</b>	<b>32%</b>	<b>23%</b>	<b>5%</b>	<b>25%</b>	<b>3%</b>	<b>1%</b>

**8) PRE - Aggregate Income Statement (100%)**

**Pirelli & C Real Estate**

Euro/million	ACTUAL MARCH 2003						ACTUAL MARCH 2002
	TOTAL	Consolidated Companies	Associated Companies	Asset Management Fees	Service Provider	Holding Costs	TOTAL (*)
<b>1 Production value</b>	<b>504.6</b>	<b>61.0</b>	<b>372.7</b>	<b>13.4</b>	<b>61.8</b>	<b>(4.3)</b>	<b>676.5</b>
<i>2 of which acquisitions</i>	<i>148.9</i>	<i>34.7</i>	<i>114.2</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>471.2</i>
<b>3 Production value net of acquisitions</b>	<b>355.7</b>	<b>26.3</b>	<b>258.6</b>	<b>13.4</b>	<b>61.8</b>	<b>(4.3)</b>	<b>205.3</b>
<b>4 EBITDA</b>	<b>163.7</b>	<b>3.1</b>	<b>149.5</b>	<b>3.9</b>	<b>9.2</b>	<b>(2.1)</b>	<b>96.2</b>
<b>5 Amortization and depreciation</b>	<b>(9.1)</b>	<b>(0.1)</b>	<b>(5.8)</b>	<b>(0.2)</b>	<b>(2.4)</b>	<b>(0.6)</b>	<b>(4.7)</b>
<b>6 EBIT</b>	<b>154.6</b>	<b>3.0</b>	<b>143.7</b>	<b>3.7</b>	<b>6.8</b>	<b>(2.6)</b>	<b>91.5</b>
<b>7 Income from investments</b>	<b>(0.0)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(0.0)</b>	<b>(0.0)</b>
<b>8 EBIT incl. income from investments</b>	<b>154.5</b>	<b>3.0</b>	<b>143.7</b>	<b>3.7</b>	<b>6.8</b>	<b>(2.7)</b>	<b>91.4</b>
<b>9 Expense/income on shareholder loans</b>	<b>(3.6)</b>	<b>2.5</b>	<b>(6.1)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(6.0)</b>
<b>10 Other interest income/expense</b>	<b>(64.2)</b>	<b>(1.9)</b>	<b>(62.0)</b>	<b>0.0</b>	<b>(0.6)</b>	<b>0.3</b>	<b>(28.1)</b>
<b>11 Profit before extraordinary items</b>	<b>86.7</b>	<b>3.5</b>	<b>75.7</b>	<b>3.7</b>	<b>6.3</b>	<b>(2.4)</b>	<b>57.4</b>
<b>12 Extraordinary items</b>	<b>0.4</b>	<b>0.0</b>	<b>0.3</b>	<b>0.0</b>	<b>(0.0)</b>	<b>0.0</b>	<b>0.3</b>
<b>13 Profit before taxes (*)</b>	<b>87.1</b>	<b>3.6</b>	<b>76.0</b>	<b>3.7</b>	<b>6.2</b>	<b>(2.4)</b>	<b>57.6</b>
<b>14 Net income (100%)</b>			<b>53.0</b>				
<b>15 PRE share of net income in investments</b>			<b>13.9</b>				
<b>OTHER DATA</b>							
<b>16 Sales</b>	<b>479.1</b>	<b>4.7</b>	<b>474.3</b>				<b>206.4</b>
<b>17 Gross capital gains</b>	<b>104.4</b>	<b>0.1</b>	<b>104.3</b>				<b>74.7</b>
<b>18 Book value of inventories</b>	<b>6,737.9</b>	<b>369.2</b>	<b>6,368.7</b>				<b>3,259.2</b>
<b>19 Non performing loans portfolio</b>	<b>231.0</b>	<b>0.0</b>	<b>231.0</b>				<b>32.0</b>
<b>(*) RECONCILIATION PBT WITH CONSOLIDATION</b>							
<b>20 PBT - TOTAL REAL ESTATE ACTIVITIES</b>	<b>87.1</b>						<b>57.6</b>
<b>21 PBT Associated Companies (100%)</b>	<b>(76.0)</b>						<b>(43.6)</b>
<b>22 Share of net income in associated companies</b>	<b>13.9</b>						<b>7.4</b>
<b>23 Consolidation</b>	<b>25.0</b>						<b>21.4</b>

(\*) Solely refers to real estate activities



**9) PRE - Aggregate Production Value (100%)**

**Pirelli & C Real Estate**

Euro/million	ACTUAL MARCH 2003 TOTAL PRODUCTION VALUE	CONSOLIDATED COMPANIES	ASSOCIATED COMPANIES	ASSET MANAGEMENT FEES	SERVICE PROVIDER	HOLDING COSTS	ACTUAL MARCH 2002 TOTAL PRODUCTION VALUE
1 Sales	479.1	4.7	474.3	0.0	0.0	0.0	206.4
2 Rental income	89.9	1.5	88.4	0.0	0.0	0.0	38.4
3 Fees	13.4	0.0	0.0	13.4	0.0	0.0	5.7
4 Other revenues	78.4	2.3	18.6	0.0	61.8	(4.3)	42.0
<b>5 TOTAL REVENUES</b>	<b>660.7</b>	<b>8.5</b>	<b>581.3</b>	<b>13.4</b>	<b>61.8</b>	<b>(4.3)</b>	<b>292.6</b>
6 Cost of sales	(374.7)	(4.7)	(370.0)	0.0	0.0	0.0	(131.7)
7 Acquisitions of buildings or land	148.9	34.7	114.2	0.0	0.0	0.0	471.2
8 Other capitalized costs	51.0	18.3	32.7	0.0	0.0	0.0	38.0
9 Capitalized interest expense	3.5	0.5	3.0	0.0	0.0	0.0	2.7
10 Revaluation margin	15.2	3.6	11.5	0.0	0.0	0.0	3.8
<b>11 CHANGES IN INVENTORIES</b>	<b>(156.1)</b>	<b>52.5</b>	<b>(208.6)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>384.0</b>
<b>12 PRODUCTION VALUE</b>	<b>504.6</b>	<b>61.0</b>	<b>372.7</b>	<b>13.4</b>	<b>61.8</b>	<b>(4.3)</b>	<b>676.5</b>
13 Gross capital gains	104.4	0.1	104.3				74.7
14 Share of Pirelli & C. Real Estate	30.4	0.1	30.3				31.4

**10) PRE - Aggregate Income Statement (100%) - Consolidated and Associated Companies: breakdown by Business Unit**

**Pirelli & C Real Estate**

Euro/million

	ACTUAL MARCH 2003 CONSOLIDATED COMPANIES	Residential A.M.	Commercial A.M.	Land A.M.	Non performing loans A.M.
<b>1 Production value</b>	<b>61.0</b>	<b>24.6</b>	<b>27.8</b>	<b>8.6</b>	<b>0.0</b>
<i>2 of which acquisitions</i>	<i>34.7</i>	<i>18.3</i>	<i>16.4</i>	<i>0.0</i>	<i>0.0</i>
<b>3 Production value net of acquisitions</b>	<b>26.3</b>	<b>6.4</b>	<b>11.4</b>	<b>8.6</b>	<b>0.0</b>
<b>4 EBITDA</b>	<b>3.1</b>	<b>0.6</b>	<b>0.2</b>	<b>2.3</b>	<b>(0.0)</b>
<b>5 Depreciation</b>	<b>(0.1)</b>	<b>(0.1)</b>	<b>(0.0)</b>	<b>(0.0)</b>	<b>0.0</b>
<b>6 EBIT</b>	<b>3.0</b>	<b>0.5</b>	<b>0.2</b>	<b>2.3</b>	<b>(0.0)</b>
<b>7 Income from investments</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>8 EBIT incl. income from investments</b>	<b>3.0</b>	<b>0.5</b>	<b>0.2</b>	<b>2.3</b>	<b>(0.0)</b>
<b>9 Expense/income on shareholder loans</b>	<b>2.5</b>	<b>1.2</b>	<b>1.0</b>	<b>0.3</b>	<b>0.0</b>
<b>10 Other interest income/expense</b>	<b>(1.9)</b>	<b>(1.0)</b>	<b>(0.9)</b>	<b>(0.2)</b>	<b>0.1</b>
<b>11 Profit before extraordinary items</b>	<b>3.5</b>	<b>0.7</b>	<b>0.3</b>	<b>2.5</b>	<b>0.1</b>
<b>12 Extraordinary items</b>	<b>0.0</b>	<b>(0.0)</b>	<b>0.0</b>	<b>0.1</b>	<b>0.0</b>
<b>13 Profit before taxes</b>	<b>3.6</b>	<b>0.6</b>	<b>0.3</b>	<b>2.5</b>	<b>0.1</b>
	ACTUAL MARCH 2003 ASSOCIATED COMPANIES (*)	Residential A.M.	Commercial A.M.	Land A.M.	Non performing loans A.M.
<b>14 Production value</b>	<b>372.7</b>	<b>167.9</b>	<b>199.6</b>	<b>2.4</b>	<b>0.1</b>
<i>15 of which acquisitions</i>	<i>114.2</i>	<i>100.4</i>	<i>13.6</i>	<i>0.0</i>	<i>0.1</i>
<b>16 Production value net of acquisitions</b>	<b>258.6</b>	<b>67.4</b>	<b>186.0</b>	<b>2.4</b>	<b>0.0</b>
<b>17 EBITDA</b>	<b>149.5</b>	<b>32.5</b>	<b>115.2</b>	<b>1.6</b>	<b>(0.1)</b>
<b>18 Amortization and depreciation</b>	<b>(5.8)</b>	<b>(1.4)</b>	<b>(4.2)</b>	<b>(0.0)</b>	<b>0.0</b>
<b>19 EBIT</b>	<b>143.7</b>	<b>31.1</b>	<b>111.0</b>	<b>1.6</b>	<b>(0.1)</b>
<b>20 Income from investments</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>21 EBIT incl. income from investments</b>	<b>143.7</b>	<b>31.1</b>	<b>111.0</b>	<b>1.6</b>	<b>(0.1)</b>
<b>22 Expense/income on shareholder loans</b>	<b>(6.1)</b>	<b>(2.6)</b>	<b>(3.2)</b>	<b>(0.3)</b>	<b>(0.0)</b>
<b>23 Other interest income/expense</b>	<b>(62.0)</b>	<b>(12.7)</b>	<b>(48.3)</b>	<b>(1.5)</b>	<b>0.6</b>
<b>24 Profit before extraordinary items</b>	<b>75.7</b>	<b>15.8</b>	<b>59.5</b>	<b>(0.3)</b>	<b>0.5</b>
<b>25 Extraordinary items</b>	<b>0.3</b>	<b>0.3</b>	<b>0.0</b>	<b>0.0</b>	<b>(0.0)</b>
<b>26 Profit before taxes</b>	<b>76.0</b>	<b>16.1</b>	<b>59.6</b>	<b>(0.3)</b>	<b>0.5</b>

(\*) The total includes a residual amount not allocated to the Assets

**11) PRE - Aggregate Production Value (100%) - Consolidated and Associated Companies: breakdown by Business Unit**

**Pirelli & C Real Estate**

Euro/million	ACTUAL MARCH 2003				
	CONSOLIDATED COMPANIES (*)	Residential A.M.	Commercial A.M.	Land A.M.	Non performing loans A.M.
1 Sales	4.7	4.7	0.0	0.0	0.0
2 Rental income	1.5	1.0	0.4	0.0	0.0
3 Fees	0.0	0.0	0.0	0.0	0.0
4 Other revenues	2.3	1.9	0.4	0.0	0.0
<b>5 TOTAL REVENUES</b>	<b>8.5</b>	<b>7.7</b>	<b>0.8</b>	<b>0.1</b>	<b>0.0</b>
6 Cost of sales	(4.7)	(4.7)	0.0	0.0	0.0
7 Acquisitions of buildings or land	34.7	18.3	16.4	0.0	0.0
8 Other capitalized costs	18.3	2.7	10.4	5.2	0.0
9 Capitalized interest expense	0.5	0.0	0.3	0.2	0.0
10 Revaluation margin	3.6	0.6	(0.1)	3.1	0.0
<b>11 CHANGES IN INVENTORIES</b>	<b>52.5</b>	<b>17.0</b>	<b>27.0</b>	<b>8.5</b>	<b>0.0</b>
<b>12 PRODUCTION VALUE</b>	<b>61.0</b>	<b>24.6</b>	<b>27.8</b>	<b>8.6</b>	<b>0.0</b>
13 Gross capital gains	0.1	0.1	0.0	0.0	0.0
14 Share of Pirelli & C. Real Estate	0.1	0.1	0.0	0.0	0.0
	ACTUAL MARCH 2003				
	ASSOCIATED COMPANIES (*)	Residential A.M.	Commercial A.M.	Land A.M.	Non performing loans A.M.
15 Sales	474.3	128.0	346.3	0.0	0.0
16 Rental income	88.4	13.4	74.8	0.1	0.0
17 Fees	0.0	0.0	0.0	0.0	0.0
18 Other revenues	18.6	4.2	11.7	0.0	0.0
<b>19 TOTAL REVENUES</b>	<b>581.3</b>	<b>145.7</b>	<b>432.8</b>	<b>0.1</b>	<b>0.0</b>
20 Cost of sales	(370.0)	(92.7)	(277.3)	0.0	0.0
21 Acquisitions of buildings or land	114.2	100.4	13.6	0.0	0.1
22 Other capitalized costs	32.7	13.1	19.1	0.5	0.0
23 Capitalized interest expense	3.0	0.4	0.9	1.7	0.0
24 Revaluation margin	11.5	1.0	10.6	0.0	0.0
<b>25 CHANGES IN INVENTORIES</b>	<b>(208.6)</b>	<b>22.2</b>	<b>(233.2)</b>	<b>2.3</b>	<b>0.1</b>
<b>26 PRODUCTION VALUE</b>	<b>372.7</b>	<b>167.9</b>	<b>199.6</b>	<b>2.4</b>	<b>0.1</b>
27 Gross capital gains	104.3	35.3	69.0	0.0	0.0
28 Share of Pirelli & C. Real Estate	30.3	12.8	17.5	0.0	0.0

(\*) The total includes a residual amount not allocated to the Assets

## 12) PRE - Pro-Quota Income Statement

### Pirelli & C Real Estate

Euro/million	ACTUAL MARCH 2003 TOTAL PRO- QUOTA	Consolidated companies	Associated companies	Asset management fees	Service provider	Holding costs	ACTUAL MARCH 2002 TOTAL PRO- QUOTA (*)
<b>1 Production value</b>	<b>245.0</b>	<b>61.0</b>	<b>113.1</b>	<b>13.4</b>	<b>61.8</b>	<b>(4.3)</b>	<b>271.8</b>
<i>2 of which acquisitions</i>	<i>67.3</i>	<i>34.7</i>	<i>32.6</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	153.6
<b>3 Production value net of acquisitions</b>	<b>177.7</b>	<b>26.3</b>	<b>80.5</b>	<b>13.4</b>	<b>61.8</b>	<b>(4.3)</b>	<b>118.2</b>
<b>4 EBITDA</b>	50.9	3.1	36.8	3.9	9.2	(2.1)	41.3
<b>5 Amortization and depreciation</b>	(4.3)	(0.1)	(1.0)	(0.2)	(2.4)	(0.6)	(2.4)
<b>6 EBIT</b>	46.6	3.0	35.8	3.7	6.8	(2.6)	38.9
<b>7 Income from investments</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>8 EBIT incl. income from investments</b>	<b>46.6</b>	<b>3.0</b>	<b>35.8</b>	<b>3.7</b>	<b>6.8</b>	<b>(2.6)</b>	<b>38.9</b>
<b>9 Expense/income on shareholder loans</b>	0.0	2.5	(2.5)	0.0	0.0	0.0	0.2
<b>10 Other interest income/expense</b>	(15.4)	(1.9)	(13.1)	0.0	(0.6)	0.3	(10.2)
<b>11 Profit before extraordinary items</b>	<b>31.3</b>	<b>3.5</b>	<b>20.2</b>	<b>3.7</b>	<b>6.3</b>	<b>(2.4)</b>	<b>29.0</b>
<b>12 Extraordinary items</b>	0.3	0.0	0.3	0.0	(0.0)	0.0	0.2
<b>13 Profit before taxes (*)</b>	<b>31.6</b>	<b>3.6</b>	<b>20.5</b>	<b>3.7</b>	<b>6.2</b>	<b>(2.4)</b>	<b>29.1</b>
<b>14 PRE share of net income in investments</b>			<b>13.9</b>				
<b>15 Book value of inventories</b>	<b>1,772.7</b>	369.2	1,403.5				
<b>16 Non performing loans portfolio</b>	<b>101.5</b>	0.0	101.5				
<b>(*) RECONCILIATION PBT WITH CONSOLIDATION</b>							
<b>17 PBT - TOTAL PRO-QUOTA ACTIVITIES</b>	<b>31.6</b>						
<b>18 PBT Associated Companies (100%)</b>	<b>(20.5)</b>						
<b>19 Share of net income in associated companies</b>	13.9						
<b>20 Consolidation</b>	<b>25.0</b>						

(\*) Solely refers to real estate activities

**13) PRE - Pro-Quota Income Statement - Consolidated and Associated Companies: breakdown by Business Unit**

**Pirelli & C Real Estate**

Euro/million	ACTUAL MARCH 2003				
	CONSOLIDATED COMPANIES	Residential A.M.	Commercial A.M.	Land A.M.	Non performing loans A.M.
<b>1 Production value</b>	<b>61.0</b>	<b>24.6</b>	<b>27.8</b>	<b>8.6</b>	<b>0.0</b>
<i>2 of which acquisitions</i>	<i>34.7</i>	<i>18.3</i>	<i>16.4</i>	<i>0.0</i>	<i>0.0</i>
<b>3 Production value net of acquisitions</b>	<b>26.3</b>	<b>6.4</b>	<b>11.4</b>	<b>8.6</b>	<b>0.0</b>
4 EBITDA	3.1	0.6	0.2	2.3	(0.0)
5 Depreciation	(0.1)	(0.1)	(0.0)	(0.0)	0.0
6 EBIT	3.0	0.5	0.2	2.3	(0.0)
7 Income from investments	0.0	0.0	0.0	0.0	0.0
<b>8 EBIT incl. income from investments</b>	<b>3.0</b>	<b>0.5</b>	<b>0.2</b>	<b>2.3</b>	<b>(0.0)</b>
9 Expense/income on shareholder loans	2.5	1.2	1.0	0.3	0.0
10 Other interest income/expense	(1.9)	(1.0)	(0.9)	(0.2)	0.1
<b>11 Profit before extraordinary items</b>	<b>3.5</b>	<b>0.7</b>	<b>0.3</b>	<b>2.5</b>	<b>0.1</b>
12 Extraordinary items	0.0	(0.0)	0.0	0.1	0.0
<b>13 P.B.T.(*)</b>	<b>3.6</b>	<b>0.6</b>	<b>0.3</b>	<b>2.5</b>	<b>0.1</b>
	ACTUAL MARCH 2003				
	ASSOCIATED COMPANIES (*)	Residential A.M.	Commercial A.M.	Land A.M.	Non performing loans A.M.
<b>14 Production value</b>	<b>113.1</b>	<b>64.6</b>	<b>47.0</b>	<b>0.5</b>	<b>0.1</b>
<i>15 of which acquisitions</i>	<i>32.6</i>	<i>29.1</i>	<i>3.4</i>	<i>0.0</i>	<i>0.1</i>
<b>16 Production value net of acquisitions</b>	<b>80.5</b>	<b>35.5</b>	<b>43.6</b>	<b>0.5</b>	<b>0.0</b>
17 EBITDA	36.8	11.7	24.7	0.2	(0.0)
18 Amortization and depreciation	(1.0)	(0.5)	(0.4)	(0.0)	0.0
19 EBIT	35.8	11.2	24.3	0.2	(0.0)
20 Income from investments	0.0	0.0	0.0	0.0	0.0
<b>21 EBIT incl. income from investments</b>	<b>35.8</b>	<b>11.2</b>	<b>24.3</b>	<b>0.2</b>	<b>(0.0)</b>
22 Expense/income on shareholder loans	(2.5)	(1.1)	(1.0)	(0.3)	(0.0)
23 Other interest income/expense	(13.1)	(4.3)	(9.1)	(0.0)	0.3
<b>24 Profit before extraordinary items</b>	<b>20.2</b>	<b>5.8</b>	<b>14.2</b>	<b>(0.1)</b>	<b>0.2</b>
25 Extraordinary items	0.3	0.2	0.1	0.0	(0.0)
<b>26 Profit before taxes</b>	<b>20.5</b>	<b>6.0</b>	<b>14.3</b>	<b>(0.1)</b>	<b>0.2</b>
27 PRE share of net income in investments	13.9	3.2	10.7	(0.1)	0.1

(\*) The total includes a residual amount not allocated to the Assets

**14) PRE - Pro-Quota Production Value - Consolidated and Associated Companies: breakdown by Business Unit**

**Pirelli & C Real Estate**

Euro/million	ACTUAL MARCH 2003				
	CONSOLIDATED COMPANIES	Residential A.M.	Commercial A.M.	Land A.M.	Non performing loans A.M.
1 Sales	4.7	4.7	0.0	0.0	0.0
2 Rental income	1.5	1.0	0.4	0.0	0.0
3 Fees	0.0	0.0	0.0	0.0	0.0
4 Other revenues	2.3	1.9	0.4	0.0	0.0
<b>5 TOTAL REVENUES</b>	<b>8.5</b>	<b>7.7</b>	<b>0.8</b>	<b>0.1</b>	<b>0.0</b>
6 Cost of sales	(4.7)	(4.7)	0.0	0.0	0.0
7 Acquisitions of buildings or land	34.7	18.3	16.4	0.0	0.0
8 Other capitalized costs	18.3	2.7	10.4	5.2	0.0
9 Capitalized interest expense	0.5	0.0	0.3	0.2	0.0
10 Revaluation margin	3.6	0.6	(0.1)	3.1	0.0
<b>11 CHANGES IN INVENTORIES</b>	<b>52.5</b>	<b>17.0</b>	<b>27.0</b>	<b>8.5</b>	<b>0.0</b>
<b>12 PRODUCTION VALUE</b>	<b>61.0</b>	<b>24.6</b>	<b>27.8</b>	<b>8.6</b>	<b>0.0</b>
13 Gross capital gains	0.1	0.1	0.0	0.0	0.0
	ACTUAL MARCH 2003				
	ASSOCIATED COMPANIES (*)	Residential A.M.	Commercial A.M.	Land A.M.	Non performing loans A.M.
14 Sales	122.8	45.9	76.9	0.0	0.0
15 Rental income	17.8	4.5	13.2	0.0	0.0
16 Fees	0.0	0.0	0.0	0.0	0.0
17 Other revenues	4.3	1.4	2.0	0.0	0.0
<b>18 TOTAL REVENUES</b>	<b>145.0</b>	<b>51.8</b>	<b>92.1</b>	<b>0.0</b>	<b>0.0</b>
19 Cost of sales	(92.5)	(33.1)	(59.4)	0.0	0.0
20 Acquisitions of buildings or land	44.5	41.0	3.4	0.0	0.1
21 Other capitalized costs	11.3	4.4	6.8	0.1	0.0
22 Capitalized interest expense	1.0	0.2	0.5	0.3	0.0
23 Revaluation margin	3.8	0.3	3.5	0.0	0.0
<b>24 CHANGES IN INVENTORIES</b>	<b>(31.9)</b>	<b>12.8</b>	<b>(45.2)</b>	<b>0.4</b>	<b>0.1</b>
<b>25 PRODUCTION VALUE</b>	<b>113.1</b>	<b>64.6</b>	<b>47.0</b>	<b>0.5</b>	<b>0.1</b>
26 Gross capital gains	30.3	12.8	17.5	0.0	0.0

(\*) The total includes a residual amount not allocated to the Assets

## 15) RESIDENTIAL ASSET MANAGEMENT - Consolidated Income Statement

### Pirelli & C Real Estate

Euro/million

	RESIDENTIAL AM - ACTUAL MARCH 2003			RESIDENTIAL AM - ACTUAL MARCH 2002		
	Total	Investments	Asset management fees	Total Real Estate Activities	Investments	Asset Management Fees
<b>1 Production value</b>	<b>29.6</b>	<b>24.6</b>	<b>5.0</b>	<b>6.8</b>	<b>5.4</b>	<b>1.5</b>
<i>2 of which acquisitions</i>	<i>18.3</i>	<i>18.3</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
<b>3 Production value net of acquisitions</b>	<b>11.3</b>	<b>6.4</b>	<b>5.0</b>	<b>6.8</b>	<b>5.4</b>	<b>1.5</b>
<b>4 EBITDA</b>	1.8	0.6	1.2	1.2	0.9	0.3
<b>5 Amortization and depreciation</b>	(0.1)	(0.1)	(0.1)	(0.0)	(0.0)	(0.0)
<b>6 EBIT</b>	1.6	0.5	1.1	1.2	0.9	0.3
<b>7 Income from investments</b>	3.2	3.2	0.0	7.1	7.1	0.0
<b>8 EBIT incl. income from investments</b>	<b>4.8</b>	<b>3.7</b>	<b>1.1</b>	<b>8.3</b>	<b>8.0</b>	<b>0.3</b>
<b>9 Interest income from investments</b>	1.2	1.2	0.0	2.2	2.2	0.0
<b>10 Other interest income/expense</b>	(1.0)	(1.0)	0.0	(1.3)	(1.3)	0.0
<b>11 Profit before extraordinary items</b>	<b>5.0</b>	<b>3.9</b>	<b>1.1</b>	<b>9.2</b>	<b>8.9</b>	<b>0.3</b>
<b>12 Extraordinary items</b>	(0.0)	(0.0)	0.0	0.0	0.0	0.0
<b>13 Profit before taxes</b>	<b>5.0</b>	<b>3.8</b>	<b>1.1</b>	<b>9.2</b>	<b>8.9</b>	<b>0.3</b>

## 16) RESIDENTIAL ASSET MANAGEMENT - Aggregate Income Statement (100%)

Pirelli & C Real Estate

Euro/million	ACTUAL MARCH 2003	Consolidated companies	Associated companies	Asset Management Fees	ACTUAL MARCH 2002
	TOTAL RECURRING ACTIVITY				TOTAL RECURRING ACTIVITY
<b>1 Production value</b>	<b>197.5</b>	<b>24.6</b>	<b>167.9</b>	<b>5.0</b>	<b>121.2</b>
<i>2 of which acquisitions</i>	<i>118.7</i>	<i>18.3</i>	<i>100.4</i>	<i>0.0</i>	<i>45.9</i>
<b>3 Production value net of acquisitions</b>	<b>78.8</b>	<b>6.4</b>	<b>67.4</b>	<b>5.0</b>	<b>75.3</b>
<b>4 EBITDA</b>	34.3	0.6	32.5	1.2	53.9
<b>5 Amortization and depreciation</b>	(1.6)	(0.1)	(1.4)	(0.1)	(1.0)
<b>6 EBIT</b>	32.7	0.5	31.1	1.1	52.8
<b>7 Income from investments</b>	0.0	0.0	0.0	0.0	0.0
<b>8 EBIT incl. income from investments</b>	<b>32.7</b>	<b>0.5</b>	<b>31.1</b>	<b>1.1</b>	<b>52.8</b>
<b>9 Expense/income on shareholder loans</b>	(1.4)	1.2	(2.6)	0.0	(3.3)
<b>10 Other interest income/expense</b>	(13.7)	(1.0)	(12.7)	0.0	(10.3)
<b>11 Profit before extraordinary items</b>	<b>17.6</b>	<b>0.7</b>	<b>15.8</b>	<b>1.1</b>	<b>39.2</b>
<b>12 Extraordinary items</b>	0.3	(0.0)	0.3	0.0	0.0
<b>13 Profit before taxes (*)</b>	<b>17.9</b>	<b>0.6</b>	<b>16.1</b>	<b>1.1</b>	<b>39.2</b>
<b>14 Aggregate net income</b>			8.3		
<b>15 PRE share of net income in investments</b>			3.2		
<b>OTHER DATA</b>					
<b>16 Sales</b>	<b>132.8</b>	4.7	128.0		<b>147.6</b>
<b>17 Gross capital gains</b>	<b>35.4</b>	0.1	35.3		<b>55.4</b>
<b>18 Book value of inventories</b>	<b>1,642.3</b>	75.0	1,567.3		<b>1,128.1</b>
<b>(*) RECONCILIATION PBT WITH CONSOLIDATION</b>					
<b>19 PBT - TOTAL RECURRING ACTIVITY</b>	<b>17.9</b>				
<b>20 PBT Associated Companies (100%)</b>	<b>(16.1)</b>				
<b>21 Share of net income in associated companies</b>	3.2				
<b>22 Consolidation</b>	<b>5.0</b>				



## 17) RESIDENTIAL ASSET MANAGEMENT - Pro-Quota Income Statement

Pirelli & C Real Estate

Euro/million	ACTUAL MARCH 2003				ACTUAL MARCH 2002
	TOTAL PRO- QUOTA	Consolidated companies	Associated companies	Asset Management Fees	TOTAL PRO- QUOTA
<b>1 Production value</b>	<b>94.2</b>	<b>24.6</b>	<b>64.6</b>	<b>5.0</b>	<b>47.2</b>
<i>2 of which acquisitions</i>	<i>47.4</i>	<i>18.3</i>	<i>29.1</i>	<i>0.0</i>	<i>15.6</i>
<b>3 Production value net of acquisitions</b>	<b>46.8</b>	<b>6.4</b>	<b>35.5</b>	<b>5.0</b>	<b>31.5</b>
<b>4 EBITDA</b>	13.5	0.6	11.7	1.2	20.2
<b>5 Amortization and depreciation</b>	(0.6)	(0.1)	(0.5)	(0.1)	(0.4)
<b>6 EBIT</b>	12.9	0.5	11.2	1.1	19.8
<b>7 Income from investments</b>	0.0	0.0	0.0	0.0	0.0
<b>8 EBIT incl. income from investments</b>	<b>12.9</b>	<b>0.5</b>	<b>11.2</b>	<b>1.1</b>	<b>19.8</b>
<b>9 Expense/income on shareholder loans</b>	0.0	1.2	(1.1)	0.0	0.2
<b>10 Other interest income/expense</b>	(5.3)	(1.0)	(4.3)	0.0	(4.6)
<b>11 Profit before extraordinary items</b>	<b>7.6</b>	<b>0.7</b>	<b>5.8</b>	<b>1.1</b>	<b>15.4</b>
<b>12 Extraordinary items</b>	0.2	(0.0)	0.2	0.0	0.0
<b>13 Profit before taxes (*)</b>	<b>7.8</b>	<b>0.6</b>	<b>6.0</b>	<b>1.1</b>	<b>15.5</b>
<b>14 PRE share of net income in investments</b>			3.2		
<b>(*) RECONCILIATION PBT WITH CONSOLIDATION</b>					
<b>15 PBT - TOTAL PRO-QUOTA ACTIVITIES</b>	<b>7.8</b>				
<b>16 PBT Associated Companies (100%)</b>	<b>(6.0)</b>				
<b>17 Share of net income in associated companies</b>	<b>3.2</b>				
<b>18 Consolidation</b>	<b>5.0</b>				

## 18) COMMERCIAL ASSET MANAGEMENT - Consolidated Income Statement

### Pirelli & C Real Estate

Euro/million

	COMMERCIAL AM - ACTUAL MARCH 2003			COMMERCIAL AM - ACTUAL MARCH 2002		
	Total	Investments	Asset Management Fees	Total Real Estate Activities	Investments	Asset Management Fees
<b>1 Production value</b>	<b>34.8</b>	<b>27.8</b>	<b>7.0</b>	<b>40.5</b>	<b>36.9</b>	<b>3.6</b>
<i>2 of which acquisitions</i>	<i>16.4</i>	<i>16.4</i>	<i>0.0</i>	<i>21.0</i>	<i>21.0</i>	<i>0.0</i>
<b>3 Production value net of acquisitions</b>	<b>18.4</b>	<b>11.4</b>	<b>7.0</b>	<b>19.5</b>	<b>15.9</b>	<b>3.6</b>
4 EBITDA	2.9	0.2	2.7	3.5	1.8	1.7
5 Amortization and depreciation	(0.1)	(0.0)	(0.1)	(0.1)	(0.0)	(0.1)
6 EBIT	2.7	0.2	2.6	3.4	1.7	1.6
7 Income from investments	10.7	10.7	0.0	0.3	0.3	0.0
<b>8 EBIT incl. income from investments</b>	<b>13.5</b>	<b>10.9</b>	<b>2.6</b>	<b>3.6</b>	<b>2.0</b>	<b>1.6</b>
9 Interest income from investments	1.0	1.0	0.0	1.0	1.0	0.0
10 Other interest income/expense	(0.9)	(0.9)	0.0	(1.2)	(1.2)	0.0
<b>11 Profit before extraordinary items</b>	<b>13.6</b>	<b>11.0</b>	<b>2.6</b>	<b>3.4</b>	<b>1.8</b>	<b>1.6</b>
12 Extraordinary items	0.0	0.0	0.0	0.2	0.2	0.0
<b>13 Profit before taxes</b>	<b>13.6</b>	<b>11.0</b>	<b>2.6</b>	<b>3.6</b>	<b>2.0</b>	<b>1.6</b>

**19) COMMERCIAL ASSET MANAGEMENT - Aggregate Income Statement (100%)**

**Pirelli & C Real Estate**

Euro/million	<b>ACTUAL MARCH 2003 TOTAL RECURRING ACTIVITY</b>	<b>Consolidated companies</b>	<b>Associated companies</b>	<b>Asset Management Fees</b>	<b>ACTUAL MARCH 2002 TOTAL RECURRING ACTIVITY</b>
<b>1 Production value</b>	<b>234.4</b>	<b>27.8</b>	<b>199.6</b>	<b>7.0</b>	<b>453.0</b>
2 <i>of which acquisitions</i>	30.0	16.4	13.6	0.0	375.6
<b>3 Production value net of acquisitions</b>	<b>204.4</b>	<b>11.4</b>	<b>186.0</b>	<b>7.0</b>	<b>77.5</b>
4 EBITDA	118.1	0.2	115.2	2.7	31.3
5 Amortization and depreciation	(4.4)	(0.0)	(4.2)	(0.1)	(2.2)
6 EBIT	113.7	0.2	111.0	2.6	29.1
7 Income from investments	0.0	0.0	0.0	0.0	0.0
<b>8 EBIT incl. income from investments</b>	<b>113.7</b>	<b>0.2</b>	<b>111.0</b>	<b>2.6</b>	<b>29.1</b>
9 Expense/income on shareholder loans	(2.2)	1.0	(3.2)	0.0	(2.7)
10 Other interest income/expense	(49.2)	(0.9)	(48.3)	0.0	(16.9)
<b>11 Profit before extraordinary items</b>	<b>62.4</b>	<b>0.3</b>	<b>59.5</b>	<b>2.6</b>	<b>9.5</b>
12 Extraordinary items	0.0	0.0	0.0	0.0	0.4
<b>13 Profit before taxes (*)</b>	<b>62.4</b>	<b>0.3</b>	<b>59.6</b>	<b>2.6</b>	<b>9.9</b>
14 Aggregate net income			44.5		
15 PRE share of net income in investments			10.7		
<b>OTHER DATA</b>					
16 Sales	346.3	0.0	346.3		46.8
17 Gross capital gains	69.0	0.0	69.0		11.7
<b>18 Book value of inventories</b>	<b>4,669.1</b>	(*) 145.6	4,523.5		<b>1,943.9</b>
<b>(*) RECONCILIATION PBT WITH CONSOLIDATION</b>					
19 <b>PBT - TOTAL RECURRING ACTIVITY</b>	<b>62.4</b>				
20 PBT Associated Companies (100%)	(59.6)				
21 Share of net income in associated companies	10.7				
22 <b>Consolidation</b>	<b>13.6</b>				

(\*) Includes Euro 73.1 million for SciRoev and Euro 0.2 million for PBU

## 20) COMMERCIAL ASSET MANAGEMENT - Pro-Quota Income Statement

### Pirelli & C Real Estate

Euro/million	ACTUAL MARCH 2003  TOTAL PRO- QUOTA	Consolidated companies	Associated companies	Asset Management Fees	ACTUAL MARCH 2002  TOTAL PRO- QUOTA
<b>1 Production value</b>	<b>81.8</b>	<b>27.8</b>	<b>47.0</b>	<b>7.0</b>	<b>153.7</b>
<i>2 of which acquisitions</i>	<i>19.8</i>	<i>16.4</i>	<i>3.4</i>	<i>0.0</i>	<i>120.0</i>
<b>3 Production value net of acquisitions</b>	<b>62.0</b>	<b>11.4</b>	<b>43.6</b>	<b>7.0</b>	<b>33.7</b>
<b>4 EBITDA</b>	27.6	0.2	24.7	2.7	10.1
<b>5 Amortization and depreciation</b>	(0.6)	(0.0)	(0.4)	(0.1)	(0.5)
<b>6 EBIT</b>	27.0	0.2	24.3	2.6	9.6
<b>7 Income from investments</b>	0.0	0.0	0.0	0.0	0.0
<b>8 EBIT incl. income from investments</b>	<b>27.0</b>	<b>0.2</b>	<b>24.3</b>	<b>2.6</b>	<b>9.6</b>
<b>9 Expense/income on shareholder loans</b>	0.0	1.0	(1.0)	0.0	0.0
<b>10 Other interest income/expense</b>	(10.0)	(0.9)	(9.1)	0.0	(4.8)
<b>11 Profit before extraordinary items</b>	<b>17.1</b>	<b>0.3</b>	<b>14.2</b>	<b>2.6</b>	<b>4.9</b>
<b>12 Extraordinary items</b>	0.1	0.0	0.1	0.0	0.3
<b>13 Profit before taxes (*)</b>	<b>17.2</b>	<b>0.3</b>	<b>14.3</b>	<b>2.6</b>	<b>5.1</b>
<b>14 PRE share of net income in investments</b>			10.7		
<b>(*) RECONCILIATION PBT WITH CONSOLIDATION</b>					
<b>15 PBT - TOTAL RECURRING ACTIVITY</b>	<b>17.2</b>				
<b>16 PBT Associated Companies (100%)</b>	<b>(14.3)</b>				
<b>17 Share of net income in associated companies</b>	10.7				
<b>18 Consolidation</b>	<b>13.6</b>				

## 21) LAND ASSET MANAGEMENT - Consolidated Income Statement

### Pirelli & C Real Estate

Euro/million

	LAND AM - ACTUAL MARCH 2003			LAND AM - ACTUAL MARCH 2002		
	Total	Investments	Asset Management Fees	Total Real Estate Activities	Investments	Asset Management Fees
<b>1 Production value</b>	<b>9.7</b>	<b>8.6</b>	<b>1.1</b>	<b>15.7</b>	<b>15.2</b>	<b>0.5</b>
<i>2 of which acquisitions</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.1</i>	<i>0.1</i>	<i>0.0</i>
<b>3 Production value net of acquisitions</b>	<b>9.7</b>	<b>8.6</b>	<b>1.1</b>	<b>15.5</b>	<b>15.1</b>	<b>0.5</b>
<b>4 EBITDA</b>	<b>2.4</b>	<b>2.3</b>	<b>0.1</b>	<b>5.8</b>	<b>6.0</b>	<b>(0.1)</b>
<b>5 Amortization and depreciation</b>	<b>(0.0)</b>	<b>(0.0)</b>	<b>(0.0)</b>	<b>(0.0)</b>	<b>(0.0)</b>	<b>(0.0)</b>
<b>6 EBIT</b>	<b>2.4</b>	<b>2.3</b>	<b>0.1</b>	<b>5.8</b>	<b>6.0</b>	<b>(0.1)</b>
<b>7 Income from investments</b>	<b>(0.1)</b>	<b>(0.1)</b>	<b>0.0</b>	<b>(0.0)</b>	<b>(0.0)</b>	<b>0.0</b>
<b>8 EBIT incl. income from investments</b>	<b>2.3</b>	<b>2.2</b>	<b>0.1</b>	<b>5.8</b>	<b>5.9</b>	<b>(0.1)</b>
<b>9 Interest income from investments</b>	<b>0.3</b>	<b>0.3</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>10 Other interest income/expense</b>	<b>(0.2)</b>	<b>(0.2)</b>	<b>0.0</b>	<b>(0.7)</b>	<b>(0.7)</b>	<b>0.0</b>
<b>11 Profit before extraordinary items</b>	<b>2.5</b>	<b>2.4</b>	<b>0.1</b>	<b>5.1</b>	<b>5.2</b>	<b>(0.1)</b>
<b>12 Extraordinary items</b>	<b>0.1</b>	<b>0.1</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>13 Profit before taxes</b>	<b>2.5</b>	<b>2.4</b>	<b>0.1</b>	<b>5.1</b>	<b>5.2</b>	<b>(0.1)</b>

**22) LAND ASSET MANAGEMENT - Aggregate Income Statement (100%)**

**Pirelli & C Real Estate**

Euro/million	ACTUAL MARCH 2003 TOTAL RECURRING ACTIVITY	Consolidated companies	Associated companies	Asset Management Fees	ACTUAL MARCH 2002 TOTAL RECURRING ACTIVITY
<b>1 Production value</b>	<b>12.1</b>	<b>8.6</b>	<b>2.4</b>	<b>1.1</b>	<b>65.3</b>
2 <i>of which acquisitions</i>	0.0	0.0	0.0	0.0	49.7
<b>3 Production value net of acquisitions</b>	<b>12.1</b>	<b>8.6</b>	<b>2.4</b>	<b>1.1</b>	<b>15.6</b>
4 EBITDA	4.0	2.3	1.6	0.1	5.8
5 Amortization and depreciation	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
6 EBIT	4.0	2.3	1.6	0.1	5.8
7 Income from investments	0.0	0.0	0.0	0.0	0.0
<b>8 EBIT incl. income from investments</b>	<b>4.0</b>	<b>2.3</b>	<b>1.6</b>	<b>0.1</b>	<b>5.8</b>
9 Expense/income on shareholder loans	(0.0)	0.3	(0.3)	0.0	0.0
10 Other interest income/expense	(1.7)	(0.2)	(1.5)	0.0	(0.7)
<b>11 Profit before extraordinary items</b>	<b>2.3</b>	<b>2.5</b>	<b>(0.3)</b>	<b>0.1</b>	<b>5.1</b>
12 Extraordinary items	0.1	0.1	0.0	0.0	0.0
<b>13 Profit before taxes (*)</b>	<b>2.3</b>	<b>2.5</b>	<b>(0.3)</b>	<b>0.1</b>	<b>5.1</b>
14 Aggregate net income			(0.3)		
15 PRE share of net income in investments			(0.1)		
<b>OTHER DATA</b>					
16 Sales	0.0	0.0	0.0		12.0
17 Gross capital gains	0.0	0.0	0.0		7.6
<b>18 Book value of inventories</b>	<b>424.6</b>	146.8	277.8		<b>187.2</b>
<b>(*) RECONCILIATION PBT WITH CONSOLIDATION</b>					
19 PBT - TOTAL RECURRING ACTIVITY	2.3				
20 PBT Associated Companies (100%)	0.3				
21 Share of net income in associated companies	(0.1)				
<b>22 Consolidation</b>	<b>2.5</b>				

## 23) LAND ASSET MANAGEMENT - Pro-Quota Income Statement

### Pirelli & C Real Estate

Euro/million	ACTUAL MARCH 2003  TOTAL PRO- QUOTA	Consolidated companies	Associated companies	Asset Management Fees	ACTUAL MARCH 2002  TOTAL PRO- QUOTA
<b>1 Production value</b>	<b>10.1</b>	<b>8.6</b>	<b>0.5</b>	<b>1.1</b>	<b>33.6</b>
<i>2 of which acquisitions</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>18.0</i>
<b>3 Production value net of acquisitions</b>	<b>10.1</b>	<b>8.6</b>	<b>0.5</b>	<b>1.1</b>	<b>15.6</b>
<b>4 EBITDA</b>	2.7	2.3	0.2	0.1	5.8
<b>5 Amortization and depreciation</b>	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
<b>6 EBIT</b>	2.7	2.3	0.2	0.1	5.8
<b>7 Income from investments</b>	0.0	0.0	0.0	0.0	0.0
<b>8 EBIT incl. income from investments</b>	<b>2.7</b>	<b>2.3</b>	<b>0.2</b>	<b>0.1</b>	<b>5.8</b>
<b>9 Expense/income on shareholder loans</b>	(0.0)	0.3	(0.3)	0.0	0.0
<b>10 Other interest income/expense</b>	(0.2)	(0.2)	(0.0)	0.0	(0.7)
<b>11 Profit before extraordinary items</b>	<b>2.5</b>	<b>2.5</b>	<b>(0.1)</b>	<b>0.1</b>	<b>5.1</b>
<b>12 Extraordinary items</b>	0.1	0.1	0.0	0.0	0.0
<b>13 Profit before taxes (*)</b>	<b>2.5</b>	<b>2.5</b>	<b>(0.1)</b>	<b>0.1</b>	<b>5.1</b>
<b>14 PRE share of net income in investments</b>			(0.1)		
<b>(*) RECONCILIATION PBT WITH CONSOLIDATION</b>					
<b>15 PBT - TOTAL RECURRING ACTIVITY</b>	2.5				
<b>16 PBT Associated Companies (100%)</b>	0.1				
<b>17 Share of net income in associated companies</b>	(0.1)				
<b>18 Consolidation</b>	<b>2.5</b>				

## 24) NON PERFORMING LOANS ASSET MANAGEMENT - Consolidated Income Statement

### Pirelli & C Real Estate

Euro/million

	NON PERFORMING LOANS AM - ACTUAL MARCH 2003		
	Total	Investments	Asset Management Fees
<b>1 Production value</b>	<b>0.3</b>	<b>0.0</b>	<b>0.3</b>
<i>2 of which acquisitions</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
<b>3 Production value net of acquisitions</b>	<b>0.3</b>	<b>0.0</b>	<b>0.3</b>
<b>4 EBITDA</b>	(0.1)	(0.0)	(0.1)
<b>5 Amortization and depreciation</b>	(0.0)	0.0	(0.0)
<b>6 EBIT</b>	(0.1)	(0.0)	(0.1)
<b>7 Income from investments</b>	0.1	0.1	0.0
<b>8 EBIT incl. income from investments</b>	<b>0.0</b>	<b>0.1</b>	<b>(0.1)</b>
<b>9 Interest income from investments</b>	0.0	0.0	0.0
<b>10 Other interest income/expense</b>	0.1	0.1	0.0
<b>11 Profit before extraordinary items</b>	<b>0.1</b>	<b>0.2</b>	<b>(0.1)</b>
<b>12 Extraordinary items</b>	0.0	0.0	0.0
<b>13 Profit before taxes</b>	<b>0.1</b>	<b>0.2</b>	<b>(0.1)</b>

	NON PERFORMING LOANS AM - ACTUAL MARCH 2002		
	Total Real Estate Activities	Investments	Asset Management Fees
	<b>0.2</b>	<b>0.0</b>	<b>0.2</b>
	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
	<b>0.2</b>	<b>0.0</b>	<b>0.2</b>
	(0.0)	0.0	(0.0)
	(0.0)	0.0	(0.0)
	(0.0)	0.0	(0.0)
	0.0	0.0	0.0
	<b>(0.0)</b>	<b>0.0</b>	<b>(0.0)</b>
	0.0	0.0	0.0
	0.1	0.1	0.0
	<b>0.1</b>	<b>0.1</b>	<b>(0.0)</b>
	0.0	0.0	0.0
	<b>0.1</b>	<b>0.1</b>	<b>(0.0)</b>



## 25) NON PERFORMING LOANS ASSET MANAGEMENT - Aggregate Income Statement (100%)

### Pirelli & C Real Estate

Euro/million	ACTUAL MARCH 2003 TOTAL RECURRING ACTIVITY	Consolidated companies	Associated companies	Asset Management Fees	ACTUAL MARCH 2002 TOTAL RECURRING ACTIVITY
<b>1 Production value</b>	<b>0.4</b>	<b>0.0</b>	<b>0.1</b>	<b>0.3</b>	<b>0.2</b>
<i>2 of which acquisitions</i>	<i>0.1</i>	<i>0.0</i>	<i>0.1</i>	<i>0.0</i>	<i>0.0</i>
<b>3 Production value net of acquisitions</b>	<b>0.3</b>	<b>0.0</b>	<b>0.0</b>	<b>0.3</b>	<b>0.2</b>
<b>4 EBITDA</b>	(0.1)	(0.0)	(0.1)	(0.1)	(0.0)
<b>5 Amortization and depreciation</b>	(0.0)	0.0	0.0	(0.0)	(0.0)
<b>6 EBIT</b>	(0.2)	(0.0)	(0.1)	(0.1)	(0.0)
<b>7 Income from investments</b>	0.0	0.0	0.0	0.0	0.0
<b>8 EBIT incl. income from investments</b>	<b>(0.2)</b>	<b>(0.0)</b>	<b>(0.1)</b>	<b>(0.1)</b>	<b>(0.0)</b>
<b>9 Expense/income on shareholder loans</b>	0.0	0.0	(0.0)	0.0	0.0
<b>10 Other interest income/expense</b>	0.7	0.1	0.6	0.0	0.1
<b>11 Profit before extraordinary items</b>	<b>0.5</b>	<b>0.1</b>	<b>0.5</b>	<b>(0.1)</b>	<b>0.1</b>
<b>12 Extraordinary items</b>	(0.0)	0.0	(0.0)	0.0	0.0
<b>13 Profit before taxes (*)</b>	<b>0.5</b>	<b>0.1</b>	<b>0.5</b>	<b>(0.1)</b>	<b>0.1</b>
<b>14 Aggregate net income</b>			0.3		
<b>15 PRE share of net income in investments</b>			0.1		
<b>OTHER DATA</b>					
<b>16 Non performing loans portfolio</b>	<b>231.0</b>		<b>231.0</b>		
<b>(*) RECONCILIATION PBT WITH CONSOLIDATION</b>					
<b>17 PBT - TOTAL RECURRING ACTIVITY</b>	<b>0.5</b>				
<b>18 PBT Associated Companies (100%)</b>	<b>(0.5)</b>				
<b>19 Share of net income in associated companies</b>	0.1				
<b>20 Consolidation</b>	<b>0.1</b>				

## 26) NON PERFORMING LOANS ASSET MANAGEMENT - Pro-Quota Income Statement

### Pirelli & C Real Estate

Euro/million	ACTUAL MARCH 2003  TOTAL PRO- QUOTA	Consolidated companies	Associated companies	Asset Management Fees	ACTUAL MARCH 2002  TOTAL PRO- QUOTA
<b>1 Production value</b>	<b>0.4</b>	<b>0.0</b>	<b>0.1</b>	<b>0.3</b>	<b>0.2</b>
2 <i>of which acquisitions</i>	0.1	0.0	0.1	0.0	0.0
<b>3 Production value net of acquisitions</b>	<b>0.3</b>	<b>0.0</b>	<b>0.0</b>	<b>0.3</b>	<b>0.2</b>
4 EBITDA	(0.1)	(0.0)	(0.0)	(0.1)	(0.0)
5 Amortization and depreciation	(0.0)	0.0	0.0	(0.0)	(0.0)
6 EBIT	(0.1)	(0.0)	(0.0)	(0.1)	(0.0)
7 Income from investments	0.0	0.0	0.0	0.0	0.0
<b>8 EBIT incl. income from investments</b>	<b>(0.1)</b>	<b>(0.0)</b>	<b>(0.0)</b>	<b>(0.1)</b>	<b>(0.0)</b>
9 Expense/income on shareholder loans	0.0	0.0	(0.0)	0.0	0.0
10 Other interest income/expense	0.4	0.1	0.3	0.0	0.1
<b>11 Profit before extraordinary items</b>	<b>0.2</b>	<b>0.1</b>	<b>0.2</b>	<b>(0.1)</b>	<b>0.1</b>
12 Extraordinary items	(0.0)	0.0	(0.0)	0.0	0.0
<b>13 Profit before taxes (*)</b>	<b>0.2</b>	<b>0.1</b>	<b>0.2</b>	<b>(0.1)</b>	<b>0.1</b>
<b>14 PRE share of net income in investments</b>			0.1		
<b>(*) RECONCILIATION PBT WITH CONSOLIDATION</b>					
<b>15 PBT - TOTAL RECURRING ACTIVITY</b>	<b>0.2</b>				
<b>16 PBT Associated Companies (100%)</b>	<b>(0.2)</b>				
<b>17 Share of net income in associated companies</b>	0.1				
<b>18 Consolidation</b>	<b>0.1</b>				

## **PIRELLI & C. REAL ESTATE GROUP**

# FINANCIAL STATEMENTS

## RECLASSIFIED BALANCE SHEET

*(in thousands of euro)*

	<b>03.31.2003</b>	<b>12.31.2002</b>
Intangible assets, net	62,197	50,767
Property, plant and equipment, net	6,078	6,079
Financial assets	185,887	161,993
<b>Fixed assets - (A)</b>	<b>254,162</b>	<b>218,839</b>
Inventories	369,196	383,702
Trade receivables	194,157	163,595
Other assets	67,507	85,383
Accrued income and prepaid expenses	2,223	1,577
<b>Current assets - (B)</b>	<b>633,083</b>	<b>634,257</b>
Trade payables	(194,194)	(211,030)
Advances	(97,895)	(94,945)
Taxes payable	(22,535)	(22,065)
Other liabilities	(100,036)	(99,354)
Accrued liabilities and deferred income	(13,015)	(16,457)
<b>Current liabilities - (C)</b>	<b>(427,675)</b>	<b>(443,851)</b>
<b>Net invested capital - (D) = (A+B+C)</b>	<b>459,570</b>	<b>409,245</b>
Shareholders' equity attributable to the Group	(388,219)	(367,901)
Shareholders' equity attributable to minority interests	(689)	(883)
Provision for employees' leaving indemnity	(14,929)	(14,591)
Provisions for liabilities and expenses	(34,403)	(36,880)
Capital contributions	(1,292)	(1,292)
Net financial position	(20,038)	12,302
<b>Total covered net invested capital</b>	<b>(459,570)</b>	<b>(409,245)</b>

## RECLASSIFIED INCOME STATEMENT

*(in thousands of euro)*

	1st quarter 2003	1st quarter 2002
Revenues from sales and services	126,797	62,636
Change in inventories	(9,622)	33,194
Other revenues and income	14,711	4,782
<b>Total production value</b>	<b>131,886</b>	<b>100,612</b>
Purchases of property and land	(34,735)	(21,120)
Purchases of other assets	(4,075)	(88)
Service expenses	(53,988)	(49,782)
Lease and rent expenses	(1,918)	(1,085)
Personnel expenses	(21,263)	(12,773)
Other operating expenses	(784)	(1,539)
Change in raw materials, consumables and supplies	(150)	0
Provisions and writedowns	(804)	(130)
<b>EBITDA</b>	<b>14,169</b>	<b>14,095</b>
Amortization and depreciation	(3,319)	(1,851)
EBIT	10,850	12,244
Income from investments	13,876	7,260
<b>EBIT incl. income from investments</b>	<b>24,726</b>	<b>19,504</b>
Financial income (expenses), net	316	(553)
Extraordinary income (expenses)	42	51,281
<b>Result before income taxes</b>	<b>25,084</b>	<b>70,232</b>
Income taxes for the period	(5,068)	(14,223)
<b>Consolidated net income</b>	<b>20,016</b>	<b>56,009</b>
Minority interests	31	(27)
<b>Net income (loss) for the period</b>	<b>20,047</b>	<b>55,982</b>

## COMMENTS ON THE CONSOLIDATED FINANCIAL STATEMENTS AT MARCH 31, 2003

### **BASIS OF CONSOLIDATION AND ACCOUNTING POLICIES**

The consolidation and accounting policies used for the preparation of the financial statements at March 31, 2003 are the same as those used for the financial statements at December 31, 2002, to which reference should be duly made.

The companies included within the scope of consolidation are listed in an attached schedule.

The consolidated financial statements at March 31, 2003 have been prepared using the financial statements of subsidiary and associated companies specifically prepared at this date. The income statements of subsidiary and associated companies whose financial year does not end on December 31 have been pro-rated for the first three months of 2003.

### **BALANCE SHEET INFORMATION**

Amounts are expressed in thousands of euro, unless otherwise indicated.

The changes in financial assets, net financial position and shareholders' equity are detailed in tables set out in the following pages.

#### **Financial assets**

These have increased from Euro 161,993 thousand at the end of 2002 to Euro 185,887 thousand at March 31, 2003. This reflects Euro 13,876 thousand in net positive adjustments for the results of companies valued at equity, as better described in subsequent comments on the income statement.

As regards the activities performed and real estate concerns managed by the subsidiary and associated companies, reference should be made to the description contained in the notes to the consolidated financial statements at December 31, 2002.

Changes in financial assets are shown in the following table:

	<b>03.31.03</b>	<b>12.31.02</b>
Subsidiaries	3,185	449
Associated companies	125,354	108,923
Other companies	1,419	1,419
<b><i>Total investments</i></b>	<b>129,958</b>	<b>110,791</b>
Other securities	313	1,063
Treasury shares	55,616	50,139
<b><i>Total financial assets</i></b>	<b>185,887</b>	<b>161,993</b>

### Investments in subsidiaries

Investments in subsidiaries are analyzed as follows:

	<b>03.31.03</b>	<b>12.31.02</b>
Alfa Due S.r.l.	2,881	-
LSF Italian Finance Company S.p.A.	100	100
Parcheggi Bicocca S.r.l.	64	64
Pirelli & C. Real Estate Ltd	100	100
Tintoretto S.r.l.	34	55
Verdi S.r.l.	-	130
Vindex S.r.l.	6	-
<b><i>Total</i></b>	<b>3,185</b>	<b>449</b>

*Alfa Due S.r.l.* has been consolidated at March 31, 2003 using the equity method, since a final agreement has been reached for the sale of this company's operating arm to a third-party vehicle company.

*Tintoretto S.r.l.*, although wholly owned, has been consolidated using the equity method at both December 31, 2002 and March 31, 2003; this is because the majority interest in this company is due to be sold to third parties.

A 56.25% interest in *Verdi S.r.l.* was sold to third parties on February 26, 2003; following this disposal, the investment has been reclassified as an associated company. *Verdi S.r.l.*, although classified as a subsidiary at December 31, 2002, had been consolidated using the equity method at this date, since its control was about to be sold to third parties.

Partecipazioni Real Estate S.p.A. purchased a 47% interest in the share capital of *Vindex S.r.l.* on March 4, 2003. CFT Finanziaria S.p.A., in which Partecipazioni Real Estate S.p.A. owns a 46.98% interest, also has a 37% stake in *Vindex S.r.l.*. This means that the Group now owns 64.38% of this company's share capital. *Vindex S.r.l.*, although wholly owned, has been consolidated at March 31, 2003 using the equity method, since its control is due to be sold to third parties.

## Investments in associated companies

Investments in associated companies are analyzed as follows:

	<b>03.31.03</b>	<b>12.31.02</b>
Auriga Immobiliare S.r.l.	25,319	23,818
Bernini Immobiliare S.r.l.	1,066	1,061
Beta S.r.l.	49	42
CFT Finanziaria S.p.A.	16,037	15,915
Delta S.p.A.	439	59
Dixia S.r.l.	6,697	6,780
Domogest S.r.l.	1,199	1,006
Elle Nove S.c.a.r.l.	35	35
Geolidro S.r.l.	2,074	-
Immobiliare Prizia S.r.l.	4,372	4,230
IN Holdings I S.a.r.l.	2,416	2,352
Induxia S.r.l.	2,523	2,576
Inimm Due S.a.r.l.	2,129	2,040
Iniziative Immobiliari S.r.l.	5,311	4,929
M.S.M.C. Italy Holding B.V.	29,612	23,089
Masseto I B.V.	9,858	5,092
M.S.M.C. Solferino S.a.r.l.	245	245
Orione Immobiliare Prima S.p.A.	-	52
Ortensia S.r.l.	1,349	1,272
P.B. La Piazza S.r.l.	573	616
Popoy Holding B.V.	2,807	2,757
Progetto Corsico S.r.l.	156	46
Progetto Fontana S.r.l.	-	-
Progetto Gioberti S.r.l.	10	21
Progetto Grande Bicocca Multisala S.r.l.	198	307
Progetto Lainate S.r.l.	187	111
Regus Business Centres Italia S.p.A	561	548
Sci Roev Texas Partners L.P.	2,599	2,572
Spazio Industriale B.V.	148	180
Trixia S.r.l.	7,385	7,172
Verdi S.r.l.	-	-
<b>Total</b>	<b>125,354</b>	<b>108,923</b>

At March 31, 2003, the investments in *Orione Immobiliare Prima S.p.A.*, *Progetto Fontana S.r.l.* and *Verdi S.r.l.* have negative carrying values of Euro 56 thousand, Euro 48 thousand and Euro 87 thousand respectively, which have been recorded under the provisions for liabilities and expenses.

In March 2003, Partecipazioni Real Estate S.p.A. sold a 2% interest in the share capital of *Beta S.r.l.* to third parties.

On March 14, 2003, Centrale Immobiliare S.p.A. purchased 49% of the share capital in *Geolidro S.p.A.*; this vehicle company has taken on part on the former Risanamento Napoli real estate portfolio, consisting of property in Naples.



On February 17, 2003, Pirelli & C. Real Estate S.p.A. purchased from third parties an additional 6% interest in the share capital of *Orione Immobiliare Prima S.p.A.*.

#### Investments in other companies

Investments in other companies are analyzed as follows:

	03.31.03	12.31.02
Ceat	1	1
Census Consortium	17	17
GSPA Consortium	16	16
Efi Banca	560	560
I.G.E.I. S.p.A. (in liquidation)	744	744
Istambul Rea AS	10	10
Rita S.r.l.	66	66
Servizi Aziendali Pirelli S.c.p.a.	3	3
S.I.F. Southern Italian Finance S.r.l.	1	1
Tecnocittà S.r.l. (in liquidation)	-	-
Tirrena assicurazioni	1	1
<b>Total</b>	<b>1,419</b>	<b>1,419</b>

#### Treasury shares

At March 31, 2003, Pirelli & C. Real Estate S.p.A. held 2,448,044 treasury shares with a par value of Euro 0.50 each, and a total book value of Euro 55,616 thousand. As required by article 2357-ter of the Italian Civil Code, the company set up a restricted reserve for the same amount.

## **Net financial position**

The balances making up the net financial position are analyzed below:

*in thousands of euro*

	<b>03.31.2003</b>	<b>12.31.2002</b>
- bank and postal deposits, checks, cash on hand	31,256	55,716
- receivables from parent companies	-	-
- receivables from Group companies	20,692	1,855
- receivables from Pirelli Services Finanziari S.p.A.	25,661	16,005
- financial receivables from others	658	244
- other securities	207	280
- other receivables/accrued income	51	55
<b>Current financial assets - (A)</b>	<b>78,525</b>	<b>74,155</b>
- bank borrowings - due within 12 months	(3,445)	(3,470)
- payables to other financial institutions	(1,823)	(22)
- payables to parent companies	(1,934)	(1,937)
- payables to associated companies	(147)	-
- payables to Pirelli S.p.A. Group companies	(26,396)	(25,744)
- other payables/accrued liabilities	-	-
<b>Current financial liabilities - (B)</b>	<b>(33,745)</b>	<b>(31,173)</b>
<b>Short-term net financial indebtedness - C = (A+B)</b>	<b>44,780</b>	<b>42,982</b>
- financial receivables from subsidiary, associated and other companies	180,006	179,003
- other securities	221	221
<b>Medium to long-term financial assets - (D)</b>	<b>180,227</b>	<b>179,224</b>
- bank borrowings - due beyond 12 months	(245,045)	(209,904)
- payables to minority shareholders for loans	-	-
<b>Medium to long-term financial payables - (E)</b>	<b>(245,045)</b>	<b>(209,904)</b>
<b>Net financial position - F = (C+D+E)</b>	<b>(20,038)</b>	<b>12,302</b>

The net financial position has declined from a positive value of Euro 12,302 thousand at December 31, 2002 to a negative amount of Euro 20,038 thousand at the end of March 2003. This change is due to the investments made in the quarter. For further details, reference should be made to the director's report on operations.

The significant increase in short-term receivables from Group companies is mostly attributable to the balance on the intercompany current account with the subsidiary Alfa Due S.r.l., valued at equity in the first quarter of 2003 but consolidated on a line-by-line basis in 2002, as explained in the earlier comments on investments.

## Shareholders' equity

Changes in the shareholders' equity accounts are shown in the following table:

	Share capital	Share premium reserve	Revaluation reserve	Legal reserve	Reserve for treasury shares	Reserve for non-repayable contributions	Retained earnings	Undistributed earnings	Net income (loss)	Shareholders' equity
Group shareholders' equity at 12.31.2002	20,302	88,041	15	3,461	50,139	19,069	61,535	0	125,339	367,901
Creation of reserve for treasury shares		(5,477)			5,477					0
Allocation of net income for the year - to undistributed earnings								125,339	(125,339)	0
Other changes								271		271
Net income (loss) for the period									20,047	20,047
Group shareholders' equity at 03.31.2003	20,302	82,564	15	3,461	55,616	19,069	61,535	125,610	20,047	388,219
Minority interests in capital and reserves at 03.31.2003										720
Minority interests in net income (loss) for the period										(31)
<b>Total shareholders' equity at 03.31.2003</b>	<b>20,302</b>	<b>82,564</b>	<b>15</b>	<b>3,461</b>	<b>55,616</b>	<b>19,069</b>	<b>61,535</b>	<b>0</b>	<b>20,047</b>	<b>388,908</b>

Subscribed and paid-up share capital amounts to Euro 20,302,491 at March 31, 2003, while authorized share capital totals Euro 22,402,491.

Share capital consists of 40,604,982 ordinary shares at March 31, 2003, with a par value of Euro 0.50 each.

“Undistributed earnings” refer to the consolidated result for the year ended December 31, 2002, whose financial statements are about to be approved by the shareholders.

## **INCOME STATEMENT INFORMATION**

Comments on the overall trend in revenues and costs are provided in the directors' report on operations.

The following table presents the Group's performance in the first quarter of 2003, compared with the first quarter of 2002.

	<u>1st quarter 2003 (*)</u>	<u>1st quarter 2002</u>		
	<u>Total</u>	<u>Total</u>	<u>Real estate activities</u>	<u>Other income</u>
<b>Production value</b>	<b>131,886</b>	<b>100,612</b>	<b>100,045</b>	<b>567</b>
Production costs	121,036	(88,368)	(85,942)	(2,426)
EBIT	10,850	12,244	14,103	(1,859)
Income from investments	13,876	7,260	7,260	-
<b>EBIT incl. income from investments</b>	<b>24,726</b>	<b>19,504</b>	<b>21,363</b>	<b>(1,859)</b>
Financial income/expenses	316	(553)	(133)	(420)
Extraordinary income (expenses)	42	51,281	116	51,165
<b>Result before income taxes</b>	<b>25,084</b>	<b>70,232</b>	<b>21,346</b>	<b>48,886</b>
Income taxes	(5,068)	(14,223)	(5,416)	(8,807)
<b>Consolidated net income</b>	<b>20,016</b>	<b>56,009</b>	<b>15,930</b>	<b>40,079</b>
Minority interests	31	(27)	(27)	-
<b>Net income</b>	<b>20,047</b>	<b>55,982</b>	<b>15,903</b>	<b>40,079</b>

(\*) entirely represented by real estate activities

Before looking at the results in detail, it should be remembered that Pirelli & C. Real Estate S.p.A. is a management company that invests in real estate companies mostly through minority stakes, subsequently taking complete charge of their management. This means that the aggregate production value and EBIT including the share of income from investments are the best indicators of the Group's turnover and operating results respectively.

The following pages therefore contain a brief comment on production value and EBIT including income from investments.

### **Production value**

Given the importance of the volume of property and land acquisitions during the period under review, comments are also provided on the changes in production value net of acquisitions, which do not normally have a significant impact on the period in which they take place.

	1st quarter 2003		1st quarter 2002	
		% (*)		% (*)
<i>Asset Management:</i>				
- Residential	29,626	22.5%	6,848	6.8%
- Commercial	34,790	26.4%	40,492	40.5%
- Land and urbanization	9,677	7.3%	15,685	15.7%
- Non performing loans (**)	315	0.2%	210	0.2%
<b>Total</b>	<b>74,408</b>	<b>56.4%</b>	<b>63,235</b>	<b>63.2%</b>
<i>of which, net of acquisitions:</i>	<b>39,718</b>	<b>30.1%</b>	<b>42,115</b>	<b>42.1%</b>
<i>Service providers:</i>				
- Residential Agency	7,069	5.4%	7,639	7.6%
- Commercial Agency	5,343	4.1%	6,265	6.3%
- Project Management	6,926	5.3%	6,861	6.9%
- Property Management	17,895	13.6%	10,756	10.8%
- Facility Management	23,236	17.6%	4,763	4.8%
- Credit Servicing	1,158	0.9%	567	0.6%
- Franchising Network	174	0.1%	-	0.0%
<b>Total</b>	<b>61,801</b>	<b>46.9%</b>	<b>36,851</b>	<b>36.8%</b>
<i>Intercompany eliminations and other</i>	<i>(4,323)</i>	<i>(3.3%)</i>	<i>(41)</i>	<i>(0.0%)</i>
<b>Total real estate activities</b>	<b>131,886</b>		<b>100,045</b>	
<i>of which, net of acquisitions:</i>	<b>97,196</b>		<b>78,925</b>	
<b>Total other income</b>	<b>0</b>		<b>567</b>	
<b>Total production value</b>	<b>131,886</b>		<b>100,612</b>	
<i>of which, net of acquisitions:</i>	<b>97,196</b>		<b>79,492</b>	

(\*) Percentage calculated on total production value from real estate activities.

(\*\*) At March 31, 2002 this amount was included under "credit servicing" on the service providers side of the business.

Production value has increased from Euro 100,612 thousand in the first three months of 2002 to Euro 131,886 thousand in the first quarter of 2003.

Production value of real estate activities has risen by 32% from Euro 100,045 thousand to Euro 131,886 thousand; excluding acquisitions, it is 23% higher at Euro 97,196 thousand, up from Euro 78,925 thousand in the first quarter of 2002.

This increase is basically due to the performance of the *service providers*, especially in the areas of property and facility management.

*Residential asset management* has benefitted from acquisitions of Euro 18,290 thousand, compared with a zero balance in the corresponding quarter a year ago. As a result, production value, net of acquisitions, has risen from Euro 6,848 thousand to Euro 11,336 thousand; Euro 3.5 million of this increase is attributable to asset management fees, while the rest is due to sales, mostly of property purchased in the previous year.

In the area of *specialist services*, of particular note is the contribution by property (+66%) and facility management (+388%); the latter activity particularly benefitted in the first quarter of 2003 from the effects of company mergers which took place in the second quarter of 2002, as well as from winning important new contracts.

*Land and urbanization asset management* benefitted in the first quarter of 2002 from the gain on the sale of the 45% interest in the share capital of Progetto Navigli S.r.l..

“*Intercompany eliminations and other*” show a negative figure of Euro 4,323 thousand, compared with a negative amount of Euro 41 thousand in the corresponding quarter of last year. This balance also includes revenues not attributable to the individual business units.

### **Income from investments**

The following table analyzes income from investments by business unit:

	<b>1st quarter 2003</b>	<b>1st quarter 2002</b>
<i>Asset Management:</i>		
- Residential	3,193	7,090
- Commercial	10,734	260
- Land and urbanization	(97)	(20)
- Non performing loans	109	-
<b>Total</b>	<b>13,939</b>	<b>7,330</b>
<i>Service providers:</i>		
- Facility Management	4	(35)
<b>Total</b>	<b>4</b>	<b>(35)</b>
<i>Intercompany eliminations and other</i>	(67)	(35)
<b>Total real estate activities</b>	<b>13,876</b>	<b>7,260</b>
<b>Total other income</b>	<b>0</b>	<b>0</b>
<b>Income from investments</b>	<b>13,876</b>	<b>7,260</b>

*Residential asset management* reports a decrease in the first quarter of 2003 relative to the first quarter of 2002, which featured a major block sale generating extremely high gains.

*Commercial asset management* has benefitted in the first quarter of 2003 from the effects of selling the investment in Prime Properties S.r.l. and the disposal of a portfolio of four prestige properties in the centre of Milan, mostly for office use and purchased in 2002 from RAS, to real estate funds belonging to the Deka Group.

## EBIT including income from investments valued at equity

EBIT including income from investments valued at equity is analyzed by business segment below:

	1st quarter 2003	1st quarter 2002
<i>Asset Management:</i>		
- Residential	4,841	8,263
- Commercial	13,474	3,613
- Land and urbanization	2,304	5,804
- Non performing loans (**)	4	(25)
<b>Total</b>	<b>20,623</b>	<b>17,655</b>
<i>Service providers:</i>		
- Residential Agency	2,453	2,442
- Commercial Agency	1,772	1,448
- Project Management	1,056	1,748
- Property Management	1,323	514
- Facility Management	1,455	122
- Credit Servicing	32	5
- Franchising Network	(1,278)	-
<b>Total</b>	<b>6,813</b>	<b>6,279</b>
<i>Head office costs</i>	<i>(2,710)</i>	<i>(2,571)</i>
<b>Total real estate activities</b>	<b>24,726</b>	<b>21,363</b>
<b>Total other income</b>	<b>0</b>	<b>(1,859)</b>
<b>EBIT incl. income from investments</b>	<b>24,726</b>	<b>19,504</b>

EBIT including income from investments has increased to Euro 24,726 thousand in the first quarter of 2003, from Euro 19,504 thousand in the first three months of 2002. The increase of Euro 5,222 thousand is attributable to the strong performance by both the *commercial asset management* business (+Euro 9,861 thousand) and the *service providers* (+Euro 534 thousand). Costs for setting up the franchising network amount to Euro 1,278 thousand in the quarter.





(\*) Tintoretto S.r.l. and Vindex S.r.l., although subsidiaries, are consolidated using the equity method; this is because control of these companies is due to be sold to third parties.

Furthermore, the following dormant companies have been excluded from consolidation:

- LSF Italian Finance Company S.p.A.;
- Parcheggi Bicocca S.r.l.;
- Pirelli & C. Real Estate Ltd.



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