PRESS RELEASE

• LAUNCH OF DIOMIRA, A FUND SPECIALISED IN RESIDENTIAL PROPERTY TRADING AND TARGETED AT INSTITUTIONAL INVESTORS

• ENPAM CONTRIBUTES 19 PROPERTIES WITH A VALUE OF APPROX. €149M

• VALUE OF FUND, NET OF DEBT, AMOUNTS TO APPROX. €70M

• SHARES IN FUND PLACED WITH INSTITUTIONAL INVESTORS, INCLUDING THE JOINT VENTURE BETWEEN PIRELLI RE AND LEHMAN BROTHERS

• PIRELLI RE HAS A SHARE OF AROUND 32% IN THE FUND

• VALUE OF FUND SHORTLY TO GROW SIGNIFICANTLY THROUGH FURTHER CONTRIBUTIONS

Milan, 19 July 2005 – Pirelli RE SGR announces the launch of Diomira, a mixed seeded real estate and cash fund, specialising in residential property trading and aimed at institutional investors, with a duration of 5 years.

Diomira has been established via the contribution of 19 primarily residential properties by Enpam – The National Pension Fund for Doctors and Dentists, with a contribution value of €149m. Enpam is the first of the privatised pension funds to have chosen the innovative solution represented by a closed-end seeded real estate investment fund, in order to dispose of a part of its real estate assets. The objective is thus to maximise the sale value and speed up the disposal process.

Enpam’s contribution represents the Diomira Fund’s first investment and is to be followed by further contributions of around the same value of residential properties, which will shortly grow significantly the value of the Fund.

The properties contributed are located mainly in provincial towns, with around 60% in southern Italy, primarily Bari and Taranto. The buildings have a surface area of
approximately 156,000 square metres. 90% of the space is leased, generating rents of over €5m per year.

The value of the fund is approximately €70m, derived from the contribution value (approximately €149m, as above) after deducting the debt transferred to the Fund, amounting to approximately €79m. Such debt is fully secured by the properties.

All the shares, with a value of approximately €70m, have been subscribed by institutional investors, including the joint venture set up by Pirelli RE and Lehman Brothers to invest in the residential sector. The JV was also recently successful in its bid to acquire the non-operating real estate assets of Banche Popolari Unite. The transaction confirms the interest of the Italian property market for leading international financial institutions, interested in the innovative and efficient form of investment represented by real estate funds.

Pirelli RE has a share of around 32% in the fund.

Morgan Stanley acted as Financial Advisor and Broker to Pirelli RE SGR, with the Bonelli Erede Pappalardo e Chiomenti Legal Practice acting as Legal Advisors. Calyon – Corporate Investment Bank and the Capitalia Group have provided financing for the transaction and CB Richard Ellis Professional Services acted as independent experts.

Enpam was assisted by Colliers Elitrade as Advisor and by the NCTM Legal Practice acting as Legal Advisor.

Banca Intesa is the Depositary Bank for the Diomira Fund.

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