PRESS RELEASE

- HAVING RECEIVED THE NECESSARY AUTHORIZATIONS, THE FIRST FUND MANAGEMENT COMPANY (SGR) SPECIALIZED IN REAL ESTATE OPPORTUNISTIC FUNDS IS CREATED

- PIRELLI RE SGR OPPORTUNITIES WILL RUN ALONG SIDE THE EXISTING PIRELLI RE LONG TERM FUND MANAGEMENT COMPANY

- AN EFFICIENT AND REGULATED RESPONSE TO THE NEEDS OF TRANSPARENCY AND COMPETITIVENESS OF THE ITALIAN MARKET

- APPROVED AT THE SAME TIME THE FIRST REAL ESTATE OPPORTUNITISTIC FUND “SPAZIO INDUSTRIALE”, SPECIALIZED IN LIGHT INDUSTRIAL/LOGISTIC SECTOR

- TOTAL VALUE OF THE FUND, NET OF DEBT, UP TO A MAXIMUM OF € 500 MILLION

- MAJORITY OF FUND’S UNITS PLACED T THE INSTITUTIONAL INVESTORS OF THE CYPRESS GROVE INTERNATIONAL FUND; PIRELLI RE HAS STAKE IN THE FUND OF APPROX. 35%, IN JOINT VENTURE WITH THOSE FUNDS

- TELECOM ITALIA GROUP CONTRIBUTED 246 ASSETS FOR A TOTAL VALUE OF APPROX € 177 MILLION

- THE FOLLOWING TRANSACTIONS WILL BE COMPLETED BY THE END OF THE YEAR:
  - ACQUISITION OF AN AREA IN PORTOGRUARO(VE) WHERE EASTGARE PARK WILL BE CREATED
  - PRESENTATION OF BINDING OFFERS IN ORDER TO ACQUIRE ASSETS FOR A TOTAL AMOUNT OF APPROX € 70 MILLION

Milan, 29 December 2005 - Pirelli RE Opportunities SGR received the authorization from the Bank of Italy to act as an asset management company. Pirelli RE Opportunities SGR will be involved in the promotion, establishment and management of real estate opportunistic closed-end funds reserved to Italian and foreign institutional investors.
With the new SGR, the Pirelli RE group intends to enlarge its business model which today envisages the use of special purpose vehicles for the acquisition and management of opportunistic portfolios with 3-5 year time horizon. These will be gradually replaced by the new real estate opportunistic funds that improve the functioning of the market and the efficiency for investors. This is a more transparent and internationally known organizational model able to attract a greater number of foreign institutional investors, thus making the Italian market more competitive.

Pirelli Re will continue to invest in minority stake together with international investors dealing with management of the acquired portfolios.

At the same time the Authority approved the first fund rules for “Spazio Industriale”, a closed-end real estate opportunistic fund reserved for institutional investors, specialized in light industrial/logistic sector. The total value of the fund, net of debt, up to a maximum of € 500 million. The majority of fund’s units placed to the cypress grove international fund; Pirelli Re has stake in the fund of approx. 35%, in joint venture with those funds.

Spazio Industriale could invest in existing building as long as development initiatives through the acquisition of areas. As of today the contribution of 246 assets mainly located in the north part of Italy – belonging to Olivetti Multi services a company of Telecom Italia group – for a value of approx. € 177 million. The size of the contributed portfolio is approx 300.000sqm, is entirely leased to telecom Italia. This transaction represent the first contribution to the fund which foresees overtime further contribution up to 400 assets for a total value of approx € 300 million.

Spazio industriale fund also has by plan by the end of the year the following: (i) acquisition of an area of 1.500.000 sqm in Portogruaro (Ve) and Fossalta di Portogruaro (Ve) where Eastgate park-the biggest integrated logistic/industrial park in the north-east area - will be created (ii) the presentation of binding offers in order to acquire assets in the light industrial/logistic sector located in Lombardy for a total amount of approx € 70 million.

Pirelli RE Opportunities SGR plans to establish a series of real estate opportunities funds specialized according to type of real estate product: offices, residential, retail &
entertainment and tourism, which will over time receive newly acquired portfolios. For each fund it will be possible to define operational procedures, investment policies and management strategies targeted at a specific segment.

The establishment of Pirelli RE Opportunities SGR is a step forward in the development of the Group’s operational model within the asset and fund management sector: the operations will be carried out by two different SGR’s – Pirelli RE SGR (Managing Director Giulio Malfatto) and Pirelli RE Opportunities SGR (Managing Director Olivier de Poulpiquet) – with different activities and investment strategies in relation to the various phases of the real estate industrial cycle – from the acquisition of real estate opportunities to the enhancement of the assets acquired through renovation and maintenance work, to the subsequent reorganization based on their features and their ultimate sale – with access to investors with different risk/return profiles for their subsequent management.

For Pirelli Re Opportunities SGR, as per the constitution of “Spazio Industriale” fund, Banca Intesa and Natexis Banques Populaires provided the financing, Bonelli Erede pappalardo, Studio Legale Carbonetti and Gianni, Oregoni, Grippo & Partners, law firms, acted as legal advisers.

Banca Intesa is the depositary Bank for the fund.

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