PRESS RELEASE

BOARD OF DIRECTORS APPROVES FINANCIAL STATEMENTS AS OF 31 MARCH 2009

FIRST QUARTER OPERATING RESULTS NEGATIVE ONCE AGAIN BUT IMPROVED COMPARED WITH LAST QUARTER OF 2008

- **TOTAL REAL ESTATE SALES: 174.8 MLN/€ (199.8 MLN IN FIRST QUARTER OF 2008)**
- **EBIT INCLUDING INCOME FROM INVESTMENTS: -14.7 MLN/€ (+22.5 MLN/€ IN MARCH 2008, INCLUDING INDEMNITY OF 17 MLN/€ FOR THE BERENICE FUND)**
- **NET INCOME: -15.8 MLN/€ (+11.6 MLN IN MARCH 2008)**
- **NET FINANCIAL POSITION: NEGATIVE FOR 309.3 MLN/€ (-289.5 MLN/€ AS OF 31/12/2008)**

IMPLEMENTATION OF 2009-2011 INDUSTRIAL PLAN CONTINUES

Milan, 20 April 2009 – The Board of Directors of Pirelli & C. Real Estate met today and reviewed and approved the intermediate financial statements as of 31 March 2009.

Again in the first quarter of 2009, the real estate industry felt the effects of the serious international crisis that began in the previous year. Comparisons with data referring to the first quarter of 2008 must therefore be read in this light.

Performance in the first quarter of 2009**

Economic performance in the **first quarter of 2009, although still negative, markedly improved compared with the last quarter of 2008,** saw the following results.

Total rents as of 31 March 2009 amounted to 201.5 million euros, in line with expectations (143.1 million euros in the first quarter of 2008, with a perimeter that did not include the Highstreet portfolio). The Pirelli RE pro-quota share of rents equaled 47.3 million euros (compared with 38.1 million euros in 2008).

Real estate sales amounted to 174.8 million euros (199.8 million euros in the first quarter of 2008): the Pirelli RE pro-quota share of sales equaled 50.5 million euros (compared with 66.9 million euros in 2008). The sales margin was 17% (in the first quarter of 2008 it was 26%).

Consolidated revenues stood at 53.8 million euros, compared with 74.7 million euros as of 31 March 2008.

** *Note: it should be recalled,* ***with regard to the first quarter of 2008, that the figures have been redetermined,*** *for a correct representation, on a like-for-like perimeter. The Integrated Facility Management business, sold in 2008, has been considered "discontinued operations", helping to determine only the attributable net result and not the operating result.*

EBIT including income from investments amounted to **-14.7 million euros, compared with 22.5 million euros in the first quarter of 2008**.

In terms of EBIT, the decline with respect to 2008 (24.9 million euros) was composed of savings obtained on the structure (10.0 million euros), more than compensated for by main negative components such as: the presence in 2008 of an indemnity received vis a vis the commitment to cede management of the Berenice fund (17.0 million euros); the presence in 2008 of extraordinary items (3.5 million euros); worse results of consolidated vehicle companies mainly due to a decline in sales (5.6 million euros); a lower result of the Non Performing Loans services platform (5.8 million euros).

In terms of income from investments, the decline (equal to 12.3 million euros) was attributable for 10.0 million euros to results of the vehicles and funds linked mainly to lower sales margins, and for about 2.3 million euros for adjustment to fair value of interest rate hedging instruments.

Consolidated net income stood at -15.8 million euros (+11.6 million euros in the first quarter of 2008, when *discontinued operations* had brought a benefit of 0.7 million euros).

Attributable net equity as of 31 March 2009 amounted to 317.1 million euros compared with 361.7 million euros as of 31 December 2008. The decrease of 44.6 million euros can be mainly linked to the attributable net result (-15.8 million euros) and to the variation in reserves for interest rate hedging (-25.1 million euros).

The **net financial position** as of 31 March 2009 was negative for 309.3 million euros, compared with 289.5 million euros as of 31 December 2008 (negative for 300.3 million euros as of 31 March 2008). The financial position excluding shareholder loans credits was negative for 898.4 million euros, compared with 861.8 million euros at 31 December 2008 (negative for 807.8 million euros on 31 March 2008).

Total net capital invested by Pirelli RE amounted to 1.3 billion euros of which 0.2 billion for NPLs and 1.1 billion for real estate (of which 73% in Italy and 27% in Germany).

Performance of the business divisions

ITALY

Real estate **sales** as of 31 March 2009 amounted to 144.8 million euros, compared with 155.7 million euros in the first quarter of last year. In Italy the sales margin was about 16% (in the first quarter of 2008 it stood at around 28%). **Rents** totaled 79.6 million euros (89.1 million euros in the analogous period of 2008).

EBIT including income from investments as of 31 March 2009 stood at -5.7 million euros compared with 15.4 million euros as of 31 March 2008. EBIT was composed of 4.9 million euros in earnings from services (18.4 million euros in 2008) and -10.7 million euros in results from vehicles and property funds (-3 million euros in 2008).

GERMANY

Real estate sales as of 31 March 2009 amounted to 15.3 million euros compared with 33.4 million euros in the first quarter of last year. In Germany the sales margin was about 18% (in the first quarter of 2008 it stood at about 19%). Total **rents** stood at 121.7 million euros (53.7 million euros in the analogous period in 2008).

EBIT including income from investments as of 31 March 2009 amounted to -4.8 million euros compared with -2.0 million euros as of 31 March 2008. EBIT was composed of 1.3 million euros in earnings from services (-0.1 million euros in 2008) and -6.1 million euros in results from property vehicles (-2 million euros in 2008).

NPL

Collections of non performing loans as of 31 March 2009 amounted to 81.7 million euros, compared with 111.4 million euros in the first quarter of last year.

EBIT including income from investments, as of 31 March 2009, was 0.3 million euros compared with 10.2 million euros as of 31 March 2008, a figure which was also roughly equivalent for the full year 2008. EBIT was composed of -2.9 million euros in losses from services (+2.9 million euros in 2008) and 3.2 million euros in results from vehicles (7.3 million euros in 2008).

Events subsequent to 31 March 2009

The Board of Directors of Pirelli & C. Real Estate, in its meeting of last 8 April, took note of the resignation of Carlo Puri Negri from his role as a Director of the Company, and consequently from the position of Executive Vice President, ahead of the natural term of the director's mandate, fixed for April 2011, at the time of approval of the 2010 financial statements.

The Company indicated terms and conditions for the economic treatment of Carlo Puri Negri in a press release issued to the market last 17 April and during the Shareholders' meeting held on the same day.

Strengthening of equity structure and corporate turnaround

In support of the new business model, and in order to allow the Company to express within the time period covered by the 2009-2011 three-year plan the real implicit value of its assets, last 17 April the **extraordinary Shareholders' meeting approved a capital increase of 400 million euros.** The Shareholders' meeting gave a mandate to the Board of Directors to set the issue price for the new shares, and the other conditions for the capital increase.

As anticipated, Pirelli & C. will fulfill its commitment by converting into shares part of its **financial credit vis a vis Pirelli RE, which as of 31 March 2009 amounted to approximately 500 million euros.**

Pirelli & C in any case made itself available to underwrite any shares not underwritten at the end of the offer procedure, bearing witness to the strong commitment of the parent company to the **turnaround project**, and to its belief in the **quality of Pirelli RE assets.**

In order to give all shareholders the most complete information possible regarding the performance of the real estate market, the market value of assets under management, the net asset value of the Company and portfolio yield, in view of the planned capital increase transaction **Pirelli RE has asked the independent experts charged with valuing the assets managed for an extraordinary update of their valuations.**

The valuations are currently being completed and are expected to be completed in the first 10 days of May and to be therefore reflected in information prospectus which will be published at the time of the offer.

It is estimated as of today that the changes with respect to values on 31 December 2008 of indicators will be non material compared with the net equity of Pirelli RE: in fact a reduction of net equity, for the portion attributable to Pirelli RE, of between 4 and 7 million euros, or between approx.1% and approx. 2% of the net equity, is estimated.

Evolution of business expected for 2009

2009 can be characterized by a progressive change in the characteristics of the real estate market compared with the last expansionary cycle. Recourse to debt will be much more limited, and the capacity to generate income from real estate products, as well as credibility of the fund manager's initiatives, will be rewarded more and more. In addition the activity of fast trading will continue to decline significantly.

The Company, as indicated in three-year plan, aims for a turnaround, with an EBIT target, including results from investments, positive in 2009.

This target will be pursued acting in the following areas, among others:

1. Cost cutting and corporate reorganization
2. Strengthening of the equity structure and consequent reduction of interest charges
3. Bringing out the value of the real estate portfolio
4. Central focus on the SGR (asset management company) in Italy
5. Policy of strengthening alliances mainly in Germany, with dilution of equity stake

It should be recalled that **projections for 2009 can be strongly influenced by exogenous factors that cannot be controlled, independently of the will of the Company,** such as the evolution of the macroeconomic scenario, performance of the real estate market, interest rate dynamics and credit access conditions.

§

This press release contains references to the following alternative performance indicators for the purposes of better evaluating the Pirelli RE Group's results; EBIT including income from investments, which is calculated as the sum of EBIT, the share of results of the companies carried at equity, the capital gains arising on the sale of investments, income from real estate funds and dividends from companies in which the Group has invested; net financial position, which is represented by gross financial debt less cash and other cash equivalents and other financial receivables.

§

Gerardo Benuzzi, Pirelli & C. RE S.p.A.'s Financial Reporting Officer, attests, pursuant to para. 2, article 154-bis of the Financial Markets Consolidation Act (Decree 58/1998), that the accounting information contained in this press release corresponds to the underlying documentary records, books of account and accounting entries.

§

Reclassified, condensed versions of the consolidated income statement, balance sheet and cash flow statement are all appended to this press release. In compliance with CONSOB Communication 6064291 of July 28th, 2006, you are advised that these tables have not been audited by the independent auditors Ernst & Young S.p.A..

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Appendix 1

Reclassified income statement

(Euro/million)	MARCH 2009	MARCH 2008
Consolidated revenues	*53,8*	*74,7*
EBIT before restructuring costs	*(2,2)*	*22,7*
Net income from investments	*(12,5)*	*(0,2)*
EBIT including net income from investments before restructuring costs	***(14,7)***	***22,5***
Restructuring costs	*0,0*	*(2,3)*
EBIT including net income from investments (1)	***(14,7)***	***20,2***
Financial income from investments	*8,5*	*7,5*
EBIT including net income and financial income from investments	*(6,2)*	*27,7*
Financial expenses	*(8,3)*	*(10,0)*
Profit (loss) before taxes	***(14,5)***	***17,7***
Income taxes	*(2,1)*	*(5,4)*
Net income (loss) before discontinued operations	***(16,6)***	***12,3***
Discontinued operations	*0,0*	*0,7*
Net income (loss) before minority interest	*(16,6)*	*13,0*
Minority interests	*0,8*	*(1,4)*
Consolidated net income (loss)	***(15,8)***	***11,6***

(1) EBIT including net income from investments at March 31st, 2009 reflects the trend in the Group's performance, calculated as EBIT (-€2.2 million) plus the share of results of companies carried at equity (-€13.0 million), dividends and income from real estate funds (totaling € 0.3 million) classified in "financial income" and €0.2 million for the increase in the value of other financial assets carried at fair value classified in "change in fair value of financial assets" in the consolidated income statement accompanying the explanatory notes to the consolidated financial statements at March 31st, 2008.

Appendix 2

Reclassified balance sheet

(Euro/million)	MARCH 2009	DECEMBER 2008	MARCH 2008
Fixed assets	**555,9**	**589,1**	**869,4**
of which investments in real estate investment funds and companies **(1)**	*374,4*	*405,7*	*582,3*
of which goodwill	*137,8*	*137,8*	*222,5*
Net working capital	**139,4**	**133,1**	**205,8**
Net invested capital	**695,3**	**722,2**	**1.075,2**
Net equity	**320,1**	**366,4**	**717,6**
of which group net equity	317,1	361,7	712,0
Provisions	65,9	66,3	57,3
Net financial position	309,3	289,5	300,3
of which shareholder loans	(589,1)	(572,3)	(507,6)
Total covering net invested capital	**695,3**	**722,2**	**1.075,2**
Net financial position excluding shareholder loans	**898,4**	**861,8**	**807,8**
Net invested capital excluding shareholder loans	**1.284,4**	**1.294,5**	**1.582,8**

(1) The figure at March 31st, 2009 includes interests in associates, joint ventures and other investments (€288.3 million), investments in real estate funds (€64.6 million reported as "other financial assets" in the consolidated balance sheet) and *junior notes* (€21.5 million reported as "other receivables" in the consolidated balance sheet). The amounts at March 2009, December 2008 and March 2008 include provisions for investment writedowns of €73.6 million, €48.7 million and €6.7 million respectively.

Appendix 3

Reclassified cash flow statement

(Euro/million)	03.31.2009	03.31.2008
EBIT including net income from investments before restructuring costs	**(2,2)**	**22,7**
Amortization and depreciation	*1,7*	*1,9*
Change in non-current financial assets /sale of investments	*(8,3)*	*(0,9)*
Change in other non-current assets	*0,1*	*(4,6)*
Change in net working capital and provisions and other changes	*(4,4)*	*(22,5)*
Free cash flow	**(13,1)**	**(3,3)**
Impact of Facility Management	0,0	0,3
Payment of restructuring costs	(6,8)	(0,9)
Financial and tax expenses/income **(1)**	*0,1*	*(6,6)*
Cash flow before dividends	**(19,8)**	**(10,6)**
Dividends paid	*0,0*	*0,0*
Net cash flow	**(19,8)**	**(10,6)**
Increase in share capital	*0,0*	*0,0*
Purchase/sale of treasury shares	*0,0*	*0,0*
Total cash flow	**(19,8)**	**(10,6)**

(1) Includes changes in tax receivables and payables and tax provisions.