PRESS RELEASE

PIRELLI RE: THE BOARD OF DIRECTORS DEFINES THE TERMS FOR THE COMPANY’S CAPITAL INCREASE

- THE SUBSCRIPTION PRICE FOR THE NEW SHARES HAS BEEN SET AT €0.50 PER SHARE, WHILE THE RIGHTS EXCHANGE RATIO WILL BE 135 NEW SHARES FOR EVERY 7 EXISTING SHARES
- THE OFFERING WILL INVOLVE A MAXIMUM OF 798,574,564 NEW SHARES

Milan, June 11th, 2009 – Pirelli RE’s Board of Directors met today and defined the terms for the divisible capital increase against payment approved by the shareholders on April 17th, 2009 for a maximum amount of €400 million.

The operation will take place by means of the issue of new shares, with dividend start date January 1st, 2009 and a face value of €0.50 per share, which will be offered to existing Pirelli RE shareholders on a pro rata basis.

The subscription price for the newly issued shares was set at €0.50 per share, excluding any premium, while the rights exchange ratio will be 135 new shares for every 7 existing shares.

The offering, therefore, will involve the issue of a maximum of 798,574,564 new shares entailing a capital increase of €399.3 million.

In accordance with the law, by the end of the day tomorrow the information prospectus for the offering will be published. We remind that, based on the approved offer period which has already been disclosed to the market, the rights may be exercised from June 15th, 2009 through July 3rd, 2009 (the “offer period”) and may be traded on the stock exchange as of June 15th, 2009 through June 26th, 2009.

The capital increase is part of the 2009-2011 business plan which is focused on increasing the company’s momentum and, more specifically, on ensuring the plan’s implementation thanks to a more solid organization, adequate even in light of the crisis which has affected financial markets in general and the real estate market in particular, and improving the debt to equity ratio in order to strengthen the capital structure.

Lastly, the parent company, Pirelli & C. S.p.A., has irrevocably committed to exercising its rights on 56.45% of the company’s capital prior to the capital increase in full and has declared its willingness to underwrite any shares which, at the end of the offer process, are not underwritten. Pirelli & C. will fulfill its commitment by converting part of its loans to Pirelli RE into capital.
Deutsche Bank, Banca IMI, Morgan Stanley and Unicredit will act as placement agents. The firms Bonelli, Erede, Pappalardo and Shearman & Sterling LLP served as Pirelli RE’s legal advisor.

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