



PRESS RELEASE

BOARD EXAMINES PRELIMINARY RESULTS FOR H1 2005: STRONG GROWTH ACROSS ALL KEY PERFORMANCE INDICATORS

- OPERATING PROFIT INCLUDING INCOME FROM EQUITY PARTICIPATIONS UP 38% TO APPROX. €80M
- AGGREGATE REVENUES* UP 44% TO APPROX. €1,742M

- FUND AND ASSET MANAGEMENT

OPERATING PROFIT INCLUDING INCOME FROM EQUITY PARTICIPATIONS UP 19% TO APPROX. €63M

TOTAL PURCHASE AGREEMENTS TOTAL APPROX. €1,920M, INCLUDING APPROX. €1,490M ALREADY COMPLETED, AND SALES APPROX. €1,265M

- PROPERTY SERVICES

OPERATING PROFIT UP 48% TO APPROX. €32M

ROS AT 19% COMPARED WITH 13% OF JUNE 2004

- NET DEBT OF APPROX. €43M vs €46.3M AT 30 JUNE 2004 (€12.4M AT 31 MARCH 2005)
- COMPANY ON TRACK TO MEET GROWTH TARGETS SET OUT IN THE THREE-YEAR PLAN

Milan, 27 July 2005 – The Board of Directors of Pirelli & C. Real Estate met today to examine the Group's preliminary, unaudited results for the six months ended 30 June 2005, which report **another set of strong results**.

* Replaces the aggregate value of production net of acquisitions, in accordance with IAS/IFRS standards

Before examining the figures in detail, it should be noted that Pirelli RE is a **management company**, which manages funds and special purpose companies that own properties and non-performing loans, and in which it holds minority interests (the fund and asset management businesses). It also provides a full range of property services to the above vehicles and to other customers (the property services business), either directly or via its franchise network of estate agents. **Aggregate revenues** (which according to IAS/IFRS accounting standards substantially equate with the previously used aggregate value of production net of acquisitions) and **operating profit including income from equity participations** are, therefore, the most appropriate measure of the Group's turnover and operating performance.

Group operating performance in H1 2005

The figures for the first half of 2005 are compared with those for the same period of 2004, after reclassification in accordance with international accounting standards.

Aggregate revenues amount to approximately **€1,742m**, marking a **44% improvement** on the €1.213.5m of the first half of 2004.

Operating profit including income from equity participations amounts to approximately **€80m**, rising **38%** on the €58.2m of the previous first half (up 21% on the figure for the same period of 2004 based on Italian GAAP, which forms the basis on which the Company measures its performance against the targets set out in its three-year plan for 2003-2005).

Net debt stands at approximately **€43m**, representing an improvement compared with the €46.3m of June 2004 (€12.4m at 31 March 2005).

Adjusted net debt (including shareholder loans to companies in which the Group has minority stakes) totals **approximately €273m**, compared with €281.2m at 30 June 2004 (€200.1m at the end of March 2005). The Group's **gearing** is expected to be down compared with the 0.69 of June 2004.

Performance of main areas of business in H1 2005

Fund and Asset Management

Aggregate revenues from **Fund and Asset Management** amount to **approximately €1,496m** for the first six months of 2005, representing a rise of **45%** compared with the same period of 2004 (€1,028m). This reflects the significant increase in sales during the period and the strong performance of management fees. The figure does not include revenues of approximately €10m earned by Rinascente S.p.A., in which Pirelli RE has held a 20% stake since 6 May, in that such revenues are not related to the property business.

Asset management activities generated **property sales of approximately €1,265m** during the period, with **gross gains amounting to approximately €357m**. This compares with

sales and contributions to funds of €2,206.4m in the first half of 2004 (realising a gain of €295.3m). No contributions to funds were carried out during the first half, unlike the corresponding period of the previous year when asset contributions amounted to €1,532.9m. The results for the period under examination do not yet take account of the July placement of shares in the Berenice Offices Fund, the fifth seeded real estate fund to be launched by Pirelli RE SGR.

Operating profit including income from equity participations amounts to approximately **€63m** for the first half of 2005, up **19%** on the €3.0m of the same period of the previous year. For the first time, non-performing loans made a positive contribution of approximately €2m, compared with a loss of €0.7m recorded in the first half of 2004.

Purchase agreements worth a total of approximately **€1,920m** have been entered into to date, with transactions amounting to **€1,490m** completed during the first half of the year, compared with €578.4m in the same period of 2004. Pirelli RE's share of the total stands at around 28%.

Property Services

Property services generated a consolidated **revenues** of approximately **€167m**, compared with €164.6m in the first half of 2004, representing an **increase** of **2%**. **Operating profit** of **over €32m** is **48%** up on the €21.8m of the same period of the previous year.

The Company's **ROS** (Return on Sales) stands at **19%**, marking a significant improvement on the 13% recorded in the first half of 2004.

Services franchise

Development of the franchise network to distribute estate agency, banking and insurance services on the retail market proceeded successfully during the first half of 2005: **Pirelli RE Franchising** has now signed agreements with 700 agencies, of which 408 are already open for business.

In line with expectations, the network incurred an operating loss of approximately €1m during the first half of 2005, compared with a loss of €5.2m for the first six months of 2004.

Subsequent events

- The Global Offering of shares in the Berenice Offices Fund was closed on 14 July, well ahead of the original closing date of 26 July. The third listed fund to be launched by Pirelli RE SGR specialises in properties that are either for commercial or office use or that may be converted for such use. Applications amounted to approximately 142% of the shares on offer and the Offer Price has been set at €505 per share.
- On 14 July Pirelli RE announced that it had presented the winning bid for the former Tobacco Factory in Milan, having offered a price of approximately €56m. Transaction closing is expected to take place by the end of the year, with Pirelli RE acquiring 50% of the company that owns the area, and which is currently a wholly-owned subsidiary of Fintecna.
- On 19 July the Group completed its first acquisition of residential property for trading purposes using the real estate fund , with a view to increase its real estate activities in regulated markets. To this end the Diomira Fund has been established via the contribution of 19 properties with a value of €149m by Enpam. The Fund intends to complete acquisitions with a similar value over the next three months. All the quotas, 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. Pirelli RE owns approximately 32% of the Fund.

Outlook for 2005

Based on the results achieved in the first quarter of the year and the available information, the Group expects growth at operating profit including income from equity participations in 2005 to be in line with the guidance already presented to the market.

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The interim report for the six months ended 30 June 2005 will be examined by the Board of Directors of Pirelli & C. Real Estate at the meeting to be called for 12 September.

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