



PRESS RELEASE

BOARD APPROVES THREE-YEAR PLAN FOR 2006-2008:

- **PLAN TARGETS COMPOUND ANNUAL GROWTH RATE (CAGR) FOR OPERATING PROFIT INCLUDING INCOME FROM EQUITY PARTICIPATIONS OF 10-15%, REPRESENTING CUMULATIVE GROWTH OF 35-50% OVER THREE YEARS**

- **NET DEBT TO REMAIN SUBSTANTIALLY STABLE**

- **ASSET AND FUND MANAGEMENT**

ASSETS UNDER MANAGEMENT (AT BOOK VALUES) TO RISE FROM €9.9BN (AT 30 JUNE 2005) TO €16-18BN AT END OF 2008

INCREASE OF THE LONG-TERM COMPONENT OF ASSETS UNDER MANAGEMENT FROM 34% TO APPROXIMATELY 43%, WITH SHORT-TERM COMPONENT DECREASING FROM 66% TO APPROXIMATELY 57%

LONG-TERM PORTFOLIO TO BE CONCENTRATED IN ITALY

OPPORTUNUSITIC PORTFOLIO TO REMAIN SUBSTANTIALLY STABLE IN ITALY AND TO INCREASE OVERSEAS (GERMANY AND EASTERN EUROPE)

- **SERVICES OPERATED DIRECTLY AND IN FRANCHISING**

FOCUS ON HIGH VALUE ADDED SERVICES, BOOSTING EARNINGS

FRANCHISE OUTLETS TO DOUBLE, PROVIDING SIGNIFICANT CONTRIBUTION TO GROUP RESULTS

- **INCREASE IN ASSET AND FUND MANAGEMENT FEES AND SERVICE REVENUES FROM APPROXIMATELY 40% TO 50% OF OPERATING PROFIT INCLUDING INCOME FROM EQUITY PARTICIPATIONS**

Milan, 19 October 2005 – The Board of Directors of Pirelli & C. Real Estate, which met yesterday evening, approved the Strategic Plan for the three years 2006-2008.

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.

Over the next three years, the Group intends to pursue a development strategy based primarily on:

- increasing assets under management;
- developing the long-term component of assets under management, with the launch of new seeded real estate funds and the management of third-party funds, accompanied by a reduction in the short-term component;
- consolidating the Group's position as a manager of trading portfolios in Italy, including the introduction of opportunistic real estate funds as an innovative tool in a regulated market, and driving overseas expansion (Germany and eastern Europe);
- changing the mix of the trading portfolio;
- renewing the focus on development activities in all segments, in order to respond to the shortfall in quality properties;
- developing services and extending the franchise network.
- increasing management fees as a percentage of operating profit including income from equity participations.

The three-year plan targets **average compound annual growth in operating profit including income from equity participations** of between **10%** and **15%**, corresponding to cumulative growth of 35-50% after growth of over 80% over the period 2003-2005.

Net debt will remain substantially stable over the period 2006-2008. Net debt before shareholder loans is due to increase, but will enable the Company to maintain a **substantially unchanged gearing** of around **0.6-0.8**.

Assets under management are estimated to increase from a book value of €9.9bn at 30 June 2005 to **€16-18bn** at the end of 2008. Over the three years the **long-term portfolio** is expected to account for up to approximately **43%** (34% at 30 June 2005) of the total, with assets concentrated entirely in Italy. This will be accompanied by a reduction in the **opportunistic** portfolio, which should settle at approximately **57%** (66% at 30 June 2005).

Asset and fund management activities are projected to achieve a **10% to 14% CAGR** in **operating profit** including income from equity participations, with a different mix of the risk and opportunity profiles of investments and product types.

Operating profit from the provision of **services operated directly and in franchising** is expected to grow at an **average annual rate of 14-18%**, thanks to the focus on high value added services and a general improvement in earnings. The three-year plan aims to have 1,750 affiliate agencies in place by the end of 2008, compared with 803 at 30 September of this year.

The **three-year plan for 2006-2008** will be presented today to the financial community at 11.00am at the headquarters of Pirelli RE at Viale Sarca 214 in Bicocca, Milan. Journalists may follow the presentation from the press room. The press conference is scheduled to start at 12.30pm.

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