



PRESS RELEASE

ANNUAL GENERAL MEETING HELD

- **FINANCIAL STATEMENTS FOR 2006 APPROVED**
- **DIVIDEND DECLARED OF 2.06 EURO PER SHARE**
- **AMENDMENTS APPROVED TO ARTICLES OF ASSOCIATION UPDATING THEM AS PER THE INVESTMENT SAVINGS ACT**

Milan, April 20th, 2007 – The shareholders of Pirelli & C. Real Estate met today in ordinary and extraordinary session.

During the ordinary session, the shareholders approved the financial statements for 2006, which reported double-digit growth by all the main performance indicators. The Group's **share of aggregate revenues** at the end of 2006 was **1,560 million** euro, reporting a 12% increase on 2005, while **EBIT including net income from participation** was **214.4 million** euro, up 15% on the year before. Consolidated **net income** for 2006 was approximately 10% higher at **159.5 million** euro.

The shareholders then declared a **dividend** of **2.06 euro** per share, corresponding to a **pay-out ratio** of around **55%**, in line with the 50-60% target range contained in the 2006-2008 three-year plan. The dividend will be paid on May 4th, 2007, with the shares going ex-div on April 30th, 2007.

The meeting also appointed as **directors Paolo Bottelli** (Pirelli RE's Deputy General Manager Services) and **Claudio De Conto** (General Manager of Pirelli & C.), confirming them in the offices to which they had been co-opted as executive director and non-executive director respectively by the Board of Directors in its meeting of January 23rd, 2007.

The current Board of Directors, consisting of 15 directors of whom 6 independent, will remain in office until the AGM called to approve the financial statements for the year ended December 31st, 2007.

Following the presentation of just one list, the meeting appointed the new **Board of Statutory Auditors**, to hold office for 3 financial years (meaning until the AGM called to approve the financial statements for the year ending December 31st, 2009): **Roberto Bracchetti** was confirmed as the **Chairman**, with Paolo Carrara and Gianfranco Polerani as standing auditors and Franco Ghiringhelli and Paola Giudici as alternate auditors. The annual fee for standing auditors was set at 40,000 euro and that of the chairman at 60,000 euro.

The meeting then approved a number of amendments to the Rules for Shareholders' Meetings, adopted by the Company since May 10th, 2004, mainly to take account of the new option allowing shareholders to request additions to the agenda of shareholders' meetings.

Lastly, the meeting voted to authorize, for a period of 18 months, the **purchase of treasury shares** up to the maximum legal limit of 10% of share capital, establishing the related ways of using them and revoking the previous resolution adopted by the shareholders in their meeting of April 12th, 2006 to the extent not utilized. Details of the conduct of the previously authorized buyback programme are appended to this press release, along with details of the new buyback programme to service stock option plans for directors and staff.

During the extraordinary session, the shareholders approved a **number of amendments to the Articles of Association** in order to update them for the new requirements introduced by Law 262 of December 28th, 2005, known as the Investment Savings Act.

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CONDUCT OF THE SHARE BUYBACK PROGRAMME UNDER THE PREVIOUS RESOLUTION.

Brief details will now be provided on the conduct of the share buyback programme announced to the market on April 12th, 2006, along with comments on its implementation:

- on April 11th, 2006 the Company held 1,810,133 treasury shares and, during the period April 12th, 2006 – April 19th, 2007, it purchased another 688,261 treasury shares, at an average price of 53.65 euro;
- at today's date, the Company holds 359,394 treasury shares which, except for currently unpredictable contingencies making other decisions appropriate or necessary, will service the stock option plans for directors and staff of the Pirelli RE Group.
- during the month on July 2007, 469,000 treasury shares were transferred to directors and staff members following exercise of the same number of stock options assigned to them.

It is also reported that 1,670,000 treasury shares were placed with institutional investors last December at a price of 51 euro per share. The purpose was to release resources to make the most of other opportunities for growth being offered by the market and to boost the free float and hence the stock's liquidity. The transaction did not alter the resolutions already adopted regarding treasury share purchases.

NEW SHARE BUYBACK PROGRAMME

Details of the new share buyback programme are as follows:

- the aim is to enable the Company to have a sufficient number of treasury shares to allow it to meet its obligations under the current stock option plans as and when they arise, also taking account of the existing quantity of treasury shares available for such purpose. Any subsequent changes in the programme will be promptly announced to the market;
- purchases must not exceed distributable earnings and the distributable reserves reported in the latest duly approved financial statements and, in any case, their total amount may not be more than 400 million euro;
- treasury share purchases must stay within the maximum legal limit of 10% of share capital, and must be carried out at a price per share that is no more than 15% higher or lower than the weighted average official price reported in the three trading sessions prior to each transaction;
- purchases may be made, on one or more occasions, during the 18 months from the date of today's resolution - meaning until October 19th, 2008 - in accordance with the procedures contained in article 132 of Decree 58 of February 24th, 1998 and article 144-*bis* of Consob resolution 11971/1999 (bearing in mind the specific exemption allowed by paragraph 3 of article 132 of Decree 58/1998) and, nonetheless, in any other manner allowed by legal and regulatory provisions in this regard.

Pirelli RE will promptly inform the market of any subsequent amendments and/or additions to this buyback programme.