PRESS RELEASE

BOD APPROVES RESULTS AT MARCH 31ST, 2007:
AGGREGATE PRO-RATA REVENUES AND EBIT INCL. INCOME FROM EQUITY PARTICIPATIONS SHOW STRONG GROWTH

- **AGGREGATE PRO-QUOTA REVENUES*: € 405.8 MILLION (+38%)**
- **EBIT INCLUDING INCOME FROM EQUITY PARTICIPATIONS: €47.3 MILLION (+22%)**
- **SALES OF REAL ESTATE ASSETS AT 100% : €641.3 MILLION (+41%)**
- **ACQUISITIONS AT 100%: €334.5 MILLION (REAL ESTATE) AND €50.3 MILLION (FACILITY); TO DATE ACQUISITIONS AND BINDING AGREEMENTS FOR AN ADDITIONAL €295.7 MILLION (PRIMARILY NPLs)**
- **CONSOLIDATED NET INCOME: €19 MILLION (€30.1 MILLION IN 2006); THE EXPECTED TEMPORARY REDUCTION IS MAINLY DUE TO THE INCREASE IN FINANCIAL CHARGES RELATED TO THE ACQUISITION OF DGAG, WHICH IS UNDER A DECONSOLIDATION PHASE TO BE COMPLETED DURING THE SECOND PART OF THE YEAR**
- **NET FINANCIAL POSITION: NET DEBT OF €966.9 MILLION (€96.4 MILLION AT THE END OF 2006); MARCH PRO-FORMA NET DEBT (POST DGAG DECONSOLIDATION) APPROXIMATELY €76 MILLION:**
- **GROWTH IN 2007 EXPECTED TO BEAT 2006-2008 THREE-YEAR PLAN FORECASTS (CAGR 10-15%)**
- **FINALIZED TODAY THE ACQUISITION IN JOINT VENTURE WITH CALYON OF A PORTFOLIO OF NON PERFORMING LOANS WITH A GROSS BOOK VALUE OF APPROX. €1.5 BILLION**

Milan, May 9th, 2007 – The Board of Directors of Pirelli & C. Real Estate met today to examine and approve the Group's results at March 31st, 2007.

Pirelli RE is a **management company** that manages funds and companies that own real estate and non performing loans, in which it takes a minority stake (Investment & Asset Management

*Excluding the impact of €507.6 million arising from the partial deconsolidation of the DGAG portfolio.

business) and to which it provides, as well as to other customers, a full range of specialized real estate services, both directly and through a network of franchised agencies (Service Provider business). Consequently, the most significant performance indicators of the Group's share of turnover and trend in earnings are respectively **pro-quota aggregate revenues** and **EBIT including income from equity participations** as reported below.

Performance of the Group in First Quarter 2007

Pro-quota aggregate revenues are **€405.8* million**, an increase of **38%** on the first quarter of the previous year (€293.4 million). Consolidated revenues rose 41% to €201* million (€142.1 million at March 31st, 2006).

EBIT including income from equity participations amounts to **€47.3 million**, up **22%** when compared to the same period last year (€38.9 million).

Consolidated **net income** amounts to **€19 million**, compared to €30.1 million in the first quarter. The change in net income is largely attributable to a significant **increase in financial charges** related to the acquisition of DGAG, still consolidated in the first quarter. At the end of the quarter the first phase of the German company's transformation in accordance with the Parent Company's business model was completed, resulting in the deconsolidation of approximately 40% of the real estate assets acquired; the entire process will be completed during the second half of the year.

Group net equity amounts to **€715.5 million** compared with €700.3 million at the end of December 2006, corresponding to an increase of €15.2 million. The change reflects an increase in net income for the period (+€19 million) and a reduction in treasury shares.

Net financial position shows net debt of **€966.9 million**, €981 million of which is attributable to the DGAG acquisition (€96.4 million at December 31st, 2006); **pro-forma net financial position** at March 31st, post deconsolidation of the German company, is estimated at around **€76 million**. The **adjusted financial position** (which excludes shareholder loans to companies in which minority interests are held) shows net debt of **€1,299.7 million** (€430.5 million at December 31st, 2006); **pro-forma adjusted financial position** is estimated at approximately **€455 millIon**. The **gearing** ratio is **1.79**, while **pro-forma gearing** is estimated at around **0.6** (0.61 at December 31st, 2006).

Performance of the main business segments in first quarter 2007

Investment & Asset Management Business

The **Investment & Asset Management** business shows **pro quota aggregate revenues** of **€281.8 million** for the first three months of the year, an increase of **52%** (€184.9 million at

* These amounts do not include the revenues of 507.6 million euro arising from the first stage of deconsolidating DGAG.

March 31st, 2006) Asset enhancement activity led to all-out **real estate sales** worth **€641.3 million,** an increase of **41%** , and **rental income** that rose by 12% to reach **€424.4 million**.

All-out real estate purchases amounted to **€334.5**[†] **million,** in addition to **€ 295.7 million**, in other acquisitions and binding agreements (mostly non performing loans).

EBIT including income from equity participations rose by **35%** to **€39.1 million** (compared to €28.9 million in the first quarter of the previous year) This includes a major increase in EBIT from the NPL business, which jumped 73% from €3 million at March 31st, 2006 to **€5.2 million** in first quarter 2007.

Service Provider business

The **technical services** (facility, project and property management) report **revenues** of **€88.2 million**, an increase of **23%** (€71.7 million at March 31st, 2006). **EBIT** is **€8.3 million**, compared to €6.9[*] million in the same period of the previous year. **ROS** is **9%** compared with 10% at March 31st, 2006 and includes the acquisition of Ingest Facility for €50.3 million at the end of February, the integration of which has yet to express its full potential in terms of profitability.

Commercial services closed the first quarter of the year with **revenues** of **€18.6 million**, compared to €21.5 million in the same period of the previous year. **EBIT** came in at **€4.1 million**, compared to €7 million at March 31st, 2006. **ROS** is **22%** (33% in first quarter 2006); the reduced profitability is due, on the one hand, to the Italian market trend that has resulted in an increase in core/core plus portfolios and, on the other, to the start up activities underway in Poland and Germany

At March 31st, 2007, Pirelli RE Franchising sold €126.9 million in properties under engagements from Pirelli RE Agency (+37% compared to the same period in the previous year) and recommended €47.9 million in financial products (mortgages and leases) (+11% when compared to March 31st, 2006).
Credit servicing reports **revenues** of €7.6 million, with an **EBIT** of €1.2 million (**ROS** of **16%**). Comparison with first quarter 2006 is not possible insofar as previously the segment was not consolidated on a line-by-line basis; the company Pirelli RE Credit Servicing is a wholly-owned subsidiary as of November of last year.

Events subsequent to March 31st, 2007

- On April 1st, 2007 Resident Baltic (40% owned by Pirelli RE) finalised the preliminary purchase agreements outstanding at March 31st, 2007 by acquiring several properties in the German cities of Lubecca and Rostock at a total price of €17.1 million.

[†] Does not include acquisition of DGAG real estate portfolio completed very early in 2007.
[**] This amount excludes €1.7 million in gains on the sale of an asset.

- On April 12th, 2007 Pirelli RE Facility (100% owned by Pirelli RE), acting as the leader of a temporary consortium, won 4 contracts awarded by Consip for the provision of facility management services at buildings used by government agencies, mostly as offices. The total value of the contracts, which will run for four years, is approximately €274.5 million.
- Today the joint venture between Pirelli RE (33%) and Calyon (67%) finalized the acquisition of a portfolio of non performing loans from BNL (BNP Paribas Group) with a gross book value of around €1.5 billion; BNP-Paribas will co-invest by taking a 10% interest. Non performing mortgage loans, managed exclusively by Pirelli RE acting as asset manager and special servicer, now have a gross book value of around €9.2 billion (€2.2 billion at net book value). The Group has confirmed its position as Italy's market leader as an asset manager and special servicer of non performing mortgage loans.

Expected outlook for the business in 2007

Based on the results reported in the first quarter and the information available, the Company confirms that it expects the 2007 full-year growth in EBIT including net income from investments to outperform the targets set in the 2006-2008 three-year plan (CAGR 10-15%) .

§

The Board of Directors has approved the merger into Pirelli & C. Real Estate of Asset Management NPL, after increasing company’s stake to 100%. The merger will help streamline corporate and organizational structure.

With **reference to the management of related-party transactions**, the Board has adopted with immediate effect stricter rules for the conduct of such transactions - including intragroup ones – making the procedure in force since July 2002 even more rigorous.

§

This press release contains reference to the following alternative performance indicators for the purposes of better evaluating the Pirelli RE Group's results: aggregate revenues, which reflect the Group's total turnover and are calculated as the sum of consolidated revenues and the total revenues of associated companies, joint ventures and real estate funds in which the Group has invested; pro-rata aggregate revenues, which reflect the Group's share of total turnover, calculated as the sum of consolidated revenues and the Group's share of the revenues of associated companies, joint ventures and real estate funds in which it has invested; EBIT including net income from investments, which is calculated as the sum of EBIT, the share of results of the companies carried at equity, 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; gearing, which corresponds to the ratio between net financial position excluding shareholder loans and net equity.

§

Abridged versions of the consolidated income statement, balance sheet and cash flow statement are all attached 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 PricewaterhouseCoopers S.p.A..

For additional information contact:
Pirelli RE Press Office Tel. +39/02/8535.4270
Pirelli RE Investor Relations Tel. +39/02/8535.4057
www.pirellire.com

Reclassified Income Statement

(Euro/million)	01/01/2007 - 03/31/2007	01/01/2006 - 03/31/2006	growth %
Pro-rata aggregate revenues (*)	***405,8***	***293,4***	
Consolidated revenues	*708,6*	*142,1*	
Consolidated revenues excluding DGAG (*)	*201,0*		
EBIT	*34,5*	*25,0*	
Net income from investments	*12,7*	*13,9*	
EBIT including net income from investments (**)	***47,3***	***38,9***	**22%**
Financial income from investments	*5,6*	*4,4*	
EBIT including net income from investments and financial income from investments	*52,8*	*43,3*	
Other financial income and charges	*(20,6)*	*(4,1)*	
Result before income taxes	*32,2*	*39,2*	
Income taxes	*(12,4)*	*(8,6)*	
Net income	*19,8*	*30,6*	
Net income after minority interests	*(0,8)*	*(0,5)*	
Net income for the period	***19,0***	***30,1***	

(*) The amount at March 31st, 2007 is reported inclusive of €507.6 million in revenues arising on the first stage of DGAG's deconsolidation.

(**) EBIT including net income from investments reflects the trend in the Group's performance, calculated as the sum of EBIT (€34.5 million at March 31st, 2007), the share of results of the companies carried at equity (€10.8 million at March 31st, 2007) and income from real estate funds (€1.9 million at March 31st, 2007), classified in financial income in the consolidated income statement that accompanies the explanatory notes to the financial statements.

Reclassified Balance Sheet

(Euro/million)	03/31/07	MARCH Pro-forma After DGAG Decons. (***) 31/03/07	12/31/06	03/31/06
Fixed assets	**598,5**	**623,5**	**581,7**	**435,5**
of which investments in funds and investment companies **(*)**	*346,4*	*361,4*	*426,1*	*328,9*
Net working capital	**1.182,8**	**266,7**	**283,3**	**199,6**
Net invested capital	**1.781,3**	**890,2**	**865,0**	**635,1**
Net equity	**725,1**	**725,1**	**708,7**	**585,0**
of which group net equity	715,5	715,5	700,3	575,9
Provisions	**89,3**	**89,3**	**59,9**	**45,1**
Net financial position: (cash)/debt **(**)**	**966,9**	**75,9**	**96,4**	**5,0**
of which shareholder loans	(332,8)	(379,5)	(334,1)	(358,0)
Total covered Net invested capital	**1.781,3**	**890,2**	**865,0**	**635,1**
Net financial position excluding shareholder loans: (cash)/debt	**1.299,7**	**455,4**	**430,5**	**363,0**
Gearing	**1,79**	**0,63**	**0,61**	**0,62**

(*) This includes investments in associated companies and joint ventures (€288.9 million), in real estate funds (€46.6 million reported as financial assets available for sale in the consolidated balance sheet) and in junior notes (€10.9 million reported as other receivables in the consolidated balance sheet).

(**) The pro forma NFP at March 31st, 2007 post deconsolidation of DGAG is estimated at €76 million; the pro forma NFP excluding shareholder loans at March 31st, 2007 is estimated at €455 million, with pro forma gearing of approx. 0.6

(***) Estimated and approximate figures

Reclassified Cash Flow Statement

(Euro/million)	03/31/07	MARCH Pro-forma After DGAG Decons. (**) 31/03/07	12/31/06	03/31/06
EBIT including net income from investments	**47,3**	**47,3**	**214,4**	**38,9**
Depreciation, amortization and impairment	*2,4*	*2,4*	*9,4*	*2,1*
Change in fixed assets	*(19,2)*	*(45,9)*	*(180,4)*	*(26,9)*
Change in net working capital	*(900,6)*	*17,1*	*(58,3)*	*0,9*
Change in provisions	*26,9*	*26,9*	*21,1*	*6,7*
Free cash flow	**(843,2)**	**47,8**	**6,1**	**21,7**
Cash flow before dividends	**(864,6)**	**26,4**	**(56,8)**	**22,6**
- Dividends paid by the Parent Company	-	-	*(77,3)*	-
- Dividends paid (change in minority interest in net equity)	-	-	*(7,3)*	*(6,9)*
Net cash flow	**(864,6)**	**26,4**	**(141,5)**	**15,7**
- Change in share premium and use of treasury shares to service stock options	*0,0*	*0,0*	*27,1*	*11,5*
-Increase/disposal of treasury shares	*(5,9)*	*(5,9)*	*48,5*	*(1,7)*
Total cash flow (*)	**(870,5)**	**20,5**	**(65,9)**	**25,5**

(*) Total cash flow at March 31st, 2007 post DGAG deconsolidation is estimated as positive for some €20 million.

(**) Estimated and approximate figures