



PRESS RELEASE

**BOARD OF DIRECTORS APPROVES PRELIMINARY
RESULTS AT JUNE 30TH, 2007:
ALL THE MAIN INDICATORS SHOW STRONG GROWTH**

- **AGGREGATE PRO-QUOTA REVENUES* : APPROX. €827 MILLION (+23%)**
- **EBIT INCLUDING INCOME FROM EQUITY INVESTMENTS: APPROX. €125 MILLION (+36%)**
- **SALES OF REAL ESTATE ASSETS AT 100% : APPROX. €1,110 MILLION, SUBSTANTIALLY IN LINE WITH PREVIOUS YEAR (€1,059.7 MILLION)**
- **ACQUISITIONS OF ASSETS AND NPLs: APPROX. €2,650 MILLION (€1,930.5 MILLION IN 2006), OF WHICH APPROX. €28 MILLION ALREADY COMPLETED**
- **ESTIMATED ASSETS UNDER MANAGEMENT OF €15 BILLION** AT MARKET VALUE (€14.5 BILLION AT END 2006)**
- **INDEPENDENT APPRAISERS' VALUATIONS WILL BE COMPLETED AND MADE AVAILABLE TOGETHER WITH THE FINAL RESULTS ON 10 SEPTEMBER 2007**
- **NET FINANCIAL POSITION: NET DEBT OF APPROX. €1,095 MILLION; JUNE PRO-FORMA NET DEBT POST DGAG DECONSOLIDATION APPROX. €206 MILLION (€96.4 MILLION AT THE END OF 2006)**
- **EXPECTED GROWTH FOR FULL YEAR 2007 CONFIRMED TO OUTPERFORM THE 2006-2008 THREE-YEAR PLAN TARGETS (CAGR 10-15%)**

Milan, July 25th, 2007 – The Board of Directors of Pirelli & C. Real Estate met today to examine and approve the preliminary and unaudited Group results at June 30th, 2007.

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

** The figure takes into account the binding agreements for acquisitions and the termination of the management mandate on the FIP fund, mentioned among events subsequent to June 30th, 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 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 Half 2007

Pro-quota aggregate revenues are approx. **€27* million**, an increase of **23%** on the first semester of the previous year (€73.5 million). Consolidated revenues are approx. **€435*** million (€308.4 million at June 30th, 2006).

EBIT including income from equity participations amounts to approx. **€125 million**, up **36%** when compared to €2.3 million in the same period last year; for details on such result please refer to the section regarding performance of the single business sectors.

The Company expects to close the first half of the year with a double-digit growth also at Net Income level.

Net financial position shows net debt of approx. **€1,095 million; pro-forma net financial position** at June 30th, after the deconsolidation of DGAG which is expected by year end, is estimated at around **€206 million**, compared to €6.4 million as of December 31st 2006, with an increase primarily resulting from dividend distribution (€7 million).

The **adjusted financial position** (which excludes shareholder loans to companies in which minority interests are held) shows net debt of approx. **€1,428 million; pro-forma adjusted financial position** as of June 30th, after the deconsolidation of DGAG, is estimated at approximately **€571 million**, compared to €430.5 million at December 31st 2006. The expected **gearing** ratio is **0.8**.

Net financial position at March 31st 2007 was €66.9 million, while the adjusted financial position was €1,299.7 million.

Performance of the main business segments in first half 2007

Investment & Asset Management Business

The **Investment & Asset Management** business shows **pro quota aggregate revenues** of approx. **€33 million** for the first half of the year, an increase of **22%** (€37.5 million at June 30th, 2006).

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

Asset enhancement activity led to **real estate sales** at 100% worth approx. **€1,110 million**, substantially in line with previous year (€1,059.7 million).

Real estate purchases at 100% amounted to approx. **€2,650 million** (€1,930.5 million in 2006), of which €1,650 million referred to the acquisition of the 100% of the German real estate group BauBeCon. As of June 30th 2007, the **completed acquisitions of assets** at 100% amount to approx. **€360 million** while the **completed acquisitions of non performing loans** portfolios amount to approx. **€268 million**, for a total of approx. **€628 million**.

Considering the aforementioned binding agreements for acquisitions and the termination of FIP management, **assets under management total** approx. **€15 billion** at market value (€14.5 billion at end 2006); independent appraisers' valuations will be completed and made available together with final half year results on September 10th 2007.

EBIT including income from equity participations amounts to over **€89 million**, with an increase of approx. **14%** compared to €78.7 million in the first half of 2006. Such result is composed of approx. €46 million of fair value adjustment of the funds Patrimonio Uffici and Raissa, that will be included in the Spazio Office platform, and of approx. €43 million deriving for the largest part from rents, realized capital gains from sales and management fees (last year result was composed of €2.8 million of fair value adjustment for Spazio Investment and €45.9 million of rents, realised capital gains from sales and management fees).

The non performing loans activity posted an increase in EBIT of 24%, reaching approx. €7 million at June 30th 2007.

Service Provider business

Service provider activity has shown **revenues** of approx. **€261 million**, with a growth of **38%** on the first semester of last year (€189.6 million). **EBIT**, which benefits from some extraordinary items, amounts to approx. **€54 million**, with an increase of **84%** on €29.4 million as at June 30th 2006.

The **technical services** (integrated facility management and property management) report **revenues** of approx. **€215 million**, of which approx. €80 million from the recently acquired Ingest Facility, which is currently under restructuring, posting an increase of **50%** (€143.7 million at June 30th, 2006). **EBIT** is approx. **€50 million**, compared to €12.9 million in the same period of the previous year; **EBIT excluding extraordinary items**, such as the acquisition of Ingest Facility, the disposal to the partner Intesa Sanpaolo of 49% of the integrated facility management business (including Ingest Facility) within the framework of the development project in Europe, as well as the provisions in property management for some items referred to 2002-2004, amounts to approx. **€12 million**, with a **ROS** of **9%**, which is improved if compared to the 8% of last year.

Commercial services closed the first half of the year with **revenues** of approx. **€36 million**, compared to €49.6 million in the same period of the previous year. **EBIT** came in at approx. **€2 million**, compared to €16.5 million at June 30th, 2006. **ROS** is **6%** (33% in first half 2006);

the reduced profitability is due to the reduction in volumes of assets under brokerage from €1,188.8 million at June 30th, 2006 to approx. €760 million in the first half of the current year, as well as to the new strategy of the Company of asset accumulation and to costs of approx. €2 million for optimisation activities on the franchising network, following the strong development recorded in the first three years of activity.

A significant improvement of results and profitability is expected in the second half of the year.

Credit servicing reports **revenues** of approx. €16 million, with an **EBIT** of over **€2 million** (**ROS** of **15%**). Comparison with first half 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

- Starting from July 1st, Investire Immobiliare SGR (Finnat Euroamerica Group) has revoked the management mandate on one third each of FIP-Fondo Immobili Pubblici (total value of assets under management of approx. €3.8billion) granted Pirelli RE SGR and BNL Fondi Immobiliari SGR without providing any reason,
- On July 1st 2007 Resident Baltic (40% participated by Pirelli RE and 60% by private qualified investors), has purchased, in order to execute some preliminary agreements signed on April and May, a number of residential units located in Rostock, Kiel and Bad Bramstedt for a total price of €9.3 million.
- On July 5th 2007 the Public Tender Offer on Tecla shares launched by Gamma RE, joint venture between Morgan Stanley Real Estate Special Situations Funds (51%) and Pirelli RE (49%), has been completed, causing Gamma RE to gain control on over 86% of the voting rights. The Company confirmed the intention to create a platform for investments in the office sector, to which Tecla shares may be contributed together with other real estate portfolios and development projects in the same sector. The tender offer of Gamma RE on the Berenice fund, ended on July 2nd, 2007, has not been successfully completed, given that the minimum quorum of at least the majority of the shares issued was not achieved.
- On July 17th, 2007 Pirelli RE and the real estate funds of RREEF (Deutsche Bank Group) have signed a binding agreement to purchase from Creberus the 100% of BauBeCon, an important German real estate group active primarily in the residential segment. The signed agreement provides for the purchase by Pirelli RE (40%) and RREEF (60%) of a primarily residential real estate portfolio with a value of approx. €1,647 million. Moreover, Pirelli RE will acquire for a value of approx. €43 million the 100% of the platform having approx. 52,000 units under management (including the units that will be owned by Pirelli RE-RREEF).
- On July 18th and 19th 2007 two joint venture agreements have been signed for the establishment of Pirelli RE Romania (80% Pirelli RE and 20% UniCredit Tiriatic Bank, one of the major banks in Romania) and of Pirelli RE Bulgaria (75% Pirelli RE and 25% UniCredit Bulbank, the major financial institution in Bulgaria) respectively.

Expected outlook for the business in 2007

Based on the results reported in the first half of the year and on 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 indicated in the 2006-2008 three-year plan (CAGR 10-15%).

§

The interim half-year report will be examined by the Board of Directors of Pirelli & C. Real Estate at its meeting to be called on September 10th.

§

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.

§

Mr. Gerardo Benuzzi, in his capacity as Head of Financial Reporting, responsible for the preparation of corporate accounts of Pirelli RE, confirms— in compliance with art. 154-*bis*, comma 2 of D.Lgs. 58/1998 – that accounting information regarding preliminary results as at June 30th, 2007, as reported in this press release, actually reflects the information contained therein.

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