PRESS RELEASE

RESULTS AT JUNE 30TH, 2007 APPROVED BY BOARD OF DIRECTORS: CONSOLIDATED NET INCOME €80.1 MILLION (+14%)

- **PRO-RATE AGGREGATE REVENUES*: €811.9 MILLION (+21%)**

- **EBIT INCL. NET INCOME FROM INVESTMENTS: €125.4 MILLION (+36%)**

- **NET FINANCIAL POSITION: NET DEBT OF €1,094.8 MILLION; POST DGAG DECONSOLIDATION NET DEBT OF APPROX. €206 MILLION (€96.4 MILLION AT END OF 2006); POSSIBLE EARLY COMPLETION OF THE DECONSOLIDATION BY END OF SEPTEMBER INSTEAD OF END OF THE YEAR**

- **ACQUIRED ASSETS AND NPLS (INCLUDED BINDING COMMITMENTS) FOR MORE THAN €3 BILLION VERSUS A TARGET FOR THE YEAR OF €4.5 BILLION**

- **ASSETS UNDER MANAGEMENT, REAL ESTATE ASSETS AND NPLs: €15.5** BILLION (€14.5 BILLION AT END OF 2006); SOME 73% OF REAL ESTATE ASSETS IN ITALY AND CIRCA 27% IN GERMANY AND POLAND**

- **FULL-YEAR GROWTH CONFIRMED TO BEAT TARGETS CONTAINED IN 2006-2008 THREE-YEAR PLAN (CAGR 10-15%)**

Milan, September 10th, 2007 – The Board of Directors of Pirelli & C. Real Estate held today has examined and approved the Group's results for the six months ended June 30th, 2007 which report double-digit growth by the principal performance indicators.

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 wide 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-rata aggregate revenues** and **EBIT including net income from investments** as reported below.

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* Net of €529.9 million due to impact of partial deconsolidation of the DGAG portfolio.

** Assets under management are stated at market value as estimated by independent appraisers, except for purchase commitments and non performing loans which are stated at book value.

Group performance in the first half of 2007

Pro-rata aggregate revenues amount to **€811.9[††] million**, an increase of **21%** on last year's first-half figure of €673.5 million.
Consolidated revenues are €421.8[††]million compared with €308.4 million at June 30th, 2006.

EBIT including net income from investments amounts to **€125.4 million**, up **36%** on last year's first-half figure of €92.3 million; details of the different components of this result can be found in the subsequent comments on performance by the main business segments.

Consolidated **net income** after minority interests is **14%** higher at **€80.1 million**, up from €70 million in the first half of 2006.

Group net equity amounts to **€694.9 million** at June 30th, 2007 compared with €700.3 million at the end of 2006. The change mostly reflects net income for the period (+€80.1 million) and the distribution of dividends (-€87.0 million).

Net Asset Value is some **€1,037[‡‡] million** (€1,032 million at the end of 2006). This value does not include the valuations relating to the NPL and service provider businesses, fees earned by the Investment & Asset Management business and the recently acquired portfolios stated at book value.

The **net financial position** reports net debt of **€1,094.8 million**; the **net financial position** at June 30th, 2007 adjusted for the deconsolidation of DGAG most of which is likely to be completed by the end of September, ahead of the year-end date previously announced, is estimated at **approximately €206 million** compared with €96.4 million at December 31st, 2006 (€966.9 million at March 31st, 2007). A large part of the increase is attributable to the payment of dividends (€87 million).
The **adjusted net financial position** (excluding shareholder loans to companies in which minority shareholdings are held) reports net debt of **€1,428.4 million**; the **adjusted net financial position** after deconsolidating DGAG is estimated at **approximately €571 million** at June 30th, 2007 compared with €430.5 million at December 31st, 2006 and €1,299.7 million at March 31st, 2007.
The **gearing ratio** after deconsolidating DGAG is estimated at **approximately 0.8** compared with 2.03 in the actual half-year financial statements and 0.61 at December 31st, 2006.

The Group has **2,757 employees** at June 30th, 2007, compared to 1,848 at the end of 2006. The increase of 909 staff members is primarily attributable to the development of business abroad (528 employees in Germany and Poland), the growth in integrated facility

[††] These figures do not include €529.9 million in revenues arising from the first stage of deconsolidating DGAG.
[‡‡] This value is calculated as the sum of group net equity (€694.9 million), the value of treasury shares held (€16.5 million) and the Group's share of unrealized capital gains (€325.5 million).

management following the acquisition of Ingest Facility (+349 staff members), and the development of the NPL business (38 staff members).

Performance of the main business segments in the first half of 2007

Investment & Asset Management business

The **Investment & Asset Management** business has reported **pro-rata aggregate revenues** of **€518.6 million** in the first six months of 2007, an increase of 19% on the figure of €437.5 million reported at June 30th, 2006.
Asset enhancement activity has produced **€1,116.8 million** in real estate sales (on a 100% basis), staying generally in line with the year before (€1,059.7 million). **Purchase commitments** completed in the period amount to **€998.1 million** (€1,930.5 million in the same period of last year), of which **real estate purchases** (on a 100% basis) **completed** at June 30th are equal to **€360.2 million** and purchases of **non performing loan portfolios** to **€267.8 million**. After intervening **additional purchase commitments** of **€2,059.5 million**, the current year-to-date acquired total is **€3,057.6 million, (**of which €2,345.4 million already completed), compared to a target for the year of some €4.5 billion.

Assets under management have risen so to **€15.5 billion** (€14.5 billion at the end of 2006), and consist of **€13.5 billion** in **real estate** and **€2 billion** in **non performing loans**. **The Pirelli RE share of assets under management** is approximately **€4 billion**, corresponding to **27%**[§§] of the total.
Approximately **27% of the real estate portfolio** is invested **outside of Italy** (Germany and Poland), thereby surpassing the target set for the end of 2008.

EBIT including net income from investments amounts to **€89.4 million**, up **14%** on last year's first-half figure of €78.7 million. This result reflects **€46.2 million** in **fair value adjustments** out of a **total** of **€371.7 million** for Pirelli RE's share of unrealized real estate capital gains (approximately 12%); this adjustment relates to the assets of the Patrimonio Uffici and Raissa funds, due to be transferred to the office sector investment platform (last year's EBIT included €32.8 million in fair value adjustments in respect of Spazio Investment's industrial buildings). The remaining €43.2 million in EBIT including net income from investments mostly comes from rents, capital gains realized on disposals and management fees (€45.9 million in the same period of last year).

The non performing loans business has reported a 27% increase in EBIT to €6.6 million at June 30th, 2007.

[§§] Percentage calculated using the contractually agreed final ownership percentages for the DGAG portfolio and the Retail&Entertainment Fund and the post-tender offer ownership percentages for Tecla Fondo Uffici and Berenice Fondo Uffici.

Service Provider business

The **service provider business** has reported **€261.3 million** in **revenues**, an increase of **38%** on last year's first-half figure of €189.6 million. **EBIT including net income from investments** amounts to **€54.2 million**, having increased by **92%** on €28.2 million at June 30th, 2006. This result includes €42.1 million arising on the sale of 49% of the integrated facility management business to the partner Intesa Sanpaolo as part of the European development project of this business.

The **technical services business** (integrated facility and property management) has reported **€214.7 million** in first-half **revenues**, inclusive of the acquisitions, with an increase of **49%** on the corresponding prior year figure of €143.7 million. **EBIT including net income from investments** amounts to **€49.6 million** compared with €12.4 million at June 30th, 2006. **EBIT including net income from investments net of extraordinary items** (relating to the Ingest Facility acquisition, the sale of 49% of the integrated facility management business and provision in the property management sector for certain items dating back to 2002-2004) amounts to **€12.3 million**, compared to €ll0.7 million in the same period of the previous year.
The strategic entry of Intesa Sanpaolo, in particular, as a partner in the integrated facility management is representative of the focus on the creation of a European leader which at the end of the current year will manage to double sales (estimated at more than € 450 million, of which 90% from third parties, and will report an increase in EBITDA of more than 40%, with further improvement in the next year.
ROS net of extraordinary items is **9%**, up from 8% last year.

The **commercial services business** has closed the first half of the year with **€36.5 million** in **revenues** compared with €49.6 million in the same period of last year. **EBIT net of extraordinary items** amounts to **€6.7 million,** compared to €16.5 million at June 30th, 2006; the extraordinary items of €4.5 million include €2 million in costs for optimizing the franchising network in preparation for the merger with the Agency which will result in further efficiencies.
ROS net of extraordinary items is **18%** (33% in the first half of 2006). The lower profitability is due to a contraction in volumes brokered, from €1,188.8 million at June 30th, 2006 to €759.8 million in the first half of this year, after real estate sales by the "Investment & Asset Management" client were postponed in view of the creation of the office sector investment platform.

The **credit servicing business** has reported **€16.5 million** in **revenues**, contributing **€2.4 million** to the **EBIT** of the services sector and generating a **ROS** of **15%**. It is not possible to compare this year's performance with the first half of 2006 because the business was not previously consolidated line by line; the company renamed Pirelli RE Credit Servicing has been a wholly-owned subsidiary of the Group since November of last year.

Events subsequent to June 30th, 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 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 the100% 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 Tiriac 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.
- During August 2007 Resident West and Resident Sachsen P&K, companies owned 40% by Pirelli RE, completed the preliminary purchase contracts outstanding at June 30th, 2007 by acquiring different residential properties in several German cities at a total cost of €47.7 million.
- On August 3rd, 2007 Pirelli RE together with Fingen and a company in the Maire Group won the bid called by Fintecna Immobiliare for 4 properties in Rome, amongst which the most important asset is the Istituto Poligrafico e Zecca dello Stato (Italy's Official Mint). The bid entails conferring the properties on a newco, jointly owned by Fintecna Immobiliare (50%) and the new partners (50%). There are plans to invest over €200 million in the medium term in redevelopment and refurbishment, after which the end product will be placed on the market.
- On August 7th, 2007 Quadrifoglio Milano S.p.A., owned by the 50:50 joint venture Pirelli RE-Fintecna Immobiliare, signed the urban planning agreement with the City of Milan and the State Monopolies Autonomous Administration for an urban renewal and redevelopment project at the former Manifattura Tabacchi complex, covering an area of over 83,000 sqm in Lombardy's capital city. Decontamination and demolition work will start in September of this year, while the restructuring and building work will commence by summer 2008. The value of the end product is estimated at around €250 million.

- On August 7th, 2007, after winning the bid for the portfolio of 29 Enpam properties on June 28th, the joint venture Pirelli RE (35%) and RREEF Global Opportunities Fund II (65%) (Deutsche Bank Group) signed the master agreement with Fondazione Enpam (the National Welfare and Pensions Institution for Doctors and Orthodontists). This agreement requires the portfolio of mixed-use properties worth around €305 million to be conferred on Social & Public Initiatives, a real estate fund managed by Pirelli RE Opportunities SGR, whose units will be purchased by the aforementioned joint venture.
- On August 8th, 2007 Gamma RE, the joint venture between Morgan Stanley Real Estate Special Situations Fund (51%) and Pirelli RE (49%), announced that it had accepted the tender offer made by Zwinger Opco 6 BV for 49,544 units in the Berenice fund for the total value of €45,233,672, generating a capital gain of some €17.7 million. After the offer's close on August 9th, Zwinger Opco announced that it had secured acceptances by around 90.69% of the total units issued by the fund.
- On August 13th, 2007 Spazio Investment, a company listed on the London Stock Exchange's AIM which invests in the industrial logistics sector through the Spazio Industriale fund managed by Pirelli RE SGR, signed a binding offer with Ortensia S.r.l. to purchase a logistics complex in Melzo (Milan) for €31.5 million. This property, almost all of which is let to the companies Sogemar, Interpacking Logistic and Interservices, will guarantee approximately €2.3 million in annual rental income.
- On August 31st, 2007 the joint venture between Pirelli RE (33%) and Calyon (67%) purchased a portfolio of non performing loans from HSH Nordbank with a gross book value of €12.1 million.

Expected outlook for the business in 2007

Based on the first-half results and the available information, the Company confirms its forecast that the full-year growth in EBIT including net income from investments will outperform the targets set in the three-year plan for 2006-2008 (CAGR 10-15%).

§

Today at **17.30** (16.30 GMT), the CEO Carlo A. Puri Negri and top management will hold a **conference call** for the purposes of presenting the first-half results to the financial community.

It will be possible to download the presentation slides before the conference call from the company's website at www.pirellire.com. Journalists may follow the presentation telephonically by calling the number +39/06/33485042 but will not be allowed to ask questions. The conference call will also be available live in audiostreaming in the Investor Relations section of the website. The related recording will be subsequently available on the website.

§

This press release contains reference to the following alternative performance indicators for the purposes of better evaluating the Pirelli RE Group's results: 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, the Senior Manager in charge of Pirelli RE's financial reporting, attests– in compliance with art. 154-*bis* paragraph 2 of Legislative Decree 58/1998 – that the accounting information relating to the half-year figures at June 30th, 2007, as reported in this press release, corresponds to the underlying documentary records, books of account and accounting entries.

§

Reclassified, abridged versions of the consolidated income statement, balance sheet and cash flow statement are all attached to this press release. In compliance with CONSOB Circular no. 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 - 06/30/2007	01/01/2006 - 06/30/2006	% increase
Pro-rata aggregate revenues (*)	***811,9***	***673,5***	**21%**
Consolidated revenues	*951,7*	*308,4*	
Consolidated revenues net of DGAG (*)	*421,8*	*308,4*	
EBIT	*19,4*	*37,7*	
Income from investments	*105,9*	*54,6*	
EBIT including net income from investments (**)	***125,4***	***92,3***	**36%**
Financial income from investments	*11,1*	*9,4*	
EBIT including net income and financial income from investments	*136,5*	*101,7*	
Other financial income/expense	*(34,5)*	*(10,0)*	
Profit before taxes	*101,9*	*91,7*	
Income taxes	*(16,6)*	*(21,1)*	
Net income before minority interests	*85,3*	*70,6*	
Minority interests	*(5,3)*	*(0,6)*	
Net income after minority interests	***80,1***	***70,0***	**14%**

(*) The figures at June 30th, 2007 are stated net of €529.9 million in revenues arising on the first stage of deconsolidating DGAG.

(**) EBIT including net income from investments is calculated as EBIT (€19.4 million at June 30th, 2007), plus the share of results of companies carried at equity (€60.0 million at June 30th, 2007), gains on investment disposals (€42.1 million at June 30th, 2007), dividends from investments (€2.0 million at June 30th, 2007) and income from real estate funds (€1.9 million at June 30th, 2007), classified in financial income in the consolidated income statement that accompanies the explanatory notes to the financial statements.

Reclassified balance sheet

(Euro/million)	06/30/07	JUNE Post Decons. DGAG (**) 06/30/07	12/31/06	06/30/06
Fixed assets	**745,2**	**757,0**	**581,7**	**572,7**
of which investments in funds and investment companies **(*)**	*460,9*	*473,0*	*426,1*	*433,4*
Net working capital	**1.147,0**	**246,0**	**283,3**	**88,9**
Net invested capital	**1.892,2**	**1.003,0**	**865,0**	**661,6**
Net equity	**704,9**	**705,0**	**708,7**	**529,6**
of which group net equity	694,9	695,0	700,3	518,6
Provisions	**92,5**	**93,0**	**59,9**	**49,7**
Net financial position: (cash)/debt	**1.094,8**	**206,0**	**96,4**	**82,3**
of which shareholder loans	(333,6)	(365,0)	(334,1)	(382,9)
Total covered Net invested capital	**1.892,2**	**1.003,0**	**865,0**	**661,6**
Net financial position excluding shareholder loans: (cash)/debt	**1.428,4**	**571,0**	**430,5**	**465,2**
Gearing	**2,03**	**0,81**	**0,61**	**0,88**

(*) This includes investments in associated companies and joint ventures (€382.5 million), in real estate funds (€67.4 million reported as financial assets available for sale in the consolidated balance sheet) and junior notes (€11.1 million reported as other receivables in the consolidated balance sheet).

(**) Estimated indicative figures

Reclassified cash flow statement

(Euro/million)	06/30/07	JUNE Post Decons. DGAG (*) 06/30/07	12/31/06	06/30/06
EBIT including net income from investments	**125,4**	**125,0**	**214,4**	**92,3**
Amortization and depreciation	*4,9*	*5,0*	*9,4*	*4,3*
Change in fixed assets	*(154,5)*	*(167,0)*	*(180,4)*	*(166,3)*
Change in net working capital	*(852,9)*	*48,0*	*(58,3)*	*123,3*
Change in provisions	*28,5*	*29,0*	*21,1*	*8,7*
Free cash flow	**(848,6)**	**40,0**	**6,1**	**62,2**
Cash flow before dividends	**(894,9)**	**(6,0)**	**(56,8)**	**45,1**
- Dividends paid by the parent company	*(87,0)*	*(87,0)*	*(77,3)*	*(77,3)*
reserves)	*0,0*	*0,0*	*(7,3)*	*(6,9)*
Net cash flow	**(981,8)**	**93,0**	**(141,5)**	**(39,1)**
- Increase in share capital and share premium reserve and use of treasury shares to service stock options	-	*0,0*	*27,1*	*12,4*
- Purchase/sale of treasury shares	*(16,6)*	*(17,0)*	*48,5*	*(25,1)*
Total cash flow	**(998,4)**	**(109,0)**	**(65,9)**	**(51,8)**

(*) Estimated indicative figures