PRESS RELEASE

BOARD OF DIRECTORS APPROVES RESULTS AT SEPTEMBER 30TH, 2007:

- **PRO-RATA AGGREGATE REVENUES[*]: €1,071.9 MILLION (+17%)**
- **EBIT INCL. NET INCOME FROM INVESTMENTS: €164 MILLION, NET OF DGAG CONSOLIDATION EFFECT (ALMOST CONCLUDED AT THE END OF SEPTEMBER) €141.2 MILLION (+22%)**
- **CONSOLIDATED NET INCOME: €95.8 MILLION (+14%)**
- **NET FINANCIAL POSITION: NET DEBT OF €337.4 MILLION, THANKS TO VIRTUAL COMPLETION OF DGAG DECONSOLIDATION (€1,094.8 MILLION AT END OF JUNE)**
- **REAL ESTATE AND NPLs UNDER MANAGEMENT: APPROX. €15.5[§§] BILLION; COINVESTMENT BY PIRELLI RE APPROX. 27%**
- **TAKING ACCOUNT OF CURRENT ECONOMIC AND FINANCIAL CLIMATE, FULL-YEAR GROWTH EXPECTED TO BE IN LINE WITH TARGET CONTAINED IN 2006-2008 THREE-YEAR PLAN**

Milan, November 7th, 2007 – The Board of Directors of Pirelli & C. Real Estate held today has examined and approved the Group's results at September 30th, 2007 which confirm a significant improvement in all the principal performance indicators in the third quarter as well.

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, every kind of specialized real estate service, 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.

[*] Net of €1,283.2 million arising on deconsolidation of DGAG portfolio.
[§§] Company estimate on basis of latest valuations by independent appraisers and inclusive of binding commitments, which are valued at book value like non performing loans.

Group performance in the first nine months of 2007

Pro-rata aggregate revenues amount to **€1,071.9**[***] **million**, an increase of **17%** on last year's nine-month figure of €915.1 million.
Consolidated revenues are €612.5[†††] million compared with €464.4 million at September 30th, 2006.

EBIT including net income from investments amounts to **€164 million**; the result net of the effect of DGAG temporary consolidation(almost concluded at end of September), mainly deriving from rental income, amounts to **€141.2 million,** up **22%** on last year's nine-month figure of €115.6 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** is **14%** higher at **€95.8 million**, up from €84 million in the same period of 2006.

Group net equity amounts to **€684.6 million** at September 30th, 2007 compared with €700.3 million at the end of 2006. The change reflects net income for the period (+€95.8 million), the distribution of dividends (-€87.0 million) and other movements in equity (-€24.5 million) most of which associated with the purchase of treasury shares.

Having **virtually completed the DGAG deconsolidation**, the **net financial position** reports net debt of **€337.4 million**, compared with €1,094.8 million at June 30th, 2007 and €96.4 million at December 31st, 2006.
The **adjusted net financial position** (excluding shareholder loans to companies in which minority shareholdings are held) reports net debt of **€926.9 million**, compared with €1,428.4 million at June 30th, 2007 and €430.5 million at December 31st, 2006. The **adjusted net financial position** at September 30th assuming full completion of the DGAG deconsolidation is estimated at **approximately €796 million**.

The **gearing** ratio after completing the DGAG deconsolidation process is estimated at **approximately 1.16** (compared with 1.35 actually reported at September 30th, 2007) and is expected to improve by year end (0.61 at December 31st, 2006).

[***] This figure does not include €1,283.2 million in revenues arising on the deconsolidation of DGAG.
[†††] This figure does not include €1,283.2 million in revenues arising on the deconsolidation of DGAG.

Performance of the main business sectors in the first nine months of 2007

Investment & Asset Management business

The **Investment & Asset Management** business has reported **pro-rata aggregate revenues** of **€618.9 million** in the first nine months of 2007, an increase of **7%** on the figure of €578.9 million reported at September 30th, 2006.
Enhancement of the **assets under management**, worth an **estimated €15.5**[‡‡‡] **billion** of which **around 27% is coinvested by Pirelli RE**, has resulted in €1,186.6 million in **real estate sales** on behalf of "fund and investment company" clients compared with €1,319.5 million in the same period of last year. This should be regarded as a temporary reduction due, also to the postponement of sales in the lead-up principally linked to the planned creation of the office sector investment platform. Including binding purchase commitments, **purchases of real estate and non performing loans** over the same period on behalf of "fund and investment company" clients amount to approximately **€3.1 billion** (of which €2,387.2 million already completed), compared with €3.4 billion in the same period of last year (purchases completed at September 30th, 2006 came to €1,714.9 million).

EBIT including net income from investments amounts to **€130.4 million**, up **39%** on last year's nine-month figure of €93.5 million. This result reflects: **net income from investments**[§§§] of **€105.8 million** (€70.6 at September 30th, 2006), of which €48.8 million in fair value adjustments to the assets of the Patrimonio Uffici, Raissa and Tecla funds (last year's EBIT included €33 million in fair value adjustments in relation to Spazio Investment), and **net income from operations** of **€24.6 million**, marking a significant improvement on the figure of €11.1 million reported at the end of June this year (€23 million at September 30th, 2006).

The **non performing loans sector** has reported a **significant increase** in EBIT including net income from investments, climbing 63% on last year to €12.9 million.

Service Provider business

The **technical services business** (integrated facility and property management) has reported **€342 million** in **revenues**, an increase of **63%** on €209.2 million at September 30th, 2006. **EBIT including net income from investments** amounts to **€56.3 million** compared with €17.7 million at September 30th, 2006. **EBIT including net income from investments net of extraordinary items,** ie. the disposal of 49% of the integrated facility management business and provisions by the property business against certain

[‡‡‡] Company estimate on basis of latest valuations by independent appraisers and inclusive of binding commitments, which are valued at book value like non performing loans.

[§§§] Meaning net income from rents, capital gains on sales of real estate and/or companies and fair value adjustments and it includes €22.8 million deriving from temporary consolidation of DGAG (almost completed at the end of September).

items dating back to 2002-2004, amounts to **€19.9 million** compared with €16 million in the same period of last year.
Net of extraordinary items and the activities of Ingest Facility that are not yet fully operational, **ROS** was in line with the same period of last year at **8%**.

The **credit servicing business** has reported **€23.5 million** in **revenues**, contributing **€2.7 million** to the **EBIT** of the services sector and generating a **ROS** of **11%**. It is not possible to compare this year's performance with the same period 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.

The **commercial services business** has closed the first nine months of the year with **€45 million** in **revenues** compared with €70.5 million in the same period of 2006. **EBIT net of extraordinary items** amounts to **€5 million** compared with €23.7 million at September 30th, 2006; extraordinary items amount to €4.5 million, of which €2 million in costs for optimizing the franchising network in preparation for its merger with the Agency business which will result in additional savings.
Excluding extraordinary items, **ROS** is **11%** compared with 34% in the first nine months of 2006. The decrease in profitability is due to the reduction in the volume of deals brokered from €1,451.4 million at September 30th, 2006 to €886.1 million at the end of September this year, partly as a result of the temporary postponement of real estate sales by the "Investment & Asset Management" client in the lead-up to creation of the office sector investment platform.

Events subsequent to September 30th, 2007

There are no significant events to report subsequent to the end of the third quarter.

Expected outlook for the business in 2007

Taking account of the current economic and financial climate, the Company is forecasting that full-year growth in EBIT including net income from investments will be in line with the target set in the three-year plan for 2006-2008 (CAGR 10-15%).

§

Corporate events calendar

The calendar of board and shareholder meetings in 2008 is as follows:

March 6th, 2008: Board meeting to examine draft individual and consolidated financial statements at December 31st, 2007. These documents will be published within 90 days of the end of the year and so, as allowed by article 82 of CONSOB Resolution 11971/99, the quarterly report for the fourth quarter of 2007 will not be prepared.

April 14th, 2008 (first call): Shareholders' meeting to approve annual financial statements.

May 8th, 2008: Board meeting to examine the consolidated results for the first quarter of 2008.

August 4th, 2008: Board meeting to examine the half-year report at June 30th, 2008. This document will be published within 75 days of the end of the half year and so, as allowed by article 82 of CONSOB Resolution 11971/99, the quarterly report for the second quarter of 2008 will not be prepared.

November 5th, 2008: Board meeting to examine the consolidated results for the third quarter of 2008.

§

This press release contains references 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.

§

Gerardo Benuzzi, Pirelli RE's Financial Reporting Officer, attests – pursuant to para. 2, article 154-*bis* of Decree 58/1998 – that the accounting information relating to the quarterly figures at September 30th, 2007, as reported in this press release, corresponds to the underlying documentary records, books of account and accounting entries.

§

Reclassified, condensed versions of the consolidated income statement, balance sheet and cash flow statement are all appended 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..

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Reclassified income statement

(Euro/million)	01/01/2007 - 09/30/2007	01/01/2006 - 09/30/2006	% increase
Pro-rata aggregate revenues (*)	***1.071,9***	***915,1***	**17%**
Consolidated revenues	*1.895,7*	*464,4*	
Consolidated revenues net of DGAG (*)	*612,5*	*464,4*	
EBIT	*26,1*	*52,3*	
Income from investments	*138,0*	*63,3*	
EBIT including net income from investments (**)	***164,0***	***115,6***	**42%**
Financial income from investments	*17,2*	*16,2*	
EBIT including net income and financial income from investments	*181,3*	*131,8*	
Other financial income/expense	*(57,8)*	*(17,2)*	
Profit before taxes	*123,4*	*114,6*	
Income taxes	*(21,0)*	*(29,2)*	
Net income before minority interests	*102,5*	*85,4*	
Minority interests	*(6,7)*	*(1,4)*	
Consolidated net income	***95,8***	***84,0***	**14%**

(*) The figures at September 30th, 2007 are stated net of €1,283.2 million in revenues arising on the deconsolidation of DGAG.

(**) EBIT including net income from investments is calculated as EBIT (€26.1 million at September 30th, 2007), plus the share of results of companies carried at equity (€73.6 million at September 30th, 2007), gains on investment disposals (€53.4 million at September 30th, 2007), dividends from investments (€1.9 million at September 30th, 2007) and income from real estate funds (€9.0 million at September 30th, 2007), classified in financial income in the consolidated income statement that accompanies the explanatory notes to the financial statements. EBIT including net income from investments net of the effect of temporary consolidation of DGAG (mainly deriving form rents) amounts to €142.2 million (+22%).

Reclassified balance sheet

(Euro/million)	09/30/07	12/31/06	09/30/06
Fixed assets	**855,4**	**581,7**	**597,5**
of which investments in funds and investment companies **(*)**	*569,1*	*426,1*	*447,9*
Net working capital	**256,1**	**283,3**	**110,0**
Net invested capital	**1.111,5**	**865,0**	**707,5**
Net equity	**687,8**	**708,7**	**552,9**
of which group net equity	684,6	700,3	542,4
Provisions	**86,3**	**59,9**	**59,7**
Net financial position: (cash)/debt	**337,4**	**96,4**	**94,9**
of which shareholder loans	(589,5)	(334,1)	(420,0)
Total covered Net invested capital	**1.111,5**	**865,0**	**707,5**
Net financial position excluding shareholder loans: (cash)/debt	**926,9**	**430,5**	**514,9**
Gearing	**1,35**	**0,61**	**0,93**
Net financial position excluding shareholder loans: (cash)/debt post DGAG deconsolidation	**795,9**	**430,5**	**514,9**
Gearing post DGAG deconsolidation	**1,16**		

(*) This includes investments in associated companies and joint ventures (€448.7 million), in real estate funds (€109.1 million reported as financial assets available for sale in the consolidated balance sheet) and in junior notes (€11.3 million reported as other receivables in the consolidated balance sheet).

Reclassified cash flow statement

(Euro/million)	09/30/07	12/31/06	06/30/06
EBIT including net income from investments	**164,0**	**214,4**	**115,6**
Amortization and depreciation	*7,3*	*9,4*	*6,5*
Change in fixed assets	*(281,0)*	*(180,4)*	*(193,3)*
Change in net working capital	*46,3*	*(58,3)*	*123,3*
Change in provisions	*21,2*	*21,1*	*10,5*
Free cash flow	**(42,1)**	**6,1**	**62,6**
Cash flow before dividends	**(109,0)**	**(56,8)**	**21,7**
- Dividends paid by the parent company	*(87,0)*	*(77,3)*	*(77,3)*
reserves)	*0,0*	*(7,3)*	*(6,9)*
Net cash flow	**(196,0)**	**(141,5)**	**(62,5)**
- Increase in share capital and share premium reserve and use of treasury shares to service stock options	-	*27,1*	*27,1*
- (Purchase)/sale of treasury shares	*(45,1)*	*48,5*	*(29,0)*
Total cash flow	**(241,0)**	**(65,9)**	**(64,4)**