PRESS RELEASE

DRAFT FINANCIAL STATEMENTS FOR 2007 APPROVED BY THE BOARD OF DIRECTORS:

- **PRO-RATA AGGREGATE REVENUES*: €1,543.1 MILLION, IN LINE WITH PRIOR YEAR**
- **EBIT INCL. INCOME FROM INVESTMENTS: €236.5 MILLION (+10%) NET OF THE TEMPORARY IMPACT OF DGAG IN LINE WITH PRIOR YEAR**
- **CONSOLIDATED NET INCOME: €151.1 MILLION (-5%), NET OF THE TEMPORARY IMPACT OF DGAG +2%; PROPOSED DIVIDEND OF 2.06 PER SHARE WITH A PAY-OUT IN LINE WITH THE TARGET OF THE THREE-YEAR PLAN**
- **NET FINANCIAL POSITION: NET DEBT OF €289.7 MILLION (€337.4 MILLION AT END OF SEPTEMBER 2007; €96.4 MILLION AT END OF 2006)**
- **ASSETS UNDER MANAGEMENT: €15[1,2] BILLION (€14.5 BILLION AT END OF 2006); REAL ESTATE ASSETS: 71% IN ITALY AND 29% IN GERMANY AND POLAND (14% AT END OF 2006)**
- **EBIT INCL INCOME FROM INVESTMENTS FOR 2008 EXPECTED TO BE IN LINE WITH PRIOR YEAR NET THE IMPACT OF DGAG**
- **AGM, CALLED TO APPROVE FINANCIAL STATEMENTS AND EXAMINE NEW INCENTIVE SCHEMES ON APRIL 14TH**
- **THE NEW THREE-YEAR BUSINESS PLAN 2008-2010 TO BE EXAMINED BY BOARD ON MAY 8TH**

Milan, March 6th, 2008 – At today's meeting, the Board of Directors of Pirelli & C. Real Estate examined and approved the draft financial statements at December 31st, 2007.

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[1] Net of the sale of DGAG properties at cost through the disposal of shares to the joint ventures with RREEF and Morgan Stanley for €1,295.6 million.

[2]Assets under management are stated at market value as estimated by independent appraisers (CB Richard Ellis, Cushman & Wakefield, Knight Frank, REAG and Scenari Immobiliari), except for non performing loans which are reported at book value.

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Pirelli RE is an **alternative asset manager in the real estate sector**. It manages funds and companies that own real estate and non performing loans in which it co-invests through minority stakes, aligning its interests with those of investors, and to which it provides, as well as to third-party clients, a full range of specialized real estate services. The Group's principal activities are: originating investment opportunities based on the different types of real estate products (residential, commercial and NPLs) and geographic location (Italy, Central and Eastern Europe), performing management services and supplying quality services (integrated facility management, property management, credit servicing and agency) through specific companies.

For the purposes of interpreting the results reported below, it should be noted that **pro-rata aggregate revenues** and **EBIT including net income from investments** are the most important indicators of the Group's performance, expressing its share of turnover and trend in earnings respectively.

Performance of the Group in 2007

Pro-rata aggregate revenues amount to **€1,543.1 million**[3], basically in line with the prior year figure of €1,560 million.
Consolidated revenues are €853.1 million[4] compared with €702 million at December 31st, 2006.

EBIT including net income from investments is **€236.5 million**, having increased by **10%** on the prior year figure; net the impact of DGAG, this result was in line with the end of 2006 at €215.3 million.

Consolidated net income is **€151.1 million** (-5% relative to €159.5 million in the prior year); net the impact of DGAG, net income is 2% higher than in 2006 at €162.8 million.
The **dividend** due to be submitted for the shareholders' approval is equal to **€2.06 per share** (the same as the prior year) with a **pay-out ratio** in line with the target of the three-year plan. If approved by the shareholders, the dividend will be paid on April 24th, 2008, with the shares going ex-div on April 21st, 2008.

Group net equity amounts to **€715.7 million** at December 31st, 2007 compared with €700.3 million at the end of 2006. The change reflects net income for the period (+€151.1 million), the distribution of dividends (-€87 million) and other changes in equity (-€48.7 million) most of which associated with the buy-back of treasury shares.

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Despite the investment activity in the year, **free cash flow** was a positive **€38.2 million** compared with €6.1 million in 2006. **Cash flow from core activity** was a negative **€146.8 million**, substantially in line with the prior year.

The **net financial position**, which showed net debt of €337.4 million at the end of September and €96.4 million at December 31st, 2006, came in at **€289.7 million** at the end of 2007.

The **adjusted net financial position** (excluding shareholder loans to companies in which minority shareholdings are held) reports net debt of **€816.1 million**, having improved from €926.9 million at September 30th (€430.5 million at December 31st, 2006). The **gearing ratio** went from 1.35 at the end of September to **1.13** at the end of 2007 (0.61 at the end of 2006).

The increase relative to December 31st, 2006 reflects the investments made in the period, the purchase of fund units, the distribution of dividends and share buy-backs.

The Group had **2,956 employees**[5] at December 31st, 2007 compared with 1,848 at the end of 2006. The increase of 1,108 in headcount is mainly due to the development of the business in Germany, Poland and other countries in Eastern Europe, the acquisition of Ingest Facility (integrated facility management business unit has a staff of approx. 1,100), and to the development of the NPL business.

Performance of the main business segments in 2007

INVESTMENT & ASSET MANAGEMENT – CO-INVESTMENT ACTIVITIES

The **Net Asset Value of Pirelli RE's co-investments** excluding NPLs, valued at book value by the independent appraisers, is an estimated **€1 billion**. The **PRE share of the unrealized capital gain** of the core-core plus portfolio valued at fair value (under IAS 40) and the trading portfolio amounts to €316 million, €294 million excluding the newly acquired DGAG and BauBeCon residential portfolios with a margin of 16%.

The co-investment activities[6] shows **pro-rata aggregate revenues** of **€802.6 million**, compared with €997.9 million in the prior year.
EBIT including net income from investments is **€143.1 million**, in line with the prior year and includes:
-residential portfolio €15.4 million (€40.4 million at the end of 2006);
-commercial portfolio €112.9 million (€92.4 million at the end of 2006);
-non performing loans €14.8 million (€9.2 million at the end of 2006).

[5] Of whom 298 relate to the German platform of BauBeCon due to become part of the Group in 2008 under the terms of the related agreement.
[6] This means net income from rents, capital gains on sales of real estate and/or companies and fair value adjustments and includes €21.2 million arising from the temporary 100% consolidation of DGAG during the year.

This result includes €70.5 million in fair value adjustments (under IAS 40) to assets in the in the core-core plus funds.

Assets under management have reached **€15 billion**[7], an increase of 3% on the figure of €14.5 billion reported at the end of 2006. This figure ranks **Pirelli RE as one of the major asset managers in Continental Europe**. The assets under management comprise **€12.6 billion** in **real estate** and **€2.4 billion** in **non performing loans.** The **development projects**, valued at some €1.1 billion by the independent appraisers, have an estimated **finished product value** of **more than €4 billion**.
29% of the real estate assets managed are in Germany and Poland and circa €8.9 million in Italy, almost 80% is managed using real estate funds.

Sales of real estate under management reached **€1,804.9 million,** compared with €2,805.7 million at the end of 2006. Collections of NPLs equal €**541 million,** compared with €470 million in the previous year.
Some €3.3 billion in **real estate and non performing loan purchases** were completed in 2007 for fund and investment company clients (€3.6 billion in 2006), as well as entering into €500 million in binding purchase commitments.

MANAGEMENT ACTIVITIES

The management activities (asset management and specialized services), not included in the NAV of the company's real estate insofar as it is not valued, generated **revenues** of €**676 million** (€480 million in the previous year), thanks in particular to the acquisition of Ingest Facility. **EBIT including net income from investments** amounts to €**126.5 million** (€102.9 million in 2006); this result is excluding extraordinary items of €80.7 million (€104.1 million in the prior year).

Asset Management Services

Revenues from **asset management services** amount to **€94.3 million**, a 12% increase on the figure of €84.2 million reported at December 31st, 2006. They comprise €71 million in ordinary management fees (€68.1 million in 2006), €12.8 million in success fees (€9.5 million in 2006) and €10.5 million in acquisition fees (€6.6 million in 2006). The Company has also received €11.7 million in preference dividends (€8.2 million in 2006).
EBIT including net income from investments amounts to **€44.8 million**, up **24%** on the 2006 figure of €36 million and includes €11.2 million in extraordinary gains realized on the sale of 20% of the newly constituted residential asset management company in Germany to HSH Nordbank.

[7] Assets under management are stated at market value as estimated by independent appraisers (CB Richard Ellis, Cushman & Wakefield, Knight Frank, REAG and Scenari Immobiliari), except for non performing loans which are reported at book value.

Specialized Services

Revenues from specialized services, including the acquisition of Ingest Facility, amount to **€581.7 million**, an increase of **47%** on the prior year figure of €395.8 million.

EBIT including net income from investments is **€81.5 million** (+22% compared with €66.9 million at the end of 2006) and includes positive extraordinary items of €34.4 million (compared to a negative €1.2 million in the prior year); the decrease in ordinary EBIT from services is due to a reduction of €33.7 million in the result reported by the Agency business, as partially offset by an increase of €12.7 million in other services.
Please refer to Annex 4 for the breakdown by type of service (integrated facility management, property management, credit servicing and agency).

Events subsequent to December 31st, 2007

- Pirelli RE together with a number of partners are continuing their negotiations with Karstadt Quelle AG (Arcandor Group) to buy 49% of the joint venture owning the real estate portfolio let to Karstadt, Germany's top player in the business of large warehouses and one of the biggest in Europe.
- On February 28th, Pirelli RE SGR entered into an agreement with First Atlantic RE SGR to transfer the management of Berenice Fondo Uffici, with the approval of Zwinger which owns over 90% of the fund's units. The latter will pay Pirelli RE SGR €17 million and has undertaken to buy the 5% of fund units held by the fund manager for €19.6 million.

Expected outlook for the business in 2008

Based on the current economic and financial conditions, the Company expects EBIT including net income from investments for 2008 to be in line with the prior year, net of impact of DGAG.

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The Board of Directors has charged the Chairman and the Chief Executive Officer with the responsibility of calling the shareholders' meeting due to approve the financial statements for 2007, scheduled for April 14th (in first call) and April 16th (in second call). The shareholders' meeting will also be required, in accordance with article 114-*bis* of Legislative Decree 58/98, to vote on the new incentive schemes examined today by the Board of Directors. The new schemes, whose details are presented in Appendix 5, aim to secure management loyalty and provide incentives for achieving the growth targets for the Group's European expansion, thereby fostering a sharing of interests with shareholders as a result of increasing enterprise value.
The Board of Directors will also be called upon to nominate the Board of Directors, confer the financial audit assignment for the period 2008-2016, and to renew authorization for the purchase and sale of treasury shares (following cancellation of the previous resolution of April 20th, 2007) and a few amendments to the Articles of Association.

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The **three-year business plan for 2008-2010** will be examined by the Board of Directors of Pirelli & C. Real Estate due to meet on **May 8th** to review the first-quarter consolidated results for 2008.

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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 2007 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.

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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, the capital gains arising on the sale of investments, 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.

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Gerardo Benuzzi, Pirelli RE's Financial Reporting Officer, declares, pursuant to article 154-*bis* of the Uniform Finance Act 8/1998 (Decree 58/1998), that the accounting information contained in this release, corresponds to the underlying documentary records, books of account and accounting entries.

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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 - 12/31/2007	01/01/2006 - 12/31/2006	% increase	2007 without DGAG	% growth without DGAG
Pro-quota aggregate revenues (*)	***1.543,1***	***1.560,0***			
Consolidated revenues (*)	*853,1*	*702,0*			
EBIT	*50,4*	*103,7*			
Net income from investments	*186,2*	*110,7*			
EBIT including net income from investments (**)	***236,5***	***214,4***	**10%**	**215,3**	**0%**
Financial income from investments	*24,2*	*22,6*			
EBIT including net income and financial income from investments	*260,7*	*237,0*			
Other financial income/expenses (***)	*(65,8)*	*(25,7)*			
Profit before taxes	*195,0*	*211,3*			
Income taxes	*(34,1)*	*(49,3)*			
Net income before minority interests	*160,9*	*162,0*			
Minority interests	*(9,7)*	*(2,5)*			
Consolidated net income	***151,1***	***159,5***	**-5%**	**162,8**	**2%**

(*) The figures at December 2007 are reported net of the DGAG properties sold at cost through the disposal of shares to the joint ventures with RREEF and MSREF for €1,295.6 million.

(**) EBIT including net income from investments at December 2007 is calculated as EBIT (€50.4 million) plus the share of results of companies carried at equity (€107.5 million), gains on investment disposals (€55.9 million), preference dividends from investments (€11.7 million) and dividends and income from real estate funds (€11.0 million), classified in financial income in the consolidated income statement that accompanies the explanatory notes to the financial statements.

(***) The figure at December 2007 includes €28 million in expenses relating to DGAG.

Reclassified balance sheet

(Euro/million)	12/31/07	12/31/06
Fixed assets	**886,1**	**581,7**
of which investments	*601,3*	*427,2*
of which goodwill	*218,4*	*93,4*
Net working capital	**190,5**	**283,3**
Net invested capital	**1.076,6**	**865,0**
Net equity	**720,1**	**708,7**
of which group net equity	715,7	700,3
Provisions	**66,8**	**59,9**
Net financial position: (cash)/debt	**289,7**	**96,4**
of which shareholder loans	(526,4)	(334,1)
Total Net invested capital	**1.076,6**	**865,0**
Net financial position excluding shareholder loans: (cash)/debt	**816,1**	**430,5**
Gearing	**1,13**	**0,61**
Working capital gross of shareholders loans	**1.603,0**	**1.199,1**

(*) This includes investments in associated companies, joint ventures and other investments (€486.9 million), in real estate funds (€103.1 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). The amount of €1.1 million relating to "other investments" has been reclassified in the December 2006 figures for the sake of consistent comparison with 2007.

Reclassified cash flow statement

(Euro/million)	12/31/07	12/31/06
EBIT including net income from investments	**236,5**	**214,4**
Amortization and depreciation	*11,4*	*9,4*
Change in fixed assets	*(315,8)*	*(180,4)*
Change in net working capital	*100,1*	*(58,3)*
Change in provisions	*6,0*	*21,1*
Free cash flow	**38,2**	**6,1**
Cash flow before dividends	**(59,9)**	**(56,8)**
- Dividends paid by the parent company	*(87,0)*	*(77,3)*
- Dividends paid (change in minority interests in share capital and reserves)	-	*(7,3)*
Net cash flow from core activity	**(146,8)**	**(141,5)**
- Increase in share capital and share premium reserve and use of treasury shares to service stock options	-	*27,1*
- (Purchase)/sale of treasury shares	*(46,5)*	*48,5*
Total cash flow	**(193,3)**	**(65,9)**

HIGHLIGHTS OF THE RESULTS FOR SPECIALIZED SERVICES

The integrated facility management business has increased its **revenues** by **98%** to **€442.4 million** (€223.4 million at the of 2006) thanks to the acquisition of the company Ingest Facility. **EBIT including net income from investments** amounts to **€67.6 million** (€16 million in the prior year). This result, excluding the extraordinary gain on the disposal of 49% of the activity, would have been €23.0 million compared with the like-for-like figure of €12.5 million in 2006 (+84%). Excluding Ingest Facility which is not yet fully operational, **ROS** reached 7% (6% in 2006).

The property management business is reporting **€50.8 million** in **revenues** compared with €60.2 million in 2006; around 62% of its revenues come from third-party customers. **EBIT including net income from investments and excluding extraordinary items** amounts to **€8.9 million** compared with €10.4 million in the prior year. Extraordinary items amount to €5.7 million and relate to provisions for matters dating back to 2002-2004, these provisions were discontinued in 2007. The ordinary **ROS** is unchanged on the prior year at 17%.

Direct **agency services** and those provided through the franchised agency network report **€66.9 million** in **revenues** compared with €115 million in 2006. **EBIT** amounts to **€10.4 million** compared with €44.1 million in 2006. There also negative extraordinary items of €4.5 million, largely attributable to the costs of optimizing the franchising network in preparation for its merger with the Agency business in January 2008 which will result in additional savings. **ROS excluding extraordinary items** is 16% (38% at December 31st, 2006).

INCENTIVE SCHEMES

As part of a wider revision of the Company's system of compensation and incentives - to make it better suited to the new and changing demands for commitment and the Group's growth and the recent changes in the real estate sector and financial markets – the Board of Directors has, amongst other things, approved proposals by the Compensation Committee to ask the forthcoming shareholders' meeting convened to approve the financial statements for 2007 to adopt two new incentive schemes linked to Pirelli RE shares, namely a stock grant plan and a new stock option plan.

Pursuant to art. 84-*bis* of the Issuer Regulations (CONSOB Resolution 11971/1999), the key features of these Plans will now be outlined.

STOCK GRANT PLAN 2008

The Stock Grant Plan 2008 ("SGP 2008") involves the free grant of up to 130,000 shares to about 60 beneficiaries, comprising directors and executives of the Company and the Group (currently in the long-term incentive variable remuneration plan for 2006-2008). The beneficiaries also include persons named in para. 1, subpara. c) of art. 152-*sexies* of the Issuer Regulations, but not the Deputy Chairman and Chief Executive Officer.

The purpose of the SGP 2008 is not only to make up for the early termination of LTI plan for 2006-2008 (in view of the forthcoming approval of a new three-year plan for 2008-2010), but also to secure the loyalty and retention of key resources for the Group, and to share with beneficiaries the expectations and benefits arising from an increase in the value of Pirelli RE shares, in line with schemes commonly used internationally for wider shareholding and already adopted by Pirelli RE.

Key features of the SGP 2008 are as follows: (i) the shares will be granted on the basis of the LTI value matured by each beneficiary; (ii) it will be possible to grant beneficiaries a loan as allowed by law; (iii) there is a one-year lock-up period before the shares can be sold; (iv) it is possible to annul the lock-up period in the event of corporate actions and extraordinary market events; and (v) the LTI 2006-2008 agreement will be automatically cancelled upon signing the stock grant contract.

STOCK OPTION PLAN 2008-2010

The Stock Option Plan 2008-2010 ("SOP 2008-2010"), replacing the existing plan for 2006-2008, involves granting options – for up to a maximum included in a range of between 1,300,000 and 1,600,000 - to buy Pirelli RE shares to around 60 people, comprising directors and executives of the Company and the Group. The beneficiaries also include persons named in para. 1, subpara. c) of art. 152-*sexies* of the Issuer Regulations and the Deputy Chairman and Chief Executive Officer.

The purpose of the SOP 2008-2010 is the same as the SGP with the addition of incentivizing the pursuit of performance objectives that are consistent with the targets defined in the new three-year plan for 2008-2010.

Key features of the SOP 2008-2010 are as follows: (i) the criteria for granting the options will be defined upon approval of the new three-year plan for 2008-2010, in keeping with the targets set therein and the role of each beneficiary; (ii) the options will be granted at the fair value of Pirelli RE shares, defined as the average of official prices reported on the Italian stockmarket in the 30 days prior to the grant; (iii) option exercise depends on the beneficiary's continued directorship/employment with the Pirelli RE Group and their achievement of the performance objectives to be defined in the new three-year plan and a stock price equal to the IPO price at the time of exercise; (iv) there will be two windows for exercising options with vesting periods of 2 and 3 years, and (v) the stock option plan 2006-2008 will be automatically cancelled upon signing the contract for the new plan.

In accordance with the law, the prospectus required as per art. 114-*bis* of Decree 58/98 and art. 84-*bis* of the Issuer Regulations will be made public within 15 days prior to the Shareholders' Meeting and prepared in accordance with Annex 3A, Form 7, of the Issuer Regulations themselves.