PIRELLI RE

PRESS RELEASE

• BOARD OF DIRECTORS APPROVES FIGURES AT SEPTEMBER 30TH, 2008:

- ***PRO-RATA AGGREGATE REVENUES: €938.3 MILLION (€982.8 MILLION AT SEPTEMBER 30TH, 2007[1])***
- ***EBIT INCLUDING NET INCOME FROM INVESTMENTS BEFORE RESTRUCTURING COSTS: €33.1 MILLION. EBIT AFTER RESTRUCTING COSTS: €15.4 MILLION (€141.2 MILLION AT SEPTEMBER 30TH, 2007[2], INCLUSIVE OF €93.5 MILLION IN ASSET REVALUATIONS AND SALES)***
- ***CONSOLIDATED NET INCOME, BEFORE RESTRUCTURING COSTS, AT BREAKEVEN; AFTER RESTRUCTURING COSTS -€12.9 MILLION (+€95.8 MILLION AT SEPTEMBER 30TH, 2007)***
- ***NET FINANCIAL POSITION: NET DEBT OF €323.8 MILLION (€337.4 MILLION AT SEPTEMBER 30TH, 2007)***

• BOARD APPROVES THE DISPOSAL TO MANUTENCOOP OF FACILITY MANAGEMENT (A 50-50 JV WITH INTESA SANPAOLO) SUBJECT TO CONDITIONS PRECEDENT

• GIVEN THE FINANCIAL CRISIS, CAUSING A SHARP MARKET SLOWDOWN, THE COMPANY IS UNABLE TO CONFIRM ITS FULL-YEAR EBIT TARGET FOR 2008; BUT THE CONSOLIDATED NET RESULT, AFTER EXTRAORDINARY INCOME AND EXPENSES, IS EXPECTED TO REACH BREAK EVEN

• THE RESTRUCTURING PLAN ANNOUNCED IN MAY CONTINUES, WITH 2009 EXPECTED TO BENEFIT BY MORE THAN €30 MILLION

• THE COMPANY ANNOUNCES THAT IT WILL PRESENT ITS THREE-YEAR PLAN TO THE FINANCIAL COMMUNITY ON FEBRUARY 11TH, 2009

Milan, November 4th, 2008 – At today's meeting, the Board of Directors of Pirelli & C. Real Estate examined and approved the Interim financial report at September 30th, 2008.

The Group Pirelli RE is an **alternative asset manager specializing 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: identifying investment opportunities based on the different types of products (residential, commercial and NPLs) and geographic location (Italy, Germany and Poland), performing management services and supplying quality specialized services.

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[1] Net of the effect of temporarily consolidating DGAG and of the sales at cost of DGAG properties to the joint ventures with RREEF (Deutsche Bank Group) and MSREF (Morgan Stanley Group) for €1,283.2 million.
[2] Net of the effect of temporarily consolidating DGAG.

PERFORMANCE IN THE FIRST NINE MONTHS OF 2008

Pro-rata aggregate revenues amount to €938.3 million compared with €982.8 million at September 30th, 2007[3]. **Consolidated revenues** are €527.1 million compared with €523.5 million at September 30th, 2007[4].

EBIT including net income from investments, before restructuring costs, amounts to **€33.1 million** (€15.4 million after restructuring costs) **compared with €141.2 million** in the first nine months of 2007[5], which included €42 million from the sale of 49% of Pirelli RE Facility and €51.5 million in fair value property revaluations. Real estate **sales** to September 30th, 2008 are down to €714.5 million (€1,186.6 million in the first nine months of 2007).

In 2008 the Company embarked on a **restructuring plan** (with €17.6 million in costs expensed to September 30th, 2008) with the aim of saving €25/30 million in 2009. This plan, which was announced in the Interim financial report at March 31st, 2008, is proceeding according to schedule and will **generate more than €30 million in savings as early as 2009**.

Consolidated net income before restructuring costs stands at breakeven at September 30th, 2008; the **total consolidated net result** is a loss of €12.9 million compared with a profit of €95.8 million in the first nine months of 2007, inclusive of €90.1 million net from the transactions mentioned above.

Group net equity is **€609.8 million** at the end of September **compared with €715.7 million** at the end of December 2007. The reduction of €105.9 million basically reflects the payment of €85.1 million in dividends and the net loss for the period of €12.9 million.

The **net financial position** reports **net debt** of **€323.8 million** at September 30th, 2008 **compared with €337.4 million** at September 30th, 2007 and €270.5 million at June 30th, 2008. The **adjusted net financial position** (excluding shareholder loans to companies in which minority shareholdings are held) reports net debt of **€934.5 million, up from €926.9 million** at September 30th, 2007 and €809.8 million at June 30th, 2008. The increase since June 2008 is due to the Highstreet acquisition involving an investment of some €110 million.

Assets under management (stated at book value) have increased by €3.7 billion since December 2007 to €17.4 billion (of which €4.6 billion under co-management).

After the above transactions, the **gearing** ratio has temporarily climbed to 1.52, up from 1.23 at June 30th, 2008 and 1.35 at September 30th, 2007.

Cash flow before dividends is a **positive €51.0 million** compared with a negative €109.0 million in the first nine months of 2007, while **net cash flow from ordinary activities** is a **negative €34.1 million** compared with a negative €196.0 million at the end of September 2007.

PERFORMANCE BY THE PIRELLI RE DIVISIONS

The **Residential Division** reports €248.8 million in pro-rata aggregate revenues at September 30th, 2008 (€223.8 million in the first nine months of 2007), of which €181.1 million from Capital activities (€171.7 million at September 30th, 2007) and €67.7 million from Management and specialized services (€52.1 million at September 30, 2007). Nine-month **EBIT including net income from investments** is a negative €11.9 million before restructuring costs, compared with a negative €1.1 million, net of the temporary consolidation of DGAG, in the first nine months of 2007.

The **Commercial Division (offices, retail, industry)** reports €340.0 million in pro-rata aggregate revenues at September 30th, 2008 (€379.7 million in the first nine months of 2007), of which €246.0 million from Capital activities (€285.6 million at September 30th, 2007) and €94

[3] Net of the effect of temporarily consolidating DGAG and of the sales at cost of DGAG properties to the joint ventures with RREEF (Deutsche Bank Group) and MSREF (Morgan Stanley Group) for €1,283.2 million.
[4] Net of the effect of temporarily consolidating DGAG and of the sales at cost of DGAG properties to the joint ventures with RREEF (Deutsche Bank Group) and MSREF (Morgan Stanley Group) for €1,283.2 million.
[5] Net of the effect of temporarily consolidating DGAG.

million from Management and specialized services (€94.1 million at September 30, 2007). Nine-month **EBIT including net income from investments** is a positive €35.7 million before restructuring costs compared with a positive €96.0 million at September 30th, 2007, inclusive of €51.5 million in fair value revaluations and net of the temporary consolidation of DGAG.

The **Non Performing Loans Division** reports €27.3 million in pro-rata aggregate revenues at September 30th, 2008 (€31.7 million in the first nine months of 2007), of which €4.1 million from co-investment activities (€2.1 million at September 30th, 2007) and €23.2 million from management and specialized services (€29.6 million at September 30th, 2007). A total of €321.3 million in non performing loans were collected in the period (€319 million in the same period of 2007). **EBIT including net income from investments** is €14.7 million euro in the first nine months of 2008, staying generally in line with the figure of €15.5 million reported in the first nine months of 2007.

In Integrated Facility Management pro rata aggregate revenues realized by the jv as at 30 September 2008 are 338.9 mln euro which compares to 357.0 mln euro in the first nine months of 2007. EBIT including net income from investments in the first nine months of 2008 is 16.2 mln euro which compares to 14.4 mln euro in the first nine months of 2007, on the basis of the same consolidation criteria.

EVENTS SUBSEQUENT TO SEPTEMBER 30TH, 2008

- On October 22nd the City of Milan, Region of Lombardy and Bicocca University signed, with the consent of Pirelli RE, representing the promoters of the "Grande Bicocca" Project (real estate funds held by foreign investors and a number of cooperatives), the new Development Plan, which, with the development of around 142,000 sqm in gross floor space, means that the entire area of over 810,000 sqm will have been completely redeveloped. The new development work will involve building housing for rent at subsidized and free-market rates, an extension to the University, commercial and entertainment facilities, public buildings (social housing for low-income households and students, Hangar Bicocca) plus around 60,000 sqm in green areas.
- The Board of Directors has approved the sale of the shareholding in Pirelli RE Integrated Facility Management B.V. (a 50/50 joint venture between Intesa Sanpaolo and Pirelli RE) to Manutencoop Facility Management. The economics of the transaction, and in the particular the price, will be announced once some conditions precedent have been satisfied. The closing of the transaction, once all conditions precedent (among which the due diligence on the Company's financials at October 31st, 2008) are satisfied, is expected within year end, subject to Antitrust approval. It has to be noted that Pirelli RE Integrated Facility Management B.V. is parent to a Group of companies specialized in facility and project management services; such Group includes Pirelli RE Integrated Facility Management S.p.A., one of the leading players in Italy, active in the whole territory and with approx. 1.200 employees, as well as in the Polish and French markets. The enterprise value is 270 mln euro. Banca IMI and Banca Leonardo has acted as financial advisors in the transaction.

EXPECTED OUTLOOK FOR THE BUSINESS IN 2008

Given the financial crisis, causing a sharp market slowdown, the Company is unable to confirm its full-year EBIT target for 2008. The Company nonetheless expects its consolidated net result, after extraordinary income and expenses, to reach break even.

CORPORATE EVENTS CALENDAR 2009

The calendar of board and shareholder meetings in 2009 is as follows:

- **March 5th, 2009:** Board meeting to examine draft individual and consolidated financial statements at December 31st, 2008.
- **April 17th, 2009** (first call): Shareholders' meeting to approve annual financial statements.

- **May 6th, 2009:** Board meeting to examine the consolidated results for the first quarter of 2009 (interim financial report at March 31st, 2009).
- **July 29th, 2009:** Board meeting to examine the half-year financial report at June 30th, 2009.
- **November 4th, 2009:** Board meeting to examine the consolidated results for the third quarter of 2009 (interim financial report at September 30th, 2009).

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Today at **18.00 CET** (17.00 GMT), the CEO Carlo A. Puri Negri and top management will hold a **conference call** for the purposes of presenting the nine-month 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 associates, 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.

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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 figures at September 30th, 2008, as reported in this press 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 Reconta Ernst & Young S.p.A..

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Appendix 1

Reclassified income statement

(Euro/million)	**01.01.2008 - 09.30.2008**	**01.01.2007 - 09.30.2007 - net of temporary consolidation of DGAG - (3)**	**01.01.2007 - 09.30.2007**
Pro-rata aggregate revenues (1)	**938,3**	982,8	1.071,9
Consolidated revenues **(1)**	527,1	523,5	612,5
EBIT before restructuring costs	*30,1*	3,3	26,1
Net income from investments	*3,0*	138,0	138,0
EBIT including net income from investments before restructuring costs	***33,1***	**141,2**	**164,0**
Restructuring costs	*(17,6)*	0,0	0,0
EBIT including net income from investments (2)	**15,4**	**141,2**	**164,0**
Financial income from investments	24,2	17,2	17,2
EBIT including net income and financial income from investments	39,6	158,4	181,3
Other financial income/expenses	(38,0)	(25,4)	(57,8)
Profit (loss) before taxes	1,6	133,1	123,4
Income taxes	(12,2)	(17,2)	(21,0)
Net income (loss) before minority interests	(10,6)	115,9	102,5
Minority interests	(2,3)	(4,2)	(6,7)
Consolidated net income (loss)	**(12,9)**	**111,6**	**95,8**

(1) Pro-rata aggregate revenues reflect the Group's share of total turnover, calculated as the sum of consolidated revenues and the Group's share of the revenues of associates, joint ventures and funds in which it has invested.
The amount at September 2007 is reported net of the sale of DGAG properties through the disposal of shares to the joint ventures with RREEF and MSREF for €1,283.2 million.

(2) EBIT including net income from investments at September 2008 reflects the trend in the Group's performance, calculated as EBIT (€12.4 million) plus the share of results of companies carried at equity and income from the sale of investments (-€5.5 million), dividends and income from real estate funds (totaling €2.9 million), and capital gains realized on the disposal of shares in real estate funds (€5.6 million) classified in "financial income" and "change in fair value of financial assets" in the consolidated income statement accompanying the explanatory notes to the interim management statement.

(3) The DGAG group, acquired at the beginning of 2007, was consolidated on a line-by-line basis until it was no longer controlled following the partial sale of interests in its companies to third parties over the course of the year.

Appendix 2

Reclassified balance sheet

(Euro/million)	09.30.2008	12.31.2007	09.30.2007	09.30.2007 - net of temporary consolidation of DGAG
Fixed assets	**838,5**	**886,1**	**855,4**	**868**
of which investments in real estate investment funds and companies **(1)**	*654,2*	*601,3*	*575,6*	*587*
of which goodwill	*140,0*	*218,4*	*216,3*	*216*
Net working capital	**170,9**	**190,5**	**256,1**	**240**
Net invested capital	**1.009,4**	**1.076,6**	**1.111,5**	**1.108**
Net equity	**616,7**	**720,1**	**687,8**	**688**
of which group net equity	609,8	715,7	684,6	685
Provisions	**68,9**	**66,8**	**86,3**	**86**
Net financial position	**323,8**	**289,7**	**337,4**	**334**
Total covering net invested capital	**1.009,4**	**1.076,6**	**1.111,5**	**1.108**

(1) The figure at September 30th, 2008 includes interests in associates, joint ventures and other investments (€548.1 million), real estate funds (€73.6 million reported as "other financial assets" in the consolidated balance sheet) and junior notes (€32.5 million reported as "other receivables" in the consolidated balance sheet). The amount of €6.5 million relating to "other investments" has been reclassified in the September 2007 figures for the sake of consistent comparison with 2008.

Appendix 3

Reclassified cash flow statement

(Euro/million)	09.30.2008	09.30.2007	09.30.2007 - net of temporary consolidation of DGAG
EBIT including net income from investments	**15,4**	**164,0**	**164**
Amortization and depreciation	*8,3*	*7,3*	*7*
Change in non-current financial assets (*)	*43,9*	*(148,4)*	*(161)*
Change in other non-current assets	*(16,4)*	*(132,6)*	*(133)*
Change in net working capital/Other	*(3,7)*	*46,3*	*63*
Change in provisions	*5,4*	*21,2*	*21*
Free cash flow	**52,8**	**(42,1)**	**(39)**
Financial and tax expenses/income	*(1,8)*	*(66,9)*	*(67)*
Cash flow before dividends	**51,0**	**(109,0)**	**(106)**
Dividends paid by the parent company	*(85,1)*	*(87,0)*	*(87)*
Net cash flow from ordinary activities	**(34,1)**	**(196,0)**	**(193)**
Increase in share capital	*0,0*	*0,0*	*0*
Purchase/sale of treasury shares	*0,0*	*(45,1)*	*(45)*
Total cash flow	**(34,1)**	**(241,0)**	**(238)**

(*) Includes the impact of deconsolidating Facility for €102.4 million (value at December 31st, 2007)