PRESS RELEASE

BOARD OF DIRECTORS APPROVES DRAFT FINANCIAL STATEMENTS FOR 2008

- ***REAL ESTATE ASSETS MANAGED: €15.4 BILLION (€12.6 BILLION IN 2007)*****
- ***RENTS TOTAL €669.2 MILLION (€535.8 MILLION IN 2007)***
- ***TOTAL REAL ESTATE SALES €864.9 MILLION (€1,804.9 MILLION IN 2007)***

- ***EBIT INCL. NET INCOME FROM INVESTMENTS AND BEFORE RESTRUCTING COSTS AND WRITEDOWNS: -€59.7 MILLION (+€83.6 MILLION IN 2007, NET OF DGAG)***
- ***WRITEDOWNS TOTAL €135.8 MILLION AND RESTRUCTURING €44.2 MILLION***
- ***TOTAL EBIT: -€239.7 MILLION (+€151.1 MILLION IN 2007, NET OF DGAG)***
- ***NET CONSOLIDATED INCOME: -€195 MILLION (+€162.8 MILLION IN 2007, NET OF DGAG) INCL. DISCONTINUED OPERATIONS OF €74.6 MILLION (SALE OF PIRELLI RE INTEGRATED FACILITY MANAGEMENT)***
- ***NET FINANCIAL POSITION: NET DEBT OF €289.5 MILLION (DOWN €34.3 MILLION SINCE SEPT-30-2008, IN LINE WITH DEC-31-2007)***

THE BOARD HAS APPROVED THE DOCUMENT ON THE PROPOSED CAPITAL INCREASE OF €400 MILLION AND HAS CONVENED AN EXTRAORDINARY SHAREHOLDERS' MEETING FOR APRIL 17TH TO APPROVE THIS OPERATION

Milan, March 5th, 2009 – At today's meeting, the Board of Directors of Pirelli & C. Real Estate examined and approved the **draft financial statements at December 31st, 2008, which will be presented for the approval of the ordinary shareholders' meeting convened for April 17th, 2009.**

Performance of the Group in 2008

The real estate market has suffered for a year of serious international crisis. Price reductions, fewer transactions and difficulty in accessing credit have penalized all companies in this sector. In order to face this new scenario, **Pirelli RE** announced at the end of last year **plans to cut costs and reorganize** with the focus on the two macro geographical areas of Italy and Germany/Poland, less exposed to real estate market volatility, and geared to relaunching the business and capitalizing on the quality of the assets held.

** Market value at DEC-31- 2008 based on the estimates of independent appraisers.

When reading the figures, please note that the Integrated Facility Management business, sold during the year, has been classified in "discontinued operations" and so its results are reported at the foot of the income statement immediately before net income. The figures for 2007 have been reclassified accordingly for the sake of consistent comparison.

Assets under management have a market value of **€17.3 billion**[††] **at the end of 2008, of which €15.4 billion in properties** (€12.6 billion at December 31st, 2007) **and €1.9 billion in non performing loans - NPL** (€2.4 billion at December 31st, 2007).

The increase in properties, from €12.6 to 15.4 billion, is due to acquisitions (of approximately €5 billion, of which the Highstreet portfolio accounts for €4.6 billion), the transfer of management of the Berenice and Teodora funds to another fund manager (-€1 billion), property writedowns (-€0.6 billion), sales (-€0.9 billion) and other changes (+€0.3 billion).

The appendices contain an analysis of the assets managed by country and by type.

Rents totaled €669.2 million (€535,8 million nel 2007), of which Pirelli RE's portion was €164.9 million compared to €158.3 million in 2007.

Real estate sales amounted to €864.9 million in 2008 (€1,804.9 million in 2007), of which the Pirelli RE share was €361.8 million (€526.8 million in 2007). Sales margin was 19% (22% in 2007).

Consolidated revenues amount to €365.1 million compared with €334.1 million at December 31st, 2007[‡‡].

EBIT including net income from investments, before restructuring costs and property writedowns/revaluations, is a negative €59.7 million compared with a positive €83.6 million in 2007 (net of DGAG). The decrease of €143.3 million comprises €29.7 million in lower EBIT) and €113.6 million in lower income from investments (mainly attributable to €74 million in lower sales volumes, €21.6 million in lower success fees from capital activities[§§] and €18 million in fair value adjustments on interest rate hedging instruments).

Restructuring carried out in 2008 cost €44.2 million; the writedowns booked in 2008 amount to €135.8 million, compared with €67.5 million in revaluations in 2007; **EBIT including net income from investments** is, therefore, a negative €239.7 million (compared with a positive €151.1 million in 2007 net of DGAG).

Consolidated net income amounted to a negative €195 million (compared with a positive €162.8 million in 2007 net of DGAG), including €74.6 million in following the sale of the investment in Integrated Facility Management.

[††] Market value at DEC-31- 2008, with the exception of NPL which are listed at book value based on the estimates of independent appraisers.

[‡‡] Reported net of the sale of DGAG properties at cost through the disposal of shares to the joint ventures with RREEF and MSREF for €1,295.6.

[§§] Capital activities include the net income generated by Pirelli RE's investments in funds and companies (primarily sales and rents); management activities include the net income generated by the company through its fund and asset management activities and specialized services (property, facility, agency).

The **NAV** of real estate assets attributable to Pirelli RE is **approximately €0.8 billion**, being the balance between its share of the market value of the assets held by Pirelli RE (€3.8 billion) and its share of the net financial position equal to €3 billion.

Group net equity is €361.7 million at December 31st, 2008 compared with €715.7 million at the end of 2007: the reduction mainly reflects the net consolidated loss (-€195.0 million), the distribution of dividends (-€85.1 million) and the decrease in the reserve for interest rate hedges (-€54.4 million).

The **net financial position** reports net debt of €289.5 million at the end of 2008, an improvement of €34.3 million since September 30th, 2008 (net debt of €289.7 million at December 31st, 2007). The adjusted net financial position (excluding shareholder loans to companies in which minority shareholdings are held) reports net debt of €861.8 million, down from €934.5 million at September 30th, 2008 (€816.1 million at December 31st, 2007). The **gearing** ratio went from 1.52 at the end of September 2008 to 2.35 at December 31st, 2008 (1.13 at the end of the prior year).

The **net financial position of real estate funds and vehicle companies invested in by Pirelli RE** is approximately €11.3 billion **at December 31st, 2008** (€10.1 billion in bank debt and €1.2 billion in shareholder loans). The **net financial position** of the NPL amounts to €1.7 billion.

Pirelli RE's total share of the financial position of the funds and investment companies is €3.6 billion (of which €0.4 billion in shareholder loans relating to real estate and €0.2 billion in shareholder loans relating to NPL). Bank debt of €3 billion is comprised of €2.6 billion for real estate and €0.4 billion for the NPL. **This debt, which has an average residual life of 3.6 years, is secured against the properties and NPL underlying the loans**.

The **Group** had, excluding temporary workers, 1,473 **employees** at December 31st, 2008 (2,956 at the end of 2007, of whom 1,168 working in businesses sold in the year, primarily the Integrated Facility Management joint venture sold on December 23rd).

Divisional performance in 2008

During the period under review the Company adopted a new **structure by geographical areas**. The results will now be examined, distinguishing between those from capital activities and those from management activities (asset management and services):

ITALY

Real estate sales amounted to €570.5 million at December 31st, 2008 compared with €1,730.4 million in the previous year. The sales margin in Italy was 18% (22% in 2007). **Rents** totalled €336.9 million (compared to €371.9 million in 2007).

EBIT including net income from investments, before restructuring costs and property writedowns/revaluations was a negative €19.2 million at December 31st, 2008 compared with a positive €77.9 million at December 31st, 2007. The decrease of €97.1 million is attributable to a reduction of €75 million in earnings from capital activities and a reduction of €22.1 million in earnings from management activities, reflecting above all the steep decline in the agency business.

GERMANY

Real estate sales amounted to €184.5 million at December 31st, 2008 compared with €43.4 million in the previous year. The sales margin in Germany was 16% (13% in 2007). **Rents** totalled €331.9 million (compared to €163 million in 2007).

EBIT including net income from investments, before restructuring costs and property writedowns/revaluations was a negative €35.3 million at December 31st, 2008 compared with a positive €5.6 million at December 31st, 2007. The decrease of €40.9 million comprises -€26.2 million from management activities (which in the previous year included €11.2 million in capital gains on the disposal of investments) and -€14.7 million from capital activities.

POLAND

Real estate sales amounted to €109.9 million at December 31st, 2008 compared with €31.1 million in the previous year. The sales margin in Poland was 31% (33% in 2007).

EBIT including net income from investments, before restructuring costs and property writedowns/revaluations was a positive €18.2 million at December 31st, 2008 compared with a positive €6.8 million at December 31st, 2007. The increase of €11.4 million includes a negative €1 million (which reflects €2 million in costs related to disposals in Romania and Bulgaria) from management activities and a positive €14.4 million in earnings from capital activities. The improvement is due to the sale of part of the property portfolio in Warsaw.

NPL

Collections of non performing loans amounted to €514.2 million at December 31st, 2008, compared with €541 million in the previous year.

EBIT including net income from investments was a positive €10.1 million at December 31st, 2008 compared with a positive €23.4 million at December 31st, 2007.

The decrease of €13.3 million comprises a reduction of €4.9 million in earnings from management activities, and a reduction of €8.4 million in earnings from capital activities.

Events subsequent to December 31st, 2008

The Group presented its new **business plan** on February 11th, 2009. As far as Pirelli RE is concerned, the plan is to continue with the reorganization already started at the end of 2008, with the adoption of a leaner structure concentrated on the geographical areas of Italy and Germany/Poland, capable of making the value emerge from portfolio assets**. Pirelli RE's reorganization** also entails concentrating the management of the Italian portfolio, including agency and property services, under the Group's fund management company. **Strategic partnerships to manage Italian real estate portfolios** may be possible thanks to these measures and strategies and our established sector know-how**.** The proposed capital increase will help **strengthen capital structure, reduce leverage, protecting, therefore, the currently unexpressed value of assets**, in anticipation of recovery by a market now deeply affected by the crisis.

Expected outlook for the business in 2009

In 2009 rents and sales of assets are expected to show further improvement, sales reaching **€1 billion**, with **Pirelli RE benefiting from its share.**

The Company will focus throughout 2009 on turning itself around, unless the current context deteriorates still further, with a target EBIT including net income from investments in line with the business plan thanks to cost cuts, the disposal of non performing loan portfolios and a new strategic partnership for the fund management company.

Proposed capital increase

The Board of Directors has confirmed the resolutions adopted in February by approving an operation designed to strengthen the capital structure of Pirelli RE and to support its new business model, with a proposal to make a divisible increase in share capital for cash payment, to be offered in pre-emption to shareholders, for a maximum amount of €400 million.

It is foreseeable that the transaction will be completed in the first half of the current year, assuming that it receives the approval of the extraordinary shareholders' meeting convened at the same time as the ordinary shareholders' meeting, which, amongst others, will approve the financial statements at December 31st, 2008, and that the required authorizations are also obtained from the relevant authorities.

As for the terms of the increase, it is envisaged that the shareholders' meeting will give the Board a mandate to set the issue price with reference to the theoretical "ex rights" price (TERP) of Pirelli RE ordinary shares, and the stock's performance in view of prevailing market conditions, as well as the market practice for similar transactions. Furthermore the issue price of the new shares may not be less than their face value, as provided for by law.

On the 10th of February the parent company, Pirelli & C., expressed its full support for the capital increase: it has committed itself to underwriting its share of the rights and has declared its willingness to underwrite any shares which, at the end of the offer process, are not underwritten. Pirelli & C. will fulfil its commitment by converting part of its loans to Pirelli RE into equity.

The legally required documentation will be published within the necessary deadline.

Co-option of a director

The Board of Directors has voted to co-opt Valter Lazzari as a new non-executive director who satisfies the independence requirements of the Financial Markets Consolidation Act and of the Corporate Governance Code for Listed Companies - following the resignation of Dolly Predovic. Valter Lazzari, a university professor and Head of the Faculty of Economics at the University of Castellanza, is an expert in accounting and finance and has therefore also been appointed to the Audit and Corporate Governance Committee. His *curriculum vitae* will be published on the Company's website.

Direction and co-ordination

The Board of Directors, having reconsidered its previous assessments, found that – including following recent changes made to the organizational structure and the nature of operations which call for the increased involvement of the parent company Pirelli & C. in certain activities and functions – the Company now falls under the direction and co-ordination of its parent, pursuant to article 2497 et seq of the Italian Civil Code. This matter will also be evaluated during the next Board meeting of Pirelli & C. itself.

§

The Board of Directors has charged the Chairman and Executive Vice Chairman with responsibility for calling the shareholders' meeting due to approve the financial statements for 2008, on April 17th (in first call) and April 18th (in second call).

§

Following the meeting of the Pirelli & C. Real Estate Board of Directors called to approve the 2008 financial statements, the usual conference call with analysts and investors will not be held as the preliminary results for 2008 and the related business trends were already presented to the financial community on February 11th, 2009 during the Presentation of the 2009-2011 Business Plan.

This press release and the presentation on the 2008 results will be released at the end of Board meeting on March 5th and published on the website at www.pirellire.com.

§

This press release contains references to the following alternative performance indicators for the purposes of better evaluating the Pirelli RE Group's results; 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.

§

Gerardo Benuzzi, Pirelli RE's Financial Reporting Officer, attests, pursuant to para. 2, article 154-*bis* of the Financial Markets Consolidation Act (Decree 58/1998), that the accounting information contained 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 Ernst & Young S.p.A..

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Appendix 1 – Reclassified income statement

(Euro/million)	**01.01.2008 - 31.12.2008**	**01.01.2007 - 31.12.2007 - net of temporary consolidation of DGAG - (3)**
Pro-rata aggregate revenues (1)	**775,6**	**949,0**
Consolidated revenues **(1)**	365,1	334,1
EBIT before restructuring costs and property writedowns/revaluations	(17,7)	12,0
Net income from investments before property writedowns/revaluations	(42,0)	71,6
EBIT including net income from investments before restructuring costs and property writedowns/revaluations	**(59,7)**	**83,6**
Restructuring costs	(44,2)	0,0
Property writedowns/revaluations	(135,8)	67,5
EBIT including net income from investments (2)	**(239,7)**	**151,1**
Financial income from investments	23,0	24,1
EBIT including net income and financial income from investments	(216,7)	175,3
Financial expenses	(49,0)	(33,6)
Profit (loss) before taxes	**(265,7)**	**141,7**
Income taxes	(1,9)	(21,7)
Net income before discontinued operations	**(267,6)**	**119,9**
Discontinued operations	74,6	49,5
Net income	**(193,0)**	**169,4**
Minority interests	(2,0)	(6,7)
Consolidated net income (loss)	**(195,0)**	**162,8**

(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 v

(2) EBIT including net income from investments at December 31st, 2008 reflects the trend in the Group's performance, calculated as EBIT, net of the discontinued operation (-71,2 million euro) plus the sha equity (-177.0 million euro), dividends and income from real estate funds (totaling 2.9 million euro), and capital gains realized on the disposal of shares in real estate funds (5.6 million euro) classified in "fina value of financial assets" in the consolidated income statement accompanying the explanatory notes to the consolidated financial statements at December 31st, 2008.

(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

Appendix 2 – Reclassified balance sheet

(Euro/million)	31.12.2008	31.12.2007
Fixed assets	**589,1**	**879,6**
of which investments (1)	*405,7*	*594,8*
of which goodwill	*137,8*	*218,4*
Net working capital	**133,1**	**190,5**
Net invested capital	**722,2**	**1.070,1**
Net equity	366,4	720,1
of which group net equity	361,7	715,7
Provisions	66,3	60,3
Net financial position	289,5	289,7
of which shareholder loans	(572,3)	(526,4)
Total covering net invested capital	**722,2**	**1.070,1**
Net financial position excluding shareholder loans	861,8	816,1
Net invested capital excluding shareholder loans	**1.294,5**	**1.596,5**
Gearing	**2,35**	**1,13**

(1) This item at DEC-31-2008 includes interests in associates, joint ventures and other investments (318,3 million euro), real estate funds (66.1 million euro reported as "other financial assets" in the co
and junior notes (21.3 million euro reported as "other receivables" in the consolidated balance sheet).
Provisions for investment writedowns, classifed in "Provisions", of 48.7 and 6.5 million euro have been deducted from the 2008 and 2007 figures respectively.

Appendix 3 – Reclassified cash flow statement

(Euro/million)	31.12.2008	31.12.2007
EBIT including net income from investments before restructuring costs and property writedowns/revaluations	**(59,7)**	**105,1**
Amortization and depreciation	*9,5*	*7,6*
Change in non-current financial assets/disposal of investments	*2,6*	*(97,3)*
Change in other non-current assets	*(16,8)*	*(78,3)*
Change in net working capital/provisions/other	*(2,5)*	*87,4*
Free cash flow	**(67,0)**	**24,6**
Impact of Facility management **(1)**	171,2	(4,0)
Payment of restructuring costs	(12,4)	0,0
Financial and tax expenses/income **(2)**	*(6,5)*	*(80,4)*
Cash flow before dividends	**85,3**	**(59,8)**
Dividends paid	*(85,1)*	*(87,0)*
Net cash flow	**0,2**	**(146,8)**
Capital increase	*0,0*	*0,0*
Purchase/sale of treasury shares	*0,0*	*(46,5)*
Total cash flow	**0,2**	**(193,3)**

(1) 2008 includes €102.4 million for deconsolidating Facility's debt and €68.8 million from selling the remaining 51% equity interest; in 2007 includes -€26.5 million for the impact of purchasi
-€15.5 million euro from management activities and +€38 million in receipts from selling 49% to Banca Intesa San Paolo.
(2) Includes changes in receivables, payables and tax provisions.

Appendix 4 – Real estate portfolio

(Euro/billion)		Market Value 2008	Market Value 2007
TOTAL ASSETS UNDER MANAGEMENT		**17,3**	**15,0**
NON PERFOMING LOANS		**1,9**	**2,4**
REAL ESTATE		**15,4**	**12,6**
of which investments		15,0	12,0
of which in ITALY	7,6	**50%**	**71%**
of which in GERMANY	7,6	**49%**	**27%**
of which in POLAND	0,2	**1%**	**2%**

ITALY		
	RESIDENTIAL	0,4
	SOHO (SMALL OFFICE)	0,9
	COMMERCIAL CORE	2,0
	COMMERCIAL YIELDING	3,1
	DEVELOPMENT	1,0
	PRE-LET DEVELOPMENT	0,2
		7,6
GERMANY		
	RESIDENTIAL	2,8
	COMMERCIAL	2,6
	COMMERCIAL CORE	2,0
	PRE-LET DEVELOPMENT	0,2
		7,6
POLAND (1)		**0,2**

(1) Assets under management in Poland equal to €0.2 billion consist entirely of cluster developments.