PRESS RELEASE

RATIONALIZATION IN NPL SECTOR

• AGREEMENT TO SELL 20% OF CREDIT SERVICING ACTIVITY TO DGAD INTERNATIONAL (CALYON SA) IN THE CONTEXT OF RENEWAL OF THE JV IN NPLS

• FINANCIAL COMMITMENT REDUCED IN EUROPEAN NPL INVESTMENT PLATFORM REMAINING STRATEGIC THE SERVICE ACTIVITIES

• POSITIVE IMPACT OF APPROX. €89 MILLION ON PIRELLI RE NET FINANCIAL POSITION EXCL. SHAREHOLDER LOANS

FOCUS ON ASSET MANAGEMENT IN ORDER TO INCREASE RECURRING PROFITS: STRATEGIC CENTRALITY OF SGR

FURTHER ACTIONS FOR REGAINING EFFICIENCY AT GROUP LEVEL

Milan, 26 May 2009 - The Board of Directors of Pirelli RE, which met today, approved the definitive terms of the **agreement to sell 20% of Pirelli & C. Credit Servicing**, the company dedicated to NPL management, **to DGAD International (Calyon SA)** as part of the previously announced plans to reduce the financial commitment to the business of non performing loans.

The **closing of the transaction is expected by 30 June 2009** and is subject to the suspending conditions usual for such transactions.

DGAD International will enter the corporate capital of the company through underwriting a reserved capital increase of €6.6 million: **the enterprise value after the capital increase will be around €36 million (€33 million in equity value)**. This transaction will generate **a gross capital gain of some €3 million for Pirelli RE.**

Among the objectives of the agreement is the acquisition of mandates to manage NPL portfolios on behalf of third parties, coherently with the **greater focus of the Pirelli RE group on the services sector**.

At the same time, **Pirelli RE will reduce its financial commitment to the European NPL investment platform** (67% DGAD International, 33% Pirelli RE) thanks to a loan of €250 million granted by DGAD International that will allow Pirelli RE to recover part of its shareholder loan made in the past, for €82.5 million.

Coherently with the announced reduction of the financial commitment in the non performing loans sector by Pirelli RE, the agreement will discipline the different ways in which any future investments will be made for acquisition of NPL portfolios.

The agreement foresees for DGAD International a call option subordinated to certain events taking place, related to the performance of Pirelli & C. Real Estate Credit Servicing, or the entry of new partners proposed by DGAD International. The agreement also foresees a call option in favour of each party, in the event of a change in control of DGAD International or Pirelli RE, or in case of severe non-fulfilment or insolvency of the other party.

The agreement signed today will have **a positive impact of around €89 million on Pirelli RE's net financial position excluding shareholder loans**.

The Board of Directors of Pirelli RE also **discussed and agreed with the strategic plan proposed by the new management that entails retention of ownership of the SGR and further improvements in efficiency**.

In a market context which has confirmed the trends forecast by the Pirelli Group when it presented the 2009-2011 three-year plan, **Pirelli RE intends to enhance the long-term value of its fund and asset management businesses through its SGR, forgoing any short-term gains from possible sale of a stake, as previously announced, in order to focus on prospective growth in recurring profits.**

The SGR will be able to benefit from opportunities offered by expected sector consolidation and the growth prospects offered from developing real estate funds. This expectation is also based on the acceleration in government plans to sell off assets in order to raise funds for the public purse and the growth in demand by third parties for services relating to assets not forming part of their core business.

As announced when presenting the 2009-2011 three-year plan, **the overall amount of assets managed at the end of this period will be generally stable, but with a gradual increase in those managed in Italy, where the SGR is market leader, accompanied by a reduction in those managed in Germany.**

The financial targets for 2009, which put EBIT including net income from investments before restructuring costs in the range of €20-30 million, **will be affected by the absence of around €40 million in projected capital gains on the SGR's sale** (which would also have reduced net debt by some €70 million) **and by some €15 million in potential risks of not completing certain real estate sales within the year. As a result, EBIT including net income from investments before restructuring costs is now expected to be in the range of €-25/-35 million**.

The further restructuring measures that will be implemented will entail, on top of those previously announced, an extra **€8 million in restructuring costs** in addition to what was communicated last April. These costs, together with other actions, will produce an **extra €10 million in savings in 2010 on top of the savings of more than €50 million expected in 2009**.

EBIT including net income from investments is therefore confirmed at €100 million in 2011, of which up to €50 million from recurring asset management activities and services which, also benefiting from the restructuring measures mentioned above, will therefore make up for any lower results from co-investment generated by portfolio rotation.

Following these actions, **the target for net financial position, after the capital increase and excluding shareholder loans, is €-420 million at the end of 2009 and €-270 million at the end of 2011.**

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