PRESS RELEASE

PIRELLI RE: BOARD OF DIRECTORS APPROVES ANNUAL FINANCIAL STATEMENTS FOR 2009

PERFORMANCE TARGETS ACHIEVED

- EBIT, INCLUDING NET INCOME FROM EQUITY PARTICIPATIONS AND BEFORE RESTRUCTURING COSTS AND REVALUATIONS/WRITEDOWNS AT -€26.1 MILLION, AT THE BETTER END OF TARGET RANGE (-25/-35)
- ADJUSTED TO INCLUDE INCOME FROM SHAREHOLDER LOANS[1], THIS RESULT COMES TO -€6.6 MILLION, VERSUS A LOSS OF €36.7 MILLION IN 2008
- REAL ESTATE SALES: TARGET OF €1 BILLION ACHIEVED
- FIXED COST SAVINGS OF €68 MILLION ACHIEVED IN 2009, WELL ABOVE ORIGINAL TARGET OF €50 MILLION

FINANCIAL HIGHLIGHTS

- SERVICE ACTIVITIES[2]: €7.8 MILLION IN PROFIT, AN IMPROVEMENT OVER A LOSS OF €30.3 MILLION IN 2008
- NET RESULT: LOSS ALMOST HALVED, -€104.3 MILLION VERSUS -€195 MILLION IN 2008, AFTER RECOGNIZING €55.3 MILLION IN RESTRUCTURING COSTS AND NET PROPERTY WRITEDOWNS
- ASSETS UNDER MANAGEMENT[3]: €14.4 BILLION IN REAL ESTATE, WITH PIRELLI RE SHARE OF NAV AT €1.2 BILLION[4]; €1.6 BILLION FOR NPL
- NET FINANCIAL POSITION, EXCLUDING SHAREHOLDER LOANS GRANTED IMPROVES SIGNIFICANTLY: -€445.8 MILLION (-€861.8 MILLION AT DECEMBER 31ST, 2008); GEARING[5] IMPROVES TO 0.7 (2.4 AT DECEMBER 31ST, 2008)

RESULTS FROM SERVICE ACTIVITIES INCLUDING G&A COSTS IN 2010 EXPECTED TO BE IN THE RANGE OF +€20/+30 MILLION

SHAREHOLDERS' MEETING ON APRIL 19TH, CONVENED TO APPROVE ANNUAL FINANCIAL STATEMENTS, WILL ALSO CONSIDER PROPOSED NEW INCENTIVE PLAN

Milan, 9 March 2010 – At today's meeting, the Board of Directors of Pirelli & C. Real Estate examined and approved the annual financial statements for 2009, which will be presented for the approval of the ordinary shareholders' meeting scheduled for 19 April 2010.

In the year just ended, the Pirelli RE Group carried on its process of turnaround, involving a plan to reduce costs and regain efficiency, an organizational overhaul and a strengthening of capital, combined with a refocusing of the business model towards asset & fund management activities and specialized services, with the goal of increasing the level of recurring results.

It was in this light that an institutional partner of Intesa Sanpaolo took a 10% stake in Pirelli RE

[1] Income from shareholder loans: includes interest income on financial receivables from associates and joint ventures.

[2] Include asset & fund management, agency, property management, facility services (only in Germany and Poland) and credit servicing (only in Italy), inclusive of general and administrative expenses (G&A/holding)

[3] Assets under management are stated at market value on the basis of valuations and analyses by independent appraisers, except for the NPLs which are reported at their book value.

[4] This amount is Pirelli RE's share of the market value of its real estate participations less its share of net bank debt of participated funds and vehicle companies.

[5] Gearing: ratio between net financial position excluding shareholder loans granted and net equity

SGR in the second half of the year, with the aim of supporting growth in the assets managed by the SGR and thus in its fund management activities.

The cost-reduction plan generated around €68 million in savings in 2009, well above the original target of €50 million.

On the balance-sheet front, capital was successfully increased during the year which improved the gearing ratio to 0.7 (from 2.4 at December 31st, 2008), while eight leading financial institutions agreed to give the Company a committed credit line, more in keeping with its new business needs, for €320 million until July 2012.

Performance of the Group in 2009

Even though the year just ended has been heavily affected by the international economic recession, the Group's key performance indicators for 2009 were significantly better, confirming the validity of the actions taken up until now. The net loss at 31 December, 2009 was almost half of that in the previous year, while EBIT, including income from shareholder loans, showed a positive trend for three successive quarters and decided improvement for full year 2009.

Real estate sales amounted to €1,031.4 million at December 31st, 2009 (€864.9 million at December 31st, 2008), **reaching the announced target of €1 billion**. These sales took place at values that were generally in line with those appraised by the independent experts, with an overall sales margin of around 14% (19% in 2008).

Consolidated revenues amounted to €271.7 million at December 31st, 2009 (€365.1 million in 2008). The prime influence on this figure was the reduction in sales of property held by companies consolidated in 2009 (the 2008 figure benefited from around €49 million in revenues from the sale of one individual asset in Poland).

EBIT, including net income from equity participations and before restructuring costs and property writedowns/revaluations, was -€26.1 million, half the corresponding loss of €59.7 million in 2008 and at the better end of the range announced to the market (-€25/-35 million).

EBIT also including income from shareholder loans was -€6.6 million, a major improvement on the corresponding loss of €36.7 million in 2008.

Service activities[6] reported a positive result of €7.8 million, marking a major improvement on the negative result of €30.3 million in 2008, particularly thanks to action on costs. The figures for 2009 include €13.5 million in gains on the sale of 10% of Pirelli RE SGR and of 20% of Pirelli RE Credit Servicing, while the 2008 figures included €17 million in indemnity received upon replacing Pirelli RE SGR as manager of the Berenice fund.

At December 31st, 2009, **investment activities**[7] reported a negative result of €14.4 million, versus -€6.4 million in 2008. Last year's result particularly reflected the larger overall impact of hedging derivatives and impairment losses on non performing loans.

The net balance of **revaluations and writedowns** is a negative €31.4 million at December 31st, 2009 (-€135.8 million in the previous year). Although a total of €98.8 million in writedowns have

[6] Results from service activities mean the net income generated by the Company from its fund and asset management activities and specialized real estate services (agency, property management, facility services, only in Germany and Poland, and credit servicing, only in Italy), inclusive of general and administrative expenses(G&A/holding).

[7] Results from investment activities mean the net income generated by Pirelli RE's investments in real estate and NPL companies and funds.

been recognized, a total of €67.4 million in revaluations have also been recognized for properties (residential in Germany and prime assets in Italy), for which the Company has now adopted a medium-term "hold" strategy. Based on the valuations by independent experts, the market value of like-for-like investee assets has been written down by a total of 2.8%.

The **consolidated net result** was a loss of €104.3 million at December 31st, 2009, almost half the loss of €195 million reported at December 31st, 2008.

Group net equity stood at €653.4 million at December 31st, 2009 (€361.7 million at December 31st, 2008).

The **net financial position** reported net debt of €41.3 million at December 31st, 2009 (net debt of €289.5 million at December 31st, 2008). The net financial position, excluding shareholder loans granted, reported net debt of €445.8 million, representing a significant reduction from €861.8 million at December 31st, 2008 primarily thanks to the capital increase.

Gearing (given as the ratio between net financial position, excluding shareholder loans granted, and net equity) has improved to 0.7 from 2.4 at December 31st, 2008.

At December 31st, 2009 the **real estate assets managed** by Pirelli RE had a value of approximately €14.4 billion, versus €15.4 billion at the end of 2008; this reduction was primarily due to planned sales activities involving over €1 billion in assets. Pirelli RE's average interest in its co-investments was around 26%.

Independent experts have put the **Pirelli RE share of Net Asset Value (NAV)** at December 31st, 2009 at around €1.2 billion which is basically in line with the corresponding figure at December 31st, 2008.

The **NPL portfolio managed** by the Group amounted to €1.6 billion at year end (versus €1.9 billion in 2008).

Divisional performance
Please note that the results reported in this paragraph exclude general and administrative expenses (G&A/holding).

ITALY

Real estate sales amounted to €613.5 million in 2009 compared with €570.5 million in the previous year.

EBIT, including net income from equity participations and shareholder loans and before restructuring costs and writedowns/revaluations, came to a positive €28.7 million at December 31st, 2009 compared with a loss of €7.6 million at December 31st, 2008. EBIT comprised €32 million in net income from services (up from €11.3 million in 2008[8]) and -€3.3 million in net losses from real estate funds and vehicle companies(-€18.8 million in 2008[9]).

GERMANY

Real estate sales amounted to €380,1 million in 2009 compared with €184.5 million in the previous year.

EBIT, including net income from equity participations and shareholder loans and before restructuring costs and writedowns/revaluations, reported a major improvement at December 31st, 2009, almost reaching breakeven at -€1.4 million (-€24.3 million at December 31st, 2008). EBIT comprised approximately €1.4 million in net income from services (-€9.7 million in 2008) and approximately -€2.8 million in net losses from real estate vehicle companies (-€14.5 million in 2008).

POLAND

Real estate sales amounted to €37.8 million in 2009 compared with €109.9 million in the previous year.

EBIT, including net income from equity participations and shareholder loans and before restructuring costs and writedowns/revaluations, basically broke even with €0.1 million at December 31st, 2009, compared with €19.8 million at December 31st, 2008, when this figure benefited from non-recurring gains of €15 million on the disposal of one major asset. EBIT comprised -€1.1 million in net losses from services (-€2.0 million in 2008) and €1.2 million in net income from real estate vehicle companies (€21.8 million in 2008).

NPL

Collections of non performing loans amounted to €322.7 million in 2009, compared with €514.2 million in the previous year.

EBIT, including net income from equity participations and shareholder loans and before restructuring costs and writedowns/revaluations, came to -€13.5 million at December 31st, 2009, compared with a positive €8 million at December 31st, 2008. EBIT comprised -€4.0 million in net losses from services (income of €3.7 million in 2008) and -€9.5 million in net losses from vehicle companies (income of €4.3 million in 2008). This result particularly reflected the negative impact of €30.4 million in impairment losses on non performing loans, after revising certain business plans over their full lives (impairment losses amounted to €11.2 million in 2008).

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[8] The figure for 2008 included €17 million in indemnity received upon replacing Pirelli RE SGR as the manager of the Berenice fund. The figure for 2009 includes €11.7 million in gains on the sale of 10% of Pirelli RE SGR.

[9] The figure for 2008 included losses of € 6 million related to the operating companies Upim and Rinascente , reclassified in 2009 as assets held for sale and reported in financial expenses.

Events subsequent to 31 December 2009

In the months of January and February, as part of the activities focused on giving further flexibility to the company's financial structure, two new loan agreements were signed with Banca Popolare di Milano and Royal Bank of Scotland for committed revolving credit facilities of €10 million and €25 million, respectively, with a duration of one year. The facility with Banca Popolare Milano may be renewed for an additional six months.

On January 28th, 2010, in line with the previously announced strategy, the affiliate Rinascente Upim S.r.l. sold the operating company Upim to Gruppo Coin, leaving it with a sole operating interest in La Rinascente.

Good progress is being made in the restructuring of the Arcandor Group, to which Karstadt, the Highstreet tenant, belongs. In this regard, in February the owner companies reached an agreement with the lender banks, being an essential condition for being able to support the Arcandor Group's restructuring plan, which the committee of liquidators will submit to the creditors' meeting to be held in April.

Lastly, the Board of Directors acknowledged the resignations tendered in the current month by the directors David Brush and Olivier Yves de Poulpiquet de Brescanvel.

Expected outlook for the business in 2010 and 2011

The Company expects its **service activities**[10] to reach an EBIT for **full year 2010** of **between +€20 and +€30 million,** thanks to further actions to improve efficiency and by developing the fund management business, through both internal and external growth.

The target for **real estate sales** in 2010 is in the range **€1.3 to 1.5 billion,** basically keeping total assets under management stable.

Pirelli RE also confirms the **targets for 2011** as recently published in the Plan, and particularly the achievement of **a result of €50 million from services**.

It is well to recall that such projections for 2010 and 2011 could be heavily influenced by exogenous factors beyond the Company's control, such as changes in the macroeconomic scenario, the trend on the real estate market, movements in interest rates and the terms of access to credit, none of which can be predicted at present.

Transfer of registered office

With effect from March 15th, 2010, Pirelli RE will transfer the address of its registered office from Via Gaetano Negri no.10 to **Viale Piero e Alberto Pirelli no.25**, still in Milan.

Shareholders' Meeting

The Board of Directors has charged the Chairman with the responsibility for calling the shareholders' meeting due to approve the financial statements for 2009, on April 19th, 2010 (upon first call) or April 20th, 2010 (upon second call).

The shareholders' meeting will also be required to vote on the appointment of three directors and/or the reduction in the size of the Board of Directors, on the appointment of the Board of

[10] As previously defined and inclusive of general and administrative expenses (G&A/Holding)

Statutory Auditors, on the renewal of the authority to buy back the Company's shares and on a new long-term incentive plan based, among other things, on the performance of Pirelli RE shares. The shareholders will also be required to vote in extraordinary session on a number of amendments to the articles of association.

Long Term Incentive Plan (LTI)

The long term incentive plan for the Top Management ("LTI 2010-2011") is strictly tied to achieving the targets indicated in the 2009-2011 Business Plan and to the development and creation of value for the company in the medium-long term.

The incentive scheme is linked not only to specific and precise performance indicators, but also to Pirelli RE's price per share, in order to reflect the market's opinion as to the quality of the management's actions and to align the management's objectives with those of the shareholders. There are two essential one-off conditions which much be satisfied in order to awarded the bonus:

1) the Pirelli RE stock price must be at least equal to €0.87[11];
2) the service activities must have reached a cumulative Ebit for 2010-2011 of not less than €70 million (inclusive of G&A costs).

Beneficiaries of the plan will be the Chief Executive Officer and the Managing Director Finance, as well as the 2 General Managers and 6 Senior Managers of Pirelli RE. It is expected that 3 managers of the subsidiary Pirelli RE SGR will also participate in the plan, pending a decision by its governing body.

The bonuses will be paid from April 2012. They will be paid partly in cash and partly in Pirelli RE shares, with specific mechanisms which differ for the Chief Executive Officers and the other beneficiaries, depending on the performance of the Pirelli RE stock and however with a predefined cap. In any case, the shares will be restricted under a lock-up clause applying to blocks of shares and different dates up until December 2013.

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The results for the year ended December 31st, 2009 will be presented in a conference call tomorrow, March 10th, at 18.00 , as part of the presentation of the Pirelli Group's results and in which Marco Tronchetti Provera, chairman of Pirelli & C. SpA, and top management will be taking part. Journalists may follow the presentation telephonically by dialling +39.06.3348.5042 but will not be allowed to ask questions. The presentation will also be available real-time in webcasting at www.pirelli.com in the Investors section, where the slides may be viewed.

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This press release contains references to the following principal alternative performance indicators for the purposes of better evaluating the Pirelli RE Group's results: EBIT including net income from investments before restructuring costs and writedowns/revaluations is calculated as EBIT plus net income from investments less restructuring costs and writedowns/revaluations; Ebit also including the income from shareholders' loans are determined as above, therefore inclusive of interest income on financial receivables from associates and joint ventures, as well net financial position, which is represented by gross financial debt less cash and other cash equivalents and other financial receivables.

[11] The reference price will be the average daily closing price in the six month period 09.30.2011-03.31.2012.

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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 Company's 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 Ernst & Young S.p.A..

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1) PRE - RECLASSIFIED INCOME STATEMENT

(Euro/million)	DECEMBER 2009	DECEMBER 2008
Consolidated revenues:	271,7	365,1
of which services	*187,3*	*224,3*
of which others	*84,4*	*140,8*
SERVICES: EBIT before restructuring costs and property writedowns/revaluations	(5,7)	(31,9)
SERVICES: net income from equity participations before restructuring costs and property writedowns/revaluations	13,5	1,6
A **TOTAL SERVICES: EBIT including net income from equity participations and before restructuring and property writedowns/revaluations**	**7,8**	**(30,3)**
B **INVESTMENT**: EBIT before restructuring costs and property writedowns/revaluations	1,2	14,2
C **INVESTMENT**: net income from equity participations before restructuring costs and property writedowns/revaluations	(35,1)	(43,6)
INVESTMENT : income from shareholder loans (2)	19,5	23,0
TOTAL INVESTMENT: EBIT including net income from equity participations and income from shareholder loans	**(14,4)**	**(6,4)**
EBIT including net income from equity participations and income from shareholder loans before restructuring costs and property writedowns/revaluations	**(6,6)**	**(36,7)**
Restructuring costs	(23,9)	(44,2)
Property writedowns/revaluations	(31,4)	(135,8)
EBIT including net income from equity participations and income from shareholder loans (1)	**(61,9)**	**(216,7)**
Financial expenses	(35,1)	(49,0)
PBT	**(97,0)**	**(265,7)**
Income taxes	(7,8)	(1,9)
Net income (loss) before discontinued operations	(104,8)	(267,6)
Discontinued operations	0,0	74,6
Net income (loss) before minority interests	**(104,8)**	**(193,0)**
Minority interests	0,5	(2,0)
Consolidated net income (loss)	**(104,3)**	**(195,0)**
EBIT including net income from equity participations before restructuring costs and property writedowns/revaluations (A + B + C)	**(26,1)**	**(59,7)**

(1) The amount at December 31st, 2009 is calculated as EBIT (-€36.3 million, which comprises the sum of EBIT from services of -€5.7 million, EBIT from investment activities of +€1.2 million, restructuring costs of -€23.9 million and property writedowns/revaluations by consolidated companies of -€7.8 million) plus net income from equity participations of -€45.1 million (comprised of results from equity participations for -€35.1 million, the result from services participations of +€13.5 and the value of revaluations/writedowns of the companies valued at equity of -€23.5 million), and the value of interest income on financial receivables from associates, joint ventures and others (see note 2 for its composition)

(2) This amount consists of €29.6 million in interest income on financial receivables from associates and joint ventures, €0.7 million in income from securities and -€10.8 million euro in impairment of securities.

2) PRE - Consolidated balance sheet

(Euro/million)	DECEMBER 2009	DECEMBER 2008
Fixed assets	**654,0**	**589,1**
of which equity participations in real estate funds and investment companies **(1)**	*472,3*	*405,7*
of which goodwill	*148,1*	*137,8*
Net working capital	**114,9**	**133,1**
Net invested capital	**768,9**	**722,2**
Net equity	**663,1**	**366,4**
of which group net equity	653,4	361,7
Provisions	64,5	66,3
Net financial position	41,3	289,5
of which shareholder loans granted	(404,4)	(572,3)
Total covering net invested capital	**768,9**	**722,2**
Net financial position excluding shareholder loans granted	**445,8**	**861,8**
Net invested capital including shareholder loans granted	**1.173,4**	**1.294,5**
Gearing	**0,67**	**2,35**

(1) The figure includes equity participations in associates, joint ventures and other participations (€457.7 million), investments in real estate funds (€7.8 million) and junior notes (€6.8 million). The amounts at December 2009 and December 2008 include provisions for equity participation writedowns of €3.3 million and €48.7 million respectively.

3) PRE - RECLASSIFIED CASH FLOW STATEMENT

(Euro/million)	DECEMBER 2009	DECEMBER 2008
EBIT before restructuring costs and property writedowns/revaluations	**(26,1)**	**(59,7)**
Amortization and depreciation	7,4	9,5
Change in non-current financial assets /sale of equity participations **(1)**	(101,2)	2,6
Change in other non-current assets	(9,9)	(16,8)
Change in net working capital and provisions and other changes	41,7	(2,5)
Free cash flow	**(88,1)**	**(67,0)**
Impact of Facility Management	0,0	171,2
Payment of restructuring costs	(40,4)	(12,4)
Financial and tax expenses/income	(22,7)	(6,5)
Cash flow before dividends	**(151,1)**	**85,3**
Dividends paid	0,0	(85,1)
Net cash flow	**(151,1)**	**0,2**
Rights issue	399,3	0,0
Purchase/sale of treasury shares	0,0	0,0
Total cash flow	**248,2**	**0,2**

(1) The balance at December 31st, 2009 includes €114.8 million in financial receivables from associates and joint ventures reclassified to equity participations.

4) *Assets Under Management by Country and Segment*

Euro/billion			Market Value DECEMBER 2009		Market Value DECEMBEE 2008
TOTAL ASSETS UNDER MANAGEMENT			**16,0**		**17,3**
NON PERFORMING LOANS			**1,6**		**1,9**
REAL ESTATE			**14,4**		**15,4**
of which participated			14,0		15,0
of which ITALY		7,2	**50%**	7,6	**50%**
of which GERMANY		7,0	**49%**	7,6	**49%**
of which POLAND		0,2	**1%**	0,2	**1%**
ITALY					
	TRADING & SOHO (SMALL OFFICE)		1,0		1,3
	COMMERCIAL YIELDING & CORE		4,7		5,1
	DEVELOPMENT		1,4		1,2
			7,2		**7,6**
GERMANY					
	RESIDENTIAL		2,8		2,8
	COMMERCIAL		4,1		4,6
	PRE-LET DEVELOPMENT		0,2		0,2
			7,0		**7,6**
POLAND (1)			**0,2**		**0,2**

(1) Assets Under management in Poland of €0.2 billion all refer to the cluster development.