PRESS RELEASE

PIRELLI RE: BOARD OF DIRECTORS APPROVES FIGURES AT MARCH 31ST, 2010

THE COMPANY CONFIRMS ALL ITS FULL YEAR TARGETS

- EBIT[1] SHOWS STRONG IMPROVEMENT COMING IN AT A POSITIVE €10.3 MILLION COMPARED WITH A LOSS OF €6.2 MILLION IN FIRST QUARTER 2009
- NET RESULT AT BREAKEVEN: +€0.4 MILLION COMPARED WITH A LOSS OF €15.8 MILLION AT MARCH 2009
- NET FINANCIAL POSITION, EXCLUDING SHAREHOLDER LOANS GRANTED: -€458.6 MILLION (-€445.8 MILLION AT DECEMBER 31ST, 2009); GEARING[2] STABLE AT 0.7
- THE SERVICE ACTIVITIES[3] REPORT A POSITIVE EBIT OF SOME €5 MILLION VERSUS A LOSS OF €1.3 MILLION IN FIRST QUARTER 2009, IN LINE WITH THE RANGE EXPECTED FOR FULL YEAR 2010 OF BETWEEN +€20/+30 MILLION
- REAL ESTATE SALES AT APRIL 30TH AMOUNT TO APPROXIMATELY €401 MILLION WITH POSITIVE MARGINS. FULL YEAR TARGET OF BETWEEN €1.3 AND €1.5 BILLION CONFIRMED.
- FIXED COST SAVINGS OF MORE THAN €14 MILLION ALREADY ACHIEVED IN THE QUARTER, ABOUT HALF THE FULL YEAR TARGET (BETWEEN €25 AND €30 MILLION)

BOARD OF DIRECTORS HAS ALSO FAVOURABLY ACKNOWLEDGED PIRELLI RE'S SEPARATION PLAN APPROVED BY BOARD OF DIRECTORS OF PIRELLI & C. (SEE JOINT PRESS RELEASE PUBLISHED TODAY)

Milan, May 4th, 2010 – At today's meeting, the Board of Directors of Pirelli & C. Real Estate examined and approved the interim management statement at March 31st, 2010.

In light of the first quarter performance, the Company confirms the EBIT and other financial targets for full year 2010 already announced. All the Group's key performance indicators at March 31st, 2010 are significantly better with respect to the same period in 2009, confirming the soundness of the business model and the actions taken up until now. After seven consecutive loss-making quarters, the attributable net result returns to the black in the first quarter of 2010, with net profit of €0.4 million (-€15.8 million in March 2009).

Group performance in first quarter 2010

Consolidated revenues amount to €51.7 million at March 31st, 2010, basically in line with the €53.8 million reported at the end of March 2009.

1 Includes results from service and investment activities, and income from shareholder loans which includes interest income on financial receivables from associates and joint ventures
2 Gearing: the ratio between net financial position, excluding shareholder loans granted, and net equity
3 Includes 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).

EBIT[4] is €10.3 million, showing strong improvement with respect to the loss of €6.2 million reported in first quarter 2009.

Service activities[5] report a positive result of €5.0 million, marking a major improvement on the negative result of €1.3 million in the same period of 2009, thanks to continuous action to reduce costs. On the basis of this result, the Company confirms the full year target range of between +€20 and +€30 million.

The result for **investment activities** at March 31st, 2010 is also positive at €5.3 million versus a negative €4.9 million in March 2009. This improvement is attributable to a lower impact from hedging derivatives and the disposal of non-strategic equity investments which had generated losses in the past.

The **consolidated net result** shows significant improvement with respect to the negative €15.8 million reported in the same period last year, reaching breakeven at +€0.4 million. No provisions for restructuring charges were made in either of the two periods. Please also note that property values are appraised every six months.

Real estate sales amount to approximately €401 million at April 30th, 2010 (€242.9 million at April 30th, 2009)[6]. On the basis of the current trend, the Company confirms the previously announced target for real estate sales in 2010 of between €1.3 and €1.5 billion. Sales amounted to €146.5 million at March 31st, 2010 (€174.8 in the same period of 2009). Assets Under Management at this date amount to a total of €16.4 billion (of which €14.9 billion[7] in real estate and €1.5 billion in NPLs[8]) compared with €16 billion at December 2009, also thanks to acquisition of management of a new third-party portfolio worth some €0.6 billion.

With regard to the **cost-saving plan**, the Company has already achieved fixed cost savings of approximately €14 million in first quarter 2010, almost half the top end of the announced full year target range (€25-€30 million).

Group net equity is €655.6 million at March 31st, 2010 (€653.4 million at December 31st, 2009).

The **net financial position** reports net debt of €55.3 million at March 31st, 2010 (net debt of €41.3 million at December 31st, 2009). The net financial position, excluding shareholder loans granted, reports net debt of €458.6 million, basically unchanged with respect to the €445.8 million recorded at December 31st, 2009.

Gearing (given as the ratio between net financial position, excluding shareholder loans granted, and net equity) is stable with respect to December 31st, 2009 at 0.7.

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4 Includes results from service and investment activities, and income from shareholder loans which includes interest income on financial receivables from associates and joint ventures

5 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).

6 Includes Italia Turismo's real estate portfolio and the Grosse Strasse complex in Osnabruck, Germany

7Market value determined by the Company based on appraisals at December 2009, as adjusted for sales, capitalizations and acquisitions in the first quarter of 2010.

8 Stated at book value

Divisional performance

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

ITALY

Real estate sales amount to approximately €320 million at April 30th, 2010. Sales amounted to €124.8 million at March 31st, 2010 compared with €144.8 million in the same period of the previous year.

EBIT[9] is a positive €9.8 million at March 31st, 2010 compared with a loss of €3.3 million March 31st, 2009. EBIT comprises €8.4 million in net income from services (an improvement on €4.9 million in 2009) and €1.4 million in net income from investment activities (-€8.2 million in 2009).

GERMANY

Real estate sales amount to approximately €63 million at April 30th, 2010. Sales amounted to €4.9 million at March 31st, 2010 compared with €15.3 million in the same period of the previous year.

EBIT is a positive €1.4 million at March 31st, 2010, an improvement on the loss of €1.0 million reported at March 31st, 2009. EBIT comprises €0.9 million in net income from services (€1.3 million in 2009) and €0.5 million in net income from real estate vehicle companies (-€2.3 million in 2009).

POLAND

Real estate sales amount to approximately €18 million at April 30th, 2010. Sales amounted to €16.8 million at March 31st, 2010 compared with €14.7 million in the same period of the previous year.

EBIT is €0.2 million at March 31st, 2010, compared with €1.1 million at March 31st, 2009. EBIT comprises -€0.3 million in net losses from services (€0.5 million in 2009) and €0.5 million in net income from real estate vehicle companies (€0.7 million in 2009).

NPL

Collections of non performing loans amount to €66.1 million at March 31st, 2010, compared with €81.7 million in the same period of the previous year.

EBIT is €2.9 million at March 31st, 2010, compared with €2 million at March 31st, 2009, thanks to the results obtained by the vehicle companies (€4.9 million in 2009), while service activities reported a breakeven (-€2.9 million in 2009).

[9] Includes results of service activities, investment activities and income from shareholder loans

Events subsequent to March 31st, 2010

Restructuring of the Arcandor Group

Progress is being made in the restructuring of the Arcandor Group, to which Karstadt, the Highstreet tenant, belongs. In February the owner companies reached an agreement with the financing banks, being an essential condition for being able to support the Arcandor Group's restructuring plan, which the committee of liquidators has submitted to the creditors' meeting. The restructuring plan includes the sale of the Karstadt operating company, for which purchase offers should have been presented by the end of April. The committee of liquidators has extended the purchase offer presentation deadline to the end of May 2010: at this point the Essen Court will review whether the restructuring plan's conditions precedent have actually been satisfied, including the presence of binding purchase offers.

Board examination of Pirelli RE separation plan approved by Pirelli & C.

The Board of Directors of Pirelli RE, meeting after that of Pirelli & C., has also favourably acknowledged the separation plan approved by Pirelli & C. As a result of this operation, Pirelli RE will change its name, which will be examined in a forthcoming board meeting.

All the details about this operation can be found in the joint press release published today by Pirelli & C. and Pirelli RE.

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The results for the quarter ended March 31st, 2010 will be presented tomorrow, May 5th, 2010 at 12.00, in a joint conference call with Pirelli & C, and in which Marco Tronchetti Provera, the Company's Chairman, 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.

§

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 income from shareholder loans is determined as above but also includes interest income from financial receivables due from associates and joint ventures; net financial position, which is represented by gross financial debt less cash and other cash equivalents and other financial receivables.

§

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.

§

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..

The Interim Management Statement at March 31st, 2010 will be made available to the public by May 14th, 2010 at the Company's registered office in Milan, Viale Piero e Alberto Pirelli 25 and at *Borsa Italiana S.p.A..* The same document will also be made available on the Company's website, *www.pirelli.com.*

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1) PRE - RECLASSIFIED INCOME STATEMENT

(Euro/million)	MARCH 2010	MARCH 2009
Consolidated revenues:	51.7	53.8
of which services	*41.6*	*47.7*
of which others	*10.1*	*6.1*
SERVICES : EBIT	5.0	(1.3)
SERVICES : net income from investments	0.0	0.0
TOTAL SERVICES : EBIT including net income from investments	**5.0**	**(1.3)**
INVESTMENT : EBIT	(1.2)	(0.9)
INVESTMENT : net income from investments	0.0	(12.5)
INVESTMENT : income from shareholder loans (1)	6.5	8.5
TOTAL INVESTMENT: EBIT including net income from investments and income from shareholder loans	**5.3**	**(4.9)**
EBIT including net income from investments and income from shareholder loans	10.3	(6.2)
Restructuring costs **(2)**	0.0	0.0
Property writedowns/revaluations **(2)**	0.0	0.0
EBIT including net income from investments and income from shareholder loans including restructuring costs and property writedowns/revaluations (3)	**10.3**	**(6.2)**
Financial expenses	(5.2)	(8.3)
Profit (loss) before taxes	**5.1**	**(14.5)**
Income taxes	(4.1)	(2.1)
Net income (loss) before minority interests	**1.0**	**(16.6)**
Minority interests	(0.6)	0.8
Consolidated net income (loss)	0.4	(15.8)

(1) This amount consists of €6.5 million in interest income from financial receivables due from associates and joint ventures.

(2) The impact of restructuring costs and property writedowns/revaluations is zero at both March 31st, 2010 and March 31st, 2009 (also because property valuations are carried out on a six-monthly basis).

(3) The amount at March 31st, 2010 is calculated as EBIT of +€3.8 million plus income from shareholder loans.

2) PRE - Reclassified balance sheet

(Euro/million)	MARCH 2010	DECEMBER 2009
Fixed assets	656.0	654.0
of which investments in real estate funds and investment companies (1)	*475.7*	*472.3*
of which goodwill	*148.1*	*148.1*
Net working capital	123.4	114.9
Net invested capital	779.4	768.9
Net equity	666.0	663.1
of which group net equity	655.6	653.4
Provisions	58.1	64.5
Net financial position	55.3	41.3
of which shareholder loans granted	(403.3)	(404.4)
Total covering net invested capital	779.4	768.9
Net financial position excluding shareholder loans granted	458.6	445.8
Net invested capital excluding shareholder loans granted	1,182.7	1,173.4
Gearing	0.69	0.67

(1) The figure includes investments in associates, joint ventures and others (€466.3 million), investments in real estate funds (€7.8 million, reported in "Other financial assets" in the consolidated balance sheet) and junior notes (€6.8 million, reported in "Other financial assets" in the consolidated balance sheet). The amounts at March 2010 and December 2009 include provisions for investment writedowns of €5.2 million and €3.3 million respectively.

3) PRE - RECLASSIFIED CASH FLOW STATEMENT

(Euro/million)	MARCH 2010	MARCH 2009
EBIT	3.8	(2.2)
Amortization and depreciation	1.2	1.7
Change in non-current financial assets /sale of investments	(4.8)	(8.3)
Change in other non-current assets	0.2	0.1
Change in net working capital and provisions and other changes	(12.6)	(4.4)
Net cash flow from operating activities	(12.2)	(13.1)
Payment of restructuring costs	(4.3)	(6.8)
Financial and tax expenses/income	2.5	0.1
Net cash flow before dividends	(14.0)	(19.8)
Dividends paid	0.0	0.0
Net cash flow	(14.0)	(19.8)