PRESS RELEASE

PIRELLI RE: RESULTS AT JUNE 30TH, 2010 APPROVED

CONTINUED IMPROVEMENT IN ALL FINANCIAL PERFORMANCE INDICATORS DURING FIRST SIX MONTHS, YEAR-END TARGETS CONFIRMED

- EBIT[1] REPORTS MAJOR IMPROVEMENT TO A POSITIVE €17.9 MILLION FROM A LOSS OF €9.2 MILLION AT END OF JUNE 2009
- EBIT FROM SERVICE ACTIVITIES[2] IS A POSITIVE €11.2 MILLION VERSUS A LOSS OF €3.2 MILLION AT JUNE 2009, IN LINE WITH FULL-YEAR TARGET RANGE OF BETWEEN +€20 AND +€30 MILLION
- FIRST-HALF REAL ESTATE SALES OF €562.1 MILLION (€351.9 MILLION AT JUNE 2009), REACHING €771.3 MILLION IF THE ANASTASIA FUND'S IMMINENT LAUNCH IS INCLUDED: FULL-YEAR TARGET CONFIRMED AS BETWEEN €1.3 AND €1.5 BILLION
- FIXED COST SAVINGS OF €25.4 MILLION MADE IN FIRST SIX MONTHS: FULL-YEAR TARGET RANGE ALREADY ACHIEVED (BETWEEN €25 AND €30 MILLION)
- CONSOLIDATED NET RESULT IS A LOSS OF €20.9 MILLION, ALMOST ALL OF WHICH DUE TO PROPERTY WRITEDOWNS (€18.3 MILLION) AND MORE THAN HALVED FROM LOSS OF €42.3 MILLION IN FIRST HALF 2009
- NET FINANCIAL POSITION, EXCLUDING SHAREHOLDER LOANS GRANTED: -€452.3 MILLION (STABLE AGAINST -€445.8 MILLION AT DECEMBER 31ST, 2009);GEARING[3] STABLE AT 0.7

GENERAL MANAGER PAOLO BOTTELLI HAS RESPONSIBILITY EXTENDED TO BUSINESS IN ITALY AS WELL

NEW MANDATES TO MANAGE THIRD-PARTY ASSETS FOR 2010-2012 REACH AN ESTIMATED VALUE OF BETWEEN €1.6 AND €2.2 BILLION

Milan, July 28th, 2010 – At today's meeting, the Board of Directors of Pirelli & C. Real Estate examined and approved the half-year financial report at June 30th, 2010.

The Company has continued to improve all its key performance indicators in the first half of 2010 relative to the same period in 2009. In terms of operating results, EBIT is €17.9 million (-€9.2 million in the first half of 2009), while EBIT from service activities has climbed to €11.2 million (-€3.2 million in the same period of 2009). In light of these results, the Company confirms all its EBIT and other financial targets for full year 2010.

A number of major transactions were completed during the period which, in keeping with the Group's business model, have increased the value of mandates to manage third-party assets by an estimated €1.6 to €2.2 billion between 2010 and 2012: 1) a portfolio worth €0.6 billion for an international investor; 2) award of one of the two contracts tendered by Enasarco for the creation of a reserved real estate fund (for estimated AUM of between €0.6 and €1 billion by 2012); 3) investment in the Fedora fund by certain pension providers for estimated AUM of between €0.1 and €0.3 billion by 2012; 4) the imminent official launch of the Anastasia Fund,

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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 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).

3 Gearing: the ratio between net financial position, excluding shareholder loans granted, and net equity.

due by the end of July, for €0.3 billion in AUM.

Group performance in first half 2010

Consolidated revenues amount to €135.1 million, up 16.7% from €115.8 million in the first half of 2009.

EBIT[4] has reached €17.9 million, showing strong improvement on the loss of €9.2 million reported in the first half of 2009.

Service activities[5] report a positive EBIT of €11.2 million, marking a major improvement on the negative result of €3.2 million in the same period of 2009. On the basis of this result, the Company confirms the previously announced full-year target of between +€20 and +€30 million.

Investment activities also report a positive result of €6.7 million at June 30th, 2010 versus -€6 million in the first half of 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** is a loss of €20.9 million, more than halved compared with the loss of €42.3 million in the first half of 2009. This result is almost entirely attributable to property writedowns of some €18.3 million, versus writedowns of €50.3 million in the first half of 2009, and positive adjustments following the adoption of IAS 40 of €45.5 million (with a total negative impact of €4.8 million).

Real estate sales amount to €562.1 million in the first half of 2010 (€351.9 million in the first half of 2009), reporting an overall positive margin on book value. Following the imminent launch of the Anastasia Fund, year-to-date sales will rise to €771.3 million. 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.

Assets Under Management are valued at €15.6 billion (of which €14.1 billion[6] in real estate and €1.5 billion in NPLs[7]) compared with €16.0 billion at the end of December 2009. The proportion of non-invested real estate has risen from €0.4 billion in December 2009 to €1.0 billion at the end of June 2010.

With regard to the **cost-saving plan**, the Company has already achieved fixed cost savings of approximately €25.4 million in the first half of 2010, thus reaching the full-year target range (€25-€30 million) six months early.

Group net equity is €629.9 million at June 30th, 2010 (€653.4 million at December 31st, 2009). The **net financial position** reports net debt of €61.8 million at June 30th, 2010 (net debt of €41.3 million at December 31st, 2009 and €55.3 million at March 31st, 2010).

The net financial position, excluding shareholder loans granted, reports net debt of €452.3 million, compared with €445.8 million at December 31st, 2010 (and €458.6 million at March

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 EBIT 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 Market value as determined in appraisals by independent experts, except for Highstreet whose market value, aligned with its book value of €35.5 million, has been conventionally determined on the basis of the recoverability of the residual net invested capital in this venture.
7 Stated at book value.

31st, 2010). **Gearing** (given as the ratio between net financial position, excluding shareholder loans granted, and net equity) **is unchanged** with respect to December 31st, 2009 at 0.7.

Divisional performance in first half 2010

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

ITALY

Real estate sales amount to around €460.9 million, almost double the figure of €273.3 million in the same period of last year.

EBIT[8] is a positive €18.0 million compared with a loss of €3.6 million at June 30th, 2009. EBIT comprises €15.2 million in net income from services (€6.7 million in first half 2009) and €2.8 million in net income from investment activities (-€10.3 million in 2009).

GERMANY

Real estate sales amount to €76.6 million, up from €55.1 million in the same period of last year.

EBIT is a positive €7.1 million, well up on the €1.8 million at June 30th, 2009. EBIT comprises €2.8 million in net income from services (€2.7 million in first half 2009) and €4.3 million in net income from investment activities (-€0.9 million in 2009).

POLAND

Real estate sales amount to around €24.6 million, staying largely unchanged compared with €23.5 million in the same period of last year.

EBIT is €0.2 million compared with €1.6 million at June 30th, 2009. EBIT comprises €0.9 million in net losses from services (-€0.1 million in first half 2009) and €1 million in income from investment activities (€1.7 million in 2009).

NPL

Collections of non performing loans amount to €142.3 million compared with €175.8 million in the same period of last year.

EBIT is -€2.1 million compared with €1 million at June 30th, 2009. EBIT comprises -€0.6 million in net losses from services (-€2.4 million in first half 2009) and -€1.5 million in net losses from investment activities (income of €3.4 million in 2009).

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

Paolo Bottelli General Manager responsible for business in Italy and abroad

The Board of Directors has confirmed the director Paolo Bottelli in the position of General Manager, extending his responsibility to business in Italy in addition to the responsibility, held since December 2008, for business abroad.

Paolo Bottelli, who has contributed to making the management and services platform in Germany and Poland more efficient and started major strategic projects for the Company, is now entrusted with responsibility for managing and developing the business in Italy and abroad.

Paolo Bottelli is part of the top management team along with Giulio Malfatto, the Chief Executive Officer, and Enrico Parazzini, the Managing Director Finance.

Events subsequent to June 30th, 2010

Launch of Anastasia and Monteverdi Funds

The Anastasia Fund is due to make its official debut by July 30th and will be placed with top Italian and international institutional investors. The fund specializes in the Offices segment, with its assets comprising 5 recently built or refurbished buildings, one of which will be transferred to the fund on completion of construction due by the end of 2010; these buildings meet the highest standards of quality and energy and environmental efficiency and have a market value of €318 million. Net of debt, the Anastasia Fund has a value of €140.5 million.

Top accredited Italian and international investors will subscribe at the same time to the Monteverdi Fund; the Fund's portfolio comprises 8 commercial, office and industrial buildings as well as 2.26% of the units in the Armilla real estate fund, managed by Pirelli RE SGR, with a total market value of €88.8 million, which, net of debt, comes down to €62 million. Pirelli RE will take a sizeable minority interest in the Monteverdi Fund.

These transactions have enabled Pirelli RE SGR to boost its total assets under management to €6.3 billion and confirm its leadership of the Italian real estate fund market.

Arcandor Group Restructuring

Restructuring continues of the Arcandor Group, of which Karstadt, tenant of properties in the Highstreet portfolio, is a member. In February 2010, the companies which own the Highstreet property portfolio reached an agreement with the financing banks, thus satisfying one of the essential conditions of the Arcandor Group's restructuring plan, submitted by the committee of liquidators to the creditors' meeting. This restructuring plan includes the sale of the Karstadt operating company. On June 9th, 2010 the creditors' committee accepted an offer presented by the Berggruen Group to buy the Karstadt operating company, subject to obtaining certain concessions from the companies which own the properties, mainly in the form of rent reductions. Negotiations have taken place during June and July between the companies who own the properties, their financial backers and the Berggruen Group, and are still in progress; the outcome is therefore still open. The deadline for the creditors' committee to approve the terms and conditions of these agreements is currently August 10th, 2010.

Expected outlook for the business in 2010

The Company confirms a **target EBIT for its service activities**[9] of between **+€20 and +€30 million for full year 2010**, thanks to further actions to improve efficiency and to the focus on developing the fund management business.

Pirelli RE also confirms the target for **real estate sales** in 2010 of **between €1.3 and €1.5 billion**.

The full-year **cost reduction** target of between **€25 and €30 million** has already been achieved: the Company saved €25.4 million in costs in the first half of the year.

It is well to recall that the projections for 2010 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.

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The results for the six months ended June 30th, 2010 will be presented on July 29th, 2010 at 17.00, in a joint conference call with Pirelli & C, in which Marco Tronchetti Provera, the Company's Chairman, and top management will be speaking. 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, both excluding restructuring costs and writedowns/revaluations; EBIT also including income from shareholder loans is calculated as above but with the addition of 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.

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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.

[9] As previously defined and inclusive of general, administrative and holding costs.

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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)	JUNE 2010	JUNE 2009
Consolidated revenues:	135,1	115,8
of which services	*79,9*	*94,7*
of which others	*55,2*	*21,1*
SERVICES : EBIT	10,6	(5,2)
SERVICES : net income from investments	0,6	2,0
TOTAL SERVICES : EBIT including net income from investments	**11,2**	**(3,2)**
INVESTMENT : EBIT	(4,0)	3,1
INVESTMENT : net income from investments	(2,2)	(22,8)
INVESTMENT : income from shareholder loans (1)	12,9	13,7
TOTAL INVESTMENT: EBIT including net income from investments and income from shareholder loans	**6,7**	**(6,0)**
EBIT including net income from investments and income from shareholder loans	**17,9**	**(9,2)**
Restructuring costs	0,0	(11,5)
Property writedowns/revaluations	(18,3)	(4,8)
EBIT including net income from investments, income from shareholder loans, restructuring costs and property writedowns/revaluations (2)	**(0,4)**	**(25,6)**
Financial expenses	(11,9)	(14,7)
Profit (loss) before taxes	**(12,3)**	**(40,3)**
Income taxes	(8,1)	(2,4)
Net income (loss) before minority interests	**(20,4)**	**(42,7)**
Minority interests	(0,5)	0,4
Consolidated net income (loss)	**(20,9)**	**(42,3)**

(1) This amount consists of €12.9 million in interest income on financial receivables due from associates and joint ventures.

(2) The amount at June 30th, 2010 is calculated as EBIT of +€5.5 million plus the net loss from investments of -€18.8 million and income from shareholder loans of +€12.9 million.

2) PRE - Reclassified balance sheet

(Euro/million)	JUNE 2010	DECEMBER 2009
Fixed assets	**623,5**	**654,0**
of which investments in real estate funds and investment companies **(1)**	*443,9*	*472,3*
of which goodwill	*148,1*	*148,1*
Net working capital	**131,8**	**114,9**
Net invested capital	**755,4**	**768,9**
Net equity	**638,8**	**663,1**
of which group net equity	629,9	653,4
Provisions	**54,8**	**64,5**
Net financial position	**61,8**	**41,3**
of which shareholder loans granted	(390,5)	(404,4)
Total covering net invested capital	**755,4**	**768,9**
Net financial position excluding shareholder loans granted	**452,3**	**445,8**
Net invested capital excluding shareholder loans granted	**1.145,8**	**1.173,4**
Gearing	**0,71**	**0,67**

(1) The figure includes investments in associates, joint ventures and others (€434.7 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 June 2010 and December 2009 include provisions for investment writedowns of €5.4 million and €3.3 million respectively.

3) PRE - RECLASSIFIED CASH FLOW STATEMENT

(Euro/million)	JUNE 2010	JUNE 2009
EBIT before restructuring costs and property writedowns	**6,6**	**(2,0)**
Amortization and depreciation	2,7	3,6
Change in non-current financial assets /sale of investments	6,6	(37,5)
Change in other non-current assets	(0,3)	(0,7)
Change in net working capital and provisions and other changes	(30,8)	15,8
Net cash flow from operating activities	**(15,2)**	**(20,8)**
Payment of restructuring costs	(7,5)	(23,6)
Financial and tax expenses/income	2,2	(3,4)
Net cash flow before dividends	**(20,5)**	**(47,8)**
Dividends paid	0,0	0,0
Net cash flow	**(20,5)**	**(47,8)**

4) *Assets Under Management by Country and Segment*

(Euro/billion)			Market Value JUNE 2010		Market Value DECEMBER 2009
TOTAL ASSETS UNDER MANAGEMENT			**15,6**		**16,0**
NON PERFOMING LOANS			**1,5**		**1,6**
REAL ESTATE			**14,1**		**14,4**
of which investee			13,1		14,0
of which ITALY		7,3	**52%**	7,2	**50%**
of which GERMANY		6,6	**47%**	7,0	**49%**
of which POLAND		0,2	**1%**	0,2	**1%**
ITALY					
	TRADING & SOHO (SMALL OFFICE)		1,0		1,0
	COMMERCIAL YIELDING & CORE		5,0		4,7
	DEVELOPMENT		1,3		1,4
			7,3		**7,2**
GERMANY					
	RESIDENTIAL		2,8		2,8
	COMMERCIAL		3,8		4,1
	PRE-LET DEVELOPMENT		0,1		0,2
			6,6		**7,0**
POLAND (1)			**0,2**		**0,2**

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