PRESS RELEASE

BOARD OF DIRECTORS APPROVES HALF-YEARLY FINANCIAL REPORT AT JUNE 30th, 2008:

- **PRO-RATA AGGREGATE REVENUES: €681.3 MILLION (€745.5[i] MILLION AT JUNE 30th, 2007)**
- **EBIT INCLUDING NET INCOME FROM INVESTMENTS BEFORE RESTRUCTURING COSTS: €49.2 MILLION VS. €105.7 MILLION AT JUNE 30th, 2007[ii]. EBIT EXCLUDING PROPERTY REVALUATIONS: €43.5 MILLION VS. €56.4 MILLION IN FIRST HALF 2007**
- **CONSOLIDATED NET INCOME: €9.0 MILLION VS. €80.1 MILLION AT JUNE 30th, 2007**
- **REAL ESTATE NAV (PRO-QUOTA MARKET VALUE NET OF DEBT) CONFIRMED AT €1 BILLION, WITH PIRELLI RE SHARE OF IMPLICIT CAPITAL GAINS SOME €330 MILLION**
- **IMPROVEMENT IN NET FINANCIAL POSITION: NET DEBT OF €270.5 MILLION VS. €289.7 MILLION AT DECEMBER 31st, 2007 (€300.3 MILLION AT MARCH 31st, 2008)**
- **FOLLOWING "HIGHSTREET" (KARSTADT BUILDINGS) ACQUISITION, COMPLETED ON JULY 28th, 2008, ASSETS UNDER MANAGEMENT[iii] HAVE RISEN TO €18.7 BILLION**
- **THANKS TO RESTRUCTURING ACTIONS IMPLEMENTED AND IF THEY ARE AIMED SOME OF NEGOTIATIONS UNDERWAY, THE COMPANY THINKS IT POSSIBLE TO CONFIRM THAT FULL-YEAR EBIT, BEFORE RESTRUCTURING COSTS, WILL BE IN LINE WITH 2007 (EXCLUDING THE IMPACT OF TEMPORARILY CONSOLIDATING DGAG)**

Milan, August 4th, 2008 – At today's meeting, the Board of Directors of Pirelli & C. Real Estate examined and approved the Group's results for the six months ended June 30th, 2008.

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[i] Net of the effect of temporarily consolidating DGAG and of the sales at cost of DGAG properties to the joint ventures with RREEF (Deutsche Bank Group) and MSREF (Morgan Stanley Group) for €529.9 million.

[ii] Net of temporary consolidation of DGAG.

[iii] Assets under management are stated at market value as estimated by independent appraisers, except for the Highstreet portfolio and NPLs (which are reported at book value).

Pirelli RE is an **Alternative Fund & Asset manager** in the real estate sector. It manages funds and companies than own real estate and Non Performing Loans (NPL) in which it co-invests through minority stakes, **thus aligning its interests with those of investors**.

Assets under management, including the Highstreet (the investment company that owns the majority of the German department store premises operated by Karstadt) acquisition completed on July 28th, have reached €18.7 billion, up 25% from €15 billion in December 2007, ranking Pirelli RE as one of the principal asset managers in Continental Europe. Pirelli RE's average stake in these investments is 25%.

The assets under management comprise €16.5 billion in real estate and development projects and €2.2 billion in non performing loans. The development projects, valued as part of the real estate portfolio at €1.2 billion by the independent appraisers, have an estimated finished product value of over €5.3 billion.

Following the Highstreet acquisition, real estate assets under management abroad account for 50% of the total, with the rest in Italy, of which 75% is managed using funds.

The Company's results in the first half of 2008 are discussed below: you are reminded that pro-rata aggregate revenues and EBIT including net income from investments are the most important indicators of the Group's performance, expressing its share of turnover and trend in earnings respectively.

PERFORMANCE IN THE FIRST HALF OF 2008

Pirelli RE's management of its real estate activities in the first half of the year have generated a positive EBIT, allowing it to move ahead with its strategies and absorb the costs of the current restructuring plan, announced on May 8th, 2008.

Pro-rata aggregate revenues amount to €681.3 million compared with €745.5 million[i] at June 30th, 2007.

Before €16.2 million in restructuring costs, **EBIT including net income from investments** amounts to **€49.2 million** compared with €105.7 million in the first half of 2007 (net of the temporary consolidation of DGAG). Excluding property revaluations at fair value, EBIT is €43.5 million compared with €56.4 million in the first half of 2007. You are reminded that the first-half figure in 2007 benefited from €42.0 million in capital gains on the sale of 49% of Pirelli RE Facility.

In the first half of the year the Company embarked on a **restructuring plan** to cut costs by a total amount of €25/30 million in 2009 and 35/40 million in 2010. Initial costs of €16.2 million relating to the plan have been absorbed in the first half of the year.

After the above restructuring costs, EBIT including net income from investments amounts to €33.0 million compared with €105.7 million at June 30th, 2007 net of the temporary consolidation of DGAG.

Consolidated net income amounts to €9.0 million at June 30th, 2008 compared with €80.1 million in the first six months of 2007.

Group net equity is €650.1 million at the end of June (€712.0 million at March 31st, 2008 and €715.7 million at December 31st, 2007). The reduction of €65.6 million respect

[i] Net of the temporary consolidation of DGAG and the sale of DGAG properties at cost through the disposal of shares to the joint ventures with RREEF and MSREF for €529.9 million.

to the end of December basically reflects the payment of €85.1 million in dividends as partially offset by net income for the period and other positive movements.

The **net financial position** reports net debt of €270.5 million at June 30th, 2008, having improved from €300.3 million at March 31st, 2008 and €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 €809.8 million (€807.8 million at March 31st, 2008 and €816.1 million at December 31st, 2007).

The **gearing** ratio i.e. the ratio between net financial position, excluding shareholder loans, and net equity is 1.23 compared with 1.13 at both March 31st, 2008 and December 31st, 2007, after distributing dividends.

Net cash flow was a positive €19.2 million compared with a negative €10,6 million at March 31st, 2008 and €109,4 at June 30th, 2007 (Net of temporary consolidation of DGAG).

PERFORMANCE BY THE MAIN ACTIVITIES

Capital activities

Real estate NAV[i], which excludes the Highstreet portfolio purchased on July 28th, 2008, **is €1 billion at June 30th, 2008**. The core-core plus portfolio is stated at fair value, while the trading portfolio reports an **implicit capital gain of approximately €330 million[ii].**

Capital activities[iii] have generated €35.3 million in **EBIT including net income from investments,** before restructuring costs, compared with €58.6 million at June 30th, 2007 (net of the temporary consolidation of DGAG). Excluding property revaluations at fair value, EBIT is €29.6 million compared with €9.3 million in the first half of 2007.

Real estate **sales** amount to €527.6 million at June 30th, 2008 (€1,116.8 million in the first half of 2007). A total of €235.0 million in non performing loans were collected in the period (€238.0 million euro in the first half of 2007). Real estate and non performing loan **purchases** amount to €298.3 million in the period compared with €628.0 million in the first half of 2007. After the half-year close the Highstreet (the investment company that owns the majority of the German department store premises operated by Karstadt) acquisition was completed for a total amount of €4.560 million euro.

Management activities

Management activities have generated a total of €404.8 million in pro-rata aggregate revenues in the first half of 2008 compared with €349.1 million at June 30th, 2007. The current period's revenues include €17 million in consideration for transferring management of the Fondo Berenice, representing a anticipation of fees that would be gained in subsequent years.

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[i] Consists of the difference between the market value of participated assets, as estimated by independent experts, and net financial position.
[ii] Excludes Non Performing Loans, valued at book value.
[iii] Meaning net income from rents, capital gains on sales of real estate and/or companies and fair value adjustments.

Management activities have generated €28.6 million in **EBIT including net income from investments** before restructuring costs, compared with €23.3 million at June 30th, 2007.

After restructuring costs (€15,3 million), EBIT including net income from investments amounts to €13.3 million compared with €23.3 million at June 30th, 2007.

PERFORMANCE BY THE PIRELLI RE DIVISIONS

In order to face the current phase in the real estate cycle effectively, ensuring the necessary governance of the business, Pirelli RE has revised its internal organizational structure by creating three Divisions. These ensure focus by sector, namely the Residential, Commercial and Non Performing Loans Division. Each sector has been given transnational responsibility for both Asset Management and Specialized Services. Integrated Facility Management, a sector in which Pirelli RE is present through a 50% interest in a joint venture with Intesa Sanpaolo, is not included in the three divisions and is considering an integration with another international operator.

The principal income statement figures for these Divisions are briefly discussed below, compared with similar period the previous year (net of the temporary consolidation of DGAG).

The **Residential Division** reports €171.2 million in pro-rata aggregate revenues at June 30th, 2008 (€177.2 million in the first half of 2007), of which €129.8 million from Capital activities (€139.5 million at June 30th, 2007) and €41.4 million from Asset Management and services fees (€37.7 million at June 30th, 2007). First-half **EBIT including net income from investments** is a negative €0.4 million before restructuring costs, compared with a negative €1.6 million.

The **Commercial Division (offices, retail, industry)** reports €243.2 million in pro-rata aggregate revenues at June 30th, 2008 (€343.5 million in the first half of 2007), of which €162.3 million from Capital activities (€263.4 million at June 30th, 2007) and €80.9 million from Asset Management and services fees (€80.1 million at June 30th, 2007). First-half **EBIT including net income from investments** is a positive €40.4 million before restructuring costs, compared with a positive €67.0 million in the first half of 2007. Excluding property revaluations at fair value, EBIT is €34.7 million compared with €17.7 million in the first half of 2007.

The **Non Performing Loans Division** reports €21.4 million in pro-rata aggregate revenues at June 30th, 2008 (€23.2 million in the first half of 2007). EBIT including net income from investments is €13.9 million in the first half of 2008, up from €9.0 million in the first half of 2007.

Integrated Facility Management reports €264.5 million in pro-rata aggregate revenues from third parties at June 30th, 2008, up from €209.2 million in the first half of 2007. EBIT including net income from investments is €9.7 million in the first half of 2008, having increased from €7.5 million in the first half of 2007 (which excludes the capital gain of €42.0 million realized on the disposal of Pirelli Re Facility).

EVENTS SUBSEQUENT TO JUNE 30TH, 2008

- The boards of directors of Pirelli Re SGR and Pirelli Re Opportunities SGR have started the authorization process for merging the latter into the former, whose combined proposal was presented to the Bank of Italy on May 28th, 2008, including the merged company's new organizational structure.

- On July 28th, the consortium comprised of RREEF Alternative Investment, Pirelli RE, Gruppo Generali and Gruppo Borletti completed the acquisition of 49% of Highstreet, an investment company which owns properties leased to Karstadt, a German retail store chain. Highstreet owns a portfolio of 164 properties throughout Germany, covering a gross area of 3.2 million sqm (total lettable area of 2.1 million sqm). The Enterprise Value is approximately €4.56 billion, with some €3.5 billion in loans secured against the properties.

EXPECTED OUTLOOK FOR THE BUSINESS IN 2008

Thanks to restructuring actions implemented and if they are aimed some of negotiations underway, the company thinks it possible to confirm that full-year EBIT, before restructuring costs, will be in line with 2007 (excluding the impact of temporarily consolidating DGAG).

Furthermore, given the continued uncertainties on financial markets and the worsening economic situation, the Company wishes to stress that **the risk of not completing certain negotiations/transactions could impact the achievement of these targets.**

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Tomorrow at **09.00 CET** (08.00 GMT), the CEO Carlo A. Puri Negri and top management will hold a **conference call** for the purposes of presenting the first-half results to the financial community.

It will be possible to download the presentation slides before the conference call from the company's website at www.pirellire.com. Journalists may follow the presentation telephonically by calling the number +39/06/33485042 but will not be allowed to ask questions. The conference call will also be available live in audiostreaming in the Investor Relations section of the website. The related recording will be subsequently available on the website.

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This press release contains references to the following alternative performance indicators for the purposes of better evaluating the Pirelli RE Group's results: pro-rata aggregate revenues, which reflect the Group's share of total turnover, calculated as the sum of consolidated revenues and the Group's share of the revenues of associated companies, joint ventures and real estate funds in which it has invested; EBIT including net income from investments, which is calculated as the sum of EBIT, the share of results of the companies carried at equity, 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 Decree 58/1998 - that the accounting information relating to the half-year figures at June 30th, 2008, as reported in this press release, corresponds to the 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 Reconta Ernst & Young S.p.A..

For additional information contact:
Pirelli RE Press Office Tel. +39/02/8535.4270
Pirelli RE Investor Relations Tel. +39/02/8535.4057
www.pirellire.com

Appendix 1

1) Reclassified income statement

(Euro/million)	01.01.2008 - 06.30.2008	01.01.2007 - 06.30.2007 - net of temporary consolidation of DGAG -	01.01.2007 - 06.30.2007
Pro-rata aggregate revenues (1)	**681,3**	745,5	811,9
Consolidated revenues (1)	423,4	355,4	421,8
EBIT before restructuring costs	*29,4*	(0,3)	19,4
Net income from investments made	*14,1*	56,6	56,6
Property revaluation to fair value	*5,7*	49,3	49,3
EBIT including net income from investments before restructuring costs	***49,2***	**105,7**	**125,4**
Restructuring costs	*(16,2)*	0,0	0,0
EBIT including net income from investments (2)	**33,0**	**105,7**	**125,4**
Financial income from investments	13,6	11,1	11,1
EBIT including net income and financial income from investments	46,7	116,8	136,5
Other financial income/expenses	(24,8)	(15,0)	(34,5)
Profit before taxes	21,9	101,8	101,9
Income taxes	(10,5)	(12,4)	(16,6)
Net income before minority interests	11,4	89,4	85,3
Minority interests	(2,5)	(1,9)	(5,3)
Consolidated net income	**9,0**	**87,5**	**80,1**

(1) The figure at June 2007 is reported net of the DGAG properties sold at cost through the disposal of shares to the joint ventures with RREEF and MSREF for € 529.9 million.

(2) EBIT including net income from investments at June 2008 reflects the trend in the Group's performance, calculated as EBIT (€13.2 million) plus the share of results of companies carried at equity and income from the sale of investments (€13.8 million), dividends and income from real estate funds (totaling €0.5 million), and capital gains realized on the disposal of shares in real estate funds (€5.6 million) classified in "financial income" and "change in fair value of financial assets" in the consolidated income statement accompanying the explanatory notes to the condensed half-yearly financial report.

Appendix 2

2) Reclassified balance sheet

(Euro/million)	06.30.2008	12.31.2007	06.30.2007	06.30.2007 - after deconsolidating DGAG -
Fixed assets	**817,1**	**886,1**	**745,2**	**757**
of which investments in real estate investment funds and companies **(1)**	*630,3*	*601,3*	*465,1*	*477*
of which goodwill	*141,7*	*218,4*	*215,8*	*216*
Net working capital	**183,2**	**190,5**	**1.147,0**	**246**
Net invested capital	**1.000,2**	**1.076,6**	**1.892,2**	**1.003**
Net equity	**657,1**	**720,1**	**704,9**	**705**
of which group net equity	650,1	715,7	694,9	695
Provisions	**72,6**	**66,8**	**92,5**	**93**
Net financial position	**270,5**	**289,7**	**1.094,8**	**206**
Total covering net invested capital	**1.000,2**	**1.076,6**	**1.892,2**	**1.003**

(1) The figure at June 30th, 2008 includes interests in associates, joint ventures and other investments (€521.8 million), real estate funds (€76.2 million reported as "other financial assets" in the consolidated balance sheet) and junior notes (€32.3 million reported as "other receivables" in the consolidated balance sheet). The amount of €4.2 million relating to "other investments" has been reclassified in the June 2007 figures for the sake of consistent comparison with 2008.

Appendix 3

3) Reclassified cash flow statement

(Euro/million)	06.30.2008	12.31.2007	06.30.2007 - after deconsolidating DGAG
EBIT including net income from investments	**33,0**	**125,4**	**125,4**
Amortization and depreciation	*5,9*	*4,9*	*4,9*
Change in non-current financial assets (*)	*67,8*	*(24,0)*	*(35,8)*
Change in other non-current assets	*(16,7)*	*(130,5)*	*(130,5)*
Change in net working capital/Other	*(0,1)*	*(852,9)*	*47,9*
Change in provisions	*8,8*	*28,5*	*28,5*
Free cash flow	**98,8**	**(848,6)**	**40,3**
Financial and tax expenses/income	*5,5*	*(46,2)*	*(46,2)*
Cash flow before dividends	**104,3**	**(894,9)**	**(5,9)**
Dividends paid by the parent company	*(85,1)*	*(87,0)*	*(87,0)*
Net cash flow from ordinary activities	**19,2**	**(981,8)**	**92,8**
Increase in share capital	*0,0*	*0,0*	*0,0*
Purchase/sale of treasury shares	*0,0*	*(16,6)*	*(16,6)*
Total cash flow	**19,2**	**(998,4)**	**(109,4)**

(*) Includes the impact of deconsolidating Facility for €102.4 million (value at december 31th, 2007).