



## PRESS RELEASE

### **PIRELLI RE: FIGURES AT SEPTEMBER 30TH, 2009 APPROVED**

- **THIRD QUARTER CLOSES WITH EBIT, INCLUDING NET INCOME FROM INVESTMENTS BEFORE RESTRUCTURING COSTS AND WRITEDOWNS/ REVALUATIONS, UP ON PREVIOUS TWO QUARTERS. TARGET EBIT FOR 2009 CONFIRMED AT BETWEEN -€25 AND -€35 MILLION**
  - **MAJOR IMPROVEMENT IN RESULTS FROM REAL ESTATE MANAGEMENT AND SERVICES (-€0.5 MILLION, VERSUS -€5.2 MILLION IN 2008)**
  - **COST-SAVING PLAN PROCEEDS: SAVINGS OF €47 MILLION ALREADY ACHIEVED; TARGET RAISED TO €65 MILLION FOR 2009**

### **NINE-MONTH FINANCIAL HIGHLIGHTS:**

- **TOTAL SALES: €657.6 MILLION ALREADY REALIZED AT SEPTEMBER 30TH (€714.5 MILLION AT SEPTEMBER 2008), THE COMPANY EXPECTS TO REACH ITS TARGET OF €1 BILLION**
- **EBIT INCLUDING NET INCOME FROM INVESTMENTS BEFORE RESTRUCTURING COSTS AND WRITEDOWNS/REVALUATIONS: -€30.2 MILLION (€22.4 MILLION AT SEPTEMBER 2008). ALSO CONSIDERING INTEREST INCOME FROM SHAREHOLDER LOANS, EBIT IS NEAR BREAK-EVEN (-€8.9 MILLION)**
  - **NET RESULT: -€57.9 MILLION (-€12.9 MILLION AT SEPTEMBER 2008)**
- **NET FINANCIAL POSITION, EXCLUDING SHAREHOLDER LOANS GRANTED: -€447.4 MILLION (-€861.8 MILLION AT DECEMBER 31ST, 2008) THANKS TO CAPITAL INCREASE COMPLETED AT THE START OF JULY**

*Milan, November 4th, 2009* – At today's meeting, the Board of Directors of Pirelli & C. Real Estate examined and approved the Interim Management Statement at September 30th, 2009.

The Company continues to work on completing the turnaround announced in its three-year plan for 2009/2011. In fact, internal reorganization is proceeding, as is the cost-saving plan, started in 2008 in the face of the new market conditions. The Company is also focusing on its recurring revenues from real estate management and specialized services and on reducing debt and net invested capital.

In keeping with the announced strategy, the sale of 5% of Pirelli RE SGR to institutional partner Intesa Sanpaolo during the third quarter, is designed to support growth in the assets managed by the fund manager and hence in fund management activities, both of which are core elements of the development strategy contained in the 2009-2011 business plan, with the goal of increasing recurring profits from real estate management activities, as well as making potential

partnerships with other sector operators.

The Company is also continuing to implement the cost-saving plan started in 2008, with the savings of €47 million achieved in the period to September 30th close to the original full-year target for 2009 of €50 million; the annual target has been revised up accordingly to around €65 million in total savings.

As far as the Company's capital and financial strengthening is concerned, the capital increase was completed successfully and a committed credit line has been obtained from eight leading financial institutions which is more appropriate to the Company's new requirements not only in terms of amount (€320 million) but also in terms of maturity (July 2012).

Despite the impact of the international crisis, which is still affecting results, Pirelli RE closed the third quarter with a negative EBIT, inclusive of net income from investments before restructuring costs and writedowns/revaluations, of €7.3 million although better than the previous two quarters (-€14.7 million in the first quarter and -€8.2 million in the second quarter). Management activities (fund & asset management) and real estate services (property management, agency) inclusive of headquarter costs reported considerably better results (-€0.5 million, versus -€5.2 million in 2008 which included €17.0 million in indemnity received upon replacing Pirelli RE SGR as the manager of the Berenice fund) thanks to the steps taken to cut costs. The current year's result includes the gain on selling 5% of Pirelli RE SGR (€6.1 million).

### ***Performance in the first nine months of 2009\*\****

**Real estate sales** amounted to €657.6 million at September 30th, 2009 (€714.5 million at September 30th, 2008). Sales margin was 12% (19% in the first nine months of 2008). The Company confirms that it will be able to meet its year-end sales target of €1 billion.

**Consolidated revenues** were €199.2 million at September 30th, 2009 (€296.5 million at September 30th, 2008). Worth remembering is that the 2008 figure benefited from around €49 million in revenues from the sale of just one asset in Poland.

**EBIT**, including net income from investments before restructuring costs and asset writedowns/revaluations, came to -€30.2 million compared with €22.4 million in the first nine months of 2008. The Company confirms its EBIT target for 2009 at between -€25 and -€35 million, as previously announced.

Part of the difference in EBIT relative to September 2008 (-€52.6 million) is due to more than €30 million of non-recurring income from which the company benefited in the prior period on the sale of just one asset in Poland and indemnity received upon replacing Pirelli RE SGR as the manager of the Berenice fund. In addition, the fair value measurement of hedging derivatives had a positive impact of €2.8 million on the income statement in the first nine months of 2008, but a negative one of €9.9 million in the first nine months of 2009 due to movements in interest rates.

When EBIT including net income from investments before restructuring costs and writedowns/revaluations is summed with interest income from shareholder loans, EBIT shows a loss of €8.9 million in the first nine months of 2009 and a profit of €0.3 million in the third quarter.

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\*\*Note: the figures for the first nine months of 2008 have been restated on a consistent comparative basis. The Integrated Facility Management business, sold during 2008, has been classified in "discontinued operations" meaning that its results do not contribute to EBIT but only to the net post-tax result.

Of the loss at September 30th, 2009, €8.4 million is attributable to the results of funds and vehicle companies, while €0.5 million is attributable to the service business, including headquarter costs.

The net balance of **revaluations and writedowns** is a negative €11.9 million at September 30th, 2009 (-€1.4 million in the first nine months of 2008).

**Consolidated net income (loss)** is -€57.9 million at September 30th, 2009 (-€12.9 million in the first nine months of 2008).

**Group net equity** is €679.9 million at September 30th, 2009 (€361.7 million at December 31st, 2008).

The **net financial position** reports net cash of €43.5 million at September 30th, 2009 compared with net debt of €289.5 million at December 31st, 2008. The net financial position, excluding shareholder loans granted, reports net debt of €447.4 million, representing a major 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) is 0.65 at the end of September compared with 2.35 at December 31st, 2008.

### ***Divisional performance***

#### **ITALY**

**Real estate sales** amounted to €356.4 million in the first nine months of 2009 compared with €480.5 million in the first nine months of the previous year.

**EBIT**, including net income from investments and interests from shareholder loans and before restructuring costs and writedowns/revaluations, came to €4.3 million at September 30th, 2009 compared with €28.1 million at September 30th, 2008. EBIT comprises €19.5 million in income from services (an improvement of €18.9 million on 2008<sup>††</sup> and €15.1 million in losses from real estate funds and vehicle companies (€9.2 million in 2008).

#### **GERMANY**

**Real estate sales** amounted to €274.9 million in the first nine months of 2009 compared with €173.7 million in the first nine months of the previous year.

**EBIT**, including net income from investments and interests from shareholder loans and before restructuring costs and writedowns/revaluations, came to -€0.4 million at September 30th, 2009 compared with -€3.6 million at September 30th, 2008. EBIT comprises €2.2 million in income from services (-€6.4 million in losses in 2008) and -€2.6 million in losses from real estate vehicle companies (€2.8 million in income in 2008).

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<sup>††</sup> The figures at September 30th, 2008 included €17 million in indemnity received upon replacing Pirelli RE SGR as the manager of the Berenice fund. The figures at September 30th, 2009 include €6.1 million in gains on the sale of 5% of Pirelli RE SGR.

## **POLAND**

**Real estate sales** amounted to €26.3 million at September 30th, 2009 compared with €60.3 million in the first nine months of the previous year.

**EBIT**, including net income from investments and interests from shareholder loans and before restructuring costs and writedowns/revaluations came to €0.9 million at September 30th, 2009 compared with €18 million at September 30th, 2008 when this figure benefited from a non-recurring disposal of a major asset. EBIT comprises €1.1 million in net losses from services (-€0.4 million in 2008) and €2 million in income from real estate vehicle companies (€18.5 million in 2008).

## **NPL**

**Collections** of non performing loans amounted to €226.7 million in the first nine months of 2009 compared with €321.3 million in the first nine months of last year.

**EBIT**, including net income from investments and interests from shareholder loans and before restructuring costs and writedowns/revaluations, came to €2.1 million at September 30th, 2009 compared with €21 million at September 30th, 2008. EBIT comprises €5.2 million in losses from services (income of €0.2 million in 2008) and €7.3 million in income from vehicle companies (income of €20.8 million in 2008).

### ***Expected outlook for the business in 2009***

The Company confirms its previously announced target level for full-year EBIT including net income from investments before restructuring costs and property writedowns/revaluations (between -€25 and -€35 million).

It is well to recall that such projections for 2009 could be heavily influenced by exogenous factors beyond the Company's control, such as changes in the macroeconomic scenario, the trend in the real estate market, movements in interest rates and the terms of access to credit.

## §

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; net financial position, which is represented by gross financial debt less cash and other cash equivalents and other financial receivables.

## §

### ***Corporate events calendar 2010***

The calendar of board and shareholder meetings in 2010 is as follows:

- **March 5th, 2010:** Board meeting to examine draft individual and consolidated financial statements at December 31st, 2009.
- **April 19th, 2010** (first call).

- **April 20th, 2010** (second call): Shareholders' meeting to approve annual financial statements.
- **May 5th, 2010**: Board meeting to examine the interim management statement at March 31st, 2010.
- **July 28th, 2010**: Board meeting to examine the half-year financial report at June 30th, 2010.
- **November 3rd, 2010**: Board meeting to examine the interim management statement at September 30th, 2010.

§

Gerardo Benuzzi, Pirelli RE's Financial Reporting Officer, attests - pursuant to paragraph. 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..

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## Appendix 1

### 1) *Reclassified income statement*

(Euro/million)

	SEPTEMBER 2009	JUNE 2009	SEPTEMBER 2008
Consolidated revenues	<b>199.2</b>	<b>115.8</b>	<b>296.5</b>
<i>of which services</i>	137.4	94.7	172.1
<i>of which other revenues (*)</i>	61.8	21.1	124.4
EBIT before restructuring costs and writedowns/revaluations	(1.3)	(2.0)	21.0
Net income from investments before writedowns/revaluations	(28.9)	(20.9)	1.4
<b>EBIT including net income from investments before restructuring costs and</b>			
<b>A writedowns/revaluations</b>	<b>(30.2)</b>	<b>(22.9)</b>	<b>22.4</b>
Restructuring costs	(13.2)	(11.5)	(17.6)
Property writedowns/revaluations	(11.9)	(4.8)	(1.4)
<b>EBIT including net income from investments (**)</b>	<b>(55.3)</b>	<b>(39.3)</b>	<b>3.4</b>
<b>B</b> Financial income from investments	21.3	13.7	24.1
<b>EBIT including net income and financial income from investments</b>	<b>(34.0)</b>	<b>(25.6)</b>	<b>27.5</b>
Financial expenses	(19.5)	(14.7)	(34.0)
<b>Profit (loss) before taxes</b>	<b>(53.5)</b>	<b>(40.3)</b>	<b>(6.5)</b>
Income taxes	(5.2)	(2.4)	(8.2)
Net income (loss) before discontinued operations	(58.7)	(42.7)	(14.7)
Discontinued operations	0.0	0.0	4.1
Net income (loss) before minority interests	(58.7)	(42.7)	(10.6)
Minority interests	0.8	0.4	(2.3)
<b>Consolidated net income (loss)</b>	<b>(57.9)</b>	<b>(42.3)</b>	<b>(12.9)</b>
<b>A + B</b>	<b>(8.9)</b>	<b>(9.2)</b>	<b>46.5</b>

(\*) Relating to revenues from subsidiaries

(\*\*) EBIT including net income from investments after restructuring costs and writedowns/revaluations is calculated at September 30th, 2009 as EBIT (-€18.6 million) plus the share of results from investments (-€36.7 million), respectively reported in "EBIT" and "Net income from investments" in the consolidated income statement accompanying the explanatory notes to the Interim Management Statement.

## Appendix 2

### 2) Reclassified balance sheet

(Euro/million)	SEPTEMBER 2009	DECEMBER 2008	SEPTEMBER 2008
<b>Fixed assets</b>	<b>562,8</b>	<b>589,1</b>	<b>816,3</b>
<i>of which investments (1)</i>	389,0	405,7	632,0
<i>of which goodwill</i>	135,5	137,8	140,0
<b>Net working capital</b>	<b>136,1</b>	<b>133,1</b>	<b>170,9</b>
<b>Net invested capital</b>	<b>698,9</b>	<b>722,2</b>	<b>987,2</b>
Net equity	687,0	366,4	616,7
<i>of which group net equity</i>	679,9	361,7	609,8
Provisions	55,4	66,3	46,7
Net financial position	(43,5)	289,5	323,8
<i>of which shareholder loans</i>	(490,9)	(572,3)	(610,7)
<b>Total covering net invested capital</b>	<b>698,9</b>	<b>722,2</b>	<b>987,2</b>
Net financial position excluding shareholder loans	447,4	861,8	934,5
<b>Net invested capital excluding shareholder loans</b>	<b>1.189,8</b>	<b>1.294,5</b>	<b>1.597,9</b>
<b>Gearing</b>	<b>0,65</b>	<b>2,35</b>	<b>1,52</b>

(1) The figure includes interests in associates, joint ventures and other investments (€303.1 million), investments in real estate funds (€66.7 million reported as "other financial assets" in the consolidated balance sheet) and junior notes (€19.2 million reported as "other financial assets" in the consolidated balance sheet). The amounts at September 2009, December 2008 and September 2008 include provisions for investment writedowns of €79.0 million, €48.7 million and €22.2 million respectively.

Appendix 3

3) *Reclassified cash flow statement*

(Euro/million)

	SEPTEMBER 2009	SEPTEMBER 2008
<b>EBIT before restructuring costs and writedowns</b>	<b>(1,3)</b>	<b>21,0</b>
Amortization and depreciation	5,4	6,6
Change in non-current financial assets /sale of investments	(36,8)	(50,1)
Change in other non-current assets	0,1	(14,8)
Change in net working capital and provisions and other changes	(0,9)	(12,0)
<b>Free cash flow</b>	<b>(33,5)</b>	<b>(49,3)</b>
Impact of Facility Management	0,0	102,4
Payment of restructuring costs (provided in 2008)	(31,9)	(8,6)
Financial and tax expenses/income	(1,0)	6,4
<b>Cash flow before dividends</b>	<b>(66,3)</b>	<b>51,0</b>
Dividends paid	0,0	(85,1)
<b>Net cash flow</b>	<b>(66,3)</b>	<b>(34,1)</b>
Increase in share capital	399,3	0,0
Purchase/sale of treasury shares	0,0	0,0
<b>Total cash flow</b>	<b>333,0</b>	<b>(34,1)</b>

