



PRESS RELEASE

- **JOINT VENTURE BETWEEN PIRELLI RE (40%) AND CYPRESS GROVE INTERNATIONAL (60%) SET UP TO INVEST IN POLISH RESIDENTIAL SECTOR**
- **THE JV HAS ACQUIRED FROM PIRELLI PEKAO REAL ESTATE APPROX. 88% OF THE NEW COMPANY THAT WILL DEVELOP FIVE RESIDENTIAL PROJECTS IN WARSAW AND GDAŃSK; THE REMAINING APPROX. 12% OF COMPANY TO BE PURCHASED DIRECTLY BY BANK PEKAO**
 - **THE FIVE PROJECTS WILL PROVIDE APPROX. 3,300 APARTMENTS WITH TOTAL SURFACE OF AROUND 243,000 SQUARE METRES AND A VALUE ON COMPLETION OF APPROX. €420M**
 - **THE JV AIMS TO CONTINUE TO INVEST IN RESIDENTIAL DEVELOPMENTS IN POLAND FOR A VALUE OF FINISHED PROPERTIES TO EXCEED € 1,500M OVER NEXT THREE YEARS**
- **PIRELLI RE HAS THUS PERFECTED BUSINESS MODEL IN POLAND WITH TRANSPARENT 35% INTEREST IN PROPERTY INVESTMENTS AND 75% INTEREST IN ASSET MANAGEMENT AND PROPERTY SERVICES VIA PIRELLI PEKAO REAL ESTATE**
- **BANK PEKAO, ONE OF COUNTRY'S LEADING BANKS, WILL BE ALONGSIDE PIRELLI RE BOTH IN PROPERTY INVESTMENTS AND IN THE ASSET MANAGEMENT COMPANY**
- **THIS BUSINESS MODEL IN POLAND, WITH THE PARTICIPATION OF A MAJOR LOCAL INVESTOR, ALSO TO BE APPLIED BY PIRELLI RE IN OTHER CENTRAL AND EASTERN EUROPEAN COUNTRIES**

Warsaw, 4 October 2006 – **Pirelli RE** and **Cypress Grove International** (“Grove”), an international real estate private equity fund managed by affiliates of Grove International Partners, have established a **joint venture** (60% owned by Grove and 40% by Pirelli RE) **to invest in Poland's residential sector.**

The **Joint Venture** has **acquired** approximately 88% of a new company that will develop **five residential projects** from Pirelli Pekao Real Estate for a price of around €60m (Pirelli RE's transparent investment is 35.3%). After taking account of the value

of development work already carried out, which amounts to €10m, the price per square metre totals approximately €205.

Bank Pekao has undertaken to **acquire 11.76%** of the new company. In this way the ratio of 1:3 between the stakes held by Pirelli RE and by Bank Pekao in both property investments and the asset management business will be maintained, thus ensuring a alignment of interests.

The projects are located in the Ostrobranska, Okopowa, Banderii and Grzybowska districts of Warsaw, covering a total area of over 226,000 square metres (around 3,000 apartments), and in Szarfarnia in the city of Gdańsk with a building plot of approximately 17,000 square metres (around 270 apartments). The estimated **value** of the **finished properties** amounts to **approximately €420m**. The first apartments, forming part of the Banderii and Okopowa projects, are expected to be ready by the end of 2007.

The JV aims to carry out further **investments in the residential sector**, with the **estimated value** of the finished properties expected to be **over €1.5bn**.

Thanks to the financial resources provided by the new investment partner, Grove, and Bank Pekao, the Pirelli RE Group aims to achieve a position of leadership in the Polish market, offering quality products in the various segments, starting from residential and retail.

Pirelli RE has thus perfected its business model in Poland, with a transparent 35.3% interest in property investments and a 75% interest in the asset management company Pirelli Pekao Real Estate, which is to serve both the portfolio acquired by the JV and external customers.

The Pirelli RE Group also intends to apply this business model, based on a partnership with a major local investor, in other central and eastern European countries.

The Gide Loyrette Nouel Legal Practice acted as legal advisor to Pirelli RE.

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