



PRESS RELEASE

NON-PERFORMING LOANS JOINT VENTURE BETWEEN CALYON (67%) AND PIRELLI RE (33%) NOW OPERATING IN ITALY:

- **FIVE NPL PORTFOLIOS ACQUIRED FROM THE PREVIOUS PIRELLI RE/MORGAN STANLEY REAL ESTATE FUNDS (MSREF) JOINT VENTURE WITH A RESIDUAL GROSS BOOK VALUE OF APPROX. €2.4 BILLION**
- **PIRELLI RE WILL ACT AS EXCLUSIVE ASSET MANAGER AND, THROUGH PIRELLI RE CREDIT SERVICING, AS SPECIAL SERVICER FOR THE JV'S PORTFOLIOS**
- **THE PIRELLI RE-CALYON JV HAS ALREADY IDENTIFIED NEW INVESTMENT OPPORTUNITIES IN ITALY AND AIMS AT PLAYING A LEADING ROLE IN OTHER EUROPEAN MARKETS**

Milan, December 27, 2006 – On the basis of the agreements already announced in early August and following Morgan Stanley Real Estate Funds (MESREF)'s strategic decision to divest from NPLs portfolios in Western Europe and not to make further investments in that business in that area, the JV formed in August 2004 between Pirelli RE (25%) and Morgan Stanley Real Estate Funds (75%) to invest in the NPL business in the Italian market was dissolved. Both companies continue their strategic partnership in the Italian office segment.

Following the approval from the trustees of existing securitizations, the joint venture between **Pirelli RE** (33%) and **Calyon** (67%) has become now fully operating with the acquisition of **100% of five portfolios of non-performing mortgage loans** held since November 2004 by the Pirelli RE/MSREF joint venture through dedicated securitization vehicles. The loans have a **residual gross book value** of circa **€2.4 billion**.

Pirelli RE will act as exclusive asset manager and, through the fully owned company Pirelli Re Credit Servicing, as special servicer of the NPLs portfolios owned by the JV Pirelli RE/ Calyon.

Leveraging on Pirelli RE's experience in non-performing loans management and Calyon's international financial expertise, the joint venture has already identified new investment opportunities in Italy and aims at becoming a **leading European player** with strong growth potential in **Germany** and **Poland**.

Studio Bonelli, Erede & Pappalardo acted as legal advisor for the Pirelli RE/Calyon joint venture.

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