



PRESS RELEASE

- **PIRELLI RE AND RREEF (DEUTSCHE BANK GROUP) SIGN A BINDING AGREEMENT WITH CERBERUS FOR THE ACQUISITION OF THE BAUBECON GROUP, AN IMPORTANT GERMAN REAL ESTATE GROUP**
 - **ENTERPRISE VALUE EQUAL TO APPROX. €1.690 M EXCLUDING CLOSING COSTS FOR €30 M, FINANCED FOR SOME €350 M BY EQUITY (OF WHICH €264 AT CLOSING AND €85 M IN FIVE YEARS), AND FOR APPROX. € 1,370 M BY DEBT, OF WHICH APPROX. € 360 M FROM A NON RECOURSE BRIDGE LOAN AND FOR APPROX. €1,010 M BY LOANS COLLATERALIZED BY REAL ESTATE ASSETS**
 - **BASED ON THE AGREEMENT:**
 - **PIRELLI RE (40%) AND RREEF (60%) WILL ACQUIRE A €1,647 M REAL ESTATE PORTFOLIO COMPRISED OF MORE THAN 27,000 PRIMARILY RESIDENTIAL UNITS AT AN AVERAGE VALUE OF €960 PER SQM AND WITH AN AVERAGE ENTRY YIELD OF CIRCA 6.1%**
 - **PIRELLI RE WILL ACQUIRE 100% OF THE PLATFORM THAT MANAGES APPROXIMATELY 52,000 REAL ESTATE UNITS AND HAS 260 EMPLOYEES, WITH AN ENTERPRISE VALUE OF CIRCA €43 M**
 - **PIRELLI RE'S AND RREEF'S JOINT STRATEGY ON THE ACQUIRED PORTFOLIO IS TO ENHANCE VALUE IN THE MEDIUM LONG TERM ALSO THROUGH THE INTEGRATION OF OTHER RESIDENTIAL PORTFOLIOS**
 - **PIRELLI RE'S STRATEGY CALLS FOR THE CREATION OF AN ASSET MANAGEMENT COMPANY AND SEVERAL SERVICE COMPANIES EXPLOITING EFFICIENCIES RESULTING FROM THE INTEGRATION OF BAUBECON'S AND DGAG'S ACTIVITIES, WITH THE PURPOSE TO IMPROVE AND ENHANCE ASSET MANAGEMENT**
 - **PIRELLI RE'S ASSETS UNDER MANAGEMENT IN GERMANY RISE TO MORE THAN €3 BILLION (BOOK VALUE), EQUAL TO APPROX. 25% OF THE TOTAL REAL ESTATE ASSETS MANAGED BY PIRELLI RE, AHEAD OF THE YEAR END 2008 TARGET**

Hamburg, July 17th, 2007 – **Pirelli RE** and the real estate investment funds of **RREEF** (Deutsche Bank Group) have signed a **binding agreement** with the American private equity fund Cerberus, to purchase 100% of **BauBeCon**, an important German real estate group active primarily in the residential segment. The **purchase price**, subject to a *price*

adjustment based on the financial statements at June 30th, 2007, was set at circa € 350 million.

BauBeCon's **Enterprise Value**, including the real estate portfolio and the asset management and services activities, amounts to **circa €1,690 million** (figure estimated at December 31st, 2006), excluding closing costs of €30 million. This amount will be financed for some **€350 million** with equity, of which **€264 million at closing and €85 million in five years**, and for some **€1,370 million by debt**, of which **circa €360 million from a non recourse bridge loan** and for some **€1,010 million from collateralized real estate loans**.

Based on the agreement signed **Pirelli RE (40%) and RREEF (60%)** will acquire a **€1,647 million real estate portfolio** comprised of more than **27,000 primarily residential units** (1,711,000 sqm), located largely in the cities of Berlin, Hanover and Magdeburg, with an average value of **€960 sqm** and with an **average entry yield** of circa **6.1%**; the overall **annual passing rents** total circa **€101 million**, with an **average vacancy rate** of **8%**.

The business plan forecasts that prices will increase by circa 3% per year, including inflation, over the next five years and that the vacancy rate will drop to circa 5%.

According to the agreement **Pirelli RE** will also **acquire 100% of the platform that manages circa 52,000 real estate units** (including those that will then belong to Pirelli RE-RREEF) and that has **approx. 260 employees**; the **Enterprise Value** totals **circa €43 million**.

Pirelli RE's and RREEF's joint strategy on the acquired portfolio, is to enhance value in the medium-long term, also through the integration of other residential portfolios.

Pirelli RE's strategy calls also for the creation of an asset management company and several service companies exploiting efficiencies resulting from the integration of BauBeCon's and DGAG's activities, with the purpose to improve and enhance asset management.

Pirelli RE's **assets under management** in **Germany** rise to more than **€3 billion** (book value), equal to circa 25% of the total real estate assets under management, ahead of the year end 2008 target.

The transaction, which has already been approved by the Antitrust authorities, is expected to close by the end of July.

“The acquisition of BauBeCon, whose real estate portfolio is complementary to DGAG's (purchased just a few months ago) represents another step towards the creation of a vast residential platform which we believe will create value in the medium-long term”, stated Pirelli RE's CEO Carlo A. Puri Negri. “This transaction will also help to accelerate development of Pirelli RE's asset management activities and specialized services in Germany”.

Deutsche Bank served as the joint venture's financial advisor while Freshfields Bruckhaus Deringer and Hengeler Muller acted as legal and tax advisors. REAG acted as real estate appraiser.

A conference call will be held by Pirelli RE's top management on Thursday, July 19th in order to supply more detailed information; additional information will follow.

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