



PRESS RELEASE

PIRELLI RE CONTINUES ITS ESPANSION IN CENTRAL AND EASTERN EUROPE:

- **SIGNED A SHAREHOLDERS AGREEMENT FOR THE CREATION OF PIRELLI RE RUMANIA (80% PIRELLI RE - 20% UNICREDIT TIRIAC BANK); TOMORROW ANOTHER SHAREHOLDERS AGREEMENT WILL BE SIGNED FOR THE CREATION OF PIRELLI RE BULGARIA (75% PIRELLI RE-25% UNICREDIT BULBANK)**

- **PIRELLI RE WILL USE ITS OWN BUSINESS MODEL TO BECOME A LEADER TOGETHER UNICREDIT TIRIAC BANK AND UNICREDIT BULBANK IN BOTH THE RUMANIAN AND BULGARIAN MARKETS**
 - **THE JV'S MAIN OBJECTIVES:**
 - **DEVELOP LOCAL ASSET MANAGEMENT PLATFORMS AND SPECIALIZED SERVICES**
 - **ATTRACT INVESTMENT CAPITAL FROM PRIMARY FOREIGN PLAYERS IN ORDER TO CO-INVEST IN THE DIFFERENT REAL ESTATE SECTORS, WITH A PARTICULAR FOCUS ON RESIDENTIAL DEVELOPMENT PROJECTS**

Milan, July 18th, 2007 – **Pirelli RE** continues to expand in Central and Eastern Europe with **the launch of an activity in Romania and Bulgaria** in partnership with the **Unicredit Group**, strengthened also by the growth of Pirelli Pekao Real Estate (75% Pirelli RE-25% Bank Pekao) in the Polish market (in just over a year of operations the company has more than 80 employees and approximately 300,000 square meters of residential development projects under management).

The joint venture agreement for the birth of **Pirelli RE Romania, 80% Pirelli RE and 20% UniCredit Tiriac Bank**, was signed today. UniCredit Tiriac Bank is one of the most important players on the Romanian banking market, with total assets of €3.7 billion, over 600,000 customers and with 138 branches.

A similar agreement for the creation of **Pirelli RE Bulgaria** should be signed tomorrow, **75% Pirelli RE- 25% UniCredit Bulbank**, which is the main financing institution within Bulgaria, with total assets of about €3.8 billion, over 1 million clients and with about 300 branches.

Through the **implementation of its own business model** and together with both **UniCredit Tiriac Bank and UniCredit Bulbank** Pirelli RE Group's goal is to **become a leader in the Bulgarian and Rumanian markets**, offering quality, design conscious, and eco-sustainable real estate products. .

The two joint ventures will focus, on the one hand, on the development of **local asset management platforms and specialized services** and, on the other, on attracting **investment capital from primary foreign financial players** in order to co-invest in the different real estate sectors with a particular **focus on residential development projects**. The investment of both Pirelli RE and UniCredit Tiriac Bank/UniCredit Bulbank in the real estate projects and the asset management activities will guarantee aligned interests.

Pirelli RE Romania and **Pirelli RE Bulgaria** will manage and develop areas and properties, supplying specialized services to both its own portfolios and those of third party clients; Pirelli RE has a call option to grow to 100% of service activities which be integrated into a local service company, when an adequate business volume is reached. The customers of the two Companies will have easier access to the financial services offered by UniCredit Tiriac Bank and UniCredit Bulbank.

Each company's strategy will be defined by a **Supervisory Board** comprised of **5 members**: Pirelli RE Romania's Board will be comprised of Carlo A. Puri Negri, Olivier de Poulpiquet and Enrico Signori of Pirelli RE and Rasvan Radu and Marco Cravario of the Rumanian bank while the Board in Pirelli RE Bulgaria will include the same representatives of Pirelli RE along with Hampartzoumian Levon and Andrea Casini from the Bulgarian bank. The respective Management Boards will be responsible for implementing the strategies.

Chiomenti Studio Legale acted as legal counsel to Pirelli RE, together with Salans for Rumenia and Djingov, Gouginski, Kyutchukov & Velichkov for Bulgaria.

The Rumanian real estate market features an interesting growth prospective, in 2005 real estate investments amounted to approximately €250 million and in 2007 it is estimated that they will reach €500 million.

The residential sector, in particular, has great growth potential as a vast urban renewal process is underway and the population is increasing at an average annual rate of 1.4%. The middle class's demand, in particular, is increasing while supply is diminishing; it is estimated that there will be a shortage of 700,000-1,000,000 housing units over the next few years. Housing prices in Bucharest have increased 20% since 2006, the average price for apartments is between €1,000 and €1,600 per square meter and in the case of luxury homes the price reaches between €2,000 and €3,000 per square meter. Last year, 19 residential projects were announced in the capital which should result in an estimated 11,000 additional housing units over the next 2-3 years. Residential development projects in other cities, including Pipera, Trafic Greu, Militari and Pantelimon- Colentina, are also generating great interest.

There is also a shortage of quality product and high demand in the office sector. Currently in Bucharest office spaces occupy some 900,000 square meters, approximately 250,000 is classified as Class A. Romania is the European Union country with the lowest vacancy rates,

for the *prime locations* the rate is around 1.5% while for secondary locations it reaches 14%. The average *yield* of office rentals is about 7.5%.

Last year a number of shopping centers were opened in secondary cities, while there was a robust demand for commercial spaces in the capital, particularly from banks.

The Bulgarian real estate market also features an interesting growth prospective thanks to both the country's improved economic situation and the fact that it is now part of the European Union.

Supply in the residential sector has increased over the past few years, though not enough to satisfy demand. Mid-range apartments are particularly sought after. Housing prices in Sophia vary from €430 to €80 per square meter and in the case of newly built homes in the city center prices reach €3,000 per square meter.

In the commercial sector, the office and retail segments have the most growth potential; the first is lacking in quality product while the demand is very high, particularly in Sophia where multi-nationals are in the process of setting up country operations. In terms of the retail sector it is likely that a number of supermarkets and shopping centers will be built along with stores on the city's main streets.

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