



PRESS RELEASE

- **CREATED PARTNERSHIP FOR ASSET MANAGEMENT SERVICES IN GERMANY WITH HSH NORDBANK, ONE OF THE TOP GERMAN BANKS ACTIVE IN THE REAL ESTATE SECTOR THROUGH HSH REAL ESTATE AG**
- **HSH REAL ESTATE AG BUYS 20% OF PIRELLI RE ASSET MANAGEMENT GMBH FOR €14 MILLION; TOTAL COMPANY VALUATION APPROX. €70 MILLION**
- **PIRELLI RE ASSET MANAGEMENT MANAGES REAL ESTATE PORTFOLIOS WORTH OVER €3.2 BILLION (BOOK VALUE): RESIDENTIAL ASSETS APPROX. €3 BILLION (ROUGHLY 50,000 UNITS) AND RETAIL AND OFFICE ASSETS APPROX. €240 MILLION**
- **PIRELLI RE HAS THUS PERFECTED ITS BUSINESS MODEL WITH THE PARTICIPATION OF A MAJOR LOCAL FINANCIAL PARTNER IN ALL FOREIGN COUNTRIES WHERE IT OPERATES**
- **PIRELLI RE WITH HSH NORDBANK IN GERMANY, BANK PEKAO IN POLAND, UNICREDIT BULBANK IN BULGARIA AND UNICREDIT TIRIAC BANK IN ROMANIA AIMS TO BECOME LEADING PROVIDER OF ASSET MANAGEMENT SERVICES**

Hamburg, 1 October 2007 – **Pirelli RE** is entering a **partnership** with **HSH Nordbank** to carry out **asset management activities in Germany**; this is one of the Germany's top banks in the real estate sector through HSH Real Estate AG (capital transactions, project development, real estate services and fund initiator and management).

Asset management involves identifying investment opportunities in the various real estate products, constructing new buildings as part of development projects and strategically managing portfolios acquired, coordinating the specialized service activities for the purposes of maximizing the value of assets acquired and then selling them in the long term.

HSH Real Estate AG has **bought** from **Pirelli RE** for **€14 million** the **20% of Pirelli RE Asset Management GmbH** recently created with the portfolio and asset management mandates of ex DGAG and of BauBeCon, based on a **total valuation** of **roughly €70 million**.

The company has **over €3.2 billion** (book value) in **real estate** under management, of which some **€3 billion** in **residential assets** (approximately 50,000 units, of which over

47,000 owned by the Pirelli RE-RREEF joint venture) and around **€240 million in retail and office assets**. Annual **revenues** from that business are estimated at **some €9 million**, with approximately **€4 million in EBIT**.

The residential assets under management are mostly located in Northern Germany, in Lübeck, Berlin, Kiel, Hannover and Hamburg; the average entry yield is roughly 6.4%, annual rental income totals over €70 million and the average vacancy rate is 6.1%.

The commercial properties are located in the cities of Frankfurt, Hamburg and Kiel; the average entry yield is currently roughly 6.8%, annual rental income totals over €16 million and the average vacancy rate is currently approx. 10%.

Through its partnership with HSH Nordbank - with some €200 billion in total assets and a prime corporate and private client portfolio - the Pirelli RE Group is intending to become **leader in the asset management sector also in Germany**, relying on its extensive know-how in the various types of real estate product and on the quality of service, paying the utmost attention to profitability.

The company owned by Pirelli RE (80%) and HSH Real Estate AG (20%) intends to provide asset management services to part-owned as well as third-party portfolios.

In the Central-Eastern European markets, the asset management business is very fragmented, there is no one who operates in the all area and so it is possible to embark on a process of sector consolidation, offering very high growth potential to the principal players.

Pirelli RE has thus perfected also in Germany its business model already applied in Poland, Bulgaria and Romania which is based on the participation in the asset management business of a major local financial partner with a minority stake.

The firm of Freshfields Bruckhaus Deringer has acted as Pirelli RE's legal advisor.

HSH Nordbank – HSH Real Estate AG

HSH Nordbank is a commercial bank in its core region in Northern Europe. Established in June 2003, HSH Nordbank is the result of the merger between Hamburgische Landesbank and Landesbank Schleswig-Holstein. It is deeply rooted in its home market of Hamburg/Schleswig-Holstein where it is market leader in the corporate customer segment. It offers its customers an innovative range of products and services coupled with individual advice in all business areas, including private clients.

HSH Nordbank is a leading provider of financial services in the transport sector and the world's largest provider of ship finance; it is also one of Germany's top three banks for real estate - through HSH Real Estate AG - and is gaining increasing international recognition, with a presence in 17 foreign locations in the Baltic Sea region, South-East Asia and in key international financial centers. HSH Nordbank has total assets of some €200 billion (as at June 30th, 2007) and roughly 4,600 employees around the world.

HSH Real Estate AG pools all the bank group's real estate business with the exception of its conventional finance business. It operates in the following real estate segments: equity investments, project development, services and the fund business. The services segment is subdivided into the Advisory Services and Asset and Property Management divisions. In terms of total assets managed (roughly €3.5 billion), HSH Real Estate is among the top 10 private real estate companies in Germany.

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