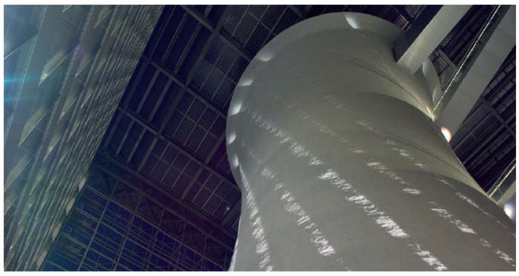
building **the future**

Interim Management Statement
at **September 30th, 2009**



PIRELLI RE

CONTENTS

A. PRELIMINARY INFORMATION

1. CORPORATE OFFICERS

Board of Directors [1]

Marco Tronchetti Provera	Chairman
Giulio Malfatto [2]	Chief Executive Officer
Claudio De Conto	Managing Director Finance
Emilio Biffi	Chief Technical Officer
Reginald Bartholomew	Independent Director
Paolo M. Bottelli	Director - General Manager Germany and Poland
David Michael Brush	Independent Director
William Dale Crist	Independent Director
Carlo Emilio Croce	Independent Director
Olivier De Poulpiquet De Brescanvel	Director
Jacopo Franzan	Director
Valter Lazzari [3]	Independent Director
Claudio Recchi	Independent Director
Dario Trevisan	Independent Director
Wolfgang Weinschrod	Director
Gianluca Grea	Board Secretary and General Counsel

[1] The shareholders' meeting held on April 14th, 2008 appointed the Board of Directors to hold office until the date of approving the financial statements for the year ended December 31st, 2010. The Board of Directors decided the individual roles and responsibilities of its members in a meeting held immediately after this shareholders' meeting and also nominated the members of the Board committees.
[2] Co-opted to the Board of Directors on April 8th, 2009 to replace Carlo Alessandro Puri Negri, the Executive Deputy Chairman.
[3] Co-opted by the Board of Directors on March 5th, 2009 to replace Dolly Predovic who had resigned. The shareholders' meeting held on April 17th, 2009 confirmed him in the office of director.

Executive Investment Committee

Marco Tronchetti Provera	Chairman
Giulio Malfatto [4]	Chief Executive Officer
Claudio De Conto	Managing Director Finance
Olivier De Poulpiquet De Brescanvel	Director
Claudio Recchi	Independent Director

Audit and Corporate Governance Committee

Dario Trevisan	Independent Director – Chairman
William Dale Crist	Independent Director
Valter Lazzari [5]	Independent Director

Compensation Committee

Claudio Recchi	Independent Director – Chairman
Reginald Bartholomew	Independent Director
Carlo Emilio Croce	Independent Director

Risk Committee [6]

Dario Trevisan	Independent Director – Chairman
Giulio Malfatto	Chief Executive Officer
Claudio De Conto	Managing Director Finance
Claudio Recchi	Independent Director

[4] Appointed as a member of this Committee by the Board of Directors on April 8th, 2009.
[5] Appointed as a member of this Committee by the Board of Directors on April 20th, 2009.
[6] Committee established by the Board of Directors on July 28th, 2009, with effect from September 1st, 2009.

Board of Statutory Auditors [7]

Roberto Bracchetti	Chairman
Paolo Carrara	Standing auditor
Gianfranco Polerani	Standing auditor
Franco Ghiringhelli	Alternate auditor
Paola Giudici	Alternate auditor

Supervisory Board

Dario Trevisan	Chairman
Roberto Bracchetti	Member
Alessia Carnevale	Member

Financial Reporting Officer

Gerardo Benuzzi	General Manager Finance & Advisory

Independent auditors

Reconta Ernst & Young S.p.A. [8]
Via della Chiusa, 2
20123 Milan

7 The shareholders' meeting of April 20th, 2007 appointed the Board of Statutory Auditors to serve until the date of approving the financial statements for the year ended December 31st, 2009.

8 Engaged by the shareholders' meeting held on April 14th, 2008.

2. GROUP MISSION AND PROFILE

The Pirelli RE mission is to be a real estate sector leader through innovation, sustainable quality and ongoing development of expertise, thus creating value for the business, the environment and the community.

The strategic objectives are:

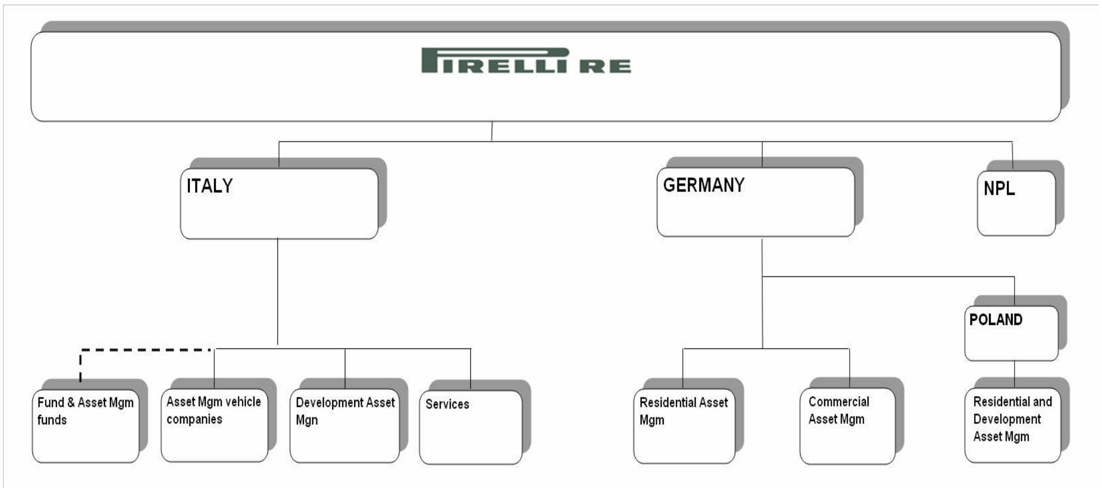
- to create innovative real estate products and services which provide quality solutions to the needs of investors, users and the community;
- to become an aggregator in real estate management, through its specialist know-how;
- to create a sophisticated culture, thus contributing to the real estate sector's structural evolution.

Active in Italy, Germany and Poland, Pirelli RE is one of the principal players in the European real estate sector.

The company has been listed on the Milan Stock Exchange since 2002.

Pirelli RE is a real estate fund & asset management company which manages and adds value to high quality property portfolios, in which it invests with minority stakes in partnership with leading investors.

The organization structure based on geographical areas – Italy, Germany and Poland - and on product-specialized business units, combines knowledge of local markets with specialist know-how in different segments.



In order to confront the new market scenario, Pirelli RE has optimized the model's components, involving a revision based on:

- lean and efficient organization, drawing on the strong operational experience of a qualified and professional management team
- better management of the income-generating real estate portfolio
- a refocus on fund & asset management and the service platform as the core business in Italy and the pursuit of alliances in Germany and Poland

B. REPORT ON OPERATIONS

1. PIRELLI RE IN THE FIRST NINE MONTHS OF 2009

The Company continues with the process of cutting costs and internal reorganization started last year in the face of the changed market conditions, while pursuing the goals of focusing on its core activities, particularly fund management by Pirelli RE SGR, and of reducing debt and net invested capital.

As discussed in more detail in the section on significant events, as far as the first of these goals is concerned, the sale of 5% of Pirelli RE SGR to Intesa Sanpaolo in the third quarter was designed to support growth in the assets managed by the fund manager and hence in fund management activities, both of which are core elements of the development strategy contained in the 2009-2011 business plan, with the goal of augmenting recurring profits from real estate management activities, as well of making business combinations with other operators in the sector.

As far as the Company's capital and financial strengthening is concerned, the capital increase was completed successfully with a 100% market take-up of the rights, and a committed credit line was obtained from eight leading financial institutions whose amount (320 million euro) and maturity (July 2012) are more in line with the Company's new requirements.

Although the last two quarters have reported a steady reduction in losses, the negative impact of the severe, ongoing international crisis continues to weigh heavily on the Group's results; the comparison of the results with the first nine months of 2008 should be interpreted in this light.

Significant events in the first nine months of 2009

• On February 10th, 2009, the Pirelli RE Board of Directors approved the business plan for 2009 - 2011 defining the strategy for this period with the goal of making management of portfolio assets more efficient, of reducing costs and simplifying internal organization to confront the new climate in the real estate sector, thus accelerating the business turnaround already initiated.

• On April 17th, 2009, the Pirelli RE shareholders approved in extraordinary session a capital increase for up to 400 million euro for the purposes of injecting the Company with fresh capital; the rights issue commenced on June 15th and ended successfully in July with a 100% market take-up.

• On May 26th, 2009, the Pirelli RE Board of Directors confirmed the financial objectives up until 2011 and revised certain strategic decisions mainly with a view to concentrating the Group's attention on core business capable of generating a recurring revenue stream. This is how the Pirelli RE Group intends to reposition itself on the market, by focusing on the specific skills behind its success in the years immediately after flotation, such as fund management and the provision of specialized real estate services (primarily agency and property management), with the support of its credit servicing business with its ability to generate recurring revenue. Accordingly, the Board of Directors approved the new management team's proposal to give a central role to Pirelli RE SGR, allowing the Group to continue to benefit from the revenues generated by this company in the form of management fees. Similarly, the original idea of transferring the specialized real estate services to Pirelli RE SGR was reconsidered; these services have therefore retained their existing structure as independent entities within the Group in order to revitalize them and relaunch them on the third-party market. Lastly, the Board approved further measures to rationalize and regain efficiency at a group level.

• On June 9th, 2009, the Arcandor Group, the tenant of the "Highstreet" properties (a portfolio in which the Group's interest is 12.1% held through Sigma RE B.V.) filed an application at the Court in Essen for the commencement of insolvency proceedings under German law. The real estate portfolio consists of 164 retail properties, located throughout Germany and let to the Karsdtadt and Quelle department store chains owned by the Arcandor Group. These proceedings – which have directly involved the tenant companies as well - could potentially affect the lease agreements, involving the payment of some 280 million euro in annual rent, and hence the level of future rental income enjoyed by the owner companies. Thus far and except for the month of June 2009, the court-appointed receivers have discharged the obligations under existing master lease agreements, including the related building maintenance expenditure. Negotiations are still in progress between the owner companies and the receivers for a partial revision of these master lease agreements, with the receivers expected to produce an overall restructuring plan by the end of November 2009, which must then be approved by the creditors. It is clear that the complexity of preparing such a plan and of the Arcandor Group's associated turnaround, combined with the plurality of interests and parties involved and the social importance that the restructuring operation has assumed in Germany may cause the current situation to change, even suddenly. At September 30th, 2009 Pirelli RE's net investment in the Highstreet venture was 37.4 million euro (basically the same as at the end of June) compared with 61.2 million euro at December 31st, 2008.

• On June 29th, 2009, Pirelli RE reduced its financial commitment to the NPL investment platform known as European NPL S.à.r.l. (67% DGAD International S.à.r.l. - a wholly-owned subsidiary of Calyon S.A. - and 33% Pirelli RE) thanks to the refinancing of 250 million euro provided by DGAD International S.à.r.l. which allowed Pirelli RE to recover its own shareholder loan. As part of this transaction DGAD International S.à.r.l. obtained a 20% interest in Pirelli RE Credit Servicing S.p.A.. As a result of the above, Pirelli RE enjoyed a positive impact of some 89 million euro on its net financial position excluding shareholder loans. One of the goals of this transaction was to acquire non performing loan management contracts from third parties, in keeping with the Group's growing focus on the service sector.

• In July 2009, Mercado Ottensen Grundstückgesellschaft, a company controlled by Mistral RE BV (35% owned by Pirelli RE) sold a shopping centre of the same name in Hamburg to Union Investment Real Estate for 164 million euro.

• On July 3rd, 2009 Pirelli RE successfully completed the capital increase started on June 15th, 2009. During the offer period, around 99.361% of the rights were exercised to subscribe to a total of 793,468,305 new Pirelli RE ordinary shares worth some 396.7 million euro. Pirelli & C. S.p.A., the controlling shareholder, exercised all its rights by subscribing to 463,752,540 Pirelli RE new ordinary shares, corresponding to around 58.07% of the shares offered, with a total value of some 231.9 million euro, by converting part of its loans to Pirelli RE into capital. The capital increase has allowed Pirelli RE to strengthen its capital structure and reduce its gearing ratio at the rights issue close from some 2.7 to about 0.6. The 264,768 unexercised rights to subscribe to around 5.1 million shares (0.639% of the total) were offered to the market from July 13th. These shares had a par value of 0.50 euro each, with dividend rights from January 1st, 2009 and a subscription price of 0.50 euro each. On completion of the stockmarket auction, all the unexercised rights were placed and the capital increase ended with the remaining 5,106,240 ordinary shares in Pirelli RE fully subscribed. Pirelli RE's new share capital, now registered with the Companies Register, therefore amounts to 420,585,888.50 euro, divided into 841,171,777 ordinary shares with a par value of 0.50 euro each, while the new holding of Pirelli & C. in Pirelli & C. RE is 57.99%.

• On July 31st, 2009, as part of measures to restructuring the Company's financing arrangements, an agreement was signed with a pool of eight leading financial institutions for the provision of a credit facility totalling 320 million euro and expiring in July 2012. This operation has allowed Pirelli RE to have 470 million euro in committed credit facilities at its disposal compared with 380 million euro at June 30th, 2009, with an average residual maturity that has increased from 9 months at June 30th, 2009 to 26 months at September 30th, 2009.

• On September 30th, 2009, a 5% interest in the subsidiary Pirelli RE SGR, Italy's leading real estate fund manager, was sold to Intesa Sanpaolo for 10 million euro. The agreement allows Intesa Sanpaolo to buy another 5% of Pirelli RE SGR once the required clearance has been obtained from the competent authorities.
Pirelli RE SGR will not only be able to augment its business through internal growth by developing real estate funds and launching new products specially for institutional investors, it will also be able to take up external growth opportunities resulting from sector consolidation by merging with other fund managers operating on the Italian market.

2. FINANCIAL HIGHLIGHTS

2.1 Review of operating results

For the purposes of interpreting the main income statement figures reported below, it should be noted that EBIT including net income from investments before restructuring costs and property writedowns/revaluations is to be treated as the most significant performance indicator for the Group's type of business.

When reading the following figures, please note that the Integrated Facility Management business, sold during 2008, has been classified in "discontinued operations" meaning that its results have not contributed to prior period EBIT but only to the net post-tax result; accordingly, the figures for the first nine months of 2008 have been restated on a like-for-like basis.

	(Euro/million)	SEPTEMBER 2009	JUNE 2009	SEPTEMBER 2008
	Consolidated revenues:	**199.2**	**115.8**	**296.5**
	of which services	*137.4*	*94.7*	*172.1*
	of which other investment activities	*61.8*	*21.1*	*124.4*
	EBIT before restructuring costs and property writedowns/revaluations	(1.3)	(2.0)	21.0
	Net income from investments before property writedowns/revaluations	(28.9)	(20.9)	1.4
A	**EBIT including net income from investments before restructuring costs and property writedowns/revaluations**	**(30.2)**	**(22.9)**	**22.4**
	Restructuring costs	(13.2)	(11.5)	(17.6)
	Property writedowns/revaluations	(11.9)	(4.8)	(1.4)
	EBIT including net income from investments (1)	**(55.3)**	**(39.3)**	**3.4**
B	Financial income from investments	21.3	13.7	24.1
	EBIT including net income and financial income from investments	**(34.0)**	**(25.6)**	**27.5**
	Financial expenses	(19.5)	(14.7)	(34.0)
	Profit (loss) before taxes	**(53.5)**	**(40.3)**	**(6.5)**
	Income taxes	(5.2)	(2.4)	(8.2)
	Net income (loss) before discontinued operations	(58.7)	(42.7)	(14.7)
	Discontinued operations	0.0	0.0	4.1
	Net income (loss) before minority interests	**(58.7)**	**(42.7)**	**(10.6)**
	Minority interests	0.8	0.4	(2.3)
	Consolidated net income (loss)	**(57.9)**	**(42.3)**	**(12.9)**
	A + B	**(8.9)**	**(9.2)**	**46.5**

(1) EBIT including net income from investments before restructuring costs and property writedowne/revaluation at September 30th, 2009 is calculated as EBIT (-18.6 million euro) plus net income from investments (-36.7 million euro), classified in "EBIT" and "Net income from investments" in the consolidated income statement accompanying the explanatory notes to the Interim Management Statement at 30th september 2009.

Measures adopted in the first nine months of the year have helped save 47 million euro in overheads, which is close to the original target of 50 million euro for the whole of 2009; the annual target has therefore been raised to 65 million euro. Management activities (fund & asset management) and real estate services (property management, agency), inclusive of headquarters costs, in the first nine months of 2009 reported considerably better results thanks to actions to cut costs (-0.5 million euro in EBIT before restructuring costs and asset writedowns/revaluations compared with -5.2 million euro in the first nine months of 2008 which had included the benefit of 17.0 million euro in indemnity received upon replacing Pirelli RE SGR as manager of the Berenice fund). The current year's result includes the gain on selling 5% of Pirelli RE SGR.

Real estate sales[9] realized at September 30th, 2009 amounted to 657.6 million euro compared with 714.5 million euro at September 30th, 2008, while NPL collections[10] in this period came to 226.7 million euro against 321.3 million euro in the first nine months of 2008. Despite the adverse macroeconomic environment, Pirelli RE nonetheless managed to complete real estate transactions in the period at values that were generally in line with those appraised by the independent experts. The sales margin at September 30th, 2009 was around 12%, down from 19% in the same period of 2008. Rents[11] came to 599.4 million euro at September 30th, 2009 (464.2 million euro in the first nine months of 2008, which included only three months of rents from the Highstreet portfolio); the Pirelli RE share of rents was 148.3 million euro (118.3 million euro at September 2008).

Consolidated revenues were 199.2 million euro against 296.5 million euro at September 30th, 2008. The 2008 figure benefited from around 49 million euro in revenues from the sale of just one asset in Poland. Revenues from services accounted for 69% of the total in the first nine months of 2009, compared with 58% in the same period of 2008.

EBIT, including net income from investments before restructuring costs and asset writedowns/revaluations, reported a loss of 30.2 million euro at September 30th, 2009 compared with a positive 22.4 million euro in the first nine months of 2008. The company confirms its full-year target for this performance indicator in 2009 at between -25 and -35 million euro, as previously announced. Part of the difference in EBIT relative to September 2008 (-52.6 million euro) is explained by more than 30 million euro in non-recurring income from which the company benefited in the prior period on the sale of just one asset in Poland and as indemnity received upon replacing Pirelli RE SGR as manager of the Berenice fund. In addition, the fair value measurement of hedging derivatives had a positive impact of 2.8 million euro on the income statement in the first nine months of 2008, but a negative one of 9.9 million euro in the first nine months of 2009 due to movements in interest rates.

When EBIT including net income from investments before restructuring costs and writedowns/revaluations is summed with income from shareholder loans, EBIT reports a loss of 8.9 million euro in the first nine months of 2009 and a profit of 0.3 million euro in the third quarter. Of the loss at September 30th, 2009, 8.4 million euro is attributable to the results of funds and vehicle companies, while 0.5 million euro is attributable to the service business, including headquarters costs.

The net balance of property writedowns and revaluations was a negative 11.9 million euro in the first nine months of 2009 compared with a negative 1.4 million euro at the end of September 2008. The revaluations are the result of formalizing the "hold" strategy for most of the residential real estate in Germany and for selected prime assets in Italy, involving their medium-term retention in the portfolio: the carrying amount of these assets has been revalued, with a positive economic impact of 45.5 million euro recognized under IAS 40, which allows strategically important investment property to be restated at fair value. However, these revaluations have been more than offset by writedowns of 57.4

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[9] This is the sum of real estate sales by consolidated companies and real estate sales by associates, joint ventures and funds in which the Group has interests.
[10] This is the sum of NPLs collected by consolidated companies and those collected by associates and joint ventures in which the Group has interests.
[11] This is the sum of rents earned by consolidated companies and rents earned by associates, joint ventures and funds in which the Group has interests.

million euro against other portfolios (of which 30.6 million euro relating to the investment in the German Highstreet portfolio).

More details of the results by geographical area for funds and vehicle companies and the service platform and holding company activities[12] can be found in the section on divisional performance.

Consolidated net income (loss) was a loss of 57.9 million euro compared with a loss of 12.9 million euro in the first nine months of 2008.

[12] The results of funds and vehicle companies refer to those generated by Pirelli RE's investments in funds and companies (primarily sales and rents); service platform and holding company activities include the net income generated by the Company from its fund and asset management activities and specialized real estate services (property, facility and agency).

2.2 Review of the balance sheet and financial position

(Euro/million)	SEPTEMBER 2009	DECEMBER 2008	SEPTEMBER 2008
Fixed assets	562.8	589.1	816.3
of which investments in real estate funds and investment companies **(1)**	*389.0*	*405.7*	*632.0*
of which goodwill	*135.5*	*137.8*	*140.0*
Net working capital	136.1	133.1	170.9
Net invested capital	698.9	722.2	987.2
Net equity	687.0	366.4	616.7
of which group net equity	679.9	361.7	609.8
Provisions	55.4	66.3	46.7
Net financial position	(43.5)	289.5	323.8
of which shareholder loans granted	(490.9)	(572.3)	(610.7)
Total covering net invested capital	698.9	722.2	987.2
Net financial position excluding shareholder loans granted	447.4	861.8	934.5
Net invested capital excluding shareholder loans granted	1,189.8	1,294.5	1,597.9
Gearing (2)	0.65	2.35	1.52

(1) The figure includes interests in associates, joint ventures and other investments (303.1 million euro), investments in real estate funds (66.7 million euro reported as "other financial assets" in the consolidated balance sheet) and junior notes (19.2 million euro reported as "other receivables" in the consolidated balance sheet). The amounts at September 2009, December 2008 and September 2008 include provisions for investment writedowns of 79.0 million euro, 48.7 million euro and 22.2 million euro respectively.

Fixed assets amounted to 562.8 million euro at September 30th, 2009 compared with 589.1 million euro at December 31st, 2008. The decrease reflects the combined effect of investments, equity contributions and the results for the period by funds and vehicle companies in which the Group has interests.

Net working capital was 136.1 million euro, in line with 133.1 million euro at December 31st, 2008.

Group net equity was 679.9 million euro at September 30th, 2009 compared with 361.7 million euro at December 31st, 2008. The increase of 318.2 million euro basically reflects the benefit of the rights issue completed at the start of July, net of closing costs (+394.8 million euro), a decrease attributable to the net loss for the period (-57.9 million euro) and other changes (-18.7 million euro) mainly relating to the reserve for interest rate hedges.

Gearing came down from 2.35 at December 31st, 2008 to 0.65 at the end of September 2009 thanks to restructuring of the Group's financing arrangements and the above-mentioned rights issue.

The following table presents movements in the principal indicators for net debt[13]:

[13] Stated in accordance with the CONSOB Communication dated July 28th, 2006 and in compliance with the CESR Recommendation of February 10th, 2005 ("Recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses").

(Euro/million)	SEPTEMBER 2009	SEPTEMBER 2008
Total net financial position (1)	(43.5)	289.5
Shareholder loans granted	490.9	572.3
Net financial position excluding shareholder loans granted (2)	447.4	861.8
Gearing (3)	0.65	2.35

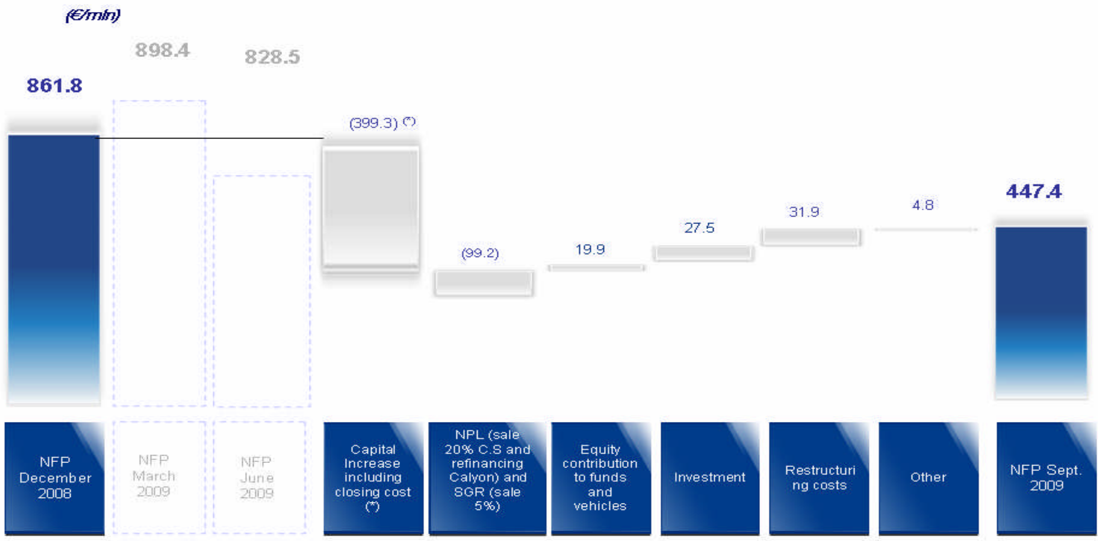
(1) Net financial position: this is considered to provide an accurate indicator of a business's ability to meet its financial obligations, represented by gross financial debt less cash and other cash equivalents and other financial receivables.
The explanatory notes contain a table showing the balance sheet amounts used for this calculation.
(2) Amount stated in accordance with the CONSOB Communication dated July 28th, 2006 and in compliance with the CESR Recommendation of February 10th, 2005 ("Recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses").
(3) The gearing ratio indicates the Group's ability to fund its business with its own resources rather than with third-party debt. It corresponds to the ratio between net financial position excluding shareholder loans granted and net equity.

The net financial position reported net cash of 43.5 million euro at September 30th, 2009 compared with net debt of 289.5 million euro at December 31st, 2008 and net debt of 337.3 million euro at June 30th, 2009.

The net financial position excluding shareholder loans granted reported net debt of 447.4 million euro at September 30th, 2009 compared with net debt of 861.8 million euro at December 31st, 2008 and 828.5 million euro at June 30th, 2009.

The improvement of 414.4 million euro since December 31st, 2008 is attributable to the benefit of 399.3 million euro from the rights issue and of 99.2 million euro from selling 20% of Credit Servicing (allowing Pirelli RE to recover its shareholder loan to the European NPL investment platform) and 5% of Pirelli RE SGR. On the negative side, the net financial position was adversely affected by equity contributions paid into vehicle companies and by investments in the period (47.4 million euro), as well as by payments of 31.9 million euro in restructuring costs.

The following chart presents the combined effect of the events causing the change in the first nine months of 2009.



(*) Gross of closing costs

Net cash flow, after paying certain restructuring costs, was a positive 333.0 million euro thanks to the cash inflow from the rights issue; this compares with negative net cash flow of 34.1 million euro at September 30th, 2008.

The following table presents the principal cash flows:.

(Euro/millions)	SEPTEMBER 2009	SEPTEMBER 2008
EBIT before restructuring costs and writedowns/revaluations	**(1.3)**	**21.0**
Amortization and depreciation	5.4	6.6
Change in non-current financial assets /sale of investments	(36.8)	(50.1)
Change in other non-current assets	0.1	(14.8)
Change in net working capital and provisions and other changes	(0.9)	(12.0)
Free cash flow	**(33.5)**	**(49.3)**
Impact of Facility Management	0.0	102.4
Payment of restructuring costs (provided in 2008)	(31.9)	(8.6)
Financial and tax expenses/income	(1.0)	6.4
Cash flow before dividends	**(66.3)**	**51.0**
Dividends paid	0.0	(85.1)
Net cash flow	**(66.3)**	**(34.1)**
Increase in share capital	399.3	0.0
Purchase/sale of treasury shares	0.0	0.0
Total cash flow	**333.0**	**(34.1)**

3. DIVISIONAL PERFORMANCE IN THE FIRST NINE MONTHS OF 2009

3.1 Financial highlights by geographical area

As described in the section on Group mission and profile, Pirelli RE is organized along geographical lines. The results will now be examined, distinguishing between income from funds and vehicle companies and income from the service platform and holding company activities[14].

The subsequent tables by geographical area show EBIT including net income from investments, before restructuring costs and property writedowns/revaluations as adjusted to include financial income from shareholder loans granted to individual companies and funds.

	Italy		Germany		Poland		NPL		Holding		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Service platform	19.5	18.9	2.2	(6.4)	(1.1)	(0.4)	(5.2)	0.2			**15.4**	**12.3**
Holding									(15.9)	(17.5)	**(15.9)**	**(17.5)**
A Vehicles & Funds	(21.0)	0.6	(14.9)	(4.9)	0.3	17.4	6.0	14.5			**(29.7)**	**27.6**
Ebit including net income from investments (*)	(1.6)	19.5	(12.8)	(11.2)	(0.8)	17.0	0.8	14.7	(15.9)	(17.5)	**(30.2)**	**22.4**
B Financial income from investments	5.9	8.5	12.3	7.7	1.7	1.1	1.3	6.3	0.0	0.6	**21.3**	**24.1**
Ebit including net income from investments and financial income from investments (*)	**4.3**	**28.1**	**(0.4)**	**(3.6)**	**0.9**	**18.0**	**2.1**	**21.0**	**(15.9)**	**(17.0)**	**(8.9)**	**46.5**
A + B	(15.1)	9.2	(2.6)	2.8 #	2.0	18.5	7.3	20.8	0.0	0.6	**(8.4)**	**51.8**

(*) Amount net of restructuring costs and property writedowns/revaluations

When reading the figures reported in the subsequent tables by country, please note that the revenue figures refer to consolidated companies in the service platform which perform solely service activities, and so do not include the consolidated revenues of other investment initiatives.

[14] The results of funds and vehicle companies refer to those generated by Pirelli RE's investments in funds and companies (primarily sales and rents); service platform and holding company activities include the net income generated by the Company from its fund and asset management activities and specialized real estate services (property, facility and agency).

3.2 Italy Real Estate

Financial highlights

EBIT including net income from investments before restructuring costs and writedowns/revaluations and including financial income from investments was a positive 4.3 million euro at September 30th, 2009 compared with a positive 28.1 million euro at September 30th, 2008. This figure comprises 19.5 million euro in income from services (up from 18.9 million euro in 2008) and 15.1 million euro in losses from real estate vehicle companies and funds (income of 9.2 million euro in 2008). The figures at September 30th, 2008 included the benefit of 17 million euro in indemnity received upon replacing Pirelli RE SGR as manager of the Berenice fund. The figures at September 30th, 2009 include 6.1 million euro in gains on the sale of 5% of Pirelli RE SGR.

Real estate sales[15] amounted to 356.4 million euro at September 30th, 2009 compared with 480.5 million euro in the first nine months of 2008. Rents[16] totalled 229.3 million euro (252.1 million euro in the same period of 2008). Total capital gains[17] realized at September 30th, 2009 came to 43.7 million euro (93.4 million euro at September 30th, 2008), while the Pirelli RE share of such gains in the first nine months of 2009 was 19.3 million euro (35.0 million euro at September 30th, 2008).

The following table sets out the financial highlights of fund & asset management activities and of specialized real estate services by the service platform:

[15] This is the sum of real estate sales by consolidated companies and real estate sales by associates, joint ventures and funds in which the Group has interests.
[16] This is the sum of rents earned by consolidated companies and rents earned by associates, joint ventures and funds in which the Group has interests.
[17] This is the sum of capital gains realized by consolidated companies and capital gains realized by associates, joint ventures and funds in which the Group has interests.

Fund & AM Fee	SEPTEMBER 2009	SEPTEMBER 2008
Consolidated revenues	32.1	57.0
Other income	6.1	17.0
Total revenues and income	**38.2**	**74.0**
Result (*)	**16.4**	**22.4**
Agency		
Consolidated revenues	14.4	17.9
Other income		
Total revenues and income	**14.4**	**17.9**
Result (*)	**(4.5)**	**(9.9)**
Property		
Consolidated revenues	27.4	31.4
Other income		
Total revenues and income	**27.4**	**31.4**
Result (*)	**7.6**	**6.4**
Service Platform		
Consolidated revenues	73.9	106.4
Other income	6.1	17.0
Total revenues and income	**80.0**	**123.4**
Result (*)	**19.5**	**18.9**

(*) "Result" represents EBIT including net income from investments before restructuring costs and writedowns/ revaluations plus income from shareholder loans

3.3 Germany Real Estate

Financial highlights

EBIT including net income from investments before restructuring costs and writedowns/revaluations and including financial income from investments was a negative 0.4 million euro at September 30th, 2009, compared with a negative 3.6 million euro at September 30th, 2008. This figure comprises 2.2 million euro in income from services (losses of 6.4 million euro in the first nine months of 2008) and 2.6 million euro in losses from real estate vehicle companies (income of 2.8 million euro in the first nine months of 2008).

Real estate sales[18] amounted to 274.9 million euro at September 30th, 2009 compared with 173.7 million euro in the first nine months of 2008. Rents[19] totalled 369.8 million euro

[18] This is the sum of real estate sales by consolidated companies and real estate sales by associates and joint ventures in which the Group has interests.

(211.8 million euro in the same period of 2008). Total capital gains[20] realized at September 30th, 2009 came to 30.3 million euro (26.5 million euro at September 30th, 2008), while the Pirelli RE share of such gains in the first nine months of 2009 was 10.5 million euro (8.4 million euro in 2008).

The following table sets out the financial highlights of fund & asset management activities and of specialized real estate services by the service platform and holding company:

		SEPTEMBER 2009	SEPTEMBER 2008
Fund & AM Fee			
	Consolidated revenues	10.3	11.0
	Other income		
	Total revenues and income	**10.3**	**11.0**
	Result (*)	**3.1**	**(2.8)**
Agency			
	Consolidated revenues	3.4	3.7
	Other income		(0.1)
	Total revenues and income	**3.4**	**3.7**
	Result (*)	**0.2**	**(0.9)**
Property			
	Consolidated revenues	20.2	18.6
	Other income		0.5
	Total revenues and income	**20.2**	**19.1**
	Result (*)	**(1.2)**	**(1.6)**
Facility			
	Consolidated revenues	10.6	16.0
	Other income		0.2
	Total revenues and income	**10.6**	**16.1**
	Result (*)	**0.1**	**(1.1)**
Service Platform			
	Consolidated revenues	44.4	49.3
	Other income	0.0	0.6
	Total revenues and income	**44.4**	**49.9**
	Result (*)	**2.2**	**(6.4)**

(*) "Result" represents EBIT including net income from investments before restructuring costs and writedowns/ revaluations plus income from shareholder loans

[19] This is the sum of rents earned by consolidated companies and rents earned by associates and joint ventures in which the Group has interests.
[20] This is the sum of capital gains realized by consolidated companies and capital gains realized by associates and joint ventures in which the Group has interests.

3.4 Poland Real Estate

Financial highlights

EBIT including net income from investments before restructuring costs and writedowns/revaluations and including financial income from investments was a positive 0.9 million euro at September 30th, 2009, compared with a positive 18 million euro at September 2008, when this result benefited from non-recurring income on the sale of one specific asset in Poland. This figure comprises 1.1 million euro in losses from services (-0.4 million euro in the first nine months of 2008) and 2.0 million euro in income from real estate vehicle companies (18.5 million euro in the first nine months of 2008).

Real estate sales[21] amounted to 26.3 million euro at September 30th, 2009 compared with 60.3 million euro in the first nine months of 2008. Rents[22] totalled 0.3 million euro, like in the same period of 2008. Total capital gains[23] realized at September 30th, 2009 came to 6.8 million euro (17.4 million euro at September 30th, 2008), while the Pirelli RE share of such gains in the first nine months of 2009 was 2.8 million euro (17.4 million euro at September 30th, 2008).

The following table sets out the financial highlights of fund & asset management activities and of specialized real estate services by the service platform and holding company:

[21] This is the sum of real estate sales by consolidated companies and real estate sales by associates and joint ventures in which the Group has interests.
[22] This is the sum of rents earned by consolidated companies and rents earned by associates and joint ventures in which the Group has interests.
[23] This is the sum of capital gains realized by consolidated companies and capital gains realized by associates and joint ventures in which the Group has interests.

Fund & AM Fee	SEPTEMBER 2009	SEPTEMBER 2008
Consolidated revenues	1.6	2.1
Other income		
Total revenues and income	**1.6**	**2.1**
Result (*)	**(0.9)**	**(1.6)**
Agency		
Consolidated revenues	0.7	0.7
Other income		
Total revenues and income	**0.7**	**0.7**
Result (*)	**(0.4)**	**(0.1)**
Facility		
Consolidated revenues	1.7	3.2
Other income		
Total revenues and income	**1.7**	**3.2**
Result (*)	**0.2**	**1.2**
Service Platform		
Consolidated revenues	4.0	6.1
Other income	0.0	0.0
Total revenues and income	**4.0**	**6.1**
Result (*)	**(1.1)**	**(0.4)**

(*) "Result" represents EBIT including net income from investments before restructuring costs and writedowns/ revaluations plus income from shareholder loans

3.5 Non performing loans

Financial highlights

EBIT including net income from investments before restructuring costs and writedowns/revaluations and including financial income from investments was a positive 2.1 million euro at September 30th, 2009 compared with a positive 21.0 million euro at September 30th, 2008. This figure comprises 5.2 million euro in losses from services (income of 0.2 million euro in the first nine months of 2008) and 7.3 million euro in income from vehicle companies (20.8 million euro in the first nine months of 2008).

4 . SUBSEQUENT EVENTS

There are no significant events to report subsequent to the end of the quarter.

5. BUSINESS OUTLOOK

Committed to turnaround, the Company confirms its previously announced target level for full-year EBIT including net income from investments before restructuring costs and property writedowns/revaluations (-25/-35 million euro).
Based on preliminary agreements signed, offers received and negotiations in progress, the Company confirms that it will be able to meet the target of 1 billion euro in asset sales by the end of 2009, involving receipt of its related share of benefit.

It is well to recall that such projections for 2009 could still be heavily influenced by exogenous factors beyond the Company's control, such as changes in the macroeconomic scenario, trends in the real estate market, movements in interest rates and the terms of access to credit.

6 . HUMAN RESOURCES

The total number of employees at September 30th, 2009 was 1,205 (plus 50 with temporary contracts) compared with 1,473 at December 31st, 2008 (plus 85 with temporary contracts).

1. CONSOLIDATED BALANCE SHEET

(in thousands of euro)

Note	ASSETS	09.30.2009	12.31.2008
	NON-CURRENT ASSETS		
	Property, plant and equipment	22.138	22.805
1	Intangible assets	151.680	160.601
2	Investments in associates and joint ventures	373.855	357.867
3	Other financial assets	94.149	96.567
	Deferred tax assets	31.611	28.564
	Other receivables	509.195	579.049
	Tax receivables	68	68
	TOTAL NON-CURRENT ASSETS	**1.182.696**	**1.245.521**
	CURRENT ASSETS		
	Inventories	103.081	93.379
	Trade receivables	148.412	181.644
	Other receivables	70.469	82.909
	Securities held for trading	-	-
	Cash and cash equivalents	39.837	35.702
	Tax receivables	26.213	36.730
	Derivative financial instruments	-	-
	TOTAL CURRENT ASSETS	**388.012**	**430.364**
	TOTAL ASSETS	**1.570.708**	**1.675.885**

	NET EQUITY	09.30.2009	12.31.2008
	GROUP NET EQUITY		
4	Share capital	419.991	20.704
5	Other reserves	93.599	115.675
6	Retained earnings (losses)	224.199	420.298
	Net income (loss) for the period	(57.909)	(194.985)
	TOTAL GROUP NET EQUITY	**679.880**	**361.692**
7	**MINORITY INTERESTS**	**7.094**	**4.673**
	TOTAL NET EQUITY	**686.974**	**366.365**
	LIABILITIES	**09.30.2009**	**12.31.2008**
	NON-CURRENT LIABILITIES		
	Bank borrowings and payables to other financial institutions	324.658	229.238
	Other payables	1.386	30.081
	Provisions for future risks and expenses	26.538	25.415
	Deferred tax provision	41	120
	Employee benefit obligations	16.023	17.268
	Tax payables	21	-
	TOTAL NON-CURRENT LIABILITIES	**368.667**	**302.122**
	CURRENT LIABILITIES		
	Bank borrowings and payables to other financial institutions	177.349	685.384
	Trade payables	128.953	138.980
	Other payables	96.129	86.920
	Provisions for future risks and expenses	91.805	72.231
	Tax payables	19.772	23.619
	Derivative financial instruments	1.059	264
	TOTAL CURRENT LIABILITIES	**515.067**	**1.007.398**
	TOTAL LIABILITIES	**883.734**	**1.309.520**
	TOTAL LIABILITIES AND NET EQUITY	**1.570.708**	**1.675.885**

Balances relating to transactions with related parties are described in Section 4 of the Explanatory Notes to the Interim Management Statement.

2. CONSOLIDATED INCOME STATEMENT

(in thousands of euro)

Note		01.01.2009-09.30.2009	01.01.2008-09.30.2008
8	Revenues from sales and services	199.199	296.550
9	Changes in inventories of work in progress, semi-finished and finished products	(5.076)	6.567
	Own work capitalized	-	-
	Other income	30.085	37.621
	TOTAL OPERATING REVENUES	**224.208**	**340.738**
	Raw and consumable materials used (net of change in inventories)	(20.279)	(78.976)
	Personnel costs	(66.768)	(102.892)
	Depreciation, amortization and impairment	(9.520)	(6.617)
	Other costs	(146.242)	(149.223)
10	**TOTAL OPERATING COSTS**	**(242.809)**	**(337.708)**
	Earnings before interest and tax (EBIT)	**(18.601)**	**3.030**
11	Net income from investments of which:	(36.658)	351
	- net profit share from investments in associates and joint ventures	(48.939)	(8.160)
	- dividends	1.732	4.530
	- gains on investments	10.605	5.584
	- losses on investments	(56)	(1.603)
	Financial income	26.395	29.967
	Financial expenses	(24.593)	(39.878)
	RESULT BEFORE INCOME TAXES AND MINORITY INTERESTS	**(53.457)**	**(6.530)**
	Income taxes	(5.282)	(8.223)
	NET INCOME/(LOSS) FROM CONTINUING OPERATIONS	**(58.739)**	**(14.753)**
12	**NET INCOME/(LOSS) FROM DISCONTINUED OPERATIONS**	-	4.113
	NET INCOME/(LOSS) FOR THE PERIOD	**(58.739)**	**(10.640)**
	attributable to minority interests	(830)	2.266
	CONSOLIDATED NET INCOME (LOSS) FOR THE PERIOD	**(57.909)**	**(12.906)**

Balances relating to transactions with related parties are described in Section 4 of the Explanatory Notes to the Interim Management Statement.

3. INTERIM MANAGEMENT STATEMENT– EXPLANATORY NOTES

The interim management statement at September 30th, 2009 was approved by the Board of Directors on November 4th, 2009.

3.1. Form and contents

This interim management statement at September 30th, 2009 has been prepared in accordance with art. 154-*ter* of Decree 58/1998, and with the instructions issued by CONSOB in this regard.

The amounts reported in the financial statements have been valued and measured using the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the related interpretations published by the International Financial Reporting Interpretations Committee (IFRIC), endorsed by the European Commission and in force at the time of approving this report.

The accounting policies and principles are consistent with those used for preparing the financial statements at December 31st, 2008, to which reference should be made for more details. The only exceptions relate to the following standards and interpretations, in force since January 1st, 2009 and endorsed by the European Union, the application of which has not had a material impact on the Group's numbers:

- IFRIC 11 – IFRS 2 – Group and treasury share transactions
- IFRIC 13 – Customer loyalty programmes
- IFRIC 14 – IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction
- IFRS 8 – Operating segments
- Amendments to IAS 23 - Borrowing costs
- Revision of IAS 1 - Presentation of financial statements
- Amendments to IFRS 2 -Share-based payment: vesting conditions and cancellations
- Amendments to IAS 32 - Financial instruments: presentation and IAS 1 - Presentation of financial statements: puttable financial instruments and instruments with obligations arising on liquidation
- *Improvements to IFRSs*
- Amendments to IFRS 1 - First-time adoption of IFRSs and to IAS 27 - Consolidated and financial statements: Cost of an investment in a subsidiary, associate or joint venture.

When reading the figures, please note that the Integrated Facility Management business, sold during 2008, has been classified in "discontinued operations" in this interim management statement, meaning that its results are not included in EBIT but are reported separately at the foot of the income statement immediately before net income; accordingly, the figures for 2008 have been restated on a like-for-like basis.

The income statement also includes a new line item "Net income from investments", comprising the following sub-accounts:

- net profit share from investments in associates and joint ventures;

- gains on investments: this reports gains on the sale of available-for-sale financial assets, previously classified in financial income, gains on the sale of subsidiaries, associates and joint ventures and gains arising from business combinations, previously classified in other income, and the positive measurement of investments designated at fair value through profit or loss, previously classified in "Change in fair value of financial assets";

- losses on investments: this reports losses on the sale of available-for-sale financial assets, impairment of available-for-sale financial assets, associates and joint ventures, previously classified in financial expenses, losses on the sale of subsidiaries, associates and joint ventures previously classified in other costs, and the negative measurement of investments designated at fair value through profit or loss, previously classified in "Change in fair value of financial assets";

- dividends: this reports not only dividends received from investments other than subsidiaries, associates and joint ventures, but also the income received from real estate funds, previously classified in financial income.

Lastly, the fair value measurement of securities held for trading and derivatives has been reclassified from "Change in fair value of financial assets" to "Financial expenses" or "Financial income" depending on the sign. The line item "Change in fair value of financial assets" has therefore been eliminated.

The income statement for the first nine months of 2008, presented for comparative purposes, has consequently been reclassified.

Relative to the consolidated financial statements published at December 31st, 2008, receivables for junior notes, previously reported in "Other non-current receivables" have been reclassified to "Other financial assets". The balance sheet at December 31st, 2008, presented for comparative purposes, contains a corresponding reclassification for 21,330 thousand euro.

3.2 Consolidation area

On April 2nd, 2009 the shareholders of *Orione Immobiliare Prima S.p.A.* - a company in which Pirelli & C. Real Estate S.p.A held a 40.1% interest and Gruppo Partecipazioni

Industriali S.p.A. a 29.3% interest - made an agreement to transfer to the shareholders, other than Pirelli & C. Real Estate S.p.A., the property assets owned by the company in proportion to their respective interests. Under this same agreement, the shareholders also agreed to sell their respective shares in Orione Immobiliare Prima S.p.A. to Pirelli & C. Real Estate S.p.A. which, on completion of this transaction, has ended up owning 100% of this company.

On May 13th and August 12th, 2009 *Mistral Real Estate B.V.*, a 35% owned company, undertook a series of operations transforming its existing shares into "tracking shares" that were numbered and allocated so as to achieve a direct correlation between such shares and the underlying development companies both in terms of participation in results and exercise of control. Following these operations Pirelli & C. Real Estate S.p.A. acquired the remaining 65% of certain classes of tracking share, thereby obtaining control of the companies to which these shares referred.

On June 29th, 2009 DGAD International S.à.r.l. took a 20% interest in Pirelli & C. Real Estate Credit Servicing S.p.A. as part of the Group's plans to rationalise the non performing loans business. One of the objectives of this operation was to acquire contracts to manage non performing loan portfolios for third parties, in keeping with the Pirelli & C. Real Estate Group's growing focus on the service sector.

On July 16th, 2009 Pirelli & C. Real Estate S.p.A. acquired from third parties the remaining 25% of the shares in *Parcheggi Bicocca S.p.A.*, taking its total interest to 100%.

On September 30th, 2009 Pirelli & C. Real Estate S.p.A. sold Intesa Sanpaolo 5% of the share capital in *Pirelli & C. Real Estate Società di Gestione del Risparmio S.p.A.*; this means that the Group owned 95% of this company at September 30th, 2009. The purpose of admitting a new institutional partner as a shareholder was designed to support growth in the assets managed by the fund manager and hence in fund management activities, both of which are core elements of the development strategy contained in the 2009-2011 business plan, with the goal of augmenting recurring profits from real estate management activities, as well of making business combinations with other operators in the sector

3.3. Information on the Consolidated Balance Sheet and Consolidated Income Statement

All the figures are presented in thousands of euro, unless otherwise specified.

The following explanatory notes refer to the consolidated balance sheet and income statement found in sections C.1 and C.2 respectively.

ASSETS

Note 1. INTANGIBLE ASSETS

These amount to 151,680 thousand euro, reporting a net decrease of 8,921 thousand euro since December 31st, 2008, of which 4,161 thousand euro due to impairment of the concession granted by the City of Milan for managing certain car parks within the Bicocca area up until 2032, and 2,292 thousand euro due to the change in "goodwill" of which 840 thousand attributable to the disposal of 20% of Pirelli RE Credit Servicing S.p.A., as part of the Group's known plans to rationalise the non performing loans business and 1,452 thousand euro attributable to the disposal of 5% of Pirelli & C. Real Estate Società di Gestione del Risparmio S.p.A..

Note 2. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Investments in associates and joint ventures are accounted for using the equity method and amount to 373,855 thousand euro at September 30th, 2009, reporting a net increase of 15,988 thousand euro since December 31st, 2008.

Movements during the period are shown below:

	01.01.2009-09.30.2009			01.01.2008-12.31.2008		
	Total	**Associates**	**Joint ventures**	**Total**	**Associates**	**Joint ventures**
Opening balance	**357.867**	**76.279**	**281.588**	**480.341**	**82.320**	**398.021**
Discontinued operations	-	-	-	(5.145)	(98)	(5.047)
Acquisitions, changes in share capital and reserves/other	22.574	5.966	16.608	127.576	14.228	113.348
Portion of other components recognized in net equity	(15.208)	261	(15.469)	(52.525)	(871)	(51.654)
Reclassifications/ Other	3.875	346	3.529	(2.302)	-	(2.302)
Distribution of dividends and reserves	(1.963)	(431)	(1.532)	(29.528)	(6.706)	(22.822)
Disposals and liquidations	(12)	-	(12)	(25.696)	-	(25.696)
Net profit share	(48.939)	(2.687)	(46.252)	(177.019)	(12.219)	(164.800)
Financial receivables	25.297	-	25.297	-	-	-
Changes in provision for future risks and expen	30.364	3	30.361	42.165	(375)	42.540
Closing balance	**373.855**	**79.737**	**294.118**	**357.867**	**76.279**	**281.588**

The changes in this balance during the period mainly reflect reductions in the value of investments following 15,924 thousand euro in pre-tax negative adjustments to cash flow hedge reserves and losses for the period, partly offset by changes in the provisions for future risks and expenses which include the provision for making good the losses of associates and joint ventures in excess of their carrying amounts.

"Financial receivables" include the writedown of loans to the Alceo B.V. Group and the Sigma RE B.V. Group in relation to the share of the losses realized by these groups.

Note 3. OTHER FINANCIAL ASSETS

These amount to 94,149 thousand euro, having decreased by 2,418 thousand euro since December 31st, 2008. These are analyzed as follows:

	09.30.2009	12.31.2008
Financial assets available for sale at fair value through equity	**46.181**	**45.638**
Closed-end real estate funds	37.951	36.523
Investments in other companies	8.230	9.115
Other financial assets at fair value through profit or loss	**28.713**	**29.599**
Closed-end real estate funds	28.713	29.599
Other financial assets valued at amortized cost	**19.255**	**21.330**
Junior notes	19.255	21.330
Total	**94.149**	**96.567**

3.1 Closed-end real estate funds

These report the following movements in the nine months to September 30th, 2009:

Fund name	% held at 09.30.2009	12.31.2008	Increases/ (decreases)	Fair value adjustment	09.30.2009
Armilla	2,26%	1.847	-	(11)	1.836
Cloe Fondo Uffici	5,03%	11.170	(430)	(105)	10.635
Fondo Abitare Sociale 1	3,01%	496	-	(8)	488
Olinda Fondo Shops	11,82%	17.888	-	1.362	19.250
Tecla Fondo Uffici	2,00%	5.122	(92)	712	5.742
Total		**36.523**	**(522)**	**1.950**	**37.951**

The decrease in the first nine months of 2009 comprises 92 thousand euro for the repayment of units by Tecla Fondo Uffici and 430 thousand euro for the repayment of units by Cloe Fondo Uffici.

The overall balance has been adjusted by a positive 1,950 thousand euro for changes in the fair value of fund units.

3.2 Other financial assets at fair value through profit or loss

These comprise 13.57% of the units in *Cloe Fondo Uffici - Fondo comune di investimento immobiliare di tipo chiuso non quotato riservato*, which are held by Pirelli RE Netherlands B.V.. During the period Pirelli RE Netherlands B.V. purchased another three units in this fund for a total of 570 thousand euro, while the fund repaid 1,998 thousand euro in units to the Group. The fair value adjustment to these assets at September 30th, 2009 has involved increasing their value by 542 thousand euro.

The changes in fair value have been recognized in the income statement in the line item "Net income from investments" (note 11).

3.3 Other financial assets at amortized cost

Junior notes consist of class C junior notes relating to the securitization of a non performing loans portfolio held by Cairoli Finance S.r.l. (5,446 thousand euro) and of class B junior notes relating to the securitization of a non performing loans portfolio owned by Vesta Finance S.r.l. and subscribed by Pirelli & C. Real Estate S.p.A. (13,809 thousand euro).

NET EQUITY

	Share capital	Share premium reserve	Reval-uation reserve	Legal reserve	Currency translation reserve	Reserve for fair value measurement of financial assets available for sale	Cash flow hedge reserve	Reserve for actuarial gains/(losses)	Reserve for equity-settled stock options	Reserve for tax on items credited/debited to net equity	Other reserves	Retained earnings / (losses)	Net income/ (loss) for the period	**Group net equity**	**Minority interests in net equity**	**Total net equity**
Net equity at December 31st, 2008	**20.704**	**158.336**	**15**	**4.265**	**(1.680)**	**(13.858)**	**(60.139)**	**1.728**	**6.027**	**2.584**	**18.397**	**420.298**	**(194.985)**	**361.692**	**4.673**	**366.365**
Total other components of income recognized in net equity	**-**	**-**	**-**	**-**	**(166)**	**1.950**	**(16.841)**	**(494)**	**-**	**473**	**-**	**-**	**-**	**(15.078)**	**(65)**	**(15.143)**
Allocation of 2008 results	-	-	-	-	-	-	-	-	-	-	-	(194.985)	194.985	-	-	-
Capital increase	399.287	-	-	-	-	-	-	-	-	1.701	(6.187)	-	-	394.801	-	394.801
Cost of equity transactions	-	-	-	-	-	-	-	-	-	-	(132)	-	-	(132)	-	(132)
Equity-settled stock options	-	-	-	-	-	-	-	-	(107)	-	-	-	-	(107)	1	(106)
Other changes	-	-	-	-	-	12	(1.645)	(484)	(1)	(155)	-	(1.114)	-	(3.387)	3.315	(72)
Net income (loss) for the period	-	-	-	-	-	-	-	-	-	-	-	-	(57.909)	(57.909)	(830)	(58.739)
Net equity at September 30th, 2009	**419.991**	**158.336**	**15**	**4.265**	**(1.846)**	**(11.896)**	**(78.625)**	**750**	**5.919**	**4.603**	**12.078**	**224.199**	**(57.909)**	**679.880**	**7.094**	**686.974**

Note 4. SHARE CAPITAL

The divisible capital increase for cash resolved by the extraordinary shareholders' meeting on April 17th, 2009 was successfully completed during the period under review.

The capital increase ended with all 798,574,545 new-issue ordinary shares being subscribed, corresponding to a total amount of 399,287,272.50 euro before costs.

In compliance with the undertakings given and as stated in the prospectus, Pirelli & C. S.p.A., Pirelli RE's controlling shareholder, exercised all its rights by subscribing to 463,752,540 new-issue ordinary shares in Pirelli & C. Real Estate S.p.A., corresponding to around 58.07% of the shares offered and worth 231,876,270.00 euro, by converting part of its loans to Pirelli & C. Real Estate S.p.A. into capital.

Following this capital increase, the Company's new subscribed and paid-up share capital at September 30th, 2009 (including treasury shares held for investment and not trading purposes and which therefore, under the format prescribed by article 2424 of the Italian Civil Code, would have been classified as "Financial fixed assets") consists of 841,171,777 ordinary shares with a par value of 0.50 euro each, making a total of 420,585,888.50 euro.

Share capital, excluding treasury shares as required by IAS 32, amounts to 419,991,057.50 euro at September 30th, 2009.

Note 5. OTHER RESERVES

Reserve for fair value measurement of available-for-sale financial assets

This reports a negative balance of 11,896 thousand euro, before tax, recognized for the fair value measurement of available-for-sale financial assets, which mainly comprise units held in real estate investment funds.

The fair value adjustment during the first nine months of this year was a positive 1,950 thousand euro.

Cash flow hedge reserve

This reports a negative balance of 78,625 thousand euro recognized for the fair value measurement of cash flow hedges.

Movements in this reserve in the period under review comprise a negative adjustment of 917 thousand euro for the fair value of cash flow hedges held by Pirelli & C. Real Estate S.p.A., and a negative adjustment of 15,924 thousand euro arising from the valuation of cash flow hedges held by associates and joint ventures.

Reserve for actuarial gains/losses

This amounts to 750 thousand euro and reports the pre-tax actuarial gains and losses on post-employment defined benefits. During the first nine months of 2009 this reserve absorbed a negative adjustment of 494 thousand relating to post-employment defined benefits in subsidiaries, associates and joint ventures.

Reserve for equity-settled stock options

This reserve has been set up in relation to equity-settled stock option plans; at September 30th, 2009 it amounts to 5,919 thousand euro (before tax).

Reserve for tax on items credited/debited to net equity

This reserve, amounting to 4,603 thousand euro, reports the tax effect of items credited/debited directly to net equity.

Note 6. RETAINED EARNINGS

These amount to 224,199 thousand euro, reporting a net decrease of 196,099 thousand euro since December 31st, 2008 largely due to the loss for 2008.

The ordinary shareholders' meeting of Pirelli & C. Real Estate S.p.A. approved the financial statements for 2008 on April 17th, 2009, voting to carry forward the loss for 2008.

Note 7. MINORITY INTERESTS IN NET EQUITY

These consist of minority interests in net equity as well as in the result for the period of the companies consolidated line-by-line.

NET FINANCIAL POSITION

(alternative performance indicator not required by IFRS)

In keeping with the information disclosed in previous financial statements, details of the net financial position will now be provided, also showing the amount of net debt excluding shareholder loans granted:

(in thousands of euro)

	09.30.2009	12.31.2008
CURRENT ASSETS		
Other receivables	**14.779**	**17.134**
Financial receivables	14.779	17.126
- *joint ventures*	13.802	16.948
- *third parties of which*	977	178
- other receivables	*977*	*178*
Financial accrued income and prepaid expenses	-	8
Receivables from shareholders for uncalled capital	-	-
Securities held for trading	**-**	**-**
Cash and cash equivalents	**39.837**	**35.702**
TOTAL CURRENT ASSETS - A	**54.616**	**52.836**
CURRENT LIABILITIES		
Bank borrowings and payables to other financial institutions	**(177.349)**	**(685.384)**
- parent companies	(68.009)	(491.323)
- joint ventures	(5.882)	(5.209)
- other Pirelli & C. Group companies	(1.686)	(1.474)
- Other financial payables	(9)	(17)
- Bank borrowings	(101.665)	(187.361)
- Payables to other financial institutions	(98)	-
- Payables for finance leases	-	-
- Financial accrued liabilities	-	-
TOTAL CURRENT LIABILITIES - B	**(177.349)**	**(685.384)**
NON-CURRENT LIABILITIES		
Bank borrowings and payables to other financial institutions	**(324.658)**	**(229.238)**
- Other financial payables	(675)	(672)
- Bonds	-	-
- Bank borrowings	(323.983)	(227.442)
- Payables to other financial institutions	-	(1.124)
- Payables for finance leases	-	-
- Financial accrued liabilities and deferred income	-	-
TOTAL NON-CURRENT LIABILITIES - C	**(324.658)**	**(229.238)**
NET DEBT EXCL. SHAREHOLDER LOANS GRANTED (*) = D =(A+B+C)	**(447.391)**	**(861.786)**

(*) Pursuant to the CONSOB Communication dated July 28th, 2006 and in compliance with the CESR Recommendation of February 10th, 2005 ("Recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses").

NON-CURRENT ASSETS		
Other receivables	**490.866**	**572.287**
Financial receivables	490.866	572.287
- *associates*	1.767	20.412
- *joint ventures*	479.711	543.849
- *third parties of which*	9.388	8.026
- senior notes	*933*	-
- other receivables	*8.455*	*8.026*
Financial accrued income and prepaid expenses	-	-
Receivables from shareholders for uncalled capital	-	-
TOTAL NON-CURRENT ASSETS - E	**490.866**	**572.287**
NET (DEBT) CASH - F = (D+E)	**43.475**	**(289.499)**

INCOME STATEMENT

The Group's results in the first nine months and third quarter of 2009, compared with those in the corresponding periods of 2008, are presented in the following table:

	01.01.2009-09.30.2009	01.01.2008-09.30.2008	07.01.2009-09.30.2009	07.01.2008-09.30.2008
Revenues from sales and services	199.199	296.550	83.448	103.761
Changes in inventories of work in progress, semi-finished and finished products	(5.076)	6.567	(7.948)	(27.250)
Own work capitalized	-	-	-	-
Other income	30.085	37.621	9.816	8.113
TOTAL OPERATING REVENUES	**224.208**	**340.738**	**85.316**	**84.624**
Raw and consumable materials used (net of change in inventories)	(20.279)	(78.976)	(16.784)	(1.330)
Personnel costs	(66.768)	(102.892)	(20.824)	(27.627)
Depreciation, amortization and impairment	(9.520)	(6.617)	(1.712)	(2.351)
Other costs	(146.242)	(149.223)	(46.892)	(54.117)
TOTAL OPERATING COSTS	**(242.809)**	**(337.708)**	**(86.212)**	**(85.425)**
Earnings before interest and tax (EBIT)	**(18.601)**	**3.030**	**(896)**	**(801)**
Net income from investments of which:	(36.658)	351	(15.042)	(16.523)
- net profit share from investments in associates and joint ventures	(48.939)	(8.160)	(24.146)	(18.980)
- dividends	1.732	4.530	1.388	2.457
- gains on investments	10.605	5.584	7.682	-
- losses on investments	(56)	(1.603)	34	-
Financial income	26.395	29.967	6.860	12.389
Financial expenses	(24.593)	(39.878)	(4.074)	(15.106)
RESULT BEFORE INCOME TAXES AND MINORITY INTERESTS	**(53.457)**	**(6.530)**	**(13.152)**	**(20.041)**
Income taxes	(5.282)	(8.223)	(2.850)	(1.768)
NET INCOME/(LOSS) FROM CONTINUING OPERATIONS	**(58.739)**	**(14.753)**	**(16.002)**	**(21.809)**
NET INCOME/(LOSS) FROM DISCONTINUED OPERATIONS	-	4.113	-	(277)
NET INCOME/(LOSS) FOR THE PERIOD	**(58.739)**	**(10.640)**	**(16.002)**	**(22.086)**
attributable to minority interests	(830)	2.266	(350)	(190)
CONSOLIDATED NET INCOME (LOSS) FOR THE PERIOD	**(57.909)**	**(12.906)**	**(15.652)**	**(21.896)**

Note 8. REVENUES FROM SALES AND SERVICES

Revenues from sales and services amount to 199,199 thousand euro compared with 296,550 thousand euro in the first nine months of 2008 and are analyzed as follows:

	01.01.2009-09.30.2009	01.01.2008-09.30.2008
Revenues from contracts	30.663	5.824
Revenues from sales	23.814	114.342
- sales of land for development	*3.933*	*49.867*
- sales of land for development to Pirelli & C. R.E. Group companies	*61*	*74*
- sales of residential property	*3.421*	*15.411*
- sales of commercial property	*15.991*	*346*
- sales of land/property through sale of shares	*408*	*48.626*
- sales of other assets	*-*	*18*
Revenues from services	144.722	176.384
Total	**199.199**	**296.550**

Revenues from contracts

These amount to 30,663 thousand euro compared with 5,824 thousand euro in the same period of the prior year and mostly refer to revenues earned by Iniziative Immobiliari 3 S.r.l. (29,448 thousand euro) for work on constructing the building known as HQ2 commissioned by Cloe Fondo Uffici and whose tenants will also include Pirelli & C. Real Estate S.p.A..

Revenues from sales

Sales of land for development

During the period under review Iniziative Immobiliari 3 S.r.l. sold Milan Bicocca University a site on which building U10 will be built under the university's supervision and serving the following mixed purposes: teaching classrooms, student accommodation and amenities.

The figure at September 30th 2008 included 23,700 thousand euro from the sale of two sites for redevelopment by Iniziative Immobiliari 3 S.r.l. in the towns of Lainate and Pioltello and 25,917 thousand euro from the sale of the former Ansaldo site in Milan Bicocca by Kappa S.r.l..

Sales of residential property

Sales completed in the first nine months of 2009 mainly refer to residential units sold by Geolindro S.p.A. for 1,440 thousand euro and by Orione Immobiliare Prima S.p.A. for 1,435 thousand euro. Most of the residential property sales in the first nine months of 2008 were by the Polish company Pirelli Pekao Real Estate Sp.zo.o. (11,676 thousand euro).

Sales of commercial property

This includes 15,789 thousand euro in relation to the sale of the complex in Hamburg known as "Goßler's Park" primarily used for offices and retail activities.

Sales of land/property through sale of shares

The figure of 408 thousand euro at September 30th, 2009 relates to the deconsolidation of the closed-end real estate investment fund known as *Fedora - Fondo comune di investimento immobiliare di tipo chiuso*. The figure reported at September 30th, 2008 related to the deconsolidation of the Polish companies Coimpex Sp.zo.o. and Relco Sp.zo.o. following their sale by Pirelli & C. Real Estate S.p.A..

Revenues from services

Revenues from services are analyzed as follows:

	01.01.2009-09.30.2009	01.01.2008-09.30.2008
Revenues from services to third parties	68.242	106.847
Revenues from services to Pirelli & C. S.p.A.	260	344
Revenues from services to associates	5.559	6.633
Revenues from services to joint ventures and other Pirelli & C. RE Group companies	70.258	62.322
Revenues from services to other Pirelli & C. Group companies	403	238
Total	**144.722**	**176.384**

The decrease also reflects the decline in sales resulting from the ongoing international crisis affecting the real estate sector.

Note 9. CHANGE IN INVENTORIES OF WORK IN PROGRESS, SEMI-FINISHED AND FINISHED PRODUCTS

The change in inventories in the first nine months of 2009 is a negative 5,076 thousand euro compared with a positive 6,567 thousand euro in the corresponding period of 2008.

The changes in the period under review mostly reflect the events described in the notes on "revenues from sales" and "assets purchased", to which the reader should refer.

Note 10. OPERATING COSTS

Operating costs comprise:

	01.01.2009-09.30.2009		01.01.2008-09.30.2008	
Raw and consumable materials used (net of change in inventories), of which:		20.279		78.976
a) Assets purchased	35.075		69.613	
b) Change in inventories of trading properties, raw and miscellaneous materials	(14.796)		9.363	
Personnel costs		66.768		102.892
Depreciation, amortization and impairment		9.520		6.617
Other costs		146.242		149.223
Total		**242.809**		**337.708**

Operating costs amount to 242,809 thousand euro compared with 337,708 thousand euro at September 30th, 2008.

Raw and consumable materials used (net of change in inventories)

Assets purchased refer to:

- Property purchased from third parties (69 thousand euro versus 1,322 thousand euro in the first nine months of 2008).
- Property/land purchased from Pirelli & C. Real Estate Group companies (397 thousand euro versus 8,800 thousand euro in the first nine months of 2008). The figure at September 30th, 2009 refers to the purchase by Fedora - Fondo comune di investimento immobiliare di tipo chiuso of a site owned by the joint venture Progetto Gioberti S.r.l. (in liquidation).
- Property/land purchased from third parties through acquisition of shares (34,086 thousand euro versus 58,598 thousand euro in the first nine months of 2008). Property purchased through the acquisition of shares relates to the first-time consolidation of Orione Immobiliare Prima S.p.A. and certain property development companies owned by Mistral Real Estate B.V., as described in more detail in the note on "Consolidation area".
- Other purchases (523 thousand euro versus 893 thousand euro in the first nine months of 2008), most of which relate to the purchase of petrol and other consumable materials.

The ***change in inventories of trading properties, raw and miscellaneous materials*** is a positive 14,796 thousand euro in the first nine months of 2009 compared with a negative 9,363 thousand euro at September 30th, 2008.

Note 11. NET INCOME FROM INVESTMENTS

	01.01.2009-09.30.2009	**01.01.2008-09.30.2008**
Net profit share from investments in associates and joint ventures	(48.939)	(8.160)
Dividends	1.732	4.530
Gains on investments	10.605	5.584
Losses on investments	(56)	(1.603)
Total	**(36.658)**	**351**

This reports a negative 36,658 thousand euro compared with a positive 351 thousand euro in the corresponding period of the previous year.

Its main components are discussed below.

Net profit share from investments in associates and joint ventures

This amounts to a negative 48,939 thousand euro compared with a negative 8,160 thousand euro in the first nine months of 2008, and refers to the Group's share of the results of investments accounted for under the equity method, which reflect, amongst others, changes in the value of their property portfolios.

More details can be found in note 2 "Investments in associates and joint ventures".

Dividends

The figure at September 30th, 2009 refers to income distributed to the Group by the following funds: Armilla (133 thousand euro), Cloe (310 thousand euro), Olinda (719 thousand euro) and Tecla (570 thousand euro).

The figure at September 30th, 2008 included 519 thousand euro in dividends distributed by other investments and 4,011 thousand euro in income distributed to the Group by real estate funds.

Gains on investments

These amount to 10,605 thousand euro, of which 6,080 thousand euro in capital gains realized on the sale of 5% of Pirelli & C. Real Estate Società di Gestione del Risparmio S.p.A. to Intesa Sanpaolo, 1,829 thousand euro in capital gains realized on the sale of 20% of Pirelli RE Credit Servicing S.p.A. and 1,185 thousand euro in capital gains realized on the sale of the Group's 5.1% interest in Seeuferhaus Konstanz Grundstuckgesellschaft GmbH & Co. KG.

These gains also include a positive adjustment of 542 thousand euro for fair value changes in the units held in Cloe Fondo Uffici - Fondo comune di investimento immobiliare di tipo chiuso non quotato riservato compared with a negative such adjustment of 1,603 thousand euro at September 30th, 2008 (classified in "losses on investments").

Gains on investments in the first nine months of 2008 comprised 5,584 thousand euro realized on the sale of units in Berenice Fondo Uffici - Fondo Immobiliare di tipo chiuso by the subsidiary Pirelli & C. Real Estate Società di Gestione del Risparmio S.p.A..

Note 12. NET INCOME/(LOSS) FROM DISCONTINUED OPERATIONS

As stated in the introduction to this interim management statement, the operations of the INTEGRA FM B.V. Group (ex Pirelli RE Integrated Facility Management B.V.), sold in 2008, have been classified as "discontinued operations", meaning that its results are reported at the foot of the income statement immediately before net income. The comparative figures for 2008 have been restated on a consistent basis.

"Net income (loss) from discontinued operations" at September 30th, 2008 amounts to 4,113 thousand euro, detailed as follows:

	01.01.2008-09.30.2008
Revenues from sales and services	230.587
Changes in inventories of work in progress, semi-finished and finished products	-
Own work capitalized	73
Other income	7.656
TOTAL OPERATING REVENUES	**238.316**
Raw and consumable materials used (net of change in inventories)	(6.074)
Personnel costs	(30.989)
Depreciation, amortization and impairment	(1.680)
Other costs	(190.173)
TOTAL OPERATING COSTS	**(228.916)**
Earnings before interest and tax (EBIT)	**9.400**
Net income from investments of which:	1.808
Financial income	442
Financial expenses	(4.380)
RESULT BEFORE INCOME TAXES AND MINORITY INTERESTS	**7.270**
Income taxes	(4.007)
NET INCOME/(LOSS) FOR THE PERIOD	**3.263**
Gain realized on sale	850
NET INCOME/(LOSS) FROM DISCONTINUED OPERATIONS	**4.113**

4. Transactions with related parties

The following tables show transactions and balances with related parties:

	01.01.2009-09.30.2009	% share (*)	01.01.2008-09.30.2008	% share (*)
Operating revenues	78.621	35,1%	72.651	21,3%
Operating costs	(19.554)	8,1%	(32.579)	9,6%
Net income from investments	(48.939)	133,5%	(8.160)	NA
Financial income	23.569	89,3%	24.008	80,1%
Financial expenses	(7.994)	32,5%	(25.169)	63,1%
Taxes	-	0,0%	(1.411)	17,2%

(*) The percentage share is calculated with reference to the total amount of the specific item reported in the financial statements.

	09.30.2009				12.31.2008			
	Total	% share (*)	Non-current	Current	Total	% share (*)	Non-current	Current
Trade receivables	79.343	53.5%	-	79.343	74.095	40.8%	-	74.095
Other receivables of which:	503.028	84.0%	482.191	20.837	589.801	89.1%	565.152	24.649
- financial receivables	*495.280*	*98.0%*	*481.478*	*13.802*	*581.209*	*98.6%*	*564.261*	*16.948*
Tax receivables	14.333	54.5%	-	14.333	20.751	56.4%	-	20.751
Trade payables	22.566	17,5%	-	22.566	26.314	18,9%	-	26.314
Other payables	10.293	10,6%	-	10.293	11.556	9,9%	-	11.556
Tax payables	9.765	49.3%	-	9.765	17.307	73.3%	-	17.307
Bank borrowings and payables to other financial institutions	75.577	15,1%	-	75.577	498.006	54,4%	-	498.006
Provisions for future risks and expenses	79.034	66.8%	-	79.034	48.670	49.8%	-	48.670

(*) The percentage share is calculated with reference to the total amount of the specific item reported in the financial statements.

Transactions and balances between the Pirelli & C. Real Estate Group and Pirelli & C. S.p.A., its ultimate parent company, other Pirelli & C. Group companies and associates, joint ventures and other companies in the Pirelli & C. Real Estate Group are detailed as follows:

Operating revenues	995	These mainly relate to the recharge of various services provided by the buying and vehicle management office, for the organization of events and for site remediation.
Operating costs	(5.589)	These mostly include recharges for general services as well as royalties for use of the trademark.
Financial expenses	(7.600)	These refer to interest payable on the drawdown of revolving credit lines agreed in 2007 and rolled over in 2009.
Current trade receivables	1.155	These mainly refer to the recharge of various services reported in "Operating revenues".
Other current receivables	1.117	These mostly consist of VAT receivables arising from periodic VAT settlements on a group basis.
Current tax receivables	14.333	These refer to credits for the advance payment of Italian corporate income tax (IRES) and for withholding taxes and deferred tax assets for carryforward tax losses following the decision by Pirelli & C. Real Estate S.p.A. to file for tax on a group basis together with Pirelli & C. S.p.A..
Current trade payables	3.167	These mainly refer to costs recharged by Pirelli & C. S.p.A. for general and information technology services, and royalties charged to use the trademark.
Other current payables	3.520	These consist of VAT payables arising from periodic VAT settlements on a group basis.
Current tax payables	8.685	These refer to income tax payables for the current year transferred to the ultimate parent company Pirelli & C. S.p.A. under the group tax election mentioned above.
Current bank borrowings and payables to other financial institutions	68.009	These refer to short-term drawdowns of a revolving credit facility obtained in 2007 by Pirelli & C. Real Estate S.p.A. from its ultimate parent Pirelli & C. S.p.A. and rolled over in 2009.

Transactions and balances with Pirelli & C. Group companies		
Operating revenues	661	These mostly refer to the recharge of various services provided by the buying office.
Operating costs	(5.756)	These include costs for information technology, security services and technical consulting.
Financial income	(319)	This refers to income arising on currency hedges taken out by the Group.
Financial expenses	(307)	These refer to the interest payable on the current account between Pirelli & C. Real Estate S.p.A. and Pirelli Servizi Finanziari S.p.A..
Current trade receivables	1.028	These mainly refer to the services reported in "Operating revenues".
Current trade payables	2.473	These mostly refer to payables for information technology costs (1,236 thousand euro) and for certain site remediation costs (504 thousand euro).
Current bank borrowings and payables to other financial institutions	1.686	These refer to the current account balance between Pirelli & C. Real Estate S.p.A. and Pirelli Servizi Finanziari S.p.A., the Pirelli & C. Group's financial services provider.

Transactions and balances with associates/joint ventures and		
Operating revenues	76.939	These refer to contracts with Group companies for fund and asset management services (real estate and non performing loans) and technical and commercial services.
Operating costs	(8.127)	These refer to recharges of various kinds, including shared joint venture costs.
Net income from investments	(48.939)	This mainly comprises the results of investments accounted for under the equity method.
Financial income	23.888	This mostly refers to interest earned on financial receivables held by Group companies and on intercompany current accounts with associates and joint ventures.
Financial expenses	(87)	
Current trade receivables	77.153	This balance includes the receivables relating to "operating revenues".
Other non-current receivables	482.191	
- of which financial receivables	*481.478*	This reflects the loans given to finance real estate projects being managed by individual group companies. These loans are classified as non-current assets by virtue of their terms of repayment, which match the disposal programmes of the real estate portfolios owned directly or indirectly by these companies which usually last between two and six years. These loans carry interest rates that are in line with those applied by the principal market participants except for some companies which have been given non-interest bearing loans.
Other current receivables	19.720	This includes 2,318 thousand euro in dividends that have been declared but not yet paid.
- of which financial receivables	*13.802*	Most of this balance refers to intercompany current accounts with the companies which hold real estate assets in Germany.
Current trade payables	16.859	These refer to various services.
Other current payables	6.773	These refer to different kinds of recharge.
Current tax payables	1.080	This amount relates to amounts owing to Trixia S.r.l. under its adoption of the "tax transparency" regime allowed by art. 115 of the Income Tax Consolidation Act, whereby a company's positive or negative taxable amounts are attributed to its shareholders.
Current bank borrowings and payables to other financial institutions	5.882	This includes negative balances on intercompany current accounts.
Provisions for future risks and expenses	79.034	This refers to the provision for making good the losses of associates and joint ventures in excess of their carrying amounts.

For the sake of completeness, details will now be provided of the transactions and balances at September 30th, 2009 between the Pirelli & C. Real Estate Group and the Camfin Group and the company F.C. Internazionale Milano S.p.A..

The following tables provide details of transactions and balances with these related parties:

Transactions and balances with Camfin Group		
Operating revenues	23	These mainly relate to a contract for property management services with Italcogim Energie S.p.A..
Current trade receivables	2	These mostly relate to a receivable owed by Italcogim Energie S.p.A. to Pirelli & C. Real Estate Property Management S.p.A..

Transactions and balances with F.C. Internazionale	
Operating revenues	3
Operating costs	(20)
Current trade receivables	5

It is also reported that the balance sheet at September 30th, 2009 contains 67 thousand euro in payables to Realty Partners S.r.l., an indirectly related party of Pirelli & C. Real Estate S.p.A. through the Chief Executive Officer Giulio Malfatto, for advisory fees, of which 62 thousand euro relating to the first nine months of the year.

For the sake of complete disclosure, it is reported that on April 2nd, 2009 the shareholders of Orione Immobiliare Prima S.p.A. - a company in which Pirelli & C. Real Estate S.p.A. held a 40.1% interest and Gruppo Partecipazioni Industriali S.p.A., a related party, held a 29.3% interest - made an agreement to transfer to the shareholders, other than Pirelli & C. Real Estate S.p.A., the property assets owned by the company in proportion to their respective interests. Under this same agreement, the shareholders also agreed to sell (based on valuations by independent experts) their respective shares in Orione Immobiliare Prima S.p.A. to Pirelli & C. Real Estate S.p.A. which, on completion of this transaction, has ended up owning 100% of this company.

In addition, on June 26th, 2009 Pirelli RE Netherlands B.V. acquired (on the basis of valuations by independent experts) 10.5% of the share capital in S.I.G. RE B.V. from Roev Italia S.p.A., a related party; the interest in S.I.G. RE B.V. has risen to 47.20% as a result of this transaction.

The consolidated balance sheet and income statement at September 30th, 2009 contain no balances or balances in relation to the above transactions.

Milan, November 4th, 2009 The Board of Directors

Declaration pursuant to para. 2, article 154-*bis* of

Decree 58 dated February 24th, 1998

The undersigned, Gerardo Benuzzi, General Manager Finance & Advisory, appointed by the Board of Directors on April 14th, 2008 as Financial Reporting Officer for Pirelli & C. Real Estate S.p.A., with registered office in Via Gaetano Negri 10, Milan, share capital of €420,585,888.50, tax code, VAT number and Milan Company Register number: 02473170153

declares

pursuant to para. 2, art. 154-*bis* of Decree 58 dated February 24th, 1998 that the accounting information contained in the Interim Management Statement at September 30th, 2009 corresponds to the underlying documentary records, books of account and accounting entries.

Milan, November 4th, 2009

Gerardo Benuzzi

Financial Reporting Officer

Pirelli & C. Real Estate S.p.A
Head office in Milan, via G. Negri 10
Share Capital Euro 420.585.888,50 entirely deposited
Registry of Companies of Milan no. 02473170153
R.E.A. of Milan 589396
Pirelli & C. Group - direction and co-ordination by Pirelli & C. S.p.A.