PRELIOS

THE REAL POTENTIAL OF REAL ESTATE.

# Interim financial report

## at March 31st, 2011

# A. PRELIMINARY INFORMATION

# 1. CORPORATE OFFICERS

## Board of Directors[1]

| | |
|---|---|
| Marco Tronchetti Provera | Chairman |
| Giulio Malfatto | Vice Chairman |
| Paolo Massimiliano Bottelli | Chief Executive Officer (CEO) |
| Enrico Parazzini | Managing Director Finance |
| Giuseppe Angiolini | Independent Director |
| Marina Brogi | Independent Director |
| Carlo Emilio Croce | Independent Director |
| Giovanni Fiori | Independent Director |
| Jacopo Franzan | Director |
| Valter Lazzari | Independent Director |
| Davide Malacalza | Director |
| Amedeo Nodari | Director |
| Dario Trevisan | Independent Director |
| Giorgio Valerio | Independent Director |
| Giovanni Jody Vender | Independent Director |

| | |
|---|---|
| Anna Chiara Svelto | Board Secretary |

[1] The shareholders' meeting held on April 21st, 2011 appointed a new Board of Directors, setting the duration of its mandate at three years, meaning until the date of approving the financial statements for the year ended December 31st, 2013. On completion of the shareholders' meeting, the Board of Directors appointed the Company's officers, established the Board sub-committees and appointed the Supervisory Board's members. The same Board meeting also confirmed the General Manager Finance & Advisory as the Company's Financial Reporting Officer.

## Audit and Corporate Governance Committee

| | |
|---|---|
| Dario Trevisan | Independent Director – Chairman |
| Marina Brogi | Independent Director |
| Giovanni Fiori | Independent Director |
| Valter Lazzari | Independent Director |

## Compensation Committee

| | |
|---|---|
| Giovanni Jody Vender | Independent Director – Chairman |
| Carlo Emilio Croce | Independent Director |
| Giorgio Valerio | Independent Director |

## Risk Committee

| | |
|---|---|
| Dario Trevisan | Independent Director – Chairman |
| Marina Brogi | Independent Director |
| Paolo Massimiliano Bottelli | Chief Executive Officer (CEO) |
| Giulio Malfatto | Vice Chairman |
| Enrico Parazzini | Managing Director Finance |

## Board of Statutory Auditors[2]

| | |
|---|---|
| Enrico Laghi | Chairman |
| Roberto Bracchetti | Standing auditor |
| Lelio Fornabaio | Standing auditor |
| Franco Ghiringhelli | Alternate auditor |
| Paola Giudici | Alternate auditor |

[2] The shareholders' meeting of April 19th, 2010 appointed the Board of Statutory Auditors to serve until the date of approving the financial statements for the year ended December 31st, 2012.

**Supervisory Board**

| | |
|---|---|
| Dario Trevisan | Chairman |
| Sergio Beretta | Member |
| Lelio Fornabaio | Standing auditor |
| Sergio Romiti | Member |

**Financial Reporting Officer**

| | |
|---|---|
| Gerardo Benuzzi | General Manager Finance & Advisory |

**Independent Auditors**

Reconta Ernst & Young S.p.A.[3]

Via della Chiusa, 2

20123 Milan

[3] Engaged by the shareholders' meeting held on April 14th, 2008.

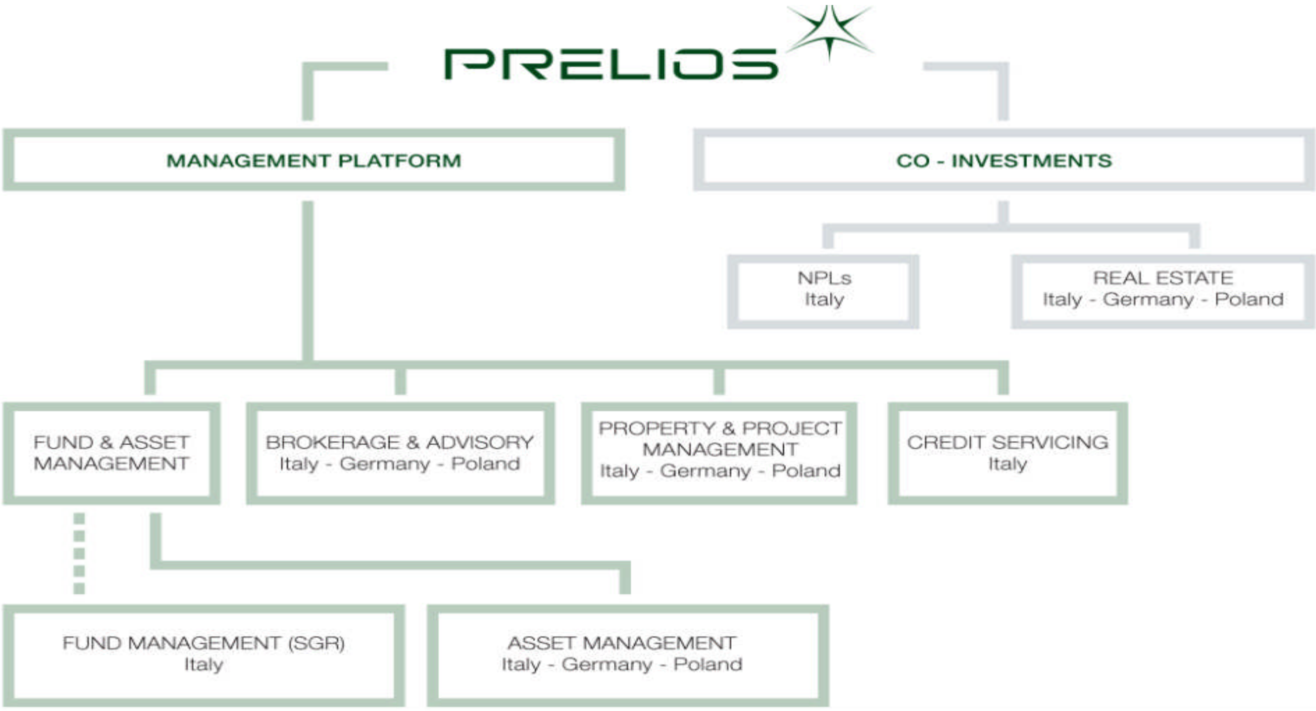
## 2. Prelios Group Profile

Prelios (formerly Pirelli RE) has been listed on the Italian Stock Exchange since 2002 and is one of the principal players in the real estate sector in both Italy and Europe; it is active in Italy, Germany and Poland.

The Prelios mission is to generate sustainable value through real estate strategies and solutions based on excellence, innovation and competency integration.

Prelios is a "pure asset management company" which enhances the value of and manages real estate portfolios for third-party investors, under a distinctive model in which specialized services (Agency and Property & Project Management) serve management activities (Fund & Asset Management). In the past Prelios used to take minority stakes in the investments managed, with the aim of benefiting from any increase in value; now, following its repositioning as a pure manager, the Company's strategy is to gradually reduce invested capital while increasing the amount of property managed for others.

As at March 31st, 2011 Prelios had more than 1,000 highly qualified employees, with extensive industry and interdisciplinary experience as well as an excellent track record in the competitive international market; this is exemplified by its specialization in the eco-sustainable sector, both for new build and for property renovation and enhancement.




The key features are:

- Lean and focused organization, that combines local market knowledge with specialized product skills.
- Integration of Asset Management and Services for more effectively promoting the key drivers of investment profitability.
- Fund Management as the core platform for the domestic real estate market with Prelios RE SGR among the fund management leaders in Italy.

# B. INTERIM REPORT ON OPERATIONS

## 1. PRELIOS IN THE FIRST QUARTER OF 2011

The first quarter of 2011 has confirmed the positive trend in the Group's key performance indicators, supporting the validity of its repositioning and turnaround plan.

The consolidated net results have improved, reaching a positive 10.0 million euro at March 31st, 2011 versus 0.4 million euro in the first quarter of 2010.

Even the indicator that best reflects the combined performance of the Group's management platform and investment activities, namely EBIT including net income from investments and income from shareholder loans before restructuring costs and property writedowns/revaluations, has reported a positive 19.5 million euro against 10.3 million euro in the first quarter of last year. Of particular note is the performance of real estate sales, which exceeded 700 million euro, almost half the target for the entire year (1.5 billion euro).

In a market sector still penalized by the current economic environment, these results particularly reflect the Group's actions to reorganize and achieve efficiencies.

### Significant events in the first quarter of 2011

- On January 28th, 2011 the Prelios Group sold the German development company known as "Blankenese Bahnhofsplatz" located in Hamburg and owned by Prelios (47%), ING Real Estate Development (50%) and other shareholders (3%). This sale has valued the company's assets at around 73 million euro, of which 68 million euro paid at the closing and 5 million euro payable within 30 months, on completion of the process of renting out still vacant space, and has given rise to a gross capital gain of about 5 million euro on the assets' book value (2.5 million euro of which attributable to Prelios) and a positive impact of 6 million euro on Prelios cash balances. Furthermore, in line with the strategy of increasing assets managed and services for third parties, Prelios has been awarded the property management contract for another 10 years.

- On March 4th, 2011 the Board of Directors approved the plan for 2011 and guidance for 2012 and 2013. Effectiveness of the turnaround process, repositioning in the direction of a pure asset management company, coupled with expected recovery in the market for services in countries where Prelios operates, will be the drivers of:
  - further simplification of the business model and associated efficiency improvements;
  - exclusive focus on two areas of activity (management platform and co-investments) and on two geographical markets (Italy and Germany);
  - sustainable growth increasingly based on recurring revenues from real estate services for third parties.

- On 24 March 2011 the subsidiary Prelios SGR finalized, on behalf of the Retail & Entertainment fund, the sale of the historic building leased in its entirety to La Rinascente in Piazza Duomo, Milan. The building, which houses the retail chain's premier flagship store in Italy, was sold for 472 million euro to the Ippocrate fund managed by First Atlantic SGR Spa.

## 2. FINANCIAL HIGHLIGHTS

### REVIEW OF PERFORMANCE

This section will examine the Group's results, financial position and balance sheet at March 31st, 2011. The review of operating results in section 2.1 uses Non-GAAP performance measures, generally adopted by management to monitor and assess the Group's performance. The purpose is to present the result of the Group's ordinary continuing operations, net of the impact of transactions that are unusual in nature or amount, and net of changes in the value of its property portfolio, and in this way ensure that its results and reporting over time are more comparable with other major players using similar Non-GAAP measures.

These measures are obtained by aggregating or reclassifying figures in the IFRS financial statements, as indicated in Appendix A to this report. Such performance measures have been adopted to analyze the economic results according to the nature of the events originating them. Section 3 contains an analysis of the results as reported in the IFRS income statement. The review of the balance sheet and financial position in section 2.2 also includes Non-GAAP measures, whose composition is defined in Appendix A to this report. Since these measures are generally adopted for financial communication purposes, and are easily reconciled to figures reported in the primary financial statements, it has not been necessary to supplement the performance analysis with a specific commentary on the latter.

In particular, the above Non-GAAP measures have been determined by isolating "Property writedowns/revaluations" and "Restructuring costs", both of which are fully reconciled to amounts reported in the IFRS financial statements in Appendix A.

## 3.1 Review of operating results

| (Euro/million) | MARCH 2011 | MARCH 2010 |
|---|---|---|
| Consolidated revenues: | 46.4 | 51.7 |
| *of which services* | *41.9* | *41.6* |
| *of which others* | *4.5* | *10.1* |
| **MANAGEMENT PLATFORM** : EBIT before restructuring costs and property writedowns/revaluations | 5.6 | 5.0 |
| **MANAGEMENT PLATFORM** : net income from investments before restructuring costs and property writedowns/revaluations | 0.5 | 0.0 |
| TOTAL MANAGEMENT PLATFORM : **EBIT including net income from investments before restructuring costs and property writedowns/revaluations** | **6.1** | **5.0** |
| **INVESTMENT** : EBIT before restructuring costs and property writedowns/revaluations | (4.5) | (1.2) |
| **INVESTMENT** : net income from investments before restructuring costs and property writedowns/revaluations | 11.1 | 0.0 |
| **INVESTMENT** : income from shareholder loans **(1)** | 6.8 | 6.5 |
| **TOTAL INVESTMENT: EBIT including net income from investments and income from shareholder loans before restructuring costs and property writedowns/revaluations** | **13.4** | **5.3** |
| **EBIT including net income from investments and income from shareholder loans before restructuring costs and property writedowns/revaluations** | **19.5** | **10.3** |
| Financial expenses | (6.2) | (5.2) |
| **EBIT before restructuring costs, property writedowns/revaluations and tax** | **13.3** | **5.1** |
| Restructuring costs | (0.4) | 0.0 |
| Property writedowns/revaluations **(2)** | 0.0 | 0.0 |
| **Profit (loss) before taxes** | **12.9** | **5.1** |
| Income taxes | (3.2) | (4.1) |
| **Net income (loss) before minority interests** | **9.7** | **1.0** |
| Minority interests | 0.3 | (0.6) |
| **Consolidated net income (loss)** | **10.0** | **0.4** |

**(1)** This amount comprises interest income on financial receivables due from associates and joint ventures.

**(2)** The impact of property writedowns/revaluations is zero at both March 31st, 2011 and March 31st, 2010 (because property valuations are carried out on a six-monthly basis).

The consolidated net result at March 31st, 2011 improved on the prior year to a positive 10.0 million euro from 0.4 million in the first quarter of 2010.

Even EBIT including net income from investments and income from shareholder loans before restructuring costs and property writedowns/revaluations improved considerably, climbing to a positive 19.5 million euro from 10.3 million euro in the first quarter of 2010.

Net of financial expenses, this amount was a positive 13.3 million euro at March 31st, 2011 versus a positive 5.1 million euro at March 31st, 2010.

Consolidated revenues were 46.4 million euro at March 31st, 2011 compared with 51.7 million euro at March 31st, 2010. In more detail, revenues from the management platform – the Prelios core business - reported a slight increase to 41.9 million euro at March 31st, 2011 from 41.6 million euro at March 31st, 2010 and are in line with the full-year target (for a forecast stabilization).

## MANAGEMENT PLATFORM[4]

| Euro/million | MARCH 2011 | MARCH 2010 | Change 2011/2010 |
|---|---|---|---|
| EBIT including net income from investments before restructuring costs and property writedowns/revaluations | 6.1 | 5.0 | +1.1 |

Fund & asset management activities, specialized real estate services (property & project management and agency), and services relating to NPL management (credit servicing), inclusive of general and administrative expenses, reported a positive EBIT including net income from investments and income from shareholder loans before restructuring costs and property writedowns/revaluations of 6.1 million euro at March 31st, 2011, up from 5.0 million euro (+22%) at March 31st, 2010.

The improvement of 1.1 million euro on the prior year consistent with the purpose of focus on services reflects an increase in both the EBIT of consolidated companies (+0.6 million euro) and in the results of companies in which a minority interest is held (+0.5 million euro).

## INVESTMENT[5]

| Euro/million | MARCH 2011 | MARCH 2010 | Change 2011/2010 |
|---|---|---|---|
| EBIT including net income from investments & income from shareholder loans before restructuring costs and property writedowns/revaluations | 13.4 | 5.3 | +8.1 |

At March 31st, 2011 investment activities reported a positive EBIT including net income from investments and income from shareholder loans before restructuring costs and property writedowns/revaluations of 13.4 million euro, compared with 5.3 million euro at March 31st, 2010. These results partly reflect the capital gain realized on the disposal of the "Rinascente" building in Piazza Duomo, Milan by the Retail&Entertainment fund.

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[4] Results from management platform activities mean the net income generated by the Company from its fund and asset management activities and specialized real estate services (property & project management and agency) and from services associated with NPL management (credit servicing), as well as general and administrative expenses.

[5] Results from investment activities mean the net income generated by Prelios from its investments in real estate funds and companies and from non performing loans. This includes €1.7 million in income from Highstreet, recognized under the same principle as in the financial statements at December 2010.

Real estate sales[6] realized at March 31st, 2011 amounted to 700.4 million euro (Prelios share 217.8 million), compared with 146.5 million euro at March 31st, 2010 (Prelios share 43.9 million). The Company realized an average sales margin on book value of around 6.5% for real estate transactions completed in the quarter ended March 31st, 2011.

[6] This is the sum of real estate sales by consolidated companies plus 100% of the real estate sales by associates, joint ventures and funds in which the Group has interests.

NPL collections[7] came to 44.6 million euro in the first quarter of 2011, compared with 66.1 million euro at March 31st, 2010.

Rents[8] came to 158.9 million euro at March 31st, 2011 compared with 182.9 million euro at March 31st, 2010; the Prelios share of rents was 39.9 million euro (46.0 million euro at March 31st, 2010).

More details of the results by geographical area for fund and investment company activities and management platform activities, inclusive of general and administrative expenses, can be found in the section on divisional performance.

## 2.2 Review of the balance sheet and financial position

| (Euro/million) | MARCH 2011 | DECEMBER 2010 |
|---|---|---|
| **Fixed assets** | 607.2 | 590.0 |
| of which investments in real estate funds and investment companies (1) | *441.2* | *423.6* |
| of which goodwill | *148.1* | *148.1* |
| **Net working capital** | 107.2 | 106.0 |
| **Net invested capital** | 714.4 | 695.9 |
| **Equity** | 611.2 | 589.6 |
| of which group equity | 601.6 | 579.8 |
| **Provisions** | 62.2 | 61.6 |
| **Net financial position** | 41.0 | 44.7 |
| of which shareholder loans granted | (418.5) | (379.2) |
| **Total covering net invested capital** | 714.4 | 695.9 |
| **Net financial position excluding shareholder loans granted** | 459.5 | 424.0 |
| **Net invested capital excluding shareholder loans granted** | 1,132.9 | 1,075.1 |
| **Gearing** | 0.75 | 0.72 |

(1) The figure includes investments in associates, joint ventures and others (428.6 million euro), investments in real estate funds (16.3 million euro, reported in "Other financial assets" in the consolidated balance sheet) and junior notes (1.8 million euro, reported in "Other financial assets" in the consolidated balance sheet) and includes provisions for investment writedowns of 5.5 million euro (8.7 million euro at December 31st, 2010).

Fixed assets amounted to 607.2 million euro at March 31st, 2011 compared with 590.0 million euro at December 31st, 2010. The increase is mainly attributable to growth in the value of investments in associates and joint ventures to reflect the positive results of such companies in the period (+11.6 million euro).

Net working capital was 107.2 million euro at March 31st, 2011, basically in line with the figure of 106.0 million euro at December 31st, 2010.

Group equity was 601.6 million euro at March 31st, 2011 versus 579.8 million euro at December 31st, 2010. The change reflects the consolidated net income for the period

[7] This is the sum of NPLs collected by consolidated companies plus 100% of those collected by associates and joint ventures in which the Group has interests.
[8] This is the sum of rents earned by consolidated companies plus 100% of the rents earned by associates, joint ventures and funds in which the Group has interests.

(+10.0 million euro) and other variations (+11.8 million euro) almost all of which relating to the reserve for interest rate hedges (+11.5 million euro).

The following table presents the principal indicators for debt[9] and related movement in the period:

| (Euro/million) | MARCH 2011 | DECEMBER 2010 |
|---|---|---|
| **Total net financial position (1)** | **(41.0)** | **(44.7)** |
| Shareholder loans granted | 418.5 | 379.2 |
| **Net financial position excluding shareholder loans granted (2)** | **(459.5)** | **(424.0)** |
| **Gearing (3)** | **0.75** | **0.72** |

**(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.

**(2)** 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 equity.

The net financial position reported net debt of 41.0 million euro at March 31st, 2011 compared with net debt of 44.7 million euro at December 31st, 2010.

The net financial position excluding shareholder loans granted reported net debt of 459.5 million euro at March 31st, 2011 compared with net debt of 424.0 million euro at December 31st, 2010.

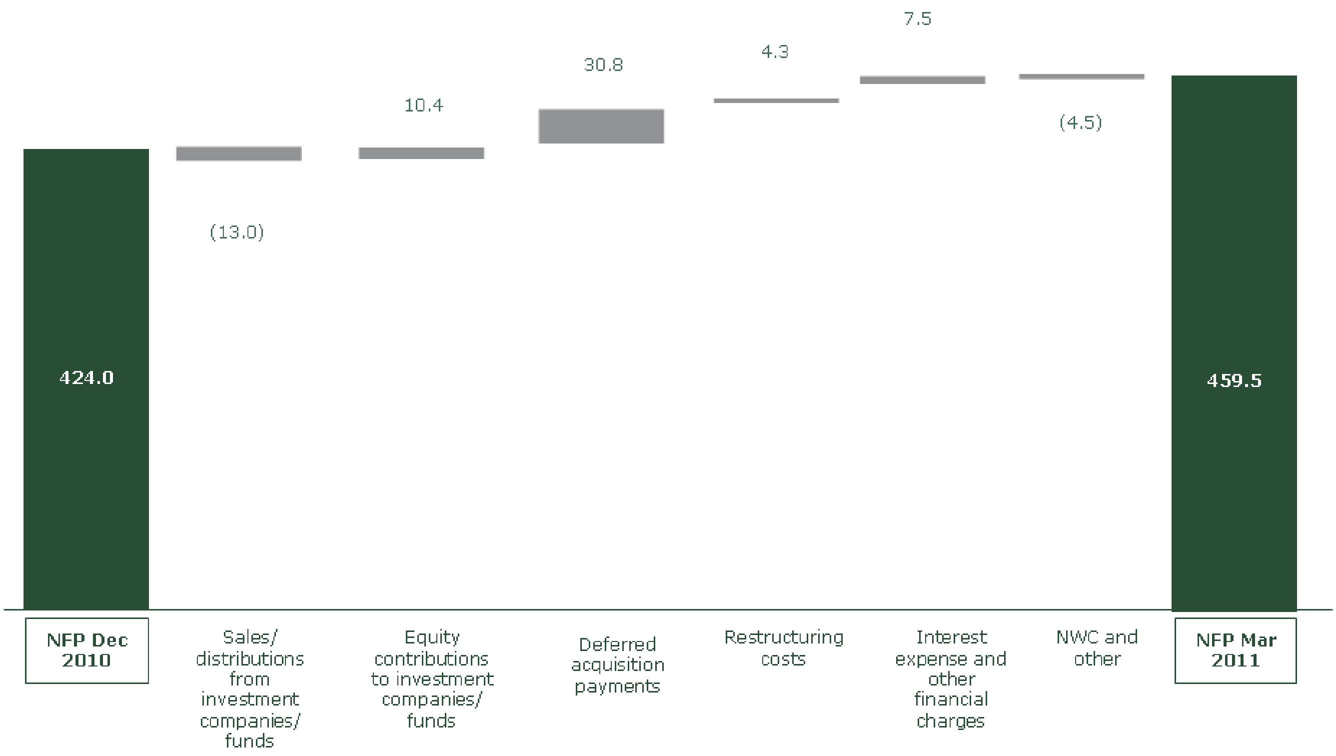
The increase of 35.5 million euro since December 31st, 2010 is primarily attributable to the combined effect of a reduction of 13.0 million euro for sales/distributions by investment companies and funds and a growth in borrowings to pay for deferred acquisition costs (30.8 million euro), equity contributions into investment companies and funds (10.4 million euro), interest and other financial expenses (7.5 million euro), outlays associated with net working capital and other changes (4.5 million euro) and the settlement of restructuring costs (4.3 million euro).

Gearing was 0.75, compared with 0.72 at December 31st, 2010.

Prelios currently has 580 million euro in committed credit lines, with an average residual term of about 13 months, of which 430 million euro in bank facilities and 150 million euro in facilities provided by Pirelli & C..

The following diagram presents the combined effect of the factors behind the change in the first quarter of 2011:

[9] 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").




The following table presents the principal movements in the net financial position:

| (Euro/million) | MARCH 2011 | MARCH 2010 |
|---|---|---|
| **EBIT before restructuring costs and property writedowns/revaluations** | **1.1** | **3.8** |
| Amortization and depreciation | 0.8 | 1.2 |
| Change in non-current financial assets /sale of investments | 7.0 | (4.8) |
| Change in other non-current assets | (0.5) | 0.2 |
| Change in net working capital and provisions and other changes | (0.7) | (12.6) |
| **Net cash flow from operating activities** | **7.7** | **(12.2)** |
| Payment of restructuring costs | (4.3) | (4.3) |
| Financial and tax expenses/income | 0.4 | 2.5 |
| **Net cash flow before dividends** | **3.8** | **(14.0)** |
| Capital increase/dividends | - | - |
| **Total net cash flow** | **3.8** | **(14.0)** |
| Change in shareholder loans | (39.3) | 1.1 |
| **Total net cash flow including change in shareholder loans** | **(35.5)** | **12.9** |

## 3. REVIEW OF IFRS CONSOLIDATED INCOME STATEMENT

The following income statement is in the same format that will be subsequently analyzed in the explanatory notes to the consolidated financial statements.

| | March 2011 | March 2010 |
|---|---|---|
| Revenues from sales and services | 46.4 | 51.7 |
| Changes in inventories of work in progress, semi-finished and finished products | 0.2 | 0.6 |
| Other income | 2.8 | 10.3 |
| **Total operating revenues** | **49.4** | **62.5** |
| Raw and consumable materials used (net of change in inventories) | (3.2) | (1.2) |
| Personnel costs | (19.2) | (17.2) |
| Depreciation, amortization and impairment | (0.8) | (1.2) |
| Other costs | (25.5) | (38.9) |
| **Total operating costs** | **(48.7)** | **(58.6)** |
| **Earnings before interest and tax (EBIT)** | **0.8** | **3.9** |
| Net income from investments | 11.6 | (0.0) |
| Financial income | 7.1 | 8.4 |
| Financial expenses | (6.5) | (7.2) |
| **Result before income taxes and minority interests** | **12.9** | **5.1** |
| Income taxes | (3.2) | (4.1) |
| **Net income (loss) for the period** | **9.7** | **1.0** |
| attributable to minority interests | 0.3 | (0.6) |
| **Consolidated net income (loss) for the period** | **10.0** | **0.4** |

Revenues from sales and services amounted to 46.4 million euro at March 31st, 2011 compared with 51.7 million euro at March 31st, 2010.

Other income came to 2.8 million euro at March 31st, 2011 compared with 10.3 million euro at March 31st, 2010. This mostly refers to the recharge to tenants of management costs relating to the Group's own property or property managed on behalf of third parties. The prior year first-quarter figure included one-off income of around 8.3 million euro in indemnity against costs for damages claimed under certain legal actions.

Raw and consumable materials used (net of change in inventories) amounted to 3.2 million euro at March 31st, 2011 compared with 1.2 million euro at March 31st, 2010.

Personnel costs amounted to 19.2 million euro at March 31st, 2011 compared with 17.2 million euro at March 31st, 2010.

Other costs amounted to 25.5 million euro at March 31st, 2011 compared with 38.9 million euro at March 31st, 2010. The reduction reflects lower construction and maintenance costs on contracts managed by the Group as well as the recognition in the first quarter of last year of 8.3 million euro in costs relating to the above claim for damages.

EBIT was a positive 0.8 million euro at March 31st, 2011, down from 3.9 million euro at March 31st, 2010.

Net income from investments was a positive 11.6 million euro at March 31st, 2011 compared with a zero amount at March 31st, 2010.

Financial income and financial expenses reported a net positive balance of 0.6 million euro at March 31st, 2011 compared with a net positive 1.2 million euro at March 31st, 2010.

# 4. DIVISIONAL PERFORMANCE

## 4.1 Financial highlights by geographical area – review of performance –

As described in the section on Group profile, Prelios carries out its business through a structure organized along geographical lines. This section examines the results, distinguishing between income/costs from the management platform and income/costs from investment activities[10].

The following table by geographical area shows EBIT including net income from investments, as adjusted to include income from shareholder loans.

Unless otherwise stated, the amounts reported in the following tables are presented in millions of euro.

March 2011/2010

Euro/million

| | Italy | | Germany | | Poland | | NPL | | G&A | | Total | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 | | 2010 | |
| **Management Platform** | 9.1 | 8.4 | 2.2 | 0.9 | (0.7) | (0.3) | (1.4) | 0.0 | | | **9.2** | **6.1** | **9.0** | **5.0** |
| **General & Administrative expenses** | | | | | | | | | (3.1) | (4.0) | **(3.1)** | | **(4.0)** | |
| **Investment** | 7.6 | 1.4 | 4.6 | 0.5 | (0.8) | 0.5 | 2.0 | 2.9 | | | **13.4** | | **5.3** | |
| **Total EBIT including net income from investments and income from shareholder loans (1)** | **16.7** | **9.8** | **6.8** | **1.5** | **(1.5)** | **0.2** | **0.6** | **2.9** | **(3.1)** | **(4.0)** | **19.5** | | **10.3** | |

(1) This figure is determined as EBIT plus net income from investments and income from shareholder loans.

When reading the figures in the subsequent tables by country, please note that the revenue figures refer solely to management platform companies consolidated line-by-line, and so do not include the consolidated revenues of other investment initiatives.

[10] Results from investment mean the net income generated by Prelios from its investments in funds and companies; results from the management platform mean the net income generated from the Company's fund and asset management activities and specialized real estate services (property, agency and facility in Germany), and from credit servicing for NPLs, inclusive of general and administrative expenses.

### 4.1.1 Italy Real Estate

***Financial highlights***

Euro/million

| | MARCH 2011 | MARCH 2010 |
|---|---|---|
| **Management Platform** | | |
| Total revenues | 23.6 | 21.2 |
| **RESULT (*)** | 9.1 | 8.4 |
| **Investment** | | |
| EBIT from investment companies and funds | 6.6 | (0.1) |
| Financial income from shareholder loans | 1.0 | 1.5 |
| **RESULT (*)** | 7.6 | 1.4 |
| **Total Italy** | **16.7** | **9.8** |

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

The Italy real estate result was a positive 16.7 million euro at March 31st, 2011, marking a major improvement on the figure of 9.8 million euro at March 31st, 2010; the result comprises 9.1 million euro in net income from the management platform, up from 8.4 million euro in the prior year, and 7.6 million euro in net income from investment activities, improving from 1.4 million euro in the prior year.

Real estate sales[11] amounted to 551.5 million euro at March 31st, 2011 compared with 124.8 million euro at March 31st, 2010. The gross sales margin[12] realized in the first quarter was 8.3% (3.8% at March 31st, 2010). Rents[13] totalled 59.0 million euro (68.3 million euro at March 31st, 2010).

[11] This is the sum of real estate sales by consolidated companies plus 100% of the real estate sales by associates, joint ventures and funds in which the Group has interests.
[12] This expresses the related gross capital gains as a percentage of sales. The capital gains are realized by consolidated companies, associates, joint ventures and funds in which the Group has interests.
[13] This is the sum of rents earned by consolidated companies plus 100% of the rents earned by associates, joint ventures and funds in which the Group has interests.

### 4.1.2 Germany Real Estate

***Financial highlights***

| | MARCH 2011 | MARCH 2010 |
|---|---|---|
| **Management Platform** | | |
| Total revenues | 14.7 | 14.6 |
| **RESULT (*)** | 2.2 | 0.9 |
| **Investment** | | |
| EBIT from investment companies | 0.1 | (3.4) |
| Financial income from shareholder loans | 4.5 | 3.9 |
| **RESULT (*)** | 4.6 | 0.5 |
| **Total Germany** | **6.8** | **1.4** |

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

The Germany real estate result was a positive 6.8 million euro at March 31st, 2011, up from 1.4 million euro at March 31st, 2010; the result comprises 2.2 million euro in net income from the management platform compared with 0.9 million euro in the prior year, and 4.6 million euro in net income from investment activities, improving from 0.5 million euro in the prior year.

Real estate sales[14] amounted to 147.8 million euro compared with 4.9 million euro at March 31st, 2010, reflecting the results of restructuring and turnaround. The gross sales margin[15] realized in the first quarter was 4.8% (16.6% at March 31st, 2010). Rents[16] totalled 98.8 million euro (114.5 million euro in 2010).

[14] This is the sum of real estate sales by consolidated companies plus 100% of the real estate sales by associates and joint ventures in which the Group has interests.
[15] This expresses the related gross capital gains as a percentage of sales. The capital gains are realized by consolidated companies, associates and joint ventures.
[16] This is the sum of rents earned by consolidated companies plus 100% of the rents earned by associates, joint ventures and funds in which the Group has interests.

### 4.1.3 Poland Real Estate

***Financial highlights***

Euro/million

| | MARCH 2011 | MARCH 2010 |
|---|---|---|
| **Management Platform** | | |
| Total revenues | 0,3 | 0,8 |
| **RESULT (*)** | (0,7) | (0,3) |
| **Investment** | | |
| EBIT from investment companies | (1,3) | 0,0 |
| Financial income from shareholder loans | 0,5 | 0,5 |
| **RESULT (*)** | (0,8) | 0,5 |
| **Total Poland** | **(1,5)** | **0,2** |

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

The Poland real estate result was a negative 1.5 million euro at March 31st, 2011 compared with 0.2 million euro at March 31st, 2010; the result comprises 0.7 million euro in net losses from the management platform, compared with a net loss of 0.3 million euro in the prior year, and 0.8 million euro in net losses from investment activities, compared with net income of 0.5 million euro in the prior year.

Real estate sales[17] amounted to 1.1 million euro at March 31st, 2011 compared with 16.8 million euro at March 31st, 2010. This figure reflects the basic conclusion of sales of property developments, while the process of obtaining planning permission for certain sites still owned is currently being completed.
The gross sales margin[18] realized in the first quarter was 15.3 % (6.9% at March 31st, 2010). Rents[19] totalled 0.1 million euro, in line with those in the first quarter of 2010.

[17] This is the sum of real estate sales by consolidated companies plus 100% of the real estate sales by associates and joint ventures in which the Group has interests.
[18] This expresses the related gross capital gains as a percentage of sales. The capital gains are realized by consolidated companies, associates and joint ventures.
[19] This is the sum of rents earned by consolidated companies plus 100% of the rents earned by associates and joint ventures.

### 4.1.4 Non performing loans

***Financial highlights***

€/mln

| | MARCH 2011 | MARCH 2010 |
|---|---|---|
| **Management Platform** | | |
| Total revenues | 2,7 | 4,4 |
| **RESULT (*)** | (1,4) | 0,0 |
| **Investment** | | |
| EBIT from investment companies | 1,3 | 2,2 |
| Financial income from shareholder loans | 0,8 | 0,6 |
| **RESULT (*)** | 2,0 | 2,9 |
| **Total Non Performing Loans** | **0,6** | **2,9** |

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

The result for non performing loans was a positive 0.6 million euro at March 31st, 2011 compared with 2.9 million euro at March 31st, 2010; the result comprises 1.4 million euro in net losses from the management platform, compared with a breakeven in the prior year, and 2.0 million euro in net income from investment activities, compared with 2.9 million euro in the prior year.

## 5 . SUBSEQUENT EVENTS

On April 7th, 2011, the Italian Treasury presented for public consultation a new set of regulations under art. 37 of Legislative Decree 58 dated February 24th, 1998, in implementation of art. 32, par. 1 of Legislative Decree 78 dated May 31st, 2010 ("Urgent measures concerning financial stabilization and economic competitiveness"), converted with amendments into Law 122 dated July 30th, 2010. In detail, in the above decree the Italian government has amended the definition of an "investment fund", establishing, amongst others, that a fund's financial resources be raised from a large number of investors and that it must be managed by a fund management company which is independent from its investors.

Art. 32 of Legislative Decree 78/10 establishes that existing real estate funds that do not comply with the new requirements must (a) adopt (within 30 days from the date the instructions in implementation of the decree are issued by the Ministry of Economy and Finance) resolutions of compliance that will allow them to comply with these requirements in future and (b) pay a one-off flat-rate tax of 5% on the fund's Net Asset Value at December 31st, 2009. Funds that fail to comply will have to pay a higher flat-rate tax of 7% and must be compulsorily put into liquidation within 5 years. During liquidation, the fund's results will be subject to a 7% tax.

As for the consultation paper, the process of obtaining contributions and observations from the parties concerned will draw to a close on May 13th, 2011. The final version of the decree will be prepared only once the public consultation has concluded, and after examination by Consob, the Bank of Italy and the Italian Council of State. During this period it is likely that a number of amendments and additions will be made to the draft decree. In particular, it is possible that the Council of State, like it did recently, will intervene incisively on the text of the decree. In addition, the timing of publication is still not certain. In view of the above timing, any impacts due to the issue of the new law (i) are not yet determinable/specified in detail in the draft decree; (ii) are not certain or likely to occur, since the text is still subject to amendments and additions. In this generally unstable regulatory and legislative environment, the real estate investment funds managed by Prelios SGR and in which the Group has minority interests have not accounted for the one-off tax under Legislative Decree 78 dated May 31st, 2010.

## 6. BUSINESS OUTLOOK

The Company is forecasting a return to positive net income in FY2011, while, consistent with its pure management positioning, its results from management platform activities are forecast to grow by around +15/+25% (Cagr in 2013), thanks to development of fund management through internal and external lines and to the provision of services to third parties.

The target for real estate sales in 2011 has been set at about 1.5 billion euro, leaving real estate assets under management at around 13 billion euro at book value, of which around 20% managed for third parties.

Prelios has also set a target to reduce net financial position below 400 million euro in 2011.

It is well to recall that the projections for 2011 could be heavily influenced by exogenous factors beyond the Company's control, such as changes in the macroeconomic scenario, the trend on the real estate market, movements in interest rates, the terms of access to credit and developments in the area of real estate taxation, none of which can be predicted at present.

## 7. HUMAN RESOURCES

The total number of employees at March 31st, 2011 was 1,059 (plus 34 with temporary contracts) compared with 1,027 at December 31st, 2010 (plus 39 with temporary contracts). The movement in the period includes the addition of 45 staff after Pirelli & C. Spa spun off its activities performed in the interest of the Prelios Group.

## 8. APPENDICES

### APPENDIX A

### Non-GAAP Measures

The Non-GAAP Measures used are as follows:

- **EBIT including net income from investments and income from shareholder loans before restructuring costs and property writedowns/revaluations** (19.5 million euro): determined as EBIT (0.8 million euro) plus net income from investments (11.6 million euro) - these amounts are reported in "EBIT" and "Net income from investments" in the IFRS consolidated income statement - plus income from shareholder loans (6.8 million euro). The amount thus obtained is adjusted to add back the impact of restructuring costs (-0.4 million euro).

- **Profit (loss) before restructuring costs, property writedowns/revaluations and taxes** (13.3 million euro)**:** this amount is obtained by subtracting financial expenses from the performance indicator described above (-6.2 million euro).

- **Income from shareholder loans** (6.8 million euro): this measure comprises the interest income on financial receivables from associates and joint ventures and income from securities, both of which reported in "Financial income" in the income statement.

- **Financial expenses** (-6.2 million euro): this measure reports "Financial expenses" and "Financial income" (excluding interest income on financial receivables from associates and joint ventures and income from securities).

- **Investments in real estate funds and investment companies**: this measure reports investments in associates and joint ventures, in closed-end real estate funds and investments in other companies and junior notes (reported in "Other financial assets" in the balance sheet).

- **Net working capital**: this represents the amount of resources comprising a business's net operating assets and is used to verify its short-term financial equilibrium. This measure comprises all the short-term assets and liabilities of a non-financial nature.

- **Provisions**: this measure, representing the sum of "Provisions for future risks and expenses (current and non-current)", "Employee benefit obligations" and "Deferred tax provisions", is stated net of provisions for future risks on equity-accounted investments classified in "Investments in real estate funds and investment companies".

- **Net financial position**: this measure is a valid indicator of the ability to meet obligations of a financial nature. Net financial position is represented by gross financial debt less cash and other cash equivalents and other financial receivables.

The Explanatory Notes to the Consolidated Financial Statements include a table showing all the balance sheet amounts used for determining net financial position.

- **Gearing:** this measure indicates the Group's ability to satisfy the needs of its business with its own resources rather than with third-party financial debt. Gearing is calculated as the ratio between net financial position excluding shareholder loans granted and equity.

The following table reconciles the Non-GAAP measures with the amounts reported in the IFRS consolidated financial statements.

| **EBIT including net income from investments and income from shareholder loans before restructuring costs and property writedowns/revaluations** | **Mar-31-2011** | **Mar-31-2010** |
|---|---|---|
| EBIT | 0.8 | 3.8 |
| Net income from investments | 11.6 | 0.0 |
| Income from shareholder loans | 6.8 | 6.5 |
| **EBIT including net income from investments and income from shareholder loans** | **19.2** | **10.3** |
| Restructuring costs | 0.4 | 0.0 |
| Property writedowns/revaluations | 0.0 | 0.0 |
| **Total** | **19.5** | **10.3** |

| **EBIT before restructuring costs, property writedowns/revaluations and tax** | **Mar-31-2011** | **Mar-31-2010** |
|---|---|---|
| EBIT including net income from investments and income from shareholder loans before restructuring costs and property writedowns/revaluations | 19.5 | 10.3 |
| Financial expenses | (6.2) | (5.3) |
| **Total** | **13.3** | **5.0** |

| **Income from shareholder loans** | **Mar-31-2011** | **Mar-31-2010** |
|---|---|---|
| Interest income from loans to associates (1) | - | - |
| Interest income from loans to joint ventures (1) | 6.8 | 6.5 |
| Income from securities (1) | - | 0.1 |
| Impairment of securities (2) | - | (0.1) |
| **Total** | **6.8** | **6.5** |

| **Financial expenses** | **Mar-31-2011** | **Mar-31-2010** |
|---|---|---|
| Financial expenses | (6.5) | (7.2) |
| Financial income | 7.1 | 8.4 |
| Income from shareholder loans | (6.8) | (6.5) |
| **Total** | **(6.2)** | **(5.3)** |

**NOTES**

(1) Classified in "Financial income."

(2) Classified in "Financial expenses".

## C. PRELIOS GROUP – INTERIM MANAGEMENT STATEMENT

# 1. CONSOLIDATED BALANCE SHEET

*(in thousands of euro)*

| Note | ASSETS | 03.31.2011 | 12.31.2010 |
|---|---|---|---|
| | **NON-CURRENT ASSETS** | | |
| | Property, plant and equipment | 5.945 | 6.147 |
| | Intangible assets | 160.078 | 160.158 |
| 1 | Investments in associates and joint ventures | 424.027 | 409.274 |
| 2 | Other financial assets | 22.656 | 23.061 |
| | Deferred tax assets | 23.212 | 24.320 |
| | Other receivables | 420.385 | 381.121 |
| | **TOTAL NON-CURRENT ASSETS** | **1.056.303** | **1.004.081** |
| | **CURRENT ASSETS** | | |
| | Inventories | 67.925 | 70.921 |
| | Trade receivables | 121.168 | 126.300 |
| | Other receivables | 72.121 | 75.964 |
| | Cash and cash equivalents | 31.709 | 17.013 |
| | Tax receivables | 6.323 | 8.301 |
| | **TOTAL CURRENT ASSETS** | **299.246** | **298.499** |
| | **TOTAL ASSETS** | **1.355.549** | **1.302.580** |

| | EQUITY | 03.31.2011 | 12.31.2010 |
|---|---|---|---|
| | **GROUP EQUITY** | | |
| 3 | Share capital | 419.991 | 419.991 |
| 4 | Other reserves | 150.181 | 138.595 |
| 5 | Retained earnings | 21.372 | 116.491 |
| | Net income (loss) for the period | 10.015 | (95.312) |
| | **TOTAL GROUP EQUITY** | **601.559** | **579.765** |
| 6 | **MINORITY INTERESTS** | **9.618** | **9.828** |
| | **TOTAL EQUITY** | **611.177** | **589.593** |
| | **LIABILITIES** | **03.31.2011** | **12.31.2010** |
| | **NON-CURRENT LIABILITIES** | | |
| | Bank borrowings and payables to other financial institutions | 473.697 | 444.241 |
| | Other payables | 3.898 | 3.927 |
| | Provisions for future risks and expenses | 22.718 | 22.481 |
| | Deferred tax provision | 2.528 | 2.545 |
| | Employee benefit obligations | 12.454 | 12.326 |
| | Tax payables | 33 | - |
| | **TOTAL NON-CURRENT LIABILITIES** | **515.328** | **485.520** |
| | **CURRENT LIABILITIES** | | |
| | Bank borrowings and payables to other financial institutions | 28.091 | 6.934 |
| | Trade payables | 75.306 | 82.420 |
| | Other payables | 87.121 | 95.505 |
| | Provisions for future risks and expenses | 30.008 | 32.921 |
| | Tax payables | 8.518 | 9.687 |
| | Derivative financial instruments | - | - |
| | **TOTAL CURRENT LIABILITIES** | **229.044** | **227.467** |
| | **TOTAL LIABILITIES** | **744.372** | **712.987** |
| | **TOTAL LIABILITIES AND EQUITY** | **1.355.549** | **1.302.580** |

Balances relating to related party transactions are described in Section 6.4 of the Explanatory Notes.

## 2. CONSOLIDATED INCOME STATEMENT

*(in thousands of euro)*

| Note | | 01.01.2011-03.31.2011 | 01.01.2010-03.31.2010 |
|---|---|---|---|
| 7 | Revenues from sales and services | 46.397 | 51.652 |
| 8 | Changes in inventories of work in progress, semi-finished and finished products | 220 | 560 |
| | Other income | 2.792 | 10.272 |
| | **TOTAL OPERATING REVENUES** | **49.409** | **62.484** |
| | Raw and consumable materials used (net of change in inventories) | (3.168) | (1.229) |
| | Personnel costs | (19.169) | (17.244) |
| | Depreciation, amortization and impairment | (788) | (1.213) |
| | Other costs | (25.526) | (38.942) |
| 9 | **TOTAL OPERATING COSTS** | **(48.651)** | **(58.628)** |
| | **EARNINGS BEFORE INTEREST AND TAX (EBIT)** | **758** | **3.856** |
| 10 | Net income from investments of which: | 11.551 | (31) |
| | - net profit share from investments in associates and joint ventures | 10.689 | (877) |
| | - dividends | 1.016 | 329 |
| | - gains on investments | 0 | 582 |
| | - losses on investments | (154) | (65) |
| | Financial income | 7.137 | 8.425 |
| | Financial expenses | (6.520) | (7.168) |
| | **RESULT BEFORE INCOME TAXES AND MINORITY INTERESTS** | **12.926** | **5.082** |
| | Income taxes | (3.258) | (4.101) |
| | **NET INCOME FROM CONTINUING OPERATIONS** | **9.668** | **981** |
| | **NET INCOME FOR THE PERIOD** | **9.668** | **981** |
| | attributable to minority interests | (347) | 573 |
| | **CONSOLIDATED NET INCOME FOR THE PERIOD** | **10.015** | **408** |

Balances relating to related party transactions are described in Section 6.4 of the Explanatory Notes.

# 3. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | | 01.01.2011-03.31.2011 | | |
|---|---|---|---|---|
| | | **Gross** | **Tax** | **Net** |
| **A** | **Net income for the period** | | | **9.668** |
| | **Other components of income recognized in equity:** | | | |
| | Exchange differences on translating foreign financial statements | (74) | - | (74) |
| | Total available-for-sale financial assets | (526) | 145 | (381) |
| | - Fair value adjustment of available-for-sale financial assets | (526) | 145 | (381) |
| | Prelios share of other components of income recognized in equity by associates and joint ventures | 11.498 | - | 11.498 |
| | - Prelios share of (gains) / losses previously recognized directly in equity now transferred to the income statement | 341 | - | 341 |
| | - Prelios share of gains / (losses) recognized in equity | 11.157 | - | 11.157 |
| **B** | **Total other components of income recognized in equity** | **10.898** | **145** | **11.043** |
| **A+B** | **Total comprehensive income (losses) for the period** | | | **20.711** |
| | **Attributable to:** | | | |
| | Group | | | 21.115 |
| | Minority interests | | | (404) |

| | | 01.01.2010-03.31.2010 | | |
|---|---|---|---|---|
| | | **Gross** | **Tax** | **Net** |
| **A** | **Net income for the period** | | | **981** |
| | **Other components of income recognized in equity:** | | | |
| | Exchange differences on translating foreign financial statements | 665 | - | 665 |
| | Total cash flow hedges | 229 | (103) | 126 |
| | - Fair value adjustment of derivatives designated as cash flow hedges | 229 | (103) | 126 |
| | Total available-for-sale financial assets | 434 | (41) | 393 |
| | - Fair value adjustment of available-for-sale financial assets | 434 | (41) | 393 |
| | Share of other components of income recognized in equity by associates and joint ventures | (1.604) | (10) | (1.614) |
| | - Prelios share of (gains) / losses previously recognized directly in equity now transferred to the income statement | 856 | - | 856 |
| | - Prelios share of gains / (losses) recognized in equity | (2.460) | (10) | (2.470) |
| **B** | **Total other components of income recognized in equity** | **(276)** | **(154)** | **(430)** |
| **A+B** | **Total comprehensive income (losses) for the period** | | | **551** |
| | **Attributable to:** | | | |
| | Group | | | (191) |
| | Minority interests | | | 742 |

# 4. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Share capital | Share premium reserve | Reval-uation reserve | Legal reserve | Currency translation reserve | Reserve for fair value measurement of available-for-sale financial assets | Cash flow hedge reserve | Reserve for actuarial gains/ (losses) | Reserve for equity-settled stock options | Reserve for tax on items credited/debited to equity | Other reserves | Retained earnings/ (losses) | Net income/ (loss) for the period | **Group equity** | **Minority interests in equity** | **Total equity** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Equity at December 31st, 2010** | **419.991** | **158.336** | **15** | **4.265** | **(1.309)** | **556** | **(43.754)** | **(62)** | **5.503** | **2.894** | **12.151** | **116.491** | **(95.312)** | **579.765** | **9.828** | **589.593** |
| **Total other components of income recognized in equity** | **-** | **-** | **-** | **-** | **(55)** | **(473)** | **11.498** | **-** | **-** | **130** | **-** | **-** | **-** | **11.100** | **(57)** | **11.043** |
| Allocation of 2010 results | - | - | - | - | - | - | - | - | - | - | - | (95.312) | 95.312 | - | - | - |
| Cost of equity transactions | - | - | - | - | - | - | - | - | - | - | 11 | - | - | 11 | - | 11 |
| Other changes | - | - | - | - | - | (14) | (117) | 438 | - | 168 | - | 193 | - | 668 | 194 | 862 |
| Net income (loss) for the period | - | - | - | - | - | - | - | - | - | - | - | - | 10.015 | 10.015 | (347) | 9.668 |
| **Equity at March 31st, 2011** | **419.991** | **158.336** | **15** | **4.265** | **(1.364)** | **69** | **(32.373)** | **376** | **5.503** | **3.192** | **12.162** | **21.372** | **10.015** | **601.559** | **9.618** | **611.177** |

| | Share capital | Share premium reserve | Reval-uation reserve | Legal reserve | Currency translation reserve | Reserve for fair value measurement of available-for-sale financial assets | Cash flow hedge reserve | Reserve for actuarial gains/ (losses) | Reserve for equity-settled stock options | Reserve for tax on items credited/debited to equity | Other reserves | Retained earnings / (losses) | Net income/ (loss) for the period | **Group equity** | **Minority interests in equity** | **Total equity** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Equity at December 31st, 2009** | **419.991** | **158.336** | **15** | **4.265** | **(1.521)** | **(1.223)** | **(64.208)** | **871** | **6.027** | **4.051** | **12.088** | **218.973** | **(104.296)** | **653.369** | **9.713** | **663.082** |
| **Total other components of income recognized in equity** | **-** | **-** | **-** | **-** | **498** | **419** | **(1.366)** | **-** | **-** | **(150)** | **-** | **-** | **-** | **(599)** | **169** | **(430)** |
| Allocation of 2009 results | - | - | - | - | - | - | - | - | - | - | - | (104.296) | 104.296 | - | - | - |
| Cost of equity transactions | - | - | - | - | - | - | - | - | - | - | 45 | - | - | 45 | - | 45 |
| Other changes | - | - | - | - | - | - | - | - | - | - | - | 2.336 | - | 2.336 | 5 | 2.341 |
| Net income (loss) for the period | - | - | - | - | - | - | - | - | - | - | - | - | 408 | 408 | 573 | 981 |
| **Equity at March 31st, 2010** | **419.991** | **158.336** | **15** | **4.265** | **(1.023)** | **(804)** | **(65.574)** | **871** | **6.027** | **3.901** | **12.133** | **117.013** | **408** | **655.559** | **10.460** | **666.019** |

# 5. CONSOLIDATED CASH FLOW STATEMENT

| | 01.01.2011-<br>03.31.2011 | | 01.01.2010-<br>03.31.2010 |
|---|---|---|---|
| Result before income taxes and minority interests | 12.926 | | 5.082 |
| Depreciation, amortization and impairment/impairment reversal intangible assets & property, plant & equip. | 788 | | 1.213 |
| Impairment of receivables | 1.724 | | 612 |
| Gains/losses on sale of property, plant and equipment and investment property | (3) | | - |
| Net income from investments net of dividends | (8.626) | | 6.330 |
| Financial expenses | 6.520 | | 7.168 |
| Financial income | (7.137) | | (8.425) |
| Change in inventories | 2.996 | | 757 |
| Change in trade receivables/payables | (2.605) | | (4.548) |
| Change in other receivables/payables | (4.464) | | (5.502) |
| Change in employee benefit obligations and other provisions | 634 | | (6.680) |
| Taxes | (1.987) | | (3.514) |
| Other changes | (34) | | (50) |
| **Net cash flow generated / (absorbed) by operating activities (A)** | **732** | | **(7.557)** |
| Purchase of property, plant and equipment | (167) | | (2.669) |
| Disposal of property, plant and equipment | 7 | | 2.954 |
| Purchase of intangible assets | (343) | | (59) |
| Disposal of intangible assets | - | | - |
| Disposal of investments in subsidiaries | (154) | | 517 |
| Purchase of investments in associates and joint ventures | (11.482) | | (634) |
| Disposal of investments in associates and joint ventures and other movements | 1.208 | | 2.438 |
| Dividends received | 1.016 | | 329 |
| Purchase of other financial assets | - | | (728) |
| Disposal of other financial assets | 15 | | 112 |
| **Net cash flow generated / (absorbed) by investing activities (B)** | **(9.900)** | | **2.260** |
| Other changes in equity | 788 | | 3.005 |
| Change in financial receivables | (28.154) | | (11.814) |
| Change in financial payables | 50.658 | | (2.507) |
| Financial income | 7.137 | | 8.425 |
| Financial expenses | (6.520) | | (7.098) |
| **Net cash flow generated / (absorbed) by financing activities (C)** | **23.909** | | **(9.989)** |
| **Total net cash flow generated / (absorbed) in the period (D=A+B+C)** | **14.741** | **0** | **(15.286)** |
| **Cash and cash equivalents + bank overdrafts at the beginning of the period (E)** | **16.968** | | **33.206** |
| **Cash and cash equivalents + bank overdrafts at the end of the period (D+E)** | **31.709** | **0** | **17.920** |
| of which: | | | |
| **- cash and cash equivalents** | **31.709** | | **18.275** |
| **- bank overdrafts** | **-** | | **(355)** |

Cash flows relating to related party transactions are described in Section 6.4 of the Explanatory Notes.

# 6. INTERIM MANAGEMENT STATEMENT – EXPLANATORY NOTES

## 6.1 Form and contents

The present interim management statement at March 31st, 2011 has been prepared in accordance with art. 154-ter of Legislative 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 the present interim management statement.

The accounting policies and principles are consistent with those used for preparing the financial statements at December 31st, 2010, to which reference should be made for more details. The only exceptions relate to the following standards and interpretations, in force since January 1st, 2011 and endorsed by the European Union, the application of which to the present interim management statement has not had a material impact on the Group's numbers:

- Amendments to IAS 32 – Financial instruments: presentation – classification of rights issues
- Amendments to IFRS 1 revised – First-time adoption of IFRSs – limited exemption from comparative IFRS 7 disclosures for first-time adopters
- IAS 24 revised – Related party disclosures
- Amendments to IFRIC 14 – Early payment of minimum funding requirements
- IFRIC 19 - Extinguishing financial liabilities with equity instruments
- Improvements to IFRSs (issued by the IASB in May 2010) except for amendments to IAS 27, whose effective date was January 1st, 2010

In accordance with art. 5, par. 2 of Legislative Decree 38 of February 28th, 2005, the reporting currency is the euro.

## 6.2 Consolidation area

No significant changes have taken place in the period with regard to the companies included in the consolidation area.

## 6.3 Information on the Consolidated Balance Sheet and Consolidated Income Statement

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

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

At the date of approving the present interim management statement, there had been no changes in the situation described in the 2010 annual financial report concerning the tax disputes relating to Prelios S.p.A. and some of its subsidiaries.

With reference to companies in which Prelios S.p.A., or its subsidiaries, have invested with sizeable minority stakes together with third-party investors, these have received additional notices of adjustment and payment for a total of 10 million euro (excluding penalties and interest), of which the Prelios share is about 4 million euro.

On April 4th, 2011 the Milan Section II Provincial Tax Commission rejected the appeal presented by Tamerice S.r.l. and Prelios Società di Gestione del Risparmio S.p.A. in the name and on behalf of the Retail & Entertainment fund concerning the dispute involving the initial contribution of the fund's assets during 2007.

The company presented a petition for a stay of proceedings which was then accepted subject to it issuing a surety corresponding to the amount of the tax claim. In view of this stay of proceedings agreed by the Commission chairman, and taking account of the opinion previously issued by the appointed advisor and of other recent opinions confirming its contents, there are valid reasons to believe that the risk of ultimately incurring costs is unlikely. Furthermore, the tax claim does not appear to be correctly quantified (the claim is for 28 million euro plus 3 million euro in interest, of which the Prelios share is 6.2 million euro), because the tax rates used should be halved, from 4% to 2%. This means that the alleged claim should have been 14 million euro plus 1.5 million euro in interest, of which the Prelios share would be 3.1 million euro.

Based on the opinions of its advisors, all of whom are highly reputed professionals, and the information currently in its possession, the Company believes that in general all these disputes will end with a favourable outcome for the targets of such claims. The same conclusion and agreement with the advisors has been reached by the Boards of Directors of the joint ventures concerned.

## ASSETS

### Note 1. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Investments in associates and joint ventures are accounted for using the equity method and amount to 424,027 thousand euro at March 31st, 2011, reporting a net increase of 14,753 thousand euro since December 31st, 2010.

Movements during the period are as follows:

| | 01.01.2010-03.31.2011 | | | 01.01.2010-12.31.2010 | | |
|---|---|---|---|---|---|---|
| | **Total** | **Associates** | **Joint ventures** | **Total** | **Associates** | **Joint ventures** |
| **Opening balance** | **409.274** | **106.056** | **303.218** | **458.255** | **150.891** | **307.364** |
| Acquisitions, changes in share capital and reserves/other | 11.476 | 28 | 11.448 | 73.127 | 21.158 | 51.969 |
| Share of other components of income recognized in equity | 11.515 | 60 | 11.455 | 18.763 | 262 | 18.501 |
| Reclassifications/ Other | (137) | - | (137) | (10.172) | (9.947) | (225) |
| Distribution of dividends and reserves | (2.925) | (2.925) | - | (31.912) | (28.118) | (3.794) |
| Disposals and liquidations | (1.208) | - | (1.208) | (32.155) | (26.788) | (5.367) |
| Net profit share/impairment | 10.689 | 1.539 | 9.150 | (82.361) | (1.405) | (80.956) |
| (Increase)/ Decrease in financial receivables | (11.475) | 1 | (11.476) | 10.322 | 1 | 10.321 |
| Changes in provision for future risks and expenses | (3.182) | - | (3.182) | 5.407 | 2 | 5.405 |
| **Closing balance** | **424.027** | **104.759** | **319.268** | **409.274** | **106.056** | **303.218** |

The changes in this balance during the period mainly reflect equity contributions made in the period, changes in other components of income recognized directly in equity, particularly changes in the cash flow hedge reserves, as well as recognition of the share of an overall net profit, particularly by the Fondo Retail & Entertainment (invested in by Delamain S.à.r.l.) after selling a historic building in Piazza Duomo, Milan, leased in its entirety to La Rinascente.

The change in the provision for future risks and expenses relating to equity-accounted investments reflects provisions against legal or constructive obligations to cover losses of associates and joint ventures that exceed their carrying amount plus the amount of any financial receivables owed by them.

The "(Increase)/Decrease in financial receivables" reports the increase in financial receivables from associates and joint ventures following reinstatement of previously realized losses in excess of the carrying amount of the related investments.

### Note 2. OTHER FINANCIAL ASSETS

These amount to 22,656 thousand euro, having decreased by 405 thousand euro since December 31st, 2010. They are analyzed as follows:

| | 03.31.2011 | 12.31.2010 |
|---|---|---|
| **Available-for-sale financial assets at fair value through equity** | **20.854** | **21.259** |
| Closed-end real estate funds | 16.313 | 16.855 |
| Investments in other companies | 4.541 | 4.404 |
| **Other financial assets at amortized cost** | **1.802** | **1.802** |
| Junior notes | 1.802 | 1.802 |
| **Total** | **22.656** | **23.061** |

## 2.1 Closed-end real estate funds

These report the following movements in the quarter ended March 31st, 2011:

| | 01.01.2011-03.31.2011 | 01.01.2010-12.31.2010 |
|---|---|---|
| **Opening balance** | **16.855** | **7.775** |
| Increases | - | 500 |
| Decreases/Other movements | (15) | (2.172) |
| Fair value adjustment | (527) | 406 |
| (Profits)/losses previously recognized in equity, transferred to income statement upon disposal or impairment | - | 174 |
| Reclassification | - | 10.172 |
| **Closing balance** | **16.313** | **16.855** |
| of which: | | |
| Cloe Fondo Uffici - Fondo comune di investimento immobiliare di tipo chiuso no | 9.784 | 9.930 |
| Fondo Abitare Sociale 1 | 486 | 511 |
| Fondo Enasarco Uno | 373 | 388 |
| Fedora - Fondo comune di investimento immobiliare di tipo chiuso | 225 | 225 |
| Tecla Fondo Uffici | 5.445 | 5.801 |

The overall balance has been adjusted by a negative 527 thousand euro for changes in the fair value of fund units.

## 2.2 Investments in other companies

These amount to 4,541 thousand euro and report an increase of 137 thousand euro, which includes the reclassification from "Investments in associates and joint ventures" of the remaining 5.1% interest in Projektentwicklung Blankenese Bahnhofsplatz GmbH & Co. KG after DGAG Nordpartner GmbH & Co. KG. sold 44.9% of this company to third parties.

### 2.3 Other financial assets at amortized cost

"Junior notes", amounting to 1,802 thousand euro at March 31st, 2011, the same as at December 31st, 2010, consist of 1,014 thousand euro in class B junior notes relating to the securitization of a non performing loans portfolio owned by Vesta Finance S.r.l., and 788 thousand euro for a deferred redemption amount relating to the securitization of a non performing loans portfolio owned by Cairoli Finance S.r.l..

# EQUITY

## GROUP EQUITY

### Note 3. SHARE CAPITAL

At March 31st, 2011, subscribed and paid-up share capital (including treasury shares held for investment and not trading purposes and which therefore, under the format prescribed by art. 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, stated net of the 1,189,662 treasury shares as required by IAS 32, amounts to 419,991,057.50 euro at March 31st, 2011, the same as at December 31st, 2010.

### Note 4. OTHER RESERVES

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

This reports a positive balance of 69 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 quarter of 2011 was a negative 473 thousand euro.

#### Cash flow hedge reserve

This reports a negative balance of 32,373 thousand euro recognized for the fair value measurement of cash flow hedges.

Movements in this reserve in the period under review reflect a positive adjustment of 11,498 thousand euro arising from the valuation of cash flow hedges held by associates and joint ventures.

**Reserve for actuarial gains/losses**

This amounts to 376 thousand euro and reports the pre-tax actuarial gains and losses on post-employment defined benefits.

**Reserve for equity-settled stock options**

This reserve has been set up in relation to equity-settled stock option plans; at March 31st, 2011 it amounts to 5,503 thousand euro, remaining the same as at December 31st, 2010.

**Reserve for tax on items credited/debited to equity**

This reserve, amounting to 3,192 thousand euro, reports the tax effect of items credited/debited directly to equity.

## Note 5. RETAINED EARNINGS (LOSSES)

These amount to 21,372 thousand euro, reporting a net decrease of 95,119 thousand euro since December 31st, 2010 largely due to the loss for 2010.

## Note 6. MINORITY INTERESTS IN EQUITY

These consist of minority interests in share capital and reserves 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:

| | 03.31.2011 | 12.31.2010 |
|---|---|---|
| **CURRENT ASSETS** | | |
| **Other receivables** | **10.568** | **10.211** |
| Financial receivables | 10.568 | 10.211 |
| - *joint ventures and other Prelios Group companies* | 10.211 | 10.211 |
| - *other related parties* | 357 | - |
| Financial accrued income and prepaid expenses | - | - |
| Receivables from shareholders for uncalled capital | - | - |
| **Securities held for trading** | **-** | **-** |
| **Cash and cash equivalents** | **31.709** | **17.013** |
| **TOTAL CURRENT ASSETS - A** | **42.277** | **27.224** |
| **CURRENT LIABILITIES** | | |
| **Bank borrowings and payables to other financial institutions** | **(28.091)** | **(6.934)** |
| *- of which payable to related parties* | (2.226) | (2.669) |
| - joint ventures and other Prelios Group companies | (2.226) | (2.669) |
| - other related parties | (168) | - |
| - Other financial payables | - | - |
| - Bonds | - | - |
| - Bank borrowings | (25.609) | (3.741) |
| - Payables to other financial institutions | (88) | (524) |
| - Finance lease payables | - | - |
| - Financial accrued liabilities | - | - |
| **TOTAL CURRENT LIABILITIES - B** | **(28.091)** | **(6.934)** |
| | | |
| **NON-CURRENT LIABILITIES** | | |
| **Bank borrowings and payables to other financial institutions** | **(473.697)** | **(444.241)** |
| *- of which payable to related parties* | (149.744) | (140.419) |
| - other related parties | (149.744) | (140.419) |
| - Other financial payables | (634) | (624) |
| - Bonds | - | - |
| - Bank borrowings | (323.319) | (303.198) |
| - Payables to other financial institutions | - | - |
| - Finance lease payables | - | - |
| - Financial accrued liabilities and deferred income | - | - |
| **TOTAL NON-CURRENT LIABILITIES - C** | **(473.697)** | **(444.241)** |
| **NET DEBT EXCL. SHAREHOLDERS LOANS GRANTED (*) = D =(A+B+C)** | **(459.511)** | **(423.951)** |

(*) 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** | **418.497** | **379.225** |
| Financial receivables | 418.497 | 379.225 |
| - *associates* | 1.824 | 1.817 |
| - *joint ventures and other Prelios Group companies* | 414.750 | 375.406 |
| - *third parties of which* | 1.923 | 2.002 |
| *- senior notes* | *1.923* | *1.490* |
| *- other receivables* | - | *512* |
| Financial accrued income and prepaid expenses | - | - |
| Receivables from shareholders for uncalled capital | - | - |
| **TOTAL NON-CURRENT ASSETS - E** | **418.497** | **379.225** |
| **NET (DEBT) CASH - F = (D+E)** | **(41.014)** | **(44.726)** |

## INCOME STATEMENT

### Note 7. REVENUES FROM SALES AND SERVICES

Revenues from sales and services amount to 46,397 thousand euro compared with 51,652 thousand euro in the first quarter of 2010 and are analyzed as follows:

| | 01.01.2011-03.31.2011 | 01.01.2010-03.31.2010 |
|---|---|---|
| Revenues from contracts | 197 | 7.460 |
| Revenues from sales, of which: | 2.720 | 1.254 |
| *- sales of land for development* | - | *35* |
| *- sales of residential property* | *2.720* | *1.219* |
| Revenues from services | 43.480 | 42.938 |
| **Total** | **46.397** | **51.652** |

### Revenues from contracts

These amount to 197 thousand euro compared with 7,460 thousand euro at March 31st, 2010 which had benefited from completion of construction of the HQ2 building commissioned by Cloe Fondo Uffici from Iniziative Immobiliari 3 S.r.l. and due to be leased to the Prelios Group, and from the construction of a new headquarters building for 3M Italia S.p.A. on a site in Pioltello. The quarter under review reports the revenue earned by Lambda S.r.l. for work on the "Hangar Bicocca" building.

### Revenues from sales

*Sales of residential property*

Sales completed in the first quarter of 2011 mainly refer to property units sold by Orione Immobiliare Prima S.p.A..

### Revenues from services

Revenues from services are analyzed as follows:

| | 01.01.2011-03.31.2011 | 01.01.2010-03.31.2010 |
|---|---|---|
| Revenues from services to third parties | 15.529 | 15.812 |
| Revenues from services to associates | 3.524 | 4.307 |
| Revenues from services to joint ventures and other Prelios Group companies | 24.275 | 22.490 |
| Revenues from services to other related parties | 152 | 329 |
| **Total** | **43.480** | **42.938** |

## Note 8. CHANGE IN INVENTORIES OF WORK IN PROGRESS, SEMI-FINISHED AND FINISHED PRODUCTS

The change in inventories in the first three months of 2011 is a positive 220 thousand euro compared with a similarly positive 560 thousand euro in the corresponding period of 2010.

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

## Note 9. OPERATING COSTS

Operating costs comprise:

| | 01.01.2011-03.31.2011 | 01.01.2010-03.31.2010 |
|---|---|---|
| Raw and consumable materials used, of which: | 3.168 | 1.229 |
| *a) Assets purchased* | *136* | *119* |
| *b) Change in inventories of trading properties, raw and miscellaneous materials* | *3.032* | *1.110* |
| Personnel costs | 19.169 | 17.244 |
| Depreciation, amortization and impairment | 788 | 1.213 |
| Other costs | 25.526 | 38.942 |
| **Total** | **48.651** | **58.628** |

Operating costs amount to 48,651 thousand euro compared with 58,628 thousand euro at March 31st, 2010.

### Raw and consumable materials used

"**Assets purchased"** of 136 thousand euro in the first quarter of 2011 refer to the purchase of various consumable materials.

The "**Change in inventories of trading properties, raw and miscellaneous materials**" is a negative 3,032 thousand euro in the first quarter of 2011 compared with a negative 1,110 thousand euro in the corresponding period of 2010 and reflects the events reported in "revenues from sales".

## Other costs

| | 01.01.2011-<br>03.31.2011 | 01.01.2010-<br>03.31.2010 |
|---|---|---|
| Services | 17.883 | 21.959 |
| Lease and rental costs | 3.534 | 5.398 |
| Impairment of receivables | 1.724 | 612 |
| Provisions for risks | 611 | 831 |
| Other operating expenses | 1.774 | 10.142 |
| **Total** | **25.526** | **38.942** |

These report a considerable reduction, most of which attributable to lower costs for services, particularly relating to construction and maintenance of contracts managed by the Group, and to fewer other operating expenses, which in the corresponding period of 2010 had included 8,326 thousand euro in damages relating to certain legal disputes, against which the Group was entitled to recognize a matching amount of compensation as income.

## Note 10. NET INCOME FROM INVESTMENTS

| | 01.01.2011-<br>03.31.2011 | 01.01.2010-<br>03.31.2010 |
|---|---|---|
| Net profit share from investments in associates and joint ventures | 10.689 | (877) |
| Dividends | 1.016 | 329 |
| Gains on investments | - | 582 |
| Losses on investments | (154) | (65) |
| **Total** | **11.551** | **(31)** |

This reports a positive 11,551 thousand euro compared with a negative 31 thousand euro in the corresponding period of 2010.

Its main components are:

### Net profit share from investments in associates and joint ventures

This is a positive 10,689 thousand euro, compared with a negative 877 thousand euro in the first quarter of 2010, and reflects the Group's share of the results of equity-accounted investments.

More details can be found in note 1 "Investments in associates and joint ventures".

## Dividends

The figure at March 31st, 2011 refers to income distributed to the Group by the Tecla fund (251 thousand euro) and the Cloe fund (284 thousand euro), as well as 481 thousand euro in income distributed by companies in which minority interests are held.

## 6.4 Related party transactions

The following tables show transactions and balances with related parties:

| | 01.01.2011-03.31.2011 | % share (*) | 01.01.2010-03.31.2010 | % share (*) |
|---|---|---|---|---|
| Operating revenues | 28.139 | 57,0% | 27.576 | 44,1% |
| Operating costs | (2.476) | 5,1% | (6.565) | 11,2% |
| Net income from investments | 10.972 | 95,0% | (877) | NA |
| Financial income | 6.916 | 96,9% | 6.839 | 81,2% |
| Financial expenses | (1.472) | 22,6% | (715) | 10,0% |
| Taxes | - | 0,0% | - | 0,0% |

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

| | 31.03.2011 | | | | 31.12.2010 | | | |
|---|---|---|---|---|---|---|---|---|
| | Total | % share (*) | Non-current | Current | Total | % share (*) | Non-current | Current |
| Trade receivables | 80.924 | 66,8% | - | 80.924 | 85.613 | 67,8% | - | 85.613 |
| Other receivables of which: | 434.293 | 88,2% | 417.354 | 16.939 | 395.837 | 86,6% | 378.003 | 17.834 |
| *- financial receivables* | *427.142* | 99,6% | *416.574* | *10.568* | *387.434* | *99,5%* | *377.223* | *10.211* |
| Tax receivables | - | 0,0% | - | - | - | 0,0% | - | - |
| Trade payables | 10.019 | 13,3% | - | 10.019 | 9.645 | 11,7% | - | 9.645 |
| Other payables | 20.568 | 23,0% | 2.608 | 17.960 | 23.278 | 23,4% | 2.608 | 20.670 |
| Tax payables | 1.080 | 12,6% | - | 1.080 | 1.080 | 11,1% | - | 1.080 |
| Bank borrowings and payables to other financial institutions | 152.138 | 30,3% | 149.744 | 2.394 | 143.088 | 31,7% | 140.419 | 2.669 |
| Provisions for future risks and expenses | 5.504 | 10,4% | - | 5.504 | 8.686 | 15,7% | - | 8.686 |

(*) 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 Prelios Group and associates, joint ventures and other companies in the Prelios Group are detailed as follows:

| **Transactions and balances with associates/joint ventures and other companies** | | |
|---|---|---|
| Operating revenues | 27.971 | 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 | (1.668) | These refer to recharges of various kinds. |
| Net income from investments | 10.972 | This mostly comprises the results of equity-accounted investments, as well as dividends distributed by investee real estate funds. |
| Financial income | 6.916 | 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 | (3) | |
| Current trade receivables | 79.840 | This balance includes the receivables relating to "operating revenues". |
| Other non-current receivables | 417.354 | |
| *- of which financial receivables* | *416.574* | 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 medium-term disposal programmes of the real estate portfolios owned directly or indirectly by these companies. 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 | 16.483 | This includes 834 thousand euro in dividends that have been declared but not yet paid, as well as 2,418 thousand euro in receivables owed to Prelios S.p.A. by Polish Investments Real Estate Holding B.V. II. for the sale of 85% of the share capital in Coimpex S.p.zo.o. and Relco S.p.zo.o. |
| *- of which financial receivables* | *10.211* | Most of this balance refers to intercompany current accounts with the companies which hold real estate assets in Germany. |
| Current trade payables | 6.020 | These refer to various services. |
| Other non-current payables | 2.608 | |
| Other current payables | 17.960 | These refer to different kinds of recharge. |
| Current tax payables | 1.080 | This 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 | 2.226 | This includes negative balances on intercompany current accounts. |
| Provisions for future risks and expenses | 5.504 | 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 March 31st, 2011 between the Prelios Group and other parties that are indirectly related through the directors.

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

| Transactions and balances with Pirelli & C. S.p.A. and other Pirelli Group companies | | |
|---|---|---|
| Operating revenues | 162 | These mainly relate to the recharge of various services provided by the procurement office. |
| Operating costs | (698) | These include costs for administrative, information technology, security and technical consulting services, as well as the recharge of rent by Pirelli & C. S.p.A.. |
| Financial expenses | (1.469) | These refer to interest payable on the drawdown of a revolving credit facility granted by Pirelli & C. S.p.A. to Prelios S.p.A.. |
| Current trade receivables | 1.054 | These mainly refer to the recharge of various services reported in "Operating revenues". |
| Other current receivables | 357 | |
| *- of which financial receivables* | *357* | This reflects the final payment receivable by Prelios S.p.A. from Pirelli Sistemi Informativi S.r.l. for the sale of the information technology division, with effect from January 1st, 2011. |
| Current trade payables | 3.972 | These mainly refer to payables for information technology costs and for certain site remediation activities, as well as the recharge of rent for the HQ1 building and sundry other expenses by Pirelli & C. S.p.A.. |
| Non-current bank borrowings and payables to other financial institutions | 149.744 | These refer to the short-term drawdown of a floating-rate revolving credit facility granted by Pirelli & C. S.p.A. to Prelios S.p.A., under the same terms, conditions and maturity as the Club Deal. |
| Current bank borrowings and payables to other financial institutions | 168 | These refer to the final payment due to Centro Servizi Aziendali Pirelli S.r.l. for the purchase of the "accounting and property services" with effect from January 1st, 2011. |

| Transactions and balances with related parties associated with directors | | |
|---|---|---|
| Operating revenues | 6 | |
| Operating costs | (72) | These include 68 thousand euro in advisory services from Realty Partners S.r.l., an indirectly related party of the Prelios Group through Giulio Malfatto, the Vice Chairman. |
| Current trade receivables | 30 | |
| Current trade payables | 207 | This refers to t consulting services mentioned above. |

Milan, May 4th, 2011

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 21st, 2011 as Financial Reporting Officer for Prelios S.p.A., with registered office in Via Piero e Alberto Pirelli 25, 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 March 31st, 2011 corresponds to the underlying documentary records, books of account and accounting entries.

Milan, May 4th, 2011

*Gerardo Benuzzi*

*Financial Reporting Officer*

**Prelios S.p.A.**
Viale Piero e Alberto Pirelli, 25
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Milan Companies Register
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