PRELIOS

THE REAL POTENTIAL OF REAL ESTATE.

Interim Financial Report

at March 31st, 2012

CONTENTS

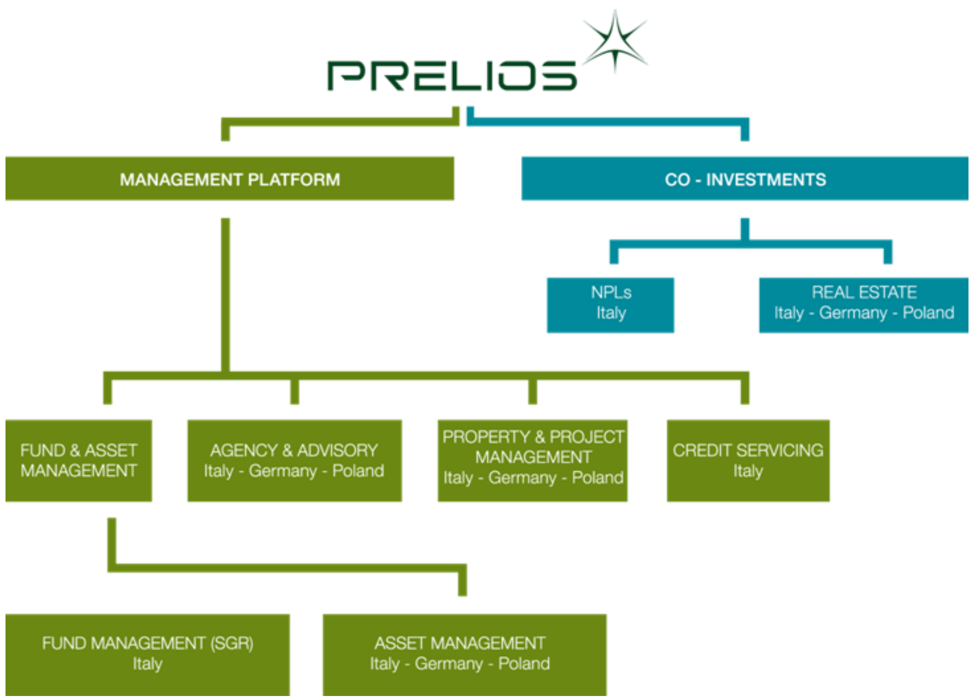
1. CORPORATE REVIEW

1.1. Group Profile

Prelios has been listed on the Italian Stock Exchange since 2002 and is one of the leading Italian operators in the real estate sector. It is active in Italy, Germany and Poland.

Prelios, which is consolidating its repositioning as a "pure management company", enhances and manages real estate portfolios for third-party investors under a distinctive model based on specialist real estate services (Agency, Property & Project Management), on services connected with the management of non-performing loans (Credit Servicing) and on management (Fund & Asset Management).

Prelios used to take on mainly minority stakes in the investments managed (Real Estate and Non-Performing Loans) with the aim of benefiting from any increase in value; now, following the new strategy of a pure management model, the Company is gradually reducing the amount of invested capital which is being offset by an increase in assets managed for third parties.



Total assets under management (or AuM) as of December 31st, 2011 amounted to approximately 12.4[1] billion euro (market value). Of these, the real estate portfolio has reached 11.2 billion euro, while the remainder (1.2 billion euro) consists of Non-Performing Loans (in- and out-of-court management to recover non-performing receivables on behalf of banks and investors).

As far as the geographical distribution of real estate assets is concerned, as of December 31st, 2011 approximately 5.4 billion euro is in Italy, mainly managed through real estate funds (approximately 4.8 billion euro through 22 real estate funds) by the subsidiary Prelios SGR, which is one of the leaders in the domestic market.

[1] Assets under management are stated at market value on the basis of valuations and analyses by independent appraisers, except for the NPLs which are reported at book value. Market values established by independent experts do not take account of the possible acceleration of the sales plan with respect to an otherwise reasonable time that would be needed for marketing, considering the type of asset and the market situation, as well as any discounts for block sales or deriving from sales mandates. It should be noted that the Group's real estate assets are appraised in its interest twice each year, thus the most recent data available generally refer to December 31st, 2011.

The remainder of the portfolio is located in Germany (5.6 billion euro) and in Poland (0.1 billion euro in development projects).

Today Prelios can count on approximately 1,000 employees in Italy and abroad. An extremely well-qualified structure, with significant professional skills in the sector and a track record of excellence accrued in an international competitive context; an example is the marked orientation to eco-sustainability, both for new construction projects on behalf of third parties and for the improvement and renovation of existing buildings.

Prelios operates in Italy, Germany and Poland through local asset management and specialist service platforms.

Italy

In Italy, the Group operates through dedicated companies in Agency services, Property & Project Management and Credit Servicing, as well as in the core business of Fund Management through Prelios SGR, one of the leading real estate asset management companies in Italy in terms of assets managed. Its two real estate funds are listed on the MIV segment of the Italian Stock Exchange: – Tecla Fondo Uffici and Olinda Fondo Shops. In the last two years, the Cloe and Clarice funds have been recognized as best performers winning the prestigious IPD European Property Awards.

In Italy, Prelios mainly manages properties intended for non-residential use: the commercial sector (retail, offices, logistics) represents the majority of assets managed. The features of this portfolio are location in the major cities, high occupancy rates and long-term partnerships with tenants of high standing (e.g. Telecom, Region of Sicily, Prada, Fintecna, Vodafone, Eni and Bulgari). As of December 31st, 2011 of the assets, 36% are managed on behalf of third parties.

Germany

In only a few years Prelios has become one of the leading operators on the German real estate market, both in the commercial sector (two thirds of assets managed), and in the residential sector. Total assets managed amounted to 5.6 billion euro (market value) as of December 31st, 2011.

The Prelios management platform, which provides commercial, management, technical and administrative services, manages approximately 70,000 property units in the residential sector in Germany, mainly located in the area between Kiel and the capital Berlin, where properties of particular significance are found, such as the Carl Legien Estate, declared a UNESCO World Heritage Site in 2008.

In the commercial sector, Prelios is co-manager, with the Goldman Sachs group, of the Highstreet retail portfolio, which includes approximately 92 properties in commercial locations in cities such as Hamburg, Munich and Berlin, occupied by the Karstadt retail chain: among these is the KaDeWe, one of the most prestigious department stores in continental Europe.

Poland

Prelios operates in Poland through Pirelli Pekao Real Estate (75% Prelios, 25% Bank Pekao SA - Unicredit group), which manages assets of 0.1 billion euro (as of December 31st, 2011) in development projects (0.8 million sqm), mainly in the residential sector, in the cities of Warsaw and Danzig.

1.2. Activities and services

Prelios's activities can essentially be divided into two areas: the first involves management of co-investments, that is of capital initiatives still in the portfolio deriving from the former business model; the second consists of providing integrated services for the management and improvement of real estate assets and is the main business following the repositioning of Prelios as a pure management company.

Prelios's “management platform” groups together all its specialist services and comprises asset & fund management, agency services, property & project management and credit servicing.

Asset & Fund Management

Prelios's core business is managing real estate portfolios through funds or special purpose entities. In Italy, Prelios operates in the real estate sector through Prelios SGR, a leader in the domestic market. Founded in 2003, the Prelios Group's management company has actively contributed to the development and success of the real estate funds sector in Italy.

Prelios SGR works with retail and institutional investors, in Italy and abroad, selecting and managing their property investments, with an approach that aims to gradually increase the value of assets held in the funds, through active management of the real estate portfolios.

The asset management strategies guide the investment along the entire lifecycle of a fund and may include increasing the occupancy rate for non-residential properties; dividing and selling residential property units originating from large portfolios; structural and energy enhancement of buildings: everything which, as the case may be, can contribute to improving a real estate portfolio for investors, with a responsible approach attentive to the needs of the territory in which the company works.

All funds managed by Prelios SGR are specialized funds: specialization is an important element of the company's culture and way of working, which are based on profound knowledge of the various real estate areas thanks to the specific skills of Prelios SGR's professionals in their respective fields.

Agency

In the commercial services sector, the Group works through Prelios Agency. This company is one of the most important Italian operators in the real estate agency sector. It offers specific professional assistance in the improvement, valuation and financing of office, residential, industrial and logistic portfolios, as well as highly-specialized segments such as high street retail.

Prelios Agency offers brokerage and advisory services for public and private investors and also for real estate funds and institutional operators. The company also provides advanced appraisal solutions, valuing single assets or entire property portfolios independently. Commercial expertise is accompanied by credit broking functions, identifying the financing solutions most suitable for the specific needs.

Prelios Agency can count on a distinctive “network” organization capable of covering the whole country in a capillary manner. It is Knight Frank's exclusive correspondent for Italy, for commercial real estate. Knight Frank, in partnership with Newmark, is an international leader in real estate consultancy and present in five continents.

Property & Project Management

Prelios Property & Project Management is one of the leading Italian operators in the sector of integrated technical and administrative services for management of real estate properties and for development and implementation of projects. The company offers its customers an integrated and complete range of services in relation to the entire lifecycle of a project or a property.

The property management business includes: administrative and documentary management; due diligence processes; sales support; integrated building management with complete supervision of services provided to the property; but also highly specialized services such as developing and improving shopping centres with operational management of services, administrative management of and responsibility for relations with retailers, and finally strategic optimization of the tenant mix.

The project management business is developed from the concept finalization stage, assessing the best strategy to improve an area or a property; it then includes all later functions of analysing the planning, building, economic and practical feasibility and all the construction stages, from the master plan to project management. In the field of sustainability, the company has unique expertise and a complete portfolio of services, from analysing environmental impact to green retrofitting and energy certification.

Credit Servicing

As well as the “core” real estate businesses, Prelios operates in the NPL sector with its credit servicing division. A 20% stake in Prelios Credit Servicing is held, indirectly, by CA CIB (Crédit Agricole Corporate & Investment Bank, Crédit Agricole group).

Registered in the Special List of Financial Intermediaries provided for in Art. 107 of Italy's Consolidated Banking Law, it specialises in the management of Non-Performing Loan (NPL) portfolios. It is a privileged agent for those large financial institutions with which it works and over the years has obtained a highly regarded opinion from the leading rating agencies.

Its well-established presence in the major Italian cities enables it to oversee the whole country through a network of professionals with financial, real estate (technical and valuation) and legal skills.

Among its main activities, the company offers: valuation/due diligence of non-performing loans; complete management of in-and out-of-court recovery processes, in both secured and unsecured cases; master servicing, that is the administrative management of the vehicle company receivables (costs and expenses, invoicing, accounting...) with guarantee functions for correct completion of securitization in the interest of security holders and in general of the market, for operations in accordance with Italian Law 130 and the prospectus; portfolio management; administration and accounting activities, in line with the Bank of Italy directives and with amortized cost logic; the role of back up servicer in order to ensure that another servicer is quickly replaced if necessary. Prelios Credit Servicing also provides advice and coordination services in relation to the disposal of properties owned by banks and advisory services for the securitization of NPL portfolios.

1.1. Financial highlights

Income Statement	**March 2012**	**March 2011**
Consolidated revenues	**32.9**	**46.4**
of which services	*30.9*	*41.9*
of which others	*2.0*	*4.5*
Operating result	**2.7**	**19.5**
of which Management Platform	*4.6*	*6.1*
of which Investment Activities	*(1.9)*	*13.4*
Restructuring costs	(0.4)	(0.4)
Property (writedowns)/revaluations	(8.4)	0.0
Consolidated net income (loss)	**(23.7)**	**10.0**
ROE (*)	-8%	2%
Balance Sheet	**March 2012**	**December 2011**
Equity	304.0	326.2
of which group equity	*295.4*	*318.8*
Net Financial Position	(494.8)	(488.0)
Ratios		
Gearing (**)	1.63	1.50
Employees (***)	975	974

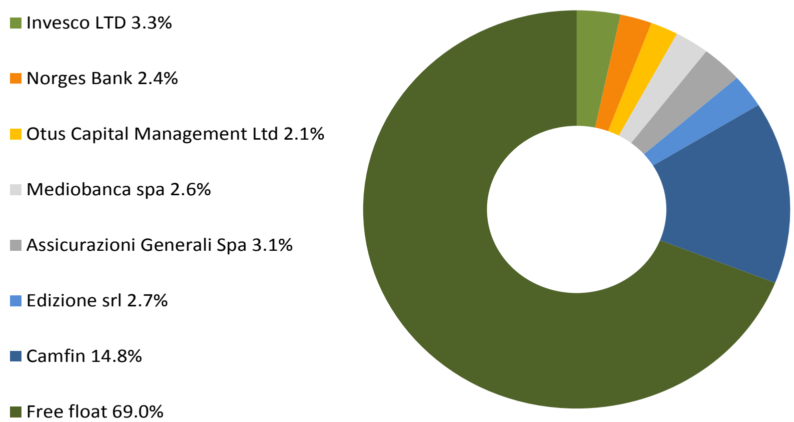
(*) Return on Equity (ROE) was determined as the ratio between consolidated net income (loss) for the period and the average of opening and closing equity pertaining to the group in the period.

(**) Gearing 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 and equity.

(***) The number of employees at March 31st, 2012 was 975, to which must be added 15 resources with temporary. contracts

1.2. Shareholders

As of April 17th, 2012, the date of the Shareholders' Meeting which approved the Annual Financial Report, based on the Shareholders' Register, and disclosures made to the Consob and to the Company, there was the following significant interest in the share capital of Prelios Spa:

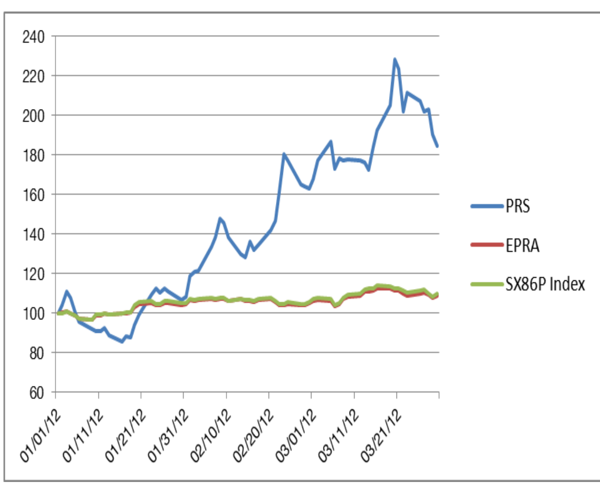


On March 28th, 2012 the shareholders' agreement between Assicurazioni Generali, Camfin, Edizione, Intesa Sanpaolo, Massimo Moratti and Mediobanca, concerning Prelios shares, amounting to approximately 21.3% of the capital, was renewed for an additional 18 months, thus until October 25th, 2013.

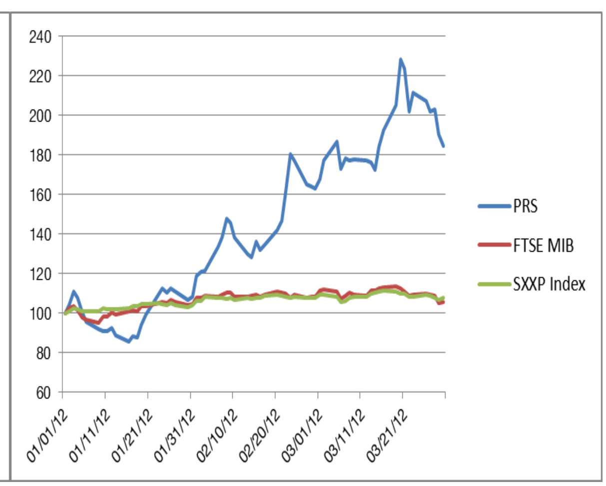
1.3. Prelios stock performance

In spite of the continued crisis in the financial markets and in international stock markets specifically, the performance of Prelios stock (PRS) in the first three months of 2012 benefited from a decrease in the spread of sovereign debt securities and the consequent rebound of all risky asset classes.

Since the start of the year Prelios stock has outperformed the European indices of the reference sectors (EPRA and STOXX Europe 600 Real Estate) and the FTSE MIB index, recording a rise at March 31st, 2012 of 85% at a reference price of 0.1521 euro for a stock market capitalization of 127.9 million euro.



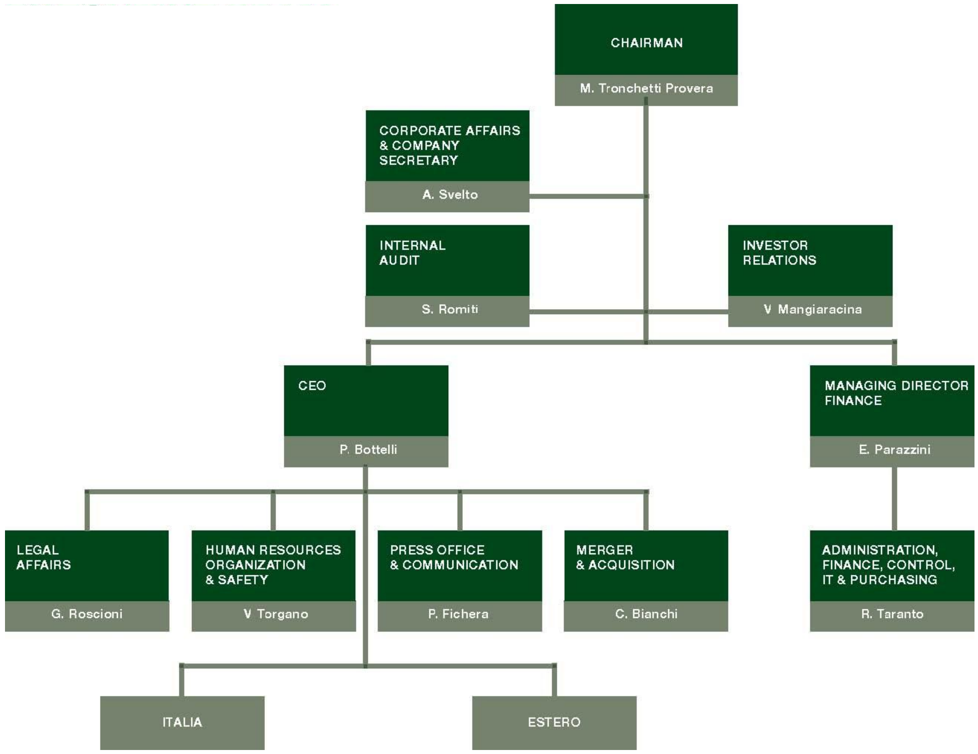
Prelios stock (PRS) performance in relation to the performance of the FTSE MIB of the general index of the European market.

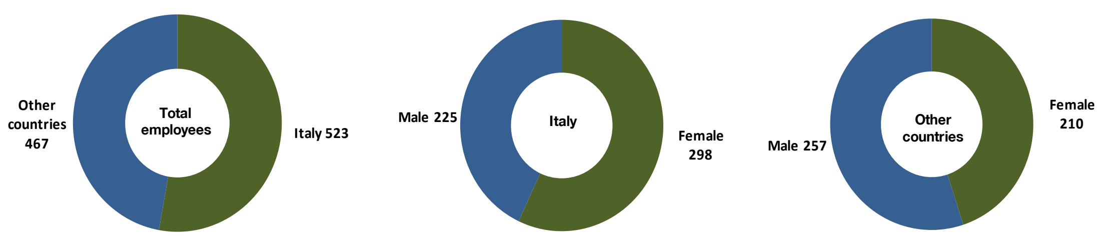


Prelios stock (PRS) performance in relation to the performance of sector indices (EPRA and STOXX Europe 600)

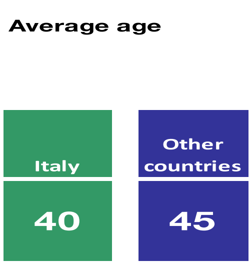
1.4. Management and Human Resources

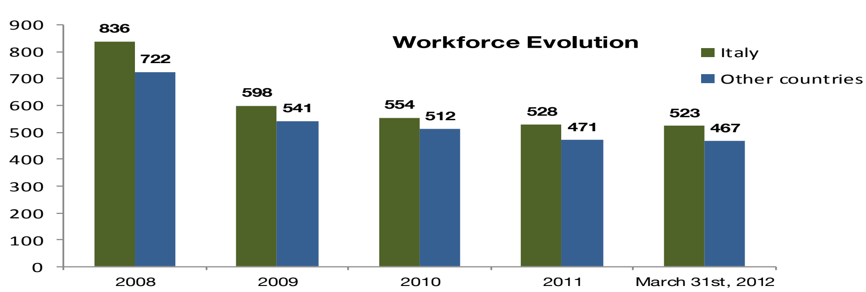
Executive team





Workforce[2]





[2] Including temporary staff

2. CORPORATE OFFICERS

Board of Directors [3]

Marco Tronchetti Provera	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

Internal Control 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

[3] 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.
On April 17th, 2012 the Shareholders' Meeting resolved to reduce the number of directors from 15 to 14, by not replacing Giulio Malfatto, who resigned from the office of Director and Vice Chairman of the Company on November 11th, 2011.

Paolo Massimiliano Bottelli	Chief Executive Officer – CEO
Enrico Parazzini	Managing Director Finance

Board of Statutory Auditors [4]

Enrico Laghi	Chairman
Roberto Bracchetti	Standing Auditor
Lelio Fornabaio	Standing Auditor
Franco Ghiringhelli	Alternate Auditor
Paola Giudici	Alternate Auditor

Supervisory Board

Dario Trevisan	Chairman
Sergio Beretta	Member
Lelio Fornabaio	Standing Auditor
Sergio Romiti	Member

Financial Reporting Officer

Riccardo Taranto	Chief Financial Officer

Independent Auditors

Reconta Ernst & Young S.p.A.[5]

Via della Chiusa, 2

20123 Milan

4 The shareholders' meeting of April 19th, 2010 appointed the Board of Statutory Auditors to serve until the date of approving the financial statements as at December 31st 2012.

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

3. PRELIOS IN THE FIRST QUARTER OF 2012

Following the financial turbulence which affected the Eurozone from the second half of 2011, a weak market situation continues in a macroeconomic scenario marked by great uncertainties and downward revisions in the outlook for economic growth.

Specifically for the real estate sector in Italy, the reduced capacity to obtain credit is leading to a significant decrease in the number and size of transactions. The continuation of the crisis does not make it possible to forecast a change in the trend over the short-medium term, with financial costs that will remain elevated and market conditions that are still extremely weak. The sector has kept up a livelier trend in Germany, however. This market has been less affected by the credit crunch and loans are available at more affordable rates.

More specifically in terms of the Company, the main negative effects that impact the evaluation of future prospects in Italy concern a deterioration in expected cash flows from real estate assets and a sizeable slowdown in sales, due partially to the decrease in the banking system's capacity to finance transactions.

This new scenario will inevitably have an impact on the sales prices of real estate in the case that they are sold over the short-term.

In this context, Prelios confirmed its strategic objective to reposition itself as a pure management company with a special focus on the domestic market, by relaunching the SGR and the growing development of assets managed for third-parties. In the scenario outlined, also in the first quarter of 2012, writedowns of real estate equity interests and investments have affected the Group's accounts, which closed the first quarter of 2012 with a net loss of 23.7 million euro against a profit for the first quarter of 2011 totalling 10 million euro. The net result was influenced by writedowns of 8.4 million euro on real estate equity interests and investments against the worsening economic conditions in Italy under which real estate transactions could be established over the short-medium term, and leading evaluators to adopt a more prudent outlook as indicated in the Annual Financial Report.

4. NOTES ON THE GROUP'S MAIN ECONOMIC AND FINANCIAL DATA

This section will examine the Group's results, financial position and balance sheet at March 31st, 2012. The review of operating results in section 4.1 uses Non-GAAP performance measures, generally used 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 5 contains an analysis of the results as reported in the IFRS income statement. The reviews of the balance sheet and financial position in section 4.2 also include 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 Non-GAAP measures indicated below have been determined by isolating the following aspects, both of which are fully reconciled to amounts reported in the IFRS financial statements in Appendix A: “Restructuring costs," and "Property writedowns/revaluations," as better illustrated in the next section.

The indicator which best reflects the performance of the Group's Management Platform and Investment Activities is EBIT including income from investments and income from shareholders' loans before restructuring costs and property writedowns/revaluations (EBIT).

4.1. Income Statement

(million euro)	MARCH 2012	MARCH 2011
Consolidated revenues:	32.9	46.4
of which services	*30.9*	*41.9*
of which others	*2.0*	*4.5*
Management platform: EBIT before restructuring costs and property writedowns/revaluations	4.0	5.6
Management platform: net income from investments before restructuring costs and property writedowns/revaluations	0.6	0.5
Total management platform: Operating result	**4.6**	**6.1**
Investment activities: EBIT before restructuring costs and property writedowns/revaluations	(2.1)	(4.5)
Investment activities: net income from investments before restructuring costs and property writedowns/revaluations	(3.2)	11.1
Investment activities: Income from shareholders' loans (1)	3.4	6.8
Total investment activities: Operating result	**(1.9)**	**13.4**
Operating result	**2.7**	**19.5**
Financial expenses	(12.7)	(6.2)
Profit (loss) before restructuring costs, property writedowns/revaluations and income taxes	**(10.0)**	**13.3**
Restructuring costs	(0.4)	(0.4)
Property writedowns/revaluations	(8.4)	0.0
Profit (loss) before taxes	**(18.8)**	**12.9**
Income taxes	(4.3)	(3.2)
Net income (loss) before minority interests	**(23.1)**	**9.7**
Minority interests	(0.6)	0.3
Consolidated net income (loss)	**(23.7)**	**10.0**

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

Consolidated revenues as of March 31st, 2012 amounted to 32.9 million euro with respect to 46.4 million euro in the first quarter of 2011. In particular, the revenues from the Management Platform, foreign and Italian, totalled 30.9 million euro in the first quarter of 2012, a decrease of 11.0 million euro with respect to the 41.9 million euro recorded at March 31st, 2011. The contraction regards 8.8 million euro to agency and property & project management specialist services, 6.2 million euro and 2.5 million euro respectively, and 2.1 million euro to fund management services.

The Operating result presents a positive 2.7 million euro with respect to a positive 19.5 million euro for the first quarter in 2011, which benefited from both the Management Platform and Investment Activities, from the positive results of some transactions such as the sale of the historic building entirely rented to La Rinascente and located in Piazza Duomo in Milan (by the Retail & Entertainment fund the Group has invested in).

The item "restructuring costs" recorded in the period includes costs for voluntary redundancy of 0.4 million euro, and is in line with the sum recorded at March 31st, 2011.

The item "property writedowns/revaluations", which came to 8.4 million euro in the first quarter of 2012, includes value adjustments for assets, almost entirely Italian, in the Real Estate component.

Income taxes, which came to 4.3 million euro, comprise items tied to the closure of some outstanding positions with Financial Administration deriving from previous years.

Net income for the year for the Group in the first quarter of 2012 was a negative 23.7 million euro against a positive final result recorded at March 31st, 2011 totalling 10.0 million euro.

Management Platform [6]

[6] Management Platform results means those generated by the Company through fund and asset management activities, property and project management and agency services, services connected to NPL (credit servicing), as well as general and administrative expenses.

Fund and asset management activities and property and project management and agency services, as well as those connected to credit servicing, with inclusion of general and administrative expenses, led to a positive operating result of 4.6 million euro at March 31st, 2012, compared to 6.1 million euro in the first quarter of 2011.

Investment Activities[7]

During the first quarter of 2012 investment activities reported a negative operating result of 1.9 million euro with respect to the positive result of 13.4 million euro of the same period of 2011, comprising the positive contributions of some sales of real estate mentioned earlier.

***

In the course of the first quarter of 2012, real estate sales[8] amounted to 64.6 million euro (Prelios share 15.4 million), compared to 700.4[9] million euro at March 31st, 2011 (Prelios share 217.8 million). The company realized an average sales margin of around 5.5% with respect to book value at March 31st, 2012 (about 6.5% in the same period in 2011).

Rents[10] came to 100.4 million euro in the first quarter of 2012, compared with the 158.9 million recorded at March 31st, 2011. The Prelios share of rents was 25.9 million euro (39.9 million euro in the first quarter of 2011).

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 dedicated section.

Devaluations of equity investments and real estate investments in the first quarter of 2012 contributed a total of 8.4 million euro, of which 7.9 million euro from the Italy real estate portfolio and 0.5 million euro from the Germany real estate portfolio.

4.2. Review of the Balance Sheet

(million euro)	MARCH 2012	DECEMBER 2011
Fixed assets	**803.9**	**820.4**
of which investments in real estate funds and investment companies and shareholder loans granted **(1)**	*639.2*	*651.6*
of which goodwill	*148.1*	*148.1*
Net working capital	**71.4**	**70.4**
Net invested capital	**875.3**	**890.8**
Equity	**304.0**	**326.2**
of which group equity	295.4	318.8
Provisions	**76.5**	**76.6**
Net Financial Position	**494.8**	**488.0**
Total covering Net Invested Capital	**875.3**	**890.8**
Gearing	**1.63**	**1.50**

(1) The figure includes investments in associates, joint ventures and others (317.8 million euro), shareholder loans granted (313.4 million euro), investments in real estate funds (14.8 million euro, reported in "Other financial assets" in the consolidated balance sheet) and junior notes (0.2 million euro, reported in "Other financial assets" in the consolidated balance sheet). Values include provisions for investment writedowns of 6.9 million euro at March 2012 (7.1 million euro at December 2011).

[7] Investment activities means those generated by Prelios through its investments in funds and companies that hold real estate and Non-Performing Loans.
[8] 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 an interest.
[9] It includes 472 million euro connected to sale of La Rinascente building in Piazza Duomo in Milan.
[10] 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 at least a 5% interest as at March 31st, 2012.

Fixed assets amounted to 803.9 million euro at March 31at, 2012 compared with 820.4 million euro at December 31st, 2011. The decrease is due to distribution of reserves and previous results ,and in particular to the devaluation of investee companies.

Net Working Capital at March 31st, 2012 totalled 71.4 million euro, substantially in line with the value recorded at December 31st, 2011, totalling 70.4 million. The decrease in current assets, attributable mainly to the reduction in trade receivables in the face of collections has in fact nearly been entirely compensated by a reduction in trade payables and other liabilities in the face of payments made during the quarter in question.

Group equity was 304.0 million euro, while group equity for the period totalled 295.4 million euro, compared to 318.8 million euro at December 31st, 2011. The change is mainly attributable to the result for the period (-23.7 million euro).

The Net Financial Position reported debt of 494.8 million euro at March 31st, 2012 compared with net debt rising slightly on the 488 million euro at December 31st, 2011.

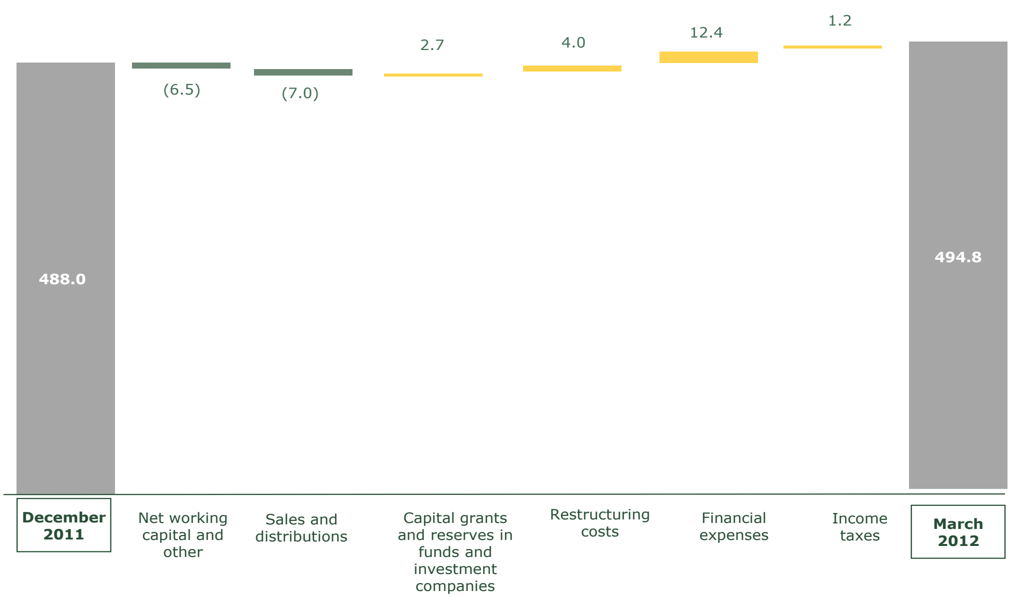
Gearing was 1.63, compared with 1.50 at December 31st, 2011.

Prelios currently has 539 million euro in committed credit lines, with an average residual term of about 38 months, of which 379 million euro in bank facilities and 160 million euro in facilities provided by Pirelli & C. S.p.A.

4.3. Net Financial Position

The following diagram details the combined effect of the events that had an impact on the change in the Net Financial Position during the course of the first quarter of 2012.

The decrease since December 31st, 2011, equal to 6.8 million euro, is attributable to the combined effect of a reduction of 6.5 million euro mostly related to the change in net working capital (primarily attributable to collection of services fees by the German platform) and 7.0 million euro deriving from cash flows generated from sales and distribution by investment companies and investee funds, and an increase attributable to equity contributions to investment companies and investee funds (2.7 million euro), to payment of restructuring costs (4.0 million euro), to maturity and payment of interest expense and other financial expenses tied to loans (12.4 million euro), as well as to payment of tax (1.2 million euro).



The following table presents the principal movements in the Net Financial Position during the period.

(million euro)

	March 2012	March 2011
Net Financial Position at the beginning of the period (A)	**488.0**	**424.0**
EBIT before restructuring costs and property writedowns/revaluations	**2.0**	**1.1**
Depreciation	0.6	0.8
Change in investments and shareholder loans granted	1.1	(32.3)
Change in other fixed assets	0.0	(0.5)
Change in net working capital, provisions and other	6.2	(0.7)
Free cash flow	**9.9**	**(31.6)**
Other changes	(4.0)	(4.3)
Interest income/expenses and taxes	(13.3)	0.4
Cash flow before dividends	**(7.4)**	**(35.5)**
Capital Increase / (Dividends)*	0.6	
Net cash flow (B)	**(6.8)**	**(35.5)**
Net Financial Position at the end of the period (A-B)	**494.8**	**459.5**

* minority share in capital increase of Prelios Credit Servicing

5. REVIEW OF IFRS CONSOLIDATED INCOME STATEMENT

The following is a summary of the income statement (financial tables)

(million euro)	MARCH 2012	MARCH 2011
Revenues from sales and services	32.9	46.4
Changes in inventories of work in progress, semi-finished and finished products	-	0.2
Other income	6.6	2.8
TOTAL OPERATING REVENUES	**39.5**	**49.4**
Raw and consumable materials used (net of change in inventories)	(0.8)	(3.2)
Personnel costs	(17.5)	(19.2)
Depreciation, amortization and impairment	(0.6)	(0.8)
Other costs	(18.2)	(25.5)
TOTAL OPERATING COSTS	**(37.1)**	**(48.7)**
EARNINGS BEFORE INTEREST AND TAX (EBIT)	**2.4**	**0.7**
Net income from investments	(11.8)	11.5
- net profit share from investments in associates and joint ventures	*(14.0)*	*10.7*
- dividends	*1.0*	*1.0*
- gains on investments	*1.9*	*0.0*
- losses on investments	*(0.7)*	*(0.2)*
Financial income	4.9	7.1
Financial expenses	(14.2)	(6.5)
RESULT BEFORE INCOME TAXES	**(18.8)**	**12.9**
Income taxes	(4.3)	(3.3)
NET INCOME (LOSS) FOR THE PERIOD	**(23.1)**	**9.7**
attributable to minority interests	0.6	(0.3)
CONSOLIDATED NET INCOME (LOSS) FOR THE PERIOD	**(23.7)**	**10.0**

Revenues from sales and services during the first quarter of 2012 amounted to 32.9 million euro, of which 18.3 million euro in Italy and 14.6 million euro abroad, compared with 46.4 million euro of the same period in 2011. The contraction is mainly attributed to consolidated revenues of the Italy area (-13 million euro).

Other income at March 31st, 2012 came to 6.6 million euro, compared with the 2.8 million euro recorded in the first quarter of 2011. About one half of this refers to income attributed to the positive outcome of disputes and the remainder to the recharge to tenants of management costs relating to the Group's own property or property managed on behalf of third parties, the latter mainly in the context of property management activities.

Raw and consumable materials used (net of change in inventories) amounted to 0.8 million euro compared with 3.2 million euro at March 31st, 2011.

Personnel costs during the first quarter of 2012 came to 17.5 million euro, compared with 19.2 million euro in the same period of 2011. This included restructuring costs at 0.3 million euro, substantially in line with the same quarter of 2011. Net of this item, personnel costs showed a decrease of 1.6 million euro, mostly due to a reduction in the average number of employees.

Other costs in the first quarter of 2012 came to 18.2 million euro, compared with 25.5 million euro in the first quarter of 2011. Other costs include costs for maintenance services, commissions, consulting, office rental, provisions for risks, and other operating expenses. The noticeable reduction in other costs is mainly due to a containment of the costs for services, particularly to commissions paid to third parties, in line with the reduction in the sales volumes.

EBIT at March 31st, 2012 was a positive 2.4 million euro, with respect to the value recorded in the course of the first quarter of 2011, equal to 0.7 million euro.

The net income from investments in the first quarter of 2012 was a negative 11.8 million euro, and is prevalently made up of writedowns, compared with the positive value of 11.5 million euro recorded in the first quarter of 2011, which had benefited from the positive contribution of the Retail & Entertainment Fund (in which Delamain S.à.r.l. holds an investment) following the sale of the historical building rented entirely to La Rinascente and located in Piazza Duomo in Milan.

Financial income at March 31st, 2012 amounted to 4.9 million euro against the amount of 7.1 million euro. The decrease is substantially attributed to less interest accruing from shareholders loans.

The increase in financial expenses is mainly attributable to the effect of the increase in interest payable towards banks and Pirelli & C. S.p.A. following the refinancing.

6. DIVISIONAL PERFORMANCE

This section outlines the economic performance of both the Real Estate component (by geographical area) and NPLs, distinguishing between income/costs from the management platform and income/costs from investment activities[11]. The operating result included in and commented on in the following tables corresponds to that defined in section 4 of this report.

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

The following table breaks down the operating result by geographic area.

[11] Results from investment activities mean the net income generated by Prelios from its investments in funds and companies that hold real estate portfolios; results from the Management Platform mean the net income generated from the 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.

	Italy		Germany		Poland		NPL		G&A		Total	
	March 2012	March 2011	March 2012	March 2011	March 2012	March 2011	March 2012	March 2011	March 2012	March 2011	March 2012	March 2011
Management Platform	5.1	9.1	2.5	2.2	0.1	(0.7)	(0.3)	(1.4)	(2.8)	(3.1)	**4.6**	**6.1**
Investment activities	(3.3)	7.6	0.9	4.6	0.3	(0.8)	0.2	2.0			**(1.9)**	**13.4**
Operating result	**1.8**	**16.7**	**3.4**	**6.8**	**0.4**	**(1.5)**	**(0.1)**	**0.6**	**(2.8)**	**(3.1)**	**2.7**	**19.5**

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.

6.1. Italy Real Estate

The Italy real estate operating result (Management Platform and Investment Activities) in the first quarter of 2012 was a positive 1.8 million euro compared with the value of 16.7 million euro of the same period in 2011. This value comprised, in particular, the positive results tied to the commissions for sale of the historic building entirely rented to La Rinascente and located in Piazza Duomo in Milan.

Management Platform

The operating result in the first quarter of 2012 is positive for 5.1 million euro with respect to the positive value of 9.1 million euro of the same period of 2011, comprising the contribution of 2.7 million euro deriving from sale of just one property mentioned above.

With regards to the performance of the Management Platform, these are the main events that affected the individual Cash Generating Units.

Fund management	**March 31st, 2012**	**March 31st, 2011**
Revenues (million euro)	5.9	8.0
Operating result (million euro)	2.4	4.8
Return on Sales (ROS)	41%	60%
Number of funds under management	22	22
Number of employees	62	54

Prelios Società di Gestione del Risparmio S.p.A. ("Prelios SGR"), 90% owned by Prelios S.p.A. and 10% owned by Intesa Sanpaolo S.p.A., is specialized in the establishment and management of closed-end real estate investment funds.
At March 31st, 2012, the Company managed a total of 22 funds, of which 9 are ordinary (2 of these listed) and 13 are speculative, in addition to a contract to manage the process of divesting a real estate portfolio.

With reference to the inspection conducted by the Bank of Italy in the previous financial year, during the year Prelios SGR carried out the actions required in response to the suggestions made by the Supervisory Authority. We trust that the restrictive provision regarding the establishment of new funds will be revoked, as we believe the latest specifications supplied and the additional activities implemented complete that which has been requested by the Bank of Italy.

The revenues, mainly represented by fixed management fees, in the first quarter of 2012 totalled 5.9 million euro, a decrease in comparison to the same period in 2011 due to the effect of the progressive decrease in Assets Under Management which the Company, following the restrictive provision referred to above, could not counteract through fees relative to the establishment of new funds.

The Company's operating result, equal to 2.4 million euro in the first quarter of 2012, is half of the 4.8 million euro of the last period. Although total current costs are less than the first quarter of 2011, the reduction of the result, as compared with the figure of the last period, which benefited from some positive extraordinary items, is attributable principally to a compression of revenues.

Agency	**March 31st, 2012**		**March 31st, 2011**
Revenues (million euro)	2.6		8.9
Operating result (million euro)	-1.1		1.5
Return on Sales (ROS)	-42%		17%
Sales volume (million euro)	40.9	(*)	544.3
Agencies in franchising	153		337
Number of employees	56		76

(*) includes an amount referring to a sale which will be completed upon meeting the condition precedent

Prelios Agency S.p.A and its subsidiaries are one of the most important Italian companies working in the real estate integrated services sector. They offer specific professional support for the improvement, evaluation, and financing of individual properties and groups of assets for office, residential, industrial, or logistics use, in addition to highly-specialized segments. Prelios Agency also controls a franchise network, whose contracts at March 31st, 2012 came to 153, less than half of the figure at the same date of the previous year, following the repositioning and rebranding from Pirelli Real Estate to La Casa Agency. The agencies opened with this brand as of March 31st number 57, out of a total of 120 contracts already signed or being signed.

During the first quarter of 2012 the Company served as an intermediary for captive sales of about 40.9 million euro compared with the 544.3 million euro of the same period of 2011 (of which 472 million euro related to sale of the Rinascente building in Milan).
During the first quarter of 2012 development activities with third-party clients continued and negotiations were finalized for the transfer of 80% of the capital of Prelios Finance S.p.A., a company active in the loan agency sector, without substantial effects on net income; the transfer was completed on April 2nd, 2012.

Agency's negative result in the first quarter of 2012 is substantially due to the continued crisis in Italy's real estate sector, which has led to a significant decrease in the number and dimensions of transactions. In this environment Agency was nonetheless able to keep its market share unchanged at 20% of the value of transactions.

Property	**March 31st, 2012**	**March 31st, 2011**	
Revenues (million euro)	4.2	6.7	
Operating result (million euro)	3.8	2.9	
Return on Sales (ROS)	90%	43%	
AUM (billion euro)	5.5	8.3	(*)
Sq m Managed (millions)	4.0	5.2	(*)
Units managed	more than 28,000	more than 28,000	(*)
Rental contracts managed	more than 3,000	more than 2,700	(*)
Passing Rent (million euro)	more than 280	more than 300	(*)
Number of employees	82	87	

(*) values referring to December 2010 stated net of the contribution of the Telecom project terminated in the financial year

Prelios Property & Project Management S.p.A. is a company of the Prelios Group that offers integrated technical and administrative services for the management and improvement of real estate assets. It is the result of a combination of two already strong groups: Prelios Property Management and Prelios's Development & Project Management department. In the context of property management activities, it offers administrative and document management services, real estate assets due diligence services, sales support, and specialized services such as the development and improvement of shopping centres.
In the context of development and project management activities, it offers assistance during the concept development and execution stages, urban-planning and construction feasibility assistance, and support for all aspects related to energy efficiency of real estate.
All the services listed above are aimed at both Group companies and third-parties.
At March 31st, 2012, the company managed real estate assets totalling 5.5 billion euro, divided into more than 3,000 leasing contracts. The main non-investee clients of the Group are Duemme SGR (Fondo Aries), INPS and Prisma SGR.
In the first quarter of 2012, business benefited in particular from a favourable arbitration solution regarding a previous development project in the public sector in the context of project financing.

Investment Activities
The operating result in the first quarter of 2012 was a negative 3.3 million euro as compared to the positive value of 7.6 million euro of the last period, which included, as stated earlier, the positive results of some significant transactions.
In spite of the positive sales margin in the first quarter, the reduction in volumes and the size of transactions has had a negative influence on results, not permitting the remuneration of operating costs and financial expenses of investment companies and funds.

Real estate sales in the first quarter of 2012 (considering 100% of the properties of associates, joint ventures and funds in which the Group has interests) have been equal to 36.5 million euro (551.5 million euro of the same period in 2011, including sale of the building in Piazza Duomo rented to La Rinascente for 472 million euro mentioned earlier). The gross sales margin [12]in the first quarter of 2012 was 3.4% (8.3 % in the same period of 2011). Rents[13] totalled 32.8 million euro (59 million euro in the same period of 2011).

6.2. Germany Real Estate

The Germany real estate operating result (Management Platform and Investment Activities) in the first quarter of 2012 was a positive 3.4 million euro with respect to the value of 6.8 million euro in the same period of 2011. The contraction is primarily attributed to alignment of the value of one asset of Investment Activities in view of its disposal. The growth in the operating result in the first quarter of 2012 of the Management Platform, equal to 2.5 million euro, compared to the 2.2 million euro of the same period last year should be noted.

[12] This expresses the related gross capital gains as a percentage of sales. The capital gains are realized by subsidiaries, associates, joint ventures, and funds in which the Group has interests.
[13] 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.

Management Platform

Germany

	March 31st, 2012	March 31st, 2011
Revenues (million euro)	13.8	14.7
Operating result (million euro)	2.5	2.2
Return on Sales (ROS)	18%	15%
Sq m Managed (millions) (*)	6.3	6.6
Units managed (*)	70,634	70,255
Number of employees	423	421

(*) Not including units / areas relating to car parks

Specifically, lesser sales volumes for the Highstreet retail portfolio and the residential portfolios have led to a decline in revenues. Management has compensated for the impact with actions focused on cost reductions. During the course of the first quarter of 2012 an agreement was signed with Barclays Bank, the current owner of the BauBeCon portfolio, which has extended the term of the management mandates.

Investment Activities

In the first quarter of 2012 the operating result was 0.9 million euro, with respect to the value of 4.6 million euro in the same period of the previous financial year. The result of the first quarter of 2011 included the positive effect of 1.7 million euro due to the contribution of the Highstreet initiative result.

Real estate sales in the first quarter of 2012 (considering 100% of the properties of associates, joint ventures and funds in which the Group has interests) have been equal to 27.7 million euro with respect to the 147.8 million euro of the same period in 2011. This value included the sale of an important German development company in Hamburg known as "Blankenese". The contraction derives from lesser volumes tied to sales of the Highstreet portfolio.

The gross sales margin [14]in the first quarter of 2012 was 6.8 % (0.2 % in the same period of 2011). Rents[15] totalled 67.6 million euro (98.8 million euro in the same period of 2011).

6.3. Poland Real Estate

The Poland real estate operating result (Management Platform and Investment Activities) in the first quarter of 2012 was a positive 0.4 million euro compared with the negative value of 1.5 million euro in the same period of 2011.

Management Platform

Poland

	March 31st, 2012	March 31st, 2011
Revenues (million euro)	0.4	0.3
Operating result (million euro)	0.1	-0.7
Sq m Managed (millions)	1.1	0.8
Number of employees	25	47

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

The operating result was a positive 0.1 million euro with respect to the negative value of 0.7 million euro in the same period of the previous financial year.

The results above reflect the essential conclusion of the sales process of the stock of real estate subject to development, while the urban improvement of certain areas still in the portfolio is still under way.
The positive operating result of the first quarter of 2012 was also obtained following redefinition of the trading development investment activities implemented in the last financial year, which has led to a considerable reduction in the operating costs of the Polish platform.

Investment Activities
The operating result is a positive 0.3 million euro with respect to the negative 0.8 million euro in the same period of the previous financial year. The result of the first quarter of 2011 suffered from losses related to initiatives which have subsequently been transferred or are no longer within the scope of management.

In the first quarter of 2012 real estate and area sales (considering 100% of the properties of associates, joint ventures and funds in which the Group as interests) were equal to 0.4 million euro, while in the same period of 2011 they came to 1.1 million euro.

6.4. Non Performing Loans

The operating result of Non-Performing Loans (Management Platform and Investment Activities) in the first quarter of 2012 was a negative 0.1 million euro with respect to the positive value of 0.6 million euro in the same period of 2011.

Management Platform

	March 31st, 2012	March 31st, 2011
Revenues (million euro)	3.5	2.7
Operating result (million euro)	-0.3	-1.4
Return on Sales (ROS)	-9%	-52%
Amounts collected (million euro)	41	44.5
Gross book value (billion euro) (*)	7.8	7.9
Number of employees	166	192

(*) The comparative value of 2011 refers to December 31st

The operating result of the Management Platform, was a negative 0.3 million euro in the first quarter of 2012. Although it is an improvement from last year (negative for 1.4 million euro), it still does not benefit completely from the contributions of the restructuring plan under way, which will begin to produce positive effects from the next quarter. The recovery of revenues, growing by roughly 30% from the same period of the previous year, should be noted. The growth in revenues is mostly due to the revision of the fees structure, which has been revised and made more coherent with market standards, based upon agreements with the main investors of managed portfolios. In the first quarter of 2012 the value of[16] NPL collections amounted to 41 million euro, against collections of 44.5 million euro in the same period of 2011.

Investment Activities

[16] 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 an interest.

	March 31st, 2012	March 31st, 2011
Return on Securities	2.9	4.4
Impairment of Securities	(2.7)	(2.4)
Operating result (million euro)	0.2	2.0

The operating result was a positive 0.2 million euro with respect to the positive 2.0 million euro in the same period of 2011.

The worsening of this item with respect to the result of 2011 is attributable to various factors. First of all the lower yield of credits portfolios recorded were due to a review of almost all of the business plans, in consideration of the worsening general macroeconomic situation. The general reduction in property prices, occurring in the three-year period of 2009-2011 has discouraged investors from entering this market, with a consequent lack of securitization transactions and considerably lower yields of transactions under way. Secondly, we should point out an increase in costs against the increase in management fees paid to the Servicer as partial alignment of the same to current market prices. On the other hand financial management is benefiting from debt repayment and the decrease in spreads on the same debt cost.

7. OTHER INFORMATION

7.1. Tax risks

At the date of approving this Interim Management Report, tax inspections contested by Italian tax authorities against Prelios S.p.A. and some of its subsidiaries still pending are for a total of 3 million euro in tax (excluding penalties and interest) compared with the 16 million euro at December 31st, 2011. The reduction is mainly attributed to the closure through findings with the subsidiary company Prelios Netherlands B.V. joining in the dispute.

As regards the companies in which Prelios S.p.A., or its subsidiaries, have invested with qualified minority shares with third-party investors (associates and joint ventures), since a dispute related to contribution to real estate funds ended positively, the total of the claims by Italian tax authorities comes to roughly 406 million euro in tax (excluding penalties and interest), of which nearly 71% is related to a company in liquidation.

Thus, as of the date of the current meeting of the Board of Directors, notices of findings issued after tax inspections total 409 million euro (excluding penalties and interest), of which the Prelios share is 109 million euro.

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

As already indicated in the annual financial report as of December 31st, 2011, note that the company was informed by Prelios Società di Gestione del Risparmio S.p.A. that Inland Revenue, upon the request of the Guardia di Finanza, had assigned a tax ID code to the nine funds managed by them, specifically to the "Retail and Entertainment Fund", “Fondo immobiliare Pubblico Regione Siciliana (FIPRS); “Portafogli misti”,“Progetti Residenza” “Patrimonio Uffici” “Raissa”; “Hospitality & Leisure”; “Social & Public Initiatives” and “Diomira” (the "Funds").

The measure of assigning a tax ID code on the part of Inland Revenue (the "Measure") was based on the asserted claim that the activities of the fund had constantly dissimulated, as of establishment, true exercising of a company in associate form.

Prelios Società di Gestione del Risparmio S.p.A. holds, supported in their opinion by authoritative experts in the sector, that the Measure goes against the basic nature of the legal form of the real estate funds, with the activities effectively carried out by the Funds as of establishment, as confirmed by the fact that no findings or exceptions in regards to the same were ever found by the Authority specifically established to supervize the sector.

Through the assignment of tax ID codes, the SGR filed a claim with the Regional Administrative Court (TAR) of Lazio in November 2011, claiming that the tax authority had exceeded its jurisdiction, in addition to noting a lack of motivation for its action on assigning said tax ID codes. The Lazio TAR ruled negatively on the application for relief, declining jurisdiction without expressing an opinion on the merits. On December 9th, 2011 the company also filed an appeal at the Provincial Tax Commission of Milan, whose hearing was held on April 26th, 2012; however the judgment is not yet known.

In the month of December 2011, the SGR filed a claim with the Council of State, requesting annulment and revision of the ordinance of the Lazio TAR, on the basis of the same reasons already indicated for the claim filed with the latter. The Council of State rejected the appeal, but noted "…*that, even leaving behind the question raised about the existence, or lack thereof, of jurisdiction for the administrative judge regarding the material dealt with", said subject must be dealt with* "*suitably at the time of defining the merits of the case* …". Therefore, the rejection of the appeal does not impede filing for a First Instance ruling on the merits of the Lazio TAR, which is still pending. The effects of an unfavourable ruling by both the administrative and tax authorities are not predictable at the moment.

8. SUBSEQUENT EVENTS

As already disclosed to the market last April 26th, as part of the competitive process the Group is in talks for possible sale of the German services platform.
This process also involves an important multinational group, also interested in acquiring investments in some Italian services companies and a minority share in Prelios SGR.
Talks are currently in progress and at this stage the terms and conditions of any agreement have not yet been defined.

9. FORECAST BUSINESS OUTLOOK

The macroeconomic scenario is marked by signs of uncertainty as to the timing and way of a general economic recovery. Also, for the real estate market, conditions of weakness continue with a reduction in the number and size of transactions, negatively impacted by high financial costs.

In this context, the Company confirms the strategy and general path forecast in the 2012-2014 Trend disclosed to the market last November, that is:

- repositioning to a "pure management company" with a focus on the domestic market;
- centrality of cash flow generation through improvement of investments and cost reduction.

The Company will thus continue with the implementation of programmes and actions defined in the 2012-2014 Trend aimed at reaching the targets disclosed to the market, although noting that reaching the set objectives effectively could be conditioned by the continued extremely weak situation of the real estate market.

10. CONSOLIDATED HIGHLIGHTS

10.1. Consolidated balance sheet

ASSETS	03.31.2012	12.31.2011
NON-CURRENT ASSETS		
Property, plant and equipment	4,563	4,804
Intangible assets	157,128	157,411
Investments in associates and joint ventures	315,132	327,036
Other financial assets	20,543	24,706
Deferred tax assets	24,214	26,407
other receivables	319,005	319,359
TOTAL NON-CURRENT ASSETS	**840,585**	**859,723**
CURRENT ASSETS		
Inventories	54,623	55,301
Trade receivables	67,998	78,074
Other receivables	50,203	45,988
Cash and cash equivalents	33,443	37,684
Tax receivables	12,432	11,048
TOTAL CURRENT ASSETS	**218,699**	**228,095**
TOTAL ASSETS	**1,059,284**	**1,087,818**

EQUITY	03.31.2012	12.31.2011
GROUP EQUITY		
Share capital	419,991	419,991
Other reserves	94,714	94,223
Income (Loss) undivided	(289,641)	-
Retained earnings	93,960	94,261
Net income (loss) for the period	(23,660)	(289,641)
TOTAL GROUP EQUITY	**295,364**	**318,834**
MINORITY INTERESTS	**8,636**	**7,348**
TOTAL EQUITY	**304,000**	**326,182**
LIABILITIES	**03.31.2012**	**12.31.2011**
NON-CURRENT LIABILITIES		
Bank borrowings and payables to other financial institution	486,374	488,802
Other payables	1,031	3,849
Provisions for future risks and expenses	37,270	35,814
Deferred tax provision	2,049	2,243
Employee benefits obligations	11,189	11,125
Tax payables	-	-
TOTAL NON-CURRENT LIABILITIES	**537,913**	**541,833**
CURRENT LIABILITIES		
Bank borrowings and payables to other financial institution	41,883	36,958
Trade payables	70,487	74,852
Other payables	61,078	62,144
Provisions for future risks and expenses	32,925	34,569
Tax payables	10,987	11,280
Derivative financial instruments	11	-
TOTAL CURRENT LIABILITIES	**217,371**	**219,803**
TOTAL LIABILITIES	**755,284**	**761,636**
TOTAL LIABILITIES AND EQUITY	**1,059,284**	**1,087,818**

Balances relating to transactions with related parties are described in Section 11 to the consolidated financial statement

10.2. Consolidated Income Statement

(amounts in thousands of euro)

	01.01.2012-03.31.2012	01.01.2011-03.31.2011
Revenues from sales and services	32,914	46,397
Changes in inventories of work in progress, semi-finished and finished products	36	220
Other income	6,533	2,792
TOTAL OPERATING REVENUES	**39,483**	**49,409**
Raw and consumable materials used (net of change in inventories)	(818)	(3,168)
Personnel costs	(17,492)	(19,169)
Depreciation, amortization and impairment	(577)	(788)
Other costs	(18,206)	(25,526)
TOTAL OPERATING COSTS	**(37,093)**	**(48,651)**
EARNINGS BEFORE INTEREST AND TAX (EBIT)	**2,390**	**758**
Net income from investments of which:	(11,827)	11,551
- net profit share from investments in associates and joint ventures	(14,018)	10,689
- dividends	1,027	1,016
- gains on investments	1,873	-
- losses on investments	(709)	(154)
Financial income	4,852	7,137
Financial expenses	(14,195)	(6,520)
RESULT BEFORE INCOME TAXES	**(18,780)**	**12,926**
Income taxes	(4,259)	(3,258)
NET INCOME (LOSS) FOR THE PERIOD	**(23,039)**	**9,668**
attributable to minority interests	621	(347)
CONSOLIDATED NET INCOME (LOSS) FOR THE PERIOD	**(23,660)**	**10,015**

Balances relating to transactions with related parties are described in Section 11 to the consolidated financial statements.

10.3. Consolidated Statement of Comprehensive Income

		01.01.2012-03.31.2012			of which	
		gross	income taxes	net	Group	Minority interests
A	**Net income (loss) for the period**			**(23,039)**	**(23,660)**	**621**
	Other components of income recognized in equity:					
	Exchange differences from translation of foreign financial statements	332	-	332	249	83
	Total available for sale financial assets	(196)	53	(143)	(128)	(5)
	- Fair value adjustment of available for sale financial assets	(196)	53	(143)	(128)	(15)
	- (Profits) losses relating to available for sale financial assets, previously recognized directly in equity now transferred to the income statement	-	-	-	-	-
	Balance of actuarial gains/losses on employee benefits	-	-	-	-	-
	Prelios share of other components of income recognized in equity by associates and joint vent	423	53	476	476	-
	- Prelios share of (gains)/losses previously recognized directly in equity now transferred to the income statement	265	-	265	265	-
	- Prelios share of (gains)/losses recognized directly in equity	158	53	211	211	-
B	**Total other components of income recognized in equity**	**548**	**109**	**657**	**589**	**60**
A+B	**Total comprehensive income/(losses) for the period**			**(22,382)**	**(23,071)**	**681**

		01.01.2011-03.31.2011			of which	
		gross	income taxes	net	Group	Minority interests
A	**Net income (loss) for the period**			**9,668**	**10,015**	**(347)**
	Other components of income recognized in equity:					
	Exchange differences from translation of foreign financial statements	(74)	-	(74)	(55)	(19)
	Total cash flow hedges	-	-	-	-	-
	- Fair value adjustment of derivatives designated as cash flow hedges	-	-	-	-	-
	- (Profits)/losses relating to cash flow hedges, previously recognized directly in equity	-	-	-	-	-
	Total available for sale financial assets	(526)	145	(381)	(343)	(38)
	- Fair value adjustment of available for sale financial assets	(526)	145	(381)	(343)	(38)
	- (Profits) losses relating to available for sale financial assets, previously recognized directly in equity now transferred to the income statement	-	-	-	-	-
	Balance of actuarial gains/losses on employee benefits	-	-	-	-	-
	Prelios share of other components of income recognized in equity by associates and joint vent	11,498	-	11,498	11,498	-
	- Prelios share of (gains)/losses previously recognized directly in equity now transferred to the income statement	341	-	341	341	-
	- Prelios share of (gains)/losses recognized directly in equity	11,157	-	11,157	11,157	-
B	**Total other components of income recognized in equity**	**10,898**	**145**	**11,043**	**11,100**	**(57)**
A+B	**Total comprehensive income/(losses) for the period**			**20,711**	**21,115**	**(404)**

10.4. 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 edited/debited to equity	Other reserves	Net income/ (losses) undivided	Retained earnings/ (losses)	Net income/ (loss) for the period	**Group equity**	**Minority interests in equity**	**Total**
Equity at December 31st, 2011	**419,991**	**104,649**	**15**	**4,265**	**(1,844)**	**(2,755)**	**(12,104)**	**353**	**5,156**	**3,373**	**(6,885)**	**-**	**94,261**	**(289,641)**	**318,834**	**7,348**	**326,182**
Total other components of income recognized in equity	**-**	**-**	**-**	**-**	**249**	**(176)**	**412**	**-**	**-**	**104**	**-**	**-**	**-**	**-**	**589**	**68**	**657**
Allocation of 2011 results	-	-	-	-	-	-	-	-	-	-	-	(289,641)	-	289,641	-	-	-
Costs of equity transactions	-	-	-	-	-	-	-	-	-	-	9	-	-	-	9	-	9
Other changes	-	-	-	-	-	(13)	-	(100)	-	6	-	-	(301)	-	(408)	599	191
Net income (loss) for the period	-	-	-	-	-	-	-	-	-	-	-	-	-	(23,660)	(23,660)	621	(23,039)
Equity at March 31st, 2012	**419,991**	**104,649**	**15**	**4,265**	**(1,595)**	**(2,944)**	**(11,692)**	**253**	**5,156**	**3,483**	**(6,876)**	**(289,641)**	**93,960**	**(23,660)**	**295,364**	**8,636**	**304,000**

	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 edited/debited to equity	Other reserves	Net income/ (losses) undivided	Retained earnings/ (losses)	Net income/ (loss) for the period	**Group equity**	**Minority interests in equity**	**Total**
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	-	-	-
Costs 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**	**(95,312)**	**116,684**	**10,015**	**601,559**	**9,618**	**611,177**

10.5. Consolidated Cash Flow Statement

(amounts in thousands of euro)	01.01.2012-03.31.2012	01.01.2011-03.31.2011
Result before income taxes	(18,780)	12,926
Depreciation, amortization and impairment/impairment reversal intangible assets & property, plant & equipment	577	788
Impairment of receivables	(796)	1,724
Gains/Losses on sale of property, plant and equipment and investment property	(6)	(3)
Net income from investments net of dividends	12,486	(8,626)
Financial expenses	14,195	6,520
Financial income	(4,852)	(7,137)
Changes in inventories	678	2,996
Changes in trade receivables/payables	4,444	(2,605)
Changes in other receivables/payables	(7,529)	(4,464)
Changes in employee benefits obligations and other provisions	73	634
Income taxes	(2,193)	(1,987)
Other changes	(12)	(34)
Net cash flow generated / (absorbed) by operating activities (A)	**(1,715)**	**732**
Investments in property, plant and equipment	(64)	(167)
Disposal of property, plant and equipment	47	7
Purchase of intangible assets	(30)	(343)
Disposal of investments in subsidiaries	1,164	(154)
Purchase of investments in associates and joint ventures	(988)	(11,482)
Disposal of investments in associates and joint ventures and other movements	(29)	1,208
Dividends received	1,027	1,016
Transfer/repayments of other financial assets	4,218	15
Net cash flow generated by non-current assets held for sale	(297)	-
Net cash flow generated / (absorbed) by investing activities (B)	**5,048**	**(9,900)**
Other changes in equity	522	788
Change in financial receivables	(1,250)	(28,154)
Change in financial payables	2,577	50,658
Financial income	4,852	7,137
Financial expenses	(14,195)	(6,520)
Net cash flow generated / (absorbed) by financing activities (C)	**(7,494)**	**23,909**
Total net cash flow generated / (absorbed) in the period (D=A+B+C)	**(4,161)**	**14,741**
Cash and cash equivalents + bank overdrafts at the beginning of the period (E)	**37,604**	**16,968**
Cash and cash equivalents + bank overdrafts at the end of the period (D+E)	**33,443**	**31,709**
of which:		
- cash and cash equivalents	**33,443**	**31,709**
- bank overdrafts	**-**	**-**

Cash flows relating to transactions with related parties are described in Section 11 to the consolidated financial statements.

10.6. Net Financial Position

(amounts in thousands of euro)

	03.31.2012	12.31.2011
CURRENT ASSETS		
Other receivables	**63**	**63**
- of which receivable from related parties	*63*	*63*
Financial receivables	63	63
- *joint ventures and other Prelios Group companies*	63	63
Cash and cash equivalents	**33,443**	**37,684**
TOTAL CURRENT ASSETS - A	**33,506**	**37,747**
CURRENT LIABILITIES		
Bank borrowings and payables to other financial institutions	**(41,883)**	**(36,958)**
- of which payable to related parties	*(1,074)*	*(1,102)*
- joint ventures and other Prelios Group companies	(1,074)	(1,102)
- other financial payables	(2,480)	(2,661)
- Bank borrowings	(38,229)	(30,855)
- Financial payables to other lenders	(100)	(2,340)
TOTAL CURRENT LIABILITIES - B	**(41,883)**	**(36,958)**
NON-CURRENT LIABILITIES		
Bank borrowings and payables to other financial institutions	**(486,374)**	**(488,802)**
- to other related parties	*(159,899)*	*(160,038)*
- to jointe venture	*(32)*	-
- other financial payables	(656)	(642)
- bank borrowings	(325,787)	(328,122)
- to other financial istitutes	-	-
TOTAL NON-CURRENT LIABILITIES - C	**(486,374)**	**(488,802)**
NET FINANCIAL POSITION = D =(A+B+C)	**(494,751)**	**(488,013)**

11. TRANSACTIONS WITH RELATED PARTIES

The following tables show transactions and balances with related parties:

	01.01.2012-03.31.2012	% share (*)	01.01.2011-03.31.2011	% share (*)
Operating revenues	18,310	46.4%	28,139	53.6%
Operating costs	(1,335)	3.6%	(2,476)	13.5%
Net income from investments	(13,721)	116.0%	10,972	97.9%
Financial income	3,416	70.4%	6,916	94.4%
Financial expenses	(4,148)	29.2%	(1,472)	16.6%
Income taxes	-	0.0%	-	-0.4%

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

	03.31.2012				12.31.2011			
	Total	% share (*)	non-current	current	Total	% share (*)	non-current	current
Trade receivables	43,749	64.3%	-	43,749	45,520	58.3%	-	45,520
Other receivables of which:	319,509	86.5%	313,326	6,183	319,778	87.5%	313,491	6,287
- financial receivables	*313,379*	*100.0%*	*313,316*	*63*	*313,549*	*100.0%*	*313,486*	*63*
Tax receivables	-	0.0%	-	-	-	0.0%	-	-
Trade payables	7,929	11.2%	-	7,929	8,185	10.9%	-	8,185
Other payables	18,635	30.0%	-	18,635	21,226	32.2%	2,608	18,618
Tax payables	1,080	9.8%	-	1,080	1,080	9.6%	-	1,080
Bank borrowings and payables to other financial institutions	161,005	30.5%	159,931	1,074	161,140	30.6%	160,038	1,102
Provisions for future risks and expenses	6,934	10.2%	-	6,934	7,131	10.1%	-	7,131

(*) 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:

For the sake of completeness, details will now be provided of the transactions and balances at March 31st, 2012 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 associates/joint ventures and other companies

Operating revenues	18,156	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	(1,239)	These refer to recharges of various kinds.
Net income from investments	(13,721)	This item mainly consists of value adjustments made to some investments held by the Group, as well as the results of these investments valued using the equity method and for dividends distributed by real estate funds and companies in which a minority interest is held.
Financial income	3,416	This mostly refers to interest earned on financial receivables held by Group companies.
Financial expenses	(287)	
Current trade receivables	43,045	This balance includes the receivables relating to "operating revenues".
Other non-current receivables	313,326	
- of which financial receivables	*313,316*	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	6,115	This includes 834 thousand euro in dividends that have been declared but not yet paid, as well as 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. (2,418 thousand euro).
- of which financial receivables	*63*	
Current trade payables	5,719	They refer to recharges of various types, mainly traceable to rent and urbanization charges and accessory costs.
Other non-current payables	-	
Other current payables	18,635	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 Italian Income Tax Code, whereby a company's positive or negative taxable amounts are attributed to its shareholders.
Current bank borrowings and payables to other financial institutions	1,074	This includes negative balances on intercompany current accounts.
Provisions for future risks and expenses	6,934	This refers to the provision for making good the losses of associates and joint ventures in excess of their carrying amounts.

Transactions and balances with Pirelli & C. S.p.A. and other Pirelli Group companies		
Operating revenues	154	These mainly relate to the recharge of various services provided by the procurement office.
Operating costs	(96)	These include costs for information technology, security and technical consulting services, as well as the recharge of rent by Pirelli & C. S.p.A..
Net income from investments	-	
Financial expenses	(3,861)	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	703	These mainly refer to the recharge of various services reported in "Operating revenues".
Current trade payables	2,210	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	159,899	These refer to the floating rate credit line granted to Prelios S.p.A. by Pirelli & C. S.p.A., under the same conditions as those of the Club Deal and with maturity on July 31st, 2017.

Transactions and balances with related parties associated with directors		
Current trade receivables	1	

From Directors		
Other current receivables	68	The item refers to the sum owed to the Group by certain employees for CONSOB penalties.

Cash flows

At March 31st, 2012 there were no material cash flows relating to related party transactions that are not directly evidenced in the financial statements or in the accompanying notes.

12. DECLARATION BY THE MANAGER RESPONSIBLE FOR PREPARING THE CORPORATE ACCOUNTING DOCUMENTS

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

of Italian Legislative Decree 58 dated February 24th, 1998

The undersigned, Riccardo Taranto, Chief Financial Officer, appointed by the Board of Directors on November 11th, 2011 as Financial Reporting Officer for Prelios S.p.A., with registered office in Viale Piero e Alberto Pirelli 25, Milan, tax code, VAT number, and Milan Company Register number: 02473170153

declares

pursuant to para. 2, art. 154-*bis* of Italian Legislative Decree 58 dated February 24th, 1998, that the accounting information contained in the Interim Management Report at March 31st, 2012 corresponds to the underlying documentary records, books of account and accounting entries.

Milan, May 8th, 2012

Riccardo Taranto

Financial

Reporting Officer

13. APPENDICES

APPENDIX A

Non-GAAP Measures
The Non-GAAP Measures used are as follows:

- **Operating results** (2.7 million euro): determined as EBIT (2.3 million euro) plus net losses from investments (-11.8 million euro) - these amounts are reported in EBIT and "Net income from investments" in the consolidated income statement - plus income from shareholders' loans (3.4 million euro). This amount is then adjusted for restructuring costs (0.4 million euro), and property writedowns/revaluations (-8.4 million).

- **Profit (loss) before restructuring costs, property writedowns/revaluations and income taxes** (-10.0 million euro)**:** this amount is obtained by adding financial expenses (-12.7 million euro) to the above mentioned operating result (2.7 million euro).

- **Income from shareholders' loans** (3.4 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; it is stated net of any impairment of junior notes, classified in "Financial expenses" in the income statement.

- **Financial expenses** (-12.7 million euro): this measure comprises the item "Financial expenses" (net of any impairment of junior notes) and the item "Financial income".

- **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' 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.

- **Return on Equity (ROE):** this is an indicator of the results for the period relative to the capital invested by shareholders and is determined as the ratio between consolidated net income (loss) for the period and the average of opening and closing equity.

- **Return on Sale (ROS):** determined by the impact of the operating results on revenues

- **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.

- **Basic earnings (loss) per share:** is an indicator of the remuneration per share from results in the period and is calculated as the ratio between net income (loss) for the period and the number of shares issued and outstanding at the end of the period.

The table below reconciles, by grouping/reclassification of the accounting measures in the context of IFRS, the main measures defined as non-GAAP measures for the consolidated financial statement tables.

Profit (loss) before restructuring costs, property writedowns/revaluations and income taxes	March 31st, 2012	March 31st, 2011
Operating result	2.7	19.5
Financial expenses	(12.7)	(6.2)
Total	**(10.0)**	**13.3**

Income from shareholders' loans	March 31st, 2012	March 31st, 2011
Interest income from loans to associates (1)	-	-
Interest income from loans to joint ventures (1)	3.4	6.8
Income from securities (1)	-	-
Impairment of securities (2)	-	-
Total	**3.4**	**6.8**

Financial expenses	March 31st, 2012	March 31st, 2011
Financial expenses	(14.2)	(6.5)
Financial income	4.9	7.1
Income from shareholders' loans	(3.4)	(6.8)
Total	**(12.7)**	**(6.2)**

NOTES
(1) Classified as "Financial income."
(2) Classified as "Financial expenses."

APPENDIX B

GLOSSARY

- **Asset Under Management:** Assets Under Management correspond to the value of assets managed and are stated, except for non-performing loans which are reported at book value, at the values appraised by independent experts at period end. The Prelios share expresses the Group's interest in the market value of the assets and the book value of non performing loans owned by the Group.

- **Investment Activities:** refers to Prelios Group activities carried through its own investments in funds and company which hold real estate portfolios.

- **BauBeCon:** real estate portfolio consisting of about 26,000 apartments (located in the areas of Berlin, Hanover, Magdeburg, Braunschweig, Kiel, Lubecca) acquired in a joint venture with the subsidiary Prelios Netherland B.V. (40%) together with the RREEF funds (60%) and for which Barclays Bank, which financed the investment, in 2011 took advantage of its option rights, under the loan contracts, to acquire from the company belonging to the group at a symbolic price of 1 euro.

- **Cash Generating Unit:** this is the smallest identifiable group of assets that generates incoming financial flows which are largely independent of incoming financial flows generated by other assets or groups of assets in conformance with that envisaged by international accounting principles.

- **G&A**: this refers to general expenses and holding costs and more specifically includes costs correlated to the Board of Directors and Central Staff Functions.

- **Highstreet**: investment initiative developed in consortium with the RREEF funds, Generali, and Borletti in 2008, relative to the acquisition of 49% of a real estate portfolio, located throughout Germany and rented to the Karstadt department stores.

- **Non Performing Loan (NPL):** portfolio of mortgage-backed non-performing loans coming from banks or from mortgage-backed loans for real estate that is involved in legal disputes.

- **Passing Rent:** this indicator corresponds to rents annualized on the basis of contracts existing at the end of the period for assets belonging to a specific fund/company and represents a useful indicator of the annual volume of rents.

- **Management Platform:** this refers to the activities that the Prelios Group carries out through its 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.

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Share Capital € 218,877,613.14 fully paid in
Tax Code and Number of Registration
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R.E.A. Milan 589396