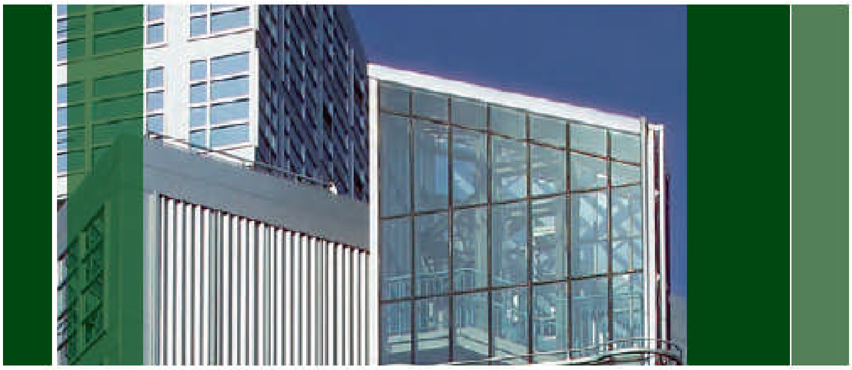
building **the future**

Interim financial report at march 31st, 2010



PIRELLI RE

CONTENTS

A. PRELIMINARY INFORMATION

1. CORPORATE OFFICERS

Board of Directors[1]

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

1 The shareholders' meeting held on April 14th, 2008 appointed the Board of Directors to hold office until the date of approving the financial statements for the year ended December 31st, 2010. The shareholders' meeting held on April 19th, 2010 reduced the size of the Board of Directors from 15 to 13 members following the resignations of Olivier De Poulpiquet and David Brush.

2 Appointed as a director by the shareholders' meeting on April 19th, 2010 and, then on the same date, as Chief Executive Officer by the Board of Directors.

Audit and Corporate Governance Committee

Dario Trevisan	Independent Director – Chairman
William Dale Crist	Independent Director
Valter Lazzari	Independent Director

Compensation Committee

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

Risk Committee

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

Board of Statutory Auditors[3]

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

3 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
Roberto Bracchetti	Member
Alessia Carnevale	Member

Financial Reporting Officer

Gerardo Benuzzi	General Manager Finance & Advisory

Independent auditors

Reconta Ernst & Young S.p.A.[4]

Via della Chiusa, 2

20123 Milan

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

2. Pirelli RE Group Profile

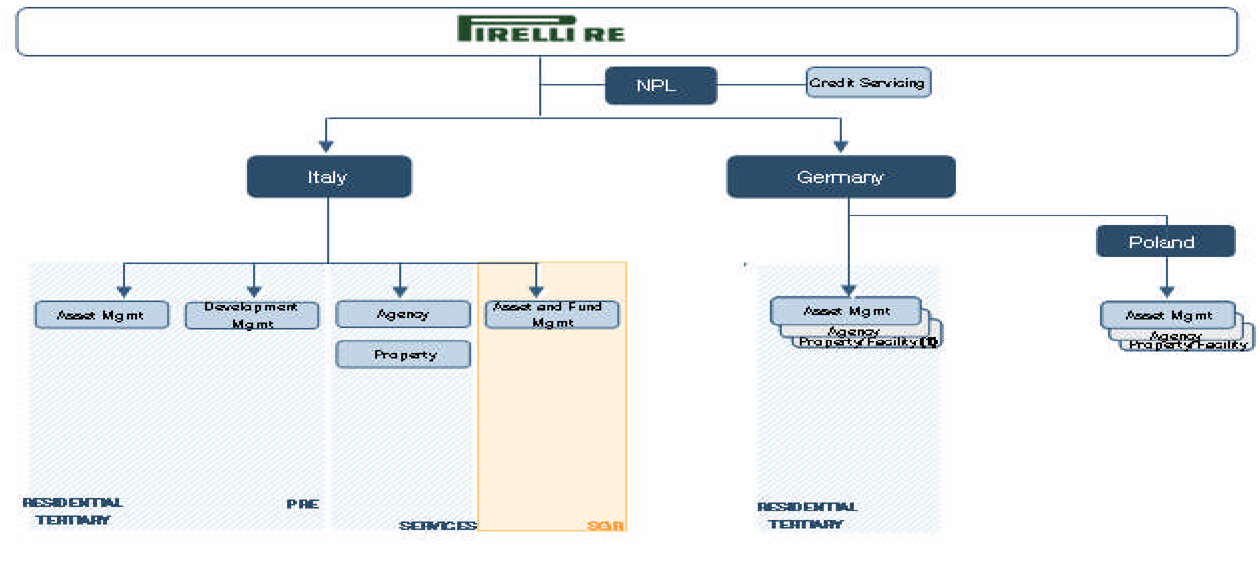
Pirelli RE, listed on the Milan Stock Exchange since 2002, is one of the principal players in the real estate sector in both Italy and Europe; it is active in Italy, Germany and Poland.

Pirelli RE can count, for the pursuit of its objectives, on approximately 1,070 resources at the end of the first quarter of 2010, of whom 570 in Italy: a highly qualified workforce, with extensive industry and interdisciplinary experience also gained in a competitive international environment.

Pirelli RE is a fund & asset manager which enhances the value of and manages real estate portfolios for third-party investors, using its distinctive model in which specialized services (Agency, Property and Facility Management) serve management activities (Fund & Asset Management).

Under the new business model, Pirelli RE will no longer have significant investments in real estate: in the past it used to take minority stakes in the investments managed, with the aim of benefiting from any increase in value; since 2009, the Company has adopted a less risky business model in which it acts as a "pure manager", while continuing to identify and manage investment opportunities for others and progressively reducing any real estate interests still held.

The following diagram presents the Group's structure by country and business.



(1) Facility management in Germany serves the Property activities

The key points are:

- Lean and focused organization, combining knowledge of local markets with specialized product skills
- Integration of Asset Management and Services for more effective promotion of the key drivers of investment profitability

- Fund Management (Pirelli RE SGR) – fund management leader in Italy - core platform for the domestic real estate market

The turnaround process has particularly involved*:*

- *Refocusing* on the core business and disposing of non-core assets
- *Restabilizing* the financial structure
- *Improving efficiency:* structure optimization

B. REPORT ON OPERATIONS

1. PIRELLI RE IN THE FIRST QUARTER OF 2010

Despite continued international economic recession, Pirelli RE has continued to improve its key performance indicators in the first quarter of 2010, carrying on the trend started last year and achieving a breakeven for its consolidated net income.

This positive trend is confirmed by the positive result for the indicator that best reflects the combined results of the Group's service and investment activities: EBIT including net income from investments and income from shareholder loans is a positive 10.3 million euro compared with a negative 6.2 million euro in the same period of last year.

In light of the first quarter performance, the Company confirms the EBIT and other financial targets for full year 2010 already announced.

Significant events in the first quarter of 2010

- During the months of January and February 2010 two new financing agreements were signed with Banca Popolare di Milano and Royal Bank of Scotland as part of the Company's objective of having flexible sources of financing; these agreements granted two committed credit facilities for 10 million euro and 25 million euro respectively for a one-year period. The Banca Popolare di Milano facility has a clause allowing it to be rolled over for another six months.
- On January 28th, 2010, in line with the strategy already announced, Rinascente Upim S.r.l. sold the Coin Group its entire interest in Upim, retaining only an interest in La Rinascente.
- On March 9th, 2010 the company Turismo & Immobiliare, 33.3% owned by Pirelli RE, entered a preliminary agreement to sell 49% of the company Italia Turismo at a value basically equal to its carrying amount. The transaction closed on April 22nd, 2010 after obtaining antitrust and ministerial authorizations and involved selling properties worth some 183 million euro.
- Progress is being made in the restructuring of the Arcandor Group, to which Karstadt, the Highstreet tenant, belongs. In February the owner companies reached an agreement with the financing banks, being an essential condition for being able to support the Arcandor Group's restructuring plan, which the committee of liquidators has submitted to the creditors' meeting. The restructuring plan includes the sale of the Karstadt operating company, for which purchase offers should have been presented by the end of April. The committee of liquidators has extended the purchase offer presentation deadline to the end of May 2010: at this point the Essen Court will review whether the restructuring plan's conditions precedent have actually been satisfied, including the presence of binding purchase offers.
- The subsidiary Edilnord Gestioni S.r.l. in liquidation has been involved in certain legal disputes mostly in connection with the performance of services under a contract terminated in 2002 and was condemned by the Rome Court on March 22nd, 2010 to pay 8.3 million euro in damages to the claimant. Based on the warranties given to Pirelli RE by the seller at the time of acquiring this company and given the opinion of its external legal advisors, the Pirelli RE Group is not thought to be exposed to any contingent liability in this regard and so has not recognized any associated provisions.

2. FINANCIAL HIGHLIGHTS

PERFORMANCE ANALYSIS

This section will examine the Group's results, financial position and balance sheet at March 31st, 2010. The review of operating results in section 2.1 uses non-GAAP measures, generally used by management to monitor and assess the Group's performance. These measures are obtained by aggregating or reclassifying figures in the IFRS financial statements, as indicated in Appendix A to this report. Such non-GAAP 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.

2.1 Review of operating results

(Euro/million)	MARCH 2010	MARCH 2009
Consolidated revenues:	51.7	53.8
of which services	*41.6*	*47.7*
of which others	*10.1*	*6.1*
SERVICES : EBIT	5.0	(1.3)
SERVICES : net income from investments	0.0	0.0
TOTAL SERVICES : EBIT including net income from investments	**5.0**	**(1.3)**
INVESTMENT : EBIT	(1.2)	(0.9)
INVESTMENT : net income from investments	0.0	(12.5)
INVESTMENT : income from shareholder loans (1)	6.5	8.5
TOTAL INVESTMENT: EBIT including net income from investments and income from shareholder loans	**5.3**	**(4.9)**
EBIT including net income from investments and income from shareholder loans	**10.3**	**(6.2)**
Restructuring costs (2)	0.0	0.0
Property writedowns/revaluations (2)	0.0	0.0
EBIT including net income from investments and income from shareholder loans including restructuring costs and property writedowns/revaluations (3)	**10.3**	**(6.2)**
Financial expenses	(5.2)	(8.3)
Profit (loss) before taxes	**5.1**	**(14.5)**
Income taxes	(4.1)	(2.1)
Net income (loss) before minority interests	**1.0**	**(16.6)**
Minority interests	(0.6)	0.8
Consolidated net income (loss)	**0.4**	**(15.8)**

(1) This amount consists of €6.5 million in interest income from financial receivables due from associates and joint ventures.

(2) The impact of restructuring costs and property writedowns/revaluations is zero at both March 31st, 2010 and March 31st, 2009 (also because property valuations are carried out on a six-monthly b

(3) The amount at March 31st, 2010 is calculated as EBIT of +€3.8 million plus income from shareholder loans.

When reading the income statement figures for the first quarter of 2010 and 2009, please note that there are no restructuring costs or property writedowns/revaluations in either quarter (about the last data valuations and analyses by independent appraisers are carried out on a six-monthly basis).

EBIT, including net income from investments and income from shareholder loans, was a positive 10.3 million euro at March 31st, 2010, marking a significant improvement on the loss of 6.2 million euro in the first quarter of 2009. This improvement came from both services and investment activities.

SERVICES [5]

Euro/milion Services	MARCH 2010	MARCH 2009	Change 2010/2009
EBIT including net income from investments and income from shareholder loans	5.0	-1.3	+6.3

Fund & asset management activities and real estate services (property management and agency), inclusive of general and administrative expenses, report a positive EBIT including net income from investments and income from shareholder loans of 5.0 million euro in the first quarter of 2010, marking a major improvement on the negative 1.3 million euro posted at March 31st, 2009. The improvement of 6.3 million euro on the first quarter of last year reflects the combined effect of -6.1 million euro in fewer revenues,and of +12.4 milion Euro, of which 14,2 milion referred to costs saving (fixed costs).

INVESTMENT

Euro/milion

	MARCH 2010	MARCH 2009	Change 2010-2009
EBIT including net income from investments and income from shareholder loans	5.3	(4.9)	+3.7
Impact of hedging derivatives	1.5	8.0	
EBIT including net income from investments and income from shareholder loans , net of impact of hedging derivatives	6.8	3.1	

Investment activities reported a positive EBIT of 5.3 million euro at March 31st, 2010 compared with a negative result of 4.9 million euro at March 31st, 2009. Excluding the impact of hedging derivatives, the result at March 31st, 2010 would have been a positive 6.8 million euro versus a positive 3.1 million euro at March 31st, 2009. This improvement is attributable the disposal of non-strategic equity investments which had generated recurring losses.

Real estate sales [6] realized at March 31st, 2010 amounted to 146.5 million euro, compared with 174.8 million euro at March 31st, 2009. Assets Under Management at this date amount to a total of 16.4 billion euro (of which 14.9 billion euro[7] in real estate and 1.5 billion euro in NPLs[8]) compared with 16 billion euro at December 2009, also thanks to acquisition of management of a new third-party portfolio worth some 0.6 billion euro.

Following sales completed in April, the total value of sales at the end of April reached 401.1 million euro. Sales in April included the Grosse Strasse complex in Osnabruck, Germany for 33 million euro and Italia Turismo's real estate portfolio for 183 million euro, realized by selling the interest held in this company. Pirelli RE realized an average sales margin of about 5% on real estate transactions completed in the first quarter of 2010.

NPL collections[9] came to 66.1 million euro in the first quarter of 2010, compared with 81.7 million euro at March 31st, 2009.

Rents[10] came to 182.9 million euro at March 31st, 2010 (201.5 million euro in the first quarter of 2009); the Pirelli RE share of rents was 46.0 million euro (47.3 million euro at March 31st, 2008).

Consolidated revenues were 51.7 million euro, basically in line with the 53.8 million euro reported at March 31st, 2009.

More details of the results by geographical area for funds and investment companies and services and general and administrative expenses[11] can be found in the section on divisional performance.

The consolidated net result improved significantly to a positive 0.4 million euro from a loss of 15.8 million euro in the first quarter of last year.

---

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

[7] Market value determined by the Company based on appraisals at December 2009, as adjusted for sales, capitalizations and acquisitions in the first quarter of 2010

[8] Stated at book value

[9] This is the sum of NPLs collected by consolidated companies and those collected by associates and joint ventures in which the Group has interests.

[10] 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.

[11] Results from funds and investment companies mean the net income generated by Pirelli RE's investments in real estate funds and companies; results from service activities mean the net income generated by the Company from its fund and asset management activities and specialized real estate services (property, facility and agency), inclusive of general and administrative expenses.

2.2 Review of the balance sheet and financial position

(Euro/million)	MARCH 2010	DECEMBER 2009
Fixed assets	**656.0**	**654.0**
of which investments in real estate funds and investment companies **(1)**	*475.7*	*472.3*
of which goodwill	*148.1*	*148.1*
Net working capital	**123.4**	**114.9**
Net invested capital	**779.4**	**768.9**
Net equity	**666.0**	**663.1**
of which group net equity	655.6	653.4
Provisions	**58.1**	**64.5**
Net financial position	**55.3**	**41.3**
of which shareholder loans granted	(403.3)	(404.4)
Total covering net invested capital	**779.4**	**768.9**
Net financial position excluding shareholder loans granted	**458.6**	**445.8**
Net invested capital excluding shareholder loans granted	**1,182.7**	**1,173.4**
Gearing	**0.69**	**0.67**

(1) The figure includes investments in associates, joint ventures and others (466.3 million euro), investments in real estate funds (7.8 million euro, reported in "Other financial assets" in the consolidated balance sheet) and junior notes (6.8 million euro, reported in "Other financial assets" in the consolidated balance sheet). The amounts at March 2010 and December 2009 include provisions for investment writedowns of 5.2 million euro and 3.3 million euro respectively.

Fixed assets amounted to 656.0 million euro at March 31st, 2010 compared with 654.0 million euro at December 31st, 2009.

Net working capital was 123.4 million euro at March 31st, 2010 compared with 114.9 million euro at December 31st, 2009, also benefiting from a reduction in trade payables.

Group net equity was 655.6 million euro at March 31st, 2010 versus 653.4 million euro at December 31st, 2009.

Gearing was largely unchanged with respect to December 31st, 2009 at 0.7.

The following table presents movements in the principal indicators for debt: [12]

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

(Euro/million)	MARCH 2010	DECEMBER 2009
Total net financial position (1)	**(55.3)**	**(41.3)**
Shareholder loans granted	403.3	404.4
Net financial position excluding shareholder loans granted (2)	**(458.6)**	**(445.8)**
Gearing (3)	**0.69**	**0.67**

(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").

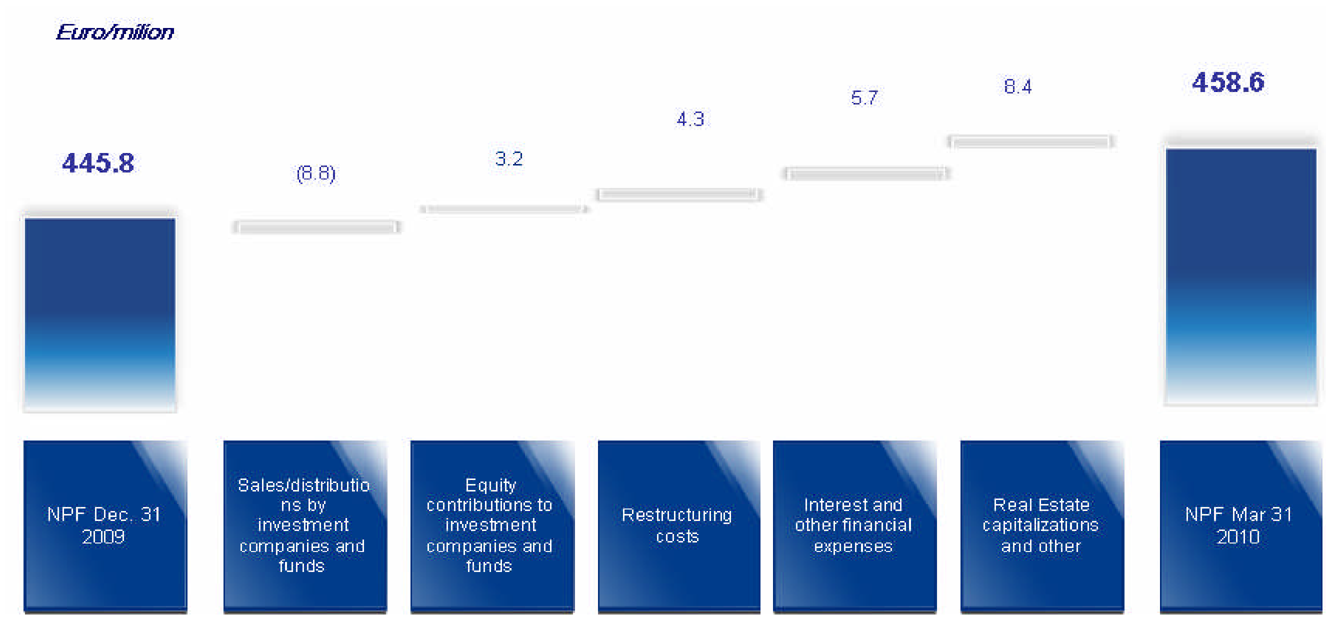
(3) The gearing ratio indicates the Group's ability to fund its business with its own resources rather than with third-party debt. It corresponds to the ratio between net financial position excluding shareholder loans granted and net equity.

The net financial position reported net debt of 55.3 million euro at March 31st, 2010 compared with net debt of 41.3 million euro at December 31st, 2009.

The net financial position excluding shareholder loans granted reported net debt of 458.6 million euro at March 31st, 2010 compared with 445.8 million euro at December 31st, 2009.

The increase of 12.8 million euro since December 31st, 2009 is attributable to the combined effect of a reduction of 8.8 million euro for sales/distributions by investment companies and funds and increases most of which due to the payment of interest and other financial expenses (5.7 million euro), the payment of restructuring costs (4.3 million euro) and equity contributions paid into investment companies and funds (3.2 million euro).

At the date that the Board of Directors approved the present report, Pirelli & C. Real Estate S.p.A. had 430 million euro in committed bank facilities, with an average residual term of 24 months.
The following diagram presents the combined effect of the events causing the change in the first quarter of 2010.



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

(Euro/million)	MARCH 2010	MARCH 2009
EBIT	**3.8**	**(2.2)**
Amortization and depreciation	1.2	1.7
Change in non-current financial assets /sale of investments	(4.8)	(8.3)
Change in other non-current assets	0.2	0.1
Change in net working capital and provisions and other changes	(12.6)	(4.4)
Net cash flow from operating activities	**(12.2)**	**(13.1)**
Payment of restructuring costs	(4.3)	(6.8)
Financial and tax expenses/income	2.5	0.1
Net cash flow before dividends	**(14.0)**	**(19.8)**
Dividends paid	0.0	0.0
Net cash flow	**(14.0)**	**(19.8)**

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.

(Euro/million)

	01.01.2010-03.31.2010	01.01.2009-03.31.2009
Revenues from sales and services	51.7	53.8
Changes in inventories of work in progress, semi-finished and finished products	0.6	(0.4)
Other income	10.3	8.2
Total operating revenues	**62.5**	**61.5**
Raw and consumable materials used (net of change in inventories)	(1.2)	(0.3)
Personnel costs	(17.2)	(23.6)
Depreciation, amortization and impairment	(1.2)	(1.7)
Other costs	(38.9)	(38.1)
Total operating costs	**(58.6)**	**(63.7)**
Earnings before interest and tax (EBIT)	**3.8**	**(2.2)**
Net income from investments	0.0	(12.5)
Financial income	8.4	11.8
Financial expenses	(7.2)	(11.6)
Result before income taxes and minority interests	**5.0**	**(14.5)**
Income taxes	**(4.1)**	**(2.1)**
Net income (loss) for the period	**1.0**	**(16.6)**
attributable to minority interests	(0.6)	0.8
Consolidated net income (loss) for the period	**0.4**	**(15.8)**

Revenues from sales and services amounted to 51.7 million euro at March 31st, 2010 staying generally in line with the figure of 53.8 million euro at March 31st, 2009.

Other income came to 10.3 million euro at March 31st, 2010 compared with 8.2 million euro at March 31st, 2009.

Raw and consumable materials used (net of change in inventories) amounted to 1.2 million euro at March 31st, 2010 compared with 0.3 million euro at March 31st, 2009.

Personnel costs amounted to 17.2 million euro at March 31st, 2010 compared with 23.6 million euro at March 31st, 2009.

Other costs amounted to 38.9 million euro at March 31st, 2010 compared with 38.1 million euro at March 31st, 2009.

EBIT was a positive 3.8 million euro at March 31st, 2010, partly thanks to fixed cost savings under the actions taken, and compares with a negative 2.2 million euro at March 31st, 2009.

Net income from investments was a breakeven at March 31st, 2010 compared with a negative 12.5 million euro at March 31st, 2009.

Financial income and expenses reported a net positive balance of 1.2 million euro at March 31st, 2010, improving from a net positive 0.2 million euro at March 31st, 2009. The improvement of 4.4 million euro in financial expenses is mostly attributable to a reduction in interest expense on loans from Pirelli & C. S.p.A., especially after part of this debt was capitalized under the capital increase in 2009. The decrease of 3.4 million euro in financial income partly reflects lower interest income from associates and joint ventures.

4. DIVISIONAL PERFORMANCE

4.1 Financial highlights by geographical area – review of performance –

As described in the section on Group profile, Pirelli RE carries out its business through a structure organized along geographical lines. This section examines the results, distinguishing between income/costs from services[13] and income/costs from investment activities.

The subsequent tables by geographical area show EBIT including net income from investments, as adjusted to include income from shareholder loans.

Euro/million	Italy		Germany		Poland		NPL		G&A		TOTAL			
	March 2010	March 2009	March 2010	March 2009	March 2010	March 2009	March 2010	March 2009	March 2010	March 2009	MARCH 2010		MARCH 2009	
Services	8.4	4.9	0.9	1.3	(0.3)	0.5	0.0	(2.9)			9.0	5.0	3.7	(1.3)
General & administrative expenses									(4.0)	(5.0)	(4.0)		(5.0)	
Investment	1.4	(8.2)	0.5	(2.3)	0.5	0.7	2.9	4.9			5.3		(4.9)	
Total EBIT including net income from investments and income from shareholder loans (1)	9.8	(3.3)	1.4	(1.0)	0.2	1.1	2.9	2.0	(4.0)	(5.0)	10.3		(6.2)	

(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 consolidated services companies, and so do not include the consolidated revenues of other investment initiatives.

13 Results from investment mean the net income generated by Pirelli RE's investments in funds and companies; results from services mean the net income generated from the Company's fund and asset management activities and specialized real estate services (property, facility and agency), less general and administrative expenses.

4.1.1 Italy Real Estate

Financial highlights

Euro/million

	MARCH 2010	MARCH 2009
Services		
Total revenues and income	**21.2**	**26.2**
EBIT (*)	**8.4**	**4.9**
Investment companies and funds		
EBIT from investment companies and funds	(0.1)	(10.7)
Financial income from shareholder loans	1.5	2.5
EBIT (*)	**1.4**	**(8.2)**
Total Italy	**9.8**	**(3.3)**

(*) "EBIT" represents EBIT including net income from investments plus income from shareholder loans.

EBIT including net income from investments and income from shareholder loans was a positive 9.8 million euro at March 31st, 2010, marking a considerable improvement on the negative figure of 3.3 million euro at March 31st, 2009.

EBIT comprises 8.4 million euro in net income from services, improving from a positive 4.9 million euro in the prior year, and 1.4 million euro in net income from investment activities, improving from a loss of 8.2 million euro in the prior year.

Real estate sales[14] amounted to 124.8 million euro at March 31st, 2010 compared with 144.8 million euro in the first quarter of 2009. If the sales in April are also included (amongst which the most important was realized through the sale of 49% of Italia Turismo by Turismo & Immobiliare with the transfer of the related properties), the year-to-date total reaches 320.2 million euro. Rents[15] totalled 68.3 million euro (79.6 million euro in the same period of 2009). Total capital gains[16] realized at March 31st, 2010 came to 4.8 million euro (23.2 million euro at March 31st, 2009), of which the Pirelli RE share was 1.8 million euro (7.0 million euro at March 31st, 2009).

14 This is the sum of real estate sales by consolidated companies and 100% of the real estate sales by associates, joint ventures and funds in which the Group has interests.
15 This is the sum of rents earned by consolidated companies and 100% of the rents earned by associates, joint ventures and funds in which the Group has interests.
16 This is the sum of capital gains realized by consolidated companies and 100% of the capital gains realized by associates, joint ventures and funds in which the Group has interests.

4.1.2 Germany Real Estate

Financial highlights

Euro/million	MARCH 2010	MARCH 2009
Services		
Total revenues and income	**14.6**	**13.5**
EBIT (*)	**0.9**	**1.3**
Investment companies		
EBIT from investment companies	(3.4)	(6.1)
Financial income from shareholder loans	3.9	3.7
EBIT (*)	**0.5**	**(2.3)**
Total Germany	**1.4**	**(1.0)**

(*) "EBIT" represents EBIT including net income from investments plus income from shareholder loans.

EBIT including net income from investments and income from shareholder loans was a positive 1.4 million euro at March 31st, 2010, marking a major improvement on the negative 1.0 million euro at March 31st, 2009.

EBIT comprises 0.9 million euro in net income from services, compared with 1.3 million euro in the prior year and 0.5 million euro in net income from investment activities, improving from a loss of 2.3 million euro in the prior year.

Real estate sales[17] amounted to 4.9 million euro at March 31st, 2010 compared with 15.3 million euro in the first quarter of 2009. If the sales in April are also included (amongst which the most important was the Grosse Strasse complex in Osnabruck), the year-to-date total reaches 63.1 million euro. Rents[18] totalled 114.5 million euro (121.7 million euro in the same period of 2009). Total capital gains[19] realized at March 31st, 2010 came to 0.8 million euro (2.7 million euro at March 31st, 2009), of which the Pirelli RE share was 0.3 million euro (0.5 million euro at March 31st, 2009).

17 This is the sum of real estate sales by consolidated companies and 100% of the real estate sales by associates and joint ventures in which the Group has interests.
18 This is the sum of rents earned by consolidated companies and 100% of the rents earned by associates and joint ventures in which the Group has interests.
19 This is the sum of capital gains realized by consolidated companies and 100% of the capital gains realized by associates and joint ventures in which the Group has interests.

4.1.3 Poland Real Estate

Financial highlights

Euro/million

	MARCH 2010	MARCH 2009
Services		
Total revenues and income	**0.8**	**2.1**
EBIT (*)	**(0.3)**	**0.5**
Investment companies		
EBIT from investment companies	0.0	0.2
Financial income from shareholder loans	0.5	0.5
EBIT (*)	**0.5**	**0.7**
Total Poland	**0.2**	**1.1**

(*) "EBIT" represents EBIT including net income from investments plus income from shareholder loans.

EBIT including net income from investments and income from shareholder loans was a positive 0.2 million euro at March 31st, 2010, compared with a positive 1.1 million euro at March 31st, 2009.

EBIT comprises 0.3 million euro in net losses from services, down from a positive 0.5 million euro in the prior year, and 0.5 million euro in net income from investment activities compared with 0.7 million euro in the prior year.

Real estate sales[20] amounted to 16.8 million euro at March 31st, 2010 compared with 14.7 million euro in the first quarter of 2009. If the sales in April are also included, the year-to-date total reaches 17.8 million euro. Rents[21] totalled 0.1 million euro, staying in line with the same period in 2009. Total capital gains[22] realized at March 31st, 2010 came to 1.2 million euro (3.9 million euro at March 31st, 2009), of which the Pirelli RE share was 0.5 million euro (1.6 million euro at March 31st, 2009).

20 This is the sum of real estate sales by consolidated companies and 100% of the real estate sales by associates and joint ventures in which the Group has interests.
21 This is the sum of rents earned by consolidated companies and 100% of the rents earned by associates and joint ventures in which the Group has interests.
22 This is the sum of capital gains realized by consolidated companies and 100% of the capital gains realized by associates and joint ventures in which the Group has interests.

4.1.4 Non performing loans

Financial highlights

Euro/million

	MARCH 2010	MARCH 2009
Services		
Total revenues and income	**4.4**	**3.6**
EBIT (*)	**0.0**	**(2.9)**
Investment companies		
EBIT from investment companies	2.2	3.2
Financial income from shareholder loans	0.6	1.7
EBIT (*)	**2.9**	**4.9**
Total Non Performing Loans	**2.9**	**2.0**

(*) "EBIT" represents EBIT including net income from investments plus income from shareholder loans.

EBIT including net income from investments and income from shareholder loans was a positive 2.9 million euro at March 31st, 2010 compared with a positive 2.0 million euro at March 31st, 2009.

EBIT comprises a breakeven for services, compared with a loss of 2.9 million euro in the prior year, and 2.9 million euro in net income from investment activities compared with 4.9 million euro in the prior year.

5 . SUBSEQUENT EVENTS

As announced to the market, on May 4th, 2010 the Board of Directors of the parent Pirelli & C. resolved to embark on a plan to separate Pirelli RE from the Pirelli Group, by allocating almost all the Pirelli RE shares held by Pirelli & C. to the ordinary and savings shareholders of Pirelli & C., against a voluntary reduction in the share capital of Pirelli & C. The Company's Board of Directors, meeting on the same date, favourably acknowledged the separation plan, as a result of which the Company's name will also be changed.

Pirelli RE's banks, whose contracts contain early repayment clauses in the event that Pirelli RE should leave the Pirelli Group, have given their full support to this plan. In fact, Pirelli RE's stand-alone viability has been positively assessed, on the basis of the assumptions underlying the business plan to 2011, presented to the financial markets at the time of the rights issue in June last year, of the steady improvement in all the Company's key performance indicators relative to the prior year, and of the proven track record of reducing fixed costs.

The same Board meeting of May 4th, 2010 also approved the proposal - for submission to the Company's shareholders - to grant the Company's Board of Directors the power to increase the share capital of Pirelli RE for cash within one year of the date of the Shareholders' Meeting by an amount of up to 10% of existing capital, by issuing ordinary shares without offering rights to shareholders. Mediobanca and UniCredit have expressed their willingness to subscribe to a capital increase for 20 million euro, split equally between them, on the basis of terms and conditions to be agreed prior to the separation.

6. BUSINESS OUTLOOK

The Company expects its service activities[23] to reach an EBIT for full year 2010 of a positive 20-30 million euro, thanks to further actions to improve efficiency and to the focus on developing the fund management business through both internal and external lines. With regard to the cost-saving plan, the Company expects to achieve the full-year fixed cost savings target already announced (25-30 million euro).

The target for real estate sales in 2010 is in the range 1.3-1.5 billion euro, basically keeping total assets under management stable.

It is well to recall that such projections 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 and the terms of access to credit, none of which can be predicted at present.

7. HUMAN RESOURCES

The total number of employees at March 31st, 2010 was 1,070 (plus 26 with temporary contracts) compared with 1,097 at December 31st, 2009 (plus 42 with temporary contracts).

---

[23] As previously defined and inclusive of general, administrative and holding costs

8. APPENDICES TO THE REPORT

APPENDIX A

Non-GAAP Measures

The Non-GAAP Measures used are as follows:

- **EBIT including net income from investments and income from shareholder loans** (+10.3 million euro): determined as EBIT (3.8 million euro) plus income from shareholder loans (6.5 million euro). The latter is the sum of interest income on financial receivables from associates and joint ventures and of income from securities, both classified in "financial income" in the IFRS income statement, less impairment of junior notes, classified in "financial expenses" for IFRS purposes.

- **EBIT including net income from investments and income from shareholder loans before restructuring costs and property writedowns/revaluations** (+10.3 million euro). This measure is the same as the previous one because the impact of restructuring costs and property writedowns/revaluations was zero in the first quarter (also because property valuations are updated on a six-monthly basis).

- **Income from shareholder loans** (6.5 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"; it is stated net of the impairment of junior notes, classified in "Financial expenses".
- **Financial expenses**: this measure includes "Financial expenses" (excluding the impairment of junior notes) 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 includes investments in associates and joint ventures, closed-end real estate funds and investments in other companies and securities (reported in "Other financial assets" in the balance sheet).
- **Net working capital**: this represents the amount of resources comprising a business's operating activity 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 investments valued at equity which are 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.

euro/milion

EBIT including net income from investments and income from shareholder loans before restructuring costs and property writedowns/revaluations	**Mar-31-2010**	**Mar-31-2009**
EBIT	3.8	(2.2)
Net income from investments	-	(12.5)
Income from shareholder loans	6.5	8.5
EBIT including net income from investments and income from shareholder loans	**10.3**	**(6.2)**
Restructuring costs (1)	-	-
Property writedowns/revaluations (1)	-	-
Total	**10.3**	**(6.2)**

EBIT including net income from investments before restructuring costs and property writedowns/revaluations	**Mar-31-2010**	**Mar-31-2009**
EBIT	3.8	(2.2)
Net income from investments	-	(12.5)
EBIT including net income from investments	**3.8**	**(14.7)**
Restructuring costs (1)	-	-
Property writedowns/revaluations (1)	-	-
Total	**3.8**	**(14.7)**

Income from shareholder loans	**Mar-31-2010**	**Mar-31-2009**
Interest income from loans to associates (2)	-	0.3
Interest income from loans to joint ventures (2)	6.5	8.0
Income from securities (2)	0.1	0.2
Impairment of securities (3)	(0.1)	-
Total	**6.5**	**8.5**

Financial expenses	**Mar-31-2010**	**Mar-31-2009**
Financial expenses	(7.2)	(11.6)
Financial income	8.4	11.8
Income from shareholder loans	(6.5)	(8.5)
Total	**(5.3)**	**(8.3)**

NOTES

(1) At March 31st, 2010 and March 31st, 2009 the impact of restructuring costs and property writedowns/revaluations is zero (also because property valuations are updated on a six-monthly basis).

C. PIRELLI & C. REAL ESTATE GROUP – INTERIM MANAGEMENT STATEMENT

1. CONSOLIDATED BALANCE SHEET

(in thousands of euro)

Note	ASSETS	03.31.2010	12.31.2009
	NON-CURRENT ASSETS		
	Property, plant and equipment	16,971	17,707
	Intangible assets	163,310	164,013
1	Investments in associates and joint ventures	462,592	458,255
2	Other financial assets	18,289	17,311
	Deferred tax assets	28,039	28,474
	Other receivables	417,343	421,351
	Tax receivables	-	-
	TOTAL NON-CURRENT ASSETS	**1,106,544**	**1,107,111**
	CURRENT ASSETS		
	Inventories	95,880	96,637
	Trade receivables	141,449	146,671
	Other receivables	78,176	64,172
	Cash and cash equivalents	18,275	33,206
	Tax receivables	30,466	31,542
	TOTAL CURRENT ASSETS	**364,246**	**372,228**
	TOTAL ASSETS	**1,470,790**	**1,479,339**

	NET EQUITY	03.31.2010	12.31.2009
	GROUP EQUITY		
3	Share capital	419,991	419,991
4	Other reserves	118,149	118,701
5	Retained earnings	117,011	218,973
	Net income (loss) for the period	408	(104,296)
	TOTAL GROUP EQUITY	**655,559**	**653,369**
6	**MINORITY INTERESTS**	**10,460**	**9,713**
	TOTAL EQUITY	**666,019**	**663,082**

	LIABILITIES	03.31.2010	12.31.2009
	NON-CURRENT LIABILITIES		
	Bank borrowings and payables to other financial institutions	374,268	357,164
	Other payables	8,680	8,642
	Provisions for future risks and expenses	25,792	26,949
	Deferred tax provision	1,495	1,249
	Employee benefit obligations	12,267	15,372
	Tax payables	-	21
	TOTAL NON-CURRENT LIABILITIES	**422,502**	**409,397**
	CURRENT LIABILITIES		
	Bank borrowings and payables to other financial institutions	113,116	132,372
	Trade payables	127,873	137,031
	Other payables	90,129	89,389
	Provisions for future risks and expenses	23,728	24,220
	Tax payables	26,814	23,007
	Derivative financial instruments	609	841
	TOTAL CURRENT LIABILITIES	**382,269**	**406,860**
	TOTAL LIABILITIES	**804,771**	**816,257**
	TOTAL LIABILITIES AND EQUITY	**1,470,790**	**1,479,339**

Balances relating to transactions with related parties are described in Section 6.4 of the Explanatory Notes to the consolidated financial statements.

2. CONSOLIDATED INCOME STATEMENT

(in thousands of euro)

Note		01.01.2010-03.31.2010	01.01.2009-03.31.2009
7	Revenues from sales and services	51,652	53,839
8	Changes in inventories of work in progress, semi-finished and finished products	560	(451)
	Other income	10,272	8,151
	TOTAL OPERATING REVENUES	**62,484**	**61,539**
	Raw and consumable materials used (net of change in inventories)	(1,229)	(281)
	Personnel costs	(17,244)	(23,591)
	Depreciation, amortization and impairment	(1,213)	(1,723)
	Other costs	(38,942)	(38,147)
9	**TOTAL OPERATING COSTS**	**(58,628)**	**(63,742)**
	Earnings before interest and tax (EBIT)	**3,856**	**(2,203)**
10	Net income from investments of which:	(31)	(12,462)
	- net profit share from investments in associates and joint ventures	(877)	(12,955)
	- dividends	329	247
	- gains on investments	582	246
	- losses on investments	(65)	-
	Financial income	8,425	11,839
	Financial expenses	(7,168)	(11,628)
	RESULT BEFORE INCOME TAXES AND MINORITY INTERESTS	**5,082**	**(14,454)**
	Income taxes	(4,101)	(2,139)
	NET INCOME (LOSS) FROM CONTINUING OPERATIONS	**981**	**(16,593)**
	NET INCOME (LOSS) FOR THE PERIOD	**981**	**(16,593)**
	attributable to minority interests	(573)	765
	CONSOLIDATED NET INCOME (LOSS) FOR THE PERIOD	**408**	**(15,828)**

Balances relating to transactions with related parties are described in Section 6.4 of the Explanatory Notes to the consolidated financial statements.

3. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Gross	Tax	Net
A	**Net income (loss) 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
	Pirelli RE share of other components of income recognized in equity by associates and joint ventures	(1,604)	(10)	(1,614)
	- Pirelli RE share of (gains) / losses previously recognized directly in equity now transferred to the income statement	856	-	856
	- Pirelli RE 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

		01.01.2009-03.31.2009		
		Gross	Tax	Net
A	**Net income (loss) for the period**			**(16,593)**
	Other components of income recognized in equity:			
	Exchange differences on translating foreign financial statements	(1,594)	-	(1,594)
	Total cash flow hedges	(815)	263	(552)
	- Fair value adjustment of derivatives designated as cash flow hedges	(815)	263	(552)
	Total available-for-sale financial assets	(2,285)	184	(2,101)
	- Fair value adjustment of available-for-sale financial assets	(2,285)	184	(2,101)
	Pirelli RE share of other components of income recognized in equity by associates and joint ventures	(24,544)	(10)	(24,554)
	- Pirelli RE share of (gains) / losses previously recognized directly in equity now transferred to the income statement	1,019	-	1,019
	- Pirelli RE share of gains / (losses) recognized in equity	(25,563)	(5)	(25,568)
B	**Total other components of income recognized in equity**	**(29,238)**	**442**	(28,796)
A+B	**Total comprehensive income (losses) for the period**			**(45,389)**
	Attributable to:			
	Group			(44,225)
	Minority interests			(1,164)

4. STATEMENT OF CHANGES IN CONSOLIDATED 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, 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**

	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, 2008	20,704	158,336	15	4,265	(1,680)	(13,858)	(60,139)	1,728	6,027	2,584	63,475	**375,220**	(194,985)	361,692	4,673	366,365
Total other components of income recognized in equity	**-**	**-**			**(1,195)**	**(2,285)**	**(25,359)**	**-**	**-**	**442**	**-**	**-**	**-**	**(28,397)**	**(399)**	**(28,796)**
Allocation of 2008 results	-	-	-	-	-	-	-	-	-	-	-	(194,985)	194,985	-	-	-
Cost of equity transactions	-	-	-	-	-	-	-	-	-	0	54	-	0	54	0	54
Equity-settled stock options	-	-	-	-	-	-	-	-	232	0	-	-	0	232	0	232
Other changes	-	-	-	-	-	-	-	-	-	0	-	(640)	0	(640)	(544)	(1,184)
Net income (loss) for the period	-	-	-	-	-	-	-	-	-	0	-	-	(15,828)	(15,828)	(765)	(16,593)
Equity at March 31st, 2009	**20,704**	**158,336**	**15**	**4,265**	**(2,875)**	**(16,143)**	**(85,498)**	**1,728**	**6,259**	**3,026**	**63,529**	**179,595**	**(15,828)**	**317,113**	**2,965**	**320,078**

5. CONSOLIDATED CASH FLOW STATEMENT

	01.01.2010 - 03.31.2010	01.01.2009- 03.31.2009
Result before income taxes and minority interests	5,082	(14,454)
Net income (loss) from discontinued operations	-	-
Depreciation, amortization and impairment/impairment reversal intangible assets & property, plant & equip.	1,213	1,723
Impairment of receivables	612	1,508
Net income from investments net of dividends	6,330	13,185
Financial expenses	7,168	11,628
Financial income	(8,425)	(9,041)
Change in inventories	757	790
Change in trade receivables/payables	(4,548)	2,972
Change in other receivables/payables	(5,502)	(16,029)
Change in employee benefit obligations and other provisions	(6,680)	(300)
Taxes	(3,514)	616
Other changes	(50)	127
Net cash flow generated / (absorbed) by operating activities (A)	**(7,557)**	**(7,275)**
Purchase of property, plant and equipment	(2,669)	(356)
Disposal of property, plant and equipment	2,954	166
Purchase of intangible assets	(59)	(223)
Disposal of intangible assets	-	525
Disposal of investments in subsidiaries	517	-
Purchase of investments in associates and joint ventures	(634)	(9,440)
Disposal of investments in associates and joint ventures and other changes	2,438	-
Purchase of other financial assets	(326)	(882)
Disposal of other financial assets	112	1,042
Net cash flow generated / (absorbed) by investing activities (B)	**2,333**	**(9,168)**
Change in share capital and share premium reserve	-	232
Other changes in equity	3,005	(1,195)
Change in financial receivables	(11,814)	(18,902)
Change in financial payables	(2,507)	33,189
Financial income	8,425	9,238
Financial expenses	(7,171)	(11,628)
Net cash flow generated / (absorbed) by financing activities (C)	**(10,062)**	**10,934**
Total net cash flow generated / (absorbed) in the period (D=A+B+C)	**(15,286)**	**(5,509)**
Cash and cash equivalents + bank overdrafts at the beginning of the period (E)	**33,206**	**35,702**
Cash and cash equivalents + bank overdrafts at the end of the period (D+E)	**17,920**	**30,193**
of which:		
- cash and cash equivalents	**18,275**	**30,193**
- bank overdrafts	**(355)**	**-**

Cash flow relating to transactions with related parties are described in Section 6.4 of the Explanatory Notes to the consolidated financial statements.

6. INTERIM MANAGEMENT STATEMENT– EXPLANATORY NOTES

6.1. Form and contents

This interim management statement at March 31st, 2010 has been prepared in accordance with art. 154-ter of Decree 58/1998, and with the instructions issued by CONSOB in this regard.

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

The accounting policies and principles are consistent with those used for preparing the financial statements at December 31st, 2009, to which reference should be made for more details. The only exceptions relate to the following standards and interpretations, in force since January 1st, 2010 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:

- IFRIC 12 – Service concession arrangements
- IFRIC 15 - Agreements for the construction of real estate
- IFRIC 16 - Hedges of a net investment in a foreign operation
- IFRIC 17 – Distributions of non-cash assets to owners
- IFRIC 18 – Transfers of assets from customers
- Revision of IFRS 3 - Business combinations
- Amendments to IAS 27 - Consolidated and separate financial statements
- Amendment to IAS 39 - Financial instruments: recognition and measurement – designation of hedged items in a hedging relationship
- Improvements to IFRSs (issued by the IASB in April 2009)
- Amendments to IFRS 2 – Share-based payment

In compliance with article 5.2 of Decree 38 dated February 28th, 2005, this interim management statement has been drawn up using the euro as the reporting currency.

6.2. Consolidation area

There have not been any significant changes 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 the 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 quarterly report, there had been no further developments in the tax disputes relating to Pirelli & C. Real Estate S.p.A. and some of its subsidiaries. With reference to companies in which Pirelli & C. Real Estate S.p.A., or its subsidiaries, have invested with minority stakes together with third-party investors (associates and joint ventures), in March 2010 the Finance Police closed their tax audit of Spazio Investment N.V. (22.3% Pirelli & C. Real Estate S.p.A.) which ended with the issue of a claim for around 51 million euro, take total tax claims to around 880 million euro (excluding penalties and interest) in which the average interest of Pirelli & C. Real Estate S.p.A. is about 30%. Based on the opinions of its advisors, all of whom highly reputed professionals, the Company believes that all these disputes will end with a favourable outcome for the targets of such claims.

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 462,592 thousand euro at March 31st, 2010, reporting a net increase of 4,337 thousand euro since December 31st, 2009.

Movements during the year are shown below:

	01.01.2010-.03.31.2010			01.01.2009-12.31.2009		
	Total	Associates	Joint ventures	Total	Associates	Joint ventures
Opening balance	**458,255**	**150,891**	**307,364**	**357,867**	**76,279**	**281,588**
Acquisitions, changes in share capital and reserves/other	(945)	171	(1,116)	40,244	6,599	33,645
Portion of other components recognized in equity	(1,606)	(279)	(1,327)	(994)	257	(1,251)
Reclassifications/ Other	(822)	-	(822)	62,308	71,284	(8,976)
Distribution of dividends and reserves	(6,299)	(6,299)	-	(8,856)	(4,122)	(4,734)
Disposals and liquidations	-	-	-	(166)	(144)	(22)
Net profit share	(877)	(13)	(864)	(61,386)	734	(62,120)
Net decrease in financial receivables	12,960	-	12,960	114,629	64	114,565
Changes in provision for future risks and expenses	1,926	1	1,925	(45,391)	(60)	(45,331)
Closing balance	**462,592**	**144,472**	**318,120**	**458,255**	**150,891**	**307,364**

The changes in this balance during the quarter mainly reflect reductions in the value of investments for the distribution of 6,299 thousand euro in dividends and reserves, and for changes in other components recognized directly in equity, particularly changes in the cash flow hedge reserves, and in losses for the period, partly offset by changes in the provisions for future risks and expenses which include, where **there is a legal or** constructive obligation, the provision for making good the losses of associates and joint ventures in excess of their carrying amounts plus any financial receivables owed by such companies.

The "Net decrease in financial receivables" reports the reduction of financial receivables from associates and joint ventures for the Group's share of their losses that exceeded the carrying amount of the related investments.

Note 2. OTHER FINANCIAL ASSETS

These amount to 18,289 thousand euro, having increased by 978 thousand euro since December 31st, 2009. These are analyzed as follows:

	03.31.2010	12.31.2009
Available-for-sale financial assets at fair value through equity	**11,523**	**10,556**
Closed-end real estate funds	7,814	7,775
Investments in other companies	3,709	2,781
Other financial assets at amortized cost	**6,766**	**6,755**
Junior notes	6,766	6,755
Total	**18,289**	**17,311**

2.1 Closed-end real estate funds

These report the following movements in the quarter ended March 31st, 2010:

	03.31.2010	12.31.2009
Opening balance	7,775	36,523
Reversal of reserve due to reclassification from financial assets to investments valued at equity	-	12,281
Decreases	(112)	(92)
Fair value adjustment	151	402
Reclassification	-	(41,339)
Closing balance	**7,814**	**7,775**

The decrease during the first quarter of 2010 is due to the repayment of units by Tecla Fondo Uffici.

The overall balance has also been adjusted by a positive 151 thousand euro for changes in the fair value of fund units.

2.2 Investments in other companies

These amount to 3,709 thousand euro, having increased by 928 thousand euro since December 31st, 2009.

2.3 Other financial assets at amortized cost

"Junior notes", amounting to 6,766 thousand euro at March 31st, 2010 (6,755 thousand euro at December 31st, 2009), consist of 6,014 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 752 thousand euro for a deferred redemption amount relating to the securitization of a non performing loans portfolio owned by Cairoli Finance S.r.l.. The decrease of 73 thousand euro in this balance during the first quarter of 2010 reflects adjustments to amortized cost.

EQUITY

Equity has undergone the following changes in the first quarter of 2010:

	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**

<u>GROUP EQUITY</u>

Note 3. SHARE CAPITAL

At March 31st, 2010, subscribed and paid-up share capital (including treasury shares held for investment and not trading purposes and which therefore, under the format prescribed by article 2424 of the Italian Civil Code, would have been classified as "Financial fixed assets") consists of 841,171,777 ordinary shares with a par value of 0.50 euro each, making a total of 420,585,888.50 euro.

Share capital, excluding treasury shares as required by IAS 32, amounts to 419,991,057.50 euro at March 31st, 2010, the same as at December 31st, 2009.

Note 4. OTHER RESERVES

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

This reports a negative balance of 804 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 2010 was a positive 419 thousand euro.

Cash flow hedge reserve

This reports a negative balance of 65,574 thousand euro recognized for the fair value measurement of cash flow hedges.

Movements in this reserve in the period under review comprise a positive adjustment of 229 thousand euro for the fair value of cash flow hedges held by Pirelli & C. Real Estate S.p.A., and a negative adjustment of 1,595 thousand euro arising from the valuation of cash flow hedges held by associates and joint ventures.

Reserve for actuarial gains/losses

This amounts to 871 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, 2010 it amounts to 6,027 thousand euro (before tax), remaining the same as at December 31st, 2009.

Reserve for tax on items credited/debited to equity

This reserve, amounting to 3,901 thousand euro, reports the tax effect of items credited/debited directly to equity.

Note 5. RETAINED EARNINGS (LOSSES)

These amount to 117,013 thousand euro, reporting a net decrease of 101,960 thousand euro since December 31st, 2009 largely due to the loss for 2009.

Note 6. MINORITY INTERESTS IN EQUITY

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

NET FINANCIAL POSITION

(alternative performance indicator not required by IFRS)

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

	03.31.2010	12.31.2009
CURRENT ASSETS		
Other receivables	**10,551**	**10,563**
- of which receivable from related parties	*10,372*	*10,385*
Financial receivables	10,551	10,563
- *joint ventures*	10,372	10,385
- *third parties of which*	179	178
- other receivables	*179*	*178*
Financial accrued income and prepaid expenses	-	-
Receivables from shareholders for uncalled capital	-	-
Securities held for trading	**-**	**-**
Cash and cash equivalents	**18,275**	**33,206**
TOTAL CURRENT ASSETS - A	**28,826**	**43,769**
CURRENT LIABILITIES		
Bank borrowings and payables to other financial institutions	**(113,116)**	**(132,372)**
- of which payable to related parties	*(68,040)*	*(74,784)*
- parent companies	(65,007)	(70,050)
- joint ventures	(2,228)	(2,473)
- other Pirelli & C. Group companies	(805)	(2,261)
- Other financial payables	(1,315)	(4,800)
- Bank borrowings	(43,145)	(52,584)
- Payables to other financial institutions	(616)	(204)
- Payables for finance leases	-	-
- Financial accrued liabilities	-	-
TOTAL CURRENT LIABILITIES - B	**(113,116)**	**(132,372)**
NON-CURRENT LIABILITIES		
Bank borrowings and payables to other financial institutions	**(374,268)**	**(357,164)**
- Other financial payables	(656)	(654)
- Bonds	-	-
- Bank borrowings	(373,612)	(356,510)
- Payables to other financial institutions	-	-
- Payables for finance leases	-	-
- Financial accrued liabilities and deferred income	-	-
TOTAL NON-CURRENT LIABILITIES - C	**(374,268)**	**(357,164)**
NET DEBT EXCL. SHAREHOLDER LOANS GRANTED (*) = D =(A+B+C)	**(458,558)**	**(445,767)**

(*) 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	**403,290**	**404,424**
- of which receivable from related parties	*393,032*	*394,337*
Crediti finanziari	403,290	404,424
- *associates*	1,799	1,793
- *joint ventures*	391,233	392,544
- *third parties of which*	10,258	10,087
- senior notes	*1,490*	-
- other receivables	*8,768*	*10,087*
Financial accrued income and prepaid expenses	-	-
Receivables from shareholders for uncalled capital	-	-
TOTAL NON-CURRENT ASSETS - E	**403,290**	**404,424**
NET (DEBT) CASH - F = (D+E)	**(55,268)**	**(41,343)**

INCOME STATEMENT

Note 7. REVENUES FROM SALES AND SERVICES

Revenues from sales and services amount to 51,652 thousand euro compared with 53,839 thousand euro in the first quarter of 2009 and are analyzed as follows:

	01.01.2010-03.31.2010	01.01.2009-03.312009
Revenues from contracts	7,460	3,962
Revenues from sales, of which:	1,254	800
- sales of land for development	*35*	*-*
- sales of land for development to Pirelli & C. R.E. Group companies	*-*	*55*
- sales of residential property	*1,219*	*543*
- sales of commercial property	*-*	*202*
Revenues from services	42,938	49,077
Total	**51,652**	**53,839**

Revenues from contracts

These amount to 7,460 thousand euro compared with 3,962 thousand euro at March 31st, 2009 and mostly refer to revenues earned by Iniziative Immobiliari 3 S.r.l. (5,473 thousand euro) for completing the construction of the building known as HQ2 commissioned by Cloe Fondo Uffici and due to be leased to the Pirelli & C. Real Estate Group, and for the construction of a new headquarters building for 3M Italia S.p.A. on a site in Pioltello.

Revenues from sales

Sales of residential property

Sales completed in the first quarter of 2010 mainly refer to residential units sold by Centrale Immobiliare S.p.A. for 576 thousand euro and by Orione Immobiliare Prima S.p.A. for 413 thousand euro.

Revenues from services

Revenues from services are analyzed as follows:

	01.01.2010-03.31.2010	01.01.2009-03.31.2009
Revenues from services to third parties	15,812	24,447
Revenues from services to Pirelli & C. S.p.A.	181	112
Revenues from services to associates	4,307	1,735
Revenues from services to joint ventures and other Pirelli & C. RE Group companies	22,490	22,685
Revenues from services to other Pirelli & C. Group companies	148	98
Total	**42,938**	**49,077**

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

The change in inventories in the first three months of 2010 is a positive 560 thousand euro compared with a negative 451 thousand euro in the corresponding period of 2009.

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

Note 9. OPERATING COSTS

Operating costs comprise:

	01.01.2010-03.31.2010		01.01.2009-03.31.2009	
Raw and consumable materials used (net of change in inventories), of which:		1,229		281
a) Assets purchased	119		157	
b) Change in inventories of trading properties, raw and miscellaneous materials	1,110		124	
Personnel costs		17,244		23,591
Depreciation, amortization and impairment		1,213		1,723
Other costs		38,942		38,147
Total		**58,628**		**63,742**

Operating costs amount to 58,628 thousand euro compared with 63,742 thousand euro at March 31st, 2009.

Raw and consumable materials used

"*Assets purchased*" of 119 thousand euro in the first quarter of 2010 refer to the purchase of various consumable materials.

The **"*change in inventories of trading properties, raw and miscellaneous materials*"** is a positive 1,110 thousand euro in the first quarter of 2010 compared with a positive 124 thousand euro in the corresponding period of 2009.

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

Note 10. NET INCOME FROM INVESTMENTS

	01.01.2010-03.31.2010	01.01.2009-03.31.2009
Net profit share from investments in associates and joint ventures	(877)	(12,955)
Dividends	329	247
Gains on investments	582	246
Losses on investments	(65)	-
Total	**(31)**	**(12,462)**

This reports a negative 31 thousand euro compared with a positive 12,462 thousand euro in the corresponding period of 2009.

Its main components are discussed below.

Net profit share from investments in associates and joint ventures

This amounts to a negative 877 thousand euro, compared with a similarly negative 12,955 thousand euro in the first quarter of 2009, and reflects the Group's share of the results of investments accounted for under the equity method.

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

Dividends

The figure at March 31st, 2010 refers to income distributed to the Group by the Tecla fund (287 thousand euro) and the Armilla fund (42 thousand euro).

6.4. Transactions with related parties

The following tables show transactions and balances with related parties:

	01.01.2010-03.31.2010	% share (*)	01.01.2009-03.31.2009	% share (*)
Operating revenues	27,576	44.1%	25,290	41.1%
Operating costs	(6,565)	11.2%	(5,217)	8.2%
Net income from investments	(877)	NA	(12,955)	NA
Financial income	6,839	81.2%	8,148	68.8%
Financial expenses	(715)	10.0%	(4,366)	37.5%
Taxes	-	0.0%	18	-0.8%

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

	03.31.2010				12.31.2009			
	Total	% share (*)	Non-current	Current	Total	% share (*)	Non-current	Current
Trade receivables	89,808	63.5%	-	89,808	89,294	60.9%	-	89,294
Other receivables of which:	414,868	83.7%	394,044	20,824	416,853	85.9%	395,220	21,633
- financial receivables	*403,404*	*97.5%*	*393,032*	*10,372*	*404,722*	*97.5%*	*394,337*	*10,385*
Tax receivables	14,947	49.1%	-	14,947	18,294	58.0%	-	18,294
Trade payables	30,730	24.0%	-	30,730	27,354	20.0%	-	27,354
Other payables	10,022	10.1%	-	10,022	15,764	16.1%	-	15,764
Tax payables	14,821	55.3%	-	14,821	14,756	64.1%	-	14,756
Bank borrowings and payables to other financial institutions	68,040	14.0%	-	68,040	74,784	15.3%	-	74,784
Provisions for future risks and expenses	5,205	10.5%	-	5,205	3,279	6.4%	-	3,279

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

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

Transactions and balances with ultimate parent company Pirelli &		
Operating revenues	297	These mainly relate to the recharge of various services provided by the buying and vehicle management office, and for the organization of events and site remediation work.
Operating costs	(1,579)	These mostly include recharges for general services as well as royalties for use of the trademark and the recharge of rent for the HQ1 building for the months of January and February 2010, when Pirelli & C. Real Estate still occupied this building.
Financial expenses	(517)	These refer to interest payable on the drawdown of a revolving credit facility granted by Pirelli & C. S.p.A. to Pirelli & C. Real Estate S.p.A... The maximum drawdown was agreed in November 2009 at 150,000 thousand euro.
Current trade receivables	1,347	These mainly refer to the recharge of various services reported in "Operating revenues".
Other current receivables	252	These consist of VAT payables arising from periodic VAT settlements on a group basis.
Current tax receivables	14,947	These refer to credits for the advance payment of Italian income tax (IRES) and for withholding taxes and deferred tax assets for carryforward tax losses following the decision by Pirelli & C. Real Estate S.p.A. to file for tax on a group basis together with Pirelli & C. S.p.A.
Current trade payables	5,884	These mainly refer to costs recharged by Pirelli & C. S.p.A. for general and information technology services, for royalties charged to use the trademark and for the rent of the HQ1 building.
Other current payables	35	These consist of VAT payables arising from periodic VAT settlements on a group basis.
Current tax payables	13,741	These refer to income tax payables for the current year transferred to the ultimate parent company Pirelli & C. S.p.A. under the group tax election mentioned earlier.
Current bank borrowings and payables to other financial institutions	65,007	These refer to short-term drawdowns of a revolving credit facility granted by Pirelli & C. S.p.A. to Pirelli & C. Real Estate S.p.A..

Transactions and balances with Pirelli & C. Group companies		
Operating revenues	239	These mostly refer to the recharge of various services provided by the buying office.
Operating costs	(1,375)	These include costs for information technology, security services and technical consulting.
Financial expenses	(108)	These refer to the interest payable on the current account between Pirelli & C. Real Estate S.p.A. and Pirelli Servizi Finanziari S.p.A..
Current trade receivables	443	These mainly refer to the services reported in "Operating revenues".
Current trade payables	4,175	These mostly refer to payables for information technology costs and for certain site remediation costs.
Current bank borrowings and payables to other financial institutions	805	These refer to the current account balance between Pirelli & C. Real Estate S.p.A. and Pirelli Servizi Finanziari S.p.A., the Pirelli & C. Group's financial services provider.

Transactions and balances with associates/joint ventures and other companies		
Operating revenues	27,040	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	(3,325)	These refer to recharges of various kinds, including shared joint venture costs.
Net income from investments	(877)	This comprises the results of investments accounted for under the equity method.
Financial income	6,839	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	(90)	
Current trade receivables	88,011	This balance includes the receivables relating to "operating revenues".
Other non-current receivables	394,044	
- of which financial receivables	*393,032*	This reflects the loans given to finance real estate projects being managed by individual group companies. These loans are classified as non-current assets by virtue of their terms of repayment, which match the disposal programmes of the real estate portfolios owned directly or indirectly by these companies which usually last between two and six years. These loans carry interest rates that are in line with those applied by the principal market participants except for some companies which have been given non-interest bearing loans.
Other current receivables	19,204	This includes 3,316 thousand euro in dividends that have been declared but not yet paid.
- of which financial receivables	*10,372*	Most of this balance refers to intercompany current accounts with the companies which hold real estate assets in Germany.
Current trade payables	20,388	These refer to various services.
Other non-current payables	2,608	
Other current payables	9,987	These refer to different kinds of recharge.
Current tax payables	1,080	This amount relates to amounts owing to Trixia S.r.l. under its adoption of the "tax transparency" regime allowed by art. 115 of the Income Tax Consolidation Act, whereby a company's positive or negative taxable amounts are attributed to its shareholders.
Current bank borrowings and payables to other financial institutions	2,228	This includes negative balances on intercompany current accounts.
Provisions for future risks and expenses	5,205	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, 2010 between the Pirelli & C. Real Estate Group and the Camfin Group and the company F.C. Internazionale Milano S.p.A. as well as other related parties associated with the directors.

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

Transactions and balances with related parties associated with directors		
Operating costs	(286)	This amount includes 63 thousand euro for consulting services by Wolfgang Weinschrod GmbH, a company owned by the director Wolfgang Weinschrod, and 223 thousand euro for the contract transferred, as discussed in the notes accompanying this table.
Current trade receivables	7	
Current trade payables	283	These include 60 thousand euro for advisory services from Realty Partners S.r.l., an indirectly related party of the Pirelli & C. Real Estate Group through Giulio Malfatto, the Chief Executive Officer, and 223 thousand euro for the contract transferred, as discussed in the notes accompanying this table.

Lastly, for the purposes of full disclosure, it is reported that on January 13th, 2010 the transfer was formalized of an existing contract between Realty Partners S.r.l. (an indirectly related party of the Group through Giulio Malfatto, the Chief Executive Officer) and Excelsia Nove S.r.l., relating to a portfolio of some 320 properties. The transfer has benefited: the asset management activities of Pirelli & C. Real Estate Società di Gestione del Risparmio S.p.A., by allowing it to increase its assets under management by around 578 million euro; and the sale activities of Pirelli & C. Real Estate Agency S.p.A.; both these companies are subsidiaries of Pirelli & C. Real Estate S.p.A.. This transaction took place under standard terms and conditions and so is treated as typical and usual, also because the subject of the transfer is entirely consistent with the ordinary operations of both companies. In addition, the fairness of the related terms and conditions was attested in a fairness opinion issued by KPMG, an independent, recognized firm of accountants.

Milan, May 4th, 2010 The Board of Directors

Declaration pursuant to para. 2, article 154-*bis* of
Decree 58 dated February 24th, 1998

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

declares

pursuant to para. 2, art. 154-*bis* of Decree 58 dated February 24th, 1998 that the accounting information contained in the Interim Management Statement at March 31st, 2010 corresponds to the underlying documentary records, books of account and accounting entries.

Milan, May 4th, 2010

Gerardo Benuzzi

Financial Reporting Officer