THE REAL POTENTIAL OF REAL ESTATE.

Half-year Financial Report

at June 30th, 2011

CONTENTS

A. PRELIMINARY INFORMATION

1. CORPORATE OFFICERS

Board of Directors[1]

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

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

Audit and Corporate Governance Committee

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

Compensation Committee

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

Risk Committee

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

Board of Statutory Auditors[2]

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

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

Supervisory Board

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

Financial Reporting Officer

Gerardo Benuzzi	General Manager Finance & Advisory

Independent Auditors

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

Via della Chiusa, 2

20123 Milano

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

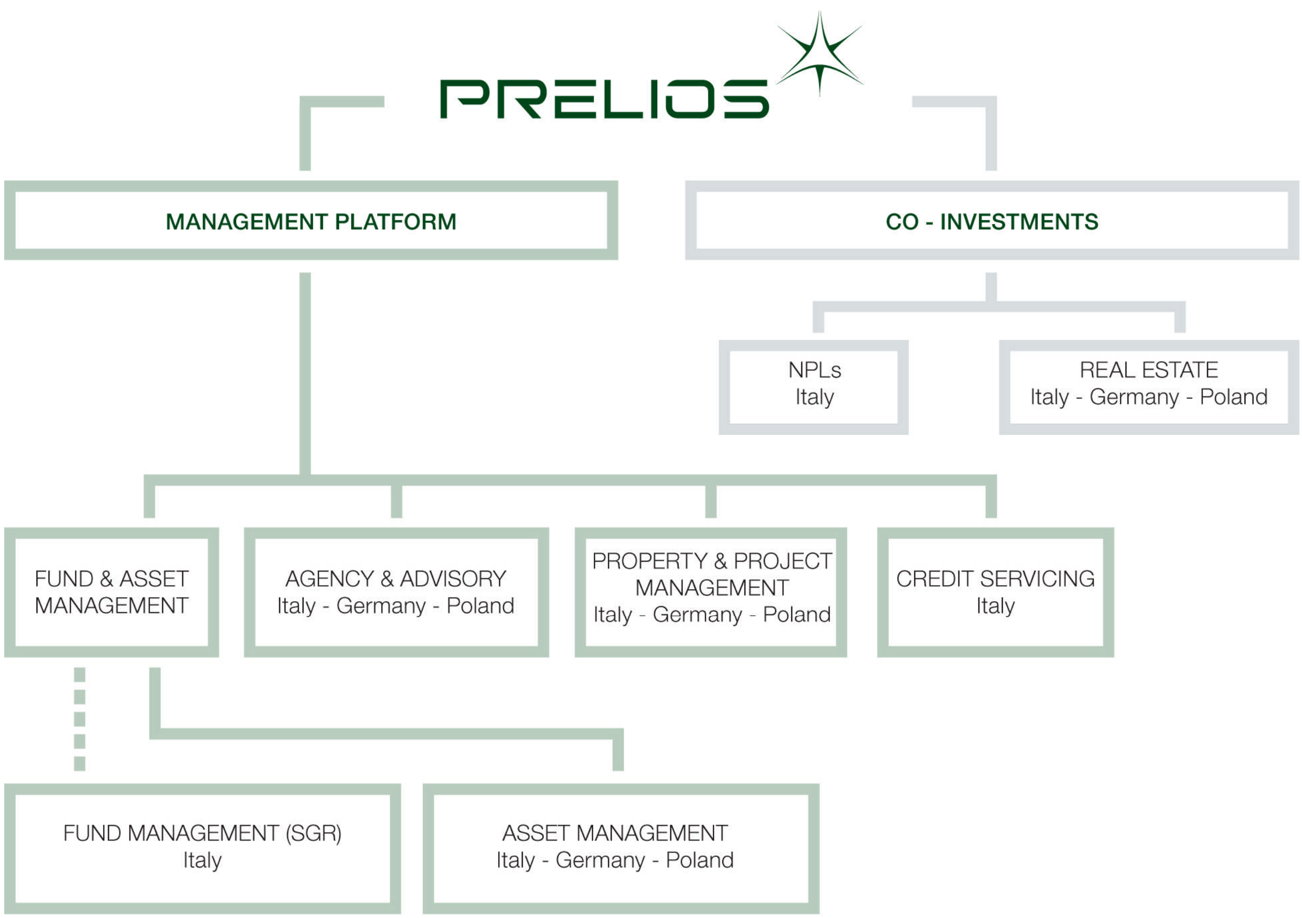
2. Prelios Group Profile

Prelios – listed on the Italian Stock Exchange since 2002 – is one of the leading real estate asset management and services firms in Italy and the rest of Europe, with operations in Italy, Germany and Poland.

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

Prelios is a "pure asset management company" which enhances the value of and manages real estate portfolios for third-party investors, under a distinctive model based not only on specialized real estate services (Agency and Property & Project Management) and services associated with NPL management (Credit Servicing) but also management activities (Fund & Asset Management). In the past Prelios used to take predominantly minority stakes in the investments managed (Real Estate and Non Performing Loans), with the aim of benefiting from any increase in value; now, under the new strategy of repositioning as a pure manager, the Company plans to gradually reduce invested capital and to increase the amount of property managed for others.

As at June 30th, 2011 Prelios had approximately 1,000 highly qualified employees, with extensive industry experience as well as an excellent track record in the competitive international market; this experience and expertise are reflected in its recent focus on the eco-sustainable sector, involving new development projects and the redevelopment and improvement of existing properties.



The Group's principal characteristics today can be summarized as follows:

- Professional organization structure, that combines deep local knowledge with specialized product skills.
- Wide range of real estate services to more effectively promote the key drivers of investment profitability.
- Fund Management – one of Italy's leaders by AUM – as the core platform for the domestic real estate market.

B. INTERIM REPORT ON OPERATIONS

1. MARKET TRENDS

1.1 European real estate market[4]

Two years since reaching the bottom of the recession (first quarter of 2009), the international economy reported an upward turn, at least in the first half of 2011. However, the pace of growth is slowing while the global scenario's risk factors are growing. The most likely scenario put forward by international forecasters is that production will follow a similar pattern of recovery to that in the past year but at a slower rate. There are generally more fears that the increased fragility of the financial system and any wrong policy decisions might drive the economy into a downturn. The following figures must be read in this context.

One sign of recovery, within the negative outlook, is the trend in investment volumes in the first few months of 2011. In fact, the overall volume in the first quarter of 2011 was 26 billion euro, just below the 30.8 billion euro reported in the fourth quarter of 2010 (a period when the investment volumes are generally higher than in the earlier part of the year), but well above the corresponding figure in the first quarter of 2010. The 26 billion euro invested in the first three months of 2011 refers to the principal market segments: offices, retail and logistics. If other sectors such as residential, hotels and land are included, the figure climbs to more than 32 billion euro.

Even if the comparison with the fourth quarter of last year might not be indicative of recovery, the market consensus is that the current positive trend will continue for the rest of 2011, with volumes expected to climb to as much as 102 billion euro (from 95 billion euro in 2010).

In terms of investment allocation, recent years have seen a general shift in trend. In 2006 it was the office market that attracted most investments, whereas now it is the retail sector. As far as industrial property is concerned, the downturn in investment has caused prime yields to rise. After reaching a ten-year low, 2007 saw the start of a limited but steady uptrend through to the end of 2009 (with figures that fluctuated between 7.25% and 8.5%), that ended with last year's hesitant market recovery.

1.2 Italian real estate market[5]

While there is no doubt that the first part of the storm is over, with a generally less worse impact on the Italian real estate market than feared, it is equally true that the situation is still fragile and relapses cannot be excluded.

The price rigidity seen during the recessionary phase and the market's general inefficiency in adjusting values to the dip and shift in demand, combined with the asymmetries in information that have long characterized the Italian market, are disadvantages in a continental market that is once more highly selective. Foreign investors, especially at a time like present, tend to prefer markets that offer generally better economic prospects, and confirm their mistrust of less liquid contexts. The uncertainties associated with debt

[4] Source: Nomisma: Real Estate Market Watch (June 2011)
[5] Source: Nomisma: Real Estate Market Watch (June 2011)

sustainability, heightened by recent speculative activity, together with an inability to carry out structural reforms to tackle the severity of the situation, put Italy at a clear disadvantage as a target destination for most cross-border investors.

Italy's corporate market is therefore still primarily the realm of domestic investors, who find themselves having to face the consequences of higher levels of country risk that, if not already a deterrent when selecting investments, is nonetheless evident when it comes to fixing the spreads on reference rates, thus representing an almost insuperable obstacle to closing deals. Apart from the inevitable repricing resulting from sudden, violent movements, it is worth noting how volatility seems to be justifying the reluctance of foreign investors to invest in Italy.

The immediate outlook is being negatively impacted not so much by the perception of country risk but by the gap between the spending power of potential demand and current market values, as well as by the disappearance of the almost irrational confidence that had accompanied an unusually long expansionary phase. Despite the almost 30% collapse in residential activity from its peak, prices continue to be extremely resilient, as evident even from the latest statistics.

In a context that in just a short time has seen the development of widespread, extensive dependence on credit to ensure access to the property sector, this price resilience, combined with a deterioration in current and future earning power, and a considerable toughening of the criteria governing credit allocation by banks, effectively represents an almost insuperable barrier to entry.

The property price curve has retained a negative gradient in the first half of 2011. The structural rigidity in Italian property prices during the recessionary phase can be interpreted as our market's inefficiency in adjusting prices to the drop and shift in demand and is reflected in the latest six-month changes of -0.6% for pre-owned housing (-0.7% for housing as a whole), of -0.9% for offices and -0.7% for shops.

While market values provide a rather unclear picture of the Italian real estate market's current downturn, the quantities exchanged speak more eloquently. The gradient of the volume curve is negative and steeper for offices and shops than for housing.

After starting to fall in 2007, the number of property transactions have dropped over four years by 483,000 (or 26.4% of the transactions reported in 2008). Of this number 48% refers to the housing market, 12% to business property and the remaining 40% to "residual" categories (public buildings and special properties, as well as garages).

After showing some stability in 2010, volumes were expected to carry on being stable in 2011. But the first quarter of 2011 saw every segment report renewed decline: the total number of transactions was just under 300,000, 3.6% less than in the equivalent period of 2010.

The prospect of a new low point for sale volumes now seems a virtual certainty, although it will only be possible to estimate the scale of the decline on the 611,878 transactions reported in 2010 once the situation on financial markets has stabilized. The fragility of the current situation continues to be confirmed by the general lengthening of times to sell and let.

Given the circumstances described above the future outlook cannot be optimistic. In fact, real estate agents are generally predicting that prices and the number of sales in the next six months will see a reversal in the upward trend seen since the second half of 2008. The decline in confidence is evident not only where quantities are concerned, with average predictions falling from 35.6% to 6.4%, but also where prices are concerned, demonstrating that real estate agents continue to be highly pessimistic about a recovery in transaction volumes.

Real estate agents are also more pessimistic about the office sector in the next six months: average forecasts are negative, with a large drop predicted in the number of transactions that will reduce the gap with respect to forecast prices. The retail market confirms the trend commencing in 2008, reflecting a greater lack of confidence in the outlook for prices and transactions.

1.3 Real estate funds market[6]

Considering the sector's ongoing difficulties, more encouraging signs have come from the real estate funds market, where assets and volumes of activity both continued to grow in 2010. The year-on-year increase was 5.5% and 4.6% respectively.
The funds monitored by Assogestioni/IPD have total assets of 23.3 billion euro, an increase of 5.1% on June 2010 (+5.5% over a year and +22.4% over 3 years). The volume of activity has reached 40.1 billion euro, with around 83% of real estate funds resorting to debt finance, of which about 68.2% is drawn down; all of these figures are stable on the previous six months.
In the second half of 2010 the Italian real estate investment funds market continued to grow in terms of both new product launches and amount of assets managed: at the end of December 2010 Assogestioni/IPD monitored a total of 171 funds, managed by 25 fund management companies (2 fewer than in the previous six months); the number of funds increased by 8, all of which for accredited investors, taking to 148 the number of institutional products, while the number of listed retail funds was 23.
Of the real estate funds at December 31st, 2010, 86.5% were reserved funds (85.9% at June 30th, 2010) and 13.5% were retail funds (14.1% at June 30th, 2010); speculative funds, set up since the second half of 2005, account for about 25% of the total (22% at June 30th, 2010).
As for asset allocation by type of property, funds have continued to focus primarily on the office sector, whose weight increased slightly on June 2010 (53.2% versus 52.2%) followed by the commercial and other residential sectors (respectively 17.7% and 10.1% versus 18.0% and 10.7%), then by the residential and tourism/leisure sectors (respectively 6.3% and 4.9% versus 6% and 5.0%), the industrial sector (4.6% versus 4.1%), and logistics (2.2% versus 2.7%).
The index of Italian real estate funds for 2010 is a positive 1.7% (0.5% in 2009), according to the figures published by IPD, an international company that measures real estate investment vehicle performance. The long-term returns are 1.2% (3 years) and 4.2% (5 years).

[6] Source: Assogestioni/IPD: Italian Real Estate Funds (2nd half 2010)

1.4 Real estate financing[7]

Demand for credit is displaying a steady deterioration, reflecting the weak context and general increase in the cost of mortgages. This has been negatively impacted not only by ECB rate hikes to counter the spectre of inflation, but also by the inevitable growth in the cost of funding for Italian banks.

The sudden widening in spreads between BTPs (long-term Italian government bonds) and German Bunds and the threat of downgrading for new issues, form part of an already compromised situation and will end up annulling the benefits for costs of recent capital increases.

In Italy, mortgages granted for home purchases started to rise once again in 2010 (+11.5%) after two consecutive years in decline. The first two quarters of 2010 really dictated the amount of this growth, with the second half of the year seeing a trend reversal that sent the figures back into negative territory by year end.

The growth in the amount of mortgages occurred throughout the country, although with varying intensity. The regions in Central and Southern Italy reported the largest increases and, unlike Northern Italy, carried on growing even in the fourth quarter of 2010.

Detailed statistics for the first quarter of 2011 are not yet available (according to the European Central Bank the aggregate increase in disbursements was 4.5%), and so it is not yet possible to see whether the decline in disbursements in the northern part of the country has carried over into 2011. If this trend is correlated with that in home sales, it is possible to predict a fresh decline in mortgage disbursements in correspondence with the housing market, which reported a 3.7% drop in the number of transactions on the 2010 equivalent period.

Going back to the 2010 figure, if this is adjusted to exclude equitable assignments and replacements (which require a new contract to be entered in place of the previous one), it would have grown by 19% year-on-year. In detail, equitable assignments accounted for 7.4 billion euro of total disbursements, down from 2009; replacements accounted for 1.7 billion euro of the total (in other words 11.5% more than in 2009); lastly, renegotiations went down to 1.2 billion euro from more than 2 billion euro in 2009 (-44%).

Over 2010 the default rate went from 2.3% to 1.9%, indicating that assignments and renegotiations seem to have improved the sustainability of mortgages over time.

As for the type of mortgages disbursed in 2010, more than 80% of new mortgages were granted at a variable rate, almost double the average for the euro-zone as a whole.

After expectations of a rate hike caused a shift towards fixed rate agreements at the end of 2010, the early part of 2011 saw renewed interest in variable rate loans due to a partial downward revision of expected rate rises.

However, the low level of interest rates does not seem sufficient to make up for the reduction in household earning power and persistently high property prices, especially when, like now, banks are operating a highly selective policy where home purchases are concerned.

Real estate agents interviewed by Nomisma have identified requests for additional guarantees and the lengthy procedures required to process mortgage applications as restrictions now being placed by the banking system on the disbursement of credit for home purchases.

[7] Source: Nomisma: Real Estate Market Watch (June 2011)

2. PRELIOS IN THE FIRST HALF OF 2011

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

The consolidated net result is a profit of 0.5 million euro compared with a loss of 20.9 million euro in the first half of 2010. The consolidated net result reflects, on the one hand, the benefit of 11.4 million euro in writebacks to the value of the "Highstreet" loan following writedowns in the past, and on the other, the impact of 8.9 million euro from the one-off property tax on investors in real estate funds.

Even the indicator that best reflects the performance of the Group's management platform and investment activities, namely EBIT including net income from investments and income from shareholder loans before property tax, restructuring costs and property writedowns/revaluations[8], has reported a positive 28.1 million euro, against 17.9 million euro in the first half of last year. Of particular note is the performance of real estate sales, which at 1.1 billion euro are already close to the year-end target (1.5 billion euro).

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

Significant events in the first half of 2011

- On January 5th, 2011 the Bank of Italy completed an ordinary inspection of Prelios Credit Servicing started on September 23rd, 2010. The inspection concerned every sector of activity. The Bank of Italy sent its inspection report on March 31st, together with a letter of recommendations. The company was asked to strengthen its strategy and balance between assets and earnings, to invigorate operational and management activity and to improve company organization and compliance with industry regulations. The company's Board of Directors and Board of Statutory Auditors have accepted and taken note of the results of the inspection and have adopted all the necessary steps to make the organizational structure and services more efficient. The company - which even before receiving the inspection report had initiated a number of steps to improve management and organization, in line with the recommendations later formalized by the Bank of Italy - has responded to the matters raised in the report by presenting a detailed action plan aimed at improving the organizational, procedural and technical aspects considered inefficient. The Board of Directors is accordingly keeping a constant monitor on implementation of the measures communicated to the Bank of Italy.

- On January 28th, 2011 the Prelios Group sold the German development company known as "Blankenese Bahnhofsplatz" located in Hamburg and owned by Prelios (47%), ING Real Estate Development (50%) and other shareholders (3%). This sale, which valued the company's assets at around 73 million euro[9], has given rise to a gross gain of about 5 million euro on the assets' book value (2.5 million euro of which attributable to Prelios) and a positive impact of 6 million euro on Prelios cash balances. Furthermore, in line with the strategy of increasing assets managed and services for third parties, Prelios has been awarded the property management contract for another 10 years.

[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 interests.

[9] Of which 68 million euro paid at the closing and 5 million euro payable within 30 months, after completing the process of renting out still vacant space.

- On March 4th, 2011 the Board of Directors approved the plan for 2011 and guidelines for 2012 and 2013, based on the goal of repositioning as a pure asset management company:
  - further simplification of the business model and associated efficiency improvements;
  - exclusive focus on two areas of activity (management platform and co-investments) and on two geographical markets (Italy and Germany);
  - sustainable growth predominantly based on recurring revenues from real estate services for third parties.

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

- The subsidiary Prelios SGR underwent inspection by the Bank of Italy from December 13th, 2010 until March 25th, 2011. The inspection concerned all areas of the company's activity, with a particular focus on investment fund management and particularly the operational management of some of them. The Bank of Italy sent its inspection report on June 22nd, together with a letter of recommendations; until these recommendations have been implemented or, in certain cases, completed, the company will not be able to set up any new funds. The company was asked to become more independent and operationally autonomous, including in respect of its group of origin, and to be more selective when outsourcing its activities. The company's Board of Directors and Board of Statutory Auditors have accepted the results of the inspection and are assessing all the steps needed to improve the operation of its organizational structure, internal controls and management of outsourced services. The company has consequently prepared its response based on a detailed action plan to improve the management, organizational, procedural and technical issues raised. The Board of Directors is keeping a constant monitor on the implementation of the actions communicated to the Bank of Italy.

- On April 21st, 2011 the Prelios shareholders' meeting which approved the financial statements for 2010 appointed a new Board of Directors, setting its size at 15 members with a maximum term in office of three years. In its meeting immediately after the shareholders' meeting the Board of Directors largely confirmed the top management team which has contributed to the successful consolidation and turnaround of Prelios in recent years. Marco Tronchetti Provera was confirmed as Chairman, and Enrico Parazzini as Managing Director Finance, responsible for administration, finance and financial control. Giulio Malfatto has assumed the role of Vice Chairman responsible for business development, carrying on the task of company turnaround performed up until now. Paolo Bottelli, formerly General Manager and a board member since 2008, has been appointed the new Chief Executive Officer of Prelios.

- On May 5th, 2011 Clarice Light Industrial, a real estate fund launched in December 2004 and managed by Prelios SGR, won an award at the 2011 edition of the European Property Investment Awards promoted by IPD (Investment Property Databank), the independent leader in analyzing and measuring performance in the commercial real estate market. This is the second year running that Prelios SGR has won this prestigious award: in fact, last year the core Cloe real estate fund won the prize for the best return in the same category.

- On May 27th, 2011 the shareholders' meeting of Rinascente Upim (20% of which owned by Prelios), the holding company which owns some 97% of the operating company Rinascente S.r.l., approved the sale of 100% of the Rinascente shares to Central Retail Corporation (CRC).

- On May 31st, 2011 Highstreet, the consortium which owns the stores let to Karstadt, 49% of which is owned by a consortium comprising RREEF - Deutsche Bank Group (48%), Prelios (24.66%), Generali (22.34%) and the Borletti Group (4%), and 51% by the Whitehall funds (belonging to the Goldman Sachs Group), signed an agreement to sell 3 department stores to Quantum Immobilien AG, a Hamburg-based property company. The three properties were sold for a total of 250 million euro, and generated a positive transparent margin of some 3% on the book value recorded by Prelios.

3. FINANCIAL HIGHLIGHTS

REVIEW OF PERFORMANCE

This section will examine the Group's results, financial position and balance sheet at June 30th, 2011. The review of operating results in section 3.1 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 size, 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 4 contains an analysis of the results as reported in the IFRS income statement. The review of the balance sheet and financial position in section 3.2 also includes Non-GAAP measures, whose composition is defined in Appendix A to this report. Since these measures are generally adopted for financial communication purposes, and are easily reconciled to figures reported in the primary financial statements, it has not been necessary to supplement the performance analysis with a specific commentary on the latter.

In particular, the above Non-GAAP measures have been determined by isolating the “One-off property tax", "Restructuring costs" and "Property writedowns/revaluations", all of which are fully reconciled to amounts reported in the IFRS financial statements in Appendix A and described in more detail below.

3.1 Review of operating results

(Euro/million)	JUNE 2011	JUNE 2010
Consolidated revenues:	86.3	135.1
of which services	*80.1*	*79.9*
of which others	*6.2*	*55.2*
MANAGEMENT PLATFORM : EBIT before restructuring costs and property writedowns/revaluations	12.0	10.6
MANAGEMENT PLATFORM : net income from investments before restructuring costs and property writedowns/revaluations	0.9	0.6
TOTAL MANAGEMENT PLATFORM : EBIT including net income from investments before property tax, restructuring costs and property writedowns/revaluations	**12.9**	**11.2**
INVESTMENT : EBIT before restructuring costs and property writedowns/revaluations	(7.6)	(4.0)
INVESTMENT : net income from investments before restructuring costs and property writedowns/revaluations	8.9	(2.2)
INVESTMENT : income from shareholder loans **(1)**	13.9	12.9
TOTAL INVESTMENT: EBIT including net income from investments and income from shareholder loans before property tax, restructuring costs and property writedowns/revaluations	**15.2**	**6.7**
EBIT including net income from investments and income from shareholder loans before property tax, restructuring costs and property writedowns/revaluations	**28.1**	**17.9**
Financial expenses	(14.0)	(11.9)
EBIT before property tax, restructuring costs, property writedowns/revaluations and income taxes	**14.1**	**6.0**
One-off property tax	(8.9)	0.0
Restructuring costs	(2.0)	0.0
Property writedowns/revaluations	(3.6)	(18.3)
Profit (loss) before taxes	**(0.4)**	**(12.3)**
Income taxes	0.2	(8.1)
Net income (loss) before minority interests	**(0.2)**	**(20.4)**
Minority interests	0.7	(0.5)
Consolidated net income (loss)	**0.5**	**(20.9)**

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

The "one-off property tax" of 8.9 million euro reflects the Prelios share of this tax on investee real estate funds and is described in more detail in the section on "Risks and uncertainties" found later in this report.

"Restructuring costs" report voluntary redundancy costs, expenses for rationalizing the Group and its offices, any other one-off taxes due to the application of new tax rules, extraordinary charges arising from large settlements for tax litigation, and support, including with loans, of investee companies as going concerns as part of financial restructuring plans previously agreed or at an advanced stage of negotiation with financial backers and partners; this separate presentation demonstrates how such restructuring costs differ from the Group's ordinary operating activities. Restructuring costs amount to 2 million euro at June 30th, 2011 and refer to the restructuring of Prelios Credit Servicing.

"Property writedowns/revaluations" comprise adjustments to the value of Real Estate assets, thus excluding NPLs. They particularly include writedowns to property portfolios due to changes in market value, determined through independent appraisal or on the basis of expected sales discounts.

The consolidated net result at June 30th, 2011 was a profit of 0.5 million euro compared with a loss of 20.9 million euro in the first half of 2010.

EBIT including net income from investments and income from shareholder loans before property tax, restructuring costs and property writedowns/revaluations improved considerably, climbing to a positive 28.1 million euro from 17.9 million euro in the first half of 2010.

After financial expenses, the above result came to a positive 14.1 million euro at June 30th, 2011 versus a positive 6 million euro at June 30th, 2010.

Consolidated revenues were 86.3 million euro at June 30th, 2011 compared with 135.1 million euro at June 30th, 2010. In more detail, revenues from the management platform – the Prelios core business - amounted to 80.1 million euro at June 30th, 2011, essentially in line with the figure of 79.9 million euro reported at June 30th, 2010 and with the year-end target.

MANAGEMENT PLATFORM[10]

	JUNE 2011	JUNE 2010	Change 2011/2010
EBIT including net income from investments & income from shareholder loans before property tax, restructuring costs and property writedowns/revaluations.	12.9	11.2	+1.7
			+15%

At June 30th, 2011 fund & asset management activities, specialized services (property & project management and agency), and those relating to NPL management (credit servicing), inclusive of general and administrative expenses, reported 12.9 million euro in EBIT including net income from investments and income from shareholder loans before property tax, restructuring costs and property writedowns/revaluations, up from 11.2 million euro in the first half of 2010.

The improvement of 1.7 million euro on the prior year period is consistent with the objective of focusing on services, with the 15% increase in line with target growth, and reflects an increase in both the EBIT of consolidated companies (+1.4 million euro) and in the results of companies in which minority interests are held (+0.3 million euro).

INVESTMENT[11]

	JUNE 2011	JUNE 2010	Change 2011/2010
EBIT including net income from investments & income from shareholder loans before property tax, restructuring costs and property writedowns/revaluations.	15.2	6.7	+8.5

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

[11] Results from investment activities mean the net income generated by Prelios from its investments in real estate funds and companies and from non performing loans.

At June 30th, 2011 investment activities reported 15.2 million euro in EBIT including net income from investments and income from shareholder loans before restructuring costs and property writedowns/revaluations, compared with 6.7 million euro at June 30th, 2010. The result at June 2011 includes a positive contribution of 9.9 million euro (4.9 million euro at June 30th, 2010) for the operating results of the "Highstreet" venture, without which the result would have been 5.3 million euro (1.8 million euro at June 30th, 2010). This method of determining EBIT is based on criteria decided by management aimed at presenting the contribution from asset management activities on a consistent basis over time and in line with the figures relating to the Group's assets under management. It should also be noted that in 2010, following new agreements with the tenant and the financing banks, the Highstreet investment has been reported in the financial statements as a financial asset (IAS 39), in the expectation that its value will be recovered over a time period needed to divest this portfolio entirely. In view of this approach and considering the recoverable amount of the venture's net invested capital, a positive amount of 1.5 million euro has also been included in "property writedowns/revaluations".

***

Real estate sales[12] realized at June 30th, 2011 amounted to 1,109.3 million euro (Prelios share 311.5 million), compared with 562.1 million euro at June 30th, 2010 (Prelios share 165.1 million). The Company realized an average sales margin of around 5% on book value (and about 3% on market value) on transactions completed in the six months ended June 30th, 2011.

Rents[13] came to 284 million euro at June 30th, 2011 compared with 362.3 million euro at June 30th, 2010; the Prelios share of rents was 77.3 million euro (91.1 million euro at June 30th, 2010).

Consolidated revenues were 86.3 million euro at June 30th, 2011 compared with 135.1 million euro at June 30th, 2010.

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

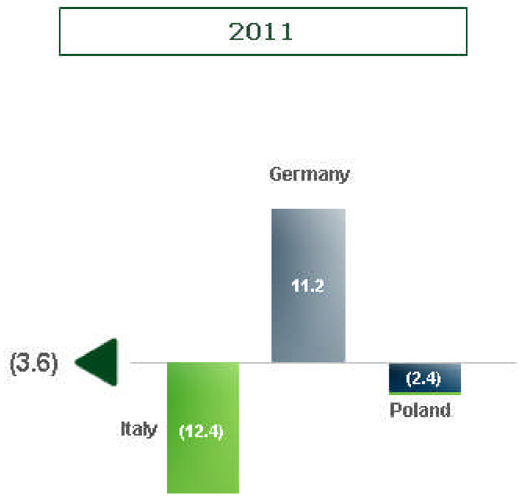
The Prelios share of property writedowns and revaluations at June 30th, 2011 was a net writedown of -3.6 million euro, of which -12.4 million euro in net writedowns against the property portfolio in Italy, +11.2 million euro in net revaluations of the property portfolio in Germany and -2.4 million euro in net writedowns against the property portfolio in Poland.

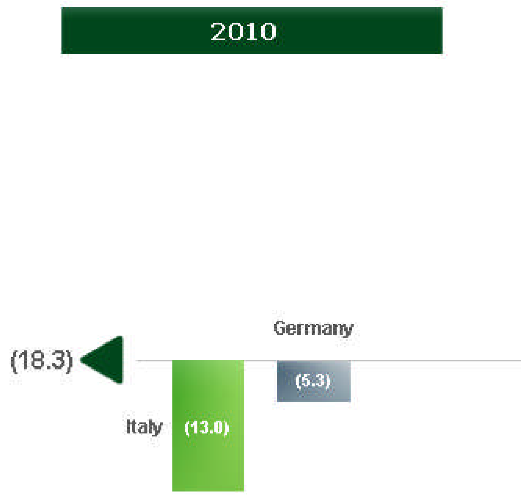
The following diagram shows the amount of writedowns against the property portfolio by country in each period:

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

[13] This is the sum of rents earned by consolidated companies plus 100% of the rents earned by associates, joint ventures and funds in which the Group has an interest of at least 5% at June 30th, 2011.

(Euro/mln)





3.2 Review of the balance sheet and financial position

(Euro/million)	JUNE 2011	DECEMBER 2010
Fixed assets	593.2	590.0
of which investments in real estate funds and investment companies (1)	*427.8*	*423.6*
of which goodwill	*148.1*	*148.1*
Net working capital	120.9	106.0
Net invested capital	714.1	695.9
Equity	600.9	589.6
of which group equity	592.0	579.8
Provisions	57.5	61.6
Net financial position	55.6	44.7
of which shareholder loans granted	(418.5)	(379.2)
Total covering net invested capital	714.1	695.9
Net financial position excluding shareholder loans granted	474.1	424.0
Net invested capital excluding shareholder loans granted	1,132.6	1,075.1
Gearing	0.79	0.72

(1) The figure includes investments in associates, joint ventures and others (415.2 million euro), investments in real estate funds (16.2 million euro, reported in "Other financial assets" in the consolidated balance sheet) and junior notes (1.2 million euro, reported in "Other financial assets" in the consolidated balance sheet) and includes provisions for investment writedowns of 4.8 million euro (8.8 million euro at December 31st, 2010).

Fixed assets amounted to 593.2 million euro June 30th, 2011, staying largely in line with 590.0 million euro at December 31st, 2010.

Net working capital was 120.9 million euro at June 30th, 2011 compared with 106 million euro at December 31st, 2010. The increase is due to the settlement of some 17.5 million euro in payables relating to the acquisition of a non performing loans portfolio from Banco di Sicilia.

Group equity was 592 million euro at June 30th, 2011 compared with 579.8 million euro at December 31st, 2010. The change reflects the consolidated net income for the period of 0.5 million euro and other variations (+11.7 million euro) mostly in connection with the reserve for interest rate hedges.

The following table presents the principal indicators for debt and related movement in the period[14]:

(Euro/million)	JUNE 2011	DECEMBER 2010
Total net financial position (1)	(55.6)	(44.7)
Shareholder loans granted	418.5	379.2
Net financial position excluding shareholder loans granted (2)	(474.1)	(424.0)
Gearing (3)	0.79	0.72

(1) Net financial position: this is considered to provide an accurate indicator of a business's ability to meet its financial obligations, represented by gross financial debt less cash and other cash equivalents and other financial receivables. In the Explanatory Notes, there is a chart that shows the balance sheet item used in the calculation.

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

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

The net financial position reported net debt of 55.6 million euro at June 30th, 2011 compared with net debt of 44.7 million euro at December 31st, 2010.

The net financial position excluding shareholder loans granted reported net debt of 474.1 million euro at June 30th, 2011 compared with 424 million euro at December 31st, 2010.

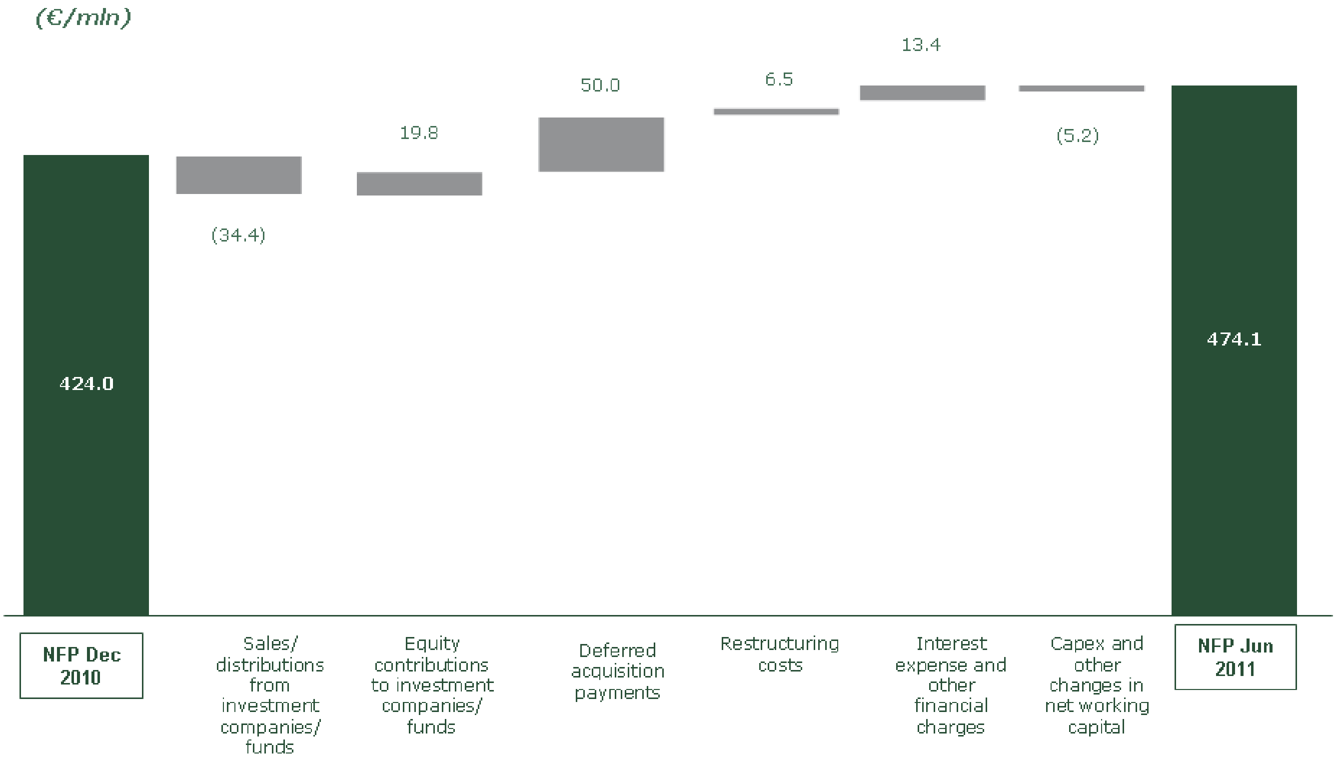
The increase of 50.1 million euro since December 31st, 2010 is primarily attributable to the combined effect of a reduction of 34.4 million euro in sales/distributions by investment companies and funds, net inflows associated with net working capital and other changes (5.2 million euro), a growth in borrowings to settle deferred acquisition costs (50 million euro), the payment of interest and other financial expenses (13.4 million euro), equity contributions to investment companies and funds (19.8 million euro), and the payment of restructuring costs (6.5 million euro).

Gearing was 0.79 compared with 0.72 at December 31st, 2010.

Prelios currently has 540 million euro in committed credit lines, with an average residual term of about 11 months, of which 390 million euro in bank facilities and 150 million euro in facilities provided by Pirelli & C..

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

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



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

(Euro/million)	JUNE 2011	JUNE 2010
EBIT before restructuring costs and property writedowns/revaluations	**4.4**	**6.6**
Amortization and depreciation	1.6	2.7
Change in non-current financial assets /sale of investments	8.0	6.6
Change in other non-current assets	(0.7)	(0.3)
Change in net working capital and provisions and other changes	(18.9)	(28.9)
Net cash flow from operating activities	**(5.7)**	**(13.3)**
Payment of restructuring costs	(6.5)	(7.5)
Financial and tax expenses/income	2.6	2.4
Net cash flow before dividends	**(9.5)**	**(18.5)**
Capital increase/dividends	(1.3)	(1.9)
Total net cash flow	**(10.8)**	**(20.4)**
Change in shareholder loans	(39.3)	13.9
Total net cash flow including change in shareholder loans	**(50.1)**	**(6.5)**

The following information relates to the financial position of investment companies and funds in which Prelios has invested.

Net bank debt of funds and investment companies

The net bank debt of funds and investment companies invested in by Prelios was 8.1 billion euro[15] at June 30th, 2011, of which 7.0 billion euro relating to real estate and 1.1 billion euro relating to NPLs.

Prelios's total share of the bank debt of these funds and investment companies was 2.2 billion euro, of which some 1.8 billion euro relating to real estate and around 0.4 billion euro to NPLs.

The main characteristics of the real estate net debt of the investment companies and funds are:

- a very limited amount of recourse guarantees (the Prelios share is 22.5 million euro);

- a high level of interest rate hedging and an average residual life of around 2.4 years (the Prelios share is 2.3 years).

More details can be found in Appendix B to this report.

The Prelios share of average bank leverage (excluding NPLs) represents 65% of the market value of the assets, generally providing a margin of safety in relation to existing covenants.

The value of debt by cluster is discussed in the paragraph on "representation of the real estate portfolio", while Appendix B to this report provides information on the technical form of the debt, as well as on its average contractual maturity.

[15] Excludes 0.5 billion euro relating to the Cloe and Armilla funds classified as third-party funds because the Prelios interest is less than 5%.

4. 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)	June 2011	June 2010
Revenues from sales and services	86.3	135.1
Changes in inventories of work in progress, semi-finished and finished products	0.3	(1.2)
Other income	8.3	17.1
Total operating revenues	**94.9**	**151.0**
Raw and consumable materials used (net of change in inventories)	(3.5)	(35.9)
Personnel costs	(37.5)	(34.3)
Depreciation, amortization and impairment	(1.6)	(2.7)
Other costs	(49.8)	(72.7)
Total operating costs	**(92.4)**	**(145.5)**
Earnings before interest and tax (EBIT)	**2.5**	**5.5**
Net income from investments	(6.2)	(18.8)
Financial income	20.8	14.4
Financial expenses	(14.9)	(13.4)
Result before income taxes and minority interests	**2.2**	**(12.4)**
Income taxes	(2.4)	(8.0)
Net income (loss) for the period	**(0.2)**	**(20.4)**
attributable to minority interests	(0.7)	0.5
Consolidated net income (loss) for the period	**0.5**	**(20.9)**

Revenues from sales and services amounted to 86.3 million euro at June 30th, 2011 compared with 135.1 million euro at June 30th, 2010.

Other income came to 8.3 million euro at June 30th, 2011 compared with 17.1 million euro at June 30th, 2010. This mostly refers to the recharge to tenants of management costs relating to the Group's own property or property managed on behalf of third parties.

Raw and consumable materials used (net of change in inventories) were 3.5 million euro at June 30th, 2011 compared with 35.9 million euro at June 30th, 2010. This amount includes the purchase of properties in relation to the Group's business: in 2010 it included 31.7 million euro for the purchase of a retail and office complex known as "Geschäftshaus Osnabrück", located in Osnabrück in the north-west of Germany and subsequently sold to third parties.

Personnel costs amounted to 37.5 million euro at June 30th, 2011 compared with 34.3 million euro at June 30th, 2010.

Other costs amounted to 49.8 million euro at June 30th, 2011 compared with 72.7 million euro at June 30th, 2010. Other costs comprise the costs for maintenance services, commissions, consulting, office rental, provisions for risks and other operating expenses.

The decrease is partly due to fewer construction costs and one-off charges than in the prior period.

EBIT was a positive 2.5 million euro at June 30th, 2011 compared with a positive 5.5 million euro at June 30th, 2010.

Net income from investments was a negative 6.2 million euro at June 30th, 2011 compared with a negative 18.8 million euro at June 30th, 2010. This amount includes the negative impact of 3.7 million euro in net property writedowns compared with a similarly negative amount of 17.2 million euro in the prior year equivalent period.

Financial income includes 11.4 million euro in writebacks to the "Highstreet" loan: excluding this amount, financial income and financial expenses reported a net negative balance of 5.5 million euro at June 30th, 2011 compared with a net positive balance of 1 million euro at June 30th, 2010. In particular, the growth in financial expenses was partly due to an increase in interest expense payable to banks and Pirelli & C. S.p.A..

5. PORTFOLIO MANAGED - ASSETS UNDER MANAGEMENT AND REAL ESTATE NET ASSET VALUE AT JUNE 30TH, 2011

The following analyses relate to the portfolio managed and invested in by the Group through investment companies or real estate funds (with values reported on a 100% basis and for the Prelios interest share). Assets Under Management correspond to the value of assets managed and are stated, except for non performing loans which are reported at book value[16], at the values appraised by independent experts at period end[17].

This measure, when specifically referring to the Prelios share, expresses the Group's interest in the market value of the assets and in the book value of the non performing loans owned by the Group.

Real Estate Assets Under Management

The information reported below, relating to portfolios managed by the Group at June 30th, 2011, is taken from valuations performed by CB Richard Ellis for the entire portfolio, with the exception of:

- the Armilla Fund, Manifatture Milano, Tizian Wohnen 1, Tizian Wohnen 2 and Mistral Real Estate, all valued by Reag;
- the assets of DGAG and BauBeCon, valued by Jones Lang La Salle;
- the Immobiliare Pubblico Regione Siciliana Fund (FIPRS) and the Olinda Fund, valued by Scenari Immobiliari;
- the land portfolio owned by Nowe Ogrody 4, valued by BUTW;
- the Progetto Uffici Fund, valued by DTZ;
- the Enasarco, Fedora, Monteverdi, Anastasia and Tecla Funds, valued by Patrigest;
- the Cloe, Hospitality & Leisure and Clarice Funds, valued by K2Real;
- Coimpex, valued by Cushman & Wakefield;
- Highstreet, appraised by Cushman & Wakefield.

The valuations have been performed by individual property using different methods.

The Discounted Cash Flow method, which discounts cash flow from leases using a discount factor reflecting the specific risks associated with the investment (terminal value at the end of the letting period is obtained by capitalizing market rents for the business and/or commercial properties), is the most widely used for commercial and residential property in Germany; instead, the terminal value of residential property in Italy is obtained using the comparative method. As regards projects in progress and land for development, the transformation method is used, by discounting the costs and revenues of the development based on the current stage of advancement of the project and therefore ignoring the profits generated relative to the theoretical end product value.

[16] Figures at purchasing costs net of devaluation..

[17] The amounts thus determined exclude the deduction of any discounts arising under sales mandates aimed at accelerating real estate portfolio divestment.

Assets under management[18] amounted to 13.6 billion euro at June 30th, 2011 (14.6 billion euro at December 31st, 2010), of which the Prelios share was 3.3 billion euro (3.6 billion euro at December 31st, 2010). Assets under management comprise 12.3 billion euro in real estate (13.2 billion euro at December 31st, 2010) and 1.3 billion euro in non performing loans (1.4 billion euro at December 31st, 2010). In terms of asset allocation by geographical area, of the 12.3 billion euro in real estate, 50% is managed in Italy, 49% in Germany and 1% in Poland, basically staying in the same proportion as at December 31st, 2010.

The amount of non-investee real estate rose from 1.3 billion euro in December 2010 to 2.2 billion euro[19] at the end of June 2011, representing 17% of the total book value of Real Estate Assets Under Management.

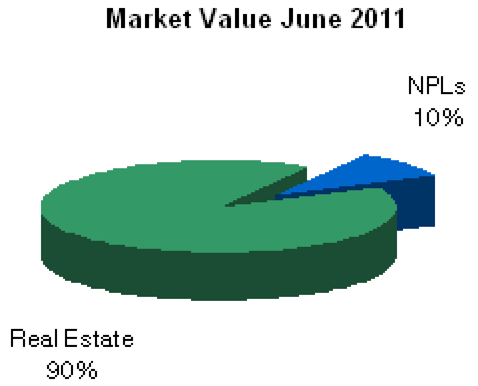
Based on independent appraisals and any sales discounts instructed to intermediaries, like-for-like market values of investee assets experienced a slight revaluation in the period. In more detail, the real estate portfolio in Italy was written down on average by around 1.6%, while in Germany and Poland it was revalued on average by about 2%.

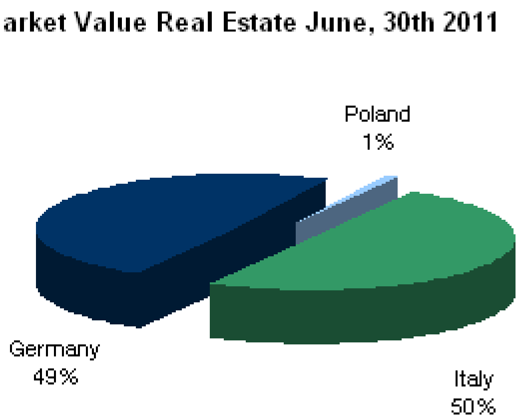
The decrease over the period of about 0.9 billion euro in the market value of assets under management is represented in the following diagram (aggregate amounts).

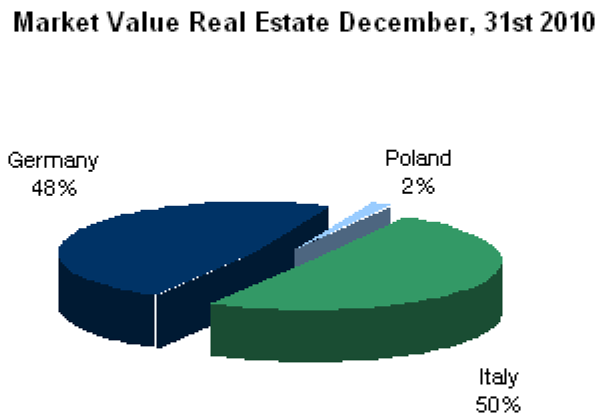
[18] Assets under management are stated at market value on the basis of valuations and analyses by independent appraisers, except for the NPLs which are reported at book value. The market values established by the independent experts do not take account of possible acceleration of sales plans on normally reasonable times needed for such activity for that type of asset in its current market, or of any discounts for block sales; both such events could occur in specific, extraordinary circumstances.

[19] Includes the reclassification of the Cloe and Armilla funds (in which the Prelios interest is less than 5%) which has raised the percentage of funds managed for third parties from 11% to 17% of total AUM.

As shown in the following charts, at June 30th, 2011 asset allocation at market value by product and geographical area was in line with that at December 31st, 2010 (aggregate amounts).

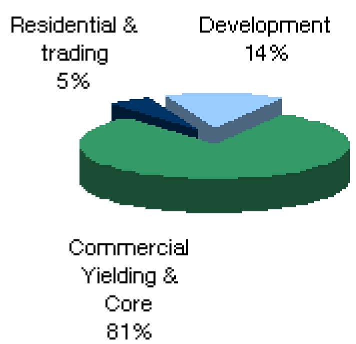




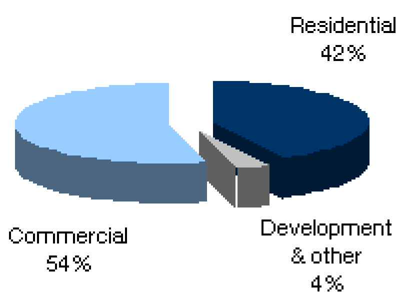


The following charts show how Assets Under Management at market value are broken down by geographical area at June 30th, 2011 (aggregate amounts):

ITALY
AUM 6.1 bn/euro:
3.9 bn/euro investee
2.2 bn/euro non investee



GERMANY & POLAND
AUM 6.2 bn/euro



Development projects and sites under management are valued at 1,020 million euro at June 30th, 2011, of which 688 million euro refers to land and 332 million euro to development. The Prelios share is approximately 40%, corresponding to roughly 404 million euro out of total assets under management relating to investee funds and investment companies, excluding non performing loans, of 2.9 billion euro. Development activities and sites therefore represent about 14% of Prelios's total investments.

The Group takes part in site and development projects by investing with sizeable minority stakes in joint ventures with major national and international partners, and by providing asset management, property management and agency services.

The sites and developments of the various joint ventures in which Prelios has invested are provided with financial resources from their inception, of which 50%-70% from major national and international banks and the remainder from shareholders in the form of equity and shareholder loans.

The bank lending, solely of the non-recourse kind, is usually structured in two lines with secured guarantees: the first to purchase the site and the second for drawdown as work progresses (capitalization line).

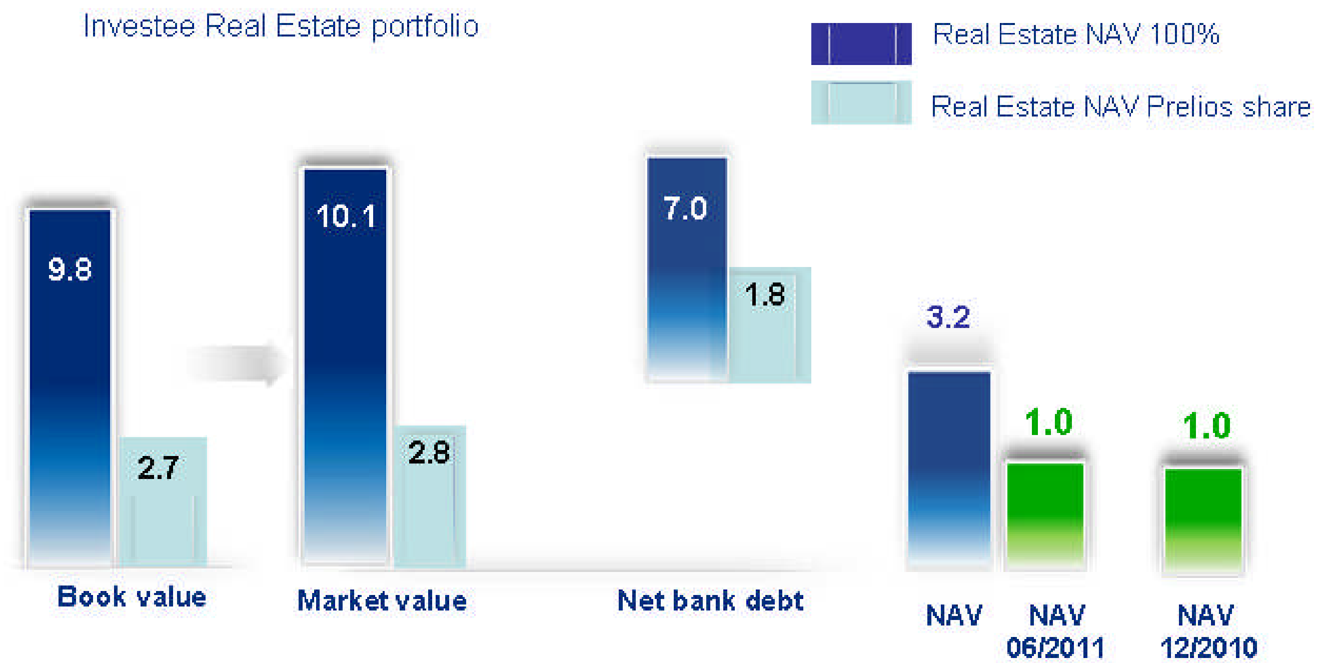
The principal projects currently in progress are:

- Manifatture Milano (Prelios 50%): site adjoining the Bicocca area (North Milan). A total of 68,000 sqm will be developed for the following purposes: Residential, Hotel, Commercial.

  The site has a market value of 83.5 million euro versus a book value of 81.8 million euro. Development activity is being managed under a joint venture with Fintecna Immobiliare.
- Trixia (Prelios 36%): sales activity continues after completing construction of the last lot of the Malaspina housing development in Pioltello. The cost at June 30th, 2011 is 31.8 million euro, against a market value of 37.2 million euro.
- Inim 2 (Prelios 25%): having completed the section for RCS, the investment company is left with a partially built area of around 40,000 sqm in gross floor space for productive, tertiary and commercial use.
- The ex-Lucchini site in Warsaw, Poland, with a book value of 44 million euro, in which the Prelios interest is 34%. The current focus is to get the master plan approved which is expected will result in a potential developable area of approximately 720,000 sqm.

<u>Real Estate Net Asset Value and Implicit Capital Gain as per independent appraisals.</u>

The Net Asset Value of Prelios's co-investments at June 30th, 2011 has been valued at around 1 billion euro, excluding non performing loans stated at book value, and is unchanged on the figure at December 31st, 2010. This value is the difference between the Prelios share of asset value determined by independent experts (2.9 billion euro) and its share of the net bank debt of investee funds and investment companies (1.8 billion euro).



Of the total book value of 9.8 billion euro relating to investee funds and investment companies (of which the Prelios share is 2.8 billion euro), approximately 3.8 billion euro (Prelios share of 1.4 billion euro) refers to investment property carried at fair value (IAS 40).

At June 30th, 2011 the Prelios share of Net Asset Value was approximately 1 billion euro.

The following table reports Real Estate Net Asset Value at the end of June 2011 and at the end of December 2010:

(Euro/billion)

	JUNE 2011 - 100% -				DECEMBER 2010 - 100% -			
	Market value	Book value	Net bank debt	Net Asset Value	Market value	Book value	Net bank debt	Net Asset Value
Investee real estate investment companies and funds	10,1	9,8	7,0	**3,2**	11,9	11,4	8,3	**3,6**
Non-investee real estate investment companies and funds	2,2	2,0			1,3	1,3		
TOTAL REAL ESTATE	**12,3**	**11,8**	**7,0**		**13,2**	**12,7**	**8,3**	
NPL (*)	*1,3*	*1,3*	*1,1*		*1,4*	*1,4*	*1,3*	
TOTAL ASSETS UNDER MANAGEMENT	**13,6**	**13,1**	**8,1**		**14,6**	**14,1**	**9,6**	

	JUNE 2011 - PRELIOS SHARE -				DECEMBER 2010 - PRELIOS SHARE -			
	Market value	Book value	Net bank debt	Net Asset Value (**)	Market value	Book value	Net bank debt	Net Asset Value
Investee real estate investment companies and funds	2,9	2,7	1,9	**1,0**	3,1	3,0	2,1	**1,0**
Non-investee real estate investment companies and funds	0,0	0,0			0,0	0,0		
TOTAL REAL ESTATE	**2,9**	**2,7**	**1,9**		**3,1**	**3,0**	**2,1**	
NPL (*)	*0,4*	*0,4*	*0,4*		*0,4*	*0,4*	*0,4*	
TOTAL ASSETS UNDER MANAGEMENT	**3,3**	**3,2**	**2,3**		**3,6**	**3,5**	**2,5**	

(*) The value of non performing loans included in the "market value" columns is equal to acquisition value net of writedowns, being the value used to state these assets for the purposes of calculating assets under management and NAV.
(**) For calculation purposes, consolidated assets have been treated as entirely funded by own resources.

Representation of the real estate portfolio

The following tables present information on profitability by cluster on a 100% basis and for the Prelios share, and particularly provide details of rental income and the related vacancy rates. "Passing rent" is rent annualized on the basis of contracts existing at the end of the period for assets owned by the fund/company; "passing yield" is determined as the ratio of passing rent to the net book value of fund/company assets; the "vacancy" rate is calculated as the ratio of vacant square metres to total company/fund assets.

Profitability of AUM of investee funds and investment companies (100%)

Jun-11	PRELIOS Share	Passing Rent	Passing Yield	Vacancy	Book Value	Market Value	Net Bank Debt
Fondo TECLA	44.8%	31,097	5.9%	13.4%	526,732	526,730	309,906
FONDO RETAIL & ENTERTAINMENT	31.6%	1,429	5.0%		28,746	30,300	(24,798)
Fondo FIRPS	22.0%	20,741	7.3%		285,501	288,930	177,255
Fondo Raissa	35.0%	19,098	7.1%		270,149	280,410	87,464
Fondo Olinda	11.3%	29,387	5.8%	14.4%	509,843	549,110	240,639
Dolcetto Tre S.r.l.	33.0%	1,426	10.5%		13,554	19,250	10,841
Fondo Monteverdi	49.3%	6,171	7.3%	49.4%	84,632	86,368	23,140
FONDO SPAZIO INDUSTRIALE	22.1%	26,816	7.0%	6.7%	380,818	389,300	174,581
FONDO HOSPITALITY & LEASURE	35.0%	9,082	10.5%		86,288	88,600	80,624
TOTAL Italy		145,248	6.6%	9.7%	2,186,263	2,258,998	1,070,445
Commercial Germany		**196,859**	**5.9%**	**4.2%**	**3,364,996**	**3,366,733**	**2,908,003**
Mistral Properties	35.0%	6,012	6.5%	9.4%	92,413	94,150	46,672
Highstreet	12.1%	190,846	5.8%	4.1%	3,272,583	3,272,583	2,861,331
Residential Yielding Germany		**179,760**	**6.8%**	**3.7%**	**2,641,234**	**2,651,171**	**2,024,856**
DGAG - Residential+Special Properties	40.0%	67,080	7.2%	2.3%	929,596	933,136	654,278
BIB	40.0%	93,744	6.6%	4.5%	1,424,237	1,426,480	1,177,322
Small Deals	40 /49.9%	18,936	6.6%	4.4%	287,402	291,554	193,256
TOTAL Germany		376,619	6.3%	4.0%	6,006,230	6,017,904	4,932,859
TOTAL YIELDING PORTFOLIO		521,866	6.4%	5.5%	8,192,493	8,276,902	6,003,303
Trading ITA		**11,364**	**n.m.**	**n.m.**	**740,583**	**838,077**	**474,880**
Development ITA		**2,423**	**n.m.**	**n.m.**	**735,382**	**796,706**	**398,953**
Development Germany		**1,569**	**n.m.**	**n.m.**	**52,814**	**57,964**	**19,577**
Development Poland		**44**	**n.m.**	**n.m.**	**114,457**	**165,123**	**59,250**
OTHER PORTFOLIO		15,400			1,643,236	1,857,870	952,660
GRAND TOTAL REAL ESTATE		**537,266**	**5.5%**		**9,835,729**	**10,134,772**	**6,955,963**

Profitability of AUM of investee funds and investment companies (Prelios share)

Jun-11	PRELIOS Share	Passing Rent Prelios share	Passing Yield	Vacancy	Book Value Prelios share	Market Value Prelios share	Net Bank Debt Prelios share
Fondo TECLA	44.8%	13,931	5.9%	13.4%	235,976	235,975	144,392
FONDO RETAIL & ENTERTAINMENT	31.6%	452	5.0%		9,084	9,575	(7,836)
Fondo FIRPS	22.0%	4,555	7.3%		62,696	63,449	45,227
Fondo Raissa	35.0%	6,684	7.1%		94,552	98,144	30,613
Fondo Olinda	11.3%	3,321	5.8%	14.4%	57,612	62,049	27,192
Dolcetto Tre S.r.l.	33.0%	471	10.5%		4,473	6,353	3,578
Fondo Monteverdi	49.3%	3,040	7.3%	49.4%	41,686	42,541	11,398
FONDO SPAZIO INDUSTRIALE	22.1%	5,932	7.0%	6.7%	84,237	86,113	38,617
FONDO HOSPITALITY & LEASURE	35.0%	3,179	10.5%		30,201	31,010	28,218
TOTAL Italy		41,563	6.7%	10.7%	620,517	635,209	320,444
Commercial Germany		**25,673**	**6.0%**	**4.6%**	**429,779**	**430,390**	**360,631**
Mistral Properties	35.0%	2,581	7.6%	10.9%	33,797	34,408	14,975
Highstreet	12.1%	23,092	5.8%	4.1%	395,983	395,983	345,656
Residential Yielding Germany		**72,700**	**6.7%**	**3.7%**	**1,077,138**	**1,081,311**	**819,489**
DGAG - Residential+Special Properties	40.0%	26,832	7.1%	2.3%	380,418	381,834	261,711
BIB	40.0%	37,498	6.6%	4.5%	569,695	570,592	470,929
Small Deals	40 /49.9%	8,371	6.6%	4.4%	127,025	128,885	86,849
TOTAL Germany		98,374	6.5%	4.0%	1,506,917	1,511,702	1,180,121
TOTAL YIELDING PORTFOLIO		139,937	6.6%	5.9%	2,127,434	2,146,910	1,500,565
Trading ITA		**4,037**	**n.m**	**n.m**	**262,368**	**299,775**	**163,722**
Development ITA		**606**	**n.m**	**n.m**	**290,687**	**316,684**	**156,034**
Development Germany		**2,277**	**n.m**	**n.m**	**25,654**	**27,365**	**10,805**
Development Poland		**16**	**n.m**	**n.m**	**43,174**	**60,528**	**23,683**
OTHER PORTFOLIO		6,936			621,884	704,352	354,244
GRAND TOTAL REAL ESTATE		**146,873**	**5.3%**		**2,749,318**	**2,851,263**	**1,854,809**

The Prelios Group's income-generating real estate portfolio has a market value of 8.3 billion euro (of which the Prelios share is 2.15 billion euro) and a book value of 8.2 billion euro (of which the Prelios share is 2.13 billion euro), and generates annual rental income of 139.9 million euro (521.9 million euro on a 100% aggregate basis). The portfolio's top 10 tenants, accounting for almost 37% of rents attributable to Prelios, are: Karstadt (Highstreet), Telecom, Region of Sicily, Valtur, Conforama Italy, Vodafone, Bulgari, Eni, Manutencoop Facility Management and Virgin Active Italy.

TOTAL

CATEGORY	Book value	Book value Prelios share	Method	Market value	Market value Prelios share	Appraisal date
Development projects	1,046,400	377,467	ias2/ias40	1,160,293	421,151	30/06/2011
of which Commercial	648,218	189,960		684,954	199,752	
of which Commercial IAS 40	0	0		0	0	
of which Residential	349,522	163,176		426,679	197,069	
of which Other	48,660	24,330		48,660	24,330	
Investment property	3,754,663	1,432,586	ias40	3,790,918	1,444,668	30/06/2011
of which Commercial	1,318,032	459,197		1,340,020	466,041	
of which Residential	2,436,631	973,389		2,450,898	978,626	
of which Other	0	0		0	0	
Trading property	5,034,666	939,270	ias2	5,183,562	985,444	30/06/2011
of which Commercial	4,089,480	573,147		4,145,211	582,984	
of which Commercial IAS 40	0	0		0	0	
of which Residential/SOHO	945,186	366,122		1,038,350	402,460	
of which Other	0	0		0	0	
Other (NPL)	1,288,573	474,214		1,288,573	474,214	30/06/2011
Third-party funds	0	0		0	0	
Total	**11,124,302**	**3,223,537**		**11,423,345**	**3,325,477**	
w/o NPL & Third parties	**9,835,729**	**2,749,323**		**10,134,772**	**2,851,263**	

ITALY

CATEGORY	Book value	Book value Prelios share	Method	Market value	Market value Prelios share	Appraisal date
Development projects	879,128	308,638	ias2/ias40	937,206	333,258	30/06/2011
of which Commercial	595,404	164,306		626,990	172,387	
of which Commercial IAS 40	0	0		0	0	
of which Residential	235,065	120,002		261,556	136,541	
of which Other	48,660	24,330		48,660	24,330	
Investment property	1,426,380	490,033	ias40	1,453,870	498,443	30/06/2011
of which Commercial	1,318,032	459,197		1,340,020	466,041	
of which Residential/Soho	108,348	30,836		113,850	32,402	
of which Other	0	0		0	0	
Trading property	1,356,719	374,901	ias2	1,502,705	419,967	30/06/2011
of which Commercial	724,485	143,368		778,478	152,593	
of which Residential/Soho	632,234	231,533		724,227	267,374	
of which Other	0	0		0	0	
Other (NPL)	1,288,573	474,214		1,288,573	474,214	30/06/2011
Third-party funds	0	0		0	0	
	0	23,036		0		
Total Italy	**4,950,801**	**1,647,786**		**5,182,354**	**1,725,882**	
w/o NPL & Third parties	**3,662,228**	**1,173,572**		**3,893,781**	**1,251,668**	

GERMANY

CATEGORY	Book value	Book value Prelios share	Method	Market value	Market value Prelios share	Appraisal date
Development projects	52,814	25,654	ias2/ias40	57,964	27,365	30/06/2011
of which Commercial	52,814	25,654		57,964	27,365	
of which Commercial IAS 40	0	0		0	0	
of which Residential	0	0		0	0	
of which Other	0	0		0	0	
Investment property	2,328,283	942,553	ias40	2,337,048	946,225	30/06/2011
of which Commercial	0	0		0	0	
of which Residential/Soho	2,328,283	942,553		2,337,048	946,225	
of which Other	0	0		0	0	
Trading property	3,677,947	564,369	ias2	3,680,856	565,477	30/06/2011
of which Commercial	3,364,996	429,779		3,366,733	430,390	
of which Residential/Soho	312,951	134,590		314,123	135,087	
of which Other	0	0		0	0	
Other (NPL)	0	0		0	0	
Third-party funds	0	0		0	0	
Total Germany	**6,059,044**	**1,532,576**		**6,075,868**	**1,539,066**	

POLAND

CATEGORY	Book value	Book value Prelios share	Method	Market value	Market value Prelios share	Appraisal date
Development projects	114,457	43,174	ias2/ias40	165,123	60,528	30/06/2011
of which Commercial	0	0		0	0	
of which Commercial IAS 40						
of which Residential	114,457	43,174		165,123	60,528	
of which Other	0	0		0	0	
Investment property	0	0	ias40	0	0	
of which Commercial	0	0		0	0	
of which Residential/Soho	0	0		0	0	
of which Other	0	0		0	0	
Trading property	0	0	ias2	0	0	
of which Commercial	0	0		0	0	
of which Residential/Soho	0	0		0	0	
of which Other	0	0		0	0	
Other (NPL)	0	0		0	0	
Third-party funds	0	0		0	0	
Total Poland	**114,457**	**43,174**		**165,123**	**60,528**	

6. DIVISIONAL PERFORMANCE

6.1 Financial highlights by geographical area – review of performance –

This section examines the results from Real Estate (by geographical area) and NPLs, distinguishing between income/costs from the management platform and income/costs from investment activities[20].

Unless otherwise stated, all the amounts are reported in millions of euro.

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

(Euro/million)	Italy		Germany		Poland		NPL		G&A		TOTAL			
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011		2010	
Management Platform	17.0	15.2	5.3	2.8	(1.8)	(0.9)	(2.6)	(0.6)			17.9	12.9	16.5	11.2
General & administrative expenses									(5.0)	(5.2)	(5.0)		(5.2)	
Investment	7.0	2.8	12.4	4.3	(1.2)	1.1	(3.0)	(1.5)			15.2		6.7	
Total EBIT including net income from investments and income from shareholder loans before property tax, restructuring costs and property writedowns/revaluations (1)	24.0	18.0	17.7	7.1	(3.0)	0.2	(5.6)	(2.1)	(5.0)	(5.2)	28.1		17.9	

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

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

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

6.1.1 Italy Real Estate

Financial highlights

Euro/million

	JUNE 2011	JUNE 2010
Management Platform		
Total revenues	42.8	40.3
RESULT (*)	17.0	15.2
Investment		
EBIT from investment companies and funds	4.9	0.0
Financial income from shareholder loans	2.2	2.8
RESULT (*)	7.0	2.8
Total Italy	**24.0**	**18.0**

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

The Italy real estate result was a positive 24 million euro at June 30th, 2011, reporting an improvement on the figure of 18 million euro at June 30th, 2010; the result comprises 17 million euro in net income from the management platform, up from 15.2 million euro in the prior year equivalent period, and 7.0 million euro in net income from investment activities, improving from 2.8 million euro in the prior year equivalent period.

Real estate sales[21] amounted to 627.6 million euro at June 30th, 2011, up from 460.9 million euro at June 30th, 2010. The gross sales margin[22] on sales realized at June 30th, 2011 was 7.4% (3.0% at June 30th, 2010). Rents[23] totalled 87.0 million euro (135.7 million euro in 2010).

[21] This is the sum of real estate sales by consolidated companies plus 100% of the real estate sales by associates, joint ventures and funds in which the Group has interests.
[22] This expresses the related gross capital gains as a percentage of sales. The capital gains are realized by consolidated companies, associates, joint ventures and funds in which the Group has interests.
[23] 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 an interest of at least 5% at June 30th, 2011.

6.1.2 Germany Real Estate

Financial highlights

Euro/million

	JUNE 2011	JUNE 2010
Management Platform		
Total revenues	28.7	28.5
RESULT (*)	5.3	2.8
Investment		
EBIT from investment companies	3.1	(3.6)
Financial income from shareholder loans	9.2	7.9
RESULT (*)	12.4	4.3
Total Germany	**17.7**	**7.1**

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

The Germany real estate result was a positive 17.7 million euro at June 30th, 2011, up from 7.1 million euro at June 30th, 2010; the result comprises 5.3 million euro in net income from the management platform compared with 2.8 million euro in the prior year equivalent period, and 12.4 million euro in net income from investment activities (of which 9.9 million euro related to the "Highstreet" writeback), improving from 4.3 million euro in the prior year equivalent period, when the "Highstreet" contribution was 4.9 million euro.

Real estate sales[24] amounted to 478.7 million euro at June 30th, 2011 compared with 76.6 million euro at June 30th, 2010. The gross sales margin[25] realized at June 30th, 2011 was 2.7% (14.7% at June 30th, 2010, which had included a 33% margin on the sale of just one asset). Rents[26] totalled 196.9 million euro (226.8 million euro in 2010).

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

6.1.3 Poland Real Estate

Financial highlights

Euro/million

	JUNE 2011	JUNE 2010
Management Platform		
Total revenues	0.8	1.5
RESULT (*)	(1.8)	(0.9)
Investment		
EBIT from investment companies	(2.2)	0.2
Financial income from shareholder loans	0.9	0.9
RESULT (*)	(1.2)	1.1
Total Poland	**(3.0)**	**0.2**

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

The Poland real estate result was a negative 3 million euro at June 30th, 2011 compared with a positive 0.2 million euro at June 30th, 2010; the result comprises 1.8 million euro in net losses from the management platform, compared with a net loss of 0.9 million euro in the prior year equivalent period, and 1.2 million euro in net losses from investment activities, compared with net income of 1.1 million euro in the prior year equivalent period.

The above figures reflect the substantial conclusion of property development sales, while the process of obtaining planning permission for certain sites still owned is currently being completed.

Real estate sales[27] amounted to 3 million euro at June 30th, 2011 compared with 24.6 million euro at June 30th, 2010. The gross sales margin[28] was 5.4 %, in line with the margin at June 30th, 2010.

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

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

6.1.4 Non performing loans

Financial highlights

Euro/million	JUNE 2011	JUNE 2010
Management Platform		
Total revenues and income	5.6	8.4
RESULT (*)	(2.6)	(0.6)
Investment		
EBIT from investment companies	(4.6)	(2.8)
Financial income from shareholder loans	1.6	1.3
RESULT (*)	(3.0)	(1.5)
Total Non Performing Loans	**(5.6)**	**(2.1)**

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

The result for non performing loans was a negative 5.6 million euro at June 30th, 2011 compared with a negative 2.1 million euro at June 30th, 2010; the result comprises 2.6 million euro in net losses from the management platform, compared with a net loss of 0.6 million euro in the prior year equivalent period, and 3 million euro in net losses from investment activities, compared with a net loss of 1.5 million euro in the prior year equivalent period.

NPL collections[29] came to 97.3 million euro in the first half of 2011, compared with 142.3 million euro at June 30th, 2010.

[29] This is the sum of NPLs collected by consolidated companies plus 100% of those collected by associates and joint ventures in which the Group has interests.

7. RISKS AND UNCERTAINTIES

Despite the difficult macroeconomic context, which has hit the real estate sector particularly hard, the Company believes that, as things currently stand, there are no factors that can compromise its ability to continue as a going concern.

Financial risks

The Group is exposed to risks of a financial nature, primarily associated with the raising of financial resources on the market, fluctuations in interest rates and the ability of its customers to meet their obligations to the Group.

The management of financial risks is an essential part of the Group's activity and is carried out centrally on the basis of guidelines established by the Finance & Advisory department. These guidelines aim to ensure that financial risks are governed (identified, estimated and managed) through appropriate policies and procedures in compliance with the Group's attitude towards risk.

Currency risk

The Group is active internationally in Europe and has a minimal exposure to exchange rate risk arising from positions in currencies other the euro, namely the Polish zloty. This risk is managed by Group Treasury and relates solely to receivables for shareholder loans to joint ventures for real estate projects in Poland.

Liquidity risk

The principal instruments used by the Group for managing the risk of there being insufficient financial resources to meet financial and trade obligations in the agreed manner on the agreed due date are one and three-year financial plans and treasury plans, which allow cash receipts and payments to be fully and properly identified and measured. Such plans are particularly influenced by the realization of disposal plans in the timeframe and for an amount that is consistent with cash outflows forecast to repay the loans contracted to finance such investments. Any differences between actual and plan figures are always analyzed.

Prudent management of liquidity risk implies the maintenance of an adequate level of cash and/or readily sold short-term securities and/or access to funds in the form of a sufficient amount of credit lines. Given the dynamic nature of the business in which it operates, the Group prefers flexible sources of finance in the form of credit facilities.

The Group has implemented a centralized system for managing receipts and payments which complies with local currency and tax regulations. Bank relationships are negotiated and managed centrally in order to ensure that short and medium-term financial needs are satisfied at the lowest possible cost. The raising of medium/long-term funds on capital markets is also optimized through centralized management.

The Group has also implemented a system to monitor the risks associated with recourse guarantees given to investee companies.

Interest rate risk

The Group's policy is to seek to maintain a correct ratio between fixed-rate and floating-rate debt.

The Group manages interest rate risk relating to its floating-rate corporate debt by offsetting (around 45%) against floating-rate financial receivables (namely shareholder loans granted to investee companies).

Derivatives are used to hedge 78% (69% Prelios share) of investee company exposure.

Price risk

Only the Group's investment activities are exposed to price risk in relation to real estate market price trends.

Credit risk

The Group's exposure to credit risk is represented by its exposure to potential losses arising from the failure of both trade and financial counterparties to discharge their obligations.

For the purpose of limiting this risk Prelios constantly monitors individual customer positions, and analyzes expected and actual cash flows in order to take swift credit recovery actions if required.

As for financial counterparties used for managing temporarily surplus cash or for negotiating derivatives, the Group only uses the services of high credit-rated institutions.

The Group does not have significant concentrations of credit risk.

Risks associated with human resources

The Group is exposed to the risk of losing key resources that could have a negative impact on future results. In order to counter this risk the Group adopts incentive policies that are periodically revised, also depending on the general macroeconomic context.

In addition, the effectiveness of any restructuring measures involving a reduction in headcount could be limited by existing legal and union restrictions in the various countries where the Group operates.

Tax risks

- Legislative Decree 70/2011:new tax rules for real estate investment funds

Legislative Decree 70 approved on May 5th, 2011 and published in Italy's Official Gazette on May 13th, 2011 (converted into Law 106 on July 12th, 2011, hereafter the "Law") addresses the major changes in the tax rules applying to real estate investment funds contained in art. 32 of Legislative Decree 78/2010.

The new tax rules can be summarized as follows:

As from 2011 a "transparent" tax treatment will apply to resident persons, under which the annual income "earned" by a fund will form part of the overall income of each participant. Instead, a 20% withholding tax will be applied to non-residents.

A 5% flat-rate tax has been introduced in place of income tax and is calculated on the average NAV of the units held as reported in periodic reports prepared in the 2010 tax period.

The new tax rules do not apply to certain parties provided they reside in so-called "white list" states, i.e. those that permit an exchange of information that allows the effective beneficiaries to be identified. The parties excluded are states or public entities; UCITS; supplementary pension schemes and compulsory pensions agencies; insurance companies (limited to investments designated to cover technical reserves); supervised banking and financial intermediaries; private resident entities with a charitable status (former bank foundations); health insurance institutes. Corporate or contractual vehicles in which the interest of the above parties is more than 50% are also excluded.

Based on the information currently available and the opinions of highly reputed professional advisors, and the absence of interpretations published by the tax authorities, the Prelios share of the 5% property tax on NAV is estimated at 8.9 million euro and has already been recognized in the present financial statements.

- Tax disputes

At the date of approving the present financial report at June 30th, 2011, there had been no significant changes in the situation described in the annual financial report at December 31st, 2010 concerning the tax disputes relating to Prelios S.p.A. and some of its subsidiaries. The notices of findings (and, to a lesser extent, tax assessments) received by these companies total around 19.9 million euro (excluding penalties and interest).

Instead, companies in which Prelios S.p.A., or its subsidiaries, have invested with sizeable minority stakes together with third-party investors (associates and joint ventures) have received notices of findings (and, to a lesser extent, tax assessments) for a total of 496.6 million euro (excluding penalties and interest), of which the Prelios 26% share is 131.6 million euro.

Notices of findings issued after tax inspections (and, to a lesser extent, assessments) therefore total 516.5 million euro (excluding penalties and interest), of which the Prelios 29% share is 151.5 million euro.

Based on the opinions of its advisors, all of whom 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 Boards of Directors of the joint ventures concerned agree with the opinion of the professional advisors and have reached the same conclusion as the Company concerning the outcome of these disputes.

Tenants risk

With regard to the valuation of the property portfolio, rental income is mainly earned by equity-accounted companies and predominantly in relation to properties classified as investment property; given the existence of long-term binding contracts, the risk of a significant increase in vacancy rates in the near future is limited (tenants risk), except in specific instances associated with tenant financial difficulties.

In addition, these properties are located in central or semi-central areas; given their location as well as their nature, their income from potential top-quality tenants is potentially even higher than at present.

8 . SUBSEQUENT EVENTS

- On July 7th, 2011 the Board of Directors of Dicembre 2007, in which the Prelios interest is 6%, voted to distribute income to each of the holders of its equity instruments (amongst whom Prelios) after completing the sale of Coin group shares on June 30th, 2011. Dicembre 2007 had acquired the Coin group shares as consideration for the sale of its interest in Upim.
The Prelios share of this distribution, which has already taken place, is 4.4 million euro, representing a gain of some 3.8 million euro which will be recognized in third quarter 2011.

- As already recounted in the earlier section on events in the period, on July 5th, 2011 the Italian Competition Authority gave the go-ahead to the sale of shares in "La Rinascente S.r.l." by Rinascente Upim Srl to Central Retail Corporation Ltd, Thailand's leading retail operator, specializing in the professional management of department stores, supermarkets, retail parks and shops. The sale consideration is 205 million euro (equity value), reflecting an estimated enterprise value of around 260 million euro, corresponding to an implied multiple of approximately 11 times the 2010 EBITDA of Rinascente.
The sale agreement, signed on May 27th, 2011, will be completed upon the forthcoming transfer of shares. The transaction will generate around 28 million euro in gains for Prelios and some 31 million euro in cash.

- Following endorsement by the Compensation Committee, the Board of Directors approved today a new incentive plan for Prelios management.

The principal purpose of the plan is to support implementation of the new Business Model through achievement of the objectives contained in the 2011 Plan and the targets for 2012 and 2013 approved in March by the Prelios Board of Directors, by motivating and retaining key resources, with a view to creating medium/long-term value.

The plan lasts for three years and involves the payment of cash bonuses, mostly at the end of the vesting period, meaning after approval of the financial statements for the year ended December 31st, 2013.

The incentive mechanism is based on a number of financial performance indicators, starting with those communicated to the market and in keeping with the goal of repositioning Prelios as a pure asset management company:

- Result from the services platform, accounting for 50% of the total
- Real estate sales, accounting for 15% of the total
- Corporate net financial position, accounting for 35% of the total

The plan's beneficiaries are the Chief Executive Officer, the Vice Chairman and General Manager, as well as the top managers and certain senior managers for a total of no more than 25 people. The plan is entirely self-funding relative to the EBIT targets already communicated to the market.

9. BUSINESS OUTLOOK

The Company confirms the targets for 2011, and the strategy and general targets of the 2012-2013 guidelines communicated to the market last March.

The recent financial turmoil affecting the euro-zone, the terms of access to credit and real estate market trends might all influence the Company's performance; in such a context, the Company believes it appropriate to evaluate a possible acceleration of the 2012-2013 targets by giving priority, to cash generation and cost savings.

10. HUMAN RESOURCES

The total number of employees at June 30th, 2011 was 1,042 (plus 34 with temporary contracts) compared with 1,027 at December 31st, 2010 (plus 39 with temporary contracts).

Certain activities have now been take in-house with a consequential increase in headcount of 45 effective January 1st, 2011 further to a spin-off from the Pirelli & C. Group.

11. APPENDICES

APPENDIX A

Non-GAAP Measures

The Non-GAAP Measures used are as follows:

- **EBIT including net income from investments and income from shareholder loans before property tax, restructuring costs and property writedowns/revaluations** (28.1 million euro): determined as EBIT (2.5 million euro) plus net income from investments (-6.2 million euro) - reported in "EBIT" and "Net income from investments" in the IFRS consolidated income statement forming part of the half-year condensed financial statements -, plus the writeback to receivables (6 million euro) and income from shareholder loans (13.9 million euro), both of which reported in financial income. The amount thus obtained is adjusted to add back the impact of the property tax (6.3 million euro for the amount of tax included in the results of equity-accounted companies), of restructuring costs (2 million euro) and of property writedowns/revaluations (3.6 million euro).

- **Profit (loss) before property tax, restructuring costs, property writedowns/revaluations and income taxes** (14.1 million euro)**:** this amount is obtained by subtracting financial expenses from the performance indicator described above (-14 million euro).

- **Income from shareholder loans** (13.9 million euro): this measure comprises the interest income on financial receivables from associates and joint ventures and any income from securities classified in "Financial income" in the income statement; it is stated net of the impairment of junior notes, classified in "Financial expenses" in the income statement.

- **Financial expenses** (-14 million euro): this measure reports "Financial expenses" (excluding any impairment of junior notes) and "Financial income" (excluding interest income on financial receivables from associates and joint ventures and income from securities and from writebacks to receivables).

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

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

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

- **Net financial position**: this measure is a valid indicator of the ability to meet obligations of a financial nature. Net financial position is represented by gross financial debt less cash and other cash equivalents and other financial receivables. The Explanatory Notes to the Consolidated Financial Statements include a table showing all the balance sheet amounts used for determining net financial position.

- **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.
- **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.
- **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.
- **Assets Under Management:** Assets Under Management correspond to the value of assets managed and are stated at values appraised by independent experts at period end, except for non performing loans which are stated at book value. The Prelios share of Assets Under Management expresses the Group's interest in the market value of the assets and in the book value of non performing loans owned by the Group.
- **Net Asset Value (NAV):** this measure makes it possible to quantify the unrealized implicit capital gain in the real estate portfolio managed and invested in by the Group. The Prelios share of Net Asset Value is calculated as the difference between the Prelios share of asset value appraised by independent experts and the Prelios share of net bank debt of the investment companies and funds in which the Group has invested. For calculation purposes, consolidated assets are treated as entirely funded by own resources.
- **Passing Rent:** this indicator reflects the annualized rental income from contracts existing at period end on assets owned by a specific fund/company and represents a useful indicator of the annual volume of rents.
- **Passing Yield:** this measure, which is reported by individual company/fund, is an indicator of the rate of return of rent from assets owned by a specific company/fund; it is calculated as the ratio between the book value of company/fund assets to the corresponding amount of passing rent.
- **Vacancy:** this indicates the portion of properties that do not generate income in the form of rent; it is calculated as the ratio of vacant floor space to total floor space.

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

EBIT including net income from investments and income from shareholder loans before property tax, restructuring costs and property writedowns/revaluations	June, 30th 2011	June, 30th 2010
EBIT	2.5	5.5
Net income from investments	(6.2)	(18.8)
Income from writebacks to loans (1)	6.0	
Income from shareholder loans	13.9	12.9
Property Tax (share included in net income from investments)	6.3	
Restructuring costs	2.0	
Property writedowns/revaluations	3.6	18.3
Total	**28.1**	**17.9**

EBIT before property tax, restructuring costs, property writedowns/revaluations and tax	June, 30th 2011	June, 30th 2010
EBIT including net income from investments and income from shareholder loans before property tax, restructuring costs and property writedowns/revaluations	28.1	17.9
Financial expenses	(14.0)	(11.9)
Total	**14.1**	**6.0**

Income from shareholder loans	June, 30th 2011	June, 30th 2010
Interest income from loans to associates (1)	-	-
Interest income from loans to joint ventures (1)	13.9	12.9
Income from securities (1)	-	-
Impairment of securities (2)	-	-
Total	**13.9**	**12.9**

Financial expenses	June, 30th 2011	June, 30th 2010
Financial expenses	(14.9)	(13.4)
Financial income	20.8	14.4
Income from writebacks to loans (1)	(6.0)	
Income from shareholder loans	(13.9)	(12.9)
Total	**(14.0)**	**(11.9)**

NOTE

(1) Classified in "Financial income".

(2) Classified in "Financial expenses".

APPENDIX B

Information about debt of investment companies and funds (in thousands of euro)

June-2011	Net financial position excluding shareholder loans granted	Of which net bank debt	Type of bank finance	Maturity (years)(*)
Total Development Italy	404,231	293,055	Secured loan	2.0
Total Italy Portfolio	1,855,860	1,651,223	over 90% secured loans (**)	1.9
TOTAL ITALY	2,260,091	1,944,278		1.9
TOTAL GERMANY	5,670,146	4,952,436	Secured loan	2.7
TOTAL POLAND	123,445	59,250	Secured loan	0.8
TOTAL	**8,053,682**	**6,955,963**		**2.4**

(*) Average maturity is calculated by considering the gross bank debt for each project at June, 30th 2011.
(**) Over 90% are secured loans, the remainder refers to investment finance or unsecured long-term loans.

Principal contractual terms of loan agreements

The covenants applying to all the loans to funds and investment companies invested in by Prelios are monitored on a quarterly basis at the time of preparing the quarterly financial reports regardless of any periodic reporting required by the associated loan agreements.

The principal financial covenants applying to the funds and investment companies are as follows:
- LTV (Loan To Value): ratio between (i) bank debt and (ii) appraised value of the portfolio
- LTC (Loan To Cost): ratio between (i) bank debt and (ii) book value of the portfolio
- ISCR (Interest Service Cover Ratio): ratio between (i) rental income net of operating costs and (ii) financial expenses
- DSCR (Debt Service Cover Ratio): ratio between (i) rental and sale income net of operating costs and (ii) financial expenses and repayments of principal

The following funds and investment companies had not observed their agreed covenants at June 30th, 2011: *Fondo Città di Torino, Resident West, Nowe Ogrody 2, Nowe Ogrody 4, and Golfo Aranci.*

Negotiations have started with the various financial counterparties in respect of all the above positions in order to formalize and finalize solutions.

The theoretical pre-negotiation financial commitment for Prelios to resolve the above situations is limited to approximately 4 million euro.

In addition, two positions relating to Fondo Hospitality & Leisure and Fondo Patrimonio Uffici are overdue and negotiations for new agreements with the lenders are at an advanced stage. It is also reported that the terms of a debt restructuring for Riva dei Ronchi are currently being agreed after this company failed to discharge its repayment obligations.

APPENDIX C

PRELIOS S.P.A.

Registered office Viale Piero e Alberto Pirelli 25, Milan
Milan Company Register no. 02473170153

www.prelios.com

Half-year report on corporate governance and ownership structure
- June 30th, 2011 -

The corporate governance structure of Prelios S.p.A. (the "**Company**" or "**PRELIOS**") is based on the "traditional" system of management and control, in which the Board of Directors is exclusively responsible for management while the Board of Statutory Auditors acts in a supervisory role and an auditing firm, listed in the special register kept by CONSOB, performs the independent audit of the accounts. In compliance with the recommendations of the Italian Stock Exchange's Corporate Governance Code for listed companies (the "**Code**") adopted by the Company and the corporate governance standards observed nationally internationally and recommended by the European Union, the Board of Directors has also established a number of offshoot committees with proposal-making and advisory functions.

The intention of the present half-year report on corporate governance and ownership structure is to report the principal revisions and additions during the current year to the Company's system of corporate governance described in the Annual Report on Corporate Governance and Ownership Structure 2010, available on the Company's website at www.prelios.com (the "**Website**") and prepared in accordance with art. 123-*bis* of Legislative Decree 58 dated February 24th, 1998 ("**Financial Markets Consolidation Act**"), to which reference should be made for more details.

* * *

The approval of the financial statements at December 31st, 2010 brought to an end the term in office of the Board of Directors appointed by the Shareholders' Meeting on April 14th, 2008.

The Ordinary Shareholders' Meeting of Prelios held on April 21st, 2011 established that the Board of Directors should have fifteen members, whose term in office will end at the Shareholders' Meeting convened to approve the financial statements for the year ended December 31st, 2013.

The new Board of Directors was appointed on the basis of the sole list presented by the parties to the Prelios shareholder agreement; the Website contains details of the composition of the new board as well as the curricula vitae of its members:

- Marco Tronchetti Provera
- Giulio Malfatto
- Paolo Massimiliano Bottelli
- Enrico Parazzini
- Giuseppe Angiolini (independent)
- Marina Brogi (independent)
- Carlo Emilio Croce (independent)
- Giovanni Fiori (independent)
- Jacopo Franzan
- Valter Lazzari (independent)
- Davide Malacalza
- Amedeo Nodari
- Dario Trevisan (independent)
- Giorgio Valerio (independent)
- Giovanni Jody Vender (independent)

The Shareholders' Meeting also determined the overall annual fees of the Board of Directors as Euro 650,000.

Upon closure of the Shareholders' Meeting, the "new" Board of Directors met to appoint the Company's officers and vest them with the related authority. Accordingly:

- Marco Tronchetti Provera has been confirmed as Chairman of Board of Directors who - in line with best practice adopted internationally and in the European Union, as also reflected in the Code - has not been granted any operational powers and so qualifies as a "non-executive" but "not independent" director because of his position as Chairman - with operational authority - of Camfin S.p.A., Prelios' largest individual shareholder and a related party;

- Giulio Malfatto has been appointed Vice Chairman of the Board of Directors with responsibility for business development and for supporting the Chief Executive Officer in defining related operations and special operations in general;
- Paolo Massimiliano Bottelli has been appointed Chief Executive Officer with responsibility for: (i) running the business, also by co-ordinating the various areas of activity and defining and implementing development strategies (including the presentation of proposals to the Board of Directors to carry out special operations); (ii) planning and managing the Company's organizational structure. He has been vested with all necessary powers of ordinary and extraordinary administration up to a limit - as far as his responsibility to the Board of Directors is concerned - of Euro 50,000,000 on certain transactions. The Chief Executive Officer has also been given specific responsibilities concerning (i) protection of the natural environment and control of building-development activity and (ii) management of personal data privacy. The Chief Executive Officer Paolo Massimiliano Bottelli has also been identified as the "Executive director in charge of supervising the operation of the internal control system" and has been charged with the duties recommended by the Code;
- Enrico Parazzini has been appointed Managing Director Finance with responsibility for: (i) managing administration and control, including in relation to the Company's net financial position; (ii) managing the acquisition and deployment of financial resources in the business and in development projects. He has been vested with all necessary powers of ordinary and extraordinary administration up to a limit - as far as his responsibility to the Board of Directors is concerned - of Euro 50,000,000 on certain transactions.

The Board of Directors has reviewed the information provided by the directors and other details nonetheless available to the Company to evaluate the independence, as defined by the Code and the Financial Markets Consolidation Act, of the following directors: Giuseppe Angiolini, Marina Brogi, Carlo Emilio Croce, Giovanni Fiori, Valter Lazzari, Dario Trevisan, Giorgio Valerio and Giovanni Jody Vender. Apart from the Chairman, only the director Jacopo Franzan qualifies as non-executive. As a result, the proportion of independent directors relative to the Board's current size is consistent with the Code's recommendations. The Board of Statutory Auditors has checked that the Board of Directors has correctly applied the assessment criteria and procedures adopted to evaluate the independence of its members.

Following the board renewal, Dario Trevisan has been confirmed as Lead Independent Director, serving as a point of reference and co-ordination for the work and contributions of the independent directors. The Lead Independent Director may also call - at his own initiative or at the request of other directors - special meetings of just the independent directors to discuss issues considered of interest concerning the operation of the Board or management of the business. Lastly, the Lead Independent Director works with the Chairman of the Board of Directors to improve the operation of the Board itself.

During the same meeting, the Board of Directors set up the following committees as offshoots of itself: an Audit and Corporate Governance Committee, a Compensation Committee and a Risk Committee. The Board of Directors decided not to form a Nominations Committee (which is optional under the Code), in view of the current ownership structure (featuring the presence of a group of shareholders united in a shareholder agreement) and the ability of slate voting to make the candidate selection and voting process transparent. In order to ensure that communication between the various corporate bodies is as smooth as possible, the Company requires the entire Board of Statutory Auditors (and not just its Chairman or another statutory auditor so delegated) to attend the meetings of board committees.

The Board of Directors has appointed the following persons as members of the:

- Audit and Corporate Governance Committee, the independent directors: Dario Trevisan (Chairman), Marina Brogi, Giovanni Fiori and Valter Lazzari, the majority of whom, as confirmed by the Board of Directors, have adequate experience in accounting and finance;
- Compensation Committee, the independent directors: Giovanni Jody Vender (Chairman), Carlo Emilio Croce and Giorgio Valerio, the majority of whom, as confirmed by the Board of Directors, have adequate financial experience;
- Risk Committee, the directors: Dario Trevisan (Chairman), Paolo Massimiliano Bottelli, Marina Brogi, Giulio Malfatto and Enrico Parazzini.

During the same meeting, the Board of Directors also appointed a new Supervisory Board, confirmed its duties and powers established in the Company's Organizational Model and granted it full financial and operational autonomy to perform its duties, without any limits on expenditure. The following persons have been appointed to this Board: the diirector Dario Trevisan (Lead Independent Director and Chairman of the Audit and Corporate Governance

Committee), Sergio Beretta (Professor of Planning and Control at the Bocconi University), Lelio Fornabaio (a standing statutory auditor), and Sergio Romiti (Head of Prelios Internal Audit). Dario Trevisan has been confirmed as Chairman of the Supervisory Board.

With the approval of the Board of Statutory Auditors, the Board of Directors has also confirmed Gerardo Benuzzi, the Company's General Manager - Finance & Advisory, as Financial Reporting Officer.

Following separation from its parent Pirelli & C. S.p.A., the Company has internalized internal audit activities, previously provided by the internal audit department of Pirelli & C. S.p.A.; it has set up a specific internal audit function, the head of which was appointed Internal Control Officer by the Board of Directors on May 4th, 2011, at the recommendation of the executive director responsible for supervising the operation of the internal control system and after consulting the Audit and Corporate Governance Committee.

The meeting of the Board of Directors on May 4th, 2011 divided up, at the Compensation Committee's recommendation, the overall directors' fee established by the Shareholders' Meeting and established, after consulting the Board of Statutory Auditors, the amount of remuneration payable to directors vested with specific executive duties.

* * *

The Ordinary Shareholders' Meeting held on April 21st, 2011 also authorized the buy-back of treasury shares of par value Euro 0.50 each, up to a maximum of 10% of existing share capital, taking into account the treasury shares already held by the Company and those possibly held by its subsidiaries, establishing that such authority will expire on the date of the Shareholders' Meeting convened to approve the financial statements for the year ended December 31st, 2011. No buyback programme has been currently decided, meaning that the above shareholder resolution has not yet been executed.

In extraordinary session, the Shareholders' Meeting resolved to amend the Articles of Association for certain changes following Italy's implementation of the EU Shareholder Rights Directive.

C. PRELIOS GROUP – HALF-YEAR CONDENSED FINANCIAL STATEMENTS

1. CONSOLIDATED BALANCE SHEET

(in thousands of euro)

Note	ASSETS	06.30.2011	12.31.2010
	NON-CURRENT ASSETS		
1	Property, plant and equipment	5,589	6,147
2	Intangible assets	159,829	160,158
3	Investments in associates and joint ventures	408,101	409,274
4	Other financial assets	24,537	23,061
5	Deferred tax assets	23,836	24,320
7	Other receivables	419,392	381,121
	- of which with related parties	*416,841*	*378,003*
	TOTAL NON-CURRENT ASSETS	**1,041,284**	**1,004,081**
	CURRENT ASSETS		
9	Inventories	67,755	70,921
6	Trade receivables	116,004	126,300
	- of which with related parties	*78,338*	*85,613*
7	Other receivables	69,856	75,964
	- of which with related parties	*16,612*	*17,834*
10	Cash and cash equivalents	24,345	17,013
8	Tax receivables	8,777	8,301
	TOTAL CURRENT ASSETS	**286,737**	**298,499**
	TOTAL ASSETS	**1,328,021**	**1,302,580**

	EQUITY	06.30.2011	12.31.2010
	GROUP EQUITY		
11	Share capital	419,991	419,991
12	Other reserves	77,892	138,595
13	Retained earnings	93,635	116,491
	Net income (loss) for the period	457	(95,312)
	TOTAL GROUP EQUITY	**591,975**	**579,765**
14	**MINORITY INTERESTS**	**8,974**	**9,828**
	TOTAL EQUITY	**600,949**	**589,593**
	LIABILITIES	**06.30.2011**	**12.31.2010**
	NON-CURRENT LIABILITIES		
15	Bank borrowings and payables to other financial institutions	475,489	444,241
	- of which with related parties	*149,522*	*140,419*
17	Other payables	3,891	3,927
	- of which with related parties	*2,608*	*2,608*
18	Provisions for future risks and expenses	20,361	22,481
5	Deferred tax provision	2,830	2,545
19	Employee benefit obligations	11,950	12,326
20	Tax payables	35	-
	TOTAL NON-CURRENT LIABILITIES	**514,556**	**485,520**
15	**CURRENT LIABILITIES**		
	Bank borrowings and payables to other financial institutions	33,208	6,934
	- of which with related parties	*2,231*	*2,669*
16	Trade payables	77,608	82,420
	- of which with related parties	*9,886*	*9,645*
17	Other payables	63,572	95,505
	- of which with related parties	*18,135*	*20,670*
18	Provisions for future risks and expenses	27,208	32,921
	- of which with related parties	*4,813*	*8,686*
20	Tax payables	10,920	9,687
	- of which with related parties	*1,080*	*1,080*
	TOTAL CURRENT LIABILITIES	**212,516**	**227,467**
	TOTAL LIABILITIES	**727,072**	**712,987**
	TOTAL LIABILITIES AND EQUITY	**1,328,021**	**1,302,580**

Balances relating to related party transactions are described in Section 6.7 of the Explanatory Notes.

2. CONSOLIDATED INCOME STATEMENT

(in thousands of euro)

Note		01.01.2011-06.30.2011	01.01.2010-06.30.2010
22	Revenues from sales and services	86,315	135,108
23	Changes in inventories of work in progress, semi-finished and finished products	270	(1,200)
24	Other income	8,294	17,080
	TOTAL OPERATING REVENUES	**94,879**	**150,988**
	- of which with related parties	*51,427*	*56,282*
	- of which non-recurring events	-	-
	Raw and consumable materials used (net of change in inventories)	(3,510)	(35,901)
	Personnel costs	(37,542)	(34,250)
	Depreciation, amortization and impairment	(1,571)	(2,665)
	Other costs	(49,764)	(72,667)
25	**TOTAL OPERATING COSTS**	**(92,387)**	**(145,483)**
	- of which with related parties	*(7,255)*	*(25,008)*
	- of which non-recurring events	*(1,995)*	-
	Earnings before interest and tax (EBIT)	**2,492**	**5,505**
26	Net income from investments:	(6,193)	(18,838)
	- of which from related parties	*(800)*	*(20,344)*
	- of which non-recurring events	*(6,295)*	-
	- net profit share from investments in associates and joint ventures	(8,215)	(19,215)
	- dividends	1,434	999
	- gains on investments	588	1,617
	- losses on investments	-	(2,239)
27	Financial income	20,794	14,369
	of which with related parties	*14,379*	*13,466*
28	Financial expenses	(14,936)	(13,427)
	of which with related parties	*(4,891)*	*(2,948)*
	RESULT BEFORE INCOME TAXES AND MINORITY INTERESTS	2,157	**(12,391)**
29	Income taxes	(2,403)	(7,970)
	- of which non-recurring events	*(2,566)*	*0*
	NET (LOSS) FROM CONTINUING OPERATIONS	**(246)**	**(20,361)**
30	**NET INCOME FROM DISCONTINUED OPERATIONS**	-	-
	NET (LOSS) FOR THE PERIOD	(246)	**(20,361)**
	attributable to minority interests	(703)	543
	CONSOLIDATED NET INCOME (LOSS) FOR THE PERIOD	**457**	**(20,904)**
31	**EARNINGS/(LOSS) PER SHARE (euro)**		
	Basic		
	Continuing operations	0.00	(0.02)
	Basic earnings/(loss) per share	0.00	(0.02)
	Balances relating to related party transactions are described in section 6.7 of the Explanatory Notes.		

3. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in thousands of euro)

		01.01.2011-06.30.2011		
		Gross	Tax	Net
A	**Net income (loss) for the period**			**(246)**
	Other components of income recognized in equity:			
	Exchange differences on translating foreign financial statements	(16)	-	(16)
	Total available-for-sale financial assets	1,953	(1,053)	900
	- Fair value adjustment of available-for-sale financial assets	1,953	(1,053)	900
	Net actuarial gains / (losses) on employee benefits	158	-	158
	Prelios share of other components of income recognized in equity by associates and joint ventures	11,070	(248)	10,822
	- Prelios share of (gains) / losses previously recognized directly in equity now transferred to the income statement	689	-	689
	- Prelios share of (gains) / losses recognized in equity	10,381	(248)	10,133 (1)
B	**Total other components of income recognized in equity**	**13,165**	**(1,301)**	**11,864**
A+B	**Total comprehensive income (losses) for the period**			**11,618**
	Attributable to:			
	Group			12,368
	Minority interests			(750)

(1) The amount includes 9.979 thousand euro for the fair value adjustment of derivatives designated as cash flow hedges held by associates and joint ventures.

		01.01.2010-06.30.2010		
		Gross	Tax	Net
A	**Net income (loss) for the period**			**(20,361)**
	Other components of income recognized in equity:			
	Exchange differences on translating foreign financial statements	(112)	-	(112)
	Total cash flow hedges	643	(217)	426
	- Fair value adjustment of derivatives designated as cash flow hedges	643	(217)	426
	Total available-for-sale financial assets	477	(34)	443
	- Fair value adjustment of available-for-sale financial assets	477	(34)	443
	Net actuarial gains / (losses) on employee benefits	(870)	99	(771)
	Prelios share of other components of income recognized in equity by associates and joint ventures	(4,128)	61	(4,067)
	- Prelios share of (gains) / losses previously recognized directly in equity now transferred to the income statement	1,591	-	1,591
	- Prelios share of (gains) / losses recognized in equity	(5,719)	61	(5,658)
B	**Total other components of income recognized in equity**	**(3,990)**	**(91)**	**(4,081)**
A+B	**Total comprehensive income (losses) for the period**			**(24,442)**
	Attributable to:			
	Group			(24,952)
	Minority interests			510

4. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium reserve	Reval-uation reserve	Legal reserve	Currency translation reserve	Reserve for fair value measurement of available-for-sale financial assets	Cash flow hedge reserve	Reserve for actuarial gains/ (losses)	Reserve for equity-settled stock options	Reserve for tax on items credited/debited to equity	Other reserves	Retained earnings / (losses)	Net income/ (loss) for the period	**Group equity**	**Minority interests in equity**	**Total equity**
Equity at December 31st, 2010	**419,991**	**158,336**	**15**	**4,265**	**(1,309)**	**556**	**(43,754)**	**(62)**	**5,503**	**2,894**	**12,151**	**116,491**	**(95,312)**	**579,765**	**9,828**	**589,593**
Total other components of income recognized in equity	**-**	**-**	**-**	**-**	**(12)**	**2,012**	**10,916**	**312**	**-**	**(1,317)**	**-**	**-**	**-**	**11,911**	**(47)**	**11,864**
Allocation of 2010 results	-	(53,687)	-	-	-	-	-	-	-	-	(19,069)	(22,556)	95,312	-	-	-
Cost of equity transactions	-	-	-	-	-	-	-	-	-	(2)	11	-	-	9	(4)	5
Other changes	-	-	-	-	-	(14)	(112)	438	(347)	168	-	(300)	-	(167)	(100)	(267)
Net income (loss) for the period	-	-	-	-	-	-	-	-	-	-	-	-	457	457	(703)	(246)
Equity at June 30th, 2011	**419,991**	**104,649**	**15**	**4,265**	**(1,321)**	**2,554**	**(32,950)**	**688**	**5,156**	**1,743**	**(6,907)**	**93,635**	**457**	**591,975**	**8,974**	**600,949**

	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	**-**	**-**	**-**	**-**	**(83)**	**465**	**(2,938)**	**(1,404)**	**-**	**(88)**	**-**	**-**	**-**	**(4,048)**	**(33)**	**(4,081)**
Allocation of 2009 results	-	-	-	-	-	-	-	-	-	-	-	(104,296)	104,296	-	-	-
Cost of equity transactions	-	-	-	-	-	-	-	-	-	-	55	-	-	55	-	55
Other changes	-	-	-	-	-	-	-	-	(769)	-	-	2,176	-	1,407	(1,287)	120
Net income (loss) for the period	-	-	-	-	-	-	-	-	-	-	-	-	(20,904)	(20,904)	543	(20,361)
Equity at June 30th, 2010	**419,991**	**158,336**	**15**	**4,265**	**(1,604)**	**(758)**	**(67,146)**	**(533)**	**5,258**	**3,963**	**12,143**	**116,853**	**(20,904)**	**629,879**	**8,936**	**638,815**

5. CONSOLIDATED CASH FLOW STATEMENT

(in thousands of euro)

	01.01.2011-06.30.2011	01.01.2010-06.30.2010
Result before income taxes and minority interests	2,157	(12,390)
Depreciation, amortization and impairment/impairment reversal intangible assets & property, plant & equip.	1,571	2,665
Impairment of receivables	2,493	2,266
Gains/Losses on sale of property, plant and equipment and investment property	32	(2,402)
Net income from investments net of dividends	25,279	42,307
Financial expenses	14,936	13,427
Financial income	(20,794)	(14,370)
Change in inventories	3,166	(4,782)
Change in trade receivables/payables	4,490	(18,893)
Change in other receivables/payables	(26,232)	4,785
Change in employee benefit obligations and other provisions	(4,178)	(10,990)
Taxes (paid) reimbursed	(2,583)	(12,112)
Other changes	(105)	4,730
Net cash flow generated / (absorbed) by operating activities (A)	**232**	**(5,759)**
Purchase of property, plant and equipment	(207)	(852)
Disposal of property, plant and equipment	5	2,945
Purchase of intangible asstes	(526)	(264)
Disposal of intangible assets	12	-
Disposal of investments in subsidiaries	588	960
Purchase of investments in associates and joint ventures	(24,933)	(1,814)
Disposal of investments in associates and joint ventures and other movements	931	-
Dividends received	1,434	999
Purchase of other financial assets	-	(84)
Disposal of other financial assets	613	366
Net cash flow generated / (absorbed) by investing activities (B)	**(22,083)**	**2,256**
Other changes in equity	(287)	(5)
Change in financial receivables	(22,483)	(3,669)
Change in financial payables	54,711	(2,561)
Financial income	9,367	14,370
Financial expenses	(14,936)	(13,430)
Net cash flow generated / (absorbed) by financing activities (C)	**26,372**	**(5,295)**
Total net cash flow generated / (absorbed) in the period (D=A+B+C)	**4,521**	**(8,798)**
Cash and cash equivalents + bank overdrafts at the beginning of the period (E)	**16,968**	**33,206**
Cash and cash equivalents + bank overdrafts at the end of the period (D+E)	**21,489**	**24,408**
of which:		
- cash and cash equivalents	**24,345**	**24,408**
- bank overdrafts	**(2,856)**	**-**

Cash flow relating to related party transactions are described in Section 6.7 of the Explanatory Notes.

6. HALF-YEAR CONDENSED FINANCIAL STATEMENTS – EXPLANATORY NOTES

The half-year condensed financial statements at June 30th, 2011 were approved by the Board of Directors on July 26th, 2011.

6.1 Basis of preparation

Despite the difficult market conditions, there are no significant doubts as to the Group's ability to continue as a going concern, meaning that the consolidated financial statements have been prepared on a going concern basis.

The principal risks and uncertainties are discussed in a specific section of the report on operations in the first half of 2011.

Pursuant to art. 154-ter of Legislative Decree 58/1998, the Prelios Group has drawn up its half-year consolidated financial statements in a condensed format in accordance with IAS 34 on interim financial reporting.

The Group has also complied with the requirements of CONSOB Resolution 15519 of July 27th, 2006 relating to financial reporting formats and CONSOB Communication 6064293 of July 28th, 2006 relating to disclosure.

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

6.2. Accounting standards

The accounting standards adopted are the same as those used for preparing the consolidated financial statements at December 31st, 2010, except for the following standards and interpretations which became effective from January 1st, 2011:

6.2.1. International accounting standards and interpretations endorsed by the EU and effective from January 1st, 2011:

- Amendments to IAS 32 – Financial instruments: presentation – classification of rights issues

  These amendments relate to rights issues - such as options and warrants - that are denominated in a currency other than the issuer's functional currency. In the past, such rights issues were recognized as derivative financial liabilities. Now, if certain conditions are met, it is possible to classify such rights issues as equity instruments regardless of the currency in which the exercise price is denominated.

  The application of this amendment has no quantitative impact on the Group's consolidated financial statements.

- Amendments to IFRS 1 (revised) – First-time adoption of IFRSs: limited exemption from comparative IFRS 7 disclosures for first-time adopters

  These amendments allow an exemption for first-time adopters from providing comparative disclosures required by IFRS 7 about fair value measurement and liquidity risk.

  The application of these amendments has no impact on the consolidated financial statements.

- IAS 24 (revised) – Related party disclosures

  The revised version of IAS 24 simplifies the disclosure requirements for government-related entities and provides a new, simplified definition of a related party.

  The application of this revision has no material impact on the disclosures made by the Group.

- Amendments to IFRIC 14 – Early payment of minimum funding requirements

  The amendments to IFRIC 14 address the rare case when an entity, subject to minimum funding requirements for defined benefit plans, makes an early repayment of contributions to cover those requirements. The benefits arising from early repayments can be recognized as assets.

  The application of these amendments has no impact on the consolidated financial statements because they do not apply to the Group.

- IFRIC 19 - Extinguishing financial liabilities with equity instruments

  This interpretation provides guidance on how to account for the extinguishment of a financial liability by the issue of equity instruments. These transactions are often referred to as debt-for-equity swaps, i.e. when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially.

  The interpretation clarifies that:

  - the entity's equity instruments issued to a creditor are part of the consideration paid to extinguish the financial liability;

  - the equity instruments issued are measured at their fair value. If their fair value cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished;

  - the difference between the carrying amount of the financial liability extinguished and the initial measurement amount of the equity instruments issued is included in the entity's profit or loss for the period.

The application of this interpretation has not had any quantitative impact on the Group.

- Improvements to IFRSs (issued by the IASB in May 2010) except for amendments to IAS 27, whose effective date was January 1st, 2010

As part of the process started in 2008, the IASB has issued a collection of amendments to 8 existing standards.

The following table lists the standards which have been amended and the subject of such amendments:

IFRS	Subject of amendment
IFRS 3 - Business combinations	• Transitional requirements for contingent consideration from business combinations that occurred before 01/01/2010 • Measurement of non-controlling interests at the acquisition date • Impact of business combinations on accounting treatment of share-based payments
IFRS 7 - Financial instruments: disclosures	Clarification of disclosures by class of financial assets
IAS 1 – Presentation of financial statements	Clarification of statement of changes in equity
IAS 27 – Consolidated and separate financial statements	Transitional requirements for consequential amendments as a result of changes made to IAS 27 (2008): – IAS 21 – The effects of changes in foreign exchange rates: how to account for translation differences recognized in equity when all or part of a foreign operation is sold; – IAS 28 – Investments in associates / IAS 31 - Interests in joint ventures: how to account for a loss of significant influence or joint control.
IAS 34 – Interim financial reporting	Additional disclosures required by "IFRS 7 - Financial instruments: disclosures" and their application to interim financial reports
IFRIC 13 – Customer loyalty programmes	Fair value of award credits

The application of these amendments has not had any material quantitative impact on the Group's consolidated financial statements.

6.2.2. International accounting standards and/or interpretations issued but not yet effective and/or not yet endorsed

As required by "IAS 8 - Accounting policies, changes in accounting estimates and errors", there now follows a brief description of new standards or interpretations already issued that are not yet effective or not yet endorsed by the European Union and so are not applicable.

The Group has not adopted any of these standards or interpretations in advance of their effective date.

- Amendments to IFRS 7 – Financial instruments: disclosures

  The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitizations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets.

  These amendments, due to become effective from July 1st, 2011, have not yet been endorsed by the European Union. Their future application is not expected to have any impact on the Group's consolidated financial statements.

- IFRS 9 - Financial instruments

  IFRS 9 represents the completion of the first stage of a three-part project to replace "IAS 39 - Financial instruments: recognition and measurement", with the principal aim of reducing its complexity. In the version published by the IASB in November 2009, the scope of IFRS 9 was limited to financial assets only. In October 2010, the IASB added the criteria for classifying and measuring financial liabilities, thereby completing the first part of the project.

  The second part of the project addresses the impairment of financial instruments and the third part addresses hedge accounting, with both topics respectively addressed in the two Exposure Drafts published in November 2009 and December 2010. The final version of the standard is expected to be issued in the third quarter of 2011.

  The main changes introduced by IFRS 9 are summarized as follows:

  - financial assets can be classified in two categories only - at fair value or at amortized cost. The categories of loans and receivables, available-for-sale financial assets and held-to-maturity financial assets all disappear. Financial assets are classified in one of the two categories according to the entity's business model and the contractual cash flow characteristics of the financial assets. A financial asset is measured at amortized cost if both of the following conditions are met: the objective of the entity's business model is to hold the financial asset in order to collect the contractual cash flows (rather than to realize trading profits) and the asset's cash flows solely comprise payments of principal and interest. All other financial assets must be measured at fair value;

- the rules for accounting for derivatives embedded in contracts or other financial instruments have been simplified: embedded derivatives and the financial host asset are no longer accounted for separately;

- all equity instruments, whether quoted or unquoted, must be measured at fair value. In contrast, under IAS 39, if fair value could not be determined reliably, unquoted equity instruments were to be measured at cost;

- if an equity instrument is not held for trading, an entity can make an irrevocable election at initial recognition, by individual instrument, to measure it at fair value through other comprehensive income. Such an election is forbidden for equity instruments held for trading. If this election is made, changes in the fair value of such instruments can never be reclassified from equity to profit or loss (nor in the event of impairment or of disposal). Dividend income continues to be recognized through profit or loss;

- IFRS 9 does not allow financial assets to be reclassified between the two categories, except in the rare event in which an entity's business model changes. In such a case the effects of reclassification shall apply prospectively;

- the disclosures have been amended for the classification and measurement rules introduced by IFRS 9.

As for financial liabilities, the IASB has basically confirmed the provisions of IAS 39, except for the requirements relating to the fair value option. In the event of adopting the fair value option for financial liabilities, the change in fair value due to changes in the issuer's own credit risk must be recognized in other comprehensive income rather than in profit or loss.

The process of endorsing IFRS 9, which was due to apply from January 1st, 2013, has been suspended for the time being. The impact of the standard's future application cannot currently be quantified as far as the classification and measurement of financial assets are concerned; the amendments relating to financial liabilities are not applicable to the Group.

- Amendments to IAS 12 – Income taxes – Deferred tax: recovery of underlying assets

  IAS 12 requires an entity to measure the deferred tax relating to an asset or liability depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in "IAS 40 - Investment Property". These amendments provide a practical solution to the problem by introducing a presumption that investment property will be entirely recovered through sale. As a result of the amendments, "SIC-21 Income taxes: recovery of revalued non-depreciable assets" no longer applies to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC-21, which is accordingly withdrawn.

These amendments, due to become effective from January 1st, 2012, have not yet been endorsed by the European Union and are not applicable to the Group.

- Amendments to IFRS 1 – First-time adoption of IFRSs: Severe hyperinflation and removal of fixed dates for first-time adopters

  The amendments:

  - provide guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation;

  - eliminate fixed transition dates for the first-time adoption of IFRSs. Entities that adopt IFRSs are no longer required to restate transactions that occurred before the IFRS transition date.

  These amendments, due to become effective from July 1st, 2011, have not yet been endorsed by the European Union and are not applicable to the Group.

- IFRS 10 – Consolidated financial statements

  IFRS 10, together with IFRS 11 and IFRS 12, represent the completion of the first of the two stages in the Consolidation project relating to consolidated financial statements and associated disclosures.

  In keeping with the existing standards, IFRS 10 identifies the concept of control as the key factor in establishing whether or not an entity needs to be consolidated in the consolidated financial statements. The standard provides useful guidance on assessing whether control exists in more complex circumstances. The new standard presents a model of control applicable to every type of entity that replaces the current principles. In fact, IFRS 10 supersedes the part of "IAS 27 - Consolidated and separate financial statements" that addresses consolidated financial statements and supersedes "SIC-12 – Consolidation: special purpose entities" in its entirety.

  The standard was issued in May 2011 and is due to apply from January 1st, 2013 but has not yet been endorsed by the European Union. It is currently not possible to estimate the impact of the new standard's introduction on the consolidated financial statements in the period of first-time application.

- IFRS 11 – Joint arrangements

  IFRS 11 supersedes "IAS 31 - Interests in joint ventures" and "SIC-13 - Jointly controlled entities: non-monetary contributions by venturers" and sets out rules for financial reporting by all parties to a joint arrangement, establishing a principle-based approach under which the reporting entity recognizes in its financial statements the rights and obligations arising from the arrangement.

  The nature and substance of the contractual rights and obligations arising from the arrangement are considered when classifying a joint arrangement as either a joint operation or a joint venture; the legal form or structure of the arrangement is no longer the most significant factor in classifying the arrangement.

The new standard no longer permits the use of proportionate consolidation for joint ventures.

The standard was issued in May 2011 and is due to apply from January 1st, 2013 but has not yet been endorsed by the European Union. The future application of this new standard is not expected to have a material impact on the consolidated financial statements since the accounting treatment currently adopted by the Group already complies with the new requirements.

- IFRS 12 – Disclosure of interests in other entities

  IFRS 12 is a new standard that brings together the disclosure requirements applying to all forms of interest in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles. The new standard supersedes the previous disclosures required by "IAS 27 - Consolidated and separate financial statements", "IAS 31 - Interests in joint ventures" and "IAS 28 - Investments in associates". The purpose of the standard is to allow users of financial statements to assess the presence and nature of the risks associated with an interest in another entity, as well as the effect of such interest on the reporting entity's cash flows.

  The standard was issued in May 2011 and is due to apply from January 1st, 2013 but has not yet been endorsed by the European Union. The future application of this standard is not expected to have a material impact on the disclosures made by the Group.

- IFRS 13 – Fair value measurement

  The objectives of the new standard are: to clarify the definition of fair value; to set out a single framework for measuring fair value applicable to all IASs/IFRSs that require fair value to be used for measurement purposes; to provide clarifications and guidance on how to determine fair value (including in illiquid or inactive markets). The new standard does not extend the use of the controversial fair value principle, whose application is required or permitted by other standards, but provides complete and practical instructions on how to measure fair value and on the disclosures that must be made particularly in the financial statements of listed companies.

  The standard was issued in May 2011 and is due to apply from January 1st, 2013 but has not yet been endorsed by the European Union. It is currently not possible to estimate the impact of the new standard's introduction on the consolidated financial statements in the period of first-time application.

- Amendments to IAS 19 - Employee benefits: Defined benefit plans

  In June 2011 the IASB published a replacement version of the existing "IAS 19 - Employee benefits".

The revised standard, not yet endorsed by the European Union, is applicable from January 1st, 2013. Application is retrospective and requires comparative figures to be restated (see point 2).

These amendments form part of a wider project by the IASB to address the numerous criticisms made over the years (especially concerning the deferred recognition of actuarial gains/losses and the shortcomings of the measurement model) concerning the accounting treatment of post-employment benefits and the difficulties in comparing financial statements prepared using the various permitted options.

The principal amendments to IAS 19 concern:

1) Recognition of actuarial gains and losses relating to defined benefit plans

2) Recognition of actuarial gains and losses relating to other long-term benefits (eg. long-service awards)

3) Measurement of defined benefit cost of funded pension plans

4) Presentation

5) Disclosure

6) Termination benefits

The future application of these amendments is not expected to have a material impact on the consolidated financial statements.

6.2.3 Reporting formats

The condensed consolidated financial statements at June 30th, 2011 comprise a balance sheet, income statement, statement of comprehensive income, statement of changes in equity, cash flow statement and explanatory notes, and are accompanied by the directors' report on operations.

The balance sheet is presented in a format that distinguishes between current and non-current assets and liabilities.

The income statement is presented in a format that classifies costs according to the nature of expense. The Group has decided to present its income statement separately from the statement of comprehensive income.

The "Statement of comprehensive income" reports net income (loss) for the period, and income and expenses, classified by like categories, which, under IFRS, are recognized directly in equity. The Group has elected to present the tax effects of profits/losses recognized directly in equity and reclassifications to the income statement of profits/losses recognized in equity in previous periods, directly in the statement of comprehensive income and not in the explanatory notes.

The "Statement of changes in equity" presents the amount of transactions with equity holders and the movements in reserves during the period.

In the cash flow statement, cash flows from operating activities are presented using the indirect method, under which net income or loss for the period is adjusted for the effects of non-monetary transactions, of any deferral or provision of prior or future operating receipts or payments, and of revenues or costs relating to cash flows from investing or financing activities.

6.2.4 Consolidation area

The consolidation area covers subsidiaries, associates and joint ventures.

Subsidiaries are defined as all companies and other entities whose financial and operating policies the Group has the power to control. This circumstance normally exists when the Group holds more than half of the voting power. The financial statements of subsidiaries are consolidated from the date that the parent obtains control until the date that such control ceases. The share of equity and results attributable to minority shareholders is reported separately on the face of the consolidated balance sheet and consolidated income statement.

An associate is a company over which the Group has significant influence, as defined by "IAS 28 - Investments in associates". Such influence is normally presumed to exist when the Group holds between 20% and 50% of the voting power or, even if less voting power is held, when it has the power to participate in financial and operating policy decisions by virtue of particular legal arrangements, such as participation in a shareholder agreement combined with other forms of significant exercise of governance rights.

Joint ventures are contractual or statutory arrangements whereby two or more parties undertake an economic activity that is subject to joint control, as defined by IAS 31.

The companies included in the consolidation are listed in Appendix 1 "Consolidation area", whose accompanying notes discuss the related changes.

6.3 Accounting estimates and assumptions

The preparation of the consolidated financial statements requires management to make estimates and assumptions which, in some cases, are based on difficult, subjective judgements and past experience, and assumptions thought to be reasonable and realistic according to the circumstances. Actual results could therefore differ from such estimates. The estimates and assumptions are regularly reviewed and the effects of any change are reflected in the income statement of the period of the change if the change affects that period only, or also in future periods if the change affects both the current and future periods.

The situation caused by the current economic and financial crisis has made it necessary to make assumptions that are highly uncertain regarding the future, in which actual results in the next period may differ from estimates, thus resulting in adjustments to the carrying amount of the items concerned that might even be material and cannot be currently estimated or predicted.

The estimates and assumptions mainly regard:

- the recoverability of intangible assets and definition of their useful lives;
- the quantification of impairment of receivables (particularly with reference to determining the amortized cost of non performing loans), financial assets and provisions for future risks and expenses;
- the recoverability of deferred tax assets;
- the valuation of investments in associates and joint ventures, together with the assessment of the recoverability of financial receivables that such companies might owe;
- determination of the fair value of properties and the realizable value of inventories;
- estimating potential liabilities for outstanding legal and tax disputes.

Estimates and assumptions involving a significant risk of variation in the carrying amount of assets and liabilities mainly relate to goodwill and the valuation of the property portfolio with its associated impact on the value of investments in associates and joint ventures. In accordance with IFRS, the Group must test its goodwill for impairment at least once a year, or whenever there are specific indications of impairment. The value of the property portfolio is verified on the basis of independent appraisals.

Recoverable amount is defined as the higher of an asset's fair value, less costs to sell, and its value in use.

With regard to the Highstreet portfolio, as also stated in the report on operations, this comprises predominantly retail properties situated across Germany, the majority of which are let to the Karstadt department store chain. The "Highstreet" venture is 51% owned by the Whitehall funds and 49% owned by the Sigma RE BV consortium, whose members are RREEF (48%), Prelios through Prelios Netherland BV (24.66%), Generali (22.34%) and the Borletti family (4%).

Under the insolvency proceedings to which the Arcandor Group, owner of the Karstadt department stores (Highstreet's principal tenant), was admitted under German law following its financial difficulties in 2009, Karstadt was sold to the Berggruen Group in September 2010.

The Highstreet operation therefore underwent extensive restructuring in 2010 as part of the agreements reached in the second half of 2010 with the Berggruen Group prior to the Karstadt acquisition and which resulted in redefining the investment management strategy and in new agreements with the banks that had financed the venture. The terms of restructuring have effectively created a preference over other creditors when allocating financial resources to the remaining shareholders upon winding up the joint venture, meaning that shareholders are likely to recover a higher amount of cash than under an allocation of residual equity in proportion to their interests.

The net invested capital reported by Prelios in its financial statements at December 31st, 2010 just reflected the residual value of the shareholder loan given to the joint venture; this was because the full value of the investment itself had been written off in previous years under the equity method of accounting, while the shareholder loan had been written down to a residual amount of 35.5 million euro. The change in investment management strategy described above, from one of operational continuity to exit strategy, signalled the end as from 2010 to use of the equity method, designed to recognize an investor's share of operating results, now effectively irrelevant for the purposes of valuing net invested capital, which now reflects just the loan, and made it more appropriate to measure the loan's recoverability by analyzing forecast cash flows at the joint venture's termination, expected in 2014 once the Highstreet portfolio has been completely sold; this approach meant that the value of the loan at December 31st, 2010 was kept the same as at the end of 2009. i.e. 35.5 million euro, without making any further writedowns that would have been necessary if equity accounting had been used.

At June 30th, 2011 the joint venture has continued to be valued on the basis of the loan's recoverability[1] and not equity accounted; as a result the value of the loan has been written back to 46.9 million euro, with a positive effect of 11.4 million euro on the period's income statement, based on the cash flows expected at the joint venture's termination also in view of (i) the higher values realized on sales completed to date than the fair value appraised by outside experts in 2010, (ii) a downward revision of the expected tax bill originally estimated by the consortium (iii) a revision of the cash flow discounting effect after selling properties faster than originally planned, net of the revised operating results for lower rents following property sales; all this has been supported by an upward revision in the appraised value of the assets held.

6.4 Seasonal trends

Revenues are not particularly influenced by seasonal trends.

6.5 Information on the Consolidated Balance Sheet and Consolidated Income Statement

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

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

ASSETS

Note 1. PROPERTY, PLANT AND EQUIPMENT

These amount to 5,589 thousand euro, reporting a net decrease of 558 thousand euro since December 31st, 2010, and are made up as follows:

	06.30.2011			12.31.2010		
	Historical cost	**Accum. depreciation**	**Net value**	**Historical cost**	**Accum. depreciation**	**Net value**
Buildings	6,252	(3,470)	2,782	6,192	(3,239)	2,953
Plant and machinery	2,273	(1,932)	341	2,248	(1,859)	389
Production and commercial equipment	106	(103)	3	105	(100)	5
Other assets, of which:	16,133	(13,670)	2,463	16,100	(13,300)	2,800
- vehicles	*453*	(452)	*1*	453	(451)	2
- furniture, office equipment and other	*15,657*	(13,218)	*2,439*	15,624	(12,849)	2,775
- works of art	*23*	-	*23*	23	-	23
Total	**24,764**	**(19,175)**	**5,589**	**24,645**	**(18,498)**	**6,147**

The following table shows movements in historical costs and accumulated depreciation during the first half of 2011:

Historical cost	12.31.2010	Change in consol. area/other	Increases	Decreases	06.30.2011
Buildings	6,192	-	60	-	6,252
Plant and machinery	2,248	25	-	-	2,273
Production and commercial equipment	105		1	-	106
Other assets, of which:	16,100	10	113	(90)	16,133
- vehicles	*453*	-	-	-	*453*
- furniture, office equipment and other	*15,624*	*10*	*113*	*(90)*	*15,657*
- works of art	*23*	-	-	-	*23*
Total	**24,645**	**35**	**174**	**(90)**	**24,764**

Accumulated depreciation/impairment	12.31.2010	Change in consol. area/other	Depreciation/ Impairment	Decreases	06.30.2011
Buildings	(3,239)	-	(231)	-	(3,470)
Plant and machinery	(1,859)	-	(73)	-	(1,932)
Production and commercial equipment	(100)	-	(3)	-	(103)
Other assets, of which:	(13,300)	(2)	(421)	53	(13,670)
- vehicles	*(451)*	-	*(1)*	-	(452)
- furniture, office equipment and other	*(12,849)*	*(2)*	*(420)*	*53*	(13,218)
- works of art	-	-	-	-	-
Total	**(18,498)**	**(2)**	**(728)**	**53**	**(19,175)**

The increase in "Buildings" mainly reflects the cost of work on the Group's offices.

Note 2. INTANGIBLE ASSETS

These amount to 159,829 thousand euro, reporting a net decrease of 329 thousand euro since December 31st, 2010.

Movements during the period are as follows:

	12.31.2010	Increases change in cons. area/other	Decreases	Amortization	06.30.2011
Concessions, licenses, trademarks and similar rights	10,139	106	-	(246)	9,999
Applications software	1,890	420	(12)	(597)	1,701
Goodwill	148,129	-	-	-	148,129
Total	**160,158**	**526**	**(12)**	**(843)**	**159,829**

Goodwill

This amounts to 148,129 thousand euro at June 30th, 2011, the same as at December 31st, 2010.

Bearing in mind that this goodwill refers to the service business, no indicators been identified that would make it necessary to update the impairment test that was successfully passed at December 31st, 2010.

Note 3. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Investments in associates and joint ventures are accounted for using the equity method and amount to 408,101 thousand euro, reporting a net decrease of 1,173 thousand euro since December 31st, 2010.

Movements during the period are as follows:

	01.01.2011-06.30.2011			01.01.2010-12.31.2010		
	Total	**Associates**	**Joint ventures**	**Total**	**Associates**	**Joint ventures**
Opening balance	**409,274**	**106,056**	**303,218**	**458,255**	**150,891**	**307,364**
Acquisitions, changes in share capital and reserves/other	24,924	28	24,896	73,127	21,158	51,969
Portion of other components recognized in equity	10,842	120	10,722	18,763	262	18,501
Reclassifications/ Other	(137)	-	(137)	(10,172)	(9,947)	(225)
Distribution of dividends and reserves	(19,086)	(3,782)	(15,304)	(31,912)	(28,118)	(3,794)
Disposals and liquidations	(931)	-	(931)	(32,155)	(26,788)	(5,367)
Share of net profit/impairment	(7,527)	(2,017)	(5,510)	(82,361)	(1,405)	(80,956)
Net (increase)/ decrease in financial receivables	(5,385)	1	(5,386)	10,322	1	10,321
Changes in provision for future risks and expenses	(3,873)	3	(3,876)	5,407	2	5,405
Closing balance	**408,101**	**100,409**	**307,692**	**409,274**	**106,056**	**303,218**

A description of the main events involving equity-accounted companies during the first half of 2011 can be found in Appendix 1 "Consolidation area".

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

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

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

Note 4. OTHER FINANCIAL ASSETS

These amount to 24,537 thousand euro, having increased by 1,476 thousand euro since December 31st, 2010. They are analyzed as follows:

	06.30.2011	12.31.2010
Available-for-sale financial assets at fair value through equity	**23,330**	**21,259**
Closed-end real estate funds	16,250	16,855
Investments in other companies	7,080	4,404
Other financial assets at amortized cost	**1,207**	**1,802**
Junior notes	1,207	1,802
Total	**24,537**	**23,061**

Fair value hierarchy

All the financial instruments reported at fair value are classified in one of the following three categories:

Level 1: quoted prices

Level 2: valuation techniques (based on observable market data)

Level 3: valuation techniques (not based on observable market data)

At June 30th, 2011 the Group held the following fair value financial assets:

	Note	Carrying amount at 06.30.2011	LEVEL 1	LEVEL 2	LEVEL 3
FINANCIAL ASSETS					
Available-for-sale financial assets					
Other financial assets	4	23,330	5,483	15,186	2,661
- Investments in other companies	*4*	*7,080*	*-*	*4,419*	*2,661*
- Closed-end real estate funds	*4*	*16,250*	*5,483*	*10,767*	*-*

During the six months ended June 30th, 2011, like in the comparative period, there were no transfers between levels in the fair value hierarchy, or changes in the designation of financial assets entailing a different classification.

4.1 Closed-end real estate funds

These report the following movements during the first half of 2011:

	01.01.2011 - 06.30.2011	01.01.2010- 12.31.2010
Opening balance	**16,855**	**7,775**
Increases	-	500
Decreases/Other movements	(15)	(2,172)
Fair value adjustment	(590)	406
(Profits)/losses previously recognized in equity, transferred to income statement upon disposal or impairment	-	174
Reclassifications	-	10,172
Closing balance	**16,250**	**16,855**
of which:		
Cloe Fondo Uffici - Fondo comune di investimento immobiliare di tipo chiuso n(	9,682	9,930
Fondo Abitare Sociale 1	486	511
Fondo Enasarco Uno	374	388
Fedora - Fondo comune di investimento immobiliare di tipo chiuso	225	225
Tecla Fondo Uffici	5,483	5,801

The overall balance has been adjusted by a negative 590 thousand euro for changes in the fair value of fund units.

4.2 Investments in other companies

These amount to 7,080 thousand euro and report an increase of 2,676 thousand euro, of which 2,542 thousand euro for the fair value adjustment to shares and equity instruments held in Dicembre 2007 S.r.l. after this company sold its sole asset, and 137 thousand euro for the reclassification from "Investments in associates and joint ventures" of the remaining 5.1% interest in Projektentwicklung Blankenese Bahnhofsplatz GmbH & Co. KG after DGAG Nordpartner GmbH & Co. KG. sold 44.9% of this company to third parties.

4.3 Other financial assets at amortized cost

"Junior notes", amounting to 1,207 thousand euro at June 30th, 2011 (1,802 thousand euro at December 31st, 2010), consist of 1,014 thousand euro in class B junior notes relating to the securitization of a non performing loans portfolio owned by Vesta Finance S.r.l., and 193 thousand euro for a deferred redemption amount relating to the securitization of a non performing loans portfolio owned by Cairoli Finance S.r.l., against which 595 thousand euro was repaid during the half year under review.

Note 5. DEFERRED TAX ASSETS AND DEFERRED TAX PROVISION

These are analyzed as follows:

	06.30.2011	12.31.2010
Deferred tax assets	23,836	28,474
Deferred tax provision	(2,830)	(1,249)
Total	**21,006**	**27,225**

Where the conditions are satisfied, deferred tax assets and deferred tax provisions have been set off by individual legal entity; their composition before such set-offs is as follows:

	06.30.2011	12.31.2010
Deferred tax assets	28,987	32,440
Deferred tax provision	(7,981)	(5,215)
Total	**21,006**	**27,225**

Deferred tax assets originate primarily from the recognition of tax effects relating to consolidation adjustments, to carried forward tax losses, to provisions for risks and to items temporarily added back to income for tax purposes.

In view of possible limitations on using carryforward tax losses and the consequent uncertainty in determining the future tax base, it has been prudently decided not to recognize any deferred tax assets for a good part of the carryforward tax losses.

Note 6. TRADE RECEIVABLES

Trade receivables amount to 116,004 thousand euro, having decreased by 10,296 thousand euro since December 31st, 2010.

	06.30.2011			12.31.2010		
	Total	Non-current	Current	Total	Non-current	Current
Trade receivables from associates	2,898	-	2,898	2,847	-	2,847
Trade receivables from joint ventures and other Prelios Group companies	74,314	-	74,314	81,842	-	81,842
Trade receivable from other related parties	1,126	-	1,126	924	-	924
Trade receivables from third parties	45,243	-	45,243	50,042	-	50,042
Receivables for contracts	5,962	-	5,962	5,874	-	5,874
Total gross trade receivables	**129,543**	**-**	**129,543**	**141,529**	**-**	**141,529**
Allowance for doubtful accounts	(13,539)	-	(13,539)	(15,229)	-	(15,229)
Total	**116,004**	**0**	**116,004**	**126,300**	**0**	**126,300**

Trade receivables mainly refer to contracts for the provision of fund & asset management services (real estate and non performing loans) and technical and commercial services.

Services provided to *Prelios Group companies* have been supplied under the same terms and conditions as those applied to third parties.

In particular, *trade receivables from other related parties* mainly refer to recovery of various kinds of costs.

Receivables for contracts refer to the gross amount owed by customers for all those contracts in progress for which the costs incurred plus recognized profits (or less the recognized losses) exceed the amount invoiced on a percentage of completion basis. At June 30th, 2011 such receivables amount to 5,962 thousand euro compared with 5,874 thousand euro at the end of December 2010.

The costs incurred plus recognized profits on outstanding contracts at June 30th, 2011 amount to 7,280 thousand euro (7,191 thousand euro at December 31st, 2010), while advances received against amounts invoiced on a percentage of completion basis amount to 1,318 thousand euro at this date (1,317 thousand euro at December 31st, 2010).

At the reporting date, the fair value of receivables approximates their related carrying amount.

Note 7. OTHER RECEIVABLES

These are analyzed as follows:

	06.30.2011			12.31.2010		
	Total	**Non-current**	**Current**	**Total**	**Non-current**	**Current**
Other receivables from associates	21	-	21	16	-	16
Other receivables from joint ventures	5,404	5	5,399	8,288	780	7,508
Other receivables from other related parties	99	-	99	99	-	99
Sundry receivables of which:	72,287	551	71,736	76,127	738	75,389
- NPL portfolio	*33,388*	-	*33,388*	*32,279*	-	*32,279*
- other tax receivables	*5,816*	*221*	*5,595*	*9,674*	*221*	*9,453*
- advances	*1,681*	-	*1,681*	*1,637*	-	*1,637*
- social security receivables	*1,596*		*1,596*	*1,449*		*1,449*
- receivables from Campania Region	*110*	-	*110*	*1,178*	-	*1,178*
- sundry other receivables	*29,696*	*330*	*29,366*	*29,910*	*517*	*29,393*
Non-financial accrued income and prepaid expenses	2,816	325	2,491	1,564	378	1,186
Financial receivables	428,731	418,511	10,220	389,436	379,225	10,211
Financial accrued income and prepaid expenses	-	-	-	-	-	-
Total gross other receivables	**509,358**	**419,392**	**89,966**	**475,530**	**381,121**	**94,409**
Allowance for other doubtful accounts	(20,110)	-	(20,110)	(18,445)	-	(18,445)
Total	**489,248**	**419,392**	**69,856**	**457,085**	**381,121**	**75,964**

The carrying amount of current and non-current other receivables is considered to approximate their related fair value.

A short commentary will now follow on the more significant items included in "Other receivables".

Other receivables from joint ventures

These amount to 5,404 thousand euro (8,288 thousand euro at December 31st, 2010) and include receivables for dividends declared by Inimm Due S.à.r.l. (834 thousand euro), as well as 2,418 thousand euro for the balance owed to the parent company by Polish Investments Real Estate Holding II B.V. on the sale of 85% of the share capital of Coimpex Sp.z.o.o. and Relco Sp.z.o.o..

The decrease in other receivables from joint ventures mainly reflects the reduction in receivables owed to Prelios Società di Gestione del Risparmio S.p.A. for VAT paid on behalf of certain real estate funds (2,084 thousand euro).

Sundry receivables

These amount to 72,287 thousand euro compared with 76,127 thousand euro at December 31st, 2010.

NPL portfolio refers to loan portfolios purchased by the Group. The balance includes secured and unsecured loans purchased in prior years by CFT Finanziaria S.p.A. (which absorbed Vindex S.r.l.), mostly from Banca Popolare di Intra and Banca Antonveneta, amongst which a significant exposure to individuals (debtors, securees, joint debtors and/or third parties).

Further to legal actions by CFT Finanziaria S.p.A. to recover the credit from the above individuals, resulting in executive rulings, at the creditor's request the Milan Court placed under seizure certain equity investments held by the same, appointing several official technical advisors to determine the value of such investments. All the official technical advisors appointed by the judge gave a zero value to all the shares that were subsequently assigned to CFT Finanziaria S.p.A..

As a result of the above actions, at June 30th, 2011 CFT Finanziaria S.p.A. has a majority interest in the following companies: Immobili Nord S.r.l. in liquidation (90%), Immobiliare Cinque Giornate S.r.l. in liquidation (78%), Selinunte Marina Prima S.r.l. in liquidation (90%), Selinunte Marina Terza S.r.l. in liquidation (90%), Edil Maya S.r.l. (90%) and Eli Executive S.r.l. (90%).

These equity investments were assigned to CFT Finanziaria S.p.A. as a result of the company's actions with the sole, exclusive purpose of safeguarding the credit in question.

After being assigned these shares CFT Finanziaria S.p.A. has not taken an active role in managing or effectively controlling these companies and so has not assumed any associated balance-sheet responsibility; in fact, it intends to take every necessary legal action to recover its credit and has no intention of recapitalizing these companies or of making commitments in relation to their payables and losses. Such investments have consequently been excluded from consolidation at June 30th, 2011.

Non performing loans have an allowance for doubtful accounts of 15,329 thousand euro.

Other tax receivables relate to the positions of companies consolidated line-by-line which do not file for VAT on a group basis, and to receivables for other indirect taxes.

Prelios S.p.A., acting as head of the tax group, and its subsidiaries have elected to make an independent group VAT tax settlement for tax period 2011 in accordance with the Ministerial Decree dated December 13th, 1979.

Receivables from Campania Region have gone down considerably further to collections realized in the period. These receivables related to regional grants from the Region of Campania under Regional Law 15 of July 26th, 2002 (as amended) given to buyers of properties from Geolidro S.p.A.. The grants given to buyers were recorded as a receivable by Geolidro S.p.A. in respect of the Region of Campania.

Sundry other receivables include 1,236 thousand euro for the price adjustment receivable owed to Prelios S.p.A. following acquisition of the remaining 65% of certain classes of tracking shares in Mistral Real Estate B.V., as well as 9,118 thousand euro for the indemnity payable to Prelios S.p.A. for certain legal disputes primarily relating to maintenance and services provided in buildings managed on behalf of Inpdap, against which 7,771 thousand euro in liabilities have been recognized, as better described in note 17 "Other payables".

Sundry other receivables also include 2,835 thousand euro owed to the Group by certain directors and employees for CONSOB penalties applied by the Issuers Division and the Intermediaries Division following an investigation into and proceedings against Prelios S.p.A. and its subsidiary Prelios Società di Gestione del Risparmio S.p.A. in relation to the tender offer made in 2007 by Gamma RE B.V., a company 49% owned by the Prelios Group and 51% by Morgan Stanley, for units in the Tecla and Berenice funds, both managed by Prelios Società di Gestione del Risparmio S.p.A..

After partial cancellation of some of the penalties by the Court of Appeal, the Group has now presented an appeal to the Court of Cassation.

Financial receivables

At June 30th, 2011 non-current financial receivables amount to 418,511 thousand euro, reporting a net increase of 39,286 thousand euro since December 31st, 2010, while current financial receivables amount to 10,220 thousand euro, basically in line with December 31st, 2010. They are analyzed as follows:

		06.30.2011			12.31.2010	
	Total	**Non-current**	**Current**	**Total**	**Non-current**	**Current**
Financial receivables from associates	1,832	1,832	-	1,817	1,817	-
Financial receivables from joint ventures	425,224	415,004	10,220	385,617	375,406	10,211
Financial receivables from others	1,675	1,675	-	2,002	2,002	-
Total	**428,731**	**418,511**	**10,220**	**389,436**	**379,225**	**10,211**

Non-current receivables, mostly relating to shareholder loans, are classified by collection date, according to the divestment plans carried out over a medium-term timeframe for properties held directly or indirectly by associates and joint ventures. These loans are given at rates that are in line with those applied by the market's principal participants, except in the case of certain companies which have been granted interest-free loans.

Movements during the first half of 2011 in non-current financial receivables are as follows:

	12.31.2010	Increases	Decreases	Offset against provision for equity-accounted investments	06.30.2011
Financial receivables from associates	1,817	16	-	(1)	1,832
Financial receivables from joint ventures	375,406	48,365	(14,153)	5,386	415,004
Financial receivables from others	2,002	-	(327)	-	1,675
Total	**379,225**	**48,381**	**(14,480)**	**5,385**	**418,511**

The increase in financial receivables from joint ventures is due to the disbursement of new loans, particularly to European NPL S.A. (25,511 thousand euro) and Tamerice Immobiliare S.r.l. (1,600 thousand euro), to the capitalization of interest accruing in the period, and to the effect of discounting interest-free shareholder loans to present value.

The discounting of interest-free shareholder loans, net of accrued interest, to present value has increased their value by 3,811 thousand euro over the first half of 2011.

The decrease in financial receivables from joint ventures primarily reflects 5,973 thousand euro in repayments of shareholder loans and 4,600 thousand euro in loan cancellations by the lending companies for recapitalization purposes.

The "Offset against provision for equity-accounted investments" reports changes in financial receivables from associates and joint ventures for losses in excess of the carrying amount of the related investments.

Note 8. TAX RECEIVABLES

These amount to 8,777 thousand euro, compared with 8,301 thousand euro at December 31st, 2010.

They consist of:

	06.30.2011			12.31.2010		
	Total	Non-current	Current	Total	Non-current	Current
Income tax receivables	7,285	-	7,285	6,809	-	6,809
Other receivables from third parties for group tax election	1,492	-	1,492	1,492	-	1,492
Total	**8,777**	**-**	**8,777**	**8,301**	**-**	**8,301**

Income tax receivables

These relate to income taxes of companies consolidated on a line-by-line basis that have not opted to file for income tax on a group basis or to taxes of companies in the tax group that arose before joining the tax group.

Other receivables from third parties for group tax election

These relate to the amount owed to Prelios Credit Servicing S.p.A. by its former parent company Fonspa S.p.A. under a group tax election.

Note 9. INVENTORIES

	06.30.2011	12.31.2010
Trading properties held for sale	31,547	34,820
Land for development	28,137	27,758
Properties under construction/renovation	8,071	8,180
Advances	-	163
Total	**67,755**	**70,921**

Trading properties held for sale

These amount to 31,547 thousand euro, reporting a net decrease of 3,273 thousand euro since December 31st, 2010, most of which attributable to sales by Orione Immobiliare Prima S.p.A. during the period.

Land for development

This amounts to 28,137 thousand euro, reporting a net increase of 379 thousand euro since December 31st, 2010.

Properties under construction / renovation

These amount to 8,071 thousand euro, which is much the same as at December 31st, 2010. The inventories mainly refer to properties under renovation in the Bicocca area of Milan owned by Iniziative Immobiliari 3 S.r.l. (4,433 thousand euro) and a property in Magdeburg (Germany) owned by Einkaufszentrum Münzstrasse GmbH & Co. KG (2,544 thousand euro).

Note 10. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of bank deposits, post office deposits and cash and valuables on hand that are readily available to the holder.

They are analyzed as follows:

	06.30.2011	12.31.2010
Bank and postal deposits	24,275	16,868
Cheques	-	77
Cash on hand	70	68
Total	**24,345**	**17,013**
of which restricted	-	569

EQUITY

GROUP EQUITY

Note 11. SHARE CAPITAL

At June 30th, 2011, subscribed and paid-up share capital (including treasury shares held for investment and not trading purposes and which therefore, under the format prescribed by art. 2424 of the Italian Civil Code, would have been classified as "Financial fixed assets") consists of 841,171,777 ordinary shares with a par value of 0.50 euro each, making a total of 420,585,888.50 euro.

Share capital, stated net of the 1,189,662 treasury shares as required by IAS 32, amounts to 419,991,057.50 euro at June 30th, 2011, the same as at December 31st, 2010.

LTI Plans

The shareholders' meeting of April 19th, 2010 approved, amongst others, the terms of a long-term incentive plan for top management (the "LTI Plan 2010-2011" or "LTI Plan") whose beneficiaries will receive bonuses partly in cash and partly in gratuitous Prelios S.p.A. shares if certain set targets are achieved. Once the bonus receivable in shares vests in April 2012, these shares will be restricted under a lock-up clause applying to blocks of shares on different dates up until December 2013.

The LTI Plan is described in detail in the Information Memorandum prepared in accordance with art. 84-bis of the CONSOB Issuer Regulations and published in the Corporate Governance section of the Company's website at www.prelios.com.

The grant date fair value of the financial instruments granted has been determined using a Montecarlo valuation model.

This valuation model has used the following assumptions at the grant date:

- grant date share price of 0.44 euro;
- expected volatility of 76% based on the share price volatility in the previous two years;
- expected plan duration of 2 years;
- risk free interest rate of 1.42%.

In view of the fact that it can be reasonably assumed that the performance targets for 2010-2011 will not be achieved, thus making it impossible to exercise the options, the fair value of these instruments at June 30th, 2011 is zero.

Note 12. OTHER RESERVES

Share premium reserve

This reserve has been reduced by 53,687 thousand euro to cover the losses for 2010 in accordance with a resolution adopted by the shareholders' meeting of Prelios S.p.A..

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

This reports a positive balance of 2,554 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 half of 2011 was a negative 2,012 thousand euro.

Cash flow hedge reserve

This reports a negative balance of 32,950 thousand euro recognized for the fair value measurement of cash flow hedges.

Movements in this reserve in the period under review report a positive adjustment of 10,916 thousand euro arising from the valuation of cash flow hedges held by associates and joint ventures.

Reserve for actuarial gains/losses

This amounts to 688 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 June 30th, 2011 it stands at 5,156 thousand euro.

Reserve for tax on items credited/debited to equity

This reserve, amounting to 1,743 thousand euro, reports the tax effect of items credited/debited directly to equity.

Other reserves

The decrease reported in the period under review is due to utilization of the entire reserve for the non-repayable contribution made by Pirelli & C. S.p.A. on May 27th, 2002 to cover the prior year loss.

Note 13. RETAINED EARNINGS (LOSSES)

These amount to 93,635 thousand euro, reporting a net decrease of 22,856 thousand euro since December 31st, 2010 largely reflecting the portion of the loss for 2010 that was not covered by using the share premium reserve and the reserve for non-repayable contributions.

Note 14. MINORITY INTERESTS IN EQUITY

These consist of minority interests in share capital and reserves as well as in the result for the period of the companies consolidated line-by-line.

LIABILITIES

Note 15. BANK BORROWINGS AND PAYABLES TO OTHER FINANCIAL INSTITUTIONS

Bank borrowings and payables to other financial institutions are analyzed as follows:

	06.30.2011			12.31.2010		
	Total	Non-current	Current	Total	Non-current	Current
Bank borrowings	354,046	323,087	30,959	306,939	303,198	3,741
Other financial payables	630	630	-	624	624	-
Payables to other financial institutions	2,268	2,250	18	524	-	524
Financial payables to joint ventures	2,231	-	2,231	2,669	-	2,669
Financial payables to other related parties	149,522	149,522	-	140,419	140,419	-
Total	**508,697**	**475,489**	**33,208**	**451,175**	**444,241**	**6,934**

The carrying amount of current and non-current payables is considered to approximate their related fair value.

Bank borrowings

Bank borrowings amount to 354,046 thousand euro at June 30th, 2011, which is 47,107 thousand euro more than at the end of 2010.

This balance is analyzed as follows:

	06.30.2011			12.31.2010		
	Total	Non-current	Current	Total	Non-current	Current
Non-recourse loans	6,877	6,222	655	7,192	6,549	643
Uncommitted credit facilities	3,008	-	3,008	3,003	-	3,003
Fixed-term credit facilities	341,305	316,865	24,440	296,699	296,649	50
Current accounts	2,856	-	2,856	45	-	45
Total	**354,046**	**323,087**	**30,959**	**306,939**	**303,198**	**3,741**

Uncommitted credit facilities

These have been provided by Cariparma to the parent company for an amount of 3,000 thousand euro.

Fixed-term credit facilities and current accounts

These refer to revolving credit facilities granted to the parent Prelios S.p.A. by ten major Italian and foreign banks for a total of 400,000 thousand euro, with an average residual maturity of about 12 months.

The following facilities call for compliance with financial covenants:

- Club Deal, for a maximum amount of 320,000 thousand euro, maturing in July 2012, for which Prelios S.p.A. has committed that it will not exceed:
  - a maximum level of net debt, declining over time;
  - a maximum ratio between net debt and equity, declining over time;
  - a maximum ratio between net debt and earnings, declining over time.

The remaining facilities provided by Unicredit Corporate Banking (25,000 thousand euro maturing in February 2011 and already rolled over for another 12 months on maturity) , Banca Popolare Milano (10,000 thousand euro maturing in July 2011) and Banca Popolare di Sondrio (5,000 thousand euro maturing in March 2012) do not carry any kind of covenants.

On April 19th, 2011 Prelios S.p.A. agreed a new revolving credit facility with Deutsche Bank for a maximum amount of 20 million euro, maturing on April 19th, 2012. The same type of financial covenants applying to the Club Deal also apply to this credit facility.

On June 23rd, 2011 Prelios S.p.A. agreed a new revolving credit facility with Banca Intesa for a maximum amount of 20 million euro, maturing on December 31st, 2011. This facility had not been drawn down at June 30th, 2011.

All the above financial covenants were observed at June 30th, 2011.

Other financial payables

These mainly refer to security deposits held by consolidated companies.

Payables to other financial institutions

The increase in these payables reflects 2,250 thousand euro for a new loan from a third-party shareholder to Prelios Credit Servicing S.p.A..

Financial payables to other related parties

These amount to 149,522 thousand euro and refer to the short-term drawdown of a floating-rate revolving credit facility granted by Pirelli & C. S.p.A. to Prelios S.p.A. under the same terms, conditions and maturity as the Club Deal.

The facility, granted by Pirelli & C. S.p.A. as part of the separation of Prelios S.p.A. from the Pirelli Group, expires in July 2012 or in February 2013 if, under certain conditions, the maturity of the Club Deal loan is also extended. The facility's maturity can also be rolled over to July 31st, 2015 or to July 31st, 2017 if some of the financial covenants are not met and/or if Prelios fails to achieve specific economic and financial objectives.

Note 16. TRADE PAYABLES

These comprise:

	06.30.2011			12.31.2010		
	Total	Non-current	Current	Total	Non-current	Current
Trade payables to associates	790	-	790	581	-	581
Trade payables to joint ventures and other Prelios Group companies	4,636	-	4,636	4,892	-	4,892
Trade payables to other related parties	4,237	-	4,237	3,976	-	3,976
Trade payables to third parties	67,945	-	67,945	72,971	-	72,971
Total	**77,608**	**-**	**77,608**	**82,420**	**-**	**82,420**

The carrying amount of trade payables approximates their fair value at June 30th, 2011.

Trade payables to joint ventures and other Prelios Group companies

These mostly refer to various kinds of recharge by joint ventures and other companies in the Prelios Group.

They amount to 4,636 thousand euro, having decreased by 256 thousand euro since December 31st, 2010.

Trade payables to other related parties

These amount to 4,237 thousand euro, having increased by 261 thousand euro since December 31st, 2010.

The balance includes 1,369 thousand euro in recharges by Pirelli & C. S.p.A. of rent for the HQ1 building and other kinds of expenses, as well as payables for administrative, IT and certain site remediation services by companies in the Pirelli & C. Group.

Trade payables to third parties

These amount to 67,945 thousand euro, having decreased by 5,026 thousand euro since December 31st, 2010.

This balance includes 1,146 thousand euro in trade payables to customers for contracts (1,165 thousand euro at December 31st, 2010), relating to advance payments received in excess of the percentage completion of contracts held by Lambda S.r.l. for urbanization work in Bicocca and Pioltello.

In detail, the costs incurred and related margins on these contracts amount to 15,964 thousand euro at June 30th, 2011 (15,479 thousand euro at December 31st, 2010), against 17,110 thousand euro in amounts invoiced (16,644 thousand euro at December 31st, 2010).

Note 17. OTHER PAYABLES

These comprise:

	06.30.2011			12.31.2010		
	Total	Non-current	Current	Total	Non-current	Current
Other payables to associates	1,293	-	1,293	1,292	-	1,292
Other payables to joint ventures and other Prelios Group companies	19,450	2,608	16,842	21,986	2,608	19,378
Other payables to third parties of which:	42,516	764	41,752	70,839	760	70,079
- NPL portfolio payables	*-*	*-*	*-*	*17,530*	*-*	*17,530*
- items to be settled	*7,984*	*-*	*7,984*	*8,096*	*-*	*8,096*
- payables to employees	*7,401*	*-*	*7,401*	*5,636*	*-*	*5,636*
- payables for investments acquired	*5,589*	*-*	*5,589*	*10,480*	*-*	*10,480*
- other tax payables	*4,235*	*-*	*4,235*	*9,896*	*-*	*9,896*
- advances and downpayments	*3,170*	*-*	*3,170*	*1,691*	*-*	*1,691*
- social security payables	*2,176*	*-*	*2,176*	*2,720*	*-*	*2,720*
- payables to principals	*1,043*	*-*	*1,043*	*3,742*	*-*	*3,742*
- sundry other payables	*10,918*	*764*	*10,154*	*11,048*	*760*	*10,288*
Accrued liabilities and deferred income	4,204	519	3,685	5,315	559	4,756
Total	**67,463**	**3,891**	**63,572**	**99,432**	**3,927**	**95,505**

Other payables to third parties

During the half year under review the amount owed by Prelios S.p.A. to Banco di Sicilia for the acquisition of a portfolio of non performing loans by the joint venture European NPL S.A. was settled for 17,530 thousand euro.

Items to be settled of 7,954 thousand euro refer to the residual liability of Edilnord Gestioni S.r.l. (in liquidation) for damages payable to Inpdap under legal action over the management of certain contracts (7,771 thousand euro), as well as amounts collected at period end that are payable to third parties.

Payables to employees mostly refer to provisions for unused holiday entitlement and deferred salaries. This amount also includes the liability for the restructuring plans being implemented.

Payables for investments acquired include 5,000 thousand euro for the purchase of the remaining 20% of Pirelli RE Asset Management Deutschland GmbH by Prelios Deutschland GmbH.

Other tax payables relate to the VAT positions of companies consolidated line-by-line which do not file for this tax on a group basis, and to payables for other indirect taxes.

Advances and downpayments of 3,170 thousand euro mostly refer to advance payments made by property purchasers against agreed sales that still have to complete.

Social security payables relate to the amount owed by the Group to social security institutions. This balance reports 1,844 thousand euro in amounts due to the Italian social security authorities (INPS), 140 thousand euro due to Italy's industrial accident agency (INAIL) and 192 thousand euro due to other welfare agencies.

Payables to principals of 1,043 thousand euro almost entirely refer to the management of properties on behalf of third parties.

Sundry other payables include 944 thousand euro in amounts owed to the Directors and the Supervisory Board (1,401 thousand euro at December 31st, 2010), and 805 thousand euro in amounts owed to the statutory auditors (611 thousand euro at December 31st, 2010).

Accrued liabilities and deferred income

Deferred income includes 2,822 thousand euro in consolidation adjustments mainly to defer the portion of capital gains on property sales that have not yet been realized outside the Group (3,909 thousand euro at December 31st, 2010).

Note 18. PROVISIONS FOR FUTURE RISKS AND EXPENSES

These provisions amount to 47,569 thousand euro (of which the non-current portion is 20,361 thousand euro) compared with 55,402 thousand euro at December 31st, 2010 (when the non-current portion was 22,481 thousand euro).

	06.30.2011			12.31.2010		
	Total	Non-current	Current	Total	Non-current	Current
Provision for future expenses for contractual commitments	22,200	13,718	8,482	24,538	15,606	8,932
Provision for arbitration, lawsuits and outstanding disputes	7,415	5,490	1,925	9,096	6,114	2,982
Warranties provision	314	-	314	314	-	314
Provision for other risks	3,408	452	2,956	2,699	492	2,207
Restructuring provision	9,150	432	8,718	9,800	-	9,800
Group tax election provision	269	269	-	269	269	-
Provision for future risks on equity-accounted investments	4,813	-	4,813	8,686	-	8,686
Total	**47,569**	**20,361**	**27,208**	**55,402**	**22,481**	**32,921**

Movements during the period under review are as follows:

	12.31.2010	Decrease in financial receivables	Change in consol. area/other	Movements: Increases	Movements: Decreases	06.30.2011
Provision for future expenses for contractual commitments	24,538	-	15	-	(2,353)	22,200
Provision for arbitration, lawsuits and outstanding disputes	9,096	-	-	1,316	(2,997)	7,415
Warranties provision	314	-	-	-	-	314
Provision for other risks	2,699	-	(15)	826	(102)	3,408
Restructuring provision	9,800	-	-	2,092	(2,742)	9,150
Group tax election provision	269	-	-	-	-	269
Provision for future risks on equity-accounted investments	8,686	5,385	-	10,729	(19,987)	4,813
Total	**55,402**	**5,385**	**-**	**14,963**	**(28,181)**	**47,569**

<u>Provision for future expenses for contractual commitments</u>

This provision includes 10,137 thousand euro booked by Geolidro S.p.A. in relation to contractual commitments to perform extraordinary maintenance work on properties sold, which is basically unchanged since the end of the prior year, as well as 7,048 thousand euro for the estimated costs that Lambda S.r.l. could incur for certain urbanization commitments.

<u>Provision for arbitration, lawsuits and outstanding disputes</u>

This provision reflects the best estimate of probable risks arising from a number of unsettled disputes with specific customers, as well as provisions against a number of disputes with suppliers and against specific risks relating to litigation with employees.

Part of the real estate purchased in the past from UNIM is still owned by certain companies in which Prelios S.p.A. has a minority interest. There are a number of outstanding lawsuits in respect of these companies concerning the applicability of art. 3, par. 109 of Law 662/1996 (which governs pre-emption rights of tenants of properties owned by predominantly state-owned companies, by privatized companies and subsidiaries of the latter in the event of the individual sale of such properties). Prelios S.p.A. has also been named in some of the suits being brought.

Based on consideration of the facts and the law, with particular reference to the Company's role and the terms of applicability of the law in question, and also on the current status of cases in progress, Prelios S.p.A. believes that the likelihood of any direct negative impact is remote.

Details of findings reported to the Prelios Group as a result of tax inspections (and notices of assessment, to a lesser extent) can be found in the report on operations.

Restructuring provision

This refers to restructuring costs, the amount of which is considered sufficient for internal reorganization plans already started by a number of Group companies to tackle the changed situation in the real estate sector, with the aim of simplifying organizational layers and reducing operating costs by cutting headcount and simplifying corporate structure. The provision also includes the costs of onerous contracts relating to the Group's offices.

Group tax election provision

This provision refers to the risk associated with the probable repayment of indemnity to Pirelli & C. S.p.A. that it had recognized in connection with the group tax election. Pirelli & C. S.p.A. recognized this indemnity to compensate Prelios S.p.A. for losing the benefit it would have had if it had been the head of the tax group. The amount of this indemnity was in proportion to the tax losses of the Prelios subsidiaries excluded from the group tax filing because of the "demultiplier" and will be passed back to Pirelli & C. S.p.A. if these losses are used by the subsidiaries themselves.

Provision for future risks on equity-accounted investments

The provision for future risks on equity-accounted investments reflects provisions against legal or constructive obligations to cover losses of associates and joint ventures that exceed their carrying amount plus the amount of any financial receivables owed by them. More details can be found in the table forming part of note 3 "Investments in associates and joint ventures".

The column "Decrease in financial receivables" reports the reduction against financial receivables from associates and joint ventures for the share of losses in excess of the carrying amount of the related investments.

Note 19. EMPLOYEE BENEFIT OBLIGATIONS

Employee benefit obligations amount to 11,950 thousand euro, having decreased by 376 thousand euro since the prior year end. This balance is analyzed as follows:

	06.30.2011	12.31.2010
Provision for employee leaving indemnity	4,753	4,313
Pension fund	5,861	6,434
Other employee benefits	1,336	1,579
Total	**11,950**	**12,326**

Provision for employee leaving indemnity

The provision for employee leaving indemnity basically consists of indemnities accruing to staff in service at June 30th, 2011, less any advances paid.

Movements in the provision for employee leaving indemnity during the first half of 2011 and during the previous year are set out below:

	01.01.2011-06.30.2011	01.01.2010-12.31.2010
Opening balance	**4,313**	**4,877**
Amount maturing and charged to income	159	299
Amount maturing and charged to income: curtailment	-	82
Change due to personnel transferred from other related parties	593	-
Change due to personnel transferred to other related parties	-	(108)
Equity adjustment for actuarial gains/losses	-	293
Advances on leaving indemnity	(31)	(150)
Indemnities paid	(277)	(980)
Other changes	(4)	-
Closing balance	**4,753**	**4,313**

The amounts recognized in the income statement are classified in "Personnel costs" (note 25).

Pension funds

These are defined benefit plans, mainly relating to German service companies.

Movements during the first half of 2011 and the previous year are set out below:

	01.01.2011-06.30.2011	01.01.2010-12.31.2010
Opening balance	**6,434**	**8,142**
Amount maturing and charged to income	164	397
Equity adjustment for actuarial gains/losses	(158)	577
Indemnities paid	(170)	(6,093)
Other changes	(409)	3,411
Closing balance	**5,861**	**6,434**

The amounts recognized in the income statement are classified in "Personnel costs" (note 25).

The net actuarial losses accruing in the first half of 2011 of 158 thousand euro booked directly to equity and compare with 577 thousand euro in net gains recognized at December 31st, 2010.

Other employee benefits

"Other employee benefits" include 711 thousand euro for "Altersteilzeit", a mechanism commonly adopted in Germany to agree early retirement for employees who have reached 55 years of age.

Other employee benefits also include long-service bonuses and loyalty bonuses totalling 625 thousand euro.

The amounts recognized in the income statement are classified in "Personnel costs" (note 25).

Employees

The total number of employees, including auxiliary staff working in buildings, was 1,042 at June 30th, 2011 (1,076 including temporary staff) compared with 1,027 at December 31st, 2010 (1,066 including temporary staff).

The following table provides a breakdown:

	Headcount at period end		Average headcount in period	
	06.30.2011	12.31.2010	06.30.2011	12.31.2010
Senior managers	85	91	88	91
Junior managers	169	162	174	165
White collar	705	691	711	710
Workmen/Auxiliary staff (*)	83	83	83	83
Total	**1,042**	**1,027**	**1,056**	**1,049**

(*) Variable staff according to contracts under management.

Certain activities have now been take in-house with a consequential increase in headcount of 45 effective January 1st, 2011 further to a spin-off from the Pirelli & C. Group.

Other information

The main actuarial assumptions used at June 30th, 2010 are as follows and are unchanged relative to the end of December 2010:

	Italy	Germany	Netherlands
Discount rate	4.75%	4.75%	4.75%
Inflation rate	2.00%	2.00%	2.00%
Expected salary increase	3.00% (*)	2.00%	2.00%

(*) indicators valid solely for companies with less than 50 employees.

Note 20. TAX PAYABLES

These comprise:

	06.30.2011			12.31.2010		
	Total	Non-current	Current	Total	Non-current	Current
Income tax payables	9,875	35	9,840	8,607	-	8,607
Other payables to joint ventures under tax transparency regime	1,080	-	1,080	1,080	-	1,080
Total	**10,955**	**35**	**10,920**	**9,687**	**-**	**9,687**

Income tax payables

Income tax payables reflect the amounts owed for current income taxes by companies which are not in the tax group headed by Prelios S.p.A., as well as tax owed by foreign companies and by members of the Italian tax group in respect of periods before joining the tax group.

During the half year under review income tax payables were increased by 2,566 thousand euro to reflect the charge payable by companies consolidated line-by-line under the new tax rules applying to real estate investment funds, as discussed in more detail in the section on "Risks and uncertainties" in the report on operations.

Other payables to joint ventures under tax transparency regime

From 2006 to 2008 the joint venture company Trixia S.r.l. adopted the tax transparency option allowed by art. 115 of the Italian Income Tax Code, under which all consequent relationships are governed by a special agreement ensuring that statutory and regulatory rules are applied on a common basis.

COMMITMENTS AND CONTINGENCIES

Unsecured guarantees

Guarantees

Banks and insurance companies have issued a total of 147,899 thousand euro in guarantees to third parties in the interests of companies in the Prelios Group, mostly in the form of performance bonds.

The Prelios Group has also issued 58,488 thousand euro in guarantees and letters of patronage in the interests of associates and joint ventures, amongst which the more important are:

- insurance co-obligations of various kinds to third parties for 10,177 thousand euro;
- guarantees of 20,586 thousand euro against loans given by banks to associates and joint ventures;
- guarantees given to Hypo Real Estate, the bank which funded the acquisition of the DGAG Group, for the coverage of any tax liabilities arising over the duration of the loan. These guarantees involve an exposure of 25,000 thousand euro for the Group;
- guarantees of 1,971 thousand euro mostly against fulfilment of the payment obligation by International Credit Recovery 8 S.r.l. for a portfolio of non performing loans acquired.

Liens on shares

There are liens for 21,397 thousand euro over shares in associates and joint ventures.

Commitments to purchase investments/fund units/securities/loans

These amount to 22,420 thousand euro and mainly refer to the following commitments given by:

- Prelios Società di Gestione del Risparmio S.p.A. to subscribe a maximum of 1,913 thousand euro for units in "Fondo Abitare Sociale 1 - Fondo Comune Chiuso di Investimento Immobiliare Etico Riservato ad Investitori Qualificati", a closed-end ethical real estate fund, reserved for accredited investors;
- Prelios S.p.A. to subscribe, through the joint ventures Afrodite S.à.r.l. and Artemide S.à.r.l., up to 1,948 thousand euro for units in "Fondo Residenziale Diomira - Fondo comune di investimento immobiliare speculativo di tipo chiuso non quotato riservato", a closed-end unlisted speculative real estate investment fund, reserved for accredited investors;
- Prelios S.p.A. to subscribe a maximum of 2,000 thousand euro for the initial units in the Donizetti and Ponente funds;

- Prelios Società di Gestione del Risparmio S.p.A. to subscribe a maximum of 1,500 thousand euro for units in "Fondo Enasarco Uno - Fondo comune di investimento immobiliare speculativo di tipo chiuso", a closed-end speculative real estate investment fund;
- Prelios S.p.A. to subscribe a maximum of 2,000 thousand euro for units in sections two, four, five and eight of "Fondo Progetti Residenza – Fondo comune di investimento immobiliare speculativo di tipo chiuso", a closed-end speculative real estate investment fund;
- Prelios Netherlands B.V. to subscribe up to a maximum of 3,500 thousand euro for units in "Fondo Vivaldi – Fondo Comune di Investimento Immobiliare Speculativo di Tipo chiuso", a closed-end speculative real estate investment fund;
- Prelios S.p.A. to subscribe 1,956 thousand euro in additional senior notes issued under the securitization by International Credit Recovery 8 S.r.l.;
- Prelios S.p.A. to pay up to 889 thousand euro to International Credit Recovery (5) S.r.l., International Credit Recovery (6) S.r.l. and International Credit Recovery (123) S.r.l., and up to 2,000 thousand euro to the subsidiary Prelios Credit Servicing S.p.A. in connection with the disposal of non performing loan portfolios by securitization vehicle companies, and to cover potential liabilities prior to the sale of such portfolios;
- Prelios S.p.A. to pay its subsidiary Prelios Credit Servicing S.p.A. an amount of approximately 1,500 thousand euro to cover liabilities associated with the termination of consulting agreements;
- Prelios S.p.A. to pay up to approximately 2,504 thousand euro to Delamain S.à.r.l. for costs arising if the Tremonti Decree is adopted into law;
- Prelios S.p.A., under certain conditions, to pay a sum of no more than 625 thousand euro to Maro S.r.l. (in liquidation) and Roca S.r.l. (in liquidation).

Property purchase commitments

Property purchase commitments refer to:

- the undertaking given by Prelios S.p.A. to purchase certain properties owned by Imser 60 S.r.l., which might end up being unsold, for a maximum amount of 301,990 thousand euro. The contractual price for these properties has been set as a percentage of their market value. This option may be exercised from November 12th, 2021 to May 31st, 2022;

It is also reported that under the joint venture agreement with MSREF, MSREF is entitled to exercise a put option against Prelios S.p.A. in respect of the remaining interest in the Wiener Platz development, worth a total of some 17.9 million euro. If the joint venture Mistral Real Estate B.V. fails to sell this development as planned, Prelios S.p.A. would be committed to purchasing the property if the above option was exercised.

NET FINANCIAL POSITION

(alternative performance indicator not required by IFRS)

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

(in thousands of euro)

	06.30.2011	12.31.2010
CURRENT ASSETS		
Other receivables	**10,220**	**10,211**
- of which receivable from related parties	*10,220*	*10,211*
Financial receivables	10,220	10,211
- *joint ventures and other Prelios Group companies*	10,220	10,211
- *other related parties*	-	-
Financial accrued income and prepaid expenses	-	-
Receivables from shareholders for uncalled capital	-	-
Securities held for trading	**-**	**-**
Cash and cash equivalents	**24,345**	**17,013**
TOTAL CURRENT ASSETS - A	**34,565**	**27,224**
CURRENT LIABILITIES		
Bank borrowings and payables to other financial institutions	**(33,208)**	**(6,934)**
- of which payable to related parties	*(2,231)*	*(2,669)*
- joint ventures and other Prelios Group companies	(2,231)	(2,669)
- other related parties	-	-
- Other financial payables	-	-
- Bank borrowings	(30,959)	(3,741)
- Payables to other financial institutions	(18)	(524)
- Finance lease payables	-	-
- Financial accrued liabilities	-	-
TOTAL CURRENT LIABILITIES - B	**(33,208)**	**(6,934)**
NON-CURRENT LIABILITIES		
Bank borrowings and payables to other financial institutions	**(475,489)**	**(444,241)**
- of which payable to related parties	*(149,552)*	*(140,419)*
- other related parties	(149,522)	(140,419)
- Other financial payables	(630)	(624)
- Bonds	-	-
- Bank borrowings	(323,087)	(303,198)
- Payables to other financial institutions	(2,250)	-
- Finance lease payables	-	-
- Financial accrued liabilities and deferred income	-	-
TOTAL NON-CURRENT LIABILITIES - C	**(475,489)**	**(444,241)**
NET DEBT EXCL. SHAREHOLDER LOANS GRANTED (*) = D =(A+B+C)	**(474,132)**	**(423,951)**

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

NON-CURRENT ASSETS		
Other receivables	**418,511**	**379,225**
- of which receivable from related parties	*416,836*	*377,223*
Financial receivables	418,511	379,225
- *associates*	1,832	1,817
- *joint ventures and other Prelios Group companies*	415,004	375,406
- *third parties of which*	1,675	2,002
- senior notes	*1,675*	*1,490*
- other receivables	-	*512*
Financial accrued income and prepaid expenses	-	-
Receivables from shareholders for uncalled capital	-	-
TOTAL NON-CURRENT ASSETS - E	**418,511**	**379,225**
NET (DEBT) CASH - F = (D+E)	**(55,621)**	**(44,726)**

INCOME STATEMENT

Note 21. REVENUES FROM SALES AND SERVICES

Revenues from sales and services amount to 86,315 thousand euro compared with 135,108 thousand euro in the first half of 2010 and are analyzed as follows:

	01.01.2011-06.30.2011	**01.01.2010-06.30.2010**
Revenues from contracts	573	10,424
Revenues from sales, of which:	2,736	40,445
- sales of land for development	-	*35*
- sales of land for development to Prelios Group companies	-	*2,850*
- sales of residential property	*2,736*	*4,163*
- sales of commercial property	-	*33,397*
- sales of land/property through sale of shares	-	-
Revenues from services	83,006	84,239
Total	**86,315**	**135,108**

Revenues from contracts

These amount to 573 thousand euro compared with 10,424 thousand euro at June 30th, 2010 which had benefited from completion of construction of the HQ2 building commissioned by Cloe Fondo Uffici from Iniziative Immobiliari 3 S.r.l. and due to be leased to the Prelios Group, and from the construction of a new headquarters building for 3M Italia S.p.A. on a site in Pioltello. The period under review reports the revenue earned by Lambda S.r.l. for work on the "Hangar Bicocca" building.

Revenues from sales

Sales of land for development to Prelios Group companies

The figure reported at June 30th, 2010 referred to the revenue earned by Iniziative Immobiliari 3 S.r.l. on completing a sale of building rights for a residential site in Milan Bicocca to Fondo Progetti Residenza on June 25th, 2010.

Sales of residential property

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

Sales of commercial property

Sales completed in the first half of 2010 referred entirely to the sale in April 2010 of the office and retail complex known as "Geschäftshaus Osnabrück", located in Osnabrück, in the north-west of Germany.

Revenues from services

Revenues from services are analyzed as follows:

	01.01.2011- 06.30.2011	01.01.2010- 06.30.2010
Revenues from services to third parties	32,230	31,695
Revenues from services to associates	7,564	9,089
Revenues from services to joint ventures and other Prelios Group companies	43,013	43,016
Revenues from services to other related parties	199	439
Total	**83,006**	**84,239**

Note 22. CHANGE IN INVENTORIES OF WORK IN PROGRESS, SEMI-FINISHED AND FINISHED PRODUCTS

The change in inventories in the first six months of 2011 is a positive 270 thousand euro compared with a negative 1,200 thousand euro in the first half of 2010.

The movement is attributable to the events described in the notes on "revenues from sales" and "assets purchased", to which the reader should refer.

Note 23. OTHER INCOME

This is analyzed as follows:

	01.01.2011- 06.30.2011	01.01.2010- 06.30.2010
Recoveries, reimbursements and other income	7,643	16,199
Other income from associates, joint ventures and other Prelios Group companies	559	520
Other income from other related parties	92	361
Total	**8,294**	**17,080**

Recoveries, reimbursements and other income mostly refer to the recharge to tenants of management costs relating to the Group's own property or property managed on behalf of third parties; the recharges in the latter case mostly relate to activities by the property management business.

In the corresponding period of 2010 this line included 8,968 thousand euro in indemnity payable to Prelios S.p.A. for certain legal disputes primarily relating to maintenance and services provided in buildings managed on behalf of Inpdap.

Note 24. OPERATING COSTS

Operating costs amount to 92,387 thousand euro compared with 145,483 thousand euro in the first half of 2010 and comprise:

	01.01.2011-06.30.2011	01.01.2010-06.30.2010
Raw and consumable materials used, of which:	3,510	35,901
a) Assets purchased	*257*	*41,914*
b) Change in inventories of trading properties, raw and miscellaneous materials	*3,253*	*(6,013)*
Personnel costs	37,542	34,250
Depreciation, amortization and impairment	1,571	2,665
Other costs	49,764	72,667
Total	**92,387**	**145,483**

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

"**Assets purchased"** of 257 thousand euro in the first half of 2011 refer to the purchase of various consumable materials.

In the corresponding period of 2010 this line included 31,749 thousand euro for an increase in inventories following the first-time consolidation of certain property development companies owned by Mistral Real Estate B.V..

The "**change in inventories of trading properties, raw and miscellaneous materials**" is a negative 3,253 thousand euro in the first half of 2011 compared with a positive 6,013 thousand euro in the corresponding period of 2010 and reflects the events reported in "revenues from sales".

Personnel costs

Personnel costs amount to 37,542 thousand euro compared with 34,250 thousand euro in the first half of 2010.

These costs are analyzed as follows:

	01.01.2011-06.30.2011	01.01.2010-06.30.2010
Wages, salaries and voluntary redundancy costs	29,311	26,017
Stock options	(988)	(514)
Social security contributions	6,534	6,078
Employee leaving indemnity	159	167
Costs for defined contribution pension funds/Other costs	2,526	2,502
Total	**37,542**	**34,250**

Details of the number of employees can be found in the note on employee benefit obligations (note 19).

Personnel costs include 1,995 thousand euro in restructuring expenses which qualify as non-recurring and account for 5% of total personnel costs.

Depreciation, amortization and impairment

Details of depreciation, amortization and impairment can be found in the tables accompanying the notes on property, plant and equipment and intangible assets (notes 1 and 2).

Other costs

These amount to 49,764 thousand euro at June 30th, 2011 compared with 72,667 thousand euro in the first half of 2010.

	01.01.2011-06.30.2011	01.01.2010-06.30.2010
Other costs charged by associates	248	4,244
Other costs charged by joint ventures and other Prelios Group companies	2,820	1,662
Other costs charged by other related parties	1,636	5,087
Other costs charged by third parties	45,060	61,674
Total	**49,764**	**72,667**

These costs are made up as follows:

	01.01.2011-06.30.2011	01.01.2010-06.30.2010
Services	35,321	45,586
Lease and rental costs	7,453	9,757
Impairment of receivables	2,493	2,266
Provisions for risks	884	765
Other operating expenses	3,613	14,293
Total	**49,764**	**72,667**

Services

Services amount to 35,321 thousand euro, compared with 45,586 thousand euro in the first half of 2010.

Services mostly consist of maintenance costs, costs for managing third-party assets, commissions and consulting and professional fees.

These costs report a significant decrease mostly due to a reduction in maintenance and construction costs on contracts managed by the Group.

The emoluments of Directors and the Supervisory Board amount to 1,838 thousand euro (1,881 thousand euro in the first half of 2010), while those of the statutory auditors of consolidated companies are 329 thousand euro (235 thousand euro in the first half of 2010).

Lease and rental costs

These costs amount to 7,453 thousand euro compared with 9,757 thousand euro in the first half of 2010 and almost entirely refer to the lease of head office buildings and others for storage and to the lease and hire of motor vehicles.

	01.01.2011-06.30.2011	01.01.2010-06.30.2010
Lease and rental costs charged by associates	-	2,100
Lease and rental costs charged by joint ventures and other Prelios Group companies	2,505	680
Lease and rental costs charged by other related parties	73	1,288
Lease and rental costs charged by third parties	4,875	5,689
Total	**7,453**	**9,757**

Impairment of receivables

This has been recognized for potential risks of debtor default and for bad debts incurred in the period. It amounts to 2,493 thousand euro in the first half of 2011 compared with 2,266 thousand euro in the first half of 2010.

Provisions for risks

A total of 884 thousand euro in provisions has been booked at June 30th, 2011 compared with 765 thousand euro in the corresponding prior year period.

Details of provisions for risks can be found in the earlier notes on "provisions for future risks and expenses".

Other operating expenses

These amount to 3,613 thousand euro compared with 14,293 thousand euro in the first half of 2010, which had included 8,748 thousand euro in damages payable for certain legal disputes, against which the Group was entitled to recognize a matching amount of compensation income.

Other operating expenses also include 685 thousand euro in costs for duties and other taxes, mostly involving ICI (a local Italian property tax), stamp duty and non-recoverable VAT on financial transactions.

Note 25. NET INCOME FROM INVESTMENTS

	01.01.2011-06.30.2011	01.01.2010-06.30.2010
Net profit share from investments in associates and joint ventures	(8,215)	(19,215)
Dividends	1,434	999
Gains on investments	588	1,617
Losses on investments	-	(2,239)
Total	**(6,193)**	**(18,838)**

This reports a negative 6,193 thousand euro compared with a negative 18,838 thousand euro in the corresponding period of 2010.

Its main components are:

Net profit share from investments in associates and joint ventures

This is a negative 8,215 thousand euro, compared with a negative 19,215 thousand euro in the first half of 2010, and reports the Group's share of the results of equity-accounted investments, which reflect, amongst others, changes in the value of their property portfolios.

The consolidated result for the first half of 2011 includes the Prelios Group's net negative share of 3.7 million euro for property writedowns/revaluations and of 6.3 million euro for the one-off property tax[1], as well as the positive impact of 4.6 million euro after adopting a long-term strategy for part of the DGAG portfolio, meaning that it is now accounted for at fair value (IAS 40) rather than at cost (IAS 2).

More details can be found in note 3 "Investments in associates and joint ventures".

Dividends

The figure at June 30th, 2011 refers to income distributed to the Group by the Tecla fund (250 thousand euro) and the Cloe fund (284 thousand euro), as well as 900 thousand euro in income distributed by companies in which minority interests are held.

Gains on investments

These refer to the net gain realized by the Group on disposing of the urban development project known as "Blankenese Bahnhofsplatz" to third parties, after DGAG Nordpartner GmbH & Co. KG (47% owned by the Prelios Group through Mistral Real Estate B.V.) sold 44.9% of the shares in Projektentwicklung Blankenese Bahnhofsplatz GmbH & Co. KG and 47.4% of the shares in Projektentwicklungsgesellschaft Bahnhofsgebäude Blankenese mbH & Co. KG. The figure of 1,617 thousand euro reported at June 30th, 2010 included 582 thousand euro in fair value adjustments to the shares in Dicembre 2007 S.r.l. acquired in the first quarter of 2010.

Losses on investments

The figure at June 30th, 2010 included 2,164 thousand euro in negative adjustments to the value of the investment in Bicocca S.à.r.l..

[1] The figure does not include revaluations of 0.1 million euro and 2.6 million euro in property tax relative to the fully consolidated companies, which resulted in a total cost per share for the Group of 3.6 million euros for writedowns / revaluations and 8.9 million euros in property tax.

Note 26. FINANCIAL INCOME

This amounts to 20,794 thousand euro compared with 14,369 thousand euro in the corresponding prior year period and comprises:

	01.01.2011-06.30.2011	01.01.2010-06.30.2010
Interest income		
a) Interest income from non-current assets:		
- Interest income on financial receivables due from associates	15	12
- Interest income on financial receivables due from joint ventures	19,849	12,823
- Interest income on financial receivables due from others	-	346
Total interest income from non-current assets	**19,864**	**13,181**
b) Interest income from current assets:		
- Interest income from joint ventures	208	375
- Other interest	228	121
Total interest income from current assets	**436**	**496**
Other financial income		
c) Other financial income from non-current assets:		
c.1) Income from securities	29	43
Total other financial income from non-current assets	**29**	**43**
d) Other financial income from current assets:		
d.3) Other income from joint ventures	288	256
Total other financial income from current assets	**288**	**256**
Other/miscellaneous	**150**	**302**
Exchange gains	**27**	**91**
Total	**20,794**	**14,369**

Changes in interest income reflect not only changes in financial receivables due from Group companies and in intercompany balances with associates or joint ventures but also changes in interest rates.

Note 27. FINANCIAL EXPENSES

These amount to 14,936 thousand euro compared with 13,427 thousand euro in the first half of 2010.

These expenses are analyzed as follows:

	01.01.2011-06.30.2011	01.01.2010-06.30.2010
Interest due to banks	8,890	7,618
Interest due to joint ventures	1,675	1,831
Interest due to others related parties	3,216	1,039
Interest due to others	357	990
Other financial expenses	490	435
Exchange losses	250	334
Fair value measurement of derivatives	-	920
Fair value measurement of currency derivatives	58	260
Total	**14,936**	**13,427**

Interest due to banks refers to loans obtained from credit institutions for everyday management of the business.

Exchange losses amount to 250 thousand euro compared with 334 thousand euro at June 30th, 2010, and mostly refer to the valuation of outstanding shareholder loans in Polish currency at June 30th, 2011.

The *fair value measurement of currency derivatives* refers to the impact of certain currency hedges carried at fair value, as well as the gains and losses realized on such instruments during the period under review.

Note 28. INCOME TAXES

"Income taxes" relate to both current taxes and changes in deferred tax assets and deferred tax provisions, calculated on the basis of current tax rates.

Income taxes are analyzed as follows:

	01.01.2011-06.30.2011	01.01.2010-06.30.2010
Current taxes	2,583	12,112
Deferred tax assets	(240)	(3,904)
Deferred tax provisions	60	(238)
Total	**2,403**	**7,970**

Current taxes include the impact on companies consolidated line-by-line of the new tax rules applying to real estate investment funds (2,566 thousand euro), as described in more detail in the section on "Risks and uncertainties" in the report on operations.

Income taxes include around 6 million euro in out-of-period income relating to the recognition of the tax-deductibility of certain prior year costs.

Note 29. EARNINGS/(LOSS) PER SHARE

	06.30.2011	06.30.2010
Weighted average number of shares outstanding for the calculation of earnings (loss) per share:		
- basic (A)	839,982,115	839,982,115
Net income (loss) attributable to the Group from continuing operations (B)	457	(20,904)
Earnings (loss) per share (in euro): - basic (B/A)	0.00	(0.02)
Consolidated net income (loss) (C)	457	(20,904)
Earnings (loss) per share (in euro): - basic (C/A)	0.00	(0.02)

Diluted earnings per share are not being reported for the first half of 2011 because there are no potential dilutive instruments in circulation.

6.6. Segment information

The Group has applied IFRS 8 for its segment reporting; this standard focuses on the reporting used internally by company management and requires companies to base their segment information on components used by management to make decisions about operating matters.

Operating segments are therefore components of an entity for which discrete financial information is available and whose operating results are regularly reviewed by top management for the purposes of deciding how to allocate resources and of assessing its performance.

As discussed in the interim report on operations, the Group's organization structure is based on three geographical areas: Italy, Germany and Poland.

The geographical areas have been identified on the basis of the country in which the activities are located.

The results by segment at June 30th, 2011 are as follows:

JUNE 30TH, 2011

	ITALY	GERMANY	POLAND	NPL	HOLDING	TOTAL	INTRAGROUP ELIMINATIONS	CONSOLIDATED TOTAL
Consolidated revenues	47,551	28,673	718	7,104	3,866	87,912	(1,597)	86,315
of which from third parties	*47,551*	*28,673*	*718*	*7,104*	*2,269*	*86,315*	-	*86,315*
of which from the Group	-	-	-	-	*1,597*	*1,597*	*(1,597)*	-
EBIT	11,044	4,403	(2,231)	(5,749)	(4,975)	2,492	-	2,492
Net income from investments	(7,907)	9,284	(4,127)	(3,443)	-	(6,193)	-	(6,193)
EBIT including net income from investments	**3,137**	**13,687**	**(6,358)**	**(9,192)**	**(4,975)**	**(3,701)**	**-**	**(3,701)**
Financial income from investments	2,165	15,189	938	1,601	-	19,893	-	19,893
EBIT including net income and financial income from investments	**5,302**	**28,876**	**(5,420)**	**(7,591)**	**(4,975)**	**16,192**	**-**	**16,192**
Other financial income/(expenses)						-	-	(14,035)
Profit (loss) before taxes						**16,192**	**-**	**2,157**
Income taxes						-	-	(2,403)
Net income (loss) from continuing operations						**16,192**	**-**	**(246)**
Net income (loss) before minority interests						**16,192**	**-**	**(246)**
Minority interests						-	-	(703)
Consolidated net income (loss)						**16,192**	**-**	**457**

Notes:

Property writedowns/revaluations	(12,433)	11,208	(2,395)	-	-	(3,620)	-	(3,620)
Restructuring costs	-	-	-	(1,995)	-	(1,995)	-	(1,995)
Property tax	(6,295)	-	-	-	-	(6,295)	-	(6,295)
EBIT including net income and financial income from investments before restructuring costs, property writedowns/revaluations and property tax	**24,030**	**17,668**	**(3,025)**	**(5,596)**	**(4,975)**	**28,102**	**0**	**28,102**

The results by segment at June 30th, 2010 are as follows:

JUNE 30TH, 2010

	ITALY	GERMANY	POLAND	NPL	HOLDING	TOTAL	INTRAGROUP ELIMINATIONS	CONSOLIDATED TOTAL
Consolidated revenues	59,452	62,080	1,561	10,749	2,944	136,786	(1,678)	135,108
of which from third parties	*59,452*	*62,080*	*1,561*	*10,749*	*1,266*	*135,108*	-	*135,108*
of which from the Group	-	-	-	-	*1,678*	*1,678*	*(1,678)*	-
EBIT	11,808	(607)	101	(553)	(5,244)	5,505	-	5,505
Net income from investments	(9,740)	(5,474)	(786)	(2,838)	-	(18,838)	-	(18,838)
EBIT including net income from investments	**2,068**	**(6,081)**	**(685)**	**(3,391)**	**(5,244)**	**(13,333)**	**-**	**(13,333)**
Financial income from investments	2,834	7,930	855	1,259	-	12,878	-	12,878
EBIT including net income and financial income from investments	**4,902**	**1,849**	**170**	**(2,132)**	**(5,244)**	**(455)**	**-**	**(455)**
Other financial income/(expenses)						-	-	(11,936)
Profit (loss) before taxes						**(455)**	**-**	**(12,391)**
Income taxes						-	-	(7,970)
Net income (loss) from continuing operations						**(455)**	**-**	**(20,361)**
Net income (loss) before minority interests						**(455)**	**-**	**(20,361)**
Minority interests						-	-	543
Consolidated net income (loss)						**(455)**	**-**	**(20,904)**

Notes:

Property writedowns/revaluations	(13,063)	(5,273)	-	-	-	(18,336)	-	(18,336)
Restructuring costs	-	-	-	-	-	-	-	-
EBIT including net income and financial income from investments before restructuring costs and property writedowns/revaluations	**17,965**	**7,122**	**170**	**(2,132)**	**(5,244)**	**17,881**	**0**	**17,881**

Intrasegment sales have taken place under the same terms and conditions as third-party sales.

6.7. Related party transactions

The following tables present details of related party transactions and balances:

	01.01.2011-06.30.2011	% share (*)	01.01.2010-06.30.2010	% share (*)
Operating revenues	51,427	54.2%	56,282	37.3%
Operating costs	(7,255)	7.9%	(25,008)	17.2%
Net income from investments	(800)	12.9%	(20,344)	NA
Financial income	14,379	69.1%	13,466	93.7%
Financial expenses	(4,891)	32.7%	(2,948)	22.0%
Taxes	-	0.0%	-	0.0%

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

	06.30.2011				12.31.2010			
	Total	% share (*)	Non-current	Current	Total	% share (*)	Non-current	Current
Trade receivables	78,338	67.5%	-	78,338	85,613	67.8%	-	85,613
Other receivables of which:	433,453	88.6%	416,841	16,612	395,837	86.6%	378,003	17,834
- financial receivables	427,056	99.6%	*416,836*	*10,220*	387,434	99.5%	*377,223*	*10,211*
Tax receivables	-	0.0%	-	-	-	0.0%	-	-
Trade payables	9,886	12.7%	-	9,886	9,645	11.7%	-	9,645
Other payables	20,743	30.7%	2,608	18,135	23,278	23.4%	2,608	20,670
Tax payables	1,080	9.9%	-	1,080	1,080	11.1%	-	1,080
Bank borrowings and payables to other financial institutions	151,753	29.8%	149,522	2,231	143,088	31.7%	140,419	2,669
Provisions for future risks and expenses	4,813	10.1%	-	4,813	8,686	15.7%	-	8,686

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

Transactions and balances between the Prelios Group and associates, joint ventures and other companies in the Prelios Group are detailed as follows:

Transactions and balances with associates/joint ventures and other companies		
Operating revenues	51,136	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	(3,068)	These refer to recharges of various kinds.
Net income from investments	(801)	This mostly comprises the results of equity-accounted investments, as well as dividends distributed by real estate funds and companies in which minority interests are held. It also includes 587 thousand euro in net gains realized on the disposal of an investment to third parties.
Financial income	14,379	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	(1,675)	
Current trade receivables	77,212	This balance includes the receivables relating to "operating revenues".
Other non-current receivables	416,841	
- of which financial receivables	*416,836*	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 interest-free loans.
Other current receivables	16,513	This includes 834 thousand euro in dividends that have been declared but not yet paid, as well as 2,418 thousand euro in receivables owed to Prelios S.p.A. by Polish Investments Real Estate Holding B.V. II. for the sale of 85% of the share capital in Coimpex S.p.zo.o. and Relco S.p.zo.o.
- of which financial receivables	*10,220*	Most of this balance refers to intercompany current accounts with the companies which hold real estate assets in Germany.
Current trade payables	5,426	These refer to various services.
Other non-current payables	2,608	
Other current payables	18,135	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	2,231	This includes negative balances on intercompany current accounts.
Provisions for future risks and expenses	4,813	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 June 30th, 2011 between the Prelios Group and other parties that are indirectly related through the directors.

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

Transactions and balances with Pirelli & C. S.p.A. and other Pirelli Group companies		
Operating revenues	285	These mainly relate to the recharge of various services provided by the procurement office.
Operating costs	(1,486)	These include costs for administrative, information technology, security and technical consulting services, as well as the recharge of rent by Pirelli & C. S.p.A..
Net income from investments	1	
Financial expenses	(3,216)	These refer to interest payable on the drawdown of a revolving credit facility granted by Pirelli & C. S.p.A. to Prelios S.p.A..
Current trade receivables	1,125	These mainly refer to the recharge of various services reported in "Operating revenues".
Current trade payables	4,237	These mainly refer to payables for information technology costs and for certain site remediation activities, as well as the recharge of rent for the HQ1 building and sundry other expenses by Pirelli & C. S.p.A..
Non current bank borrowings and payables to other financial institutions	149,522	These refer to the short-term drawdown of a floating-rate revolving credit facility granted by Pirelli & C. S.p.A. to Prelios S.p.A., under the same terms, conditions and maturity as the Club Deal.

Transactions and balances with related parties associated with directors		
Operating revenues	6	
Operating costs	(150)	The amount partially refers to consulting services from Realty Partners S.r.l., an indirectly related party of the Prelios Group through Giulio Malfatto, the Vice Chairman.
Current trade receivables	1	
Current trade payables	223	This refers to the consulting services mentioned above.

Transactions and balances with directors		
Other current receivables	99	This refers to the amount owed to the Group by certain directors in connection with certain Consob penalties.

Cash flows

There are no material cash flows relating to related party transactions that are not directly evidenced in the financial statements at June 30th, 2011, or in the accompanying notes.

Key management personnel

The remuneration of the 24 key managers (of whom 19 in office at June 30th, 2011), meaning those persons, including the directors (whether executive or otherwise), with the authority and responsibility, directly or indirectly, for planning, directing and controlling the activities of Prelios S.p.A., amounted to 2,551 thousand euro at June 30th, 2011 (4,132 thousand euro at June 30th, 2010), of which 991 thousand euro (2,404 thousand euro at June 30th, 2010) classified in the income statement as "Personnel costs" and 1,560 thousand euro (1,728 thousand euro at June 30th, 2010) classified in "Other costs".

The long-term portion of this amount was zero (360 thousand euro at June 30th, 2010).

It is also reported that the Group is owed 99 thousand euro by one key manager in relation to the CONSOB penalties discussed in note 7 "Other receivables".

Milan, July 26th, 2011 The Board of Directors

7. SUPPLEMENTARY TABLES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7.1 Appendix 1: Consolidation area

			Registered office	06.30.2011			12.31.2010
	Business sector at 06.30.2011	Held at 30.06.2011 by	City/State		Share capital	% interest & voting rights (*)	% interest & voting rights (*)
Companies consolidated using line-by-line method							
Subsidiaries							
BauBeCon Treuhand GmbH	Real Estate	Prelios Immobilien Management GmbH	Hannover/Germany	€	530,000	100.00%	100.00%
Beta S.r.l.	NPL	Prelios S.p.A.	Milan/Italy	€	26,000	100.00%	100.00%
Centrale Immobiliare S.p.A.	Real Estate	Prelios S.p.A.	Milan/Italy	€	5,200,000	100.00%	100.00%
CFT Finanziaria S.p.A.	NPL	Prelios S.p.A.	Milan/Italy	€	20,110,324	100.00%	100.00%
DGAG Beteiligung GmbH & Co. KG	Real Estate	Mistral Real Estate B.V.	Hamburg/Germany	€	42,118,445	94.90%	94.90%
DGAG Nordpartner GmbH & Co. KG	Real Estate	Mistral Real Estate B.V.	Hamburg/Germany	€	2,760,976	94.00%	94.00%
Edilnord Gestioni S.r.l. (in liquidation)	Real Estate	Prelios S.p.A.	Milan/Italy	€	100,000	100.00%	100.00%
Einkaufszentrum Münzstrasse GmbH & Co. KG	Real Estate	74.80% DGAG Beteiligung GmbH & Co. K	Hamburg/Germany	DM	10,000,000	100.00%	100.00%
		25.20% Prelios Deutschland GmbH					-
Geolidro S.p.A.	Real Estate	Centrale Immobiliare S.p.A.	Napoli/Italia	€	3,099,096	100.00%	100.00%
Iniziative Immobiliari 3 S.r.l.	Real Estate	Prelios S.p.A.	Milan/Italy	€	10,000	100.00%	100.00%
Lambda S.r.l.	Real Estate	Prelios S.p.A.	Milan/Italy	€	578,760	100.00%	100.00%
Mistral Real Estate B.V. (*Tracking Share*)	Real Estate	Prelios S.p.A.	Amsterdam/Netherlands	€	18,000	100.00%	100.00%
Mistral Real Estate B.V. (*Tracking Shares Goßlers Park*)	Real Estate	Prelios S.p.A.	Amsterdam/Netherlands	€	18,000	100.00%	100.00%
Mistral Real Estate B.V. (*Tracking Shares Osnabruck*)	Real Estate	Prelios S.p.A.	Amsterdam/Netherlands	€	18,000	100.00%	100.00%
NewCo RE 1 S.r.l.	Real Estate	Prelios S.p.A.	Milan/Italy	€	30,000	100.00%	100.00%
NewCo RE 9 S.r.l.	NPL	Prelios S.p.A.	Milan/Italy	€	40,000	100.00%	100.00%
Orione Immobiliare Prima S.p.A.	Real Estate	Prelios S.p.A.	Milan/Italy	€	104,000	100.00%	100.00%
Parcheggi Bicocca S.r.l.	Real Estate	Prelios S.p.A.	Milan/Italy	€	1,500,000	100.00%	100.00%
P.B.S. Società consortile a r.l.	Real Estate	Prelios Property Management S.p.A.	Milan/Italy	€	100,000	60.00%	60.00%
Prelios Bulgaria AD (1)	Real Estate	Prelios Netherlands B.V.	Sofia/Bulgaria	BGN	1,090,000	75.00%	75.00%
Pirelli RE Romania S.A. (2)	Real Estate	-	-	-	-	-	80.00%
Pirelli Pekao Real Estate Sp.z o.o.	Real Estate	Prelios S.p.A.	Warsaw/Poland	PLN	35,430,000	75.00%	75.00%
Prelios Agency S.p.A.	Real Estate	Prelios S.p.A.	Milan/Italy	€	1,000,000	100.00%	100.00%
Prelios Agency Deutschland GmbH	Real Estate	Prelios Deutschland GmbH	Hamburg/Germany	€	25,000	100.00%	100.00%
Prelios Asset Management Deutschland GmbH	Real Estate	Prelios Deutschland GmbH	Hamburg/Germany	€	25,000	100.00%	100.00%
Prelios Credit Servicing S.p.A. (3)	Real Estate	Prelios S.p.A.	Milan/Italy	€	11,250,000	80.00%	80.00%
Prelios Deutschland GmbH	Real Estate	Prelios S.p.A.	Hamburg/Germany	€	5,000,000	100.00%	100.00%
Prelios Facility Management Deutschland GmbH	Real Estate	Prelios Deutschland GmbH	Hamburg/Germany	€	25,600	100.00%	100.00%
Prelios Finance S.p.A.	Real Estate	Prelios Agency S.p.A.	Milan/Italy	€	120,000	100.00%	100.00%
Prelios Hausmeister Service Deutschland GmbH	Real Estate	Prelios Facility Management Deutschland GmbH	Kiel/Germany	€	25,000	100.00%	100.00%
Prelios Immobilien Management GmbH	Real Estate	Prelios Deutschland GmbH	Hamburg/Germany	€	26,000	100.00%	100.00%
Prelios Management Services Deutschland GmbH	Real Estate	Prelios Deutschland GmbH	Hamburg/Germany	€	25,000	100.00%	100.00%
Prelios Netherlands B.V.	Real Estate	Prelios S.p.A.	Amsterdam/Netherlands	€	21,000	100.00%	100.00%
Prelios Property & Project Management S.p.A (4)	Real Estate	Prelios S.p.A.	Milan/Italy	€	114,400	100.00%	100.00%
Prelios Residential Investments GmbH	Real Estate	Prelios S.p.A.	Hamburg/Germany	€	570,000	100.00%	100.00%
Prelios Società di Gestione del Risparmio S.p.A.	Real Estate	Prelios S.p.A.	Milan/Italy	€	24,558,763	90.00%	90.00%
Prelios Valuations & e-Services S.p.A	Real Estate	Prelios Agency S.p.A.	Milan/Italy	€	298,999	100.00%	100.00%
Progetto Vallata S.r.l.	Real Estate	Prelios S.p.A.	Milan/Italy	€	1,500,000	80.00%	80.00%
Projekt Bahnhof Hamburg-Altona Verwaltungs GmbH	Real Estate	Projektentwicklung Bahnhof Hamburg-Altona GmbH & Co. KG	Hamburg/Germany	€	25,000	100.00%	100.00%
Projektentwicklung Bahnhof Hamburg-Altona GmbH & Co. KG	Real Estate	Prelios Deutschland GmbH	Hamburg/Germany	€	8,000,000	74.90%	74.90%
Servizi Amministrativi Real Estate S.p.A.	Other	Prelios S.p.A.	Milan/Italy	€	520,000	100.00%	100.00%
SIB S.r.l.	Real Estate	Prelios Credit Servicing S.p.A.	Milan/Italy	€	10,100	100.00%	100.00%
Sustainable Energy S.r.l. (5)	Real Estate	Prelios S.p.A.	Milan/Italy	€	10,000	100.00%	-
Tau S.r.l. (in liquidation)	Real Estate	Orione Immobiliare Prima S.p.A.	Milan/Italy	€	93,600	100.00%	100.00%
Verwaltung Einkaufszentrum Münzstrasse GmbH	Real Estate	74.80% DGAG Beteiligung GmbH & Co. K	Hamburg/Germany	DM	50,000	100.00%	100.00%
		25.20% Prelios Deutschland GmbH				-	-
Verwaltung Grundstücksgesellschaft Friedenstraße Wohnungsbau mbH	Real Estate	DGAG Beteiligung GmbH & Co. KG	Hamburg/Germany	€	26,100	100.00%	100.00%

			Registered office			06.30.2011	12.31.2010
		Held at 30.06.2011 by	City/State		Share capital	% interest & voting rights (*)	% interest & voting rights (*)
Companies accounted for using equity method							
Associates							
Cairoli Finance S.r.l. in liquidation (6)	NPL	Prelios S.p.A.	Milan/Italy	€	10,000	35.00%	35.00%
Dixia S.r.l.	Real Estate	Prelios S.p.A.	Milan/Italy	€	2,500,000	30.00%	30.00%
Monteverdi - Fondo comune di investimento immobiliare speculativo di tipo chiuso	Real Estate	29.84% Iniziative Immobiliari 3 S.r.l.	Milan/Italy	€	62,000,000	33.87%	33.87%
		4.20% Prelios Società di Gestione del Risparmio S.p.A.	Milan/Italy				
Olinda Fondo Shops - Fondo quotato ad apporto privato (*)	Real Estate	6.64% Prelios Netherlands B.V.	Milan/Italy	€	NA	11.82%	11.82%
		5.18% Prelios Società di Gestione del Risparmio S.p.A.					
Progetto Corsico S.r.l.	Real Estate	Prelios S.p.A.	Milan/Italy	€	100,000	49.00%	49.00%
Progetto Fontana S.r.l. (in liquidation)	Real Estate	Prelios S.p.A.	Milan/Italy	€	10,000	23.00%	23.00%
Sci Roev Texas Partners L.P.	Real Estate	Prelios S.p.A.	Dallas/USA	$	12,000,000	10.00%	10.00%
S.J. Acquisition L.P	Real Estate	Prelios S.p.A.	New York/USA	$	1,243,465	10.00%	10.00%
Spazio Investment N.V. (*)	Real Estate	22.07% Prelios Netherlands B.V.	Amsterdam/Netherlands	€	4,589,189	22.30%	22.30%
	Real Estate	0.23% Spazio Investment N.V.	-	-	-	-	-
Joint ventures							
Afrodite S.à.r.l.	Real Estate	Prelios S.p.A.	Luxembourg	€	4,129,475	40.00%	40.00%
Aida RE B.V.	Real Estate	Prelios Netherlands B.V.	Amsterdam/Netherlands	€	18,000	40.00%	40.00%
Alceo B.V.	Real Estate	Prelios S.p.A.	Amsterdam/Netherlands	€	18,000	33.00%	33.00%
Alimede Luxembourg S.à.r.l.	Real Estate	Prelios S.p.A.	Luxembourg	€	12,955	35.05%	35.00%
Alnitak S.à.r.l.	Real Estate	Prelios S.p.A.	Luxembourg	€	4,452,500	35.00%	35.00%
Aree Urbane S.r.l. (in liquidation)	Real Estate	Prelios S.p.A.	Milan/Italy	€	100,000	34.60%	34.60%
Artemide S.à.r.l.	Real Estate	Prelios S.p.A.	Luxembourg	€	2,857,050	35.00%	35.00%
Austin S.à.r.l.	Real Estate	Prelios S.p.A.	Luxembourg	€	125,000	28.46%	28.46%
Beteiligungsgesellschaft Einkaufszentrum Mülheim mbH	Real Estate	Prelios Deutschland GmbH	Hamburg/Germany	DM	60,000	41.17%	41.17%
Bicocca S.à.r.l.	Real Estate	Prelios S.p.A.	Luxembourg	€	12,520	35.00%	35.00%
Castello S.r.l. (in liquidation)	Real Estate	Prelios S.p.A.	Milan/Italy	€	1,170,000	49.10%	49.10%
City Center Mülheim Grundstücksgesellschaft mbH & Co. KG	Real Estate	Prelios Deutschland GmbH	Hamburg/Germany	€	47,805,791	41.18%	41.18%
Colombo S.à.r.l.	Real Estate	Prelios S.p.A.	Luxembourg	€	960,150	35.00%	35.00%
Consorzio G6 Advisor	Real Estate	Prelios Agency S.p.A.	Milan/Italy	€	50,000	42.30%	42.30%
Continuum S.r.l. in liquidation	Real Estate	Prelios S.p.A.	Milan/Italy	€	500,000	40.00%	40.00%
Dallas S.à.r.l.	Real Estate	Prelios S.p.A.	Luxembourg	€	125,000	28.46%	28.46%
Delamain S.à.r.l.	Real Estate	Prelios S.p.A.	Luxembourg	€	12,500	49.00%	49.00%
Dolcetto Sei S.r.l.	NPL	Prelios S.p.A.	Milan/Italy	€	10,000	50.00%	50.00%
Doria S.à.r.l.	Real Estate	Prelios S.p.A.	Luxembourg	€	992,850	35.00%	35.00%
Einkaufszentrum Mülheim Gmbh & Co. KG	Real Estate	Prelios Deutschland GmbH	Hamburg/Germany	€	26,075,886	41.18%	41.18%
Espelha Serviços de Consultadoria L.d.A.	NPL	Prelios S.p.A.	Funchal/Madeira	€	5,000	49.00%	49.00%
European NPL S.A.	NPL	Prelios S.p.A.	Luxembourg	€	2,538,953	33.00%	33.00%
Fondo Città di Torino - Fondo comune di investimento immobiliare speculativo di tipo chiuso	Real Estate	Prelios Netherlands B.V.	Milan/Italy	€	34,500,000	36.23%	36.23%
Gamma RE B.V.	Real Estate	Prelios Netherlands B.V.	Amsterdam/Netherlands	€	18,000	49.00%	49.00%
Golfo Aranci S.p.A. - Società di trasformazione urbana	Real Estate	43.795% Prelios S.p.A.	Golfo Aranci (OT)/Italy	€	1,000,000	48.80%	48.80%
	Real Estate	5% Centrale Immobiliare S.p.A	-	-	-	-	-
Grundstücksgesellschaft Königstraße mbH & Co. KG	Real Estate	44.9% DGAG Beteiligung GmbH & Co. KG	Hamburg/Germany	€	1,024,629	50.00%	50.00%
		5.10% Verwaltung Grundstücksgesellschaft Friedenstraße Wohnungsbau mbH				-	-
Grundstücksgesellschaft Merkur Hansaallee mbH & Co. KG	Real Estate	Prelios Deutschland GmbH	Hamburg/Germany	€	22,905,876	33.75%	33.75%
Kurpromenade 12 Timmendorfer Strand GG KG	Real Estate	Prelios Deutschland GmbH	Hamburg/Germany	€	6,237,761	50.00%	50.00%
IN Holdings I S.à.r.l.	Real Estate	Prelios S.p.A.	Luxembourg	€	2,595,725	20.50%	20.50%
Induxia S.r.l. (in liquidation)	Real Estate	18% Prelios S.p.A.	Milan/Italy	€	40,000	24.75%	24.75%
	Real Estate	27% SI Real Estate Holding B.V.	-	-	-	-	-
Inimm Due S.à.r.l.	Real Estate	Prelios S.p.A.	Luxembourg	€	240,950	25.01%	25.01%
Iniziative Immobiliari S.r.l.	Real Estate	Prelios S.p.A.	Milan/Italy	€	5,000,000	49.46%	49.46%
Manifatture Milano S.p.A.	Real Estate	Prelios S.p.A.	Rome/Italy	€	11,230,000	50.00%	50.00%
Maro S.r.l. (in liquidation)	NPL	Prelios S.p.A.	Milan/Italy	€	20,000	25.00%	25.00%
Masseto I B.V.	Real Estate	Prelios S.p.A.	Amsterdam/Netherlands	€	19,000	33.00%	33.00%
Mistral Real Estate B.V.	Real Estate	Prelios S.p.A.	Amsterdam/Netherlands	€	18,000	35.02%	35.02%
M.S.M.C. Italy Holding B.V. (7)	Real Estate	Prelios S.p.A.	Amsterdam/Netherlands	€	20,053	25.00%	25.00%
Nashville S.à.r.l.	Real Estate	Prelios S.p.A.	Luxembourg	€	125,000	28.46%	28.46%
Polish Investments Real Estate Holding B.V.	Real Estate	Prelios S.p.A.	Amsterdam/Netherlands	€	20,000	40.00%	40.00%
Polish Investments Real Estate Holding II B.V.	Real Estate	Prelios S.p.A.	Amsterdam/Netherlands	€	18,000	40.00%	40.00%
Popoy Holding B.V.	Real Estate	Prelios S.p.A.	Rotterdam/Netherlands	€	26,550	25.00%	25.00%
Projektentwicklung Blankenese Bahnhofsplatz GmbH & Co. KG (8)	Real Estate	DGAG Nordpartner GmbH & Co. KG	-	-	-	-	50.00%
Projektentwicklungsgesellschaft Bahnhofsgebäude Blankenese mbH & Co. KG (9)	Real Estate	47.40% DGAG Nordpartner GmbH & Co. KG	-	-	-	-	52.60%
		5.20% Verwaltung Blankenese Bahnhofsplatz GmbH					-
Progetto Bicocca La Piazza S.r.l. (in liquidation)	Real Estate	Prelios S.p.A.	Milan/Italy	€	3,151,800	26.00%	26.00%
Progetto Bicocca Universita' S.r.l. (in liquidation)	Real Estate	Prelios S.p.A.	Cinisello Balsamo/Italy	€	50,360	50.50%	50.50%
Progetto Gioberti S.r.l. (in liquidation)	Real Estate	Prelios S.p.A.	Milan/Italy	€	100,000	50.00%	50.00%
Resident Baltic GmbH	Real Estate	5.20% Prelios Netherlands B.V.	Berlin/Germany	€	25,000	39.99%	39.99%
	Real Estate	94.80% S.I.G. RE B.V.	-	-	-	-	-
Resident Berlin 1 P&K GmbH	Real Estate	Prelios Residential Investments GmbH	Berlin/Germany	€	125,000	40.00%	40.00%
Resident Sachsen P&K GmbH	Real Estate	5.20% Prelios Netherlands B.V.	Berlin/Germany	€	25,000	39.99%	39.99%
	Real Estate	94.80% S.I.G. RE B.V.	-	-	-	-	-
Resident West GmbH	Real Estate	5.20% Prelios Netherlands B.V.	Hamburg/Germany	€	25,000	39.99%	39.99%
	Real Estate	94.80% S.I.G. RE B.V.	-	-	-	-	-
Riva dei Ronchi S.r.l.	Real Estate	Prelios S.p.A.	Milan/Italy	€	100,000	50.00%	50.00%
Roca S.r.l. (in liquidation)	NPL	Prelios S.p.A.	Milan/Italy	€	20,000	25.00%	25.00%
Sicily Investments S.à.r.l.	Real Estate	Prelios S.p.A.	Luxembourg	€	12,500	40.00%	40.00%
Sigma RE B.V.	Real Estate	Prelios Netherlands B.V.	Amsterdam/Netherlands	€	18,000	24.66%	24.66%
S.I.G. RE B.V.	Real Estate	Prelios Netherlands B.V.	Amsterdam/Netherlands	€	18,000	47.20%	47.20%
SI Real Estate Holding B.V.	Real Estate	Prelios S.p.A.	Amsterdam/Netherlands	€	763,077	25.00%	25.00%
Solaia RE S.à.r.l.	Real Estate	Prelios S.p.A.	Luxembourg	€	13,000	40.00%	40.00%
Solaris S.r.l. (in liquidation)	Real Estate	Prelios S.p.A.	Milan/Italy	€	20,000	40.00%	40.00%
Tamerice Immobiliare S.r.l.	Real Estate	Prelios S.p.A.	Milan/Italy	€	500,000	20.00%	20.00%
Theta RE B.V.	Real Estate	Prelios Netherlands B.V.	Amsterdam/Netherlands	€	18,005	40.00%	40.00%
Tizian Wohnen 1 GmbH	Real Estate	Prelios Residential Investments GmbH	Berlin/Germany	€	1,114,400	40.00%	40.00%
Tizian Wohnen 2 GmbH	Real Estate	Prelios Residential Investments GmbH	Berlin/Germany	€	347,450	40.00%	40.00%
Trinacria Capital S.à.r.l.	Real Estate	Prelios S.p.A.	Luxembourg	€	12,500	40.00%	40.00%
Trixia S.r.l.	Real Estate	Prelios S.p.A.	Milan/Italy	€	1,209,700	36.00%	36.00%
Verwaltung Blankenese Bahnhofsplatz GmbH	Real Estate	Projektentwicklung Blankenese Bahnhofsplatz GmbH & Co. KG	Hamburg/Germany	DM	50,000	100.00%	100.00%
Verwaltung Büro- und Lichtspielhaus Hansaallee GmbH	Real Estate	27% Prelios Deutschland GmbH	Hamburg/Germany	DM	50,000	33.75%	33.75%
	Real Estate	20% Grundstücksgesellschaft Merkur Ha	-	-	-	-	-
Verwaltung City Center Mülheim Grundstucksges.GmbH	Real Estate	Prelios Deutschland GmbH	Hamburg/Germany	DM	60,000	41.17%	41.17%
Verwaltung Kurpromenade 12 Timmendorfer Strand GG mbH	Real Estate	Prelios Deutschland GmbH	Hamburg/Germany	DM	50,000	50.00%	50.00%
Verwaltung Mercado Ottensen Grundstuecksgesellschaft mbH	Real Estate	44% Prelios Netherlands B.V.	Hamburg/Germany	DM	50,000	61.50%	61.50%
	Real Estate	50% Mistral Real Estate B.V.	-	-	-	-	-
Vespucci S.à.r.l.	Real Estate	Prelios S.p.A.	Luxembourg	€	960,150	35.00%	35.00%
Vesta Finance S.r.l.	NPL	Prelios S.p.A.	Milan/Italy	€	10,000	35.00%	35.00%
Vivaldi - Fondo comune di investimento immobiliare speculativo di tipo chiuso (10)	Real Estate	Prelios Netherlands B.V.	Milan/Italy	€	20,000,000	50.00%	50.00%
Other significant investments, as defined by CONSOB resolution 11971 of May 14th, 1999							
AVW Assekuranzvermittlung der Wohnungs wirts chaft GmbH & Co KG	Real Estate	10.50% Prelios Netherlands B.V.	Hamburg/Germany	€	260,000	10.70%	10.70%
	Real Estate	0.20% Prelios Deutschland GmbH	-	-	-	-	-
Tecnocittà S.r.l. (in liquidation)	Dormant	Prelios S.p.A.	Milan/Italy	€	547,612	12.00%	12.00%
WoWi Media GmbH & Co. KG	Real Estate	Prelios Netherlands B.V.	Hamburg/Germany	€	2,500,000	18.85%	18.85%

(*) Percentages refer to the direct interest held by the company concerned, including any treasury shares held.

(1) February 10th, 2011: the extraordinary shareholders' meeting of Pirelli RE Bulgaria voted to confirm the capital increase from BGN 50,000 to BGN 1,090,000; to confirm the transfer of the company's operations from 10 Tsar Osvoboditel Blvd, 3rd floor, Sredets District, Sofia to 2a Saborna Street, 4th floor, 1000 Sofia, Bulgaria; to confirm the company's liquidation and to change its name to Prelios Bulgaria AD.

(2) March 16th, 2011: Pirelli RE Romania S.A. was cancelled from the Companies Register in Bucharest.

(3) June 7th 2011: the shareholders of Prelios Credit Servicing S.p.A. met in ordinary and extraordinary session and voted to increase the company's share capital, on a divisible basis for cash, by up to Euro 6,750,000 at par from the current level of Euro 7,500,000 to a maximum of Euro 14,250,000; of this increase Euro 3,750,000 would be subscribed and paid in by the shareholders in proportion to their shareholding, while the remaining Euro 3,000,000 could be subscribed by issuing 3,000,000 shares in the form of a rights issue, including in several tranches before June 30th, 2014. Following this operation the company's share capital now stands at Euro 11,250,000 fully subscribed and paid in, of which Prelios S.p.A. holds Euro 9,000,000 or 80%.

(4) April 11th, 2011: the shareholders of Prelios Property Management S.p.A. met in extraordinary session and voted, amongst others, to change the company's name to Prelios Property & Project Management S.p.A.. The shareholders' resolution was filed at the Milan Companies Register on April 22nd, 2011.

(5) June 23rd, 2011: Sustainable Energy S.r.l. was formed by Prelios S.p.A. who subscribed to all the new company's share capital.

(6) May 15th, 2011: the early dissolution of Cairoli Finance S.r.l., approved by the company's shareholders on April 28th, 2011, came into effect.

(7) May 4th, 2011: the conversion of the share capital of M.S.M.C. Italy Holding B.V. (25% owned by Prelios) came into effect, as a result of which the existing shares were converted into numbered tracking shares allocated so as to achieve a direct correlation between such shares and Monteverdi - Fondo comune di investimento immobiliare speculativo di tipo chiuso in which Prelios holds a 34.12% interest through Tiglio I S.r.l.. Following conversion Prelios S.p.A. subscribed to 1 tracking share and then purchased from third party shareholders 2 tracking shares in classes A, B and E which have given it another 7.26% direct interest in the results of the Monteverdi fund.

(8) October 4th, 2010: DGAG Nordpartner GmbH & Co. KG sold a 44.9% interest in Projektentwicklung Blankenese Bahnhofsplatz GmbH & Co. KG to third parties. Following this disposal, DGAG Nordpartner & Co. KG held one share of Euro 510.00 in this company, corresponding to 5.1% of its share capital. The disposal was effective for legal purposes from January 31st, 2011 but from December 31st, 2010 for accounting purposes.

(9) October 4th, 2010: DGAG Nordpartner GmbH & Co. KG and Verwaltung Blankenese Bahnhofsplatz GmbH sold their respective interests of 47.4% and 5.2% in the share capital of Projektentwicklungsgesellschaft Bahnhofsgebäude Blankenese mbH & Co. KG to third parties. This disposal was effective for legal purposes from January 31st, 2011 but from December 31st, 2010 for accounting purposes.

(10) March 2nd, 2011: the unitholders of Vivaldi - Fondo comune di investimento immobiliare speculativo di tipo chiuso subscribed to 2 units for a total of Euro 1,000,000.

CERTIFICATION PURSUANT TO ART. 154-BIS OF THE FINANCIAL MARKETS CONSOLIDATION ACT

The certification required under art. 154-*bis* of the Financial Markets Consolidation Act (Legislative Decree 58/1998) is presented below in accordance with the Consob format.

Art. 19 of the Company's Articles of Association requires the Board of Directors to appoint, after seeking the opinion of the Board of Statutory Auditors, a Financial Reporting Officer, who must be an expert in the field of accounting, finance and control and satisfy the same integrity requirements that apply to directors.

The Company's current Financial Reporting Officer is Gerardo Benuzzi, the Company’s General Manager Finance & Advisory and Chief Financial Officer, to whom the Prelios Group’s administration, control and tax offices all report.

On April 21st, 2011 the Board of Directors confirmed Gerardo Benuzzi in this position in view of his specific expertise and experience, the senior management role held within the Company and associated responsibility, and granted him every organizational and operational power needed to carry out his duties as well as full financial autonomy.

Certification of the half-year condensed financial statements pursuant to art. 81-ter of Consob Regulation 11971 dated May 14th, 1999 as amended

1. The undersigned Paolo Massimiliano Bottelli, as Chief Executive Officer, Enrico Parazzini, as Managing Director Finance, and Gerardo Benuzzi, as Financial Reporting Officer, of Prelios S.p.A. attest, also taking account of the provisions of art. 154-*bis*, par. 3 and 4, of Legislative Decree 58 dated February 24th, 1998, that during the period from January 1st, 2011 to June 30th, 2011 the accounting and administrative processes for preparing the half-year condensed financial statements:

    - have been adequate in relation to the business's characteristics and,
    - have been effectively applied.

2. The adequacy of the accounting and administrative processes for preparing the half-year condensed financial statements at June 30th, 2011 has been evaluated on the basis of an assessment of internal controls. This assessment has been based on a specific process defined in compliance with the principles of the "Internal Control - Integrated Framework" published by the "Committee of Sponsoring Organizations of the Treadway Commission" (COSO) and which represents the internationally generally accepted standard model.

3. They also certify that:

3.1 the half-year condensed financial statements:

a) have been prepared in accordance with the international financial reporting and accounting standards recognized by the European Union in accordance with EC Regulation no. 1606/2002 of the European Parliament and European Council dated July 19th, 2002;
b) correspond to the underlying accounting records and books of account;
c) are able to provide a true and fair view of the issuer's balance sheet, results of operations and financial position and of the group of companies included in the consolidation.

3.2 The interim report on operations contains a reliable account of important events that took place in the first six months of the year and their impact on the half-year condensed financial statements, together with a description of the principal risks and uncertainties in the remaining six months of the year. The interim report on operations also contains a reliable presentation of information on significant related party transactions.

July 26th, 2011

Chief Executive Officer	Managing Director Finance	Financial Reporting Officer
(Paolo Massimiliano Bottelli)	(Enrico Parazzini)	(Gerardo Benuzzi)

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Auditors' review report on the interim condensed consolidated financial statements (Translation from the original Italian text)

To the Shareholders of
Prelios S.p.A.

1. We have reviewed the interim condensed consolidated financial statements, comprising the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the related explanatory notes, of Prelios S.p.A. and its subsidiaries (the "Prelios Group") as of June 30, 2011. Prelios S.p.A.'s Directors are responsible for the preparation of the interim condensed consolidated financial statements in conformity with the International Financial Reporting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to issue this review report based on our review.

2. We conducted our review in accordance with review standards recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution no. 10867 of July 31, 1997. Our review consisted mainly of obtaining information on the accounts included in the interim condensed consolidated financial statements and the consistency of the accounting principles applied, through discussions with management, and of applying analytical procedures to the financial data presented in these consolidated financial statements. Our review did not include the application of audit procedures such as tests of compliance and substantive procedures on assets and liabilities and was substantially less in scope than an audit conducted in accordance with generally accepted auditing standards. Accordingly, we do not express an audit opinion on the interim condensed consolidated financial statements as we expressed on the annual consolidated financial statements.

   With respect to the consolidated financial statements of the prior year and the interim condensed consolidated financial statements of the corresponding period of the prior year, presented for comparative purposes, reference should be made to our reports issued on March 24, 2011 and on July 30, 2010, respectively.

3. Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements of Prelios Group as of June 30, 2011 are not prepared, in all material respects, in conformity with the International Financial Reporting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Milan, July 29, 2011

Reconta Ernst & Young S.p.A.
Signed by: Alberto Romeo, Partner

This report has been translated into the English language solely for the convenience of international readers

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