PRELIOS

THE REAL POTENTIAL OF REAL ESTATE.

Interim Financial report
at September 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 Milan

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

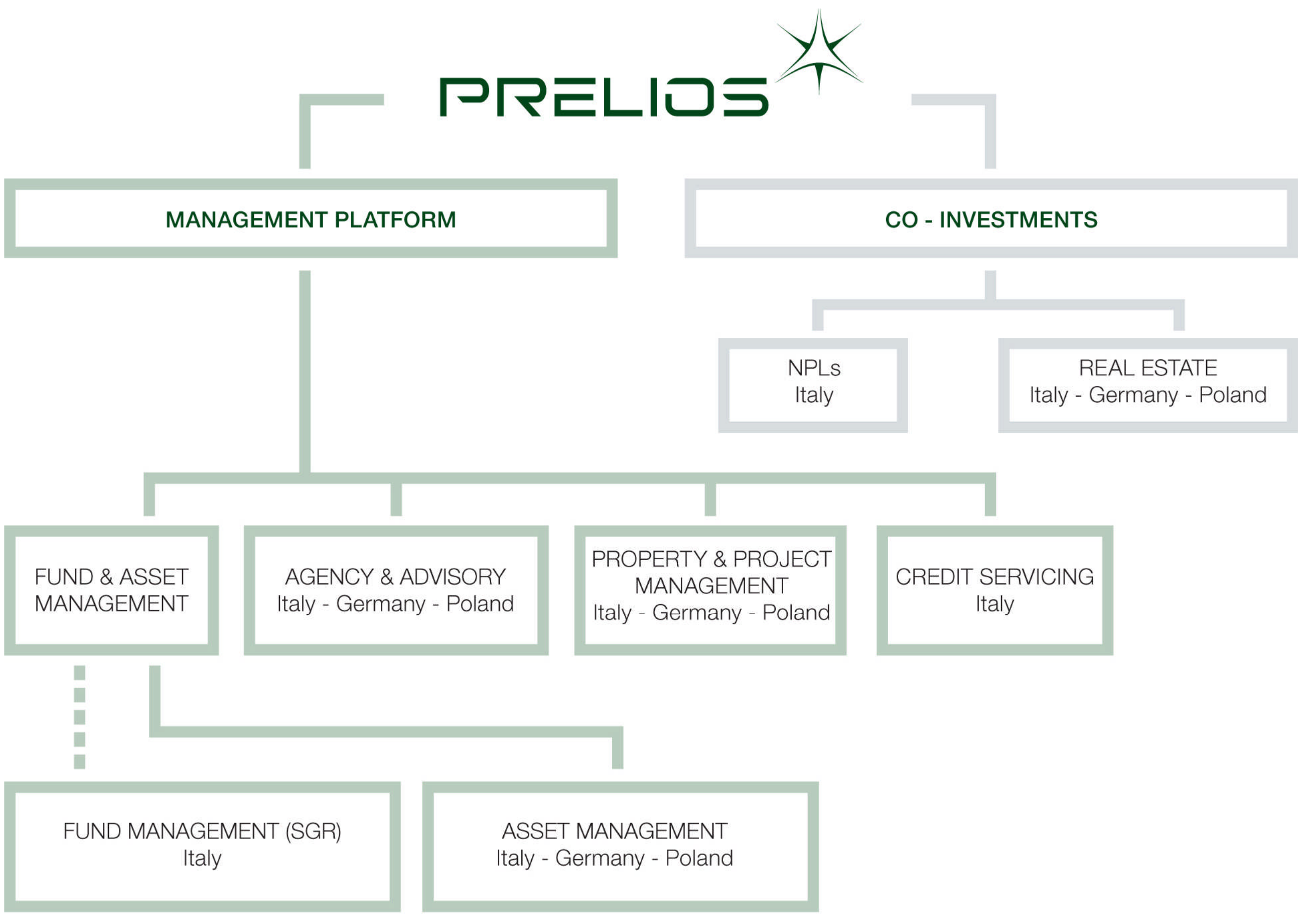
2. Prelios Group Profile

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 non performing loans 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 September 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. PRELIOS IN THE FIRST NINE MONTHS OF 2011

1.1 Market scenario – August 2011 financial shock

The financial turmoil already affecting the Euro-zone, the persistently weak market context and highly uncertain macroeconomic scenario meant that already at the time of approving the half-year financial report it had been hypothesized that the terms of access to credit and real estate market trends could negatively impact the Group's outlook.
In fact, since August 2011, the external scenario has suffered a sudden, drastic deterioration with respect to the situation at the end of July, specifically in connection with sovereign debt tensions, involving steep increases in spreads. Several factors have contributed to this deterioration, including: (i) Europe's struggle to resolve the problems triggered by the Greek crisis, (ii) the recent downgrade of sovereign debt by the rating agencies, (iii) downward revisions of economic growth forecasts in general and (iv) fears of further recapitalizations in the European banking sector.
Such factors have not only fostered extreme stock price volatility, but have also quickly translated into higher borrowing costs and tighter access to credit, causing, in the real estate sector, a significant slowdown in the number and size of transactions. The continuing crisis does not offer any prospects for a reversal in the short to medium term, with borrowing costs remaining high and market conditions still very weak.

1.2 Effects and strategies for the Company

As for the Company itself, the principal negative effects on its future outlook relate to an increase in spreads and, as far as the real estate sector is concerned, a deterioration in cash flow forecasts for real estate assets and a major slowdown in sales, also because of the banking system's diminished ability to fund such transactions.
This new scenario has an inevitable impact on real estate sale prices and short-term sales. Consequently, independent appraisers can be assumed to be much more conservative. The unforeseeable timing and magnitude of the new financial shock in August 2011 has produced an immediate slowdown in real estate transactions, with the prospect of worsening economic conditions at which transactions can be finalized in the short to medium term.

In view of the major shift in the macroeconomic scenario and based on the results at

September 30th, the Company is revising its previously announced key targets for 2011 as follows:

- net financial position at December 31st below 500 million euro (versus the previous target of “below 400 million euro”)
- consolidated net result estimated between negative 270 and 290 million euro (versus the previous "positive" target).

In the above context, Prelios confirms its strategic objective to reposition itself as a "pure management company" with a particular focus on the domestic market by relaunching its asset management company and by progressively developing its management activities and specialized services for third parties. Consistent with this model, not only will the priorities be to generate cash by releasing investment value and to increase operational efficiency, but to foster the business's sustainable development in the future.

In light of the above, Prelios is currently negotiating the refinancing of its debt with lenders for a total amount of fully committed lines in excess of 500 million euro. In detail, approximately 350 million euro relates to the Club Deal refinancing amortizable by December 2014, 160 million euro to renewal of the credit line granted by Pirelli & C., and 20 million euro to a bilateral line granted by Intesa Sanpaolo for a period of 18 months less 1 day.

In the scenario described, equity investment and investment property writedowns have influenced the Group's financial results, which ended the first nine months of 2011 with a net negative 152.9 million euro compared with a loss of 29.6 million euro in the first nine months of 2010. The net result was affected by 136.1 million euro in equity investment and investment property writedowns, of which 93.5 million relating to Baubecon, by 21.1 million euro in restructuring costs, and by 8.9 million euro for the one-off property tax on investors in real estate funds. These items more than absorbed the positive impact of 31.8 million euro from selling the interests in the "Rinascente" operating company and in Coin, as well as the benefit of a writeback of some 11.4 million euro to the value of the "Highstreet" loan, written down in previous years.

The Prelios management platform nonetheless reported a nine-month operating profit or EBIT - the most representative performance indicator for the new business model - of 15.4 million euro (+9% on September 2010).

Of particular note was the performance of real estate sales, which had already reached the year-end target (1.5 billion euro) by the end of September.

1.3 Significant events in the first nine months 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 extended to 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 ratios 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 measures 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[4], 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.

- 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 these funds. 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 with respect to 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 three-year term in office. In its meeting immediately after the shareholders' meeting the Board of Directors largely confirmed the top management team which had contributed to the successful consolidation and turnaround of Prelios in recent years. Marco Tronchetti Provera was confirmed as Chairman, and Enrico

[4] 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.

Parazzini as Managing Director Finance, responsible for administration, finance and financial control. Giulio Malfatto was appointed as Vice Chairman with responsibility for business development, carrying on the task of guiding business turnaround. Paolo Bottelli, formerly General Manager and a board member since 2008, was 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 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.

- 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, was 4.4 million euro, representing a gain of some 3.8 million euro which was recognized in third quarter 2011.

- On July 28th, 2011, following the go-ahead from the Italian Antitrust Authority, Rinascente Upim (in which Prelios has a 20% interest together with Investitori Associati with 46%, RREEF- Deutsche Bank group with 30% and Tasso with 4%) finalized the sale of the Rinascente S.r.l. operating company to Central Retail Corporation (CRC), Thailand's leading retail operator, specializing in the professional management of department stores, supermarkets, retail parks and shops. The sale consideration was 205 million euro (equity value), reflecting an estimated enterprise value of around 260 million euro, corresponding to an implied multiple of approximately 11 times Rinascente’s 2010 EBITDA. The transaction generated around 28 million euro in gains for Prelios and benefited the net financial position by some 31 million euro.

- On August 31st, 2011 Highstreet, the previously mentioned consortium, finalized another sale of two retail properties to the joint venture formed by Centrum (a German real estate company) and Signa (an Austrian real estate company) for a total value in line with market value of around 248 million euro. This transaction generated about 1 million euro in revenues for the Prelios management platform, mainly in respect of fees on the sale of these assets.

- On September 23rd, 2011 with the opening in Porto Santo Stefano, in the Argentario district of Tuscany, of the first Prelios affiliated agency under the new brand name of "La

Casa Agency", Prelios officially started the renaming process of its franchising network. The agency rebranding project following the separation of Pirelli Re from Pirelli & C. and the consequent renaming of Pirelli Re as Prelios, has been undertaken with the goal of laying the foundations for a solid, high-level business that is financially sustainable both for Prelios and for the affiliated agencies, a crucial factor in the current market.

2. FINANCIAL HIGHLIGHTS - REVIEW OF PERFORMANCE

This section will examine the Group's results, financial position and balance sheet at September 30th, 2011. The review of operating results in section 2.1 uses Non-GAAP performance measures, generally adopted by management to monitor and assess the Group's performance. The purpose is to present the result of the Group's ordinary continuing operations, net of the impact of transactions that are unusual in nature or 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 3 contains an analysis of the results as reported in the IFRS income statement. The review of the balance sheet and financial position in section 2.2 also includes Non-GAAP measures, the composition of which is disclosed 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.

2.1 Review of operating results

(Euro/million)	SEPTEMBER 2011	SEPTEMBER 2010
Consolidated revenues:	121.6	210.2
of which services	*113.6*	*120.3*
of which others	*8.0*	*89.9*
MANAGEMENT PLATFORM : EBIT before restructuring costs and property writedowns/revaluations	14.5	13.5
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	**15.4**	**14.1**
INVESTMENT : EBIT before restructuring costs and property writedowns/revaluations	(15.3)	(4.3)
INVESTMENT : Net income from investments before restructuring costs and property writedowns/revaluations	(13.9)	(4.4)
INVESTMENT : Income from shareholder loans (1)	19.9	19.5
TOTAL INVESTMENT: EBIT including net income from investments and income from shareholder loans, before property tax, restructuring costs and property writedowns/revaluations	**(9.3)**	**10.8**
EBIT including net income from investments and income from shareholder loans, before property tax, restructuring costs and property writedowns/revaluations	**6.1**	**24.9**
Rinascente/Coin gain net of related expenses	31.8	
Profit (loss) before financial expenses, property tax, restructuring costs and property writedowns/revaluations	**37.9**	**24.9**
Financial expenses	(23.7)	(17.3)
Profit (loss) before property tax, restructuring costs, property writedowns/revaluations and income taxes	**14.2**	**7.6**
One-off property tax	(8.9)	0.0
Restructuring costs	(21.1)	0.0
Property writedowns/revaluations	(136.1)	(25.8)
Profit (loss) before taxes	**(151.9)**	**(18.2)**
Income taxes	(2.2)	(10.8)
Net income (loss) before minority interests	**(154.1)**	**(29.0)**
Minority interests	1.2	(0.6)
Consolidated net income (loss)	**(152.9)**	**(29.6)**

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

The consolidated net result at September 30th, 2011 was a negative 152.9 million euro compared with a loss of 29.6 million euro in the first nine months of 2010.

EBIT including net income from investments and income from shareholder loans before property tax, restructuring costs and property writedowns/revaluations was 6.1 million euro compared with 24.9 million euro in the first nine months of 2010; this contraction was principally due to the non performing loans business, which has particularly suffered in the current market context.

Profit (loss) before financial expenses, property tax, restructuring costs and property writedowns/revaluations was a positive 37.9 million euro compared with 24.9 million euro in the first nine months of 2010. The improvement in this indicator is mostly due to the sale of the interests in the "Rinascente" operating company and in Coin, which generated a gain of some 31.8 million euro net of related costs.

The "one-off property tax" on investee real estate funds, of which the Prelios share is 8.9 million euro, refers to 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). This decree not only makes major changes to the tax rules applying to real estate investment funds, but also replaces income tax with a 5% flat-rate tax calculated on the average NAV of the units held, as reported in periodic reports prepared in the 2010 tax period.

"Restructuring costs" generally refer to 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 already agreed or at an advanced stage of negotiation with financial backers and partners; their separate presentation demonstrates how such restructuring costs differ from the Group's ordinary operating activities. The restructuring costs of 21.1 million euro at September 30th, 2011 include 13.7 million euro for the recognition of deferred contractual expenses associated with the disposal of the facility management business and the interest in the former Pirelli RE SGR, as well as 5.4 million euro in debt write-offs in connection with the restructuring of certain associates and joint ventures.

"Property writedowns/revaluations", amounting to 136.1 million euro at September 30th, 2011, refer to adjustments to the value of Real Estate assets, thus excluding NPLs. They particularly include around 93.5 million euro to write off the entire residual net invested capital in the Baubecon portfolio, in view of the fact that current scenarios do not contemplate the equity injections needed to support this investment.

MANAGEMENT PLATFORM [5]

	SEPTEMBER 2011	SEPTEMBER 2010	Change 2011/2010
EBIT including net income from investments & income from shareholder loans before property tax, restructuring costs and property writedowns/revaluations.	15.4	14.1	+1.3
			+9%

At September 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 15.4 million euro in EBIT including net income from investments and income from shareholder loans before property tax, restructuring costs and property writedowns/revaluations, posting a 9% increase from 14.1 million euro in the first nine months of 2010.

The improvement of 1.3 million euro on the prior year period is consistent with the objective of focusing on services and reflects an increase in both the EBIT of consolidated companies (+1.0 million euro) and in the results of companies in which minority interests are held (+0.3 million euro).

INVESTMENT [6]

	SEPTEMBER 2011	SEPTEMBER 2010	Change 2011/2010
EBIT including net income from investments & income from shareholder loans before property tax, restructuring costs and property writedowns/revaluations.	-9.3	10.8	-20.1

At September 30th, 2011 investment activities reported a negative 9.3 million euro in EBIT including net income from investments and income from shareholder loans before property

[5] 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.
[6] 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.

tax, restructuring costs and property writedowns/revaluations, marking a deterioration on the positive result of 10.8 million euro at September 30th, 2010. This decline is mostly due to writedowns in the non performing loans business after revising nearly all the business plans for the sudden major degeneration in the financial and sector-specific environment. The result at September 2011 includes a positive contribution of 9.9 million euro (6.2 million euro at September 30th, 2010) for the operating results of the "Highstreet" venture, without which the result would have been a negative 19.2 million euro (positive 4.6 million euro at September 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 bank lenders, the Highstreet investment has no longer been equity accounted but instead reported as a financial asset in relation to its recoverability, based on expected short-term cash flows from the sale of the real estate portfolio. 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".

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<u>Real estate sales</u>[7] realized at September 30th, 2011 amounted to 1,464.1 million euro (Prelios share 365.2 million), compared with 920.6 million euro at September 30th, 2010 (Prelios share 258.4 million). The Company realized an <u>average sales margin</u> of around 5% on book value for real estate transactions completed in the nine months ended September 30th, 2011.

<u>Rents</u>[8] came to 497.9 million euro at September 30th, 2011 compared with 549.4 million euro at September 30th, 2010; the Prelios share of rents was 119.7 million euro (137.4 million euro at September 30th, 2010).

<u>Consolidated revenues</u> were 121.6 million euro at September 30th, 2011 compared with 210.2 million euro at September 30th, 2010.

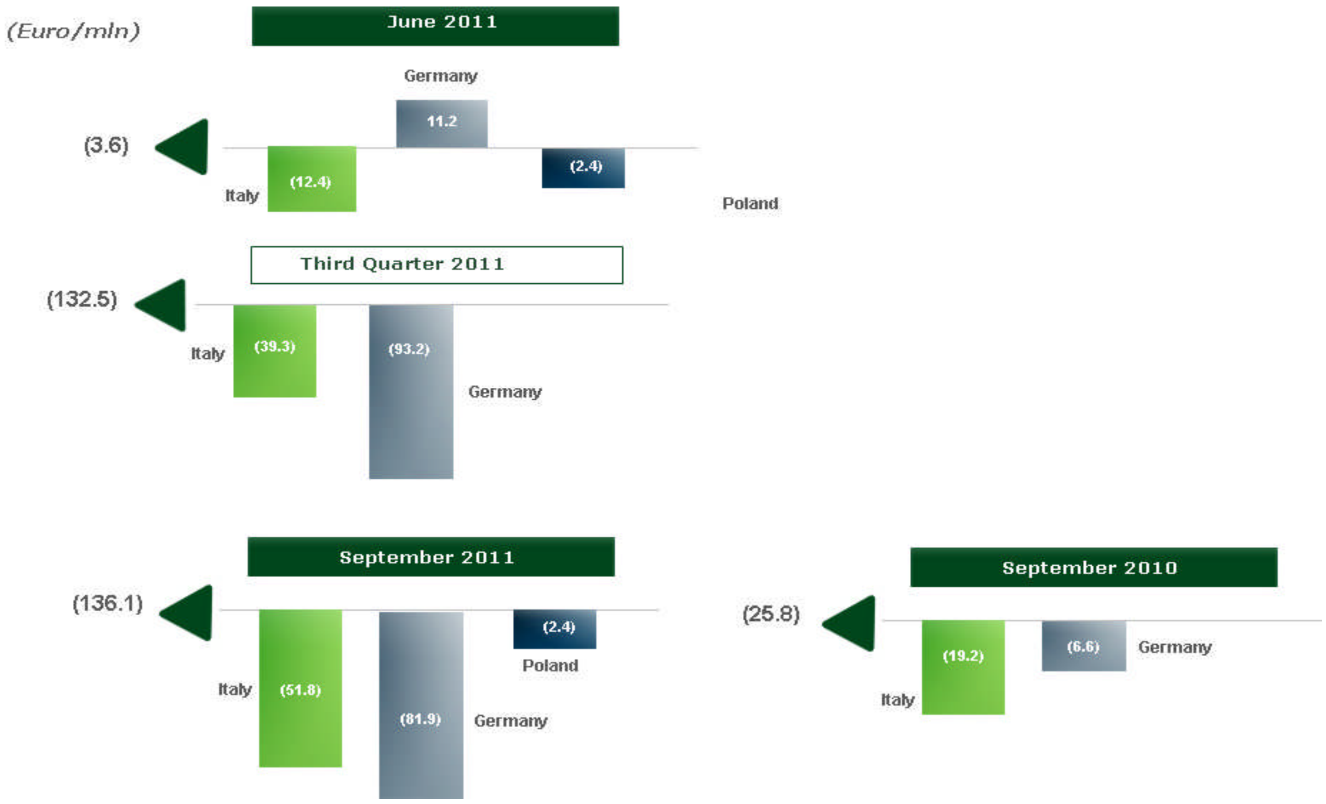
More details of the results by geographical area for fund and investment company activities and the management platform, inclusive of general and administrative expenses, can be found in the section on divisional performance.

Writedowns of equity investments and investment property at September 30th, 2011 totalled -136.1 million euro (-25.8 million euro at September 30th, 2010), of which -51.8 million euro against the real estate portfolio in Italy, -81.9 million euro against the real estate portfolio in Germany and -2.4 million euro against the real estate portfolio in Poland. Writedowns of equity investments and investment property amounted to -132.5 million euro in the third quarter of 2011, of which -39.3 million euro in Italy and -93.2 million euro in Germany to write down the residual net invested capital in the German Baubecon portfolio, reflecting current scenarios that do not contemplate the equity injections needed to support this investment.

[7] 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.

[8] This is the sum of rents earned by consolidated investment companies plus 100% of the rents earned by associates, joint ventures and funds in which the Group has interests at September 30th, 2011.

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



2.2 Review of the balance sheet and financial position

(Euro/million)	SEPTEMBER 2011	DECEMBER 2010
Fixed assets	543.6	590.0
of which investments in real estate funds and investment companies **(1)**	*378.7*	*423.6*
of which goodwill	*148.1*	*148.1*
Net working capital	110.3	106.0
Net invested capital	653.8	695.9
Equity	464.4	589.6
of which group equity	456.3	579.8
Provisions	61.1	61.6
Net financial position	128.4	44.7
of which shareholder loans granted	(345.8)	(379.2)
Total covering net invested capital	653.8	695.9
Net financial position excluding shareholder loans granted	474.2	424.0
Net invested capital excluding shareholder loans granted	999.6	1,075.1
Gearing	1.02	0.72

(1) The figure includes investments in associates, joint ventures and others (370.6 million euro), investments in real estate funds (15.4 million euro, reported in "Other financial assets" in the consolidated balance sheet) and junior notes (0.2 million euro, reported in "Other financial assets" in the consolidated balance sheet). The balance at the end of September 2011 is stated after provisions for investment writedowns of 7.5 million euro (8.8 million euro at December 31st, 2010).

Fixed assets amounted to 543.6 million euro at September 30th, 2011 compared with 590.0 million euro at December 31st, 2010. The reduction is due not only to the distribution of reserves and retained earnings but also to writedowns against investments in associates and joint ventures.

Net working capital was 110.3 million euro at September 30th, 2011 compared with 106 million euro at December 31st, 2010. The increase is also 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, as offset by reductions in receivables for collections and writedowns.

Group equity was 456.3 million euro at September 30th, 2011 compared with 579.8 million euro at December 31st, 2010. The change reflects the consolidated net loss for the period (-152.9 million euro) and other variations (+29.4 million euro) mostly in connection with the reserve for interest rate hedges.

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

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

(Euro/million)	SEPTEMBER 2011	JUNE 2011	DECEMBER 2010
Total net financial position (1)	(128.4)	(55.6)	(44.7)
Shareholder loans granted	345.8	418.5	379.2
Net financial position excluding shareholder loans granted (2)	(474.2)	(474.1)	(424.0)
Gearing (3)	1.02	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. The Explanatory Notes contain a table that presents the balance sheet line items used to calculate this indicator.

(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.

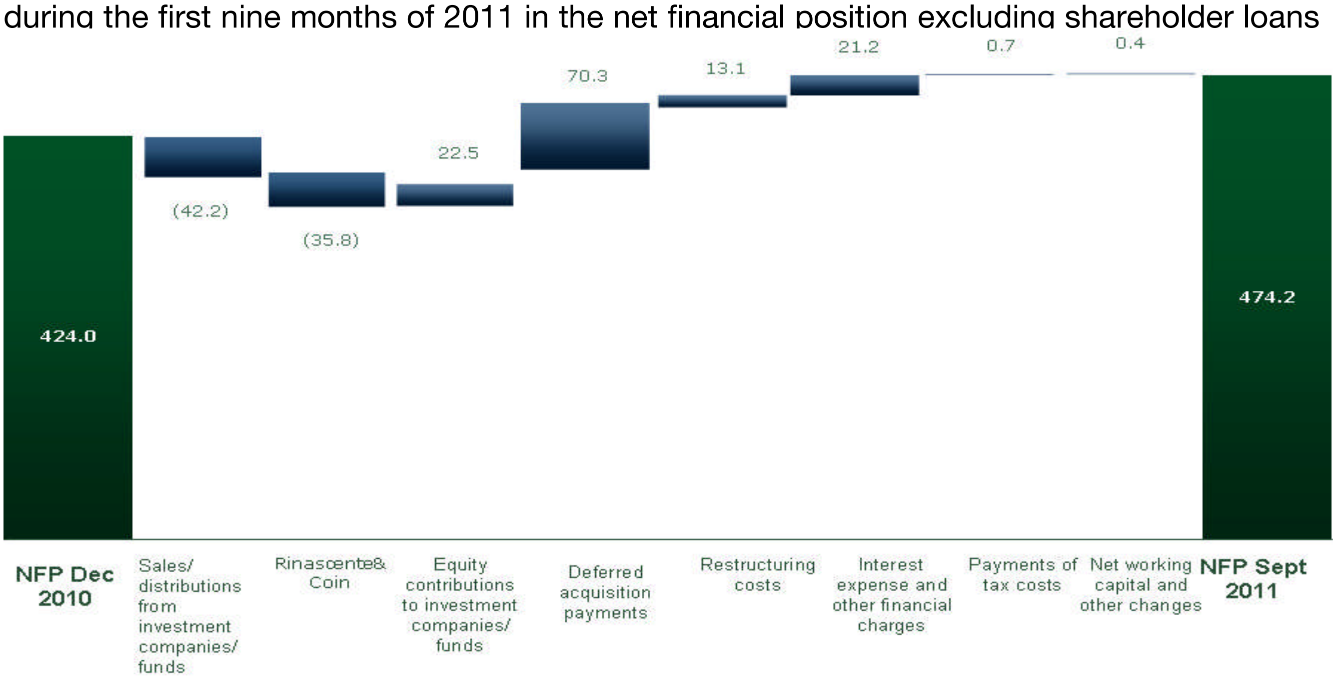
The net financial position reported net debt of 128.4 million euro at September 30th, 2011 compared with net debt of 44.7 million euro at December 31st, 2010. The change is mainly due to the reduction in financial receivables associated with the German Baubecon portfolio after completely writing off the shareholder loan to the joint ventures concerned.

The net financial position excluding shareholder loans granted at September 30th, 2011 was stable on the end of the previous quarter, reporting net debt of 474.2 million euro compared with 424 million euro at December 31st, 2010.

The increase of 50.2 million euro since December 31st, 2010 is primarily attributable to the combined effect of a reduction of 42.2 million euro in sales/distributions by investment companies and funds, a reduction of 35.8 million euro for the sale of the interest in the "Rinascente" operating company and Coin shares, a growth in borrowings to settle deferred payments/acquisitions (70.3 million euro), equity contributions to investment companies and funds (22.5 million euro), the payment of interest and other financial expenses (21.2 million euro), the payment of restructuring costs (13.1 million euro), the payment of taxes (0.7 million euro) and other changes (0.4 million euro).

Gearing was 1.02 compared with 0.72 at December 31st, 2010.

The following diagram presents the combined effect of the factors behind the change during the first nine months of 2011 in the net financial position excluding shareholder loans



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

(Euro/million)	SEPTEMBER 2011	SEPTEMBER 2010
EBIT before restructuring costs and property writedowns/revaluations	**(0.9)**	**9.3**
Amortization and depreciation	2.3	3.9
Change in non-current financial assets /sale of investments	(48.4)	(17.9)
Change in other non-current assets	(0.8)	0.6
Change in net working capital and provisions and other changes	(15.5)	(36.3)
Net cash flow from operating activities	**(63.3)**	**(40.4)**
Payment of restructuring costs	(13.1)	(9.9)
Financial and tax expenses/income	(5.9)	3.4
Net cash flow before dividends	**(82.3)**	**(47.0)**
Capital increase/dividends	(1.3)	-
Total net cash flow	**(83.6)**	**(47.0)**
Change in shareholder loans	33.4	12.2
Total net cash flow including change in shareholder loans	**(50.2)**	**(34.8)**

3. REVIEW OF IFRS CONSOLIDATED INCOME STATEMENT

The following income statement is presented in the same format that will be subsequently analyzed in the Explanatory Notes to the Consolidated Financial Statements.

(Euro/million)	September 2011	September 2010
Revenues from sales and services	121.6	210.2
Changes in inventories of work in progress, semi-finished and finished products	12.4	(0.5)
Other income	10.5	20.2
TOTAL OPERATING REVENUES	**144.5**	**229.8**
Raw and consumable materials used (net of change in inventories)	(26.8)	(60.3)
Personnel costs	(53.2)	(50.1)
Depreciation, amortization and impairment	(2.3)	(3.9)
Other costs	(90.6)	(107.3)
TOTAL OPERATING COSTS	**(172.9)**	**(221.6)**
EBIT (earnings before interest and tax)	**(28.5)**	**8.2**
Net income from investments	(120.2)	(28.6)
Financial income	27.2	21.7
Financial expenses	(27.9)	(19.5)
RESULT BEFORE INCOME TAXES AND MINORITY INTERESTS	**(149.4)**	**(18.2)**
Income taxes	(4.7)	(10.8)
NET INCOME (LOSS) FOR THE PERIOD	**(154.1)**	**(29.0)**
attributable to minority interests	(1.2)	0.7
CONSOLIDATED NET INCOME (LOSS) FOR THE PERIOD	**(152.9)**	**(29.6)**

Revenues from sales and services amounted to 121.6 million euro at September 30th, 2011 compared with 210.2 million euro at September 30th, 2010.

Other income came to 10.5 million euro at September 30th, 2011 compared with 20.2 million euro at September 30th, 2010. This mostly refers to the recharge of building administration costs to tenants of the Group's own properties or properties managed on behalf of third parties, mostly in connection with property management activities.

Raw and consumable materials used (net of change in inventories) amounted to 26.8 million euro at September 30th, 2011 compared with 60.3 million euro at September 30th, 2010. This amount includes the purchase of properties in relation to the Group's business: in 2011 it includes 17.9 million euro for the purchase of the remaining 65% of certain classes of tracking share in Mistral Real Estate B.V., relating to an asset in Dresden comprising three office and retail premises, while 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 53.2 million euro at September 30th, 2011 compared with 50.1 million euro at September 30th, 2010.

Other costs amounted to 90.6 million euro at September 30th, 2011 compared with 107.3 million euro at September 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 negative 28.5 million euro at September 30th, 2011 compared with a positive 8.2 million euro at September 30th, 2010.

Net income from investments was a negative 120.2 million euro at September 30th, 2011 compared with a negative 28.6 million euro at September 30th, 2010. This amount includes the negative impact of 118.1 million euro in equity investment and investment property writedowns compared with a similarly negative amount of 24.7 million euro in the prior year equivalent period.

Financial income includes 11.4 million euro in writebacks to the "Highstreet" loan (7.2 million in 2010): excluding this amount, financial income and financial expenses reported a net negative balance of 12.1 million euro at September 30th, 2011 compared with a net negative balance of 5 million euro at September 30th, 2010.

4. DIVISIONAL PERFORMANCE

4.1 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[10].

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.

September 2011/2010	Italy		Germany		Poland		NPL		G&A		Total			
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011		2010	
Management Platform	21.4	23.5	6.9	3.3	(1.2)	(0.9)	(3.9)	(2.0)			23.2	15.4	23.9	14.1
General & Administrative expenses									(7.8)	(9.8)	(7.8)		(9.8)	
Investment	5.1	6.4	10.3	3.4	(3.0)	0.9	(2) (21.6)	0.1			(9.3)		10.8	
Rinascente/Coin gain net of related expenses	31.8										31.8			
Profit (loss) before financial expenses, property tax, restructuring costs and property writedowns/revaluations (1)		29.9	17.2	6.7	(4.2)	0.0	(25.5)	(1.9)	(7.8)	(9.8)	**37.9**		**24.9**	

(1) This figure is determined as EBIT plus net income from investments and income from shareholder loans.
(2) The result includes 34.3 million euro in writedowns following impairment tests (10.5 million euro at September 30th, 2010)

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

[10] Results from investment mean the net income generated by Prelios from its investments in funds and companies 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.

4.1.1 Italy Real Estate

Financial highlights

	SEPTEMBER 2011	SEPTEMBER 2010
Management Platform		
Total revenues	**58.1**	**63.3**
Result (*)	**21.4**	**23.5**
Investment companies and funds		
EBIT from investment companies and funds	2.0	2.2
Financial income from shareholder loans	3.1	4.2
Rinascente/Coin gain net of related expenses	31.8	
Result (*)	**36.9**	**6.4**
Total Italy	**58.2**	**29.9**

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

The Italy real estate result was a positive 58.2 million euro at September 30th, 2011, marking a major increase on the figure of 29.9 million euro reported at September 30th, 2010; the result comprises 21.4 million euro in net income from the management platform, compared with 23.5 million euro in the prior year equivalent period (reflecting good performance by Property & Project services, up from 5.2 to 5.9 million euro, but a downturn for Agency services from 2.9 to 2 million euro), and 36.9 million euro in net income from investment activities compared with 6.4 million euro in the prior year equivalent period, partly thanks to sale of the interests in the "Rinascente" operating company and in Coin.

Real estate sales[11] amounted to 710.4 million euro at September 30th, 2011 (747.8 million euro at September 30th, 2010). The gross sales margin[12] realized at September 30th, 2011 was 8.4% (3% at September 30th, 2010). Rents[13] totalled 160.7 million euro (210.2 million euro in 2010).

[11] This is the sum of real estate sales by consolidated companies plus 100% of the real estate sales by associates, joint ventures and funds in which the Group has interests.
[12] This expresses the related gross capital gains as a percentage of sales. The capital gains are realized by consolidated companies, associates, joint ventures and funds in which the Group has interests.
[13] This is the sum of rents earned by consolidated investment companies plus the rents earned by associates, joint ventures and funds in which the Group has interests at September 30th, 2011.

4.1.2 Germany Real Estate

Financial highlights

	SEPTEMBER 2011	SEPTEMBER 2010
Management Platform		
Total revenues	**42.4**	**42.1**
Result (*)	**6.9**	**3.3**
Investment companies		
EBIT from investment companies	(3.7)	(8.6)
Financial income from shareholder loans	14.0	12.0
Result (*)	**10.3**	**3.4**
Total Germany	**17.2**	**6.7**

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

The Germany real estate result was a positive 17.2 million euro at September 30th, 2011, improving from 6.7 million euro at September 30th, 2010; the result comprises 6.9 million euro in net income from the management platform, more than double the figure of 3.3 million euro in the prior year equivalent period, and 10.3 million euro in net income from investment activities, improving from 3.4 million euro in the prior year equivalent period. The result at September 2011 includes a positive contribution of 9.9 million euro (6.2 million euro at September 30th, 2010) for the operating results of the "Highstreet" venture, without which the results from investment activities would have been a positive 0.4 million euro compared with a negative 2.8 million euro at September 30th, 2010. These results confirm the effectiveness of the actions to restructure and turn around the Highstreet portfolio, from which most of the German disposals were realized.

Real estate sales[14] amounted to 749.4 million euro at September 30th, 2011 compared with 145.2 million euro at September 30th, 2010. The gross sales margin[15] realized at September 30th, 2011 was 2.2% (7.2% at September 30th, 2010, which had included a 33% margin on the sale of just one asset). Rents[16] totalled 337.1 million euro (339.0 million euro in 2010).

[14] This is the sum of real estate sales by consolidated companies plus 100% of the real estate sales by associates and joint ventures in which the Group has interests.
[15] This expresses the related gross capital gains as a percentage of sales. The capital gains are realized by consolidated companies, associates, joint ventures and funds in which the Group has interests.
[16] This is the sum of rents earned by consolidated investment companies plus the rents earned by associates and joint ventures in which the Group has interests at September 30th, 2011.

4.1.3 Poland Real Estate

Financial highlights

	SEPTEMBER 2011	SEPTEMBER 2010
Management Platform		
Total revenues	**1.4**	**2.0**
Result (*)	**(1.2)**	**(0.9)**
Investment companies		
EBIT from investment companies	(4.4)	(0.5)
Financial income from shareholder loans	1.4	1.4
Result (*)	**(3.0)**	**0.9**
Total Poland	**(4.2)**	**0.0**

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

The Poland real estate result was a negative 4.2 million euro at September 30th, 2011 compared with a breakeven at September 30th, 2010; the result comprises 1.2 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 3.0 million euro in net losses from investment activities, compared with net income of 0.9 million euro in the prior year equivalent period.

When reading the above results it is well to remember that they 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[17] amounted to 4.3 million euro at September 30th, 2011 compared with 27.6 million euro at September 30th, 2010. The gross sales margin[18] was 19.6 %, in line with the margin at September 30th, 2010.

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

4.1.4 Non performing loans

Financial highlights

	SEPTEMBER 2011		SEPTEMBER 2010
Management Platform			
Total revenues	**8.5**		**10.8**
Result (*)	**(3.9)**		**(2.0)**
Investment companies			
EBIT from investment companies	(23.1)		(1.8)
Financial income from shareholder loans	1.5		1.9
Result (*)	**(21.6)**	(**)	**0.1**
Total Non Performing Loans	**(25.5)**		**(1.9)**

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

(**) The result includes 34.3 million euro in writedowns following impairment tests (10.5 million euro at September 30th, 2010).

The result for non performing loans was a negative 25.5 million euro at September 30th, 2011 compared with a negative 1.9 million euro at September 30th, 2010; the result comprises 3.9 million euro in net losses from the management platform, compared with a net loss of 2.0 million euro in the prior year equivalent period, and 21.6 million euro in net losses from investment activities, compared with a broad breakeven in the prior year equivalent period. The deterioration is mostly due to writedowns against loan portfolios after revising nearly all the business plans for the degeneration in the general macroeconomic situation.

NPL collections[19] came to 137.0 million euro in the first nine months of 2011, compared with 184.8 million euro at September 30th, 2010.

[19] 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.

5 . SUBSEQUENT EVENTS

- On October 17th, 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 (managed by the Goldman Sachs Group), finalized an agreement to sell 3 department stores for more than 50 million euro. As the co-asset manager of the entire Highstreet real estate portfolio in Germany, Prelios oversaw the entire sale process, realizing some 200 thousand euro in fee income for its management platform.

- On October 20th, 2011 the ordinary shareholders' meeting of Prelios SGR appointed a new Board of Directors; the new Board of Directors met immediately after this meeting to appoint Dario Frigerio as Chief Executive Officer of Prelios SGR. The appointment of the new structure is also part of the Prelios Group's objective to strengthen and relaunch the core fund management business run by its subsidiary Prelios SGR, already one of Italy's leaders by assets under management.

- In the difficult market context described earlier, Prelios has accelerated negotiations with the financial sector to bring forward the refinancing of its corporate debt, due to mature in July 2012. The Company is currently negotiating the refinancing of its debt for more than 500 million euro in fully committed lines. In detail, approximately 350 million euro relates to the Club Deal refinancing amortizable by December 2014, 160 million euro to renewal of the credit line granted by Pirelli & C., and 20 million euro to a bilateral line granted by Intesa Sanpaolo for a period of 18 months less one day. The related loan agreements will contain the usual clauses for similar such transactions, as well as specific financial covenants relating to maximum levels of net debt and minimum levels of equity. The counterparties are expected to complete their respective authorization processes in order to sign agreements by December 31st, 2011.

- On November 11th, after approving the Interim Management Statement at September 30th, 2011, the Board of Directors appointed Riccardo Taranto, the new Prelios Chief Financial Officer, as the Financial Reporting Officer under art. 154-bis of Italy's Financial Markets Consolidation Act, in place of Gerardo Benuzzi.

- The Board of Directors also acknowledged the resignation of the director Giulio Malfatto, who held the office of Vice Chairman. Having contributed to the process of turning the Group around in the wake of the financial and real estate crises towards a "pure asset management company" model, Giulio Malfatto is returning to pursue his own business interests which he had left upon joining the Group.

6. BUSINESS OUTLOOK

In view of the changed market scenario and Prelios's results at September 30th, the conditions no longer exist to confirm the key targets for 2011.

Although the sales target (of around 1.5 billion euro) was achieved in the third quarter and will therefore be exceeded, the other targets for the current year have been redefined as follows:

- 2011 net financial position below 500 million euro versus a target of "below 400 million euro", mainly due to failure to make important disposals;
- 2011 consolidated net result estimated as negative between -270 and -290 million euro (versus the "positive" target), which includes forecast additional writedowns and restructuring costs in the fourth quarter;
- as for the management platform, the marginal decline in revenues reported in the nine months is not expected to be recovered, with a consequent impact on EBIT, now expected in a range between 20 and 24 million euro (24.1 million euro in 2010);
- 2011 Assets Under Management (AUM) at book value below 11 billion euro compared with a target of 13 billion euro, due to the acquisition of fewer mandates.

7. HUMAN RESOURCES

The total number of employees at September 30th, 2011 was 999 (plus 28 with temporary contracts) compared with 1,027 at December 31st, 2010 (plus 39 with temporary contracts).

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

8. APPENDICES

APPENDIX A

Non-GAAP Measures

The Non-GAAP Measures used are as follows:

- **EBIT including net income from investments and income from shareholder loans before property tax, restructuring costs and property writedowns/revaluations** (6.1 million euro): determined as EBIT (-28.5 million euro) plus net income from investments (-120.1 million euro) - reported in "EBIT" and "Net income from investments" in the IFRS consolidated income statement forming part of the interim condensed financial statements -, plus loan writebacks (3.1 million euro) and income from shareholder loans (19.9 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 (21.1 million euro), of equity investment and investment property writedowns (136.1 million euro) and the Rinascente/Upim gain net of directly attributable costs (31.8 million euro).

- **Profit (loss) before property tax, restructuring costs, property writedowns/revaluations and income taxes** (14.2 million euro)**:** this amount is obtained by adding to the performance indicator described above the Rinascente/Upim gain net of directly attributable costs and financial expenses (-23.7 million euro).

- **Income from shareholder loans** (19.9 million euro): this measure comprises the interest income on financial receivables from associates and joint ventures, net of loan writebacks, and the 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** (-23.7 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 loan writebacks).

- **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.

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	**Sept-30-2011**	**Sept-30-2010**
EBIT	(28.5)	8.2
Net income from investments	(120.1)	(28.6)
Income from loan writebacks (1)	3.1	
Income from shareholder loans	19.9	19.5
Property tax (portion included in net income from investments)	6.3	
Restructuring costs	21.1	
Property writedowns/revaluations	136.1	25.8
Rinascente/Coin gain net of related expenses	(31.8)	
Total	**6.1**	**24.9**

Profit (loss) before property tax, restructuring costs, property writedowns/revaluations and income taxes	**Sept-30-2011**	**Sept-30-2010**
EBIT including net income from investments and income from shareholder loans before property tax, restructuring costs and property writedowns/revaluations	6.1	24.9
Rinascente/Coin gain net of related expenses	31.8	
Financial expenses	(23.7)	(17.3)
Total	**14.2**	**7.6**

Income from shareholder loans	**Sept-30-2011**	**Sept-30-2010**
Interest income from loans to associates (1)	-	-
Interest income from loans to joint ventures (1)	24.0	19.4
Income from loan writebacks (1)	(3.1)	
Income from securities (1)	-	0.1
Impairment of securities (2)	(1.0)	-
Total	**19.9**	**19.5**

Financial expenses	**Sept-30-2011**	**Sept-30-2010**
Financial expenses	(27.9)	(19.5)
Financial income	27.2	21.7
Income from loan writebacks (1)	(3.1)	
Income from shareholder loans	(19.9)	(19.5)
Total	**(23.7)**	**(17.3)**

NOTES

(1) Classified in "Financial income."

(2) Classified in "Financial expenses".

C. PRELIOS GROUP – INTERIM MANAGEMENT STATEMENT

1. CONSOLIDATED BALANCE SHEET

(in thousands of euro)

Note	ASSETS	09.30.2011	12.31.2010
	NON-CURRENT ASSETS		
	Property, plant and equipment	5,328	6,147
	Intangible assets	159,515	160,158
1	Investments in associates and joint ventures	367,985	409,274
2	Other financial assets	18,232	23,061
	Deferred tax assets	24,181	24,320
	Other receivables	346,638	381,121
	TOTAL NON-CURRENT ASSETS	**921,879**	**1,004,081**
	CURRENT ASSETS		
	Inventories	74,548	70,921
	Trade receivables	110,680	126,300
	Other receivables	62,355	75,964
	Cash and cash equivalents	28,621	17,013
	Tax receivables	9,759	8,301
	TOTAL CURRENT ASSETS	**285,963**	**298,499**
	TOTAL ASSETS	**1,207,842**	**1,302,580**

	EQUITY	09.30.2011	12.31.2010
	GROUP EQUITY		
3	Share capital	419,991	419,991
4	Other reserves	95,227	138,595
5	Retained earnings	94,012	116,491
	Net income (loss) for the period	(152,911)	(95,312)
	TOTAL GROUP EQUITY	**456,319**	**579,765**
6	**MINORITY INTERESTS**	**8,042**	**9,828**
	TOTAL EQUITY	**464,361**	**589,593**
	LIABILITIES	**09.30.2011**	**12.31.2010**
	NON-CURRENT LIABILITIES		
	Bank borrowings and payables to other financial institutions	477,394	444,241
	Other payables	3,869	3,927
	Provisions for future risks and expenses	21,621	22,481
	Deferred tax provision	3,316	2,545
	Employee benefit obligations	11,228	12,326
	Tax payables	8	-
	TOTAL NON-CURRENT LIABILITIES	**517,436**	**485,520**
	CURRENT LIABILITIES		
	Bank borrowings and payables to other financial institutions	35,671	6,934
	Trade payables	74,732	82,420
	Other payables	71,343	95,505
	Provisions for future risks and expenses	32,407	32,921
	Tax payables	11,892	9,687
	TOTAL CURRENT LIABILITIES	**226,045**	**227,467**
	TOTAL LIABILITIES	**743,481**	**712,987**
	TOTAL LIABILITIES AND EQUITY	**1,207,842**	**1,302,580**

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

2. CONSOLIDATED INCOME STATEMENT

(in thousands of euro)

Note		01.01.2011-09.30.2011	01.01.2010-09.30.2010
7	Revenues from sales and services	121,647	210,192
8	Changes in inventories of work in progress, semi-finished and finished products	12,351	(549)
9	Other income	10,461	20,169
	TOTAL OPERATING REVENUES	**144,459**	**229,812**
	Raw and consumable materials used (net of change in inventories)	(26,798)	(60,320)
	Personnel costs	(53,236)	(50,096)
	Depreciation, amortization and impairment	(2,302)	(3,853)
	Other costs	(90,596)	(107,313)
10	**TOTAL OPERATING COSTS**	**(172,932)**	**(221,582)**
	Earnings before interest and tax (EBIT)	**(28,473)**	**8,230**
11	Net income from investments:	(120,168)	(28,577)
	- net profit share from investments in associates and joint ventures	(18,808)	(29,522)
	- dividends	6,471	1,223
	- gains on investments	1,334	1,961
	- losses on investments	(109,165)	(2,239)
	Financial income	27,177	21,654
	Financial expenses	(27,904)	(19,497)
	RESULT BEFORE INCOME TAXES AND MINORITY INTERESTS	(149,368)	**(18,190)**
	Income taxes	(4,714)	(10,796)
	NET (LOSS) FROM CONTINUING OPERATIONS	**(154,082)**	**(28,986)**
	NET INCOME FROM DISCONTINUED OPERATIONS	-	-
	NET (LOSS) FOR THE PERIOD	**(154,082)**	(28,986)
	attributable to minority interests	(1,171)	658
	CONSOLIDATED NET INCOME (LOSS) FOR THE PERIOD	(152,911)	(29,644)
	Balances relating to related party transactions are described in section 6.4 of the Explanatory Notes.		

3. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in thousands of euro)

		01.01.2011-09.30.2011			
		Gross	Tax	Net	
A	**Net income (loss) for the period**			**(154,082)**	
	Other components of income recognized in equity:				
	Exchange differences on translating foreign financial statements	(742)	-	(742)	
	Total available-for-sale financial assets	(2,408)	322	(2,086)	
	- Fair value adjustment of available-for-sale financial assets	1,371	(893)	478	
	Net actuarial gains / (losses) on employee benefits	158	-	158	
	Prelios share of other components of income recognized in equity by associates and joint ventures	31,933	(302)	31,631	
	- Prelios share of (gains) / losses previously recognized directly in equity now transferred to the income statement	22,869	-	22,869	
	- Prelios share of (gains) / losses recognized in equity	9,064	(302)	8,762	(1)
B	**Total other components of income recognized in equity**	**28,941**	**20**	**28,961**	
A+B	**Total comprehensive income (losses) for the period**			**(125,121)**	
	Attributable to:				
	Group			(123,679)	
	Minority interests			(1,442)	

(1) The amount includes 8.609 thousand euro for the fair value adjustment of derivatives designated as cash flow hedges held by associates and joint ventures.

		01.01.2010-09.30.2010		
		Gross	Tax	Net
A	**Net income (loss) for the period**			**(28,986)**
	Other components of income recognized in equity:			
	Exchange differences on translating foreign financial statements	329	-	329
	Total cash flow hedges	839	(271)	568
	- Fair value adjustment of derivatives designated as cash flow hedges	839	(271)	568
	Total available-for-sale financial assets	1,707	(129)	1,578
	- Fair value adjustment of available-for-sale financial assets	1,532	(81)	1,451
	- (Profits) losses relating to available-for-sale financial assets, previously recognized directly in equity now transferred to the income statement	175	(48)	127
	Net actuarial gains / (losses) on employee benefits	(895)	106	(789)
	Prelios share of other components of income recognized in equity by associates and joint ventures	6,073	(73)	6,000
	- Prelios share of (gains) / losses previously recognized directly in equity now transferred to the income statement	4,796	-	4,796
	- Prelios share of (gains) / losses recognized in equity	1,277	(73)	1,204
B	**Total other components of income recognized in equity**	**8,053**	**(367)**	**7,686**
A+B	**Total comprehensive income (losses) for the period**			**(21,300)**
	Attributable to:			
	Group			(22,044)
	Minority interests			744

4. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in thousands of euro)

	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	**-**	**-**	**-**	**-**	**(556)**	**(2,291)**	**31,779**	**312**	**-**	**(12)**	**-**	**-**	**-**	**29,232**	**(271)**	**28,961**
Allocation of 2010 results	-	(53,687)	-	-	-	-	-	-	-	-	(19,069)	(22,556)	95,312	-	-	-
Cost of equity transactions	-	-	-	-	-	-	-	-	-	(2)	22	-	-	20	-	20
Other changes	-	-	-	-	-	(14)	(111)	438	(347)	170	-	77	-	213	(344)	(131)
Net income (loss) for the period	-	-	-	-	-	-	-	-	-	-	-	-	(152,911)	(152,911)	(1,171)	(154,082)
Equity at September 30th, 2011	**419,991**	**104,649**	**15**	**4,265**	**(1,865)**	**(1,749)**	**(12,086)**	**688**	**5,156**	**3,050**	**(6,896)**	**94,012**	**(152,911)**	**456,319**	**8,042**	**464,361**

	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	**-**	**-**	**-**	**-**	**247**	**1,660**	**7,305**	**(1,251)**	**-**	**(361)**	**-**	**-**	**-**	**7,600**	**86**	**7,686**
Allocation of 2009 results	-	-	-	-	-	-	-	-	-	-	-	(104,296)	104,296	-	-	-
Cost of equity transactions	-	-	-	-	-	-	-	-	-	-	66	-	-	66	-	66
Other changes	-	-	-	-	-	-	-	-	(650)	-	-	2,651	-	2,001	(1,191)	810
Net income (loss) for the period	-	-	-	-	-	-	-	-	-	-	-	-	(29,644)	(29,644)	658	(28,986)
Equity at September 30th, 2010	**419,991**	**158,336**	**15**	**4,265**	**(1,274)**	**437**	**(56,903)**	**(380)**	**5,377**	**3,690**	**12,154**	**117,328**	**(29,644)**	**633,392**	**9,266**	**642,658**

5. CONSOLIDATED CASH FLOW STATEMENT

(in thousands of euro)

	01.01.2011-09.30.2011	01.01.2010-09.30.2010
Result before income taxes and minority interests	(149,368)	(18,190)
Depreciation, amortization and impairment/impairment reversal intangible assets & property, plant & equip.	2,302	3,853
Impairment of receivables	16,253	2,926
Gains/Losses on sale of property, plant and equipment and investment property	29	(1,105)
Net income from investments net of dividends	167,735	57,563
Financial expenses	27,904	19,497
Financial income	(27,177)	(21,654)
Change in inventories	(3,627)	18,358
Change in trade receivables/payables	(1,257)	(46,705)
Change in other receivables/payables	(33,887)	(1,633)
Change in employee benefit obligations and other provisions	(2,440)	(15,026)
Taxes (paid) reimbursed	(3,431)	(14,653)
Other changes	(53)	6,744
Net cash flow generated / (absorbed) by operating activities (A)	**(7,017)**	**(10,025)**
Purchase of property, plant and equipment	(304)	(2,446)
Disposal of property, plant and equipment	19	4,429
Purchase of intangible asstes	(596)	(362)
Disposal of intangible assets	12	118
Disposal of investments in subsidiaries	1,334	1,304
Purchase of investments in associates and joint ventures	(22,397)	(25,735)
Disposal of investments in associates and joint ventures and other movements	931	-
Dividends received	6,471	1,223
Purchase of other financial assets	-	(322)
Disposal of other financial assets	904	2,426
Net cash flow generated / (absorbed) by investing activities (B)	**(13,626)**	**(19,365)**
Other changes in equity	(873)	1,139
Change in financial receivables	(17,628)	(8,350)
Change in financial payables	47,665	16,331
Financial income	15,752	21,654
Financial expenses	(26,890)	(19,499)
Net cash flow generated / (absorbed) by financing activities (C)	**18,026**	**11,275**
Total net cash flow generated / (absorbed) in the period (D=A+B+C)	**(2,617)**	**(18,115)**
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)	**14,351**	**15,091**
of which:		
- cash and cash equivalents	**28,621**	**15,091**
- bank overdrafts	**(14,270)**	**-**

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

6. INTERIM MANAGEMENT STATEMENT – EXPLANATORY NOTES

The interim management statement at September 30th, 2011 was approved by the Board of Directors on November 11th, 2011.

6.1. Form and contents

The present Interim Management Statement at September 30th, 2011 has been prepared in accordance with art. 154-*ter* of Legislative Decree 58/1998, and with the associated instructions issued by CONSOB.

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

The accounting policies and principles are consistent with those used for preparing the financial statements at December 31st, 2010, except for the new standards/interpretations adopted by the Group from January 1st, 2011 already described in the notes to the half-year condensed financial statements, to which reference should be made for more details. These new standards/interpretations have not had any impact of the present Interim Management Statement.

6.1.1. 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, information will now be provided about new standards or interpretations already issued but not yet effective or not yet endorsed by the European Union and so not applicable, and which were not previously described in the notes to the half-year condensed financial statements.

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

- Amendments to IAS 28 - Investments in associates and joint ventures

  Following the issue of IFRS 10 and IFRS 11, the IASB published IAS 28 - Investments in associates and joint ventures, which prescribes the accounting treatment for investments in associates and joint ventures as well as the requirements for the application of the equity method. The existing standard has been only partially amended; the principal amendments relate to reductions in ownership interests in an associate or a joint venture that do not result in discontinued use of the equity method. In these circumstances, the reporting entity must reclassify to profit or loss the proportion of the gain or loss that had been previously recognized in other comprehensive income (OCI), while only the ownership interest sold shall be accounted for in accordance with IFRS 5. The same rule applies to an investment in a joint venture which, following a partial disposal, becomes an investment in an associate.

The standard shall apply to annual periods beginning on or after January 1st, 2013.

- Amendments to IAS 1 – Presentation of financial statements: presentation of other components recognised in equity

  The principal amendments to IAS 1 relate to a new way of presenting other components recognized in equity and reported in the statement of other comprehensive income (OCI).

  The standard does not amend the option of presenting all items of income and expense recognized in a period in a single statement of comprehensive income or in two statements: a statement displaying components of profit or loss (separate income statement) and a second statement beginning with profit or loss and displaying components of other comprehensive income. The amendments require reporting entities to group together items presented in OCI into two categories, according to whether or not they can be reclassified to profit or loss in a future period.

  Examples of items reclassifiable to profit or loss are: translation differences, fair value remeasurement of derivatives in cash flow hedges, gains and losses on financial assets classified as available for sale in accordance with IAS 39.

  Actuarial gains and losses on defined benefit pension plans are an example of an item that cannot be reclassified to profit or loss.

  These amendments, which will become effective from July 1st, 2012, have not yet been endorsed by the European Union. No material impacts are expected from the future application of the above amendments.

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

6.2. Consolidation area

The only change of note refers to the exercise of a put option by a third party as a result of which Prelios S.p.A. has acquired the remaining 65% of certain classes of tracking share in the company Mistral Real Estate B.V., thereby obtaining control of the companies to which these shares refer, namely Verwaltung Erste DGAG Grundstücksgesellschaft mbH and Erste DGAG Grundstücksgesellschaft mbH & Co. KG.

6.3 Information on the Consolidated Balance Sheet and Consolidated Income Statement

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

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

At the date of approving the present Interim Management Statement, there had been no 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 20 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 466 million euro (excluding penalties and interest), of which the Prelios 28% share is 120 million euro.

This is around 30 million euro lower than at the end of the previous quarter, reflecting the fact that Solaris S.r.l. (in which the Prelios Group's interest is 40%) has won its second-level appeal against registration tax and the Italian tax authorities have not proposed appealing to the ultimate Court of Cassation.

Notices of findings issued after tax inspections (and, to a lesser extent, assessments) therefore total 486 million euro (excluding penalties and interest), of which the Prelios 28% share is 140 million euro.

Based on the opinions of its advisors, all of whom highly respected professionals, and the information currently in its possession, the Company believes that all these disputes will end with a favourable outcome for the recipients 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.

The Company has been informed by Prelios Società di Gestione del Risparmio S.p.A. that, at the request of the Italian tax police, the Italian tax authorities have attributed a tax code to nine funds under its management, namely: "Fondo Retail & Entertainment", "Fondo immobiliare Pubblico Regione Siciliana (FIPRS)"; "Portafogli misti","Progetti Residential", "Patrimonio Uffici", "Raissa"; "Hospitality & Leisure"; "Social & Public Iniziatives" and "Diomira" (the "Funds").

The order by the tax authorities to attribute a tax code (the "Order") is based on the alleged fact that, since inception, the funds have consistently concealed a real business operation on a group basis.

Comforted by opinions by authoritative experts on the subject, Prelios Società di Gestione del Risparmio S.p.A. believes that the Order goes against the very nature of the legal form of real estate funds, with the Funds effectively acting as funds since their inception, as confirmed by the fact that no matters or exceptions have ever been raised by the authorities responsible for overseeing this sector.

Also in view of the previous considerations, Prelios Società di Gestione del Risparmio S.p.A. has appealed against the Order to the regional administrative court, and has announced that it will take any other appropriate legal action to defend its legal position, and that of the funds it manages and their shareholders.

ASSETS

Note 1. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Investments in associates and joint ventures are accounted for using the equity method and amount to 367,985 thousand euro, reporting a net decrease of 41,289 thousand euro since December 31st, 2010.

Movements during the period are as follows:

	01.01.2011-09.30.2011			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	22,397	28	22,369	73,127	21,158	51,969
Portion of other components recognized in equity	31,664	180	31,484	18,763	262	18,501
Reclassifications/ Other	7,949	-	7,949	(10,172)	(9,947)	(225)
Distribution of dividends and reserves	(50,604)	(10,239)	(40,365)	(31,912)	(28,118)	(3,794)
Disposals and liquidations	(931)	-	(931)	(32,155)	(26,788)	(5,367)
Share of net profit/impairment	(113,012)	(15,716)	(97,296)	(82,361)	(1,405)	(80,956)
Net (increase)/ decrease in financial receivables	62,447	1	62,446	10,322	1	10,321
Changes in provision for future risks and expenses	(1,199)	5	(1,204)	5,407	2	5,405
Closing balance	**367,985**	**80,315**	**287,670**	**409,274**	**106,056**	**303,218**

The changes in this balance mainly reflect equity contributions made in the period, distributions of dividends and reserves and changes in other components of income recognized directly in equity, particularly changes in the cash flow hedge reserves. The net loss from investments of 113,012 thousand euro includes the negative effect of 118.1 million euro for the Prelios Group's share of net property writedowns and of 6.3 million euro arising from the one-off property tax. These effects have been partially mitigated by positive contributions not only from 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, but also from Rinascente Upim S.r.l., after selling the operating company Rinascente S.r.l., allowing the Group to realize its investment in a business no longer considered strategic.

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 decrease 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 2. OTHER FINANCIAL ASSETS

These amount to 18,232 thousand euro, having decreased by 4,829 thousand euro since December 31st, 2010. They are analyzed as follows:

	09.30.2011	12.31.2010
Available-for-sale financial assets at fair value through equity	**18,040**	**21,259**
Closed-end real estate funds	15,379	16,855
Investments in other companies	2,661	4,404
Other financial assets at amortized cost	**192**	**1,802**
Junior notes	192	1,802
Total	**18,232**	**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 September 30th, 2011 the Group held the following fair value financial assets:

	Note	Carrying amount at 09.30.2011 Total	LEVEL 1	LEVEL 2	LEVEL 3
FINANCIAL ASSETS					
Available-for-sale financial assets					
Other financial assets	2	18,040	5,483	10,812	2,661
- Investments in other companies	*2*	*2,661*	*-*	*-*	*2,661*
- Closed-end real estate funds	*2*	*15,379*	*4,567*	*10,812*	*-*

As at September 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.

2.1 Closed-end real estate funds

These report the following movements in the nine months to September 30th, 2011:

	01.01.2011 - 09.30.2011	01.01.2010- 12.31.2010
Opening balance	**16,855**	**7,775**
Increases	-	500
Decreases/Other movements	(305)	(2,172)
Fair value adjustment	(1,171)	406
(Profits)/losses previously recognized in equity, transferred to income statement upon disposal or impairment	-	174
Reclassifications	-	10,172
Closing balance	**15,379**	**16,855**
of which:		
Cloe Fondo Uffici - Fondo comune di investimento immobiliare di tipo chiuso non quotato riservato	9,667	9,930
Fondo Abitare Sociale 1	548	511
Fondo Enasarco Uno	372	388
Fedora - Fondo comune di investimento immobiliare di tipo chiuso	225	225
Tecla Fondo Uffici	4,567	5,801

The overall balance has been adjusted by a negative 1,171 thousand euro for changes in the fair value of fund units.

2.2 Investments in other companies

These amount to 2,661 thousand euro and report a decrease of 1,743 thousand euro, which includes 3,779 thousand euro in net gains transferred to profit or loss for fair value adjustments to shares and equity instruments held in Dicembre 2007 S.r.l., previously accounted for in equity but transferred to profit or loss 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.

2.3 Other financial assets at amortized cost

"Junior notes", amounting to 192 thousand euro at September 30th, 2011 (1,802 thousand euro at December 31st, 2010), entirely consist of a deferred redemption amount relating to the securitization of a non performing loans portfolio owned by Cairoli Finance S.r.l., against which 596 thousand euro was repaid during the first nine months of 2011.

After revising estimated expected cash flows following the deterioration in the general macroeconomic environment, the class B junior notes relating to the securitization of a non performing loans portfolio owned by Vesta Finance S.r.l. have been discounted, using the original effective interest rate, to the present value of expected future cash flows, resulting in the recognition of 1 million euro in the income statement.

EQUITY

GROUP EQUITY

Note 3. SHARE CAPITAL

At September 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 September 30th, 2011, the same as at December 31st, 2010.

Note 4. 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 negative balance of 1,749 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.

During the first nine months of 2011, a negative fair value adjustment of 2,291 thousand euro has been reported, most of which arising after reversing to profit or loss the parent company's share of the fair value adjustment to the investment in Dicembre 2007 S.r.l..

Cash flow hedge reserve

This reports a negative balance of 12,086 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 31,779 thousand euro arising from the valuation of cash flow hedges held by associates and joint ventures.

Reserve for actuarial gains/losses

This reserve reports a positive balance of 688 thousand euro, reflecting 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 September 30th, 2011 it stands at 5,156 thousand euro.

Reserve for tax on items credited/debited to equity

This reserve, amounting to 3,050 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 5. RETAINED EARNINGS (LOSSES)

These amount to 94,012 thousand euro, reporting a net decrease of 22,479 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 6. MINORITY INTERESTS IN EQUITY

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

NET FINANCIAL POSITION

(alternative performance indicator not prescribed 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	**10,217**	**10,211**
Financial receivables	10,217	10,211
- *joint ventures and other Prelios Group companies*	10,217	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	**28,621**	**17,013**
TOTAL CURRENT ASSETS - A	**38,838**	**27,224**
CURRENT LIABILITIES		
Bank borrowings and payables to other financial institutions	**(35,671)**	**(6,934)**
- joint ventures and other Prelios Group companies	(2,236)	(2,669)
- other related parties	-	-
- Other financial payables	-	-
- Bank borrowings	(33,369)	(3,741)
- Payables to other financial institutions	(66)	(524)
- Finance lease payables	-	-
- Financial accrued liabilities	-	-
TOTAL CURRENT LIABILITIES - B	**(35,671)**	**(6,934)**
NON-CURRENT LIABILITIES		
Bank borrowings and payables to other financial institutions	**(477,394)**	**(444,241)**
- other related parties	(149,951)	(140,419)
- Other financial payables	(629)	(624)
- Bonds	-	-
- Bank borrowings	(324,564)	(303,198)
- Payables to other financial institutions	(2,250)	-
- Finance lease payables	-	-
- Financial accrued liabilities and deferred income	-	-
TOTAL NON-CURRENT LIABILITIES - C	**(477,394)**	**(444,241)**
NET DEBT EXCL. SHAREHOLDER LOANS GRANTED (*) = D =(A+B+C)	**(474,227)**	**(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	**345,825**	**379,225**
Financial receivables	345,825	379,225
- *associates*	1,891	1,817
- *joint ventures and other Prelios Group companies*	342,257	375,406
- *third parties of which*	1,677	2,002
- senior notes	*1,677*	*1,490*
- other receivables	-	*512*
Financial accrued income and prepaid expenses	-	-
Receivables from shareholders for uncalled capital	-	-
TOTAL NON-CURRENT ASSETS - E	**345,825**	**379,225**
NET (DEBT) CASH - F = (D+E)	**(128,402)**	**(44,726)**

INCOME STATEMENT

The Group's results in the first nine months and third quarter of 2011, compared with those in the corresponding periods of 2010, are presented in the following table:

	01.01.2011-09.30.2011	01.01.2010-09.30.2010	07.01.2011-09.30.2011	07.01.2010-09.30.2010
Revenues from sales and services	121,647	210,192	35,332	75,084
Changes in inventories of work in progress, semi-finished and finished products	12,351	(549)	12,081	651
Other income	10,461	20,169	2,167	3,089
TOTAL OPERATING REVENUES	**144,459**	**229,812**	**49,580**	**78,824**
Raw and consumable materials used (net of change in inventories)	(26,798)	(60,320)	(23,288)	(24,419)
Personnel costs	(53,236)	(50,096)	(15,694)	(15,846)
Depreciation, amortization and impairment	(2,302)	(3,853)	(731)	(1,188)
Other costs	(90,596)	(107,313)	(40,832)	(34,646)
TOTAL OPERATING COSTS	**(172,932)**	**(221,582)**	**(80,545)**	**(76,099)**
Earnings before interest and tax (EBIT)	**(28,473)**	**8,230**	**(30,965)**	**2,725**
Net income from investments:	(120,168)	(28,577)	(113,975)	(9,739)
- net profit share from investments in associates and joint ventures	(18,808)	(29,522)	(10,593)	(10,307)
- dividends	6,471	1,223	5,037	224
- gains on investments	1,334	1,961	746	344
- losses on investments	(109,165)	(2,239)	(109,165)	-
Financial income	27,177	21,654	6,383	7,285
Financial expenses	(27,904)	(19,497)	(12,968)	(6,070)
RESULT BEFORE INCOME TAXES AND MINORITY INTERESTS	**(149,368)**	**(18,190)**	**(151,525)**	**(5,799)**
Income taxes	(4,714)	(10,796)	(2,311)	(2,826)
NET (LOSS) FOR THE PERIOD	**(154,082)**	**(28,986)**	**(153,836)**	**(8,625)**
attributable to minority interests	(1,171)	658	(468)	115
CONSOLIDATED NET INCOME (LOSS) FOR THE PERIOD	**(152,911)**	**(29,644)**	**(153,368)**	**(8,740)**

Note 7. REVENUES FROM SALES AND SERVICES

Revenues from sales and services amount to 121,647 thousand euro compared with 210,192 thousand euro in the first nine months of 2010 and are analyzed as follows:

	01.01.2011-09.30.2011	01.01.2010-09.30.2010
Revenues from contracts	816	10,879
Revenues from sales, of which:	3,322	73,069
- sales of land for development	*-*	*35*
- sales of land for development to Prelios Group companies	*-*	*2,850*
- sales of residential property	*3,322*	*4,287*
- sales of commercial property	*-*	*65,897*
- sales of land/property through sale of shares	*-*	*-*
Revenues from services	117,509	126,244
Total	**121,647**	**210,192**

Revenues from contracts

These amount to 816 thousand euro compared with 10,879 thousand euro at September 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. for lease 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 current year figure 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 September 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 nine months of 2011 mainly refer to properties sold by Orione Immobiliare Prima S.p.A..

Sales of commercial property

Sales completed as at September 30th, 2010 included 33,397 thousand euro for the sale in April 2010 of the "Geschäftshaus Osnabrück" office and retail complex located in Osnabrück, in the north-west of Germany, and 32,500 thousand euro for the contribution of a multipurpose complex in Centrova (Perugia) by Iniziative Immobiliari 3 S.r.l. to the Fondo Monteverdi.

Revenues from services

Revenues from services are analyzed as follows:

	01.01.2011-09.30.2011	01.01.2010-09.30.2010
Revenues from services to third parties	44,145	47,548
Revenues from services to associates	11,257	12,842
Revenues from services to joint ventures and other Prelios Group companies	61,858	65,338
Revenues from services to other related parties	249	516
Total	**117,509**	**126,244**

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

The change in inventories is a positive 12,351 thousand euro as at September 30th, 2011 compared with a negative 549 thousand euro in the corresponding period 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 9. OTHER INCOME

This is analyzed as follows:

	01.01.2011-09.30.2011	01.01.2010-09.30.2010
Recoveries, reimbursements and other income	10,118	17,882
Other income from associates, joint ventures and other Prelios Group companies	196	1,699
Other income from other related parties	147	588
Total	**10,461**	**20,169**

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.

The change relative to the corresponding period of 2010 is due to the presence in 2010 of 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 (welfare and pension fund for Italian public-sector employees).

Note 10. OPERATING COSTS

Operating costs amount to 172,932 thousand euro compared with 221,582 thousand euro in the first nine months of 2010 and comprise:

	01.01.2011- 09.30.2011	01.01.2010- 09.30.2010
Raw and consumable materials used, of which:	26,798	60,320
a) Assets purchased	*18,270*	*42,526*
b) Change in inventories of trading properties, raw and miscellaneous	*8,528*	*17,794*
Personnel costs	53,236	50,096
Depreciation, amortization and impairment	2,302	3,853
Other costs	90,596	107,313
Total	**172,932**	**221,582**

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

"**Assets purchased**" of 18,270 thousand euro in the first nine months of 2011 include 17,896 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 8,528 thousand euro in the first nine months of 2011 compared with a similarly negative 17,794 thousand euro in the corresponding period of 2010 and reflects the events reported in "Revenues from sales".

Other costs

	01.01.2011- 09.30.2011	01.01.2010- 09.30.2010
Services	52,340	71,222
Lease and rental costs	11,259	13,841
Impairment of receivables	16,253	2,926
Provisions for risks	5,479	1,271
Other operating expenses	5,265	18,053
Total	**90,596**	**107,313**

These report a considerable reduction, most of which attributable to lower costs for services, particularly relating to construction and maintenance of contracts managed by the Group, and to fewer other operating expenses, which in the corresponding period of 2010 had included 8,748 thousand euro in damages relating to certain legal disputes, against which the Group was entitled to recognize a matching amount of compensation as income.

Note 11. NET INCOME FROM INVESTMENTS

	01.01.2011-09.30.2011	01.01.2010-09.30.2010
Net profit share from investments in associates and joint ventures	(18,808)	(29,522)
Dividends	6,471	1,223
Gains on investments	1,334	1,961
Losses on investments	(109,165)	(2,239)
Total	**(120,168)**	**(28,577)**

This includes 118.1 million euro as the Prelios Group's net share of property writedowns/revaluations and 6.3 million euro as its net share of 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 assets in the DGAG portfolio, meaning that they are now accounted for at fair value (IAS 40) instead of at cost (IAS 2).

In detail, an adjustment of 81,670 thousand euro has been recognized during the period to write off the entire value of the investments in and loans made to Aida RE B.V., Nabucco RE B.V. and Theta RE B.V.; this reflects the fact that current scenarios do not contemplate the equity injections needed to support the investment in the Baubecon portfolio in Germany.

Net income from investments also includes 13,635 thousand euro for recalculating deferred contractual expenses linked to reorganization of the Group that involved the past disposal of ownership interests.

These effects have been partly offset by the gain realized on the sale of the operating company Rinascente S.r.l. by its parent Rinascente Upim S.r.l. (in which the Prelios Group holds a 20% interest); in fact, this transaction has allowed the Group to realize its investment in a business no longer considered strategic, and to recognize a gain of some 28 million euro, net of 4.4 million euro in closing costs.

Lastly, during the first nine months of 2011 the Group received dividends from the Tecla fund (762 thousand euro) and the Cloe fund (389 thousand euro), as well as from companies in which minority interests are held (5,320 thousand euro). Of the latter 4,420 thousand euro refers to the distribution of income to each owner of equity instruments in Dicembre 2007 S.r.l. upon completing the sale of its Coin Group shares on June 30th, 2011.

[1] The figure does not include 19.6 million euro in writedowns and 2.6 million euro in property tax incurred by companies consolidated line-by-line, or 1.5 million euro in revaluations relating to reinstatement of the financial receivable associated with the Highstreet portfolio, included in "financial income", which have resulted in a total charge for the Group of 136.1 million euro in property writedowns/revaluations and of 8.9 million euro in property tax.

6.4. Related party transactions

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

	01.01.2011-09.30.2011	% share (*)	01.01.2010-09.30.2010	% share (*)
Operating revenues	73,707	51.0%	116,347	50.6%
Operating costs	(6,681)	3.9%	(26,046)	11.8%
Net income from investments	(113,031)	94.1%	(30,651)	107.3%
Financial income	24,917	91.7%	20,208	93.3%
Financial expenses	(7,901)	28.3%	(3,671)	18.8%

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

	09.30.2011				12.31.2010			
	Total	% share (*)	Non-current	Current	Total	% share (*)	Non-current	Current
Trade receivables	75,784	68.5%	-	75,784	82,846	65.6%	-	82,846
Other receivables of which:	359,567	87.9%	344,153	15,414	395,837	86.6%	378,003	17,834
- financial receivables	*354,365*	*99.5%*	*344,148*	*10,217*	*387,434*	*99.5%*	*377,223*	*10,211*
Tax receivables	-	0.0%	-	-	-	0.0%	-	-
Trade payables	9,412	12.6%	-	9,412	9,645	11.7%	-	9,645
Other payables	20,963	28.0%	2,608	18,355	23,278	23.4%	2,608	20,670
Tax payables	1,080	8.8%	-	1,080	1,080	11.1%	-	1,080
Bank borrowings and payables to other financial institutions	152,187	29.7%	149,951	2,236	143,088	31.7%	140,419	2,669
Provisions for future risks and expenses	7,487	13.9%	-	7,487	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		
Operating revenues	73,311	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	(4,351)	These refer to recharges of various kinds.
Net income from investments	(113,032)	This mostly comprises the negative adjustments to the value of some Group investments, as well as the results of equity-accounted investments and dividends distributed by real estate funds and companies in which minority interests are held.
Financial income	24,917	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	(2,526)	
Current trade receivables	74,853	This balance includes the receivables relating to "operating revenues".
Other non-current receivables	344,153	
- of which financial receivables	*344,148*	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	15,315	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 Coim
- of which financial receivables	*10,217*	Most of this balance refers to intercompany current accounts with the companies which hold real estate assets in Germany.
Current trade payables	4,220	These refer to various services.
Other non-current payables	2,608	
Other current payables	18,355	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	2,236	This includes negative balances on intercompany current accounts.
Provisions for future risks and expenses	7,487	This refers to the provision for making good the losses of associates and joint ventures in excess of their carrying amounts.

For the sake of completeness, details will now be provided of the transactions and balances at September 30th, 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		
Operating revenues	390	These mainly relate to the recharge of various services provided by the procurement office.
Operating costs	(2,238)	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	(5,375)	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	930	These mainly refer to the recharge of various services reported in "Operating revenues".
Current trade payables	5,004	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	149,951	These refer to the drawdown of a floating-rate revolving credit facility granted by Pirelli & C. S.p.A. to Prelios S.p.A..

Transactions and balances with related parties associated		
Operating revenues	6	
Operating costs	(92)	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	188	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.

Milan, November 11th, 2011

The Board of Directors

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

Decree 58 dated February 24th, 1998

The undersigned, Gerardo Benuzzi, General Manager Finance & Advisory, appointed by the Board of Directors on April 21st, 2011 as Financial Reporting Officer for Prelios S.p.A., with registered office in Viale Piero e Alberto Pirelli 25, Milan, share capital of €420,585,888.50, tax code, VAT number and Milan Company Register number: 02473170153

declares

pursuant to para. 2, art. 154-*bis* of Decree 58 dated February 24th, 1998 that the accounting information contained in the Interim Management Statement at September 30th, 2011 corresponds to the underlying documentary records, books of account and accounting entries.

Milan, November 11th, 2011

Gerardo Benuzzi

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Financial Reporting Officer

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