Consolidated Financial Statements
as at December 31, 2009

Index

Board of Directors

Nicholas Paul James	
Gualtiero Tamburini	
Colin William Kingsnorth	Director since 3 December 2009 till 2 April 2010
Aled Rhys Jones	Director since 3 December 2009 till 2 April 2010
Andrew Morrison Shepherd	Director since 3 December 2009
Alberto Lucianbattistista Meloni	Director since 3 December 2009
Ian Wright	Director since 2 April 2010
Christian Vogel-Claussen	Director since 2 April 2010
John Duggan	Director until 3 December 2009
Roy Dantzic	Director until 3 December 2009
Richard Mully	Director until 3 December 2009
Fabrizio Lauro	Director until 3 December 2009

Company and shareholder's registration

Spazio Investment N.V. is a Private Limited Liability Company (*"Naamloze Vennootschap"*) organized under the laws of the Netherlands, having its corporate seat in Amsterdam, The Netherlands: The Company's Head Office is at the following address:

Dam 7f – 6th floor
1012 JS Amsterdam
The Netherlands
Tel. (+31) 020.488.95.85 – Fax (+31) 020.488.95.83
Trade Register no 34237136

FINANCIAL HIGHLIGHTS

- Total portfolio open market value ("OMV") as at 31 December 2009 of Euro 668 m (Euro 731 m as at 30 December 2008) including a 4.3 % devaluation (net of sales of the period) compared with last accounted OMV;
- Adjusted NAV per share of Euro 14.3 (Euro 15.2 as at 31 December 2008);
- Rental income for the year of Euro 42.2 m (2008 Euro 42.8 m);
- Net loss for the year of Euro 19.1 m (2008 loss of Euro 8.6 m);
- Net loss for the period of Euro 19.1 m, compound by Euro10.1 of ordinary income and a loss of Euro 29.2 m from fair value adjustment and extra cost.
- Total portfolio Loan to Value of 57.5 % (56.5% as at 31 December 2008);
- Completed asset sales of Euro 51.3 m, of which Investment property disposals totalling Euro 47.4 m (at an average premium to OMV of 0.1% and at an average gross exit yield of 6.4) and Development Projects disposals totalling Euro 3.9 m (at an average premium to book value (at cost) of 27%;
- In January returned Euro 25 m of cash to shareholders via tender offer.

RESULTS FOR THE PERIOD ENDED 31 DECEMBER, 2009

Net loss for the year was Euro 19.1 m compared with net loss of Euro 8.6 m in 2008. The net loss in 2009 primarily reflected a fall in asset values of Euro 17 m and a decrease in the fair value of financial instruments of Euro 5.3 m during the year. Rental income in 2009 remained broadly constant compared to 2008 at Euro 42.2 m (2008 Euro 42.8 m).

The decline in the open market value of the Company's investment portfolio was limited to 2.8% , reflecting an average increase in cap rates between 10 and 20 basis points, a slight increase in the discount rate applied to future rental streams and a lengthening of the time required to lease vacant properties. However, there was a slight decline of 1.4% for the development projects, mainly due to a lengthening of the time required to either complete the scheme or to lease/sell the units.

Spazio's Adjusted Net Asset Value per share of Euro 14.3 dropped 5.9% compared to Adjusted Net Asset Value at 31 December 2008. This primarily results from the net loss of Euro 19.1 m (which was mainly driven by a fall in asset values of Euro 17 m and by a decrease in the fair value of financial instruments of Euro 5.3 m).

SPAZIO SHARES BUYBACK (TENDER OFFER)

In pursuit of its strategy of returning cash to shareholders, on 15 January 2009 Spazio completed a buyback through a public tender offer. This resulted in the purchase by the Company of 4,545,448 of its Depository Interests from tendering shareholders at a price of Euro 5.50 per Depository Interest at a cost of approximately Euro 25 m.
On 9 July 2009, Spazio announced that the 4,545,448 Spazio Ordinary Shares held in treasury following the share buy back had been cancelled.

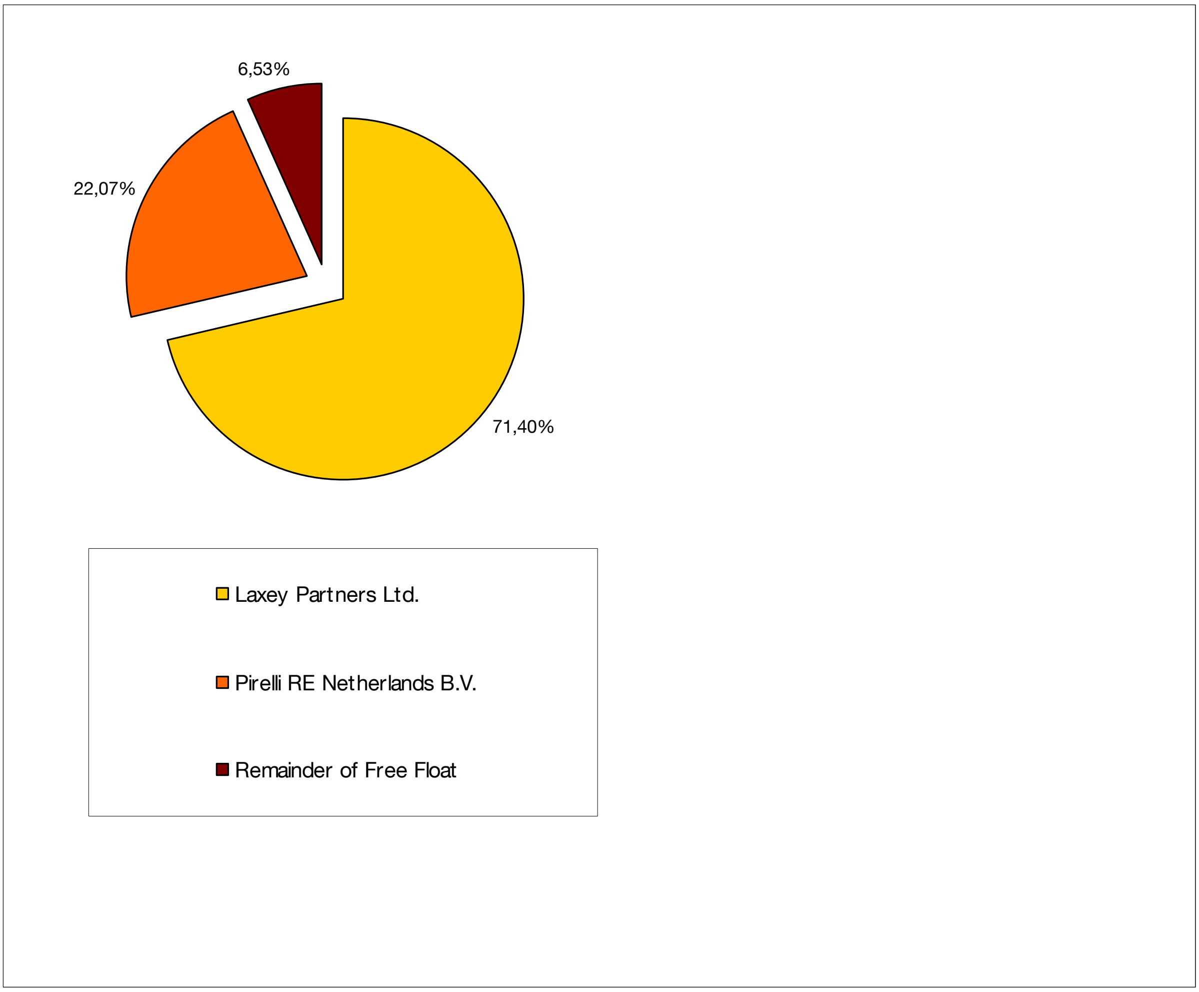
LAXEY PARTNERS TENDER OFFER

On 19 June 2009 the Laxey Group launched, through its wholly owned subsidiary Terra Investment B.V. ("TEI"), a cash offer for 100% of the ordinary shares of Spazio not already owned by the Laxey Group, for a total consideration of Euro 4.50 per share. A couple of weeks later the offer was increased to Euro 5.125 per share

On 27 July 2009 TEI announced that it received acceptances from a total of 9,749,986 Spazio Ordinary Shares and that Laxey Partners owned or controlled Spazio ordinary Shares representing 71.4% of the issued share capital of Spazio Investment and that the offer was closed.

SPAZIO INVESTMENT SHAREHOLDERS

Further to the closing of the cash offer the share capital of Spazio is now held as follows: TEI, holder 71.40% of the total issued share capital of Spazio, the Pirelli Re Netherlands BV holder of 22.07% of the total issued share capital of Spazio, whilst the remaining minority shareholding equal to 6.53% of the share capital of Spazio is held by the minority holders.



DE-LISTING FROM LSE ALTERNATIVE INVESTMENT MARKET ("AIM")

With effect from 16 December 2009, following the request of the Company, the cancellation of Spazio's shares from trading on the Alternative Investment Market of the London Stock Exchange (De-listing) has become effective.

OUTLOOK

The global real estate market has been adversely impacted by the credit crisis and worsening global economic conditions, leading to a softening in yields, the exit from real estate of a large number of investors and a significant decrease in transaction volumes. Despite current economic conditions, there continues to be a reasonable level of interest in the Group's property portfolio from local investors.
Total portfolio open market value ("OMV") as at 31 December 2009 of Euro 668 m including a 4.3 % devaluation of the portfolio compared with last accounted OMV.This relatively modest decline in value demonstrates the resilience of Spazio's portfolio and can be attributed to the shortage in supply in Italy of high quality industrial products, the presence of low leveraged private investors and the quality of tenants and lease terms in the Spazio portfolio which provide a stable income stream.
The Board expects just a further slight decline in asset values in 2010 but the particular features of Spazio's portfolio, are anticipated to continue to provide some degree of protection. Our net operating income from the portfolio at year end is approximately 2.0 times the aggregate amount of interest expenses and financing fees, thus demonstrating the Company's ability to service debt and maintain the level of operating income over the next twelve months. Our occupancy levels remain stable at around 97%. The average length of our leases is approximately 4.8 years, with approx 6% in rental value expiring in the next 2 years.

The decrease in values experienced to date in Italy is not as marked as in other European markets. However the outlook for the Italian real estate sector and asset values remains uncertain. We are currently in full compliance with all of our banking covenants and the Board carefully monitors all existing banking arrangements. Full disclosure on how the financial covenants are calculated and their level as at 31 December 2009 is set out in the Notes to the accounts.

The Board intends to retain flexibility over the timing of the payment of future cash returns to shareholders in the context of its gearing position, including flexibility over the level of future dividends. In the near term, excess cash generated from operations and from the sale of assets will be used as necessary to maintain adequate headroom against banking covenants. Notwithstanding this need to maintain adequate covenant headroom, the Board remains fully committed to the implementation of its business plan and the generation of significant cash returns for its shareholders.

Update new business plan/strategy

The business plan review recently approved by the new Board of Directors confirms as main target the generation of cash to return to shareholders and confirm as well the main principles of the Accelerated Business Plan voted on December 2008 which are:

1. Accelerate the disposal of assets
2. Suspension of acquisition and further development activities
3. Return excess capital to shareholders

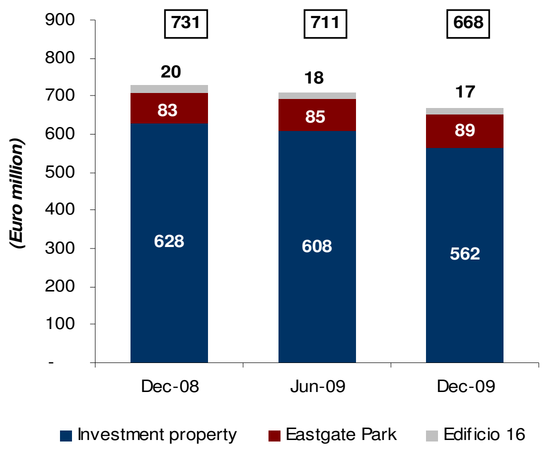
Despite of a general positive outlook for the year 2010 compared to the results accrued in 2009 in terms of volume of sales, the Board of Directors considered it necessary to revise the yearly sales volume targeted by the Business Plan of the Company for the incoming years – compared to the Accelerated Business Plan target values – as well as an extension of the time line of the business plan, being not achievable the target set by the ABP.

The Company Business Plan is to sell all fund's assets in an orderly way in the shortest timeframe consistent with this objective.

COMPANY OVERVIEW

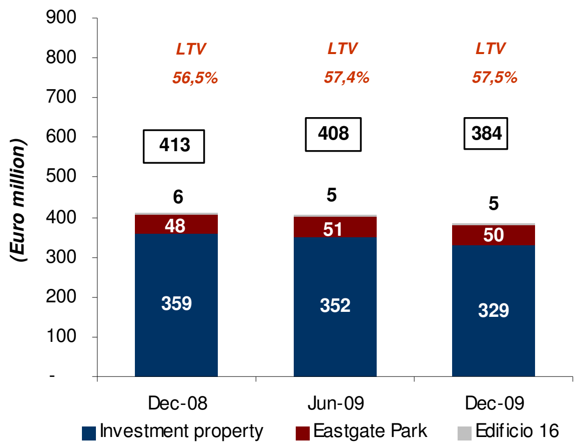
FINANCIAL SNAPSHOT

Open Market Value



Open Market Value of Euro 667.6 m is composed of Euro 562.3[1] m of Investment Property and Euro 105.3 m of development projects.The overall devaluation on a yearly basis was 2.56% of which 2.77 % (equal to Euro16 m) on Investment property and 1.38% (equal to Euro 1.5 m) on Development Projects. External appraisal of the entire Company's Portfolio is conducted by CB Richard Ellis on a semi-annual basis. Yielding assets are predominantly valued on the basis of the Discounted Cash Flow (DCF) methodology which is considered the most appropriate valuation technique for this type of assets, whereas Development Projects are valued based on the Transformation method. In order to determine the Fair Value of Spazio's properties, CB Richard Ellis has conducted site visits to each of the assets in the Portfolio.

Debt



The Company is currently in full compliance with all of its banking covenants and the Board is carefully monitoring the existing banking arrangements. Full disclosure on how the financial covenants are calculated and their level as at 31 December 2009 is set out in the Notes to the accounts.

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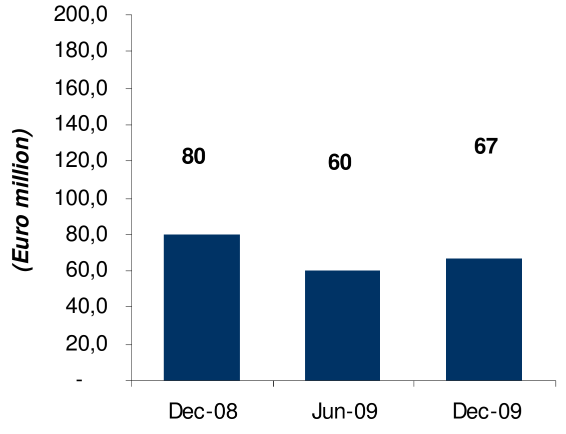
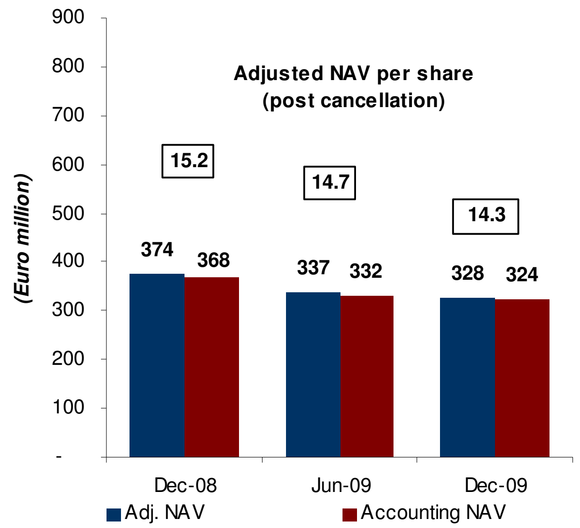
[1] The Investment property OMV in the FS include €0,95 m of accrued capital loss on asset for wich a binding offer has been accepted by the Fund at a price lower than a book value of the asset at year end.

Cash



The total Cash balance at the end of 2009 was Euro 66.5 m and the liquidity of the Company is considered strong.

Net Asset Value

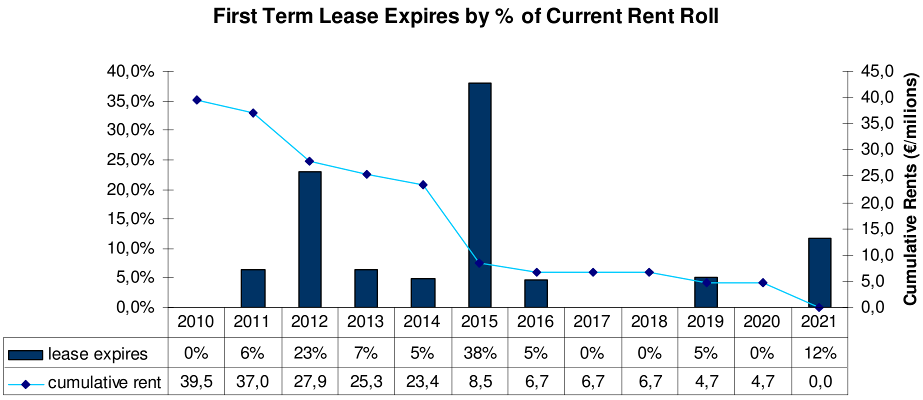


Spazio's Adjusted NAV per share of Euro 14.3 (post cancellation) dropped 2.7% compared to Adjusted NAV per share at 30 June 2009, mainly due to the H2 2009 net loss of Euro 7.9 m

<u>Note:</u>
Accounting NAV is calculated taking into account Investment Properties at OMV and Development Projects at cost value (IFRS).
Adjusted NAV is calculated taking into account both Investment Properties and Development Projects at OMV.
Adjusted NAV per Share is based on outstanding shares of 22,945,847

REAL ESTATE ASSETS

Covering 1,308,044 sq m, the Company's portfolio is one of the largest in the Italian industrial real estate market. Independently valued at Euro 667.6 m with annualised passing rents of Euro 39.5 m at December 2009, it comprises 322 income producing assets with high-quality tenants, many of them leaders in their sector; 11 vacant assets (equivalent to a GLA of 23,365 sq m) with conversion potential; and two high-profile development projects (Eastgate Park and Edificio 16) with around 475,622 sq m of buildings covering.



Tenant	Annual Rent	% on Total	Tenant Main Business
Telecom Italia	18.654.434	47,2%	TLC
Prada	5.730.700	14,5%	Fashion Cloths
Alstom Power	2.749.592	7,0%	Light Industrial
Enel	2.674.294	6,8%	Electricity Distribution
ACC	1.995.345	5,0%	Light Industrial
SMA (Auchan Group)	1.698.900	4,3%	Food Store
BSL (Logistics Operator)	1.471.175	3,7%	Logistics
Prima Comunicazione	1.312.953	3,3%	TLC
RAI	990.322	2,5%	Nationsl Television
Fiege	955.352	2,4%	Logistics
Pasini (Rental Guarantee)	578.053	1,5%	Real Estate Developer
ABB	453.854	1,1%	Light Industrial
INPS	236.076	0,6%	Nation Pension Institute
Wind	15.110	0,0%	TLC - Antennas
Total	**39.516.159**	**100,0%**	

REVIEW OF ACQUISITIONS AND DISPOSALS IN THE FULL YEAR 2009

In line with Spazio's strategy, no acquisition were made in 2009

Spazio has completed Euro 51.3 m of disposals in 2009, out of which Euro 47.4 m of investment properties and Euro 3.9 m of Development Properties. Detail Are summarised Below :

€/000

Asset / Portfolio	#	GLA	Gross Sale Proceds (GSP)	Exit Yeld	OMV (1)	Fund Historical Cost (FHC)	GSP -FHC	Variance on OMV
		sqm	*€*	*€*	*€*	*€*	*€*	
2009 Executed sales								
Sub Total Telecom	46	57.645	34.655	7,4%	34.990	27.173	7.482	-1,0%
Sub Total nonTI	3	20.368	12.760	4,6%	12.370	13.583	(823)	3,3%
Total Development (Ed 16-5 Units + 1 Artisan)	6	1.993	3.884		3.524	3.058	826	9,0%
Total 2009 Executed Sales	**55**	**80.006**	**51.299**		**50.884**	**43.814**	**7.485**	**0,8%**

(1) Considered Last OMV prior to disposal date

RISK ASSESSMENT

During 2009 Spazio's portfolio experienced an overall fall in asset values of 2.6% as explained before. This fall in asset values in 2009 did not cause any breach of our loan-to-value covenants and the Board will continue to monitor the existing banking arrangements and financial position of the Company in the prospect of any possible further decline in asset values going forward.
Apart from an increased alert on asset valuation and its potential impact on banking arrangements, no new major risks or uncertainties have been recognised compared to 2008. For an overview of the monitoring controls we refer to the notes to the financial statements.
Interest rate risk is monitored through the use of financial derivatives (which protect the Company from interest rate fluctuations). At the balance sheet date Spazio does not have any other financial instruments and therefore cannot be exposed to any related risk.

CONTINGENCIES AND GUARANTEES

By letter dated 21 December 2009, the Guardia di Finanza – Nucleo di Polizia Tributario di Milano started a fiscal audit to the Company.
The risk that the claim can lead to a future tax liabilities for the Company at present is only possible and not probable.

SUBSEQUENT EVENTS

No relevant events have happened from 1 January 2010 up to date.

PROPOSED APPROPRIATION OF NET RESULT

The board proposes to carry forward the loss of amount to Euro 19.1.m for the period 1 January 2009 to 31 December 2009.

PROPOSED DISTRIBUTIONS TO SHAREHOLDERS

The board proposes to distribute reserves for a total amount of Euro 13.0 m.

Amsterdam 29 April 2010

The Board of Direcotrs:

Nicholas Paul James

Gualtiero Tamburini

Ian Wright

Christin Vogel - Claussen

Andrew Morrison Shepherd

Alberto Lucianbattistista Meloni

Consolidated Balance sheet as at 31 December 2009

(in Euro)

Note	ASSETS	31.12.2009	31.12.2008
	NON-CURRENT ASSETS		
1	Investment property	**561.340.000**	**626.390.000**
	CURRENT ASSETS		
2	Inventories	101.196.953	97.010.496
3	Trade receivables	4.137.555	2.007.725
4	Other receivables	405.098	466.428
6	Cash and cash equivalents	66.519.291	79.766.399
	TOTAL CURRENT ASSETS	**172.258.897**	**179.251.048**
	TOTAL ASSETS	**733.598.897**	**805.641.048**
	EQUITY		
7	Share capital	4.589.189	5.498.279
8	Share premium	250.395.876	274.486.750
9	Retained earnings	68.655.749	87.778.559
	TOTAL EQUITY	**323.640.814**	**367.763.588**
	LIABILITIES		
	NON-CURRENT LIABILITIES		
10	Bank borrowings and payables to other financial institutions	**383.898.879**	**412.887.003**
	CURRENT LIABILITIES		
10	Bank borrowings and payables to other financial institutions	18.821	115.060
11	Trade payables	9.276.394	11.691.007
12	Other payables	4.006.511	5.364.109
13	Tax payables	311.537	670.488
5	Derivative financial instruments	12.445.941	7.149.793
	TOTAL CURRENT LIABILITIES	**26.059.204**	**24.990.457**
	TOTAL LIABILITIES AND EQUITY	**733.598.897**	**805.641.048**

The notes on page 17 to page 52 are an integral part of these consolidated financial statements.

Consolidated Income statement for the period from 1 January 2009 to 31 December 2009

(in Euro)

Income Statement

(in euro)

INCOME STATEMENT

Note		Conso 01.01.2009 - 31.12.2009	Conso 01.01.2008 - 31.12.2008
14	Rental income	42.179.715	42.774.239
15	Net gain/(loss) from fair value adjustment on investment property	(16.995.656)	(11.698.988)
16	Net gain on disposal properties	(1.057.887)	2.594.838
17	Net gain on disposal inventories	825.818	2.742.690
18	Other operating income	896.525	445.777
19	Realised and unrealised gain/(loss) from fair value adjustment on financial assets	(5.296.148)	(12.185.305)
20	Management fees	(5.163.427)	(5.223.039)
21	Other costs	(13.001.951)	(9.970.828)
	OPERATING RESULT BEFORE FINANCING COSTS	**2.386.989**	**9.479.384**
22	Financial income	383.936	5.667.492
23	Financial expenses	(21.893.735)	(23.715.590)
	RESULT BEFORE TAX	**(19.122.810)**	**(8.568.714)**
24	Tax expense	-	-
	RESULT FOR THE PERIOD	**(19.122.810)**	**(8.568.714)**
	Basic and diluted earnings per share (Euro)	**(0,76)**	**(0,30)**

The notes on page 17 to page 52 are an integral part of these consolidated financial statements.

Condensed consolidated statement of comprehensive income for the period from 1 January 2009 to 31 December 2009

(in Euro)

	01.01.2009 - 31.12.2009	01.01.2008 - 31.12.2008
Net income (loss) for the period recognized in the income statement	(19.122.810)	(8.568.714)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	**(19.122.810)**	**(8.568.714)**

The notes on page 17 to page 52 are an integral part of these consolidated financial statements.

Consolidated Cash flow statement for the period from 1 January 2009 to 31 December 2009

(in Euro)

	Note	01.01.2009 - 31.12.2009	01.01.2008 - 31.12.2008
Result for the period		**(19.122.810)**	**(8.568.714)**
Adjustments for non-cash items:			
- Financial expenses	23	21.893.735	23.715.590
- Financial income	22	(383.936)	(5.667.492)
- Change in fair value of investment property	15	16.995.656	11.698.988
- Unrealised gain on assets held for trading / derivatives	19	5.296.148	12.185.305
Changes in working capital:			
- Change in trade receivables/payables		(4.544.443)	(5.786.076)
- Change in other and tax receivables/payables		(1.358.791)	3.791.707
- Change in other and tax receivables/payables (VAT)		(296.428)	196.472
Investment in inventories	2	(7.244.139)	(16.610.825)
Disposal in inventories	2	3.057.682	9.504.810
Net cash flow generated / (absorbed) from operating activities (A)		**14.292.674**	**24.459.765**
Acquisition and capital expenditure of investment property	1	(418.543)	(67.358.988)
Acquisition cost plus additions to properties disposed	1	48.472.887	49.050.000
Interest received		514.724	4.083.395
Net cash flow generated / (absorbed) from investing activities (B)		**48.569.068**	**(14.225.593)**
Interest paid	10	(10.702.200)	(24.546.845)
Dividend distribution of the profit		-	(38.412.634)
Proceeds of borrowings and payables to banks and other financial institutions		(40.406.686)	29.828.086
Purchase of shares	9	(24.999.964)	(668.609)
Net cash flow generated / (absorbed) from financing activities (C)		**(76.108.850)**	**(33.800.002)**
Total net cash flow generated / (absorbed) in the period (D=A+B+C)		**(13.247.108)**	**(23.565.830)**
Cash and cash equivalents at the beginning of the period (E)		**79.766.399**	**103.332.229**
Cash and cash equivalents at the end of the period (D+E)		**66.519.291**	**79.766.399**

The notes on page 17 to page 52 are an integral part of these consolidated financial statements.

Consolidated Statement of changes in equity for the period from 1 January 2009 to 31 December 2009

(in Euro)

	note	Share capital	Share premium	Retained earnings	Equity
Equity at 31 December 2008		**5.498.279**	**274.486.750**	**87.778.559**	**367.763.588**
Purchase of share capital		-	-	(24.999.964)	(24.999.964)
Cancelled acquired shares		(909.090)	(24.090.874)	24.999.964	-
Result of the period		-	-	(19.122.810)	(19.122.810)
Equity at 31 December 2009		**4.589.189**	**250.395.876**	**68.655.749**	**323.640.814**

	note	Share capital	Share premium	Retained earnings	Equity
Equity at 31 December 2007		**6.096.020**	**308.956.491**	**100.361.034**	**415.413.545**
Dividend 2007		-	-	(22.224.452)	(22.224.452)
Interim dividend 2008		-	-	(16.188.182)	(16.188.182)
Purchase of share capital		-	-	(668.609)	(668.609)
Cancelled acquired shares		(597.741)	(34.469.741)	35.067.482	-
Result of the period		-	-	(8.568.714)	(8.568.714)
Equity at 31 December 2008		**5.498.279**	**274.486.750**	**87.778.559**	**367.763.588**

The notes on page 17 to page 52 are an integral part of these consolidated financial statements.

Introduction

Spazio Investment N.V. (the "Company", formerly Spazio Industriale Investments I B.V.), incorporated on 22 November 2005, is a limited company with limited liability (naamloze vennootscap) domiciled in Amsterdam, The Netherlands. The address of the registered office is Royal Damcenter, Dam 7f, 1012 JS Amsterdam, The Netherlands.

With effect from 16 December 2009, following the request of the Company, the cancellation of Spazio's shares from trading on the Alternative Market of the London Stock Exchange (De-listing) has become effective

The principal activity of the Company is holding of investments in subsidiaries and associates.

The Company totally owns the units of the close-ended real estate investment fund "Spazio Industriale – Fondo Comune di Investimento Immobiliare di Tipo Chiuso" (the "Fund"). The Fund invests in real estate and operates in the development of land and buildings under renovation.

The consolidated financial statements were authorised for issue by the board of directors on 19 April 2010.

Significant Accounting Policies

The principal accounting policies used in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied, unless otherwise stated.

Basis of preparation

Pursuant to Regulation 1606 issued by the European Parliament and the European Commission in July 2002, the consolidated financial statements at 31 December 2009 of Spazio Investment N.V. have been prepared on the basis of the current International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union ("IFRS"). The IFRS also include all the revised international accounting standards ("IAS") and all the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously named the Standing Interpretations Committee ("SIC").

The comparative figures in the consolidated income statement and the consolidated cash flow statement for the period from 1 January 2009 up to 31 December 2009 refer to the year 2008.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates described in the paragraph "Accounting estimates and assumptions”. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

The profit and loss account included in the Company financial statements is presented in abbreviated form in accordance with article 2:402 of the Dutch Civil Code.

The functional currency is the Euro. All values indicated in the Notes to these consolidated financial statements are expressed in Euro unless specified otherwise. All transactions and balance sheet positions are in Euro.

The consolidated financial statements have been audited by PricewaterhouseCoopers Accountants N.V..

Accounting standards, amendments and interpretations endorsed and in force from 1 January 2009

- IFRIC 11 – IFRS 2 – Group and Treasury Share Transactions. This interpretation is not applicable to the Company.

- IFRIC 13 – Customer Loyalty Programmes. There are no significant quantitative impacts on the financial statements deriving from the application of this interpretation.

- IFRIC 14 – IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. This interpretation is not applicable to the Company.
- IFRS 8 – Operating Segments

  This standard aligns segment disclosure with the requisites of US GAAP (ASC 280-10 Disclosures about Segments of an Enterprise and Related Information), introducing the approach whereby the segments are identified in the same way as they are identified in internal reports for top management. The disclosure required is provided in Note 2 below.
- Amendments to IAS 23 “Borrowing costs”

  These amendments, which are part of the project for convergence with US GAAP (ASC 835-20 Capitalization of Interest Cost), remove the option of immediately expensing borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. Therefore, borrowing costs are required to be capitalized as part of the cost of that asset. The application of these amended standards has no impact on the financial statements since the Company never availed itself of the option eliminated.
- Revision of IAS 1 “Presentation of Financial Statements”

  IAS 1 has undergone a revision which required a change in the name of some of the statements forming the full set of financial statements and the introduction of a new statement (“statement of changes in net equity”). The information to be presented in this statement had previously been disclosed in the notes. The standard also made it compulsory to draw up an accounting statement entitled “statement of comprehensive income” which must present all costs and revenue items recognized in a year. This presentation may be prepared in a single statement of comprehensive income or in two statements, the first showing the income/loss components for the period (separate income statement) and a second statement which starts from the net income for the period and shows the items of the other comprehensive income components. The changes required by the new IAS 1 also apply to comparative figures presented together with the financial statements for the period.

- Amendments to IFRS 2 “Share-based Payment: vesting conditions and cancellations”. These amendments are not applicable to the Company.

- Amendments to IAS 32 “Financial Instruments: Presentation” and IAS 1 “Presentation of Financial Statements”: Puttable Financial Instruments and Obligations Arising on Liquidation. There are no impacts on the financial statements from application of the above amendments.

- “Improvements” to the IFRSs (issued by the IASB in May 2008)

  Under the project begun in 2007, the IASB has issued a series of amendments to the standards in force. The amendments bring about accounting changes for presentation, recognition and measurement and also terminology changes.

  The following table summarizes the standards and the issues dealt with by these amendments:

IFRS	Subject of the amendment
IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations	Sale plan involving loss of control of a subsidiary
IAS 1 – Presentation of Financial Statements	Classification of derivative instruments as current / non-current
IAS 16 – Property, Plant and Equipment	Sale of property, plant and equipment held for rental
IAS 19 – Employee Benefits	• Distinction between curtailments and negative past service costs • Change in the definition of return on plan assets • Contingent liabilities
IAS 20 - Accounting for Government Grants and Disclosure of Government Assistance	Government loans at a below-market rate of interest
IAS 23 – Borrowing Costs	Components of borrowing costs
IAS 27 – Consolidated and Separate Financial Statements	Measurement of a subsidiary held for sale in separate financial statements
IAS 28 – Investments in Associates	• Required disclosures when investments in associates are accounted for at fair value through profit or loss • Impairment of investments in associates
IAS 31 – Interests in Joint Ventures	Required disclosures when interests in joint ventures are accounted for at fair value through profit or loss
IAS 29 - Financial Reporting in Hyperinflationary Economies	Introduction of examples of assets and liabilities measured at historical cost and at current value
IAS 36 – Impairment of Assets	Additional disclosures on the discount rate if the recoverable value is based on the fair value, on the basis of the discounted cash flows, after deducting the selling costs
IAS 38 – Intangible Assets	• Advertising and promotional activities • Amortisation period and method – unit of production method

IAS 39 – Financial Instruments: recognition and measurement	• Reclassification of derivatives into or out of the fair value through profit or loss category • Designation and documentation of a hedge at the operating segment level • Effective interest rate applicable if hedge accounting is no longer adopted
IAS 40 – Investment Property	• Property under construction or development for future use as investment property • Investment property held under a lease
IAS 41 – Agriculture	Definition of agricultural activity and other definitions
IFRS 7 – Financial Instruments: Disclosures	Disclosure of borrowing costs
IAS 10 - Events After the Reporting Period	Dividends declared after the end of the reporting period
IAS 34 – Interim Financial Reporting	Disclosure of earnings per share in interim financial reports

In particular IAS 40 Revised statues that companies applying the fair value model will be required to account for all investment properties under construction at fair value from 1 January 2009, if the fair value can be reliably measured on a continuing basis. The application of this revised IAS 40 has no impact on the Company financial statement as the company choose IAS 2 as the accounting policies of inventories.

There are no significant quantitative impacts on the financial statements from application of the above amendments.

- Amendments to IFRS 1 "First-time Adoption of the IFRSs" and IAS 27 "Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate". There are no significant impacts on the financial statements from application of the above amendments.

- Amendments to IFRS 7 – "Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments"

  This amendment focuses on disclosures relating to measurement of fair value and liquidity risk. As regards measurement of fair value, enhanced disclosures are now required by the standard and the amendment also introduced a fair value hierarchy with 3 levels, for each of which specific quantitative information is required. As regards disclosures relating to liquidity risk, the changes clarify the items to be included in the analysis by maturities and require greater integration between quantitative disclosures and qualitative disclosures.

The application of these amendments have not had an impact on the Company financial statements.

International accounting standards and/or interpretations issued but not yet in force and/or not yet endorsed

As required by IAS 8 ("Accounting policies, changes in accounting estimates and errors"), below is a brief description of new accounting standards or interpretations that have been issued but are not yet in force or not yet endorsed by the European Union.

The Group has adopted none of these standards or interpretations in advance of their effective date.

- IFRIC 12, ‘Service concession arrangements’, endorsed by European Union in March 2009 (Regulation EC 254/2009) applies to the Group starting from effective from 1 January 2008 but not yet endorsed, is not applicable to the Group.

- IFRIC 15, ‘Agreements for the Construction of Real Estate’. This interpretation provides guidelines on determining whether an agreement for the construction of real estate units is within the scope of IAS 11 “Construction Contracts” or IAS 18 “Revenue”, defining the point in time in which revenues should be recognised. IFRIC 15, not yet endorsed by the European Union, will become effective from 1 January 2010. The future application of this interpretation is not expected to have a material impact on the financial statements since the accounting treatment applied today by the Group is already in line with the above amendments.

- IFRIC 16, ‘Hedges of a Net Investment in a Foreign Operation’ was endorsed by the European Union in June 2009 (EC Regulation 460/2009) is applicable from 1 January 2010. This interpretation is not applicable to the Group.

- IFRIC 17, ‘Distributions of non-cash assets to owners’, was endorsed by the European Union in November 2009 (EC Regulation 1142/2009) is applicable from 1 January 2010. No effects are expected on the Group's financial statements following the future application of this interpretation.

- IFRIC 18, ‘Transfers of Assets from Customers’. This interpretation was endorsed by the European Union in November 2009 (EC Regulation 1164/2009) is applicable from 1 January 2010.. No effects are expected on the Group's financial statements following the future application of this interpretation.

- IFRS 3 (revised), ‘Business combinations’ and consequential amendments to IAS 27, ‘Consolidated and separated financial statements’, IAS 28, ‘Investments in associates’ and IAS 31, ‘Interests in joint ventures’, was endorsed by the European Union in June 2009 (EC Regulation 494/2009 and 495/2009) is effective prospectively to business combinations for which the acquisition date is on or after 1 January 2010. Management will assess the impact of the new requirements regarding acquisition accounting, consolidation and associates on the Group. The Group, excluding the Fund, does not have any investment in subsidiaries, joint ventures or associates.

- Amendments to IAS 32, ‘Financial instruments: presentation – Classification of the Rights Issue’, were endorsed by the European Union in December 2009 (EC Regulation 1293/2009) and apply with effect from January 1, 2011. This amendments are not applicable to the Group, as it does not have any puttable instruments.

- Revised IFRS 1 – First-time Adoption of IFRSs. IFRS 1 has been revised several times over the years, following the issue of new standards or amendments to existing standards which made it less clear. The latest revision of IFRS 1 did not lead to any substantial changes with respect to the previous version, but did modify its structure.

  This standard, which was endorsed by the European Union in November 2009 (Regulation EC 1136/2009), applies starting from January 1, 2010, and had no effect on the Group's financial statements.

  Amendments to IAS 39 “Financial Instruments: Recognition and Measurement – eligible hedged items”, endorsed by the European Union in September 2009 (EC Regulation 839/2009), will be applied retrospectively beginning on 1 July 2010. The future application of these changes is not expected to have a material impact on the Group financial statements.

- "Improvements" to IFRS: under the project begun in 2007, the IASB has issued a series of amendments to the 12 standards in force and has thus completed the 2007-2009 stage of this project. The following table summarizes the standards and the issues affected by these amendments:

IFRS	Subject of the amendment
IFRS 2 – Share-based Payment	Scope of IFRS 2 and revised IFRS 3
IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations	Disclosures of non-current assets (or disposal groups) classified as held for sale or discontinued operations
IFRS 8 – Operating segments	Disclosure of information about segment assets
IAS 1 – Presentation of Financial Statements	Current/non-current classification of convertible instruments
IAS 7 – Statement of Cash Flows	Classification of expenditures on unrecognised assets
IAS 17 – Leases	Classification of leases of land and buildings
IAS 18 – Revenue	Determining whether an entity is acting as an agent (for example, it is not exposed to significant risks and benefits associated with the transaction) or as a principal (for example, it is exposed to significant risks and benefits associated with the transaction)
IAS 36 – Impairment of Assets	Unit of accounting for goodwill impairment test
IAS 38 – Intangible Assets	• Additional consequential amendments arising from revised IFRS 3 • Measuring the fair value of an intangible asset acquired in a business combination
IAS 39 – Financial Instruments: Recognition and Measurement	• Treating loan prepayment penalties as closely related embedded derivatives • Scope exemption for business combination contracts • Cash flow hedge accounting
IFRIC 9 – Reassessment of Embedded Derivatives	Scope of IFRS 9 and revised IFRS 3
IFRIC 16 - Hedges of a Net Investment in a Foreign Operation	Amendment to the restriction on the entity that can hold hedging instruments.

These revisions have not yet been endorsed by the European Union. No significant quantitative impacts on the financial statements are expected from future application of the above amendments.

- Amendments to IFRS 2 – Share-based Payment: these amendments include guidelines which were dealt with previously in IFRIC 8 "Scope of IFRS 2" and in IFRIC 11 "IFRS 2 – Group and Treasury Share Transactions", which have therefore been withdrawn. The amendments to IFRS 2 have not yet been endorsed by the European Union and are not applicable to the Group.

- Amendments to IFRIC 14 – Prepayments of minimum funding requirements. The amendments to IFRS 14, which will come into force on January 1, 2011, have not yet been endorsed by the European Union and are not applicable to the Group.

- IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments. The interpretation has not yet been endorsed by the European Union and no significant quantitative impacts on the financial statements are expected from future application of the above interpretation.

- IFRS 9 – Financial Instruments. IFRS 9 represents the completion of the first of three stages of the planned replacement of IAS 39 Financial Instruments: Recognition and Measurement, with the main aim of reducing its complexity. The second stage of the project was concerned with impairment of financial instruments and culminated in the issue of an Exposure Draft in November 2009. The issue of the final standard is planned for the end of 2010. The third stage is concerned with hedge accounting and will culminate in an Exposure Draft which will be issued in the first quarter of 2010. The process of endorsement of IFRS 9, which will come into force on January 1, 2013, has been suspended for now. At the moment the effects deriving from future application of the standard is not quantifiable.

- Revised IAS 24 – Disclosure of related party transactions. This standard, which will come into force on 1 January 2011, has not yet been endorsed by the European Union. No significant impact is expected on the disclosures provided by the Group following the future application of the standard.

- Amendments to the revised IFRS 1 – First-time adoption of the IFRSs - additional exemptions in the case of first-time adoption. These changes, which will come into force on January 1, 2010, have not yet been endorsed by the European Union and will have no effect on the Group's consolidated financial statements.

Amendments to the revised IFRS 1 – First-time Adoption of the IFRSs - exemptions limited to the comparative disclosure provided for in IFRS 7 in the case of first-time adoption. These changes, which will come into force on July 1, 2010, have not yet been endorsed by the European Union and will have no effect on the Group's consolidated financial statements

Financial statement formats

In accordance with the provisions of the revision of IAS 1 “Presentation of Financial Statements”, the financial statements at December 31, 2009 consist of the Balance Sheet, the Income Statement, the Statement of Comprehensive Income and Loss, the Statement of Changes in Net Equity, the Cash Flow Statement and the Notes to the Statements, and are accompanied by the Directors’ Report on Operations.

The Group opted for a separate income statement instead of a single comprehensive income statement.

The “Statement of Comprehensive Income and Loss” includes the result for the period and, for homogeneous categories, the revenues and costs which, on the basis of the IFRSs, are accounted for directly in equity. The Group opted for presentation of the tax effects of the income/losses recognised directly in equity and of reclassifications to the income statement of income/losses recognised directly in equity in previous periods directly in the statement of comprehensive income and loss and not in the explanatory notes.

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With respect to the consolidated financial statements published at December 31, 2008, the “Statement of Profits and Losses recognised in Net Equity” was renamed the “Statement of Comprehensive Income and Loss”.

Consolidation area

The Consolidation is based on the financial statements of the companies in the consolidation area, which were prepared as of the reporting date on the basis of IFRS as adopted by the European Union.

Subsidiaries are those entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In Assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The consolidation area covers one subsidiary – Spazio Industriale – Fondo Comune di Investimento Immobiliare di Tipo Chiuso (“Fondo Spazio Industriale” or the “Fund”), totally owned by Spazio Investment N.V..

The Fund started its activity on 28 December 2005, the date of authorisation of the Fund by Bank of Italy. All the financial statements used are expressed in Euro.

Consolidation criteria

The consolidation criteria can be summarized as follows:

- subsidiaries are consolidated on a line-by-line basis, according to which:

- the assets, liabilities, costs and revenues shown in the subsidiaries' financial statements are carried in full, regardless of the interest held;

- the book value of equity investments is eliminated against the corresponding shares of net equity;

- intercompany receivables and payables, as well as intercompany expenses and revenues among the consolidated companies are eliminated, including dividends distributed within the Group;

- minority holdings are shown under a specific net equity item, and minority interests in the profit or loss are stated separately in the income statement;

- profits and losses resulting from transactions between consolidated companies, not involving third parties, are eliminated in proportion to the percentage held unless the transaction provides evidence of an impairment of the asset transferred;

- subsidiaries are recorded upon acquisition using the "purchase method", which entails:

- determination of the purchase cost in compliance with IFRS 3;

- determination of the fair value of the assets and liabilities acquired (both actual and contingent);

- recognition of the difference in profit or loss, if the cost of acquisition is less than the fair value of Group's share of the identifiable net assets of the subsidiary acquired.

Accounting standards and policies

Below is a summary of the significant accounting standards and policies applied.

Investment property

Investment properties are properties which are held to earn rental income, for capital appreciation, or both and are not occupied by the companies consolidated in the Group.

Investment property comprises freehold land, freehold buildings, land held under operating lease and buildings held under finance lease.

Land held under operating lease is classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at cost, including related transaction costs. After initial recognition, investment property is carried at fair value.

The fair values are based on open market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction wherein the parties had acted knowledgeably, prudently and without compulsion.

An external, independent expert (CB Richard Ellis Professional Services S.p.A.), with appropriate recognised professional qualifications and recent experience in the rental of the category of property being appraised, values the portfolio on a quarterly basis.

Valuations reflect, where applicable, the type of tenants currently occupying the property or responsible for meeting lease commitments, the allocation of maintenance and insurance responsibilities between lessor and lessee, and the remaining economic life of the property. In addition physical inspections are conducted in order to assess the quality, technical features and conditions of the properties.

The valuations are prepared by considering the aggregate of the net annual rents received from the properties and where relevant, associated costs. A discount factor which reflects the specific risks inherent to the net cash flows is then applied to the net annual rents to arrive at the property valuation.

The discount rate and assumption regarding future real growth are significant value-driving factors in the valuation model.

The discount rate is the weighted average cost of borrowed capital and equity. The cost of borrowed capital is based on the market interest rate for loans. The cost of equity is based on a risk-free interest rate equivalent to the long-term government bond rate with the addition of a risk premium. The risk premium is specific to each property and can be divided into two parts – general risk and individual risk. The general risk adjusts for the fact that a real estate investment is not as liquid as a bond and the asset is affected by the general economic situation. The individual risk is specific to each property, and comprises a weighted assessment of the property's category, location, and technical condition and the quality of the property and its tenant at the valuation date.

Future rental income is estimated based on the current lease and reasonable and demonstrable assumptions about rental income from future leases. In particular, at the end of the relevant lease contract, if appropriate, additional works and variations are assumed in order to convert the property to an alternative use and consequently to let or sell it at an adequate market value.

Any gain or loss arising from a change in fair value is recognised in the income statement.

Gains or losses arising from the disposal of investment property are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit and loss in the period of the disposal.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete. At that time, it is reclassified and subsequently accounted for as investment property.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under IAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the income statement.

Inventories

Inventories consist of land for development and buildings under renovation in the normal course of the Fund's activities, or during the construction process or development related to said activities.

Land for development and buildings under renovation are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price, less the estimated costs of completion and selling expenses. Cost includes incremental expenses and capitalisable financial charges, as described below in the "Financial expenses" note.

IAS 11 will be applied if a sales contract in relation to these projects has been signed.

Receivables and payables

Receivables are recognised initially at fair value and subsequently measured at amortized cost, using the effective interest method, less provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivables are impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the income statement.

Payables are recognised initially at fair value and subsequently measured at amortized cost, using the effective interest method.

Leases

When a group company is the lessee:

(i) Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments, including prepayments, made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(ii) Finance lease

Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The investment properties acquired under finance leases are carried at their fair value.

When a group company is the lessor:

(i) Operating lease

Properties leased out under operating leases are included in investment property in the balance sheet. Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

(ii) Finance lease

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

Impairment of assets

Assets including goodwill that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Financial instruments

Derivative financial instruments

The Company uses financial instruments solely for hedging under IFRS.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Derivatives not classified as hedges

In the case of fair value changes in derivatives not designated and qualified as hedges, these are immediately recognised to the income statement. The Group does not use the possibility of hedge accounting and all changes in the fair value of the derivative financial instruments are accounted in the profit and loss.

They are measured at fair value even if they are contracts entered into to manage interest rate fluctuations and, more in general, to manage the Group's operating risks, since the Group policy does not allow the contracting of derivatives for speculative purposes.

For 2009 the Fund does not apply hedge accounting.

Determination of fair value

The fair value of financial instruments listed on an active market is based on market prices as of the reporting date. The market price used for derivatives is the bid price, while for financial liabilities the ask price is employed. The fair value of instruments not listed on an active market is determined according to valuation techniques, i.e. discounted cash flow analysis and option pricing models, based on a series of methods and assumptions relating to market conditions as of the reporting date.

Financial assets at fair value through profit and loss

Financial assets held for trading are classified as current assets and stated at fair value, with any resultant gain or loss being recognised in the income statement.

Transaction costs are directly recorded into profit and loss at trade date.

The fair value of financial assets classified as held for trading is their bid price at the balance sheet date.

Financial assets are derecognised when the rights to receive the cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and cash deposits.

Cash and cash equivalents are booked at face value.

The maturity date is less than three months.

Bank borrowings and payables to other financial institutions

Loans are initially recognised at their fair value, net of transaction costs directly attributable to the issuing of the financial liability.

They are subsequently measured at amortized cost using the effective interest rate.

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering a debt repayment schedule drawn up in line with the relevant business plan but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets.

Incremental costs directly attributable to equity transactions are recognised as a deduction from the proceeds.

Dividend distribution

Dividend distribution to the Company’s shareholders is recognised as a liability in the Group’s financial statements in the period in which the dividends are approved.

Sale of assets

Revenues from the sale of assets are recorded only when all of the following conditions are satisfied:

- most of the risks and benefits linked to ownership of the assets have been transferred to the buyer;
- the effective control over the assets sold and the normal level of activities associated with the asset have ended;

- the amount of revenue can be reliably determined;
- it is probable that the economic benefits deriving from the sale will be enjoyed by the Company;
- the costs sustained or to be sustained can be reliably determined.

Rental income

Gross rental income is determined based on contractual lease term entitlements and is recognised as lease services are rendered. Gross rental income does not include service charges, such as heating, electricity and security, which are directly charged to tenants. Rental income is recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income. Lease incentives are recognised on a straight-line basis over the shorter of the life of the lease or the year to the first break option. Differences that arise between the contractual lease payments and the periodic net lease income are capitalised in the balance sheet. Turnover based rents are recorded as income in the years in which they are earned.

Interest

Interest is recognised on an accrual basis considering the effective yield of the asset.

Financial expenses

Financial expenses are charged to the income statement in the period in which they are incurred unless they are directly attributable to the acquisition, construction or production of a qualifying asset, in which case they are capitalised as part of the cost of that asset. The amount of financial expenses capitalised is the actual borrowing costs incurred on the loan specifically borrowed for the purpose of obtaining the qualifying asset.

A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of financial expenses ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are completed.

Tax expense

In the Netherlands, Dutch corporate tax is based on the fiscal results, taking into account the fact that certain income and expense items as reported in the profit and loss account are tax-exempt. The applicable tax rates are 20% over the first Euro 275,000 and 25.5% over the remainder for the year 2009. The Dutch Tax Authorities have issued a “determination agreement ATR” stating that the Italian real estate property investment Fund is to be qualified as a transparent entity. In practical terms, this means that the Fund will be transparent from a Dutch corporate income tax point of view and the Company is treated as the direct owner of the underlying assets. Consequently, all income of the Fund should be treated as income of the Company and treated accordingly. Due to the operation of the Convention for the Avoidance of Double Taxation signed on the 8 May 1990 by the Government of Italy and the Government of The Netherlands (and specifically article 24, paragraphs 1 and 2 of the Treaty) income and capital gains arising from immovable property situated in Italy is effectively exempt from corporate taxation in The Netherlands. Accordingly no deferred tax is calculated.

Segment reporting

The Group has only one line of business (“investments in light industrial properties”) and operates through the Fund exclusively in Italy. Segment reporting is therefore not required.

Financial risk management policies

The Company has no employees or executive management of its own. It relies solely on its service providers under contract to undertake all executive and operational activities relating to the property portfolio in accordance with the Board’s direction. In addition to their attendance at Board meetings, the Directors, maintain a regular dialogue with the providers. In addition the Directors can call upon the services of the internal audit function of Pirelli RE Group to carry out periodic reviews.

Highlights of the Group’s risk management policies are discussed below.

All monitoring controls relating to the management of the Company and risk management policies are performed by Pirelli & C. Real Estate Società di Gestione del Risparmio S.p.A. on the basis of the service level agreement.

Types of financial risk

Credit risk

Credit risk represents the Group's exposure to potential losses due to default by its counterparties on their commercial and financial obligations.

Credit evaluations are performed on all tenants as a part of the due diligence on properties to be acquired; in particular only properties rented to prime tenants are considered. In addition, the exposure to credit risk is monitored on an ongoing basis by management using aging analysis.

To limit that risk, with regard to commercial counterparties, the Group has procedures in place to assess the financial solidity of its tenants, to monitor incoming payments, and to take credit recovery action should this become necessary. The aim of these procedures is to set credit limits for tenants and take appropriate actions when those limits are exceeded.

In some cases tenants are asked for guarantees, generally sureties from banks in excellent standing or personal guarantees. Collateral is requested more rarely.

As for financial counterparties, for the management of temporary excess funds or for the trading of derivative instruments, the Group does business only with intermediaries of high credit standing.

Receivables are recognised net of impairment calculated for the risk of counterparty default, which is determined in light of the available information on solvency and historical trends.

Where a debt passes its due date it is kept under constant review to determine whether a provision is necessary. In addition the provision is reviewed on a regular basis to determine whether a full write off is appropriate.

Exchange rate risk

The Group mainly operates at the Italian market level; as a consequence it has no exposure to exchange rate risk.

Positions subject to exchange rate risk are essentially comprised of a very limited number of invoices payable and do not make up a sizeable proportion of that balance. Therefore, exchange rate fluctuation has no significant effect on the income statement.

Fair value estimation

Regarding financial instruments measured at *fair value*, recent amendments to IFRS 7 requires that these instruments are classified on the basis of a hierarchy of levels that reflect the significance of the inputs used in determining fair value. The following are the levels:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 – Use of a model with inputs (other than quoted prices included in level 1) that are directly or indirectly observable market data;
- Level 3 – Use of a model with inputs that are not based on observable market data.

The following table shows an analysis of the fair values of financial instruments recognised in the balance sheet by level of the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
Derivative financial instruments		(12,445,941)		(12,445,941)

Currency risk

The Group totally owns a real estate fund that prepare its financial statements in Euro which is the Group's reporting currency. For this reason the Group is not exposed to currency risk.

Interest rate risk

Interest rate risk to which the Group is exposed mostly originates from long-term financing. Since these are variable-interest bearing loans, the Group is exposed to cash flow risk.

The Group manages the cash flow risk on interest rates through the use of derivative contracts. The derivatives considered are exclusively those defined as hedging instruments by IAS/IFRS: typically interest rate collars, which mitigate the cost of the cap by setting a minimum limit (floor) on interest payable.

The purchase and designation of such derivatives as hedging instruments for the purposes of IAS 39 is decided on a case-by-case basis.

Holding other conditions constant, a hypothetical 0.50 percent increase or decrease in all currencies' interest rates applicable to the floating-rate assets and liabilities and interest rate derivatives to which the Fund is exposed would, over the course of a year, increase the pre-tax profit by Euro 4,037 thousand (Euro 4,343 thousand in 2008) or decrease the pre-tax profit by Euro 4,258 thousand (Euro 4,829 thousand in 2008), respectively. The effect on equity is the same as the effect on the pre-tax profit.

Asset devaluation risk

In the second half of 2009 Spazio experienced a modest fall in asset values, as explained in the Directors' Report of this report. Should asset values continue to fall in the future this could potentially create a risk of a breach of our LTV banking covenants. The Board is committed to closely monitor Spazio's financial position and the compliance with all banking covenants. Cash flow from rental income, excess available cash from operations and the proceeds from sales in the pipeline could be used by Spazio to repay back debt and to maintain adequate headroom against banking covenants.

Liquidity risk

The main liquidity risk refers to the Group's ability to fulfil commitments to repay bank borrowings. In particular, principal reimbursements are linked to the property sale process, while interest payable is timed to match rental income collection and fully covered.

The main instruments the Group uses to manage liquidity risk are financial plans and treasury plans, to allow the thorough and accurate measurement of incoming and outgoing funds.

Discrepancies between these plans and the actual data are constantly analysed.

The cash flow is monitored on a monthly basis.

Financial liabilities outstanding at 31 December 2009 had the following maturities:

	within 1 year	between 1 and 2 years	between 2 and 5 years	beyond 5 years	Total
Bank borrowings and payables to other financial institutions	107.930.411	275.987.289	-	-	383.917.700
Trade payables	9.276.394	-	-	-	9.276.394
Other payables	1.511.967	2.494.544	-	-	4.006.511
Tax payables	311.537	-	-	-	311.537

Based on the accelerated Business Plan approved by the Management Board on 9 December 2008 the actual reimbursement in the coming years may differ from the table above.

The maturities of financial liabilities outstanding at 31 December 2008 were as follows:

	within 1 year	between 1 and 2 years	between 2 and 5 years	beyond 5 years	Total
Bank borrowings and payables to other financial institutions	115,060		412,887,003		413,002,063
Trade payables	11,691,007				11,691,007
Other payables	2,769,574		2,594,535		5,364,109
Tax payables	670,488				670,488

Capital risk management

The Group's objectives when managing capital are to maintain its ability to continue as a going concern in order to provide returns for unitholders and benefits for other unitholders and to maintain an optimal financial structure so as to reduce the cost of capital.

Risk of vacancy

The Income Producing Portfolio generates about Euro 40 m of yearly rent mostly deriving from ten major tenants, which are principally telecommunications and utilities service suppliers (Telecom Italia S.p.A., Enel Group, Wind Telecomunicazioni S.p.A., Prima Comunicazione S.p.A. and RAI – Radiotelevisione Italiana S.p.A.), a fashion designer (Prada S.p.A.), logistics operators (Fiege Borruso S.p.A. and Bertola Servizi Logistici S.p.A.), providers of industrial components (ABB Cap S.p.A., Alstom Power Italia and ACC Group), and major retailers (SMA S.p.A.). Telecom Italia is the largest tenant, representing approximately 47% of the total annual passing rent of the portfolio as of 31 December 2009.

The total current vacancy of investment property based on GLA is about 1.8% (based on CBRE estimated value at 31 December 2009), mostly allocated to (i) three conversion assets, consisting of light industrial/mixed use properties that are currently vacant, totalling approximately 11.200 sq m of surface area and having strong redevelopment and conversion potential thanks to their location and land size, and (ii) eight distressed properties to be sold to end users totalling approximately 12.200 sq m of surface area.

Given the existence of valid and binding leases with an average duration of five years (first lease term), the risk of a significant vacancy increase in the near future is considered to be low. In addition, the large majority of assets, especially those in the Telecom Italia portfolio, are located in central or semi-urban areas and, due to their location and nature, have considerable potential for alternative and more profitable uses (for most of the Telecom Italia assets, vacant possession could exceed the open market value based on current lease terms).

Accounting estimates and assumptions

The preparation of the financial report requires management to make estimates and assumptions that could influence the book values of certain assets, liabilities, costs and revenues, as well as the information provided on contingent assets/liabilities as of the reporting date.

The following accounting estimates are critical to this report:

(a) IAS 2 – Valuation of inventory

Inventories, which are wholly held by the Fund, are booked at the lower of cost and net realisable value.

Inventories consist of land for development in the normal course of the Fund's activities or during the construction process, or development related to said activities. Net realisable value is the estimated selling price, less the estimated costs of completion and selling expenses. Cost includes incremental expenses and capitalisable financial charges.

(b) IAS 40 – Valuation of investment property

Investment properties, all of which are held by the Fund, are kept to earn rental income or for capital appreciation or both. Investment properties are stated at fair values which are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an at arm's length transaction wherein the parties have acted knowledgeably, prudently and without compulsion.

An external, independent expert (CB Richard Ellis Professional Services S.p.A.) with appropriate recognised professional qualification and recent experience in the property being appraised, values the portfolio every three months.

The valuations are prepared by considering the aggregate of the net annual rents received from the properties and where relevant, associated costs. A discount factor which reflects the specific risks inherent to the net cash flows is then applied to the net annual rents to arrive at the property valuation.

Valuations reflect, where applicable, the type of tenants currently occupying the property or responsible for meeting lease commitments, the allocation of maintenance and insurance responsibilities between lessor and lessee, and the remaining economic life of the properties. Any gain or loss arising from a change in fair value is recognised in the income statement.

Gains or losses arising from the disposal of investment property are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit and loss account in the period of disposal.

(c) IAS 39 – Valuation of derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to interest rate risk. In accordance with its treasury policy, the Group does not hold derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at cost and subsequent to initial recognition are measured at fair value.

The fair value of derivative financial instruments that are not traded in an active market is determined by using valuation techniques, i.e. discounted cash flow analysis and option pricing models.

Since the Group does not use the possibility of hedge accounting all changes in the fair value of the derivative financial instruments are accounted in the profit and loss.

Note 1 Investment property

This item totals Euro 561,340,000 (Euro 626,390,000 at 31 December 2008) and is comprised of:

	01.01.2009-31.12.2009	01.01.2008-31.12.2008
Balance as at the beginning of the year	626.390.000	619.780.000
Additions:		
- Acquisitions	-	63.920.000
- Capital expenditure	418.543	3.438.988
Net gain/(loss) from fair value adjustments on investment property	(16.995.656)	(11.698.988)
- Acquisition cost plus additions to properties disposed	(48.472.887)	(49.050.000)
Balance as at the end of the period	**561.340.000**	**626.390.000**

The net loss on disposed property of Euro 1,057,887 (note 16), as listed in the income statement, refers to the properties sold in 2009. The balance is the difference between the sales proceeds (Euro 47,415,000) and the carrying amount (Euro 48,472,887).

Note 2 Inventories

At 31 December 2009 all inventories are valued at the lower of cost, including incremental expenses and capitalisable financial charges, and net realisable value.

The movement in inventories over the period is shown in the table below:

	01.01.2009-31.12.2009	01.01.2008-31.12.2008
Balance as at the beginning of the year	97.010.496	89.904.481
Capitalized costs:		
- Acquisition	-	33.000
- Capital expenditures	5.560.045	13.866.545
- Financial expenses	1.684.094	2.711.280
Total incremental costs in the period	*7.244.139*	*16.610.825*
- Costs of inventory sold	(3.057.682)	(9.504.810)
Balance as at the end of the period	**101.196.953**	**97.010.496**

Inventories consist of land for development and buildings under renovation in the normal course of the Fund's activities or during the construction process, or development related to said activities. These buildings and land are not intended for the Fund's investment property portfolio.

In 2009 a total of 4 sale agreements were made, totalling Euro 3,493,500, for the disposal of 5 units in the renovated “Edificio 16” building along with 6 parking spaces, and a sale agreement was made, totalling 390,000, for the disposal of a unit of artisan building of Eastgate Park.

The net gain on disposal of inventories of Euro 825,818 (note 17), as listed in the income statement, refers to the properties sold in 2009. The balance is the difference between the sale proceeds (Euro 3,883,500) and the carrying amount (Euro 3,057,682).

Note 3 Trade receivables

	31.12.2009	31.12.2008
Trade receivables from third parties	4.137.555	2.007.725
Total	**4.137.555**	**2.007.725**

Trade receivables are broken down below:

	31.12.2009		31.12.2008	
	Non-current	Current	Non-current	Current
Trade receivables from third parties	-	5.735.813	-	2.054.584
Total gross trade receivables	**-**	**5.735.813**	**-**	**2.054.584**
Provision for doubtful accounts	-	(1.598.258)	-	(46.859)
Total trade receivables	**-**	**4.137.555**	**-**	**2.007.725**

Of Euro 5,735,813 in total gross trade receivables (Euro 2,054,584 at 31 December 2008).

Receivables have been written down according to the Group policies described under “Credit risk” in the section “Financial risk management policies”.

Movements in the provision for doubtful accounts are shown below:

	01.01.2009-31.12.2009	01.01.2008-31.12.2008
Balance at the beginning of the year	46.859	9.562
Movement during the period	1.551.399	37.297
Balance as at the end of the period	**1.598.258**	**46.859**

The addition to the provision for the period is recognised in the income statement under “Other costs” (note 21).

The Directors consider that the carrying amount of trade receivables approximates their fair value.

Note 4 Other receivables

This item totals Euro 405,098 (Euro 466,428 at 31 December 2008) and mainly includes:

- Euro 125,603 in deferred charges, mainly referring to insurance premium;
- Euro 94,125 in deferred charges, mainly referring to the registration tax on rents (IRE);
- Euro 50,000 in deferred charge mainly referring to sponsorship.

There were no writedowns in 2009.

The Directors consider that the carrying amount of other receivables approximates their fair value.

Note 5 Derivative financial instruments

	31.12.2008	Fair Value Adjustment	31.12.2009
Portogruaro derivative	(410.579)	(52.641)	(463.220)
Jumbo derivative	(6.739.214)	(5.243.507)	(11.982.721)
Total	**(7.149.793)**	**(5.296.148)**	**(12.445.941)**

At 31 December 2009 this item totals Euro (12,445,941) (Euro (7,149,793) at 31 December 2008), corresponding to the fair value of the four interest rate collar contracts signed.

Two of derivatives of the same notional amount and carrying the same conditions have been taken out with Intesa Sanpaolo S.p.A. and Natixis to hedge the "Jumbo Loan" as described in note 10.

The significant terms and conditions of the above-mentioned derivatives are as follows:

	Interest rate collar	Interest rate collar
Counterparty	Intesa Sanpaolo S.p.A.	Natixis
Notional for the period from 31 December 2009 to 31 March 2010	150.010.507	150.010.507
Premium paid	519.000	519.000
Effective date	29 December 2006	29 December 2006
Expiry date	30 September 2013	30 September 2013
Interest rate cap	4,35%	4,35%
Interest rate floor	3,40%	3,40%
Fair value as at 31 December 2009	(5.991.361)	(5.991.361)

The other two derivatives, of the same notional amount and carrying the same conditions, have also been taken out with Intesa Sanpaolo S.p.A. and Natixis to hedge the so-called "Portogruaro Loan" as described in note 10.

No premium has been paid for these contracts because the purchase price of the cap option at the time of their negotiation was the same as the sale price of the floor option.

	Interest rate collar	Interest rate collar
Counterparty	Intesa Sanpaolo S.p.A.	Natixis
Notional for the period from 31 December 2009 to 31 March 2010	9.813.900	9.813.900
Premium paid	-	-
Effective date	29 December 2006	29 December 2006
Expiry date	31 March 2011	31 March 2011
Interest rate cap	4,55%	4,55%
Interest rate floor	3,40%	3,40%
Fair value as at 31 December 2009	(231.610)	(231.610)

The fair value has been appraised by an independent professional on the basis of market information provided by a commonly used financial information provider, such as Bloomberg or Reuters.

Note 6 Cash and cash equivalents

At 31 December 2009 this item totals Euro 66,519,291 (with respect to Euro 79,766,399 in 2008) of which Euro 47,071,455 in restricted accounts (Euro 39,221,324 in 2008), subject to the repayment of borrowings and interest due.

Note 7 Share capital

Share capital is related to the Spazio Investment N.V. shares and amounts to Euro 4,589,189.

The total authorised number of ordinary shares is 50,000,000 with a par value Euro 0.20 each and 100 preferred shares of par value Euro 0.20 each.

At the Balance Sheet date, a total of 22,945,846 ordinary shares of par value Euro 0.20 each and 100 preferred shares of par value Euro 0.20 each and 1 priority share of the nominal value of Euro 0,20 are issued and fully paid.

The movement that took place during the period from 1 January 2009 to 31 December 2009, for a total amount of Euro 909,090, refers to the cancellation of 4,545,450 ordinary shares acquired during the year following a share buy-back programme.

Note 8 Share premium

As at 31 December 2009 the item, amounting to Euro 250,395,876, is related to share premium reserve, totally distributable.

The movement that took place during the period from 1 January 2009 to 31 December 2009, for a total amount of Euro 24,090,874, refers to the cancellation of the shares during the year, as explained in the note 7 above.

Note 9 Retained earnings

The balance of Euro 68,655,749 reflects:

- the initial amount at 1 January 2009, equal Euro 87,778,559;
- the movements that took place during the period from 1 January 2009 to 31 December 2009 were as follows:
    - increase equal to Euro 24,999,964 related to the purchase of shares;
    - decrease equal to Euro 24,999,964 related to the cancelled acquired shares;
    - decrease equal to Euro 19,122,810 related to the result of year 2009.

Reference is made to note 6 of the Company financial statements regarding the part of retained earnings that can not be freely distributed (an amount of Euro 65,047,789 is not freely distributable to the shareholders).

Note 10 Bank borrowings and payables to other financial institutions

This item refers to bank borrowings. The main loan terms, summarised in the following table, are explained in detail below:

	31.12.2009		31.12.2008	
	Non-current	Current	Non-current	Current
Jumbo Properties loan	328.791.237	15.990	358.923.905	38.505
Area of Portogruaro loan	49.962.927	2.615	47.887.958	5.876
Edificio 16 loan	5.144.715	216	6.075.140	641
Bank overdraft	-	-	-	70.038
Total	**383.898.879**	**18.821**	**412.887.003**	**115.060**

The loan movements are presented in this table:

	31.12.2008	Increases	Decreases	Loan arrangement costs	Interest due	Interest paid	31.12.2009
Jumbo loan	358.962.410	-	(32.706.002)	2.573.334	9.124.868	(9.147.383)	328.807.227
Portogruaro loan	47.893.834	-	(794.283)	2.869.252	1.414.303	(1.417.564)	49.965.542
Edificio 16 loan	6.075.781	-	(958.414)	27.989	136.828	(137.253)	5.144.931
Total	**412.932.025**	**-**	**(34.458.699)**	**5.470.575**	**10.675.999**	**(10.702.200)**	**383.917.700**

At 31 December 2009, bank borrowings (current and non-current) total Euro 383,917,700 and are broken down as follows:

- Euro 328,807,227 for the property loan (“Jumbo Loan”) granted on 18 October 2006 by a syndicate of banks comprising Natixis – Milan branch, Intesa Sanpaolo S.p.A., Banco di Sicilia S.p.A., MCC S.p.A. and Banca di Roma S.p.A. for Euro 365,766,998 (Euro 329,106,998 of credit facility, Euro 35,160,000 of revolving credit and Euro 1,500,000 of cash collateral line);
- Euro 49,965,542 for the Portogruaro Site (“Portogruaro Loan”) granted on 18 October 2006 by a syndicate of banks comprising Natixis – Milan branch, Intesa Sanpaolo S.p.A., Banco di Sicilia S.p.A., MCC S.p.A. and Banca di Roma S.p.A. for Euro 14,904,110 (tranche 1), Euro 5,700,417 (tranche 2), Euro 15,622,877 (tranche 3) and Euro 15,134,189 (tranche 5 – cash collateral).
- Euro 5,144,931 for the property under renovation (“Edificio 16 Loan”) granted on 18 October 2006 by a syndicate of banks comprising Natixis – Milan branch, Intesa Sanpaolo S.p.A., Banco di Sicilia S.p.A., MCC S.p.A. and Banca di Roma S.p.A. for Euro 6,113,258.

Concerning the "Jumbo Loan", during the year Euro 29,546,002 has been reimbursed as a result of sales and Euro 1,500,000 has been reimbursed furthet to the close of B1 tranche and Euro 1,660,000 has been reimbursed due to renegotiation of the revolving line..

Concerning the "Edificio 16 Loan", during the year Euro 958,414 was reimbursed as a result of sales.

The Jumbo Loan taken out on 26 September 2006, with a duration of seven years extendable for a further three years at the borrower’s request,, is intended to finance all the Fund’s properties and future acquisitions. It can be drawn down for a maximum total of Euro 530,967,703 (Euro 402,033,831 by way of a credit facility, Euro 118,500,000 by way of revolving credit for future acquisitions and Euro 10,433,872 to finance VAT). The interest rate is equal to the three-month Euribor plus a spread that varies according to the type of credit line used (80 bps for the Facility and VAT lines, 100 bps for the Revolving line). The effective interest rate, determined in accordance with the amortised cost method, is 4.858%. This loan is secured by a mortgage and assignments of receivables relating to insurance policies, lease agreements and any hedging agreements.

In June 2009 the Fund and the Financing Banks made some amendements to the original loan contract (the "Amendments").
The main items of such “Amendments” to the “Jumbo Loan” are summarised below:

– introduction of a “roll-over” mechanism allowing to the Fund, up to the cap amount of Euro 33,500,000 (the “Roll-Over Amount”), the renewal of the advance payments made in relation to such line with no need for their prior repayment to Financing Banks and subsequent re-utilization thereof;
– an interest rate equal to Euribor increased by a margin of 300 bps in relation to the amounts renewed pursuant to the aforesaid “roll-over” mechanism;
– envisaging a commitment fee on the non-utilised amounts of the “Revolving Facility” equal to the one currently envisaged in the “Jumbo Loan” for non-utilised amounts below Euro 30,000,000 and equal to about 250 bps for amounts over this figure;
- cancellation of part of the “Revolving Facility” for an amount equal to Euro 55,000,000.

Such loan is secured by: mortgage, assignment of receivables from insurance policies, obligation of insurance policies, assignment of receivables from lease contracts, and assignment of receivables from Hedging agreements, if any.

The Portogruaro Loan taken out on 26 September 2006, with a duration of seven years extendable for a further three years at the borrower’s request, is intended to finance the development of the Portogruaro Site. It can be drawn down for a maximum total of Euro 226,000,000 (Euro 201,000,000 by way of a credit facility and Euro 25,000,000 to finance VAT). The interest rate is equal to the three-month Euribor plus a spread that varies according to the type of credit line used (150 bps for the Facility line – tranche1, 2 and 3, 80 bps for the Facility line – tranche 4 and the VAT line, 30 bps for the Facility line – tranche 5 drawn down for cash as a counterguarantee of a line granted for the issue of sureties to the municipalities of Portogruaro and Fossalta di Portogruaro for urban development costs). The effective interest rate, determined in accordance with the amortised cost method, is 4.942% for tranche 1, 2 and 3, 11.699% for tranche 4 and the VAT line and 4.077% for tranche 5. This loan is secured by a mortgage and assignments of receivables relating to insurance policies, lease agreements and any hedging agreements.

In June the Fund and the Financing Banks made some amendments to the initial loan contract (the “Amendments”).
The main details of the "Amendments" to the "Portogruaro Loan" are summarised below; for the said loan a commitment fee was paid quarterly on the part of the loan that had not been utilised:

- cancellation of the overall amount of the “VAT Facility Tranche 1” and of the “VAT Facility Tranche 2”, equal to Euro 931,004 and Euro 24,068,996 respectively;
- cancellation of part of the Tranche 4 of the “Portogruaro Loan” for a total amount of Euro 147,500,000.

Such loan is secured by: mortgage, assignment of receivables from sale and purchase of land and current accounts pledge.

The Edificio 16 Loan taken out on 26 September 2006, with a duration of seven years extendable for a further three years at the borrower’s request, is intended to finance the purchase of the property and its subsequent renovation. It can be drawn down for a maximum total of Euro 27,200,000 (Euro 26,000,000 by way of a credit facility and Euro 1,200,000 to finance VAT). The interest rate is equal to the three-month Euribor plus 80 bps. The effective interest rate, determined in accordance with the amortised cost method, is 5.291%. This loan is secured by a mortgage, an assignment of receivables arising from the sale of the land and a pledge on current accounts.

It should also be noted that the Management Company, in the name of and on behalf of the Fund, has signed an “Inter-creditor Agreement” along with other financing banks. This is designed to: (i) clarify the relationships between the Fund, and its various classes of creditors, and (ii) regulate the Fund's payment priorities with the different classes of creditors.

The fair value of the above borrowings approximated their carrying values at the balance sheet date, since the impact of discounting is not significant. The fair values are based on cash flows discounted at a rate based on the latest applicable floating rates at the end of the period.

The Fund confirms that all the financial covenants are in compliance with the financing contracts as at 31 December 2009. The calculation of borrowings for the purpose of determining the Loan to Value ratio is set out below.

	Bank Borrowings a)	Loan arrangement costs b)		Accrued Interests c)	Outstanding Loan a+b-c	Cash Collaterals	Outstanding Loan net of Cash Coll.
Jumbo Loan (incl. Rollover Loan)	328.807.227	4.269.759	*	15.990	333.060.996	-	333.060.996
Portogruaro Loan	49.965.542	604.383		2.615	50.567.310	14.528.795	36.038.515
Edificio 16 Loan	5.144.931	10.128		216	5.154.843	-	5.154.843
Total	**383.917.700**	**4.884.270**		**18.821**	**388.783.149**	**14.528.795**	**374.254.354**

* All "Loan arrangement costs" are included in Jumbo Loan

The covenants of the Fund at 31 December 2009 are in the tables here below:

- <u>LTV covenant</u>: Loan to Value of Jumbo, Portogruaro and Edificio 16 loans should not exceed 65%

	OMV	Outstanding Loan net of Cash Coll.	LTV	LTV Covenant
Jumbo Loan (incl. Rollover Loan)	555.800.000	333.060.996	59,9%	65,0%
Portogruaro Loan	88.500.000	36.038.515	40,7%	65,0%
Edificio 16 Loan	16.840.000	5.154.843	30,6%	65,0%

- <u>Global LTV covenant</u>: the aggregate amount of financial indebtedness incurred by the Fund should not exceed 60% of the OMV of the real estate assets and 20% of the value of the other assets

	OMV		Outstanding Loan	Global LTV	Global LTV Covenant
Jumbo Loan (incl. Rollover Loan)	555.800.000		333.060.996		
Unlevered Assets	6.490.000	(1)	-		
Portogruaro Loan	88.500.000		50.567.310		
Edificio 16 Loan	16.840.000		5.154.843		
Total Real Estate Assets	**667.630.000**	(2)	**388.783.149**	**58,2%**	**60,0%**
Cash & Other Assets	**73.075.318**	(3)	**-**	**0,0%**	**20,0%**
Fund total assets	**740.705.318**	(4)	**388.783.149**		
Global LTV Covenant figures	**691.988.439**	(5)	**388.783.149**	**56,2%**	**60,0%**

(1) The unlevered assets are the Agrileasing portfolio and the investment property in Genova, Via Dino Col.

(2) "Total Real Estate Assets" of Euro 667,630,000 is the total portfolio open market value as at 31 December 2009.

(3) "Cash & Other Assets" includes Euro 63,185,741 of cash and cash equivalents.

(4) "Fund total assets" of Euro 740,705,318 is the amount of the total assets as per Bank of Italy financial statements.

The OMV of "Global LTV Covenant" is calculated as the sum of the OMV of the total Real Estate Assets (Euro 667,630,000) plus one third of the "Cash & Other Assets" (Euro 73,075,318).

- Prospective LTV covenant: in acquiring new assets, the aggregate amount of the Jumbo Loan (Facility line and Revolving line) should not exceed 80% of the OMV of the properties purchased and owned by the Fund

	OMV	Outstanding Loan net of Cash Coll.	Perspective LTV	Perspective LTV Covenant
Jumbo Loan	555.800.000	299.560.996		
Jumbo Loan - Rollover Loan		33.500.000		
Total	**555.800.000**	**333.060.996**	**59,9%**	**80,0%**

- ISCR covenant: the Interest Service Cover Ratio (calculated as the Annualised NOI – Net Operating Income - divided by Annualised interest expense and fees based on the most recent quarters actuals) for the entire duration of the Facilities should not fall below 1.25x

	01.10.2009 - 31.12.2009	Projected over 12 months	ISCR of the Period a/(b+c)	min ISCR
a) Projected NOI	7,1	28,2		
b) Interests	3,5	13,9		
c) Financing fees	0,1	0,3		
ISCR Covenant			**1,98x**	**1,25x**

Note 11 Trade payables

These include the following amounts due to related parties:

	31.12.2009	31.12.2008
Trade payables to Pirelli Group	780.260	2.049.536
Trade payables to third parties	7.144.607	9.641.471
Trade payables to Management Company	1.351.527	-
Total	**9.276.394**	**11.691.007**

At 31 December 2009, trade payables to Pirelli Group, amounting to Euro 2,131,787, are detailed as follows:

- Euro 1,062,684 to the Management Company in relation to the management fees accruing at the reporting date as detailed under note 20 below;
- Euro 288,843 to Pirelli RE Netherlands B.V. in relation to the management fees accruing at the reporting date as detailed under note 20 below;

At 31 December 2009 trade payables to third parties of Euro 7,144,607 mainly relate to:

- urban development work carried out and costs for the construction of speculative buildings at the Portogruaro Site (Euro 2,919,375);
- costs for the construction of Edificio 16 (Euro 1,498,983);
- costs for legal and professional services of the Company (Euro 552,205);

Note 12 Other payables

At 31 December 2009, this item totals Euro 4,006,511 and mainly consists of:

- Euro 2,755,769 in security deposits received on leases
- Euro 699,290 in downpayments received against preliminary sale agreements
- Euro 53,243 of Directors' remuneration.

Note 13 Tax payables

The balance of Euro 311,537 mainly refers to:

- VAT payable in the amount of Euro 240,423;

Note 14 Rental income

Rental income amounts to Euro 42,179,715, including Euro 20,314,040 from Telecom Italia S.p.A..

In the following 2 years ending 31 December 2011 the outstanding rental contracts that will expire represent about 20% of the total rental income 2009. In the following 2 years ending 31 December 2013 the outstanding rental contracts that will expire represent about 21% of the total rental income 2008.

The future minimum lease payments under non-cancellable operating leases in the aggregate and for each of the following periods:

- not later than one year Euro 1,826,137 of annual passing rent;

- later than one year and not later than five years Euro 24,382,339 of annual passing rent;

- later than five years Euro 13,755,035 of annual passing rent.

Note 15 Net gain/(loss) from fair value adjustment on investment property

The balance of Euro (16,995,656) is the difference between the fair value of investment property at 31 December 2009 and 31 December 2008, and between the fair value of investment property at 31 December 2009 and the related acquisition costs for investment property acquired during the year.

The fair values are based on open market values, i.e. the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction wherein the parties have acted knowledgeably, prudently and without compulsion.

The fair value gains arise from the determination of market value on 31 December 2009 by an independent, professionally qualified appraiser.

Fair values have been appraised by an external, independent expert (CB Richard Elis Professional Services S.p.A.) with appropriate recognised professional qualifications. The fair value valuations are prepared by considering the aggregate of the net annual rents received from the properties and where relevant, associated costs. A yield which reflects the specific risks inherent to the net cash flows is then applied to the net annual rents to arrive at the property valuation. Valuations reflect, where applicable, the type of tenants currently occupying the property or responsible for meeting lease commitments, the allocation of maintenance and insurance responsibilities between lessor and lessee, and the remaining economic life of the property.

Note 16 Net gain on disposals properties

This item amounts to Euro (1,057,887) and refers to the net loss on properties sold during the year.

The balance is the difference between the proceeds of sales (Euro 47,415,000) and the carrying amount (Euro 48,872,887).

Note 17 Net gain on disposals inventories

This item amounts to Euro 825,818.

During the year a total of 4 sale agreements were made, totalling Euro 3,493,500, for the disposal of 5 units in the renovated "Edificio 16" building along with 6 parking spaces.

Note 18 Other operating income

This item, amounting to Euro 896,525, mainly relates to reimbursements and recoveries.

Note 19 Realised and unrealised gain/(loss) from fair value adjustment on financial assets

The item amounts to Euro (5,296,148) and reflects the unrealized loss on fair value of the four interest rate collar contracts at 31 December 2009 (for additional details refer to note 5 above).

Note 20 Management fees

Management fees, amounting to Euro 5,163,427, relate to the Management Company's commission (Euro 4,042,388) and to Pirelli RE Netherlands B.V. commission (Euro 1,121,039).

Since 18 October 2006, when the Fund's management was transferred from Pirelli & C. Real Estate Opportunities SGR S.p.A. to Pirelli & C. Real Estate Società di Gestione del Risparmio S.p.A. ("Management Company") and the amended Regulations were approved, the remuneration due to the "Management Company" consists of a fixed fee (the "Management Fee") calculated by applying 0.175% on a quarterly basis (0.7% per annum) to the "Fund's Total Asset Value".

"Total Asset Value" is defined by paragraph 9.1.1 of the Fund Regulations as the sum of the purchase or contribution value of individual properties, real property rights, and investments held by the Fund plus (i) the purchase or contribution costs of individual properties or real property rights; (ii) maintenance, improvement and new construction costs (such as costs for decontaminating land for the recovery, renovation, decontamination, regularization, restoration to original status, refurbishment and new construction of buildings, or for the new construction or restoration of installations and systems), including in both cases the related financial costs.

The Management Fee is calculated at the end of each quarter on the basis of the average between the Total Asset Value reported in the Fund's latest quarterly report and that reported in the previous quarter. The quarterly fee is paid in full to the Management Company with effect from the first working day of the month after each quarter-end.

In any event, the Management Fee may not be less than Euro 530,000 on an annual basis (Euro 132,500 on a quarterly basis). If the quarterly Management Fee, as calculated above, is less than Euro 132,500 in any on quarter, the Management Company is entitled to receive the sum of Euro 132,500 with reference to that quarter.

The amount of Euro 1,121,039 refers to the commission that Spazio Investment N.V. has to recognise to Pirelli RE Netherlands B.V.; this commission is payable for an amount equal to 0.15% on annually on the average between (i) the Aggregate Value of the Fund as reported in the quarterly report of the Fund relating to the quarter of reference and (ii) the Aggregate Value of the Fund is the aggregate historic acquisition cost or transfer value of the real estate assets, real property rights, shareholdings or other interests held by the Fund. In any event, the aggregate Management Fee shall not be less than Euro 350,000 per year.

On 16 December 2009 there has been an increase of the 0,18% of the Corporate Management fee payable to Pirelli RE Netherlands B.V. and removal with the effect 2010 onward of the cap Euro 530,000 .

Note 21 Other costs

In detail:

	01.01.2009 - 31.12.2009	01.01.2008 - 31.12.2008
Other real estate expenses	5.343.264	5.262.997
General and administrative expenses	5.114.374	2.236.827
Local property tax	2.544.313	2.471.004
Total costs for services	13.001.951	9.970.828

“General and administrative expenses” include Euro 111,248 including VAT regarding to the new management consulting fee agreement with Celtic Property Development.

General and administrative expenses include all the expenses and advisory fee related to the tender offers done during the current year.

Note 22 Financial income

Financial income amounts to Euro 383,936 and mainly relates to:

- interest on accounts of the Fund of Euro 327.217;
- interest on bank accounts of the Company of Euro 56,719.

Note 23 Financial expenses

These amount to Euro 21,893,735 and can be broken down as follows:

	01.01.2009 - 30.12.2009	**01.01.2008 - 31.12.2008**
Interest owed on bank loans	10.675.999	24.530.390
Loan arrangement costs	5.993.658	715.994
Bank commission on unutilised credit facilities	458.573	821.769
Interest of financial instruments	6.106.437	-
Bank fees	279.993	302.873
Other financial charges	63.169	55.843
Total	**23.577.829**	**26.426.869**
Capitalized financial expenses	(1.684.094)	(2.711.279)
Total	**21.893.735**	**23.715.590**

Note 24 Tax expense

Due to the tax–exempt states of Spazio no tax has been calculated for the fiscal year.

Note 25 Earnings per share (EPS)

Basic EPS is calculated by dividing the profit attributable to the Company's shareholders by the weighted average number of ordinary shares in issue during the year.

Profit attributable to the Company's shareholders (thousands of Euro)	(19.123)
Weighted average number of ordinary shares in issue (thousands)	25.312
Basic and diluted EPS (Euro per share)	(0,76)

Note 26 Fund

During the year 2009 the Fund reimbursed Euro 4.625.472 of share capital to the Company.

In accordance with the Spazio Industriale Fund Regulations, on February 2009 the Fund resolved to reimburse Euro 17,979.38 per unit, for a total amount of Euro 10.122.391.

Note 27 Contingencies and guarantees

The Company has contingent liabilities in respect of bank and other guarantees, and other matters arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from the contingent liabilities.

We recall that further to the contract dated 30 December 2005 for the purchase of the Area by the company Portolegno S.a.s. di Iniziative Immobiliari 3 S.r.l. ("Portolegno"), controlled by Pirelli & C. Real Estate S.p.A., the Fund released the same from the obligations previously undertaken vis-à-vis third parties, as listed below:

- replacement, vis-à-vis the company Portolegno, in the commitments (like City-Planning Convention and Planning Agreement) undertaken with the Municipalities of Portogruaro (Ve) and Fossalta di Portogruaro (Ve) in relation to the city-planning and building activities for the Area development. Further to such replacement, the Fund issued to the aforesaid Municipalities guarantees to secure the construction of urbanisation works for a cap amount of Euro 15.1 million;
- undertaking of urbanisation charges on behalf of the company Zaccheo Ambiente S.a.s. di Zaccheo Sandrino & C. ("Zaccheo Ambiente") in relation to some properties owned by the latter.

It is also pointed out that further to the contract dated 23 April 2008 for the purchase of the property located at Sesto San Giovanni (Mi), Viale Edison 50, the Fund undertook to pay to the seller Centro Edison 2001 S.p.A. an amount equal to Euro 3,000,000, in the event that the following conditions occurred by 30 June 2009:

- a variation to the P.I.I. (*Programma Integrato di Intervento* - Project Integrated Plan) has been approved by the Municipality of Sesto San Giovanni;
- the building license has been issued;
- a new valid habitability certificate (*certificato di agibilità*) has been issued.

The conditions did not occur by 30 June 2009; on 2 December 2009 an agreement was signed, that envisages an extension of the terms as specified below:

- in the event that the aforesaid conditions occurred by 31 December 2009, the Fund shall pay to Centro Edison 2001 S.p.A. an amount equal to Euro 2,700,000;

- in the event that the aforesaid conditions occurred between 1 January 2010 and 30 June 2010, the Fund shall pay to Centro Edison 2001 S.p.A. an amount equal to Euro 2,500,000.

It is believed that, if the conditions occurred within the terms envisaged the amount of such commitment would be broadly covered by the higher OMV of the property.

It is also specified that an insurance guarantee was issued to Piedmont Region to secure the reclamation works regarding the property of Novara, for a secured amount of Euro 31,586, with expiry date on 3 May 2010.

It is also specified that an insurance guarantee was issued to the Municipality of Portoferraio, for a secured amount of Euro 1,156,000, expiring on 8 October 2010.

By letter dated 21 December 2009, the Guardia di Finanza – Nucleo di Polizia Tributario di Milano started a fiscal audit to the Company.
The risk that the claim can lead to a future tax liabilities for the Company at present is only possible and not probable.

Note 28 Commitments

Spazio Investment N.V. had no commitments as of 31 December 2009.

Note 29 Events after the financial statements date

On 13 January 2010 a sales agreement was signed with M.P.S. Leasing & Factoring S.p.a. for Euro 550,000, for the disposal of a unit in the renovated "Edificio 16" building in addition to two parking space.

On 15 January 2010 a sales agreement was signed with Unicredit Leasing S.p.a. for Euro 350,000, for the disposal of an Agrileasing asset .

On 22 January 2010 the Fund accepted the sales of different assets (5 telecom asset and 1 Enel asset) for a total sales price of Euro 7,120,000.

Note 30 Related party transactions

Balances between the Companies of Pirelli & C. Group and Pirelli & C. Real Estate Group and the Management Company and companies in the latter's Group at 31 December 2009 and transactions between the same are listed below:

	31.12.2009	31.12.2008
Trade payables to Pirelli & C. Group	35.530	8.296
Trade payables to Pirelli & C. RE Group	332.232	574.721
Trade payables to Management Company	1.464.249	1.466.519
Other payables to Pirelli & C. RE Group	1.198.553	2.000.000
Trade payables to Celtic Investment Limited	111.173	-

	01.01.2009 - 31.12.2009	01.01.2008 - 31.12.2008
Management fees	5.163.427	5.538.258
Other costs	788.276	2.824.553

Please refer to note 11 for trade payables and to note 20 for the management fees.

All transactions are part of the Fund's ordinary management and are settled under market conditions; there are no unusual or atypical transactions or nay with potential conflicts of interest.

Company Balance sheet as at 31 December 2009

After appropriation of result

(in Euro)

Note	ASSETS	31.12.2009	31.12.2008
	Investment		
1	Investments in Group Companies	321.088.197	342.054.855
	Receivables		
2	Other receivables	125.603	157.169
	Other assets		
3	Cash at banks	3.320.575	26.579.552
	TOTAL ASSETS	**324.534.375**	**368.791.576**
	Shareholders' equity		
4	Share capital	4.589.189	5.498.279
5	Share premium	250.395.876	274.486.750
6	Legal/Revaluation reserve	65.047.789	86.818.599
7	Retained earnings	3.607.960	959.960
		323.640.814	**367.763.588**
	Short-term liabilities		
8	Trade payables	841.049	954.811
9	Other payables	52.512	73.177
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**324.534.375**	**368.791.576**

Company Profit and Loss account for the period from 1 January 2009 to 31 December 2009

(in Euro)

Note		01.01.2009 - 31.12.2009	01.01.2008 - 31.12.2008
	Corporate profit after tax	(4.547.175)	(2.543.796)
1	Result of subsidiaries after tax	(14.575.635)	(6.024.918)
	RESULT FOR THE PERIOD	**(19.122.810)**	**(8.568.714)**

Introduction

The description of Spazio Investment N.V.'s activities and structures, as included in the notes to the consolidated financial statements, also applied to the Company financial statements. The corporate accounts have been prepared in accordance with the financial reporting requirements of Part 9, Book 2 of the Netherlands Civil Code.

In accordance with article 2:402 of the Dutch Civil Code, the Company's profit and loss account only shows the result of subsidiaries after tax as separate item.

The consolidated financial statements of Companies publicly listed in the European Union must be prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Commission. Consequently, the consolidated financial statements of the Group for the year ending on 31 December 2009 have been prepared accordingly.

In order to harmonise the accounting principles of the Corporate accounts with the consolidated accounts the Management Board has decided to adopt the provisions of section 2:362 subsection 8 of the Netherlands Civil Code, whereby the accounting principles applied in the consolidated accounts also apply to the Company financial statements of Spazio Investment N.V..

Accounting policies

Accounting principles as described in the notes to the consolidated financial statements also apply to the Company financial statements unless indicated otherwise.

Investment in Group companies

In accordance with section 2:362 subsection 8 of the Dutch Civil Code, subsidiaries are valued at net asset value. For determining the net asset value all assets, liabilities and profits and losses are subject to the accounting principles as applied to the consolidated financial statements.

Information on the balance sheet and income statement of the Company

The following explanatory notes refer to the Company financial statements.

Note 1 Investment in Group Companies

The movements in investments in Group Companies are as follows:

	01.01.2009 - 31.12.2009	01.01.2008 - 31.12.2008
Opening balance	342.054.855	414.205.520
Subsidiary acquisition	-	-
Reimbursement of quotas	(4.625.472)	(26.000.004)
Result of subsidiaries	(14.575.635)	(6.024.918)
Dividends from subsidiaries	(1.765.551)	(40.125.743)
Total	**321.088.197**	**342.054.855**

The Company owns 100% of an Italian fund named “Spazio Industriale – Fondo Comune di Investimento Immobiliare di Tipo Chiuso” (the “Fund”).

The Fund started its activity on 28 December 2005, date of authorisation of the Fund by the Bank of Italy.

On February 2009 the Company received a partial reimbursement of quotas from Spazio Industriale Fund’s for an amount of Euro 2.6 million, and a second partial reimbursement of Euro 1.9 million on November 2009.

Note 2 Other receivables

This item totals Euro 125,603 and mainly refers to prepaid insurance costs.

Note 3 Cash at banks

At 31 December 2009 this item totals Euro 3.320.575 and refers to the cash and cash equivalents in current accounts with ABN-AMRO Bank in Amsterdam.

Shareholders’ equity

The movements in Shareholders’ equity are as follows:

	note	Share capital	Share premium	Legal/Revaluation reserve	Retained earnings	Equity
Equity at 31 December 2008		**5.498.279**	**274.486.750**	**86.818.599**	**959.960**	**367.763.588**
Purchase of share capital		-	-	-	(24.999.964)	(24.999.964)
Cancellation acquired shares		(909.090)	(24.090.874)	-	24.999.964	-
Result of the period		-	-	(21.770.229)	2.647.419	(19.122.810)
Equity at 31 December 2009		**4.589.189**	**250.395.876**	**65.048.370**	**3.607.379**	**323.640.814**

Note 4 Share capital

Share capital is related to the Spazio Investment N.V. shares amounts to Euro 4,589,189 (after the cancellation of n. 4,545,450 shares equal to Euro 909,090).

The total authorized number of ordinary shares is 50,000,000 with a par value Euro 0.20 each and 100 preferred shares of a par value Euro 0.20 each.

At the Balance Sheet date, a total of 22,945,846 ordinary shares of par value Euro 0.20 each and 100 preferred shares of par value Euro 0.20 each and 1 priority share of the nominal value of Euro 0,20 are issued and fully paid.

Note 5 Share premium

At 31 December 2009 the item, amounting to Euro 250,395,876, is related to share premium reserve totally distributable.

The movement that took place during the period from 1 January 2009 to 31 December 2009 for a total amount of Euro 24,090,874, refers to the cancelled acquired shares.

Note 6 Legal / Revaluation reserve

Legal reserves in the Company balance sheet are reserves to be maintained by local legislation and comprise the revaluation reserve. The amount recognised by this reserve, totalling Euro 65,047,789, is not freely distributable.

The movements that took place during the period from 1 January 2009 to 31 December 2009 were as follow:

- decrease equal to Euro 21,770,810 related to the profit of 2009 not distributable.

A revaluation reserve is a restricted reserve under Dutch Civil Code. A brief description of the legal reserve is as follows:

Revaluation reserve

The revaluation reserve relates to investment property and derivatives financial instruments and comprises cumulative increase/decrease in the fair value of the property and derivatives financial instruments, net of deferred tax. This is a legal requirement following Article 390 Book 2 of the Dutch Civil Code.

Note 7 Retained earnings

The retained earnings are freely distributable to the shareholders.

At 31 December 2009 this item is positive equal to Euro 3,607,960.

The movements that took place during the period from 1 January 2009 to 31 December 2009 were as follows:

increase equal to Euro 24,999,964 related to the purchase of shares;

- decrease equal to Euro 24,999,964 related to the cancelled acquired shares
- increase equal to Euro 2,648,000 related to the realized result of 2009.

Note 8 Trade payables

At 31 December 2009 the item amounts to Euro 841,049 and includes an amount of Euro 288,843 due to related parties and in particular to Pirelli & C. RE Group (mainly due to management fees accrued at the reporting date) and Euro 552,205 legal and professional services to third parties.

Note 9 Other payables

At 31 December 2009 the item amounts to Euro 52,512 and mainly refers to Director's remuneration.

Note 10 Directors' remuneration

Directors' remuneration for the period 1 January 2009 – 31 December 2009 is detailed as follows:

		01.01.2009 - 31.12.2009	01.01.2008 - 31.12.2008
Board of Directors			
John Duggan	Chairman up to 3th December 2009	111.304	120.000
Roy Dantzic	Independent Director up to 3th December 2009	55.671	60.000
Gualtiero Tamburini	Independent Director	60.000	60.000
Olivier de Poulpiquet	Representative Director (Pirelli RE) up to 9th December 2008	-	60.000
Richard Mully	Independent Director up to 3th December 2009	55.652	60.000
Nicholas James	Independent Director up to 3th December 2009	55.652	3.549
Fabrizio Lauro	Representative Director (Pirelli RE) up to 3th December 2009	55.652	3.549
Audit Committee			
Roy Dantzic	Chairman up to 3th December 2009	4.616	5.000

All members of the Board of Directors receive a fixed amount. They do not receive any other remuneration.

Starting from 3rd December 2009 the new members of the Board of Directors do not receive any remuneration except G.Tamburini.

Note 11 Events after the balance sheet date

Please refer to note 29 of the consolidated financial statements for details.

Note 12 Related party transactions

Balances between the Company and companies in the latter's Group at 31 December 2009 and transactions between the same during the year then ended are listed below:

	31.12.2009	31.12.2008
Trade payables to Pirelli & C. RE Group	288.843	376.968

	01.01.2009 - 31.12.2009	01.01.2008 - 31.12.2008
Management fees	(1.121.039)	(1.125.317)
Other costs	(24.990)	(48.501)

Trade payables to Pirelli & C. RE Group are due to Pirelli RE Netherlands B.V. and Pirelli & C. Real Estate S.p.A., relate to management fees earned at the reporting date but not yet paid.

Note 13 Number of employees

The Company has no employees.

Amsterdam, 29 April 2010

Board of Directors:

Gualtiero Tamburini

Nicholas Paul James

Ian Wright

Christin Vogel - Claussen

Andrew Morrison Shepherd

Alberto Lucianbattista Meloni

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PROPOSED APPROPRIATION OF NET RESULT

The board proposes to carry forward the loss of Euro 19.1 m for the period 1st January 2009 to 31th December 2009

The board proposes to distribute reserves for a total amount od Euro 13.0 m.

According to Spazio Investment N.V. Articles of Association, the appropriation of the net result for the period is decided upon at the Annual general meeting of Shareholders.