PRESS RELEASE

PRELIOS: GREEN LIGHT TO RELAUNCH PLAN

THE EXTRAORDINARY TRANSACTION AIMED AT THE GROUP EQUITY STRENGTHENING, FINANCIAL REBALANCING AND INDUSTRIAL RELAUNCH HAS BEEN APPROVED

- THE TRANSACTION ALSO ENVISAGES A CAPITAL INCREASE OF 185 MILLION EURO IN TOTAL, PARTLY THROUGH RIGHTS ISSUE (UP TO 115€/MLN) AND PARTLY RESERVED (FOR 70€/MLN), OF WHICH AT LEAST 100 €/MLN TO BE SUBSCRIBED CASH, AND THE EQUITY INVESTMENT OF THE NEW INDUSTRIAL INVESTOR FEIDOS 11 WITH BUSINESS MANAGEMENT AND DEVELOPMENT RESPONSIBILITIES

- AN AGREEMENT HAS BEEN REACHED WITH THE LENDING ENTITIES ON DEBT RESCHEDULING

- ALSO THE SHAREHOLDERS PARTIES TO PRELIOS SHAREHOLDERS' AGREEMENT SUPPORT THE TRANSACTION IN VIEW OF THE FUTURE CHANGES IN OWNERSHIP STRUCTURE FOLLOWING THE CAPITAL INCREASE

BOARD APPROVES 2013-2016 STRATEGIC PLAN INCLUDING THE FINANCIAL COMPONENT: REPOSITIONING AS PURE MANAGEMENT COMPANY THROUGH FOCUS ON SERVICES IN ITALY AND ABROAD AND GRADUAL DIVESTMENT OF CO-INVESTMENT ASSETS

- EBIT OF MANAGEMENT PLATFORM[1] EQUAL TO 14-19 €/MLN IN 2014[2] AND TO 24-28 €/MLN IN 2016, DOUBLED AGAINST CURRENT VALUE

- NFP FALLING: BELOW 400 €/MLN IN 2014 AND BELOW 200 MLN/€ IN 2016, MORE THAN HALVED COMPARED TO CURRENT VALUE

BOARD APPROVES 2012 DRAFT SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS[3]

- MANAGEMENT PLATFORM REVENUES: 124.9 €/MLN (149 €/MLN IN 2011)

- MANAGEMENT PLATFORM EBIT POSITIVE FOR 13[4] €/MLN (20.3 €/MLN IN 2011)

- OPERATING RESULT[5] NEGATIVE FOR 72.1 MLN/€, OF WHICH OVER 66.1 MLN/€ ATTRIBUTABLE TO THE IMPAIRMENT TEST OF NPLs (5.7 €/MLN AT DECEMBER 2011, POSITIVELY IMPACTED BY SIGNIFICANT TRANSACTIONS[6])

- NET LOSS OF 241.7 €/MLN (-289.6 €/MLN AT 31 DECEMBER 2011), AS A RESULT OF REAL ESTATE WRITEDOWNS AND RESTRUCTURING COSTS FOR OVER 107 €/MLN

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[1] Management platform EBIT indicates income generated through fund & asset management operations, specialised real estate services (property & project management and agency), services connected with NPL management (credit servicing), as well as general and administrative expenses (G&A).

[2] The Group identified its targets from 2014, as 2013 is a year of transition impacted by the closing of the restructuring transaction and by the definition of the re-organisation project.

[3] It should be noted that the consolidated financial statements – from the industrial point of view – better reflect the Group as a whole, as the latter consists of a number of companies directly or indirectly controlled by Prelios.

[4] Considering the negative impact of 4.5 million euro resulting from the impairment losses on the management platform, the EBIT is positive for 8.5 million euro.

[5] Amount made up of EBIT plus net income from equity investments and income from shareholder loans, adjusted for restructuring costs and property writedowns/revaluations and for the one-off property tax in 2011.

[6] Including the sale of the property let to La Rinascente in Piazza Duomo, Milan, as well as the disposal of the operating company.

- NET FINANCIAL POSITION NEGATIVE FOR 520.5 €/MLN
(513.2 €/MLN AT 30 NOVEMBER 2012, 488 €/MLN AT DECEMBER 2011)

THE SHAREHOLDERS' MEETING, SCHEDULED FOR 8 MAY 2013, IS CALLED TO APPROVE ALSO THE EXTRAORDINARY TRANSACTION AND THE RENEWAL OF THE BOARD OF DIRECTORS AND THE BOARD OF STATUTORY AUDITORS

- CAPITAL INCREASE FOR 185 €/MLN, SUBJECT TO PRIOR GROUPING OF ORDINARY SHARES WITH 1:10 RATIO AND REDUCTION OF SHARE CAPITAL FOR LOSSES
- MANDATE TO BOARD FOR THE ISSUE OF A CONVERTIBLE LOAN UP TO 269 €/MLN

ANGELO CATTANEO APPOINTED BY THE BOARD AS FINANCIAL REPORTING OFFICER

Milan, 27 March 2013 – The Board of Directors of Prelios S.p.A., held on today's date, examined and approved the 2012 Draft Financial Statements, that will be submitted to the next ordinary Shareholders' Meeting.

Group performance at 31 December 2012

In 2012, the real estate market was substantially stable at European level, however it was characterised by a growing gap between more solid markets (UK, Nordics and Germany) and the countries of South-Europe, including Italy. While the German market achieved extremely high volumes both in residential and commercial segments, the persistent weakness of the macroeconomic scenario and the context of financial instability adversely affected the domestic real estate market which reached the record lows of the last decade, with a collapse of purchase and sale transactions and halved volumes compared to last year. Such scenario impacted more significantly Prelios investment activity, while services (management platform), with the only exception of the agency activity – which is connected to such performance – are not impacted and continue to show positive performances.

In this context, the Group reported **consolidated revenues** equal to 131 million euro, down versus 177.8 million euro in 2011. In particular, **management platform revenues**, in Italy and in foreign countries, amount to 124.9 million euro (149 million euro at 31 December of last year).

The **operating result** is negative for 72.1 million euro, mostly determined by the result of investment activities, and specifically by the impairment losses for 66 million euro in the Non-Performing Loan segment. In the same period of the previous year, the operating result was positive for 5.7 million euro, influenced, among other things, by significant transactions like the sale of the historic building let to La Rinascente in Piazza Duomo, Milan by the Retail & Entertainment Fund, managed by the subsidiary Prelios SGR and in which the company indirectly holds a qualified minority interest, as well as by the contribution of other transactions on the German market.

The **operating result,** excluding the impairment losses, is negative for 6 million euro (it was positive for 34.8 million euro in 2011) and is made up as follows:

- **Management platform operations achieve a positive result of 13**[7] **million** euro, against 20.3 million euro in 2011;

- **Investment activities**[8] **are negative for 19 million euro** while they were positive for 14.4 million euro in 2011.

The net result for the period is negative for 241.7 million euro, improving against the result at 31 December 2011 that was negative for 289.6 million euro. The net result is impacted by writedowns on equity investments and real estate investments for 86 million euro (less than half versus 194.6 million euro in 2011), financial charges for 52 million euro (29.8 million euro in 2011) and restructuring costs for 21.4 million euro (48.7 million euro in 2011).

Real estate asset sales in 2012 amounted to 657.1 million euro (1,318.3 million euro at December 2011, net of the aforementioned sale of La Rinascente property) and were in line with the slowdown recorded on the real estate market in general with regard both to cross-border investments and to Italian transactions. The company carried out its own real estate transactions at values substantially in line with book value. Specifically, in **Italy** it recorded sales for 303.4 million euro, slightly decreasing against 369.5 million euro[9] recorded at 31 December 2011; in **Germany** sales amounted to 353.2 million euro (905.6 million euro in 2011, which amount included the sale of "Blankenese", an important urban development project in Hamburg); finally, in **Poland**, sales reached 0.5 million euro versus 43.2 million euro in December 2011, due to the slowdown of some expected urban planning changes, that should facilitate the depletion of stock available in inventory.

Assets Under Management[10] amounted to 9.7[11] billion euro (of which 8.7 billion of real estate assets and 1 billion of NPLs[12]) compared to 12.4 billion euro at 31 December 2011, mainly as a result of sale transactions and writedowns. In terms of asset allocation by geographical area, of the 8.7 billion euro property assets, 56% are managed in Italy and 44% in Germany and Poland[13].

Consolidated equity amounted to 80.4 million euro (326.2 million at the end of 2011), while **Group equity** was 74.2 million euro (318.8 million at the end of 2011). The change was largely attributable to the loss for the period of 241.7 million euro.

The net financial position[14] was negative for 520.5 million euro (513.2 million euro at 30 November 2012 and 488 million euro at 31 December 2011). The figure includes the recurring monthly provision for financial expenses of approximately 4 million euro, payment of which was however deferred, with the agreement of the lenders, as reported in the press release of 28 December 2012; such deferment was framed in the afore-mentioned extraordinary transaction aimed at the Group industrial relaunch.

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[7] The result would be equal to 8.5 million euro considering the negative impact for 4.5 million euro attributable to the impairment test of the service platform.

[8] The result would be equal to -80.6 million euro considering the negative impact for 61.6 million euro that may be ascribed to the impairment loss of the NPL portfolio.

[9] Net of the amount of 472 million euro from the sale of the La Rinascente building in Piazza Duomo, Milan.

[10] The assets under management, excluding the NPLs valuated at book value, is expressed by the OMV based on the estimates and analyses of the independent appraisers. The OMVs determined by the independent appraisers do not take into consideration the possible dispo plan acceleration with respect to the reasonable time span required for the marketing activity, considering the type of asset and the market situation and any discounts in case of sales en bloc or deriving from sale mandates.

[11] Considering that the transactions aimed at the exit from the BauBecon portfolio management, started at the end of 2012, will be finalized in early 2013, the assets under management at December 2012 are recognised net of BauBecon asset value.

[12] Stated at net book value.

[13] In Poland about 0.5% of the real estate assets are managed.

[14] Excluding receivables for shareholder loans.

Performance of the Business Divisions at 31 December 2012[15]

ITALY REAL ESTATE

The operating result was negative for 11.1 million euro, compared to a positive value of 25 million euro in 2011. It consisted of 11.5 million euro income from the management platform (24.4 million euro last year)[16] and from investment activities, having a negative impact for 22.6 million euro (versus a positive result for 0.6 million euro in December 2011).

Looking specifically at the performance of the individual business units of the domestic management platform, **Fund Management** reported revenues of 23.3 million euro, down from 29.1 million euro in 2011 as a result of the reduction in Asset under Management. The operating result was equal to 8.5 million euro (16.1 million euro in 2011); the **Property & Project** unit reported revenues of 15.6 million euro (20.1 million in 2011), while the operating result was 5.8 million euro (5.6 million euro in 2011), a result that benefited from a favourable arbitration ruling on a previous development contract in the public sector; finally, the **Agency** business recorded revenues of 10.2 million euro (23.4 million euro in the previous year) with a negative operating result of 2.9 million euro (versus a positive result of 2.6 million at December 2011). This result was substantially due to the persistent serious difficulties in the real estate industry in Italy, which caused a considerable fall in the number and size of transactions. Nevertheless, Prelios Agency maintained its market share unchanged.

GERMANY REAL ESTATE

In October 2012 the “Lago Shopping Centre” in Konstanz, managed by Prelios, was awarded the prize as “Germany’s Best Shopping Centre” in the 2012 Shopping Centre Performance Report (made by the German real estate company Ecostra).

The **operating result** was positive for 11.7 million euro compared to 13.1 million euro in 2011. It consisted of 10.9 million euro income from the management platform (not including the impairment effect for 1.1 million euro), and improving against 9.2 million euro in 2011, while investment activities amounted to 2 million euro (3.9 million euro in 2011, a result which included a positive effect of 9.9 million euro deriving from retail initiatives).

POLAND REAL ESTATE

The **operating result** was a substantial *break even* (-0.5 million euro) compared to the negative result of 6.2 million euro in 2011, thanks to a significant reduction in management platform costs. The result was made up of the break-even figure (-1.5 million at December 2011) and the result of -0.5 million euro from the investment activity (improving against -4.7 million euro at 31 December 2011).

NON-PERFORMING LOANS

Among the significant events in the period, on 15 October 2012 Standard & Poor’s assigned an “above average” rating to Prelios Credit Servicing, the Prelios Group company specialising in management of NPLs, and raised its outlook to stable. Moreover, on 18 January 2013, the rating agency Fitch confirmed the rating of Prelios Credit Servicing at Rss2 and Css2, rewarding the

[15] It should be noted that the results set out in this paragraph refer both to the result of service operations and to investing activities and include income from shareholder loans, while they do not include the relevant general and administrative expenses (G&A/holding).
[16] This result included the 3.6 million euro from the aforementioned sale of the building leased to La Rinascente in Piazza Duomo, Milan.

efforts made in the company restructuring, aimed at strengthening the business and the ownership structure to serve the new business model.

Collections of non-performing loans amounted to 178 million euro, slightly decreasing against 200 million euro in 2011.

Operating result. The result of the management platform at 31 December 2012, net of the impairment loss of 3.4 million euro, was positive for 0.1 million euro, improving from -2.4 million euro at December 2011. The result is improving as it benefits from the positive effects of the restructuring plan. The investment activities – excluding the impairment loss of NPLs (equal to 61.6 million euro) - showed a positive result of 2.1 million euro (14.6 million at December 2011, excluding 60.9 million euro relating to the impairment loss of NPLs).

Results of the parent company Prelios S.p.A. at 31 December 2012

The Board of Directors of Prelios S.p.A. examined and approved also the Company's financial statements at 31 December 2012.

Operating Revenues amounted to 17.6 million euro (27.4 million euro at December 2011). The downturn against the previous year is mainly attributable to dropping fees following the transfer, starting from 1 January 2012, of the "Project" business, whereby the contracts relative to the project management activities have been transferred from Prelios S.p.A. to the subsidiary Prelios Property & Project Management S.p.A. The operating result, including profit/loss from investments, is negative for 186.9 million euro (-306.9 million euro in 2011). This result reflects the impairment losses on investments (decreasing from 337.0 million euro in 2011 to 199.8 million euro in 2012) and also a reduction in the dividend paid out by associated companies, dropping from 58.5 million euro in 2011 to 40.2 million euro in 2012. The net result for the period was negative for 214 million, recording an improvement compared to the negative result equal to 311.5 million euro posted in 2011.

Equity amounts to 4.6 million euro against 218.7 million euro of 31 December 2011. The difference is mainly due to the loss recorded in the period; consequently, pursuant to art. 2446, par.1, of the Italian Civil Code a loss exceeding one third of the share capital is also confirmed at 31 December 2012.

In fact, it should be recalled that, based on the parent company's financial position, Prelios S.p.A. capital at 30 June 2012 had decreased already by over one third, falling within the assumptions of article 2446, par. 1, of the Italian Civil Code referred to above, which has been confirmed also with reference to the parent company's financial position at 30 September 2012.

In this respect, it should be noted that the Shareholders' Meeting held on 18 December 2012 resolved to postpone the adoption of the appropriate measures, pursuant to article 2446 of the Italian Civil Code, also based on the evolution of the extraordinary transaction envisaged at that time aimed at the Group equity strengthening, financial rebalancing and industrial relaunch.

Approval of the extraordinary transaction aimed at the industrial relaunch of the Prelios Group

Following to disclosure on 21 December 2012[17], and further to the subsequent agreements between the parties concerned, the Board approved the extraordinary transaction aimed at the equity strengthening, through the injection of new financial resources, at the overall financial structure rebalancing and at the consequent financial re-organisation as well as at the re-launch of the industrial development perspectives of the Company and of Prelios Group**.**

In particular the extraordinary transaction envisions:

- the Company's recapitalisation through a capital increase of a total of 185 million euro, of which a portion equal to at least 100 million euro to be subscribed cash and the remaining portion to be subscribed through the possible conversion into equity of part of the Company's payables to lenders;

- the rescheduling of the current debt, equal to 561 million euro (including financial charges at 31 December 2012)[18], compatible with the new business plan: 250 million euro loan (50 million euro Super Senior loan with a 5-year maturity and 200 million euro Senior loan with a 6-year maturity) and up to 269 million euro through the conversion into a convertible loan with cash-option for cash repayment that may be exercised by the Company (with 7-year maturity, that may be extended by further three years upon occurrence of pre-set conditions).

The overall capital increase of 185 million euro shall be made in two tranches, through:

- the issue of ordinary shares up to 115 million euro, with rights issue to all shareholders. Camfin, Assicurazioni Generali, Mediobanca e Intesa Sanpaolo, among the current parties to the Prelios shareholders' agreement, confirmed that they will underwrite a stake of approximately 25 million euro in total, while the residual 90 million euro will be guaranteed by lenders by cash for 5 million euro (guaranteed by creditors Intesa Sanpaolo, Unicredit and Pirelli & C.) and by conversion of the claimed receivables up to 85 million euro (with a pro rata guarantee of all Company lenders);

- the issue of new B shares with no voting rights and not destined to listing, up to 70 million euro, reserved to the underwriting by a new special purpose vehicle (so-called "NewCo.") participated by the industrial investor Feidos 11 S.p.A. with a 20 million euro shareholding and for the residual 50 million euro by creditors Pirelli & C. S.p.A., Intesa Sanpaolo S.p.A. and UniCredit S.p.A..

The commitments undertaken by the aforesaid subjects ensure the Company a cash capital increase of at least 100 million euro of new resources.

In the framework of the extraordinary transaction, the Board of Directors also resolved to propose to the Shareholders' Meeting (i) ordinary stock grouping (n. 1 newly issued ordinary share every

[17] This refers to the stipulation of the Framework Agreement relating to the extraordinary transaction between Prelios S.p.A. and Feidos 11 S.p.A. – a company established by Feidos S.p.A., holding a majority stake, and by families Rovati, Diaz della Vittoria Pallavicini and Cornetto Bourlot, who hold their stakes through dedicated SPVs– which, following the Memorandum of Understanding entered into by Prelios S.p.A. and Feidos S.p.A. on 14 November 2012, regulates the terms, conditions and criteria for the completion of the extraordinary transaction aimed at the equity strengthening and financial re-organisation as well as at the industrial relaunch of Prelios Group. The CEO Sergio Iasi holds a 4.17% stake in Feidos 11 S.p.A.

[18] The gross debt of 561 €/mln at 31 December 2012 consists, net of the residual *up-front fees*, for 359 €/mln, plus accrued interest for 28.5 €/mln, of payables to the "*Club Deal*" Lending Banks (namely Intesa Sanpaolo, UniCredit, Banca Monte dei Paschi di Siena, Banca Popolare di Milano, Banca Popolare di Sondrio, Banca Popolare dell'Emilia Romagna, Banca Carige, Centrobanca – all as "Lending Banks" – and Banca IMI as "Agent Bank"), to which payables to Pirelli & C. shall be added for 160 €/mln, plus interest accrued for 13.5 €/mln.

n. 10 ordinary shares held), subject to prior cancellation of the ordinary shares held by the Company to allow the transaction overall reconciliation (without reduction of the share capital) and with the purpose to streamline the overall transaction management, as well as (ii) reduction of share capital as a result of a loss, pursuant to art. 2446 of the Italian Civil Code, for full coverage of the losses at 31 December 2012, before the implementation of the aforementioned capital increases that will be offered at a subscription price equal to euro [0.5953] for both newly issued ordinary and B shares.

Overall it is believed that the transaction proposed by the industrial investor, based – it is hereby recalled – on an equity value pre-money equal to about euro 50 million and implemented on the terms and conditions described above, seems in line with the objectives of debt exposure rebalancing and financial recovery of the Group.

Therefore, the subscription price, determined by considering the grouping transaction as well, beside being in line with the aforesaid pre-money valuation, has been considered adequate to circumstances and to the current situation and value of Prelios Group.

The transaction also envisages the undertaking of responsibilities in Prelios management by the new industrial investor in order to maximise its contribution to the business relaunch.

With respect to what announced to the market on 21 December 2012, on the basis of the aforementioned commitments by the various entities involved, the completion of the activities envisaged for the purposes of the transaction performance is subject to some conditions, including:

- the definition and stipulation of the debt rescheduling agreements, based on the term sheet agreed with and approved by all Lenders, which also includes the completion of the agreements relating to NewCo;
- the certification of the recovery plan by an independent expert pursuant to art. 67, par. 3, letter d), of Italian Royal Decree n. 267 of 1942, for which already last December an *ad hoc* mandate was assigned, which is expected to be completed shortly, in view of today's resolutions;
- the exemption from the obligations to call for a full Takeover Bid for the entities involved in the Transaction;
- the approval by Prelios Shareholders' Meeting of the capital increases on the envisaged terms and, consequently, of the new By-Laws of Prelios;
- the appointment of Sergio Iasi as CEO and Massimo Caputi as Deputy Chairman (vested with powers for business development).

Consequently, following to the completion of the grouping transaction, subject to the Shareholders' Meeting resolution and subject to the definition and underwriting of the final agreements relating to the transaction for the enforcement of the reached agreements, as well as to the publication of the offering circular relating to the capital increase, after prior authorisation by the competent Authorities, the capital increase transaction is estimated to start within the first semester of 2013.

The participation of Pirelli & C. in the transaction – being a Highly Significant related-party transaction – has been approved by the Company Board of Directors, subject to the prior favourable opinion of the Related-Party Transaction Committee. Relevant disclosure will follow pursuant to the law.

Further to the approval of the aforesaid extraordinary transaction by the Board of Directors, all Prelios Directors handed in their resignation with effect as of the date of the next Shareholders' Meeting called to approve, among other things, the Financial Statements at 31 December 2012.

The execution of the aforementioned extraordinary transaction shall actually result in a change of Prelios ownership structure and, consequently, the Directors decided that it was in the best interest of the Company to allow Shareholders to renew the composition of the board of directors without waiting for the natural expiry of their mandate upon approval of the financial statements at 31 December 2013.

Following the resignation of all Directors, pursuant to art. 12 of the Company By-Laws, the ordinary Shareholders' Meeting will be called to resolve upon the appointment of the new Board of Directors, after its resignation, as well as upon the appointment of the new Board of Statutory Auditors which naturally expired.

2013-2016 Strategic Plan

The Board of Directors also approved the overall 2013-2016 strategic plan – the guidelines of which relating to the operating component had already been approved by the Board of 13 November 2012 – inclusive of the financial component (on a levered base).

The plan identifies a few development orientations aimed, as a whole, at completing the Group restructuring (to pure management company) and relaunching Prelios as a European reference platform in the real estate and financial services sector:

- focus on the platform of management and services for real estate asset portfolios and bank assets to third party investors in Italy and in Germany;
- the progressive disposal of co-investment activities with the objective of gradually reducing equity exposure.

From the management viewpoint, in line with the strategy of repositioning Prelios as a pure asset management company, the Group sets the following objectives starting from 2014, as 2013 is a transition year affected by the closing of the restructuring transaction and by the completion of the re-organisation project:

- **EBIT of management and service platform:**
  - 2014: 14 to 19 million euro
  - 2015: 19 to 24 million euro
  - 2016: 24 to 28 million euro
- **Net Financial Position:**
  - 2014: below 400 million euro
  - 2015: below 350 million euro
  - 2016: below 200 million euro

In the framework of the approved extraordinary transaction, as already mentioned, the Company's strategic plan, whose guidelines have been summarised above, will be validated for the purposes of its feasibility by an independent expert pursuant to article 67, par. 3, letter d), of Italian Royal Decree n. 267/1942.

Appointment of the Financial Reporting Officer

The Board of Directors also appointed Angelo Cattaneo as Financial Reporting Officer pursuant to article 154-bis of the Consolidated Finance Act, replacing Riccardo Taranto, who left the Group.

Graduated in Economics at Milan Università Cattolica, Cattaneo joined the Group (at that time Milano Centrale Servizi S.p.A.) in 1995, covering increasingly important roles until he was appointed Head of Administration and Budget in 2003.

The Board of Directors, the Board Chairman Marco Tronchetti Provera and the entire management thank Riccardo Taranto for the activity performed for the Prelios Group.

Events occurred after the closing of the period

The Prelios Group equity strengthening and debt rescheduling and financial restructuring project continued also in the first months of 2013 and it was finally defined.

In particular, on 27 February 2013, Prelios sent to the Lending Banks a request for the formalization of the standstill extension until 30 June 2013. On 26 March 2013, the Agent Bank announced that the Lending Banks formally confirmed the approval of the term sheet on which the extraordinary transaction is based and, in this context, again on 26 March 2013, the Agent Bank also confirmed that, with reference to the standstill extension, some Lending Banks already completed the relevant decision-making process, in view of the next formalization of the extension, expected upon completion of the other banks' decision-making processes.

Finally, it should be noted that, on 27 March 2013, Prelios approved a *Head of Terms* with Credit Agricole (CA) which, in line with the Group overall strategy addressing a pure management company model, is aimed at maintaining only the activities relating to real estate and financial services and at gradually discontinuing the co-investment assets still present in the portfolio. In particular, the agreement envisages:

- exit of CA from di Prelios Credit Servicing ownership structure. Prelios Credit Servicing is the service company currently 80% controlled by Prelios, which would then become 100% owned by the Group;
- exit of Prelios from NPLs co-investments currently under a Joint Venture agreement with CA;
- Maintenance of master servicing, corporate services and loan management activities and gradual transfer of special servicing activities on co-invested portfolios to another servicer;
- Consequent greater focus on management activity, in line with the Group business model evolution.

Said agreement entailed in the financial statements at 31 December 2012 a value impairment of about 11 million euro with the purpose to align the book value of portfolios to transfer price.

Business outlook

The macroeconomic scenario is still characterised by signs of uncertainty on the time and conditions of a general economic recovery and, in particular, for the domestic real estate market there are still weakness conditions, with the slowdown in the number and size of transactions, impacted by still high financial costs.

The Board of Directors believes, despite the uncertain framework described above, that the actions implemented and under implementation are such to enable Prelios Group to operate in a situation of business continuity, as a result of the planned equity strengthening of the Company, of the injection of new financial resources and of the planned debt rescheduling, as described above, providing the Company – in a projected evolution of the economic and market situation – with new growth and development perspectives, on the terms envisaged by the overall extraordinary transaction and by the term sheet relating to the final restructuring arrangements, recently approved by the lenders. The latter confirmed the conclusion of their decision-making process, as per notice dated 26 March 2013. Such assumptions are therefore the element based on which the business continuity has been assumed in the drafting of this Annual Financial Report.

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Shareholders' Meeting

The Board of Directors has given mandate to the Chairman to call for the Shareholders' Meeting that shall approve the financial statements for 2012, scheduled for 8 May 2013.

The Shareholders' Meeting will also be requested to vote in **ordinary session** on the following:

1. approval of the Financial Statements as at 31 December 2012;
2. appointment of the new Board of Directors;
3. appointment of the new Board of Statutory Auditors, the mandate of which naturally expires upon approval of the Financial Statements;
4. discussion on the remuneration policy pursuant to art. 123-*ter* of the Consolidated Finance Act.

The Shareholders' Meeting will also be called to vote in **extraordinary session** on the following:

1. Capital increase pursuant to art. 2441, paragraphs 1 and 5, of the Italian Civil Code, subject to the reduction of the number of ordinary shares by grouping them and subject to reduction of the share capital due to loss pursuant to art. 2446 of the Italian Civil Code, and mandate to the Board of Directors to issue convertible debentures pursuant to art. 2420-ter, par. 3, of the Italian Civil Code;
2. a number of amendments to the company by-laws with regard to shareholders' rights and balanced proportion of genders in the composition of the boards of directors and boards of statutory auditors.

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Pursuant to article 70, par. 8, and article 71, par. 1-bis, of the Issuers Regulation released by Consob, the Board of Directors resolved to avail itself of the faculty of making an exception to the disclosure obligations for the prescribed memos on the occasion of significant transactions *regarding mergers, demergers, capital increase through contribution of assets in kind, acquisitions and disposals.*

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The results for the year ended 31 December 2012 will be presented today 27 March at 18:30 in a conference call with Prelios top management. Journalists may follow the presentation by conference call by dialling the number **+39.02.805.88.27** but will not be allowed to ask questions. It will be possible to view the presentation slides in the Investors section of the Company website at www.prelios.com.

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The Annual Financial Report at 31 December 2012 will be made available to the public by 16 April 2013 at the Company's registered office in Viale Piero e Alberto Pirelli 25, Milan and at Borsa Italiana S.p.A.. The same documentation will also be published on the company website at www.prelios.com.

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For the transaction in question, Prelios is assisted by Lazard&Co as financial advisor and by Labruna Mazziotti Segni Law Firm as legal advisor. Feidos 11 is assisted by Leonardo & Co. as financial advisor and by Gianni, Origoni, Grippo, Cappelli & Partners as legal advisor.

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The Financial Reporting Officer of Prelios S.p.A. Dr. Angelo Cattaneo certifies - pursuant to art. 154-bis, par. 2, of the Consolidated Finance Act (Italian Legislative Decree 58/1998) - that the accounting information contained in this press release corresponds to the Company's underlying documentary records, books of account and accounting entries.

This press release contains references to the following primary alternative performance indicators for the purposes of better evaluating the Prelios Group operating performance: (i) the EBIT, which is determined from the operating result to which the result from investments shall be added, and income from shareholder loans net of restructuring costs and real estate asset writedowns/revaluations; (ii) the operating result before restructuring costs, real estate asset writedowns/revaluations and tax charges which is determined as the previous one, also inclusive of financial charges; (iii) the net financial position is represented by gross financial debt less cash and other cash equivalents and other financial receivables. The aforementioned alternative performance indicators have not been audited by the independent auditors.

In compliance with CONSOB Communication 6064291 of 28 July 2006, the statements attached hereto have not been audited by the independent auditors Ernst & Young S.p.A..

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For additional information:
Prelios Press Office Tel. +39/02/6281.33549
Prelios Investor Relations Tel. +39/02/6281.4057
www.prelios.com

1) PRELIOS GROUP - Reclassified consolidated income statement

(Euro/milion)	DECEMBER 2012		DECEMBER 2011	
Consolidated revenues:	131.0		177.8	
of which services	*124.9*		*149.0*	
of which others	*6.1*		*28.8*	
Management platform: operating result before restructuring costs, *impairment* and property writedowns/revaluations	9.9	13	19.2	
Management platform: net income from equity investments before restructuring costs and property writedowns/revaluations	3.1		1.1	
Management platform: *impairment* management platform	(4.5)			
Total management platform: Operating result	**8.5**		**20.3**	
Investment activities: operating result before restructuring costs, lost from NPL porfolio valuation and property writedowns/revaluations	(20.6)		(24.5)	
Investment activities: net income from equity investments before restructuring costs and property writedowns/revaluations	(10.5)	(19)	15.1	14.4
Investment activities: income from shareholder loans (*)	12.1		23.8	
Investment activities: lost from NPL portfolio valuation	(61.6)		(60.9)	
Total investment activities: Operating result	**(80.6)**		**(46.4)**	
EBIT	**(72.1)**		**(26.1)**	
Rinascente/Coin gain net of related expenses			31.8	
Operating result	**(72.1)**		**5.7**	
Financial expenses	(52.0)		(29.8)	
Profit (loss) before one off property tax, restructuring costs, property writedowns/revaluations and income taxes	**(124.2)**		**(24.1)**	
One-off property tax			(8.9)	
Restructuring costs	(21.4)		(48.7)	
Property writedowns/revaluations	(86.0)		(194.6)	
Result before taxes	**(231.5)**		**(276.2)**	
Income taxes	(9.5)		(15.3)	
Net income/(loss)	**(241.0)**		**(291.5)**	
Minority interests	(0.7)		1.9	
Consolidated net income/(loss)	**(241.7)**		**(289.6)**	

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

2) PRELIOS GROUP - Reclassified Consolidated Income Statement

(Euro/milion)	DECEMBER 2012	DECEMBER 2011
Fixed assets	**611.7**	**820.4**
of which investments in real estate funds and investment companies and shareholder loans granted (*)	*455.2*	*651.6*
of which goodwill	*144.8*	*148.1*
Net working capital:	**55.1**	**70.4**
Net invested capital	**666.8**	**890.8**
Equity	**80.4**	**326.2**
of which group equity	74.2	318.8
Funds	**65.9**	**76.6**
Net financial position	**520.5**	**488.0**
Total covering net invested capital	**666.8**	**890.8**

(*) The item includes equity investments in associates, joint ventures and other equity investments (237.8 million euro), receivables for shareholder loans (208.1 million euro), investments in real estate funds (11.9 million euro, recognised among “Other financial assets” in the consolidated balance sheet) and junior notes (0.2 million euro, recognised among “Other financial assets” in the consolidated balance sheet). The figures for December 2012 and December 2011 include provisions for equity investment writedowns of 2.8 million euro and 7.1 million euro respectively.

3) **PRELIOS GROUP - Consolidated net cash flow**

(Euro/milion)	DECEMBER 2012	DECEMBER 2011
Net Financial Position - Start of Period (A)	**488.0**	**424.0**
Operating result excluding restructuring expenses and property writebacks/writedowns	**(10.7)**	**(5.3)**
Amortisation and depreciation	2.4	3.2
Changes in equity investments and receivables from shareholder loans	41.4	(17.5)
Changes in other non-current assets	1.1	0.8
Changes in net working capital and provisions and other changes	(15.4)	(17.5)
Net cash flow from operating activities	**18.8**	**(36.3)**
Other changes	(16.1)	0.0
Financial and tax expenses/income	(35.6)	(26.4)
Cash flow before dividends	**(32.9)**	**(62.7)**
Capital Increase / (Dividends) (*)	0.4	(1.3)
Total cash flow (B)	**(32.5)**	**(64.0)**
Net Financial Position - End of Period (A-B)	**520.5**	**488.0**

(*) third party portion of Prelios Credit Servicing Capital Increase (+0.6 milion euro) and 10% share dividends of SGR distributed to Banca Intesa (-0,2 milion euro).

4) PRELIOS - Assets Under Management by country and segment

(Euro/billion)		Market Value DECEMBER 2012 (*)		Market Value DECEMBER 2011 (*)
TOTAL ASSET UNDER MANAGEMENT		**9.7**		**12.4**
NON PERFOMING LOANS		**1.0**		**1.2**
REAL ESTATE		**8.7**		**11.2**
of which partecipated		6.7		7.8
of which ITALY	4.9	**56%**	5.5	**49%**
of which GERMANY/POLAND (**)	3.8	**44%**	5.7	**51%**
	8.7		**11.2**	
ITALY participated				
DEVELOPMENT & OTHER (***)		0.5		0.8
RESIDENTIAL & TRADING		0.5		0.7
COMMERCIAL		1.8		2.0
TOTAL ITALY		**2.9**		**3.5**
GERMANY partecipated				
RESIDENTIAL & TRADING		1.1		1.2
COMMERCIAL		2.7		3.0
TOTAL GERMANY		**3.8**		**4.2**
POLAND partecipated				
DEVELOPMENT & OTHER		0.1		0.1
TOTAL POLAND		**0.1**		**0.1**

(*) Values determined through appraisal by independent experts at the end of 2012.
(**) At december 2012 Poland is approx 0.5% on Asset Under Management Real Estate.
(***) Of which 0.4 billion euro in land at the end of 2012 and 0.6 billion euro at december 2011.

5) PRELIOS GROUP - Consolidated income statement

(amounts in thousands of Euro)

	01.01.2012-12.31.2012	01.01.2011-12.31.2011
Revenues from sales and services	130,961	177,801
Changes in inventories of work in progress, semi-finished and finished products	94	(5,697)
Other income	20,049	14,049
TOTAL OPERATING REVENUES	**151,104**	**186,153**
of which with related parties	*71,183*	*97,942*
of which non-recurring events	*1,939*	*(300)*
Raw and consumable materials used (net of change in inventories)	(4,687)	(28,380)
Personnel costs	(77,145)	(74,551)
Depreciation, amortization and impairment	(7,724)	(5,242)
Other costs	(99,381)	(152,716)
TOTAL OPERATING COSTS	**(188,937)**	**(260,889)**
of which with related parties	*(11,407)*	*(13,550)*
of which non-recurring events	*(22,584)*	*(35,233)*
OPERATING RESULT	**(37,833)**	**(74,736)**
Net income from equity investments of which:	(149,170)	(192,984)
of which with related parties	*(149,922)*	*(184,241)*
of which non-recurring events	*(746)*	*12,373*
- portion of result of associates and *joint ventures*	(135,782)	(90,899)
- dividends	2,354	6,658
- gains on equity investments	5,038	1,098
- losses on equity investments	(20,780)	(109,841)
Financial income	16,071	29,797
of which with related parties	*13,332*	*27,404*
Financial expenses	(60,604)	(35,727)
of which with related parties	*(20,811)*	*(9,161)*
RESULT BEFORE INCOME TAXES	**(231,536)**	**(273,650)**
Income taxes	(9,489)	(17,882)
of which non-recurring events	-	*(2,566)*
RESULT FOR THE PERIOD	**(241,025)**	**(291,532)**
of which attributable to minority interests	709	(1,891)
CONSOLIDATED RESULT FOR THE PERIOD	**(241,734)**	**(289,641)**

6) PRELIOS GROUP - Consolidated balance sheet

(amounts in thousands of Euro)

ASSETS	12.31.2012	12.31.2011
NON-CURRENT ASSETS		
Property, plant and equipment	1,615	4,804
Intangible assets	151,402	157,411
Investments	236,770	327,036
of which held for sale	*3,371*	*7,165*
Other financial assets	16,577	24,706
Deferred tax assets	24,325	26,407
Other receivables	213,579	319,359
of which with related parties	*208,105*	*313,491*
TOTAL NON-CURRENT ASSETS	**644,268**	**859,723**
CURRENT ASSETS		
Inventories	54,379	55,301
Trade receivables	63,891	78,074
of which with related parties	*46,745*	*45,520*
Other receivables	35,917	45,988
of which with related parties	*5,603*	*6,287*
Cash and cash equivalents	45,090	37,684
Tax receivables	8,465	11,048
TOTAL CURRENT ASSETS	**207,742**	**228,095**
TOTAL ASSETS	**852,010**	**1,087,818**

EQUITY	12.31.2012	12.31.2011
GROUP EQUITY		
Share capital	218,283	419,991
Other reserves	(18,258)	94,223
Retained earnings	115,887	94,261
Net income (loss) for the year	(241,734)	(289,641)
TOTAL GROUP EQUITY	**74,178**	**318,834**
MINORITY INTERESTS	**6,213**	**7,348**
TOTAL EQUITY	**80,391**	**326,182**

LIABILITIES	12.31.2012	12.31.2011
NON-CURRENT LIABILITIES		
Bank borrowings and payables to other financial institutions	420,993	488,802
of which with related parties	*157,389*	*160,038*
Other payables	976	3,849
of which with related parties	*-*	*2,608*
Provisions for future risks and expenses	24,905	35,814
Deferred tax provision	2,495	2,243
Employee benefit obligations	12,568	11,125
Tax payables	7,376	-
TOTAL NON-CURRENT LIABILITIES	**469,313**	**541,833**
CURRENT LIABILITIES		
Bank borrowings and payables to other financial institutions	144,739	36,958
of which with related parties	*17,993*	*1,102*
Trade payables	49,375	74,852
of which with related parties	*3,702*	*8,185*
Other payables	64,060	62,144
of which with related parties	*20,639*	*18,618*
Provisions for future risks and expenses	28,777	34,569
of which with related parties	*2,808*	*7,131*
Tax payables	12,829	11,280
of which with related parties	*1,324*	*1,080*
Derivative financial instruments	2,526	-
TOTAL CURRENT LIABILITIES	**302,306**	**219,803**
TOTAL LIABILITIES	**771,619**	**761,636**
TOTAL LIABILITIES AND EQUITY	**852,010**	**1,087,818**

7) **Prelios S.p.A. - Separate financial statements**
Income Statement 01.01.2012 - 12.31.2012

(in Euro)

	01.01.2012 12.31.2012	01.01.2011 12.31.2011
Revenues from sales and services	10,721,422	16,976,609
Other income	6,917,552	10,449,756
TOTAL OPERATING REVENUES	**17,638,974**	**27,426,365**
- of which with related parties	***15,720,201***	***23,371,009***
- of which non-recurring events	**-**	***(300,000)***
Raw and consumable materials used	(34,738)	(75,580)
Personnel costs	(15,991,138)	(13,070,757)
Depreciation, amortization and impairment	(842,536)	(1,008,100)
Other costs	(32,459,832)	(36,222,525)
TOTAL OPERATING COSTS	**(49,328,244)**	**(50,376,962)**
- of which with related parties	**(12,420,605)**	**(13,751,553)**
- of which non-recurring events	**(12,829,979)**	**(7,974,594)**
OPERATING RESULT	**(31,689,270)**	**(22,950,597)**
Net income from equity investments of which:	(155,161,148)	(283,919,995)
- dividends	40,153,817	58,481,921
- gains on investments	5,857,557	8,241,778
- losses on investments	(201,172,522)	(350,643,694)
-of which with related parties	*40,153,817*	*58,482,960*
-of which non-recurring events	*1,234,568*	*22,380,634*
Financial income	22,483,616	23,976,572
-of which with related parties	*20,521,600*	*22,217,225*
Financial expenses	(55,539,441)	(33,411,214)
-of which with related parties	*(17,349,866)*	*(8,774,239)*
-of which non-recurring events	-	*(89,236)*
RESULT BEFORE INCOME TAXES	**(219,906,243)**	**(316,305,234)**
Income taxes	5,910,252	4,791,410
-of which with related parties	*4,591,659*	*4,474,327*
NET (LOSS) FROM CONTINUING OPERATIONS	**(213,995,991)**	**(311,513,824)**
NET (LOSS) FOR THE YEAR	**(213,995,991)**	**(311,513,824)**

8) Prelios S.p.A. - Separate financial statements
Balance Sheet 12.31.2012

(in Euro)

ASSETS	12.31.2012	12.31.2011
NON-CURRENT ASSETS		
Property, plant and equipment	274,076	3,604,248
Intangible assets	763,290	923,296
Investments in subsidiaries	247,524,213	322,478,070
Investments in associates and *joint ventures*	55,633,185	77,493,596
Other financial assets	6,550,580	6,541,948
Deferred tax assets	2,911,064	1,538,680
Other receivables	258,168,660	346,880,984
of which with related parties	*258,112,740*	*346,754,320*
TOTAL NON-CURRENT ASSETS	**571,825,068**	**759,460,822**
CURRENT ASSETS		
Trade receivables	18,408,365	30,186,292
of which with related parties	*17,014,170*	*23,538,932*
Other receivables	68,683,408	70,714,435
of which with related parties	*56,988,569*	*58,405,803*
Cash and cash equivalents	27,895,543	26,225,543
Tax receivables	7,436,302	9,009,953
of which with related parties	*3,684,344*	*4,776,784*
TOTAL CURRENT ASSETS	**122,423,618**	**136,136,223**
TOTAL ASSETS	**694,248,686**	**895,597,045**

EQUITY	12.31.2012	12.31.2011
EQUITY		
Share capital	218,282,782	419,991,058
Other reserves	265,298	110,188,814
Retained earnings	-	-
Net income (loss) for the year	(213,995,991)	(311,513,824)
TOTAL EQUITY	**4,552,089**	**218,666,048**

LIABILITIES	12.31.2012	12.31.2011
NON-CURRENT LIABILITIES		
Bank borrowings and payables to other financial institutions	415,154,379	482,270,848
- of which with related parties	*157,357,048*	*160,038,400*
Other payables	963,156	1,014,219
Provisions for future risks and expenses	8,192,879	10,557,168
Employee benefit obligations	1,321,485	1,315,580
TOTAL NON-CURRENT LIABILITIES	**425,631,899**	**495,157,815**
CURRENT LIABILITIES		
Bank borrowings and payables to other financial institutions	207,383,364	119,593,016
- of which with related parties	*83,486,777*	*89,485,269*
Trade payables	14,543,864	25,176,854
- of which with related parties	*3,239,114*	*7,197,000*
Other payables	32,915,394	30,871,791
- of which with related parties	*16,764,983*	*14,945,159*
Provisions for future risks and expenses	3,711,731	1,393,610
Tax payables	2,984,284	4,737,911
- of which with related parties	*2,984,284*	*4,737,911*
Derivative financial instruments	2,526,061	-
TOTAL CURRENT LIABILITIES	**264,064,698**	**181,773,182**
TOTAL LIABILITIES	**689,696,597**	**676,930,997**
TOTAL LIABILITIES AND EQUITY	**694,248,686**	**895,597,045**