



PRESS RELEASE

PRELIOS GROUP: THE BOARD OF DIRECTORS APPROVES THE RESULTS AS AT 30 SEPTEMBER 2017

Improvement in all key profitability indicators

Confirmation of the targets announced to the market for 2017

Consolidated revenues up to €53.2 million (€51.3 million as at 30 September 2016)

Consolidated EBIT¹ positive for €1.8 million (breaking even as at 30 September 2016)

The net loss was €-23.4 million (€-24.1 million as at 30 September 2016)

**Net Financial Position is improving at €-3.8 million
(€-6.5 MILLION AS AT 31.12.2016)**

Milan, 14 November 2017 – The **Board of Directors of Prelios S.p.A.**, at its meeting held today, examined and approved the **final data as at 30 September 2017**.

In the first nine months of 2017 the **Prelios Group** recorded, compared to the corresponding period of the previous year, a **progressive improvement of all the main indicators** that was such to **confirm the targets** that the Company announced to the market on 27 April 2017, which predict **consolidated revenues** equal to or greater than the amount reported in 2016 (equal to 76.8 million euro) and a mid-single digit increase in **consolidated ROS**.

In particular the **Prelios Group** confirms the **positive trend** by recording, as at 30 September 2017:

- an **increase of 4% in consolidated revenues**, which rose to 53.2 million euro as at 30 September 2017 from 51.3 million euro as at 30 September 2016;
- Consolidated **EBIT** positive for 1.8 million euro, marking a **distinct improvement on the break-even result recorded as at 30 September 2016**, thanks to the higher turnover generated by the Business Units of the Group, especially in the Alternative Asset Management area (fund & asset management and credit servicing) and to the constant efforts made to reduce costs, centralised holding costs in particular;
- a **consolidated net loss** of -23.4 million euro, compared with a negative -24.1 million euro at 30 September 2016. This loss derives from the negative contribution of the Investments component, mainly attributable to the impairment of the stake in Focus Investments S.p.A. In the absence of this impact, the net result of the Prelios Group in the first nine months of 2017 would have been positive (about 1 million euro), compared to the same period of 2016 (net loss of about 10 million euro);
- the **improvement by 2.7 million euro of the net financial position**, which went to a debt value of -3.8 million euro as at 30 September 2017 compared to -6.5 million euro as at year-end 2016 also thanks to the cash generation deriving from ordinary operations.

¹ The consolidated EBIT is understood as the value consisting of the operating result - inclusive of general and administrative expenses (G&A Holding) and adjusted for restructuring costs - and the net income(loss) from equity investments related to the operating companies in Alternative Asset Management and Real Estate Services.

Prelios Group performance at 30 September 2017

In the first nine months of 2017 the **Prelios Group** posted **consolidated revenues** of 53.2 million euro, **up by 4%** compared to 51.2 million euro as at 30 September 2016. The increased revenues reflect in particular the improved performance by the Alternative Asset Management² activities and the Real Estate Services³ in Italy.

Consolidated **EBIT** (inclusive of the holding company G&A centralised costs) was a **positive 1.8 million euro**. This marks a distinct improvement on the figure reported for the first nine months of 2016 – positive for 0.1 million euro – resulting from the higher business volumes generated by the Business Units and the constant containment of central organisation costs.

Net of the centralised holding cost component, the result of the **Alternative Asset Management** platform and of the **Real Estate Services** connected to it for property & project management, agency and valuations, inside and outside Italy, was a **positive 5.6 million euro**, up by about 10% from the 5.1 million euro of the same period of 2016.

The **net result attributable to the Prelios Group** at 30 September 2017 was a loss of 23.4 million euro versus -24.1 million euro reported in the first nine months of 2016. This loss derives from the negative contribution of the Investments component mainly attributable to the impairment of the stake in Focus Investments S.p.A. (equal to -24.6 million euro in September 2017 and -13.3 million euro in September 2016) due to negative adjustment of the proprietary property portfolio and other negative components concerning the operating and financial management. In the absence of the impact of the Investments component, in the first nine months of 2017, as a consequence the Group's net result would have been positive and equal to about 1 million euro, unlike the corresponding period of 2016 which – in the absence of the Investments contribution – would have been negative for about 10 million euro.

The **Net Financial Position** as at 30 September 2017 is a debt value of -3.8 million euro, improving compared to -6.5 million euro as at 31 December 2016. This trend was also made possible by the **cash generation** deriving from ordinary operations equal to 1.1 million euro in the first nine months of the year.

The **equity attributable to the Group** was a positive 67.8 million euro, compared to a positive 91.0 million euro at 31 December 2016. Almost all of the change is attributable to the result for the period.

Alternative Asset Management Performance

The activities of **Alternative Asset Management**, which combine the final results for **Prelios SGR** and **Prelios Credit Servicing**, earned a total of **20.0 million euro, up by 5.8%** from the figure of 18.9 million euro as at 30 September 2016. The **operating profit** was 4.1 million euro, up compared with 3.7 million euro in the first nine months of 2016.

Prelios SGR as at 30 September 2017 manages a total of 32 alternative investment funds (AIF) (one of them listed), as well as management contracts for the divestment of three real estate portfolios. Revenues, mainly represented by fixed management fees, totalled 12.2 million euro, slightly down from the 12.5 million euro reported as at 30 September 2016. The operating profit was 4.2 million euro, however it is up compared with 3.8 million euro in the first nine months of

2 Asset & Fund Management activities carried out by the subsidiary Prelios Società di Gestione del Risparmio S.p.A. and activities in the field of non-performing loans carried out by the subsidiary Prelios Credit Servicing S.p.A..

3 Specialised real estate services developed by Prelios Integra S.p.A., which offers property services and technical real estate services, as well as brokering and valuation services carried out, respectively, by Prelios Agency S.p.A. and Prelios Valuations & e-Services S.p.A..

2016.

In regard to the development of new initiatives, Prelios SGR, which manages assets totalling about 4.0 billion euro, set up two new AIFs in the period in question, with equity at acquisition value of 316.5 million euro:

- **Fondo Areef 1 Italy REIF**, which operates according to an investment policy focused on property mainly used by the service sector and with a plus-value added core profile;
- **Fondo Estia Social Housing**, which began operations in January 2017 and is designed to implement social housing initiatives mainly in Central Italy.

During the first nine months of 2017, Prelios SGR received a new mandate to manage the process of developing a portfolio owned by a pension fund with a value of approximately 200 million euro. Finally, activities continued to increase the volume of assets under management through funds already under management, with the acquisition, contribution and development of new properties replacing the assets of funds that have reached the end of their life cycle. In August 2017 Prelios SGR also completed, via two AIFs managed by the Company, two significant real estate acquisitions in Rome and Milan, which increased the asset under management by about 100 million euro.

Finally, please note that on 15 November in Bologna **FICO Eatly World** will be officially inaugurated as the largest agri-food park in the world, which Prelios SGR participates in by establishing and managing the **Fondo PAI - Parchi Agroalimentari Italiani** for the creation of the project.

During the first nine months of 2017 **Prelios Credit Servicing (PRECS)** made a total of 7.8 million euro, up by 21% compared with 6.4 million euro in the first nine months of 2016. The ordinary operating loss made in the period was unchanged from 2016 and near the break-even (-0.1 million euro) mainly due to the effect of the costs of managing and implementing the new portfolios.

During the first nine months of 2017, PRECS was busy providing strong support through due diligence and advising provided to numerous major banks in the process of defining and implementing the best strategies to enhance non-performing loans through disposals or public securitisation programs (GACS); on behalf of a major Italian banking group, carrying out the second securitisation program (GACS) on the market, for a portfolio having a face value of about 960 million euro in addition to the related management start up; assisting various international investors involved in competitive bidding to acquire NPL portfolios, implementing the management of portfolios acquired in 2016 and monitoring the management of portfolios acquired in previous years, in the role of both special service and master servicer.

In particular, PRECS – which in February 2017 received the confirmation of the Above Average rating from **Standard & Poor's** and in July saw the ratings of RSS2+ and CSS2+ confirmed by **Fitch Ratings** – assisted various operators, investors and investment banks, in competitive bidding processes and/or assessment of non-performing loan portfolios, mainly as part of securitisation programs pursuant to law no. 130/99 having an aggregate exposure of about 12.5 billion euro. The amounts collected in the first nine months of 2017 on behalf of clients totalled 91.6 million euro, compared with about 60.9 million euro in the first nine months of 2016.

Real Estate Services Performance

The activities of Italian and foreign **Real Estate Services** posted total revenues for **33.5 million euro** in the first nine months of 2017, with a growth of 4% compared to the 32.1 million euro

recorded in the corresponding period of 2016. With reference to the services platform in Italy the **operating income is 2.2 million euro**, showing significant growth in profitability compared to the value of 1.4 million euro recorded as at 30 September 2016; instead the result of the foreign platform, which as at 30 September 2017 posted a loss of -0.8 million euro, broke-even in September 2016. Therefore, overall the result is positive at 1.4 million euro and remains unchanged compared to the value as at 30 September 2016.

Prelios Integra S.p.A. as at 30 September 2017 posted revenues for 15.2 million euro, compared to 14.2 million euro in the first nine months of 2016 (+7%), by virtue of the business development carried out by the Company. Operating profit was 1.5 million euro, up from the 1.4 million euro reported at 30 September 2016. During the first nine months of 2017, the Company continued to introduce and develop relationships with non-captive clients of the Group with strategic objective of external growth.

Among the new duties worth mentioning is the acquisition of a three-year mandate for the property activities of real estate included in a Fund managed by BNP Paribas SGR and a mandate for building management and engineering services for a property located in Milan in via Magenta from Collegio San Carlo. In May 2017 Prelios Integra was contracted by CDP Investimenti SGR (the real estate asset management company of the Cassa Depositi e Prestiti Group) to perform project management activities as part of redevelopment of the former "Caserma Colleoni" property complex located in Bergamo. The project calls for improving the asset through 26 million euro of work over several years. Finally please note that Prelios Integra assisted and supported AEW for the technical-real estate due diligence activities in the acquisition of the retail space in Milan in Via Torino 22, which will host the new premises of the Muji chain.

Prelios Agency S.p.A. during the first nine months of 2017, made a total of 2.1 million euro, up by 29% compared with 1.6 million euro in the first nine months of 2016. Despite reporting an operating loss of 0.2 million euro, the result is an improvement over the 0.7 million euro loss reported in the first nine months of 2016. The improvement is the result of a different revenue mix (with higher margins) and containing overhead costs.

During the first nine months of 2017, the Company continued with the process of positioning Prelios Agency as a Broker & Advisor dedicated to providing non-captive customers with specialised services and a strategic partner in real estate brokerage for investors of a public or private nature, as well as for real estate funds and institutional operators. Among its non-captive customers, the Company acquired new mandates in the first nine months of 2017 from leading operators like: Generali, IDEA Fimit SGR, Castello SGR, Investire SGR, Mediolanum Gestione Fondo SGR, BNP Paribas Reim SGR, Amundi RE Italia SGR, UnipolSai, and various mandates from private investors. Moreover, Prelios Agency was also assigned a contract in a tender procedure called by Generali Real Estate for a market test on the property at Via Otricoli 21 in Rome.

As at 30 September 2017 **Prelios Valuations S.p.A.** posted revenues of 7.6 million euro, up by 10% compared to the 6.9 million euro in the first nine months of 2016. The positive change is mainly related to the increase in revenue deriving from the "Full Appraisals" and "Risk Management Solutions" appraisal activity. Operating profit was 0.9 million euro, unchanged from the corresponding period in 2016 mainly due to a different revenue mix.

During the first nine months of 2017, three tender procedures were won by Prelios Valuations for the assignment of the contracts to provide appraisals on the residential, non-residential, leasing, and collateral segments for big clients, with a total revenue of more than 4 million euro annually. The study continues of services designed specifically for banks, intended to support bank risk management in credit risk mitigation activities, with the imminent launch of the new PREMIUM real estate risk analysis platform, developed in collaboration with Brave m&t (a spin-off of the Milan Polytechnic), and Microsoft.

Finally, since July 2017 Prelios Valuations has been recognised by RICS – Royal Institute of Chartered Surveyors, as an RICS Regulated Company.

Prelios Germania and Prelios Polonia: the revenue of the **foreign platform** totalled 8.7 million euro, down slightly from the figure reported at 30 September 2016, totalling 9.3 million euro, that had been positively impacted by the agency fee generated by the sale for non-captive clients of a commercial property located in Dresden. The operating loss was 0.8 million euro versus the break-even of the previous year, due to – in particular and in addition to what is already described – the structure costs relating to the opening costs of the “Prelios German Retail Property Fund”.

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Business Outlook

In the general context illustrated above, the Group has dedicated the current year to focusing its range of services with the aim of reaching the best strategic positioning within the target market. Specifically in light of the improvements in the market, consistently with the growth forecasts included in the Budget 2017 and in the plans 2017-2019 of its own business units, Prelios S.p.A. has identified and is implementing a series of measures with the aim of translating its commercial efforts on various opportunities into reality, inter alia in consequence of the high expertise that the firm has proven to possess. All of this considers the time necessary for full implementation of the commercial initiatives that it has recently concluded and/or are in the pipeline in the services market and NPL market.

In this context, consistently with what has already been stated, the following targets are confirmed for 2017:

- consolidated revenues equal to or greater than the amount reported in 2016 (equal to 76.8 million euro);
- a mid-single digit increase in consolidated ROS.

Concerning 2018, the macroeconomic indicators foresee a consolidation of the market’s positive trend, which may encourage the strategic positioning of the Group as a catalyst and an access key to manage important real estate and loan assets. At consolidated level the Company, like in the preliminary outlook 2018, expects a stabilisation in revenue at levels that are equal to or above those of 2017 and a consolidation of the path to improve profitability (ROS). It is foreseen that each Business Unit will give a positive contribution to the Group even if the results will still be highly conditioned by the timing of the achievement of the predicted rise in the volumes of managed assets, with particular reference to the Non Performing Exposures market and the Asset Management market.

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Furthermore, while acknowledging the temporary unavailability of Mr Arturo Sanguinetti, the Board of Directors resolved to increase to four the number of the members of the Internal Control, Risk and Corporate Governance Committee, with the appointment of Ms Mirja Cartia d’Asero, and to entrust *ad interim* the Chair of the same Committee to Ms Anna Maria Artoni.

As a consequence, the above-mentioned Committee is composed as follows:

- Anna Maria Artoni (Chairwoman – Independent Director)
- Rosa Cipriotti (Independent Director)
- Mirja Cartia d’Asero (Independent Director)
- Arturo Sanguinetti (Independent Director)

Likewise Anna Maria Artoni was appointed *ad interim* Lead Independent Director.

Finally the Board of Directors, in relation to Organisational Model 231 adopted by the Company and still for the same reasons, entrusted *ad interim* the chair of the Supervisory Board to Sergio Beretta.

As a consequence, the Supervisory Board is composed as follows:

- Sergio Beretta (Chairman – outside professional)
- Sergio Romiti, (Head of Internal Audit)
- Michela Zeme (Standing Statutory Auditor)
- Arturo Sanguinetti (Independent Director)

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The Interim Report on Operations as at 30 September 2017 will be made available to the public today at the Company's registered office in Viale Piero e Alberto Pirelli 27, Milan, Italy, and published on the Company's website www.prelios.com (Investor Relations section). The same documentation will also be available at Borsa Italiana S.p.A. And through the authorised storage system eMarket Storage (www.emarketstorage.com).

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The Manager charged with preparing the company's financial documents of Prelios S.p.A., Mr Sergio Cavallino, certifies - pursuant to art. 154-bis, paragraph 2, of the Consolidated Law on Finance (Legislative Decree 58/1998) – that the accounting information contained in this press release corresponds to the documents, books and accounting records of the Company.

This press release includes the following alternative performance indicators to facilitate the assessment of the operating performance of the Prelios Group: (i) EBIT, which is determined by the operating income (loss), to which the net income (loss) from equity investments adjusted by the respective components included in the Income (Loss) from investment activity and restructuring charges are added; (ii) net financial position, represented by gross financial payables reduced by cash and other cash equivalents, and the other current financial receivables. The aforementioned alternative performance indicators have not been audited by the independent auditor.

In compliance with CONSOB Communication no. 6064291 of 28 July 2006, the attached financial statements have not been audited by the independent auditor.

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1) PRELIOS GROUP - Reclassified Consolidated Income Statement

(Euro/million)	SEPTEMBER 2017	SEPTEMBER 2016
Consolidated revenues (management platform)	53.2	51.3
EBIT	1.8	0.1
Result Investments	(24.6)	(13.3)
Financial expenses	(1.3)	(5.2)
Restructuring costs	2.4	(4.1)
Result before taxes	(21.7)	(22.5)
Income taxes	(1.7)	(1.6)
Net income (loss)	(23.4)	(24.1)
Minority interests	0.0	0.0
Consolidated net income/(loss)	(23.4)	(24.1)

2) PRELIOS GROUP - Reclassified Consolidated Balance Sheet

(Euro/million)	SEPTEMBER 2017	DECEMBER 2016
Fixed assets	103.4	132.1
of which investments in real estate funds and investment companies and shareholder loans granted (1)	42.2	70.9
of which goodwill	56.4	56.4
Net working capital	(2.5)	(3.6)
Net invested capital	100.9	128.5
Equity	67.8	91.0
of which group equity	67.8	91.0
Provisions	29.3	31.0
Net financial position	3.8	6.5
Total covering net invested capital	100.9	128.5

(1) The item includes equity investments in associates, joint ventures and other equity investments and the related receivables for shareholder loans for a net amount of 36.1 million euro) and investments in real estate funds for 6.1 million euro (recognised among "Other financial assets" in the consolidated balance sheet).

3) PRELIOS GROUP - Consolidated Income Statement

(amounts in thousands of Euro)

	01.01.2017- 09.30.2017	01.01.2016- 09.30.2016
Revenues from sales and services	53,162	51,283
Other income	7,013	2,590
TOTAL OPERATING REVENUES	60,175	53,873
<i>of which with related parties</i>	11,461	13,184
<i>of which non-recurring events</i>	4,734	0
Raw and consumable materials used (net of change in inventories)	(129)	(136)
Personnel costs	(23,524)	(23,938)
Depreciation, amortization and impairment	(484)	(532)
Other costs	(33,232)	(34,021)
TOTAL OPERATING COSTS	(57,369)	(58,627)
<i>of which with related parties</i>	(1,343)	(942)
<i>of which non-recurring events</i>	(2,326)	(4,063)
OPERATING RESULT	2,806	(4,754)
Net income from equity investments of which:	(23,669)	(13,370)
<i>of which with related parties</i>	(23,727)	(13,429)
- result of associates and <i>joint ventures</i>	(23,727)	(13,429)
- dividends	21	76
- gains on equity investments	37	10
- losses on equity investments	-	(27)
Financial income	696	1,023
<i>of which with related parties</i>	594	816
Financial expenses	(1,465)	(5,356)
<i>of which with related parties</i>	(55)	(208)
RESULT BEFORE INCOME TAXES	(21,632)	(22,457)
Income taxes	(1,789)	(1,608)
NET INCOME (LOSS)	(23,421)	(24,065)
of which attributable to minority interests	(2)	(7)
CONSOLIDATED RESULT FOR THE PERIOD	(23,419)	(24,058)

4) PRELIOS GROUP - Consolidated Balance Sheet

(amounts in thousands of Euro)

ASSETS	09.30.2017	12.31.2016
NON-CURRENT ASSETS		
Property, plant and equipment	584	690
Intangible assets	57,456	57,381
Investments	35,325	60,124
Other financial assets	9,991	13,824
Deferred tax assets	6,032	7,028
Other receivables	47	120
<i>of which with related parties</i>	16	16
TOTAL NON-CURRENT ASSETS	109,435	139,167
CURRENT ASSETS		
Trade receivables	36,759	40,229
<i>of which with related parties</i>	12,157	14,854
Other receivables	10,061	11,088
<i>of which with related parties</i>	4,971	5,754
Cash and cash equivalents	28,665	23,630
Tax receivables	1,413	1,393
TOTAL CURRENT ASSETS	76,898	76,340
TOTAL ASSETS	186,333	215,507
EQUITY	09.30.2017	12.31.2016
GROUP EQUITY		
Share capital	55,678	55,678
Other reserves	44,899	44,603
Retained earnings	(9,399)	20,463
Net income (loss) for the year	(23,419)	(29,778)
TOTAL GROUP EQUITY	67,759	90,966
MINORITY INTERESTS	14	15
TOTAL EQUITY	67,773	90,981
LIABILITIES	09.30.2017	12.31.2016
NON-CURRENT LIABILITIES		
Bank borrowings and payables to other financial institutions	19,388	23,914
<i>of which with related parties</i>	-	630
Other payables	935	521
Provisions for future risks and expenses	7,960	8,084
Deferred tax provision	2,532	2,362
Employee benefit obligations	11,267	11,419
TOTAL NON-CURRENT LIABILITIES	42,082	46,300
CURRENT LIABILITIES		
Bank borrowings and payables to other financial institutions	17,960	11,101
<i>of which with related parties</i>	5,536	4,892
Trade payables	35,146	42,693
<i>of which with related parties</i>	1,306	1,605
Other payables	15,136	14,688
<i>of which with related parties</i>	3,876	3,382
Provisions for future risks and expenses	7,527	9,172
Tax payables	709	572
TOTAL CURRENT LIABILITIES	76,478	78,226
TOTAL LIABILITIES	118,560	124,526
TOTAL LIABILITIES AND EQUITY	186,333	215,507