Half-year Financial Report

at June 30, 2013

1. CORPORATE REVIEW

1.1. Mission

"Generating sustainable value using real estate strategies and solutions based on specialisation, innovation and skills integration."

1.2. Market scenario

1.2.1. Key trends

- In the first six months of the year, both the European and Italian economic situations has seen a further, greater deterioration in its key economic indicators;
- If even Germany has to review its growth estimates downwards, Italy is facing its second recession in just a few years, differing from the first for its shallower nature but lasting longer and with a more extensive drop in domestic demand;
- Access to credit is still difficult in Italy. Average debt levels are increasing as is the average unemployment rate - now at its historic peak - and consequently consumption and investment appetites and the confidence levels of businesses and households all drop;
- In such a scenario it is difficult to forecast future property market prices, where a cycle lengthening phenomenon proves evident in terms of both growth and contraction, with medium-term effects that are expected to be limited even if the situation should improve;
- The key issue is still repricing, to close the gap between demand and supply: the market is still down and indicating price pressure. Today, investors are seeking distressed or highly discounted assets with cap rates even higher than 10%;
- There is a real "block" on the commercial segment, with polarisation in Milan and Rome of prime offices; a stronger albeit limited resilience is seen in the residential segment, which in any case shows a phase of continuing stagnation and decline;
- Lastly, according to many observers, after the rush and records seen in the last few years Germany seems to have reached its peak, with yields tending to decrease as seen in the market news on the recent withdrawal of IPOs, whilst the first "exit" recommendations are appearing for investors;
- Vice versa, Germany has one of the highest financial standings and a lending market that remains highly liquid and open to new initiatives with more limited leverage;

- It is reported that investors, particularly foreign investors, are willing to invest in the commercial segment only against high entry yields - of 10% compared to 7% just 2 years ago, as confirmed by the low number of recent transactions.

1.2.2. Macroeconomic scenario - Europe[1]

- The key economic indicators mark a further deterioration in the scenario, even if there are signs of a reversal in the trend in the medium term;
- 2013 will be another year of recession in the entire Eurozone, where GDP is expected to fall by 0.6% (compared to previous forecasts of 0.1%);
- Germany is also slowing, with year-end GDP forecasts at 0.3% (previously 0.4%);
- The impact of public debt on GDP increases to 92.2% (from 90.6% in 2012);
- The first few months of 2013 see a growing need for business funding (+5%) and a drop in the availability of bank loans (-1.9% compared to a year earlier);
- Unemployment hits a historic peak at 12.1% (from 9.9% in 2010);
- Consumption continues to fall: after the slump in 2012 (-0.7%) a further drop is expected in 2013 (-0.4%);
- In the first few months of the year a sharp deceleration in prices is recorded, giving the impression of a deflationary scenario (+1.4% in May from +2.6% in September 2012). In June, however, there is a slight upturn with an annual inflation rate of 1.6% compared to 1.4% in May.

1.2.3. Macroeconomic scenario - Italy[1]

- In an already negative European framework, Italy is among the last positions and records the worst performance among European majors;
- The recession is getting worse in 2013: in the second quarter GDP decreased by 0.2% on the previous quarter and by 2% on the second quarter of 2012. This is the 8th quarter running that a drop has been recorded - a new negative record that confirms that the current recession is the longest since World War II - whilst the change seen in 2013 is -1.7% (compared to previous forecasts of -1.4%);
- From a statistical point of view it is difficult to formulate forecasts as the number of transactions has decreased considerably because of the problems in closing the gap between demand and supply;
- The impact of public debt on GDP is growing, increasing to 130.3% in the first quarter (from 123.8% in 2012);

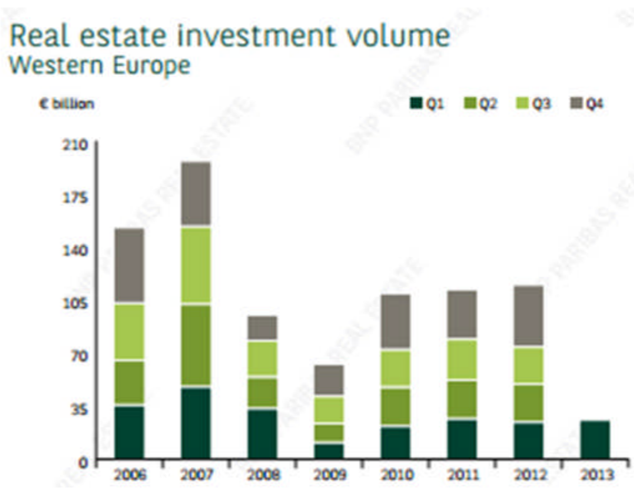
---

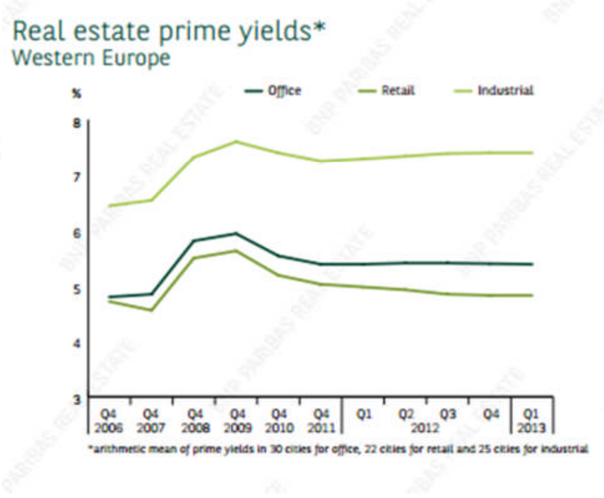
[1] Sources: OECD, European Outlook 2013; Confindustria Research Centre, Economic Scenarios, July 2013; Bundesbank, Monthly Report May 2013; leading daily newspapers on Eurostat, ECB and EC data; www.istat.it

- The European credit squeeze is amplified further in Italy, where a deterioration is seen in banks' willingness to give loans (-4.2% loans granted to companies compared to 2012) and a high percentage of applications denied (13.3%);
- From 2000 to 2013 tax pressure in Italy has increased by 2.7% to reach 54%;
- The unemployment rate for May 2013 stands at +12.2% (higher than the European average) and is expected to touch 13% in 2014;
- Household spending, halted by disposable income and uncertain job prospects, is expected to fall by 3.0% in 2013 compared to 2012.

1.2.4. Real estate market - Europe

- Given the complexity of the economic scenario, real estate income in 2012 in the top five European countries (Italy, France, Spain, UK and Germany) has seen a 1.4% drop compared to the previous year. A reversal of the trend, albeit limited, is expected in 2013 (+1.3%);
- In Europe, the second quarter has seen slightly lower investments, but overall the first half of 2013 was up on the first half of 2012 to 55 billion euro (50.4 billion euro in the first half of 2012);
- The UK market remains the strongest, despite its total investment volume dropping from 37% to 31%. France remains more or less stable (from 12% to 13%), whilst Scandinavian countries see a decline (from 17% to 13%). "Others" increase from 7% to 13%. Germany rises from 19% to 22%, confirming its European market leadership position, though the outlooks begin to show signs of a slowdown;
- There is an increasing imbalance between supply and demand as, if on the one hand the number of European countries seeking investment opportunities is increasing, on the other hand high level demand - correctly priced - remains inadequate;
- Supply remains polarised in certain "safe havens", favouring investments in prime offices and retail.





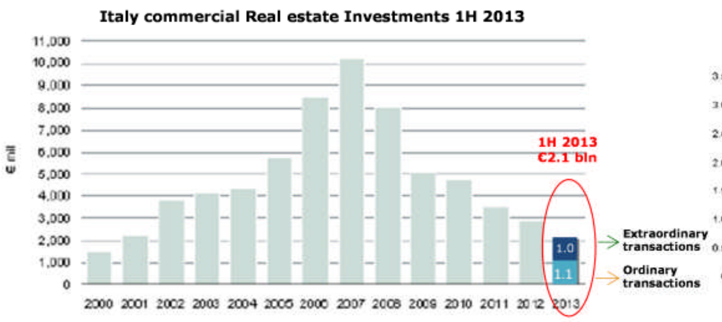
1.2.5. Real estate market - Italy[2]

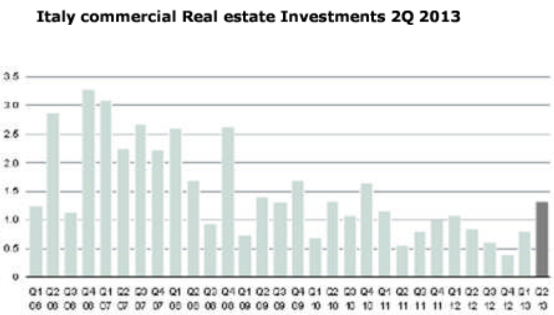
- The estimated recovery of the property market is deferred to 2014, heavily impacted by the Italian economic scenario;
- In the first quarter of 2013 there is still a prevalent “wait it out” approach and negative mood among Italian investors.
- The gap has widened between supply and demand: potential sellers are waiting for values to recover, whilst those wishing to invest hope for a price correction;
- Corporate investments in Italy in the first half amount to around 2.1 billion euro (+11% compared to the first half of 2012), though approximately 1.1 billion euro is associated with extraordinary, high-value deals closed in the second quarter and around 1 billion euro in ordinary transactions;
- As a result of these one-off transactions, the first half performance cannot be considered a sign of a reversal of the trend. In fact, in the first quarter volumes reach 0.8 billion euro (-24% vs. 2012) and in the second quarter 1.3 billion euro (+56%);
- Furthermore, this performance is not even representative of a return of foreign capital inflows into Italy. As a result of the aforementioned transactions, in the second quarter foreign investors represent 62%, but in the first quarter this percentage was only 2% compared to an average of 20-25% over recent years (with peaks of 45% in 2008);
- Italy is confirmed as off the radar for international investors, representing 2% of the total investments in Europe (whereas it was 5% in 2008 and 5.9% in 2009);

---

[2] Sources: Scenari Immobiliari, Italia 3D; Nomisma, Second Report on the Italian Real Estate Market; CBRE, Market view Milan and Rome, 2Q 2013; QI, Italy commercial real estate; Bnp Paribas Real Estate and CBRE, 1Q 2013

- The drain on resources of public and public/private pension funds by public real estate asset management companies detracts potential investors from the free market;
- The real estate fund market, the only market that has held fairly steady in recent years, is now under pressure from numerous funds that are due to expire in the next 2 years. In the absence of hoped-for legal intervention, (i) the impact of pricing as a result of consistent volumes expected to be place on the market and (ii) the impact on the banking/lending system due to exposure-related risks will be particularly significant. Also of note is the strong downward trend in the values of listed fund units (-50% on average), a phenomenon that has also affected funds managed by Prelios Sgr;
- The general overview of the Italian market is strongly negative: real estate repricing is forecast to be around 20%.





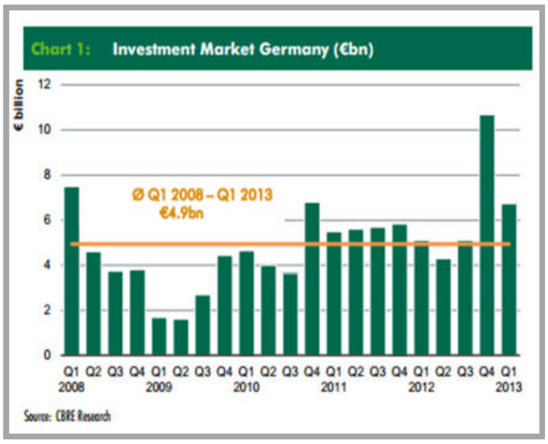
1.2.6. Real estate market - Germany[3]

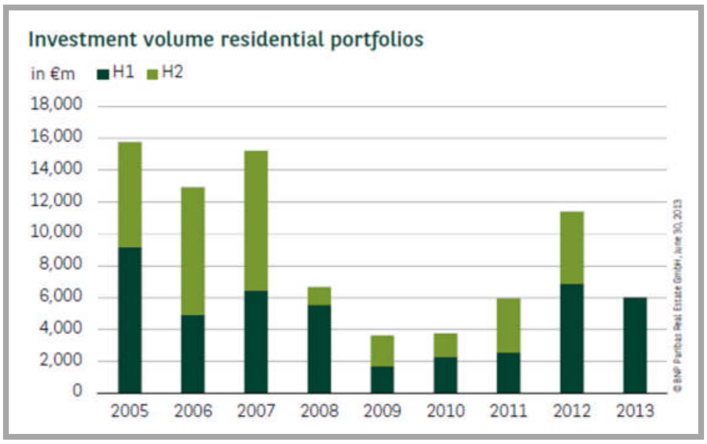
- German real estate closed 2012 with a performance opposite to that of the major European countries, with revenue up 3.7% on 2011. This growth also continued in 1Q 2013, though according to more than one observer the market has now reached its peak and the outlook is one of a “market cooling” in the medium term. A number of analysts are starting to recommend that investors exit the market;
- In particular, the residential class is the most “stressed”: price and lease payment increases appear to be no longer sustainable for investors. Housing

[3] Sources: www.propertyeu.info, Experts sound alarm on German resi, June 2013; CBRE, Germany Investment Quarterly, June 2013; BNP Paribas Real estate, German residential investment market, 2Q 2013; BNP Paribas, Office Market Germany 2013; Dr. Zitelmann PB, German Real Estate News 13/2013 German Press Review – Comments – Facts & Figures about German and European Property Markets (Weeks 24/25) Volume VIII, Issue 13, Date of Publication: June 25, 2013

prices have increased by around 60% of late, a growth three times higher than lease payments, and therefore with yields at a minimum. Researchers believe that the boom is coming to an end and forecast a future decrease in prices, also as a result of stronger supply (+23% new constructions);

- Consequently, the volume of investments in the residential segment is already falling and in the first half amount to 6.01 billion euro, -12% compared to the first half of 2012;
- The commercial segment is holding steady for the moment, even if the retail segment is showing the first signs of a potential reversal of trend. In the first quarter, retail records a slight drop in investments (-5%) with no transactions whatsoever in shopping centres, a decline that seems to have recovered in the second quarter.





1.2.7 NPL market Italy

The NPL trend for Italian banks continues and records new peaks. However, it is considered that the bank NPL stock in real estate has not yet fully emerged, also because of the slowness of banking processes. Therefore the stock is still latent, but in any event placing strong pressure on the banks' willingness to grant new loans, particularly for development projects.

1.3. Group Profile

Prelios has been listed on the Italian Stock Exchange (Borsa Italiana) since 2002 and is one of the leading European real estate asset management and services companies, with around 9.5[4] billion euro in Assets under Management (AuM).

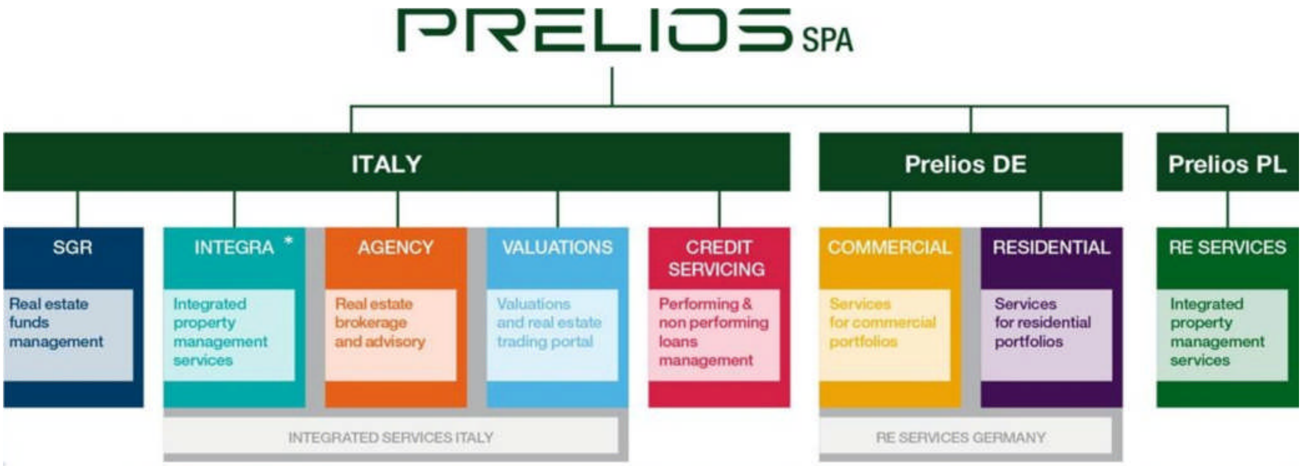
Prelios operates in Italy, Germany and Poland, through a skilled organisation of around 800 people, with significant professional expertise and an excellent track record built up over the years in a competitive international arena.

Today, Prelios is consolidating its repositioning according to a low-capital intensity "pure management company" model which forms the basis of the Prelios relaunch plan and which includes, among other things, decisive equity strengthening, aimed at structurally guaranteeing its financial stability, and the entry of an industrial partner with recognised experience to the shareholding structure.

Through independent operating companies, Prelios now constitutes the unique Italian real estate specialist and financial services platform, providing a complete and integrated range of activities aimed at increasing the value of third party portfolios:

- Real estate fund management
- Integrated property management services
- Real estate agency
- Valuations
- Management of non-performing loans

The Group is also one of the leading real estate services operators in Germany, operating through highly specialised departments in the "residential" and "commercial" segments, and in Poland, mainly in the management and improvement of development areas.



* Includes Facility Management services

[4] The AuM includes around 0.4 billion euro relating to the Spazio Industriale fund which exited the management perimeter in the second quarter of 2013.

Group activities as at June 30, 2013 can be summarised into two types: management and services forming part of the Management Platform and investments in real estate and non-performing loans included among Investment Activities.

The management services provided include typical fund & asset management services, specialist Property & Project Management services, the provision of agency and valuation services, credit servicing associated with Non-performing Loans and administrative and accounting services.

Investment activities, with assets held for sale within 24-30 months, instead refer to cash flows generated by Prelios through its investments in funds and companies that own real estate and non-performing loan portfolios.

As at June 30, 2013, the total assets under management (AuM) is 9.5[5] billion euro and include property assets of 8.5 billion euro (market value) and non-performing loans (NPL) for 1.0 billion euro (stated at book value).

In terms of the geographical breakdown of solely property assets, Italy accounts for 4.7 billion euro, mainly through 23 real estate funds managed by the subsidiary Prelios SGR, one of the leading players in the Italian real estate market.

The remainder of the AuM is located in Germany and Poland (3.8 billion euro, of which around 0.1 billion euro in Poland).

1.4. Activities and services

ITALY

The Prelios Italian management platform offers, through independent companies, an entire range of services for the management and development of third party property portfolios.

Prelios SGR - Real estate fund management

The Group manages real estate funds through the subsidiary Prelios SGR (90% Prelios, 10% Intesa Sanpaolo), which – with 23 funds and roughly 4.1[6] billion euro in assets under management - ranks among the top real estate management companies in Italy.

Prelios SGR today relies on a management team with significant professional skills and knowledge of the market and an operating structure boasting a high degree of transparency, governance and risk management standards.

[5] The assets managed, with the exception of non-performing loans stated at book value, are stated at market value as at June 30, 2013, on the basis of appraisals by independent experts. The AuM also include around 0.4 billion euro relating to the Spazio Industriale fund which exited the management perimeter in the second quarter of 2013.

[6] Market value expressed at 100% and including the Excelsia 9 S.r.l. portfolio, but without the Spazio Industriale fund excluded from the management perimeter in the second quarter of 2013.

Prelios SGR promotes and manages investment funds, separate accounts and provides advisory services to leading institutional, national and international investors, assisting them as partner for the definition of real estate investment strategies.

The funds managed also include two retail property funds, listed on the MIV segment of Italian Stock Exchange (Borsa Italiana): Tecla, the first Italian fund with private contributions placed in 2004, and Olinda Fondo Shops.

In more than ten years of business, Prelios SGR has become known for its excellent track record, obtaining numerous acknowledgements and winning the coveted IPD European Property Investment Awards (with Cloe in 2010, Clarice in 2011 and FIPRS in 2012) three years in a row.

Prelios Integra - Integrated property management services

In Italy, integrated property management services are performed by Prelios Integra, a 100% subsidiary of Prelios.

Prelios Integra is among the leading Italian operators in the integrated property management and project development services sector, with 4.9 billion euro AuM, for over 4.1 million square metres.

The company offers an integrated service of active and dynamic asset, property and facility management aimed at increasing asset value on behalf of public and private customers: from property administrative and accounting management to relationships with tenants, technical maintenance services, research and sales support.

In the context of development & project management, Prelios Integra deals with all the phases of design and construction of a property or a real estate complex, ranging from concept development to turnkey delivery. In particular, Prelios Integra boasts distinguished expertise in the field of sustainability: from the development of new eco-sustainable properties, to green retrofitting, energy certification and energy from renewable sources. This is testified by the numerous awards received over the years, including the Mipim Award in 2011 in the “Green Building” category for the 3M Italia headquarters, one of the leading examples of contemporary eco-architecture.

For retail, the company has a highly specialised department, responsible for the development and improvement of shopping centres in Italy, including operational and administrative management, the relationship with retailers and the strategic optimisation of the tenant mix.

Prelios Agency - Real estate, valuation and franchising agency

In Italy, real estate agency and valuation services are performed by the subsidiaries Prelios Agency, Prelios Valuations and Brand for Agency Services, though the last of these is considered non-strategic. Prelios Agency is a company subject to major strategic repositioning considerations, also to exit from the captive market.

Prelios Agency, a leading Italian operator in the real estate agency sector, is specialised in the provision of professional advisory services for the purchase and sale or lease of single properties and entire portfolios of office, residential, industrial, logistic and retail properties.

Thanks to a team of highly skilled professionals and a network of more than 400 loyal agents in Italy, Prelios Agency serves as a one-stop reference partner for all kinds of customers: from the corporate world to public and private investors; from real estate funds to institutional operators. It is a first-class player in the Capital Markets, where it has collaborated with all the major Italian and international investors.

Prelios Agency assists its customers by providing advisory services in all the different steps of the value increase process: from definition of the investment strategy or disposal of an asset to implementation of the transaction, and from the analysis of tenants to optimisation of the profitability of a property through highly specialised services, like data room support, due diligence and the definition of marketing plans.

For commercial real estate, Prelios Agency represents Knight Frank in Italy on an exclusive basis.

Prelios Valuations - Valuations

Prelios Valuations is an independent operator in the value appraisals of single properties and real estate asset portfolios in the light industrial/office and residential segments. With over 20,000 appraisals completed in 2012, it is specialised in valuation services for banks ("Loan Services").

The company has a team of professionals and a network of approximately 150 appraisers enrolled in the relevant professional registers, acting in compliance with the strictest international standards as well as the ABI guidelines and RICS Red Book. The company is also a founding partner of Assovib, the Italian association for the promotion of quality and professional culture in the sector of valuations made on behalf of Banks.

The organisational structure is divided into three areas of activity: mass appraisals, regarding large real estate asset portfolios, using statistical methods through the proprietary Magister technology; full appraisals, consisting in analysis of the value of properties and asset portfolios also through economic-financial analyses; loan services, i.e. loan support services by banking groups, leasing and private banking companies.

Prelios Valuations is also the owner of Casaclick.it, one of the leading real estate trading portals in Italy, operating in the promotion of property purchasing and leasing.

Prelios Credit Servicing - Management of performing and non-performing loans

NPL credit servicing is normally performed in Italy by PRECS, as at June 30, 2013 an 80% direct investee of Prelios, and 20% indirectly through Crédit Agricole Corporate & Investment Bank. New agreements were finalised in 2013 with DGAD International S.à.r.l. ("DGAD"), a 100% subsidiary of Crédit Agricole Corporate & Investment Bank, which envisage Prelios' acquisition of 20% of PRECS share capital currently held by DGAD to bring its investment to 100% of the servicing company's share capital, consistent with the Group objective of focusing on operating as a pure management company.

Through all its servicing activities (special, master and corporate), PRECS manages a portfolio of 8.5 billion euro[7], and is one of Italy's leading operators in terms of NPL volumes managed.

The company operates through a highly specialised structure, with offices in the main Italian cities (Milan, Rome, Naples and Palermo), combining financial, real estate (technical and appraisal-oriented) and legal expertise.

PRECS offers Special Servicing services, i.e. the management and recovery of both secured and unsecured, impaired and non-performing loans, in court and out of court; Master and Corporate Servicing, including the management of performing loans, cash and payment servicing and management as Servicer pursuant to Italian Law 130/99; due diligence of portfolios of loans subject to transfer and advisory services for securitisation transactions.

Prelios Credit Servicing is a privileged partner for leading financial institutions and its sound and reliable organisation is confirmed by the positive rating assigned to it by the most prominent rating agencies. Recently, Prelios Credit Servicing received confirmation of the "above average" rating and an upgrade of the outlook to "stable", as special servicer of residential and commercial mortgages, from Standard & Poor's and Fitch.

GERMANY

Prelios Deutschland ("Prelios DE") is one of the leading platforms of integrated real estate asset services in Germany, with approximately 3.7 billion euro in assets under management.

The company, which offers management, technical-administrative and commercial services, operates through highly specialised departments in the "residential" and "commercial" sectors.

Thanks to its management, with over 20 years experience in the sector, the company has become a partner of reference for prominent customers and investors, including large international funds and financial institutions. Through main and secondary offices and multi-service regional branches Prelios DE operates in all major German cities, such as Hamburg, Kiel, Hannover, Munich, Berlin, Frankfurt, Konstanz and Lübeck.

In the residential sector, Prelios DE is among the major players on the German market with 49,000 properties managed on behalf of leading investors through an integrated management system for profit optimisation (PMPLUS) as well as specialised services for letting, condominium management and caretaker services.

The excellence of the commercial department, managing 1.7 million square metres, is recognised by the large, loyal customer and investor base, under long-term contracts. It manages shopping centres, multi-tenant retail premises, offices, mixed used assets as well as the Highstreet retail portfolio, consisting of 81 department stores of the German chain Karstadt.

The German platform received many awards, recently winning first prize for the best Shopping Centre in Germany in 2012 with Konstanz "Lago"[8].

---

[7] Gross Book Value.
[8] Ecostra, Shopping Centre Performance Report 2012.

POLAND

Prelios Polska ("Prelios PL") manages assets of about 50 million euro at the domestic level, corresponding to almost 0.4 million square metres, mainly in the area of development and value increase projects. The company operates in Warsaw and Gdansk in the residential and commercial sectors.

Prelios PL offers a full range of real estate services: from technical consulting to urban planning, from master plan development to construction and turnkey delivery.

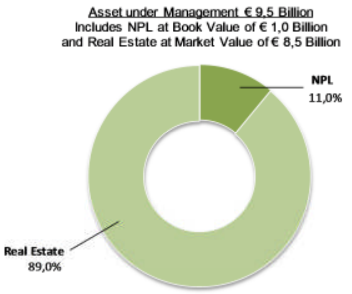
Its customers include prominent public and private investors, with whom Prelios Polska has established a long-term partnership.

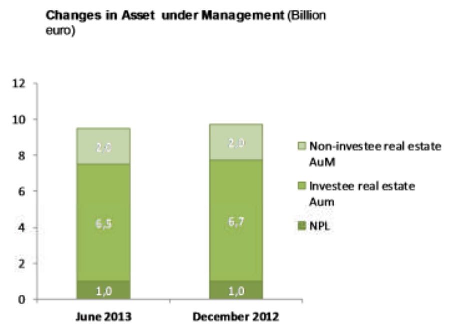
Over the last few years, Prelios Polska has implemented residential projects for over 3,000 units and commercial projects for 46,000 square metres in total, both characterised by the adoption of high eco-sustainable standards. It also built a medical centre in the Gdansk university district, covering 34,000 square metres and with 300 beds.

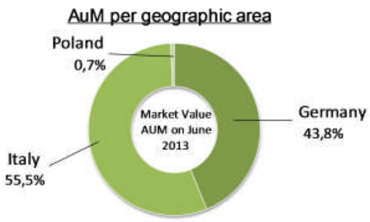
1.5. Economic-financial highlights

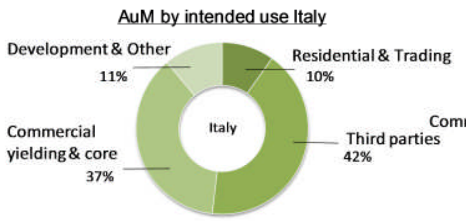
Income statement data	June 2013	June 2012
Consolidated revenues	**51,0**	**64,8**
of which serivces	*48,2*	*61,4*
of which others	*2,8*	*3,4*
Operating result	**(8,2)**	**(28,5)**
of which Management Platform	*(2,5)*	*6,2*
of which Investment Activities	*(5,7)*	*(34,7)*
Restructuring costs	(6,3)	(12,7)
Property writedowns/revaluations	(25,2)	(52,2)
Net income (loss)	**(64,0)**	**(125,7)**
Balance sheet data	**June 2013**	**December 2012**
Equity	21,7	80,4
of which Group equity	*16,3*	*74,2*
Net Financial Position	(562,3)	(520,5)
Indici	**June 2013**	**December 2012**
Employees (**)	815	878
Assets under management - real estate (billions)	8,5	8,7
Pro-rata NAV (billions)	0,6	0,6

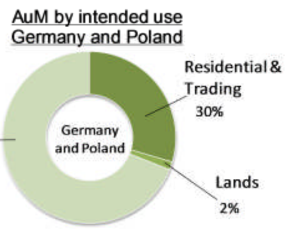
(*) The number of employees was 815 at June 30, 2013, plus 10 temporary staff, compared with 878 at December 31, 2012, plus 6 temporary staff.



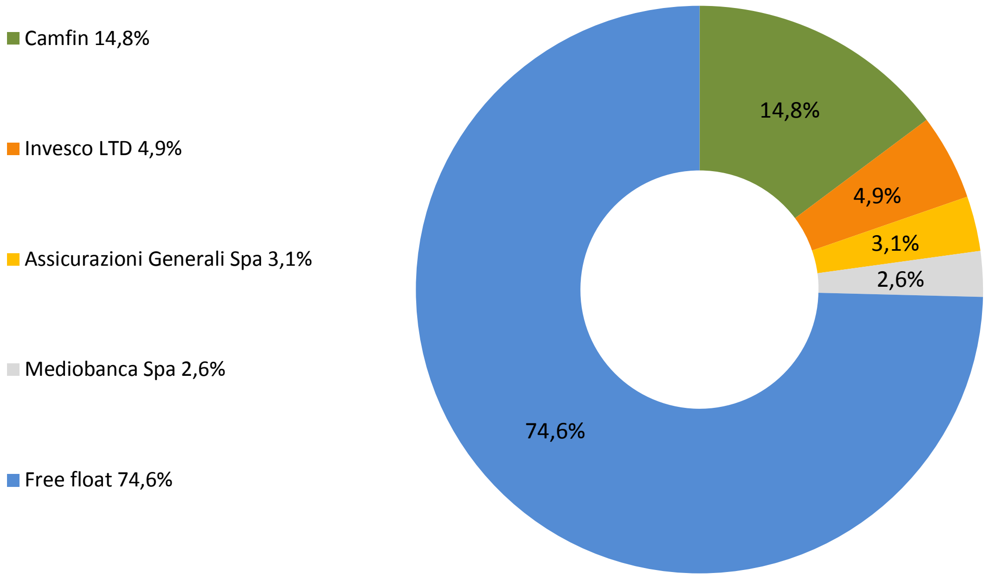








1.6. Shareholder structure at June 30, 2013



It should be remembered that the shareholder structure illustrated above does not reflect the changes associated with implementation of the reorganisation completed in August.

As a result of resolutions carried by the extraordinary shareholders' meeting of May 8, 2013, the Shareholders' Agreement signed by a number of shareholders (the "Signatories") to ensure Prelios shareholder structure stability, was cancelled prior to maturity given the forthcoming change to the Company's overall shareholder structure, particularly as a result of the outcome of the divisible share capital increase to be offered on option to shareholders.

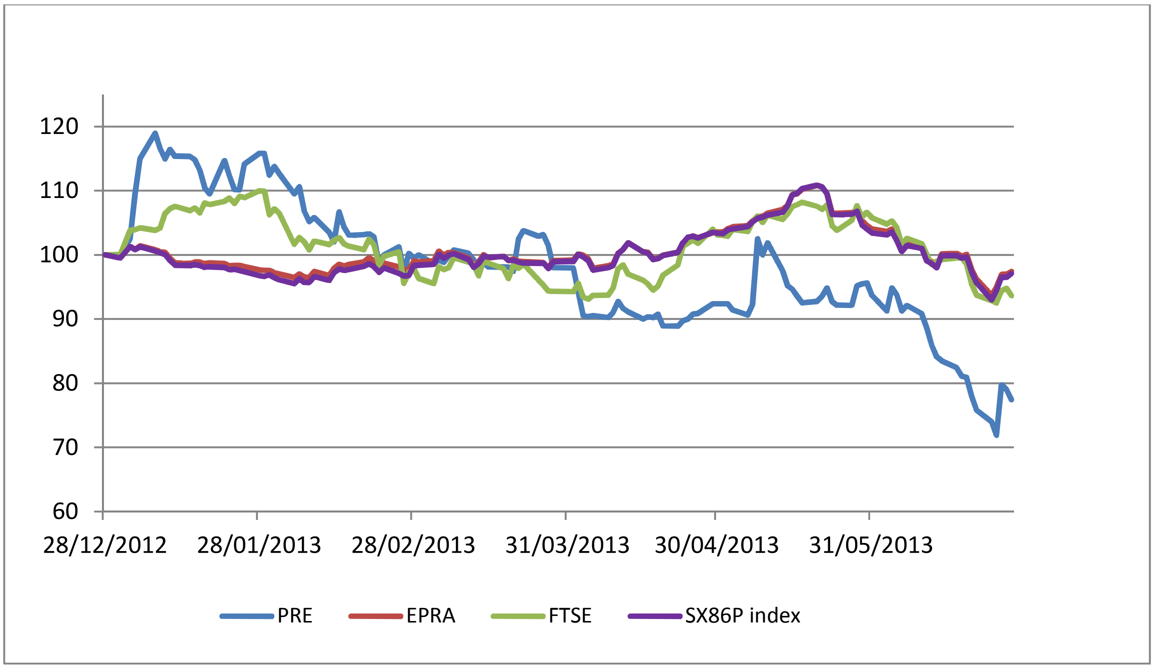
In this respect, on May 6, 2013, the signatories Camfin S.p.A., Intesa Sanpaolo S.p.A. and Massimo Moratti informed the Company that a preliminary agreement had been signed for the definition of a new shareholders' agreement relating to Prelios, the commitment to which is subject to finalisation of the Transaction.

Note that on June 7, 2013, Lauro Cinquantaquattro S.r.l., a 100% subsidiary of Clessidra SGR S.p.A. on behalf of the Clessidra Capital Partners II fund, informed the Company that on June 4, 2013 - as part of a rationalisation of the Camfin S.p.A. shareholder structure - a shareholders' agreement was signed by (a) as one party, (i) Marco Tronchetti Provera & C. S.p.A., (ii) Marco Tronchetti Provera Partecipazioni S.p.A., (iii) Partecipazioni Industriali S.p.A. Group and (iv) Nuove Partecipazioni S.p.A. and (b), as the other party, (i) Lauro Cinquantaquattro S.r.l., (ii) Intesa Sanpaolo S.p.A. and (iii) UniCredit S.p.A. This agreement - relating in particular to financial instruments and shares of other companies - also refers to 12,461,232 ordinary Prelios shares (amounting to approximately 14.8% of the related share capital) held by Camfin S.p.A. (also through Cam Partecipazioni S.p.A.), and contains a specific provision on Prelios governance according to which - based on the notification issued to the Company and stated in the abstract from the agreement published by the parties - if certain conditions are met Nuove Partecipazioni S.p.A. (indirectly controlled by Marco Tronchetti Provera & C. S.p.A.) is committed to doing everything possible to ensure that, after the end date of the takeover bid to be launched by Camfin S.p.A. in accordance with the provisions of the aforementioned agreement, at least one member of the Prelios Board of Directors will be appointed as nominated by Lauro Cinquantaquattro S.r.l.

1.7. Performance of Prelios share

During the first half of 2013 the Prelios share recorded an absolute performance of -22.59%. The absolute performance recorded by the FtseMib 40 was -3.94%, whilst the sectorial indices EPRA (+0.28%) and Sx86P (-0.40%) - real estate segment of the Stoxx 600 - remained essentially unchanged.

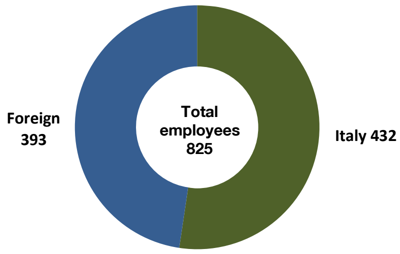
Prelios therefore underperformed the FTSEMib and the broader European sectorial indices.

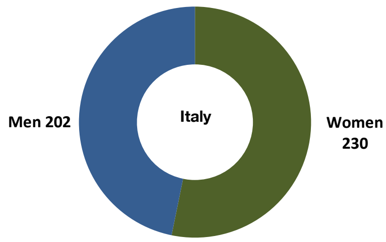


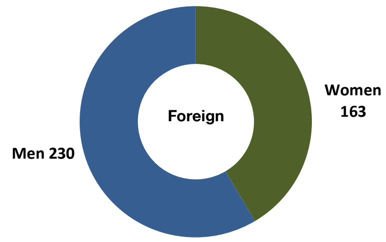
The first half of 2013 was once again affected by the issues that characterised the second half of 2012: i.e., market approaches with a stronger appetite for more risky asset classes, supported by lenient central bank policies. This approach is confirmed by the positive performances, in local currency, of the main world stock exchanges (USA, Japan, Europe) and by the Fed's speeches which, based on improvements seen in the US economy, begin to ask when to withdraw the soft monetary policy currently in place.

As is known, in the second quarter Prelios gave final approval to the transaction relating to its own reorganisation and debt rescheduling. Once all the steps have been completed, it is reasonable to assume that the share's performance on the stock exchange will be a direct consequence of the results achieved by the company.

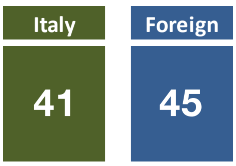
1.8. Workforce[9]

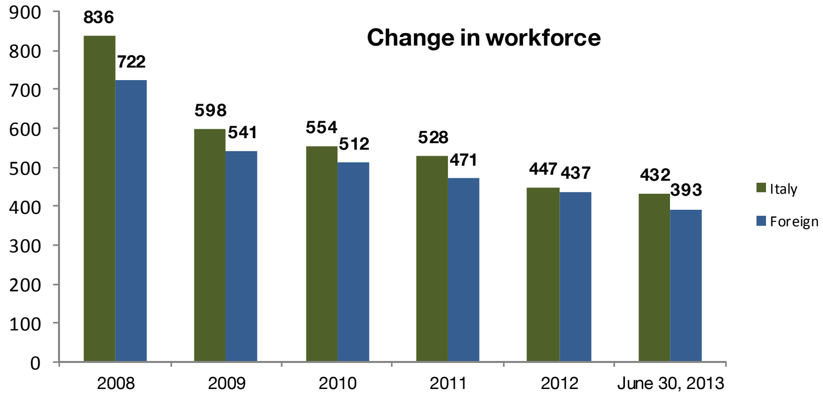






Average age





[9] Including temporary staff.

2. CORPORATE OFFICERS

Board of Directors[10]

Giorgio Luca Bruno	Chairman
Massimo Caputi	Vice Chairman
Sergio Iasi	Chief Executive Officer – CEO
Marina Brogi	Independent Director
Claudia Bugno	Independent Director
Francesco Umile Chiappetta	Director
Rosa Cipriotti	Independent Director
Carlo Emilio Croce	Independent Director
Moroello Diaz della Vittoria Pallavicini	Director
Andrea Mangoni	Lead Independent Director
Davide Mereghetti	Director
Alessandra Patera	Director
Anna Chiara Svelto	Director
Massimo Tezzon	Independent Director
Giovanni Jody Vender	Independent Director
Massimo Marinelli	Board Secretary

Internal Control, Risks and Corporate Governance Committee

Massimo Tezzon	Lead Independent Director - Chairman
Marina Brogi	Independent Director
Andrea Mangoni	Independent Director
Anna Chiara Svelto	Director

Remuneration Committee

Giovanni Jody Vender	Independent Director - Chairman
Rosa Cipriotti	Independent Director
Carlo Emilio Croce	Independent Director
Davide Mereghetti	Director

[10] The shareholders' meeting of May 8, 2013, appointed the members of the Board of Directors, to serve for a term of three years until the date of approval of the financial statements as at December 31, 2015. At the end of the shareholders' meeting, the Board appointed the corporate offices, set up the additional Board committees and appointed the members of the Supervisory Board. Following opinion in favour given by the Board of Statutory Auditors, the Board of Directors also confirmed Angelo Cattaneo as the Manager responsible for corporate financial reporting.

Board of Statutory Auditors[11]

Enrico Laghi	Chairman
Michela Zeme	Standing Auditor
Marco de Ruvo	Standing Auditor
Luca Aurelio Guarna	Alternate Auditor
Flavia Daunia Minutillo	Alternate Auditor

Supervisory Board

Massimo Tezzon	Chairman
Sergio Beretta	Member
Michela Zeme	Standing Auditor
Sergio Romiti	Member

Manager responsible for corporate financial reporting

Angelo Cattaneo

Independent Auditors

Reconta Ernst & Young S.p.A.[12]

Via della Chiusa, 2

20123 Milan

[11] The Shareholders' Meeting of May 8, 2013 appointed the members of the Board of Statutory Auditors to serve until the date of approval of the financial statements as at December 31, 2015.
[12] Appointed by the Shareholders' Meeting of April 14, 2008.

3. PRELIOS IN THE FIRST HALF OF 2013

As a result of the financial uncertainties that continue to affect the Euro area, particularly in the Mediterranean countries, a weak market context persists, in a macroeconomic scenario characterised by a high degree of instability. In respect of the difficulties in the domestic market, the Group largely discounts the negative effects linked to future prospects which translate to a deterioration in the profiles of expected cash flows from real estate assets and a considerable slowdown in buying and selling.

As already fully illustrated in previous reporting periods, since 2012 this situation has called for the adoption of suitable measures to allow the company to maintain the conditions to continue to operate as a going concern, also through extraordinary transactions that modified the current overall financial structure or which were suitable for producing additional cash flows with respect to those generated by the ordinary operations envisaged.

In this scenario, therefore, since April 2012 the Company has implemented a number of initiatives targeting equity strengthening, rebalancing of the financial structure and the industrial relaunch of the Prelios Group, which in May 2013 led to definition of the well-known extraordinary transaction disclosed to the market with the aim of providing the Company with new growth and development prospects (the “Transaction”).

The company, which as a result of delays in finalising the Transaction gave priority to managing going concern issues rather than ordinary business development, will implement the plan with some remodelling to adapt to the new market environment.

Execution of the Transaction (as envisaged in later agreements reached during developments from negotiations with all parties concerned) represents the implementation of the necessary measures which, in brief, aim to facilitate:

• the equity strengthening of the company, also through expansion of the number of shareholders with the entry of a new industrial shareholder; and

• the complete review of the financial debt structure in order to remodel the debt exposure to within sustainable limits and ensure rebalancing of the financial position through a redevelopment plan and associated restructuring agreements.

On December 21, 2012, Prelios and Feidos 11 S.p.A. ("Feidos 11” or the “Industrial Investor”), a special purpose vehicle controlled by Feidos in which the Rovati, Diaz della Vittoria Pallavicini and Cornetto Burlot families have an investment through dedicated vehicles, signed the Framework Agreement which made provision for and governed activities relating to:

• the recapitalisation of the company through a share capital increase of 185 million euro; and

• the restructuring of existing debt on the basis of the new business plan, according to which:

- 250 million euro was to remain in the form of a loan (super-senior and senior); and

- up to 269 million euro was to be converted to convertible debt securities (the “Convertible”), with cash redemption option exercisable by the company.

The following are of particular note in reference to significant events in the Transaction's developments in the first half of 2013.

On March 26, 2013, Prelios received formal communication regarding the commitments of the Lenders, Feidos 11 and certain shareholders party to the Prelios Agreement, to subscribe and/or guarantee subscription to the share capital increase (in accordance with the terms and conditions set out in the termsheet recently shared with the Lenders with regards to the final restructuring agreements), presented to the Shareholders' Meeting for approval on May 8, 2013.

On March 27, 2013, after approving the guidelines of the Group's 2013-2016 plan on November 13, 2012 relating to the operating component (on an unlevered basis), the Prelios' Board of Directors approved the overall Strategic Plan, also in relation to the equity and financial component (on a levered basis) and in view of the development and expected outcomes of the proposed Transaction.

On March 28, 2013, following approval from the Board of Directors, the feasibility and accuracy of the corporate data relating to the Prelios economic and financial plan underlying the Transaction were confirmed, pursuant to art. 67, Italian Decree 267/1942 by Mario Civetta, appointed for this purpose by the Company. Confirmation of the plan was filed with the Milan Register of Companies on March 29, 2013 and later also published on the Company web site.

On April 4, 2013, further to a "Head of Terms" approved on March 27, 2013 - the Group signed specific agreements with Credit Agricole (CA) which makes provision, among other things, for (i) the exit of CA from the Prelios Credit Servicing ("PRECS") shareholder structure, (ii) the exit of Prelios from joint NPL investments held under a joint venture with CA and (iii) the transfer of the management of special servicing for co-invested portfolios to another servicer. This agreement forms part of the broader Group strategy to concentrate its business on services, oriented towards a pure management company model and - after regaining 100% of PRECS - more effectively relaunching PRECS activities with third parties regarding the acquisition of new portfolios in a market offering good growth prospects.

On April 22, 2013 the Standstill on the "Club Deal" loan agreement was formally extended to June 30, 2013, which led to further postponement to that date of the principal and interest payment obligations previously granted up to March 31, 2013, in order to give the time necessary for finalisation and signing of debt restructuring agreements and all related documentation, also in view of the timing of developments in the negotiations.

On May 7, 2013, the Company signed an agreement with the Lenders to restructure existing debt (deriving from the "Club Deal" loan agreement with the Lending Banks and the loan agreement with Pirelli & C.) - and the related pledge on the current account as a performance bond on the Company's obligations under the terms of the restructuring - in compliance with provisions of the approved term sheet previously signed by all Lenders and by the Industrial Investor. As mentioned on a number of occasions, this restructuring envisaged that (i) 250 million euro are by means of loans (super-senior and senior) and (ii) up to 269 million euro are converted to a bond loan compulsorily convertible, with cash redemption option exercisable by the Company.

As regards the main terms of the restructuring, it should be remembered that the super-senior loan for 50 million euro has a 5-year maturity (bullet) and half-yearly cash financial expenses at an all-in rate of 4.0%, whilst the senior loan of 200 million euro, repaid from cash flow generated by the disposal of Group real estate assets, has a 6-year maturity (bullet) with financial expense capitalised at an all-in rate of 3.0% for the first 4 years and subsequently with step-up to market rate. For both loans the envisaged financial covenants were eliminated.

The shareholders' meeting of May 8 authorised the Board of Directors to issue the Convertible Bond Loan and this was completed on June 10, 2013. The bond issue took place on August 26 as indicated under "Subsequent events". The main terms of the Convertible are: 7-year maturity (unless extended by a further 3 years and save for specific trigger events envisaged for possible early conversion, particularly if in future the Company should find itself in one of the situations envisaged in articles 2446 and 2447 of the Italian Civil Code), capitalised financial expense at an all-in rate of 1.00% and a conversion price equal to the higher between (i) the price of subscription to the share capital increase, reserved and on option, as approved in May 2013 (0.5953 euro per share) and (ii) the average stock exchange price of Prelios shares in the month prior to the conversion date.

In addition, it should be emphasised that the Restructuring Agreement regarding existing borrowings envisages certain conditions precedent and outright cancellation clauses. As better specified under "Subsequent events", these conditions arose in July and August 2013 and therefore the agreement in question, despite being signed and formalised by the parties, had not yet become effective as at June 30, 2013, and therefore did not meet the requirements for recognition in the accounts. The accounting figures as at that date therefore do not reflect the effects of this agreement on Group borrowings.

On May 8, 2013, Feidos 11 and the "Primary Lenders" (Pirelli & C., Intesa Sanpaolo and UniCredit) informed the Company that they had signed the "NewCo Investment Agreement" in compliance with the understandings stated in the term sheet agreed previously by these parties (notified to the Company on March 29, 2013 and published on March 30, 2013), in relation to the commitment to capitalise the "NewCo" investment vehicle - for an amount equal to around 20 million euro for Feidos 11 and roughly 50 million euro for the Primary Lenders - in order that the NewCo can subscribe to the reserved capital increase for a total of around 70 million euro.

By Resolution no. 18565 of May 31, 2013, Consob granted mandatory takeover bid exemption to participants in the transaction for the financial rebalancing, equity strengthening and industrial relaunch of the Group subject to certain commitments that were formally accepted by the participants in July.

On June 10, 2013, the Board of Directors of Prelios S.p.A. formally exercised its powers granted by the shareholders' meeting of May 8, 2013, to issue bonds for up to a maximum value of 269 million euro ("Convertible Bonds" or "Bonds") compulsorily convertible into ordinary shares and/or class B shares, without voting rights, subscribable by Pirelli & C. only (the "Convertible Bond Loan"), excluding option rights and with subsequent share capital increase for the sole purpose of the conversion.

The Board of Directors consequently resolved to approve the related Regulation and approve the share capital increase, divisible and against payment, for a maximum 297,644,375.01 euro. This increase can be performed over a maximum 7 years (unless extended by a further 3 years) from issue of the Convertible bond loan serving the conversion (partial or total) of the Bonds, by means of the issue of a maximum 499,990,551 ordinary Prelios shares for tranche A of the convertible bond (including the scenario in which tranche B is converted into ordinary shares) and a maximum 144,678,117 class B shares solely for tranche B of the convertible bond loan. The Board then arranged for all necessary and appropriate powers to be granted in order to implement the resolution and, in particular, assigning powers to the Chief Executive Officer for issue of the Convertible Bond Loan after final definition of the amount of the bond loan calculated on the outcome of the share capital increase with pre-emptive rights.

4. NOTES ON MAIN GROUP ECONOMIC AND FINANCIAL DATA

This section will examine the Group's economic results and financial position at June 30, 2013. The review of operating results in section 4.1 uses Non-GAAP performance measures, generally adopted by management to monitor and assess the Group's performance. The purpose is to present the result of the Group's ordinary continuing operations, net of the impact of transactions that are unusual in nature or size, and net of changes in the value of its property portfolio, and in this way ensure that its results and reporting over time are more comparable with other major players using similar Non-GAAP measures.

These measures are obtained by aggregating or reclassifying figures in the IFRS financial statements, as indicated in Appendix A to this report, and were adopted to analyse the economic results according to the nature of their originating events. For a more direct reference to the economic data, Section 6 contains an analysis of the results as reported in the IFRS income statement. The review of the financial position in section 4.2 also includes Non-GAAP measures, the composition of which is disclosed in Appendix A to this report on operations. As we are talking, in the case of equity amounts, about measures generally adopted for financial communication purposes, and are easily reconciled to figures reported in the primary financial statements, it has not been necessary to supplement the performance analysis with specific comments on the latter.

In particular, the Non-GAAP measures indicated below have been determined by isolating the following aspects, all of which are fully reconciled to amounts reported in the IFRS financial statements in Appendix A: “Restructuring costs” and “Property writedowns/revaluations”, as better detailed in the paragraph below.

The indicator that best reflects the performance of the Group's Management Platform and Investment Activities is the “operating result”, including income from investments and income from shareholder loans before restructuring costs and property writedowns/revaluations.

4.1. Income Statement

(million euro)	JUNE 2013	JUNE 2012
Consolidated revenues	51,0	64,8
of which services	*48,2*	*61,4*
of which others	*2,8*	*3,4*
Management platform: operating result before restructuring costs, impairment and property writedowns/revaluations	(2,9)	5,5
Management platform: net income from equity investments before restructuring costs and property writedowns/revaluations	0,4	0,7
Total Management Platform: operating result	**(2,5)**	**6,2**
Investment activities: operating result before restructuring costs and property writedowns/revaluations	(3,8)	(8,6)
Investment activities: net income from equity investments before restructuring costs, loss from NPL porfolio valuation and property writedowns/revaluations	(4,1)	(6,5)
Investment activities: income from shareholder loans (1)	5,5	5,9
Investment activities: loss from NPL portfolio valuation	(3,3)	(25,5)
Total investment activities: Operating result	**(5,7)**	**(34,7)**
Operating result	**(8,2)**	**(28,5)**
Financial expenses	(21,4)	(25,2)
Profit (loss) before restructuring costs, property writedowns/revaluations and income taxes	**(29,6)**	**(53,7)**
Restructuring costs	(6,3)	(12,7)
Property writedowns/revaluations	(25,2)	(52,2)
Result before taxes	**(61,1)**	**(118,6)**
Income taxes	(3,3)	(6,3)
Net income/(loss)	**(64,4)**	**(124,9)**
Minority interests	0,4	(0,8)
Consolidated net income/(loss)	**(64,0)**	**(125,7)**

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

Consolidated revenues as at June 30, 2013 amount to 51 million euro compared to 64.8 million euro in the first half of 2012. In particular, revenues from the Management Platform, foreign and Italian, total 48.2 million euro in the first half of 2013, a decrease of 13.2 million euro with respect to the 61.4 million euro recorded as at June 30, 2012. The decrease relates mainly to 2.6 million euro for specialist agency and property & project management services in Italy (amounting to 2.1 million euro and 0.5 million euro, respectively, determined by lower volumes of transactions brokered and contracts managed) and 2.6 million euro for credit servicing activities. The services platform in Germany has also recorded a decrease of around 5.7 million euro, from the 27.8 million euro as at June 30, 2012 to 22.1 million euro as at June 30, 2013, largely due to exit of the BauBeCon portfolio from the assets under management.

The operating result is a negative 8.2 million euro, compared to a negative 28.5 million euro in the first half of 2012. Compared to the same period in 2012, which benefited from the positive effect of a 3.7 million euro arbitration award relating to a previous development contract involving project financing, a decrease is seen on the one hand in the Management Platform result associated with lower volumes of activities performed and, on the other hand, a significant reduction in the Investment Activities loss attributable mainly to the loss from valuation of the NPL portfolio (3.3 million euro as at June 30, 2013 vs. the negative 25.5 million euro recorded in the same period of 2012).

It should be noted that “financial expenses” does not reflect the effects of the debt restructuring transaction completed in August, with effects backdated to January 1, 2013 both with regard to the new remuneration conditions and the recalculated total financial debt.

The item "restructuring costs" generally includes voluntary redundancy costs, expenses for rationalising the Group and its offices, extraordinary charges arising from settlements for tax litigation, and support, including with the waiving of loans, enabling investee companies to continue as going concerns as part of financial restructuring plans previously formalised on or at an advanced stage of negotiation with financial backers and partners; this is to demonstrate how such restructuring costs differ from the Group's ordinary operating activities.

The item, amounting to 6.3 million euro in the first half of 2013, mainly includes losses on loans as part of the plan to restructure certain investees and expenses linked to the rationalisation of Group offices. In the first half of 2012 this item totalled 12.7 million euro.

The item “property writedowns/revaluations", amounting to 25.2 million euro in the first half of 2013, includes value adjustments to real estate assets in Italy (therefore excluding Non-Performing Loans). As described in greater detail below, this adjustment is attributable to the update to property valuations requested from independent experts on the portfolio held as at June 30, 2013.

Income taxes, amounting to 3.3 million euro, compared to 6.3 million euro as at June 30, 2012, largely relate to Italian companies. The total comprises IRES and other income taxes for 2.6 million euro and IRAP tax for 0.7 million euro. The final figure for 2012 included a number of items associated with the settlement of positions pending with the Tax Authority for 2.3 million euro.

Consolidated net income/(loss) in the first half of 2013 is a loss of 64 million euro, compared with a loss of 125.7 million euro as at June 30, 2012.

Management Platform[13]

Fund and asset management activities and property and project management and agency specialist services, as well as those connected with Non-Performing Loans (credit servicing), including general and administrative expenses, led to a negative result of 2.5 million euro as at June 30, 2013, compared to the positive 6.2 million euro as at June 30, 2012. Approximately 70% of the decrease is attributable to the servicing companies in Italy (including credit servicing), as better described in Chapter 8, “Divisional performance”.

Investment Activities[14]

In the first half of 2013, investment activities reported a negative operating result, before loss from valuation of the NPL portfolio, of 2.4 million euro compared to a negative operating result of 9.2 million euro in the corresponding period of 2012. Considering the negative impact of the loss from valuation of the NPL portfolio, of 3.3 million euro as at June 30, 2013 and 25.5 million euro as at June 30, 2012, the operating result is a negative 5.7 million euro compared to an equally negative 34.7 million euro in the first half of 2012.

---

[13] Management Platform results means the contribution generated by the Group through fund and asset management activities and specialised real estate services (property and project management and agency) and from services associated with NPL (credit servicing), as well as general and administrative expenses.

[14] Investment activities mean the contribution generated by Prelios through its investment in funds and companies that hold real estate and Non-Performing Loans.

***

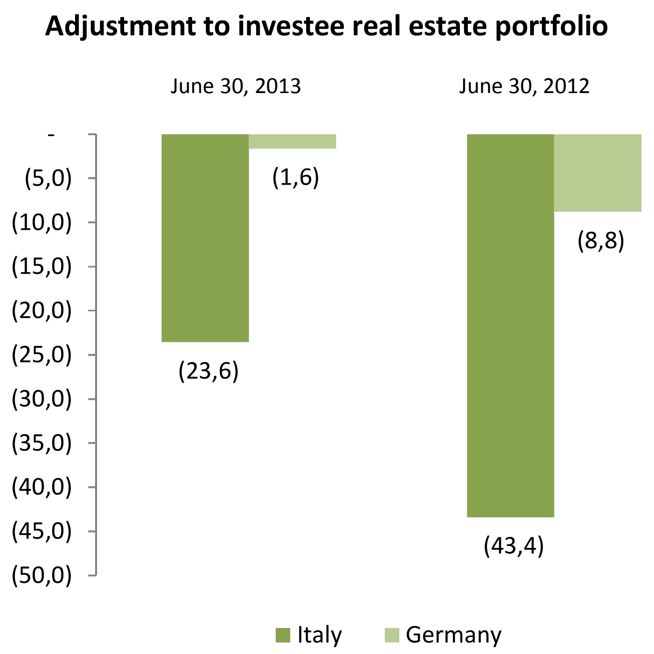
In the first half of 2013, real estate sales[15] amount to 113.2 million euro (21.6 million euro on a pro-rata basis) compared to 277.7 million euro at June 30, 2012 (81 million euro on a pro-rata basis). The company carried out its real estate transactions at values essentially in line with the book value (in the same period in 2012 the average margin with respect to the book value was around 1%).

Total rents[16] in the first half of 2013 amount to 186.2 million euro compared to 196.4 million euro in total as at June 30, 2012. The Prelios pro-rata share of rents for the period is 47.4 million euro (47.9 million euro in the first half of 2012).

More details of the results by geographical area for fund and investment company activities and the Management Platform, inclusive of general and administrative expenses, can be found in the relevant section.

Writedowns of investments and investment property in the first half of 2013 contributed a total of 25.2 million euro, of which 23.6 million euro came from the real estate portfolio in Italy, and 1.6 million euro from the real estate portfolio in Germany.

The diagram below shows the impact of writedowns against the real estate portfolio by country and by period.



---

[15] This is the sum of real estate sales by consolidated companies, plus 100% of real estate sales by associates, joint ventures, and funds in which the Group has an interest of at least 5% as at June 30, 2013.
[16] This is the sum of rents earned by consolidated companies plus 100% of the rents earned by associates, joint ventures, and funds in which the Group has at least a 5% interest as at June 30, 2013.

4.2. Review of the financial position

(million euro)	JUNE 2013	DECEMBER 2012
Fixed assets	**595,5**	**611,7**
of which investments in real estate funds and investment companies and shareholder loans granted (1)	*440,4*	*455,2*
of which goodwill	*144,8*	*144,8*
Net working capital	**45,3**	**55,1**
Net invested capital	**640,8**	**666,8**
Equity	**21,7**	**80,4**
of which group equity	16,3	74,2
Funds	**56,8**	**65,9**
Net financial position	**562,3**	**520,5**
Total covering net invested capital	**640,8**	**666,8**

(1) The item includes equity investments in associates, *joint ventures* and other equity investments (228.4 million euro), receivables for shareholder loans (203.2 million euro), investments in real estate funds (12 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 June 2013 and for December 2012 include provisions for equity investment writedowns of 3.4 million euro and 2.8 million euro respectively.

Fixed assets amount to 595.5 million euro as at June 30, 2013 compared with 611.7 million euro as at December 31, 2012. The decrease is due to the aforementioned writedowns of investees in the Real Estate domain and to repayments of shareholder loans net of contributions received during the period.

Net working capital totals 45.3 million euro as at June 30, 2013, marking a decrease of 9.8 million euro compared to 55.1 million euro as at December 31, 2012. The decrease in current assets is mainly due to the fall in trade receivables brought about by collections. value adjustments and other activities. These changes more than offset the decrease in trade payables, tax payables and other liabilities.

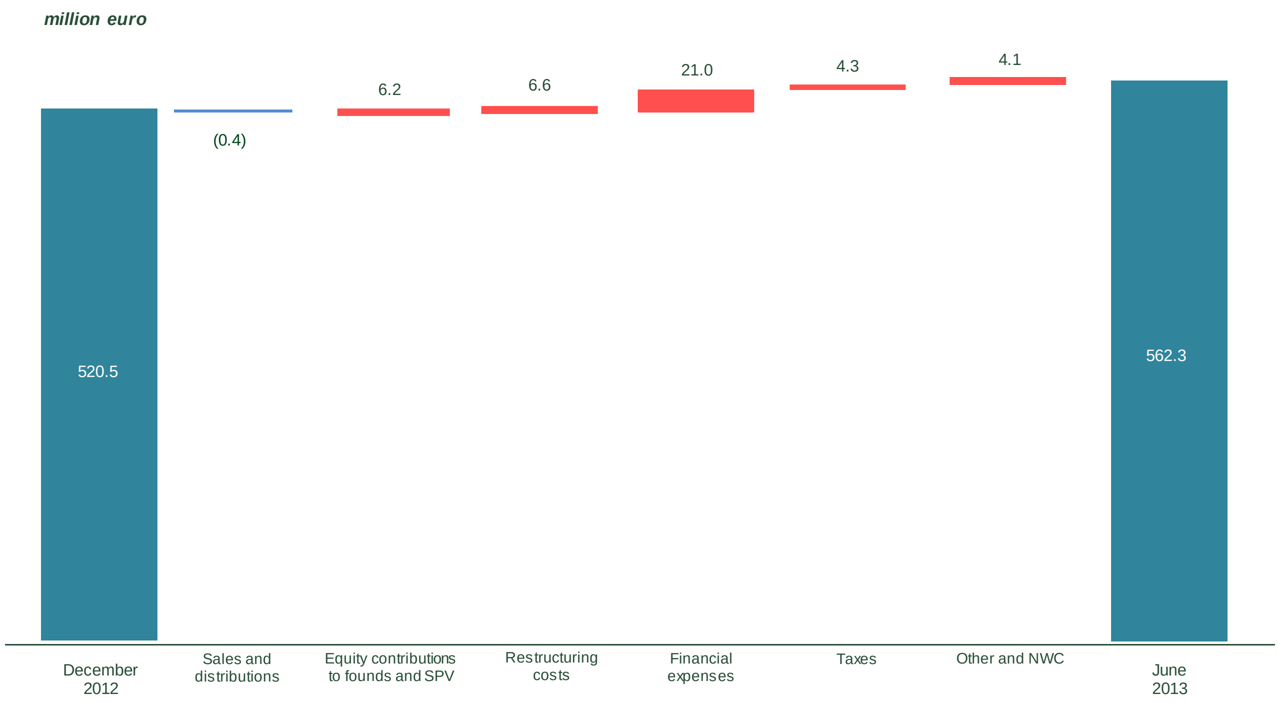
Consolidated equity is 21.7 million euro, while the Group equity amounts to 16.3 million euro, compared to 74.2 million euro as at December 31, 2012. The change is mainly due to the negative 64 million euro result for the period. It should be remembered that consolidated equity does not yet reflect the effects of the share capital increase completed in August. The restated consolidated equity would total 240.5 million euro.

The net financial position reports net debt of 562.3 million euro as at June 30, 2013 compared with net debt of 520.5 million euro as at December 31, 2012. It should be remembered that the net financial position does not yet reflect the effects of the share capital increase and debt restructuring completed in August. The restated net financial position would total 336.5 million euro.

The following diagram details the combined effect of events that had an impact on the change in the net financial position in the first six months of 2013.

The negative change with respect to December 31, 2012, totalling 41.8 million euro, is mainly attributable to the combined effect of a decrease of 0.4 million euro deriving from cash flows generated by sales and an increase attributable to the accrual of interest expense and other financial charges linked to existing loans (21.0 million euro), part of which will not be paid (and will therefore be reversed in the third quarter of 2013) as a result of the covenants in the

Restructuring Agreement having arisen, to the payment of restructuring costs (6.6 million euro), to the equity contribution in investment companies and funds in which the company has investments (6.2 million euro), to the payment of taxes (4.3 million euro) and other events partly connected with the changes in net working capital (4.1 million euro).



The following table presents the main changes in the Net Financial Position during the period:

(million euro)	JUNE 2013	JUNE 2012
Net Financial Position - Beginning of Period (A)	**520,5**	**488,0**
Operating result excluding restructuring expenses and property writedowns/revaluations	**(6,6)**	**(3,1)**
Amortisation and depreciation	0,8	1,2
Changes in equity investments and receivables from shareholder loans	(4,5)	13,5
Changes in other non-current assets	(0,6)	(0,7)
Changes in net working capital and provisions and other changes	(1,9)	(6,3)
Net cash flow from operating activities	**(12,8)**	**4,6**
Other changes	(4,5)	(5,9)
Financial and tax expenses/income	(24,5)	(8,6)
Cash flow before dividends	**(41,8)**	**(9,9)**
Capital Increase / (Dividends) (*)	0,0	0,4
Total cash flow (B)	**(41,8)**	**(9,5)**
Net Financial Position - End of Period (A-B)	**562,3**	**497,5**

(*) In the first half the item included third party portion of Prelios Credit Servicing capital increase (+0.6 million euro) and 10% share dividends of SGR distributed to Banca Intesa (-0.2 milion euro).

4.3. Net bank debt of funds and investment companies

Compared to a market value on a 100% basis of the real estate component of funds and investment companies invested in, amounting to 6.5 billion euro, the associated net debt totals 4.4 billion euro.[17]The average bank leverage of Prelios on the real estate component amounts to 69% (Prelios pro-rata 66%) of the market value of the assets.

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

- a limited amount of recourse guarantees of Prelios S.p.A. (39.4 million euro, of which 2.5 million euro in the release phase following settlement of the underlying issue);

- a high level of interest rate hedging (79%) and an average maturity of about 0.9 years (values at 100%).

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

[17] This does not include 0.4 billion euro relating to the funds classified as third-party funds given Prelios' less than 5% interest.

As regards the NPL sector, the book value of receivables based on 100% values amounts to around 1.05 billion euro,[18] against net bank debt of 1.02 billion euro.

Note that the net bank debt has an average duration of 0.9 years, 0.8 Italy, 1.1 Germany, and renewal of a number of loans could bring about critical issues in relation to real estate development trends.

[18] The gross book value of the portfolio is 8.5 billion euro.

5. RESTATED INCOME STATEMENT AND BALANCE SHEET

For the sake of complete information, with regard to the significance of the share capital increase concluded in August 2013 and also given that the Restructuring Agreement for the existing financial debt envisaged a number of conditions precedent and outright cancellation clauses that arose in July and August 2013, it was considered appropriate - also given the backdating effect to January 1, 2013 of certain contractual conditions in the agreement in question - to provide the following restated consolidated summary Balance Sheet and Income Statement for the Prelios Group (the “Restated Consolidated Statements”) for period ended June 30, 2013, prepared for illustrative purposes only so as to indicate the significant effects of the Transaction, now executed in full and not subject to any condition, in particular the share capital increase with pre-emptive rights, the reserved capital increase and the restructuring of the Company’s financial debt.

The Restated Consolidated Statements were prepared on the basis of the Prelios Group consolidated financial statements as at June 30, 2013, applying adjustments relating to the significant effects of the Transaction as described below.

- share capital increase with pre-emptive rights: 45.4 million euro in cash and 69.6 million euro through the lenders’ conversion of financial receivables;
- reserved share capital increase: cash increase of approximately 70.0 million euro;
- conversion of loans into financial instruments in the form of bond loans compulsorily convertible into Company shares, with cash option for the redemption exercisable by the company on maturity: based on a total of 233.5 million euro.
- new financial debt remuneration terms, for the part transformed into a Convertible Bond Loan, for the residual debt on the Super Senior and Senior loans and also for the effects associated with related financial expenses and those resulting from recognition of the residual debt at fair value in compliance with applicable accounting standards;
- recognition of the residual equity and financial effects of the Transaction, in relation to costs associated with the Transaction and the tax effects;
- recognition of the positive and permanent economic effects of the Transaction with reference to lower financial expenses for a total of 40.8 million euro, resulting from the conversion of financial receivables and from the new Corporate financial debt remuneration terms, both for the Convertible Bond portion and the residual debt on the Super Senior and Senior loans;
- recognition of the negative economic effect for 3.0 million euro, calculated only on the portion of financial receivables converted, relating to the spread between the stock exchange listing as at the date of implementation of the share capital increase and the share capital increase subscription price.

The Restated Consolidated Statements provided below show:

(i) in the first column, the balances of the Prelios Group consolidated financial statements restated as at June 30, 2013;

(ii) in the second column, “Capital increase”, the equity and financial-economic effects of the share capital increase with pre-emptive rights and the reserved share capital increase;
(iii) in the third column, “Restructuring of debt”, the equity and financial-economic effects of the Restructuring Agreement signed with the lenders on May 7, 2013;
(iv) in the fourth column, the Prelios Group consolidated figures restated as at June 30, 2013.

(million euro)	JUNE 2013	CAPITAL INCREASE	RESTRUCTURING OF DEBT	JUNE 2013 RESTATED
Consolidated revenues	51,0	-	-	51,0
of which services	*48,2*	-	-	*48,2*
of which others	*2,8*	-	-	*2,8*
Management platform: operating result before restructuring costs, impairment and property writedowns/revaluations	(2,9)	-	-	(2,9)
Management platform: net income from equity investments before restructuring costs and property writedowns/revaluations	0,4	-	-	0,4
Total Management Platform: operating result	**(2,5)**	**-**	**-**	**(2,5)**
Investment activities: operating result before restructuring costs and property writedowns/revaluations	(3,8)	-	-	(3,8)
Investment activities: net income from equity investments before restructuring costs, loss from NPL porfolio valuation and property writedowns/revaluations	(4,1)	-	-	(4,1)
Investment activities: income from shareholder loans	5,5	-	-	5,5
Investment activities: loss from NPL portfolio valuation	(3,3)	-	-	(3,3)
Total investment activities: Operating result	**(5,7)**	**-**	**-**	**(5,7)**
Operating result	**(8,2)**	**-**	**-**	**(8,2)**
Financial expenses	(21,4)	-	37,8	16,4
Profit (loss) before restructuring costs, property writedowns/revaluations and income taxes	**(29,6)**	**-**	**37,8**	**8,2**
Restructuring costs	(6,3)	-	-	(6,3)
Property writedowns/revaluations	(25,2)	-	-	(25,2)
Result before taxes	**(61,1)**	**-**	**37,8**	**(23,3)**
Income taxes	(3,3)	-	(1,9)	(5,2)
Net income/(loss)	**(64,4)**	**-**	**35,9**	**(28,5)**
Minority interests	0,4	-	-	0,4
Consolidated net income/(loss)	**(64,0)**	**-**	**35,9**	**(28,1)**

The “Restructuring of debt” column includes the economic effects of the Transaction. In particular:

- the positive adjustment to financial operations for a total of 37.8 million euro includes:
    - o elimination of 18.2 million euro of the financial expense on current borrowings relating to the first half of 2013;
    - o further expense accounting of the residual up-front fees on existing financial payables to the pool of banks (the “CLUB DEAL”) and to Pirelli & C. S.p.A. for 6.5 million euro;
    - o the positive effect associated with the Restructuring Agreement, which leads to amendment of the Corporate loan into the new Super Senior, Senior and Convertible facilities initially recognised at fair value, calculated according to valuation methods considered appropriate for the characteristics of each component of the new borrowings, which amount to less than their nominal value by 39.9 million euro, and
    - o recognition of new interest expense for 10.8 million euro, which includes 5.2 million euro in interest that will accrue on the Super Senior, Senior and Convertible facilities in accordance with the Restructuring Agreement, and for 5.6 million euro as the due portion of the economic effect deriving from amortised cost accounting of the new borrowings initially recognised at fair value;

- o recognition of the negative economic effect for 3.0 million euro, calculated only on the portion of financial receivables converted, relating to the spread between the stock exchange listing as at the date of implementation of the share capital increase and the share capital increase subscription price.

- the upward adjustment of tax expenses by 1.9 million euro includes the 1.7 million euro impact of the Transaction, calculated for IRAP tax purposes, whilst a zero impact is estimated for IRES purposes following the application of art. 88, paragraph 4, Italian Presidential Decree 917/1986 on the positive income component deriving from the fair value recognition of the new credit facilities mentioned above. The article reads "*For a (...) plan confirmed pursuant to art. 67, paragraph 3d) of Italian Royal Decree no. 267 of March 16, 1942, published in the register of companies, the decrease in corporate payables does not constitute a contingent asset for the part exceeding losses, past and for the period, referred to in art. 84*". The part remaining after the application of article 88 as above was offset against losses for the period reported by other companies participating with Prelios in the tax consolidation. The remaining 0.2 million euro relate to the impact of deferred taxes resulting from the Transaction.

(million euro)	JUNE 2013	CAPITAL INCREASE	RESTRUCTURING OF DEBT	JUNE 2013 RESTATED
Fixed assets	**595,5**	**-**	**-**	**595,5**
of which investments in real estate funds and investment companies and shareholder loans granted	*440,4*	-	-	*440,4*
of which goodwill	*144,8*	-	-	*144,8*
Net working capital	**45,3**	**(7,0)**	**-**	**38,3**
Net invested capital	**640,8**	**(7,0)**	**-**	**633,8**
Equity	**21,7**	**179,9**	**38,9**	**240,5**
of which group equity	16,3	179,9	38,9	235,1
Funds	**56,8**	**-**	**-**	**56,8**
Net financial position *	**562,3**	**(107,5)**	**(118,3)**	**336,5**
Total covering net invested capital	**640,8**	**72,4**	**(79,4)**	**633,8**

* Net financial position includes 7,8 million euro of cash transferred to the cash fund 1 as stated into the Debt Restructuring Agreement.

With regard to the "Capital increase" column:

- under "Net working capital", the negative adjustment of 7.0 million euro derives from the 7.1 million euro recognition of the closing cost in support of the Transaction as a decrease in Equity, in compliance with international accounting standards, from the 1.8 million euro increase relating to the tax effect associated with deductibility of the aforementioned costs, net of reversal of the portion of deferred tax assets for the period, and from the 1.7 million euro decrease relating to the aforementioned impact of IRAP tax;
- under "Equity", the amount of 179.9 million euro represents the combined effect of the share capital increase for a total of around 185 million euro, both the cash portion (approximately 115.4 million euro) and the underlying portion with waiver of financial receivables (69.6 million euro), less the total costs of the transaction (7.1 million euro) net of the tax effect (around 2.0 million euro);
- under "Net financial position", the amount of 107.5 million euro refers to the total cash inflows resulting from guarantees given in relation to the share capital increase with

pre-emptive rights (45.4 million euro, of which 7.8 million euro referring to the cash portion assigned to the Cassa 1 Fund as defined in the Restructuring Agreement) and from execution of the reserved capital increase (70.0 million euro), net of the cash portion to repay existing debt (7.9 million euro).

With regard to the “Restructuring of debt” column:

- under “Equity”, the amount of 38.9 million euro includes adjustments to the result for the period mentioned above, and mainly refers to the positive impact from recognition at fair value of the new Super Senior, Senior and Convertible facilities (39.9 million euro);
- under “Net financial position”, of the amount of 118.3 million euro, 69.6 million euro refers to the portion subscribed by the Lenders under guarantee through the conversion of existing receivables, 39.9 million euro refers to the positive impact from the fair value recognition of the new Super Senior, Senior and Convertible facilities, 18.2 million euro refers to the elimination of financial expenses for the first half of 2013 on current borrowings, 7.9 million euro refers to the cash portion for repayment of the current debt, net of the 6.5 million euro adjustment relating to further expense accounting of the up-front fees associated with existing financial payables to the pool of banks (the “CLUB DEAL”) and to Pirelli & C. S.p.A., and new interest expense of 10.8 million euro that will accrue on the Super Senior, Senior and Convertible facilities in accordance with the Restructuring Agreement (5.2 million euro) and the subsequent amortised cost measurement of the new borrowings initially recognised at fair value (5.6 million euro).

6. REVIEW OF THE CONSOLIDATED INCOME STATEMENT

An income statement format is presented below (accounting layouts)

(million euro)	JUNE 2013	JUNE 2012
Revenues from sales and services	51,0	64,8
Changes in inventories of work in progress, semi-finished and finished products	(0,5)	-
Other income	6,8	11,2
TOTAL OPERATING REVENUES	**57,3**	**76,1**
Raw and consumable materials used (net of change in inventories)	(2,2)	(2,7)
Personnel costs	(31,2)	(34,8)
Depreciation, amortization and impairment	(0,8)	(1,2)
Other costs	(38,3)	(52,5)
TOTAL OPERATING COSTS	**(72,5)**	**(91,2)**
EARNINGS BEFORE INTEREST AND TAX (EBIT)	**(15,2)**	**(15,1)**
Net income from equity investments of which:	(30,0)	(81,6)
- portion of result of associates and joint ventures	*(30,2)*	*(80,6)*
- dividends	*0,4*	*1,0*
- gains on equity investments	*0,3*	*1,8*
- losses on equity investments	*(0,4)*	*(3,8)*
Financial income	7,7	7,9
Financial expenses	(23,6)	(29,7)
RESULT BEFORE INCOME TAXES	**(61,0)**	**(118,6)**
Income taxes	(3,3)	(6,3)
RESULT FOR THE PERIOD	**(64,4)**	**(125,0)**
of which attributable to minority interests	(0,4)	0,8
CONSOLIDATED RESULT FOR THE PERIOD	**(64,0)**	**(125,7)**

Revenues from sales and services in the first half of 2013 amount to 51 million euro, of which 28.4 million euro in Italy and 22.6 million euro abroad, compared with 64.8 million euro in the corresponding period of 2012. The decrease in revenues of the foreign companies, by around 23%, is almost all attributable to Prelios Deutschland Group (22.1 million euro as at June 30, 2013 compared to 27.8 million euro as at June 30, 2012); the decline in revenues in Italy, around 20%, is mainly attributable to the legal entities Prelios Credit Servicing S.p.A., Prelios Agency S.p.A. and Prelios Integra S.p.A.

Other income amounts to 6.8 million euro as at June 30, 2013, compared with 11.2 million euro in the first half of 2012. The item refers to the positive outcomes of disputes that had generated risks and uncertainties and hence the allocation of provisions for risk, along with the chargeback to tenants of the management costs of the Group's own properties or properties managed on behalf of third parties, the latter mostly in connection with property management activities.

Raw and consumable materials used (net of change in inventories) amount to 2.2 million euro, compared to 2.7 million euro as at June 30, 2012, of which 1.7 million euro relating to impairment recognised on the lower realisable value calculated on the basis of independent appraisal reports as at June 30, 2013, i.e. given the lower values at which individual subsidiaries are willing to sell under the terms of assigned sales mandates, subject to approval of the respective Boards of Directors.

Personnel costs amount to 31.2 million euro in the first half of 2013, compared with 34.8 million euro in the corresponding period of 2012. The 2013 figure includes around 0.2 million euro in restructuring costs. The 3.6 million euro decrease is mainly due to the reduction in the average headcount for the period (837 employees compared to 923 in the corresponding period of 2012).

Other costs amount to 38.3 million euro in the first half of 2013, compared with 52.5 million euro in the first half of 2012. The item includes provisions for risks and writedowns of receivables, costs for maintenance services, commissions, consultancy and professional fees, office rental costs and other operating expenses. The considerable drop in service costs is mostly attributable to lower volumes of construction and maintenance contracts managed by the Group, and a decrease in consultancy concerning the Group's operations.

EBIT is a negative 15.2 million euro at June 30, 2013, compared with a negative 15.1 million euro in the first half of 2012. The decrease in operating revenues of 18.8 million euro fully absorbed the drop in operating costs of 18.7 million euro.

The net income from equity investments in the first half of 2013 is a negative 30 million euro, compared to a negative 81.6 million euro in the corresponding period of 2012. The item includes, among other things, the negative effect of writedowns of real estate interests and investments of 23 million euro and the loss from valuation of the NPL portfolio, totalling 3.3 million euro, compared to negative values as at June 30, 2012 of 49.2 million euro and 25.5 million euro, respectively.

Financial income amounts to 7.7 million euro at June 30, 2013, compared to 7.9 million euro in the first half of 2012. The decrease is mostly attributable to the lower interest income on financial receivables from joint ventures.

The decrease in financial expenses compared to the first half of 2012 is attributable to the effect of the reduced Euribor rate.

7. PORTFOLIO MANAGED - ASSETS UNDER MANAGEMENT AND REAL ESTATE NET ASSET VALUE AT JUNE 30, 2013

The following analyses relate to the portfolio managed by the Group (Assets Under Management) through investment companies or real estate funds and in many cases invested in by the same (values indicated on a 100% basis and for the Prelios stake). The AuM corresponds to the value of assets managed and is recognised, except for non-performing loans which are reported at book value[19], at the values appraised by independent experts at period end[20].

This measure, when specifically indicated pro rata, expresses the Group's interest in the market value of the assets and in the book value of non-performing loans owned by the Group.

7.1. Real Estate Assets Under Management

The information reported below, relating to portfolios managed by the Group at June 30, 2013, is taken from valuations performed by CB Richard Ellis for the entire portfolio, with the exception of:

- The Armilla Fund, Manifatture Milano[21] and Mistral Real Estate, valued by Reag;
- The assets of DGAG, valued by Jones Lang La Salle;
- The Progetto Uffici Fund, valued by DTZ;
- The Olinda Fund and Diomira Fund, valued by Scenari Immobiliari;
- The Enasarco, Monteverdi, Anastasia, Tecla, Raissa, Spazio Industriale, Patrimonio Uffici and Eridano funds, valued by Patrigest;
- The Cloe, Hospitality & Leisure, Vivaldi, Fedora and Clarice funds, valued by K2Real;
- Resident Sachsen, Resident Baltic and Resident West, valued by NAI Apollo;
- Highstreet, valued by Cushman & Wakefield.

The valuations are performed on the basis of valuation criteria normally adopted, i.e. on individual properties according to the different methodological criteria defined by the independent assessor.

The Discounted Cash Flow method, which discounts cash flow from leases using a discount factor reflecting the specific risks associated with the investment (where the terminal value at the end of the letting period is obtained by capitalising market rents for the business and/or

[19] Figures expressed at purchase cost, net of any writedowns.

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

[21] The valuation as at June 30, 2013 of the Manifatture Milano portfolio was performed on the appraisal of December 31, 2012, appropriately reviewed on a like-for-like basis to take into account any disposals and capitalisation performed in the reporting period.

service industry properties), is the most widely used for the commercial and residential sector in Germany; instead, the terminal value of residential property in Italy is obtained using the comparative method. As regards projects in progress and land for development, the transformation method is used, by discounting the costs and revenues of the development, also taking into account the current stage of advancement of the project.

Also in reference to the recent Consob Recommendation of July 18, 2013, note that in recent years the valuation of the Group real estate portfolio has been assigned to different assessors acting as independent experts, including Cushman & Wakefield, Patrigest, CB Richard Ellis, John Lang LaSalle, K2Real, REAG and other leading companies in the sector offering specialist real estate valuation services. This alternation of assignments (note that the average duration of an assignment is around 4 years) is arranged to comply with specific sector regulations and to guarantee a more objective and independent valuation of the real estate assets. In its selection and renewal of appointed experts, the Group seeks maximum process transparency, assessing the suitability of a selected supplier against the specific features of the property portfolio subject to valuation. In particular, selection of an independent assessor is performed on the basis of analysis of the professional specifications and nature of the assignment and, among other things, and especially for real estate funds, takes into account: the number of years' experience in the valuation of real estate asset portfolios, inclusion in the register of Court Experts of an Italian court, having performed at least one valuation of a real estate asset portfolio of a single holder valued at a total of over 25 million euro, appropriate certification of the process quality, adequate technical and organisational standards and the absence of conflict of interest.
Note that, in compliance with the joint Bank of Italy-Consob Communication of July 29, 2010, the real estate portfolio managed by Prelios SGR is subject to verification of the assumptions used by independent experts in drafting their valuation reports, in accordance with internal procedures governing the guidelines, roles and responsibilities of the various departments involved and dialogue with the independent experts. In accordance with suitable terms and conditions, the Group is currently extending the aforementioned procedures to the other operating companies in compliance with the Consob Recommendation of July 18, 2013.

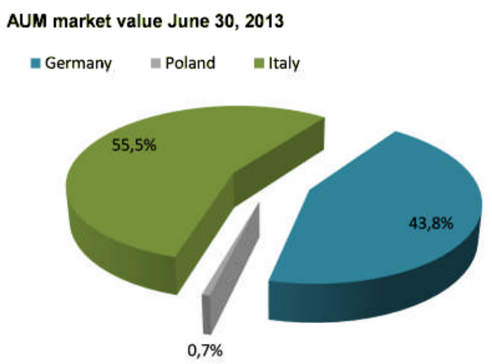
Assets Under Management[22] amount to 9.5[23] billion euro at June 30, 2013 (9.7 billion euro at December 31, 2012), of which the Prelios share is 2.0 billion euro (compared to 2.1 billion euro at December 31, 2012). Assets Under Management comprise 8.5 billion euro in real estate (8.7 billion euro at December 31, 2012) and 1.0 billion euro in non-performing loans (1 billion euro at December 31, 2012). In terms of asset allocation by geographical area, of the 8.5 billion euro in real estate, 55.5% is managed in Italy, 43.8% in Germany, and 0.7% in Poland.

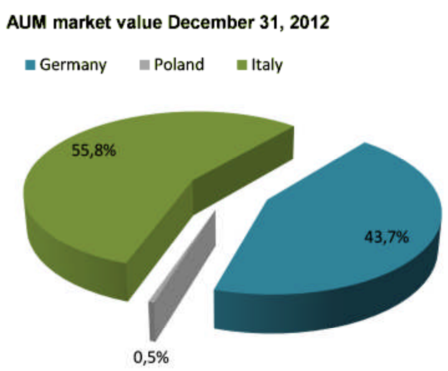
---

[22] The assets managed, with the exception of non-performing loans stated at book value, are stated at market value on the basis of appraisals by independent experts. The market values established by the independent experts do not take account of possible acceleration of sales plans on normally reasonable times needed for such sales activity, for that type of asset in its current market, or of any discounts for block sales or discounts arising under sales mandates.
[23] The AuM includes around 0.4 billion euro relating to the Spazio Industriale fund which exited the management perimeter in the second quarter of 2013.

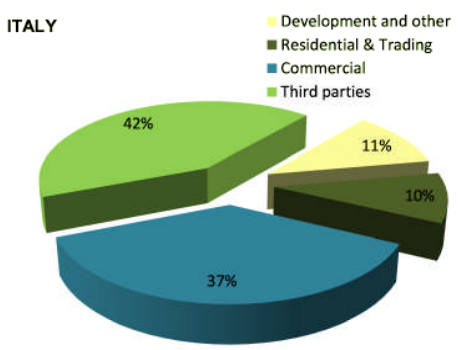
The portion of non-investee real estate amounts to 2.0[24] billion euro as at June 2013, essentially in line with the figure recorded in December 2012 and representing 23.3% of the total real estate assets under management.

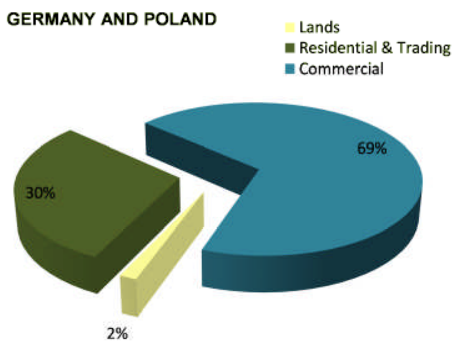
Based on independent appraisals, normally requested every six months by the Prelios Group on the entire portfolio, and net of any discounted sale mandates given to intermediaries, like-for-like market values of investee assets have been written down by an average of 2.3% in the period. The writedowns in Italy, recognised essentially on all the investee funds and portfolios, reflect a slight deterioration in the sector risk scenario in relation to real estate investments. As reported in the tables below, the breakdown of asset allocation expressed at market value by geographic area at June 30, 2013 shows that the percentage weight of Italy (including the Spazio Industriale fund no longer in the perimeter as at June 30, 2013) is stronger than that of Germany.





The following tables show how Assets Under Management at market value are broken down by product at June 30, 2013 (100% amounts).





[24] Among other things includes investees in which the Group has a less than 5% interest.

Development projects and sites

Development projects and sites under management are valued at 578 million euro in June 2013, of which 447 million euro refers to sites and 131 million euro to development. The Prelios share is approximately 41%, corresponding to roughly 239 million euro.

Development projects and sites therefore represent around 14% of Prelios' Real Estate Assets Under Management, relating to investment companies and funds (1.7 billion euro pro-rata).

The Group generally takes part in site and development projects by investing with sizeable minority stakes in joint ventures with major national and international partners, providing asset management, Property & Project Management and Agency services.

The development projects and sites of the various joint ventures in which Prelios has invested are subject to financial backing from their inception, of which 50-70% from major national and international banks and the remainder from shareholders in the form of equity and shareholder loans.

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

The main projects currently in progress are:

- Manifatture Milano (Prelios 50%): site adjacent to the Bicocca area (North Milan). A total of 71,000 square metres will be developed for the following purposes: Housing free of charge and under special arrangements, campus residence, commercial, compatible and social housing. The site has a market value of 101 million euro. Development activity is being managed under a joint venture with Fintecna Immobiliare and project implementation is subject to certain delays.
- Trixia (Prelios 36%): sites earmarked for property development activities, and partially already developed, located in the neighbouring areas of the Municipality of Milan. The company’s real estate portfolio comprises the following assets:
    - Area e Cascina Zibido (Zibido Site and Farmhouse) – real estate complex comprised of sites and farmhouses to be renovated;
    - Malaspina Espansione (Malaspina Expansion) – semi-urbanised area, predominantly for residential use;
    - Cusago Espansione (Cusago Expansion) – non-urbanised area, predominantly for tertiary use;
    - Castello di Tolcinasco (Castle of Tolcinasco) – portion of the Castle of Tolcinasco;
    - Residenze Malaspina (Malaspina Residences) - residential complex located in the Municipality of Pioltello, composed of three lots and a commercial building; the development works started in 2004 were completed and the initiative is still at the marketing phase.

  The market value at June 30, 2013 of total real estate assets is 98.7 million euro.

- Inim 2 (Prelios 25%): in the section dedicated to RCS, the investment company is left with a partially built area of around 40,000 square metres in gross floor space for manufacturing, service industry and commercial use. The market value at June 30, 2013 is 33.1 million euro.
- The ex-Lucchini site in Warsaw, Poland, has a market value of over 50 million euro, in which the Prelios interest is 40%. Action is currently being taken to complete the land development procedures which will lead to a potential development area of at least 400,000 square metres.

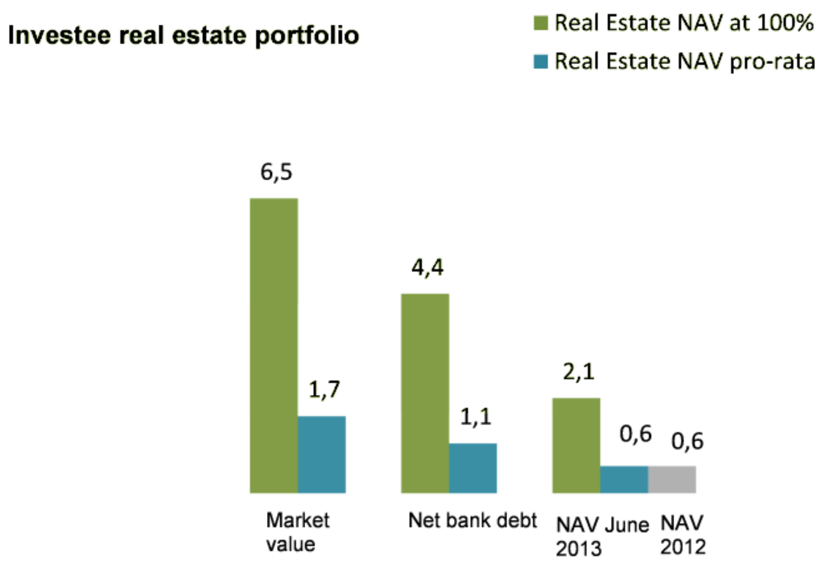
In relation to a number of critical issues found in the development initiatives (e.g.: Aree Urbane, Manifatture Milano, Golfo Aranci, etc.), management is considering various operating and strategic alternatives in order to comply with the general guidelines indicated in the Strategic Plan.

7.2. Real Estate Net Asset Value as per independent appraisals

The pro-rata Net Asset Value of Prelios' investments at June 30, 2013 has been valued at around 0.6 billion euro, excluding non-performing loans that are instead stated at book value, essentially in line with the figure at December 31, 2012. This value is calculated as the difference between Prelios’ share of asset value appraised by independent experts (1.7 billion euro) and Prelios’ share of net bank debt of the investment companies and funds in which it has invested, equal to 1.1 billion euro.

Of the total book value of 6.5 billion euro relating to investee funds and investment companies, (of which the Prelios share is 1.7 billion euro), approximately 2.2 billion euro (Prelios share of 0.8 billion euro) refers to investment property carried at fair value (IAS 40).

The following table illustrates the Company’s Net Asset Value as at June 30, 2013.



The table below reports Real Estate Net Asset Value at June 2013 and December 2012.

(billion euro)	JUNE 2013 - 100% -				DECEMBER 2012 - 100% -			
	Market value	Book value	Net bank debt	Net Asset Value	Market value	Book value	Net bank debt	Net Asset Value
Investee real estate investment companies and funds	6,5	6,2	4,4	**2,1**	6,7	6,4	4,6	**2,1**
Non-investee real estate investment companies and funds (a)	2,0	1,9			2,0	1,9		
TOTAL REAL ESTATE	**8,5**	**8,1**	**4,4**		**8,7**	**8,3**	**4,6**	
NPL (*)	*1,0*	*1,0*	*1,0*		*1,0*	*1,0*	*1,0*	
TOTAL ASSET UNDER MANAGEMENT (***)	**9,5**	**9,1**	**5,4**		**9,7**	**9,3**	**5,6**	

	JUNE 2013 - PRO-RATA -				DECEMBER 2012 - PRO-RATA -			
	Market value	Book value	Net bank debt	Net Asset Value **	Market value	Book value	Net bank debt	Net Asset Value **
Investee real estate investment companies and funds	1,7	1,6	1,1	**0,6**	1,8	1,7	1,2	**0,6**
Non-investee real estate investment companies and funds (a)	0,0	0,0			0,0	0,0		
TOTAL REAL ESTATE	**1,7**	**1,6**	**1,1**		**1,8**	**1,7**	**1,2**	
NPL (*)	*0,3*	*0,3*	*0,3*		*0,3*	*0,3*	*0,3*	
TOTAL ASSET UNDER MANAGEMENT (***)	**2,0**	**1,9**	**1,4**		**2,1**	**2,0**	**1,5**	

(*) The value of non-performing loans included in the "market value" columns corresponds to the purchase cost net of writedowns.
(**) For calculation purposes, consolidated assets have been treated as entirely own resources.
(***) The "total asset under management" includes Spazio Industriale fund not anymore considered under management from the second quarter 2013, but significant both for market value and book value for about 0.4 billion euro.
(a) Includes initiatives with an interest stake under 5%.

Note that the net bank debt does not take into account borrowings on certain initiatives in liquidation or similar, such as the Fondo Portafogli Misti, Riva dei Ronchi, Tamerice, Induxia, Maro and Roca, for a value as at June 30, 2013 of around 158 million euro at 100% and roughly 55 million euro pro-rata. Likewise, the above tables do not show the asset values for these initiatives.

7.3. Representation of the real estate portfolio

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

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

	% PRE	Passing Rent	Passing Yield	Vacancy	Book Value	Market Value	Net Debt
Fondo Tecla	44,8%	23.333	6,1%	15,8%	385.525	385.572	263.621
Fondo FIPRS	22,0%	20.337	7,8%		261.260	261.260	156.649
Fondo Raissa	35,0%	17.560	8,4%	0,3%	210.126	214.163	35.282
Fondo Olinda	10,6%	28.230	8,9%	13,5%	317.008	458.460	223.467
Dolcetto Tre S.r.l.	33,0%	1.000	9,1%		10.949	11.400	10.341
Fondo Monteverdi	48,8%	4.904	7,4%	65,1%	65.946	68.022	22.251
Fondo Spazio Industriale	22,1%	19.182	6,9%	20,9%	279.612	282.901	159.275
Fondo Hospitality & Leisure	35,0%	3.650	6,2%	22,1%	58.743	56.500	66.441
TOTAL Italy		**118.196**	**7,4%**	**18,4%**	**1.589.169**	**1.738.278**	**937.327**
Commercial & Other Germany		**4.567**	**6,3%**	**11,6%**	**80.632**	**83.271**	**37.446**
Mistral Properties	40,6%	4.567	6,3%	11,6%	72.901	75.540	37.446
DGAG - Special Properties	100,0%	-			7.731	7.731	-
Highstreet (Commercial)		**154.746**	**6,2%**	**1,2%**	**2.513.340**	**2.513.340**	**1.977.447**
Residential Small Deals		**7.551**	**6,7%**	**10,0%**	**112.982**	**115.079**	**79.946**
DGAG Residential		**67.624**	**7,2%**	**2,2%**	**941.578**	**944.307**	**682.681**
TOTAL Germany		**234.489**	**6,4%**	**2,2%**	**3.648.532**	**3.655.997**	**2.777.520**
TOTAL YIELDING PORTFOLIO		**352.685**	**6,7%**	**9,2%**	**5.237.701**	**5.394.275**	**3.714.847**
Trading & Soho ITA		**7.328**	**n.m.**	**n.m.**	**396.581**	**461.552**	**415.628**
Development ITA		**-**	**n.m.**	**n.m.**	**125.788**	**130.500**	**68.416**
Lands ITA		**342**	**n.m.**	**n.m.**	**360.283**	**390.070**	**227.666**
Commercial & Other Germany		**1.611**	**n.m.**	**n.m.**	**41.517**	**47.300**	**14.734**
Lands Poland		**26**	**n.m.**	**n.m.**	**25.619**	**56.617**	**(1.166)**
OTHER PORTFOLIO		**9.306**			**949.788**	**1.086.039**	**725.277**
GRAND TOTAL REAL ESTATE		**361.991**	**5,9%**		**6.187.489**	**6.480.313**	**4.440.124**

Profitability of AUM of pro rata investee funds and investment companies (in thousands of euro)

	% PRE	Passing Rent	Passing Yield	Vacancy	Book Value pro-rata	Market Value pro-rata	Net Debt pro-rata
Fondo Tecla	44,8%	10.453	6,1%	15,8%	172.715	172.736	122.377
Fondo FIPRS	22,0%	4.466	7,8%		57.373	57.373	41.179
Fondo Raissa	35,0%	6.146	8,4%	0,3%	73.544	74.957	12.349
Fondo Olinda	10,6%	2.990	8,9%	13,5%	33.577	48.560	25.256
Dolcetto Tre S.r.l.	33,0%	330	9,1%		3.613	3.762	3.413
Fondo Monteverdi	48,8%	2.393	7,4%	65,1%	32.182	33.195	10.858
Fondo Spazio Industriale	22,1%	4.243	6,9%	20,9%	61.850	62.578	35.227
Fondo Hospitality & Leisure	35,0%	1.278	6,2%	22,1%	20.560	19.775	23.254
TOTAL Italy		**32.299**	**7,1%**	**23,1%**	**455.415**	**472.936**	**273.913**
Commercial & Other Germany		**1.055**	**3,6%**	**7,2%**	**37.173**	**38.654**	**16.756**
Mistral Properties	40,6%	1.055	3,6%	7,2%	29.442	30.923	16.756
DGAG - Special Properties	100,0%	-			7.731	7.731	-
Highstreet (Commercial)		**18.724**	**6,2%**	**1,2%**	**304.114**	**304.114**	**238.857**
Residential Small Deals		**3.772**	**6,7%**	**10,0%**	**56.430**	**57.477**	**41.063**
DGAG Residential		**27.050**	**7,2%**	**2,2%**	**376.631**	**377.723**	**274.850**
TOTAL Germany		**50.601**	**6,5%**	**2,7%**	**774.349**	**777.968**	**571.526**
TOTAL YIELDING PORTFOLIO		**82.900**	**6,7%**	**12,3%**	**1.229.763**	**1.250.904**	**845.439**
Trading & Soho ITA		**2.425**	**n.m**	**n.m**	**148.219**	**172.137**	**140.154**
Development ITA		**-**	**n.m**	**n.m**	**58.992**	**60.980**	**33.943**
Lands ITA		**-**	**n.m**	**n.m**	**140.799**	**154.905**	**80.736**
Commercial & Other Germany		**772**	**n.m.**	**n.m.**	**17.807**	**19.893**	**6.043**
Lands Poland		**10**	**n.m**	**n.m**	**10.270**	**22.669**	**(909)**
OTHER PORTFOLIO		**3.207**			**376.086**	**430.584**	**259.966**
GRAND TOTAL REAL ESTATE		86.107	5,4%		1.605.849	1.681.488	1.105.405

The Prelios Group's yielding portfolio has a market value of 5.4 billion euro (of which the Prelios share is 1.3 billion euro) and a book value of 5.2 billion euro (of which the Prelios share is 1.2 billion euro), and generates annual rental income of 83 million euro (roughly 353 million euro on a 100% aggregate basis). The portfolio's ten principal tenants, accounting for 52% of rents attributable to Prelios are: Karstadt (Highstreet), Telecom, Regione Sicilia (Sicilian Regional Government), Valtur, Conforama Italia, Eni, Uci Italia, Vodafone, Alstom Power and Manutencoop Facility Management S.p.A.

The following table shows AUM by country, divided in accordance with accounting standards IAS 2 and IAS 40.

	Book value 100%		Market value 100%	Book value pro-rata		Market value pro-rata
IAS 2	452.646		594.382	89.933		105.292
IAS 40	1.136.523		1.143.896	365.482		367.644
Commercial Italy	**1.589.169**		**1.738.278**	**455.415**		**472.936**
IAS 2	80.632		83.271	37.173		38.654
IAS 40	-		-	-		-
Commercial Germany	**80.632**		**83.271**	**37.173**		**38.654**
IAS 2	2.513.340		2.513.340	304.114		304.114
IAS 40	-		-	-		-
Highstreet	**2.513.340**	(*)	**2.513.340**	**304.114**	(*)	**304.114**
IAS 2	6.141		8.238	3.067		4.115
IAS 40	106.841		106.841	53.363		53.363
Residential Small Deals	**112.982**		**115.079**	**56.430**		**57.477**
IAS 2	12.883		15.612	5.153		6.245
IAS 40	928.695		928.695	371.478		371.478
Residential Germany	**941.578**		**944.307**	**376.631**		**377.723**
IAS 2	350.430		407.355	135.084		156.713
IAS 40	46.151		54.197	13.135		15.424
Trading Italy	**396.581**		**461.552**	**148.219**		**172.137**
IAS 2	125.788		130.500	58.992		60.980
IAS 40	-		-	-		-
Development Italy	**125.788**		**130.500**	**58.992**		**60.980**
IAS 2	360.283		390.070	140.799		154.905
IAS 40	-		-	-		-
Lands Italia	**360.283**		**390.070**	**140.799**		**154.905**
IAS 2	41.517		47.300	17.807		19.893
IAS 40	-		-	-		-
Other Germany	**41.517**		**47.300**	**17.807**		**19.893**
IAS 2	25.619		56.617	10.270		22.669
IAS 40	-		-	-		-
Lands Poland	**25.619**		**56.617**	**10.270**		**22.669**
Total investee portfolio	**6.187.489**		**6.480.313**	**1.605.849**		**1.681.488**

(*) In relation to the Highstreet real estate portfolio, the net capital invested is now limited solely to financial receivables, whose recoverability is evaluated through an analysis of expected cash flows from the closure of the joint venture, which can be carried out on completion of the disposal of said assets.

8. DIVISIONAL PERFORMANCE

This section outlines the economic performance of both the Real Estate component (by geographical area) and NPLs, distinguishing between income/costs from the management platform and income/costs from investment activities.[25] The operating result included and commented on in the following tables corresponds with the definitions in section 4 of this report.

Unless otherwise stated, the amounts reported in the following tables are presented in millions of euro.

The following table breaks down the operating result by geographical area.

	Italy		Germany		Poland		NPL		G&A		Total			
	June 2013	June 2012	June 2013	June 2012	June 2013	June 2012	June 2013	June 2012	June 2013	June 2012	June 2013		June 2012	
Management Platform	3,6	7,9	2,1	3,9	(0,1)	0,0	(2,1)	(0,2)	(5,9)	(5,3)	**(2,5)**		**6,2**	
Investment Activities	(6,8)	(10,1)	1,8	1,6	(0,7)	(0,1)	3,3	(0,6)	0,0	0,0	**(2,4)**	**(5,7)**	**(9,2)**	**(34,7)**
Loss from NPL portfolio valuation	0,0	0,0	0,0	0,0	0,0	0,0	(3,3)	(25,5)	0,0	0,0	**(3,3)**		**(25,5)**	
Operating result	**(3,2)**	**(2,2)**	**3,8**	**5,5**	**(0,8)**	**(0,1)**	**(2,1)**	**(26,3)**	**(5,9)**	**(5,3)**	**(8,2)**		**(28,5)**	

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

8.1. Italy Real Estate

The Real Estate Italy operating result (Management Platform and Investment Activities) is a negative 3.2 million euro in the first half of 2013, compared with a negative 2.2 million euro in the same period of 2012, which however included the one-off sum of 3.7 million euro associated with favourable settlement on a previous public sector development contract involving project financing.

Management Platform

In the first half of 2013 the operating result was a positive 3.6 million euro, compared to 7.9 million euro in the same period of 2012.

With regard to the performance of the Management Platform, these are the main events that affected the individual Cash Generating Units.

[25] Results from investment activities refer to net income generated by Prelios from its investments in funds and companies which own real estate portfolios; results from the Management Platform refer to net income generated from the company's fund and asset management activities and specialised real estate services (property & project, agency and facility management), and from NPL credit servicing, inclusive of general and administrative expenses.

Fund Management	**June 30, 2013**	**June 30, 2012**
Revenues (millions of euro)	11,1	11,7
Operating result (millions of euro)	4,7	4,3
Ros	42%	37%
Number of funds managed	23	22
AUM (*)	4,1	4,5
Number of employees	63	66

(*) Market value in billions of euro, expressed at 100%, including Excelsia 9 Srl portfolio and excluding Spazio Industriale fund not anymore considered under management from the second quarter 2013.

Prelios Società di Gestione del Risparmio S.p.A. ("Prelios SGR"), 90% owned by Prelios S.p.A. and 10% owned by Intesa Sanpaolo S.p.A., is specialised in the establishment and management of closed-end real estate investment funds.

At June 30, 2013, the Company managed a total of 23 funds, of which 10 ordinary (2 of these listed) and 13 speculative, in addition to a contract to manage the process of divesting a real estate portfolio.

The revenues, mainly represented by fixed management fees, totalled 11.1 million euro in the first half of 2013, down around 5% compared to the figure recorded in the first half of 2012. The difference is mainly due to the decrease in assets under management from 4.5 billion euro as at June 30, 2012 to 4.1 billion euro as at June 30, 2013.

Despite the drop in revenues, the operating result in the first six months of 2013 increased, from 4.3 million euro in the first half of 2012 to 4.7 million euro in the same period of 2013. The increase is mainly attributable to the continuous monitoring of costs and to a reduction in personnel costs.

In relation to the setup and/or management of new funds, in May 2013 the company took over management of the Obton Fund, a speculative closed-end real estate fund that mostly invests in properties functional and instrumental to renewable energy production, especially photovoltaic plants.

The Fund's asset structure envisages the signing of a lease with a company (100% owned by an operation & maintenance company), the consideration for which involves a varying annual fee calculated on the basis of sales of the energy produced and on the feed-in tariff, with a guaranteed minimum.

The Fund invests in photovoltaic plants already "connected" in Italy in order to reach a minimum target size of around 50 million euro (approximately 14 MW).

In June 2013, Prelios SGR and UBS Global Asset Management signed an agreement for the development and distribution of a real estate fund dedicated to Italian institutional investors, which will invest in units of foreign real estate funds operating in particular in Asia and the United States (multi-manager funds). This fund will be set up, placed and managed by Prelios SGR with support from UBS Global Asset Management as Investment Advisor. The fund envisages an initial closing for 200 million euro, with the aim of reaching 500 million euro within two years.

Again in June 2013, the company and TerniEnergia (a company active in energy from renewable sources, energy efficiency and waste management, listed in the Star segment of the Italian Stock Exchange) signed an agreement for the setup of "RA" (Renewable Assets), a closed-end real estate investment fund reserved for professional investors which will invest in assets used in the production of energy from renewable sources. The Fund, established, placed and managed by Prelios SGR, will have an initial equity funding target of between 50 and 100 million euro and a 20-year duration.

This speculative Fund can reach a maximum financial debt of 80%.

TerniEnergia will initially contribute a number of plants, already fully operative in the production of energy from renewable sources, for a gross market value of not less than 75 million euro, with simultaneous subscription to units of the Fund.

In agreement with Prelios SGR, TerniEnergia will also play a strategic role in the development of a plants pipeline to be created or already existing in the photovoltaic and other renewable energy sectors, which can be transferred to the Fund and managed by TerniEnergia as tenant.

During the period under review, the company also participated in public tenders for the selection of an asset management company to set up and manage a real estate fund launched by CNPADC (the Italian national welfare and assistance fund for chartered accountants) and by INPGI (national welfare fund for Italian journalists). The company is currently awaiting the outcomes.

The company’s development activities continued in the reporting period, also through the study and promotion of numerous new initiatives based on private negotiations.

Agency	**June 30, 2013**	**June 30, 2012**
Revenues (millions of euro) (*)	3,2	5,3
Operating result (millions of euro)	(1,9)	(1,5)
Ros	-61%	-28%
Volumes intermediated (millions of euro)	22,3	99,4
Number of employees	39	44

(*) June 2012 data included a positive effect from the company Prelios Finance for 0.3 million euro.

In Italy, real estate agency and valuation services are performed by the subsidiaries Prelios Agency S.p.A. and Prelios Valuations E-Services S.p.A.

Prelios Agency S.p.A. is a Prelios Group company specialised in the provision of professional advisory services for the purchase and sale or lease of single properties and entire portfolios of office, residential, industrial, logistic and retail properties. The company also offers a series of brokerage & advisory services for purchases, sales or leasing ranging from the analysis of customers’ needs to monitoring of the market, negotiations management and contractual assistance.

Prelios Valuations E-Services S.p.A. is an independent operator in the value appraisals of single properties and real estate asset portfolios in the services and residential segments, and is specialised in loan services for banks.

Revenues for the first half of 2013 amount to 3.2 million euro compared to 5.3 million euro in the corresponding period of 2012: the decrease is due to lower brokered volumes (99.4 million euro in the first half of 2012 vs. 22.3 million euro in the first half of 2013): note also that revenues in the first half of 2012 included a 0.3 million euro contribution relating to

Prelios Finance, 80% of which was transferred during the previous year. The remaining 20% was disbursed in June 2013.

As at June 30, 2013 the revenues from valuation activities are more or less unchanged compared to the same period of 2012, in this respect recording a decrease in Loan Services activities almost totally absorbed by an increase in revenues deriving from Full Appraisals activities (in the first six months of 2013, Full Appraisals for companies, institutional investors and real estate funds accrued fees equal to the 2012 revenues). Again in the first half of 2013 the negative Agency result is essentially due to the persistence of the crisis in the Italian real estate market, which has led to a significant decrease in the number and size of transactions.

As at June 30, 2013 the portfolio of sales contracts from third party customers amounts to 1,431[26] million euro.

Note that throughout 2012, Agency performance was characterised by a limited number of transactions of a significant amount.

Integra	**June 30, 2013**	**June 30, 2012**
Revenues (millions of euro)	7,6	8,1
Operating result (millions of euro)	0,8	5,1
Ros (*)	11%	17%
Value of assets managed (billion euro)	4,9	5,6
Square metres managed (millions)	4,1	4,1
Rental units managed	about 29.000	more than 29.000
Rental contracts managed	more than 2.800	more than 3.000
Passing Rent (millions of euro)	more than 259	more than 270
Value of project management assets managed (billions of euro) (**)	0,4	0,4
Capex first half (million euro) (***)	5,0	4,0
Pipeline Capex over entire life (million euro) (****)	304	304
Number of employees	75	74

(*) ROS calculation of June 30, 2012 does not include 3.7 million euro effect on operating result related to a favorable arbitration ended in 2012.
(**) Value of project management assets managed already largely subject to property management
(***) Project management activities realised as at June 30, 2013.
(****) Project management activities potentially realisable based on existing mandates.

In Italy, integrated property management services are performed by Prelios Integra S.p.A., a 100% subsidiary of Prelios S.p.A.

Prelios Integra is among the leading Italian operators in the integrated property management and project development sector, with 4.9 billion euro AuM, for over 4.1 million square metres.

The company offers an integrated service of active and dynamic asset, property and facility management aimed at increasing asset value on behalf of public and private customers: from property administrative and accounting management to relationships with tenants, technical maintenance services, research and sales support.

[26] List value.

As part of its project management activities the company handles all project and implementation stages of a property with distinguished expertise in the field of sustainability: from the development of new eco-sustainable properties, to green retrofitting, energy certification and energy from renewable sources.

For retail, the company has a highly specialised department, responsible for the development and improvement of shopping centres in Italy, including operational and administrative management, the relationship with retailers and the strategic optimisation of the tenant mix.

All the services listed above are aimed at both Group companies and third parties.

The company is currently committed on the following fronts:

- administrative and property management;
- facility management and energy;
- project management;
- asset management and improvements;
- sales support;
- shopping centre management.

Revenues for the first half of 2013 amount to 7.6 million euro compared to 8.1 million euro in the first half of 2012. The decrease is mainly due to less activities in terms of extraordinary maintenance on the INPS contract and support activities for property sales. The operating result for the first six months of 2013 is 0.8 million euro, compared to 5.1 million euro as at June 30, 2012, which benefited from the positive effect of a 3.7 million euro arbitration award relating to a previous public sector development contract involving project financing.

On June 14, 2012, the “RTI” (Temporary Association of Companies) - formed 32% by the company, that is also the lead agent company, 18% by Abaco Servizi (Gabetti Group), 20% by EXITone (STI Group) and 30% by Siram S.p.A. (Veolia Group, listed on the Paris Stock Exchange) - was awarded the final contract in the tender launched by INPS for the provision of management services for its owned properties. Later, on August 12, 2013, the RTI (Temporary Association of Companies) signed the three-year contract for the provision of management services for the real estate portfolio of INPS. The real estate assets of the social security and welfare institute, the subject of the management contract, have mixed office, shop and residential use, and include around 13,000 property units. In particular, Prelios Integra will provide property and building management services to the authority.

By order filed on June 19, 2013 the State Council rejected the claim for injunction orders requested by the applicant against an unjustified instrumental appeal.

The real estate assets of the social security and welfare institute, the object of the management contract, have mixed office, shop and residential use, and include around 13,000 property units concentrated mainly in the province of Rome.

The contract will have a 3-year term, with the option of a 6-month renewal, plus a further six months. After contract signing, the setup of a consortium between RTI partners is envisaged to manage the contract.

In the first half of 2013 the company managed real estate divided into more than 2,800 leasing contracts. The main third-party customers were: INPS Lots 1 and 3, Duemme SGR (Aries Fund), Prisma SGR, RCS Mediagroup, Lactalis Group, Stam Europe, Foppolo Risorse (CIR Group), Al Rajhi Group and Siemens.

The company acquired the following new contracts in the first half of 2013: UBI, CARIGE, PRISMA SGR, Haworth and Excelsia 9.

The company also took part, on its own behalf, or as part of a Temporary Association of Companies, in the tenders called by:

- INDIRE: a tender for real estate inventorying and regularisation;
- Ministry of the Environment and Land Protection: tender for the granting of subsidised loans for new private investments in the green economy;
- Lombardy Regional Government: tender for the issue of grants in support of industrial research and experimental development projects in the Smart Cities and Communities sector.

Investment Activities

As investment activity-related assets are due for disposal within 24-30 months, the results in this segment could be affected by the negative trends seen on the Italian real estate market. In particular, for this activity, investments held by Prelios through its investee funds and companies with real estate and non-performing loan portfolios are often subject to the resolutions of majority partners.

In the first half of 2013 the operating result is a negative 6.8 million euro, compared to a negative 10.1 million euro in the same period of 2012.

The still weak market scenario, marked by a low number of transactions and intensification of the drop in prices, does not allow investment companies' remuneration of operating and financial expenses, and therefore despite lower costs than in 2012 the Investment Activities result remains negative.

Property sales realised in the first half of 2013 (considering 100% of the properties of associates, joint ventures and investee funds) totalled 33.4 million euro (100.2 million euro in the same period of 2012). The gross sales margin[27] realised in the first half of 2013 is 2.6% (2.2% in the same period of 2012). Total rents[28] amount to 62.3 million euro (65.4 million euro as at June 30, 2012).

8.2. Germany Real Estate

The Real Estate Germany operating result (Management Platform and Investment Activities) is a positive 3.8 million euro in the first half of 2013, compared with a positive 5.5 million euro in the same period of 2012.

[27] This expresses the related gross capital gains as a percentage of sales. These capital gains are realised by subsidiaries, associates, joint ventures, and funds in which the Group has an interest of at least 5%.

[28] This value is the sum of rents earned by consolidated investment companies and the rents of associates, joint ventures and investee funds.

Management Platform

Germany	June 30, 2013		June 30, 2012
Revenues (millions of euro)	22,1		27,8
Operating result (millions of euro)	2,1		3,9
Ros (*****)	10%		14%
Square metres managed (millions) (*)	4,8	(**)	6,3
Number of rental units managed (*) (***)	more than 49.000	(****)	more than 70.000
AUM (***)	3,7		5,4
Number of employees	365		424

(*) Not including units / areas relating to car parks.
(**) Includes about 2 million euro of square meters subject to Facility Management activity, but not subject to Asset Management activity.
(***) Market value in billions of euro, expressed at 100%.
(****) Includes about 30.000 units subject to Facility and Property Management activity, but not subject to Asset Management activity.
(*****) ROS calculation includes dividends too.

In the first half of 2013 the Management Platform operating result is 2.1 million euro, compared to 3.9 million euro in the first half of 2012.

In the first half of 2012 the BauBeCon real estate portfolio was still under management in accordance with the agreement to extent the service mandate. The expiry of the mandates, initially set for May 31, 2013, was brought forward, effective as of November 1, 2012 for some contracts, and effective as of February 1, 2013 for others.

Revenues fall from 27.8 million euro in the first half of 2012 to 22.1 million euro in the same period in 2013.

Investment Activities

As at June 30, 2013, the operating result is a positive 1.8 million euro, compared to 1.6 million in the same period in the previous year.

Property sales realised in the first half of 2013 (considering 100% of the properties of associates, joint ventures and investee funds) totalled 79.8 million euro (177.1 million euro in the same period of 2012).
The gross sales margin achieved in the first six months of 2013 is around 0.1% (2% in the same period of 2012). Total rents amount to 123.8 million euro (130.9 million euro in the same period of 2012).

8.3. Poland Real Estate

The Poland real estate operating result (Management Platform and Investment Activities) in the first half of 2013 is a negative 0.8 million euro, compared to a negative 0.1 million euro in the corresponding period of 2012.

Management Platform

Poland	June 30, 2013	June 30, 2012
Revenues (millions of euro)	0,2	0,7
Operating result (millions of euro)	(0,1)	(0,0)
Ros	-81%	-3%
Square metres managed (millions)	0,4	0,8
AUM (*)	0,1	0,1
Number of employees	15	24

(*) Market value in billions of euro, expressed at 100%

The Management Platform essentially registers a break-even operating result, in line with the figure recorded for the first half of 2012.

The above results reflect the essential conclusion of property development sales, while the process of obtaining planning permission for certain areas still in the portfolio is under way.

Investment Activities

The operating results is a negative 0.7 million euro, compared with the negative figure of 0.1 million euro in the same period of the previous year. Action is currently being taken to complete the land development procedures which will lead to a potential development area of at least 400,000 sq.m. at the ex-Lucchini site in Warsaw, in which the Prelios interest is 40%. The result is affected by operating and financial costs associated with site improvements.

Property and site sales realised in the first half of 2013 were not significant (considering 100% of the properties of associates, joint ventures and investee funds), whereas in the same period of 2012 they totalled 0.5 million euro.

8.4. Non-Performing loans

The operating result for non-performing loans (Management Platform and Investment Activities) is a negative 2.1 million euro in the first half of 2013, compared with a negative 26.3 million euro in the same period of 2012. The operating result in the first half of 2013 includes the negative impact of the loss relating to valuation of the NPL portfolio for 3.3 million euro (negative by 25.5 million euro in the first half of 2012).

Management Platform

NPL	June 30, 2013	June 30, 2012
Revenues (millions of euro)	4,2	6,8
Operating result (millions of euro)	(2,1)	(0,2)
Ros	-50%	-3%
Amounts collected (millions of euro)	51,5	91,3
Gross book value (billions euro) (*)	8,5	8,8
N. of non-performing loans managed (**)	more than 73.000	more than 34.000
Number of employees	112	122

(*) The activities on the total portfolio managed are: Special Servicing and other credit recovery activities (6.7 billions euro), Portfolio Management activity (7.5 billion euro) and Master and Corporate Servicing activities (7.2 billions euro).

(**) The value as at june 30, 2013 includes about 39.000 positions relating to the agreement signed with Zeus Finance S.r.l. for Master and Corporate Servicer activities. The comparative data is related to December 31, 2011.

With a portfolio of 8.5 billion euro, Prelios Credit Servicing is one of the leading operators for NPL management volume in Italy.

In the first half of 2013 the Management Platform operating result is a negative 2.1 million euro, compared to a negative 0.2 million euro in the first half of 2012.

Revenues of 4.2 million euro as at June 30, 2013 are down on the 6.8 million euro recorded in the same period of 2012.

Affecting the result are the lower volumes managed and the new fees structure for portfolios managed as joint ventures with Credit Agricole. In particular, the first half of 2012 benefited from higher variable fees that were later reviewed downwards in the last quarter of 2012. The review of agreements, however, allowed an average annual fee to be negotiated for 2013 that is in line with that actually recognised in 2012. In the comparison with the result for the first half of 2012, note also the postponement of certain fees (0.5 million euro impact on the first half of 2013) due to a number of conditions precedent.

In the first half of 2013, the value of NPL amounts collected is 51.5 million euro, compared to collections of 91.3 million euro in the first half of 2012.

During the first few months of 2013, new agreements were defined with DGAD International S.àr.l. (“DGAD”), a 100% subsidiary of Crédit Agricole Corporate & Investment Bank (“CA-CIB”), which amended and supplemented existing agreements regarding the governance of PRECS, fees payable for the servicing activities and, more in general, investments held jointly by the Issuer in the NPL segment through the holding European NPL S.àr.l. (“ENPL”).

In particular, a complex transaction was defined envisaging that Prelios: (i) acquires 20% of PRECS share capital currently held by DGAD to bring its investment to 100% of the servicing company’s share capital; (ii) sells its entire interest in ENPL (33% of the share capital) to DGAD; (iii) gradual, regular release during 2013 of the Special Servicing mandates assigned to PRECS by the vehicles Calliope S.r.l., Sagrantino S.r.l., LSF S.r.l. and Island Refinancing S.r.l. (“NPL vehicles”).

The strategic rationale behind the transaction lies in the group’s objective of focusing on being a pure management company on the non-captive market, and specifically (i) assuming full control of the Company by Prelios; (ii) development and relaunch of the special servicing activities through the acquisition of new mandates on the market; (iii) continuation of the "reserved" activities, i.e. management of the Master Servicing, Corporate Servicing and Junior Representative of Noteholders (JRON) activities for portfolios currently managed as special servicing, also for CA-CIB.

Investment Activities

	June 30, 2013	June 30, 2012
Return on Securities	3,3	2,3
Capital losses on portfolio sales	0,0	(2,9)
Operating result before loss from valuation of NPL portfolio	3,3	(0,6)
Loss from NPL portfolio valuation	(3,3)	(25,5)
Operating result (millions of euro)	0,0	(26,1)

The operating result before loss from valuation of the NPL portfolio is a positive 3.3 million euro, compared with the negative figure of 0.6 million euro in the same period of 2012 (which included a capital loss of 2.9 million euro on the block disposal of a number of secured and unsecured receivables of the subsidiary CFT). Considering the negative impact of 3.3 million for the first half of 2013 and 25.5 million euro for 2012, relating to the loss from the valuation of the NPL portfolio, the operating result achieves break-even point compared to the negative 26.1 million euro recorded as at June 30, 2012.

Note that, in view of the approval of the "Head of Terms" with Credit Agricole, which among other things envisages the exit of Prelios from the NPL co-investment as a joint venture with Prelios, the result for the first half of 2013 refers almost exclusively to figures for the joint venture with Morgan Stanley.

9. RISKS AND UNCERTAINTIES

Despite the difficult macroeconomic situation, with particularly severe impacts on the real estate sector, at the current state of play, also based on what has been communicated in regards to relations with the Industrial Investor and the development of the Transaction, the directors have adopted the going concern principle in drafting the financial statements, on the basis of the assumptions and checks outlined in section 6.2 of the explanatory notes to the consolidated financial statements.

The financial risks analysis illustrated below was performed assuming completion of the share capital increase and debt restructuring transaction that was concluded in August.

9.1. Risks related to the Group's financial structure

The Group is exposed to risks of a financial nature, primarily associated with the raising of financial resources on the market, the sustainability of financial debt in terms of costs and observance of commitments related to repayment, the ability of its customers to meet their obligations to the Group and the possibility of having the necessary resources available for financing business development.

Financial risk management is an essential part of the activity of the Prelios Group. The Group's financial risk management policies aim for the mitigation of exposure to interest rates, also implemented through the use of selected derivatives and partial currency risk hedging.

The guidelines on financial risk management are defined by the Finance, Planning & Control Department. The risk management policies aim to provide Group management with confirmation that activities subject to financial risk are governed by appropriate policies and procedures and that financial risks are identified, evaluated and managed in compliance with the Group's risk appetite. Under these guidelines, the Group uses derivatives to hedge underlying financial assets or liabilities or future transactions.

Financial risk management is performed centrally by the Finance, Planning & Control Department, which has the task of assessing risks and proposing any hedging strategies, and of arranging hedges agreed with Group management. The Finance, Planning & Control Department operates directly on the market, coordinates the activities of subsidiaries and monitors those of associates and joint ventures on a quarterly basis in order to propose appropriate decision-making instruments to the boards of directors of the initiatives managed.

9.1.1. Risks associated with financial debt

Risks relating to the sustainability of the financial debt are associated with the partial or delayed implementation of, or failure to implement, the Recovery Plan and resulting presumed refinancing on natural expiry of this debt.

Pursuit of the objectives and guidelines envisaged in the Strategic Plan and Recovery Plan is subject to many external variables not dependent upon the Group, for example the performance of the market on which the Company and the Prelios Group operate, the reference macroeconomic scenario, alignment of the various partners in which the Group has a qualified minority interest on the boards of directors of the investees for the implementation of decisions associated with the respective plans, the change in value of the real estate assets of Prelios Group companies, the market's absorption capacity of assets owned by the Prelios Group, etc. Therefore failure to achieve the objectives, or only partial achievement, of the Strategic Plan and Recovery Plan, and likewise the potential need to adjust them to further requirements as yet unknown and unforeseeable could have a significant negative impact on the economic, equity and financial position of the Prelios Group.

It cannot be excluded that - even with due regard to the fact that the provisions of the Recovery Plan are also based on factors not strictly related to the Company's operations, but dependent on the reference macroeconomic scenario - the Company is unable to meet its repayment obligations under the terms of the Restructuring Agreement.

9.1.2. Risks associated with failure to comply with financial covenants, commitments, representations and guarantees

The Restructuring Agreement does not envisage financial covenants for the Company but does require periodic disclosures.

Failure to comply with the periodic disclosures requirement does not constitute an outright cancellation clause per se. However, violation of these obligations would give the Lending Banks the right to exercise their contractual remedies with subsequent acceleration of the loan repayment and lapse of the acceleration clause for the parent company. It cannot be excluded that, based on information provided in compliance with the disclosure requirement (or as a result of failure to comply with the reporting obligation), the need arises to implement remedial action as yet unknown and certainly unforeseeable, that could have a negative impact on the group's economic, equity and financial position.

9.1.3. Risks associated with interest rate fluctuations

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

The Group manages interest rate risk related to its floating-rate corporate debt also by offsetting it through natural hedging with floating-rate financial receivables (i.e. shareholder loans granted to investee initiatives), and, for the remaining exposure, with recourse to derivative contracts.

It should also be noted that there is essentially no foreseeable risk of interest rate fluctuations in the financial debt covered by the Recovery Plan.

This lack of foreseeable risk derives from the fact that the Restructuring Agreement envisages conversion of the debt from floating rate to fixed rate. The risk of interest rate fluctuation is therefore limited only to the portion of the Senior Loan on which, from January 1, 2017 to maturity (December 31, 2018), an interest rate will apply equal to the Euribor rate plus an annual spread to be defined in good faith between the parent company and the Lending Banks.

It should be noted that 79% of the total borrowings (bank and non-bank) of investee vehicles is protected from interest rate fluctuations above a certain level, either through fixed-rate loans or via recourse to hedging derivatives.

9.1.4. Currency risk

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

9.2. Risks associated with Group business

9.2.1. Risks associated with the negative trend in Group results

The persisting crisis that has affected the financial markets in general, and the real estate sector in particular, has also had a negative impact on Prelios results over the last few years.

To face this situation, Prelios has optimised the components of its business model and begun implementation of the action envisaged in the Recovery Plan. Any continuation of the crisis that has affected the sector could lead to negative results recorded also in 2013 and the coming years, and consequently generate uncertainty in the achievement of Recovery Plan and Strategic Plan targets. This situation could lead to an inability to distribute dividends and repay the debt, and a further continuing weakening of Prelios' economic, equity and financial structure.

9.2.2. Risks associated with failure to implement the Recovery Plan, the Strategic Plan, forecasts and profit estimates

Based on the strategies defined during the second half of 2012, on March 27, 2013, the Company's Board of Directors approved the Strategic Plan (at consolidated level) and the Recovery Plan (at Holding level), containing the strategic guidelines and the economic, equity and financial growth targets of the Company and the Group for the next three years.

The company, which as a result of delays in finalising the Transaction gave priority to managing going concern issues rather than ordinary business development, will implement the plan with some remodelling to adapt to the new market environment.

The Strategic Plan and Recovery Plan were prepared in consideration of estimates prepared by the Group with help from advisors appointed for this purpose. As estimates and processed data are involved, as accurate as they may be, they are nevertheless subject - by definition - to uncertainties and variables. Therefore any deviation in developments in the economic scenario compared to the estimates and processing underlying the Recovery Plan could jeopardise its achievement, with subsequent negative impact on the Group's economic, equity and financial position. Note therefore that, assuming a contraction of the property market, maintaining equity within the legal limits would in any event be guaranteed by the presence of an instrument such as the Convertible Bond, which in abstract terms, so without considering liquidity-related implications, allows considerable equity losses to be borne without giving rise to the risk of needing to implement a procedure to recapitalise the Company.

Nonetheless, it has to be taken into account that it is any event impossible to exclude the need for recapitalisation if liquidity requirements should emerge in excess of those formulated in the Recovery Plan, as a result of a potentially lower inflow of financial resources from asset disposals, or a stronger need for financing due to a deterioration in the economic scenario, which could in turn affect the Group's operating and financial performance.

The Strategic Plan and Recovery Plan contain certain estimates regarding the Company and Group's competitive positioning, formulated by Prelios on the basis of available data and its own knowledge of its sector of operations. However, the lack of reliable, standard sector data means that the estimates and forecasts are in general subject to risks and uncertainties. Therefore the results of Prelios and the performance of the sector in which it operates could prove different, even significantly, to those envisaged in the statements, as a result of risks that are also not known or unforeseeable, uncertainties and other factors. The Strategic Plan and the Recovery Plan also both contain statements of an estimated nature, particularly forecasts of the Group's economic and financial performance and future events. The actual results could, however, be different from those indicated in these statements due to uncertainties and other factors as yet unforeseeable, including risks associated with a continuation of the difficult situation in the reference markets and potential deterioration of the macroeconomic scenario.

9.2.3. Liquidity risk

The main instruments used by the Group to manage the risk of insufficient financial resources available to meet financial and commercial obligations in accordance with pre-established terms and maturities come in the form of annual and multi-year financial plans and treasury plans, to allow a comprehensive and accurate recognition and measurement of incoming and outgoing cash flows. These plans are heavily influenced by the implementation of sales plans in accordance with timescales and the amounts contained in the forecasts made, in correlation with the repayment plans for borrowings raised to support investments. The deviations between the plans and final figures are constantly monitored, for the purpose of adopting all necessary and prompt remedies, where required.

The prudent management of risk described above requires the maintenance of an adequate level of cash and cash equivalents and/or short-term securities that can be easily disposed of and/or the availability of funds through a suitable amount of credit facilities. Owing to the dynamic nature of the businesses in which it operates, the Group prefers flexibility in raising funds through recourse to credit lines.

For a number of years the Group has used a centralised system for the management of payment and collection flows in respect of the various currency and local tax regulations. Banking transactions are negotiated and managed centrally, in order to ensure short- and medium-term financial needs are met at the lowest cost possible. The raising of medium/long-term funding on the capital market is also optimised through centralised management.

Likewise, the Group has for some time used a risk monitoring system associated with recourse guarantees given to investee initiatives which offer management the information necessary to take action accordingly.

The current competitive and financial context, characterised by persistent tension over the values of real estate assets, the credit crunch and the slowdown in purchases/sales determines, for the Group, a significant increase in risks connected with maintaining proper cash flows, needed to cover its financial requirements.

Liquidity risk, monitored constantly, is also closely related to the company's requirements and is also assessed in relation to the initiatives aimed at strengthening the company's equity and financial structure. The strategic plan, subject to appraisal by an independent expert, shows the Group's capacity to generate cash flows necessary for its operations and to meets its commitments.

9.2.4. Legal risks associated with civil and administrative proceedings

The situations in which Prelios Group companies are involved in legal proceedings (civil or administrative), some of which have only arisen in recent months, mainly concern:

- disputes related to the sale of properties (e.g. failure to comply with pre-emption rights, breach of contract and/or failings associated with the property subject to purchase or sale);
- disputes related to management services provided for tenants, customers and suppliers.

In terms of risk control strategies, it is important to note (i) the management and monitoring of disputes, including with the assistance of external legal consultants, and (ii) the evaluation of the degree of risk and determination of provisions made through internal analysis, with the assistance of the opinions of external legal consultants that assist the Company. It is considered that the disputes challenged could have a favourable outcome for the Group, and in any event in line with assessments made and within the estimates assumed for the aforementioned provisions for risk of the entities involved in such disputes.

Thus stated, given the unpredictable nature of legal proceedings and disputes, the risk of the disputes having an outcome other than expected, with potential negative repercussions on the Prelios Group's economic and financial position, cannot be excluded.

The legal risks to which the Group is exposed include the following:

Polish Investment Real Estate Holding II B.V., the Dutch company in which Prelios S.p.A. has a significant minority interest as part of a joint venture with investment funds pertaining to the Grove funds, and which holds 100% of the share capital of Coimpex Sp.Zo.o. and indirectly that of Berea Investments Sp.Zo.o. SKA, owner of a site currently undergoing urban transformation in Warsaw. The site was purchased by Prelios S.p.A. indirectly through the purchase of Coimpex Sp.Zo.o. and Relco Sp.Zo.o. (later merged into Coimpex Sp.Zo.o.) in 2008 and later transferred to Polish Investment Real Estate Holding II B.V. With regard to the above, Grove raised a number of claims concerning Prelios S.p.A.'s methods adopted in negotiations for the sale to Polish Investment Real Estate Holding II B.V. of companies originally owned in the area, and on July 3, 2013 service notice upon the Company of the instigation of international arbitration proceedings in which it claims that the aforementioned transaction was performed under terms different from those declared and, in any event, in a manner not consistent with the principles underlying the investment arrangements between the parties. In particular - though without specifying the value of the claim - Grove requests payment of the difference between the purchase price paid for the site by the joint venture initiative to the parties and that paid for the previous purchase made indirectly by Prelios S.p.A..

Grove also alleges the existence of a possible conflict of interest between Prelios Polska Sp.Zo.o. (a subsidiary of Prelios S.p.A.) which apparently acted without due diligence in providing urban valuation services on the site in order to give Prelios S.p.A. the advantage. The Company is currently assessing the documentary evidence and points on which the claim is based so as to assess the actual risk, and is preparing all initiatives considered necessary to protect its own rights, also in arbitration proceedings.

Furthermore, in relation to civil and administrative proceedings involving the investment companies in which the Group has a significant minority interest, note that given the legal liability of these investment companies, and the fact that they are not included in the scope of consolidation of the Group, no provisions for risks and charges have been allocated at consolidated level. However, it is in any event considered appropriate to report specifically on the initiative relating to the G6 Advisor Consortium, which performs management activities for the disposal of certain real estate portfolios subject to securitisation, in which the subsidiary Prelios Agency S.p.A. has a 42.3% investment. The legal status of the consortium, in fact, envisages joint liability of all consortium members. If the consortium should become subject to legal proceedings, the consortium members could be called upon directly to respond with regard to their portion of the consortium if its funds are not sufficient to meet its obligations. The total value of proceedings in which the consortium is a party is roughly 32.3 million euro.

Lastly, in February 2005, Prelios and the Group companies, more specifically Prelios Property & Project Management, Prelios Agency and Prelios Credit Servicing signed a contract with Capitalia (now UniCredit) and some companies in the Group of the same name, pursuant to which Prelios – on its own behalf and through Group companies – undertook to provide Capitalia with some services related to the purchase, management and disposal of given properties, subject to enforcement procedures for the recovery of receivables owned by Capitalia, in order to help the latter with credit protection, through the safeguarding and realisation of real estate values.

In January 2011, UniCredit withdrew from the Contract, requesting the handover of all the documents in Prelios Group's possession. Subsequently, the other UniCredit Group companies also exercised their withdrawal.

In 2011, following the end of the validity period of the contract, UniCredit sent Prelios three communications contesting the work performed by said party and the Group companies (especially Prelios Property & Project Management), in relation to asset management activities. In September 2011, the documentation regarding the properties involved in the contract was delivered.

On December 14, 2012, UniCredit quantified the alleged damages at 82 million euro with a formal request for compensation.

The company fully rejected the UniCredit claims for compensation and, at the same time, requested payment of 560 thousand euro for services provided by Prelios Property & Project Management and still unpaid (note that the overall total for services provided by the Prelios Group was around 770 thousand euro).

Prelios challenged the request for compensation, not just in relation to the amount, deemed groundless, but also based on the fact that this claim was received late, when the contract had ceased to be valid following withdrawal. Therefore, also on the basis of authoritative judgments, no provision was set aside for risks, given the unlikelihood of a liability arising.

9.2.5. Tax risks

As at the date of approval of this half-year financial report as at June 30, 2013, tax litigation still pending involving the Italian Tax Authorities and Prelios S.p.A. (the "Company") and some of its subsidiaries amounts to around 2.5 million euro in taxes (excluding penalties and interest).

Tax litigation refers mainly to the following issues disputed before the Tax Commissions:
- allocation of higher income;
- application of the arm's length principle to property purchases and sales;
- unlawful deduction of VAT and incorrect application of VAT;
- derecognition of costs for IRES and IRAP tax purposes.

The company, backed by the opinions of its consultants, all professionals of recognised standing, and information in its possession to date, believes that the positions challenged can be settled without a significant impact on the financial statements for the entities involved in said disputes.

* * *

For the sake of completeness of information, it should be noted that, as regards companies in which Prelios S.p.A. or its subsidiaries have a significant minority interest with third party investors (associates and joint ventures), the total amount involved in the disputes brought by the Italian tax authorities comes to roughly 309 million euro in taxes (excluding penalties and interest), around 83% of which relates to one company, Tamerice Immobiliare S.r.l. (in liquidation).

The more significant positions are:

(a) Tamerice Immobiliare S.r.l. (in liquidation), in which Prelios has a 20% interest. During a tax audit performed in 2008 by the Guardia di Finanza (Italian Tax Police), in reference to the tax periods from 2005 onwards the authority challenged the tax deductibility of a capital loss realised by Tamerice following the disposal of an investment.
In the notices of assessment the Italian Inland Revenue justified its claim by citing the case law principle of "abuse of rights".

According to the contents of the notices of assessment, this claim would result in higher taxes for 2005, 2006 and 2007 for a total of 258 million euro (excluding penalties and interest). The notices were challenged by the tax court judge (a summary description of the status of the claim is provided later in this report). At present Tamerice records negative equity and was placed in liquidation in 2012. It is considered that, based on the current situation and on tax regulations in force, if the outcome of the aforementioned proceedings is against the company and Tamerice has insufficient equity to make the settlement, there can be no prejudicial effects on Prelios.

The following should be noted as regards the status of the existing dispute.
With reference to the notice of assessment for 2005 (the countervalue of which in tax terms is 9 million euro, plus penalties amounting to 100% of the taxes and plus interest), by judgment of June 5, 2013 the Regional Tax Commission of Milan rejected Tamerice's appeal, upholding the first instance judgment ordering payment. This ruling will be appealed before the Court of Cassation but the filing of the aforementioned decision determines the enforceability of the tax payable of around 5.3 million euro (a tax demand served upon the company in July 2011 for which in June 2013 the Italian Inland Revenue notified withdrawal of the suspension order) and of the residual debt. By virtue of the partially favourable outcome of another tax dispute, Tamerice has a tax credit available for around 14 million euro (plus interest) receivable from the tax authority, and this will allow it to settle - offsetting the entire amount of its credit - the amount payable ascertained in the Regional Tax Commission's decision. Tamerice does not presently have own funds sufficient to make any payment if ordered in the meantime.

With reference to the notice of assessment for 2006 (the countervalue of which in tax terms is 71 million euro, plus penalties amounting to 200% of the taxes and plus interest) and to the notice of assessment for 2007 (the countervalue of which in tax terms is 178 million, plus penalties amounting to 200% of the taxes and plus interest), the payment obligations and related legal proceedings are suspended pending the final outcome of the dispute relating to the 2005 notice of assessment.

Furthermore, on July 31, 2012 the company received a tax demand containing the extraordinary registration of the sum of 221 million euro (for taxes and penalties relating to the notices of assessment for 2005 and 2006). The Provincial Tax Commission granted suspension of the effects of the extraordinary registration and ordered that the decision be combined with that pending in relation to the notice of assessment for 2006. It will therefore be necessary to wait for a hearing date to be set before the Provincial Tax Commission to which the aforementioned dispute has been reassigned.

(b) Spazio Investment N.V., in which Prelios has an indirect 22% interest.
Following the tax audit by the Guardia di Finanza for 2006-2009, the Italian Inland Revenue served notices of assessment upon Spazio Investment N.V. for the first two years (2006 and 2007) for total taxes of 9.4 million (plus penalties amounting to 120% of the taxes and plus interest).

According to the Tax Authority, Spazio Investment N.V. should consider itself a “dummy company”, i.e. only formally registered in the Netherlands but in effect resident for tax purposes in Italy.
The total amount of the claims resulting from the tax audit, and therefore also taking into account the estimate of the amount due under claim for 2008, for which the notice of assessment has not yet been received, is allegedly 19.7 million euro (added to which there may be penalties amounting to 120% of the taxes, plus interest). In March 2013 separate appeals were filed against the notices of assessment served upon the company. The Provincial Tax Commission accepted the claim for suspension and fixed the hearing for discussion of the merits as October 14, 2013.

(c) Iniziative Immobiliari S.r.l. (in liquidation), in which Prelios has a 49.46% interest.
In 2008 a tax audit was conducted at the company in relation to tax periods 2004-2008, ending on May 6, 2008 with the preparation of a report on findings in which the Guardia di Finanza judged the merger involving Iniziative Immobiliari S.r.l. in 2003 to be an anti-evasive measure.
The findings of the Guardia di Finanza were formulated in four notices of assessment which for the periods 2004-2006 claimed higher taxes (IRES and IRAP) for 17.2 million euro (plus penalties amounting to 100% of the taxes and plus interest), and for 2007 an adjustment to the loss for the year (from 1.7 million euro to 0.8 million euro) and the cancelling out of losses relating to previous tax periods, amounting in total to around 13.9 million euro.
The disputes regarding the 2004-2006 notices of assessment (combined in first instance proceedings) were judged in favour of the company both by the Provincial Tax Commission and by the Regional Tax Commission. The Italian Inland Revenue has filed appeals before the Court of Cassation against this decision. The company filed its own counter-appeal in April 2013. To date, the hearing for discussion of the dispute before the Court of Cassation is still pending.

(d) Social & Public Initiatives Fund (managed by Prelios SGR), in which Prelios S.p.A. has an indirect 35% interest.
On May 10, 2013 the Italian Inland Revenue served a tax settlement notice upon Prelios SGR relating to certain contributions made during 2008 to the real estate investment fund known as Social & Public Initiatives. The aforementioned transactions were reclassified as property sales and as such subject to proportional registration tax (in addition to mortgage and cadastral taxes, these also proportional).
On this basis, the Tax Office requested payment of the higher taxes for around 5.2 million euro (plus penalties amounting to 120% of the taxes and plus interest). Note that an appeal was filed with the Provincial Tax Commission, which accepted the claim for suspension requested by the company and set the hearing to discuss the merits as November 27, 2013.
On June 12, 2013 the Italian Inland Revenue served a settlement notice upon Prelios SGR for a further contribution transaction to the Social & Public Initiatives Fund. Higher taxes were paid of around 2 million euro (plus penalties amounting to 120% of the taxes and plus interest).
With regard to this second settlement notice, Prelios SGR filed an appeal before the Provincial Tax Commission which accepted the claim for suspension requested by the company and set the hearing to discuss the merits as October 16, 2013.
The total value of the two aforementioned tax demands is 7.2 million euro.

* * *

In addition to the above, note that on January 24, 2013, the inspection launched by Guardia di Finanza (Italian Financial Police) in May 2012 on a number of real estate investment funds managed by Prelios SGR that had already received tax code allocation provisions from the Agenzia delle Entrate (Italian Inland Revenue), was definitively concluded. Specifically: Retail & Entertainment Fund, Progetti Residenza Fund, Portafogli Misti Fund, Social & Public Initiatives Fund, Hospitality & Leisure Fund, Immobiliare Pubblico Regione Siciliana Fund, Immobiliare Raissa Fund, Patrimonio Uffici Fund, Diomira Fund, hereinafter the “Funds”.

Prelios S.p.A. has invested its own resources in the same funds, acquiring minority interests from third party investors.

In the closing remarks in the Reports on Findings, drafted on conclusion of the inspection activities, Guardia di Finanza maintains that:

- from the date they were set up until at least 2011, the Funds concealed business associated with a company;
- the Funds were set up and managed in the absence of valid economic reasons and, therefore, exclusively or primarily for tax reasons;
- the establishment of the Funds would have an evasive nature, given essentially set up as a “*mere instrument to replace pre-existing real estate companies*”, which “*did not modify any equity and income structure, solely ensuring a tax benefit*”;
- subsequently, the tax benefit obtained would be unlawful.

In respect of the Funds, the following amounts were contested on the basis of the Report on Findings: (i) an IRES and IRAP taxable base of 484 million euro and (ii) higher indirect taxes of 187 million euro.

Prelios SGR, against which no objection was raised directly in the Report on Findings, received the deeds cited as manager of the aforementioned Funds.

On the basis of the specific communication received by Prelios SGR, said entity holds that, supported in these evaluations by its expert, authoritative consultants, the objections raised by Guardia di Finanza are the result of an incorrect reconstruction/interpretation of the facts and essentially appear to be unjustified, taking into consideration that:

- establishment of the Funds rests on solid and proven technical-economic reasons;
- the Fund regulations were approved by the Bank of Italy, during both the set-up phase, and at the time of subsequent amendments;
- the legal status of the Funds was never queried by the Supervisory Authorities.

In addition it should be noted that, in the Report on Findings, the assertion according to which the Funds would constitute vehicles replacing pre-existing real estate companies is based on unsuitable elements, in consideration of the completely different economic-legal substance of the two institutions which are claimed to be related.

Therefore, the Reports on Findings appear to be unfounded in both fact and law, also on the basis of the foregoing, which shows how the reasons are constructed on incorrect representations in relation to applicable industry regulations, to said facts deduced, and to the interpretation of the regulations introduced by art. 32 of Decree Law 78/2010 (“DL 78”).

In this respect, note that DL 78 introduced the distinction between institutional and non-institutional funds.
The simplified tax regime for real estate funds in any event applies to the former, regardless of any valuation regarding the independent management or multiple investor requirements. The investment in the real estate fund by institutional investors only constitutes the prerequisite for satisfying the economic purpose of the fund, i.e. the collective investment management, and guarantees that the fund will not be used for instrumental purposes (based on information received, six out of a total of nine funds find themselves in this position).

For funds not for institutional investors only, reference should be made to the information already provided above on the incorrect nature of the Guardia di Finanza claims.

With reference to the higher indirect taxes which according to the Report on Findings would apply on certain transactions executed by the Funds, note that in July the Italian Inland Revenue served a number of settlement notices upon Prelios SGR for a total of around 70,000 euro (excluding penalties and interest).

Prelios SGR has not been notified of any additional Inland Revenue initiative in relation to the Report on Findings.

* * *

As already indicated, in 2011 these Funds were allocated tax codes by the Italian Inland Revenue. In order to protect the Funds' interests, the company in turn filed appeals before the Tax Commission, the Regional Administrative Court of Lazio and the Council of State. No judgment on the merits has been issued by the presiding judges. The last judgment was filed on June 10, 2013 by the Regional Administrative Court of Lazio.

With regard to the appeal before the Provincial Tax Commission of Milan, at the hearing of April 26, 2012 the Commission deemed it appropriate to decline the judgment on the merits, issuing an order declaring that this case be linked to that filed before the Administrative Court. The Company therefore appealed to the Court of Cassation to establish the court of jurisdiction and proposed an appeal before the Regional Tax Commission.

On June 25, 2013, by judgment issued on settlement of the legal competence relating to a Fund, the Court of Cassation decreed the order of the Provincial Tax Commission to be unlawful and established that jurisdictional responsibility for the dispute lies with the tax court judge.

Lastly on June 26, 2013 and July 12, 2013, two hearings were held before the Regional Tax Commission which had been promptly notified of an appeal against the order to link the cases.

The same Commission, accepting the aforementioned judgment of the Court of Cassation, deemed itself able to pronounce directly with regard to all the Funds and therefore without the need for reacceptance of the case by the Provincial Tax Commission.

Given the events reported above, backed by the opinion of its own tax advisors, the Company considers it necessary to await the Milan Regional Tax Commission's decision before deciding to instigate further action on these issues.

9.2.6. Risks associated with writedown of the Group real estate assets and with a potentially unfavourable result of impairment tests on intangible assets and/or the NPL portfolios

Despite the writedowns of properties managed by the Group to date, a further deterioration of the economic crisis or continued significant weakness of the real estate market cannot be excluded, and likewise other negative events that could affect the Prelios Group's real estate portfolios (for example, a decline in potential realisable values, a slowing of sales, a further deterioration in the reference market conditions or a drop in revenues generated from lease payments) could lead to a decrease in the market value of the Group's real estate assets, with subsequent negative effects on the economic and equity position of the Group.

Furthermore, given the fact that Prelios invests by means of significant minority interests and therefore has no exclusive governance over the strategy of the various investments, it cannot be excluded that the strategies and operating decisions, as these are conditioned by the partners, could have a negative impact on the Group's economic, equity and financial position.

In addition to the above, note that the value of real estate assets owned by companies in which the Group has a significant minority interest is material for the purposes of financial covenants included in the loan agreements to which those companies are party. Failure to comply with these covenants could give rise to the lending bank's right to request early settlement of the debt by the companies, which might not have sufficient funds and would therefore proceed to liquidation of their real estate assets, quickly and at values lower than market value.

In reference to the Non-performing Loan portfolios, further writedowns cannot be excluded, mainly due to further extension of debt collection times.

With regard to assessment of the recoverability of intangible assets, particularly the book values of goodwill, it cannot be excluded that developments in the general reference framework will block the achievement of the stable objectives in the Strategic Plan, the variable nature of the main external factors and configuration of the cost of capital. Likewise, implementation of new strategies and/or updates to the reference plans used as the basis of the valuation process could have a negative impact that could prove significant.

9.2.7. Risks associated with the tenant concentration

Any tenant default would have a negative effect on the economic, financial and equity results of initiatives invested in by Prelios, and consequently on the results of the Prelios Group, even with due regard to the fact that lease income is (i) the main source of cash flows for the payment of interest envisaged in the various loan agreements and (ii) one of the main guarantees given in favour of the lending banks for the real estate funds and the initiatives in which the Group invests.

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

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

9.2.8. Risks associated with investment initiatives to acquire significant minority interests

Prelios Group companies provide a series of services (asset management, property & project management, agency, etc.) to the initiatives in which they invest.

Consequently, adverse events occurring in relation to these initiatives could have negative effects on the economic, equity and financial position of the Group, essentially with regard to: (i) its percentage investment in the initiative concerned, (ii) its value, (iii) the possibility of reimbursing amounts received as shareholder loans with related interest, (iv) the collection of trade receivables for services provided (which in some cases have been deferred/subject to the repayment of other debts of customer companies), (v) the result of investments and (vi) possible reductions in income from the provision of specialist real estate services, also in the event of non-renewal of management assignments as a result of the investment exit strategy.

In addition to the above, it cannot be excluded that the lending banks - if companies should default on the loans granted to them - could take legal action (as no specific contractual clauses to this effect are contained in the loan agreements) against the shareholders, and therefore also against the Group in view of its significant minority interest, claiming the return of any sums due to shareholders as repayment of shareholder loans and/or capital or distributions (clawback shares), with resulting negative effects on the Group’s economic, equity and financial position.

Lastly, the investment exit strategy could lead to failure to renew the management assignments, with possible reductions in income from specialist real estate services.

9.2.9. Risks associated with the corporate governance structure of the investment vehicles

The Company has signed shareholders’ agreements with other investors in relation to corporate governance of the vehicles used to implement the various investments. Though mechanisms are envisaged (such as reciprocal buy and/or sell options) to settle any disputes between the parties to these shareholders’ agreements, also in relation to management or decision stalemates, it cannot be excluded that (i) if such events occur there could be restrictions, even significant, on the investment vehicles in conducting their respective activities and on the Company in pursuing its own investment objectives and (ii) the existing shareholders’ agreement fail to govern all possible disputes that could arise between partners as part of the various initiatives, and consequently the lack of an agreement between partners could give rise to complex international disputes, the outcome of which, also due to the very nature of a dispute, is unpredictable.

In addition to the above, there could be misalignment between partners in terms of their economic support, also of an ordinary nature, to the initiatives. Such cases could give rise to liquidity risk for the investees and risks associated with performance envisaged in the plan.

Such instances could have negative repercussions on the economic, equity and financial position of the Group.

9.3. Risk factors relating to the Group's sector of operations

9.3.1. Risks associated with property market performance

The market crisis in general could affect tenants' capacity to sustain lease-related expenses or could lead to higher property vacancy. In fact, if their own business activities should diminish, tenants could (i) request reductions in lease payments or (ii) decide to - or could be forced to - withdraw from the lease contracts. In addition to the above, the current contingent scenario could create lease payment difficulties, generating payment delays and/or unpaid instalments with subsequent encumbrance on the owners. Lastly, note that the macroeconomic scenario could prove to be a deterrent to potential customers interested in leasing new space, thereby increasing the time needed to re-lease properties left vacant or to sign new contracts.

With regard to the Non-performing Loan portfolios, further writedowns cannot be excluded, mainly due to further extension of debt collection times. This refers to legally-ordered recovery - where the number of auctions attracting no bids is increasing continuously - and to out-of-court collection - where poor levels of liquidity, also due to difficult access to new loans - inhibits the conclusion of amicable arrangements.

9.3.2. Risks associated with public works tenders launched by Public Administrations

Part of Prelios Group services are provided or can be provided to Public Administrations and/or Public Entities through participating in open tenders, either alone or in RTIs (temporary associations of companies) arranged for this purpose.

These public procedures are, as is known, characterised by a constant degree of uncertainty given, on the one hand, increasing competition between sector operators and on the other hand an increasing recourse to legal action claiming unlawfulness of the procedure and cancellation of the award by competitors that are excluded or are not awarded the contract.

These circumstances could affect Prelios Group companies' capacity to plan the objectives of their respective business plans.

Furthermore, relations with Public Administration and, in particular, any conduct in violation of applicable regulations can give rise to significant situations such as presumed offences for the purpose of application of Italian Legislative Decree 231/2001, regarding administrative liability of legal entities. Also note that Group companies affected have all adopted a "231 Organisational Model" compliant with applicable regulations.

9.3.3. Risks associated with the business concentration in Italy, Germany and Poland

The Prelios Group conducts its business activities mainly on the Italian and German markets, and to a lesser extent in Poland. In these areas activities are essentially concentrated in income-generating real estate asset portfolios held by real estate investment funds and corporate vehicles in which Prelios and other Group companies have a significant minority interest, and in investments in largely trading property portfolios. The results of these initiatives could be negatively affected by a deterioration in the economic cycle of these countries.

9.3.4. Risks related to legislative developments

Decree Law 95/2012 ("spending review") and Law 27/2012

July 6, 2012 saw the publication - effective from July 7, 2012 - of Decree Law 95/2012 (the "spending review"), which, under art. 3 "Rationalisation of public property and the reduction of costs for passive leases", ordered that, in consideration of the temporary crisis, (i) for the years 2012, 2013 and 2014, the update in relation to the variation in ISTAT indicators, envisaged by the applicable legislation, does not apply to rent due from administrative departments inserted in the consolidated income statement of the public administration for properties used for institutional purposes, (ii) for contracts in progress, the Regions and Local Authorities have the right to withdraw from the contract before December 31, 2012, notwithstanding the notice terms established by the contract and (iii) rent for passive leases, regarding properties for institutional use stipulated by central Administrations, as well as by independent Authorities, including Consob, are reduced, effective from January 1, 2015 to the extent of 15% of the amount currently paid.

Based on an initial analysis of the Decree Law and in consideration of the fact that the conversion law of the decree should be issued which could bring changes to the same, the Group's exposure to lease contracts with tenants that could fall under the lists set out in the above provisions is limited, for which no significant impact is forecast.

There could be impact with regard to properties owned by the FIPRS Fund, managed by Prelios SGR and in which the Group has a minority interest, all leased to the Sicilian Regional Government, in relation to the public spending containment measures implemented under the national "spending review", which could be approved by the Regional Government and which envisage the option of cancelling lease contracts with effect from the expiry date of the contract (in the Fund's case March 6, 2016) in the event of failure to renew with a 20% decrease in the lease payment currently paid. To date, the Fund has received no communication in this respect from the Regional Administration. Therefore any impact on the FIPRS Fund will depend on future resolutions carried by the Sicilian Regional Government and subsequent negotiations.

Regulatory developments in relation to IMU and TARES taxes

With regard to the fact that Group business is concentrated in the real estate sector, the general uncertainty associated with political affairs and the weight of IMU and TARES - taxes typical to property ownership - could have different effects on the Group.

In fact, political uncertainty and developments in IMU and TARES rate - and related uncertainties in this respect - could act as deterrents to international investors who, in certain cases, have even broken off negotiations in progress due to factors associated with the political framework and regulatory uncertainties, as they cannot be sure of the costs they would incur in managing the various investments.

In effect, the contingent framework leaves investment in Italy increasingly less appealing to foreign entities, which is consequently prejudicial to the Group's business development which is more and more oriented towards the provision of services to third party investors (international and otherwise) wishing to launch new initiatives in Italy.

In addition to the above, note that any increase in the IMU and TARES rates could have effects on the Group's economic, equity and financial position as the Group would be required to bear greater costs to maintain its own properties or to provide contributions to companies in which it has a significant minority interest so that, if their own funds are insufficient, they can pay the higher tax charges.

9.3.5. Credit risk

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

In order to limit this risk, the Group constantly monitors the positions of individual customers, analysing expected and actual cash flows in order to take timely recovery action when necessary.

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

The Group does not have significant concentrations of credit risk with respect to customers (investment companies and funds) in the real estate sector.

9.3.6. Risks associated with human resources

The Group is exposed to the risk of losing key resources that could result in difficulty achieving objectives and consequently a negative impact on future results. This risk is more significant given the type of business conducted by the Prelios Group - prevalently and increasingly management activities and the provision of services according to a pure management company model - which bases most of its prospects for success on the quality, expertise and skills of its human resources.

In order to counter this risk the Group adopts incentive policies - among other things - that are periodically reviewed, also depending on the general macroeconomic context. However, the negative market scenario and Prelios' difficult position have - of late - not allowed the implementation of these policies (which are limited to targeted "retention bonus" action). In the event of a market recovery, this circumstance could lead to the risk of losing key resources. The Group has every intention, however, to quickly return to an effective adoption of suitable incentive systems, consistent with the Company's remuneration policy.

On the other hand, the effectiveness of any restructuring measures involving a reduction in the headcount - necessary in a framework of rationalisation and optimisation of the organisation and of personnel assigned to the various departments, consistent with changing Group needs - could be limited by existing legal and union restrictions in countries in which the Group operates, limiting the achievement of pre-established targets.

9.3.7. Risk related to performing contract work

With reference to public works contracts, Prelios Group companies operating in this sector are exposed to typical risks associated with such activities: (i) risks associated with the need to repair faults arising from malfunction and/or defects in works completed, (ii) risks associated with failure to meet deadlines, with subsequent application of penalties and (iii) risk associated with non-payment of works in progress.

The business model applied in this sector by the Prelios Group normally means that such works are not performed in-house, but rather through qualified sub-contractors who must therefore be able to overcome the risks referred to in points (i) and (ii). Nevertheless, in accordance with applicable regulations, the Prelios Group companies could still be directly liable to the contracting party and only able to take action against a sub-contractor afterwards as, in most cases, "ownership" of the contractual relationship is between the end customer and the Prelios Group companies.

Any sub-contractor default could therefore lead to Prelios Group companies, as contractors, to be called upon to advance sums requested by way of compensation, with subsequent risks regarding the recoverability of these sums.

10. SUBSEQUENT EVENTS

- On July 9, 2013 Consob provided the clarification requested regarding the terms for mandatory takeover bid exemption for parties to the transaction in reference to the exemption granted on May 31, 2013, and on July 11, 2013 Consob confirmed its approval of the prospectus for the offer under option to eligible parties and for the admission to trading of the new issue of Prelios S.p.A. ordinary shares deriving from the divisible share capital increase against payment approved by the Company's extraordinary shareholders' meeting of May 8, 2013.
- On July 18, 2013 a bridge loan agreement was signed between Prelios S.p.A. and Fenice S.r.l., an investee of Feidos 11, Intesa Sanpaolo S.p.A., UniCredit S.p.A. and Pirelli & C. S.p.A., for a total of 20 million euro to support the Company's financial needs after finalisation of action necessary to implement the equity and financial strengthening of the Group and to rebalance its financial structure.
- On July 31, 2013 the Company received notice from Camfin S.p.A. (also on behalf of Cam Partecipazioni S.p.A.) confirming its subscription to the share capital increase with pre-emptive rights of 115,009,511.53 euro, by exercising its option rights for a total of 17,061,613.51 euro. Furthermore, on the same date, the Company was informed of the full subscription to the reserved capital increase of 70,005,789.37 by Fenice S.r.l. (an investee of Feidos 11 S.p.A., Pirelli & C. S.p.A., Intesa Sanpaolo S.p.A. and UniCredit S.p.A.), with subsequent issue of 117,597,496 class B shares without voting rights and due to remain unlisted (the "Reserved Capital Increase"). Subscription to the Reserved Capital Increase came after the conditions envisaged had been met, also for the purpose of validity of the overall Debt Restructuring Agreement (signed by the Company and its lenders on May 7, 2013), and in particular those notified on July 18, 2013 and indicated in the Prospectus in relation to:
  - launch of the share capital increase with pre-emptive rights on July 22, 2013;
  - definition and subscription of agreements relating to mandatory takeover bid exemption by all parties to the aforementioned extraordinary transaction, in implementation of and in compliance with conditions established by Consob;
  - confirmed subscription to a portion of the share capital increase with pre-emptive rights for at least 17 million euro (achieved through the aforementioned subscription by Camfin S.p.A.).
- During the offering period, i.e. between July 22, 2013 and August 8, 2013 inclusive, 32,494,380 option rights were exercised (in the ratio of 23 new shares for every 10 held) for the subscription to 74,737,074 newly-issued ordinary Prelios shares, equal to 38.68% of the total ordinary shares offered, for a total cash countervalue of 44,490,980.15 euro. Shareholders party to the pre-existing shareholders' agreement on Prelios shares (Camfin, Generali, Intesa Sanpaolo and Mediobanca) subscribed a total of 41,510,722 newly-issued ordinary Prelios shares for a total cash countervalue of 24,711,332.81 euro, equal to 21.49% of the total. At the end of the offering period, therefore, a total of 51,503,830 option rights had not been exercised for the subscription of 118,458,809 newly-issued ordinary Prelios shares, equal to 61.32% of the total ordinary shares offered and with a total countervalue of 70,518,529.00 euro.

- The option rights not exercised as at closing of the offering period were offered on the stock exchange and all were sold in the period August 12-19. As a result of the market offering, 1,563,011 shares were subscribed (equal to 0.81% of the total ordinary shares offered) for a total countervalue of 930,460.45 euro.

  Taking into consideration the 74,737,074 shares already subscribed during the offer period, a total of 76,300,085 ordinary shares were subscribed for a total countervalue of 45,421,440.60 euro.

  The remaining 116,895,802 ordinary shares (60.51% of the total ordinary shares offered), with a total countervalue of 69,588,070.93 euro, were subscribed by the Lenders in compliance with their guarantee commitments by pro-rata conversion of respective receivables due from the Company.

- Following execution of the share capital increase with pre-emptive rights and the reserved capital increase, therefore, the entire agreed share capital increase with pre-emptive rights, i.e. 115,009,511.53 euro, had been subscribed for a total of 193,195,887 ordinary shares (of which 39.49% through the offer and 60.51% guaranteed by the Lenders) and the entire agreed reserved capital increase of 70,005,789.37 euro had been subscribed for a total of 117,597,496 class B shares. In accordance with the overall Debt Restructuring Agreement, of the net proceeds from the market's subscription to the share capital increase with pre-emptive rights (equal to 20,710,107.79 euro), 7,855,054.04 euro are assigned to early partial repayment of the total debt to the Primary Lenders (Pirelli, Intesa Sanpaolo and UniCredit) and 7,855,054.04 to the Esigenze di Cassa 1 Fund whilst the remainder will remain available for use by the Company. Given the results of the share capital increase with pre-emptive rights and in compliance with the Board of Directors resolution of June 10th, 2013, with regard to the Prelios 2013-2019 Convertible Bond Loan, the exact amount of the Convertible Bond (corresponding to the total residual debt after the overall debt restructuring, partial repayment following the share capital increase with pre-emptive rights and exercise of the Lenders' guarantee after the auction of unoptioned rights) is equal to a nominal 233,534,000 euro. Therefore, 233,534.00 Convertible Bonds with a nominal value of 1,000.00 euro each were issued, of which:

- 166,042.00 Bonds (71.1% of the total) as tranche A, convertible to ordinary shares;
- 67,492.00 Bonds (28.9% of the total) as tranche B, convertible to Class B shares reserved to Pirelli & C.

- On August 26, 2013 confirmation of the reserved and optioned share capital increases were filed with the Milan Register of Companies. The share capital of Prelios S.p.A., fully subscribed and paid up, amounts to a total of 189,896,923.40 euro, divided into 394,793,383 shares of which:
  - 277,195,887 ordinary shares with no nominal value and with regular entitlement;
  - 117,597,496 class B shares convertible to ordinary shares, with no nominal value or voting rights and due to remain unlisted.

In August, Prelios therefore successfully completed the extraordinary transaction approved by the Shareholders' Meeting of May 8, 2013 and, as already reported, concluding all measures identified for the financial rebalancing, equity strengthening and industrial relaunch of the Group.

11. BUSINESS OUTLOOK

The macroeconomic scenario is still characterised by signs of uncertainty over the timescales and methods of a general economic recovery and, in particular, the domestic real estate market is still weak, registering a decrease in the number and size of transactions, adversely impacted by still high financial costs.

The Board of Directors believes that, despite uncertainties in the context highlighted, finalisation of the extraordinary share capital increase transaction and debt restructuring will not only allow the Prelios Group to continue to operate as a going concern, thanks to the equity strengthening of the company, injection of new financial resources and restructuring of the terms on existing loans, but will also offer new growth and development opportunities. This is also due to the contribution of skills considered best suited to pursuing new business opportunities.

From an operating point of view, 2013 is a year of transition, affected by closing of the restructuring transaction and definition of the reorganisation project. The unexpected delay in concluding the restructuring compared to the original schedule, due to its complexity and the number of parties involved, has not yet allowed management to fully focus on the action required to achieve the objectives defined in the business plan. The second half of the year will therefore be characterised by the actual start-up of business consolidation and development activities, particularly services, consistent with the strategy to transform the Group into a manager. In this activity it will be adequately backed by the new equity and financial structure achieved through the restructuring transaction.

12. HALF-YEAR REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURES

Reference should be made to Section C for the report on corporate governance and ownership structures

13. OTHER INFORMATION

13.1. Extraordinary Shareholders' Meeting

The extraordinary shareholders' meeting of May 8, 2013 resolved to:

- reduce the share capital to cover losses pursuant to art. 2446 of the Italian Civil Code, which was therefore reduced to 4,881,622.50 euro without cancellation of shares;
- group the ordinary shares according to the ratio of 1 new ordinary share for every 10 held, subject to the cancellation of 1,171,777 treasury shares held by Prelios. The share capital is therefore divided into 84,000,000 ordinary shares with no nominal value.

The extraordinary shareholders' meeting also approved the arrangements for the Company's restructuring, such as the share capital increase against payment for a total of around 185 million euro and the option granted to the Board of Directors of issuing bonds for a maximum nominal value of 269 million euro with compulsory conversion ("convertible bonds") into ordinary shares and/or class B shares, without option rights, and with subsequent share capital increase for the sole purpose of the conversion. The Board of Directors therefore decided to implement its assigned powers, formally exercised on June 10, 2013.

13.2. Treasury shares

The shareholders' meeting of May 8, 2013 resolved to group ordinary shares in the ratio of 1 ordinary share for every 10 ordinary shares held, subject to the cancellation of 1,171,777 ordinary shares held by the Company, without reducing the share capital.

As at June 30, 2013 the Company holds 1,788 treasury shares, equal to 0.002% of the subscribed and paid-up share capital resulting from the grouping of ordinary Prelios shares, subject to their partial cancellation.

In compliance with IAS/IFRS, the book value of treasury shares has been accounted for as a reduction in equity in both the consolidated and separate financial statements of Prelios S.p.A; the Company's economic results have therefore not been affected by fluctuations in the stock price.

13.3. Group tax consolidation

As from financial year 2010 the company, the consolidating company has elected to file for tax on a group basis under art. 117 et seq. of the Italian Income Tax Code. Participants in the consolidation are required to adopt a specific set of "Regulations", involving common procedures for applying tax rules and regulations.

The adoption of a group tax filing will allow the parent company Prelios S.p.A. to offset its own taxable profits or losses against those of its Italian resident subsidiaries which have made the group tax election.

Considering that three-year tax consolidation option for 2010-2011-2012 has just ended and with a view to continuing this tax regime in the future, on June 14, 2013 the consolidating company Prelios S.p.A. and its subsidiaries meeting the legal requirements renewed the tax consolidation for the three-year period 2013-2015.

The effects of renewal of the option are valid for the three years 2013-2014-2015, unless terminated early due to loss of control of the consolidated company or if the consolidated company's financial year is no longer the same as the consolidating company's one.

Costs and revenues from tax consolidation are calculated on the basis of the provisions of the Prelios Tax Consolidation Regulations. In particular, under the terms of Article 16 of the Regulations the consolidating company remunerates consolidated companies which have tax losses for an amount equal to the IRES tax rate and within the limits of the tax loss remuneration expectations in the financial year.

13.4. Group VAT settlement

Prelios S.p.A., acting as parent company, and its subsidiaries have elected to make an independent group VAT tax settlement for the 2013 tax year, in accordance with the Ministerial Decree dated December 13, 1979.

13.5. Publication of information documents

Pursuant to the provisions of art. 70, par. 8, and art. 71, par. 1-bis, of the Regulations for Issuers issued by Consob, the Board of Directors resolved to avail itself of the right to waive the obligation to publish the information documents required at the time of significant transactions including mergers, splits, share capital increases through contributions of goods in kind, acquisitions and transfers.

14. APPENDICES

APPENDIX A - No-GAAP Measures

The Non-GAAP Measures used are as follows:

- **Operating result** (-8.2 million euro): Calculated as the EBIT for -15.2 million euro, plus net income from investments for -30 million euro, plus income from shareholder loans for 5.5 million euro (included in financial income). These amounts are adjusted for restructuring costs (6.3 million euro) and property writedowns/revaluations (25.2 million).
- **Income before property tax, property writedowns/revaluations and tax expenses** (-29.6 million euro): This amount is obtained by adding financial expenses (-21.4 million euro) to the operating result mentioned above (-8.2 million euro).
- **Income from shareholder loans** (5.5 million euro): This measure comprises the interest income on financial receivables from associates and joint ventures and income from securities, both of which reported in "Financial income" in the financial statements; it is stated net of impairment of junior notes, classified in "Financial expenses" in the financial statements.
- **Financial expenses** (-21.4 million euro): This measure includes the financial statement item "Financial expenses" (adjusted for impairment of junior notes or financial receivables) and the financial statement item "Financial income" (net of income from shareholder loans).
- **Investments in real estate funds and investment companies:** This measure reports investments in associates and joint ventures, in closed-end real estate funds and investments in other companies and junior notes (reported in "Other financial assets" in the financial statements).
- **Net working capital:** This represents the amount of resources comprising a business's net operating assets. This indicator is used to verify its short-term financial equilibrium. This measure comprises all the short-term assets and liabilities of a non-financial nature and is stated net of junior notes included in the item “investments in real estate funds and investment companies”.
- **Funds**: This measure, representing the sum of "Provisions for future risks and charges (current and non-current), "Employee benefit obligations" and "Deferred tax provisions," is stated net of provisions for future risks on equity-accounted investments classified in "Investments in real estate funds and investment companies."
- **Net financial position:** This measure is a valid indicator of the ability to meet obligations of a financial nature. Net financial position is represented by gross financial debt less cash and other cash equivalents and other financial receivables.
- **Gross bank debt**: This represents the total payables of each company/fund due to the banking system.

- **Net bank debt:** This represents gross bank payables of each company/fund, less cash and other cash equivalents.
- **Return on Equity (ROE):** This is an indicator of the results for the period relative to the capital invested by shareholders and is determined as the ratio between net income (loss) for the period and the average of opening and closing equity.
- **Return on Sale (ROS):** This is determined by the impact of the operating result on revenues.
- **Gearing:** This measure indicates the Group's ability to satisfy its business needs from its own resources rather than third party financial debt. Gearing is calculated as the ratio between the net financial position and equity.
- **Basic earnings (loss) per share:** This is an indicator of the remuneration per share from results in the period and is calculated as the ratio between net income (loss) for the period and the number of shares issued and outstanding at the end of the period.

The table below reconciles, by grouping/reclassification of the accounting measures in the context of the IFRSs, the main measures defined as non-GAAP measures for the consolidated financial statement tables.

Operating result	**June 30, 2013**	**June 30, 2012**
EBIT	(15,2)	(15,1)
Net income from investments	(30,0)	(81,7)
Income from shareholder loans (1)	5,5	5,9
Restructuring costs	6,3	12,7
Property writedowns/revaluations (2)	25,2	49,7
Total	**(8,2)**	**(28,5)**

Profit (loss) before restructuring costs, property writedowns/revaluations and income taxes	**June 30, 2013**	**June 30, 2012**
Operating result	(8,2)	(28,5)
Financial expenses	(21,4)	(25,2)
Total	**(29,6)**	**(53,7)**

Income from shareholder loans	**June 30, 2013**	**June 30, 2012**
Interest income on financial receivables due from joint ventures (1)	5,5	5,9
Total	**5,5**	**5,9**

Financial expenses	**June 30, 2013**	**June 30, 2012**
Financial expenses	(23,6)	(29,7)
Financial income	7,7	7,9
Income from shareholder loans	(5,5)	(5,9)
Property writedowns/revaluations (2)	-	2,5
Total	**(21,4)**	**(25,2)**

NOTES

(1) Interest income on financial receivables due from associated and joint ventures included in the item financial income.

(2) Property writedowns/revaluations total 25.2 million euro (pro-rata Group): of which 2.2 million euro included in operating result of companies consolidated on a line-by-line basis and 23 million euro recorded under net income from investments in companies valued at equity.

APPENDIX B

Information on the real estate debt of investment companies and funds

	Net financial position	Net bank debt	Maturity (years)*
Commercial Italy	997.682	937.327	0,8
Commercial Germany	58.677	37.446	1,3
Commercial Germany - Highstreet -	2.203.396	1.977.447	1,1
Residential Germany - Small Deals -	99.965	79.946	4,2
Residential Germany - DGAG -	795.847	682.681	0,5
TOTAL PORTFOLIO "YIELDING"	**4.155.567**	**3.714.847**	
Trading Italy	522.416	415.628	0,8
Development Italy	84.431	68.416	2,4
Lands Italy	334.103	227.666	0,4
Other Germany	34.344	14.734	4,7
Lands Poland	56.172	(1.166)	-
TOTAL PORTFOLIO "OTHER"	**1.031.465**	**725.277**	
TOTAL REAL ESTATE	**5.187.033**	**4.440.124**	**0,9**

(*) the average maturity is calculated considering the Gross Bank Debt of each initiative excluding the subsidized debt.

Principal contractual clauses relating to the debt[29]

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

The main financial covenants applying to the funds and investment companies are as follows:

- LTV (Loan To Value): ratio between (i) bank debt and (ii) appraised value of the portfolio

- LTC (Loan To Cost): ratio between (i) bank debt and (ii) book value of the portfolio

- ISCR (Interest Service Cover Ratio): ratio between (i) rental income net of operating costs and (ii) financial expenses;

- DSCR (Debt Service Cover Ratio): ratio between (i) rental and sale income net of operating costs and (ii) financial expenses and repayments of principal;

- Maximum Outstanding Amount: maximum amount of bank exposure permitted.

At June 30, 2013, a number of the Company's investee funds and investment companies had covenants that were not in line with those envisaged in the contract. In particular, the following should be noted:

[29] This does not include figures relating to the Cloe, Armilla, Clarice, Anastasia, Fedora and Eridano funds, classified as third-party funds as Prelios' interest is less than 5%.

- regarding the LTV: Gamma RE BV, Città di Torino Fund and Spazio Industriale Fund (the latter's non-compliance with the covenant in any event does not constitute a significant event under the terms of the loan agreement);
- the Maximum Outstanding Amount of the Diomira Fund, the trading of which was completed successfully on July 31, 2013.

Lastly, Resident West GmbH is the only company with a covenant present, aimed at measuring unrented real estate units in the company's portfolio, that is not in line with that envisaged in the contract. Furthermore, only one of the companies, Gamma RE BV, has a Margin to Loan (ratio between (i) the stock exchange value of the Tecla Fund units held by Gamma RE BV and (ii) bank borrowings) that is not in line with the contractual limit.

The Città di Torino Fund, also, is not in line with a number of contractual provisions regarding payment obligations to financial counterparties.

In this regard, it should be noted that negotiations have started with the various financial counterparties in respect of all the above positions in order to formalise and finalise solutions.

Lastly, worthy of note are certain positions relating to Solaris and Aree Urbane (both in liquidation), Golfo Aranci, Trinacria Capital and Sicily Investments, Fondo Immobili Pubblici Regione Sicilia, Fondo Patrimonio Uffici and Lupicaia, for which new agreements are being negotiated with financial counterparties in respect of the expired debt.

APPENDIX C

Glossary

- **Restructuring Agreement**: The agreement on restructuring of the Company's existing financial debt with Pirelli & C. S.p.A. and the Lending Banks, signed on May 7, 2013 and consisting in the redefinition of terms and conditions of the overall existing debt as at the date of signing of the agreement into two components: (i) one for 250 million euro, which will remain as loans (super senior and senior); and (ii) one for up to 269 million euro, which will be converted to equity instruments in the form of a convertible bond loan, with cash redemption option exercisable by the Company on maturity and the option for conversion into an additional super senior loan.

- **Assets Under Management (AUM):** Property assets and non-performing loans managed, whose value is stated at the market value at the close of the year; property asset values are based on the appraisals of independent experts, and non-performing loans are stated at book value. The pro-rata share of these values (market or book, depending on the case) expresses the Group's interest in the market value of the assets and in the book value of non-performing loans managed.

- **Investment activities**: These refer to Prelios Group's activities carried out through its investments in funds and companies holding real estate portfolios.

- **Lending banks:** Intesa Sanpaolo S.p.A., UniCredit S.p.A., Banca Monte dei Paschi di Siena S.p.A., Banca Popolare di Milano Soc. Coop. a r.l., Banca Popolare dell'Emilia Romagna Soc. Coop., Banca Carige S.p.A. – Cassa di Risparmio di Genova e Imperia and UBI Banca Soc. Coop. p.A. (formerly Centrobanca – Banca di Credito Finanziario e Mobiliare S.p.A.).

- **BauBeCon:** Real estate portfolio consisting of about 26,000 apartments (located in the areas of Berlin, Hanover, Magdeburg, Braunschweig, Kiel, Lübeck), acquired in a joint venture with the subsidiary Prelios Netherland B.V. (40%) together with the RREEF funds (60%) and for which Barclays Bank, which financed the investment, took advantage of its option rights in 2011, under the loan contracts, to acquire Group companies at a symbolic price of 1 euro.

- **Net working capital:** This represents the amount of resources comprising a business's net operating assets. This indicator is used to verify its short-term financial equilibrium. This measure comprises all the short-term assets and liabilities of a non-financial nature and is stated net of junior notes included in the item "investments in real estate funds and investment companies".

- **Cash Generating Unit:** This is the smallest identifiable group of assets that generates incoming cash flows which are largely independent of incoming cash flows generated by other assets or groups of assets in accordance with the provisions of the international accounting standards.

- **Convertible Bond Loan:** Bonds compulsorily convertible to ordinary Company shares and/or class B shares.

- **Corporate Governance:** A set of rules, systems and company management and control bodies.

- **Credit servicing:** In-court and out-of-court management of non-performing loans, secured mainly by property mortgages, through valuation activities, monitoring of the trend in-court and out-of-court legal actions and management of the flow of data and information on securitised portfolios.

- **Lenders:** The Company's lenders (Pirelli & C. S.p.A. and the Lending Banks).

- **Senior Loan:** A 200 million euro portion of the Company's borrowings subject to the Restructuring Agreement. The main terms and conditions of this loan are: full repayment in one lump sum by December 31, 2018, capitalised financial expenses at an all-in rate of 3.0% from January 1, 2013 to December 31, 2016, and thereafter at the Euribor rate plus spread, eliminating the financial covenants. The Senior Loan will be repaid solely from the realisation of real estate assets.

- **Super Senior Loan:** A 50 million euro portion of the Company's borrowings subject to the Restructuring Agreement. The main terms and conditions of this loan are: full repayment in one lump sum by December 31, 2017, half-yearly financial expenses in cash at an all-in rate of 4.0% from January 1, 2013, eliminating the financial covenants and with no mandatory early repayment unless the acceleration clause should lapse if a "significant event" should occur, as envisaged in the Club Deal Loan Agreement (as amended).

- **Gearing:** This measure indicates the Group's ability to satisfy its business needs from its own resources rather than third party financial debt. Gearing before shareholder loans is calculated as the ratio between the net financial position and equity.

- **G&A**: These refer to general expenses and holding costs and more specifically include costs related to the Board of Directors and Central Staff Departments.

- **Group or Prelios Group**: The Company and its subsidiaries pursuant to art. 93 of the Consolidated Law on Finance.

- **Highstreet**: Investment initiative developed in a consortium with the RREEF, Generali and Borletti funds in 2008, relating to the acquisition of 49% of a real estate portfolio, located throughout Germany and rented to the Karstadt department stores.

- **Impairment test:** Test to check for impairment of assets through which the company determines the recoverable value of its financial statement assets. The recoverable amount of an asset or cash generating unit is the higher of its fair value, less costs to sell, and its value in use. If the book value of an asset is higher than its recoverable value, this asset has been impaired and is written down accordingly to its recoverable value.

- **Joint venture:** Contractual or statutory arrangements whereby two or more parties undertake an economic activity that is subject to joint control.

- **LTI** (Long Term Incentive): Medium-long term incentive.

- **MBO** (Management By Objective): Indicates the variable annual component of remuneration which can be obtained by meeting pre-set company targets.

- **Net Asset Value (NAV):** This measure makes it possible to quantify the unrealised implicit capital gain in the real estate managed and invested in by the Group. The pro-rata Net Asset Value is calculated as the difference between Prelios' share of the market value of the assets and the associated value of debt including the shareholder loans of investees with minority stakes. In calculating the Net Asset Value, account is not taken of the effect of taxes relating to the implicit capital gain of the assets invested in, as they are not considered significant for the Group.

- **Non-performing Loans (NPL):** Portfolio of mortgage-backed non-performing loans coming from banks or from mortgage-backed loans for real estate involved in legal disputes.

- **Passing Rent:** This indicator corresponds to rents annualised on the basis of contracts existing at the end of the period in question for assets belonging to a specific fund/company and represents a useful indicator of the annual volume of rents.

- **Passing Yield:** This is an indicator of the profitability of rent from assets belonging to a certain company/fund. It is calculated at the ratio between the book value of the company/fund assets and the corresponding amount of passing rent.

- **Recovery Plan:** The Company's separate 2013-2016 strategic plan approved by the Board of Directors on March 27, 2013 and filed with the Milan Register of Companies on March 29, 2013.

- **Strategic Plan:** The consolidated 2013-2016 strategic plan approved by the Board of Directors on March 27, 2013, which includes the Recovery Plan.

- **Management Platform:** This refers to the activities that the Prelios Group carries out through its fund and asset management businesses and specialised real estate services (property & project, agency, and facility management in Germany), and from credit servicing for NPLs, inclusive of general and administrative expenses.

- **Return on Equity (ROE):** This is an indicator of the results for the period relative to the capital invested by shareholders and is determined as the ratio between net income (loss) for the period and the average of opening and closing equity.

- **Company:** Prelios S.p.A.

- **Tracking Shares:** Shares numbered and assigned so as to create a direct correlation between them and certain investee companies both in terms of contribution to the results and as a control exercise.

- **Vacancy:** Indicates the portion of real estate that does not generate revenues in the form of rent; it is calculated based on the ratio of unrented square metres to total square metres.

B THE PRELIOS GROUP – HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CONSOLIDATED BALANCE SHEET

(in thousands of euro)

Note	ASSETS	06.30.2013	12.31.2012
	NON-CURRENT ASSETS		
1	Property, plant and equipment	1,817	1,615
2	Intangible assets	150,972	151,402
3	Investments	227,400	236,770
	of which available for sale	*3,269*	*3,371*
4	Other financial assets	15,510	16,577
5	Deferred tax assets	22,298	24,325
7	Other receivables	208,582	213,579
	of which with related parties	*203,192*	*208,105*
	TOTAL NON-CURRENT ASSETS	**626,579**	**644,268**
	CURRENT ASSETS		
9	Inventories	51,902	54,379
6	Trade receivables	48,510	63,891
	of which with related parties	*35,556*	*46,745*
7	Other receivables	31,122	35,917
	of which with related parties	*6,628*	*5,603*
10	Cash and cash equivalents	22,695	45,090
8	Tax receivables	7,579	8,465
	TOTAL CURRENT ASSETS	**161,808**	**207,742**
	TOTAL ASSETS	**788,387**	**852,010**

	EQUITY	06.30.2013	12.31.2012
	GROUP EQUITY		
11	Share capital	4,873	218,283
12	Other reserves	(12,498)	(18,258)
13	Retained earnings	87,875	115,887
	Net loss for the period	(63,982)	(241,734)
	TOTAL GROUP EQUITY	**16,268**	**74,178**
14	**MINORITY INTERESTS**	**5,400**	**6,213**
	TOTAL EQUITY	**21,668**	**80,391**
	LIABILITIES	**06.30.2013**	**12.31.2012**
	NON-CURRENT LIABILITIES		
15	Bank borrowings and payables to other financial institutions	377,980	420,993
	of which with related parties	*157,984*	*157,389*
17	Other payables	949	976
18	Provisions for future risks and expenses	22,622	24,905
5	Deferred tax provision	2,771	2,495
19	Employee benefit obligations	12,069	12,568
20	Tax payables	4,307	7,376
	TOTAL NON-CURRENT LIABILITIES	**420,698**	**469,313**
	CURRENT LIABILITIES		
15	Bank borrowings and payables to other financial institutions	207,233	144,739
	of which with related parties	*24,391*	*17,993*
16	Trade payables	46,679	49,375
	of which with related parties	*4,098*	*3,702*
17	Other payables	55,231	64,060
	of which with related parties	*20,791*	*20,639*
18	Provisions for future risks and expenses	22,752	28,777
	of which with related parties	*3,413*	*2,808*
20	Tax payables	12,917	12,829
	of which with related parties	*1,324*	*1,324*
21	Derivative financial instruments	1,209	2,526
	TOTAL CURRENT LIABILITIES	**346,021**	**302,306**
	TOTAL LIABILITIES	**766,719**	**771,619**
	TOTAL LIABILITIES AND EQUITY	**788,387**	**852,010**

Financial statement items relating to transactions with related parties are described in Section 6.7, to which reference should be made

2. CONSOLIDATED INCOME STATEMENT

(in thousands of euro)

Note		01.01.2013-06.30.2013	01.01.2012-06.30.2012
22	Revenues from sales and services	51,022	64,839
23	Changes in inventories of work in progress, semi-finished and finished products	(462)	44
24	Other income	6,794	11,173
	TOTAL OPERATING REVENUES	**57,354**	**76,056**
	of which with related parties	*27,535*	*36,661*
	Raw and consumable materials used (net of change in inventories)	(2,188)	(2,719)
	Personnel costs	(31,258)	(34,764)
	Depreciation, amortisation and impairment	(779)	(1,160)
	Other costs	(38,287)	(52,534)
25	**TOTAL OPERATING COSTS**	**(72,512)**	**(91,177)**
	of which with related parties	*(3,442)*	*(4,501)*
	of which non-recurring events	*(6,346)*	*(11,597)*
	EARNINGS BEFORE INTEREST AND TAX (EBIT)	**(15,158)**	**(15,121)**
26	Net income from investments of which:	(29,975)	(81,587)
	of which with related parties	*(30,638)*	*(83,457)*
	of which non-recurring events	-	*(1,120)*
	- net profit share from investments in associates and joint ventures	(30,243)	(80,626)
	- dividends	398	1,027
	- gains on investments	313	1,767
	- losses on investments	(443)	(3,755)
27	Financial income	7,689	7,863
	of which with related parties	*6,044*	*6,464*
28	Financial expenses	(23,604)	(29,748)
	of which with related parties	*(7,122)*	*(11,114)*
	INCOME (LOSS) BEFORE TAXES	**(61,048)**	**(118,593)**
29	Taxes	(3,337)	(6,308)
	NET INCOME (LOSS) FOR THE PERIOD	**(64,385)**	**(124,901)**
	attributable to minority interests	(403)	815
	GROUP NET INCOME (LOSS) FOR THE PERIOD	**(63,982)**	**(125,716)**
30	**EARNINGS/(LOSS) PER SHARE (euro)**		
	Basic		
	Basic earnings/(loss) per share	*(0.76)*	*(0.15)*

Financial statement items relating to transactions with related parties are described in Section 6.7, to which reference should be made

3. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in thousands of euro)

Note 12		01.01.2013-06.30.2013			Attributable to:	
		Gross	Tax	Net	Group	Minority interests
A	**Net income (loss) for the period**			**(64,385)**	**(63,982)**	**(403)**
	Other components recognised in equity that may be reclassified to the income statement in a future period:	**6,442**	**(245)**	**6,197**	**6,204**	**(7)**
	Exchange differences on translating foreign financial statements	(228)	-	(228)	(228)	-
	Total available-for-sale financial assets	(101)	28	(73)	(66)	(7)
	- Fair value adjustment of available-for-sale financial assets	(101)	28	(73)	(66)	(7)
	Prelios share of other components of income recognised in equity by associates and joint ventures	6,771	(273)	6,498	6,498	-
	- Prelios share of (gains) / losses previously recognised directly in equity now transferred to the income statement	2,949	-	2,949	2,949	-
	- Prelios share of (gains) / losses recognised in equity	3,822	(273)	3,549	3,549	-
B	**Total other components of income recognised in equity**	**6,442**	**(245)**	**6,197**	**6,204**	**(7)**
A+B	**Total comprehensive income (losses) for the period**			**(58,188)**	**(57,778)**	**(410)**

		01.01.2012-06.30.2012			Attributable to:	
		Gross	Tax	Net	Group	Minority interests
A	**Net income (loss) for the period**			**(124,901)**	**(125,716)**	**815**
	Other components recognised in equity that may be reclassified to the income statement in a future period:	**(2,216)**	**818**	**(1,398)**	**(1,292)**	**(106)**
	Exchange differences on translating foreign financial statements	220	-	220	165	55
	Total cash flow hedge	(1,107)	304	(803)	(803)	-
	- Fair value adjustment of derivatives designated as cash flow hedge	(1,107)	304	(803)	(803)	-
	Total available-for-sale financial assets	(2,222)	611	(1,611)	(1,450)	(161)
	- Fair value adjustment of available-for-sale financial assets	(2,222)	611	(1,611)	(1,450)	(161)
	Prelios share of other components of income recognised in equity by associates and joint ventures	893	(97)	796	796	-
	- Prelios share of (gains) / losses previously recognised directly in equity now transferred to the income statement	533	-	533	533	-
	- Prelios share of (gains) / losses recognised in equity	360	(97)	263	263	-
B	**Total other components of income recognised in equity**	**(2,216)**	**818**	**(1,398)**	**(1,292)**	**(106)**
A+B	**Total comprehensive income (losses) for the period**			**(126,299)**	**(127,008)**	**709**

4. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in thousands of euro)

	Share capital	Currency translation reserve	Reserve for fair value measurement of available for sale financial assets	Cash flow hedge reserve	Reserve for ctuarial gains (losses)	Reserve for tax on items credited/debited to equity	Other reserves	Net income/ (loss) for the period	Net income/ (loss) for the period	**Group equity**	**Minority interests in equity**	**Total**
Equity at December 31st, 2012	**218,283**	**(2,064)**	**(6,211)**	**(10,233)**	**(1,818)**	**3,067**	**(999)**	**115,887**	**(241,734)**	**74,178**	**6,213**	**80,391**
Total other components of income recognized in equity	**-**	**(228)**	**(91)**	**6,771**	**-**	**(248)**	**-**	**-**	**-**	**6,204**	**(7)**	**6,197**
Cancellation of own shares	586	-	-	-	-	-	(586)	-	-		-	-
Allocation of 2012 results	(213,996)	-	-	-	-	-	-	(27,738)	241,734	-	-	-
Other changes	-	-	180	-	-	(38)	-	(274)	-	(132)	(402)	(534)
Net income (loss) for the period	-	-	-	-	-	-	-	-	(63,982)	(63,982)	(403)	(64,385)
Equity at June 30th, 2013	**4,873**	**(2,292)**	**(6,122)**	**(3,462)**	**(1,818)**	**2,781**	**(1,585)**	**87,875**	**(63,982)**	**16,268**	**5,401**	**21,669**

	Share capital	Share premium reserve	Reval-uation reserve	Legal reserve	Currency translation reserve	eserve for fair valu measurement of available for sale financial assets	Cash flow hedge reserve	Reserve for actuarial gains/ (losses)	Reserve for equity-settled stock options	Reserve for tax on items credited/debited to equity	Other reserves	Retained earnings / (losses)	Net income/ (loss) for the period	**Group equity**	**Minority interests in equity**	**Total equity**
Equity at December 31st, 2011	**419,991**	**104,649**	**15**	**4,265**	**(1,844)**	**(2,755)**	**(12,104)**	**353**	**5,156**	**3,373**	**(6,885)**	**94,261**	**(289,641)**	**318,834**	**7,348**	**326,182**
Total other components of income recognized in equity	**-**	**-**	**-**	**-**	**165**	**(2,000)**	**(214)**	**-**	**-**	**757**	**-**	**-**	**-**	**(1,292)**	**(106)**	**(1,398)**
Allocation of 2011 results	(201,708)	(104,649)	(15)	(4,265)	-	-	-	-	(5,156)	(1,596)	5,877	21,871	289,641	-	-	-
Cost of equity transactions	-	-	-	-	-	-	-	-	-	-	9	-	-	9	-	9
Other changes	-	-	-	-	-	(12)	-	(96)	-	4	-	(228)	-	(332)	353	21
Net income (loss) for the period	-	-	-	-	-	-	-	-	-	-	-	-	(125,716)	(125,716)	815	(124,901)
Equity at June 30th, 2012	**218,283**	**0**	**0**	**0**	**(1,679)**	**(4,767)**	**(12,318)**	**257**	**0**	**2,538**	**(999)**	**115,904**	**(125,716)**	**191,503**	**8,410**	**199,913**

5. CONSOLIDATED CASH FLOW STATEMENT

(in thousands of euro)

	01.01.2013-06.30.2013	01.01.2012-06.30.2012
Result before income taxes and minority interests	(61,048)	(118,593)
Depreciation, amortisation and impairment/impairment reversal intangible assets & property, plant & equipment	779	1,160
Impairment of receivables	6,803	7,417
Gains/Losses on sale of property, plant and equipment and investment property	(18)	(44)
Net income from investments net of dividends	29,975	86,729
Financial expenses	23,604	29,748
Financial income	(7,689)	(7,863)
Change in inventories	2,477	2,477
Change in trade receivables/payables	6,014	(4,717)
Change in other receivables/payables	(6,230)	20,350
Change in employee benefit obligations and other provisions	(9,412)	(16,464)
Taxes	(1,099)	(3,864)
Other changes	92	(5)
Net cash flow generated / (absorbed) by operating activities (A)	**(15,752)**	**(3,669)**
Purchase of property, plant and equipment	(505)	(476)
Disposal of property, plant and equipment	54	105
Purchase of intangible assets	(82)	(295)
Net cash flow generated by disposal of investments in subsidiaries	265	1,324
Disposal of investments in associates and joint ventures and other movements	(6,411)	(5,292)
Dividends received	63	(29)
Purchase of other financial assets	398	1,027
Disposal/reimbursement of other financial assets	(200)	-
Disposal of other financial assets	1,166	3,829
Net cash flow generated by non-current assets held for sale	-	(296)
Net cash flow generated / (absorbed) by investing activities (B)	**(5,252)**	**(103)**
Other changes in equity	(762)	240
Change in financial receivables	2,890	23,067
Change in financial payables	(2,850)	(15,167)
Cash flow generated by financial income	604	695
Cash flow absorbed by financial expenses	(1,273)	(887)
Net cash flow generated / (absorbed) by financing activities (C)	**(1,391)**	**7,948**
Total net cash flow generated / (absorbed) in the period (D=A+B+C)	**(22,395)**	**4,176**
Cash and cash equivalents + bank overdrafts at the beginning of the period (E)	**45,090**	**37,604**
Cash and cash equivalents + bank overdrafts at the end of the period (D+E)	**22,695**	**41,780**
of which:		
- cash and cash equivalents	**22,695**	41,780
- bank overdrafts	**-**	-

Cash flows relating to transactions with related parties are described in Section 6.7 to which reference should be made.

6. HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - EXPLANATORY NOTES

6.1. Basis of preparation - adoption of the going concern assumption in preparing the financial statements

As already described in greater detail in the Interim Directors' Report on operations, the Board of Directors believes that finalisation of the extraordinary share capital increase transaction and debt restructuring - completed in August - will allow the Prelios Group to continue to operate as a going concern, thanks to the equity strengthening of the company, injection of new financial resources and restructuring of the terms on existing loans and, with a view to developments in the economic and market scenarios, will offer new growth and development prospects, also with the aid of expertise and new business opportunities.

The Directors assume the Plan to be feasible based on forecast elements that may reasonably be envisaged, taking into account the difficulties of making forecasts in the current economic and financial context, such as the exclusion of further crises that should hit the financial markets or a worsening in the factors that led to the current deterioration in the general reference scenario and the real estate market, in particular which, at the current state of play and according to the path deemed foreseeable at present, is expected to recover in the second half of 2014. In addition, it is believed that the market scenario as assumed to date will make it possible to realise property sales at values and in accordance with timescales in line with the net capital invested in the initiatives and with available Prelios cash flows at the date of the realisation of said sales that are in line with the business plan. The feasibility of the plan represents, at the current state of play and according to the path deemed foreseeable at present, the condition for allowing the Group to maintain its long-term capital and financial equilibrium, and for deeming the adoption of the assumption of the company as a going concern appropriate, as regards the drafting of the half-year financial report as at June 30, 2013.

6.2. Accounting standards and policies

Pursuant to art. 154-ter, Italian Legislative Decree 58/1998, the Prelios Group has prepared the half-year condensed consolidated financial statements in condensed format according to IAS 34, which governs interim financial reporting.

The Prelios Group has also complied with the requirements of Consob Resolution 15519 of July 27, 2006 concerning financial reporting formats and Consob Communication 6064293 of July 28, 2006 concerning disclosure.

In accordance with the provisions of Art. 5, paragraph 2 of Italian Legislative Decree no. 38 of February 28, 2005, these financial statements were prepared using the euro as the reporting currency.

The accounting policies and principles adopted are consistent with those used in the preparation of the financial statements at December 31, 2012, except in relation to new standards/interpretations adopted by the Group with effect from January 1, 2013. These new standards/interpretations have had no impact on this half-year financial report.

- **6.2.1. Accounting standards and interpretations endorsed and in force from January 1, 2013**

- Amendments to IAS 1 – Presentation of Financial Statements – Presentation of Other Components Recognised in Equity

  The main amendments to IAS 1 concern a new way to present other components recognised in equity in the Statement of Other Comprehensive Income – (OCI).

  The standard does not change the option of presenting all revenue and cost items recognised in a financial year in a single statement of comprehensive income, or in two statements: a statement displaying components of profit or loss (separate income statement), and a second statement beginning with profit or loss and displaying the components of OCI. The Standard requires, instead, the OCI items to be grouped together in two categories, according to whether they can be reclassified, or not, in the income statement in a future period.

  The following are examples of reclassification on the Income Statement: translation exchange differences, fair value adjustment of cash flow hedge derivatives, gains or losses on financial assets classified as available-for-sale in accordance with IAS 39.

  The actuarial gains/losses for defined benefit pension plans are, instead, an example of items not subject to reclassification in the Income Statement.

  Application of these amendments has no significant impact on the Group’s consolidated financial statements.

- Amendments to IAS 19 - Employee Benefits

  The amendment of IAS 19 is focused on the procedures used to account for defined benefit plans and termination benefits. The principal changes from the current standard concern:

  - defined benefit plans: actuarial gains/losses (renamed remeasurements) must be immediately and fully recognised in the Statement of Comprehensive Income. The option that allowed not recognising actuarial gains/losses if they fell within a certain corridor (“corridor approach”) will no longer be allowed;
  - elimination of the “expected return on plan assets” and “interest cost”, which will be replaced by a new quantity called “net interest”, calculated by applying the discount rate now used only for the gross liability to the net liability (i.e. the gross liability net of the assets servicing the plan);
  - request for supplemental information to be included in the explanatory notes to the financial statements for improved illustration of the risks stemming from defined benefit plans;

- termination benefits: based on the new standard, the factor that determines the timing for recognition in the financial statements is the fact that the entity may not withdraw the offered benefit, i.e. it is irrevocable. Accordingly, termination benefits may essentially be of two types:
  - benefits connected with a broader restructuring plan, where the entity may not withdraw the offer and the employee has no alternative but to accepting it: in this case, the offer is considered irrevocable when the layoff plan is notified to the affected persons;
  - individual benefits that the business may theoretically withdraw at its discretion until acceptance by the employee: in this case, the offer becomes irrevocable when the employee accepts it.

It should be emphasised that elimination of the corridor approach will have no effect on the consolidated financial statements as the Group has not used this option. There is no impact on the consolidated financial statements from the other amendments.

- Amendments to the revised IFRS 1 – First-time Adoption of International Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters

  The amendments introduced concern:

  - guidelines for preparing the financial statements on the basis of the IFRSs after a period in which IFRS application was suspended due to hyperinflation;
  - elimination of fixed dates upon first-time adoption of the IFRSs. Entities which adopt the IFRSs are no longer obligated to reconstruct transactions that occurred before the date of transition to IFRSs.

  Application of these amendments has no significant impact on the Group's consolidated financial statements.

- Amendments to IAS 12 – Income Taxes – Deferred Tax: Recovery of underlying assets

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

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

- IFRS 13 – Fair Value Measurement

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

  The introduction of the new standard has had no significant impact on the consolidated financial statements.

- Amendments to IFRS 7 – Financial Instruments: Additional disclosures - Offsetting Financial Assets and Financial Liabilities

  These amendments introduce the obligation of providing full disclosure in the notes of financial assets and liabilities offset on the basis of a statutory right to offsetting (e.g. net and gross amounts, guarantees granted and held).

  The consolidated financial statements have suffered no significant impact from application of the aforementioned amendments.

- Amendments to IFRS 1 – First-time Adoption of International Financial Reporting Standards – Government Loans

  The amendments provide, during the phase of first-time adoption of IFRSs, for the possibility of not adopting the retrospective application of the provisions of IAS 20 - Accounting of government grants and disclosure of government assistance in relation to government loans received at a below market rate of interest. These amendments make provision, during the phase of first-time application of IFRSs, for the adoption of the same accounting method envisaged for existing preparers of IFRS financial statements. These amendments do not apply to the Group.

- *“Improvements” to the IFRSs (issued by the IASB in May 2012)*

  As part of the project begun in 2009, the IASB has issued a series of amendments to 5 standards in force.

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

IFRS	Subject of the amendment
Amendments to IFRS 1 – First-time Adoption of International Financial Reporting Standards	• Reiterated adoption of IFRS 1 • Financial expenses
IAS 1 – Presentation of Financial Statements	Clarifications relating to comparative disclosure requirements
IAS 16 - Property, Plant and Equipment	Classification of maintenance equipment
IAS 32 - Financial Instruments: Presentation	Tax effect of distribution to holders of equity instruments
IAS 34 – Interim Financial Reporting	Interim Financial Reporting and segment information for total assets and liabilities

These amendments have had no significant impact on the consolidated financial statements.

6.2.2. 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", new Standards or Interpretations already issued, but which have not yet come into force or been endorsed by the European Union, and which are therefore not applicable, are listed below.

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

- Amendments to IFRS 7 – Financial Instruments: Additional disclosures - First-time Application of IFRS 9.

  These amendments introduce the obligation of providing additional quantitative information upon the transition to IFRS 9, to clarify the effects of the first-time application of IFRS 9 on the classification and measurement of financial instruments.

  These amendments, which will come into force on January 1, 2015, have not yet been endorsed by the European Union. The impact of future application of these amendments cannot be quantified at this time.

- 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. In the version published by the IASB in November 2009, the scope of IFRS 9 was restricted to just financial assets. In October 2010 the IASB added to IFRS 9 requirements for the classification and measurement of financial liabilities, thus completing the first stage of the project. In November 2012, the IASB published comments to the proposals for limited changes to the classification and measurement requirements for financial instruments under IFRS 9, to clarify a narrow range of application questions and to take into account the repetition with other projects, including convergence with US GAAP.

The second stage of the project, which concerns the impairment of financial instruments and the third stage, which concerns hedge accounting, resulted in issuing two Exposure Drafts in November 2009 and December 2010 respectively. The respective final standards, which were initially expected to be issued in the third quarter of 2011, have still not been issued; however, a new Exposure Draft is expected by the end of the third quarter of 2013 as regards impairment of financial instruments and the new standard on hedge accounting.

The main changes introduced by IFRS 9 can be summarised as follows:

– financial assets can be classified in only two categories - at fair value or at their amortised cost. The categories of loans and receivables, available-for-sale financial assets and financial assets held to maturity are therefore superseded. Classification within the two categories is made on the basis of the entity's business model and on the basis of the features of the cash flows generated by the assets themselves. Financial assets are measured at their amortised cost if both the following prerequisites are met: the entity's business model envisages that financial assets are held to collect their cash flows (thus, substantially, not to make trading profits) and the characteristics of the cash flows of the assets correspond only to payment of principal and interest. Otherwise financial assets must be measured at fair value;

– the accounting rules for derivatives embedded in contracts or in other financial instruments have been simplified: separate accounting for the embedded derivative and the “host” financial asset is no longer required;

– all equity instruments – both listed and unlisted – must be measured at fair value. IAS 39 stated instead that, if fair value could not be determined reliably, unlisted equity instruments had to be measured at cost;

– the entity has the option of presenting in equity any changes in the fair value of equity instruments not held for trading, while instead for those held for trading this option is not available. This designation is permitted at the moment of initial recognition, may be adopted for a single security and is irrevocable. If this option is taken, the fair value changes of such instruments can never be reclassified from equity to profit or loss (neither in the event of impairment nor in the event of disposal). Dividends instead continue to be recognised through profit or loss;

– IFRS 9 does not allow reclassifications between the two categories of financial assets except in rare cases in which there is a change in the entity's business model. In this case the effects of the reclassification are applied prospectively;

- the disclosure required in the notes was adapted to the classification and to the measurement rules introduced by IFRS 9.
- it is possible not to implement the principle in the comparative period retrospectively to the date of first adoption of IFRS 9, except in the case in which a series of specific additional information is provided.

As regards financial liabilities, the IASB substantially confirmed the provisions of IAS 39, with the exception of requirements relating to the fair value option. If the fair value option is adopted for financial liabilities, the fair value change attributable to a change in the issuer's credit risk must be recognised in the statement of comprehensive income and not in the income statement.

The process of endorsement of IFRS 9, which was due to come into force on January 1, 2013, has been suspended for the time being. In December 2011, the IASB published the "Mandatory Effective Date and Transition Disclosures (Amendments to IFRS 9 and IFRS 7)" postponing the date of mandatory application of IFRS 9 to the financial years starting from January 1, 2015 (the previous date of mandatory application was January 1, 2013), keeping the possibility of early application unchanged.

At the moment the effects on the consolidated financial statements deriving from future application of the standard are not quantifiable as regards the classification and measurement of financial assets; the amendments relating to financial liabilities are not applicable to the Group.

- IFRS 10 – Consolidated Financial Statements

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

In keeping with the existing standards, IFRS 10 identifies the concept of control as the key factor in establishing whether or not an entity needs to be included in the consolidated financial statements. To this end, the standard provides useful guidance on assessing whether control exists in more complex circumstances. In particular the new standard indicates a control model applicable to all types of entity, replacing the current principles. IFRS 10, in fact, supersedes the part of IAS 27 "Consolidated and Separate Financial Statements" that addresses consolidated financial statements and supersedes SIC 12 "Consolidation – Special Purpose Entities" in its entirety. After the new standard was issued, IAS 27 was renamed "Separate Financial Statements" and the relevant application framework has consequently been limited to the separate financial statements.

The standard, issued in May 2011, was endorsed by the European Union in December 2012 (EU Regulation no. 1254/2012), and will come into force on January 1, 2014. The impact on the consolidated financial statements of first-time application of the new standard is under analysis.

- IFRS 11 – Joint Arrangements

  IFRS 11 supersedes IAS 31 “Interests in Joint Ventures” and SIC 13 “Jointly Controlled Entities – Non-Monetary Contributions by Venturers” and sets out rules for financial reporting by all parties to a joint arrangement, establishing a principle-based approach under which the reporting entity recognises in its financial statements the rights and obligations arising from the arrangement.

  In particular to establish to which category a joint arrangement belongs to, it is necessary to consider the substance of the arrangement on the basis of the rights and obligations defined in it and not be limited to the formal aspect of the legal form, as currently happens.

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

  The standard, issued in May 2011, was endorsed by the European Union in December 2012 (EU Regulation no. 1254/2012), and will come into force on January 1, 2014. With reference to the consolidation method, no significant effects are expected on the consolidated financial statements from the future application of this new standard, as the accounting treatment already applied today by the Group is in line with the changes introduced. By contrast, the potential effects of the introduction of the distinction between joint ventures and joint arrangements are being analysed.

- IFRS 12 – Disclosure of Interests in Other Entities

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

  The standard, issued in May 2011, was endorsed by the European Union in December 2012 (EU Regulation no. 1254/2012), and will come into force on January 1, 2014. The impact on the consolidated financial statements of first-time application of the new standard is not yet foreseeable.

- IAS 27 – Separate Financial Statements

  As a result of new IFRS 10 and 12, what remains of IAS 27 is limited to the accounting of subsidiaries, jointly controlled companies and associates in the separate financial statements.

The standard was endorsed by the European Union in December 2012 (EU Regulation no. 1255/2012), and will come into force on January 1, 2014. No significant impact is expected from its future application.

- IAS 28 - Investments in Associates and Joint Ventures

  Following the issue of IFRS 10 and IFRS 11, IASB published IAS 28 "Investments in Associates and Joint Ventures", which regulates the accounting of investments in associated companies and joint ventures, and sets the criteria for the application of the equity method. The pre-existing principle has been only partially amended; the main changes refer to the reduction of the investment, meaning the investment in an associated company or in a joint venture which does not imply the cessation for the application of the equity method. In such circumstance the entity drafting the financial statements proportionately reclassifies the share of profits or losses recognised in the Other Comprehensive Income ("OCI") under income statement, while only the transferred quota is subject to the application of IFRS 5. The same rule applies to an investment in a joint venture which, following the partial transfer, becomes an associated company.

  The standard was endorsed by the European Union in December 2012 (EU Regulation no. 1255/2012), and will come into force on January 1, 2014. No significant impact on the consolidated financial statements is expected from its future application.

- Amendments to IAS 32 - Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities

  These amendments better clarify the requirements for offsetting financial assets and liabilities, already present in this standard, i.e.:

  - the significance of currently enjoying a statutory right to offsetting financial assets and liabilities;

  - the fact that, in certain cases, the realisation of the asset and extinguishment of the liability at the same time may be considered de facto extinguishment of a net amount.

  These amendments were endorsed by the European Union in December 2012 (EU Regulation no. 1256/2012), and will come into force on January 1, 2014. No significant impact on the consolidated financial statements is expected from future application of these amendments.

- Amendments to IFRS 10, IFRS 11 and IFRS 12 – Transition guide

  These amendments clarify the transitory rules for application of IFRS 10, which have been found too burdensome. They also limit the obligation to provide restated comparative data to only the comparative period preceding first-time application of IFRS 10, 11 and 12. In regard to the disclosures required by IFRS 12 in regard to interests held in other entities, these amendments eliminate the obligation of providing comparative information for periods prior to application of IFRS 12. These amendments were endorsed by the European Union in April 2013 (EU Regulation no. 313/2013), and will come into force on January 1, 2014. The impact, if any, of these amendments on the consolidated financial statements are under analysis.

- Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment Entities

  The amendments provide an exception to IFRS 10, requiring investment entities to account for subsidiaries at fair value through profit or loss instead of consolidating them.

  The IASB uses the term 'investment entity' to refer to an entity that has no other significant assets aside from investments in multiple interests and is committed specifically to investors whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both.

  These amendments, which will come into force on January 1, 2014, have not yet been endorsed by the European Union. No significant impact on the consolidated financial statements is expected from future application of these amendments.

- Amendments to IAS 36 - Recoverable Amount Disclosures for Non-Financial Assets

  This amendment clarifies that the disclosure required on the recoverable amount of impaired assets only refers to assets whose recoverable value is based on fair value net of costs to sell.

  These amendments, which will come into force on January 1, 2014, have not yet been endorsed by the European Union. Early application is permitted if the entity has already applied IFRS 13 Fair Value Measurement. No significant impact on the consolidated financial statements is expected from future application of these amendments.

- Amendments to IAS 39 - Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting

  These amendments still allow hedge accounting where a derivative, designated as a hedging instrument, is introduced for settlement purposes with a central counterparty required by law or regulation, if certain conditions are met.

  In this context, a new aspect indicates that the parties to a contract agree to replace their original counterparty with another. This amendment was introduced in response to legislative changes that affected many jurisdictions which will lead to widespread use of derivative contracts.

  These amendments have not yet been endorsed by the European Union. No significant impact on the consolidated financial statements is expected from future application of these amendments.

- IFRIC Interpretation 21 - Levies

  On May 20, 2013 the IASB published the IFRIC interpretation 21 - Levies in relation to the accounting method for levies imposed by the government that are different from income taxes. The interpretation, which will apply to the financial statements for years starting on or after January 1, 2014, has not yet been endorsed by the European Union.

6.2.3. Reporting formats

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

The consolidated financial statements at June 30, 2013 comprise a balance sheet, income statement, statement of comprehensive income, statement of changes in equity, cash flow statement and explanatory notes, and are accompanied by the Interim Directors' Report on operations.

The format adopted for the balance sheet entails the separation of the assets and liabilities into current and non-current.

The income statement format adopted entails the classification of costs by nature. The Group opted for a separate income statement instead of a single statement of comprehensive income.

The “statement of comprehensive income” includes the net income for the period and, for homogeneous categories, the income and expenses 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 not in the explanatory notes.

The “statement of changes in equity” includes the amounts of transactions with the equity holders and movements that occurred during the period in the reserves.

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

6.2.4. Consolidation area

The consolidation area includes the subsidiaries and associates, and equity investments in jointly-controlled companies (joint ventures).

Subsidiaries are defined as all companies and other entities whose financial and operating policies the Group has the power to control. This circumstance normally exists when the Group holds more than half of the voting rights. The financial statements of subsidiaries are included in the consolidated financial statements starting from the date on which control is assumed up to the moment in which such control ceases to exist. The shares of equity and results attributable to minority shareholders are reported separately in the consolidated balance sheet and income statement.

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

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

Companies included in the consolidation are listed in Appendix 1 “Consolidation area”, whose accompanying notes discuss the related changes.

6.3. Accounting estimates and assumptions

Preparation of the consolidated financial statements requires management to make estimates and assumptions which, in some cases, are based on difficult, subjective judgements and past experience, and assumptions thought to be reasonable and realistic according to the circumstances, with particular reference to forecasts regarding timing and the values of the transfers set forth in company plans.

The reliability of such estimates has an effect on adoption of the going concern assumption in preparing the financial statements, on the values of balance-sheet assets and liabilities and on the disclosure of contingent assets and liabilities at the reporting date, as well as on the amount of revenues and costs in the reference period. Actual results could therefore differ from such estimates. The estimates and assumptions are regularly reviewed and the effects of any change are reflected in the income statement of the period of the change if the change affects that period only, or also in future periods if the change affects both the current and future periods.

On this point it must be noted that the situation caused by the current economic and financial crisis has made it necessary to make assumptions regarding a highly uncertain future, in which actual results in the next year may differ from the estimates, thus involving adjustments, even significant ones, to the carrying amount of the items concerned and which cannot be currently estimated or predicted.

The estimates and assumptions required of the management mainly regard:

- assessment of the recoverability of intangible assets and defining their useful lives;
- valuation of the investments in associates and joint ventures, and assessment of the recoverability of financial receivables that such companies might owe;
- determination of the fair value of properties and the realisable value of inventories;

- estimation of the potential liabilities for outstanding legal and tax disputes as described in more detail in paragraphs 9.2.4 and 9.2.5 of the Interim Directors' Report on operations;

- quantification of the impairment of receivables (particularly with reference to determining the amortised cost of non-performing receivables), financial assets and the estimation of the liabilities deemed likely and recorded under provisions for future risks and expenses;

- estimates and assumptions on the recoverability of deferred tax assets.

Estimates and assumptions involving a significant risk of variation in the carrying amount of assets and liabilities mainly relate to goodwill, the valuation of the property portfolio and the valuation of non-performing loans in relation to the effects this can have on the value of investments in associates and joint ventures. In accordance with the accounting standards, the Group must test its goodwill for impairment at least once a year, or whenever there are specific indications of impairment. The value of the property portfolio is verified at least half-yearly on the basis of independent appraisals and the value of non-performing loans is based on the periodic updating of estimated expected cash flows.

The values of assets relating to real estate portfolios and to non-performing loans, or to the value of the investments of proprietary corporate vehicles, are measured on the basis of the respective appraisals or valuation models, in the assumption of a process of development and sale on the market as part of a normal company cycle, only possible on completion of the debt restructuring operation and ongoing capital strengthening, which will allow the Group to operate on the market in accordance with the objectives of maximising values in the medium-term, consistent with its plan and without, therefore, acting as a forced seller with the goal of generating short-term cash flows.

Approval of the company's strategic plan on March 27, 2013 led to a need to verify the position as at December 31, 2012 and calculation of the estimated value in use of goodwill recognised in the financial statements, limiting the impairment loss to around 3.4 million euro in relation solely to the Credit Servicing cash generating unit. Recoverable amounts are defined as the higher of an asset's fair value, less costs to sell, and its "value in use", with the exception of asset items which are expected to be sold in the near future and the carrying amount of which has been aligned to the estimated selling price, if less.

As at June 30, consistent with the reference plan, no signs of impairment were identified to warrant arranging a new test, the discrepancies in results compared to the plan being considered only transitory and as no significant change in the discounting rate has been identified.

In relation to the Highstreet investment, note that this is subject to periodic assessment of the recoverability of the residual financial receivable through the analysis of expected cash flows from closure of the joint venture, which can be carried out on completion of the disposal of real estate assets. This measurement of recoverability is based on estimated cash flows deriving from future portfolio sales, which will depend on the actual realisation of sales within the prescribed terms; any different sales conditions are capable of significantly affecting the value of the receivable recorded in the financial statements.

6.4. Seasonal trends

Revenues are not particularly influenced by seasonal trends.

6.5. Information on the Consolidated Balance Sheet and Consolidated Income Statement

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

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

ASSETS

Note 1. PROPERTY, PLANT AND EQUIPMENT

These amount to 1,817 thousand euro, a net increase of 202 thousand euro since December 31, 2012, and are made up as follows:

	06.30.2013			12.31.2012		
	Historical cost	**Accumulated depreciation/ impairment**	**Net value**	**Historical cost**	**Accumulated depreciation/ impairment**	**Net value**
Buildings	1,104	(916)	188	1,000	(898)	102
Plant and machinery	1,724	(1,551)	173	1,716	(1,531)	185
Production and commercial equipment	290	(141)	149	282	(123)	159
Other assets, of which:	14,070	(12,763)	1,307	14,232	(13,063)	1,169
- vehicles	*173*	(173)	-	*173*	(173)	-
- furniture, office equipment and other	*13,874*	(12,590)	*1,284*	*14,036*	(12,890)	*1,146*
- works of art	*23*	-	*23*	*23*	-	*23*
Total	**17,188**	**(15,371)**	**1,817**	**17,230**	**(15,615)**	**1,615**

The following table shows movements in historical costs and accumulated depreciation as at June 30, 2013:

Historical cost	12.31.2012	Increases	Decreases	06.30.2013
Buildings	1,000	106	(2)	1,104
Plant and machinery	1,716	12	(4)	1,724
Production and commercial equipment	282	8	-	290
Other assets, of which:	14,232	379	(541)	14,070
- vehicles	*173*	-	-	*173*
- furniture, office equipment and other	*14,036*	*379*	*(541)*	*13,874*
- works of art	*23*	-	-	*23*
Total	**17,230**	**505**	**(547)**	**17,188**

Accumulated depreciation/impairment	12.31.2012	Depreciation/ Impairment	Decreases	06.30.2013
Buildings	(898)	(20)	2	(916)
Plant and machinery	(1,531)	(23)	3	(1,551)
Production and commercial equipment	(123)	(18)	-	(141)
Other assets, of which:	(13,063)	(206)	506	(12,763)
- vehicles	*(173)*	-	-	*(173)*
- furniture, office equipment and other	*(12,890)*	(206)	506	*(12,590)*
Total	**(15,615)**	**(267)**	**511**	**(15,371)**

Note 2. INTANGIBLE ASSETS

These amount to 150,972 thousand euro, a net decrease of 430 thousand euro over December 31, 2012.

	06.30.2013	12.31.2012
Concessions, licenses, trademarks and similar rights	5,251	5,384
Applications software	953	1,250
Goodwill	144,768	144,768
Total	**150,972**	**151,402**

Goodwill

This amounts to 144,768 thousand euro as at June 30, 2013, unchanged compared with December 2012.

For the purposes of impairment testing, goodwill is allocated to the cash generating units shown in the table below, all belonging to the services platform:

	06.30.2013	12.31.2012
ITALY	**46,327**	**46,327**
Agency	5,815	5,815
Credit Servicing	1,017	1,017
Property	13,356	13,356
Fund management	26,139	26,139
GERMANY	**95,184**	**95,184**
POLAND	**3,257**	**3,257**
Total	**144,768**	**144,768**

The recoverable amount is the greater of the value in use and the fair value less costs to sell. IAS 36 does not require both values to be estimated (both value in use and fair value less costs to sell). It is sufficient instead to ascertain that one of the two values is higher than the carrying amount of the unit or group of units to which the goodwill is allocated, provided that a reduction in value is not to be recognised. The impairment test was carried out by comparing the value in use of the CGUs with their respective carrying amounts. The value in use is calculated as the present value of projections of reasonable and sustainable results capable of representing the best estimate of which top management is capable. In particular the value is the sum of the present value of unlevered free cash flows expected over the period of the plan and the closing value, calculated projecting in perpetuity the cash flow expected at the end of the plan.

The 2013-2016 plans used as the basis of the valuation process developed by an independent expert were prepared in relation to the position as at September 30, 2012 and later approved at consolidated level by the parent company's Board of Directors on March 27, 2013, as well as by the respective boards of directors of the main subsidiaries.

For the preparation of this half-year financial report, the Company assessed the results achieved by the various CGUs in the general context of (i) the extraordinary recapitalisation and debt restructuring transaction and (ii) the current transitional situation of the market, and performed verification of the key external variables and cost of capital structure used as at December 31, 2012.

In particular, with regard to the extraordinary recapitalisation and debt restructuring transaction, note that the forecasts reflected in the 2013-2016 plan envisaged completion by June 30, 2013, whereas the actual conclusion of the transaction was in August. In addition, with reference to the market situation, the results achieved as at June 30, 2013 by the Agency, Credit Servicing and Germany CGUs show negative differences in revenues and operating results compared to forecasts, the nature of which mainly refers to delays in executing or concluding certain transactions envisaged in the 2013-2016 plan, also brought about by the execution timing of the Extraordinary Transaction overshooting the initial forecasts which, during the first half of the year, meant that the Group was focused on restructuring action.

Therefore, also considering the update to the macro-analysis of the key external variables and of the cost of capital structure (adopted as at December 31, 2012 for domestic entities and for Poland at 9.84% post-tax, while for the German CGU Germany's lower country risk was estimated at 8.04%) the Company did not consider it necessary to review these indicators so as to require an update to the plans and consequently to the impairment test.

With regard to the impairment test performed as at December 31, 2012, and particularly the plans used to estimate cash flows, the key variables, on which the cash flows used in estimating value in use are based, are illustrated in the following table:

Cash Generating Unit	Key variables	Exogenous variables
ITALY		Recovery of real estate market in the second half of 2014
Agency	Intermediary volumes - non-captive - market fee dynamics - incl/ volumes linked to the disbursement of loans	
Credit Servicing	Collection volumes - loan management fee dynamic - new business development	
Property	Development of business with clients outside of the Group	
Fund management	Disposal of public assets - Assets Under Management volumes - market fees	
GERMANY	Realisation of growth through third-party channels - maintenance of services on the existing portfolio	
POLAND	Realisation of development of third party channel	

Note 3. INVESTMENTS

Equity investments in associates and joint ventures are accounted for using the equity method and amount to 227,400 thousand euro, a net decrease of 9,370 thousand euro since December 31, 2012.

Movements during the year are as follows:

	01.01.2013-06.30.2013				01.01.2012-12.31.2012			
	Total	**Associates**	**Joint ventures**	**Held for sale**	**Total**	**Associates**	**Joint ventures**	**Held for sale**
Opening balance	**236,770**	**53,625**	**179,774**	**3,371**	**327,036**	**65,713**	**254,158**	**7,165**
Acquisitions, changes in share capital and reserves/other	6,414	(33)	6,447	-	17,348	73	17,275	-
Share of other components recognised in equity	6,495	53	6,442	-	1,587	179	1,408	-
Reclassifications/ Other movements	-	-	-	-	-	-	-	-
Distribution of dividends and reserves	-	-	-	-	(10,945)	(1,329)	(9,023)	(593)
Disposals and liquidations	(63)	(63)	-	-	(7,333)	(3,713)	(3,620)	-
Net profit share/impairment	(30,536)	(3,431)	(27,105)	-	(147,186)	(7,286)	(139,900)	-
Fair value adjustment	(102)	-	-	(102)	(3,201)	-	-	(3,201)
Net (increase)/ decrease in financial receivables	7,817	(3)	7,820	-	63,787	(10)	63,797	-
Changes in provision for future risks and expenses	605	-	605	-	(4,323)	(2)	(4,321)	-
Closing balance	**227,400**	**50,148**	**173,983**	**3,269**	**236,770**	**53,625**	**179,774**	**3,371**

The changes in the item under discussion are attributable mainly to the final result of the investees, a negative total of 30,536 thousand euro, partly offset by capital contributions made during the period, changes occurring in other components recognised directly in equity, in particular in the cash flow hedging reserve. The final result of the investees also includes a pro-rata net negative effect for the Prelios Group of 23 million euro deriving from property write-downs.

The item “Net (increase)/decrease in financial receivables” includes in the period under discussion the decrease in net financial receivables owed by associates and joint ventures in relation to the portions of losses made by the same exceeding the carrying amounts of the investments.

Changes in provisions for future risks and expenses include, where there is a legal or implicit obligation, provisions for making good the losses of associates and joint ventures in excess of their carrying amounts plus any financial receivables owed by such companies.

It should be noted that investments “held for sale” refer exclusively to the portion of the Olinda fund held by Prelios Netherlands B.V., because the Group believes it can recover the related carrying amount essentially through a sale operation, which is expected to be completed in the near future, in line with market conditions. As such the same was measured at the lower of carrying amount and fair value less costs to sell, represented by stock market prices.

The locked-up portion of the Olinda fund held by Prelios Società di Gestione del Risparmio S.p.A., instead, is still recognised in equity investments in associates and measured with the equity method by virtue of the significant influence exercised over the fund.

Note 4. OTHER FINANCIAL ASSETS

These amount to 15,510 thousand euro, a net decrease of 1,067 thousand euro over December 31, 2012. The breakdown is as follows:

	06.30.2013	12.31.2012
Available for sale financial assets at fair value through equity	**13,006**	**12,931**
Closed-end real estate funds	12,020	11,921
Investments in other companies	986	1,010
Other financial assets at amortised cost	**193**	**193**
Junior notes	193	193
Tied deposits	**2,311**	**3,453**
Total	**15,510**	**16,577**

Fair value hierarchy

During the first half of 2013, as in the comparative period, there were no transfers between fair value hierarchical levels, or changes in the allocation of financial assets entailing a different classification of the said assets.

4.1 Closed-end real estate funds

These show the following movements at June 30, 2013:

	01.01.2013 - 06.30.2013	01.01.2012 - 12.31.2012
Opening balance	**11,921**	**15,272**
Increases	200	1,000
Decreases/Equity distribution	-	(535)
Fair value adjustment	(101)	(3,827)
Profits on disposal	-	11
Closing balance	**12,020**	**11,921**
of which:		
Cloe Fondo Uffici	7,589	7,469
Tecla Fondo Uffici	2,065	2,055
Fondo Enasarco Uno	1,423	1,460
Fondo Federale Immobiliare di Lombardia	943	937

The item was adjusted downwards by 101 thousand euro to account for changes in the fair value of real estate fund units. This reduction was recognised in equity, because it was considered insignificant or temporary, both for the portion in the period and the accumulated total as at June 30, 2013.

4.2 Investments in other companies

The item amounts to 986 thousand euro, recording a 24 thousand euro difference compared to the previous year attributable to the distribution of reserves by the companies in question.

4.3 Other financial assets at amortised cost

The item “Junior notes”, recognised for a total of 193 thousand euro at June 30, 2013, consists entirely of a deferred redemption amount relating to the securitisation of a non-performing loan portfolio of the company Cairoli Finance S.r.l..

4.4 Tied deposits

This item comprises cash and cash equivalents not freely usable by the Group in the short term.

In particular 1,755 thousand euro relates to amounts tied by the parent company following guarantees granted to the purchaser of the operating company Rinascente S.r.l., of which 1.3 million euro cleared on July 16, 2013.

Note 5. DEFERRED TAX ASSETS AND DEFERRED TAX PROVISION

The breakdown is as follows:

	06.30.2013	12.31.2012
Deferred tax assets	22,298	24,325
Deferred tax provision	(2,771)	(2,495)
Total	**19,527**	**21,830**

Deferred tax assets and liabilities are accounted for, when the conditions are met, taking into account offsetting between legal entities; the breakdown of the same including offsets made is as follows:

	06.30.2013	12.31.2012
Deferred tax assets	24,905	27,108
Deferred tax provision	(5,378)	(5,278)
Total	**19,527**	**21,830**

Deferred tax assets, measured in the assumption of a likely sale and tax recoverability, also taking into account the Group's four-year plan, relate mainly to recognition of tax effects associated with allocations to the provisions for risks and inventory write-downs, the consolidated accounts, and to tax losses that can be carried forward and, lastly, to further temporary tax rebates. This assessment takes into consideration the fact that the three-year tax consolidation option for 2010-2011-2012 has just ended and that with a view to continuing this tax regime in the future, on June 14, 2013 the consolidating company Prelios S.p.A. and its subsidiaries meeting the legal requirements renewed the tax consolidation for the three-year period 2013-2015, without prejudice to any early termination due to loss of control over a consolidated company or a financial year that does not match that of the consolidating party.

The decision was taken not to recognise deferred tax assets on most of the tax losses that can be carried forward, in part relating to periods prior to tax consolidation under the parent company Prelios S.p.A. and, therefore, recoverable by the respective legal entities that had generated them.

Note 6. TRADE RECEIVABLES

Trade receivables amount to 48,510 thousand euro, a decrease of 15,381 thousand euro compared with December 31, 2012, and largely refer to the lower volume of services performed during the period under review.

	06.30.2013			12.31.2012		
	Total	Non-current	Current	Total	Non-current	Current
Trade receivables from associates	1,542	-	1,542	1,970	-	1,970
Trade receivables from joint ventures and other Prelios Group companies	53,121	-	53,121	62,434	-	62,434
Trade receivables from other related parties	801	-	801	563	-	563
Trade receivables from third parties	21,925	-	21,925	23,924	-	23,924
Receivables for contracts	56	-	56	40	-	40
Total gross trade receivables	**77,445**	**-**	**77,445**	**88,931**	**-**	**88,931**
Allowance for doubtful accounts	(28,935)	-	(28,935)	(25,040)	-	(25,040)
Total	**48,510**	**0**	**48,510**	**63,891**	**0**	**63,891**

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

Trade receivables from other related parties for 801 thousand euro are mainly related to the chargeback by Lambda S.r.l. of site remediation costs for the area located in the Bicocca zone set aside to house the crèche/nursery school, as well as the recovery of costs for various services, including those concerning the Milan - HQ2 building.

Out of total gross trade receivables of 77,445 thousand euro (88,931 thousand euro at December 31, 2012), 54,946 thousand euro are past due (57,882 thousand euro at December 31, 2012), of which 40,015 thousand euro for more than a year, mainly relating to investment companies and funds in which the Group has a significant minority interest.

Against gross trade receivables, there are provisions for impairment of 28,935 thousand euro (25,040 thousand euro at December 31, 2012), which adjust their face value to their presumed realisable value.

Receivables written down include both significant single positions subject to individual impairment based on particular risk elements, and positions with characteristics similar from the point of view of credit risk grouped together and written down on a collective basis.

Allocations to the allowance for doubtful accounts are made specifically on credit positions that present particular risk elements. By contrast, on credit positions that do not present these characteristics, allocations are made on the basis of the estimated average non-collectability.

Movements in the allowance for doubtful accounts are shown below:

	06.30.2013	12.31.2012
Opening balance	**25,040**	**44,735**
Additions	6,590	2,893
Provisions for reduced revenues	631	1,351
Utilisations	(3,116)	(18,005)
Release of excess allowance	(143)	(103)
Change in consolidation area/reclassification/other	(67)	(5,831)
Closing balance	**28,935**	**25,040**

Following the difficult property market scenario already noted in the previous year, liquidity tensions deriving from the substantial contraction of loans disbursed and the general slowdown in sales in relation to a number of initiatives in which the Group has taken part, it was considered appropriate, occasionally also on the basis of the information received from customers themselves, to write down certain positions, also with investee entities and real estate funds, with a view to supporting investees in their efforts to continue as going concerns in the context of financial restructuring plans already formalised or at an advanced stage of negotiation with lending institutions and partners.

In particular, impairment of trade receivables amounts to 6,671 thousand euro, recognised in the income statement under the item “Other Costs” (note 25) which also includes impairments and losses on sundry receivables amounting to 132 thousand euro.

Details of the total effect recognised in the income statement following impairment of receivables are presented below.

	06.30.2013	12.31.2012
additions allowance for trade doubtful accounts	6,590	2,893
losses on trade receivables	81	6,953
total impairment of trade receivables	**6,671**	**9,846**
additions allowance for other doubtful accounts	132	496
losses on other receivables	-	250
total impairment of other receivables	**132**	**746**
Total impairment of receivables	**6,803**	**10,592**

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

Note 7. OTHER RECEIVABLES

These are broken down as follows:

	06.30.2013			12.31.2012		
	Total	Non-current	Current	Total	Non-current	Current
Other receivables from associates	22	-	22	10	-	10
Other receivables from joint ventures	5,958	10	5,948	4,671	10	4,661
Other receivables from other related parties	413	-	413	663	-	663
Sundry receivables	37,052	5,246	31,806	44,044	5,252	38,792
Accrued income and prepaid expenses of which:	1,630	114	1,516	946	166	780
- other related parties	69	-	69	68	-	68
- joint ventures	-	-	-	25	-	25
- third parties	1,561	114	1,447	853	166	687
Financial receivables	203,388	203,212	176	208,327	208,151	176
Total gross other receivables	**248,463**	**208,582**	**39,881**	**258,661**	**213,579**	**45,082**
Allowance for other doubtful accounts	(8,759)	-	(8,759)	(9,165)	-	(9,165)
Total	**239,704**	**208,582**	**31,122**	**249,496**	**213,579**	**35,917**

In order to realign the face value to the presumed realisable value, against gross other receivables of 248,463 thousand euro (258,661 thousand euro at December 31, 2012), there are provisions for impairment of 8,759 thousand euro (9,165 thousand euro at December 31, 2012), attributable mainly to receivables for the NPL portfolio which were written down in respect of reviews of the reference business plans carried out in previous years.

Movements in provisions for the impairment of other receivables are shown below:

	06.30.2013		12.31.2012	
	Non Current	Current	Non Current	Current
Opening balance	-	**9,165**	-	**38,363**
Additions	-	132	-	496
Utilisations	-	(533)	-	(28,187)
Reclassification/Other movements	-	(5)	-	(1,507)
Closing balance	**-**	**8,759**	**-**	**9,165**

The impairment of other receivables, totalling 132 thousand euro, is recorded in the income statement under the item “Other costs” (note 25), essentially due to the impairment of a number of positions, within the general context of liquidity tension which affected the property market, as described in more detail in the section on “Trade receivables” to which the reader is referred.

For other current and non-current receivables, the carrying amount is considered approximate to the fair value. In particular, as illustrated in the description of the reference accounting standards and policies, non-performing loans are measured at their amortised cost using the effective interest criterion. The carrying amount is equal to the present value of future cash flows resulting from the last available business plan at the original effective interest rate. The carrying amount of these receivables, calculated as described above, is considered approximate to the fair value of the same as at June 30, 2013, because the original effective interest rate, used to determine the present value, is still today representative of a market rate that would be applied by third parties for measurement of the portfolio; this rate was in fact determined considering the specific features (riskiness, reference market, etc.) of the portfolio being measured, elements that the management responsible for these assessments considers still substantially valid today.

A brief comment will now follow on the more significant items included in "Other receivables".

Other receivables from joint ventures

This item amounts to 5,958 thousand euro (4,671 thousand euro at December 31, 2012) and mainly includes receivables for dividends declared by and due from Inimm Due S.à.r.l. (834 thousand euro), the remaining receivable owed to the parent company by Polish Investments Real Estate Holding II B.V. for the sale of 85% of the share capital of the Polish companies Coimpex Sp.z.o.o. and Relco Sp.z.o.o. (2,418 thousand euro), and the receivable due to Prelios Società di Gestione del Risparmio S.p.A. for VAT paid in advance on behalf of the Hospitality & Leisure Fund (1,195 thousand euro).

Sundry receivables

These amount to 37,052 thousand euro compared with 44,044 thousand euro at December 31, 2012.

	06.30.2013			12.31.2012		
	Total	**Non-current**	**Current**	**Total**	**Non-current**	**Current**
Sundry receivables of which:						
- NPL portfolio	7,144	-	7,144	7,157	-	7,157
- Other tax receivables	5,431	4,987	444	5,944	221	5,723
- Advances	2,264	221	2,043	5,489	4,987	502
- Social security receivables	1,537	-	1,537	1,588	-	1,588
- Sundry other receivables	20,676	38	20,638	23,866	44	23,822
Total	**37,052**	**5,246**	**31,806**	**44,044**	**5,252**	**38,792**

Receivables for NPL portfolio relate to the acquisitions of loan portfolios by the Group in previous years. In particular the item comprises mortgage-backed and unsecured loans purchased by CFT Finanziaria S.p.A. (which incorporated Vindex S.r.l.),mostly from Banca Popolare di Intra and Banca Antonveneta.

In relation to non-performing loans, provisions of 4,062 thousand euro (4,075 thousand euro at December 31, 2012) have been set aside for impairment. The net value at June 30, 2013 was therefore 3,082 thousand euro, unchanged since December 31, 2012.

4,987 thousand euro of the *advances* refer to suspended costs associated with the realisation of urbanisation works in the ex Besta-Ansaldo area performed by third parties and which will be recognised by the allottees under the terms of signed mandates.

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

In this regard, it should be noted that Prelios S.p.A., acting as parent company, and its subsidiaries, have elected to make an independent group VAT tax settlement for the 2013 tax year, in accordance with the Ministerial Decree dated December 13, 1979.

Sundry other receivables include among other things 7,254 thousand euro for the indemnity payable to parent company Prelios S.p.A. in relation to certain legal disputes primarily concerning maintenance and services provided to buildings managed on behalf of Inpdap, against which 5,906 thousand euro in liabilities have been recognised, as better described in note 17 “Other payables”, to which the reader is referred.

Sundry other receivables also include 1,413 thousand euro, owed to the Group by certain directors and employees (now no longer in office) for CONSOB penalties applied by the Issuers Division and the Intermediaries Division following an investigation into and proceedings against Prelios S.p.A. and its subsidiary Prelios Società di Gestione del Risparmio S.p.A. in relation to the tender offer made in 2007 by Gamma RE B.V., a company 49% owned by the Prelios Group and 51% by Morgan Stanley, for units in the Tecla and Berenice funds, both managed by Prelios Società di Gestione del Risparmio S.p.A..

After the outcome of the appeal presented to the Appeals Court, which in any case cancelled some of the penalties applied, the case has been taken to the Supreme Court.

On April 5, 2012, as a result of the investigations performed, the Bank of Italy notified the members of the then Board of Directors, Board of Statutory Auditors and former General Manager of Prelios Società di Gestione del Risparmio S.p.A. of administrative and pecuniary penalties totalling 150 thousand euro that the company paid with the obligation of exercising recourse against the sanctioned parties. As at June 30, 2013, the Group is due a residual receivable of 30 thousand euro from said parties.

Financial receivables

At June 30, 2013 non-current financial receivables amount to 203,212 thousand euro, marking a net decrease of 4,939 thousand euro since December 31, 2012, while current financial receivables amount to 176 thousand euro, unchanged compared to December 31, 2012. These are broken down as follows:

	06.30.2013			12.31.2012		
	Total	Non-current	Current	Total	Non-current	Current
Financial receivables from associates	578	578	-	578	578	-
Financial receivables from joint ventures	202,780	202,604	176	207,693	207,517	176
Financial receivables from others	30	30	-	56	56	-
Total	**203,388**	**203,212**	**176**	**208,327**	**208,151**	**176**

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

Movements over the first half of 2013 in non-current receivables are as follows:

	12.31.2012	Increases	Decreases	Offset against provision for equity-accounted investments	06.30.2013
Financial receivables from associates	578	-	(3)	3	578
Financial receivables from joint ventures	207,517	10,275	(7,368)	(7,820)	202,604
Financial receivables from others	56	-	(26)	-	30
Total	**208,151**	**10,275**	**(7,397)**	**(7,817)**	**203,212**

3,587 thousand euro of the increase in financial receivables from joint ventures is due to new loans, provided in particular to the companies Manifatture Milano S.p.A. (1,550 thousand euro), Polish Investments Real Estate Holding II B.V. (1,146 thousand euro) and SIG RE B.V. (472 thousand euro), and to the capitalisation of interest accrued in the period and to the effect of time-discounting interest-free shareholder loans.

In particular, during the period under review, the discounting to present value of interest-free shareholder loans involved an increase in receivables by 2,192 thousand euro.

The decrease in *receivables from joint ventures* is essentially attributable to the waiver of shareholder loans, particularly those in favour of Manifatture Milano S.p.A. for 5,000 thousand euro, and for 974 thousand euro as repayment of existing shareholder loans, mainly by the German companies.

Non-current financial receivables from others amount to 176 thousand euro and consisted of senior Class A notes relating to the loan portfolio of the ICR8 securitisation vehicle.

The column “offset against provisions for equity-accounted investments” reports reductions in financial receivables from associates and joint ventures to absorb losses in excess of the carrying amount of the related investments.

Note 8. TAX RECEIVABLES

These amount to a total of 7,579 thousand euro, compared with 8,465 thousand euro as at December 31, 2012.

These comprise:

	06.30.2013			12.31.2012		
	Total	Non-current	Current	Total	Non-current	Current
Income tax receivables	6,087	-	6,087	6,973	-	6,973
Other receivables from third parties for group tax election	1,492	-	1,492	1,492	-	1,492
Total	**7,579**	**0**	**7,579**	**8,465**	**0**	**8,465**

Income tax receivables

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

Other receivables from third parties for group tax election

This item refers to the receivable owed to Prelios Credit Servicing S.p.A. by its previous parent company Fonspa S.p.A. for electing tax consolidation.

Note 9. INVENTORIES

	06.30.2013	12.31.2012
Trading properties held for sale	22,039	24,050
Land for development	23,042	23,044
Properties under construction/renovation	6,821	7,285
Total	**51,902**	**54,379**

Trading properties held for sale

These amount to 22,039 thousand euro, a net decrease of 2,011 thousand euro compared with December 31, 2012, 1,660 thousand euro of which attributable to impairment recognised for the lower presumed realisable value, determined on the basis of independent valuations as at June 30, 2013 or owing to lower values at which the individual subsidiaries are willing to sell on the basis of sales mandates granted after approval by their respective Board of Directors, and to sales made in the period, primarily by Centrale Immobiliare S.p.A., Geolidro S.p.A. and Orione Immobiliare Prima S.p.A..

Land for development

This item totals 23,042 thousand euro, essentially in line with the final figure as at December 31, 2012. In the period under review, the areas were written down for a total of 56 thousand euro in respect of the lower estimated realisable value.

Properties under construction/renovation

These amount to 6,821 thousand euro, a net decrease of 464 thousand euro over December 31, 2012, of which 460 thousand euro attributable to write-downs performed mainly due to costs incurred for the planning and renovation of a number of lofts, the improvements to which - given the timing problems of the project - are considered unlikely.

The inventories mainly refer to properties under renovation in the Bicocca area of Milan (3,408 thousand euro) and to a property located in Magdeburg in Germany (2,545 thousand euro).

Note 10. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of bank deposits, post office deposits and cash and valuables on hand, fully available to the holder. A part of cash and cash equivalents is allocated to the current accounts of a number of subsidiaries and is not included in the cash pooling system, but is instead used directly by the subsidiaries to cover their own financial needs.

They are broken down as follows:

	06.30.2013	**12.31.2012**
Bank and postal deposits	22,620	43,872
Cheques	-	710
Cash and valuables on hand	75	508
Total	**22,695**	**45,090**

Current accounts are held with leading banks and financial institutions of high credit standing.

Cash held in bank current accounts accrues interest at the rates agreed, from time to time, with the banking system.

EQUITY

GROUP EQUITY

Note 11. SHARE CAPITAL

In compliance with the resolution of the extraordinary shareholders’ meeting of Prelios S.p.A. on April 17, 2012, pursuant to articles 2328 and 2346 of the Italian Civil Code, the face value of the shares was eliminated.

Furthermore, in view of the 2012 results which recorded losses totalling more than one third of the share capital, the extraordinary shareholders' meeting of May 8, 2013 resolved to reduce the share capital due to the losses pursuant to art. 2446 of the Italian Civil Code, which was therefore reduced to 4,881,622.50 euro. The same shareholders’ meeting also resolved to group the ordinary shares according to the ratio of 1 new ordinary share for every 10 held, subject to the cancellation of 1,171,777 treasury shares held by Prelios S.p.A.

Therefore at June 30, 2013, subscribed and paid-up share capital (including treasury shares in the portfolio held for investment and not trading purposes and which, therefore, under the format prescribed by art. 2424 of the Italian Civil Code, would have been classified as "Financial fixed assets") consists of 84,000,000 ordinary shares with no nominal value, making a total of 4,881,622.50 euro.

At June 30, 2013, share capital, net of the 1,788 treasury shares in the portfolio as required by IAS 32, amounts to 4,872,682.50.

As a result of the loss recorded in the first half of 2013, amounting to 63,982 thousand euro, Group equity at June 30, 2013, is down 16,268 thousand euro, compared to 74,178 thousand euro as at December 31, 2012.

LTI/Stock Option Plans

As at June 30, 2013 the Group has not activated LTI/stock option plans. After approval of the next management plan, the Company intends to introduce incentive schemes that envisage a short-term variable component (MBO) and a long-term component (LTI and carried interest) using methods and approaches to be defined in detail for all key resources, both senior and middle managers.

Note 12. OTHER RESERVES

Information is provided below on the changes that occurred during the first half of 2013 with regards to other components recognised in equity.

	Currency translation reserve	Reserve for *fair value* measurement of available for sale financial assets	*Cash flow hedge* reserve	Reserve for tax on items credited/debited to equity	**Group equity**	**Minority interests in equity**	**Total**
- *fair value* measurement of available for sale financial assets	-	(91)	-	25	(66)	(7)	(73)
- Prelios share of other components of comprehensive income relating to associates and joint ventures	-	-	6,771	(273)	6,498	-	6,498
- currency translation reserve	(228)	-	-	-	(228)	-	(228)
Total other income components recognized in equity	**(228)**	**(91)**	**6,771**	**(248)**	**6,204**	**(7)**	**6,197**

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

The overall balance of this item includes a negative reserve of 6,122 thousand euro, before tax, classified in a separate reserve, recognised for the fair value measurement of available-for-sale assets, which mainly comprise units held in real estate investment funds.

Impairment was recorded for these units in the first half of 2013, reflected in a decrease in the reserve of 91 thousand euro.

Cash flow hedge reserve

This reserve, a negative 3,462 thousand euro, includes the effective portion of profits and losses deriving from the fair value adjustment of derivative instruments designated to hedge exposure to variability in the cash flows from assets or liabilities recorded in the financial statements (“cash flow hedge”).

During the first half of 2013, this reserve recorded an increase of 6,771 thousand euro for the fair value measurement of existing cash flow hedges held by associates and joint ventures.

Reserve for actuarial gains/ (losses)

This reserve shows a negative balance of 1,818 thousand euro and includes the net actuarial losses on post-employment defined benefits under IAS 19, before taxes.

Reserve for tax on items credited/debited to equity

This reserve amounts to a positive 2,781 thousand euro and reflects the tax effect of items credited/debited directly to equity.

Note 13. RETAINED EARNINGS / (LOSSES)

As indicated previously, the shareholders' meeting of May 8, 2013 resolved pursuant to art. 2446 of the Italian Civil Code to fully cover losses emerging from the balance sheet and income statement as at December 31, 2012 through a reduction in the share capital, which would remain, however, above the legal limit established for joint-stock companies in accordance with art. 2327 of the Italian Civil Code.

Note 14. MINORITY INTERESTS

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

Of the change recorded in the first half of 2013, 403 thousand euro refers to net losses for the period pertaining to minority shareholders.

LIABILITIES

Note 15. BANK BORROWINGS AND PAYABLES TO OTHER FINANCIAL INSTITUTIONS

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

	06.30.2013			12.31.2012		
	Total	Non-current	Current	Total	Non-current	Current
Bank borrowings	400,968	219,365	181,603	387,568	262,977	124,591
Other financial payables	1,772	631	1,141	2,684	627	2,057
Payables to other financial institutions	98	-	98	98	-	98
Financial payables to joint ventures	4,997	-	4,997	4,519	32	4,487
Financial payables to other related parties	177,378	157,984	19,394	170,863	157,357	13,506
Total	**585,213**	**377,980**	**207,233**	**565,732**	**420,993**	**144,739**

Bank borrowings

Bank borrowings amount to 400,968 thousand euro at June 30, 2013, marking an increase of 13,400 thousand euro compared to December 31, 2012.

The item is broken down as follows:

	06.30.2013			12.31.2012		
	Total	Non-current	Current	Total	Non-current	Current
Parcheggi Bicocca S.r.l.	5,525	4,804	721	5,874	5,180	694
Prelios S.p.A.	395,443	214,561	180,882	381,694	257,797	123,897
Total	**400,968**	**219,365**	**181,603**	**387,568**	**262,977**	**124,591**

Non-recourse loans

The item refers to the loan granted by Banca Intesa Mediocredito S.p.A. to Parcheggi Bicocca S.p.A..

Fixed-term credit facilities and current accounts

These refer to credit facilities granted to the parent company Prelios S.p.A. by eight leading Italian banks.

As regards to the Club Deal loan, with principal totalling 359,000 thousand euro, expiring in December 2014, Prelios S.p.A. is committed to maintain a maximum level of consolidated net debt, decreasing over time, and a minimum level of consolidated equity.

With regard to the debt restructuring and partial conversion in the share capital and convertible bond loan completed in August, reference should be made to the description in the Interim Directors' Report on operations.

Other financial payables

"Other non-current financial payables" mainly refer to security deposits held by consolidated companies.

"Other current financial payables" include 1,141 thousand euro attributable to the management of real estate contracts carried out for third parties, almost entirely offset by dedicated current accounts included under the item "Cash and cash equivalents".

Of the decrease compared to December 31, 2012, 698 thousand euro refers to the reimbursement of certain amounts received by Prelios Credit Servicing S.p.A., in particular for the management of NPL contracts on behalf of third parties.

Financial payables to joint ventures

The item, amounting to 4,997 thousand euro, not only includes residual negative intercompany current account balances, but certain financial payables due by the parent company in respect of the obligation to subscribe, via the investments Afrodite S.à.r.l. and Artemide S.à.r.l., units of the Fondo Residenziale Diomira (1,947 thousand euro) and, with respect to the subsidiary Prelios Netherlands B.V., to subscribe units of the Fondo Vivaldi (2,000 thousand euro).

Financial payables to other related parties

These amount to 177,378 thousand euro and refer to the use of a floating rate credit line granted to Prelios S.p.A. by Pirelli & C. S.p.A., expiring on July 31, 2017.

With regard to the debt restructuring and partial conversion in the share capital and convertible bond loan completed in August, reference should be made to the description in the Interim Directors' Report on operations.

Note 16. TRADE PAYABLES

These comprise:

	06.30.2013			12.31.2012		
	Total	Non-current	Current	Total	Non-current	Current
Trade payables to associates	1,152	-	1,152	1,091	-	1,091
Trade payables to joint ventures and other Prelios Group companies	2,455	-	2,455	2,481	-	2,481
Trade payables to other related parties	491	-	491	130	-	130
Trade payables to third parties	42,581	-	42,581	45,673	-	45,673
Total	**46,679**	**0**	**46,679**	**49,375**	**0**	**49,375**

At June 30, 2013, the fair value of the item in question approximates its carrying amount.

Trade payables include the portion of payables to third parties past due for more than 90 days for an amount at June 30, 2013 of approximately 2.6 million euro (1.1 million euro at December 31, 2012).

Trade payables to associates

These amount to 1,152 thousand euro and are almost entirely attributable to payables to Progetto Corsico S.r.l. and Olinda Fondo Shops, as the allottees, for urbanisation charges and the relative accessory costs, for an area located in the Municipality of Corsico and an area in the Bicocca zone, respectively.

Trade payables to joint ventures and other Prelios Group companies

These mainly refer to chargebacks of various types by joint ventures and other companies in the Prelios Group, essentially attributable to lease payments, urbanisation and accessory charges.

This item totals 2,455 thousand euro, essentially in line with the final figure as at December 31, 2012.

Trade payables to other related parties

These amount to 491 thousand euro, an increase of 361 thousand euro over December 31, 2012.

They mainly refer to the amount due to Pirelli Tyre for the chargeback of utilities and expenses for the R&D building, the Group's headquarter, and payables for health services provided by Poliambulatorio Bicocca S.r.l..

Trade payables to third parties

These amount to 42,581 thousand euro, marking a decrease of 3,092 thousand euro since December 31, 2012, largely as a result of lower SAL (work progress) volumes and the retention of contracts managed by the Group.

The item includes 2,536 thousand euro in *trade payables to customers for contracts* (2,544 thousand euro as at December 31, 2012), generated by advances above the percentage completion relating to contracts with Lambda S.r.l. for urbanisation initiatives in Bicocca and Pioltello.

In particular, the costs incurred and the related margins on these contracts amount to 17,369 thousand euro at June 30, 2013 (16,672 thousand euro at December 31, 2012), while amounts invoiced for percentage completion total 19,905 thousand euro (19,216 thousand euro at December 31, 2012).

Note 17. OTHER PAYABLES

These comprise:

	06.30.2013			12.31.2012		
	Total	Non-current	Current	Total	Non-current	Current
Other payables to associates	2,111	-	2,111	2,163	-	2,163
Other payables to joint ventures and other Prelios Group companies	18,579	-	18,579	18,476	-	18,476
Other payables to third parties of which:	33,129	529	32,600	39,773	528	39,245
- damages payable	*5,906*	-	5,906	*7,354*	-	7,354
- payables to employees	*4,907*	-	*4,907*	*5,605*	-	*5,605*
- other tax payables	*2,064*	-	*2,064*	*7,331*	-	*7,331*
- social security payables	*1,942*	-	*1,942*	*2,430*	-	*2,430*
- sundry other payables	*18,310*	*528*	*17,781*	*17,053*	*528*	*16,525*
Accrued liabilities and deferred income	2,262	*448*	*1,872*	4,624	*448*	*4,176*
Total	**56,180**	**949**	**55,231**	**65,036**	**976**	**64,060**

Other payables to associates

The payable, due entirely to Olinda Fondo Shops (as allottee of the Bicocca area), refers to the amount collected from Iniziative Immobiliari 3 S.r.l., as provided for in the contract, for urbanisation works in the area owned by said allottee.

Other payables to joint ventures and other Prelios Group companies

These mainly refer to a payable due to a German company originating from a “profit & loss agreement” active up until 2007, on the basis of which the associating party had the right to receive income generated by the associated party and, on the other hand, the obligation of covering any losses deriving from it, as well as a payable for expenses relating to the sale of investment units made in the past. Based on the agreements and shareholder agreements with the majority shareholder in the real estate joint ventures involved, the receivables concerning the items in question also relate exclusively to Prelios.

The item also includes 2,046 thousand euro relating to the amount still to be paid to Espelha – Serviços de Consultadoria LdA for the purchase of Class C junior notes in September and already sold at the end of 2012.

Other payables to third parties

Damages payable includes the residual liability of Edilnord Gestioni S.r.l. (in liquidation) for damages payable to Inpdap in relation to legal action over management of certain contracts (5,906 thousand euro). These expenses are subject to guarantee by the previous company shareholder and are, therefore, essentially offset by receivables classified in the item “Other receivables”.

Payables to employees mostly refer to provisions for unused holiday entitlement and deferred salaries. It also includes contractualised liabilities for the restructuring plans being implemented.

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

Social security payables relate to the amount owned by the Group to social security institutions. The item includes 1,791 thousand euro owed to the Italian social security authorities (INPS), 151 thousand euro to Italy's industrial accident agency (INAIL) and other welfare agencies, in relation to contributions accrued that will be paid on the respective maturity dates.

Payables to Directors and the Supervisory Board included under sundry other payables amount to 1,573 thousand euro (in comparison to 614 thousand euro at December 31, 2012), while payables to Statutory Auditors total 549 thousand euro (586 thousand euro at December 31, 2012).

The item “*sundry other payables*” includes, among other things, 9,975 thousand euro of Prelios S.p.A. (amount unchanged with respect to the previous year) deriving from deferred contractual charges in relation to the transfer of investment units which occurred in the past.

Accrued liabilities and deferred income

Deferred income includes 1,187 thousand euro in consolidation adjustments to defer the portion of capital gains on property sales that have not yet been realised outside the Group.

Note 18. PROVISIONS FOR FUTURE RISKS AND EXPENSES

These provisions total 45,374 thousand euro (of which the non-current portion is 22,622 thousand euro) compared with 53,682 thousand euro at December 31, 2012 (of which the non-current portion was 24,905 thousand euro).

	06.30.2013			12.31.2012		
	Total	Non-current	Current	Total	Non-current	Current
Provision for future expenses for contractual commitments	20,460	14,924	5,536	21,968	16,633	5,335
Provision for arbitration, lawsuits and outstanding disputes	10,140	5,819	4,321	10,466	6,560	3,906
Warranties provision	314	30	284	355	30	325
Provision for other risks	2,739	559	2,180	5,150	567	4,583
Restructuring provision	8,308	1,290	7,018	12,935	1,115	11,820
Provision for future risks on equity-accounted investments	3,413	-	3,413	2,808	-	2,808
Total	**45,374**	**22,622**	**22,752**	**53,682**	**24,905**	**28,777**

The changes which occurred during the first half of 2013 are as follows:

	12.31.2012	Decrease of financial receivables	Change in consolidation area / other	Increases	Decreases	06.30.2013
Provision for future expenses for contractual commitments	21,968	-	7	613	(2,128)	20,460
Provision for arbitration, lawsuits and outstanding disputes	10,466	-	-	2,054	(2,380)	10,140
Provisions for guarantees	355	-	-	30	(71)	314
Provision for other risks	5,150	-	(7)	303	(2,707)	2,739
Restructuring provision	12,935	-	-	1,124	(5,751)	8,308
Provision for future risks on equity-accounted investments	2,808	(7,817)	-	-	8,422	3,413
TOTAL	**53,682**	**(7,817)**	**0**	**4,124**	**(4,615)**	**45,374**

Provision for future expenses for contractual commitments

This provision includes, among other things, 8,265 thousand euro concerning the provision for expenses set aside by subsidiary Geolidro S.p.A. in relation to contractual commitments to perform extraordinary maintenance works on properties sold, as well as 1,524 thousand euro for future expenses in relation to the transfer of the Milan office and early termination of the rental contract for the HQ2 building.

The item also includes 7,822 thousand euro for the estimated costs that subsidiary Lambda S.r.l. could incur for certain urbanisation work commitments. In particular, 2,394 thousand euro of this item refers to liabilities estimated by the company for the construction of the crèche/nursery school. The provision was used in respect of the advancement of works performed in the first half of 2013, amounting to 43 thousand euro. A total of 4,129 thousand euro refers to the valuation proposal made to the Municipality of Milan, in replacement of the realisation of some car parks in the Bicocca area. The provision also includes 1,099 thousand euro for the prudential estimate of some urbanization commitments assumed by the company in the past concerning the areas transferred in previous years, and expenses linked to the rebranding of franchising.

Provision for arbitration, lawsuits and disputes outstanding

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

This provision also includes, where the conditions are met, the best estimate of probable charges deriving from assessment notices received by Prelios Group companies after tax inspections.

Of the increase for the period, around 1 million euro is attributable to the allocation of a specific provision for risk by Centrale Immobiliare S.p.A. in relation to the outcome of the preventive technical investigation received and related to the claim for damages from alleged construction defects of a property and identifying this sum as representing the likely liability. This dispute refers to the property development performed by the company that acted as vendor of a newly-built property unit. In addition to assessing the outcome of the preventive technical investigation, the company is conducting a study to verify liability of the construction companies and entities engaged in the property development, and if necessary taking counter-action.

Provisions for guarantees

This amount is mainly attributable to provisions for risks connected to guarantees issued to Iniziative Retail S.r.l. for the real estate contributed by the latter in the “Olinda - Fondo Shops - Fondo comune di investimento immobiliare di tipo chiuso” (closed-end real estate investment fund) managed by Prelios Società di Gestione del Risparmio S.p.A. for the indemnity given in the face of any claims in terms of construction, town planning, systems, or environmental issues.

Provisions for other risks

This item mainly includes a potential tax risk as a result of changes to the legislation regarding the sales of investments in German companies in the “Mistral” Group, and provisions in relation to risks of payments to be made, in application of the tax consolidation regulations previously held by Pirelli & C. S.p.A. due to changes in the scope of reference.

Restructuring provision

This refers to restructuring costs, in relation to internal reorganisation plans, already resolved and currently being implemented by a number of Group companies to tackle the new scenario in the real estate sector, with the aim of simplifying organisational levels and reducing operating costs by downsizing the workforce and simplifying corporate structures. The provision also includes costs of onerous contracts relating to the Group's offices.

Provision for future risks on equity-accounted investments

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

Note 19. EMPLOYEE BENEFIT OBLIGATIONS

Employee benefit obligations amount to 12,069 thousand euro, a net decrease of 499 thousand euro with respect to December 31, 2012. The item is broken down as follows:

	06.30.2013	12.31.2012
Provision for employee leaving indemnity	3,569	3,932
Pension funds	7,785	7,800
Other employee benefits	715	836
Total	**12,069**	**12,568**

Provision for employee leaving indemnity

The provision for employee leaving indemnity refers only to Italian companies in the Group and essentially includes the employee leaving indemnity accrued by staff in service at June 30, less any advances granted to employees.

In accordance with the provisions of national regulations, the amount due to each employee accrues on the basis of the time worked and is disbursed when the employee leaves the company. The amount due at the conclusion of the employment relationship is calculated on the basis of its duration and the taxable remuneration of each employee. This liability is revalued on an annual basis using the official cost of life index and the legal interest rate. As it is not connected to any condition or maturity period, nor are there any obligations for financial funds, there are no assets that serve the fund.

The regulations were supplemented by Legislative Decree no. 252/2005 and Law no. 296/2006 (2007 Finance Bill) which, for companies with at least 50 employees, established that, as regards amounts accrued from 2007, employees have the option of allocating these to either the INPS Treasury Fund or to forms of supplementary pension, therefore assuming the nature of “defined contribution plans”.

In application of IAS 19, the employee leaving indemnity is revised using actuarial evaluation methods, with the assistance of an external appraiser, and adapted in relation to events occurring which require said adaptation.

The date of the last actuarial valuation is December 31, 2012.

Movements in the provision for employee leaving indemnity as at June 30, 2013 and the previous year are set out below:

	01.01.2013-06.30.2013	01.01.2012-12.31.2012
Opening balance	**3,932**	**3,892**
Amount maturing and charged to income	91	208
Amount maturing and charged to income: curtailment	-	(29)
Equity adjustment for actuarial gains/losses	-	596
Advances on leaving indemnity	(44)	(60)
Indemnities paid	(413)	(618)
Other changes	3	(57)
Closing balance	**3,569**	**3,932**

The provision for employee leaving indemnity (TFR) changed mainly as a result of uses in the year for payments to personnel that have left.

The amounts recognised in the income statement are included in the item "Personnel costs" (Note 25).

Pension funds

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

Movements in pension funds at June 30, 2013 and in the previous year are set out below:

	01.01.2013-06.30.2013	01.01.2012-12.31.2012
Opening balance	**7,800**	**6,100**
Amount maturing and charged to income	147	296
Equity adjustment for actuarial gains/losses	-	1,553
Indemnities paid	(162)	(310)
Other changes	-	161
Closing balance	**7,785**	**7,800**

The amounts recognised in the income statement are included in the item "Personnel costs" (Note 25).

Other employee benefits

"Other employee benefits" include 116 thousand euro relating to the "Altersteilzeit fund", a mechanism commonly adopted in Germany to agree early retirement for employees who have reached the age of 55.

Other employee benefits also include length-of-service bonuses and loyalty bonuses totalling 599 thousand euro.

The amounts recognised in the income statement are included in the item "Personnel costs" (Note 25).

Employees

The total number of employees, including auxiliary staff working in buildings, was 815 at June 30, 2013 (825 including temporary staff), compared with 878 at December 31, 2012 (884 including temporary staff).

The following table provides a breakdown:

	Headcount at period end		Average headcount in period	
	06.30.2013	12.31.2012	01.01.2013-06.30.2013	01.01.2012-12.31.2012
Executives	69	75	72	78
Junior managers	134	140	137	145
White collar	529	582	546	618
Workmen/Auxiliary staff (*)	83	81	83	82
Total	**815**	**878**	**837**	**923**

(*) Variable staff according to contracts under management.

Other information

The main actuarial assumptions used at the date of the last reference valuation of December 31, 2012 are as follows:

	Italy	Germany	Netherlands
Discount rate	3.35%	3.35%	3.35%
Inflation rate	2.00%	2.00%	2.00%
Expected salary increase (*)	n/a	n/a	n/a

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

Note 20. TAX PAYABLES

These comprise:

	06.30.2013			12.31.2012		
	Total	Non-current	Current	Total	Non-current	Current
Other tax payables	15,900	4,307	11,593	18,881	7,376	11,505
Payables for Group tax election	244	-	244	244	-	244
Other payables to joint ventures under tax transparency regime	1,080	-	1,080	1,080	-	1,080
Total	**17,224**	**4,307**	**12,917**	**20,205**	**7,376**	**12,829**

Income tax payables

Other tax payables include, among other things, the amounts owned for current income taxes by companies which are not in the tax group headed by Prelios S.p.A., as well as tax owed by foreign companies and amounts owed by companies with respect to periods before joining the tax group or relative to IRAP amounts.

Other payables to joint ventures under tax transparency regime

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

Note 21. DERIVATIVE FINANCIAL INSTRUMENTS

The item refers to the fair value measurement of certain derivative financial instruments hedging the interest rate risk on borrowings subscribed by the parent company in 2012.

The table below shows the details of the financial instruments in place as at June 30, 2013:

Type of instrument	*Interest rate swap*	*Interest rate swap*	*Interest rate swap*	*Interest rate swap*
Counterparty	Intesa SanPaolo	Montepaschi	Banca Popolare di Sondrio	Banca Popolare di Milano
Notional (euro)	50,000,000	50,000,000	20,000,000	50,000,000
Differential paid in the year	221,513	243,887	87,611	209,082
Stipulation date	03/08/2012	04/02/2012	04/18/2012	04/18/2012
Termination date	12/31/2014	12/31/2014	12/31/2014	12/31/2013
Strike	1.21%	1.30%	1.20%	1.16%
Fair value as at June 30, 2013 (euro)	(411,895)	(473,089)	(162,045)	(161,717)

The strike price refers to the 6-month EURIBOR.

Note that from January 1, 2013, assuming, as part of the prospective effectiveness test, the effects on expected cash flows on the basis of the new contractual conditions envisaged in the new corporate debt structure, resulting from the previously described financial restructuring, said hedging relationship is no longer effective. Therefore any change in fair value is recognised directly to the income statement. In the first half of 2013 a positive effect of 1,317 thousand euro was recorded, partly due to the adjustment of spreads in the half-year.

Note also that the fair value of hedges includes the bilateral CVA (Credit Value Adjusted). The calculation method used is based on the present value method as proposed in Basel II to calculate the related capital requirement.

It should also be noted that, following completion of the Company's debt restructuring, in August the above derivative positions were settled with the various counterparties.

COMMITMENTS AND GUARANTEES

Personal guarantees

Guarantees

Banks and insurance companies have issued a total of 132,969 thousand euro in guarantees to third parties and in the interest of companies in the Prelios Group, mostly for contractual obligations.

The Prelios Group has also issued 43,308 thousand euro in guarantees and letters of patronage in the interests of associates and joint ventures, broken down as follows:

- insurance co-obligations of various kinds to third parties for a total of 4,316 thousand euro;
- guarantees of 13,992 thousand euro against possible future charges and loans granted by banks to associates and joint ventures;
- guarantees given to Hypo Real Estate, the bank which funded the acquisition of the DGAG Group, for the coverage of any tax liabilities arising over the duration of the loan. These guarantees involve a net exposure for the Group of 25,000 thousand euro.

Liens on shares

There are liens totalling 60,013 thousand euro on shares in associates and joint ventures. The item mainly includes the lien took out on shares by the subsidiary Prelios Netherlands B.V. in favour of Morgan Stanley Real Estate Special Situation Fund III, L.P, to secure the loan granted by the latter to the company Gamma RE B.V..

Commitments to purchase investments/fund units/securities/loans

These amount to 10,454 thousand euro and refer to the following commitments given by:

- Prelios S.p.A. through its subsidiary Prelios Netherlands B.V., to make payments for a total maximum amount of 2,562 thousand euro to the company Gamma RE B.V.;
- Prelios S.p.A. to pay up to 2,009 thousand euro as a guarantee against future requests for return of the amounts granted for securitisation vehicles in the context of the requests for early payment held by the courts;
- Prelios S.p.A. to pay up to 2,000 thousand euro to the subsidiary Prelios Credit Servicing S.p.A. to cover contingent liabilities prior to the sale of non-performing loan portfolios;
- Prelios S.p.A. to subscribe a total of 1,500 thousand euro for the initial units of the Donizetti fund;

- Prelios Società di Gestione del Risparmio S.p.A. to subscribe 1,403 thousand euro for units in "Fondo Federale Immobiliare di Lombardia" (formerly Fondo Abitare Sociale 1 – Fondo Comune Chiuso di Investimento Immobiliare Etico Riservato ad Investitori Qualificati), a closed-end ethical real estate fund, reserved for accredited investors;

- Prelios S.p.A., to pay up to 980 thousand euro to Espelha Serviços de Consultadoria L.d.A., to cover contingent liabilities.

Property purchase commitments

Commitments for the purchase of property refer to the undertakings given by parent company Prelios S.p.A. to purchase certain properties owned by Imser 60 S.r.l., which might end up being unsold, for a maximum amount of 289,198 thousand euro. The purchase price of these properties is contractually defined as a certain fraction of their market value. This option may be exercised by the counterparty from November 12, 2021 to May 31, 2022.

NET FINANCIAL POSITION

(alternative performance indicator not required by IFRS)

In keeping with the information provided in previous financial statements, the breakdown of the net financial position is provided below:

(in thousands of euro)

	06.30.2013	12.31.2012
CURRENT ASSETS		
Other receivables	**176**	**176**
- of which receivable from related parties	*176*	*176*
Financial receivables	176	176
- *joint ventures and other Prelios Group companies*	176	176
Cash and cash equivalents	**22,695**	**45,090**
TOTAL CURRENT ASSETS - A	**22,871**	**45,266**
CURRENT LIABILITIES		
Bank borrowings and payables to other financial institutions	**(207,233)**	**(144,739)**
- of which payable to related parties	*(24,391)*	*(17,993)*
- joint ventures and other Prelios Group companies	(4,997)	(4,487)
- other related parties	(19,394)	(13,506)
- other financial payables	(1,141)	(2,057)
- Bank borrowings	(181,603)	(124,591)
- Payables to other financial institutions	(98)	(98)
TOTAL CURRENT LIABILITIES - B	**(207,233)**	**(144,739)**
NON-CURRENT LIABILITIES		
Bank borrowings and payables to other financial institutions	**(377,980)**	**(420,993)**
- of which payable to related parties	*(157,984)*	*(157,389)*
- joint ventures and other Prelios Group companies	-	(32)
- other related parties	(157,984)	(157,357)
- other financial payables	(631)	(627)
- Bank borrowings	(219,365)	(262,977)
TOTAL NON-CURRENT LIABILITIES - C	**(377,980)**	**(420,993)**
NET FINANCIAL POSITION (*) = D =(A+B+C)	**(562,342)**	**(520,466)**

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

INCOME STATEMENT

The table below illustrates the Group’s financial performance in the first six months of 2013 compared with the corresponding period of 2012, and the first and second quarters of 2013 and 2012.

	01.01.2013-06.30.2013	01.01.2013-03.31.2013	04.01.2013-06.30.2013	01.01.2012-06.30.2012	01.01.2012-03.31.2012	04.01.2012-06.30.2012
Revenues from sales and services	51,022	26,119	24,903	64,839	32,914	31,925
Changes in inventories of work in progress, semi-finished and finished products	(462)	(3)	(459)	44	36	8
Other income	6,794	2,117	4,677	11,173	6,533	4,640
TOTAL OPERATING REVENUES	**57,354**	**28,233**	**29,121**	**76,056**	**39,483**	**36,573**
Raw and consumable materials used (net of change in inventories)	(2,188)	(137)	(2,051)	(2,719)	(818)	(1,901)
Personnel costs	(31,258)	(15,378)	(15,880)	(34,764)	(17,492)	(17,272)
Depreciation, amortisation and impairment	(779)	(406)	(373)	(1,160)	(577)	(583)
Other costs	(38,287)	(15,829)	(22,458)	(52,534)	(18,206)	(34,328)
TOTAL OPERATING COSTS	**(72,512)**	**(31,750)**	**(40,762)**	**(91,177)**	**(37,093)**	**(54,084)**
EARNINGS BEFORE INTEREST AND TAX (EBIT)	**(15,158)**	**(3,517)**	**(11,641)**	**(15,121)**	**2,390**	**(17,511)**
Net income from investments of which:	(29,975)	(4,814)	(25,161)	(81,587)	(11,827)	(69,760)
- net profit share from investments in associates and joint ventures	(30,243)	(4,588)	(25,655)	(80,626)	(14,018)	(66,608)
- dividends	398	-	398	1,027	1,027	-
- gains on investments	313	14	299	1,767	1,873	(106)
- losses on investments	(443)	(240)	(203)	(3,755)	(709)	(3,046)
Financial income	7,689	3,578	4,111	7,863	4,852	3,011
Financial expenses	(23,604)	(11,535)	(12,069)	(29,748)	(14,195)	(15,553)
INCOME (LOSS) BEFORE TAXES	**(61,048)**	**(16,288)**	**(44,760)**	**(118,593)**	**(18,780)**	**(99,813)**
Taxes	(3,337)	(2,280)	(1,057)	(6,308)	(4,259)	(2,049)
NET INCOME (LOSS) FOR THE PERIOD	**(64,385)**	**(18,568)**	**(45,817)**	**(124,901)**	**(23,039)**	**(101,862)**
attributable to minority interests	(403)	(87)	(316)	815	621	194
GROUP NET INCOME (LOSS) FOR THE PERIOD	**(63,982)**	**(18,481)**	**(45,501)**	**(125,716)**	**(23,660)**	**(102,056)**

Note 22. REVENUES FROM SALES AND SERVICES

Revenues from sales and services amount to 51,022 thousand euro, compared with 64,839 thousand euro at June 30, 2012 and are composed as follows:

	01.01.2013-06.30.2013	01.01.2012-06.30.2012
Revenues from contracts	713	88
Revenues from sales	390	1,717
Revenues from services	49,919	63,034
Total	**51,022**	**64,839**

Revenues from contracts

The item amounts to 713 thousand euro, compared with 88 thousand euro as at June 30, 2012. This item mainly includes the revenues earned by Lambda S.r.l. for the performance of works on the "Hangar Bicocca" building.

Revenues from sales

Sales completed in the first half of 2013 mainly refer to property units sold by Centrale Immobiliare S.p.A., Geolidro S.p.A. and Orione Immobiliare Prima S.p.A..

Revenues from services

Revenues deriving from the rendering of services can be broken down as follows:

	01.01.2013-06.30.2013	01.01.2012-06.30.2012
Revenues from services to third parties	23,131	27,446
Revenues from services to associates	4,690	5,368
Revenues from services to joint ventures and other Prelios Group companies	22,080	30,141
Revenues from services to other related parties	18	79
Total	**49,919**	**63,034**

The decrease mainly refers to the agency and property & project management specialized services due to continuation of the crisis in the real estate sector, which has led to a significant slowdown in the number and size of brokered transactions and contracts managed, as well as credit servicing activities.

Note 23. CHANGE IN INVENTORIES OF WORK IN PROGRESS, SEMI-FINISHED AND FINISHED PRODUCTS

The change in inventories as at June 30, 2013 is negative for 462 thousand euro, compared to a positive 44 thousand euro change as at June 30, 2012, 516 thousand euro of which attributable to impairment recognised for the lower estimated realisable value, determined on the basis of independent valuations as at June 30, 2013 or owing to lower values at which the individual subsidiaries are willing to sell on the basis of sales mandates granted after approval by their respective Boards of Directors.

Note 24. OTHER INCOME

The item in question can be broken down as follows:

	01.01.2013- 06.30.2013	01.01.2012- 06.30.2012
Recoveries, reimbursements and other income	6,047	10,540
Other income from associates, joint ventures and other Prelios Group companies	656	377
Other income from other related parties	91	256
Total	**6,794**	**11,173**

Recoveries, reimbursements and other income relate to income from the settlement or successful outcomes of disputes that had generated risks and uncertainties, and resulting allocation to provisions for risks, as well as chargebacks to tenants of the management costs of company-owned properties or properties managed for third parties; in this latter case the chargebacks relate mainly to activities carried out by the property management unit.

Other income from other related parties mainly refers to the recovery of costs relating to the Milano - HQ2 building.

Note 25. OPERATING COSTS

Operating costs amount to 72,512 thousand euro, compared with 91,177 thousand euro as at June 30, 2012 and consist of:

	01.01.2013- 06.30.2013	01.01.2012- 06.30.2012
Raw and consumable materials used of which:	2,188	2,719
a) Assets purchased	176	195
b) Change in inventories of trading properties, raw and miscellaneous materials	2,012	2,524
Personnel costs	31,258	34,764
Depreciation, amortisation and impairment	779	1,160
Other costs	38,287	52,534
Total	**72,512**	**91,177**

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

The item "*Assets purchased*" totals 176 thousand euro as at June 30, 2013, and refers to the purchase of various consumable materials.

In the first half of 2013, the item "*Change in inventories of trading properties, raw and miscellaneous materials*" amounts to a negative 2,012 thousand euro, compared with an equally negative 2,524 thousand euro in the corresponding period of 2012. Of the change recorded in the first half of 2013, 1,660 thousand euro is attributable to impairment recognised for the lower presumed realisable value, determined on the basis of independent valuations as at June 30, 2013 or owing to lower values at which the individual subsidiaries are willing to sell on the basis of sales mandates granted after approval by their respective Board of Directors, and to sales made in the period, primarily by Centrale Immobiliare S.p.A., Geolidro S.p.A. and Orione Immobiliare Prima S.p.A..

Personnel costs

Personnel costs amount to 31,258 thousand euro, compared with 34,764 thousand euro as at June 30, 2012.

The item is broken down as follows:

	01.01.2013-06.30.2013	01.01.2012-06.30.2012
Wages and salaries	23,898	26,575
Social security contributions	5,315	5,981
Employee leaving indemnity	91	109
Costs for defined contribution pension funds/Other costs	1,954	2,099
Total	**31,258**	**34,764**

In the half year under review the decrease in personnel costs is mainly attributable to the reduced average headcount for the period (837 employees compared to 923 in the corresponding period of 2012).

For the number of employees see the comments on employee benefit obligations (note 19).

The item includes non-recurring events for a positive 183 thousand euro with a negative impact of approximately 1% on the total item.

Depreciation, amortisation and impairment

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

Other costs

As at June 30, 2013 these amount to 38,287 thousand euro, compared with 52,534 thousand euro in the same period of 2012.

	01.01.2013-06.30.2013	01.01.2012-06.30.2012
Other costs charged by associates	56	90
Other costs charged by joint ventures and other Prelios Group companies	250	2,539
Other costs charged by other related parties	1,201	170
Other costs charged by third parties	36,780	49,735
Total	**38,287**	**52,534**

The item can be broken down by type as follows:

	01.01.2013-06.30.2013	01.01.2012-06.30.2012
Costs for services	21,291	28,810
Lease and rental costs	6,121	7,411
Impairment of receivables	6,803	7,417
Provisions for risks	2,050	4,730
Other operating expenses	2,022	4,166
Total	**38,287**	**52,534**

Costs for services

Costs for services amount to 21,291 thousand euro, compared to 28,810 thousand euro recorded in the first half of 2012, and consist mostly of maintenance costs, costs for managing third-party assets, commission payable and consulting and professional fees.

The item fell considerably, owing mostly to lower volumes of construction and maintenance contracts managed by the Group, and a decrease in consultancy concerning the operating Group's business.

Emoluments paid to Directors and the Supervisory Board amount to 2,541 thousand euro, compared with 1,803 thousand euro at June 30, 2012, and fees paid to statutory auditors of consolidated companies amount to 257 thousand euro, compared with 292 thousand euro in the first half of 2012.

The item includes costs for non-recurring events of 487 thousand euro accounting for approximately 2.3% of the total item.

Lease and rental costs

These costs amount to 6,121 thousand euro, compared with a total of 7,411 thousand euro accounted for at June 30, 2012, and refer almost entirely to the rental of head office buildings, and to the lease and hire of motor vehicles.

	01.01.2013- 06.30.2013	01.01.2012- 06.30.2012
Lease and rental costs charged by other related parties	825	58
Lease and rental costs charged by joint ventures	114	2,460
Lease and rental costs charged by other Pirelli Group companies	52	-
Lease and rental costs charged by third parties	5,130	4,893
Total	**6,121**	**7,411**

The item includes costs for non-recurring events of 1,104 thousand euro accounting for approximately 18% of the total item.

Impairment of receivables

Impairment of receivables as at June 30, 2013 amounts to 6,803 thousand euro, recognised for potential risks of debtor default and for losses on receivables already incurred in the period in question.

The item includes costs for non-recurring events of 3,515 thousand euro, accounting for 52% of the total item, due to the write-down of certain significant positions, to ensure that certain investee companies continue as going concerns, as part of the financial restructuring plans already formalised or at an advanced stage of negotiation, as described in more detail under the items “Trade receivables” and “Other receivables” to which the reader is referred.

Provisions for risks and expenses

At June 30, 2013 provisions were set aside for a total of 2,050 thousand euro, compared with 4,730 thousand euro in the corresponding period of 2012.

The item includes 500 thousand euro attributable to the allocation performed by Prelios Netherlands B.V. in relation to a transaction concerning the Corporate Service Agreements signed with Sigma RE B.V. and Omicron RE B.V..

Details of these provisions can be found in the notes on liabilities in the section “provisions for future risks and expenses”.

The item includes costs for non-recurring events of 344 thousand euro accounting for approximately 17% of the total item.

Other operating expenses

These amount to 2,022 thousand euro, compared with 4,166 thousand euro as at June 30, 2012.

The item includes, among other things, 818 thousand euro in costs for duties and other taxes, mostly involving IMU (municipal property tax), registration tax and non-recoverable VAT on financial transactions.

The item includes costs for non-recurring events of 713 thousand euro accounting for approximately 35% of the total item.

Note 26. NET INCOME FROM INVESTMENTS

	01.01.2013-06.30.2013	01.01.2012-06.30.2012
Net profit share from investments in associates and joint ventures	(30,243)	(80,626)
Dividends	398	1,027
Gains on investments	313	1,767
Losses on investments	(443)	(3,755)
Total	**(29,975)**	**(81,587)**

The item includes a pro-rata net negative effect for the Prelios Group of 23 million euro deriving from property write-downs.

The item in question also includes a negative effect of 102 thousand euro from the fair value adjustment of the interests held by Prelios Netherlands B.V. in the Olinda fund as a result of the company management's desire to recover its carrying amount through selling instead of by keeping it in the portfolio.

Lastly, during the period in question, dividends were distributed to the Group by its minority interests for 398 thousand euro.

Note 27. FINANCIAL INCOME

Financial income amounts to 7,689 thousand euro, compared with 7,863 thousand euro in the same period of 2012 and can be broken down as follows:

	01.01.2013-06.30.2013	01.01.2012-06.30.2012
Interest income		
a) Interest income from non-current assets:		
- Interest income on financial receivables due from associates	-	24
- Interest income on financial receivables due from joint ventures	5,454	5,834
Total interest income from non-current assets	**5,454**	**5,858**
b) Interest income from current assets:		
- Interest income from joint ventures	19	19
- Other interest	180	261
Total interest income from current assets	**199**	**280**
Other financial income		
c) Other financial income from non-current assets:		
- Income from securities	1	2
Total other financial income from non-current assets	**1**	**2**
d) Other financial income from current assets:		
- other income from joint ventures	573	588
Total other financial income from current assets	**573**	**588**
Other/miscellaneous	210	396
Exchange gains	697	739
Measurement of derivatives	555	-
Total	**7,689**	**7,863**

The changes in interest income are related both to financial receivables from Group companies and to intra-group current accounts in place with associates or joint ventures, and to the interest rates.

Exchange gains, totalling 697 thousand euro, relate essentially to loans in Polish currency disbursed to the joint venture Polish Investments Real Estate Holding II B.V., and include income recorded on currency hedges in place.

The *measurement of derivatives at fair value* includes the positive adjustment in relation to derivative financial instruments hedging the interest rate risk on borrowings subscribed by the parent company in 2012, and recorded in the income statement from December 31, 2012, as a result of the ineffectiveness of the hedging relationship highlighted by the prospective effectiveness test.

Note 28. FINANCIAL EXPENSES

These amount to 23,604 thousand euro, compared with an amount of 29,748 thousand euro recorded at June 30, 2012.

The decrease in financial expenses compared to the first half of 2012 is attributable to the effect of the reduced Euribor rate.

They are broken down as follows:

	01.01.2013-06.30.2013	01.01.2012-06.30.2012
Interest due to banks	14,011	16,816
Interest due to joint ventures	548	913
Interest due to other related parties	6,515	7,678
Interest due to others	59	59
Other financial expenses	977	858
Other financial expenses due to joint ventures	59	2,523
Exchange losses	1,435	901
Total	**23,604**	**29,748**

Interest due to banks refers to loans obtained from banks for normal management of the business, and the share of upfront commission paid for said loans.

Interest due to other related parties concerns the loan granted by Pirelli & C. S.p.A. to Prelios S.p.A., and the share of upfront fees paid for said loan.

With regard to the completion in August of the debt restructuring illustrated in the Interim Directors' Report on operations, note that the interest rates applied to the debt will be contractualised at a lower rate, with effects backdated to January 1, 2013 and with subsequent reversal of the amounts recognised as accrued as at June 30, 2013 over and above the fixed rate of return from the Restructuring Agreements.

Exchange losses amount to 1,435 thousand euro, compared with 901 thousand euro recorded in the first half of 2012, and mostly refer to the effect of translation to the exchange rates at June 30, 2013 of shareholder loans in Polish zloty.

Note 29. TAXES

The item "Taxes" relates to current taxes, deferred tax assets and deferred tax liabilities, calculated on the basis of applicable tax rates, and amount to 3,337 thousand euro, compared to 6,308 thousand euro in the first half of 2012, which had included certain amounts associated with the settlement of positions pending with the Italian Tax Authorities for 2.3 million euro.

	01.01.2013-06.30.2013	01.01.2012-06.30.2012
Current taxes	1,099	3,864
Deferred tax assets	2,172	1,835
Deferred tax liabilities	66	609
Total	**3,337**	**6,308**

Note 30. EARNINGS/(LOSS) PER SHARE

	06.30.2013	06.30.2012
Weighted average number of shares outstanding for the calculation of earnings (loss) per share:		
- basic (A)	83,998,212	839,982,115
Consolidated net income (loss) (B)	(63,982)	(125,716)
Earnings (loss) per share (in euro):		
- basic (B/A)	(0.76)	(0.15)

Diluted earnings per share are not reported for the first half of 2013 because there are no instruments in circulation that might involve dilutive effects.

The weighted average of ordinary shares outstanding during the half-year has been adjusted to take into account events that have changed the number of ordinary shares outstanding without a corresponding change in resources, as required by paragraph 26 of IAS 33.

6.6. Segment information

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

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

As discussed in the Interim Directors' Report on operations, the Group's organisational structure is, in fact, based on three geographical areas: Italy, Germany and Poland.

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

The results by segment at June 30, 2013 are as follows:

JUNE 30TH, 2013

	ITALY	GERMANY	POLAND	NPL	HOLDING	TOTAL	INTRAGROUP ELIMINATIONS	CONSOLIDATED TOTAL
Consolidated revenues	24,261	22,106	196	4,457	6,472	57,492	(6,470)	51,022
of which from third parties	*24,261*	*22,106*	*196*	*4,457*	*2*	*51,022*	*-*	*51,022*
of which from the Group	-	-	-	-	*6,470*	*6,470*	*(6,470)*	-
EBIT	(6,362)	1,374	(350)	(2,880)	(6,940)	(15,158)	-	(15,158)
Net income from investments	(26,356)	(1,967)	(1,320)	(332)	-	(29,975)	-	(29,975)
EBIT including net income from investments	**(32,718)**	**(593)**	**(1,670)**	**(3,212)**	**(6,940)**	**(45,133)**	**-**	**(45,133)**
Financial income from investments	2,135	1,770	807	743	-	5,455	-	5,455
EBIT including net income and financial income from investments (a)	**(30,583)**	**1,177**	**(863)**	**(2,469)**	**(6,940)**	**(39,678)**	**-**	**(39,678)**
Other financial income/expenses						-	-	(21,370)
Profit (loss) before taxes						**(39,678)**	**-**	**(61,048)**
Income taxes						-	-	(3,337)
Net income (loss) for the period						**(39,678)**	**-**	**(64,385)**
attributable to minority interests						-	-	(403)
Consolidated net income (loss) for the period						**(39,678)**	**-**	**(63,982)**

Notes:

Property write-downs/revaluations (b)	(23,566)	(1,632)	-	-	-	(25,198)	-	(25,198)
Restructuring costs (c)	(3,849)	(1,015)	-	(426)	(1,056)	(6,346)	-	(6,346)
EBIT including net income and financial income from investments before restructuring costs and property write-downs/revaluations and property tax (d) = (a) - (b) - (c)	**(3,168)**	**3,824**	**(863)**	**(2,043)**	**(5,884)**	**(8,134)**	**0**	**(8,134)**

The results by segment at June 30, 2012 are as follows:

JUNE 30TH, 2012

	ITALY	GERMANY	POLAND	NPL	HOLDING	TOTAL	INTRAGROUP ELIMINATIONS	CONSOLIDATED TOTAL
Consolidated revenues	27,365	27,844	1,027	7,557	6,634	70,427	(5,588)	64,839
of which from third parties	*27,365*	*27,844*	*1,027*	*7,557*	*1,046*	*64,839*	*-*	*64,839*
of which from the Group	-	-	-	-	*5,588*	*5,588*	*(5,588)*	-
EBIT	(9,693)	3,050	263	(3,257)	(5,484)	(15,121)	-	(15,121)
Net income from investments	(47,373)	(8,312)	(1,459)	(24,616)	173	(81,587)	-	(81,587)
EBIT including net income from investments	**(57,066)**	**(5,262)**	**(1,196)**	**(27,873)**	**(5,311)**	**(96,708)**	**-**	**(96,708)**
Financial income from investments	1,112	2,119	1,049	1,580	-	5,860	-	5,860
EBIT including net income and financial income from investments (a)	**(55,954)**	**(3,143)**	**(147)**	**(26,293)**	**(5,311)**	**(90,848)**	**-**	**(90,848)**
Other financial income/expenses						-	-	(27,745)
Profit (loss) before taxes						**(90,848)**	**-**	**(118,593)**
Income taxes						-	-	(6,308)
Net income (loss) for the period						**(90,848)**	**-**	**(124,901)**
attributable to minority interests						-	-	815
Consolidated net income (loss) for the period						**(90,848)**	**-**	**(125,716)**

Notes:

Property write-downs/revaluations (b)	(1,311)	(8,793)	-	-	-	(10,104)	-	(10,104)
Restructuring costs (c)	(10,387)	(2,330)	-	-	-	(12,717)	-	(12,717)
EBIT including net income and financial income from investments before restructuring costs and property write-downs/revaluations and property tax (d) = (a) - (b) - (c)	**(44,256)**	**7,980**	**(147)**	**(26,293)**	**(5,311)**	**(68,027)**	**0**	**(68,027)**

Intra-segment sales took place under the same terms and conditions as third-party sales.

The significant assets and liabilities for management accounting purposes are obtained by aggregating or reclassifying the IFRS accounting balances and can therefore be reconciled back indirectly to the IFRS financial statement formats, as shown in the notes at the foot of the tables.

Assets and liabilities by geographical area are as follows at June 30, 2013:

JUNE 30TH, 2013

	ITALY	GERMANY	POLAND	NPL	TOTAL	INTRAGROUP ELIMINATIONS	CONSOLIDATED TOTAL	
Fixed assets:	**240,541**	**146,976**	**3,300**	**1,469**	**392,286**	**-**	**392,286**	
Property, plant and equipment	1,136	595	43	43	1,817	-	1,817	
Intangible assets, of which:	51,085	95,414	3,257	1,216	150,972	-	150,972	
Goodwill	*45,310*	*95,184*	*3,257*	*1,017*	144,768	-	*144,768*	
Investments in real estate funds and investment companies and other financial assets	188,320	50,967	-	210	239,497	-	239,497	(1)
Net working capital	**48,654**	**(11,848)**	**58**	**8,449**	**45,313**	**-**	**45,313**	
Inventories	49,321	2,545	36	-	51,902	-	51,902	
Other components of net working capital	(667)	(14,393)	22	8,449	(6,589)	-	(6,589)	(2)
NET INVESTED CAPITAL	**289,195**	**135,128**	**3,358**	**9,918**	**437,599**	**-**	**437,599**	

Notes

The balances indicated by notes 1) and 2) have been obtained as follows:

1)	CONSOLIDATED TOTAL not included in NFP	TOTAL as per financial statements	of which included in NFP
Investments in associates	50,148	50,148	-
Investments in joint ventures	177,252	177,252	-
Other financial assets	15,510	15,510	-
Provision for future risks on equity-accounted investments reclassified from “Current provisions for future risks and expenses”	(3,413)	(3,413)	-
Total investments in real estate funds and investment companies	**239,497**	**239,497**	**-**

2)	CONSOLIDATED TOTAL not included in NFP	TOTAL as per financial statements	of which included in NFP
Deferred tax assets	22,298	22,298	-
Other non-current receivables	5,370	208,582	203,212
Current trade receivables	48,510	48,510	
Other current receivables	30,946	31,122	176
Current tax receivables	7,579	7,579	
Other non-current payables	(949)	(949)	-
Non-current tax payables	(4,307)	(4,307)	-
			-
Current trade payables	(46,679)	(46,679)	-
Other current payables	(55,231)	(55,231)	-
Current tax payables	(12,917)	(12,917)	-
Derivative financial instruments	(1,209)	(1,209)	
Other components of net working capital	**(6,589)**	**196,799**	**203,388**

6.7. Related party transactions

The following tables show transactions and balances with related parties:

	01.01.2013-06.30.2013	Incidence % (*)	01.01.2012-06.30.2012	Incidence % (*)
Operating revenues	27,535	48.0%	36,661	48.2%
Operating costs	(3,442)	4.7%	(4,501)	4.9%
Net income from investments	(30,638)	102.2%	(83,457)	102.3%
Financial income	6,044	78.6%	6,464	82.2%
Financial expenses	(7,122)	30.2%	(11,114)	37.4%

(*) The percentage incidence is calculated with reference to total financial statement items

	06.30.2013				12.31.2012			
	Total	Incidence % (*)	Non-current	Current	Total	Incidence % (*)	Non-current	Current
Trade receivables	35,556	73.3%	-	35,556	46,745	73.2%	-	46,745
Other receivables of which:	209,820	87.5%	203,192	6,628	213,708	85.7%	208,105	5,603
- financial receivables	203,358	100.0%	203,182	176	208,271	100.0%	208,095	176
Trade payables	(4,098)	8.8%	-	(4,098)	(3,702)	7.5%	-	(3,702)
Other payables	(20,791)	37.0%	-	(20,791)	(20,639)	31.7%	-	(20,639)
Tax payables	(1,324)	7.7%	-	(1,324)	(1,324)	6.6%	-	(1,324)
Bank borrowings and payables to other financial institutions	(182,375)	31.2%	(157,984)	(24,391)	(175,382)	31.0%	(157,389)	(17,993)
Provisions for future risks and expenses	(3,413)	7.5%	-	(3,413)	(2,808)	5.2%	-	(2,808)

(*) The percentage incidence is calculated with reference to total financial statement items

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

Operating revenues	27,426	These refer to contracts with Group companies for fund and asset management services (real estate and non performing loans) and technical and commercial services.
Operating costs	(306)	These refer to recharges of various kinds.
Net income from investments	(30,638)	This item mainly consists of ther esults of investments accounted for using the equity method, and the value adjustments made to certain investments held by the Group.
Financial income	6,044	This mostly refers to interest earned on financial receivables held by Group companies.
Financial expenses	(607)	The item mainly relates to the discounting of receivables due to Group companies not consolidated on a line-by-line basis.
Current trade receivables	34,755	This balance includes the receivables relating to "operating revenues".
Other non-current receivables	203,192	
- of which financial receivables	203,182	This reflects the loans given to finance real estate projects being managed by the Group. These loans are classified as non-current assets by virtue of their terms of repayment, which match the medium-term disposal programmes of the real estate portfolios owned directly or indirectly by these companies. These loans carry interest rates that are in line with those applied by the principal market participants except for some companies which have been given non-interest bearing loans.
Other current receivables	6,146	The item includes, among other things, receivables for dividends resolved, but still to be collected and residual sundry receivables.
- of which financial receivables	176	
Current trade payables	(3,607)	They refer to recharges of various types, mainly attributable to rent, urbanisation charges and accessory costs.
Other current payables	(20,692)	These refer to different kinds of recharge.
Current tax payables	(1,324)	The amount relates mainly amounts owing to Trixia S.r.l. under its adoption of the "tax transparency" regime allowed by art. 115 of the Italian Income Tax Code, whereby a company's positive or negative taxable amounts are attributed to its shareholders.
Current bank borrowings and payables to other financial institutions	(4,997)	The item includes not only residual intercompany current account balances due, but certain financial payables due to the parent company in respect of the obligation to be subscribed, via the investments Afrodite S.à.r.l. and Artemide S.à.r.l., shares of the Fondo Residenziale Diomira and due to the subsidiary Prelios Netherlands B.V. to subscribe shares of the Fondo Vivaldi.
Provisions for future risks and expenses	(3,413)	This refers to the provision for making good the losses of associates and joint ventures in excess of their carrying amounts.

For the sake of completeness, details will now be provided of the transactions and balances at June 30, 2013 between the Prelios Group and other indirectly related parties.

Note that also as a result of renewal of the Prelios S.p.A. Board of Directors on May 8, 2013, the Company has in any event decided, continuing from the previous position, to consider Pirelli & C. S.p.A. (and its subsidiaries) among the Related Parties, taking into account the new structures and relationships resulting from completion of the extraordinary transaction that still require specific assessment. This decision, in fact, was made as a provisional measure without being able to perform the specific analyses at present, and will in any event be appropriately reviewed, if necessary also in reference to the other parties involved.

The following table provides details of transactions and balances with these related parties:

Operating revenues	109	These relate mainly to the recovery of costs for the rental of the Milan - HQ2 office.
Operating costs	(1,201)	The item includes the costs charged back by Pirelli & C. S.p.A. for the rental of the R&D building,as well as the costs of the health service provided by the company Poliambulatorio Bicocca S.r.l..
Financial expenses	(6,515)	These relate to interests accrued on the loan granted by Pirelli & C. S.p.A., and the share of upfront commission paid for said loan.
Current trade receivables	801	Thesemainly refer to the site remediation costs charged back by Lambda S.r.l. for the area located in the Bicocca zone set aside to house the crèche/nursery school, as well as the recovery of costs for various services, including those related to the Milan - HQ2 building.
Other current receivables	482	The item refers mostly to the guarantee deposit paid to Pirelli & C. S.p.A. for the rental of the R&D building, as well as the deferred cost of the same.
Current trade payables	(491)	These refer mainly to payables to Pirelli Tyre for the charge back of utilities and expenses of the R&D building, as well as to payables for health services provided by Poliambulatorio Bicocca S.r.l..
Other current payables	(99)	
Non-current bank borrowings and payables to other financial institutions	(157,984)	They refer to the use of the floating rate credit facility granted by Pirelli & C. S.p.A. to Prelios S.p.A..
Current bank borrowings and payables to other financial institutions	(19,394)	These refer to interest payable on the credit facility granted by Pirelli & C. S.p.A..

Cash flows

At June 30, 2013 there are no material cash flows relating to related party transactions that are not directly evidenced in the financial statements or in the accompanying notes.

Key management personnel

At June 30, 2013, the remuneration of the 30 key managers (of whom 18 are in office as at June 30, 2013), meaning those persons, including the directors (whether executive or otherwise), with the authority and responsibility, directly or indirectly, for planning, managing and controlling the activities of Prelios S.p.A., amounts to 1,935 thousand euro (1,702 thousand euro at June 30, 2012), of which 61 thousand euro (607 thousand euro at June 30, 2012) classified in the income statement as “Personnel costs” and 1,874 thousand euro (1,095 thousand euro at June 30, 2012) recognised in the income statement as “Other costs”. The long-term portion is zero, as in the first half of 2012.

Milan, August 28, 2013 The Board of Directors

7. SUPPLEMENTARY TABLES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7.1 Appendix 1: Consolidation area

	Business sector at 06.30.2013	Registered office City/State	Share capital		Held at 06.30.2013	06.30.2013 % interest and voting right (*)	12.31.2012 % interest and voting right (*)
Companies consolidated on a line-by-line basis							
Subsidiaries							
BauBeCon Treuhand GmbH	Real Estate	Hannover/Germania	€	530,000	Prelios Immobilien Management GmbH	100.00%	100.00%
Brand for Agency Services S.r.l.	Real Estate	Milan/Italy	€	30,000	Prelios S.p.A.	100.00%	100.00%
Centrale Immobiliare S.p.A.	Real Estate	Milan/Italy	€	5,200,000	Prelios S.p.A.	100.00%	100.00%
CFT Finanziaria S.p.A.	NPL	Milan/Italy	€	20,110,324	Prelios S.p.A.	100.00%	100.00%
DGAG Beteiligung GmbH & Co. KG	Real Estate	Hamburg/Germany	€	42,118,455	Mistral Real Estate B.V.	94.90%	94.90%
DGAG Nordpartner GmbH & Co. KG	Real Estate	Hamburg/Germany	€	2,760,976	Mistral Real Estate B.V.	94.00%	94.00%
Edilnord Gestioni S.r.l. (in liquidation)	Real Estate	Milan/Italy	€	100,000	Prelios S.p.A.	100.00%	100.00%
Einkaufszentrum Münzstrasse GmbH & Co. KG	Real Estate	Hamburg/Germany	DM	10,000,000	DGAG Beteiligung GmbH & Co. KG	74.80%	74.80%
					Prelios Deutschland GmbH	25.20%	25.20%
Erste DGAG Grundstücksgesellschaft mbH & Co. KG	Real Estate	Hamburg/Germany	DM+€	970000+31.700	DGAG Beteiligung GmbH & Co. KG	94.00%	94.00%
					Verwaltung Erste DGAG Grundstücksgesellschaft mbH	6.00%	6.00%
Geolidro S.p.A.	Real Estate	Naples/Italy	€	3,099,096	Centrale Immobiliare S.p.A.	100.00%	100.00%
Iniziative Immobiliari 3 S.r.l.	Real Estate	Milan/Italy	€	10,000	Prelios S.p.A.	100.00%	100.00%
Lambda S.r.l.	Real Estate	Milan/Italy	€	578,760	Prelios S.p.A.	100.00%	100.00%
Mistral Real Estate B.V. (Tracking Share) (**)	Real Estate	Amsterdam/Netherlands	€	18,000	Prelios S.p.A.	35.02%	35.02%
Mistral Real Estate B.V. (Tracking Shares Goßlers Park) (**)	Real Estate	Amsterdam/Netherlands	€	18,000	Prelios S.p.A.	35.02%	35.02%
Mistral Real Estate B.V. (Tracking Shares Osnabruck) (**)	Real Estate	Amsterdam/Netherlands	€	18,000	Prelios S.p.A.	35.02%	35.02%
Mistral Real Estate B.V. (Tracking Shares Dresden) (**)	Real Estate	Amsterdam/Netherlands	€	18,000	Prelios S.p.A.	35.02%	35.02%
Orione Immobiliare Prima S.p.A.	Real Estate	Milan/Italy	€	104,000	Prelios S.p.A.	100.00%	100.00%
Parcheggi Bicocca S.r.l.	Real Estate	Milan/Italy	€	1,500,000	Prelios S.p.A.	100.00%	100.00%
P.B.S. Società consortile a r.l. (in liquidation)	Real Estate	Milan/Italy	€	100,000	Prelios Property Management S.p.A.	60.00%	60.00%
Prelios Agency S.p.A.	Real Estate	Milan/Italy	€	1,000,000	Prelios S.p.A.	100.00%	100.00%
Prelios Agency Deutschland GmbH	Real Estate	Hamburg/Germany	€	25,000	Prelios Deutschland GmbH	100.00%	100.00%
Prelios Asset Management Deutschland GmbH	Real Estate	Hamburg/Germany	€	25,000	Prelios Deutschland GmbH	100.00%	100.00%
Prelios Credit Servicing S.p.A.	NPL	Milan/Italy	€	14,250,000	Prelios S.p.A.	80.00%	80.00%
Prelios Deutschland GmbH	Real Estate	Hamburg/Germany	€	5,000,000	Prelios S.p.A.	100.00%	100.00%
Prelios Facility Management Deutschland GmbH	Real Estate	Hamburg/Germany	€	25,600	Prelios Deutschland GmbH	100.00%	100.00%
Prelios Hausmeister Service Deutschland GmbH	Real Estate	Kiel/Germany	€	25,000	Prelios Facility Management Deutschland GmbH	100.00%	100.00%
Prelios Immobilien Management GmbH	Real Estate	Hamburg/Germany	€	25,000	Prelios Deutschland GmbH	100.00%	100.00%
PRELIOS INTEGRA S.p.A. (already Prelios Property & Project Management S.p.A) (1)	Real Estate	Milan/Italy	€	124,400	Prelios S.p.A.	100.00%	100.00%
Prelios Investments Deutschland GmbH	Real Estate	Hamburg/Germany	€	25,000	Prelios S.p.A.	100.00%	0.00%
Prelios Management Services Deutschland GmbH	Real Estate	Hamburg/Germany	€	25,000	Prelios Deutschland GmbH	100.00%	100.00%
Prelios Netherlands B.V.	Real Estate	Hamburg/Germany	€	21,000	Prelios S.p.A.	100.00%	100.00%
Prelios Polska Sp.z.o.o.	Real Estate	Warsaw/Poland	PLN	35,430,000	Prelios S.p.A.	100.00%	100.00%
Prelios Residential Investments GmbH	Real Estate	Hamburg/Germany	€	570,000	Prelios S.p.A.	100.00%	100.00%
Prelios Società di Gestione del Risparmio S.p.A.	Real Estate	Milan/Italy	€	24,558,763	Prelios S.p.A.	90.00%	90.00%
Prelios Valuations & e-Services S.p.A	Real Estate	Milan/Italy	€	298,999	Prelios Agency S.p.A.	100.00%	100.00%
Progetto Vallata S.r.l. (in liquidation)	Real Estate	Milan/Italy	€	1,500,000	Prelios S.p.A.	80.00%	80.00%
Projekt Bahnhof Hamburg-Altona Verwaltungs GmbH (in liquidation)	Real Estate	Hamburg/Germany	€	25,000	Projektentwicklung Bahnhof Hamburg-Altona GmbH & Co. KG	100.00%	100.00%
Projektentwicklung Bahnhof Hamburg-Altona GmbH & Co. KG (in liquidation)	Real Estate	Hamburg/Germany	€	8,000,000	Prelios Deutschland GmbH	74.90%	74.90%
Servizi Amministrativi Real Estate S.p.A.	Altro	Milan/Italy	€	520,000	Prelios S.p.A.	100.00%	100.00%
SIB S.r.l.	Real Estate	Milan/Italy	€	10,100	Prelios Credit Servicing S.p.A.	100.00%	100.00%
Sustainable Energy S.r.l.	Real Estate	Milan/Italy	€	10,000	Prelios S.p.A.	100.00%	100.00%
Verwaltung Einkaufszentrum Münzstrasse GmbH	Real Estate	Hamburg/Germany	DM	50,000	DGAG Beteiligung GmbH & Co. KG	74.80%	74.80%
					Prelios Deutschland GmbH	25.20%	25.20%
Verwaltung Erste DGAG Grundstücksgesellschaft mbH	Real Estate	Hamburg/Germany	€	25,000	DGAG Beteiligung GmbH & Co. KG	100.00%	100.00%
Verwaltung Grundstücksgesellschaft Friedenstraße Wohnungsbau mbH	Real Estate	Hamburg/Germany	€	26,100	DGAG Beteiligung GmbH & Co. KG	100.00%	100.00%

	Business sector at 06.30.2013	Registered office City/State		Share capital	Held at 06.30.2013	06.30.2013 % interest and voting right (*)	12.31.2012 % interest and voting right (*)
Companies accounted for using the equity method							
Associates							
Cairoli Finance S.r.l. (in liquidation)	NPL	Milan/Italy	€	10,000	Prelios S.p.A.	35.00%	35.00%
Monteverdi - Fondo comune di investimento immobiliare speculativo di tipo chiuso	Real Estate	Milan/Italy	€	62,000,000	Iniziative Immobiliari 3 S.r.l.	29.84%	29.84%
					Prelios Società di Gestione del Risparmio S.p.A.	4.03%	4.03%
					Tiglio I S.r.l.	66.13%	66.13%
Olinda Fondo Shops - Fondo quotato ad apporto privato (*)	Real Estate	Milan/Italy	€	NA	Prelios Società di Gestione del Risparmio S.p.A.	5.18%	5.18%
					Prelios Netherlands B.V.	6.64%	6.64%
Progetto Corsico S.r.l.	Real Estate	Milan/Italy	€	100,000	Prelios S.p.A.	49.00%	49.00%
Progetto Fontana S.r.l. (in liquidation)	Real Estate	Milan/Italy	€	10,000	Prelios S.p.A.	23.00%	23.00%
Sci Roev Texas Partners L.P.	Real Estate	Dallas/USA	$	12,000,000	Prelios S.p.A.	10.00%	10.00%
S.J. Acquisition L.P (2)	Real Estate	New York/USA	-	-	Prelios S.p.A.	-	10.00%
Spazio Investment N.V. (*)	Real Estate	Amsterdam/Netherlands	€	4,589,189	Prelios Netherlands B.V.	22.07%	22.07%
					Spazio Investment N.V.	0.23%	0.23%
Joint ventures							
24 Finance Mediazione Creditizia S.p.A. (already Prelios Finance S.p.A.) (3)	Real Estate	Milan/Italy	€	-	Prelios Agency S.p.A.	-	0.00%
Afrodite S.à.r.l.	Real Estate	Luxembourg	€	4,129,475	Prelios S.p.A.	40.00%	40.00%
Aida RE B.V.	Real Estate	Amsterdam/Netherlands	€	18,000	Prelios Netherlands B.V.	40.00%	40.00%
Alceo B.V.	Real Estate	Amsterdam/Netherlands	€	18,000	Prelios S.p.A.	33.00%	33.00%
Alimede Luxembourg S.à.r.l.	Real Estate	Luxembourg	€	12,955	Prelios S.p.A.	35.05%	35.05%
Alnitak S.à.r.l.	Real Estate	Luxembourg	€	4,452,500	Prelios S.p.A.	35.00%	35.00%
Aree Urbane S.r.l. (in liquidation)	Real Estate	Milan/Italy	€	100,000	Prelios S.p.A.	34.60%	34.60%
Artemide S.à.r.l.	Real Estate	Luxembourg	€	2,857,050	Prelios S.p.A.	35.00%	35.00%
Austin S.à.r.l.	Real Estate	Luxembourg	€	125,000	Prelios S.p.A.	28.46%	28.46%
Beteiligungsgesellschaft Einkaufszentrum Mülheim mbH	Real Estate	Hamburg/Germany	DM	60,000	Prelios Deutschland GmbH	41.17%	41.17%
Bicocca S.à.r.l.	Real Estate	Luxembourg	€	12,520	Prelios S.p.A.	35.00%	35.00%
City Center Mülheim Grundstücksgesellschaft mbH & Co. KG	Real Estate	Hamburg/Germany	€	47,805,791	Prelios Deutschland GmbH	41.18%	41.18%
Colombo S.à.r.l.	Real Estate	Luxembourg	€	960,150	Prelios S.p.A.	35.00%	35.00%
Consorzio G6 Advisor	Real Estate	Milan/Italy	€	50,000	Prelios Agency S.p.A.	42.30%	42.30%
Continuum S.r.l. (in liquidation) (4)	Real Estate	Milan/Italy	€	20,000	Prelios S.p.A.	40.00%	40.00%
Dallas S.à.r.l.	Real Estate	Luxembourg	€	125,000	Prelios S.p.A.	28.46%	28.46%
Delamain S.à.r.l.	Real Estate	Luxembourg	€	12,500	Prelios S.p.A.	49.00%	49.00%
Doria S.à.r.l.	Real Estate	Luxembourg	€	992,850	Prelios S.p.A.	35.00%	35.00%
Einkaufszentrum Mülheim Gmbh & Co. KG	Real Estate	Hamburg/Germany	€	26,075,886	Prelios Deutschland GmbH	41.18%	41.18%
Espelha Serviços de Consultadoria L.d.A.	NPL	Funchal/Madeira	€	5,000	Prelios S.p.A.	49.00%	49.00%
European NPL S.A.	NPL	Luxembourg	€	2,538,953	Prelios S.p.A.	33.00%	33.00%
Fondo Città di Torino - Fondo comune di investimento immobiliare speculativo di tipo chiuso	Real Estate	Milan/Italy	€	34,500,000	Prelios Netherlands B.V.	36.23%	36.23%
Gamma RE B.V.	Real Estate	Amsterdam/Netherlands	€	18,000	Prelios Netherlands B.V.	49.00%	49.00%
Gemeinnützige Wohnungsgesellschaft für den Kreis Herzogtum Lauenburg mbH	Real Estate	Lübeck/Germany	€	816,900	Prelios S.p.A.	2.05%	2.05%
					Solaia Real Estate B.V.	94.87%	94.87%
Gesellschaft für Wohnungsbau Lübeck mbH	Real Estate	Lübeck/Germany	€	900,000	Prelios S.p.A.	2.04%	2.04%
					Prelios DGAG Deutsche Grundvermögen GmbH	94.90%	94.90%
Golfo Aranci S.p.A. (already STU - Golfo Aranci - S.p.A.) (5)	Real Estate	Golfo Aranci (OT)/Italy	€	1,000,000	Prelios S.p.A.	43.80%	43.80%
					Centrale Immobiliare S.p.A	5.00%	5.00%
Grundstücksgesellschaft Königstraße mbH & Co. KG	Real Estate	Hamburg/Germany	€	1,024,629	DGAG Beteiligung GmbH & Co. KG	44.90%	44.90%
					Verwaltung Grundstücksgesellschaft Friedenstraße Wohnungsbau mbH	5.10%	5.10%
Grundstücksgesellschaft Merkur Hansaallee mbH & Co. KG	Real Estate	Hamburg/Germany	€	22,905,876	Prelios Deutschland GmbH	33.75%	33.75%
GWL Wohnungsbetreuungsgesellschaft mbH	Real Estate	Lübeck/Germany	€	26,000	Prelios S.p.A.	1.99%	1.99%
					Gesellschaft für Wohnungsbau Lübeck mbH	94.80%	94.80%
GWK Braunschweig GmbH	Real Estate	Braunschweig/Germania	€	1,050,000	Prelios S.p.A.	2.99%	2.99%
					Prelios DGAG Deutsche Grundvermögen GmbH	92.50%	92.50%
Heimstätten Lübeck GmbH	Real Estate	Lübeck/Germany	€	3,000,000	Prelios S.p.A.	2.04%	2.04%
					Solaia Real Estate B.V.	94.90%	94.90%
Kurpromenade 12 Timmendorfer Strand GG KG	Real Estate	Hamburg/Germany	€	6,237,761	Prelios Deutschland GmbH	50.00%	50.00%
IN Holdings I S.à.r.l.	Real Estate	Luxembourg	€	2,595,725	Prelios S.p.A.	20.50%	20.50%
Induxia S.r.l. (in liquidazione)	Real Estate	Milan/Italy	€	40,000	Prelios S.p.A.	24.75%	24.75%
Inimm Due S.à.r.l.	Real Estate	Luxembourg	€	240,950	Prelios S.p.A.	25.01%	25.01%
Iniziative Immobiliari S.r.l. (in liquidation)	Real Estate	Milan/Italy	€	5,000,000	Prelios S.p.A.	49.46%	49.46%

	Business sector at 06.30.2013	Registered office City/State	Share capital		Held at 06.30.2013	06.30.2013 % interest and voting right (*)	12.31.2012 % interest and voting right (*)
Manifatture Milano S.p.A.	Real Estate	Rome/Italy	€	11,230,000	Prelios S.p.A.	50.00%	50.00%
Maro S.r.l. (in liquidation)	NPL	Milan/Italy	€	20,000	Prelios S.p.A.	25.00%	25.00%
Masseto I B.V.	Real Estate	Amsterdam/Netherlands	€	19,000	Prelios S.p.A.	33.00%	33.00%
Mistral Real Estate B.V.	Real Estate	Amsterdam/Netherlands	€	18,000	Prelios S.p.A.	35.02%	35.02%
M.S.M.C. Italy Holding B.V.	Real Estate	Amsterdam/Netherlands	€	20,053	Prelios S.p.A.	25.00%	25.00%
Nashville S.à.r.l.	Real Estate	Luxembourg	€	125,000	Prelios S.p.A.	28.46%	28.46%
Polish Investments Real Estate Holding II B.V.	Real Estate	Amsterdam/Netherlands	€	18,000	Prelios S.p.A.	40.00%	40.00%
Popoy Holding B.V.	Real Estate	Rotterdam/Netherlands	€	26,550	Prelios S.p.A.	25.00%	25.00%
Progetto Bicocca La Piazza S.r.l. (in liquidation)	Real Estate	Milan/Italy	€	3,151,800	Prelios S.p.A.	26.00%	26.00%
Progetto Bicocca Universita' S.r.l. (in liquidation)	Real Estate	Cinisello Balsamo/Italy	€	50,360	Prelios S.p.A.	50.50%	50.50%
Progetto Gioberti S.r.l. (in liquidation)	Real Estate	Milan/Italy	€	100,000	Prelios S.p.A.	50.00%	50.00%
Resident Baltic GmbH	Real Estate	Berlin/Germany	€	25,000	Prelios Netherlands B.V.	5.20%	5.20%
					S.I.G. RE B.V.	94.80%	94.80%
Resident Berlin 1 P&K GmbH	Real Estate	Berlin/Germany	€	125,000	Prelios Residential Investments GmbH	40.00%	40.00%
Resident Sachsen P&K GmbH	Real Estate	Berlin/Germany	€	25,000	Prelios Netherlands B.V.	5.20%	5.20%
					S.I.G. RE B.V.	94.80%	94.80%
Resident West GmbH	Real Estate	Hamburg/Germany	€	25,000	Prelios Netherlands B.V.	5.20%	5.20%
					S.I.G. RE B.V.	94.80%	94.80%
Riva dei Ronchi S.r.l.	Real Estate	Milan/Italy	€	100,000	Prelios S.p.A.	50.00%	50.00%
Roca S.r.l. (in liquidation)	NPL	Milan/Italy	€	20,000	Prelios S.p.A.	25.00%	25.00%
Sicily Investments S.à.r.l.	Real Estate	Luxembourg	€	12,500	Prelios S.p.A.	40.00%	40.00%
Sigma RE B.V.	Real Estate	Amsterdam/Netherlands	€	18,000	Prelios Netherlands B.V.	24.66%	24.66%
S.I.G. RE B.V.	Real Estate	Amsterdam/Netherlands	€	18,000	Prelios Netherlands B.V.	47.20%	47.20%
SI Real Estate Holding B.V. - in liquidation	Real Estate	Amsterdam/Netherlands	€	763,077	Prelios S.p.A.	25.00%	25.00%
Solaia RE S.à.r.l.	Real Estate	Luxembourg	€	13,000	Prelios S.p.A.	40.00%	40.00%
Solaris S.r.l. (in liquidation)	Real Estate	Milan/Italy	€	20,000	Prelios S.p.A.	40.00%	40.00%
Tamerice Immobiliare S.r.l. (in liquidation)	Real Estate	Milan/Italy	€	500,000	Prelios S.p.A.	20.00%	20.00%
Theta RE B.V.	Real Estate	Amsterdam/Netherlands	€	18,005	Prelios Netherlands B.V.	40.00%	40.00%
Trinacria Capital S.à.r.l.	Real Estate	Luxembourg	€	12,500	Prelios S.p.A.	40.00%	40.00%
Trixia S.r.l.	Real Estate	Milan/Italy	€	1,209,700	Prelios S.p.A.	36.00%	36.00%
Verwaltung Büro- und Lichtspielhaus Hansaallee GmbH	Real Estate	Hamburg/Germany	DM	50,000	Prelios Deutschland GmbH	27.00%	27.00%
					Grundstücksgesellschaft Merkur Hansaallee mbH & Co. KG	20.00%	20.00%
Verwaltung City Center Mülheim Grundstucksges.GmbH	Real Estate	Hamburg/Germany	DM	60,000	Prelios Deutschland GmbH	41.17%	41.17%
Verwaltung Kurpromenade 12 Timmendorfer Strand GG mbH	Real Estate	Hamburg/Germany	DM	50,000	Prelios Deutschland GmbH	50.00%	50.00%
Verwaltung Mercado Ottensen Grundstuecksgesellschaft mbH	Real Estate	Hamburg/Germany	DM	50,000	Prelios Netherlands B.V.	44.00%	44.00%
					Mistral Real Estate B.V.	50.00%	50.00%
Vespucci S.à.r.l.	Real Estate	Luxembourg	€	960,150	Prelios S.p.A.	35.00%	35.00%
Vesta Finance S.r.l.	NPL	Milan/Italy	€	10,000	Prelios S.p.A.	35.00%	35.00%
Vivaldi - Fondo comune di investimento immobiliare speculativo di tipo chiuso (7)	Real Estate	Milan/Italy	€	22,000,000	Prelios Netherlands B.V.	50.00%	50.00%
Other significant investments, as defined by CONSOB Resolution 11971 of May 14, 1999							
AVW Assekuranzvermittlung der Wohnungs wirts chaft GmbH & Co KG	Real Estate	Hamburg/Germany	€	260,000	Prelios Netherlands B.V.	10.50%	10.50%
					Prelios Deutschland GmbH	0.20%	0.20%
Tecnocittà S.r.l. (in liquidation) (6)	Non operative	Milan/Italy	-	-	Prelios S.p.A.	-	12.00%

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

(**) With reference to the Mistral Real Estate B.V. joint venture, the situation of joint control involving both shareholders was relinquished under agreement, in relation to certain development initiatives, through the creation of new classes of shares ("Tracker Shares") in the share capital of Mistral Real Estate B.V., concerning a different breakdown of costs, benefits and rights between the two partners. In fact, ownership of Tracker Shares determined, upon activation of the put and call rights mechanism, the right of *de facto* control by Prelios S.p.A. over certain companies in the Mistral Real Estate Group related to development initiatives, despite not holding the majority stake in said companies. This situation involved the inclusion of said investments in the area of consolidation in the Prelios S.p.A. financial statements, in application of the accounting standards, given that all the risk, benefits and rights relating to said development initiatives are attributable to Prelios S.p.A.. Despite the above, the Tracker Shares mechanism does not affect, however, the control of Mistral Real Estate B.V., which remains a company not controlled by Prelios S.p.A..

(1) On June 3rd, 2013 the change of the company name of the company Prelios Property & Project Management S.p.A. to PRELIOS INTEGRA S.p.A. took effect.

(2) On January 23rd, 2013 the company S.J. Acquistion L.P. was liquidated.
(3) On January 3rd, 2013 the change of the company name of the company Prelios Finance S.p.A. in 24 Finance Mediazione Creditizia S.p.A. took effect. On June 28th, 2013 the stake held in the company, equal to the 20% of the share capital, was transferred to third parties.
(4) On May 29, 2012 the extraordinary shareholders' meeting of the company Continuum S.r.l. in liquidation resolved the reduction of the share capital from 500.000 euro to 20.000 euro, allocating the amount of 480.000 euro to a restricted and unavailable reserve.

(5) On April 14th, 2013 the change of the company name of the company STU - Golfo Aranci S.p.A. in Golfo Aranci S.p.A. took effect.

(6) On March 29th, 2013 the company Tecnocittà S.r.l. (in liquidation) was struck off the Companies Register in Milan.

(7) On May 8, 2013, the company Prelios Netherlands B.V. subscribed n. 4 shares in the Vivaldi Fund for an amount of 800,000 euro.

8. CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

Certification of the half-year condensed consolidated financial statements under the terms of Art. 81-ter Consob Regulation No. 11971 dated May 14TH, 1999 as amended and supplemented

1. The undersigned Sergio Iasi, as Chief Executive Officer, and Angelo Cattaneo, as Financial Reporting Officer of Prelios S.p.A., certify, taking into account also the provisions of Art. 154-*bis*, clauses 3 and 4, of Italian Legislative Decree 58 dated February 24th, 1998:
   - the adequacy in relation to the characteristics of the company and
   - the effective application of the administrative and accounting procedures for formation of the half-year condensed interim financial statements, during the period January 1st, 2013 – June 30th, 2013.

2. In this regard it should be noted that the adequacy of the administrative and accounting procedures for formation of the half-year condensed financial statements at June 30th, 2013 was evaluated on the basis of an assessment of the internal control system. This assessment was based on a specific process defined in accordance with the criteria laid down in the "Internal Control – Integrated Framework" guidelines issued by the "Committee of Sponsoring Organizations of the Treadway Commission" (COSO) which is a reference framework generally accepted at the international level.

3. We also certify that:

3.1 the half-year condensed consolidated financial statements:
   a) were prepared in accordance with the applicable international accounting standards recognized in the European Union under the terms of Regulation (EC) N° 1606/2002 of the European Parliament and Council, dated July 19th, 2002;
   b) correspond to the information in the accounting books and documents;
   c) are capable of providing a true and correct picture of the assets, liabilities, income, expenses and financial position of the reporting entity and of the group of companies included in the consolidation.

3.2 The interim report on operations includes a reliable analysis of the references to the important events that occurred in the first six months of the year and their impact on the condensed interim financial statements, together with a description of the main risks and uncertainties for the remaining six months of the year. The interim report on operations also includes a reliable analysis of the information on significant transactions with related parties.

August 28th, 2013

The Chief Executive Officer	The Financial Reporting Officer
(Sergio Iasi)	(Angelo Cattaneo)

Reconta Ernst & Young S.p.A.
Via della Chiusa, 2
20123 Milano

Tel. (+39) 02 722121
Fax (+39) 02 72212037
www.ey.com

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

To the Shareholders of
Prelios S.p.A.

1. We have reviewed the half - year condensed consolidated financial statements, comprising the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the related explanatory notes, of Prelios S.p.A. and its subsidiaries (the "Prelios Group") as of June 30, 2013. Prelios S.p.A.'s Directors are responsible for the preparation of the half - year condensed consolidated financial statements in conformity with the International Financial Reporting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to issue this review report based on our review.

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

   With respect to the consolidated financial statements of the prior year and the half - year condensed consolidated financial statements of the corresponding period of the prior year, presented for comparative purposes, reference should be made to our reports issued on March 28, 2013 and on August 28, 2012, respectively.

3. Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements of Prelios Group as of June 30, 2013 are not prepared, in all material respects, in conformity with the International Financial Reporting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Reconta Ernst & Young S.p.A.
Sede Legale: 00198 Roma - Via Po, 32
Capitale Sociale € 1.402.500,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la CC.I.A.A. di Roma
Codice fiscale e numero di iscrizione 00434000584
P.I. 00891231003
Iscritta all'Albo Revisori Contabili al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998
Iscritta all'Albo Speciale delle società di revisione
Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

A member firm of Ernst & Young Global Limited

4. As a matter of emphasis, we refer to the disclosure included in the Directors' interim report on operation with reference to the subsequent events as of June 30 , 2013 related to the capital increases and to the Debt Restructuring Agreement, based on which the Directors prepared the half - year condensed consolidated financial statements as of June 30, 2013 on a going concern basis. These operations significantly modify the capital and financial structure of Prelios Group and determine relevant economic effects, mainly because of certain contractual clauses of the Debt Restructuring Agreement retroactively applicable from January 1, 2013; the main expected economic and financial effects of these operations are described in paragraph 5. of the Directors' interim report on operation.

Milan, August 29, 2013

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

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

C. HALF-YEAR REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURES

The corporate governance structure of Prelios S.p.A. (hereinafter the "**Company**" or "**PRELIOS**") is based on the "traditional" administration and control system whereby management is the sole responsibility of the Board of Directors, supervision that of the Board of Statutory Auditors and audit assigned to independent auditors included in the special register held by Consob.

In compliance with recommendations in the current version of Borsa Italiana's Corporate Governance Code for listed companies (the "**Code**"), adopted by the Company, and the corporate governance principles accepted at national and international level and recommended in the EU, the Board of Directors has also set up Committees composed of its own members with propositional and consulting duties.

In this interim report on corporate governance and ownership structures our intention is to voluntarily illustrate the main updates and supplementary aspects introduced this year in the Company's corporate governance system compared to that stated in the annual corporate governance and ownership structures report for 2012, available on the Company's web site *www.prelios.com* (the "**Web site**") and prepared according to art. 123-bis of Italian Legislative Decree no. 58 of February 24, 1998 (the "**Consolidated Law on Finance**"), to which reference should in any event be made for further details.

* * *

The ordinary and extraordinary shareholders' meeting was held on May 8, 2013 (the "**Shareholders' Meeting**").

In addition to approving the 2012 Annual Report, pursuant to law and current regulations, and to art. 12 of the Articles of Association, the ordinary Shareholders' Meeting - following the resignation of all the Directors - resolved to establish the number of members of the Board of Directors as fifteen and that their term of office will expire at the Shareholders' Meeting called to approve the financial statements as at December 31, 2015.

Based on the only list filed by shareholders Camfin S.p.A., Intesa Sanpaolo S.p.A. and Massimo Moratti, the new Board of Directors was appointed, the membership of which can be found on the Web site along with the related curriculum vitae, as follows:

- Giorgio Luca Bruno
- Massimo Caputi
- Sergio Iasi
- Marina Brogi
- Claudia Bugno
- Francesco Chiappetta

- Rosa Cipriotti
- Carlo Emilio Croce
- Moroello Diaz della Vittoria Pallavicini
- Andrea Mangoni
- Davide Mereghetti
- Alessandra Patera
- Anna Chiara Svelto
- Massimo Tezzon
- Giovanni Jody Vender

Note that in accordance with current regulations on gender balance, based on the percentage envisaged in laws due to enter into force, the membership of the Board of Directors includes one third of the least represented gender. On the basis of information provided, all Directors in office meet the criteria adopted by the Company in relation to the maximum number of offices that can be held by directors.

Lastly, the Shareholders' Meeting established the total annual remuneration of the Board of Directors as a maximum 650,000 euro.

As following approval of the financial statements as at December 31, 2012 the term of office expired of the Board of Statutory Auditors appointed on April 19, 2010, the Shareholders' Meeting appointed - based on the only list filed by shareholders Camfin S.p.A., Intesa Sanpaolo S.p.A. and Massimo Moratti, the new Board of Statutory Auditors, the membership of which can be found on the Web site along with the related curriculum vitae, as follows:

- Enrico Laghi Chairman
- Marco de Ruvo Standing Auditor
- Michela Zeme Standing Auditor
- Luca Aurelio Guarna Alternate Auditor
- Flavia Daunia Minutillo Alternate Auditor

Membership of the Board of Directors also fully complies with current regulations on gender balance.

It is worth mentioning that no member of the Board of Statutory Auditors has informed the Company that the maximum number of administration and control offices envisaged in art. 144-terdecies of the Consob Issuers' Regulation has been exceeded. The list of offices is published by Consob on its own web site.

The Shareholders’ Meeting also established the gross annual remuneration of the Chairman of the Board of Statutory Auditors as 55 thousand euro and the gross annual remuneration for the other Standing Auditors as 37 thousand euro.

Lastly, note that - pursuant to art. 123-ter of the Consolidated Law on Finance - the Shareholders’ Meeting resolved in favour of the Company’s remuneration policy for directors, general managers and key managers and on the procedures used for the adoption and implementation of this policy.

The Shareholders’ Meeting voted in favour of the consultation with a percentage of more than 99% of share capital represented at the meeting.

Among other things, the extraordinary Shareholders’ Meeting resolved to:

1. cover the loss of 213,995,990.64 euro reported in the Prelios S.p.A. financial statements as at December 31, 2012 by reducing the share capital by an equal amount. The share capital therefore reduces by 218,877,613.14 to 4,881,622.50 without cancellation of shares;

2. group the ordinary shares according to the ratio of 1 new ordinary share, with no nominal value and with regular entitlement, for every 10 Prelios S.p.A. shares held, subject to the cancellation - also for the purpose of full reconciliation of the grouping transaction - of 1,171,777 treasury shares held by Prelios, without reducing the share capital;

3. increase the share capital, divisible and against payment, for a total of 70,005,789.37 euro reserved to a special purpose vehicle - an investee of Feidos 11 S.p.A., Pirelli & C. S.p.A., Intesa Sanpaolo S.p.A. and UniCredit S.p.A. - and therefore excluding option rights pursuant to art. 2441, paragraph 5 of the Italian Civil Code, through the issue of 117,597,496 class B shares, convertible to ordinary shares, at a subscription price of 0.5953 euro per share payable in cash within one year of the date of the resolution; the class B shares have no voting rights and are due to remain unlisted. (the “reserved capital increase”);

4. increase the share capital, divisible and against payment, for a total of 115,009,511.53 euro to be offered under option to all Company shareholders pursuant to art. 2441, paragraph 1 of the Italian Civil Code, through the issue of a maximum 193,195,887 ordinary shares, at a subscription price of 0.5953 euro per share, which will have regular entitlement and characteristics identical to shares already outstanding as at the date of issue. This increase under option, to be subscribed in cash or by offsetting or waiver of receivables owed by the Company, must be completed within one year of the date of the resolution; (the “share capital increase under option”);

5. assign powers to the Board of Directors pursuant to art. 2420-ter, paragraph 2 of the Italian Civil Code to issue bonds for a maximum nominal value of 269,000,000.00 euro with compulsory conversion (“convertible bonds”) into ordinary shares and/or class B shares, without option rights pursuant to art. 2441, paragraph 5 of the Italian Civil Code, with subsequent divisible share capital increase for the sole purpose of the conversion for a maximum 297,644,375.01 euro, to be implemented through the issue of a maximum 499,990,551 ordinary shares and a maximum 144,678,117 class B shares, with no nominal value, regular entitlement and with the same characteristics as those outstanding as at the date of issue. The option is exercisable after completion of the share capital increase as indicated in points 3 and 4 above, and in any event within a maximum twelve months from the date of the resolution, and with the further power of the Board of

Directors to establish all the terms and conditions of the convertible bond loan and the share capital increase serving the compulsory conversion;

6. make the necessary amendments to articles 5 and 6 of the Articles of Association and add a new article 6-bis.

At the same extraordinary Shareholders' Meeting, a number of amendments were also approved to the Articles of Association, to adapt them to current regulations on gender balance at the time of appointment of Statutory Auditors and in the event of their replacement during the term of the mandate, adopting more flexible criteria in the formation of lists (art. 22). In this respect, note that the Articles of Association have already been adapted to regulatory requirements.[1]

Lastly, the Articles of Associated were amended to include the new option for shareholders to submit additional resolution proposals on issues already indicated in the meeting agenda (art. 7).

At the end of the shareholders' meeting, the Board of Directors appointed the corporate offices and assigned powers accordingly. In this respect:

- Giorgio Luca Bruno was appointed Chairman of the Board of Directors to whom, in line with international and EU best practices also adopted by the Code, no operating powers have been assigned and who qualifies as a non-executive director;

- Massimo Caputi was appointed Vice Chairman of the Board of Directors, with powers to identify and implement development opportunities and initiatives for the Company and the Group in relation to its different business sectors, in compliance with the principles of autonomy and independence of the companies supervised;

- Sergio Iasi was appointed Chief Executive Officer, with responsibility for conducting business and management of the organisational structures and the duties of staff under his direct command. The Chief Executive Officer was also assigned specific duties in relation to (i) natural environment protection and control over land development and building activities, and (ii) privacy management. The Chief Executive officer was identified as the "*Director responsible for the internal control and risk management system*", with duties in line with recommendations contained in the Code.

The Vice Chairman of the Board of Directors and the Chief Executive officer were assigned all due powers of ordinary and extraordinary administration, establishing a number of limits - solely for internal purposes in relations with the Board of Directors - and also envisaging joint signature with the Chairman over and above certain thresholds.

As part of the respective organisational and management duties of established by the Board of Directors, it is envisaged that the Vice Chairman and the Chief Executive Officer:

- coordinate their activities using the most suitable formats and methods, ensuring adequate flows of information to the Chairman so he may guarantee correct and adequate information to the Board of Directors;

[1] *The Extraordinary Shareholders' Meeting of April 17, 2012 approved the amendments to articles 12 and 22 of the Articles of Association, governing the mechanisms for appointing directors, members of the board of statutory auditors, applying the minimum one third as requested by the governing regulations, in advance of their entry into force.*

- in any event exercise their respective powers in compliance and in respect of the principles, criteria, models, processes, procedures and policies of the Company, also with regard to (i) significant transactions of a strategic, economic, financial and equity nature, and (ii) those that could have an impact on the Company's organisational structure.

Based on information provided by the Directors and that in any event available to the Company, the Board of Directors assessed that, pursuant to the Code and the Consolidated Law on Finance, the independence requirements were met by Directors Marina Brogi, Claudia Bugno, Rosa Cipriotti, Carlo Emilio Croce, Andrea Mangoni, Massimo Tezzon and Jody Vender. The result of this assessment was disclosed to the market after their appointment.

In addition to the Chairman, qualifying as non-executive directors are Board Members Francesco Chiappetta, Moroello Diaz della Vittoria Pallavicini, Davide Mereghetti, Alessandra Patera and Anna Chiara Svelto.

Consequently the percentage of independent directors with respect to the current composition of the Board is in line with recommendations contained in the Code. The Board of Statutory Auditors verified the correct application of the assessment criteria and procedures adopted by the Board of Directors to assess the independence of its members.

Following renewal of the Board of Directors, the appointment of a Lead Independent Director was confirmed, identified as Independent Director Massimo Tezzon, as contact and coordinator of queries and input of the Independent Directors.

Among other things and independently or at the request of other members of the Board of Directors, the Lead Independent Director has the right to call meetings of Independent Directors only to discuss any matters deemed to be of interest with respect to the operations of the Board of Directors or to management of the company. No less important, the Lead Independent Director cooperates with the Chairman of the Board of Directors to ensure the best possible operations of the Board.

At the same meeting, the Board of Directors set up an Internal Control, Risks and Corporate Governance Committee and a Remuneration Committee from among its members, defining their respective duties and activities.

The duties of the Related Party Transactions Committee were also confirmed as the responsibility of the Internal Control, Risks and Corporate Governance Committee - within the limits established by current laws and regulations and by the Related Party Transaction Procedures adopted by the Company - in reference to transactions with related parties, the Company or its subsidiaries, the only exception being issues relating to director and key manager remuneration for which responsibility is assigned to the Remuneration Committee.

A set of procedures and formalities similar to those envisaged for the Board of Directors was defined for the aforementioned Committees, confirming those already adopted in the past, particularly with regard to the reporting methods on items to be discussed, on the operations (committee membership, resolutions and related minutes) and participation of external parties, always envisaging reporting to the Board of Directors at the next available meeting after that of the Committee.

The Board of Directors decided not to set up an Appointments Committee in consideration of the list voting system's capacity to give transparency to the procedure of selecting and identifying candidates and of the fair number of Independent Directors present on the Board. In this respect, note that among the duties assigned to the Internal Control, Risks and Corporate Governance Committee are: (i) to propose candidates to the Board of Directors for co-opting if Independent Directors should need to be replaced; (ii) to propose the methods and timing of annual self-assessment by the Board of Directors; (iii) to make preliminary arrangements for the preparation of a Plan for the replacement of executive directors, if adopted by the Board of Directors.

In order to guarantee maximum flow of reports between the various corporate bodies, the entire Board of Statutory Auditors is expected to be involved in the work of all Board Committees established.

The Board of Directors appointed the following non-executive directors:

- Massimo Tezzon (Independent), Marina Brogi (Independent), Andrea Mangoni (Independent) and Anna Chiara Svelto, as members of the Internal Control, Risks and Corporate Governance Committee, all with accounting and financial experience or risk management experience. Massimo Tezzon was appointed Chairman of the Committee;

- Giovanni Jody Vender (Independent), Rosa Cipriotti (Independent), Carlo Emilio Croce (Independent) and Davide Mereghetti, as members of the Remuneration Committee, all with experience in financial matters or remuneration policies. Giovanni Jody Vender was appointed Chairman of the Committee.

At the same meeting, the Board of Directors appointed a new Supervisory Board, confirming as its duties and powers those established in the Company's Organisational Model and, for its activities guaranteeing full economic/operational autonomy without spending limits.

The officers called upon as members of this Board are Directors Massimo Tezzon (Lead Independent Director and Chairman of the Internal Control, Risks and Corporate Governance Committee), Sergio Beretta (Full Professor of Planning and Control at Bocconi University), Michela Zeme (Standing Auditor) and Sergio Romiti (Manager of the Prelios Internal Audit Department, who also acts as Secretary). Massimo Tezzon was appointed Chairman of the Supervisory Board.

With opinion in favour given by the Board of Statutory Auditors, the Board of Directors also confirmed Angelo Cattaneo as the Manager responsible for corporate financial reporting.

On May 30, 2013, as proposed by the Remuneration Committee, the Board of Directors distributed the remuneration due to Directors, taking into account the related resolution of the Shareholders' Meeting and, after consulting the Board of Statutory Auditors, established the remuneration of directors with special offices and executive duties.

On the same date, the Board of Directors decided to implement its powers assigned by the Extraordinary Shareholders' Meeting, formally exercised on June 10, 2013 in the presence of notary Carlo Marchetti, consequently resolving, among other things, to:

- approve the Regulation for the compulsorily convertible bonds (the "Convertible Bond Regulation");

- approve the share capital increase, divisible and against payment, for a maximum 297,644,375.01 euro; This increase can be performed over a maximum 7 years (unless extended by a further 3 years) from issue of the Convertible bond loan serving the conversion (partial or total) of the Bonds, by means of the issue of a maximum 499,990,551 ordinary Prelios shares for tranche A of the convertible bond (including the scenario in which tranche B is converted into ordinary shares) and a maximum 144,678,117 class B shares solely for tranche B of the convertible bond loan;

- amend art. 5 of the Articles of Association accordingly.

The minutes, signed before a notary, of the Board and Directors meeting of June 10, 2013 are published in the corporate governance section of the Web site, together with related appendices that include the Directors' Report, the Convertible Bond Regulation and the fairness opinion given in accordance with law by the independent auditors Reconta Ernst & Young.

The exercise of delegated powers by the Board of Directors along with implementation of the share capital increase, reserved and under option, represent the measures appropriately identified and defined by the Directors as able to pursue the business relaunch and maintain the going concern prerequisite, through meeting the conditions of economic and financial balance and stability and equity strengthening of the Company.

The current Articles of Association can be found in the corporate governance section of the Web site.

Also note that 6 Board of Directors meetings, 6 Internal Control, Risks and Corporate Governance Committee meetings and 2 Remuneration Committee meetings were held in the first half of 2013.

In relation to the provisions of application criterion 2.C.2 of the Code, specific initiatives are dedicated to providing new members of the Board of Directors and Board of Statutory Auditors with suitable awareness of the Group's business sector, corporate performance and its development, and of the reference regulatory framework.

* * *

As at June 30, 2013 the share capital of Prelios S.p.A. fully subscribed and paid up amounts to 4,881,622.50 euro, divided into 84,000,000 ordinary shares with no nominal value.

Following the grouping of ordinary Prelios shares, subject to partial cancellation, the Company holds 1,788 treasury shares.

Also note that with regard to the ownership structures, the update to the significant investments is based on notifications received pursuant to art. 120 of the Consolidated Law on Finance and other available information. As at June 30, 2013, the shareholders with more than a 2% investment in the share capital are the following:

Declarer	Direct shareholder	% of ordinary capital	% of voting capital
Marco Tronchetti Provera	**Cam Partecipazioni S.p.A.** (owned)	0.013	0.013
	Camfin S.p.A. (owned)	14.801	14.801
	TOTAL	**14.814**	**14.814**
Assicurazioni Generali S.p.A.	**Alleanza Toro S.p.A.** (owned)	0.133	0.133

	INA Assitalia S.p.A. (owned)	1.134	1.134
	Generali Vie SA (owned)	0.621	0.621
	Generali Iard SA (owned)	0.003	0.003
	Assicurazioni Generali S.p.A. (owned)	1.231	1.231
	TOTAL	**3.122**	**3.122**
Invesco LTD	**Invesco Fund Managers Ltd** (Discretional asset management)	1.694	1.694
	Invesco Global Asset Management Ltd (Discretional asset management)	2.259	2.259
	Invesco Asset Management France SA	0.419	0.419
	Invesco Advisers	0.310	0.310
	Invesco Asset Management Ltd	0.277	0.277
	TOTAL	**4.959**	**4.959**
Mediobanca S.p.A.	**Mediobanca S.p.A.** (owned)	**2.606**	**2.606**

*

As a result of resolutions carried by the extraordinary shareholders' meeting of May 8, 2013, the Shareholders' Agreement signed by a number of shareholders (the "Signatories") to ensure PRELIOS shareholder structure stability (a copy of which is published in the Investor Relator section of the web site), was cancelled prior to maturity given the forthcoming change to Prelios' overall shareholder structure resulting in particular from the outcome of the share capital increase under option.

In this respect, on May 6, 2013, the signatories Camfin S.p.A., Intesa Sanpaolo S.p.A. and Massimo Moratti informed the Company that a preliminary agreement had been signed for the definition of a new shareholders' agreement relating to Prelios, the commitment to which is subject to finalisation of the Transaction.

Note that on June 7, 2013, Lauro Cinquantaquattro S.r.l., a 100% subsidiary of Clessidra SGR S.p.A. on behalf of the Clessidra Capital Partners II fund, informed the Company that on June 4, 2013 - as part of a rationalisation of the Camfin S.p.A. shareholder structure - a shareholders' agreement was signed by (a) as one party, (i) Marco Tronchetti Provera & C. S.p.A., (ii) Marco Tronchetti Provera Partecipazioni S.p.A., (iii) Partecipazioni Industriali S.p.A. Group and (iv) Nuove Partecipazioni S.p.A. and (b), as the other party, (i) Lauro Cinquantaquattro S.r.l., (ii) Intesa Sanpaolo S.p.A. and (iii) UniCredit S.p.A. This agreement - relating in particular to financial instruments and shares of other companies - also refers to 12,461,232 ordinary Prelios shares (amounting to approximately 14.8% of the related share capital) held by Camfin S.p.A. (also through Cam Partecipazioni S.p.A.), and contains a specific provision on Prelios governance according to which - based on the notification issued to the Company and stated in the abstract from the agreement published by the parties - if certain conditions are met Nuove Partecipazioni S.p.A. (indirectly controlled by Marco Tronchetti Provera & C. S.p.A.) is committed to doing everything possible to ensure that, after the end date of the takeover bid to be launched by Camfin S.p.A. in accordance with the provisions of the aforementioned agreement, at least one member of the Prelios Board of Directors will be appointed as nominated by Lauro Cinquantaquattro S.r.l.

* * *

This Report also indicates changes since the end of the first half of this year up to the date of approval of the Report.

In this respect, note that:

- on July 31, 2013 the reserved capital increase was fully subscribed for 70,005,789.37 euro - as resolved by the extraordinary shareholders' meeting of May 8, 2013 - by Fenice S.r.l. (an investee of Feidos 11 S.p.A., Pirelli & C. S.p.A., Intesa Sanpaolo S.p.A. and UniCredit S.p.A.), with subsequent issue of 117,597,496 class B shares without voting rights and due to remain unlisted.

- on August 2, 2013, Feidos 11 S.p.A., Intesa Sanpaolo S.p.A., UniCredit S.p.A. and Pirelli & C. S.p.A. informed the Company that a shareholders' agreement had been signed in relation to Fenice S.r.l., the company subscribing the aforementioned Reserved Capital Increase. This shareholders' agreement is available in abstract form in the Investor Relations section of the Web site;

- on August 23, 2013 the Share Capital Increase under Option - resolved by the extraordinary shareholders' meeting of May 8, 2013 - concluded with subscription of the entire amount resolved, equal to 115,009,511.53 euro for a total of 193,195,887 ordinary shares (of which 39.49% through the offer and 60.51% guaranteed by the Lenders). The Prospectus can be found in the corporate governance section of the Web site.

  As a result of the above - and also with finalisation of the Reserved Capital Increase - the new Prelios share capital is made up as follows:

	CURRENT SHARE CAPITAL			**PREVIOUS SHARE CAPITAL**		
	Euro	**No. of shares**	**Nominal value per share**	**Euro**	**No. of shares**	**Nominal value per share**
TOTAL of which:	**189,896,923.40**	**394,793,383**	Shares with no nominal value	**4,881,622.50**	**84,000,000**	Shares with no nominal value
Ordinary shares (regular entitlement) Coupon number in progress: 2	**119,891,134.03**	**277,195,887**	Shares with no nominal value	**4,881,622.50**	**84,000,000**	Shares with no nominal value
Class B shares (unlisted)	**70,005,789.37**	**117,597,496**	Shares with no nominal value	-	-	-

In this respect note that: (i) the class B shares resulting from the aforementioned reserved capital increase are special shares without voting rights and initially there are no plans for listing, convertible to ordinary shares in accordance with the provisions of the Prelios Articles of Association, in the event of transfer to third parties (that are not already direct holders of class B shares) or the third-party launch of a takeover bid and/or tender and exchange offer on Prelios shares; (ii) the newly-issued ordinary shares resulting from the aforementioned share capital increase under option to shareholders, offer regular entitlement and have the same characteristics as the ordinary Prelios shares already outstanding as at the time of issue.

The confirmed subscription to the share capital increase, reserved and under option, was filed with the Milan Register of Companies on August 26, 2013 pursuant to art. 2444, paragraph 1 of the Italian Civil Code.

- On August 26, 2013, in implementation of the Board of Directors resolution of June 10, 2013, 233,534 Convertible Bonds were issued, without option rights as per art. 2441, paragraph 5 of the Italian Civil Code, for a total nominal amount of 233,534,000.00 euro (the "Convertible Bond Loan"), with subsequent divisible share capital increase for the sole purpose of the conversion for a maximum 258,401,789.44 euro, to be implemented by the deadline of March 31, 2023 through the issue of a maximum 434,069,863 ordinary shares and a maximum 125,446,190 class B shares, with no nominal value, regular entitlement and with the same characteristics as those outstanding as at the date of issue For a more detailed and complete analysis of the characteristics of the Convertible Bond Loan, reference should be made to the Regulation published on the Web site;

- on August 28, 2013, after obtaining opinion in favour from the Related Party Transactions Committee, the Board of Directors approved a number of amendments to the "Related Party Transaction Procedure" with specific reference to the identification of related parties in order to fine-tune the wording to provide greater clarity, a systematic nature and completeness to the document, in line with the provisions of regulations issued by Consob, with particular reference to membership of the *Related Party Transactions Committee*, together with additional minor amendments of a mere terminology and/or formal nature.

  The Procedure is published in the corporate governance section of the web site.

Prelios S.p.A.
Viale Piero e Alberto Pirelli, 27
20126 Milan
Share Capital € 189.896.923,40
Milan Companies Register
Tax Code and VAT No 02473170153
R.E.A. Milan No 589396