PRELIOS: BOARD APPROVES INTERIM REPORT AT 31 MARCH 2014

THE 1Q 2013 INCOME STATEMENT HAS BEEN RECLASSIFIED WITH THE PURPOSE TO REPORT DATA ON A LIKE FOR LIKE BASIS, INCLUDING THE EFFECTS OF THE DGAG TRANSACTION, ALSO INCLUDING THE DISPOSAL OF THE REAL ESTATE ASSET PORTFOLIO AND OF THE RELATED RESIDENTIAL MANAGEMENT PLATFORM

- MANAGEMENT PLATFORM REVENUES, GROUP CORE BUSINESS, AT 16.9 €/MLN (16.3 €/MLN AT 31 MARCH 2013)
- EBIT[1] EQUAL TO -5.3 €/MLN (-5.3 €/MLN ALSO IN 1Q 2013), PARTICULARLY IMPACTED BY THE RESULT OF INVESTMENT ACTIVITIES, NEGATIVE FOR 3.7 €/MLN (-3.6 €/MLN AT 31 MARCH 2013)
- EBIT OF MANAGEMENT PLATFORM[2] ONLY AT -1.6 €/MLN (-1.7 €/MLN AT 31 MARCH 2013)
- GROUP NET RESULT AT -13.4 €/MLN IMPROVING VS. -18.5 €/MLN IN 1Q 2013. SUCH VARIATION RESULTS FROM THE DECREASE IN FINANCIAL COSTS FROM 10.6 MILLION EURO AT 31 MARCH 2013 TO 5.9 MILLION EURO IN 1Q 2014 AS WELL AS FROM POSITIVE BUSINESS MANAGEMENT ACTIVITIES
- NET FINANCIAL POSITION NEGATIVE FOR 408.5 €/MLN (-543.1 €/MLN AT 31 MARCH 2013 AND -388.4 €/MLN AT 31 DECEMBER 2013); CONSIDERING THE CONVERSION OF THE CONVERTIBLE BONDS MADE ON 14 APRILE 2014, THE NFP IS EQUAL TO -172 €/MLN

Milan, 14 May 2014 – The Board of Directors of Prelios S.p.A., that held its meeting this morning, examined and approved the Interim Report at 31 March 2014.

Market scenario

In the first quarter of 2014, as well as during the past year, the macroeconomic scenario of reference has been characterised by uncertainties with regard to the Italian economic growth perspectives in general. The continuing economic crisis also impacts the real estate sector which is persistently weak and still characterised by high financial costs. However, the market shows some signs of recovery, primarily driven by the recent renewed interest in the Italian real estate sector by opportunistic foreign investors, caused by the repricing effect and the consequent rise of gross yields.

Group performance at 31 March 2014

In this context, the Group reported **consolidated revenues** equal to **17.1 million euro** (17.6 million euro at 31 March 2013), that were positively impacted by the **management platform revenues, in Italy and in foreign Countries**, amounting to **16.9 million euro**, improving versus 16.3 million euro recorded in the same period of last year. The management platform, Group core business, posted increased revenues against the two previous years that had recorded a sharp decline. This growth is also attributable to the first results of the intensive business development

1 Amount made up of EBIT plus net income from equity investments and income from shareholder loans, adjusted for restructuring costs and property writedowns/revaluations. The 2013 value does not include restructuring costs for -0.5 million euro and property writedowns for -1.8 million euro.
2 Management platform EBIT indicates income generated through fund & asset management operations, specialised real estate services (property & project management and agency), services connected with NPL management (credit servicing), as well as general and administrative expenses (G&A).

activity carried out during the year, that is estimated to generate more significant results for the Group especially starting from the second semester 2014 and early 2014, concurrently with the various finalized initiatives becoming fully operational and the completion of those still underway.

The EBIT[3] is negative for 5.3 million euro (-5.3 million at 31 March 2013) and is made up as follows:

- **Management platform operations** record a **negative result for 1.6 million euro** (-1.7 million euro at 31 March 2013);

- **Investment activities,** i.e. what has been generated by Prelios through its equity investments in funds and companies that hold real estate assets and Non Performing Loans, **are negative for 3.7 million euro** (-3.6 million euro at 31 March 2013).

The **net result for the period is negative for 13.4 million euro,** up 28% vs. the actual result at 31 March 2013 (that was negative for 18.5 million euro). Such positive variation is due to the decrease in financial costs from 10.6 million euro at 31 March 2013 to 5.9 million euro in 1Q 2014 (generated as a result of the positive effect of the debt rescheduling occurred in August 2013[4]) as well as to the business management activities.

Real estate asset sales[5] in 1Q 2014 **amounted to 121.7 million euro, for a pro rata amount for Prelios equal to about 51 million euro** (44.1 million euro at 31 March 2013, the pro rata amount of which was equal to about 7.8 million euro). Real estate transactions were carried out at values substantially in line with book value, as it occurred last year. In particular**,** in **Germany sales amounted to 113.7 million euro** (34.5 million in 1Q 2013), **Italy sales amounted to 8 million euro (9.6 million euro** at 31 March 2013) while in **Poland** no sales were made, as in the same period of last year.

Consolidated net equity was negative for 79.3 million euro and the variation is mainly due to the loss for the period (-66.3 million at 31 December 2013). This result includes the negative impact for 0.9 million euro (positive for 1.9 million euro in 1Q 2013) determined by a non-recurring item, i.e. the performance of the German residential portfolio DGAG together with the residential management platform associated therewith, disposed in February 2014 (as already disclosed and reported in the paragraph below "Germany real estate"), while its closing is planned by June 2014. Considering the conversion of the convertible bonds made on 14 April 2014, the consolidated net equity was equal to 157.2 million euro.

The **group net equity** was negative for 82.1 million euro (negative for 69.1 million at 31 December 2013). The change is primarily attributable to the loss for the period. As at 31 March 2014 the group net equity is equal to 154.4 million euro.

The net financial position[6] was negative for 408.5 million euro (-543.1 million euro at 31 March 2013 and -388.4 million euro at 31 December 2013). **Considering the conversion of the convertible bonds enforced on 14 April 2014, the net financial position is equal to -172 million euro.**

3 EBIT means the value made up of EBIT plus net income from equity investments and income from shareholder loans, adjusted for restructuring costs and property writedowns/revaluations. The 2013 value does not include restructuring costs for -0.5 million euro and property writedowns for -1.8 million euro.
4 The debt rescheduling was retroactively effective starting from 1 January 2013.
5 The value is determined by summing up the sales of properties realised by the consolidated companies, the 100% sales of the properties of affiliated companies, joint ventures and funds in which the Group has a holding of at least 5% at 31 March 2014.
6 Excluding receivables for shareholder loans.

Performance of the Business Divisions at 31 March 2014 [7]

ITALY REAL ESTATE

The **EBIT** is negative for 0.9 million euro, recording an improvement against the negative value of 1.4 million at March 2013, due to the proceeds for 1.6 million euro from the management platform, Company core business (1.3 million euro in the corresponding period of last year). The EBIT was negatively impacted for 2.5 million euro by the investment activities (negative for 2.7 million euro at 31 March 2013).

In particular, as regards the performance and perspectives of each service of the domestic management platform, the following should be noted among other things:

- **Fund Management** reported revenues for 5.1 million euro (5.6 million euro in the same period of 2013) and an EBIT equal to 1.2 million euro (2.4 million euro at 31 March 2013). This decrease is primarily due to the exit of Fund Spazio Industriale from the portfolio under management, that resulted in a decreasing fee, as well as to non-recurring items impacting for over 0.6 million euro in total. With regard to the activity for the development of new projects started by the new management, the Company established three new ordinary real estate funds (PAI "PAI – Parco Agroalimentare Italiano", "IGEA" and "Primo RE"), currently managing 25 funds. The positive effects relative to the acquisition of the aforementioned funds will become visible starting from the next quarter.

- **Integra** (former Property & Project) generated revenues for 4.4 million euro, recording an increase vs. 3.7 million euro at 31 March 2013, while the EBIT was equal to 0.2 million euro (0.3 million euro at March 2013). In the first quarter of 2014 the company managed real estate assets corresponding to over 2,800 lease contracts.

- **Agency** recorded revenues for 0.7 million euro (0.5 million euro in the same period of last year) with a negative EBIT for 0.2 million euro (negative for 1 million euro at 31 March 2013). The 1Q 2014 result is still impacted by the crisis of the Italian real estate market that caused a substantial slowdown in the number and size of transactions. The benefits of the cost control action started during 2013 and the effects of the restructuring process and strategic repositioning of the commercial offering – which led Prelios Agency to exclusively concentrate on institutional brokerage activities and on international operators are now evident compared to the first quarter of 2013.

- **Valuations** (the Group company operating in the sector of appraisal of single properties or real estate assets for office/light industrial and residential use, specialised in valuation services to banks) recorded revenues for 1.2 million euro (0.8 million euro at 31 March 2013) with a positive EBIT for 0.4 million euro (positive for 0.1 million euro at March 2013). It should be noted that on 17 April 2014 Prelios Valuations was awarded a contract following to a tender called for Bank of Italy for the activity of full appraisal of real estate assets of some banks.

7 It should be recalled that the results indicated in this paragraph (net of restructuring costs and property writedowns/revaluations) refer to the result of the service actiities as well as to investment activities and include the proceeds from shareholder loan, while they do not include the relevant G&A/holding costs).

GERMANY REAL ESTATE

As already disclosed to the market on 12 February, during the first quarter 2014 the company Solaia RE S.à.r.l. (a joint venture that was 60% controlled by a fund managed by Deutsche Asset & Wealth Management Real Estate - Deutsche Bank group – and 40% controlled by Prelios S.p.A.) reached an agreement with the company Buwog (100% owned by the Austrian Group Immofinanz) for the disposition of the German real estate asset portfolio called DGAG, consisting of about 18,000 real property units. In addition with this sale, promoted and defined by the majority partner, the platform of Prelios Deutschland (a company 100% controlled by Prelios S.p.A.), which provides technical and administrative services to the aforementioned residential assets, was also transferred. By this transaction Prelios Group further focuses its operations in Germany on the high value added “premium” segment of shopping centers and highstreet retailing. The closing of the transaction is expected to take place by June 2014.

The German services platform **revenues** at 31 March 2014 totalled 2.9 million euro, down from 3.3 million euro at 31 March 2013 as a result of decreasing fees relating to the dispositions of retail properties.

The **EBIT** is negative for 0.2 million euro (-0.1 million at 31 March 2013). This result consists of 0.5 million euro proceeds from the retail management platform (0.4 million euro in the same period of 2013), and of -0.7 million euro from investment activities (-0.5 million euro at March 2013).

POLAND REAL ESTATE

The **EBIT** was negative for 0.7 million euro (negative for 0.7 million euro also at March 2013). Such result consists of -0.2 million euro from the management platform (that reached break-even at March 2013) and of the negative value for 0.5 million euro relating to the investment activity (-0.7 million euro al 31 March 2013). In particular, the completion of the city-planning procedure leading to a potential development of at least 400,000 sq. m. in the ex-Lucchini area, located in Warsaw, of which Prelios holds 40%, is underway. The result is influenced by operating and financial costs related to the activity for the area improvement.

NON PERFORMING LOANS

The **EBIT** was positive for 0.3 million euro, significantly improving against the negative result of 0.6 million euro in 1Q 2013. Such value consisted of the management platform result, positive for 0.3 million euro (-0.9 million euro at March 2013) and of the NPL portfolio investment activity, substantially at break-even (positive for 0.3 million at March 2013). The 1.2 million euro increase of the management platform is substantially due to increasing revenues for 0.4 million euro and to cost benefits, for about 0.8 million euro, relating to the revision process of the internal structure that was completed in 2013.

The **collections**[8] of non performing loans were equal to 7 million euro vs. 27 million euro at 31 March 2013. The decline in revenues due to collections has been more than offset by the increase in revenues related to the new business and to one-off activities that generated success fees.

8 The value is determined by summing up the collections of NPLs made by the consolidated companies with the 100% collections of the affiliated companies and joint ventures in which the Group has equity investments.

2014-2016 Business Plan Update

It should be noted that the Board of Directors, that held its meeting on 9 April 2014 and approved, among other things, 2013 data – largely determined by the accelerated processes of efficiency improvement and rationalization of the activities that are no longer considered strategic, including the disposition transaction in Germany – also examined and approved the guidelines for the period 2014-2016, in view of the approval of the new Group Business Plan.

In this respect, the Board deemed it appropriate to adjourn to subsequent meeting – to be held next 4 June 2014 – the final review and approval of the new Business Plan, with the purpose of systematically and accurately completing the development of the assumptions and managing some process issues in due time.

Events occurred after the closing of the period

As mentioned hereinabove, on 9 April 2014 the Board of Directors approved the Group Guidelines for the period 2014-2016, based on which the Business Plan to be presented next 4 June is being developed.

It should be noted that, as disclosed to the market, on 14 April 2014 the early compulsory repayment of "2013-2019 Prelios Convertible Loan" was automatically implemented through the full conversion of:

- N. 166,042 bonds (equal to 71.1% of the total issued bonds) representing tranche A, convertible into ordinary shares; and
- N. 67,492 bonds (equal to 28.9% of the total issued bonds) representing tranche B, convertible into class B shares.

In relation to the aforementioned conversion, the capital increase exclusively serving the conversion has been automatically implemented – as resolved by the Company Board of Directors on 10 June 2013, that exercised the power assigned thereto by the Shareholders' Meeting on 8 May 2013 – through the issue of n. 229,757,292 ordinary shares and n. 93,390,705 class B shares, for a total countervalue of Euro 236,544,333.80.

Following to the capital increase for the exclusive service of the conversion, the new composition of the share capital, fully subscribed and paid in, amounts to Euro 426,441,257.20 in total and is divided into:

- N. 506,953,179 ordinary shares, without face value and accruing regular dividends;
- N. 210,988,201 class B shares, convertible into ordinary shares, without face value and voting right, not destined to be listed.

Business Outlook

Considering the difficult economic context reported in paragraph "*Market scenario*", the management has identified to this end a number of initiatives aimed at financial rebalancing and at maintaining business continuity conditions.

Moreover, with regard to the issues relating to business continuity, it should be noted – as already highlighted by the Directors in the Annual Report at 31 December 2013 - that in addition to the additional actions and initiatives already identified the main Lenders and shareholders declared that they are ready to satisfy the Company financial needs by transactions that support the current financial structure.

The actions and initiatives already identified continued successfully. In particular:

- Holding cost rationalization and control, with greater autonomy for operating companies and disposition of equity investment portfolios;

- Cash flow mitigation actions with the purpose of favouring inflows and outflows;

- Revenue increase through the implementation of the projects included in the business development pipeline;

- Evaluation of possible divestments of portfolio assets.

From the operations viewpoint, 2014 is expected to be a transition year, during which the management will be focused on the actions required to achieve the objectives to be defined in the new Business Plan, by strengthening business development, in particular with regard to services, in line with the strategy of converting the Group into a pure management company.

2014 Shareholders' Meeting

The Company hereby informs that the Shareholders' Meeting that is called for the approval of the Financial Statements at 31 December 2013, *inter alia*, will be held on 19 June 2014.

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The Interim Report at 31 March 2014 will be made available to anyone who requests it tomorrow, 15 May 2014, at the Company's offices and at the offices of Borsa Italiana S.p.A.. The same documents will also be published on the Company website at www.prelios.com .

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

This press release, and in particular, the section "Business outlook", contains forecast statements. These forecasts are based on the current estimates and projections of the Group in relation to future events and, by their nature, these are subject to inherent risk and uncertainty elements. The actual results could be significantly different from those contained in said forecasts due to several factors, including a continuous volatility and a further deterioration of capital and stock markets, any change in macroeconomic conditions and in the economic growth, and any other change in business conditions, in addition to other factors, the majority of which is not under the Group's control.

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

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

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1) **PRELIOS GROUP - Reclassified consolidated income statement**

(Euro/milion)	MARCH 2014	MARCH 2013
Consolidated revenues:	17.1	17.6
of which services	*16.9*	*16.3*
of which others	*0.2*	*1.3*
Management platform: EBIT before restructuring costs and property writedowns/revaluations	(1.6)	(1.7)
Total management platform: Operating result	**(1.6)**	**(1.7)**
Investment activities: EBIT before restructuring costs and property writedowns/revaluations	(2.8)	(2.7)
Investment activities: net income from equity investments before restructuring costs and property writedowns/revaluations	(2.8)	(2.9)
Investment activities: income from shareholders' loans (*)	1.9	2.0
Total investment activities: Operating result	**(3.7)**	**(3.6)**
Operating result	**(5.3)**	**(5.3)**
Financial expenses	(5.9)	(10.6)
Income (loss) before restructuring costs, property writedowns/revaluations and income taxes	**(11.2)**	**(15.9)**
Restructuring costs	0.0	(0.5)
Property writedowns/revaluations	0.0	(1.8)
Income (loss) before taxes	**(11.2)**	**(18.2)**
Income taxes	(1.3)	(2.3)
Net income (loss) from continuing operations	**(12.5)**	**(20.5)**
Minority interests	0.0	0.1
Group net income/(loss) before discontinued operations	**(12.5)**	**(20.4)**
Net income (loss) from discontinued operations	(0.9)	1.9
Group net income/(loss) for the period	**(13.4)**	**(18.5)**

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

2) PRELIOS GROUP - Reclassified Consolidated Income Statement

(Euro/milion)	MARCH 2014	MARCH 2014 PRO-FORMA (2)	DECEMBER 2013
Fixed assets	**358.1**	**358.1**	**353.2**
of which investments in real estate funds and investment companies and shareholder loans granted (1)	*285.3*	*285.3*	*290.5*
of which goodwill	*56.4*	*56.4*	*56.4*
Net working capital	**16.6**	**16.6**	**14.7**
Discontinued operations	**26.4**	**26.4**	**26.4**
Net invested capital	**401.1**	**401.1**	**394.3**
Equity	**(79.3)**	**157.2**	**(66.3)**
of which group equity	(82.1)	154.4	(69.1)
Provisions	**70.9**	**70.9**	**71.2**
Net financial position	**408.5**	**172.0**	**388.4**
Liabilities relating to discontinued operations	**1.0**	**1.0**	**1.0**
Total covering net invested capital	**401.1**	**401.1**	**394.3**

(1) The item includes equity investments in associates, joint ventures and other equity investments (175.6 million euro), receivables for shareholder loans (99.9 million euro), investments in real estate funds (11.4 million euro, recognised among “Other financial assets” in the consolidated balance sheet) and junior notes (11.3 million euro, recognised among “Other financial assets” in the consolidated balance sheet). The figures for March 2014 and December 2013 include provisions for equity investment writedowns of 12.9 million euro and 12.6 million euro respectively.

(2) Pro-forma data as at March 2014 already consider the capital increase following to the total conversion of the Convertible loan, including interests as of March 2014.

3) PRELIOS GROUP - Consolidated income statement

(amounts in thousands of Euro)

	01.01.2014-03.31.2014	01.01.2013-03.31.2013
Revenues from sales and services	17,054	17,600
Changes in inventories of work in progress, semi-finished and finished products	9	(3)
Other income	681	1,437
TOTAL OPERATING REVENUES	**17,744**	**19,034**
of which with related parties	*6,808*	*11,157*
of which non-recurring events	-	*(12)*
Raw and consumable materials used (net of change in inventories)	(90)	(105)
Personnel costs	(10,033)	(10,499)
Depreciation, amortization and impairment	(113)	(369)
Other costs	(11,889)	(12,961)
TOTAL OPERATING COSTS	**(22,125)**	**(23,934)**
of which with related parties	*(752)*	*(1,480)*
of which non-recurring events	-	*(515)*
EBIT	**(4,381)**	**(4,900)**
Net income from equity investments of which:	(2,821)	(4,725)
of which with related parties	*(2,844)*	*(4,739)*
of which non-recurring events	-	*12*
- portion of result of associates and *joint ventures*	*(4,413)*	*(4,499)*
- gains on equity investments	*1,729*	*14*
- losses on equity investments	*(137)*	*(240)*
Financial income	2,193	2,993
of which with related parties	*1,960*	*2,389*
Financial expenses	(6,117)	(11,535)
of which with related parties	*(398)*	*(3,371)*
INCOME (LOSS) BEFORE TAXES	**(11,126)**	**(18,167)**
Income taxes	(1,320)	(2,280)
NET INCOME (LOSS) FROM CONTINUING OPERATIONS	**(12,446)**	**(20,447)**
of which attributable to minority interests	49	(87)
Net income (loss) from discontinued operations	**(858)**	**1,879**
of which with related parties	*4,019*	*3,279*
GROUP NET INCOME (LOSS) FOR THE PERIOD	**(13,353)**	**(18,481)**

4) PRELIOS GROUP - Consolidated balance sheet

(amounts in thousands of Euro)

ASSETS	03.31.2014	12.31.2013
NON-CURRENT ASSETS		
Property, plant and equipment	960	1,031
Intangible assets	60,670	60,714
Investments	174,824	169,180
of which held for sale	*5,000*	*3,294*
Other financial assets	34,703	24,189
Deferred tax assets	10,778	11,070
Other receivables	105,221	115,980
of which with related parties	*99,942*	*110,675*
TOTAL NON-CURRENT ASSETS	**387,156**	**382,164**
CURRENT ASSETS		
Inventories	48,376	48,406
Trade receivables	36,398	35,055
of which with related parties	*23,006*	*22,230*
Other receivables	24,773	23,560
of which with related parties	*7,474*	*7,516*
Cash and cash equivalents	70,408	85,609
Tax receivables	6,208	6,453
TOTAL CURRENT ASSETS	**186,163**	**199,083**
DISCONTINUED OPERATIONS	**27,778**	**27,781**
of which with related parties	18,800	18,800
TOTAL ASSETS	**601,097**	**609,028**
EQUITY	**03.31.2014**	**12.31.2013**
GROUP EQUITY		
Share capital	189,888	189,888
Other reserves	(14,125)	(14,529)
Retained earnings	88,300	88,366
Undivided profits (loss)	(332,838)	-
Net income (loss) for the period	(13,353)	(332,838)
TOTAL GROUP EQUITY	**(82,128)**	**(69,113)**
MINORITY INTERESTS	**2,874**	**2,778**
TOTAL EQUITY	**(79,254)**	**(66,335)**
LIABILITIES	**03.31.2014**	**12.31.2013**
NON-CURRENT LIABILITIES		
Bank borrowings and payables to other financial institutions	469,677	465,101
of which with related parties	*150,251*	*149,876*
Other payables	905	915
Provisions for future risks and expenses	37,616	39,269
Deferred tax provision	2,471	1,723
Employee benefit obligations	10,105	10,255
Tax payables	-	1,464
TOTAL NON-CURRENT LIABILITIES	**520,774**	**518,727**
CURRENT LIABILITIES		
Bank borrowings and payables to other financial institutions	9,393	8,988
of which with related parties	*6,576*	*6,576*
Trade payables	49,471	48,116
of which with related parties	*3,351*	*3,720*
Other payables	51,534	52,529
of which with related parties	*18,755*	*18,746*
Provisions for future risks and expenses	33,646	32,615
of which with related parties	*12,952*	*12,623*
Tax payables	13,120	11,983
of which with related parties	*1,080*	*1,080*
TOTAL CURRENT LIABILITIES	**157,164**	**154,231**
LIABILITIES RELATING TO DISCONTINUED OPERATIONS	**2,413**	**2,405**
TOTAL LIABILITIES	**680,351**	**675,363**
TOTAL LIABILITIES AND EQUITY	**601,097**	**609,028**