

## PRESS RELEASE

### **PRELIOS: THE BOARD OF DIRECTORS APPROVES RESULTS AS AT 31 MARCH 2016**

#### **THE FIRST RESULTS AFTER THE SPIN OFF OF THE REAL ESTATE BUSINESS AND THE CAPITAL INCREASE SHOW IMPROVEMENTS IN THE MAIN INDICATORS**

*2016 WILL BE DEDICATED TO RELAUNCHING PRELIOS, WHICH WILL FOCUS ON ALTERNATIVE ASSET MANAGEMENT AND RELATED REAL ESTATE SERVICES*

- **NET FINANCIAL POSITION UP SHARPLY AT € 2.3 MILLION COMPARED TO € -184.9 MILLION AT 31 DECEMBER 2015**
- **FOLLOWING THE SPIN OFF, THE COMPANY REPORTS EBIT OF € -2 MILLION, INCREASED REVENUES<sup>1</sup> OF € 15.4 MILLION (€ 13.3 MILLION AT 31 MARCH 2015) AND A REDUCTION IN HOLDING COSTS (G&A) € -2.1 MILLION (€ -2.7 MILLION AT 31 MARCH 2015)**
- **PLATFORM RESULTS FROM ALTERNATIVE ASSET MANAGEMENT AND REAL ESTATE SERVICES SHOW AN IMPROVEMENT AND ARE AT BREAK EVEN<sup>2</sup> (€ -0.4 MILLION AT 31 MARCH 2015)**

THE ECONOMIC TARGETS OF THE 2015-2017 INDUSTRIAL PLAN HAVE BEEN CONFIRMED

*Milan, 12 May 2016 – the Board of Directors of Prelios S.p.A. (“Prelios” or the “Company”)* has examined and approved - on a voluntary basis and pending expected regulatory indications and clarifications - **the quarterly results as at 31 March 2016**. In light of the recent regulatory changes being implemented regarding the new Transparency directive that has eliminated the requirement of communicating the interim reports on operations, the Company reserves the right to take the time necessary to evaluate the financial communication policy to adopt, once the applicable framework and practices have been confirmed. The decision to make the Interim Report as at 31 March 2016 available to the public as in the past is therefore not to be considered binding on the future and will be susceptible to future reviews.

As is known, during the first quarter of 2016 the Company successfully completed its repositioning as a “*pure management company*” thanks to the spin-off of real estate assets to Focus Investments S.p.A., and stabilised its financial position following the rights issue concluded on 9 March 2016.

Having concluded this first phase, the repositioning process and relaunch of the Company has entered the second phase. 2016 will be dedicated to strategic development, through which the business will increase its focus on the management of alternative assets by virtue of the high level of expertise the company possesses in this area. This process will be reflected in the organisational structure with the implementation of a simplified corporate structure that is already under way and with the goal of increasing efficiency and competitiveness to better seize the opportunities offered by the changing market.

<sup>1</sup> Net of general and administrative (G&A) expenses.

<sup>2</sup> Results of the management platform mean the income generated by the Company through Alternative Asset Management and specialized real estate services, net of general and administrative (G&A) expenses of Euro -2.1 million (Euro -2.7 million at 31 March 2015). The amount gross of G&A (Holding) amounted to Euro -2 million at 31 March 2016 (Euro -3.1million in the same period in 2015).

### **Group Operating Performance at 31 March 2016**

The Group had **consolidated revenue of Euro 15.6 million, compared** with Euro 16 million at 31 March 2015 which, as is known, included around Euro 3 million from the investment activities that were transferred to Focus Investments S.p.A.

EBIT<sup>3</sup>, including holding costs (G&A) was a negative Euro 2.0 million, as compared with a negative Euro 6.9 million at 31 March 2015<sup>4</sup>. **EBIT from the alternative asset management platform and related services, both in Italy and abroad** was essentially at **break even in the first quarter of 2016**, up from a loss of Euro 0.4 million on the same period of 2015.

**Equity** at 31 March 2016 was Euro 116.0 million compared to Euro 66.0 million at 31 December 2015. The increase stemmed mainly from the full subscription of rights issue for total amount of Euro 66.5 million, net of the result for the period.

**Net financial position**<sup>5</sup> was Euro 2.3 million compared to net debt of Euro 184.9 million at 31 December 2015. The significant improvement on 31 December 2015 of Euro 187.2 million was mainly due to:

- a positive effect of Euro 134.1 million from the investment spin-off transaction;
- a positive effect of Euro 60.0 million from the completion of the rights issue;
- the negative effect of Euro 6.9 million related to financial expenses and restructuring costs that were in part offset by the positive inflows from the services platform.

The negative impact of the financial charges stems mainly from the accounting effect tied to the valuation of the corporate debt at fair value as a consequence of their early repayment through the use of the proceeds from the capital increase.

### **Performance of the Business Divisions at 31 March 2016<sup>6</sup>**

The Business Divisions of the Prelios platform can be identified in Alternative Asset Management activities and related property services, defined as Real Estate Services.

- In particular, the **Alternative Asset Management** activities reported total revenue of Euro 5.6 million and EBIT of Euro 0.2 million (compared to a loss of Euro -0.7 million in March 2015) thanks to the combined results recorded by Prelios SGR and Prelios Credit Services illustrated below:
  - **PRELIOS SGR** recorded revenue of Euro 4.0 million, up on the Euro 3.8 million reported at 31 March 2015. Reported EBIT was Euro 1.0 million compared to Euro 0.4 million at 31 March 2015 thanks to increased revenue and the continued efforts in containing structural and occasional costs. With regard to new growth initiatives, during the quarter under review Prelios SGR established a new fund dedicated to social housing called Bernina Social Housing, and also launched two other funds including: REstart, which focuses on the cash acquisition of real estate packages as a guarantee of problem loans, and Madison Imperiale, dedicated to a leading international investor which has just completed the first acquisition of a group of properties leased to a leading telecommunications company.

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<sup>3</sup> EBIT is operating profit to which is added net income from equity investments and income from shareholder loans, adjusted restructuring costs and property write downs/write backs.

<sup>4</sup> The reported results as at 31 March 2016 do not include the results of the investment activities in that the reporting cycle of Focus Investments S.p.A., the company to which Prelios transferred the property assets in the aforementioned spin-off, is semi-annual. Prelios S.p.A. is unaware of any significant changes requiring disclosure with regard to its investment in Focus Investments S.p.A. It should also be recalled that real estate investments had an impact of Euro -3.0 million in March 2015.

<sup>5</sup> Excluding shareholder loans.

<sup>6</sup> The results shown in this section (net of restructuring costs and property write downs/write backs) as at 31 March 2016 only include the results from services activities, while at 31 March 2015 they included the results of the services activities and the investment activities, inclusive of the income from shareholders' loans, while they did not include the related general and administrative costs (G&A/holding).

- **PRELIOS Credit Servicing**, a Group company operating in the doubtful loan management sector, reported increased revenue of Euro 1.6 million, up 0.4 million on the Euro 1.2 million reported at 31 March 2015. The improvement stems mainly from (i) involvement in more asset securitisation transactions where the company took on the role of *Special, Master and Corporate Servicer* (ii) the launch of new *Special Servicing* mandates with leading Italian banks (iii) fees from advisory activities that the company performs for a number of international investors. EBIT at 31 March 2016 was a negative Euro 0.8 million, compared with a negative Euro 1.1 million reported in the same period last year. Following the acquisition of significant assets in 2015 (Euro 1.7 billion), the first quarter of 2016 saw the Company engaged in (i) the first public asset securitisation transaction after about a decade within the Italian guarantee on the securitisation of doubtful loans (GACS) mechanism; (ii) two separate due diligence and support activities for the acquisition of loans primarily secured by important international investors; (iii) the out-of-court management of a secured portfolio belonging to a leading Italian bank; (iv) the launch of the company as a *Master and Special Servicer* with regard to the new multioriginator securitisation programme launched in December 2015 involving 6 Italian banks, and; (v) in the consolidation of the partnership signed in 2015 with an important investment fund.
- **Real Estate Services (both Italian and foreign)** recorded total **revenue** of around Euro 9.9 million and **EBIT** of Euro -0.1 million. In particular:
  - **PRELIOS Integra** is one of Italy's leading operators in integrated property management and project development services, with Euro 4.7 billion in assets under management, representing over 5.3 million square metres. It recorded revenue of more than Euro 4.2 million, which is substantially in line with revenue recorded in the same period in 2015. EBIT was Euro 0.3 million and up on the Euro 0.2 million recorded at 31 March 2015. In the first quarter of 2016, the Company managed real estate assets equivalent to approximately 28,000 rental units.
  - **PRELIOS Agency** recorded revenue of Euro 0.7 million at 31 March 2016, up on the Euro 0.4 million recorded in the same period in 2015. EBIT was almost break even and up on the Euro -0.6 million recorded at 31 March 2015. During the first quarter of 2016, the Company was awarded new contracts and renewed a number of commercialisation agreements worth approximately Euro 36.5 million. Furthermore, it was assigned new important leases of approximately 9,000 square metres worth roughly Euro 1.8 million.
  - **PRELIOS Valuations** the subsidiary that provides appraisals for individual properties and real estate portfolios in the service and residential segments recorded revenues of Euro 2.3 million at 31 March 2016, up considerably on the Euro 1.1 million recorded at 31 March 2015, and EBIT of Euro 0.3 million, an improvement over the break-even recorded at 31 March 2015. The performance of the Loan Services sector showed a significant increase in volumes compared to 2015. In business activities other than appraisals for new mortgage loans, attention should be drawn to the Company's services in the field of appraisals in support of property leases and repossessions.
  - **GERMANY:** service revenue at 31 March 2016 in Germany was Euro 2.6 million, in line with the figures recorded during same period in 2015. EBIT at 31 March 2016 was a negative Euro 0.4 million compared to a positive Euro 0.8 million at 31 March 2015. The decrease is attributable to one-off positive effects in the first quarter of last year and to the costs related to the new structure in Frankfurt needed to launch the new *Prelios German Retail Property Fund* that will also allow the German business to focus on Alternative Asset Management.
  - **POLAND:** the **revenue** of the Polish management platform at 31 March 2016 totalled Euro 0.1 million, in line with the result at 31 March 2015. EBIT was a negative Euro 0.1 million, in line with 2015.

## BUSINESS OUTLOOK

From a management standpoint, 2016, which saw the completion of the well-known Extraordinary Transaction in March, will be dedicated to relaunching Prelios as a key European player in the real estate and financial services sector.

The Company approved the **2016 Budget** that confirms the following financial targets already announced to the market with the **2015-2017 Industrial Plan**:

- Services Platform turnover: between Euro 100 million and Euro 105 million;
- positive EBIT for the Services Platform, gross of G&A between Euro 10 million and Euro 12 million;

In conclusion, after the recently completed Extraordinary Transaction to spin off activities and shore up the balance sheet, and the results of the 2016 Budget and 2015-2017 Industrial Plan, the Directors of Prelios consider it reasonable to assume that the Group may continue operating as a going concern.

## SUBSEQUENT EVENTS

As is known, the agenda for the Shareholders' Meeting to be held on 19 May, which was integrated on 2 May following the request made by Negentropy Capital Partners LLP<sup>7</sup>, is as follows:

- 1) Financial statements as at and for the year ended 31 December 2015. Contingent resolutions.
- 2) Appointment of new Directors, up to a maximum of 3 (three), subject to the redetermination of the number of members of the Board of Directors from the current 11 (eleven) up to 13 (thirteen) members. Contingent resolutions.
- 3) Appointment of a Director and / or reduction in the number of Directors. Contingent resolutions.
- 4) Appointment of the Board of Statutory Auditors:
  - appointment of the Standing and Alternate Statutory Auditors;
  - appointment of the Chairman;
  - determination of the remuneration of the members of the Board of Statutory Auditors.

With regard to the members of the Board of Statutory Auditors, on 25 April 2016 the Company announced that two lists of candidates were presented. The first was presented by Intesa Sanpaolo S.p.A., Pirelli & C. S.p.A. and UniCredit S.p.A., and the second by Negentropy Capital Partners LLP on behalf of all parties to the agreement that was signed by various shareholders on 26 February 2016, and subsequently integrated on 7 March 2016.

- 5) Remuneration Report: consultation on the Remuneration Policy.

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The Interim Report as at 31 March 2016 will be made available to the public, tomorrow, 13 May 2016, at the Company's registered office, Viale Piero e Alberto Pirelli 27, Milan, Italy, and published on the Company's website [www.prelios.com](http://www.prelios.com) (*Investors section*). The document is also available at Borsa Italiana S.p.A. and the authorised storage system *eMarket Storage* ([www.emarketstorage.com](http://www.emarketstorage.com)).

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<sup>7</sup> Negentropy Capital Partners LLP's has declared to act in the name and on behalf of the mutual fund Negentropy Sicaf-Sif / Negentropy Special Situation Fund, Luxembourg, which owns 38,173,500 ordinary shares of the Company, equal to 3,31% of the ordinary voting capital.

The Manager responsible for preparing the corporate accounting documents of Prelios S.p.A., Mr Marco Andreasi, certifies - pursuant to art. 154-bis, paragraph 2 of the Consolidated Law on Finance (Legislative Decree 58/1998) – that the accounting information contained in this press release corresponds to the documents, books and accounting records of the Company.

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*This press release includes the following alternative performance indicators to facilitate assessment of operating performance of the Prelios Group: (i) EBIT, which is determined from the operating income (loss), to which is added net income from equity investments and the value of income from shareholder loans adjusted for restructuring costs and property write-downs/write backs and excluding the impairment loss from the NPL portfolio; (ii) net financial position, represented by gross financial payables reduced by cash and other cash equivalents and the other current financial receivables. The aforementioned alternative performance indicators have not been audited by the independent auditors.*

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

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**For further information:**

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## 1) PRELIOS GROUP - Reclassified Consolidated Income Statement

| (Euro/million)  | MARCH 2016   | MARCH 2015   |
|---|--------------|--------------|
| Consolidated revenues:  | 15.0         | 16.0         |
| <b>Management platform:</b> operating result before restructuring costs, impairment   | (2.2)        | (3.1)        |
| <b>Management platform:</b> net income from equity investments before restructuring costs   | 0.2          | 0.0          |
| <b>Total Management Platform: Operating result</b>  | <b>(2.0)</b> | <b>(3.1)</b> |
| <b>Investment activities:</b> operating result before restructuring costs, loss from NPL portfolio valuation and property writedowns/revaluations                       | 0.0          | (2.7)        |
| <b>Investment activities:</b> net income from equity investments before restructuring costs, loss from NPL portfolio valuation and property writedowns/revaluations (1) | 0.0          | (1.1)        |
| <b>Total Investment Activities: Operating result</b>  | <b>0.0</b>   | <b>(3.8)</b> |
| <b>Operating result</b>   | <b>(2.0)</b> | <b>(6.9)</b> |
| Financial expenses  | (4.3)        | 0.9          |
| <b>Profit (loss) before restructuring costs, property writedowns/revaluations and income taxes</b>  | <b>(6.3)</b> | <b>(6.0)</b> |
| Restructuring costs   | (2.6)        | (0.6)        |
| Property writedowns/revaluations  | 0.0          | (0.6)        |
| <b>Result before taxes</b>  | <b>(8.9)</b> | <b>(7.2)</b> |
| Income taxes  | (0.7)        | (0.4)        |
| <b>Net income (loss) from continuing operations</b>   | <b>(9.6)</b> | <b>(7.6)</b> |
| Minority interests  | 0.0          | 0.0          |
| <b>Consolidated net income/(loss) before discontinued operations</b>  | <b>(9.6)</b> | <b>(7.6)</b> |
| Net income (loss) from discontinued operations  | 0.0          | 1.5          |
| <b>Consolidated net income/(loss)</b>   | <b>(9.6)</b> | <b>(6.1)</b> |

(1) The value includes interest income on financial receivables due from associates and joint ventures .

## 2) PRELIOS GROUP - Reclassified Consolidated Balance Sheet

| (Euro/million)   | MARCH 2016    | DECEMBER 2015 |
|--|---------------|---------------|
| <b>Fixed assets</b>  | <b>160.7</b>  | <b>289.2</b>  |
| of which investments in real estate funds and investment companies and shareholder loans granted (1) | 94.0          | 219.9         |
| of which goodwill  | 56.4          | 56.4          |
| <b>Net working capital</b>   | <b>(14.0)</b> | <b>22.7</b>   |
| <b>Discontinued operations</b>   | <b>0.0</b>    | <b>1.7</b>    |
| <b>Net invested capital</b>  | <b>146.7</b>  | <b>313.6</b>  |
| <b>Equity</b>  | <b>116.0</b>  | <b>66.0</b>   |
| of which group equity  | 116.0         | 63.2          |
| <b>Provisions</b>  | <b>33.0</b>   | <b>62.7</b>   |
| <b>Net financial position from operating activities</b>  | <b>(2.3)</b>  | <b>184.9</b>  |
| <b>Total covering net invested capital</b>   | <b>146.7</b>  | <b>313.6</b>  |

(1) The item includes equity investments in associates, joint ventures and other equity investments (82.5 million euro), receivables for shareholder loans (0.1million euro), investments in real estate funds (11.6 million euro, recognised among "Other financial assets" in the consolidated balance sheet) and junior notes (2.9 million euro, recognised among "Other financial assets" in the consolidated balance sheet). The figures for March 2016 and December 2015 include provisions for equity investment writedowns of 0.2 million euro.

### 3) PRELIOS GROUP - Consolidated Income Statement

(amounts in thousands of Euro)

|   | 01.01.2016-<br>03.31.2016 | 01.01.2015-<br>03.31.2015 |
|---|---------------------------|---------------------------|
| Revenues from sales and services  | 15,603                    | 15,973                    |
| Changes in inventories of work in progress, semi-finished and finished products | -                         | (2,450)                   |
| Other income  | 1,714                     | 2,144                     |
| <b>TOTAL OPERATING REVENUES</b>   | <b>17,317</b>             | <b>15,667</b>             |
| <i>of which with related parties</i>  | 4,109                     | 5,701                     |
| <i>of which non-recurring events</i>  | -                         | 34                        |
| Raw and consumable materials used (net of change in inventories)                | (31)                      | (226)                     |
| Personnel costs   | (8,018)                   | (8,600)                   |
| Depreciation, amortization and impairment                                       | (157)                     | (157)                     |
| Other costs   | (13,900)                  | (13,064)                  |
| <b>TOTAL OPERATING COSTS</b>  | <b>(22,106)</b>           | <b>(22,047)</b>           |
| <i>of which with related parties</i>  | (980)                     | (660)                     |
| <i>of which non-recurring events</i>  | (2,572)                   | (628)                     |
| <b>RISULTATO OPERATIVO</b>  | <b>(4,789)</b>            | <b>(6,380)</b>            |
| Net income from equity investments of which:                                    | (101)                     | (2,736)                   |
| <i>of which with related parties</i>  | (100)                     | (2,736)                   |
| - portion of result of associates and <i>joint ventures</i>                     | (100)                     | (2,611)                   |
| - gains on equity investments   | 9                         | -                         |
| - losses on equity investments  | (10)                      | (125)                     |
| Financial income  | 315                       | 6,453                     |
| <i>of which with related parties</i>  | 276                       | 1,092                     |
| Financial expenses  | (4,346)                   | (4,614)                   |
| <i>of which with related parties</i>  | (39)                      | (7)                       |
| <b>RESULT BEFORE INCOME TAXES</b>   | <b>(8,921)</b>            | <b>(7,277)</b>            |
| Income taxes  | (659)                     | (379)                     |
| <b>NET INCOME (LOSS) FROM CONTINUING OPERATIONS</b>                             | <b>(9,580)</b>            | <b>(7,656)</b>            |
| of which attributable to minority interests                                     | (1)                       | (14)                      |
| <b>Net income (loss) from discontinued operations</b>                           | -                         | <b>1,519</b>              |
| <i>of which with related parties</i>  | -                         | -                         |
| <b>CONSOLIDATED RESULT FOR THE PERIOD</b>                                       | <b>(9,579)</b>            | <b>(6,123)</b>            |

#### 4) PRELIOS GROUP - Consolidated Balance Sheet

(amounts in thousands of Euro)

| <b>ASSETS</b>  | <b>03.31.2016</b> | <b>12.31.2015</b> |
|--|-------------------|-------------------|
| <b>NON-CURRENT ASSETS</b>                                    |                   |                   |
| Property, plant and equipment                                | 743               | 800               |
| Intangible assets  | 57,413            | 58,595            |
| Investments  | 81,767            | 123,732           |
| Other financial assets                                       | 20,889            | 25,151            |
| Deferred tax assets  | 8,471             | 7,461             |
| Other receivables  | 45                | 86,346            |
| <i>of which with related parties</i>                         | 12                | 81,088            |
| <b>TOTAL NON-CURRENT ASSETS</b>                              | <b>169,328</b>    | <b>302,085</b>    |
| <b>CURRENT ASSETS</b>  |                   |                   |
| Inventories  | -                 | 39,317            |
| Trade receivables  | 36,668            | 41,956            |
| <i>of which with related parties</i>                         | 14,181            | 16,538            |
| Other receivables  | 12,943            | 19,701            |
| <i>of which with related parties</i>                         | 6,438             | 9,146             |
| Cash and cash equivalents                                    | 33,147            | 72,607            |
| Tax receivables  | 1,983             | 2,768             |
| <b>TOTAL CURRENT ASSETS</b>                                  | <b>84,741</b>     | <b>176,349</b>    |
| <b>DISCONTINUED OPERATIONS</b>                               | <b>0</b>          | <b>1,744</b>      |
| <i>of which with related parties</i>                         | -                 | 1,744             |
| <b>TOTAL ASSETS</b>  | <b>254,069</b>    | <b>480,178</b>    |
| <b>EQUITY</b>  | <b>03.31.2016</b> | <b>12.31.2015</b> |
| <b>GROUP EQUITY</b>  |                   |                   |
| Share capital  | 55,678            | 49,216            |
| Other reserves   | 47,508            | (8,980)           |
| Retained earnings  | 66,889            | 67,477            |
| Undivided income (loss)                                      | (44,537)          | -                 |
| Net income (loss) for the period                             | (9,579)           | (44,537)          |
| <b>TOTAL GROUP EQUITY</b>                                    | <b>115,959</b>    | <b>63,176</b>     |
| <b>MINORITY INTERESTS</b>                                    | <b>15</b>         | <b>2,871</b>      |
| <b>TOTAL EQUITY</b>  | <b>115,974</b>    | <b>66,047</b>     |
| <b>LIABILITIES</b>   | <b>03.31.2016</b> | <b>12.31.2015</b> |
| <b>NON-CURRENT LIABILITIES</b>                               |                   |                   |
| Bank borrowings and payables to other financial institutions | 28,362            | 247,089           |
| Other payables   | 521               | 5,527             |
| Provisions for future risks and expenses                     | 10,006            | 33,779            |
| Deferred tax provision                                       | 2,695             | 2,527             |
| Employee benefit obligations                                 | 10,920            | 11,103            |
| <b>TOTAL NON-CURRENT LIABILITIES</b>                         | <b>52,504</b>     | <b>300,025</b>    |
| <b>CURRENT LIABILITIES</b>                                   |                   |                   |
| Bank borrowings and payables to other financial institutions | 7,408             | 10,716            |
| <i>of which with related parties</i>                         | 5,508             | 5,141             |
| Trade payables   | 45,521            | 54,902            |
| <i>of which with related parties</i>                         | 2,880             | 2,568             |
| Other payables   | 22,609            | 25,017            |
| <i>of which with related parties</i>                         | 3,839             | 1,796             |
| Provisions for future risks and expenses                     | 9,517             | 15,409            |
| <i>of which with related parties</i>                         | 150               | 150               |
| Tax payables   | 536               | 8,062             |
| <b>TOTAL CURRENT LIABILITIES</b>                             | <b>85,591</b>     | <b>114,106</b>    |
| <b>TOTAL LIABILITIES</b>                                     | <b>138,095</b>    | <b>414,131</b>    |
| <b>TOTAL LIABILITIES AND EQUITY</b>                          | <b>254,069</b>    | <b>480,178</b>    |