

## PRESS RELEASE

### **PRELIOS: THE BOARD OF DIRECTORS APPROVES THE FINANCIAL RESULTS AS AT 30 JUNE 2016**

#### **RESULTS FROM OPERATIONS IMPROVE, REVENUES AND MARGINS INCREASE**

- **FIRST-HALF REVENUES INCREASE BY 18% TO € 34.1 MILLION (€ 29 MILLION AT 30 JUNE 2015<sup>1</sup>)**
- **EBIT<sup>2</sup> NEAR BREAK-EVEN AT € -0.3 MILLION COMPARED TO € -3.6 MILLION AT 30 JUNE 2015**
- **NET RESULT IS € -23.3 MILLION COMPARED TO € -13.1 MILLION AT 30 JUNE 2015, MAINLY IMPACTED BY NON-RECURRING CHARGES**

#### **THE RELAUNCH OF THE BUSINESS WITH A FOCUS ON ALTERNATIVE ASSET MANAGEMENT CONTINUES**

##### **SERGIO CAVALLINO APPOINTED CHIEF FINANCIAL OFFICER**

Milan, 28 July 2016 - **The Board of Directors of Prelios S.p.A. (“Prelios” or the “Company”)** has examined and approved the **half-year results as at 30 June 2016 and appointed Sergio Cavallino as the new CFO of the company**, replacing Marco Andreasi, who has been holding this position since 2014. The Board thanks him for his work. He will remain in the Prelios Group, with new duties.

**The results reflect the relaunch and repositioning of the Company** following the positive conclusion of the extraordinary spin-off transaction in which the Investments business was separated from the Services business (Alternative Asset Management and Real Estate Services) and equity was strengthened through a rights offering (the “Extraordinary Transaction”). In this context, it should be noted that the indicators referring to the operating result (revenues and EBIT) **relate to the entire contribution of Service activities**, i.e. of the Company as a pure management company.

On the other hand, **the net result of the Group**, in view of the changes brought by the Extraordinary Transaction, **includes the results of investments, particularly the investment in Focus Investments.**

#### ***Group performance at 30 June 2016***

In the first half of the year, the Company recorded **an increase in consolidated revenues** of 18% compared to the same period last year. Revenues were equal to Euro **34.1** million compared to Euro 29 million at 30 June 2015, net of the investment activities which, as is known, were

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<sup>1</sup> Revenues related to the investment business that was transferred to Focus Investments were excluded and deconsolidated from the 2015 results.

<sup>2</sup> EBIT is the operating profit from the Company's ordinary operations plus the net income/loss from equity investments and income/loss from shareholder loans adjusted for restructuring costs.

transferred to Focus Investments S.p.A. at the end of 2015. The increased revenues reflect improved performance in both Alternative Asset Management and Real Estate Services.

**EBIT** improved over the same period last year and is near break-even at Euro **-0.3** million (Euro -3.6 million at 30 June 2015). The improvement is the result of increased volumes, improved margins from the operating companies and the decline in centralised costs that went from Euro -5.2 million at 30 June 2015 to Euro **-3.7** million in the first half of 2016.

With regard to the investment in Focus Investments and the Group's marginal real estate investments, the result for the period of Euro -13.3 million (Euro -4.7 million at 30 June 2015) was significantly impacted by non-recurring charges and the real estate appraisals performed by independent experts. **The net result was a loss of Euro -23.3** million (Euro -13.1 million at 30 June 2015). This performance, which goes against the improvement in operating profit, is justified by some non-recurring events during the first half of 2015 related mainly to the previously mentioned dynamics regarding the investment in Focus Investments and the gains recorded in 2015 on both a financial and discontinued operations level. The **Net Financial Position**<sup>3</sup>, despite being a net debt of Euro **3** million as a result of the payment of extraordinary charges, is significantly improved on the Euro 184.9 million reported at 31 December 2015 as a result of the extraordinary transaction to improve the company's financial position.

**Equity** at 30 June 2016 was Euro 100 million compared to Euro 66.0 million at 31 December 2015. The increase is mainly due to the capital increase concluded in the first quarter of 2016 and the result for the period.

### ***Alternative Asset Management Performance***

Thanks to the results posted by Prelios SGR and Prelios Credit Servicing, the **Alternative Asset Management** business recorded total **revenues** of Euro **12.6** million, an improvement compared to the Euro 10.4 million at 30 June 2015. Margins also improved significantly, thus resulting in positive **EBIT** of Euro **2.0** million compared to a negative Euro 0.7 million at 30 June 2015. In particular:

- **PRELIOS SGR** recorded revenue of Euro **8.2** million, up on the Euro 7.4 million reported at 30 June 2015. Reported EBIT was Euro 2.2 million compared to Euro 1.1 million at 30 June 2015 thanks to increased revenue and the continued efforts in containing structural and contingent costs. At 30 June 2016, Prelios SGR managed a total of 29 alternative real estate funds (one of them listed), as well as two management contracts for the divestment of two real estate portfolios. With regard to new growth initiatives, during the period under review, Prelios SGR established three new funds: Fondo Bernina Social Housing, Fondo Madison Imperiale and Fondo Logita. The establishment of new funds continues.
- **PRELIOS Credit Servicing**, a Group company operating in the doubtful loans management sector, reported increased revenue of Euro **4.4** million, up on the Euro 3.0 million reported at 30 June 2015. EBIT at 30 June improved significantly from a negative Euro 1.8 million at 30 June 2015 to a negative Euro 0.2 million reported this year. Following the acquisition of significant assets in 2015 (Euro 1.7 billion), the first half of 2016 saw the Company engaged in (i) the first public asset securitisation transaction after about a decade (the last public securitisation was in 2007) within the framework of the Italian guarantee mechanism for the securitisation of doubtful loans (GACS); (ii) 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 involving 6 major Italian banks, and; (v) in the consolidation of the partnership signed in 2015 with an important investment fund. In April 2016 Prelios Credit Servicing, already in the special list pursuant to section 107 of the Consolidated Law on Banking (TUB) and in possession of authorization under section 115 of the

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<sup>3</sup> Excluding shareholder loans.

Consolidated Law on Public Safety (TULPS), was included in the new Register of Financial Intermediaries pursuant to section 106 of the TUB. In June 2016, Fitch upgraded the Company rating to Rss2+/Css2+. The Fitch upgrades reflect the stability of the senior management team which has led to an improvement in the operations of the Company and has enabled it to focus on business development in 2015 as demonstrated by the increase in new mandates.

### ***Real Estate Services Performance***

**Real Estate Services (both Italian and foreign)** recorded total **revenue** of around Euro **21.2** million and **EBIT** of Euro **1.3** million. In particular:

- **PRELIOS Integra** is one of Italy's leading operators in integrated property management and project development services, with Euro 5 billion in real estate assets under management, representing over 5.3 million square metres. It recorded revenue of more than Euro **9.2** million, which is substantially in line with revenue recorded in the same period in 2015. EBIT was Euro **0.8** million compared to the Euro 1.1 million recorded at 31 June 2015. In the first half of 2016, the Company managed real estate assets equivalent to approximately 30,000 lease agreements.
- **PRELIOS Agency** recorded revenue of Euro **1.2** million which is in line with the Euro 1.3 million recorded in the same period in 2015. Even though EBIT was Euro **-0.5** million, it is an improvement over the Euro -0.8 million reported at 30 June 2015. During the period, the company continued the transformation process from a company primarily dedicated to captive customers, to a broker and advisor capable of providing third party customers with specialised services, and as a strategic partner in real estate brokerage for public or private investors, as well as for real estate funds and institutional operators. In particular, during the first half of 2016, the Company was awarded new contracts and renewed a number of commercialisation agreements worth approximately Euro 280 million. Furthermore, it was assigned new important mandates to lease approximately 41,000 square metres, worth roughly Euro 4.1 million, and a search mandate for the lease of approximately 9,000 square metres of office space. At 30 June 2015, the portfolio of sales mandates amounted to approximately Euro 0.9 billion, compared with Euro 2.3 billion in the same period of 2015. The reduction is mainly related to the expiry of several sales mandates associated with the Prelios Group.
- **PRELIOS Valuations**, the subsidiary that provides appraisals for individual properties and real estate portfolios in the service and residential segments, recorded revenues of Euro **4.6** million at 30 June 2016, up considerably on the Euro 2.8 million recorded at 30 June 2015. EBIT came in at Euro 0.6 million, double the Euro 0.3 million recorded at 30 June 2015. Specifically, the performance of the loan services segment showed a major increase in volumes compared to 2015. The contracts with a major Italian bank are stabilising around position volumes of about 28,000 units per year, and considering the other contracts for the retail and small business areas, the Company is one of the leading appraisers in Italy for banks ("loan services"). 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. With respect to the full appraisal business, services continued to be provided to both asset management companies/real estate funds and custodian banks.
- **GERMANY**: service revenue at 30 June 2016 in Germany was Euro **6.1** million, up on the Euro 5.6 million recorded during same period in 2015. EBIT at 30 June 2016 was a positive Euro **0.4** million compared to the positive Euro 1.9 million at 30 June 2015. The decrease is attributable to one-off positive effects in the first quarter of last year, while in the first half of 2016 it was impacted by 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. It should be noted in this regard that during the month of June 2016, Prelios Investment Advisory S.à.r.l., a company incorporated under the laws of Luxembourg, was established (100% owned

by Prelios Deutschland GmbH). The company will become the general partner of the new Prelios German Retail Property Fund. The fund, which will target international institutional investors, will concentrate on managing shopping centres, department stores and retail stores in Berlin and other western German cities. The fund is expected to begin operating in the first few months of 2017. During the first half of 2016, Prelios Immobilien Management, which is developing and marketing a shopping centre in the heart of Husum for Husum Shopping Center GmbH and will manage it once it is completed, has confirmed three high profile tenants, having signed lease agreements with the fashion chain H&M, the supermarket chain EDEKA, and the drug store chain DM.

- **POLAND** the Polish management platform did not record any revenues in the first half of the year (Euro 0.1 million at 30 June 2015), and EBIT was break-even (Euro -0.1 million at 30 June 2015). The Group is active in Poland mainly through Prelios Real Estate Advisory Sp. z o.o., a company incorporated in 2015 to provide asset management, advisory and brokerage services to real estate investors and operators active in the Polish market.

## **BUSINESS OUTLOOK**

The trend in the first half of 2016 confirms the increased business volumes, upon which management will continue to focus on during the second half of the year, along with the level of revenue generation and expected margins. Close monitoring of both the market and the various counterparties involved, as part of the Group's broader economic and financial planning process aimed at periodically updating the annual and multi-year forecasts, will allow management to closely monitor the Company in relation to the target market. In fact, it should be considered that the increase in volumes is based on the organic growth of the business and the conclusion of opportunities connected to real estate transaction structuring mandates or non-performing loan portfolios, the outcome of which is still subject to the performance of the reference markets.

Furthermore, from a management view point, the second half of 2016 will be dedicated to strategic development through a growing focus and orientation towards the Alternative Asset Management business by virtue of the high level of expertise that the Company has demonstrated in these sectors. As part of the process to reinforce the Alternative Asset Management business, careful consideration of valuation and partnership opportunities from the market may be made with particular reference to the management of the business tied to Real Estate Services.

This is a complex process which will be reflected in the organisational structure with the implementation of a corporate simplification process, which is already in place, in order to become more efficient and competitive, even in terms of cost rationalisation, in order to better seize the opportunities presented by the changed market environment.

In terms of future results, the Company has approved the 2016 Budget, which confirms the financial targets already announced to the market with the 2015-2017 Business Plan. In this regard, in a context characterised by high uncertainty and marked by unforeseen events whose effects are unpredictable, such as the consequences of the British referendum and the effects of Brexit on the financial and real estate markets, as well as the difficulties that continue to hamper the development of a solid NPL market in Italy, since the results at 30 June 2016 are in line with the plan and considering the seasonality of the business, with volumes that traditionally increase during the second quarter, the Company deems that the above financial targets can be confirmed:

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

In conclusion, after the recently completed Extraordinary Transaction to spin off the investment business and strengthen the financial position, and the results of the 2016 Budget and 2015-2017

Business Plan, the Directors of Prelios consider it reasonable to assume that the Group may continue operating as a going concern.

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### ***Appointment of the Manager responsible for preparing the corporate accounting documents***

Also today, after consultation with the Board of Statutory Auditors, the Board of Directors, appointed **Sergio Cavallino as Chief Financial Officer and Manager responsible for preparing the corporate accounting documents pursuant to section 154-bis of the Consolidated Law on Finance, replacing Marco Andreasi.**

The Company thanks Marco Andreasi for his intense work and important contribution, following the process of strengthening and reorganisation of the Group, which now intends to rely on the professionalism and experience of internal resources. Marco Andreasi will remain in the Prelios Group, with duties in several subsidiaries and providing his expertise to the Finance sector and reporting to the General Manager, also in view of future opportunities that might arise within the Group.

Sergio Cavallino, a graduate in Management Engineering from Milan Polytechnic University, joined the Group in 2002, working his way up to Head of Operations & Finance at the subsidiary Prelios SGR.

Sergio Cavallino will take over as CFO on 24 August 2016.

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### ***New Procedures regarding Market Abuse and Internal Dealing***

The Board of Directors – upon receiving favourable opinion from the Internal Control, Risks and Corporate Governance Committee – has approved the new procedures concerning the recent EU provisions on market abuse (EU Regulation no. 596/2014 of the European Parliament and Council of the European Union of 16 April 2014, the so called Market Abuse Regulation – MAR, and related implementing regulations from the European Commission), and in particular:

- the “Procedure for managing disclosure to the public of Inside Information and the register of persons that have access to inside information”;
- the “Procedure for compliance with the requirements on Internal Dealing”;

The aforementioned Procedures will be made available on the Company’s website ([www.prelios.com](http://www.prelios.com)) in the Governance section.

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This Press Release, and in particular the section headed “Business Outlook”, contains forecasts. These forecasts are based on current Group estimates and projections relating to future events and, by their very nature, are subject to intrinsic risk and uncertainty. Actual results may significantly differ from these forecasts due to a number of factors including continuing volatility and a further deterioration of capital and financial markets, changes in macroeconomic conditions and in economic growth and other changes in business conditions, as well as other factors entirely beyond the Group’s control.

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The half-year financial report will be made available to the public, as set out by law, at the Company’s registered office, Viale Piero e Alberto Pirelli 27, Milan, Italy, and published on the website [www.prelios.com](http://www.prelios.com) (Investors section). The same documentation will also be available at Borsa Italiana S.p.A. and on the authorised storage system eMarket Storage ([www.emarketstorage.com](http://www.emarketstorage.com)).

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The Manager responsible for preparing the corporate accounting documents of Prelios S.p.A., 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 key alternative performance indicators to facilitate assessment of the operating performance of the Prelios Group: (i) EBIT, which is determined from the operating income (loss), to which is added the net income from equity investments, and the value of income from shareholder loans adjusted for restructuring costs; (ii) net financial position, represented by gross financial payables reduced by cash and 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/milion)	JUNE 2016	JUNE 2015
Consolidated revenues:	34.1	32.8
<b>EBIT</b>	<b>(0.3)</b>	<b>(3.6)</b>
Operating result Investment Activities	(13.3)	(4.7)
Financial expenses	(4.8)	(4.3)
Restructuring costs	(3.6)	(2.0)
<b>Result before taxes</b>	<b>(22.0)</b>	<b>(14.6)</b>
Income taxes	(1.3)	(1.7)
<b>Net income (loss) from continuing operations</b>	<b>(23.3)</b>	<b>(16.3)</b>
Minority interests	0.0	0.0
<b>Consolidated net income/(loss) before discontinued operations</b>	<b>(23.3)</b>	<b>(16.3)</b>
Net income (loss) from discontinued operations	0.0	3.2
<b>Consolidated net income/(loss)</b>	<b>(23.3)</b>	<b>(13.1)</b>

## 2) PRELIOS GROUP - Reclassified Consolidated Balance Sheet

(Euro/milion)	JUNE 2016	DECEMBER 2015
<b>Fixed assets</b>	<b>140.3</b>	<b>289.2</b>
of which investments in real estate funds and investment companies and shareholder loans granted (1)	79.1	219.9
of which goodwill	56.4	56.4
<b>Net working capital</b>	<b>(6.7)</b>	<b>22.7</b>
<b>Discontinued operations</b>	<b>0.0</b>	<b>1.7</b>
<b>Net invested capital</b>	<b>133.6</b>	<b>313.6</b>
<b>Equity</b>	<b>100.0</b>	<b>66.0</b>
of which group equity	100.0	63.2
<b>Provisions</b>	<b>30.6</b>	<b>62.7</b>
<b>Net financial position from operating activities</b>	<b>3.0</b>	<b>184.9</b>
<b>Total covering net invested capital</b>	<b>133.6</b>	<b>313.6</b>

(1) The item includes equity investments in associates, joint ventures and other equity investments and receivables for shareholder loans (67.7 million euro), investments in real estate funds (11.5 million euro, recognised among "Other financial assets" in the consolidated balance sheet). The figures for June 2016 and December 2015 include provisions for equity investment writedowns of 0.1 million euro (equal to December 2015).

### 3) PRELIOS GROUP - Consolidated Income Statement

(amounts in thousands of Euro)

	01.01.2016- 06.30.2016	01.01.2015- 06.30.2015
Revenues from sales and services	34,147	32,755
Changes in inventories of work in progress, semi-finished and finished products	-	(2,557)
Other income	3,531	3,733
<b>TOTAL OPERATING REVENUES</b>	<b>37,678</b>	<b>33,931</b>
<i>of which with related parties</i>	7,966	11,836
<i>of which non-recurring events</i>	-	34
Raw and consumable materials used (net of change in inventories)	(86)	(999)
Personnel costs	(17,244)	(18,168)
Depreciation, amortization and impairment	(339)	(325)
Other costs	(24,740)	(27,480)
<b>TOTAL OPERATING COSTS</b>	<b>(42,409)</b>	<b>(46,972)</b>
<i>of which with related parties</i>	(1,698)	(2,640)
<i>of which non-recurring events</i>	(3,622)	(2,116)
<b>OPERATING RESULT</b>	<b>(4,731)</b>	<b>(13,041)</b>
Net income from equity investments of which:	(13,082)	875
<i>of which with related parties</i>	(13,154)	460
- portion of result of associates and <i>joint ventures</i>	(13,154)	598
- dividends	76	404
- gains on equity investments	8	11
- losses on equity investments	(12)	(138)
Financial income	729	7,253
<i>of which with related parties</i>	533	1,989
Financial expenses	(4,954)	(9,641)
<i>of which with related parties</i>	(199)	(261)
<b>RESULT BEFORE INCOME TAXES</b>	<b>(22,038)</b>	<b>(14,554)</b>
Income taxes	(1,265)	(1,700)
<b>NET INCOME (LOSS) FROM CONTINUING OPERATIONS</b>	<b>(23,303)</b>	<b>(16,254)</b>
of which attributable to minority interests	(7)	(16)
<b>Net income (loss) from discontinued operations</b>	<b>0</b>	<b>3,178</b>
<i>of which with related parties</i>	-	-
<b>CONSOLIDATED RESULT FOR THE PERIOD</b>	<b>(23,296)</b>	<b>(13,060)</b>

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

(amounts in thousands of Euro)

<b>ASSETS</b>	<b>06.30.2016</b>	<b>12.31.2015</b>
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	703	800
Intangible assets	57,449	58,595
Investments	66,941	123,732
Other financial assets	15,372	25,151
Deferred tax assets	8,078	7,461
Other receivables	49	86,346
<i>of which with related parties</i>	16	81,088
<b>TOTAL NON-CURRENT ASSETS</b>	<b>148,592</b>	<b>302,085</b>
<b>CURRENT ASSETS</b>		
Inventories	-	39,317
Trade receivables	36,425	41,956
<i>of which with related parties</i>	13,027	16,538
Other receivables	13,748	19,701
<i>of which with related parties</i>	6,351	9,146
Cash and cash equivalents	26,352	72,607
Tax receivables	1,515	2,768
<b>TOTAL CURRENT ASSETS</b>	<b>78,040</b>	<b>176,349</b>
<b>DISCONTINUED OPERATIONS</b>	<b>0</b>	<b>1,744</b>
<i>of which with related parties</i>	0	1,744
<b>TOTAL ASSETS</b>	<b>226,632</b>	<b>480,178</b>
<b>EQUITY</b>	<b>06.30.2016</b>	<b>12.31.2015</b>
<b>GROUP EQUITY</b>		
Share capital	55,678	49,216
Other reserves	47,215	(8,980)
Retained earnings	20,424	67,477
Net income (loss) for the year	(23,296)	(44,537)
<b>TOTAL GROUP EQUITY</b>	<b>100,021</b>	<b>63,176</b>
<b>MINORITY INTERESTS</b>	<b>15</b>	<b>2,871</b>
<b>TOTAL EQUITY</b>	<b>100,036</b>	<b>66,047</b>
<b>LIABILITIES</b>	<b>06.30.2016</b>	<b>12.31.2015</b>
<b>NON-CURRENT LIABILITIES</b>		
Bank borrowings and payables to other financial institutions	28,234	247,089
Other payables	521	5,527
Provisions for future risks and expenses	8,686	33,779
Deferred tax provision	2,702	2,527
Employee benefit obligations	10,821	11,103
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>50,964</b>	<b>300,025</b>
<b>CURRENT LIABILITIES</b>		
Bank borrowings and payables to other financial institutions	6,043	10,716
<i>of which with related parties</i>	5,512	5,141
Trade payables	43,161	54,902
<i>of which with related parties</i>	2,942	2,568
Other payables	17,434	25,017
<i>of which with related parties</i>	3,621	1,796
Provisions for future risks and expenses	8,526	15,409
<i>of which with related parties</i>	150	150
Tax payables	468	8,062
<b>TOTAL CURRENT LIABILITIES</b>	<b>75,632</b>	<b>114,106</b>
<b>TOTAL LIABILITIES</b>	<b>126,596</b>	<b>414,131</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>226,632</b>	<b>480,178</b>