

PRESS RELEASE

PRELIOS: THE BOARD OF DIRECTORS APPROVES THE RESULTS AS AT 30 SEPTEMBER 2016

RESULTS FROM ORDINARY OPERATIONS POSITIVE AND IMPROVING; REVENUES AND MARGINS INCREASE

- REVENUES DURING THE FIRST NINE MONTHS OF THE YEAR INCREASED BY 23% TO €51.3 MILLION (€41.8 MILLION AT 30 SEPTEMBER 2015¹)
- EBIT FROM THE MANAGEMENT AND SERVICES PLATFORM² TOTALLED €5.1 MILLION EURO (€2.4 MILLION EURO AT 30 SEPTEMBER 2015)
- GROUP EBIT³ IS POSITIVE (€+0.1 MILLION) AND IMPROVED COMPARED TO 2015 (€-3.3 MILLION AT 30 SEPTEMBER 2015)
- NET LOSS OF €-24.1 MILLION COMPARED TO €-16.6 MILLION AT 30 SEPTEMBER 2015, MAINLY DUE TO NON-RECURRING CHARGES

2016 FORECAST AND ESTIMATES

- TARGETS FOR EBIT FROM THE MANAGEMENT AND SERVICES PLATFORM (AT €10-12 MILLION) AND SAVINGS IN CENTRAL COSTS THAT WERE PREVIOUSLY ANNOUNCED TO THE MARKET ARE CONFIRMED
- REVENUES ARE EXPECTED TO INCREASE COMPARED TO 2015, ALBEIT LOWER THAN PREVIOUSLY ANNOUNCED
- THE COMPANY HAS STARTED THE PROCESS FOR DEFINING THE NEW GUIDELINES FOR THE THREE-YEAR PERIOD 2017-2019 WHICH WILL BE PRESENTED TO THE MARKET IN EARLY 2017

Milan, 10 November 2016 – the Board of Directors of Prelios S.p.A. (“Prelios” or the “Company”) examined and approved the results as at 30 September 2016.

The results highlight organic growth in all the Group’s business lines, with an overall improvement in margins. The results reflect the effects of the company’s ongoing relaunch and repositioning process following the positive conclusion of the extraordinary spin-off transaction⁴.

On the other hand, determination of the Group’s net result was, along with other entries, significantly impacted by the result of the interest in the investment platform transferred to Focus Investments S.p.A.

¹ To ensure consistency with 2016, revenues related to the investment business that was transferred to Focus Investments were excluded and deconsolidated from the 2015 results.

² EBIT from the management and services platform is operating profit excluding central G&A costs and the profits from equity investments.

³ Therefore, including the contribution of both the management and services platform results and the central (G&A) costs.

⁴ The Extraordinary Transaction, as is known, includes the spin-off and separation of the Investments business from the Services business (Alternative Asset Management and Real Estate Services) and the strengthening of the equity position through a rights offering (the “Extraordinary Transaction”), which were concluded in the first quarter of this year.

Group Performance at 30 September 2016

In the first nine months of 2016, the Group recorded **an increase in consolidated revenues of 23% compared to the same period last year. Revenues were equal to Euro 51.3 million** compared to Euro 41.8 million at 30 September 2015, with the same scope of consolidation and considering the abovementioned extraordinary transaction. The increased revenues reflect improved performance in both Alternative Asset Management and Real Estate Services, thus highlighting the Group's organic growth.

EBIT improved over the same period last year and is positive at Euro 0.1 million (Euro -3.3 million at 30 September 2015). The improvement is the result of both growth in volumes and increased concentration of high value added business, as well as from improved margins from the operating companies and from the centralised cost containment process.

The net result was a loss of Euro 24.1 million (Euro -16.6 million at 30 September 2015). This performance is mainly the result of the valuation of the investment in Focus Investments S.p.A.⁵ which had an impact of -13.3 million Euro. The decrease compared to the same period in 2015, which contrasts with the improvement in operating activities, is mainly attributable to the real estate write-downs of Focus Investments S.p.A. along with restructuring costs.

The **Net Financial Position**⁶ is a **net debt of Euro 3 million** and is significantly improved on the Euro 184.9 million reported at 31 December 2015 as a result of the extraordinary transaction.

Equity at 30 September 2016 was Euro 99.4 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 combination of the results achieved by Prelios SGR and Prelios Credit Servicing, the **Alternative Asset Management** activities earned a total of **Euro 18.9 million in revenue**, up from Euro 16 million reported at 30 September 2015. **The operating profit at 30 September 2016 was Euro 3.7 million** compared to a loss of Euro 0.3 million in the first nine months of 2015. In particular:

- **PRELIOS SGR** recorded **revenue**, mainly coming from fixed management fees, of Euro **12.5 million**, up 12% compared to the amount reported at 30 September 2015. **The operating profit** was Euro **3.8 million** compared to Euro 2.1 million reported in the same period in 2015 thanks to the increase in revenue and the continued efforts in containing structural and occasional costs. With regard to the development of new initiatives, during the period under review, Prelios SGR established four new AIFs: Fondo Bernina Social Housing, Fondo Madison Imperiale; Fondo Logita; Fondo IASO, which brought **assets under management to about Euro 3.8 million**. The establishment of three new AIFs is still ongoing.
- **PRELIOS Credit Servicing** reported increased **operating profit** in the first nine months of 2016, which was essentially at **breakeven** compared to the operating loss of Euro 2.4 million reported at 30 September 2015. The amounts collected in the first nine months of 2016 on behalf of clients totalled about Euro 60.9 million, compared with about Euro 39.6 million in the corresponding period of 2015 on a like-for-like basis. PRELIOS Credit Servicing reported increased **revenues** of Euro **6.4 million** at 30 September 2016 over the same period of 2015 (+ Euro 1.6 million) as a result of (i) the involvement in new securitisation transactions with major Italian banks in which the company took on the role of Special, Master and Corporate Servicer; (ii) the new Special Servicer mandates entered into with leading national banks and; (iii) the fees from Advisory/Due Diligence activities that

⁵ Since the reporting cycle of the Focus Investments Group is every six months, the results reported as at 30 September 2016 only include the most recent results of the investment related to the period ending 30 June 2016. Prelios S.p.A. is unaware of any significant changes requiring disclosure with regard to its investment in Focus Investments S.p.A..

⁶ Excluding shareholder loans.

the company provided during the period. The **Gross Book Value (GBV) of the portfolios under management is about Euro 9.7 billion**, while the number of doubtful loans managed during the period (more than 42,000 units) is down on the same period last year following agreed termination of the management mandate for an unsecured portfolio containing a high number of small/medium sized positions. The gross book value was more than offset by the acquisition of new secured asset management mandates involving medium-sized and large loans.

Real Estate Services Performance

Real Estate Services (both Italian and foreign) recorded total revenues of Euro 32.1 million, an improvement compared with the figures at 30 September 2015 (Euro 26.7 million). **The operating profit was Euro 1.4 million** compared with the 2.7 million reported in the first nine months of 2015, which was impacted by a few positive one-off items related to services in Germany. In particular:

- **PRELIOS Integra** reported **revenues of Euro 14.2 million** at 30 September 2016 compared with Euro 12.8 million in the first nine months of 2015. **Operating profit was Euro 1.4 million** compared with Euro 1.6 million reported at 30 September 2015. During the first nine months of 2016 the company continued its transformation, which was started in the previous period, from a Business Unit with mainly captive customers to a service provider capable of competing on the market independently from the Group, acquiring and developing non-captive clients with strategic external growth objectives. In order to strengthen the building management commercial services offering, Prelios Integra has decided to revolutionise the way services are provided by launching ISM 1.0 (*Integra Smart Management*), a software platform that allows for the monitoring of maintenance activities of any building within the company's portfolio through an application and an app.
- **PRELIOS Agency** reported **revenues of Euro 1.6 million**, in line with the result achieved during the first nine months of 2015. Despite reporting an **operating loss of Euro 0.9 million**, the result is an improvement over the Euro 1.7 million loss reported at 30 September 2015. The improvement is mainly the result of a different revenue mix (with higher margins) and activities aimed at containing overhead costs. During the period under review, the process of transforming the company from one focused on captive customers to a Broker & Advisor aimed at third party customers continued. In particular, during the first nine months of 2016, the Company was awarded new contracts and renewed a number of marketing agreements worth approximately Euro 500 million. Furthermore, it was assigned new important mandates to lease approximately 68,000 square metres and rents amounting to roughly Euro 15.4 million, in addition to a mandate to find 9,000 square metres of leased office space.
- **PRELIOS Valuations** reported **revenues of Euro 6.9 million** at 30 September 2016 compared to Euro 4.3 million reported in the same period of 2015. The positive change is mainly related to the increase in revenues deriving from the "loan services" appraisal activity. The **operating profit** was Euro **0.9 million**, with increased margins compared to 30 September 2015 (+ Euro 0.5 million) thanks to the renegotiation of contracts with some major suppliers.
- **GERMANY: revenues** at 30 September 2016 in Germany totalled Euro **9 million**, up Euro 1.3 million on the Euro 7.7 million recorded during the same period of 2015. The **operating result is breakeven** compared with the Euro 2.7 million operating profit reported in the same period of 2015, which had benefited from positive one-off items, while the first nine months of 2016 were impacted by the opening costs of the Frankfurt operation in preparation for start-up of the new "Prelios German Retail Property Fund" that will also allow the German business to focus on Alternative Asset Management. During the first nine months of 2016, Prelios Immobilien Management, which is developing and marketing a shopping centre in the heart of Husum and will manage it once it is completed, has confirmed three high profile tenants.
- **POLAND: the operating result is breakeven**, but improved over the first nine months of 2015 (operating loss of Euro 0.2 million). The Group is active in Poland mainly with Prelios

Real Estate Advisory Sp. z o.o., a company incorporated in 2015 with the aim of providing asset management, advisory and brokerage services to investors and real estate operators active on the Polish market.

Business Outlook

From a management standpoint, 2016, following the completion of the well-known Extraordinary Transaction, will be dedicated to relaunching Prelios as a key player in the real estate and financial services sector as outlined in the Industrial Plan. The repositioning and relaunch process of the Company has entered the second phase of strategic development through which the Company will increase its focus on alternative asset management by virtue of its high level of expertise in this area.

Considering the results at 30 September 2016 and the positive trend from ordinary operations, **the Directors of Prelios consider it reasonable to confirm the targets estimated for 2016 with regard to the Central Cost (G&A) reduction trend and EBIT for the Management and Services Platform⁷ (between Euro 10 and 12 million) that were communicated to the market. Revenues from the Management and Services Platform at the end of 2016 are expected to be below the announced target (between Euro 100 and 105 million), but nonetheless improved over 2015.**

The Company has started the process for defining the new guidelines for the three-year period 2017-2019 which should be presented to the market in early 2017. In this context and as part of the continuous process of strengthening the business in a market that shows progressive signs of consolidation and the need to focus on the activities and resources that are available, the Board of Directors of Prelios has decided to launch an assessment process, along with an advisor, to identify and evaluate possible partnerships within the context of the Group's business sectors.

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Calendar of 2017 corporate events

The following is a calendar of Board and Shareholder events for 2017:

- 23/03/2017 – 27/04/2017: Board of Directors' meeting to review the draft Financial Statements and Consolidated Financial Statements as at 31 December 2016.
- 26/04/2017 – 31/05/2017: Shareholders' Meeting to approve the 2016 Financial Statements (single call)
- 11/05/2017: Board of Directors' meeting to review the Interim Financial Report at 31 March 2017
- 27/07/2017: Board of Directors' meeting to review the Half-Yearly Financial Report at 30 June 2017
- 09/11/2017: Board of Directors' meeting to review the Interim Financial Report at 30 September 2017

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This press release, and in particular the section entitled "Business Outlook" contains forward looking statements. These statements are based on the Group's current estimates and forecasts about future events and, by their nature, are subject to inherent risks and uncertainties. Actual results may differ materially from those expressed in such statements as a result of a variety of factors, including continued volatility and further deterioration of capital and financial markets, changes in general economic conditions and economic growth, as well as other changes in business conditions and many other factors, most of which are outside of the Group's control.

⁷ EBIT from the management and services platform is operating profit excluding central G&A costs and the profits from equity investments.

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The Interim Report on Operations will be made available to the public on 14 November 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 (Investor Relations section). The same documentation will also be available at Borsa Italiana S.p.A. and through the authorised storage system eMarket Storage (www.emarketstorage.com).

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

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This press release includes the following alternative performance indicators to facilitate assessment of the operating performance of the Prelios Group: (i) EBIT, which is determined by the operating income (loss), to which are added the net income(loss) 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 other cash equivalents and the other current financial receivables. The abovementioned alternative performance indicators have not been audited by the independent auditor.

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

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1) PRELIOS GROUP - Reclassified Consolidated Income Statement

(Euro/million)	SEPTEMBER 2016	SEPTEMBER 2015
Consolidated revenues:	51.3	45.8
EBIT	0.1	(3.3)
Operating result Investment Activities	(13.3)	(6.2)
Financial expenses	(5.2)	(9.1)
Restructuring costs	(4.1)	0.7
Result before taxes	(22.5)	(17.9)
Income taxes	(1.6)	(1.8)
Net income (loss) from continuing operations	(24.1)	(19.7)
Minority interests	0.0	(0.1)
Consolidated net income/(loss) before discontinued operations	(24.1)	(19.8)
Net income (loss) from discontinued operations	0.0	3.2
Consolidated net income/(loss)	(24.1)	(16.6)

2) PRELIOS GROUP - Reclassified Consolidated Balance Sheet

(Euro/million)	SEPTEMBER 2016	DECEMBER 2015
Fixed assets	139.2	289.2
of which investments in real estate funds and investment companies and shareholder loans granted (1)	77.9	219.9
of which goodwill	56.4	56.4
Net working capital	(6.4)	22.7
Discontinued operations	0.0	1.7
Net invested capital	132.8	313.6
Equity	99.4	66.0
of which group equity	99.3	63.2
Provisions	30.4	62.7
Net financial position from operating activities	3.0	184.9
Total covering net invested capital	132.8	313.6

(1) The item includes equity investments in associates, joint ventures and other equity investments and related receivables for shareholder loans, net of provisions for equity investment writedowns, for an amount of 67.5 million euro) and investments in real estate funds (10.4 million euro, recognised among "Other financial assets" in the consolidated balance sheet).

3) PRELIOS GROUP - Consolidated Income Statement

(Euro/thousand)

	01.01.2016- 09.30.2016	01.01.2015- 09.30.2015
Revenues from sales and services	51,283	45,797
Changes in inventories of work in progress, semi-finished and finished products	-	(2,557)
Other income	2,590	10,499
TOTAL OPERATING REVENUES	53,873	53,739
<i>of which with related parties</i>	13,192	16,237
<i>of which non-recurring events</i>	-	3,770
Raw and consumable materials used (net of change in inventories)	(136)	(1,146)
Personnel costs	(23,938)	(25,288)
Depreciation, amortization and impairment	(532)	(501)
Other costs	(34,021)	(39,416)
TOTAL OPERATING COSTS	(58,627)	(66,351)
<i>of which with related parties</i>	(2,372)	(2,032)
<i>of which non-recurring events</i>	(4,063)	(3,725)
RISULTATO OPERATIVO	(4,754)	(12,612)
Net income from equity investments of which:	(13,370)	654
<i>of which with related parties</i>	(13,429)	240
- portion of result of associates and <i>joint ventures</i>	(13,429)	391
- dividends	76	404
- gains on equity investments	10	10
- losses on equity investments	(27)	(151)
Financial income	1,023	8,281
<i>of which with related parties</i>	816	3,176
Financial expenses	(5,356)	(14,270)
<i>of which with related parties</i>	(208)	(334)
RESULT BEFORE INCOME TAXES	(22,457)	(17,947)
Income taxes	(1,608)	(1,736)
NET INCOME (LOSS) FROM CONTINUING OPERATIONS	(24,065)	(19,683)
of which attributable to minority interests	(7)	56
Net income (loss) from discontinued operations	-	3,165
<i>of which with related parties</i>	-	-
CONSOLIDATED RESULT FOR THE PERIOD	(24,058)	(16,574)

4) PRELIOS GROUP - Consolidated Balance Sheet

(Euro/thousand)

ASSETS	09.30.2016	12.31.2015
NON-CURRENT ASSETS		
Property, plant and equipment	735	800
Intangible assets	57,384	58,595
Investments	66,916	123,732
Other financial assets	14,253	25,151
Deferred tax assets	7,717	7,461
Other receivables	51	86,346
<i>of which with related parties</i>	16	81,088
TOTAL NON-CURRENT ASSETS	147,056	302,085
CURRENT ASSETS		
Inventories	-	39,317
Trade receivables	36,636	41,956
<i>of which with related parties</i>	15,017	16,538
Other receivables	12,145	19,701
<i>of which with related parties</i>	6,335	9,146
Cash and cash equivalents	26,932	72,607
Tax receivables	1,374	2,768
TOTAL CURRENT ASSETS	77,087	176,349
DISCONTINUED OPERATIONS	0	1,744
<i>of which with related parties</i>	-	1,744
TOTAL ASSETS	224,143	480,178
EQUITY	09.30.2016	12.31.2015
GROUP EQUITY		
Share capital	55,678	49,216
Other reserves	47,313	(8,980)
Retained earnings	20,406	67,477
Net income (loss) for the period	(24,058)	(44,537)
TOTAL GROUP EQUITY	99,339	63,176
MINORITY INTERESTS	15	2,871
TOTAL EQUITY	99,354	66,047
LIABILITIES	09.30.2016	12.31.2015
NON-CURRENT LIABILITIES		
Bank borrowings and payables to other financial institutions	23,108	247,089
Other payables	521	5,527
Provisions for future risks and expenses	8,535	33,779
Deferred tax provision	2,789	2,527
Employee benefit obligations	10,807	11,103
TOTAL NON-CURRENT LIABILITIES	45,760	300,025
CURRENT LIABILITIES		
Bank borrowings and payables to other financial institutions	11,740	10,716
<i>of which with related parties</i>	5,517	5,141
Trade payables	42,458	54,902
<i>of which with related parties</i>	3,282	2,568
Other payables	15,907	25,017
<i>of which with related parties</i>	3,659	1,796
Provisions for future risks and expenses	8,490	15,409
<i>of which with related parties</i>	150	150
Tax payables	434	8,062
TOTAL CURRENT LIABILITIES	79,029	114,106
TOTAL LIABILITIES	124,789	414,131
TOTAL LIABILITIES AND EQUITY	224,143	480,178