



PRESS RELEASE

PRELIOS: BOARD ENFORCES MANDATE ON CONVERTIBLE LOAN

- THE DATE OF ISSUE AND THE EXACT AMOUNT OF THE CONVERTIBLE LOAN UP TO 269 MLN/€ WILL BE DETERMINED AFTER THE CAPITAL INCREASE

Milan, 10 June 2013 – Following to the decisions adopted and disclosed on 30 May 2013, the Board of Directors of Prelios S.p.A., held on today's date in the presence of the Notary Public Prof. Carlo Marchetti, has formally enforced its mandate assigned to it by the Shareholders' Meeting on 8 May 2013, to implement the issue, up to the nominal amount of euro 269,000,000.00, of mandatory convertible debentures ("Convertible Debentures" or "Debentures") into ordinary shares and/or into class B shares (the "Convertible Loan"), excluding option right, with consequent capital increase for the exclusive service of the conversion.

Consequently, the Board of Directors resolved:

- to approve the relevant mandatory convertible debenture Regulation (the "Convertible Debenture Regulation");
- to approve the divisible capital increase against payment for max. euro 297,644,375.01. Such increase may be implemented within 7 years - subject to extension by further 3 years - from issue of the Convertible Loan - for the exclusive service of the (partial or full) conversion of Debentures, through the issue of max. n. 499,990,551 Prelios ordinary shares as for *tranche* A of the Convertible Loan (including the case in which also *tranche* B is converted into ordinary shares) and of max. n. 144,678,117 class B shares exclusively as for *tranche* B of the Convertible Loan;
- to consequently amend art. 5 of the Company By-Laws;
- to assign all necessary and appropriate powers to enforce the resolution and, in particular, to vest the CEO with the powers relating to the issue of the Convertible Loan after accurate determination of the actual amount thereof upon the outcome of the capital increase with option rights for about euro 115 million, which has been approved by the Shareholders' Meeting of 8 May 2013 as already disclosed to the market (the "Capital Increase with Option Rights").

Main characteristics of the Convertible Loan and of the capital increase for the service of conversion

The Convertible Loan shall consist of bonds with a unit face value of euro 1,000, that shall be issued by Prelios at the date to be specified after the execution of the Capital Increase with Option Rights. Following to the Capital Increase with Option Rights the exact amount will be determined (up to the nominal amount of euro 269,000,000.00) as well as the total number of Convertible Debentures, both for *Tranche* A and *Tranche* B (up to max. euro 269,000,000).

In particular, 71.1% of all Convertible Debentures will be allocated to *Tranche* A and 28.9% to *Tranche* B, reserved for subscription to Lenders⁽¹⁾, for *Tranche* A, and to Pirelli & C. S.p.A., for *Tranche* B, respectively.

⁽¹⁾ Intesa Sanpaolo S.p.A., UniCredit S.p.A., Banca Monte dei Paschi di Siena S.p.A., Banca Popolare di Milano Soc. Coop. a r.l., Banca Popolare di Sondrio Soc. Coop. p.a., Banca popolare dell'Emilia Romagna Soc. Coop., Banca Carige S.p.A.- Cassa di Risparmio di Genova

Unless otherwise provided for by the Convertible Loan Regulation, the Debentures – that shall be issued at par – will be automatically converted at maturity date (or earlier in the cases provided for by the Convertible Loan Regulation). In particular, *Tranche A* Debentures will be converted into Prelios newly issued ordinary shares and *Tranche B* Debentures will be converted into Prelios class B newly issued shares (the “Converted Shares”). The Convertible Debentures will be payable to bearer and will not be fractionable; upon request and against reimbursement of expenses, they may be converted into registered debentures and viceversa and shall accrue dividend from issuance date.

The term of the Convertible Loan will be from issue date to 31 December 2019; however, the Convertible Debenture holders (unanimously) and Prelios may agree to postpone the maturity date to 31 December 2022, upon occurrence of given prerequisites that are defined in details in the Convertible Loan Regulation.

At maturity date (as it may be extended), the existing Convertible Debentures – net of any Debentures earlier converted into Underlying Shares or reimbursed in cash pursuant to the Convertible Loan Regulation – shall be reimbursed through automatic conversion into Underlying Shares, without prejudice to the provisions of the Aggregate Debt Rescheduling Agreement (subscribed with all Lenders on 7 May 2013 and already disclosed to the market) about the possibility to convert euro 50 million into a new loan on terms and conditions similar to the *super senior* loan, as envisaged under said Agreement.

It is envisaged that the Convertible Debentures bear a capitalized gross annual interest, that is calculated on the face value of the same Convertible Debentures – existing from time to time -, at 1%, to be paid out by deferred payment.

In the event that, upon occurrence of the prerequisites for the conversion (as regulated in details by the Convertible Loan Regulation), Prelios ordinary shares are traded on a regulated market, the conversion price shall be equal to (i) euro 0.5953⁽²⁾ and (ii) the weighted average of stock official prices of Prelios ordinary shares in the month preceding the conversion date, whichever is higher (the “Conversion Price”). An alternative mechanism to determine the conversion price is envisaged in the event that, at such date, Prelios ordinary shares have ceased to be traded on a regulated market.

The conversion ratio, which indicates the number of Underlying Shares to be attributed to each Convertible Debenture at conversion date, is determined on the basis of the formula provided for by the Convertible Loan Regulation. Such formula, that is applicable to all conversion cases, envisages – briefly – the allocation of a number of Underlying Shares equal to the quotient between (i) face value of the subscribed Convertible Debentures and the relevant interest, and (ii) Conversion Price. It is hereby specified that the Convertible Loan Regulation also envisages a mechanism of adjustment of the Conversion Price in case of extraordinary transactions.

As already said, for the exclusive service of the Convertible Loan, a divisible capital increase has been resolved upon all at once or in more tranches and at the latest by 31 March 2023, for max. euro 297,644,375.01, to be implemented through the issue of max. n. 499,990,551 ordinary shares and max. n. 144,678,117 class B shares without face value, with regular dividend, having the same characteristics as the outstanding shares at issue date.

With reference to the Conversion Price, the appointed independent auditor, Reconta Ernst & Young S.p.A., issued its opinion on the fairness of the issue price for the capital increase excluding

e Imperia, UBI Banca Soc. Coop.p.A. (former Centrobanca - Banca di Credito Finanziario e Mobiliare S.p.A.), (all in their capacity as “Lending Banks” of the so-called “Club Deal”), with Banca IMI S.p.A. acting as “Agent”, as well as Pirelli & C. S.p.A..

⁽²⁾ Corresponding to the subscription price of the Capital Increase with Option Rights as well as of the capital increase of about euro 70 million reserved to a vehicle company (“NewCo”), participated by Feidos 11 S.p.A., Pirelli & C. S.p.A., Intesa Sanpaolo S.p.A. and UniCredit (“Resreed Capital Increase”) S.p.A. (l “Aumento Riservato”).

the option right for the service of the Convertible Loan, in the report drafted by the same pursuant to law.

The enforcement of the mandate for the issue of the Convertible Loan and the execution of the Reserved Capital Increase and the Capital Increase with Option Rights (the “Capital Increases”) are the appropriate measures identified and determined by the Company Directors and approved by the Shareholders’ Meeting of 8 May 2013, to pursue the plan for Prelios Group equity strengthening and industrial relaunch, also as a result of the renewed achievement of economic-financial stability and balance, which will facilitate the relaunch of industrial development prospects. Also the rules for the conversion of debt into share capital, envisaging assumptions anticipated with respect to the predetermined maturity date, are aimed at maintaining the net equity within the legally required limits in order to ensure the continuity of operations.

In particular, it is hereby specified that the enforcement of the mandate – including the assignment to the Company CEO of the powers relating to the issue of the Convertible Loan after determination of its actual amount following to the outcome of the Capital Increase with Option Rights – has been envisaged among the conditions in order that the NewCo fulfils the undertaken commitment to subscribe the Reserved Capital Increase, and is also the prerequisite absolutely required for the completion of the extraordinary transaction aimed at Prelios equity strengthening, financial rebalancing and industrial relaunch (the “Transaction”).

The issue of the Convertible Loan – which is part of the broader aggregate debt rescheduling process as well as of the Capital Increases – has to be made in the context and for the purposes of completion of the Transaction, the proceeds of which are allocated to support the actions envisaged under the Recovery Plan of which both the Convertible Loan and the capital increases are key components.

With reference to the conditions of the Transactions already disclosed to the market, reference should be made to the issue by Consob, on 31 May 2013, of the motivated decree of exemption from the obligations of launching a takeover bid pursuant to art. 106, par. 6, of Legislative Decree n. 58/1998, by Resolution n. 18565 advertised by the Authority on its website (www.consob.it - section “Bollettino”), to which reference should be made for all details.

The minutes of today’s Board meeting, together with the relevant annexes to which reference should be made for all additional detailed information, will be made available to the public pursuant to law.

For further information:

Prelios Press Office Tel. +39/02/6281.33549
Prelios Investor Relations Tel. +39/02/6281.4057
www.prelios.com