Interim Financial Report
at March 31, 2013

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1. CORPORATE REVIEW

1.1. Group Profile

Prelios has been listed on the Italian Stock Exchange (Borsa Italiana) since 2002 and is one of the leading European real estate asset management and services companies, with around 10 billion euro in Assets under Management (AuM).

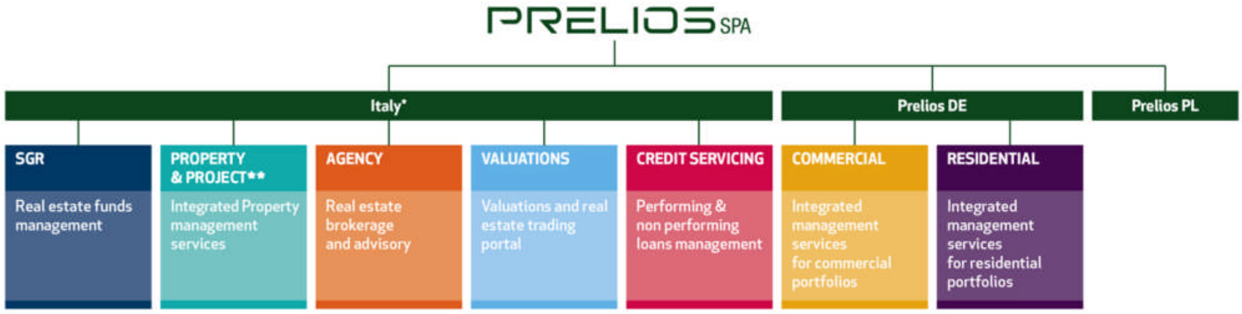
Prelios operates in Italy, Germany and Poland, relying on a skilled organization of around 800 employees, with significant professional expertise and an excellent track record built up over the years in a competitive international arena.

Prelios used to take on minority stakes in the investments managed, with the aim of benefitting from any increases in value; now the Group is consolidating its repositioning according to a “pure management company” model, which forms the basis of the Prelios relaunch plan and which makes provision, among other things, for decisive equity strengthening, aimed at structurally guaranteeing its financial stability, and the entry of an industrial partner with recognised experience to the shareholding structure.

Through independent operating companies, Prelios now is the unique Italian real estate specialist and financial services platform, providing a complete and integrated range of activities aimed at increasing the value of third party portfolios:

- Real estate fund management
- Integrated property management services
- Real estate agency
- Valuations
- Performing and non-performing loans management

The Group is also one of the leading real estate services operators in Germany, operating through highly specialized departments in the “residential” and “commercial” segments, and in Poland, mainly in the management and improvement of development areas.



* Includes a start up Asset Management business unit
** Includes Facility Management services

As at March 31, 2013, total Assets under Management (AuM) amount to 9.7[1] billion euro, including real estate assets for 8.7 billion euro (market value), and non-performing loans (NPL) for 1 billion euro.

In terms of the geographical breakdown of solely real estate assets, 4.9 billion euro are in Italy, mainly through real estate funds (around 4.3[2] billion euro in 23 real estate funds) managed by subsidiary Prelios SGR, one of the leading players in the Italian real estate market.

The remaining part of the managed portfolio is located in Germany and (3.8 billion euro, of which around 0.1 billion euro in Poland).

1.2. Activities and services

ITALY

The Prelios Italian management platform offers, through independent companies, an entire range of services for the management and development of third party property portfolios.

Prelios SGR – Real estate fund management

The Group manages real estate funds through the subsidiary Prelios, which – with 23 founds and around 4.3 billion euro in asset under management – is one of the leading real estate management companies in Italy.

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[1] Asset under management, with the exception of non-performing loans stated at book value, are stated at market value as at December 31, 2012, on the basis of appraisals by independent experts. The market values established by independent experts do not take account of lower values recognized on specific portfolios on the basis of possible strategies involving an acceleration of the sales plan with respect to an otherwise reasonable time that would be needed for selling at the appraised values, considering the type of asset and the market situation, as well as any discounts for en-bloc sales or deriving from sales mandates. Compared with the figure at December 31, 2012, the reference figure at March 31, 2013 was opportunely reviewed from a “like-for-like” point of view to take account of disposals, capitalizations and revised valuations for 8 funds which report on a quarterly basis.

[2] Market value expressed at 100% and including Excelsia 9 Srl portfolio.

Prelios SGR today relies on a management team with in-depth knowledge of both the market and investors, and on high-standard operating structure for its level of transparency, governance and risk management.

The company promotes and manages investment funds, separate accounts and provides advisory services to leading institutional, national and international investors, assisting them as partner for the definition of real estate investment strategies.

The funds managed also include two retail property funds, listed on the MIV segment of Borsa Italia (Italian Stock Exchange): Tecla, the first Italian fund with private contributions placed in 2004, and Olinda Fondo Shops.

In more than ten years of activity, Prelios SGR stand out for track record funds results, particularly in the core and core plus categories, which represent approximately 75% of total AuM. The company obtained several awards, winning the eminent IPD European Property Investment Awards (with Cloe in 2010, Clarice in 2011 and FIPRS in 2012) three years in a row.

Prelios Property & Project - Integrated property management services

Prelios Property & Project Management is one of the Italian leading operator in the integrated property management and project development services field, with 4.9 billion euro AuM, for over 4.1 million square meters.

The company offers an integrated service of active and dynamic management (asset, property and facility management) aimed at asset value increase on behalf of public and private investors: from property administrative and accounting management to the relationship with tenants, technical maintenance services, and sales support.

In the context of development & project management, the company deals with all the phases of design and construction of a property or a real estate compound, ranging from concept development to turn-key delivery. In particular, Prelios Property & Project boasts distinguished expertise in the field of sustainability: from the development of new eco sustainable properties, to green retrofitting, energy certification and energy from renewable sources. This is testified by the several awards received over the years, including the Mipim Award in 2011 in the “Green Building” category for the 3M Italia headquarters, one of the leading examples of contemporary eco-architecture.

For retail, the company has a highly specialized department, responsible for the development and value increase of Shopping Centers in Italy, including operational and administrative management, the relationship with retailers and the strategic optimization of the tenant mix.

Prelios Agency - Real estate

Prelios Agency is one of the leading Italian real estate agency operators with over 7 billion euro transactions in the past 6 years. In particular, in the commercial segment, the company has reached a market share slightly below 20%.

The company is specialized in the provision of professional advisory services for the purchase and sale or lease of single properties and entire portfolios of office, residential, industrial, logistic and retail properties.

Thanks to a highly skilled professionals team and to a network of more than 400 loyal agents in Italy, Prelios Agency serves as a one-stop reference partner for all kinds of customers: from the corporate world to public and private investors; from real estate funds to institutional operators. It is a leading player in the Capital Markets, where it has collaborated with all the major Italian and international investors.

Prelios Agency assists its customers by providing advisory services in all the different steps of the value increase process: from the definition of the investment strategy or disposal of an asset to the implementation of the transaction, and from the analysis of tenants to the optimization of the profitability of a property through highly specialized services like data room support, due diligence and the definition of marketing plans.

For commercial real estate, Prelios Agency represents Knight Frank in Italy on an exclusive basis.

Prelios Valuations - Valuations

Prelios Valuations is one of Italy's leading independent operators in appraisals of the value of single properties and real estate asset portfolios in the light industrial/office and residential segments. With over 20,000 appraisals in 2012, it is also a leading company in Italy for valuation services for banks ("Loan Services").

The company has a team of professionals and a network of approximately 150 appraisers enrolled in the relevant professional registers, acting in compliance with the strictest international standards as well as the ABI guidelines and RICS Red Book. The company is also a founding partner of Assovib, the Italian association for the promotion of quality and professional culture in the sector of valuations made on behalf of Banks.

The organizational structure is divided into three activity areas: Mass Appraisals, regarding large real estate asset portfolios, using statistics methods through the proprietary Magister technology; Full Appraisals, consisting in analysis of the value of properties and asset portfolios also through economic-financial analyses; Loan Services, i.e. loan support services by banking groups, leasing and private banking companies.

Prelios Valuations is also the owner of Casaclick.it, one of the leading real estate trading portals in Italy, operating in the promotion of property purchasing and leasing.

Prelios Credit Servicing - Management of performing and non-performing loans

With a portfolio of 8.4 billion euro[3], Prelios Credit Servicing is one of the leading operators for NPL management volume in Italy.

The company operates through a highly specialized structure, with offices in the main Italian cities (Milan, Rome, Naples, Palermo), combining financial, real estate (technical and appraisal-oriented) and legal expertise.

Prelios Credit Servicing offers Special Servicing services, i.e. the management and recovery of both secured and unsecured non-performing loans, in court and out of court; Master and Corporate Servicing, including the management of performing loans, cash and payment servicing and management as Servicer pursuant to Italian Law 130/99; due diligence of portfolios of loans subject to transfer and advisory services for securitization transactions.

Prelios Credit Servicing is a privileged partner for leading financial institutions and its sound and reliable organization is confirmed by the positive rating assigned by the most prominent rating agencies (Standard & Poor's and Fitch).

GERMANY

Prelios Deutschland ("Prelios DE") is one of the leading platforms of integrated real estate asset services in Germany, with approximately 3.8 billion euro Assets Under Management.

The company offers management, technical-administrative and commercial services, operating through highly specialized departments in the "residential" and "commercial" sectors.

Thanks to its management, with over 20 years experience in the sector, the company has become a partner of reference for prominent customers and investors, including large international funds and financial institutions. Through main and secondary offices and multiservice regional branches Prelios DE operates in all major German cities, such as Hamburg, Kiel, Hannover, Munich, Berlin, Frankfurt, Konstanz and Lübeck.

In the residential sector, Prelios DE is among the major players on the German market with about 50,000 properties managed on behalf of leading investors through an integrated management system for profit optimization (PMPLUS) as well as specialized services for letting, condominium management and caretaker services.

The excellence of the commercial department, managing 1.7 million square meters, is recognized by the large, loyal customer and investor base, under long-term contracts. It

[3] Gross Book Value.

manages Shopping Centres, multitenant retail premises, offices, mixed used assets as well as the Highstreet retail portfolio, consisting of 83 department stores of the German retail chain Karstadt.

The German platform received many awards, recently winning the first prize for the best Shopping Centre in Germany in 2012 with Konstanz “Lago”[4].

POLAND

Prelios Polska (the new company name of Pirelli Pekao Real Estate as from December 31, 2012) manages assets of about 50 million euro at the domestic level, corresponding to almost 0.7 million square meters, mainly in the area of development and value increase projects. The company operates in Warsaw and Gdansk in the residential and commercial sectors.

Prelios Polska offers a full range of real estate services: from technical consulting to urban planning, from masterplan development to construction and turn-key delivery.

Its customers include prominent public and private investors, with whom Prelios Polska has established a long-term partnership.

Over the last few years, Prelios Polska has implemented residential projects for over 3,000 units and commercial projects for 46,000 square meters in total, both characterized by the adoption of high eco-sustainable standards. It also built a medical Centre in the Gdansk university district, covering 34,000 square meters and with 300 beds.

[4] Ecostra, Shopping Center Performance Report 2012.

1.3. Economic-financial highlights

Income statement data	March 2013	March 2012
Consolidated revenues	**26.1**	**32.9**
of which serivces	*24.8*	*30.9*
of which others	*1.3*	*2.0*
Operating result	**(3.4)**	**2.7**
of which Management Platform	*(0.3)*	*4.6*
of which Investment Activities	*(3.1)*	*(1.9)*
Restructuring costs	(0.5)	(0.4)
Property writedowns/revaluations	(1.8)	(8.4)
Net income (loss)	**(18.5)**	**(23.7)**
ROE (*)	-28%	-8%

Balance sheet data	March 2013	December 2012
Equity	65.9	80.4
of which Group equity	*60.1*	*74.2*
Net Financial Position	(543.1)	(520.5)

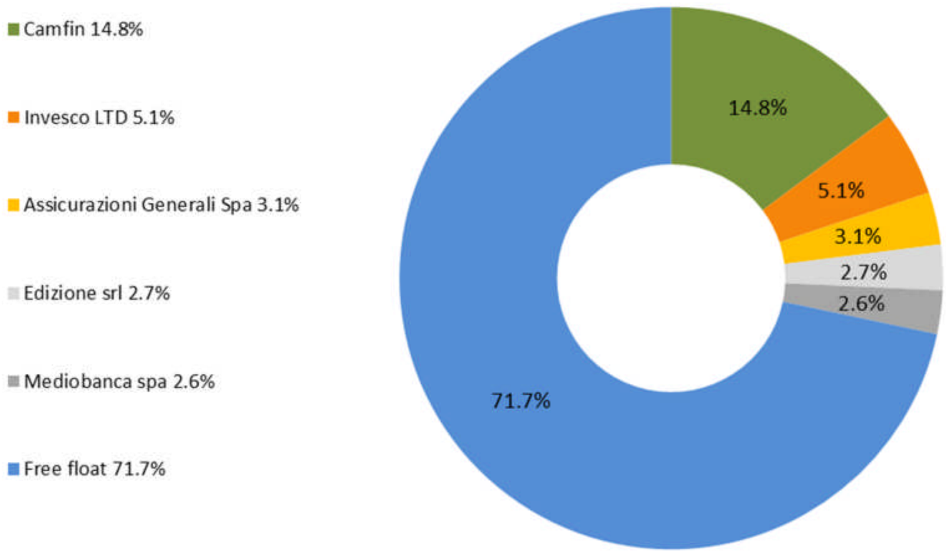
	March 2013	December 2012
Employees (**)	835	878

(*) Return on Equity (ROE) was determined as the ratio between net income (loss) for the periodo and the average fo opening and closing Group equity in the period.

(**) The number of employees was 835 at March 31, 2012, plus 8 temporary staff, compared with 878 at December 31, 2012, plus 6 temporary staff.

1.4. Shareholders' structure

As at March 31, 2012, on the basis of the Shareholders' Register, and disclosures sent to Consob and to the Company, the following significant stakes are held in the share capital of Prelios Spa:



On April 12, 2013, with reference to the Shareholders' agreement on Prelios shares, the current adhering shareholders confirmed their readiness to terminate the Agreement beforehand, with efficacy subject to and starting from the date of the approval of the capital increase by the Shareholders' Meeting of Prelios. In this context, Camfin, Intesa Sanpaolo and Massimo Moratti expressed their intention to come to the definition of a new Shareholders' agreement with Prelios, including the same conditions and terms of the currently applied Shareholders' agreement and subject to prior termination of the same agreement.

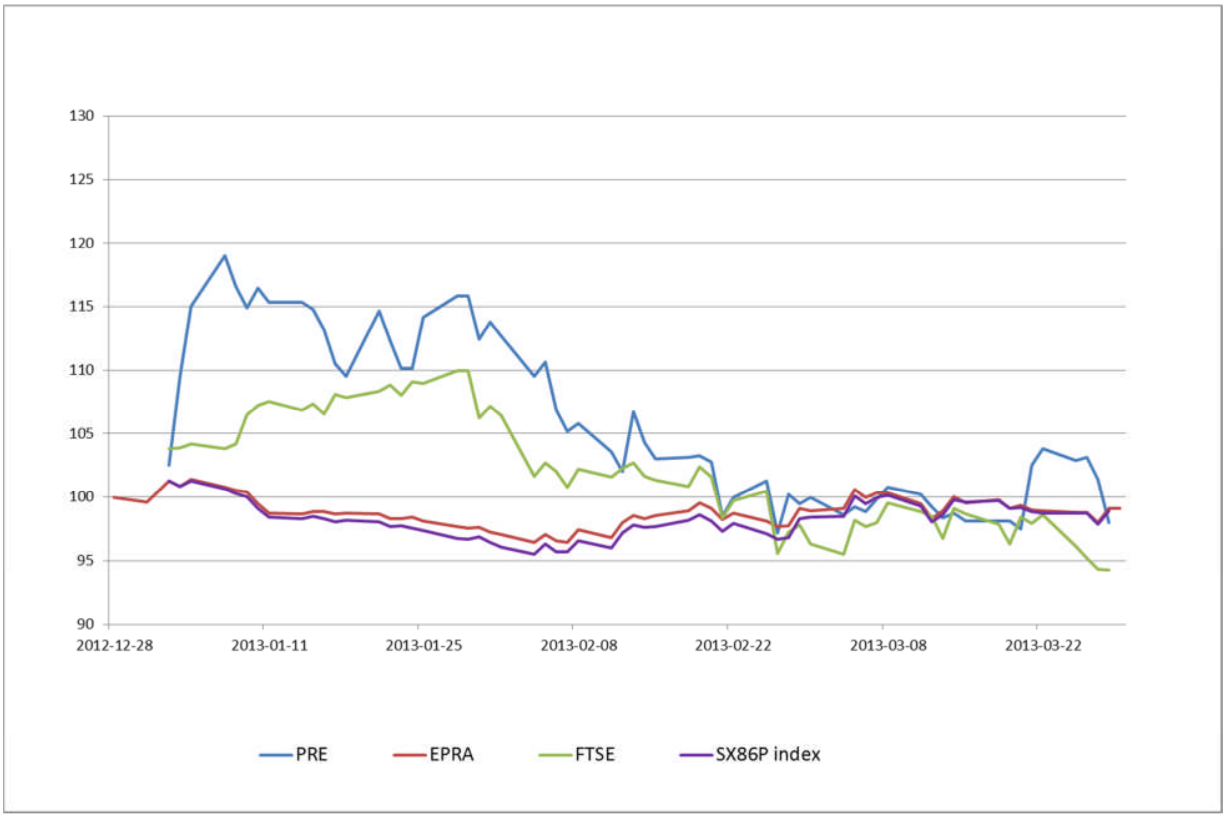
1.5. Performance of Prelios share

During the first quarter of 2013, the Prelios share recorded a negative performance of -2.03% in absolute terms. FtseMib 40 recorded a performance of -5.72% in absolute terms, sector ratios Epra (-0.33%) ed Sx86p (-0.55%) - real estate sector Stoxx 600- remained substantially unchanged.
Therefore, the Prelios share overperformed vs FsseMib and underperformed vs mainly European sector ratios.

The first part of the quarter was characterized by issues that had already marked the second half of 2012: i.e. market trends inclined to assets classes risky supported by tolerant policies implemented by central banks.

Starting from end of January fears of deflationary spirals rose anew as a result of a further worsening of the macroeconomic scenario (additional bearish revision of growth projections for 2013), which pushed investors, assuming highly defensive investment profile, to strenghten their profits with rising risk premiums.

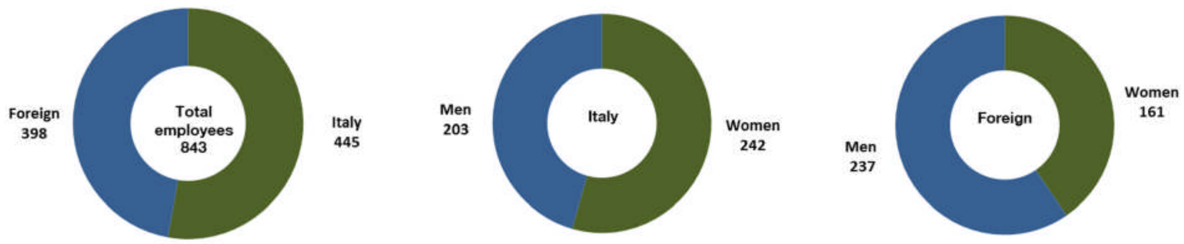
As known, during the quarter Prelios announced additional details in relation to its re-organization transaction. It is reasonable to believe in a recovery of a positive correlation between ("risk on/off") market performances and the stock over/underperformance, when all steps relating to such transaction are completed.



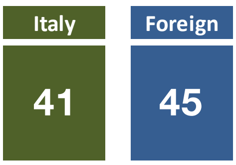
Performance of the Prelios share in relation to the trend in the FTSE MIB and sector ratios of the European market EPRA and SX86p.

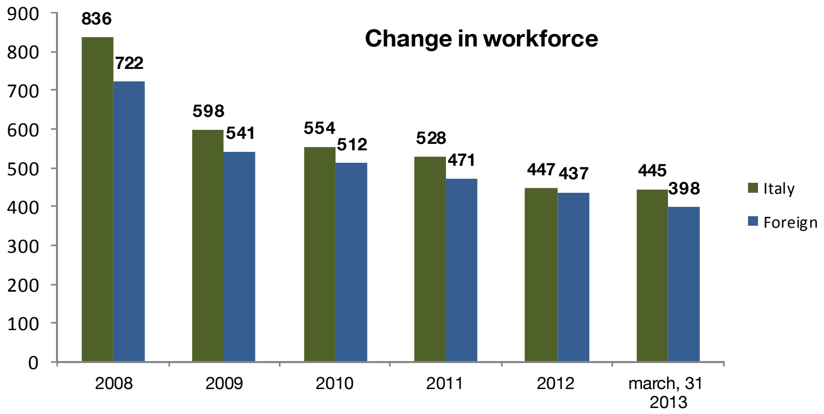
1.6. Workforce

Workforce[5]



Average age





[5] Including temporary staff

2. CORPORATE OFFICERS

Board of Directors [6]

Marco Tronchetti Provera	Chairman
Enrico Parazzini	Deputy Chairman
Sergio Iasi	Chief Executive Officer – CEO
Giuseppe Angiolini	Independent Director
Marina Brogi	Independent Director
Carlo Emilio Croce	Independent Director
Giovanni Fiori	Independent Director
Jacopo Franzan	Director
Valter Lazzari	Independent Director
Amedeo Nodari	Director
Dario Trevisan	Independent Director
Giorgio Valerio	Independent Director
Giovanni Jody Vender	Independent Director
Anna Chiara Svelto	Board Secretary

Internal Control, Risk and Corporate Governance Committee

Dario Trevisan	Independent Director - Chairman
Marina Brogi	Independent Director
Giovanni Fiori	Independent Director
Valter Lazzari	Independent Director

Remuneration Committee

Giovanni Jody Vender	Independent Director - Chairman
Carlo Emilio Croce	Independent Director
Giorgio Valerio	Independent Director

Board of Statutory Auditors [7]

Enrico Laghi	Chairman
Roberto Bracchetti	Standing Auditor
Lelio Fornabaio	Standing Auditor

[6] On March 27, 2013 all the members of the Board of Directors resigned with effect as of the date of the next Shareholders' Meeting called for May 8, 2013.
[7] The Shareholders' Meeting of April 19, 2010 appointed the members of the Board of Statutory Auditors to serve until the date of approval of the financial statements for the year ending December 31, 2012.

Franco Ghiringhelli	Alternate Auditor
Paola Giudici	Alternate Auditor

Supervisory Board

Dario Trevisan	Chairman
Sergio Beretta	Member
Lelio Fornabaio	Member
Sergio Romiti	Member

Manager responsible for corporate financial reporting

Angelo Cattaneo

Independent Auditors

Reconta Ernst & Young S.p.A.[8]

Via della Chiusa, 2

20123 Milan

[8] Appointed by the Shareholders' Meeting of April 14, 2008.

3. PRELIOS IN THE FIRST QUARTER OF 2013

As a result of the ongoing financial uncertainties in the Euro zone and, in particular, with reference to the Mediterranean countries, the market is still showing signs of weakness in a macroeconomic scenario characterised by heavy unstability. While facing the difficulties of the market of reference in Italy, the Group is mainly expiating the negative effects linked to future projections which translate into a deterioration of cash flow profiles expected from real estate assets as well as into a slowdown in purchases and sales.

As exhaustively already illustrated in period reporting, this situation, enduring since 2012, forced the adoption of suitable measures to enable the Company to maintain the conditions to operate in a situation of continuity of operations, also through extraordinary transactions deemed to modify the current financial structure, i.e. suitable to generate cash flows over those generated by core operations.
In this context, in 2012 the Company launched a number of initiatives aimed at Prelios Group's equity strengthening, financial rebalancing and industrial re-launch, which later resulted in the known extraordinary transaction disclosed to the market, designed for this specific purpose and giving the Company new growth and development prospects (the "Transaction").

The performance of the Transaction (as envisaged in the context of the subsequent agreements reached during negotiations with the parties involved) represents the implementation of the necessary measures aimed at – in brief:

- Company's equity strengthening through also the expansion of the current ownership structure with the introduction of a new industrial partner;
- the overall revision of the current debt for the purpose of debt rescheduling and in order to ensure financial rebalancing through a recovery plan and restructuring agreements.

The aforementioned measures are suitable to also supplement the necessary actions to implement pursuant to Article 2446 of the Italian Civil Code – following the results as at September 30, 2012, showing a loss higher than one third of the Company's capital – which, as known, were subject to deferment by the Shareholders' Meeting on December 18, 2012 and which are expected to target equity strengthening and financial rebalancing of the Company and of Prelios Group as well as re-launching projections for industrial development of the Company and of Prelios Group upon evolution in the economic scenario and the market.

On December 21, 2012 Prelios and Feidos 11 S.p.A. ("Feidos 11" or the "Industrial Investor"), a special purpose vehicle controlled by Feidos and owned also by the Rovati, Diaz della Vittoria Pallavicini and Cornetto Burlot families through dedicated vehicles, underwrote a "Framework Agreement" envisaging and regulating activities inherent to:

- Company recapitalization through a capital increase of 185 million euro; and
- rescheduling of existing debt, restructured based on the new business plan, according to which:
  - 250 million euro shall remain as super-senior and senior loan; and

- up to 269 million euro shall be converted into convertible debentures (“Convertible Debentures”) with cash option for repayment to be exercised by the Company.

The Transaction, as subsequently fine-tuned following agreements between the parties, envisages a capital increase proposal for a total of 185 million euro, divided in two tranches through (a) issue of ordinary shares up to a maximum of approximately 115 million euro, with option rights (capital increase with option rights) and whose underwriting be granted, among other, by the lending banks (the Lending Banks financing the so-called “Club Deal” and Pirelli & C. S.p.A., the “Lenders”) and (b) issue of new shares without voting right (class B shares) for a maximum amount of approximately euro 70 million, reserved to the subscription by a new company owned by Feidos 11 and the main lenders (reserved capital increase), represented by Pirelli & C., Intesa Sanpaolo and UniCredit, the “Relevant Lenders”.

In particular, the recapitalization transaction is made with the contribution up to 115 million euro upon subscription of the aforesaid capital increase with option rights, consistently with the agreements reached and officially confirmed to the Company, of few shareholders being parties to Prelios Shareholders’ Agreement (Camfin, Intesa Sanpaolo, Assicurazioni Generali and Mediobanca), which are equally committed for an amount of approximately 25 million euro.
This commitment and the commitment relating to the subscription in cash of class B shares for a total of approximately 70 million (of which 20 million euro are secured by Feidos 11 and 50 million euro are backed by the Relevant Lenders) and the underwriting guarantee by the Lenders in relation to the ordinary shares offered with option rights (and eventually left unexercised), officially confirmed to the Company for a total amount of 90 million euro (of which 5 million euro in cash and up to 85 million euro for conversion of outstanding receivables), ensures the Company a capital increase in cash equal to at least 100 million euro of new resources.

In addition, the Transaction envisages that the Industrial Investor takes on responsibility in the management of Prelios in order to maximize its contribution to the re-launch of the business. In the context of the overall structure of the Transaction and of the agreements between the various parties involved, the completion of the activities envisaged for the purpose of the Transaction – following the approval by Prelios Shareholders’ Meeting of the capital increases and the mandate for the issue of the Convertible Debentures within the terms established – is still subject to the occurrence of specific conditions, including, the release by Consob of the exemption from the obligations to launch a tender offer by the parties involved in the Transaction.

With reference to the main facts relative to the progress of the Transaction in the first months of 2013, the following should be noted.

On March 26, 2013, Prelios received formal communications regarding the commitments made by the Lenders, Feidos 11 and the aforementioned shareholders being parties to the Shareholders’ Agreement, to underwrite and/or guarantee the subscription of the capital increase (pursuant to the terms and conditions set out in the latest term sheet agreed with the same Lenders in relation to the final restructuring agreements), submitted for approval to the Shareholders’ Meeting on May 8, 2013.

On March 27, 2013 the Board of Directors of Prelios, after the approval of the Group’s 2013-2016 plan by the Board of November 13, 2012, relating to the operating component (unlevered), approved the comprehensive Strategic Plan relating also to the equity and financial component (levered) also in the light of the evolution and expected outcomes of the projected Transaction.

On March 28, 2013, following the approval by the Board of Directors, the feasibility and the truthfulness of the company data in relation to the economic and financial plan of Prelios underlying the Transaction were certified, pursuant to article 67 of Italian decree n. 267 of 1942, by dr. Mario Civetta, empowered for this purpose by the Company; the plan was therefore advertised in the Milan Register of Companies, following filing completed on March 29, 2013 and subsequently advertised also in the Company’s website to which reference should be made.

4. NOTES ON MAIN GROUP ECONOMIC AND FINANCIAL DATA

This section will examine the Group's economic results and financial position at March 31, 2013. The review of operating results in section 4.1 uses Non-GAAP performance measures, generally adopted by management to monitor and assess the Group's performance. The purpose is to present the result of the Group's ordinary continuing operations, net of the impact of transactions that are unusual in nature or size, and net of changes in the value of its property portfolio, and in this way ensure that its results and reporting over time are more comparable with other major players using similar Non-GAAP measures.

These measures are obtained by aggregating or reclassifying accounting figures as reconciliated in Appendix A to this report. Such Non-GAAP performance measures have been adopted to analyse the economic results according to the nature of the events originating them. Section 5 contains an analysis of the results as reported in the IFRS income statement. The review of the financial position in section 4.2 also includes Non-GAAP measures, the composition of which is disclosed in Appendix A to this report on operations. As we are talking, in the case of equity amounts, about measures generally adopted for financial communication purposes, and are easily reconciled to figures reported in the primary financial statements, it has not been necessary to supplement the performance analysis with specific comments on the latter.

In particular, the Non-GAAP measures indicated below have been determined by isolating the following aspects, all of which are fully reconciled to amounts reported in the IFRS financial statements in Appendix A: “Restructuring costs” and “Property writedowns/revaluations”, as better detailed in the paragraph below.

The item that best reflects the performance of the Group's Management Platform and Investment Activities is the operating result, including income from investments and income from shareholder loans before restructuring costs, and property writedowns/revaluations.

4.1. Income Statement

(milion euro)	MARCH 2013	MARCH 2012
Consolidated revenues	26.1	32.9
of which services	*24.8*	*30.9*
of which others	*1.3*	*2.0*
Management Platform: operating result before restructuring costs and property writedowns/revaluations	(0.3)	4.0
Management Platform: net income from investments before restructuring costs and property writedowns/revaluations	0.0	0.6
Total Management Platform: operating result	**(0.3)**	**4.6**
Investment activities: operating result before restructuring costs and property writedowns/revaluations	(2.7)	(2.1)
Investment activities: net income from investments before restructuring costs and property writedowns/revaluations	(3.0)	(3.2)
Investment activities: income from shareholder loans (1)	2.7	3.4
Total Investment activities: operating result	**(3.1)**	**(1.9)**
Operating result	**(3.4)**	**2.7**
Financial expenses	(10.6)	(12.7)
Profit (loss) before restructuring costs, property writedowns /revaluations and income taxes	**(14.0)**	**(10.0)**
Restructuring costs	(0.5)	(0.4)
Property writedowns/revaluations	(1.8)	(8.4)
Profit (loss) before taxes	**(16.3)**	**(18.8)**
Income taxes	(2.3)	(4.3)
Net income (loss)	**(18.6)**	**(23.1)**
Minority interests	0.1	(0.6)
Net income (loss) for the Group	**(18.5)**	**(23.7)**

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

Consolidated revenues amount to 26.1 million euro as at March 31, 2013 compared with 32.9 million euro in the first quarter of 2012. In particular, revenues from the Management Platform, foreign and Italian, total 24.8 million euro in the first quarter of 2013, a decrease of 6.1 million euro with respect to the 30.9 million euro recorded as at March 31, 2012. The decrease relates mainly for 1.6 million euro, to specialist agency and property & project management services, amounting to 1.1 million euro and 0.5 million euro respectively, and 0.3 million euro to the fund management activities. Also Germany management platform recorded a fall of about 2.0 million euro, from 13.8 million euro as at March 31, 2012, to 11.8 million euro of March 31, 2013.

The operating result posts a negative value of 3.4 million euro, compared to a positive value of 2.7 million euro in the first quarter of 2012 which benefitting a positive result of 3.3 million euro linked to a solution favorable arbitration concerning a previous development order in the public sector as part of the project financing.

The item “restructuring costs” generally includes voluntary redundancy costs, expenses for rationalizing the Group and its offices, extraordinary charges arising from settlements for tax litigation, and support, including with the waiving of receivables, enabling investee companies to continue as going concern as part of financial restructuring plans previously formalized on or at an advanced stage of negotiation with financial backers and partners; this is to demonstrate how such restructuring costs differ from the Group's ordinary operating activities.

The item, amounting to 0.5 million euro in the first quarter of 2013, mainly includes expenses linked to the rationalization of Group offices. In the first quarter of 2012, this item amounted to 0.4 million euro.

The item "Property writedowns/revaluations", amounting to 1.8 million euro in the first quarter of 2013, mainly includes value adjustments to real estate assets in Italy (excluding Non-Performing Loans).

Income taxes, amounting to 2.3 million euro, compared to 4.3 million euro in the first quarter of 2012, which included items related to the closure of outstanding positions with the tax authorities of 2.3 million euro.

The Group net income (loss) in the first quarter of 2013 is a loss of 18.5 million euro, compared with a loss of 23.7 million euro recorded in the first quarter of 2012.

Management Platform [9]

Fund and asset management activities and property, project management and agency specialist services, as well as those connected to Non-Performing Loans (credit servicing), including general and administrative expenses, led to a negative result of 0.3 million euro in the first quarter of 2013, compared to the positive 4.6 million euro recorded in the first quarter of 2012.

Investment Activities[10]

In the first quarter of 2013 investment activities reported a negative operating result of 3.1 million euro with respect to a negative operating result 1.9 million euro recorded in the same period of 2012. The worsening compared to the first quarter of 2012 relates almost entirely to investment activities in Germany and Poland.

***

In the first quarter of 2013, property sales[11] amount to 44.1 million euro (7.8 million pro-rata basis) compared to 64.6 million euro as at March 31, 2012 (15.4 million pro-rata basis). The Company carried out its property transactions at values essentially in line with the book (5.5% in the same period of 2012).

Total rents[12] amount to 93.6 million euro in the first quarter of 2013, compared to 100.4 million euro recorded in March 31, 2012; the Prelios share of rents is 24 million euro (25.9 million euro in the first quarter of 2012).

More details of the results by geographical area for fund and investment company activities and the Management Platform, inclusive of general and administrative expenses, can be found in the relevant section.

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[9] Management Platform results mean the contribution generated by the Company through fund and asset management activities and specialized real estate services (property, project management and agency) and from services associated with NPL (credit servicing), as well as general and administrative expenses.

[10] Investment activities mean the contribution generated by Prelios through its investment in funds and companies that hold property and Non-Performing Loans.

[11] This is the sum of property sales by consolidated companies, plus 100% of property sales by associates, joint ventures, and funds in which the Group has an interest.

[12] The value is the sum of rents earned by consolidated companies plus 100% of the rents earned by associates, joint ventures, and funds in which the Group has at least a 5% interest as at March 31, 2013.

Writedowns of investments and real estate properties in the first quarter of 2013 contributed a total of 1.8 million euro of which 1.7 million euro came from the real estate portfolio in Italy and 0.1 million euro from the real estate portfolio in Germany.

4.2. Review of the balance sheet

(million euro)	MARCH 2013	DECEMBER 2012
Fixed assets	**615.9**	**611.7**
of which investments in real estate funds and investment companies and shareholders' loans granted [1]	*460.6*	*455.2*
of which goodwill	*144.8*	*144.8*
Net working capital	**53.3**	**55.1**
Net invested capital	**669.2**	**666.8**
Equity	**65.9**	**80.4**
of which Group equity	60.1	74.2
Provisions	**60.3**	**65.9**
Net financial position	**543.1**	**520.5**
Total covering Net invested capital	**669.2**	**666.8**

[1] The figure includes investments in associates, *joint venture* and others (238.1 million euro), shareholders' loans granted (213 million euro) investments in real estate funds (12 million euro, reported in "Other financial assets" in the consolidated balance sheet) and *junior notes* (0.2 million euro, reported in "Other financial assets" in the consolidated balance sheet). The figures in March 2013 and December 2012 include provisions for risk on investments of 2.7 million euro and 2.8 million euro respectively.

Fixed assets amount to 615.9 million euro as at March 31, 2013, compared with 611.7 million euro as at December 31, 2012.

Net working capital is 53.3 million euro as at March 31, 2013, making a decrease compared to 55.1 million euro as at December 31, 2012. The decrease in current asset is mainly due to the fall in trade receivables and the reduction in other receivables which more than offset the fall in other payables.

Equity is 65.9 million euro, while the Group equity to Prelios amounts to 60.1 million euro compared to 80.4 and 74.2 million euro respectively recorded at December 31, 2012. The change is mainly due to the negative result in period.

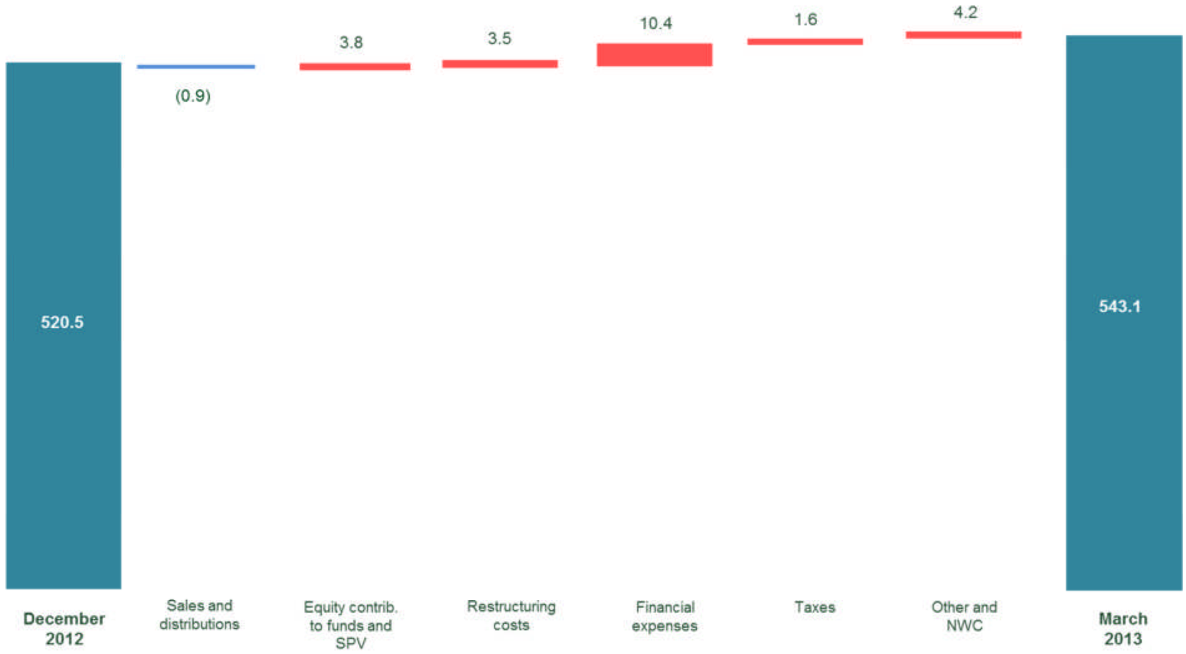
The Net Financial Position reports a debt of 543.1 million euro as at March 31, 2013, compared with 520.5 million euro as at December 31, 2012.

It should be noted that Prelios has an amount of 539 million euro in committed credit lines (20 million expiring in June 2013, usable under certain conditions and currently unused), of which 379 million euro is in bank credit facilities and 160 million euro in facilities provided by Pirelli & C. S.p.A..

The following diagram details the combined effect of the events that had an impact on the change in the Net Financial Position in the first quarter of 2013.

The negative change with respect to December 31, 2012, totalling 22.6 million euro, is attributable to the combined effect of a decrease of 0.9 million euro deriving from cash flows generated by sales and distribution by investment companies/funds and an increase attributable to the accrual of interest expenses and other financial charges linked to existing loans (10.4 million euro), to the payment of restructuring costs (3.5 million euro) to the contribution of equity to investment companies/funds (3.8 million euro), to the payment of taxes (1.6 million euro) and other events partly connected with the changes in net working capital (4.2 million euro).

(million euro)



The following table presents the main changes in the Net Financial Position during the period:

(million euro)	March 2013	March 2012
Net financial position at the start of the period (A)	**520.5**	**488.0**
Operating result net of restructuring costs and property writedowns/revaluations	**(3.0)**	**2.0**
Amortisation and depreciation	0.4	0.6
Change in investments and shareholders' loans granted	0.6	1.1
Change in other fixed assets	(0.4)	0.0
Change in net working capital, provisions and other changes	(4.7)	6.2
Net cash flow from operating activities	**(7.1)**	**9.9**
Other changes	(3.5)	(4.0)
Financial and tax expenses/income	(12.0)	(13.3)
Net cash flow before dividends	**(22.6)**	**(7.4)**
Capital increase/(Dividends) (*)	0.0	0.6
Total net cash flow (B)	**(22.6)**	**(6.8)**
Net financial position at the end of the period (A-B)	**543.1**	**494.8**

(*) The figure in March 2012 includes third party share - share capital increase, Prelios Credit Servicing (+0,6 milion euro)

4.3. Debt of funds and investment companies

Compared to a market value[13] on a 100% basis of the real estate component of funds and investment companies, amounting 6.7 billion euro, the net debt totals 4.6 billion euro: the Prelios loan to value on the real estate component amounts to 64% (Prelios pro-rata) of the market value of the asset, generally providing margins of safety in relation to existing covenants.

The main characteristics of the real estate debt of investment companies and funds are:

– a limited amount of recourse guarantees of Prelios S.p.A. (39.4 million euro, of which 2.5 million euro in the release phase following the resolution of the underlying issue);
– a high level of interest rate (79%) and an average maturity of about 1.2 years (values at 100%).
More details can be found in Appendix B to this report.

As regards the NPL sector, the book value of receivables based on 100% values amounts to around 1.04 billion euro, against net bank debt of 1.02 billion euro.

[13] Asset under management, with the exception of non-performing loans stated at book value, are stated at market value as at December 31, 2012, on the basis of appraisals by independent experts. The market values established by independent experts do not take account of lower values recognized on specific portfolios on the basis of possible strategies involving an acceleration of the sales plan with respect to an otherwise reasonable time that would be needed for selling at the appraised values, considering the type of asset and the market situation, as well as any discounts for en-bloc sales or deriving from sales mandates. Compared with the figure at December 31, 2012, the reference figure at March 31, 2013 was opportunely reviewed from a "like-for-like" point of view to take account of disposals, capitalizations and revised valuations for 8 funds which report on a quarterly basis.

5. REVIEW OF THE CONSOLIDATED INCOME STATEMENT

An income statement format is presented below (accounting layouts)

(million euro)	MARCH 2013	MARCH 2012
Revenues from sales and services	26.1	32.9
Changes in inventories of work in progress, semi-finished and finished products	0.0	0.0
Other income	2.1	6.6
TOTAL OPERATING REVENUES	**28.2**	**39.5**
Raw and consumable materials used (net of change in inventories)	(0.1)	(0.8)
Personnel costs	(15.4)	(17.5)
Depreciation, amortisation and impairment	(0.4)	(0.6)
Other costs	(15.8)	(18.2)
TOTAL OPERATING COSTS	**(31.8)**	**(37.1)**
EARNINGS BEFORE INTEREST AND TAX (EBIT)	**(3.5)**	**2.4**
Net income from investments	(4.8)	(11.8)
- net profit share from investments in associates and joint ventures	*(4.6)*	*(14.0)*
- dividends	-	*1.0*
- gains on investments	*0.0*	*1.9*
- losses on investments	*(0.2)*	*(0.7)*
Financial income	3.6	4.9
Financial expenses	(11.5)	(14.2)
INCOME (LOSS) BEFORE TAXES	**(16.3)**	**(18.8)**
Taxes	(2.3)	(4.3)
NET INCOME (LOSS) FOR THE YEAR	**(18.6)**	**(23.1)**
attributable to minority interests	(0.1)	(0.6)
GROUP NET INCOME (LOSS) FOR THE YEAR	**(18.5)**	**(23.7)**

<u>Revenues from sales and services</u> amount to 26.1 million euro in the first quarter of 2013, 14.2 million euro in Italy and 11.9 million euro abroad, compared to 32.9 million euro of the same period in 2012. The decrease is mainly due to consolidated revenues in Italy (3.5 million euro).

<u>Other income</u> totals 2.1 million euro as at March 31, 2013 compared to 6.6 million euro in the first quarter of 2012, which included income resulting from positive outcomes of disputes for 3.3 million euro. The item includes the chargeback to tenants of the management costs of the Group's own properties or properties managed on behalf of third parties, the latter mostly in connection with property management activities.

<u>Purchases of raw and consumable materials used</u> (net of change in inventories) amount to 0.1 million euro, compared to 0.8 million euro as at March 31, 2012.

Personnel costs total 15.4 million euro in the first quarter of 2013, compared to 17.5 million euro in the same period of 2012. The item incudes 0.2 million of euro of restructuring cost, mainly in line with the first quarter of 2012. The decrease, 2.1 million euro, is mainly due to the reduction of the item wages and salaries as a consequence of the average headcount reduction.

Other costs total 15.8 million euro in the first quarter of 2013, compared to 18.2 million euro in the first quarter of 2012. The item includes costs for maintenance services, commissions, consultancy and professional fees, office rental costs, provisions for risk and writedowns of receivables and other operating expenses. In particular, a marked reduction of service costs is attributable to the maintenance costs, commissions and consultancy fees paid to third parties.

EBIT is a negative 3.5 million euro in March 31, 2013, compared with a positive 2.4 million euro recorded in the first quarter of 2012.

Net income from investments in the first quarter of 2013 is a negative 4.8 million euro, compared to a negative figure of 11.8 million euro in the first quarter of 2012. The items include property writedowns of 8.4 million euro compared to 1.8 million euro in the first quarter of 2013.

Financial income amounts to 3.6 million euro as at March 31, 2013, compared to 4.9 million euro in the first quarter of 2012. The decrease is mainly due to a reduction in interest accrued on financial receivables due from joint ventures

The decrease in financial expenses is mainly attributable to the effect of a decrease in euribor tax compared to the first quarter of 2012.

6. DIVISIONAL PERFORMANCE

This section outlines the economic performance of both the Real Estate component (by geographical area) and NPLs, distinguishing between income/costs from the Management Platform[14] and income/costs from Investment Activities[15]. The operating result included and commented on in the following tables correspond to the definitions in section 4 of this report

Unless otherwise stated, the amounts reported in the following tables are presented in million euro.

The following table breaks down the operating result by geographic area.

	Italy		Germany		Poland		NPL		G&A		Total	
	March 2013	March 2012	March 2013	March 2012	March 2013	March 2012	March 2013	March 2012	March 2013	March 2012	March 2013	March 2012
Management Platform	1.3	5.1	1.8	2.5	0.0	0.1	(0.9)	(0.3)	(2.6)	(2.8)	**(0.3)**	**4.6**
Investment Activities	(2.7)	(3.3)	0.0	0.9	(0.7)	0.3	0.3	0.2			**(3.1)**	**(1.9)**
Operating result	**(1.4)**	**1.8**	**1.8**	**3.4**	**(0.7)**	**0.4**	**(0.6)**	**(0.1)**	**(2.6)**	**(2.8)**	**(3.4)**	**2.7**

When reading the figures in the subsequent tables by country, please note that the revenue figures refer solely to management platform companies consolidated line-by-line, and so do not include the consolidated revenues of other investment initiatives.

[14] Management Platform Results mean the contribution generated by the Company through fund and asset management activities and specialized real estate services (property, project and agency), and from services associated with NPL (credit servicing), as well as general and administrative expenses.

[15] Investment activities mean the contribution generated by Prelios through its investments in funds and companies that hold real estate and Non-Performing Loans; results from the Management Platform mean the contribution generated by the Company through fund and asset management activities and specialized real estate services (property & project, agency and facility management in Germany), and from credit services associated with NPL (credit servicing), as well as general and administrative expenses.

6.1. Italy Real Estate

The Italy Real Estate (Management Platform and Investment Activities) operating result is a negative 1.4 million euro in the first quarter of 2013, compared with a positive 1.8 million euro recorded in the same period of 2012, which included a positive result of 3.3 million euro linked to a solution favorable arbitration concerning a previous development order in the public sector as part of the project financing.

Management Platform

Operating result amounts to 1.3 million euro in the first quarter of 2013, compared with 5.1 million euro recorded in the same period of 2012.

With regard to the performance of the Management Platform, these are the main events that affected the individual Cash Generating Units

Fund Management	March, 31 2013	March, 31 2012
Revenues (million euro)	5.6	5.9
Operating result (million euro)	2.4	2.4
Ros	43%	41%
Number of funds managed	23	22
AUM (*)	4.3	4.8
Number of employees	61	62

(*) Market value in billion euro at 12.31.2012 and 12.31.2011, expressed on a 100% basis and including Excelsia 9 Srl portfolio

Prelios Società di Gestione del Risparmio S.p.A. ("Prelios SGR"), 90% owned by Prelios S.p.A. and 10% owned by Intesa Sanpaolo S.p.A., is specialized in the establishment and management of closed-end real estate investment funds.

At March 31, 2013, the Company managed a total of 23 funds, of which 10 ordinary (2 of these listed) and 13 speculative, in addition to a contract to manage the process of divesting a real estate portfolio.

The revenues, mainly represented by fixed management fees, totalled 5.6 million euro in the first quarter of 2013, in line with the same period of 2012, with a variance of 5% due to reduction of asset under management.

Constant monitoring of the cost structure allowed to offset the slight reduction in revenues while maintaining the same operating result over the period amounted to 2.4 million euro.

Agency	March, 31 2013	March, 31 2012
Revenues (million euro) (*)	1.5	2.6
Operating result (million euro)	(1.4)	(1.1)
Ros	-94%	-42%
Sales volumes (million euro)	7.4	40.9 (**)
Number of employees	42	56

(*) The value of 2012 benefitting of 0.4 million euro related to the fee for a sale which will be completed upon meeting the condition precedent in 2Q and 0.3 million euro related to the contribution of the Company Prelios Finance.
(**) Includes an amount referring to a sale which will be completed upon meeting the condition precedent in 2Q.

Prelios Agency S.p.A is a Prelios Group company specialized in the provision of professional advisory for the purchase and sale or lease of properties and entire portfolio of office, residential, industrial, logistic and retail properties. The company offers a range *brokerage & advisory* services buy side, sell side and lease side from the customer needs analysis, market monitoring, to the management of the negotiations and contract assistance.

The subsidiary Prelios Valuations E-Services S.p.A. is one of Italy's leading independent operator in appraisals of value of single properties and real estate asset portfolio in the light industrial/office and residential segments, it is also a leading company in Italy for valuation services for banks ("*loan services*").

Revenues in the first quarter of 2013 amounts to 1.5 million euro, compared to 2.6 million euro in the same period of 2012: the reduction is due to lower transaction of sale/lease and lower revenues from valuation; the revenues in first quarter of 2012 included the contribution of 0.3 million euro of the company Prelios Finance 80% which was sold during the previous year.

Also in the first quarter of 2013, the negative result of the Agency is largely due to continuing crisis in the real estate sector in Italy which resulted in a significant slowdown in the number and size of transactions.

The portfolio of sales contracts from third party customers amounts to 1,688[16] million euro, about 11 million euro of which were acquired during the first quarter of 2013.

[16] List value.

Property	March, 31 2013	March, 31 2012
Revenues (million euro)	3.7	4.2
Operating result (million euro)	0.3	3.8
Ros	8%	90%
Value of assets managed (billion euro)	4.9	5.5
Square metres managed (millions)	4.1	4.0
Rental units managed	more than 30,000	more than 28,000
Rental contracts managed	more than 3,000	more than 3,000
Passing Rent (million euro)	more than 258	more than 280
Number of employees	76	82
Value of project management assets managed (billion euro) (*)	0.4	
Capex at March 31, 2013 (million euro) (**)	4.4	
Pipeline Capex over entire life (million euro) (***)	310	

(*) Value of project management assets managed already largely subject to property management
(**) Project management activities realised as at December 31
(***)Project management activities potentially realisable based on existing mandates

Prelios Property & Project Management S.p.A. is a Prelios Group company that offers integrated technical services asset, property and facility management for the management and development of real estate assets.

It is the result of a combination of two already established entities: Prelios Property Management and Prelios' Development & Project Management department. In the context of property management activities, it offers administrative and document management services, real estate asset due diligence services, sales support, and specialized services such as the development and valorization of Shopping Centre.

In the context of project management activities, the company deals with all the phases of design and construction of a property with an expertise in the field of sustainability: from the development of new eco-sustainable properties, to green retrofitting, energy certification and energy from renewable sources. The company is highly specialized in the retail sector and Shopping Centre management through a dedicated business line.

All the services listed above are aimed at both Group companies and third parties.

The company is currently committed on the following fronts:

- administrative and property management
- facility management and energy
- project management
- asset management and value increase
- sales support
- Shopping Centre management

Revenues amount to 3.7 million euro in the first quarter of 2013, compared to 4.2 million euro of the first quarter of 2012. Operating result is 0.3 million euro in the first quarter of 2013, compared to 3.8 million euro of the first quarter of 2012, which benefitting of a solution favorable arbitration concerning a previous development order in the public sector as part of the project financing.
As at March 31, 2013, the company manages a real estate portfolio divided into more than 3,000 leasing contracts. The main non-investee customers of the Group were: INPS Lots 1 and 3, Autogril, Prisma SGR, Al Rajhi Group (Excelsia nove), Duemme SGR (Aries fund), RCS and Lactalis.

Investment Activities

Operating result in the first quarter of 2013 is a negative 2.7 million euro, compared with a negative 3.3 million euro in the previous period. In a weak market, the growth in sales margins does not allow the remuneration of the operating and financial costs of investment companies, therefore, the result of Activity investment remains negative despite the cost savings compared to 2013.

Property sales realized in the first quarter of 2013 (considering, on a 100% basis, the properties of associates, joint ventures and funds the Group invests in) totalled 9.6 million euro (36.5 million euro in the same period of 2012). The gross sales margin[17] realized in the first quarter of 2013 is 8.2% (3.4% in the same period of 2012). Rents[18] total 31.6 million euro (32.8 million euro in the first quarter of 2012).

[17] This expresses the related gross capital gains as a percentage of sales. Capital gains are realized by subsidiaries, associates, joint ventures, and funds in which the Group has an interest.
[18] This is the sum of rents earned by consolidated companies, and rents earned by associates, joint ventures, and funds in which the Group has interests.

6.2. Germany Real Estate

The Germany Real Estate (Management Platform and Investment Activities) operating result is a positive 1.8 million euro in the first quarter of 2013, compared with a positive figure of 3.4 million euro in the same period of 2012.

Management Platform

Germany	**March, 31 2013**	**March, 31 2012**
Revenues (million euro)	11.8	13.8
Operating result (million euro)	1.8	2.5
Ros	15%	18%
Square meters managed (millions) (*)	4.9 (**)	6.3
Number of rental units managed (*) (***)	more than 50.000 (****)	more than 70.000
AUM (***)	3.8	3.8
Number of employees	369	423

(*) Not including units / areas relating to car parks

(**) Includes about 2 million square meters subject to facility and property management, not subject to asset management.

(**) Value at March 31, 2013 not including the BauBeCon real estate portfolio as a result of exclusion from the perimeter

(***) Market value in billions of euro, expressed at 100%. The comparative figure relates to December 31, 2012.

(****) Includes about 30,000 units subject to facility and property management, not subject to asset management.

Operating result of Management Platform is 1.8 million euro in the first quarter of 2013, compared with a 2.5 million euro recorded in the first quarter of 2012. It should be noted that in the first quarter of 2012 the management of the BauBeCon real estate assets continued following to the agreement for the extension of the service mandates term. The expiry of such mandates, initially envisaged on May 31, 2013, was anticipated for few contracts already with effect as of November 1, 2012, while for the other contracts expiry became effective as of February 1, 2013.

Investment Activities

In the first quarter of 2013, operating result show a break-even, compared with a positive 0.9 million euro of the same period of previous year.

Property sales realized in first quarter of 2013 (considering, at 100% value, the properties of associates, joint ventures and funds the Group invests in) totalled 34.5 million euro, compared to 27.7 million euro in the same period of 2012.

Property transactions[19] achieved in the first quarter of 2013 were in line with the book value (6.8% in the same period of 2012). Total Rents[20] amount to 62 million euro (67.6 million euro in the first quarter of 2012).

[19] This expresses the related gross capital gains as a percentage of sales. Capital gains are realized by subsidiaries, associates, joint ventures, and funds in which the Group has interests.

[20] The value is the sum of rents earned by consolidated companies, and rents earned by associates, and joint venture in which the Group has interests.

6.3. Poland Real Estate

The Poland real estate operating result (Management Platform and Investment Activities) in the first quarter of 2013 is a negative 0.7 million euro entirely due to investment activities, compared with a positive 0.4 million euro recorded in the same period of 2012.

Management Platform

Poland	March, 31 2013	March, 31 2012
Revenues (million euro)	0.2	0.4
Operating result (million euro)	0.0	0.1
Ros	29%	17%
Square metres managed (millions) (*)	0.7	0.8
AUM (**)	0.1	0.1
Number of employees	18	25

(*) Data refer to 31.12.2012 and 31.12.2011 respectively

(**) Market value in billions of euro, expressed at 100%. The comparative figure relates to December 31, 2012.

The Management Platform shows a break-even operating result.

The above results reflect the essential conclusion of property development sales, while the process of urban planning for certain areas still in the portfolio is still under way.

Investment Activities

Operating result is a negative 0.7 million euro, compared with a positive 0.3 million euro in the same period of previous year. In particular, it is working for the approval of the master plan which is estimated to bring a potential building rights for about 419,000 square meters of the Lucchini area located in Warsaw, of which Prelios has a market share of 40%. The result is affected by the operating and financial costs associated with the activity to enhance the area.

In the first quarter of 2013 there were no significant sales of properties and land (considering, on a 100% basis, the properties of associates, joint ventures and funds the Group invests in), compared with 0.4 million euro in the first quarter of 2012.

6.4. Non-Performing Loans

The operating result for Non-Performing Loans (Management Platform and Investment Activities) is a negative 0.6 million euro in the first quarter of 2013, compared with a negative 0.1 million euro in the same period of 2012.

Management Platform

	March, 31 2013	March, 31 2012
Revenues (million euro)	2.2	3.5
Operating result (million euro)	(0.9)	(0.3)
Ros	-43%	-9%
Amounts collected (million euro)	27	41
Gross book value (billion euro)	8.4	7.8
No. of non-performing loans managed	73.3 (*)	34.4 (**)
Number of employees	121	166

(*) Includes about 39,000 positions relating to the agreement signed with Zeus Finance S.r.l. for Master and Corporate Servicer activities
(**) Value as at December 31, 2011.

Prelios Credit Servicing is one of the leading Italian operators for non-performing loans (NPL) management volume, with a portfolio of about 8.4 billion of euro.

The Management Platform operating result in the first quarter of 2013 is a negative 0.9 million euro, compared with a negative 0.3 million euro in the first quarter of 2012.

Revenues amounted to 2.2 million euro in the first quarter of 2013 showing a decrease compared to 3.5 million euro in the first quarter of 2012.

Lower revenues as well as the new fees of the portfolios in joint venture with Credit Agricole impacted the result: in particular, in the first quarter of 2012 higher variable fees were recorded which were then revised and decreased in the course of the last quarter of 2012: the review of the agreements, however, allowed to negotiate for 2013 an average variable annual fee in line with the fee finally recognised in 2012. Compared to the result of the first quarter of 2012, it should also be noted that the new fees recognised for the portfolios Island Refinancing and Calliope have been postponed in time, waiting for the occurrence of some conditions precedent.

In the first quarter of 2012, the value of NPL amounts collected[21] is 27 million euro, compared to collections of 41 million euro in the first quarter of 2012.

[21] This is the sum of NPLs collected by consolidated companies plus 100% of those collected by associates and joint ventures in which the Group has an interest.

Investment Activities

	March, 31 2013	March, 31 2012
Return on Securities	0.3	2.9
NPL *impairment*		(2.7)
Operating result	**0.3**	**0.2**

Operating result is a positive 0.3 million euro, compared to a positive 0.2 million euro in the same period of 2012. It should be noted that, following approval of the "Head of Terms" with Credit Agricole which envisages, among other things, Prelios exit from NPL co-investments in joint venture with the latter, the result in Q1 2013 referred almost exclusively to the data relating to the joint venture with Morgan Stanley.

7. RISK AND UNCERTAINTIES

Despite the difficult macroeconomic situation, with particularly severe impacts on the real estate sector, at the current state of play, also based on what has been communicated in regards to relations with the Industrial Investor and the development of the Transaction, the directors have adopted the going concern principle in drafting the Interim Financial Report at March 31, 2013, on the basis of the assumptions and checks outlined in section business outlook.

7.1. Liquidity risk

The main instruments used by the Group to manage the risk of insufficient financial resources available to meet financial and commercial obligations in accordance with pre-established terms and maturities come in the form of annual and four-yearly financial plans and treasury plans, to allow a comprehensive and accurate recognition and measurement of incoming and outgoing cash flows. These plans are shaped heavily by the implementation of sales plans in the timescales and for the amounts consistent with the forecasts made, in connection with the repayment plans for borrowings raised to support investments. The variances between the plans and final figures are constantly monitored, for the purpose of adopting all necessary and prompt remedies, where required.

The prudent management of risk described above requires the maintenance of an adequate level of cash and cash equivalents and/or short-term securities that can be easily disposed of and/or the availability of funds in the form of a suitable amount of credit facilities. Owing to the dynamic nature of the businesses in which it operates, the Group prefers flexibility in raising funds through recourse to credit lines.

The Group has a centralized system for the management of payment and collection flows in respect of the various currency and local tax regulations. Banking transactions are negotiated and managed centrally, in order to ensure short and medium-term financial needs are met at the lowest cost possible. The raising of medium/long-term funding on the capital market is also optimized through centralized management.
The Group has a system for monitoring risks linked to the already mentioned recourse guarantees issued to investee companies/funds, which allows the Management to acquire the necessary information to undertake the necessary actions.

The current competitive and financial context, characterized by persistent tension over the values of property assets, the credit crunch and the trading slowdown determines, for the Group, a significant increase in risks connected with maintaining adequate cash flows, needed to cover its financial requirements.
Liquidity risk, monitored constantly, is also closely related to the company's requirements and it is also assessed in relation to the initiatives aimed at strengthening the company's equity and financial structure.

It should be noted that the current financial structure and the forecasts made, as of the current state of play, highlight an inability to generate, through ordinary operations and sales of assets set out in the plan, also in view of the current market scenario, cash flows able to

meet the commitments to the Lending Banks, in the absence of a review of the financial structure and the restructuring of the associated debt with the agreement of all financial backers. In this respect, on April 22, 2013 Prelios and the Lending Banks formalized the agreements already reached on the further deferment of the maturity dates envisaged under the so-called “Club Deal” loan contract. Based on such agreement (so-called *Standstill*), the Lending Banks granted Prelios the extension of deferment of the payment obligations to (a) June 30, 2013 and (b) the date on which the Transaction is to be made, whichever is earlier, in order to allow the same to fulfil its commitments in view of the expected completion of the Transaction.
A similar deferment arrangement was also established in relation to the Pirelli & C. Loan Agreement, postponing the maturities envisaged therein to June 30, 2013.
However, this deferment are not, nonetheless, sufficient to bring the Group’s financial structure back within the sustainable limits compatible with the cash flows which may be generated by operations, while, owing to the current forecasts, implementation of the Transaction may re-establish the necessary conditions of financial equilibrium and debt sustainability.

7.2. Financial risks

The Group is exposed to financial risks, primarily associated with the raising of financial resources on the market, the sustainability of financial debt in terms of costs and observance of commitments related to the repayment of installments and agreed covenants, interest rate fluctuations, the ability of its customers to meet their obligations to the Group and the possibility of having the necessary resources available for financing business development.

The management of financial risks is an essential part of the Group's activity and is carried out centrally on the basis of guidelines defined by the management, aimed at ensuring that financial risk (identification, assessment and management) through appropriate policies and procedures, in line with the Group's attitude towards risk.

7.3. Currency risk

The Group operates in Europe and has a minimal exposure to transaction currency risk arising from positions in currencies other the euro, mainly the Polish zloty. This risk is managed by the Group Treasury and relates solely to receivables for shareholders’ loans to joint ventures for real estate projects in Poland.

7.4. Interest rate risk

The Group's policy is to seek to maintain a correct ratio between fixed-rate and floating-rate debt by using hedging instruments.

The Group manages interest rate risk related to its floating-rate corporate debt also by offsetting it through natural hedging with floating-rate financial receivables (i.e. shareholders’ loans granted to investee initiatives), and, for the remaining exposure, with recourse to derivative contracts.

The percentage exposure to interest rate variability at March 31, 2013 stands at 38.5%, if the natural hedging provided by floating-rate financial receivables and derivative contracts on corporate debt is taken into account, with a notional value of 170 million euro.

In particular, the exposure to variability in corporate debt interest rates was calculated by taking into consideration the hedging provided by derivative contracts on a notional 170 million euro. However, it should be noted that, effective from January 1, 2013, as part of the prospective effectiveness test, assuming the effects and contractual conditions expected by the new debt structure that will ensue from the previously described financial restructuring, said hedging relationship is no longer effective.

It should be noted that 79% of the total debt (bank and non-bank) of investee vehicles is protected from interest rate fluctuations above a certain level or through fixed-rate loans or via recourse to hedging derivative instruments.

7.5. Price risk

The Group's investment activities are exposed to price risk based on the real estate market price trends, and service activities are exposed in relation to the competitive context.

7.6. Credit risk

The Group's exposure to credit risk is represented by its exposure to potential losses arising from the failure of both trade and financial counterparties to discharge their obligations.

In order to limit this risk, the company constantly monitors the positions of individual customers, analyzing expected and actual cash flows in order to take timely recovery action when necessary.

As for financial counterparties used for managing temporarily surplus cash or for negotiating derivatives, the Group only uses the services of high credit-rated institutions.

The Group does not have significant concentrations of credit risk with respect to customers (investment companies and funds) in the Real Estate sector.

7.7. Risks associated with human resources

The Group is exposed to the risk of losing key resources that could have a negative impact on future results. In order to counter this risk the Group adopts incentive policies that are periodically reviewed, also depending on the general macroeconomic context.

In addition, the effectiveness of any restructuring measures involving a reduction in the headcount could be limited by existing legal and union restrictions in the countries where the Group operates.

7.8. Tax risks

As at the date of approval of this Interim Financial Report at March 31, 2013, tax litigation involving the Italian Tax Authorities and Prelios S.p.A. (the "Company") and some of its subsidiaries, and still pending, amounts to around 2.5 million euro in taxes (excluding penalties and interest).

The company, backed by the judgments of its consultants, all professionals of recognized standing, and information in its possession on today's date, believes that the positions challenged can be settled without a significant impact on the financial statements for the entities involved in said disputes.

* * *

For the sake of completeness of information, it should be noted that, as regards companies in which Prelios S.p.A. or its subsidiaries have invested a minority stake with third party investors (associates and joint ventures), the total amount involved in the disputes raised by the Italian tax authorities comes to roughly 303 million euro in taxes (excluding penalties and interest), of which around 85% relates to a single company in liquidation.

* * *

On January 24, 2013, the inspection launched by Guardia di Finanza (Italian Financial Police) in May 2012 was definitively concluded, against the funds already the recipients of tax code allocation provisions from the Agenzia delle Entrate (Italian Inland Revenue) in the past (more specifically, Retail & Entertainment Fund, Progetti Residenza Fund, Portafogli Misti Fund, Social & Public Initiatives Fund, Hospitality&Leisure Fund, Immobiliare Pubblico Regione Siciliana Fund, Immobiliare Raissa Fund, Patrimonio Uffici Fund, Diomira Fund, hereinafter the "Funds").

We are talking about Funds in which Prelios S.p.A. has invested minority stakes with third party investors.

In the closing remarks in the Reports on Findings, drafted on conclusion of the inspection activities, Guardia di Finanza deemed that:

- from the date they were set up until at least 2011, the Funds had concealed an investment company activity;
- the establishment and management of the Funds would have been realized in the absence of valid economic reasons and, therefore, exclusively or primarily for tax reasons;
- the establishment of the Funds, therefore, would have an elusive nature, given essentially turned into a mere instrument for the replacement of pre-existing real estate companies, which did not modify any equity and income structure, solely ensuring a tax benefit;

subsequently, the tax benefit obtained would be unlawful.

In respect of the Funds, the following amounts were contested (i) an IRES and IRAP taxable base of 484 million euro and (ii) higher indirect taxes of 187 million euro.

Prelios SGR, against whom no objection was raised, received the aforementioned deeds as manager of the aforementioned Funds.

On the basis of the specific communication received by Prelios SGR, said entity holds that, supported in these evaluations by its expert, authoritative consultants, the objections raised by Guardia di Finanza are the result of an incorrect reconstruction/ interpretation of the facts and essentially appear to be unjustified, taking into consideration that:

- establishment of the Funds rests on solid and proven technical-economic reasons;
- the Fund regulations were approved by the Bank of Italy, during both the set-up phase, and at the time of subsequent amendments;
- the legal status of the Funds was never discussed by the control authorities.

In addition, it should be noted that the assertion according to which the Funds would constitute vehicles replacing pre-existing real estate companies is based on unsuitable elements, in consideration of the completely different economic-legal substance of the two institutions it is claimed are considered similar.

Therefore, the findings appear to be unfounded in both fact and law, also on the basis of the foregoing, which shows how the reasons are constructed on incorrect representations in relation to applicable industry regulations, to said facts deduced, and to the interpretation of the new regulations introduced by art. 32 of Decree Law 78/2010.

* * *

As already indicated, said Funds were the recipients, in October 2011, of tax code allocation provisions from the Italian Inland Revenue. In order to protect the Fund's interests, Prelios SGR, in due course, filed an appeal before the Tax Commission, the Regional Administrative Court of Lazio and the Council of State. The associated disputes are still pending and no judgment on the merits of the case has been issued by the presiding judges. The last judgment was filed on February 19, 2013 by the Council of State which, without discussing the merits of the dispute, upheld the company's appeal, confirming the competence of the Regional Administrative Court of Lazio. Consequently, the Regional Administrative Court of Lazio was confirmed as having jurisdiction for expressing a judgment on the merits of the dispute.
On April 18, 2013, the public hearing was held before the Supreme Court on the appeal concerning jurisdiction. On the date of approval of this Interim Financial Report at March 31, 2013, the relevant judgement has not been filed.

7.9. Tenants risk

With regard to the valuation of the property portfolio, rental income is mainly earned by equity-accounted companies and predominantly in relation to properties classified as investment property; given the existence of long-term binding contracts, the risk of a significant increase in vacancy rates in the near future is limited (tenants risk), except in specific cases associated with a tenant's financial difficulties.

In addition, these properties are located in central or semi-central areas; given their location as well as their nature, their income from potential top-quality tenants is potentially even higher than at present.

7.10. Risks connected to the competitive environment

As regards the competitive environment, in general the Group is not exposed to risks different from those of its competitors or of the other organizations operating in the same market. The downturn in demand led to a decrease in the market prices of properties, which was reflected in the writedowns of properties also on the basis of the appraisals and analyses of independent experts at December 31, 2012 for the entire portfolio. The writedowns of assets under management make it possible to express the most appropriate market prices at the moment, but a considerably difficult situation persists, also in relation to the significant decrease in financing of possible transactions by credit institutions.

7.11. Risks connected to trends in demand

The credit crunch and the possible worsening of the general economic situation constitute an additional risk for activities and operations in the real estate sector, with a possible decrease in volumes of assets under management or a lack of acquisition of new contracts.

7.12. Legal risks

The situations in which Prelios Group companies are involved in legal proceedings (civil or administrative) mainly concern:

- disputes related to the sale of properties (e.g. lack of respect for pre-emption rights);
- disputes related to management services provided, generally of an ordinary nature, with tenants, purchasers, or suppliers.

In terms of risk control strategies, it is important to note (i) the management and monitoring of disputes, including with the assistance of external legal consultants, and (ii) the evaluation of the degree of risk and determination of provisions made through internal analysis, with the assistance of the opinions of external legal consultants that assist the company. The provisions for risk established are deemed adequate and it is not believed that the existing proceedings could have a significant negative impact on the economic results and financial position of the Group.

Claims

The legal risks the Group is exposed to include the following.

In February 2005, Prelios and the Group companies, more specifically Prelios Property & Project Management, Prelios Agency and Prelios Credit Servicing signed a contract with Capitalia (now Unicredit) and other companies of the same Group, pursuant to which Prelios – on its own behalf and through Group companies – undertook to provide Capitalia with some services related to the purchase, management and disposal of given properties, subject to enforcement procedures for the recovery of receivables owned by Capitalia, in order to help the latter with credit protection, through the safeguarding and realization of real estate values.
In January 2011, Unicredit withdrew from the Contract, requesting the handover of all the documents in Prelios Group's possession. The other Unicredit Group companies subsequently communicated their withdrawal.
In 2011, following the end of the validity period of the contract, Unicredit sent Prelios three communications contesting the work performed by said party and the Group companies (especially Prelios Property & Project Management), in relation to asset management activities. In September 2011, the delivery of the documentation regarding the properties involved in the contract was recorded.
On December 14, 2012, Unicredit quantified the alleged damages at 82 million euro, with the formal request for compensation. The Company responded by fully rejecting the claims for compensation submitted by Unicredit and, at the same time, requested the payment of 560 thousand euro for services provided by Prelios Property & Project Management and still unpaid. It should be noted that the general total for services rendered by the Prelios Group amounts to around 770 thousand euro.
Prelios responded to the communications by challenging the request for compensation, not just in regards to the amount, deemed groundless, but also based on the fact that this claim was received late, when the contract had ceased to be valid following withdrawal. Therefore, also on the basis of authoritative judgments, no provision was set aside for risks, given the unlikelihood of a liability arising.
The Prelios Group appointed a leading professional firm to help the company with the case.

7.13. Risks related to legislative developments - Decree Law 95/2012 ("spending review") and Law 27/2012

July 6, 2012 saw the publication – effective from July 7, 2012 – of Decree Law 95/2012 (also known as the "spending review"), which, under art. 3 "Rationalization of public property and the reduction of costs for passive leases", ordered that, in consideration of the temporary crisis, (i) for the years 2012, 2013 and 2014, the update in relation to the variation in ISTAT indicators, envisaged by the applicable legislation, does not apply to rent due from administrative departments inserted in the consolidated income statement of the public administration for properties used for institutional purposes, (ii) for contracts in progress, the Regions and Local Authorities have the right to withdraw from the contract before December 31, 2012, notwithstanding the notice terms established by the contract and (iii) rent for passive leases, regarding properties for institutional use stipulated by central Administrations, as well as by independent Authorities, including Consob, are reduced, effective from January 1, 2015 to the extent of 15% of the amount currently paid.

Based on an initial analysis of the Decree Law and in consideration of the fact that the conversion law of the decree should be issued which could bring changes to the same, the Group’s exposure to lease contracts with tenants that could fall under the lists set out in the above provisions is limited, for which no significant impact is forecast.
The properties of FIPRS Fund, in which the Issuer has a minority unitholding and which is managed by Prelios SGR, that are all let to the Sicily Region, could be impacted by the measures aimed at controlling the public spending in view of the implementation of the so-called spending review at national level, that may be approved by the Region and provide for the option to withdraw from the lease contract starting from the contract expiry term (i.e. 6 March 2016 in the case of the Fund), in the event of a failed renegotiation of the rent reduction by 20% with respect to the current rent paid. At today’s date the Fund has not received any such notice from the Regional Administration. Therefore, any impact on the FIPRS Fund will depend on the future deliberations of the Sicily Region and on the consequent negotiations.

8. OTHER INFORMATION

8.1. Extraordinary Shareholders' Meeting

On December 18, 2012 the Shareholders' Meeting approved the Company's financial position as at September 30, 2012, which recorded a net loss of about 159.4 million euro, and a consequent reduction in equity of 57.6 million euro representing a decrease in share capital of more than one-third
In view of an advanced stage of negotiation for the extraordinary transaction already announced to the market, time to relaunch the industrial development prospects and equity and financial strengthening of Prelios, the Shareholders' Meeting decided to postpone the adoption of measures pursuant to art. 2446.

8.2. Treasury shares

At March 2013, the Group held a total of 1,189,662 treasury shares, corresponding to about 0.141% of subscribed and paid-up share capital.
In compliance with the IAS/IFRS, the book value of treasury shares has been accounted as a reduction in equity both the consolidated and separated financial statements of Prelios; the Company's economic result have therefore not been affected by fluctuations in the stock price.

8.3. Group tax consolidation

As from financial year 2010 the Company, as the consolidating company has elected to file for tax on a group basis under art. 117 et seq. of the Italian Income Tax Code. Participants in the consolidation are required to adopt a specific set of "Regulations", involving common procedures for applying tax rules and regulations.
The adoption of a group tax filing will allow the group parent Prelios S.p.A. to offset its own taxable profits or losses against those of its Italian resident subsidiaries which have made the group tax election.
The consolidating Prelios S.p.A., assuming the continuity of the tax scheme, aims to renew the tax consolidation of Prelios Group for the three-year period 2013-2015 with its subsidiaries that are provided with the legal requirements.
In 2013 tax period Prelios S.p.A., as the parent company and the subsidiaries of this according to the D.M. December 13, 1979, have opted for an autonomous VAT Group.

8.4. Publication of information documents

Pursuant to the provisions of art. 70, par. 8, and art. 71, par. 1-bis, of the Regulations for Issuers issued by Consob, the Board of Directors resolved to avail itself of the right to waive the obligation to publish the information documents required at the time of significant transactions including mergers, splits, share capital increases through contributions of fixed asset, acquisitions and transfers.

9. EVENTS AFTER THE CLOSING OF THE PERIOD

On April 4, 2013 the Group entered into specific agreements – with reference to a “Head of Terms” approved on 27 March 2013 - with Credit Agricole (“CA”) envisaging, among other things, (i) the exit of CA from the ownership structure of the subsidiary Prelios Credit Servicing (“PRECS”), (ii) the exit of Prelios from the co-investments in the NPL sector in joint venture with CA and (iii) the transfer of the special servicing management regarding co-invested portfolios to another servicer. Such agreement falls within the Group broader strategy to focus its business on the service activity, repositioning itself as a pure management company model, and – by acquiring again PRECS 100% control – to relaunch more effectively the activity of the same PRECS with third parties, for the acquisition of new portfolios under management, in a market which is characterised by good growth prospects.

It should be recalled that the extension of the so-called Standstill agreement in relation to the “Club Deal” loan contract to 30 June 2013 was formalised on April 22, 2013. This entails a further deferment to such date of the obligations of payment of principal and interest, previously until March 31, 2013, in order to allow the time required to finalize and stipulate the restructuring debt agreements and all the relevant documents, also considering the negotiation timing.

On May 8, 2013, a letter of commitment was received from the NewCo shareholders to grant a credit line of 20 million euro – so-called “bridge loan” – that allows the Company to manage any situation of low liquidity that might occur before the implementation, even partial, of the envisaged reserved capital increase related to the Transaction and submitted to the Shareholders’ Meeting for approval on May 8, 2013.

On May 7, 2013 the Company entered into the agreement with the Lenders for the restructuring of the outstanding financial debt (deriving, as known, from the so-called “Club Deal” loan contract with the Lending Banks and from the loan contract with Pirelli & C.) – and the relevant deed of pledge to bank current account to secure the obligations undertaken by the Company in the framework of the debt restructuring – in compliance with the provisions of the term sheet previously approved and signed by all Lenders and by the Industrial Investor. Such restructuring, as recalled several times, envisages that (i) 250 million euro relate to a loan (super-senior and senior) and (ii) up to 269 million euro will be converted in a convertible debenture loan, with cash option for repayment that may be exercised by the Company.

As for the main conditions of such restructuring, it should be recalled that the super-senior loan of 50 million euro has a 5-year maturity (bullet) with half-year cash financial charges at a 4.0% all-in rate; while the senior loan of 200 million euro has a 6-year maturity (bullet), with financial charges capitalised at a 3.0% all-in rate for the first 4 years and, subsequently, by market rate step-up. For both loans the financial covenants provision has been removed.

As for the Convertible Debenture Loan, for which the mandate is planned to be given to the Board of Directors for the issue purposes, the main terms and conditions envisage a term of 7 years (subject to extension by further 3 years and subject to occurrence of the specific trigger events foreseen for the purposes of any early conversion, particularly in the event that, in the future, the Company finds itself in any of the conditions envisaged by articles 2446 and 2447 of the Italian Civil Code), financial charges capitalised at a 1% all-in rate and a conversion price equal to (i) the subscription price of the capital increase (0.5953 euro per share) and (ii) the average Prelios stock price in the month preceding the conversion date, whichever is greater.

On May 8, 2013 Feidos 11 and the Relevant Lenders (Pirelli & C., Intesa Sanpaolo and UniCredit) notified to the Company that they had entered into the so-called ”NewCo Investment Agreement”, in accordance with the arrangements referred to in the term sheet agreed between the same parties (that was notified to the Company on March 29, 2013 and subsequent advertisement on March 30, 2013), in relation to the commitment undertaken for the capitalisation of the investment vehicle “NewCo” – for an amount equal to about 20 million euro as for Feidos 11 and about 50 million euro as for the Relevant Lenders – so that the same NewCo may subscribe the reserved capital increase of about 70 million euro in total.

On April 12, 2013, with reference to the Shareholders’ Agreement on Prelios shares (initially signed on October 25, 2010) the current adhering shareholders have notified their readiness to early terminate the Shareholders’ Agreement, with effectiveness subject to and starting from the date of the approval by Prelios Shareholders’ Meeting of the capital increase. In such a context, the shareholders Camfin, Intesa Sanpaolo and Massimo Moratti also expressed their intention, subject to the aforesaid early termination of the Shareholders’ Agreement, to define a new shareholders’ agreement relating to Prelios, substantially on the same terms and conditions of the 2010 Shareholders’ Agreement and, on 6 May 2013, informed the Company that, to this end, they have entered into a preliminary agreement for the definition of a new shareholders’ agreement as of the date of execution of the planned capital increases.

10. BUSINESS OUTLOOK

The macroeconomic scenario is still characterised by uncertainties about the timing and modalities of a general economic recovery and, in particular, the domestic real estate market is still weak, with a slowdown in the number and size of transactions, which are impacted by still high financial costs.

Despite the uncertainties in the described economic-financial scenario and the weak outlook of the market of reference, the Board of Directors believes that the actions implemented and under implementation are such to enable Prelios Group to operate in a situation of continuity of operations thanks to the equity strengthening of the Company and the injection of new financial resources following the execution of the planned capital increases as well as to the rescheduling of its outstanding debt, thus providing the Company with new growth and development prospects thanks also to the contribution of competences and new business opportunities.

Furthermore, as already disclosed, it should be recalled that the restructuring agreements – already defined and that will be performed, in particular, subject to (i) prior approval of the Transaction by the Shareholders' Meeting (i.e. approval of the capital increase and of the mandate for the issue of the Convertible Debentures on the terms referred to above), (ii) occurrence of the envisaged conditions (including the release by Consob of the exemption from the obligations to launch a tender offer by the subjects involved in the Transaction) and (iii) release of Consob authorisation to the advertisement of the offering circular for the capital increase with option rights – envisage the following:

- Company recapitalisation by a capital increase of 185 million euro in total; and
- Rescheduling of the outstanding debt, restructured based on the new business plan, under which:
  - 250 million euro shall remain on account of loan (*super-senior and senior*); and
  - up to 269 million will be converted into Convertible instruments, with cash option for repayment, that may be exercised by the Company.

The completion and implementation of the envisaged Transaction are the condition to allow Prelios Group to operate in a situation of continuity of operations. Therefore, in drafting this Interim Financial Report at 31 March 2013, the assumption of continuity of operations has been adopted on these grounds.

11. CONSOLIDATED HIGHLIGHTS

11.1. Balance Sheet

(in thousands of euro)

ASSETS	**03.31.2013**	**12.31.2012**
NON-CURRENT ASSETS		
Property, plant and equipment	1,832	1,615
Intangible assets	151,184	151,402
Investments	237,112	236,770
of which available for sale	*3,294*	*3,371*
Other financial assets	15,500	16,577
Deferred tax assets	23,102	24,325
Other receivables	218,369	213,579
of which with related parties	*212,948*	*208,105*
TOTAL NON-CURRENT ASSETS	**647,099**	**644,268**
CURRENT ASSETS		
Inventories	54,329	54,379
Trade receivables	59,013	63,891
of which with related parties	*42,878*	*46,745*
Other receivables	30,866	35,917
of which with related parties	*6,753*	*5,603*
Cash and cash equivalents	32,335	45,090
Tax receivables	7,975	8,465
TOTAL CURRENT ASSETS	**184,518**	**207,742**
TOTAL ASSETS	**831,617**	**852,010**

EQUITY	**03.31.2013**	**12.31.2012**
GROUP EQUITY		
Share capital	218,283	218,283
Other reserves	(13,572)	(18,258)
Retained earnings	115,624	115,887
Income/(loss) undivided	(241,734)	
Net income (loss) for the year	(18,481)	(241,734)
TOTAL GROUP EQUITY	**60,120**	**74,178**
MINORITY INTERESTS	**5,746**	**6,213**
TOTAL EQUITY	**65,866**	**80,391**

LIABILITIES	**03.31.2013**	**12.31.2012**
NON-CURRENT LIABILITIES		
Bank borrowings and payables to other financial institutions	421,800	420,993
of which with related parties	*157,698*	*157,389*
Other payables	960	976
Provisions for future risks and expenses	23,129	24,905
Deferred tax provision	2,637	2,495
Employee benefit obligations	12,374	12,568
Tax payables	6,993	7,376
TOTAL NON-CURRENT LIABILITIES	**467,893**	**469,313**
CURRENT LIABILITIES		
Bank borrowings and payables to other financial institutions	153,800	144,739
of which with related parties	*21,788*	*17,993*
Trade payables	48,893	49,375
of which with related parties	*3,861*	*3,702*
Other payables	55,793	64,060
of which with related parties	*20,668*	*20,639*
Provisions for future risks and expenses	24,852	28,777
of which with related parties	*2,725*	*2,808*
Tax payables	12,330	12,829
of which with related parties	*1,324*	*1,324*
Derivative financial instruments	2,190	2,526
TOTAL CURRENT LIABILITIES	**297,858**	**302,306**
TOTAL LIABILITIES	**765,751**	**771,619**
TOTAL LIABILITIES AND EQUITY	**831,617**	**852,010**

11.2. Income Statement

(in thousands of euro)

	01.01.2013-03.31.2013	01.01.2012-03.31.2012 (*)
Revenues from sales and services	26,119	32,914
Changes in inventories of work in progress, semi-finished and finished products	(3)	36
Other income	2,117	6,533
TOTAL OPERATING REVENUES	**28,233**	**39,483**
of which with related parties	*14,031*	*18,310*
of which non-recurring events	*(12)*	-
Raw and consumable materials used (net of change in inventories)	(137)	(818)
Personnel costs	(15,378)	(17,492)
Depreciation, amortisation and impairment	(406)	(577)
Other costs	(15,829)	(18,206)
TOTAL OPERATING COSTS	**(31,750)**	**(37,093)**
of which with related parties	*(1,571)*	*(1,335)*
of which non-recurring events	*(515)*	*(377)*
EARNINGS BEFORE INTEREST AND TAX (EBIT)	**(3,517)**	**2,390**
Net income from investments of which:	(4,814)	(11,827)
of which with related parties	*(4,828)*	*(13,372)*
of which non-recurring events	*12*	-
- net profit share from investments in associates and joint ventures	(4,588)	(14,018)
- dividends	-	1,027
- gains on investments	14	1,873
- losses on investments	(240)	(709)
Financial income	3,578	4,852
of which with related parties	*2,974*	*3,416*
Financial expenses	(11,535)	(14,195)
of which with related parties	*(3,371)*	*(4,148)*
INCOME (LOSS) BEFORE TAXES	**(16,288)**	**(18,780)**
Taxes	(2,280)	(4,259)
NET INCOME (LOSS) FOR THE PERIOD	**(18,568)**	**(23,039)**
attributable to minority interests	(87)	621
GROUP NET INCOME (LOSS) FOR THE PERIOD	**(18,481)**	**(23,660)**

(*) data not subject to independent auditing

11.3. Statement of Comprehensive Income

(in thousands of euro)

		01.01.2013-03.31.2013			Attributable to:	
		Gross	Tax	Net	Group	Minority interests
A	**Net income (loss) for the period**			**(18,568)**	**(18,481)**	**(87)**
	Other components recognised in equity that may be reclassified to the income statement in a future period:	**4,536**	**1**	**4,537**	**4,544**	**(7)**
	Exchange differences on translating foreign financial statements	(78)	-	(78)	(78)	-
	Total available-for-sale financial assets	(98)	27	(71)	(64)	(7)
	- Fair value adjustment of available-for-sale financial assets	(98)	27	(71)	(64)	(7)
	Prelios share of other components of income recognised in equity by associates and joint ventures	4,712	(26)	4,686	4,686	-
	- Prelios share of (gains) / losses previously recognised directly in equity now transferred to the income statement	2,803	-	2,803	2,803	-
	- Prelios share of (gains) / losses recognised in equity	1,909	(26)	1,883	1,883	-
B	**Total other components recognised in equity that may be reclassified to the income statement in a future period:**	**4,536**	**1**	**4,537**	**4,544**	**(7)**
A+B	**Total comprehensive income (losses) for the period**			**(14,031)**	**(13,937)**	**(94)**

		01.01.2012-03.31.2012			Attributable to:	
		Gross	Tax	Net	Group	Minority interests
A	**Net income (loss) for the period**			**(23,039)**	**(23,660)**	**621**
	Other components recognised in equity that may be reclassified to the income statement in a future period:					
	Exchange differences on translating foreign financial statements	332	-	332	249	83
	Total available-for-sale financial assets	(196)	53	(143)	(128)	(15)
	- Fair value adjustment of available-for-sale financial assets	(196)	53	(143)	(128)	(15)
	Prelios share of other components of income recognised in equity by associates and joint ventures	423	53	476	476	-
	- Prelios share of (gains) / losses previously recognised directly in equity now transferred to the income statement	265	-	265	265	-
	- Prelios share of (gains) / losses recognised in equity	158	53	211	211	-
B	**Total other components recognised in equity that may be reclassified to the income statement in a future period:**	**548**	**109**	**657**	**589**	**60**
A+B	**Total comprehensive income (losses) for the period**			**(22,382)**	**(23,071)**	**681**

11.4. Statement of changes in Equity

(in thousands of euro)

	Share capital	Revaluation reserve	Reserve for fair value measurement of available-fo-sale financial assets	Cash flow hedge reserve	Reserve for actuarial gains/ losses	Reserve for tax on items credited/debited to equity	Other reserves	Net income/ (loss) undivided	Retained earnings / (losses)	Net income/ (loss) for the period	**Group equity**	**Minority interests in equity**	**Total**
Equity at December 31, 2012	**218,283**	**(2,064)**	**(6,211)**	**(10,233)**	**(1,818)**	**3,067**	**(999)**	**0**	**115,887**	**(241,734)**	**74,178**	**6,213**	**80,391**
Total other components of income recognised in equity	**-**	**(78)**	**(88)**	**4,712**	**-**	**2**	**-**	**-**	**-**	**-**	**4,544**	**(7)**	**4,537**
Allocation of 2012 results	-	-	-	-	-	-	-	(241,734)	-	241,734	-	-	-
Other changes	-	-	180	-	-	(38)	-	-	(263)	-	(121)	(373)	(494)
Net income (loss) for the year	-	-	-	-	-	-	-	-	-	(18,481)	(18,481)	(87)	(18,568)
Equity at March 31, 2013	**218,283**	**(2,142)**	**(6,119)**	**(5,521)**	**(1,818)**	**3,027**	**(999)**	**(241,734)**	**115,624**	**(18,481)**	**60,120**	**5,746**	**65,866**

	Share capital	Share premium reserve	Revaluation reserve	Legal reserve	Currency translation reserve	Reserve for fair value measurement of available-for-sale financial assets	Cash flow hedge reserve	Reserve for actuarial gains/ losses	Reserve for equity-settled stock options	Reserve for tax on items credited/debited to equity	Other reserves	Net income/ (loss) undivided	Retained earnings / (losses)	Net income/ (loss) for the period	**Group equity**	**Minority interests in equity**	**Total**
Equity at December 31, 2011	**419,991**	**104,649**	**15**	**4,265**	**(1,844)**	**(2,755)**	**(12,104)**	**353**	**5,156**	**3,373**	**(6,885)**	**0**	**94,261**	**(289,641)**	**318,834**	**7,348**	**326,182**
Total other components of income recognised in equity	**-**	**-**	**-**	**-**	**249**	**(176)**	**412**	**-**	**-**	**104**	**-**	**-**	**-**	**-**	**589**	**68**	**657**
Allocation of 2011 results	-	-	-	-	-	-	-	-	-	-	-	(289,641)	-	289,641	-	-	-
Cost of equity transactions	-	-	-	-	-	-	-	-	-	-	9	-	-	-	9	-	9
Other changes	-	-	-	-	-	(13)	-	(100)	-	6	-	-	(301)	-	(408)	599	191
Net income (loss) for the year	-	-	-	-	-	-	-	-	-	-	-	-	-	(23,660)	(23,660)	621	(23,039)
Equity at March 31, 2012	**419,991**	**104,649**	**15**	**4,265**	**(1,595)**	**(2,944)**	**(11,692)**	**253**	**5,156**	**3,483**	**(6,876)**	**(289,641)**	**93,960**	**(23,660)**	**295,364**	**8,636**	**304,000**

11.5. Cash Flow Statement

(in thousands of euro)

	01.01.2013-03.31.2013	01.01.2012-03.31.2012 (*)
Result before income taxes and minority interests	(16,288)	(18,780)
Depreciation, amortisation and impairment/impairment reversal intangible assets & property, plant & equipment	406	577
Impairment of receivables	1,589	(796)
Gains/Losses on sale of property, plant and equipment and investment property	(1)	(6)
Net income from investments net of dividends	4,814	12,486
Financial expenses	11,535	14,195
Financial income	(3,578)	(4,852)
Change in inventories	50	678
Change in trade receivables/payables	2,818	4,444
Change in other receivables/payables	(3,606)	(7,529)
Change in employee benefit obligations and other provisions	(5,812)	73
Taxes	(976)	(2,193)
Other changes	88	(12)
Net cash flow generated / (absorbed) by operating activities (A)	**(8,961)**	**(1,715)**
Purchase of property, plant and equipment	(351)	(64)
Disposal of property, plant and equipment	5	47
Purchase of intangible assets	(58)	(30)
Disposal of intangible assets	-	-
Net cash flow generated by disposal of investments in subsidiaries	14	1,164
Purchase of investments in associates and joint ventures	(848)	(988)
Disposal of investments in associates and joint ventures and other movements	-	(29)
Dividends received	-	1,027
Purchase of other financial assets	979	-
Disposal of other financial assets	-	4,218
Net cash flow generated by non-current assets held for sale	-	(297)
Net cash flow generated / (absorbed) by investing activities (B)	**(259)**	**5,048**
Other changes in equity	(572)	522
Change in financial receivables	(1,446)	3,055
Change in financial payables	(1,383)	(10,580)
Cash flow generated by financial income	150	547
Cash flow absorbed by financial expenses	(284)	(1,038)
Net cash flow generated / (absorbed) by financing activities (C)	**(3,535)**	**(7,494)**
Total net cash flow generated / (absorbed) in the period (D=A+B+C)	**(12,755)**	**(4,161)**
Cash and cash equivalents + bank overdrafts at the beginning of the period (E)	**45,090**	**37,604**
Cash and cash equivalents + bank overdrafts at the end of the period (D+E)	**32,335**	**33,443**
of which:		
- cash and cash equivalents	**32,335**	**33,443**
- bank overdrafts	**-**	**-**

(*) data not subject to independent auditing

11.6. Net Financial Position

(in thousands of euro)

	03.31.2013	12.31.2012
CURRENT ASSETS		
Other receivables	**176**	**176**
- of which receivable from related parties	*176*	*176*
Financial receivables	176	176
- *joint venture and other Prelios Group companies*	176	176
Cash and cash equivalents	**32,335**	**45,090**
TOTAL CURRENT ASSETS - A	**32,511**	**45,266**
CURRENT LIABILITIES		
Bank borrowings and payables to other financial institutions	**(153,800)**	**(144,739)**
- of which payables to related parties	*(21,788)*	*(17,993)*
- joint ventures and other Prelios Group companies	(5,355)	(4,487)
- other related parties	(16,433)	(13,506)
- other financial payables	(1,160)	(2,057)
- Bank borrowings	(130,754)	(124,591)
- Payables to other financial institutions	(98)	(98)
TOTAL CURRENT LIABILITIES - B	**(153,800)**	**(144,739)**
NON-CURRENT LIABILITIES		
Bank borrowings and payables to other financial institutions	**(421,800)**	**(420,993)**
- of which payable to related parties	*(157,698)*	*(157,389)*
- joint ventures and other Prelios Group companies	(46)	(32)
- other related parties	(157,652)	(157,357)
- other financial payables	(630)	(627)
- Bank borrowings	(263,472)	(262,977)
TOTAL NON-CURRENT LIABILITIES - C	**(421,800)**	**(420,993)**
NET FINANCIAL POSITION (*) = D =(A+B+C)	**(543,089)**	**(520,466)**

(*) Pursuant to the CONSOB Communication dated July 28th, 2006 and in compliance with the CESR Recommendation of February 10th, 2005 (“Recommendations for the consistent implementation of the European Commission’s Regulation on Prospectuses”)

12. Related party transactions

The following tables show transactions and balances with related parties:

	01.01.2013-03.31.2013	Incidence % (*)	01.01.2012-03.31.2012 (**)	Incidence % (*)
Operating revenues	14,031	49.7%	18,310	46.4%
Operating costs	(1,571)	4.9%	(1,335)	3.6%
Net income from investments	(4,828)	100.3%	(13,372)	113.1%
Financial income	2,974	83.1%	3,416	70.4%
Financial expenses	(3,371)	29.2%	(4,148)	29.2%

(*) The percentage incidence is calculated with reference to total financial statement items
(**) data not subject to independent auditing

	03.31.2013				12.31.2012			
	Total	Incidence % (*)	Non-current	Current	Total	Incidence % (*)	Non-current	Current
Trade receivables	42,877	72.7%	-	42,877	46,745	73.2%	-	46,745
Other receivables of which:	219,700	88.1%	212,948	6,752	213,708	85.7%	208,105	5,603
– financial receivables	*213,114*	*100.0%*	*212,938*	*176*	*208,271*	*100.0%*	*208,095*	*176*
Trade payables	(3,861)	7.9%	-	(3,861)	(3,702)	7.5%	-	(3,702)
Other payables	(20,668)	36.4%	-	(20,668)	(20,639)	31.7%	-	(20,639)
Tax payables	(1,324)	6.9%	-	(1,324)	(1,324)	6.6%	-	(1,324)
Bank borrowings and payables to other financial institutions	(179,486)	31.2%	(157,698)	(21,788)	(175,382)	31.0%	(157,389)	(17,993)
Provisions for future risks and expenses	(2,725)	5.7%	-	(2,725)	(2,808)	5.2%	-	(2,808)

(*) The percentage incidence is calculated with reference to total financial statement items

Transactions and balances between the Prelios Group and associates, joint ventures and other companies in the Prelios Group are detailed as follows:

Transactions and balances with associates/joint ventures and other Prelios Group companies		
Operating revenues	13,942	These refer to contracts with Group companies for fund and asset management services (real estate and non performing loans) and technical and commercial services.
Operating costs	(270)	These refer to recharges of various kinds.
Net income from investments	(4,828)	This item mainly consists of the results of these investments valued using the equity method, as well as value adjustments made to some investments held by the Group.
Financial income	2,974	This mostly refers to interest earned on financial receivables held by Group companies.
Financial expenses	(149)	This item is in large part attributable to the effects of "discounting" of receivables from Group companies not fully consolidated.
Current trade receivables	42,109	This balance includes the receivables relating to "operating revenues".
Other non-current receivables	212,948	
- of which financial receivables	*212,938*	This reflects the loans given to finance real estate projects being managed by individual Group companies. These loans are classified as non-current assets by virtue of their terms of repayment, which match the medium-term disposal programmes of the real estate portfolios owned directly or indirectly by these companies. These loans carry interest rates that are in line with those applied by the principal market participants except for some companies which have been given non-interest bearing loans.
Other current receivables	6,270	This includes dividends that have been declared but not yet paid and other receivables
- of which financial receivables	*176*	
Current trade payables	(3,562)	They refer to recharges of various types, mainly traceable to rent and urbanization charges and accessory costs.
Other current payables	(20,668)	These refer to different kinds of recharge.
Current tax payables	(1,324)	This amount mainly relates to amounts owing to Trixia S.r.l. under its adoption of the "tax transparency" regime allowed by art. 115 of the Italian Income Tax Code, whereby a company's positive or negative taxable amounts are attributed to its shareholders.
Non-current bank borrowings and payables to other financial institutions	(46)	
Current bank borrowings and payables to other financial institutions	(5,355)	This includes negative balances on intercompany current accounts and other financial payables of the parent company related to an obligation to subscribe, through the companies Afrodite S.à.r.l. and Artemide S.à.r.l., units in the Fondo Residenziale Diomira and of the subsidiary Prelios Netherlands B.V. tu subscribe units in the Fondo Vivaldi.
Provisions for future risks and expenses	(2,725)	This refers to the provision for making good the losses of associates and joint ventures in excess of their carrying amounts.

For the sake of completeness, details will now be provided of the transactions and balances at March 31, 2013 between the Prelios Group and other parties that are indirectly related through the directors.

The following table provides details of transactions and balances with these related parties:

Transactions and balances with Pirelli & C. other Pirelli & C. Group companies		
Operating revenues	89	They mainly include the recovery of costs related to some space in the Milan - HQ2 office.
Operating costs	(597)	The item includes the costs for renting and expenses for the R&D building charged by Pirelli Group, and the costs for the services provided by the company Poliambulatorio Bicocca S.r.l..
Financial expenses	(3,222)	These relate to interest accrued on the credit facility granted by Pirelli & C. S.p.A., and to the portion accruing of up-front commissions paid for the said loan.
Current trade receivables	768	These mainly refer to the recharge of costs related to certain land reclamation activities made by Lambda S.r.l. in an area in Milano Bicocca intended for a nursery school and for various services provided.
Other current receivables	482	The item mainly includes a caution money paid to Pirelli & C. S.p.A. for the rent of the R&D building and the pre-paid expenses related to the quarter rental of the said building.
- of which financial receivables	-	
Current trade payables	(299)	These mainly refer to the payable to Pirelli Tyre S.p.A. for the recharge of expenses related to R&D building and to the payables for health services provided by Pirelli & C. Group companies.
Non-current bank borrowings and payables to other financial institutions	(157,652)	These refer to the short-term drawdown of the floating-rate credit facility granted by Pirelli & C. S.p.A. to Prelios S.p.A.
Current bank borrowings and payables to other financial institutions	(16,433)	These refer to the interest matured on the floating-rate credit facility granted by Pirelli & C. S.p.A..

Cash flows

At March 31, 2013 there are no material cash flows relating to related party transactions that are not directly evidenced in the financial statements or in the accompanying notes.

Key management personnel

At March 31, 2013, the remuneration of the 17 key managers (of whom 16 are in office as at March 31, 2013), meaning those persons, including the directors (whether executive or otherwise), with the authority and responsibility, directly or indirectly, for planning, managing and controlling the activities of Prelios S.p.A., amounts to 704 thousand euro of which 72 thousand euro classified in the income statement as “Personnel costs” and 632 thousand euro recognized in the income statement as “Other costs”. The long-term portion is zero as at March 31, 2011.

13. DECLARATION BY THE MANAGER RESPONSIBLE FOR PREPARING THE CORPORATE ACCOUNTING DOCUMENTS

Declaration pursuant to par. 2, article 154-bis,
n.58 of Italian Legislative Decree 58 dated February 24th, 1998

The undersigned Angelo Cattaneo, appointed by the Board of Directors as Manager responsible for preparing the corporate accounting documents for Prelios S.p.A., with registered office in Viale Piero e Alberto Pirelli 27, Milan, tax code, VAT number, and Milan Company Register number: 02473170153

declares

pursuant to par. 2, art. 154-bis of Italian Legislative Decree 58 dated February 24th, 1998, that the accounting information contained in the Interim Financial Report at March 31, 2013 corresponds to the underlying documentary records, books of account and accounting entries.

Milan, May 8th 2013

Angelo Cattaneo

Manager responsible for preparing the corporate accounting documents.

14. APPENDICES

APPENDIX A

No-GAAP Measures
The Non-GAAP Measures used are as follows:

- **Operating result** (-3.4 million euro): it is determined as EBIT for -3,5 million euro, plus net income from investments for -4.8 million euro (values reported in "EBIT" and "Net income from investments" respectively in the consolidated income statement) plus income from shareholder loans for 2.7 million euro (included in financial income). These amounts are adjusted for restructuring costs (0.5 million euro), and property writedowns/revaluations (1.8 million euro).

- **Profit (loss) before property writedowns/revaluations and tax expenses** (-14 million euro): this amount is obtained by adding financial expenses (-10.6 million euro) to the above Operating result (-3,4 million euro).

- **Income from shareholders' loans** (2.7 million euro): this measure comprises the interest income on financial receivables from associates and joint ventures and income from securities, both of which reported in "Financial income" in the financial statements; it is stated net of the impairment of junior notes, classified in "Financial expenses" in the financial statements.

- **Financial expenses** (-10.6 million euro): this measure includes the financial statement item "Financial expenses" (adjusted for impairment of junior notes or financial receivables) and the financial statement item "Financial income" (net of income from shareholder loans).

- **Investments in real estate funds and investment companies:** this measure reports investments in associates and joint ventures, in closed-end real estate funds and investments in other companies and junior notes (reported in "Other financial assets" in the financial statements).

- **Net working capital:** this represents the amount of resources comprising a business's net operating assets. This indicator is used to verify its short-term financial equilibrium. This measure comprises all the short-term assets and liabilities of a non-financial nature and is stated net of junior notes included in the item "investments in real estate funds and investment companies".

- **Provisions:** this measure, representing the sum of "Provisions for future risks and expenses (current and non-current)", "Employee benefit obligations" and "Deferred tax provisions," is stated net of provisions for future risks on equity-accounted investments classified in "Investments in real estate funds and investment companies."

- **Net Financial Position:** this measure is a valid indicator of the ability to meet obligations of a financial nature. Net financial position is represented by gross financial debt less cash and other cash equivalents and other financial receivables.

- **Gross bank debt:** this represents the total payables of each company/fund due to the banking system.

- **Net bank debt:** this represents gross bank payables of each company/fund, less cash and other cash equivalents.

- **Return on Equity (ROE):** this is an indicator of the results for the period relative to the capital invested by shareholders and is determined as the ratio between net income (loss) for the period and the average of opening and closing equity.

- **Return on Sale (ROS):** it is determined by the impact of the operating results on revenues.

- **Gearing:** this measure indicates the Group's ability to satisfy the needs of its business with its own resources rather than with third party financial debt. Gearing is calculated as the ratio between the net financial position and equity.

- **Basic earnings (loss) per share:** this is an indicator of the remuneration per share from results in the period and is calculated as the ratio between net income (loss) for the period and the number of shares issued and outstanding at the end of the period.

The table below reconciles, by grouping/reclassification of the accounting measures in the context of the IFRSs, the main measures defined as non-GAAP measures for the consolidated financial statement tables.

Operating result	March, 31 2013	March, 31 2012
EBIT	(3.5)	2.3
Net income from investments	(4.8)	(11.8)
Income from shareholder loans	2.7	3.4
Restructuring costs	0.5	0.4
Property writedown/revaluations	1.8	8.4
Total	**(3.4)**	**2.7**

Profit (loss) before restructuring costs, property writedowns /revaluations and income taxes	March, 31 2013	March, 31 2012
Operating result	(3.4)	2.7
Financial expenses	(10.6)	(12.7)
Total	**(14.0)**	**(10.0)**

Income from shareholders' loans	March, 31 2013	March, 31 2012
Interest income on financial receivables due from associates (1)	-	-
Interest income on financial receivables due from joint ventures (1)	2.7	3.4
Return on Securities (1)	-	-
Impairment of securities	-	-
Totale	**2.7**	**3.4**

Financial expenses	March, 31 2013	March, 31 2012
Financial expenses	(11.5)	(14.2)
Financial income	3.6	4.9
Income from shareholder loans	(2.7)	(3.4)
Totale	**(10.6)**	**(12.7)**

NOTE

(1) Interest income on financial receivables due from joint ventures included in the item financial income

APPENDIX B

Information on the real estate debt of investment companies and funds

	Net financial position	Net bank debt	Maturity (years) *
Commercial Italy	1,025,587	967,836	1.0
Commercial Germany	58,440	36,522	1.2
Commercial Germany - Highstreet -	2,287,419	2,069,725	1.3
Residential Germany - Small Deals -	102,666	82,684	4.4
Residential Germany - DGAG -	799,803	687,125	0.7
TOTAL PORTFOLIO "YIELDING"	**4,273,916**	**3,843,893**	
Trading Italy	520,863	412,519	0.8
Development Italy	90,717	67,803	2.7
Lands Italy	332,355	225,717	0.5
Other Germany	32,097	13,459	5.6
Development Poland	55,733	(1,166)	
TOTAL PORTFOLIO "OTHER"	**1,031,765**	**718,332**	
TOTAL REAL ESTATE	**5,305,681**	**4,562,224**	**1.2**

(*) The average of maturity is calculated considering the Gross Bank Debt of every initiative excluding subsidized debt.

Principal contractual clauses relating to the debt[22]

The covenants applying to all the loans to funds and investment companies invested in by Prelios are monitored on a quarterly basis at the time of preparing the quarterly financial statements regardless of any periodic reporting required by the associated loan agreements.

The main financial covenants applying to the funds and investment companies are as follows:
- LTV (Loan To Value): ratio between (i) bank debt and (ii) appraised value of the portfolio
- LTC (Loan To Cost): ratio between (i) bank debt and (ii) book value of the portfolio
- ISCR (Interest Service Cover Ratio): ratio between (i) rental income net of operating costs and (ii) financial expenses
- DSCR (Debt Service Cover Ratio): ratio between (i) rental and sale income net of operating costs and (ii) financial expenses and repayments of principal
- Maximum Outstanding Amount: maximum amount of bank exposure permitted.

At March 31, 2013, some funds and investment companies invested in by Prelios S.p.A. had covenants that were not in line with those envisaged in the contract. In particular, with regard to the LTV, Gamma Re BV, and as regards the Maximum Outstanding, Diomira Funds. Only in one case, i.e. Resident West GmbH, a covenant exists that is not in line with the one provided for under the contract, aimed at measuring the vacant real estate units of the company portfolio. Finally in only one case, i.e. Gamma Re BV, the so-called Margin to Loan (ratio between (i) the price value of the Tecla Fund units held by Gamma Re BV and (ii) the

[22] The analysis does not include the data relating to the Funds Cloe, Armilla, Clarice, Anastasia, Fedora and Eridano, classified as third party funds as Prelios interest therein is below 5%.

bank debt) exists and is not in line with the contract limit. The Fund Città di Torino is not in line with some contract provisions inherent to payment obligations to financial counterparties.
In this respect it should be noted that for all the aforementioned positions, negotiations have been started with the financial counterparties aimed at formalising and finalising any settlement agreements.

Lastly, worthy of note are certain positions relating to Solaris and Aree Urbane (both in liquidation), Vivaldi Fund, Golfo Aranci, Trinacria Capital S.à.r.l e Sicily Investments S.à.r.l (as a co-debtor), Immobili Pubblici Regione Sicilia Fund, Gadecke, Patrimonio Uffici Fund (the latter 4 came to an end between the months of March and April 2013) which, in respect of the expired debt (in proportion to Aree Urbane), new agreements are being negotiated with financial counterparties.

APPENDIX C

Glossary

- **Assets Under Management (AUM):** Property assets and non-performing loans managed, whose value is stated at the market value at the close of the year; property asset values are based on the appraisals of independent experts, and non-performing loans are stated at book value. The pro-rata share of these values (market or book, depending on the case) expresses the Group's interest in the market value of the assets and in the book value of non-performing loans managed.

- **Investment Activities**: these refer to Prelios Group's activities carried out through its investments in funds and companies holding real estate portfolios.

- **Net working capital:** this represents the amount of resources comprising a business's net operating assets. This indicator is used to verify its short-term financial equilibrium. This measure comprises all the short-term assets and liabilities of a non-financial nature and is stated net of junior notes included in the item "investments in real estate funds and investment companies".

- **Cash Generating Unit:** this is the smallest identifiable group of assets that generates incoming cash flows which are largely independent of incoming cash flows generated by other assets or groups of assets in accordance with the provisions of the international accounting standards.

- **Corporate Governance:** a set of rules, systems and company management and control bodies.

- **Credit servicing:** in-court and out-of-court management of non-performing loans, secured mainly by property mortgages, through valuation activities, monitoring of the trend in-court and out-of-court legal actions and management of the flow of data and information on securitised portfolios.

- **Gearing:** this measure indicates the Group's ability to satisfy the needs of its business with its own resources rather than with third party financial debt. Gearing before shareholder loans is calculated as the ratio between the net financial position and equity.

- **G&A**: this refers to general expenses and holding costs and more specifically includes costs related to the Board of Directors and Central Staff Functions.

- **Highstreet**: investment initiative developed in a consortium with the RREEF funds, Generali, and Borletti in 2008, relating to the acquisition of 49% of a real estate portfolio, located throughout Germany and rented to the Karstadt department stores.

- **Impairment test:** test to check for impairment of assets through which the company determines the recoverable value of its financial statement assets. The recoverable amount of an asset or cash generating unit is the higher of its fair value, less costs to sell, and its value in use. If the book value of an asset is higher than its recoverable value, this asset has been impaired and is written down accordingly to its recoverable value.

- **Joint venture:** joint ventures are contractual or statutory arrangements whereby two or more parties undertake an economic activity that is subject to joint control.

- **LTI** (Long Term Incentive): medium-long term incentive.

- **MBO** (Management By Objective): indicates the variable annual component of remuneration which can be obtained by meeting preset company targets.

- **Net Asset Value (NAV):** this measure makes it possible to quantify the unrealized implicit capital gain in the real estate managed and invested in by the Group. The pro-rata Net Asset Value is calculated as the difference between Prelios' share of the market value of the assets and the associated value of debt including the shareholder loans of investees with minority stakes. In calculating the Net Asset Value, account is not taken of the effect of taxes relating to the implicit capital gain of the assets invested in, as they are not considered significant for the Group

- **Non-Performing Loan (NPL):** portfolio of mortgage-backed non-performing loans coming from banks or from mortgage-backed loans for real estate involved in legal disputes.

- **Passing Rent:** this indicator corresponds to rents annualized on the basis of contracts existing at the end of the period in question for assets belonging to a specific fund/company and represents a useful indicator of the annual volume of rents.

- **Passing Yield:** this is an indicator of the profitability of rent from assets belonging to a certain company/fund. It is calculated at the ratio between the book value of the company/fund assets and the corresponding amount of passing rent.

- **Management Platform:** this refers to the activities that the Prelios Group carries out through its fund and asset management businesses and specialized real estate services (property & project, agency, and facility management in Germany), and from credit servicing for NPLs, inclusive of general and administrative expenses.

- **Return on equity (ROE):** this is an indicator of the results for the period relative to the capital invested by shareholders and is determined as the ratio between net income (loss) for the period and the average of opening and closing equity.

- **Tracking Shares:** shares numbered and assigned so as to create a direct correlation between them and certain investee companies both in terms of contribution to the results and as a control exercise.

- **Vacancy:** indicates the portion of real estate that does not generate revenues in the form of rent; it is calculated based on the ratio of unrented square meters to total square meters.

Prelios S.p.A.
Viale Piero e Alberto Pirelli, 27
20126 Milan
Share Capital € 218.877.613,14
Tax Code and Number of Registration
with the Milan Company Register 02473170153
R.E.A. Milan 589396