PRELIOS

HALF-YEARLY FINANCIAL REPORT 2015

A. INTERIM REPORT ON OPERATIONS

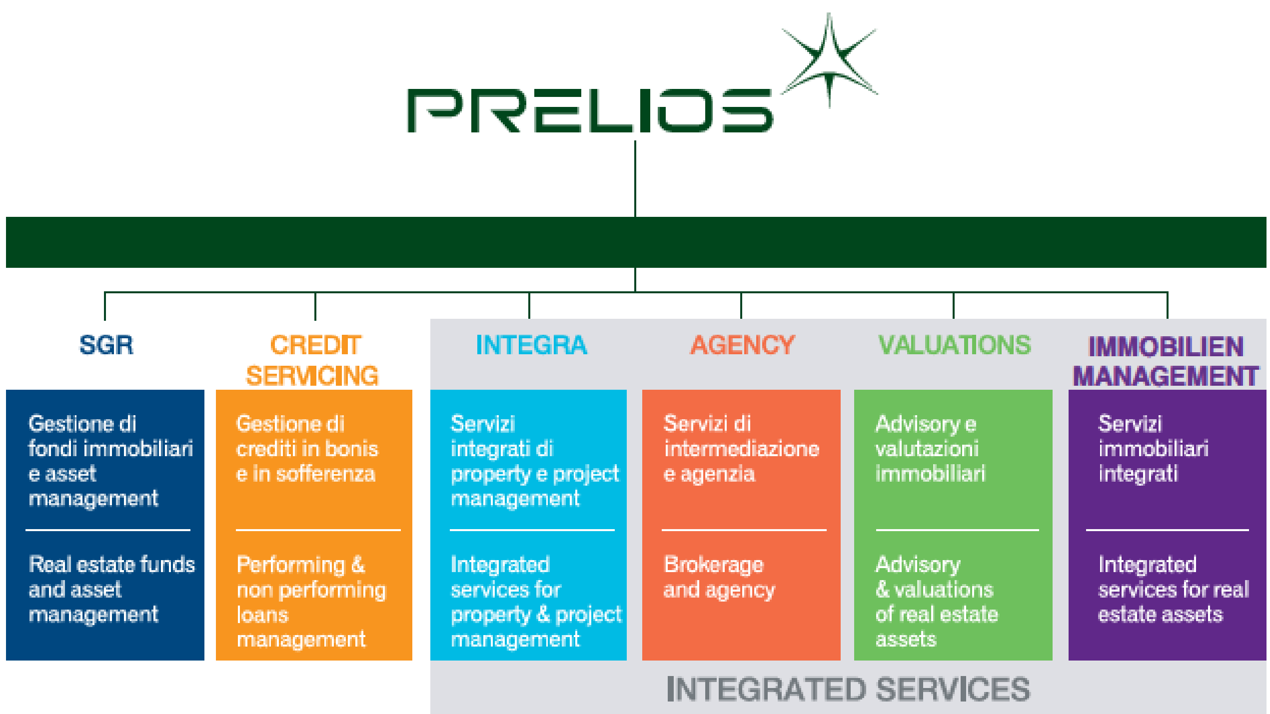
1. CORPORATE REVIEW

1.1. Group profile

The mission of Prelios is the creation of value through management.

Prelios is one of Europe's foremost asset management groups, offering a full range of real estate and financial services: the market value of its co-investments and third-party assets under management is Euro 5.1 billion. The Group has a qualified staff of approximately 450 professionals with significant professional expertise and a track record of excellence in their endeavours over the years within a competitive international scenario.

Listed on the Italian Stock Exchange since 2002, the holding company Prelios S.p.A. coordinates six operating companies that together form a full-service, multi-award winning real estate network renowned for its quality, efficiency and reliability:



By contrast, co-investments, which will be divested in the medium term, are managed by Prelios through its investments in funds and companies that hold real estate and non-performing loan portfolios.

At June 30, 2015, co-investments and third-party assets under management of Euro 5.1 billion[1] include property assets of Euro 4.9 billion (market value) and non-performing loans (NPLs) of Euro 0.2 billion (at book value).

In terms of the geographical distribution of real estate assets, Italy accounts for Euro 4.1 billion, primarily in 25 real estate funds managed by the subsidiary Prelios SGR, one of the leading players in the Italian real estate market.

The remainder of the portfolio is located in Germany (Euro 0.8 billion) and Poland (approximately Euro 0.1 billion).

[1] Co-investments and third-party assets under management, excluding NPLs at book value, are stated at market value at June 30, 2015, based on appraisals and analysis by independent experts.

1.2. Activities and services

ITALY

The Italian management platform of Prelios offers, through independent companies, the full range of services for the management and development of third-party real estate portfolios.

Prelios SGR – Real estate fund management

The Group manages real estate funds through its subsidiary Prelios SGR (90% Prelios, 10% Intesa Sanpaolo), which, with its 25 funds and approximately Euro 3.45 billion[2] of assets managed, is among Italy's foremost asset management companies.

Prelios SGR today relies on a management team with wide professional expertise and knowledge of the real estate market and an operational structure delivering the highest standards in terms of transparency, governance and risk management.

Prelios SGR is active in the promotion and management of real estate investment funds and in advisory services for leading institutional investors, both domestic and international, which as partners help to define the real estate investment strategies.

The funds managed include a retail real estate fund listed on the MIV segment of the Italian Stock Exchange: Tecla, Italy's first private equity fund, placed in 2004.

In over ten years of trading, Prelios SGR has made a name for itself owing to its excellent performance track record, earning numerous accolades and winning the prestigious IPD European Property Investment Awards for three years running (with Cloe in 2010, Clarice in 2011 and FIPRS in 2012). In 2013, the company received ISO 9001:2008 Quality Management certification from IMQ, confirming its ongoing commitment towards international best practice.

Integrated Services is the Group's business unit that offers a full range of services covering the entire real estate asset life cycle through its operating companies.

It is active in asset and portfolio management, global service (facilities maintenance, services) property management, project management, specialised services, brokerage and agency services and appraisals.

Prelios Integra – Integrated property management services

In Italy, integrated property management services are provided by Prelios Integra, a wholly owned subsidiary of Prelios.

Prelios Integra is one of Italy's leading integrated property management and project development companies, with approximately Euro 5 billion of properties under management, representing 5.4 million square metres.

Prelios Integra offers active, dynamic integrated management service (asset and portfolio management, property and facility management, project and development management, and engineering and professional services) aimed at adding value for public and private clients: from administrative and accounting management of properties, to dealings with tenants, technical and maintenance services, and research and sales support.

As part of its development and project management services, Prelios Integra handles all stages of planning and construction of a building or property development, from designing the concept to turnkey delivery of the finished product. In particular, Prelios Integra boasts distinctive expertise in the field of sustainability: from the development of new environmentally friendly buildings to green retrofitting, energy certification and renewable energy. This is testified by the numerous accolades garnered over the years, including the 2011 Mipim Awards in the "Green Building" category for the headquarters of 3M Italy, one of the leading examples of contemporary eco-architecture.

[2] Market value stated at 100%, including the portfolio of Excelsia 9 S.r.l.

Prelios Agency – Real estate brokerage and valuations

In Italy, the subsidiaries Prelios Agency and Prelios Valuations are responsible for providing real estate brokerage and valuation services.

Prelios Agency, one of Italy's foremost real estate agents, specialises in providing professional advisory services for the purchase and sale or lease of individual units and entire properties for office, residential, industrial, logistics and retail use.

Thanks to its qualified team of over 400 professional real estate agents throughout Italy, Prelios Agency can provide a full range of services to various types of clients, from the corporate world to public and private investors, real estate funds and institutional players. Prelios Agency is a leading player in the capital markets, an area in which it has worked with all the major national and international investors.

Prelios Agency takes a professional approach to assisting its clients throughout the process of adding value, from putting together an investment strategy or selling an asset, to structuring the deal, finding tenants, optimising the profitability of a property, providing highly specialised services such as data room and due diligence support, and preparing marketing plans.

Prelios Valuations – Valuations

Prelios Valuations is one of Italy's foremost independent providers of valuations for individual properties and real estate portfolios in the service and residential segments. The company is currently under contract to provide over 40,000 appraisals annually, and is one of the leading providers of valuations (loan services) for banks in Italy. The company employs an established team of professionals of over 700 qualified surveyors enrolled in approved professional bodies, acting in accordance with the highest international standards as well as with the ABI guidelines and the RICS Red Book. It is also a founding member of Assovib, an association for the promotion of quality and a professional culture within the bank valuations sector.

The organisational structure is divided into three areas of activity: Mass Appraisals, i.e. valuation of large real estate portfolios according to statistical methods, using the proprietary technology Magister; Full Appraisals, i.e., valuation of real estate and real estate portfolios through economic and financial analysis; and Loan Services, i.e., support services for lending by banking groups, leasing companies and private banks.

Prelios Credit Servicing – Management of non-performing/sub-performing loans

Prelios Credit Servicing S.p.A. (PRECS) is the Group operating company specialised in pro-active management, adding value and recovering non-performing loans (NPLs).

PRECS offers Special Servicing, (debt management and recovery); Master Servicing (cash management, payments and reports); Corporate Servicing (formation and administration of SPV); Due Diligence for the disposal of loan portfolios; and Advisory, for the disposal and acquisition of portfolios.

In offering the services described above, the company acts through a highly specialised organisation that combines financial, real estate and legal skills and guarantees coverage of all of Italy through external networks of lawyers and specialised professionals.

Generally, when the company acts as master servicer, it also assumes responsibility for managing administrative, tax and corporate matters for the securitisation vehicle (corporate servicing).

Finally, Prelios Credit Servicing can act as calculation and payment agent, note holder representative and portfolio manager.

The company also values portfolios of NPLs and has participated in many rounds of due diligence prior to the acquisition of significant loan portfolios by leading Italian and international financial institutions.

Finally, the company acts as advisor in the securitisation of NPL portfolios and disposals of packages of loans on behalf of the financial institutions that own the loans.

Through a subsidiary (SIB S.r.l.), the company also provides consulting and coordination services in the divestment of real estate portfolios of major financial institutions. Such consulting and coordination services are also provided to banks, for the recovery of mortgage loans out of court, through the disposal of the borrowers' real estate assets.

Since the company is registered in the special list of financial intermediaries pursuant to Art. 107 of the Consolidated Law on Banking, it provides master servicing services, such as collection and payment management, review of transaction compliance with the law and securitisation contracts, monitoring and periodic reporting for investors and the Bank of Italy and reports to the Central Credit Register.

Prelios Credit Servicing stands apart from the rest of the market due to various competitive strengths:

- its independence, which allows the company to interact with all players in the sector while guaranteeing optimal strategic management of the NPLs;
- its specific expertise in the securitisation of loans, which allows the company to offer a "turnkey" product;
- the ability to exploit the synergies offered by belonging to the Prelios Group, with its solid real estate experience;
- the existence of a strong internal control structure, founded on audits involving independent parties with three levels of review, ensuring total supervision of processes, procedures, rules and behaviour;
- the use of a cutting-edge proprietary IT system.

With its Euro 9.1 billion[3] of loans under management, the company is among the main Italian servicers, with a strong reputation among major Italian and international financial institutions and ratings from the major ratings agencies.

GERMANY

Prelios Immobilien Management is a real estate services provider that handles all aspects involved in adding value to properties and commercial real estate. It develops customised real estate projects and individual solutions according to local circumstances. With about Euro 0.8 billion[4] in assets under management and 0.8 million square metres of space in shopping centres, commercial properties, warehouses, offices, hotels and mixed-use buildings, it is one of the leading real estate service providers on the German commercial real estate market.

With a management boasting over 20 years of experience in the industry, it has become the key partner for high net worth clients and investors.

With a large base of loyal customers and investors with long-term mandates, the commercial division is recognised for its excellence. In addition to the properties in the Highstreet retail portfolio, which includes 40 units mainly occupied by the German chain Karstadt, it manages shopping centres, multi-tenant retail spaces, offices and mixed-use buildings.

Aside from its portfolio of commercial properties, Prelios Immobilien Management manages numerous mixed-use buildings, retail areas and shopping centres for investors, owners and clients. The many awards and accolades that it has received confirm its expertise and experience as an active provider of high-quality real estate services. For instance, it tops the list in the ranking given by the Shopping Centre Performance Report (SCPR) in 2012 and in 2013 for the LAGO shopping centre in Constance[5].

Prelios Immobilien Management has also received ISO 9001:2008 quality certification.

The company coordinates Prelios Real Estate Advisory, the Group's Polish platform, which provides a full range of real estate services, from technical consulting to urban planning, the preparation of master plans, construction and turnkey delivery.

[3] Gross Book Value.
[4] Excluding DGAG.
[5] Ecostra, Shopping Center Performance Report 2012-2013.

Over the last several years, the Group has completed residential projects in Warsaw and Danzig totalling over 3,000 units, and commercial projects in various locations totalling 46,000 square metres. All of these projects implement high standards of eco-sustainability. The company also has specific know-how in planning and assisting in the construction of buildings in the healthcare sector (hospitals and university clinics).

Its clients include public and private investors of high standing.

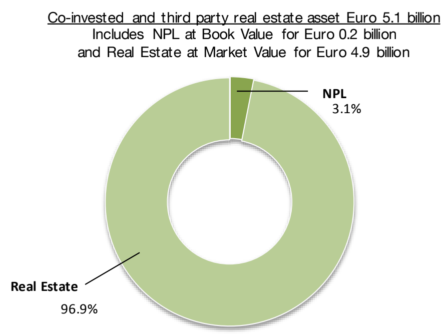
1.3. Economic and financial highlights

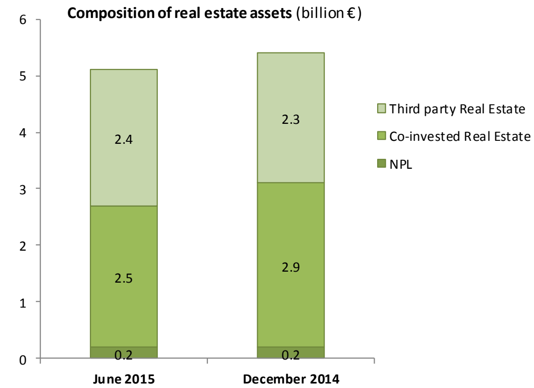
In the first six months of 2015, the Group made an operating loss (as defined in part 4) of Euro 10.7 million, compared with an operating loss of Euro 6.3 million in H1 2014 and a net loss of Euro 13.1 million, compared to a net loss of Euro 37.6 million in H1 2014. The net loss was largely influenced by items that are outside the scope of ordinary operations, and in particular:

- net property revaluations and impairment losses and write-downs, which amounted to a positive Euro 2.5 million (negative Euro 21.2 million at June 30, 2014);
- restructuring costs, which had a negative impact of Euro 2.0 million, compared to Euro 1.8 million in H1 2014. This figure primarily consists of expenses relating to streamlining of the Group, losses on receivables and forbearances as part of the restructuring of certain investee companies;
- The net income from assets and liabilities held for sale amounted to Euro 3.2 million following refinement of the estimated residual cash flow from disposal of the German residential portfolio known as DGAG, which was sold in 2014 to Buwog (fully owned by the Austrian group Immofinanz), along with the related residential management platform of Prelios Deutschland.

At June 30, 2015, the equity attributable to the Group was a positive Euro 91.0 million, compared to a positive Euro 104.8 million at December 31, 2014.

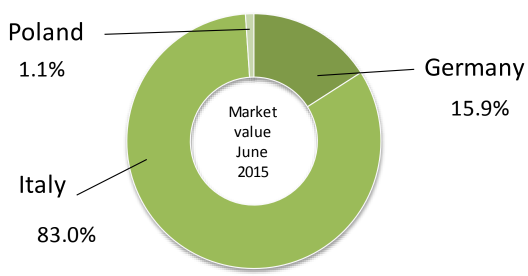
Income statement data	**JUNE 2015**	**JUNE 2014**
Consolidated revenue	**32.8**	**35.2**
of which services	*29.0*	*34.9*
of which other	*3.8*	*0.3*
Operating profit/(loss)	**(10.7)**	**(6.3)**
of which Management Platform	*(3.6)*	*(0.2)*
of which Investment Activities	*(7.1)*	*(6.1)*
Restructuring costs	(2.0)	(1.8)
Property (write-downs)/revaluations	2.5	(21.2)
Group net income/(loss) before discontinued operations	**(16.3)**	**(42.5)**
Net income (loss) from discontinued operations	3.2	4.9
Group net income/(loss) for the period	**(13.1)**	**(37.6)**
Balance sheet data	**JUNE 2015**	**DECEMBER 2014**
Equity	93.4	107.3
of which Group equity	*91.0*	*104.8*
Net financial position	191.1	187.6
Indexes	**JUNE 2015**	**DECEMBER 2014**
Employees	442	468
Co-Invested and Third Party Real Estate Assets (billion)	4.9	5.2
Pro-rata NAV (billion)	0.4	0.4

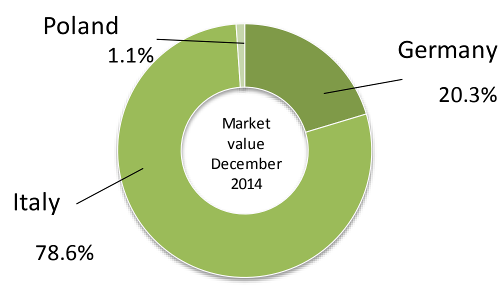




The following charts illustrate the real estate portfolio (co-investments and third-party assets under management) in June 2015, broken down by geographical area, compared with the figure for December 2014:

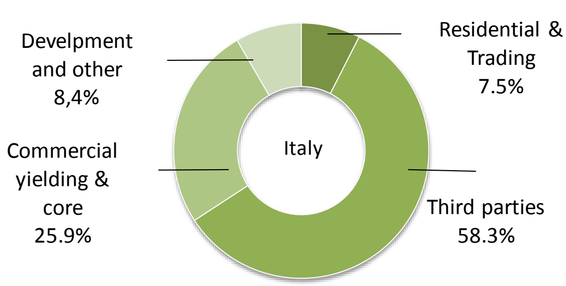
Breakdown by geographical area



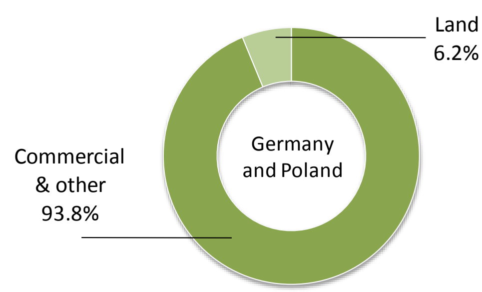


The following is a breakdown of the real estate portfolio by use at June 30, 2015:

designated use Italy



designated use Italy Germany and Poland



1.4. Ownership at June 30, 2015

The Ordinary and Extraordinary Shareholders' meeting was held on a single call on June 24, 2015.

During the extraordinary part, the Shareholders' Meeting – acting pursuant to Article 2446, paragraph 2, Italian Civil Code – resolved to cover the entire loss for the year at December 31, 2014 (Euro 74,129,720.08), the loss for the previous year (Euro 299,772,019.32) and the pre-existing "other reserves" (negative Euro 5,570,314.65), as reported in the financial statements for 2014, through:

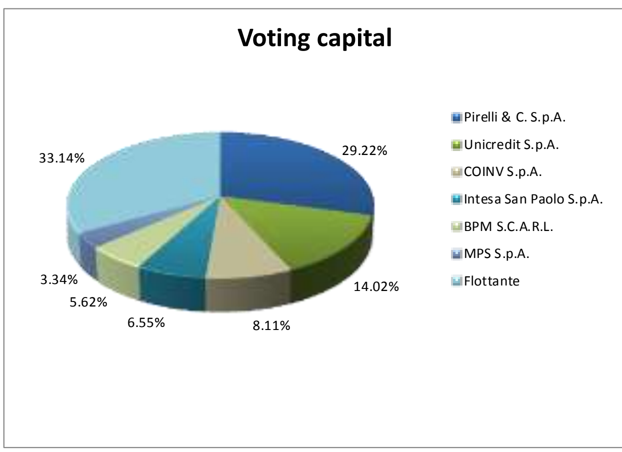
- full use of available reserves, in the amount of Euro 2,255,864.80;
- reduction in share capital for a total of Euro 377,216,189.25, without the cancellation of shares insofar as they had no par value.

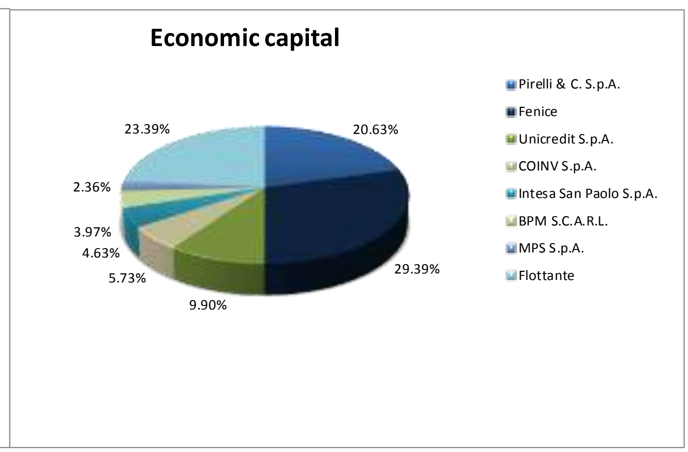
Consequently, since the share capital was reduced to Euro 49,225,067.95, the Shareholders' Meeting resolved to amend Article 5 (share capital) of the Prelios Articles of Association.

As a result, the share capital of Prelios S.p.A. at June 30, 2015 was represented by a total of 717,941,380 shares (without par value), consisting of 506,953,179 ordinary shares and 210,988,201 Category B shares.

At June 30, 2015, Fenice S.r.l. – a company owned by Feidos 11 S.p.A., Pirelli & C. S.p.A., Intesa Sanpaolo S.p.A. and UniCredit S.p.A. – owned all 210,988,201 Category B shares, without voting rights and not listed on regulated markets.

The following is a breakdown of voting share capital and economic capital at June 30, 2015 held by shareholders with interests in excess of 2%, considering the notices received pursuant to Art. 120 of the Consolidated Law on Finance and the published information available from CONSOB[6]:





Among the provisions relevant to Prelios pursuant to Art. 122 of the Consolidated Law on Finance, it should also be noted that in connection with the agreements reached between the parties involved in the transaction aimed at enhancing the company's financial position through recapitalisation and rebalancing of its financial structure, approved by the Extraordinary Shareholders' Meeting on May 8, 2013 and completed in the previous year:

Feidos 11 S.p.A., Intesa Sanpaolo S.p.A., Unicredit S.p.A. and Pirelli & C. S.p.A. accepted and signed a Shareholders' Agreement (hereinafter, the "Fenice Agreement") concerning Fenice S.r.l. (accepted by Fenice

6 The percentages disclosed to the public, as obtained from the CONSOB website, relating to Prelios' voting capital, derive from notices from shareholders pursuant to Art. 120 of the Consolidated Law on Finance. Accordingly, the percentages indicated therein might not be in line with the figures prepared and disclosed to the public by various sources, if the change in an investment did not entail an obligation for the shareholder to give notice under the laws and regulations in effect at the time.

S.r.l. itself), the company that owns all the category B non-voting shares which represent 29.388% of the economic capital of Prelios. The Fenice Agreement governs the rights and obligations of the parties in relation to: (i) the governance and transferability of the investments held in Fenice S.r.l.; (ii) the disposal of the investment that Fenice S.r.l. acquired in Prelios and (iii) the transferability of some shares issued by Prelios that are or will be held by the parties. On June 30, 2014, in implementation of the Fenice Agreement, Pirelli & C. S.p.A. contributed to Fenice S.r.l. all the 93,390,705 category B shares that Pirelli & C. S.p.A. previously subscribed following the previously mentioned conversion of the "Prelios Convertible Loan 2013-2019". In consequence of that contribution, Pirelli & C. S.p.A. no longer owns any category B shares. The last amendment to the Fenice Agreement was published on February 3, 2015;

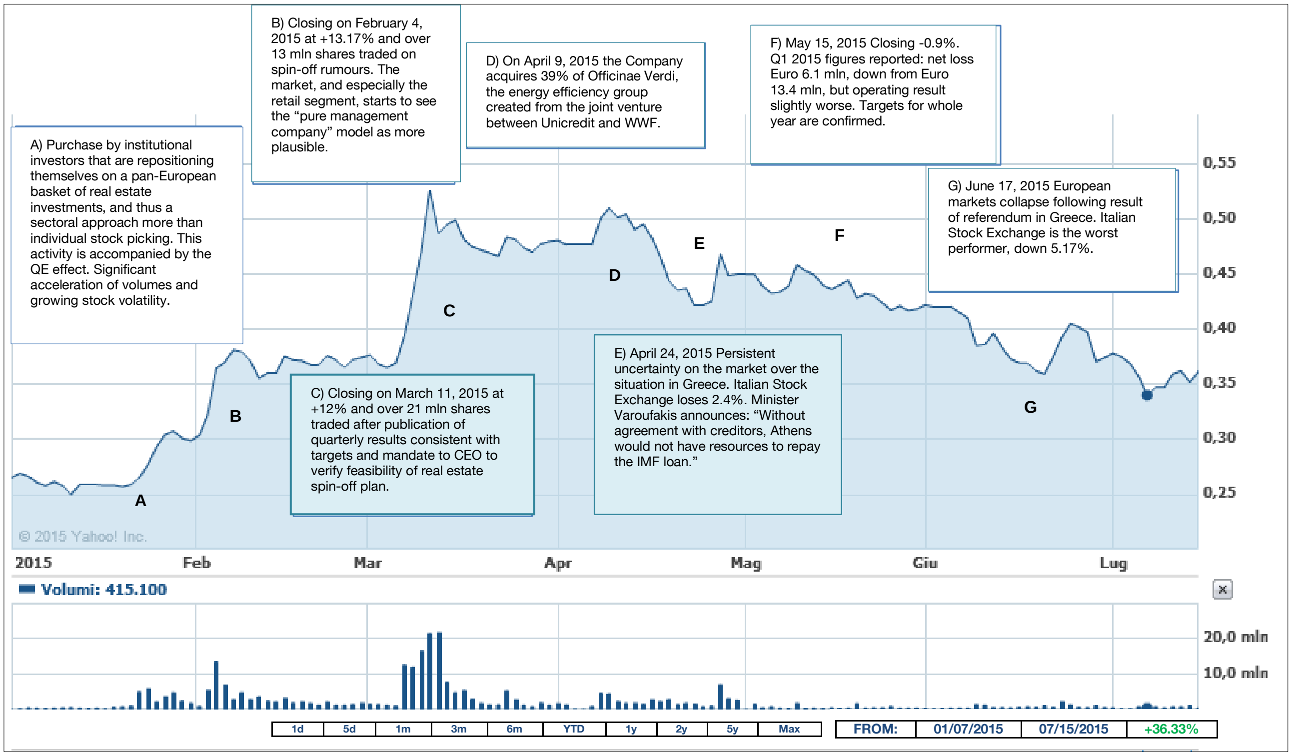
Fenice S.r.l. has entered into separate Co-Sale Agreements affecting Prelios with Camfin S.p.A., Massimo Moratti, Monte dei Paschi di Siena S.p.A., Banca Popolare di Milano S.c.a.r.l., Banca Popolare di Sondrio S.c.a.r.l., Banca Popolare dell'Emilia Romagna Soc. Coop., Banca Carige S.p.A. and UBI Banca Soc. Coop. p.A. (formerly Centrobanca – Banca di Credito Finanziario e Mobiliare S.p.A.) which regulate the terms and conditions under which Fenice S.r.l. has granted each of the aforementioned owners co-sale rights covering the securities of Prelios owned by them at the date they exercise said right. With effect from February 18, 2014, the co-sale agreement between Fenice and Massimo Moratti was terminated by mutual consent. Likewise, effective December 1, 2014, the co-sale agreement between Fenice S.r.l. and Camfin S.p.A. was terminated by mutual consent. The latest amendment to the Co-sale Agreements was published on July 2, 2015.

On May 24, 2014, within the broader framework of agreements concerning the strategic development and corporate reorganisation project for Pirelli & C. that was communicated to the market, Nuove Partecipazioni S.p.A., Intesa Sanpaolo S.p.A. and UniCredit S.p.A. entered into a shareholders' agreement concerning, inter alia, the management of the Prelios ordinary shares currently held by Coinv S.p.A. The last amendment of the aforementioned shareholders' agreement was published on April 20, 2015.

The excerpts containing the key details of the aforementioned agreements and clauses are available, inter alia, on the CONSOB website and published on the company website www.prelios.com together with the related financial notices.

1.5. Prelios share performance

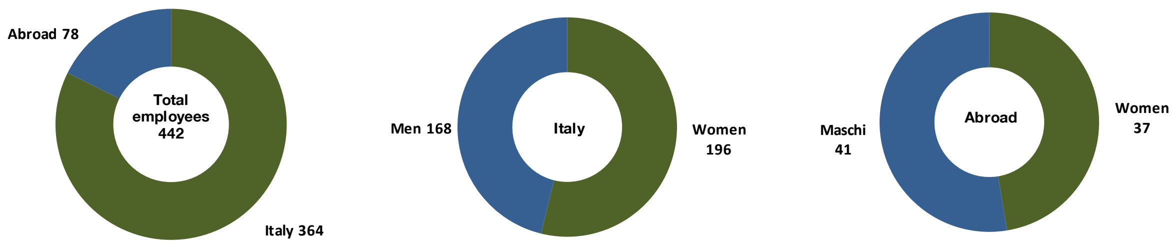
In H1 2015, Prelios shares rose from Euro 0.2651 to Euro 0.374, or an increase of 41.1%, with a high of Euro 0.559 in March and a low of Euro 0.25 in January.
During the period of reference, the FTSE Italia All Share rose 19.1% and the FTSE Italia Small Cap 17.3%, whereas the FTSE Italia Beni Immobili industry index gained 25.3%.
In an extremely positive context during the first quarter, the real estate sector rallied vigorously with strong purchases, especially by retail investors. The annual corporate results of Prelios, which were published on March 10, were well received by analysts and boosted target prices, reaching their highest level on March 12. The entire sector then underwent a strong correction, particularly for shares having the highest volatility. Partly due to geopolitical reasons, market uncertainties negatively impacted the spread and interrupted the virtuous circle of expectations for the most highly indebted companies. Prelios shares trading volumes steadily contracted along with prices, in spite of sudden but slight recoveries, which fell back heavily.

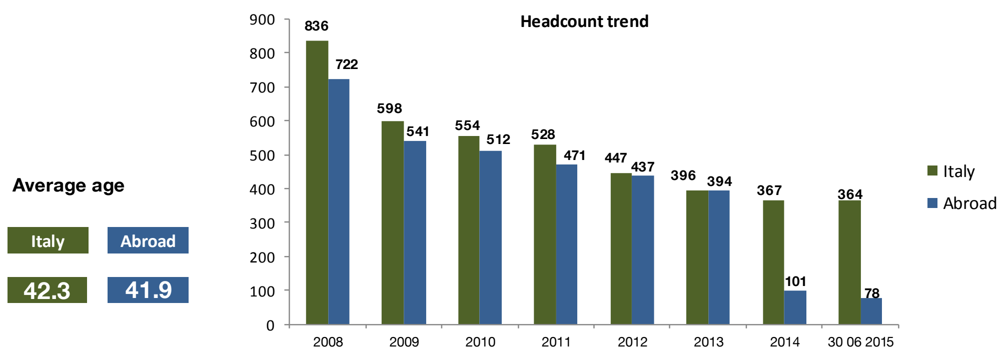


Performance at 3 months -22%
Performance at 6 months +41.1%
Performance at 12 months -33.4%
Capitalisation at December 31, 2014 (cat A+B) 190.3 € mln
Capitalisation at June 30, 2015 (cat A+B) 268.5€ mln

Monthly volumes peaked in March, with 126.5 million shares traded. In May and June, 11.4 and 16 million shares were traded, respectively.
The shares tracked a downward price trend, whose limits fall in a range of 0.35/0.40.

1.6. Headcount[7]





The total headcount after the DGAG disposal, including resources on temporary contracts, fell from 468 at December 31, 2014 to 442.

[7] Including resources on temporary contracts.

2. CORPORATE BODIES

Board of Directors [8]

Giorgio Luca Bruno	Chairman
Massimo Caputi	Vice Chairman
Sergio Iasi	Chief Executive Officer (CEO)
Marina Brogi	Independent Director
Mirja Cartia d'Asero [9]	Independent Director
Francesco Umile Chiappetta	Director
Rosa Cipriotti	Independent Director
Carlo Emilio Croce	Independent Director
Moroello Diaz della Vittoria Pallavicini	Director
Valeria Leone[10]	Director
Andrea Mangoni	Independent Director
Davide Mereghetti	Director
Alessandra Patera	Director
Massimo Tezzon	Independent Director
Giovanni Jody Vender	Independent Director
Massimo Marinelli	Board Secretary

Internal Control, Risk and Corporate Governance Committee

Massimo Tezzon	Lead Independent Director – Chairman
Marina Brogi	Independent Director
Andrea Mangoni	Independent Director
Mirja Cartia d'Asero[11]	Independent Director

Remuneration Committee

[8] On May 8, 2013 the Shareholders' Meeting appointed the members of the Board of Directors and set their term of office at three years, and thus until the approval of the financial statements for the year ending December 31, 2015. At the end of the meeting, the Board of Directors appointed the executive officers, established the Board Committees and appointed the members of the Supervisory Board.
[9] Appointed director by the Shareholders' Meeting on June 19, 2014 following the resignation of Anna Chiara Svelto.
[10] Appointed director by the Shareholders' Meeting on June 24, 2015 following the resignation of Claudia Bugno.
[11] Appointed member of the Internal Control, Risks and Corporate Governance Committee by the Board of Directors on July 30, 2014.

Giovanni Jody Vender	Independent Director – Chairman
Rosa Cipriotti	Independent Director
Carlo Emilio Croce	Independent Director
Davide Mereghetti	Director

Board of Statutory Auditors [12]

Enrico Laghi	Chairman
Michela Zeme	Standing Auditor
Marco de Ruvo	Standing Auditor
Luca Aurelio Guarna	Alternate Auditor
Flavia Daunia Minutillo	Alternate Auditor

Supervisory Board

Massimo Tezzon	Chairman
Sergio Beretta	Member
Michela Zeme	Standing Auditor
Sergio Romiti	Member

Manager charged with preparing the company's financial documents

Marco Andreasi [13]

Independent Auditors

Reconta Ernst & Young S.p.A.[14]

Via della Chiusa, 2

20123 Milan

[12] The shareholders' meeting on May 8, 2013 appointed the members of the Board of Statutory Auditors until approval of the financial statements at December 31, 2015.

[13] On February 24, 2014 the Board of Directors of Prelios S.p.A. appointed Marco Andreasi as the company's new Chief Financial Officer and manager charged with preparing the company's financial documents pursuant to Art. 154-*bis* of the Consolidated Law on Finance.

[14] Appointment conferred by the shareholders' meeting on April 14, 2008.

3. PRELIOS PERFORMANCE IN THE FIRST HALF OF 2015

During H1 2015, as in the previous year, the macroeconomic situation continued to be marked by uncertainties surrounding the overall growth prospects of the Italian economy. While initial signs of a future recovery where appearing, the enduring crisis was reflected in the real estate sector, where the market remained soft in spite of the strong growth in volumes since 2013. However, there are some signs of a possible recovery, driven mainly by the recent renewed interest in the Italian real estate sector from opportunistic foreign investors, prompted by the effects of repricing and resulting upturn in gross yields and relatively easier access to credit as compared with previous years. Investments are expected to continue growing moderately in 2015, stimulated by the upturn of domestic and foreign demand and the improvement of financing conditions.

In February 2015, following agreements reached starting from July 2014, Unicredit signed a long-term strategic agreement with the Fortress-Prelios consortium calling for:

- the sale to an affiliate of Fortress of the entire shareholding of UniCredit in UniCredit Credit Management Bank S.p.A. ("UCCMB"), including a portfolio of NPLs for a gross value of about Euro 2.4 billion;
- the main terms and conditions of a long-term strategic contract governing management of present and future small and medium-size non-performing loans.

Fortress and Prelios agreed to collaborate as industrial partners in the management of certain non-performing loans. Therefore, Prelios Credit Servicing will begin managing certain packets of loans in accordance with the agreements made with Fortress.

In particular, the “Relationship Agreement” – which regulates the contractual aspects of the partnership – and the “Main Terms of Subservicing Agreement” – which regulates the finer points of the principal terms for management of Precs' share of the portfolio acquired from UCCMB, were signed on June 9, 2015.

The completion of the transaction is subject to regulatory authorisations and standard conditions applicable to similar transactions.

This agreement will contribute to rendering the Italian debt recovery servicing market more independent and represents a step forwards in the development of the industry, in line with other European countries.

On March 10, 2015 the Board of Directors preliminarily examined the conditions for the development and implementation of a project to reorganise the Group's operations involving the possible spin-off and de-consolidation of Prelios' Investments and Services divisions in a special purpose vehicle. The project is aimed at speeding the transition to a pure management company model, while also shoring up both divisions' balance sheets and cash flow statements. The spin-off procedure, which would make Prelios a pure management company, is strategic and of significant interest to the company, which could thus overcome several obstacles that have heretofore prevented the full growth of the Management Platform in addition, it is hoped, to increased synergy with present and future major shareholders.

The Board of Directors therefore authorised the management to move forward, hold negotiations with the parties currently involved and/or to be involved in the project and identify the structure, terms and conditions of the possible transaction. Complete implementation of the project, contingent upon consent from the shareholders and lenders, would result in achievement of the objectives identified in the turnaround procedure one year in advance of the 2014-2016 Industrial Plan, thereby ensuring the company greater, better access to capital markets with a business model unique in Italy and competitive in Europe.

Also on March 10, 2015, the Prelios Board of Directors approved the Budget 2015 and Outlook 2016-2017, which still show it making losses that reduce equity and generating cash outflows that, while not causing a deficit during the plan period, will remain a source of financial tension. However, it is important to note that, although the significant effects will only become apparent starting from 2016, the possible new non-recurring transactions on the Group's investment portfolio have been identified as described above. Because they are currently being studied and consequently not considered in those forecasts, they may have a material impact on the performance of the Group. They would give it a significant impulse, deriving both from the substantial balancing and economic sustainability of the Group, consistent with its recovery targets, and from the economic context, such as the reopening of access to credit to launch new investment vehicles and pro-active collaboration with the banking system, which have severely limited the Group's business activity heretofore.

On the basis of the indications provided in the 2015 Budget and the 2016-2017 Outlook, individual Group companies will primarily be guided by two main directives:

- growing the asset management business by acquiring new assets, to be used to package new products for distribution to Italian and international investors and/or existing funds, through either the direct acquisition of products from other management companies or mergers with such companies offering (i) a range of complementary products, (ii) a complementary ownership structure and (iii) relationships with leading investors;
- consolidating the open-market strategy pursued by Prelios Credit Servicing to ensure sustainable growth, developing extraordinary transactions with upfront fees to finance growth and developing soft equity co-investment in partnership with other investors in small-/medium-size portfolios to seize important opportunities deriving from the real estate market cycle;
- expanding the non-captive client basis of the Integrated Services Business Unit, improving margins and consolidating leadership in Italy in a wide range of services, with the aim of being perceived as the only full-service player on the Italian market;
- repositioning the German platform as a national player focusing on higher added value services for international investors, responsible for unified management in Germany and Poland.

In this context, the company has obtained a waiver of certain aspects of the loan agreements during the period, concerning the terms and conditions for repayment with the cash flow generated by the disposal of co-investment activities (inversion of the repayment mechanism for the 65%-35% senior debt).

On April 8, 2015, Prelios acquired approximately 39% of Officinæ Verdi S.p.A., Italy's leading operator in energy efficiency, with projects estimated to be worth more than Euro 150 million under development in the next three years. Officinæ Verdi energy efficiency improvement projects are based on an integrated model combining high technical and financial skills. Officinæ Verdi takes an innovative approach that is supported by Mætrics® Advanced, an "intelligent platform" capable of identifying waste, streamlining maintenance and monitoring the economic return for investors of the actions taken.

The Ordinary and Extraordinary Shareholders' Meeting of the company was held on June 24, 2015. The Ordinary Shareholders' Meeting approved the financial statements for 2014, which closed with a net loss of about Euro 74.1 million, while the loss reported on the consolidated financial statements amounted to about Euro 61.1 million. Moreover, following the resignation of a Director, the Shareholders' Meeting confirmed the number of seats on the Board of Directors at 15 and appointed Ms. Valeria Leone as new member of the Board of Directors. Her term will expire at the same time as that of the other Directors, i.e. at the Shareholders' Meeting called to approve the financial statements at December 31, 2015. The Extraordinary Shareholders' Meeting resolved, pursuant to Article 2446, paragraph 2, Italian Civil Code, to cover the entire loss for the year 2014, for the previous year and pre-existing negative "other reserves", as reported in the 2014 financial statements, by using all of the available Reserves and reducing the share capital to Euro 49,225,067.95

Following the preliminary agreement made in October 2014 for acquisition of 80% of Negenthropy Capital Partners LLP, an asset manager based in London and operating under the supervision and regulation of the FCA, activities continued throughout the first half in view of completing that acquisition. This transaction will allow the creation of Prelios Europe, and thus, in very short order, a European AIFMD-compliant platform capable of raising funds from foreign investors interested in investing in Italy. In addition, through this platform Prelios will also be able to structure products aimed at facilitating international investment by Italian institutional investors. Completion of the transaction is conditioned on receiving authorisation by British authorities for the "change of control" in the company capital.

BUDGET 2015 AND OUTLOOK 2016-2017

Consistently with the Budget 2015 and Outlook 2016-2017, the Group has also launched a series of new strategic projects (some of which have already been completed, whereas others are still ongoing), which could further improve the Group's performance in the plan period, the main objectives of which are:

- rationalising and containing holding costs;
- streamlining the operations of Group companies and continuing to dispose of the investment portfolio;
- increasing revenues by implementing the projects in the business development pipeline;
- assessing the possible disposal of assets in portfolio;
- expanding into new asset management markets (Prelios Europe): Prelios, in keeping with current market trends, and considering asset management legislation ("AIFMD"), is finalising the acquisition of a controlling interest in an asset management company authorised by the FCA (Negentropy Capital Partners), with the aim of attracting leading international investors with instruments alternative to real estate funds;
- launching new indirect investment vehicles (the Listed Real Estate Investment company Project): exploiting recent changes of the law, and with the aim of attracting new foreign capital on Italian regulated markets, Prelios intends to promote the launch of a joint stock company in the form of a listed real estate investment company (SIIQ);
- expanding into innovative new sectors related to real estate: Prelios is assessing whether to diversify into innovative sectors related to real estate, and in particular (i) the energy efficiency sector, through a potential investment in a specialised company, and (ii) the creation of a strategic partnership to incorporate a company focused on exploiting Italy's cultural heritage, including in terms of its real estate ("Culture Magnet");
- transforming the German company's mission from a local operating company resulting from previous co-investments into the Prelios Group's second "hub" (after Italy), with responsibility for developing business in central and southern Europe.

By implementing all or part of these projects, Prelios could substantially improve the Group's performance in terms of its forecast revenues and EBIT, in return for limited investments to be made in 2015.

Although significant disinvestments are expected as early as 2015, the Budget 2015 and Outlook 2016-2017 continue to project operating losses of sufficient amounts to result in a significant decrease in equity and cash outflows that, while not causing a deficit during the plan period, will continue to generate financial tension that will need to be closely and constantly monitored.

INITIATIVES IDENTIFIED AND ADOPTED FOR THE RECOVERY OF THE BUSINESS AND FOR ITS CONTINUATION AS A GOING CONCERN

The various scenarios drafted after the financial restructuring carried out during 2013 in application of Article 67 of the Bankruptcy Law have been updated several times since then. Consequently, during the past year the Group has adopted different measures to defer its short-term financial obligations. Moreover, the financial statements at December 31, 2014 have shown a better than expected improvement in the Group's financial position, with available cash amounting to about Euro 10 million in real terms. Following negotiations with the Group's lenders in 2014 to defer its financial obligations, during the first few months of 2015, they formally amended the loan agreement to invert the mechanism used to determine the amount of "Net Proceeds" (essentially the cash flow generated by the disposal of investments) from 65% to 35%, which is to be applied to premature repayment of the Senior Loan. Furthermore, by using a portion of the greater amount of available cash, an agreement was made in H1 2015 for full repayment and discharge of the amounts payable to UBI Banca.

The Income Statement at June 30, 2015 shows a net loss of about Euro 13 million. This figure reflects improved results at nearly all the Group business units, which were better than the operating profit forecast in the 2015 budget. The result shown on the first half income statement also benefited from the positive effects related to (i) repayment of the debt to UBI, which was made at a discount on its par value, and (ii) the valuation of the real estate portfolio made by independent experts. The net aggregate amount of this valuation is a positive Euro 2.5

million, which reflected – in contrast with the previous financial reporting periods, when the effect of those valuations was negative, and sometimes for significant amounts – recoveries in the value of certain assets held in the Italian portfolio.

The Group balance sheet at June 30, 2015 shows a total of about Euro 73 million in cash [15]. This figure is higher than forecast, mainly due to the (i) earlier than expected receipt of net income from several joint ventures, (ii) deferral of several equity injections in co-investment projects, (iii) deferred payment of several expenses and, finally, (iv) deferral of repayment of financial liabilities beyond the originally scheduled due dates, in consequence of the different scheduling in distribution to the Parent company of cash currently held by certain investees.

The results achieved at June 30, 2015 confirm the Budget 2015 and Outlook 2016-2017 forecasts which, as illustrated in the previous chapter, show negative results continuing over that three-year period and consequent reduction in equity and cash outflows. Although these effects will not cause a cash deficit over the lifetime of the plan, they do confirm persistent financial tension, with financial and equity balance depending on the possibility of realising the planned transactions over the short and medium term at the prices and times indicated in the plan. Among these transactions, the Budget 2015 particularly calls for the disposal or refinancing of a major real estate portfolio by the end of the year. An advisor has been retained to seek out interested investors, and negotiations are currently under way with several banks in regard to the possibility of refinancing in lieu of sale of that portfolio. Consequently, and although the business and financial context have improved since the previous year, doubts remain as to the Group's capacity to continue operations as a going concern, and its need to pursue other initiatives that might allow the Group to complete its own restructuring in view of achieving long-term capital and financial stability. Considering the results of the 2015 Budget and 2016-2017 Outlook in terms of both financial performance and the sustainability of the Parent company's financial debt, also in the light of current available cash, willingness of bank lenders and major shareholders, as shown by the recent agreements regarding the 65%/35% mechanism, to support the company's plans, developments of the project to separate the "Investments" business unit from the "Services" business unit, which might shortly translate into specific corporate transactions, and the state of progress on the transactions reflected in the 2015 Budget (particularly including the possible sale or refinancing of a major real estate portfolio by the end of the year), the Directors of Prelios believe – on the basis of a series of realistic assumptions that naturally will require constant, thorough verification – it to be reasonable that the Group may meet its estimated cash requirements and thus continue as a going concern.

[15] The cash and cash equivalents include those of the subsidiaries Prelios SGR and Prelios Credit Servicing. In compliance with current Regulatory Capital requirements, that cash may be used by those companies for their own requirements.

4. NOTES ON MAIN GROUP ECONOMIC AND FINANCIAL DATA

This section contains an analysis of the income statement, balance sheet and cash flow statement of the Group at June 30, 2015. For the purposes of the balance sheet management analysis in paragraph 4.1, non-accounting indicators (non-GAAP measures) have been used, generally adopted by the management to monitor and evaluate the Group's performance. The aim is to present the Group's results from operations, net of transactions which, by their nature or amount, are unusual, and changes in value of the real estate portfolio, thereby ensuring a greater degree of comparability of the results and the information over time with other leading operators which apply similar non-GAAP measures.

These measures are derived from the combination or reclassification of accounting data, according to the reconciliation outline illustrated in Appendix A of this Report on Operations, and are applied to break down financial figures according to the nature of the events which led to their origination. Refer to the analysis presented in paragraph 5 for a more direct reference to income statement figures as presented in the income statement prepared in accordance with IFRS. The analysis of the balance sheet and financial position presented in paragraph 4.2 also includes non-GAAP measures, the criteria for preparing which are also indicated in Appendix A to this Report on Operations. Since these are, in the case of balance sheet items, measures that are widely used in financial reporting, directly attributable to the accounting data contained in the main financial statements, it was not necessary to supplement the management analysis with a specific note concerning these.

Specifically, for the determination of the non-GAAP measures listed below, of which a detailed reconciliation with the accounting measures is given in Appendix A, the following items are analysed separately: "Restructuring costs" and "Property write-downs/revaluations", as illustrated more fully in the paragraph below.

The measure that best reflects the business performance of the Management Platform and Investment Activities of the Group is "Operating profit/(loss)", consisting of EBIT including net income/(loss) from investments and income/(loss) from shareholder loans before restructuring costs and property write-downs/revaluations.

Following the agreement reached by the joint venture Solaia RE S.à.r.l. in 2014 for the disposal of the investments held in the real estate companies holding the German residential portfolio called DGAG (Deutsche Grundvermögen AG), the financial figures for the first half of 2015 presented and commented on below do not include the figures pertaining to the German business unit disposed of in 2014. Indeed, in accordance with IFRS 5, these figures have been reclassified to a specific line related to sold assets/liabilities and/or assets/liabilities held for sale.

4.1. Income statement

(Euro/milion)	JUNE 2015	JUNE 2014
Consolidated revenues:	32.8	35.2
of which services	*29.0*	*34.9*
of which others	*3.8*	*0.3*
Management platform: operating result before restructuring costs and property writedowns/revaluations	(4.0)	6.0
Management platform: net income from equity investments before restructuring costs and property writedowns/revaluations	0.4	(6.2)
Total Management Platform: Operating result	**(3.6)**	**(0.2)**
Investment activities: operating result before restructuring costs and property writedowns/revaluations	(6.5)	(4.2)
Investment activities: net income from equity investments before restructuring costs and property writedowns/revaluations	(2.5)	(4.3)
Investment activities: income from shareholder loans (1)	1.9	3.1
Investment activities: loss from NPL portfolio valuation	0.0	(0.7)
Total Investment Activities: Operating result	**(7.1)**	**(6.1)**
Operating profit/(loss)	**(10.7)**	**(6.3)**
Financial expenses	(4.4)	(10.9)
Profit (loss) before restructuring costs, property writedowns/revaluations and income taxes	**(15.1)**	**(17.2)**
Restructuring costs	(2.0)	(1.8)
Property writedowns/revaluations	2.5	(21.2)
Result before taxes	**(14.6)**	**(40.2)**
Taxes	(1.7)	(3.0)
Net income (loss) from continuing operations	**(16.3)**	**(43.2)**
Minority interests	0.0	0.7
Consolidated net income/(loss) before discontinued operations	**(16.3)**	**(42.5)**
Net income (loss) from discontinued operations	3.2	4.9
Consolidated net income/(loss)	**(13.1)**	**(37.6)**

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

Consolidated revenues amounted to Euro 32.8 million for the period ended June 30, 2015, compared to Euro 35.2 million in the first half of 2014. In particular, the revenues of the foreign and Italian Management Platform amounted to Euro 29.0 million, marking a contraction mainly related to the lower revenues generated by the fund management activity following liquidation of the Olinda Fund and reduction in the commissions of the Tecla Fund following exercise of the non-recurring extension option. Furthermore, lower revenues were realised from the non-performing loan business following the termination of several special servicing mandates.

The operating profit/(loss) was Euro -10.7 million, compared with Euro 6.3 million at June 30, 2014. The change is attributable both to the management platform, whose EBIT increased from Euro -0.2 million at June 30, 2014 to Euro -3.6 million at June 30, 2015 (this worse result is mainly due to the service activities in Italy) and to the investment business, whose result worsened by Euro 1 million from June 30, 2014.

Financial expense for the first half of 2015 totalled Euro 4.4 million, compared to financial expense of Euro 10.9 million for the first half of 2014. The improvement is mainly due to the gain on the premature repayment of the loan with UBI Banca on a lump sum basis discounted from its par value.

Restructuring costs at June 30, 2015 amounted to Euro 2.0 million (compared with Euro 1.8 million in the first half of 2014) and mainly refer to costs for the Group's streamlining.

Property write-downs/revaluations for the first half of 2015 amounted to a positive Euro 2.5 million, compared to a negative Euro 21.2 million for the first half of 2014. This change is related especially to revaluation of the real estate portfolio held by the Industrial Space Fund ("Fondo Spazio Industriale") in the amount of Euro 5.0 million, partly offset by the write-downs recognised for the FIPRS Fund (- Euro 1.1 million) and the Tecla Fund (- Euro 0.8 million).

Tax expenses amounted to Euro 1.7 million, compared to Euro 3.0 million as at June 30, 2014.

The net loss attributable to the Group for the period ended June 30, 2015 amounted to Euro 13.1 million compared with a reported loss of Euro 37.6 million for the period ended June 30, 2014.

Management Platform[16]

Management activities (fund and asset management), specialist property and project management and agency services and non-performing loan management services (credit servicing) yielded a profit of Euro 1.6 million for the period ended June 30, 2015, compared to a profit of Euro 6.0 million in H1 2014. The decrease was mainly due to the service companies in Italy, and in particular to the Fund Management business unit.

General and administrative expenses were Euro 5.2 million in H1 2015, compared with Euro 6.2 million at June 30, 2014. Overall, the operating loss from management activity, including general and administrative expenses, was Euro 3.6 million, compared to an operating loss of Euro 0.2 million in H1 2014.

Investment Activities[17]

During the first half of 2015, the investment related activity posted EBIT negative for Euro 7.1 million, compared with EBIT negative for Euro 6.1 million at June 30, 2014, when the figure also included Euro 0.7 million from the impairment loss on the non-performing loan portfolio.

***

During the first half of 2015, properties[18] worth Euro 472.1 million (Euro 83.2 million on a pro-rata basis) were sold, compared to Euro 312.1 million in the first half of 2014 (Euro 83.6 million on a pro-rata basis). Property transactions were executed at values substantially in line with the book value.

Total rents[19] were Euro 73.4 million in the first half of 2015, compared to Euro 109.1 million for the period ended June 30, 2014. Prelios' pro-rata share of rents was Euro 20.4 million (Euro 26.9 million in the first half of 2014).

For a more detailed analysis of the results of the various components by geographical area, both for the funds and investment companies and the Management Platform, including general and administrative expenses, please see the relevant section.

The property revaluations/write-downs of equity investments and real estate investments in H1 2015 totalled a positive Euro 2.5 million, of which Euro 2.6 million related to the real estate portfolio in Italy and Euro -0.1 million to the real estate portfolio outside of Italy.

The graph illustrates the net impact of adjustments to the real estate portfolio by country and reference period.

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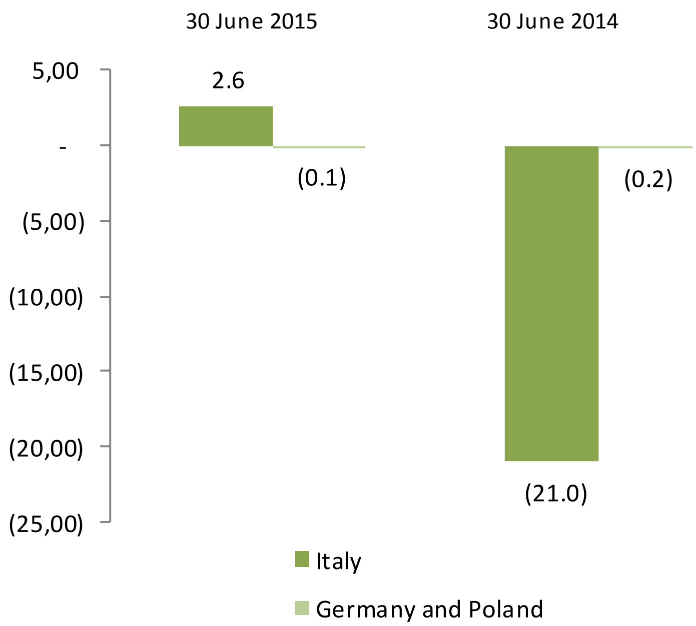
[16] Operating result from the Management Platform means earnings generated by the Group through fund and asset management activities, specialised real estate services (property and project management, agency and property valuation), NPL management services (credit servicing) and general and administrative expenses.
[17] Investment Activities include income generated by Prelios from its investments in funds and companies that hold real estate and non-performing loan portfolios.
[18] The value was determined by adding property sales made by subsidiaries to 100% of the property sales of associates, joint ventures and funds in which the Group held at least a 5% stake at June 30, 2015.
[19] The value is determined by adding the rents collected by subsidiaries to 100% of the rents of associates, joint ventures and funds in which the Group held a stake of at least 5% at June 30, 2015.

Adjustment of the real estate portfolio in which the Group holds an interest



4.2. Balance sheet and financial analysis

The following table presents a management view of the balance sheet at June 30, 2015, compared with December 31, 2014.

(Euro/milion)	JUNE 2015	DECEMBER 2014
Property, plant and equipment and intangible asses	**330.3**	**334.2**
of which investments in real estate funds and investment companies and shareholder loans granted (1)	*256.0*	*273.6*
of which goodwill	*56.4*	*56.4*
Net working capital	**19.3**	**17.0**
Discontinued operations	**2.7**	**12.2**
Net invested capital	**352.3**	**363.4**
Consolidated Equity	**93.4**	**107.3**
of which Group equity	91.0	104.8
Provisions	**67.8**	**68.5**
Net financial position from operating activities	**191.1**	**187.6**
Total covering net invested capital	**352.3**	**363.4**

(1) The item includes equity investments in associates, joint ventures and other equity investments (148.7 million euro), receivables for shareholder loans (93.0 million euro), investments in real estate funds (9.9 million euro, recognised among "Other financial assets" in the consolidated balance sheet) and junior notes (4.8 million euro, recognised among "Other financial assets" in the consolidated balance sheet). The figures for June 2015 include provisions for equity investment writedowns of 0.4 million euro (value unchanged from December 2014).

Property, plant and equipment and intangible assets amounted to Euro 330.3 million at June 30, 2015, compared to Euro 334.2 million as at December 31, 2014. About Euro 10 million of this reduction stemmed from the repayment of loans granted to the ventures in which the Group participates and Euro 6.0 million to repayment of principal by the Olinda Fund. These changes were offset by an increase in guarantee deposits on escrow accounts of Euro 13.7 million related to Prelios SGR which guarantee the obligations to pay compensation to Olinda Fund investors, and related in particular to the representations and warranties (now reduced by Euro 5.0 million) given on the condition and quality of the sold properties. Currently no liabilities are expected to be incurred on those sold properties.

The net result reported by the joint ventures in which the Group has an interest totalled a positive Euro 0.4 million, including the pro-rated net positive effect of Euro 3.0 million allocable to the Prelios Group and stemming from property revaluations/write-downs, especially in connection with the real estate portfolio held by the Industrial Space Fund.

Net working capital was Euro 19.3 million as at June 30, 2015, compared to Euro 17.0 million as at December 31, 2014.

Discontinued operations refer to assets held for sale pursuant to IFRS 5, according to the estimates of residual cash distributions from the sale of the DGAG Group.

Consolidated equity was a positive Euro 93.4 million, and equity attributable to the Group was a positive Euro 91.0 million.

Net financial position was a net debt of Euro 191.1 million at June 30, 2015, compared to a net debt of Euro 187.6 million at December 31, 2014.

The graph illustrates the combined effect of events that had an impact on the change in net financial position in the first half of 2015.

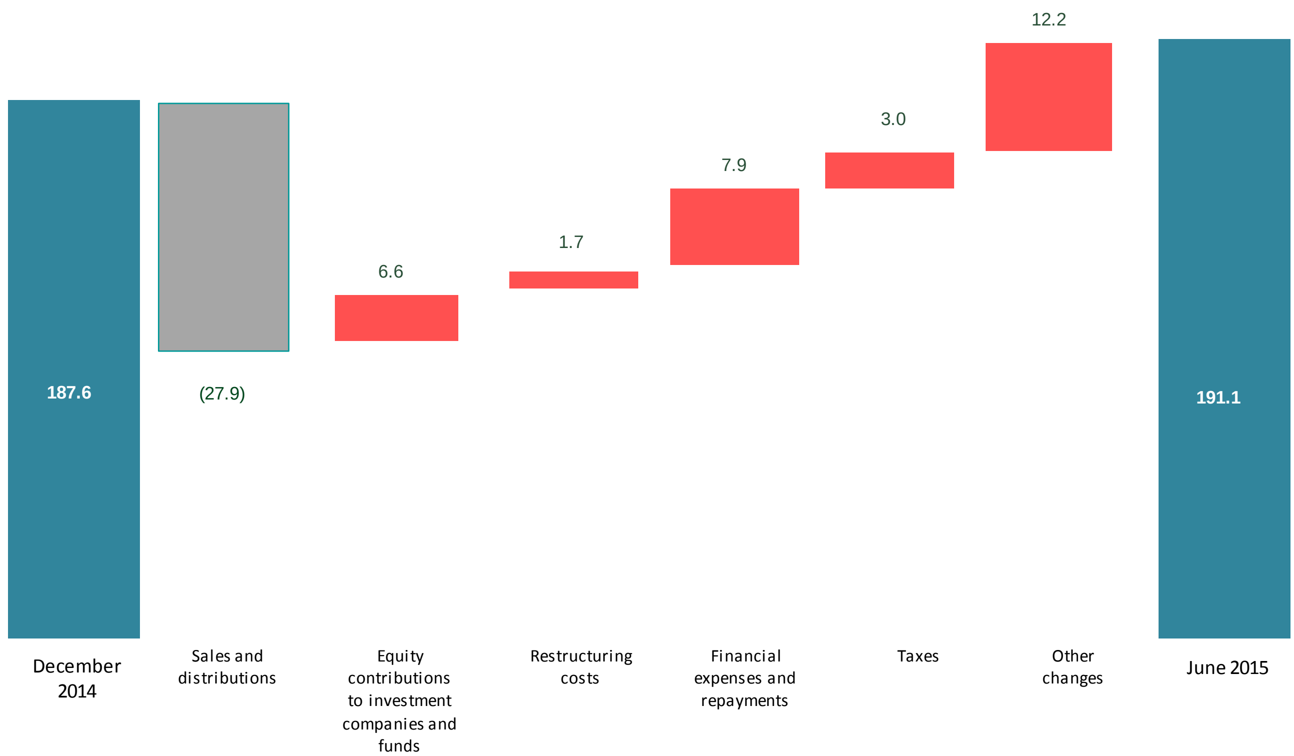
The negative change by Euro 3.5 million from December 31, 2014 was mainly due to the following:

- cash flows generated from sales and distribution by the investment company (Euro 27.9 million).

Conversely, the following events had a negative impact on net financial position:

- equity contribution to investment companies and funds (Euro 6.6 million);
- restructuring costs (Euro 1.7 million);
- financial expenses and repayments (Euro 7.9 million, of which Euro 3.0 million without monetary impact);
- taxes for Euro 3.0 million;
- other events partly linked to changes in net working capital for Euro 12.2 million.

(Euro/milion)



4.3. Net bank debt of investment companies and funds

The net bank debt on the real estate component of investment companies and funds with a market value on a 100% basis of Euro 2.5 billion was Euro 1.1 billion[20]: Prelios' average bank leverage on its real estate component was 42% (Prelios pro-rata share of 53%) on the market value of the assets.

The main features of the net financial debt of the real estate component of investment companies and funds are:

- limited recourse guarantees for Prelios S.p.A. (Euro 12.5 [21] million);

- 31% hedging of interest rate risk;

- an average maturity of 0.7 years (of which 0.7 years in Italy and 3.4 years in Germany).

For further details, please see Appendix B to this report.

With regard to the non-performing loan sector, the book value of loans on a 100% basis is around Euro 0.2 billion[22], against net bank debt of Euro 0.2 billion.

[20] This does not include certain funds classified as third-party funds insofar as Prelios' interest is less than 5% (and in particular Euro 0.2 billion attributable to the Cloe Fund).
[21] This includes Euro 4.9 million relating to a commitment already recognised among financial payables.
[22] The gross book value of the portfolio is Euro 9.1 billion.

5. CONSOLIDATED INCOME STATEMENT

In the first six months of 2015, the Group made an operating loss (as defined in part 4) of Euro 10.7 million, compared with an operating loss of Euro 6.3 million in H1 2014 and a net loss of Euro 13.1 million, compared to a net loss of Euro 37.6 million in H1 2014. The net loss was largely influenced by items that are outside the scope of ordinary operations, and in particular:

- property revaluations/write-downs, which amounted to a positive Euro 2.5 million (a negative Euro 21.2 million at June 30, 2014);
- restructuring costs, which had a negative impact of Euro 2.0 million, compared to Euro 1.8 million in H1 2014. This figure primarily consists of expenses relating to streamlining of the Group, loan losses and waivers as part of the restructuring of certain equity investments;
- the net income from sold assets and liabilities and/or held for sale was a positive Euro 3.2 million and related to the sale of the German residential portfolio known as DGAG, sold to Buwog (fully owned by the Austrian group Immofinanz), along with the related residential management platform of Prelios Deutschland.

An income statement (accounting schedules) is presented below.

(Euro/milion)	JUNE 2015	JUNE 2014
Revenues from sales and services	32.8	35.2
Changes in inventories of work in progress, semi-finished and finished products	(2.6)	(0.2)
Other income	3.7	3.8
TOTAL OPERATING REVENUES	**33.9**	**38.8**
Purchases of raw and consumable materials used (net of change in inventories)	(1.0)	(1.3)
Personnel costs	(18.2)	(18.3)
Depreciation, amortization and impairment	(0.3)	(0.4)
Other costs	(27.5)	(25.9)
TOTAL OPERATING COSTS	**(47.0)**	**(45.9)**
EBIT	**(13.1)**	**(7.1)**
Net loss from equity investments of which:	0.9	(24.6)
- portion of result of associates and joint ventures	*0.6*	*(23.2)*
- gains on investments	*0.0*	*0.1*
- dividends	*0.4*	*0.0*
- losses on investments	*(0.1)*	*(1.5)*
Financial income	7.3	3.7
Financial expenses	(9.7)	(12.2)
RESULT BEFORE INCOME TAXES	**(14.6)**	**(40.2)**
Taxes	(1.7)	(3.0)
NET INCOME (LOSS) FROM CONTINUING OPERATIONS	**(16.3)**	**(43.2)**
of which attributable to minority interests	0.0	(0.7)
Net income (loss) from discontinued operations	3.2	4.9
CONSOLIDATED RESULT FOR THE PERIOD	**(13.1)**	**(37.6)**

Revenues from sales and services amounted to Euro 32.8 million in H1 2015, compared to Euro 35.2 million in H1 2014.

The other income at June 30, 2015 totalled Euro 3.7 million, nearly the same as the total of Euro 3.8 million reported at June 30, 2014. The item refers to chargebacks to tenants of the management costs of company-owned properties or properties managed for third parties; in the latter case the chargebacks relate mainly to property management activities. It also includes the settlement or successful outcome of disputes that had created risks and uncertainties and the consequent funding of risk provisions.

Purchases of raw and consumable materials used (net of changes in inventories) amounted to Euro 1 million, compared with Euro 1.3 million at June 30, 2014. The change recorded in the first half of 2015 included Euro 0.4 million of net write-downs recognised on lower presumed realisable value, determined on the basis of independent appraisals as at June 30, 2015 or on the basis of the lower values at which the individual subsidiaries are willing to sell according to sales mandates granted after approval by their respective Boards of Directors, and to sales made in the period, primarily by Centrale Immobiliare S.r.l., Geolidro S.p.A. and Orione Immobiliare Prima S.p.A., and to completion of the sale of a property located in Magdeburg, Germany.

Personnel costs totalled Euro 18.2 million in H1 2015, virtually the same as the Euro 18.3 million recognised in H1 2014.

Other costs at June 30, 2015 amounted to Euro 27.5 million, compared with the Euro 25.9 million recorded in H1 2014. This item includes costs for maintenance services, commissions, consultancy and professional fees, rental costs of corporate sites, other operating expenses, provisions for risks and write-downs of receivables.

EBIT at June 30, 2015 was negative for Euro 13.1 million, compared with EBIT negative for Euro 7.1 million at June 30, 2014.

The net income from investments was Euro 0.9 million in H1 2015, compared with a loss of Euro 24.6 million at June 30, 2014. This item includes a net positive effect of Euro 3.0 million on a pro-rated basis for the Prelios Group, stemming from net property revaluations (particularly for the Industrial Space Fund), in contrast with net write-downs of Euro 20.3 million at June 30, 2014.

Financial income totalled Euro 7.3 million at June 30, 2015, compared with Euro 3.7 million in H1 2014: The improvement is mainly due to the income realised on the early repayment of the loan with UBI Banca on a lump sum basis for an amount less than its par value.

Financial expenses were Euro 9.7 million at June 30, 2015, compared with Euro 12.2 million in H1 2014.

6. CO-INVESTED AND THIRD-PARTY REAL ESTATE PORTFOLIO AND REAL ESTATE NET ASSET VALUE AT JUNE 30, 2015

The following analyses refer to the Group's co-investments (values on a 100% basis and values relative to the Group's interest) through investment companies or real estate funds and third-party assets under management. With the exception of non-performing loans, which are stated at book value[23], the value of co-investments and third-party assets under management is represented by the values determined by appraisals from independent experts at the reporting date[24].

This item, where clearly indicated as *pro rata*, expresses the Group's interest in the fair value of the assets and the book value of its non-performing loans.

6.1. Co-invested real estate portfolio

The information presented below concerning the Group's real estate co-investments at June 30, 2015 is based on appraisals by:

- Cushman & Wakefield for 29% of the portfolio;
- CBRE for 26% of the portfolio;
- Eagle & Wise Service for 15% of the portfolio;
- REAG for 14% of the portfolio;
- other experts for the residual 16% of the portfolio.

The appraisals are based on standard valuation criteria, i.e. appraisals are prepared for individual real estate properties according to the various methodological criteria defined by the independent experts.

The discounted cash flow method, which discounts the cash flows resulting from leases to present value by applying a discount factor which reflects the specific risks associated with the investment (at the end of the rental period, the terminal value obtained by capitalising the market rent for commercial and/or tertiary real estate is taken into consideration) is the one most used for the commercial sector in Germany. For residential properties in Italy, the terminal value is obtained by applying the comparative method. As far as initiatives in progress and development lands are concerned, the transformation method is used, discounting the costs and revenues resulting from the development operation to present value, taking into account the progress of the project.

With regard to the CONSOB Recommendation of July 18, 2013, it is reported that in recent years the appraisal of the Group's real estate assets has been entrusted to the aforementioned experts, which offer specialised property appraisal services in the capacity of independent experts. This alternation (note the average term of office is approximately four years) is sought both in accordance with the relevant industry legislation, and to ensure a more objective and independent assessment of the real estate assets. The Group, in selecting and renewing the appointment of experts, follows the rules of maximum transparency, assessing the adequacy of the selected supplier in relation to the specifications of the real estate portfolio subjected to the valuation. In particular, independent experts are selected according to an analysis of their professional specifications and the nature of the assignment, taking the following into account in the specific case of real estate funds: years of experience in appraising real estate, enrolment in the professional register kept by an Italian court, having appraised assets with a total value of more than Euro 25 million attributable to a single owner at least once, possession of suitable process quality certification, adequate technical and organisational standards and an absence of conflicts of interest.

It should be noted that the real estate portfolio managed by Prelios SGR, in accordance with the joint communication of the Bank of Italy and CONSOB of July 29, 2010, is subject to an audit of the assumptions used by the independent experts to prepare their estimates, in accordance with internal procedures governing the guidelines, roles and responsibilities of the various departments involved, as well as discussions with independent experts. The Group has extended these procedures to its other operations subject to the

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[23] Figures stated at cost net of any write-downs.

[24] The values thus determined exclude the deduction of any discounts resulting from sales mandates aimed at expediting the disposal of real estate portfolios.

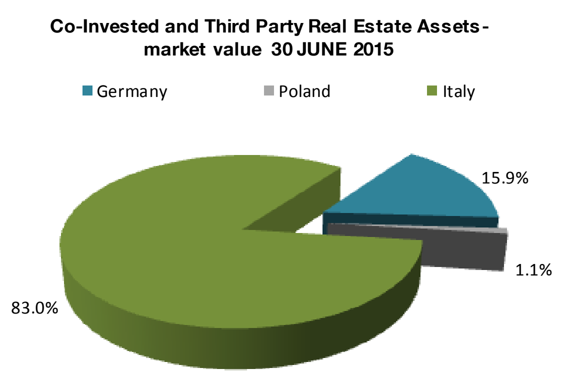
appropriate terms and conditions, in response to the aforementioned CONSOB Recommendation of July 18, 2013.

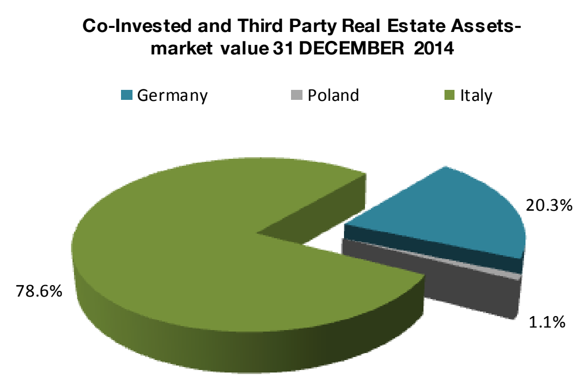
Co-investments[25] and third-party assets under management amounted to Euro 5.1 billion at June 30, 2015 (Euro 5.4 billion at December 31, 2014), with an investment interest for Prelios of Euro 0.8 billion (Euro 0.9 billion at December 31, 2014). Investments consist of Euro 4.9 billion in real estate (Euro 5.2 billion at December 31, 2014) and Euro 0.2 billion in non-performing loans (Euro 0.2 billion at December 31, 2014). In terms of asset allocation by geographical area, of the Euro 4.9 billion in real estate assets, 83% are located in Italy, 15.9% in Germany and 1.1% in Poland.

The portion of real estate assets in which the Group does not have an interest amounted to Euro 2.4[26] billion in June 2015, up from Euro 2.3 billion in December 2014, and accounted for approximately 49% of the total value of the real estate portfolio.

Based on the valuations of independent experts, which the Prelios Group normally requires for its entire portfolio every six months and net of any discounted sales mandates granted to intermediaries, on a like-for-like basis, the market values of assets in which the Group holds an interest were substantially stable, with the exception of an increase in appraised values for certain specific portfolios. In the first half of 2015, the write-downs recorded on some funds and portfolios in Italy in which the Group holds an interest indicated a slight worsening of the sector risk attached to the real estate investments.

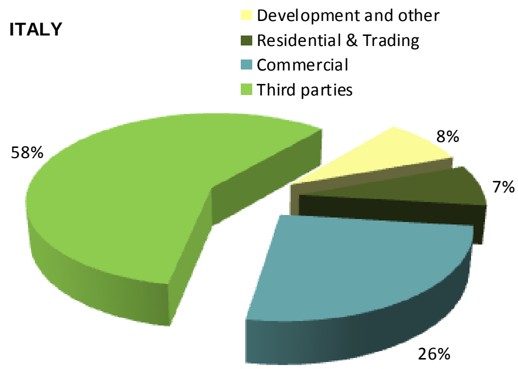
As shown in the following tables, the asset allocation at market values by geographical area at June 30, 2015 indicates that Italy's percent weight increased compared to December 31, 2014. There was a slight reduction in the weight of the portfolio of assets in which the Group holds an interest in Italy, while the percent weight of the portfolio of assets under management in Italy increased.

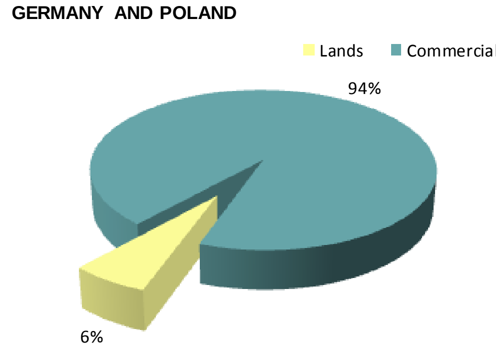




The following tables give an overview by product of the real estate portfolio expressed at market values at June 30, 2015 (100% values).

[25] Assets under management, excluding NPL valued at book value, are expressed at market value based on appraisals and analyses by independent experts. The market values determined by independent experts do not take into account a possible acceleration of the sales plan beyond the reasonable period of time needed for such sales, considering the specific type of asset in its current market, and any discounts for block sales or discounts arising under sales mandates.
[26] Includes, *inter alia,* initiatives in which the Group holds an interest of less than 5%.





Land and development activities

Co-investments in assets as part of land and development activities were valued at Euro 397.0 million in June 2015, of which Euro 267.4 million relates to land and Euro 129.6 million relates to development. Prelios has a stake of 43% equal to Euro 170.7 million.

As a percentage of the total real estate portfolio which the Group holds a pro-rata interest (Euro 736.7 million pro-rata), land and development activities are therefore approximately 23%.

For land and development activities, the Group generally participates in initiatives with qualified minority interests in joint ventures with prime national and international partners providing asset management, property and project management and agency services.

The land and development activities of the various joint ventures in which Prelios holds an interest are initially 50%-70% funded by leading national and international credit institutions, and the remainder by shareholder funds in the form of equity and shareholder loans.

Non-recourse bank financing is generally structured into two lines with mortgages: one for the purchase of the land and the other disbursed as the work progresses (capitalisation line).

The main projects currently in progress are:

- Manifatture Milano (Prelios 50%): an area adjacent to Bicocca University (northern part of Milan). Around 72,000 square metres of land will be developed for the following purposes: unrestricted and restricted housing units, university accommodation, commercial units, social housing and compatible uses. The land has a market value of about Euro 106.4 million. Development activity is managed through a joint venture with CdP Immobiliare and renovation of one of the existing residential buildings (building no. 2) is currently nearing completion.
- Trixia (Prelios 36%): land designated for real estate development, and already partly developed, situated on the outskirts of the Municipality of Milan. The real estate assets of the company consist of the following:
    - Area e Cascina Zibido – a property comprising land and derelict farm buildings;
    - Malaspina Espansione – semi-urban site, predominantly residential;
    - Cusago Espansione – non-urban site for commercial development;
    - Castello di Tolcinasco – part of the Castello di Tolcinasco estate;
    - Malaspina Residences – a residential complex located in the Municipality of Pioltello, consisting of three lots and a retail complex: development work, which began in 2004, has been completed, and the property is still being marketed.

The market value of all real estate assets at June 30, 2015 was Euro 76.6 million.

- Inim 2 (Prelios 25%): in the section dedicated to RCS, the investment initiative owns a site where around 44,500 square metres of gross floor area has been partially developed for manufacturing, tertiary and commercial use. The market value at June 30, 2015 was Euro 24.9 million.
- The former Lucchini site, approximately 85 hectares located in the northern suburbs of Warsaw with a development potential, once urban planning procedures have been completed, now estimated at more than 300,000 square metres, has a market value of approximately Euro 52.4 million (Prelios has a 40% stake).

6.2. Real estate net asset value estimated by independent third-party experts

The pro-rata net asset value of Prelios' investments was Euro 0.4 billion at June 30, 2015 (net of non-performing loans, which are stated at book value), in line with the figure reported at December 31, 2014. This value corresponds to the balance of the value determined through pro-rata appraisals by the independent experts of the assets in which the Group has an interest (Euro 0.8 billion) and the pro-rata net bank debt of the investment companies and funds in which Prelios has an interest (Euro 0.4 billion).

Of the total value of the real estate portfolio for investment companies and funds in which the Group invests, which has a book value of Euro 2.3 billion (Euro 0.7 billion pro rata), around Euro 1.0 billion (Euro 0.3 billion pro rata) relates to investment property measured at fair value (IAS 40).

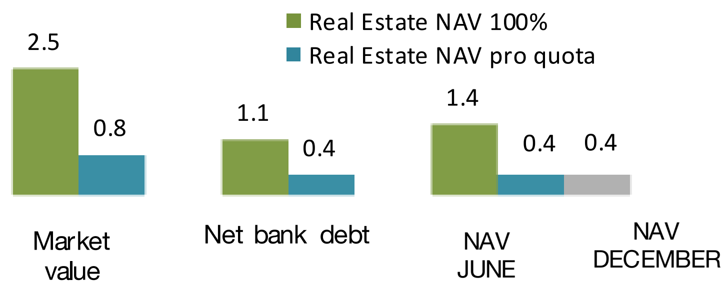
The following tables show the net asset value of the company at June 30, 2015 as compared with December 31, 2014.

(in billions of euro)	JUNE 2015 - 100% -				DECEMBER 2014 - 100% -			
	Market value	Book value	Net Bank Debt	Net Asset Value	Market value	Book value	Net Bank Debt	Net Asset Value
Real estate investment companies and funds in which the Group holds an interest	2.5	2.3	1.1	**1.4**	2.9	2.8	1.3	**1.6**
Real estate investment companies and funds in which the Group does not hold an interest (*)	2.4	2.4			2.3	2.3		
TOTAL REAL ESTATE	**4.9**	**4.7**	**1.1**		**5.2**	**5.1**	**1.3**	
NPL (**)	*0.2*	*0.2*	*0.2*		*0.2*	*0.2*	*0.2*	
CO-INVESTED AND THIRD PARTY REAL ESTATE ASSETS (***)	**5.1**	**4.9**	**1.3**		**5.4**	**5.3**	**1.5**	

	JUNE 2015 - PRO QUOTA -				DECEMBER 2014 - PRO QUOTA -			
	Market value	Book value	Net Bank Debt	Net Asset Value	Market value	Book value	Net Bank Debt	Net Asset Value
Real estate investment companies and funds in which the Group holds an interest	0.8	0.7	0.4	**0.4**	0.8	0.8	0.4	**0.4**
Real estate investment companies and funds in which the Group does not hold an interest (*)	0.0	0.0			0.0	0.0		
TOTAL REAL ESTATE	**0.8**	**0.7**	**0.4**		**0.8**	**0.8**	**0.4**	
NPL (**)	*0.0*	*0.0*	*0.0*		*0.1*	*0.1*	*0.1*	
CO-INVESTED AND THIRD PARTY REAL ESTATE ASSETS (***)	**0.8**	**0.7**	**0.4**		**0.9**	**0.9**	**0.5**	

(*) This includes, inter alia, initiatives in which the Group holds an interest of less than 5%.
(**) For non-performing loans, the value included in the "market value" columns corresponds to the acquisition cost less any write-downs.
(***) For calculation purposes, consolidated assets were considered to be entirely financed by own resources.

Co-invested Real Estate Assets



Net bank debt does not include the borrowings of several initiatives in liquidation, for which net invested capital is zero because no further significant capital injections are planned, considering the absence of legal obligations to support them (Portafogli Misti, Riva dei Ronchi, Induxia, Lupicaia, Maro and Roca, Tamerice, Golfo Aranci and Aree Urbane Funds for a par value at June 30, 2015 of about Euro 286 million on a 100% basis and about Euro 101 million on a pro-rata basis). The tables above do not show the asset values of these initiatives.

6.3. Representation of the real estate portfolio

The following tables provide information concerning profitability by cluster on both a 100% and pro-rata basis: in particular, a breakdown is provided for rental income, with an indication of the related vacancy rates. Note that passing rent corresponds to annualised rent based on existing contracts at the end of the reporting period for assets belonging to the initiative; passing yield is calculated by dividing passing rent by the book value of the initiative's assets; and the vacancy rate is calculated as the ratio of vacant floor space to total floor space of the asset.

Profitability of investment companies and funds on a 100% basis (thousands of euro)

	% PRE	Passing Rent	Passing Yield	Vacancy	Book value	Market value	Net debt
Fondo Tecla	44.8%	15,525	6.1%	19.6%	256,229	264,530	198,560
Fondo FIPRS	22.0%	20,337	8.8%	-	231,560	231,560	155,325
Fondo Raissa	35.0%	11,484	5.8%	1.3%	196,708	205,650	11,162
Fondo Monteverdi	48.8%	3,511	7.3%	72.3%	48,089	56,150	15,493
Fondo Spazio Industriale (*)	22.1%	19,024	7.0%	20.9%	272,184	303,509	170,092
Other		508	**7.8%**		6,500	6,500	9,668
COMMERCIAL ITALY		**70,387**	**7.0%**	**19.8%**	**1,011,270**	**1,067,899**	**560,299**
Commercial Germany		**1,774**	**6.8%**	**10.5%**	**26,130**	**26,910**	**(11,846)**
Highstreet (Commercial)		**55,275**	**8.6%**	**-**	**640,752**	**747,080**	**(52,211)**
Residential Small Deals		**-**			**-**	**-**	**(4)**
TOTAL GERMANY		**57,049**	**8.6%**	**0.2%**	**666,882**	**773,990**	**(64,062)**
TOTAL PORTFOLIO YIELDING		**127,437**	**7.6%**	**14.7%**	**1,678,152**	**1,841,889**	**496,237**
Trading Italy		**2,730**	**n.m.**	**n.m.**	**301,572**	**308,364**	**391,884**
Development Italy		**-**	**n.m.**	**n.m.**	**129,500**	**129,530**	**88,699**
Land Italy		**342**	**n.m.**	**n.m.**	**206,202**	**214,993**	**118,483**
Other Germany		**1,216**	**n.m.**	**n.m.**	**16,136**	**17,480**	**6,128**
Other Polonia (**)		**-**	**n.m.**	**n.m.**	**12,007**	**52,451**	**(25,032)**
TOTAL OTHER		**4,288**			**665,417**	**722,817**	**580,162**
TOTAL CO-INVESTED REAL ESTATE ASSETS		**131,725**	**5.6%**		**2,343,569**	**2,564,706**	**1,076,399**

Profitability of investment companies and funds on a pro-rata basis (thousands of euro)

	% PRE	Passing Rent	Passing Yield	Vacancy	Book value	Market value	Net debt
Fondo Tecla	44.8%	6,956	6.1%	19.6%	114,809	118,529	93,732
Fondo FIPRS	22.0%	4,474	8.8%		50,943	50,943	41,463
Fondo Raissa	35.0%	4,019	5.8%	1.3%	68,848	71,978	3,907
Fondo Monteverdi	48.8%	1,713	7.3%	72.3%	23,461	27,393	7,558
Fondo Spazio Industriale (*)	22.1%	4,208	7.0%	20.9%	60,207	67,136	37,624
Other		167	**7.8%**		2,145	2,145	3,190
COMMERCIAL ITALY		**21,538**	**6.7%**	**25.7%**	**320,413**	**338,124**	**187,475**
Commercial Germany		**1,936**	**14.0%**	**9.9%**	**13,849**	**14,262**	**(889)**
Highstreet (Commercial)		**6,679**	**8.6%**	**-**	**77,425**	**90,273**	**(6,604)**
Residential Small Deals		**-**			**-**	**-**	**(2)**
TOTAL GERMANY		**8,615**	**9.4%**	**1.5%**	**91,274**	**104,535**	**(7,494)**
TOTAL PORTFOLIO YIELDING		**30,153**	**7.3%**	**22.4%**	**411,687**	**442,659**	**179,981**
Trading Italy		**944**	**n.m**	**n.m**	**111,184**	**115,095**	**133,390**
Development Italy		**-**	**n.m**	**n.m**	**61,503**	**61,531**	**40,846**
Land Italy		**-**	**n.m**	**n.m**	**84,052**	**88,153**	**41,071**
Other Germany		**644**	**n.m.**	**n.m.**	**7,555**	**8,308**	**3,040**
Other Polonia (**)		**-**	**n.m**	**n.m**	**4,804**	**20,981**	**(9,949)**
TOTAL OTHER		**1,588**			**269,098**	**294,068**	**208,399**
TOTAL CO-INVESTED REAL ESTATE ASSETS		**31,741**	**4.7%**		**680,785**	**736,727**	**388,380**

(*) The passing rent, passing yield and vacancy figures for the Industrial Space Fund refer to the last available figures for 2013.

(**) The Poland area refers to the sole investment held directly and indirectly by the company through the investee Polish II and represents the property component underlying that investment only (a plot of land located in the Bielany district of Warsaw). Please note that, with regard to the cash held by the investee Polish II, the total carrying value for the period (equity investment plus shareholders' loan) would be approximately Euro 31 million at market value.

The Prelios Group's real estate yielding portfolio, with a market value of Euro 1.8 billion (Euro 0.4 billion on a pro-rata basis) and a book value of Euro 1.7 billion (Euro 0.4 billion on a pro-rata basis) generates pro-rata turnover from rentals of approximately Euro 30.2 million annually (approximately Euro 127.4 million on a 100% basis). The portfolio's ten principal tenants, representing approximately 80% of rents attributable to Prelios, are: Telecom Italia, Karstadt (Highstreet), the Region of Sicily, Valtur, Wind, Vodafone, Eni-Sofid, Alstom Power, UCI Italia and CNR.

The following table gives a representation by country of the portfolio in which the Group holds an interest, divided according to the accounting policies defined in IAS 2 and IAS 40.

	Book value 100%	Market value 100%	Book value pro rata	Market value pro rata
IAS 2	57,408	64,941	26,229	30,045
IAS 40	953,862	1,002,958	294,184	308,079
Commercial Italy	**1,011,270**	**1,067,899**	**320,413**	**338,124**
IAS 2	26,130	26,910	13,849	14,262
IAS 40	-	-	-	-
Commercial Germany	**26,130**	**26,910**	**13,849**	**14,262**
IAS 2	640,752	747,080	77,425	90,273
Highstreet	**640,752**	**747,080**	**77,425**	**90,273**
IAS 2	258,885	265,677	99,035	102,946
IAS 40	42,687	42,687	12,149	12,149
Trading Italy	**301,572**	**308,364**	**111,184**	**115,095**
IAS 2	129,500	129,530	61,503	61,531
Development Italy	**129,500**	**129,530**	**61,503**	**61,531**
IAS 2	206,202	214,993	84,052	88,153
IAS 40	-	-	-	-
Land Italy	**206,202**	**214,993**	**84,052**	**88,153**
IAS 2	16,136	17,480	7,555	8,308
Other Germany	**16,136**	**17,480**	**7,555**	**8,308**
IAS 2	12,007	52,451	4,804	20,981
Land Poland	**12,007**	**52,451**	**4,804**	**20,981**
TOTAL CO-INVESTED REAL ES	**2,343,569**	**2,564,706**	**680,785**	**736,727**

(*) With regard to the Highstreet real estate portfolio, the net invested capital is now limited to one financial receivable, for which the recoverability is assessed by analysing the expected cash flows from the unwinding of the joint venture, feasible on completion of the divestment of the portfolio.

7. PERFORMANCE OF THE BUSINESS DIVISIONS

This section provides an account of the financial performance of the Real Estate division (by geographical area) and the NPL division, broken down into the income and expenses generated by the Management Platform and the income and expenses generated by Investment Activities[27]. The operating profit/(loss) included and discussed in the following tables corresponds to that set out in part 4 of this Report.

Unless otherwise specified, all amounts are in millions of euro.

The table below gives an overview of operating profit/(loss) by geographical area.

	Italy		Germany		Poland		NPL		G&A		Total			
	June 2015	June 2014	June 2015	June 2014	June 2015	June 2014	June 2015	June 2014	June 2015	June 2014	June 2015		June 2014	
Management platform	1.6	4.7	1.9	1.3	(0.1)	(0.2)	(1.8)	0.2	(5.2)	(6.2)	**(3.6)**	**(3.6)**	**(0.2)**	**(0.2)**
Investment activities	(5.6)	(4.6)	(0.1)	(0.1)	(1.3)	(0.7)	(0.1)	0.0	0.0	0.0	**(7.1)**	**(7.1)**	**(5.4)**	**(6.1)**
Loss on NPL portfolio valuation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.7)	0.0	0.0	**0.0**		**(0.7)**	
Operating profit/(loss)	**(4.0)**	**0.1**	**1.8**	**1.2**	**(1.4)**	**(0.9)**	**(1.9)**	**(0.5)**	**(5.2)**	**(6.2)**	**(10.7)**		**(6.3)**	

For the interpretation of the data contained in the following tables by country, it should be noted that the amount of revenues refers to fully consolidated service companies, but does not include the consolidated revenues of investment initiatives.

7.1. Real Estate Italy

The Real Estate Italy business (Management Platform and Investment Activities) reported an operating loss at June 30, 2015 of Euro 4.0 million, compared with operating profit of Euro 0.1 million in the first half of 2014.

<u>Management Platform</u>

The EBIT in the first half of 2015 was Euro 1.6 million, compared with the EBIT of Euro 4.7 million in the same period of 2014.

Regarding the performance of the Management Platform, the major events that affected the individual Cash-Generating Units are highlighted.

[27] Operating profit from Investment Activities means profit generated by Prelios from its investments in funds and companies that own real estate portfolios; operating profit from the Management Platform refers to profit generated through fund and asset management and specialised real estate services (property and project, agency and facility) and services related to the management of NPL (credit servicing), including general and administrative expenses.

Fund Management	June 30, 2015	June 30, 2014
Revenue (millions of euro)	7.4	10.3
Operating profit/(loss) (millions of euro)	1.1	3.7
ROS	15%	36%
Number of funds managed	25	25
Co-Invested and Third-party Real Estate Assets (*)	3.45	3.7
Number of employees (**)	67	72

(*) Market value in billions of euros, expressed on a 100% basis, including the portfolio of Excelsia 9 S.r.l.
(**) Including seconded staff from other Group companies

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

At June 30, 2015, Prelios SGR managed a total of 25 funds, of which 13 are ordinary (one of them listed) and 12 speculative, as well as a management contract for the divestment of a real estate portfolio.

Revenues, essentially represented by fixed management fees, were Euro 7.4 million. The decrease on the first half of 2014 is primarily due to the sale of the Olinda-Shops Fund and the reduction in the fees of the Tecla Fund, as provided by Law 116/2014 in relation to which the extraordinary extension was exercised.

The operating profit for the first half of 2015 was Euro 1.1 million, compared with Euro 3.7 million in the same period of 2014. The decrease is directly attributable to the reduction in revenues, partly offset by ongoing cost containment measures, both of a structural and occasional nature.

With respect to the development of new initiatives, during the period, Prelios SGR established the new Aurora equity fund and was awarded the management of an additional equity fund. Both funds are reserved to leading institutional investors. Activities to increase assets under management continued with the acquisition and contribution of properties by the managed funds.

Finally, in the first half Prelios SGR concluded the liquidation of the listed Olinda-Shops Fund and a speculative fund reserved to institutional investors at the conclusion of an orderly disposal of assets.

In Italy, the real estate brokerage and valuation services are carried out by the subsidiaries Prelios Agency S.p.A. and Prelios Valuations E-Services S.p.A..

Agency	June 30, 2015	June 30, 2014
Revenue (millions of euro)	1.3	1.3
Operating profit/(loss) (millions of euro)	(0.8)	(0.6)
Volume of business (millions of euro)	98.2	18.9
Number of employees	19	20

Within the Prelios Group, Prelios Agency S.p.A. is the company that specialises in professional advisory services for the purchase and sale or lease of individual units and entire properties for office, residential, industrial, logistics and retail use. The company offers a range of brokerage and advisory services for purchases, sales and leases, ranging from the analysis of the customer's needs to monitoring the market, handling negotiations and providing contractual assistance.

The period saw the continuation of the process of transformation from a company primarily dedicated to captive customers to a broker and advisor capable of providing third party customers with highly specialised services and a strategic partner in real estate brokerage for investors of a public or private nature, as well as for real estate funds and institutional operators.

In particular, during the first half of 2015, the company was awarded new contracts and renewed a number of commercialisation agreements worth approximately Euro 311 million. Furthermore, it was assigned new important mandates to lease approximately 2,200 square metres worth roughly Euro 0.5 million.

Furthermore, also following an invitation to tender, the Cassa Nazionale di Previdenza e Assistenza dei Dottori Commercialisti ("CNPADC" - the Italian social security fund for chartered accountants) awarded to the company the contract to sell a property in Naples.

An annual agreement was recently made with Telecom Italia S.p.A. to renegotiate the rents for industrial and mixed-use properties.

Revenues totalled Euro 1.3 million, on par with the amount reported at June 30, 2014.

The company's brokered volumes amounted to Euro 98.2 million, compared to Euro 18.9 million in the first half of 2014.

Operating loss was Euro 0.8 million for the first half of 2015, representing a deterioration from the loss of Euro 0.6 million in the first half of 2014. The worsening is due to the different type of revenues (higher volumes for renegotiation of rents with lower margins).

At June 30, 2015, the portfolio of sales mandates amounted to approximately Euro 2.3 billion[28], of which roughly Euro 1.4 billion from third-party customers.

Valuations	**June 30, 2015**	**June 30, 2014**
Revenue (millions of euro)	2.8	2.5
Operating profit/(loss) (millions of euro)	0.3	0.6
ROS	11%	24%
Number of Loan Service valuations	approx. 8,200	approx. 3,200
Number of employees	14	11

The subsidiary Prelios Valuations & e-Services S.p.A. is one of Italy's foremost independent providers of valuations for individual properties and real estate portfolios in the service and residential segments. With approximately 20,000 appraisals performed in 2014, it specialises in valuation services for banks ("Loan Services").

Revenues amounted to Euro 2.8 million for the first half of 2015, compared to Euro 2.5 million in the same period of 2014.

The company is currently under contract to conduct approximately 35,000 appraisals per year, considering the recent confirmation by Unicredit of the award of the tender for appraisal of the properties underlying applications for corporate mortgage loans, the contract signed with BNL for the retail and small business and corporate areas, and the new appraisal business from Banca Popolare dell'Emilia Romagna (BPER).

The Ing Direct and Deutsche Bank - Banco Poste contracts continued to yield consistent volumes, with the promise of growth for the latter over the next two to three years.

In business other than appraisals for new mortgage loans, attention should be drawn to the company's services in the field of appraisals in support of property leases and repossessions.

With respect to the full appraisal business, services continued to be provided to both asset management companies/real estate funds and Custodian Banks.

Services are also provided to investors, large companies and banks, for both institutional assets and private banking holdings. The company also provides ongoing appraisal service to market players of high standing, including Credit Suisse, UBS, Barclays, Fondo Previdenza Cassa di Risparmio Firenze, and Fiat Chrysler Automobiles (FCA).

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[28] List price.

The mass appraisals segment showed significant growth compared to the half of 2014, partly due to the statistical revaluation of large real estate portfolios.

Finally, during the first half of the year, the company won the following tenders:

- Unicredit (UBIS): tender for the supply of corporate appraisals for Unicredit S.p.A.;
- Unicredit (Arianna Project): appraisal of properties repossessed by Unicredit Group banks;
- Hypo Alpe Adria: real estate appraisal services;
- REAM SGR: independent expert of the Social & Human Purpose Fund, exclusively held by a number of Bank Foundations of the Piedmont Region and dedicated to investments in properties used for collective social purposes.

Integra	**June 30, 2015**	**June 30, 2014**
Revenue (millions of euro)	9.4	9.6
Operating profit/(loss) (millions of euro)	1.0	1.1
ROS	11%	11%
Value of assets under management (billions of euro)	4.9	4.6
Floor area managed (in millions of m^2)	oltre 5,4	5.4
Rental units managed	approx. 33,000	approx. 29,000
Leases managed	approx. 6,000	approx. 2,900
Passing Rent (millions of euro)	225	237
Capex at June 30 (millions of euro) (*)	21.2	6.7
Number of employees	88	83

(*) Project management activities carried out during first semester 2015.

In Italy, integrated property management services are carried out by Prelios Integra S.p.A., a wholly owned subsidiary of Prelios.

Prelios Integra is one of Italy's leading operators in integrated property management and project development services, with Euro 5 billion in assets under management, representing over 5.4 million square metres.

In 2015, the company continued the process begun in the previous year of transforming itself from a business unit with primarily captive clients to a service provider capable of competing on the market independently from the Group, acquiring and developing non-captive clients with strategic external growth objectives.

The main fronts on which the company is currently involved are:

- development of activities with shareholder banks;
- enhancing corporate real estate services, not just for the owners, but also for the tenants of properties (with particular regard to local networks of banks and retailers);
- strengthening its presence as service provider to real estate asset management companies;
- strengthening relationships with major industrial and non-financial service groups (Eni, Enel, Telecom and Wind).

More generally, in the first half of 2015, the company managed real estate assets equivalent to approximately 6,000 lease contracts. The Group's main external clients were: INPS, Unicredit Group banks, Unipol, Excelsia Nove, Prisma SGR, Namira SGR, A2A, Gruppo, Novartis Farma, AXA Reim SGR, Eni Servizi, Wind and Enel Energia.

Revenues amounted to Euro 9.4 million for the first half of 2015, slightly down on the Euro 9.6 million in the same period of 2014.

Operating profit amounts to Euro 1.0 million and is in line with the Euro 1.1 million realised in the first half of 2014.

Furthermore, during the first half, the company assisted various clients with the process of disposing of and/or developing and appraising their properties (e.g., Unipol Sai, Agris Fund, Asci Fund and Aurora Fund).

Moreover, it won the following tenders in the first half:

- CDPI SGR: tender for the performance of a feasibility study, the urban design and the preparation of all drawings necessary to obtain the urban certification for a property in Diano Castello (IM) known as the "former Caserma Camandone";
- CDPI SGR: tender for the performance of a feasibility study, the urban design and the preparation of all drawings necessary to obtain the urban certification for a property in Albenga (SV) known as the "former Caserma di Piave".

The company also participated, directly or in consortia with other companies, in the following tenders, the outcomes of which have yet to be announced:

- Unicredit (UBIS): "Unicredit Subito Casa" - tender to award a two-year framework agreement governing all professional activities related to the filing and management of the administrative procedures to obtain the authorisations for the temporary display of signs;
- ENI: urban and building design services;
- Unicredit (UBIS): project services and restructuring works of premises to be used as agencies and/or offices involving owned properties or properties leased from third parties;
- State Property Office: ordinary and extraordinary maintenance on the properties used by State Administrations and properties where maintenance is managed by the State Property Office.

Finally, in December 2014, the Competition and Market Supervisory Authority ("AGCM") assigned the company a "Legality Rating" with a score of 2 stars ++. This score can be considered an outstanding result, considering that the rating goes from a minimum of 1 to a maximum of 3 stars.

The company recently obtained ISO 50001 certification, complementing its previously obtained SOA certification, renewal of the ISO9001:2008 Quality certification, BS OHSAS 18001 certification of the workplace health and safety management system, ISO 14001 certification for the environmental management system and SA 8000 certification for social responsibility.

Investment Activities

Net income from investment activities, geared towards disposal, continued to be affected by the critical issues of the Italian real estate market. The investments held by Prelios through its investments in funds and companies holding portfolios of real estate and non-performing loans are also often subject to the determinations of the majority partners.

The EBIT in the first half of 2015 was negative for Euro 5.6 million, compared with the EBIT negative for Euro 4.6 million in the same period of 2014.

The market environment remains fragile, with few transactions and falling prices, preventing coverage of operating and financial costs by investment companies. Therefore, Investment Activities continued to post a loss.

Property sales in the first half of 2015 (considering the properties of associates, joint ventures and funds in which the Group holds an interest on a 100% basis) amounted to Euro 83.4 [29] million (Euro 67.3[30] million in the same period of 2014).

On the whole, property transactions were undertaken at levels essentially in line with their book value.

Total rents[31] were Euro 38.2 million (Euro 56.2 million for the period ended June 30, 2014).

[29] Including Euro 0.7 million attributable to funds or vehicles declared to be in stop loss.
[30] Including Euro 60.6 million attributable to funds or vehicles declared to be in stop loss.
[31] The value is determined by adding the rents collected by consolidated investment companies to the rents of associates, joint ventures and funds in which the Group holds an interest.

7.2. Real Estate Germany

The Real Estate Germany business (Management Platform and Investment Activities) reported an EBIT positive for Euro 1.8 million in the first half of 2015, compared with an EBIT positive for Euro 1.2 million in the same period of 2014.

Management Platform

Germany	June 30, 2015	June 30, 2014
Revenue (millions of euro)	5.6	6.1
Operating profit/(loss) (millions of euro)	1.9	1.3
ROS	34%	21%
Floor area managed (in millions of m^2) (*)	0.8	1.1
Number of rental units managed (*)	64	78
Co-Invested and Third-Party Real Estate Assets (**)	0.8	1.3
Number of employees	63	80

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

(**) Market value in billions of euro on a 100% basis.

Revenues fell from Euro 6.1 million in the first half of 2014 to Euro 5.6 million in the same period of 2015. The decrease stemmed primarily from the loss of several non-captive mandates that had expired at the end of 2014 and which have not been fully offset by the acquisition of new business.

The EBIT for the service platform only was Euro 1.9 million for the period ended June 30, 2015, up from Euro 1.3 million in the first half of 2014.

Investment Activities

EBIT was negative for Euro 0.1 million in the first half of the year, virtually the same as in the same period of the previous year.

Property sales in the first half of 2015 (considering the properties of associates, joint ventures and funds in which the Group holds an interest on a 100% basis) amounted to Euro 388.7 million, compared to Euro 224.8 million in the first half of 2014, with this last figure including disposal of the "Small Deal" German residential portfolio. For the Highstreet portfolio, in which Prelios holds a 12.08% interest indirectly, through Sigma RE B.V., sales amounted to approximately Euro 374.6 million, with the most significant relating to three commercial-use buildings located in Wiesbaden (Kirchgasse), Munich (Bahnhofplatz) and Karlsruhe (Zähringer).

In the first half of 2015, property transactions took place at values in line with book value, similarly to the same period of the previous year.

Total rents were Euro 35.2 million, compared with Euro 51.2 million in the first half of 2014.

7.3. Real Estate Poland

The Poland real estate business (Management Platform and Investment Activities) reported EBIT negative for Euro 1.4 million at June 30, 2015, which marks a deterioration from EBIT for the first half of 2014 negative for Euro 0.9 million, and mainly attributable to the investment activity.

Management Platform

Poland	June 30, 2015	June 30, 2014
Revenue (millions of euro)	0,2	0,1
Operating profit/(loss) (millions of euro)	(0,1)	(0,2)
Floor area managed (in millions of m^2) (*)	0,3	0,4
Co-Invested and Third-Party Real Estate Assets (**)	52,5	67,1
Number of employees	7	10

(*) The figure refers to the Lucchini site managed by the company Bielany Project Management, 40% owned by Prelios

(**) Market value expressed in millions of euro on a 100% basis. The Poland area refers to the sole investment held directly and indirectly by the Company through the investee Polish II and represents the property component underlying that investment only (a plot of land located in the Bielany district of Warsaw). Please note that, with regard to the cash held by the investee Polish II, the total carrying value for the period (equity investment plus shareholders' loan) would be approximately Euro 31 million at market value.

The reduction in the co-investment portfolio is mainly related to the sale in H2 2014 of an area located in Warsaw that is primarily dedicated to retail use.

The Management Platform's EBIT was negative for Euro 0.1 million, marking a slight improvement on H1 2014 (Euro -0.2 million).

Investment Activities

The EBIT from investments was negative for Euro 1.3 million in the first half of 2015, compared with an EBIT negative for Euro 0.7 million for the period ended June 30, 2014.

7.4. Non-performing loans

The non-performing loan business (Management Platform and Investment Activities) reported an EBIT negative for Euro 1.9 million at June 30, 2015, compared with an EBIT negative for Euro 0.5 million in the first half of 2014.

Management Platform

NPL	June 30, 2015	June 30, 2014
Revenue (millions of euro)	3.0	4.9
Operating profit/(loss) (millions of euro)	(1.8)	0.2
Receipts (millions of euro)	14.6	31.6
Gross book value (billions of euro)	9.1	8.5
Number of NPL managed	over 75,000	over 75,000
Number of employees	60	59

Prelios Credit Servicing (PRECS) operates in the field of managing and optimising non-performing loans and acts as a financial intermediary pursuant to Art. 107 of the Consolidated Law on Banking.

PRECS currently manages a portfolio of non-performing loans with a gross book value of approximately Euro 9.1 billion.

The company appraises portfolios of NPLs and has participated in many rounds of due diligence on the purchase of significant loan portfolios by Italian and international investors of high standing.

The company has also been involved in various advisory activities, both on behalf of leading banks, mainly as manager of the sales process of mortgage and unsecured loan portfolios, and on behalf of international investors. It has acted as lead advisor for the latter in the analysis and assessment of potential purchases of non-performing loan portfolios, including those resulting from real estate leases.

Specifically, during the first half of 2015, the company participated in important rounds of due diligence with the involvement of international investors for the acquisition of NPL portfolios (mortgage loans, unsecured loans and leases) and obtained portfolio management contracts with a gross book value of approximately Euro 550 million.

Moreover, in a market context where, given the level reached by non-performing loans, the decision by major banks to consider granting partial outsourcing mandates to specialised servicers as an alternative to sale of their portfolios is deemed imminent, the company is carrying out planned actions aimed particularly at finalising current agreements and acquiring new contractual mandates. In this specific area, the company posted higher than expected earnings results and, at the same time, realised a slight improvement in management of costs as compared with forecasts.

Revenues for the first half of 2015 amounted to Euro 3.0 million, down on the Euro 4.9 million for the same period of 2014. The decrease is due to termination of its last special servicing agreement following the company's disposal of its equity interest in DGAG International S.à.r.l., investor in the managed vehicles, and the lack of non-recurring revenue items that had characterised the result for H1 2014. First half 2014 revenues benefited from components such as termination fees (Euro 0.2 million) and success fees (Euro 1 million) for management activities related, in whole or in part, to portfolios no longer included in the scope of operations, and the origination fee of Euro 0.25 million for disposal of the Mediofactoring portfolio.

The operating loss for the first half of 2015 amounted to Euro 1.8 million, compared to an operating profit of Euro 0.2 million for the same period of the previous year. The change fully reflects the previously mentioned reduction in revenues following the reduction in managed volumes.

Collections during the reporting period on behalf of clients amounted to approximately Euro 14.6 million compared to Euro 31.6 million in the same period of the previous year (of which Euro 14.5 million for the previously mentioned disposal of the Mediofactoring portfolio). The difference proportionally reflects the decrease in the volumes managed following the reorganisation of the managed activities.

As special servicer, the company is rated by two agencies, Standard & Poor's and Fitch, which in 2014 continued to express positive judgements, namely above average and RSS2/CSS2, respectively. Fitch has already confirmed its same rating for 2015.

Also as master servicer, the rating assigned by Standard & Poor's in 2014 was Above Average.

Investment Activities

The investment activities recorded operating loss of Euro 0.1 million, as compared with operating loss of Euro 0.7 million in H1 2014. The latter result was entirely attributable to the impairment losses on the NPL portfolio deriving from impairment of the junior security owned by the parent company related to a portfolio with underlying mortgage loans.

8. RISKS AND UNCERTAINTY

Although the economic scenario is still dominated by uncertainty over the prospect of growth and the expectation of additional losses and cash outflows for the company over the three-year period, the Directors have prepared the Half-yearly Financial Report on a going concern basis according to the assumptions and findings discussed in the paragraph "Measures taken to revitalise operations, ensure the company can continue as a going concern and results achieved" and in the paragraph of the notes "Adoption of the going concern assumption in preparing the financial statements".

In 2014 the Group adopted a risk monitoring system based on an enterprise risk management (ERM) model, in accordance with the most recent Italian and international best practices and consistently with the recommendations set out in the "Borsa Italiana Corporate Governance Code of Listed Companies" which the Group has adopted.

The risk management system takes a top-down approach led by the Board of Directors and top management, and provides the Board of Directors with an organic tool on which to rely in understanding and assessing the risk profile assumed in pursuing the adopted strategy. It also provides management with a tool for expressing and assessing the risk factors inherent in company decisions in support of the enhancement of the Group's decision-making processes and forecasting ability.

The risk management model adopted by the Group envisages the following dedicated functions:

- the Managerial Risks Committee, consisting of the Group's top management, tasked with: (i) supporting the Director in charge in the performance of his or her duties to design, implement and manage the risk system; (ii) promoting a structured process to identify and measure risks; (iii) examining information about risks to which the Group is exposed; (iv) discussing and corroborating strategies to respond to risk as a function of overall exposure and assigning the related responsibilities for doing so; and (v) monitoring the actual implementation of responding strategies and overall manage risk;
- the Risk Officer, tasked as facilitator and provider of methodological support, coordination and reporting of the ERM process. The Risk Officer coordinates with other existing control functions.

The Group has identified five main areas of risk (Group risk model):

- External context risks: these derive from external situations that may have an impact on the Group's performance and its ability to achieve its objectives, such as macroeconomic performance, the situation of the financial markets, business sector, competitive environment and legal and regulatory developments;
- Strategic risks: these depend on internal and external factors that have an impact on strategic investment or disinvestment decisions, the business portfolio, dealings with partners and key clients and the organisational and governance structure;
- Financial risks: these are tied to the company's ability to manage its financial needs and the related costs, typically interest and exchange rates, liquidity and loan covenant risks, credit risks and the level of equity;
- Legal and compliance risks: these are tied to the company's ability to apply rules and procedures, for example risks of non-compliance with laws and regulations, codes of ethics and internal procedures, risks of external and internal fraud, legal and tax disputes;
- Operating risks: these are tied to the ability to manage internal processes effectively and efficiently. These risks relate to prices, suppliers, quality, information technology, personnel, management reporting, budget and planning processes, environmental risks and workplace safety.

The principal phases of the enterprise risk management process adopted by the Group for the definition and management of risks are:

- analysis of the assumptions, targets and initiatives envisaged in the plan, broken down by Management Platform and Investment Activities;
- working with the company's management to identify the main risks that may influence the achievement of plan targets;
- measuring the impacts of major risks on key plan metrics, cash flow, equity and EBIT, and determining the degree of variability of the expected results;
- identifying the risk management strategies for the major risks and developing specific mitigation plans to reduce risk levels in terms of both impact and probability.

The risk management process has identified a series of risks, classified below according to the Group Risk Model described above.

8.1. EXTERNAL CONTEXT RISKS

8.1.1. RISKS RELATED TO THE CONCENTRATION OF BUSINESS ACTIVITIES IN ITALY, GERMANY AND POLAND

The Prelios Group mainly carries out its business activities on the Italian and German markets, and to a lesser extent, the Polish market. In this respect, the activities mainly involve initiatives with income-producing real estate assets held by real estate funds and vehicle companies in which Prelios and Group companies hold qualified minority interests, and investments in assets which are primarily trading assets. Profits from these initiatives could be negatively influenced by a worsening of the economic cycles of those countries.

8.1.2. RISKS ASSOCIATED WITH WRITE-DOWNS OF THE GROUP'S REAL ESTATE ASSETS

Despite the property write-downs previously made by the Group, it is possible that the real estate market may continue to show signs of weakness or other negative events which would affect the real estate portfolios held by the Prelios Group (such as a fall in sale prices, a slowdown in sales, further deterioration of the reference market conditions or a reduction in rental income), leading to a reduction in the market value of the Group's real estate assets, with resulting negative effects on the balance sheet, income statement and financial position of the Group.

Furthermore, since the Prelios investment strategy is based on holding qualified minority interests – so it does not have exclusive control over the various investment strategies – the strategies chosen and operating decisions made could have a negative impact on the balance sheet, income statement and financial position of the Group since they are influenced by the partners.

In addition, the conditions of sale of real estate investments may be affected by the strategic objectives expressed in the plan, which involves other variables, along with and in addition to maximising economic variables.

In addition to the above, it must be noted that the value of the real estate assets owned by the companies in which the Group holds qualified minority interests is relevant for the purposes of the financial covenants in the loan agreements to which said companies are party. Failure to comply with these financial covenants could entitle the lending banks to demand early repayment of the debt by the companies, which may not have sufficient liquidity, and then proceed to the liquidation of their real estate assets quickly and at below-market values.

There may also be further write-downs on residual investments in non-performing loan portfolios, mainly due to further extensions in the time it takes to recover the receivables; this refers both to judicial recovery – where there is an increase in the number of auctions with no bidders – and cases of non-judicial recovery – where the lack of cash prevents amicable agreements from being reached, partly due to the difficulty in arranging new loans.

8.1.3. TENANT INSOLVENCY RISKS

The market crisis in general could have an impact on the ability of tenants to afford lease costs or could result in an increase in property vacancies. Tenants could in fact, due to the contraction of their activities, request a reduction in rent or decide – or be forced – to withdraw from their lease agreements. In addition to the foregoing, the current contingent scenario could lead to difficulties in paying rents, leading to late payments and/or outstanding payments, resulting in burdens for the property. Lastly, it should be noted that the macroeconomic scenario could constitute a deterrent for potential customers interested in leasing new spaces, thereby increasing the time it takes to find new tenants for vacant properties or to enter into new contracts.

8.2. STRATEGIC RISKS

8.2.1. RISK RELATED TO THE NEGATIVE PERFORMANCE OF THE GROUP'S RESULTS

The ongoing financial crisis on financial markets in general, and the real estate sector in particular, has also had a negative influence on the results of Prelios over the past few years and supports the expectation of continuing losses during the plan period.

In response to this market scenario, Prelios has optimised the components of its business model and is currently implementing the measures envisaged in its Budget 2015 and its Outlook 2016-2017. It has also identified and launched a series of new strategic projects that could further improve the Group's performance. If the industry crisis continues, it could also result in uncertainty in the coming years regarding the achievement of objectives, thereby weakening the Group's income statement, balance sheet and financial position. The company is also taking action to cover the expected losses during the plan period, which will entail a reduction of equity in the medium term.

8.2.2. RISKS ASSOCIATED WITH FAILURE TO IMPLEMENT THE BUDGET 2015 AND OUTLOOK 2016-2017

The company approved its Budget 2015 and Outlook 2016-2017 on March 10, 2015. They are based on realistic assumptions, taking into account the difficulty of making predictions in the current economic and financial climate, for example by ruling out future crises affecting the financial markets or an accumulation of the factors that led to the current deterioration in the general reference scenario and the real estate market in particular.

With respect to the Management Platform (asset and fund management, property and project management, agency, valuations and credit servicing), full implementation of the new market-oriented business model, which requires new skills and know-how, remains the fundamental prerequisite for achieving the strategy of gradually reducing captive business and increasing turnover from third-party customers.

The Investment division has planned a gradual disposal of its real estate portfolio. Implementation of the disinvestment plan may be compromised by the quality of the properties to be sold, the inadequacy of offering prices, or the lack of access to credit by potential buyers.

The company believes that the planning laid down in the Budget 2015 and the Outlook 2016-2017, while showing negative results continuing over that the three-year period and consequent reduction in equity and cash outflows that will not cause a cash deficit over the lifetime of the plan period, but will nonetheless contribute to a persistent situation of financial tension, is challenging, yet practical and feasible, on the basis of a series of realistic assumptions that will naturally require constant, thorough review.

The Directors believe that the actions which have been previously identified and commented on constitute adequate measures for addressing the major contingent uncertainties surrounding the Group's viability as a going concern and that the Group can continue operating as such.

8.2.3. TENANT CONCENTRATION RISK

Any default by tenants would have an adverse effect on the income statement, balance sheet and financial position of the initiatives in which Prelios holds an interest, and therefore the results of the Prelios Group, particularly in view of the fact that rental income is (i) the main source of cash to pay the interest payable under the various loan agreements and (ii) one of the main guarantees issued in favour of the lending banks of the real estate funds and the initiatives in which the Group holds an interest.

With regard to the valuation of the real estate portfolio, with particular reference to the rental income in large part received from companies accounted for by the equity method (mainly for real estate classified as property investment), given the existence of binding long-term agreements, there is, except in special cases where a tenant has financial difficulties, a limited risk of a significant rise in the vacancy rate in the near future.

Karstadt, historic tenant in the Highstreet portfolio (Prelios: 12% stake), is currently experiencing financial tension: in the second half of 2014, the crisis resulted in a change of ownership of the Operating Company, from Berggrün to Benko/Signa. This financial tension could lead to non-payment of rentals and/or vacant buildings, with an impact on the selling price of these and on the timing of the disposal plan provided for in the Business Plan. In the worst case scenario of a default by Karstadt, Highstreet would need to seek new tenants.

As a consequence, the assets in the portfolio could become impaired. In addition, since Prelios Deutschland provides real estate services to Highstreet, any liquidity issues could also lead to non-payment of services.

FIRPS – Fondo Immobiliare della Regione Siciliana (Region of Sicily Real Estate Fund, 22% owned by Prelios), owns fully leased assets in the Region of Sicily. If the financial tension experienced by the Region of Sicily continues in 2015, it might result in missed payment of rents, their renegotiation or vacating of a portion of the real estate units, consequently impacting their sale prices. Since the Prelios Group provides real estate services to FIRPS, any tension affecting the liquidity of that fund might impact its capacity to pay for the services that it acquires.

8.2.4. RISKS RELATED TO GOVERNANCE ISSUES ASSOCIATED WITH PARTICIPATION IN INVESTMENT INITIATIVES WITH QUALIFIED MINORITY INTERESTS

Corporate vehicles in which Prelios holds minority interests could experience governance issues in the event of mismatching objectives and/or disputes among their investors. Possible disputes could entail limitations, even serious ones, on the investment vehicles in performing activities and for the company in pursuing its objectives, with negative repercussions for its income statement, balance sheet and financial position.

The company has entered into shareholders' agreements with the other shareholders of vehicle companies used to make the various investments in order to control their corporate governance. Although mechanisms are in place (such as reciprocal put and/or call options) for resolving possible disputes between parties to such shareholders' agreements, including disputes relating to management or situations of decision-making impasse, it is still possible that (i) the occurrence of such events may entail limitations, including limitations of a significant degree, for investment vehicles in conducting their businesses and for the company in pursuing its investment objectives and (ii) existing shareholders' agreements may not govern all possible disputes that may arise between partners in the context of the various initiatives, with the consequence that a failure by the investors to reach an agreement may result in complex disputes of an international nature, the outcome of which is uncertain, due to the very nature of a dispute.

The assessment will take account of the large number of the company's minority investments and the effects of the deterioration of relationships with investors due in part to the challenging economic scenario: compromise of financial support for ongoing initiatives and the implementation of the Group's strategies, with repercussions for its income statement, balance sheet, cash flow statement and reputation.

In addition, some companies belonging to the Prelios Group provide a series of services to the initiatives in which the investments are made (asset management, property and project management, agency, etc.).

As a result, negative events affecting such initiatives would have adverse effects on the Group's balance sheet, income statement and financial position, essentially with regard to: (i) its own interest in the initiative in question; (ii) the value of the same; (iii) the possibility of obtaining repayment of receivables from shareholder loans plus interest; (iv) payment of the trade receivables accrued for services rendered (which in some cases were the object of subordination to the fulfilment of other liabilities of the customer companies); (v) net income/(loss) from investments; and (vi) possible reductions in revenues from special real estate services, particularly following the failure to renew management mandates following the investment exit strategy.

8.2.5. RISKS OF ADDITIONAL COSTS DURING THE UNWINDING OF INVESTMENT VEHICLES

The strategy of disposing of real estate assets is to involve the dissolution of the remaining corporate structures, now without content, in order to reduce the administrative expenses associated with such vehicles.

The unwinding and liquidation process could entail addition costs for possible advice and/or unforeseen matters (relating to taxes, legal issues or contracts with third parties), considering the large number of transactions in which such vehicles have been involved over the years.

Valuation takes account of the large number of companies being liquidated and the complexity of the matters to be handled, owing in part to locations in multiple countries.

These factors could have negative consequences on the balance sheet, income statement and financial position of the Group.

8.3. FINANCIAL RISKS

8.3.1. RISKS RELATED TO THE GROUP'S FINANCIAL STRUCTURE

The Group is exposed to certain financial risks, mainly related to raising the necessary finance, the sustainability of borrowing in terms of honouring repayment commitments, the ability of its customers to meet their obligations towards the Group and the possibility of having the necessary resources available to finance the development of the business.

Financial risk management is an essential part of the activity of the Prelios Group. The Group's financial risk management policies are aimed at the mitigation of exposure to interest rates of vehicles and funds in which the Group holds an interest, also implemented through the use of selected derivative instruments.

As described above, according to management's projections, it has been deemed reasonable to assume in the Budget 2015 and Outlook 2016-2017 that the Group will maintain financial equilibrium and a sustainable level of debt (despite cash outflows), since the transactions reflected in company plans are regarded as feasible, given the current state of implementation, and such transactions are essential to achieving the established cash-generating objectives.

The guidelines for managing said financial risks are defined by the Administration, Finance and Control department. The risk management policies are aimed at confirming to Group management that activities entailing financial risk are governed by appropriate policies and procedures and that financial risks are identified, evaluated and managed in compliance with the Group's attitude towards risk. Under these guidelines, the Group could use derivatives in relation to the underlying financial assets or liabilities or future transactions.

Financial risks are managed centrally by the Administration, Finance and Control department, which has the task of assessing risks and proposing any hedging strategies and arranging hedges shared with Group management. The Administration, Finance and Control department operates directly on the market, coordinates the activities of subsidiaries and monitors those of associates and joint ventures on a quarterly basis, in order to propose the appropriate decision-making tools to the boards of directors of managed initiatives.

8.3.2. RISKS RELATED TO FINANCIAL DEBT

Partly in light of the temporary mismatching of realised cash flows, whose effects will manifest themselves in H2 2015, the results achieved at June 30, 2015 confirm the Budget 2015 and Outlook 2016-2017 forecasts which, as illustrated in the previous chapter, show negative results continuing over that three-year period and consequent reduction in equity and cash outflows. Although these effects will not cause a cash deficit over the lifetime of the plan, they do confirm persistent financial tension, with financial and equity balance depending on the possibility of realising the planned transactions over the short and medium term at the prices and times indicated in the plan. Consequently, the persistence of financial tension means that although the business and financial context have improved since the previous year, doubts remain as to the Group's capacity to continue operations as a going concern, and its need to pursue other initiatives that might allow the Group to complete its own restructuring in view of achieving long-term capital and financial stability.

8.3.3. RISKS RELATED TO INTEREST RATE FLUCTUATIONS

The Group's policy is to seek to maintain a correct ratio between fixed-rate and floating-rate debt through the use of hedging instruments.

In addition, there is no substantial likelihood of the risk of interest rate fluctuations on the financial debt which is the subject of the Restructuring Agreement.

This stems from the fact that the Restructuring Agreement provides for the conversion of the debt from floating rate to fixed rate. The risk of interest rate fluctuations is therefore limited to the share of the Senior Loan to which, from January 1, 2017 and until the expiry date (December 31, 2018), an interest rate will be applied equal to the Euribor plus a spread on a yearly basis, to be defined in good faith between the parent company and the Lending Banks.

It should be noted that a pro-rata share of approximately 34% of the total debt (bank and non-bank) of vehicles in which Prelios holds an interest is protected from interest rate fluctuations above a certain level either through fixed-rate loans or through recourse to hedging derivatives.

8.3.4. 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 multi-year financial plans and treasury plans, to allow for the comprehensive and accurate recognition and measurement of cash inflows and outflows. These plans are heavily influenced by the implementation of sales plans in accordance with the timescales and amounts contained in the forecasts made, in correlation with the repayment plans for borrowing raised to support investments. The differences between the plans and final figures are constantly monitored for the purpose of adopting all necessary remedies as soon as these may be required.

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

For years the Group has had a centralised system for the management of payment and collection flows in accordance with the various local currency and tax regulations. Banking transactions are negotiated and managed centrally in order to ensure that short- and medium-term financial needs are met as cheaply as possible. The raising of medium-/long-term funding on the capital market is also optimised through centralised management.

Similarly, the Group has implemented a system to monitor risks linked to the recourse guarantees issued to initiatives in which an interest is held, which allows the management to acquire the necessary information to undertake the actions required.

For the Group, the current competitive and financial context, characterised by continuous pressure on the values of real estate assets, the credit crunch and the slowdown in purchases/sales, means a significant increase in the risks connected with maintaining adequate cash flows, needed to cover its financial requirements.

Liquidity risk, which is monitored constantly, is also closely related to the company's requirements and is assessed partly in relation to the aforementioned initiatives, designed to bring about the company's recovery and to enable it to continue as a going concern.

Reference is made to the preceding sections of this Report, particularly in regard to the actions taken to address the current financial situation of the Group. Among these actions, the Budget 2015 calls for the disposal or refinancing of a major real estate portfolio by the end of the year. An advisor has been retained to seek out interested investors, and negotiations are currently under way with several banks in regard to the possibility of refinancing in lieu of sale of that portfolio.

8.3.5. CREDIT RISK

Credit risk is the Group's exposure to potential losses deriving from the failure to fulfil the commercial and financial obligations taken on by the counterparties.

The service companies claim receivables from funds and vehicles experiencing financial tension due to the sharp decline in transactions on the Italian real estate market. If the situation of financial tension of the funds and vehicles were to persist, such receivables would risk becoming irrecoverable, at least in part, and thus becoming impaired.

In order to limit such a risk, the Group constantly monitors the positions of individual customers and analyses projected and actual cash flows in order to take immediate recovery actions where necessary.

With regard to the financial counterparties for the management of resources that are temporarily in excess or for negotiating derivative financial instruments, the Group enters into such agreements only when its counterparties have a high credit rating.

8.4. LEGAL AND COMPLIANCE RISKS

8.4.1. LEGAL RISKS LINKED TO CIVIL AND ADMINISTRATIVE DISPUTES

The situations in which Prelios Group companies are parties in legal proceedings (civil and administrative), some of which emerged only in the last few months, mainly concern:

- disputes relating to the purchase and sale of properties (e.g. non-compliance with pre-emptive rights, breaches of contract and/or defects affecting properties sold);
- disputes in connection with the management services provided to tenants, customers and suppliers.

In terms of the risk management strategy, it is important to note (i) the continuous management and monitoring of disputes, with the assistance of external legal advisors, and (ii) the assessment of the level of risk and possible determination of provisions made through internal analysis, conducted according to advice from the company's external legal counsel. It is believed that the existing disputes may be settled in the Group's favour, and in any case, in accordance with the evaluations made and within the range of the estimates covered by the risk provision mentioned above for the parties involved in these disputes.

That said, considering the uncertainty of legal proceedings and disputes, there may be a risk that the disputes will be resolved differently to what has been hypothesised, with possible negative consequences on the economic and financial position of the Prelios Group.

The legal risks to which the Group is exposed include the following:

- Polish Investment Real Estate Holding II B.V., a Dutch company in which Prelios S.p.A. holds a qualified minority interest as a joint venture with investment funds belonging to the Grove funds, and which holds the entire share capital of Coimpex Sp.Zo.o. directly and Berea, which in turn owns land currently undergoing development in Warsaw, directly and through special purpose vehicles. In 2009 Relco was merged into Coimpex. As part of the merger, land subject to perpetual usufruct in favour of Relco was transferred to Coimpex. However, some of this land was restricted to forestry and agricultural use at the time and the transfer needed the consent of the Polish Ministry of the Interior.

  This consent was not applied for; in the meantime the land has been developed and is now used for offices. Coimpex is preparing the necessary paperwork to be submitted to the supervising ministry in request for its ex-post consent to the transfer. The risk consists of the possible withdrawal of the perpetual usufruct currently belonging to Coimpex. The Grove funds, which are a partner in the initiative alongside Prelios, could find that the failure to apply for consent resulted from negligence on the part of the subsidiary Prelios Polska Sp.Zo.o., which at the time of the events provided asset management services to the companies involved in the merger.
- By writ of summons served in 2010, Pieffe Re One S.r.l. sued Orione Immobiliare Prima S.p.A. before the Court of Naples, seeking damages in connection with alleged partial non-compliance of a property in Naples that Pieffe Re One S.r.l. had purchased from Orione Immobiliare Prima S.p.A. in 2006 for Euro 21 million. The claim was assessed by Prelios' legal counsel as possible with respect to the damages of Euro 6 million by way of reduction of the price of sale and possible/remote in connection with the damages of Euro 8 million due to lost profits and Euro 1.7 million for consequential damages. The recovery action against the SAIM shareholders (the predecessors in title of Orione Immobiliare Prima S.p.A.) seeking Euro 0.6 million was also deemed possible.
- By writ of summons served in 2008, Solido Trading S.r.l. sued Centrale Immobiliare S.r.l. seeking recognition of its right to a reduction of the price of sale of Palazzo Leonetti in Caserta and compensation for damages of Euro 5 million, in addition to interest and adjustment for inflation, due to the failure by Centrale Immobiliare to give notice of encumbrances on Palazzo Leonetti in Caserta purchased from Solido in 2005. The claim was assessed as possible by Prelios' legal counsel. Recovery action against UniCredit (the predecessor in title of Centrale Immobilare S.r.l.) and the notary that notarised the deed of purchase was also deemed possible.
- With two distinct writs of summons having exactly the same content that were served in 2015, Real Invest srl and Il Golfo degli Aranci srl (in liquidation) have sued the shareholders of Golfo Aranci S.p.A. (including Centrale Immobiliare with a 6.2% stake, Prelios S.p.A. with a 43.8% stake) before the Courts

of Sassari and Rome, for joint payment of compensation for the damage sustained in consequence of the allegedly unlawful acts committed by the Municipality of Golfo Aranci and the shareholders of Golfo Aranci S.p.A. in the procedure previously executed by the Municipality of Golfo Aranci to select the private partners for that project (which was incorporated at the time as an urban redevelopment company). The damages claimed in each lawsuit amount to Euro 100 million. The Group's legal advisors have decided that it runs a very low risk of losing those lawsuits.

- Spazio Investment NV (22% owned by Prelios), a Dutch company that owns 100% of the units of the Industrial Space Fund ("Fondo Spazio Industriale") has initiated arbitration proceedings against Prelios Netherlands BV over the alleged failure by the latter to provide certain services pursuant to the previously applicable service agreements. The claim filed by Spazio Investimenti NV has been calculated to total Euro 15.7 million. The Group's legal advisors have found that that Prelios Netherlands BV will most likely win in the current arbitration proceedings.

In addition to the ongoing or contingent disputes described above, the Directors believe it is appropriate to disclose other disputes that they Group believes present lesser risk, given the impact or likelihood of occurrence of the negative event.

- The first such dispute relates to the initiative concerning the Consortium G6 Advisor, which carries out management activities in relation to the divestment of certain securitised real estate portfolios, in which the subsidiary Prelios Agency S.p.A. has a 42.3% stake. The legal status of the consortium effectively involves a joint liability for all consortium members; if the consortium should lose the proceedings, the consortium members could be held directly liable on behalf of the consortium if the consortium fund is not sufficient to meet the obligations of the consortium itself. The total claim of the disputes in which the consortium is a party is Euro 25 million.
- Arbitration has also been initiated by the company CILE S.p.A. against Prelios S.p.A. for an alleged breach by the latter of procurement contracts. Although the litigation is at a preliminary stage, the claim is for approximately Euro 1.5 million. In this regard, while Prelios S.p.A. does not consider the risk of liabilities probable, has filed its appearance in the arbitration proceeding to challenge the claims made by its opponent.
- In February 2005, Prelios and Group companies, namely Prelios Property & Project Management, Prelios Agency and Prelios Credit Servicing, signed a contract with Capitalia (now Unicredit) and several companies belonging to the group of the same name under which Prelios – either directly or through Group companies – committed to providing Capitalia with certain services relating to the purchase, management and sale of certain properties, the subject of enforcement proceedings for the recovery of debts owed to Capitalia, in order to assist the latter with credit protection by safeguarding and realising real estate assets.

  In January 2011, Unicredit withdrew from the contract, demanding the return of all documents in the possession of the Prelios Group. This was followed by the withdrawal of other companies in the Unicredit Group.

  In 2011, after the contract was terminated, Unicredit sent Prelios three letters in which it challenged the work done by the company and other Group companies (in this case Prelios Property & Project Management) as part of the asset management activities. In September 2011, the documents regarding the properties covered by the contract were returned.

  On December 14, 2012, Unicredit quantified the alleged damages as Euro 82 million with a formal claim for compensation.

  The company denied outright the claims for compensation made by Unicredit, at the same time seeking payment of Euro 560 thousand for services rendered by Prelios Property & Project Management and not paid for.

  Prelios challenged the claim for compensation, not only in relation to this amount, deemed unfounded, but also on the grounds that the claim was received late, when the contract had ceased to be effective as a result of the termination.

  In 2015, the meetings between the parties that began in 2013 continued to be held to examine their respective arguments and study possible amicable solutions to the dispute; the possibility emerged that the claim was only partially late, although this is yet to be verified, particularly in terms of calculating any related compensation.

- In the case of Prelios Deutschland ("Prelios DE"), a fully-owned subsidiary of Prelios, following possible breach of property management contracts dating back to 2008, it was deemed prudent to accrue a suitable provision for risks.

In June and July 2015, Prelios Credit Servicing received four claims for compensation related to four loan securitisation special purpose vehicles that are all investees of DGAD International Sàrl, belonging to the Crédit Agricole Group, for its alleged liability in relation to its special servicer activity provided until March 2014.

The company, which considers these claims to be groundless, has taken prompt action through its legal advisors to determine the potential grounds of those claims.

At this time, the received notices of claim:

- do not quantify the claimed damages;
- make vague and generic claims for damages;
- failed to provide the documents supporting those claims.

Therefore, it is presently impossible to determine whether any damage was effectively incurred or their possible amount.

8.4.2. TAX RISKS

At the date of approval of this Half-yearly Financial Report, the tax claims made by Italian tax authorities against Prelios S.p.A. (the "Company") and certain of its subsidiaries that are still pending total approximately Euro 3.7 million in taxes (excluding penalties and interest), of which Euro 2.2 million have already been charged to the income statement.

The tax disputes mainly refer to the following aspects subject to litigation before the Tax Courts:

- charge of higher income and non-recognition of costs for IRES and IRAP purposes;
- application of the arm's length principle on property purchases and sales;
- other disputes relating to register and other local taxes.

The Company, based on advice from its advisors, all recognised leading professionals, and from the information currently in its possession, believes that the positions challenged can be settled without a significant impact on the financial statements for the entities involved in these disputes.

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In the interests of completeness, it is pointed out that, in terms of the companies in which Prelios S.p.A. or its subsidiaries have invested with qualified minority interests with third-party investors (associates and joint ventures), the total amount disputed by the Italian tax authorities amounts to approximately Euro 30 million in taxes (excluding penalties and interest).

The most significant situations are as follows:

(a) Iniziative Immobiliari S.r.l. in liquidation, in which Prelios holds 49.46% of the quota capital.

In 2008, the company underwent a tax inspection for the 2004-2008 tax years, which resulted in a notice of assessment being issued whereby the Guardia di Finanza criticised the merger transaction involving Iniziative Immobiliari S.r.l. in 2003 for tax evasion.

The irregularity alleged by the Guardia di Finanza was reflected in four notices of assessment, imposing greater taxes (IRES and IRAP) for the years 2004 to 2006 of Euro 17.2 million (in addition to penalties equal to 100% of taxes and interest).

Both the Provincial Tax Court and the Regional Tax Court found in the company's favour in the disputes relating to the 2004-2006 notices of assessment (joined in first instance). The Italian Revenue Agency appealed against this decision before the Supreme Court of Cassation. In April 2013 the company filed its counter-appeal. At present, a date has not been set for the hearing for the dispute at the Supreme Court of Cassation.

The lawsuit related to the 2007 notice of assessment was decided in favour of the company by the Provincial Tax Court and has already become final.

(b) Social & Public Initiatives Fund (managed by Prelios SGR), in which Prelios S.p.A. indirectly holds a 35% stake.

On May 10, 2013 the Italian Revenue Agency served Prelios SGR with a payment notice for tax relating to several contributions to the real estate investment fund Social & Public Initiatives undertaken in 2008. The foregoing transactions were reclassified as property sales and as such were subject to proportional registration tax (in addition to proportional mortgage and land registry tax).

On this basis, the Italian Revenue Agency requested the payment of additional tax of approximately Euro 5.2 million (plus penalties equal to 120% of the taxes, plus interest).

On June 12, 2013, the Italian Revenue Agency sent Prelios SGR a payment notice for a further contribution to the same real estate fund. Additional taxes have been paid of approximately Euro 2 million (plus penalties equal to 120% of the taxes, plus interest).

The amount of the aforementioned payment notices is Euro 7.2 million (plus penalties equal to 120% of the taxes, plus interest).

Prelios SGR has filed an appeal against these claims in the name and on behalf of the fund.

The disputes were decided in favour of the company both by the Milan Provincial Tax Court and the Regional Tax Court.

On March 21, 2014, Prelios SGR was sent a payment slip for Euro 20.1 million relating to the aforementioned payment notices. Prelios SGR appealed the payment slip and won.

* * *

In addition to the foregoing, on January 24, 2013 the Guardia di Finanza completed the assessment that it had begun in May 2012 against certain real estate investment funds managed by Prelios SGR that had already been assigned taxpayer identification numbers by the Italian Revenue Agency (and specifically: Fondo Retail & Entertainment, Fondo Progetti Residenza, Fondo Portafogli Misti, Fondo Social & Public Initiatives, Fondo Hospitality & Leisure, Fondo Immobiliare Pubblico Regione Siciliana, Fondo Immobiliare Raissa, Fondo Patrimonio Uffici and Fondo Diomira, hereinafter the "Funds"). At the end of the assessment process, the Guardia di Finanza served nine reports of verification (hereinafter the "reports of verification").

In response to the reports of verification, Prelios SGR, acting as the manager of the funds, filed a review petition with the competent offices of the Italian Revenue Agency in 2013, seeking a waiver of all taxation of the aforementioned Funds.

At the end of the above procedure, the Italian Revenue Agency notified Prelios SGR that it did not intend to proceed with formal notice of the tax claims resulting from the irregularities presented in the reports of verification.

* * *

In October 2011, the same Funds received notice of the allocation of a tax code by the Italian Revenue Agency. To protect the interests of the Funds, Prelios SGR has appealed in turn before the Tax Commission, the Supreme Court, the Lazio Regional Administrative Court and the Council of State. At a public hearing on July 11, 2013, the Regional Tax Court decided on the merits of the dispute, granting all pleas of Prelios SGR and ordering the annulment of the notice of assignment of a tax code to the nine Funds.

On March 17, 2014, appeals were filed with the Supreme Court of Cassation by the Attorney General's Office on behalf of the Italian Revenue Agency against the decisions with which the Lombardy Regional Tax Court had annulled the notice of assignment of a tax code to the Funds. Prelios SGR entered an appearance and lodged a specific counter-appeal with the Attorney General's Office within the allotted terms.
With the support of its advisors, Prelios GR believes that regardless of the outcome, the dispute pending before the Court of Cassation will not affect the decisions reached by the Italian Revenue Agency in response to the petitions for the internal review procedure.

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No claims have been made by the tax authorities in regard to the German companies controlled by Prelios S.p.A. or its subsidiaries.

In regard to the German associated companies, the total claims filed by the tax authorities amount to Euro 3.4 million in taxes (excluding penalties and interest), for which provisions of Euro 2.2 million have been accrued. This amount has been deemed adequate to cover the contingent liability.

In relation to certain German associated companies, and in particular the joint ventures belonging to the Solaia Group, tax assessments are in progress on specific issues, most of which were analysed on acquisition of the portfolio, and are therefore covered by guarantees, relating in various capacities to the solvency of the original sellers.

8.5. OPERATING RISKS

8.5.1. RISKS RELATED TO HUMAN RESOURCES

The Group is exposed to the risk of losing key resources, which could lead to greater difficulties in pursuing its objectives, resulting in a negative impact on future results. Such a risk is more significant, given the type of business of the Prelios Group – predominantly and increasingly centred on the management and provision of services according to the pure management company model – which bases a large part of its prospects for success on the quality, expertise and abilities of its human resources. In a scenario in which there are signs of a recovery in the labour market in the Group's segments of operation (due above all to the entry of several banking groups) and internal compensation levels vulnerable to competitors, the risk of losing key resources or resources with critical know-how is especially significant with respect to the following positions: portfolio managers, loan managers, asset managers and specialised technical experts.

In order to manage this risk, the Group adopts incentive systems consistent with the company's remuneration policy and implements specific training procedures for individual development, with the resulting creation of back-up staff members for resources with critical know-how.

9. SUBSEQUENT EVENTS

At its meeting on July 29, 2015, the Board of Directors authorised management to continue with finalisation of the activities to reposition the company as a pure management company as part of a possible separation of the investment unit from the services unit, as previously announced to the market.

10. BUSINESS OUTLOOK

In consideration of the improvement of market conditions, Prelios has identified and is implementing a series of initiatives aimed at restructuring its operations and maintaining the conditions for continuing as a going concern. Indeed, a series of measures and initiatives continues to be implemented positively, according to the guidelines of the plan established by the Group's individual business units.

From the management standpoint, 2015 – which is set to mark the company's definitive transition to a pure management company – will be dedicated to re-launching Prelios as a major European real estate and financial services centre in H2 2015.

With this goal in mind, and as previously announced to the market, on July 29, 2015 the Board of Directors authorised company management to complete those activities necessary to achieve the goal of repositioning Prelios as a pure management company. The company is actively preparing for separation of the investments unit from the services unit in view of accelerating the process of achieving the aforementioned goal, within the framework of redefining the scope of Group activities and shoring up its balance sheet and overall financial position.

The Group confirms the following financial performance targets for 2015 according to the unlevered guidelines:

- Service Platform turnover: between Euro 75 million and Euro 80 million;
- EBIT for the Service Platform, gross of G&A: positive between Euro 6 to 8 million.

In conclusion, the results of the Budget 2015 and the Outlook 2016-2017 as reflected in the income statement, balance sheet and sustainability of the Parent company's debt, still show it making a loss over the three-year period, with the consequent reduction in equity and cash outflows. Nevertheless, although they confirm the continuation of financial and equity tension that will have to be attentively monitored on a constant basis, the Directors of Prelios believe that, for the reasons illustrated in the part "Prelios in the First Half of 2015 – Measures taken to revitalise operations, ensure the company can continue as a going concern and results achieved", it is reasonable to assume that the Group can continue operating as a going concern.

11. HALF-YEAR REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE

For the report on corporate governance and ownership structure, please see Section D.

12. OTHER INFORMATION

12.1. Ordinary and Extraordinary Shareholders' Meeting

The Ordinary and Extraordinary Shareholders' meeting was held on a single call on June 24, 2015.

During the ordinary part of the meeting, the Shareholders' Meeting not only approved the annual financial statements 2014 but also appointed Valeria Leone as a new member of the Board of Directors, following the previous resignation of Claudia Bugno as Director. Ms. Leone was appointed on the basis of a motion submitted by the shareholder Pirelli & C. S.p.A., thereby reconfirming the total number of members of the Board of Directors at fifteen. Valeria Leone will hold this position until expiry of the term of the current Board of Directors.

Finally, in light of the provisions of Art. 123-*ter* of the Consolidated Law on Finance and Art. 84-*quater* of the CONSOB Issuers Regulation, the Shareholders' Meeting then voted in favour of the company's remuneration policy for its directors, general managers and key managers and the procedures used to adopt and implement that same policy.

During the extraordinary part, the Shareholders' Meeting – acting pursuant to Article 2446, paragraph 2, Italian Civil Code – resolved to cover the entire loss for the year at December 31, 2014 (Euro 74,129,720.08), the loss for the previous year (Euro 299,772,019.32) and the pre-existing "other reserves" (negative Euro 5,570,314.65), as reported in the financial statements for 2014, through:

1. full use of available reserves, in the amount of Euro 2,255,864.80;
2. reduction in share capital for a total of Euro 377,216,189.25, without the cancellation of shares insofar as they had no par value.

Consequently, since the share capital was reduced to Euro 49,225,067.95, the Shareholders' Meeting resolved to amend Article 5 (share capital) of the Prelios Articles of Association.

12.2. Treasury shares

At December 31, 2014, the company held a total of 1,788 treasury shares in portfolio, of a total of 506,953,179 ordinary shares.

The book value of the treasury shares, in compliance with IAS/IFRS, was recognised in the consolidated financial statements and in the Prelios separate financial statements as a deduction from equity; the company's income statement is therefore not affected by market fluctuations in the share price.

12.3. Tax consolidation

From financial year 2010, the company opted for the tax consolidation regime under the consolidating company Prelios S.p.A. in accordance with Article 117 et seq. of the Italian Income Tax Act. Participants in the consolidation are required to adopt a specific set of "rules", involving common procedures for applying legislative and regulatory provisions.

The adoption of a Group tax filing will allow the Parent Company 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.

Considering that the three-year tax consolidation option for 2010-2012 had ended, and with a view to continuing this tax mechanism in the future, on June 14, 2013 the consolidator, Prelios S.p.A., and its subsidiaries meeting the legal requirements renewed the tax consolidation for the three-year period 2013-2015.

The effects of renewal of the option apply to the three-year period 2013, 2014 and 2015, unless suspended in advance due, for example, to a loss of control of a subsidiary or a difference between the reporting periods of the subsidiary and the consolidator.

Costs and revenues from tax consolidation are calculated on the basis of the provisions of the Prelios Tax Consolidation Regulations. More specifically, where applicable under Article 16 of the Rules, the consolidating company remunerates consolidated companies which have tax losses for an amount equal to the IRES tax rate, within the limits of the expected remuneration of tax losses in the financial year.

12.4. Group VAT settlement

For the 2015 tax period, Prelios S.p.A., as the parent company, and its subsidiaries as defined in the Ministerial Decree of December 13, 1979, have elected to make an independent Group VAT tax settlement.

12.5. Publication of disclosure documents

Pursuant to the provisions of Article 70, paragraph 8 and Article 71, paragraph 1-bis of the Issuers' Regulations issued by CONSOB, the company has exercised its right of exemption from the obligations to publish the prescribed disclosure documents during significant mergers, demergers, capital increase through contributions in kind, acquisitions and disposals.

13. APPENDICES

APPENDIX A – Non-GAAP measures

The non-GAAP measures used are as follows:

- **Operating loss** (Euro -10.7 million): determined as EBIT of Euro -13.1 million plus net income from investments of Euro 1.0 million (values reported in "EBIT" and "Net income/(loss) from investments", respectively in the consolidated income statement), plus income from shareholder loans of Euro 1.9 million (included in financial income), adjusted for restructuring costs (Euro 2 million) and property write-downs/revaluations (Euro -2.5 million).
- **Profit/(loss) before restructuring costs, property write-downs/revaluations and income taxes** (Euro -15.1 million): value obtained by adding Operating loss (Euro -10.7 million) to financial expenses (Euro -4.4 million).
- **Income from shareholder loans** (Euro 1.9 million): this figure consists of the value of interest income on loans to associates and joint ventures and the value, if any, of income on securities classified as "financial income".
- **Loss on valuation of the NPL portfolio**: this figure refers to the decrease in the value of the junior securities included among "financial expenses". No valuation losses on the NPL portfolio have been recognised at June 30, 2015.
- **Financial income (financial expenses)** (Euro -4.4 million): this includes the item "financial expenses" (adjusted for impairment of junior notes or financial receivables) and the item "financial income", net of income from shareholder loans.
- **Investments in real estate investment companies and funds**: this includes investments in associates and joint ventures, in closed-end real estate funds, investments in other companies and junior notes (as per the item "Other financial assets").
- **Net working capital**: the amount of resources comprising a business's operating assets. This measure is used to verify the short-term financial balance of the company. It consists of all short-term assets and liabilities that are not financial in nature and is presented net of junior notes included in investments in real estate investment companies and funds.
- **Provisions**: this measure consists of the sum of the items "Provisions for risks and expenses (current and non-current)", "Employee benefit obligations" and "Deferred tax provisions" and is stated net of provisions for risks on equity-accounted investments that are included in "Investments in real estate investment companies and funds".
- **Net financial position**: this measure represents a valid indicator of the ability to meet financial commitments. Net financial position is represented by the gross financial debt less cash and other cash equivalents and other current financial receivables.
- **Gross bank debt**: represented by the total debts of each initiative towards the banking system.
- **Net bank debt**: represented by the gross bank debt of each initiative less cash and cash equivalents.
- **Return on sales (ROS):** determined by the impact of EBIT on revenues.
- **Basic net earnings (loss) per share:** an indicator of the earnings per share based on the results for the period and calculated as the ratio between net profit for the period and the number of shares issued and certified at the end of the period.

The following table reconciles, by aggregation/reclassification of accounting measures under IFRS, the main non-GAAP measures with the consolidated financial statements.

Operating profit/(loss)	JUNE 2015	JUNE 2014
EBIT	(13.1)	(7.1)
Net income from equity investments	1.0	(24.6)
Income from shareholder loans	1.9	3.1
Loss from NPL portfolio valuation	-	(0.7)
Restructuring costs	2.0	1.8
Property (write-downs)/revaluations (1)	(2.5)	21.2
Total	**(10.7)**	**(6.3)**

Profit/(loss) before restructuring costs, property write-downs/revaluations and taxes	JUNE 2015	JUNE 2014
Operating profit/(loss)	(10.7)	(6.3)
Financial expenses	(4.4)	(10.9)
Total	**(15.1)**	**(17.2)**

Financial income (expenses)	JUNE 2015	JUNE 2014
Financial expenses	(9.8)	(12.2)
Financial income	7.3	3.7
Financial expenses	(1.9)	(3.1)
Loss from NPL portfolio valuation	-	0.7
Total	**(4.4)**	**(10.9)**

NOTE

(1) Property (write-downs)/revaluations in first half 2015 totalled a positive amount of Euro 2.5 million (pro-rata share attributable to the Group): of which Euro 3.0 million reported in net income from investments in companies accounted for using the equity method and a positive amount of Euro 0.4 million included in EBIT of fully consolidated companies.

APPENDIX B

Detail of real estate debt of investment companies and funds

	Net financial position	Net bank debt	Maturity (years)*
Commercial Italy	594,677	560,299	
Commercial Germany	16,297	(11,846)	
Commercial Germany - Highstreet -	324,578	(52,211)	
Residential Germany - Small Deals -	(4)	(4)	
TOTAL PORTFOLIO YIELDING	**935,548**	**496,237**	
Trading Italy	491,016	391,884	
Development Italy	101,556	88,699	
Land Italy	122,480	118,483	
Other Germany	6,132	6,128	
Land Poland	11,857	(25,032)	
TOTAL OTHER PORTFOLIO	**733,041**	**580,162**	
TOTAL REAL ESTATE	**1,668,590**	**1,076,399**	**0.7**

(*) the average maturity is calculated considering the Gross Bank Debt of each initiative.

Main contractual clauses concerning debt[32]

It should be noted that the covenants of all outstanding loans on investment companies and funds in which Prelios holds an interest are monitored on a half-yearly basis, at each reporting date, regardless of the actual periodic reporting obligation required by the relevant loan agreement.

The main financial covenants for the investment companies and funds are as follows:

- LTV (loan to value): ratio of (i) bank debt to (ii) the appraised value of the portfolio;

- LTC (loan to cost) ratio of (i) bank debt to (ii) the book value of the portfolio;

- ISCR (interest service cover ratio): ratio of (i) revenues from rentals net of management costs to (ii) financial expenses;

- DSCR (debt service cover ratio): ratio of (i) revenues from rentals and sales net of management costs to (ii) financial expenses and principal repayments;

- maximum outstanding amount: maximum amount of bank exposure allowed.

At June 30, 2015 certain investment companies and funds in which Prelios holds an interest have covenants which are not in line with those provided for in the agreement. In particular, these were:

- the LTV of Fondo Immobili Pubblici Regione Sicilia (for which the relevant asset management company is assessing the possibility of repaying a portion of the loan in order to satisfy the contractual threshold before expiry of the related reporting deadline) and Gamma Re BV (for which it is emphasised that June 30 is not a test date pursuant to the applicable loan agreement, and possible measures to terminate it have already been determined);
- maximum outstanding amount for the Patrimonio Uffici Fund.

In this regard, it should be noted that negotiations have been conducted with the various financial counterparties in regard to all of the contractually non-compliant positions in order to formalise and finalise termination measures.

Finally, mention should be made of some positions relating to Solaris (in liquidation), Trinacria Capital and Sicily Investments, Vivaldi Fund, Social&Public Initiatives, Diomira Fund, Raissa Fund and City of Turin Fund (the latter three fell due on June 30, 2015). Now that those debts have come due, new agreements are being with negotiated with the lenders.

[32] The analysis does not include the figures relating to funds classified as third-party funds since Prelios holds an interest of less than 5%, as well as positions relating to funds and special purpose vehicles undergoing liquidation that have been declared as stop-loss.

APPENDIX C

Glossary

- **Investment Activities:** refers to the activities of the Prelios Group carried out through its investments in funds and companies that own real estate portfolios.

- **Lending Banks:** Intesa Sanpaolo S.p.A., UniCredit S.p.A., Banca Monte dei Paschi di Siena S.p.A., Banca Popolare di Milano Soc. Coop. a r.l., Banca Popolare dell'Emilia Romagna Soc. Coop., Banca Carige S.p.A. – Cassa di Risparmio di Genova e Imperia.

- **2015 Budget:** planning of the income statement, cash flow statement and balance sheet for 2015, approved by the Board of Directors on March 10, 2015.

- **Net Working Capital:** the amount of resources comprising a business's net operating assets. This measure is used to verify the short-term financial balance of the company. It consists of all short-term assets and liabilities that are not financial in nature and is presented net of junior notes included in Investments in real estate investment companies and funds.

- **Cash-Generating Unit:** defined as the smallest identifiable group of assets that generates cash inflows which are largely independent of the cash inflows from other assets or groups of assets in accordance with IAS.

- **Convertible bond:** mandatory convertible bonds to be converted into ordinary shares of the company and/or Category B shares.

- **Corporate Governance:** the management and supervisory bodies, rules and systems of the company.

- **Credit Servicing:** judicial and extrajudicial management of non-performing loans primarily secured by a mortgage on real estate, through valuation activities, monitoring the progress of lawsuits and out-of-court settlements and managing the flow of data and information on securitised portfolios.

- **Lenders:** the company's lenders (Pirelli & C. S.p.A. and the Lending Banks).

- **Senior Loan:** share of Euro 200 million of the company's debt under the Restructuring Agreement. The main terms and conditions of the loan are: bullet repayment by December 31, 2018; capitalised interest at an all-in rate of 3.0% from January 1, 2013 to December 31, 2016, and thereafter at a rate equal to the Euribor plus a spread and elimination of financial covenants. The Senior Loan is destined to be repaid only by liquidating real estate assets.

- **Super Senior Loan:** share of Euro 50 million of the company's debt under the Restructuring Agreement. The principal terms and conditions of the loan are: bullet repayment by December 31, 2017; half-yearly cash financial expenses at an all-in interest rate of 4.0%, effective from January 1, 2013; elimination of financial covenants and no mandatory early repayments, except for the acceleration clause, following the occurrence of a "significant event", as provided by the Club Deal Loan Agreement (as amended).

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

- **Group or Prelios Group:** the company and the companies controlled by it pursuant to Article 93 of the Consolidated Law on Finance.

- **Highstreet**: an investment initiative set up as a consortium with the RREEF, Generali and Borletti funds in 2008 for the acquisition of 49% of a portfolio of properties located throughout Germany and leased to the Karstadt department store group.

- **Impairment test:** test to check for the impairment of assets through which the company determines the recoverable value of its assets that are recognised in the financial statements. The recoverable amount of an asset or Cash-Generating Unit is the higher of its value less costs to sell and its value in use. If the book value of an asset is higher than its recoverable value, the asset has been impaired and is written down accordingly to its recoverable value.

- **Joint Ventures:** companies through which – based on contractual or statutory arrangements – two or more parties undertake an economic activity that is subject to joint control.

- **LTI**: long-term incentive.

- **MBO** (Management By Objective): the annual variable component of remuneration obtainable from achieving predefined business objectives.

- **Net Asset Value (NAV):** measure used to quantify the unrealised implicit capital gain in the real estate assets managed and invested in by the Group. The pro-rata Net Asset Value is calculated as the difference between the share of assets' market value and the related value of the debt, including shareholder loans granted to companies in which minority interests are held. In calculating the Net Asset Value, the tax effect relating to the implicit capital gain of the assets invested in is not taken into account, since these are not considered significant for the Group.

- **Non Performing Loan (NPLs):** portfolios of non-performing mortgage loans originated by banks, i.e. arising from disputed loans secured by mortgages on real estate.

- **Outlook 2016-2017:** strategic guidelines and growth targets for the Group's income statement, balance sheet and cash flow statement for the period concerned, as approved by the Board of Directors on March 10, 2015.

- **Passing Rent:** indicator corresponding to annualised rents based on contracts existing at the end of the period in question for assets belonging to a specific initiative.This represents a useful measure of the annual volume of rents.

- **Passing Yield:** indicator of profitability expressed in terms of rent from assets belonging to a certain initiative. It is calculated as the ratio between the book value of the initiative's assets and the corresponding amount of passing rent.

- **Third-party Assets under Management:** real estate assets under management, at period-end market value, based on appraisals by independent experts. Includes, *inter alia,* initiatives in which the Group holds an interest of less than 5%.

- **Co-investments:** real estate assets and non-performing loans in which an interest is held through investment companies and funds for which the value is stated at the market value at the reporting date; real estate asset values are based on appraisals by independent experts and non-performing loans are stated at book value. The pro-rata share of these values (market or book, respectively) expresses the Group's interest in the market value of the assets and in the book value of the non-performing loans managed.

- **Industrial Plan:** the Group's plan for the period 2014-2016, approved on June 12, 2014 on the basis of the 2014-2016 Guidelines, previously approved by the Board of Directors on April 9, 2014.

- **Management Platform:** refers to the activity of the Prelios Group carried out through its fund and asset management and specialised real estate services (property and project management, real estate agency and facility management in Germany) and services related to the management of NPL (credit servicing), including the related general and administrative expenses.

- **Company:** Prelios S.p.A.
- **Tracking Shares:** numbered shares assigned to achieve a direct correlation between these and certain investee companies, both in terms of contribution to results and exercising control.
- **Vacancy:** indicates the percentage of properties that do not generate income in the form of rents; this is calculated by dividing the vacant floor space in square metres by the total floor space.

B. THE PRELIOS GROUP – CONDENSED HALF-YEARLY FINANCIAL STATEMENTS 2015

1. CONSOLIDATED BALANCE SHEET

(in thousands of euro)

	ASSETS	06.30.2015	12.31.2014
	NON-CURRENT ASSETS		
1	Property, plant and equipment	802	853
2	Intangible assets	59,055	59,082
3	Equity investments	147,966	150,104
	of which investments held for sale	-	*3,849*
4	Other financial assets	29,884	16,254
5	Deferred tax assets	7,885	8,310
7	Other receivables	98,287	113,596
	of which from related parties	*90,388*	*108,355*
	TOTAL NON-CURRENT ASSETS	**343,879**	**348,199**
	CURRENT ASSETS		
9	Inventories	40,000	43,472
6	Trade receivables	35,316	35,074
	of which from related parties	*18,019*	*18,758*
7	Other receivables	18,755	17,773
	of which from related parties	*8,859*	*8,834*
10	Cash and cash equivalents	73,151	77,192
8	Tax receivables	2,420	3,013
	TOTAL CURRENT ASSETS	**169,642**	**176,524**
29	**DISCONTINUED OPERATIONS**	**2,652**	**12,164**
	of which from related parties	*2,652*	*9,964*
	TOTAL ASSETS	**516,173**	**536,887**
	EQUITY	**06.30.2015**	**12.31.2014**
	GROUP EQUITY		
11	Share capital	49,216	426,432
12	Other reserves	(12,280)	(15,940)
13	Retained earnings (losses)	67,084	(244,539)
	Net profit (loss) for the period	(13,060)	(61,149)
	TOTAL GROUP EQUITY	**90,960**	**104,804**
14	**MINORITY INTERESTS**	**2,470**	**2,488**
	TOTAL EQUITY	**93,430**	**107,292**
	LIABILITIES	**06.30.2015**	**12.31.2014**
	NON-CURRENT LIABILITIES		
15	Bank borrowings and payables to other lenders	255,134	256,434
	of which to related parties	-	-
17	Other payables	524	524
18	Provisions for future risks and expenses	37,194	40,187
5	Deferred tax provision	2,477	2,156
19	Employee benefit obligations	11,898	12,080
20	Tax payables	-	122
	TOTAL NON-CURRENT LIABILITIES	**307,227**	**311,503**
	CURRENT LIABILITIES		
15	Bank borrowings and payables to other lenders	9,181	8,490
	of which to related parties	*6,576*	*6,576*
16	Trade payables	49,359	47,316
	of which to related parties	*3,324*	*3,063*
17	Other payables	35,221	40,917
	of which to related parties	*5,125*	*19,039*
18	Provisions for future risks and expenses	16,618	14,510
	of which to related parties	*418*	*418*
20	Tax payables	5,137	6,859
	of which to related parties	*1,080*	*1,080*
	TOTAL CURRENT LIABILITIES	**115,516**	**118,092**
	TOTAL LIABILITIES	**422,743**	**429,595**
	TOTAL LIABILITIES AND EQUITY	**516,173**	**536,887**

See section 6.8 for a description of financial statement entries regarding related-party transactions.

2. CONSOLIDATED INCOME STATEMENT

(in thousands of euro)

		01.01.2015-06.30.2015	01.01.2014-06.30.2014
21	Revenue from sales and services	32,755	35,175
22	Changes in inventories of work in progress, semi-finished and finished products	(2,557)	(190)
23	Other income	3,733	3,787
	TOTAL OPERATING REVENUE	**33,931**	**38,772**
	of which from related parties	*11,836*	*13,187*
	of which non-recurring events	*34*	*182*
	Raw and consumable materials used (net of change in inventories)	(999)	(1,291)
	Personnel costs	(18,168)	(18,349)
	Depreciation, amortisation and impairment	(325)	(333)
	Other costs	(27,480)	(25,889)
24	**TOTAL OPERATING COSTS**	**(46,972)**	**(45,862)**
	of which to related parties	*(2,640)*	*(3,412)*
	of which non-recurring events	*(2,116)*	*(1,997)*
	EBIT	**(13,041)**	**(7,090)**
25	Net loss from equity investments:	875	(24,654)
	of which from related parties	*460*	*(24,689)*
	- portion of result of associates and joint ventures	598	(23,172)
	- dividends	404	-
	- gains on investments	11	35
	- losses on investments	(138)	(1,517)
26	Financial income	7,253	3,737
	of which from related parties	*1,989*	*3,150*
27	Financial expenses	(9,641)	*(12,196)*
	of which to related parties	*(261)*	*(500)*
	PROFIT (LOSS) BEFORE TAXES	**(14,554)**	**(40,203)**
28	Taxes	(1,700)	(2,953)
	NET INCOME FROM CONTINUING OPERATIONS	**(16,254)**	**(43,156)**
	attributable to minority interests	(16)	(665)
29	**NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS**	**3,178**	**4,912**
	of which from related parties	-	*8,758*
	GROUP NET INCOME/(LOSS)	**(13,060)**	**(37,579)**
	PROFIT (LOSS) PER SHARE (in euro):		
	basic earnings	(0.02)	(0.07)
	basic earnings		

See section 6.8 for a description of financial statement entries regarding related-party transactions.

3. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(in thousands of euro)

		01.01.2015-06.30.2015			of which attributable	
		gross	**taxes**	**net**	**Group**	**Minority interests**
A	**Net profit (loss) for the period**			**(13,076)**	**(13,060)**	**(16)**
	Other components recorded under equity that can be reclassified in the income statement in a future period:	**(429)**	**30**	**(399)**	**(388)**	**(11)**
	Exchange differences from the translation of foreign financial statements	32	-	32	32	-
	Total available-for-sale financial assets	(108)	30	(78)	(70)	(8)
	- Adjustment of available-for-sale financial assets to fair value	(108)	30	(78)	(70)	(8)
	Share of other equity components related to associates and joint ventures	(353)	-	(353)	(350)	(3)
	- portion of profit/(losses) recorded directly under equity	(353)	-	(353)	(350)	(3)
B	**Total other components recorded under equity**	**(429)**	**30**	**(399)**	**(388)**	**(11)**
A+B	**Total comprehensive income/(losses) for the period**			**(13,475)**	**(13,448)**	**(27)**

		01.01.2014-06.30.2014			of which attributable	
		gross	**taxes**	**net**	**Group**	**Minority interests**
A	**Net profit (loss) for the period**			**(38,244)**	**(37,579)**	**(665)**
	Other components recorded under equity that can be reclassified in the income statement in a future period:	**1,915**	**(488)**	**1,427**	**1,299**	**128**
	Exchange differences from the translation of foreign financial statements	(2)	-	(2)	(2)	-
	Total available-for-sale financial assets	1,771	(488)	1,283	1,155	128
	- Adjustment of available-for-sale financial assets to fair value	734	(202)	532	479	53
	- portion of profit/(lossed) transferred to the income statement that were previously recorded directly under equity	1,037	(286)	751	676	75
	Share of other equity components related to associates and joint ventures	146	-	146	146	-
	- portion of profit/(losses) recorded directly under equity	146	-	146	146	-
B	**Total other components recorded under equity**	**1,915**	**(488)**	**1,427**	**1,299**	**128**
A+B	**Total comprehensive income/(losses) for the period**			**(36,817)**	**(36,280)**	**(537)**

4. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in thousands of euro)

	Share capital	Currency translation reserve	Reserve for fair value measurement of available-for-sale financial assets	Reserve for actuarial gains/losses	Reserve for tax on items credited/debited to equity	Other reserves	Retained earnings (losses)	Net income (loss) for the period	**Group Equity**	**Minority interests in equity**	**Total**
Equity at 12.31.2014	**426,432**	**(5,609)**	**(3,995)**	**(3,239)**	**3,467**	**(6,569)**	**(244,534)**	**(61,149)**	**104,804**	**2,488**	**107,292**
Total other components recorded under equity	**-**	**43**	**(458)**	**-**	**27**	**-**	**-**	**-**	**(388)**	**(11)**	**(399)**
Allocation of 2014 results	(377,216)	-	-	-	(2,256)	5,570	312,753	61,149	-	-	-
Other changes	-	-	1	-	(29)	767	(1,135)	-	(396)	9	(387)
Net profit (loss) for the perio	-	-	-	-	-	-	-	(13,060)	(13,060)	(16)	(13,076)
Equity at 06.30.2015	**49,216**	**(5,566)**	**(4,452)**	**(3,239)**	**1,209**	**(232)**	**67,084**	**(13,060)**	**90,960**	**2,470**	**93,430**

	capital	translation reserve	measurement of available-for-sale financial assets	hedge reserve	for actuarial gains/losses	credited/debited to equity	reserves	earnings (losses)	for the period	**Equity**	**interests in equity**	**Total**
Equity at 12.31.2013	**189,888**	**(5,712)**	**(5,191)**	**(168)**	**(1,111)**	**4,223**	**(6,570)**	**88,366**	**(332,838)**	**(69,113)**	**2,778**	**(66,335)**
Total other components recorded under equity	**-**	**(24)**	**1,594**	**168**	**-**	**(439)**	**-**	**-**	**-**	**1,299**	**128**	**1,427**
Allocation of 2013 results	-	-	-	-	-	-	-	(332,838)	332,838	-	-	-
Share capital increase	236,544	-	-	-	-	-	-	-	-	236,544	-	236,544
Other changes	-	-	-	-	-	(1)	6	(56)	-	(51)	5	(46)
Net profit (loss) for the perio	-	-	-	-	-	-	-	-	(37,579)	(37,579)	(665)	(38,244)
Equity at 06.30.2014	**426,432**	**(5,736)**	**(3,597)**	**0**	**(1,111)**	**3,783**	**(6,564)**	**(244,528)**	**(37,579)**	**131,100**	**2,246**	**133,346**

5. CONSOLIDATED CASH FLOW STATEMENT

(in thousands of euro)

	01.01.2015-06.30.2015	01.01.2014-06.30.2014
Profit (loss) before taxes	(14,554)	(40,203)
Profit/(loss) from businesses sold	3,178	4,912
Amortisation, depreciation, write-downs and write-backs on intangible assets and property, plant and equipment	325	333
Impairment of receivables	538	2,654
Capital gains/losses on sale of property, plant and equipment	-	9
Net income from investments net of dividends	(875)	24,654
Financial expenses	9,641	12,196
Financial income	(7,253)	(3,737)
Change in inventories	3,472	1,379
Change in trade receivables/payables	1,439	(7,247)
Change in other receivables/payables	4,485	(877)
Change in employee benefit obligations and other provisions	(1,067)	(6,661)
Taxes	(962)	(923)
Net cash flow generated from discontinued operations	(3,178)	(4,912)
Other changes	38	233
Net cash flow generated/(absorbed) by operating activities (A)	**(4,773)**	**(18,190)**
Investments in property, plant and equipment	(52)	-
Disposal of property, plant and equipment	-	52
Investments in intangible assets	(195)	(113)
Disposal of intangible assets	-	21
Net cash flow generated by disposal of interests in subsidiaries	11	35
Acquisition of interests in associates and joint ventures	5,959	(10,603)
Dividends received	404	-
Purchase of other financial assets	(13,817)	(200)
Disposal/reimbursements of other financial assets	79	556
Net cash flow generated/(absorbed) by investing activities (B)	**(7,611)**	**(10,252)**
Change in share capital and other reserves	(387)	(46)
Change in financial receivables	3,041	4,064
Change in financial payables	(4,804)	(1,619)
Cash flow generated by financial income	799	260
Cash flow absorbed by financial expenses	(1,106)	(1,151)
Net cash flow generated/(absorbed) by financing activities (C)	**(2,457)**	**1,508**
Net cash flow generated/(absorbed) by discontinued operations (D)	10,800	3,705
New cash flow generated/(absorbed) by discontinued operations (D)	**10,800**	**3,705**
Total net cash flow generated/(absorbed) in the period (E=A+B+C+D)	**(4,041)**	**(23,229)**
Cash and cash equivalents + bank current account overdrafts at the beginning of the period (F)	**77,192**	**85,609**
Cash and cash equivalents + bank current account overdrafts at the end of the period (D+E)	**73,151**	**62,380**
of which:		
- cash and cash equivalents	73,151	62,380
- bank current account overdrafts	-	-

See section 6.8 for a description of cash flows regarding related-party transactions.

6. CONDENSED HALF-YEARLY FINANCIAL STATEMENTS 2015 – EXPLANATORY NOTES

6.1. General information

Prelios S.p.A. is a legal entity organised in accordance with the legislation of the Italian Republic.

The Company has been listed on the Italian Stock Exchange since 2002 and is one of the leading players in the real estate sector in both Italy and Europe; it is active in Italy, Germany and Poland.

In the past, Prelios acquired minority interests in the investment initiatives that it managed, with the aim of grasping revaluation opportunities; now the Group is consolidating its position as a “pure manager”.

It should be noted that in H1 2015 the Group did not carry out atypical or unusual transactions.

The Company's registered office is in Milan, Italy.

In accordance with the provisions of Article 5, paragraph 2 of Legislative Decree 38 of February 28, 2005, these financial statements were prepared using the euro as the reporting currency, and all values have been rounded to the nearest thousand euro where not indicated otherwise.

The financial statements are audited by Reconta Ernst & Young S.p.A., pursuant to Article 14 of Legislative Decree 39 of January 27, 2010 and considering the CONSOB recommendation of February 20, 1997, in accordance with the resolution of the shareholders’ meeting of April 14, 2008 which appointed the said company for the nine-year period 2008-2016.

The consolidated half-yearly financial report was approved by the Board of Directors on July 29, 2015.

6.2. Basis of preparation – adoption of the going concern assumption in preparing the financial statements

As previously described in greater detail in the Directors' Report on Operations, and specifically the parts “Prelios in the First Half 2015”, “Budget 2015 and Outlook 2016-2017” and “Measures taken to revitalise operations, ensure the company can continue as a going concern”, the Company has reacted to the improvement in its reference market by identifying and implementing a series of initiatives to restructure its operations and maintain the conditions for continuing as a going concern. Indeed, a series of measures and initiatives continues to proceed positively, in implementation of the guidelines of the plan established by the Group's individual business units.

Moreover, as described in greater detail in the Report on Operations, the Company continued to carry out the activities for verifying the feasibility of a spin-off of the investments and services divisions in favour of a special purpose vehicle not controlled by the Company. Its purpose was to accelerate its repositioning as a pure management company, in view of the possible change in scope of the Group's operations and shoring up its balance sheet and overall financial position.

In this respect, many meetings and discussions were held and are still in progress with all potentially involved parties, including with the support of the Company's advisors. Subject to the approval of the Company's lending banks, the Company expects to reach an understanding within a reasonable time-frame, followed by the signing of the related agreements and the launch of transactions and technical activities, including the contribution of the investments division to a separate vehicle.

The Income Statement at June 30, 2015 shows a net loss of about Euro 13 million, which represents an improvement for all business units exceeding the Budget 2015 profitability forecasts. The net loss reported on the Income Statement for the period also reflects the positive effects related to (i) repayment of the UBI debt, which was made at a discount on its par value, and (ii) the appraisal of the real estate portfolio prepared by independent experts, for an aggregate positive value of Euro 2.5 million. In contrast with the previous periods, when the effect of these appraisals was negative – even for very large amounts, this reflects reversals of impairment of certain assets held in the Italian portfolio.

In regard to its financial position, the Balance Sheet at June 30, 2015 shows that cash totalled about Euro 73 million. This was higher than forecast due to the (i) earlier than expected collection of net proceeds from certain joint ventures, (ii) deferral of certain equity injections in minority investments, (iii) deferred payment of certain expenses and, finally, (iv) deferred repayment of financial debts after the scheduled due dates, in consequence of the different timing of distribution to the Parent Company of cash and cash equivalents currently held by certain investees.

The results reported at June 30, 2015 confirm the forecasts made in the Budget 2015 and Outlook 2016-2017. As illustrated in greater detail in the Directors' Report on Operations, those forecasts show persistently negative results over the three-year period, with a consequent reduction in equity and cash outflows. Although this will not cause a cash deficit over the plan period, they confirm persistent financial tension, with financial and equity balance depending on the possibility of realising the planned short and medium-long term transactions at the prices and times indicated in the plan. Among these transactions, the Budget 2015 forecasts the disposal or expected refinancing of a major real estate portfolio by the end of the year. Accordingly, an advisor has been given a mandate to seek out investors interested in this portfolio. In regard to the possibility of refinancing, negotiations with several banks are currently under way as an alternative to sale. Although its business and operating context has improved since the previous year, these factors have determined the persistence of major uncertainties over the Group's ability to continue operating as a going concern, as well as the need to pursue additional actions that might allow the Group to complete its restructuring and achieve long-term financial stability. Considering the results of the Budget 2015 and Outlook 2016-2017 in terms of both financial performance and the sustainability of the Parent Company's debt, in the light of the aforementioned significant improvement of the cash profile, willingness of bank lenders and major shareholders to support the company's plans, as represented by the recent agreements regarding the “65%/35% mechanism” developments affecting the project to separate the “Investments” unit from the “Services” unit, which might result in specific capital transactions over the short term, as well as the progress of transactions reflected in the Budget 2015 (among the most important of these, the assumed sale or refinancing of a major real estate portfolio by the end of the year), Prelios' Directors believe – on the basis of a series of realistic assumptions that naturally will require constant, thorough verification – it is reasonable to conclude that the Group can meet its estimated cash flow needs and thus continue as a going concern.

6.3. Accounting standards and policies

Pursuant to Article 154 ter of Legislative Decree 58/1998, the Prelios Group has prepared its condensed consolidated half-year financial statements in accordance with IAS 34, which regulates condensed interim financial statements.

The Prelios Group has complied with the requirements of CONSOB Resolution 15519 of July 27, 2006 concerning financial reporting formats and CONSOB Communication 6064293 of July 28, 2006 concerning corporate disclosures.

In accordance with the provisions of Article 5, paragraph 2 of Legislative Decree 38 of February 28, 2005, these financial statements were prepared using the Euro as the reporting currency.

The accounting standards and policies are consistent with those used in the preparation of the financial statements at December 31, 2014, except for the new standards/interpretations adopted by the Group beginning January 1, 2015. The nature and effects of these changes are illustrated as follows.

6.3.1. Accounting standards and interpretations endorsed and in force from January 1, 2015

The following new standards and interpretations became effective on January 1, 2015.

- "Improvements" to IFRS (2011-2013, issued by the IASB in December 2013)

The IASB issued a number of amendments to several standards in effect in response to problems that arose during the 2011-2013 cycle of annual improvements to IFRS.

The following table summarises the standards and issues dealt with by these amendments:

IFRS	Subject of the amendment
IFRS 1 – First-time Adoption of International Financial Reporting Standards	Meaning of "IFRS in effect"
IFRS 3 – Business Combinations	Scope of application for joint ventures
IFRS 13 – Fair Value Measurement	Scope of application of section 52 (portfolio exception)
IAS 40 – Investment Property	Clarify the interrelations between IFRS and IAS 40 in classifying a property as an investment property or as a property to be used by the owner

These amendments were endorsed by the European Union on December 18, 2014 (EU Regulation 1361/2014) and came into force on January 1, 2015.

The application of these amendments has not had a material impact on the consolidated financial statements.

- IFRIC Interpretation 21 – Levies

This interpretation, published on May 20, 2013, affects the recognition of a liability related to payment of a tax if this liability is subject to application of IAS 37, as well as the recognition of a liability for payment of a tax whose date and amount of accrual are uncertain. This interpretation has been endorsed by the European Union (EU Regulation 634/2014) and applies to the financial years that begin after June 17, 2014. The application of this interpretation has not had a material impact on the consolidated financial statements.

6.3.2. International accounting standards and/or interpretations issued but not yet in force and/or endorsed

As required by IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, new Standards or Interpretations already issued, but which have not yet come into force or been endorsed by the European Union, and which are therefore not applicable, are listed below.

The Group has adopted none of these standards or interpretations in advance of their effective date.

The following new standards and interpretations became effective on January 1, 2015.

- Amendments to IFRS 7 – Financial Instruments: Disclosures – First-time Application of IFRS 9.

These amendments introduce the obligation of providing additional quantitative information at the transition to IFRS 9, to clarify the effects of the first-time application of IFRS 9 on the classification and measurement of financial instruments.

The European Union has not yet endorsed these amendments. The impact of future application of these amendments cannot be quantified at this time.

- IFRS 9 – Financial Instruments

The IASB published the final version of IFRS 9 – Financial Instruments on July 24, 2014.

This document has superseded the previous versions published in 2009 in 2010 for the " classification and measurement" phase and in 2013 for the "hedge accounting" phase. This publication completed the IAS 39 revision process, which was intended to reduce its complexity and divided into three phases: "classification and measurement", "impairment" and "hedge accounting". Revision of the "macro hedge accounting" rules remains to be completed, as part of a separate process from IFRS 9.

The main changes introduced by IFRS 9 can be summarised as follows:

- hedge accounting: the provisions of IAS 39 considered to be overly strict have been amended, in view of guaranteeing greater consistency between the hedge accounting and management logics (risk management). In particular, changes have been introduced for the types of transactions eligible for hedge accounting, by broadening the risks of non-financial assets/liabilities eligible to be managed under hedge accounting;

- the effectiveness test pursuant to IAS 39 has been replaced with the principle of the "economic relationship" between the item hedged and the hedging instrument; in addition, an assessment of the retrospective effectiveness of the hedging relationship is no longer required;

- the classification and measurement of financial assets: financial assets may be classified in the category "Fair value through other comprehensive income (FVOCI)" or amortised cost. The "Fair value through profit or loss" category is also envisaged, but only on a residual basis. Classification within the two categories is made on the basis of the entity's business model and on the basis of the features of the cash flows generated by the assets themselves;

- *impairment*: impairment: a single impairment model is envisaged, and is based on a "forward-looking expected loss" in order to guarantee more immediate recognition of losses than what is possible with the "incurred loss" model of IAS 39, according to which losses may be recognised only on the basis of objective evidence of impairment after initial recognition of the assets;
- financial liabilities: the IASB has substantially confirmed the provisions of IAS 39, by maintaining the possibility of opting for recognition of the financial liability at fair value through profit or loss when certain conditions are met. If the fair value option for financial liabilities is adopted, the new standard provides that the change in fair value attributable to the change in the issuer's credit risk ("own credit") has to be recognised in the statement of comprehensive income and not in the income statement, thereby eliminating a source of volatility in income statement results that is exacerbated especially during periods of economic and financial crisis.

The European Union has not yet endorsed this standard. Mandatory application of this standard is scheduled to begin on January 1, 2018, with the possibility of early application of the entire standard or only the changes related to the accounting of "own credit" for financial liabilities carried at fair value.

The impact of future application of this standard cannot be quantified at this time.

- Amendments to IAS 1 – Disclosure Initiative

These amendments aim to:

- clarify the rules governing the material nature of the disclosure;
- clarify that the specific items included in the income statement, statement of comprehensive income and balance sheet may be broken down;
- introduce guidelines on how an entity should present subtotals in the income statement, statement of comprehensive income and balance sheet;
- clarify that entities have flexibility in regard to the order in which the notes are presented, while pointing out that comprehensibility and comparability must be considered when the order of presentation is decided;
- eliminate the guidelines used to identify the relevant accounting policy.

These amendments, which the European Union has not yet endorsed, will enter into force beginning January 1, 2016. However, they may be applied early.

No significant changes are expected in how the consolidated financial statements are presented in consequence of application of these changes.

- Amendments to IFRS 10, IFRS 12 and IFRS 28 – Investment Guide: *Applying the Consolidation Exception*

The purpose of the amendments is to clarify three questions related to the consolidation of an investment entity. They specifically concern:

- amendment of IFRS 10 to confirm the exemption from the requirement to prepare consolidated financial statements for an intermediate parent (which is not an investment entity) that is controlled by an investment entity;
- amendment of IFRS 10 to clarify that the rule mandating that an investment entity must consolidate a subsidiary, instead of carrying it at fair value, applies only to those subsidiaries which:
  i) act "as an extension of the operations of the investment entity parent" and
  ii) are not investment entities;
- amendment of IAS 28 on application of the equity method by a non-investment entity investor with interests in associated investment entities or joint ventures.

These amendments, which the European Union has not yet endorsed, will enter into force beginning January 1, 2016. However, they may be applied early.

The impact of future application of these amendments cannot be quantified at this time.

- Amendments of IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

The purpose of these amendments is to clarify the applicable accounting treatment, both in the event of loss of control of a subsidiary (regulated by IFRS 10) and in the case of downstream transactions regulated by IAS 28, according to whether the object of the transaction is or is not a business, as defined in IFRS 3. If the object of the transaction is a business, then the entire profit must be recognised in both cases (loss of control and downstream transactions), while if the object of the transaction is not a business, the profit must be recognised in both cases only for the portion represented by minority interests.

These amendments, which the European Union has not yet endorsed, will enter into force beginning January 1, 2016. However, they may be applied early.

The impact of future application of these amendments cannot be quantified at this time.

- Amendments to IAS 27 – Equity Method in Separate Financial Statements

The purpose of the amendments to IAS 27 is to allow the entities to use the equity method in accounting for investments in subsidiaries, joint ventures and associates in the separate financial statements.

These amendments, which the European Union has not yet endorsed, will enter into force beginning January 1, 2016. However, they may be applied early.

The impact of future application of these amendments cannot be quantified at this time.

- IFRS 15 – Revenue from Contracts with Customers

The IASB published IFRS 15 – Revenue from Contracts with Customers on May 28, 2014. One of the principal aims of the project is to define rules consistent with US GAAP. This convergence should improve the comprehensibility of financial statements for the financial community.

This rule supersedes IAS 18 – Revenue, IAS 11 – Construction Contracts, and a series of related interpretations.

The new standard applies to all contracts with customers, except for the contracts that are subject to application of IAS 17 – Leasing, for insurance contracts and for financial instruments.

The standard establishes a five-step model that applies (with few exceptions) to all sales agreements regardless of the type of transaction or applicable sector. It also provides a model for recognition and measurement of the associated revenue in the case of certain non-financial assets that are not the product of the ordinary operations of the entity (e.g. sales of property, plant and equipment and intangible assets). The standard defines the following five steps in detail:

1. identify the contract with the customer, defined as a written or oral commercial agreement between two or more parties that creates rights and obligations with the customer that can be protected under the law;
2. identify the performance obligations (distinctly identifiable obligations) contained in the contract. The deciding factor is to determine whether a good or service can be distinguished, or whether the

customer can benefit from it alone or together with others. Every distinct good or service will be the object of a separate performance obligation;

3. determine the transaction price, as the consideration which the entity expects to receive from the transfer of assets or provision of services to the customer, in accordance with the techniques envisaged in the standard and according to any financial components that might be present, for example the time value of money and the fair value of any non-cash consideration;
4. allocate the price of the transaction to each "performance obligation"; if this is not possible, the entity must use estimates prepared using an approach that maximises the use of observable input data;
5. recognise the revenue when the bond or obligation is settled, or when control of the good or service has been transferred, while considering the fact that the services might not be performed at a specific time, but rather be performed over a period of time. Control of an asset is defined as the ability to manage its use and substantially enjoy all the remaining benefits deriving from the asset, construed as the potential cash flows that may be obtained directly or indirectly from use of the asset itself. In this regard, new instructions indicate whether the revenue has to be recognised at a specific moment in time or over the course of time, and thereby replacing the previous distinction between goods and services.

The standard, which has not yet been endorsed by the European Union, applies starting January 1, 2017, but early application is also allowed. The impact resulting from application of the new standard to the consolidated financial statements during its first year of application cannot be foreseen.

- Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation

These amendments, which were published on May 12, 2014, establish the basic principle of depreciation and amortisation as the expected way in which the future economic benefits of an asset are consumed.

The IASB has clarified that a "revenue-based method" of depreciation or amortisation of an asset is not deemed appropriate, insofar as it only reflects the flow of revenue generated by that asset and not, instead, the way in which the future economic benefits embedded in the asset itself are consumed.

This assumption may not apply in limited cases involving intangible assets.

The orientation introduced in both standards explains that the future reductions in sales prices might indicate a high rate of consumption of the future economic benefits contained in an asset.

These amendments, which have not yet been endorsed by the European Union, apply starting January 1, 2016, but early application is also allowed. No significant impact on the consolidated financial statements is expected from application of the above amendments.

- Amendments to IFRS 11 – Accounting for acquisitions of interests in joint operations

These amendments, published on May 6, 2014, specify that the acquisition of an interest in a joint operation constituting a business must be recognised in accordance with IFRS 3 – Business Combinations, i.e. according to the purchase price allocation rule.

These amendments have not yet been endorsed by the European Union and apply starting January 1, 2016, although early application is also allowed. It is not expected that they will have a significant impact on the consolidated financial statements.

- "Improvements" to IFRS (2012-2014, issued by the IASB in September 2014)

The IASB issued a number of amendments to several standards in effect in response to problems that arose during the 2012-2014 cycle of annual improvements to IFRS.

The following table summarises the standards and issues dealt with by these amendments:

IFRS	Subject of the amendment
IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations	Changes in disposal methods.
IFRS 7 – Financial Instruments Disclosures	• Servicing contracts • Applicability of amendments to IFRS 7 to interim financial statements
IAS 19 – Employee Benefits	Discount rate: problems connected with reference markets
IAS 34 – Interim Financial Reporting	Requirements if the disclosure is made in the interim financial report, but outside the interim financial statements.

These amendments, which the European Union has not yet endorsed, will enter into force beginning January 1, 2016. No significant impact deriving from the introduction of these amendments on the consolidated financial statements is expected.

- Amendments to IAS 19 – Employee Benefits – Defined-Benefit Plans: *Employee Contributions*

The aim of the amendments is to simplify the accounting of contributions of employees or third parties for defined-benefit plans that are independent of the years of service, such as contributions that are calculated as a fixed percentage of salaries.

This interpretation was endorsed by the European Union on December 17, 2014 (EU Regulation 29/2015) and will apply to the financial years that begin after February 1, 2015. No significant impact deriving from the introduction of these amendments on the consolidated financial statements is expected.

- "Improvements" to IFRS (2010-2012, issued by the IASB in December 2013)

The IASB issued a number of amendments to several standards in effect in response to problems that arose during the 2010-2012 cycle of annual improvements to IFRS.

The following table summarises the standards and issues dealt with by these amendments:

IFRS	Subject of the amendment
IFRS 2 – Share-based Payments	Definition of vesting condition
IFRS 3 – Business Combinations	Accounting for business combination cost adjustments that are subject to future events
IFRS 8 – Operating Segments	• Aggregation of operating segments • Reconciliation of total assets of segments covered by disclosure compared to the entity's assets
IFRS 13 – Fair Value Measurement	Short-term receivables and payables
IAS 16 – Property, Plant and Equipment	Revaluations – Proportional redetermination of accumulated depreciation
IAS 24 – Related Party Disclosures	Key Managers
IAS 38 – Intangible Assets	Revaluations – Proportional redetermination of accumulated amortisation

This interpretation was endorsed by the European Union on December 17, 2014 (EU Regulation 28/2015) and will apply to the financial years that begin after February 1, 2015. No significant impact deriving from the introduction of these amendments on the consolidated financial statements is expected.

6.3.3 Reporting formats

The Prelios Group has complied with the requirements of CONSOB Resolution 15519 of July 27, 2006 concerning financial reporting formats and CONSOB Communication 6064293 of July 28, 2006 concerning disclosure.

The consolidated financial statements at June 30, 2015 comprise a balance sheet, income statement, statement of comprehensive income, statement of changes in equity, cash flow statement and explanatory notes, and are accompanied by the directors' report on operations.

The format adopted for the balance sheet entails the separation of assets and liabilities into current and non-current.

The income statement format adopted entails the classification of costs by nature. The Group opted for a separate income statement instead of a single statement of comprehensive income.

The "statement of comprehensive income" includes the net income for the period and, for homogeneous categories, the income and expenses which, on the basis of IFRS, are accounted for directly in equity. The Group opted for presentation of the tax effects of the profit/losses recognised directly in equity and of reclassifications to the income statement of profit/losses recognised directly in equity in previous periods directly in the statement of comprehensive income and not in the explanatory notes.

The "statement of changes in equity" includes the amounts of transactions with the equity holders and changes in the reserves that occurred during the period.

In the cash flow statement, cash flows from operating activities are presented using the indirect method, by which net profit or loss for the period is adjusted for the effects of non-monetary transactions, for any deferral or provision of prior or future operating receipts or payments, and for revenue or costs relating to cash flows from investing or financing activities.

6.3.4. Consolidation area

The consolidation area includes subsidiaries, associates and equity investments in jointly controlled companies (joint ventures).

Subsidiaries are considered to be all the companies and entities for which the Group is exposed or is entitled to variable returns, stemming from its own relationship with the investee and, at the same time, can impact those returns by exercising its own power over that entity.

Specifically, an entity is considered to be a subsidiary if, and only if simultaneously, the Group has:

- power over the investee (i.e. it holds valid rights granting it the present ability to manage the relevant activities of the investee);
- the exposure or rights to variable returns stemming from the relationship with the investee;
- the ability to exercise its own power over the investee such as to impact the amount of its returns.

It is generally presumed that possession of the majority of voting rights grants control.

If the facts and circumstances indicate that changes have occurred in one or more of the three material aspects used to define control, the Group reconsiders whether or not it has control of an investee.

The financial statements of subsidiaries are included in the consolidated financial statements starting from the date on which control is assumed up to the moment in which such control ceases to exist. The assets, liabilities, revenues and costs of the subsidiary acquired or sold during the financial year are thus included in the consolidated financial statements from the date on which the Group obtains control until the date on which the Group ceases to control the entity.

The portions of equity, income (loss) for the year, and each of the other components of the statement of comprehensive income are indicated separately on the consolidated balance sheet, income statement and statement of comprehensive income.

An associate is a company over which the Group has significant influence, as defined by IAS 28 – Investments in Associates. Such influence is normally presumed to exist when the Group holds between 20% and 50% of the voting rights or, even if less voting rights are held, when it has the power to participate in financial or operating policy decisions by virtue of particular legal arrangements, such as participation in a shareholders' agreement combined with other forms of significant exercise of governance rights.

As defined in the new IFRS 11, a joint venture is an agreement for joint control where the parties that hold joint control claim rights to the net assets of the agreement. A joint venture implies the establishment of a legal entity that controls the assets, assumes liabilities and enters into agreements in its own name.

Companies included in the consolidation area are listed in Appendix 1 “Consolidation area”, in which the accompanying notes discuss the related changes.

Companies for which the Group has not taken an active role in managing or effectively controlling and so has not assumed any associated capital liability are not included in the consolidation area.

6.4. Estimates and assumptions

Preparation of the consolidated financial statements requires management to make estimates and assumptions which, in some cases, are based on difficult, subjective judgements and past experience, and assumptions thought to be reasonable and realistic according to the circumstances, with particular reference to forecasts regarding timing and the values of the transfers set forth in Company plans.

The reliability of such estimates has an effect on the adoption of the going concern assumption in preparing the financial statements, on the values of balance-sheet assets and liabilities and on the disclosure of contingent assets and liabilities at the reporting date, as well as on the amount of revenue and costs in the reference period. Actual results could therefore differ from such estimates. The estimates and assumptions are regularly reviewed and the effects of any change are reflected in the income statement of the period of the change if the change affects that period only, or also in future periods if the change affects both the current and future periods.

On this point it must be noted that the situation caused by the current economic and financial crisis has made it necessary to make assumptions regarding a highly uncertain future, in which actual results in the next year may differ from the estimates, thus involving adjustments, even significant ones, to the carrying amount of the items concerned and which cannot be currently estimated or predicted.

The elaboration of estimates and evaluations by the management mainly regard:

- assessment of the recoverability of intangible assets and definition of their useful lives;
- valuation of the interest in associates and joint ventures, and assessment of the recoverability of financial receivables that such companies might owe;
- determination of the fair value of real estate properties and the realisable value of inventories;
- estimation of contingent liabilities for outstanding legal and tax litigation as described in more detail in part 8.4 of the report on operations;
- quantification of the impairment of receivables (partly with reference to determining the value of non-performing loans) and financial assets and the estimate of the liabilities deemed likely and recorded under provisions for risks and expenses;
- estimates and assumptions on the recoverability of prepaid taxes.

Estimates and assumptions involving a significant risk of variation in the carrying amount of assets and liabilities mainly relate to goodwill, the valuation of the property portfolio and the valuation of loans in relation to the effects that this can have on the value of investments in associates and joint ventures. In accordance with the accounting standards, the Group must test its goodwill for impairment at least once a year, or whenever there are specific indications of impairment. The value of the property portfolio is verified at least half-yearly on the basis of independent appraisals, and the value of non-performing loans is also based on the periodic updating of estimated expected cash flows.

Asset values related to real estate portfolios and non-performing loans, or to the value of investments of proprietary vehicle companies, are measured on the basis of the respective appraisals or valuation models on the assumption of a development process or sale on the market as a part of a normal company cycle. In addition, with regard to valuations of the real estate portfolio, taking account of the provisions of current laws, for valuations of real estate assets and real estate rights the group uses experts (who meet the requirements of Article 17 of Ministerial Decree 228/1999), but also subjects the results of their valuations to validation processes.

A review and check are performed in order to verify:

- whether the data and information contained in appraisal reports are adequate, complete and accurate;
- the experts' proper application of asset valuation criteria.

The Investment Portfolio Management unit is the party responsible for the updated reporting of useful data and information (property inventories, intended uses, employment situation, lease agreements, etc.) for valuations of real estate assets in the portfolio near the reporting date.

The mandate given to the experts hired for periodic (half-yearly and annual) valuations of real estate assets has a term, subject to substantiated exceptions, of up to four years. It cannot be renewed or reassigned unless at least three years have passed since the termination of the previous assignment.

The Group undertakes to ensure a periodic rotation of experts in the area of real estate assets, and to guarantee that each individual appraiser does not certify more than 50% of the overall value of the real estate portfolio.

When selecting experts, the existence of any conflicts of interest is assessed to ascertain whether their independence may have waned.

The experts are third parties that are independent from the Group. Their valuations must be based on current laws and best international standards in order to determine the proper value of the properties.

The Risk Management unit, with the professional support of third parties specialising in real estate appraisals as necessary, must verify that the asset valuation criteria used by the expert are consistent and have been properly applied. The latter verification process, which is performed on a sampling basis, must specify that a methodology consistent with commonly accepted practice has been applied for the appraisal. If there are large disagreements that could significantly alter the valuation, all checks must be performed, including those that contradict the experts, with the involvement of the appropriate Investment Portfolio Management.

With regard to the Highstreet investment, note that this investment is periodically appraised with respect to the recoverability of the remaining financial receivable through the analysis of expected cash flows from closing the joint venture, which is possible when disposal of the real estate assets has been completed. This measurement of recoverability is based on estimated cash flows deriving from future portfolio sales, which will depend on the actual realisation of sales within the prescribed terms; any different sales conditions are capable of significantly affecting the value of the receivable recorded in the financial statements.

6.5. Seasonality

Revenue is not particularly influenced by seasonal trends.

6.6. Information on the consolidated balance sheet and consolidated income statement

All figures are presented in thousands of euro, unless otherwise specified.

The following explanatory notes refer to the consolidated balance sheet and consolidated income statement found in sections 1 and 2.

ASSETS

Note 1. PROPERTY, PLANT AND EQUIPMENT

These amount to Euro 802 thousand, a net decrease of Euro 51 thousand since December 31, 2014, and are made up as follows:

	06.30.2015			12.31.2014		
	Historical cost	**Accumulated depreciation/ write-downs**	**Net value**	**Historical cost**	**Accumulated depreciation/ write-downs**	**Net value**
Buildings	985	(890)	95	985	(876)	109
Plant and machinery	1,432	(1,291)	141	1,434	(1,265)	169
Industrial and commercial equipment	116	(109)	7	116	(108)	8
Other assets, of which:	11,338	(10,779)	559	11,332	(10,765)	567
- vehicles	82	(75)	*7*	86	(79)	*7*
- furniture, office equipment and other	11,233	(10,704)	*529*	11,223	(10,686)	*537*
- works of art	23	-	*23*	23	-	*23*
Total	**13,871**	**(13,069)**	**802**	**13,867**	**(13,014)**	**853**

The following table shows changes in historic costs and accumulated depreciation in H1 2015:

Historical cost	**12.31.2014**	**Increases**	**Decreases**	**06.30.2015**
Buildings	985	-	-	985
Plant and machinery	1,434	-	(2)	1,432
Industrial and commercial equipment	116	-	-	116
Other assets, of which:	11,332	52	(46)	11,338
- vehicles	86	-	(4)	82
- furniture, office equipment and other	11,223	52	(42)	*11,233*
- works of art	23	-	-	*23*
Total	**13,867**	**52**	**(48)**	**13,871**

Accumulated depreciation/write-downs	**12.31.2014**	**Depreciation/ Write-downs**	**Uses**	**06.30.2015**
Buildings	(876)	(14)	-	(890)
Plant and machinery	(1,265)	(28)	2	(1,291)
Industrial and commercial equipment	(108)	(1)	-	(109)
Other assets, of which:	(10,765)	(60)	46	(10,779)
- vehicles	(79)	-	*4*	*(75)*
- furniture, office equipment and other	(10,686)	*(60)*	*42*	*(10,704)*
Total	**(13,014)**	**(103)**	**48**	**(13,069)**

Note 2. INTANGIBLE ASSETS

These amount to Euro 59,055 thousand, a net decrease of Euro 27 thousand since December 31, 2014.

	12.31.2014	**Increases**	**Decreases**	**Amortisation/ Write-downs**	**06.30.2015**
Concessions, licences and trademarl	2,074	-	-	(53)	2,021
Software	623	195	-	(169)	649
Goodwill	56,385	-	-	-	56,385
Total	**59,082**	**195**	**-**	**(222)**	**59,055**

Concessions

The recognised amount mainly refers to the concession granted by the Municipality of Milan to the subsidiary Parcheggi Bicocca S.r.l. for the management of car parks in the Bicocca area until 2032.

Goodwill

This amounts to Euro 56,385 thousand, unchanged from December 31, 2014.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units (CGU) shown in the table below, all belonging to the services platform:

	06.30.2015	12.31.2014
ITALY	**39,495**	**39,495**
Integra	13,356	13,356
Fund management	26,139	26,139
GERMANY	**16,890**	**16,890**
Total	**56,385**	**56,385**

Pursuant to IAS 36, the Group tests it for impairment at December 31. Therefore, the existence of any internal and external factors of presumed impairment is checked pursuant to IAS 36.12 when the half-yearly report is prepared. This review has not resulted in the identification of elements that would entail changing the frequency of the impairment test to an interim basis.

In particular, in regard to external factors:

- at June 30, 2015 the Company has a market capitalisation that far exceeds the carrying amount of its equity;
- the mark-to-market of Prelios ordinary stock at June 30, 2015 represented a significant increase (+41%) as compared with its price at December 31, 2014;
- the weighted average cost of capital as adjusted for calculation of the recoverable value of the CGUs of the services platform decreased by 23 basis points between December 31, 2014 and June 30, 2015 for the CGUs operating in Italy and by 14 basis points for the CGU operating in Germany.

In regard to internal factors:

- there are no negative changes between the final operating results and the budget results for H1 2015 of the CGUs belonging to the services platform to which goodwill has been allocated.

Note 3. INVESTMENTS

Equity investments in associates and joint ventures are accounted for using the equity method and amount to Euro 147,966 thousand, a net decrease of Euro 2,138 thousand since December 31, 2014.

Changes during the year are as follows:

	01.01.2015-06.30.2015				01.01.2014-12.31.2014			
	Total	**associates**	**joint ventures**	**held for sale**	**Total**	**associates**	**joint ventures**	**held for sale**
Opening balance	**150,104**	**37,797**	**108,458**	**3,849**	**169,180**	**42,961**	**122,925**	**3,294**
Acquisitions/contributions of capital and reserves/other	7,676	-	7,676	-	58,914	(9)	58,923	-
Portions of other components recorded under equity	(364)	(251)	(113)	-	315	-	315	-
Reclassification/Other changes	(1,112)	(518)	-	(594)	(158)	-	(158)	-
Distributions of dividends and reserves	(6,951)	(2,799)	(946)	(3,206)	(2,852)	-	(2,852)	-
Disposals and liquidations	-	-	-	-	(110)	-	(110)	-
Share of income/losses on investments	460	4,195	(3,686)	(49)	(13,271)	(5,156)	(8,115)	-
Assets held for sale	-	-	-	-	-	-	-	-
Fair value adjustment	-	-	-	-	555	-	-	555
Net (increase)/decrease in financial receivables	(1,847)	-	(1,847)	-	(50,264)	1	(50,265)	-
Change in provisions for risks and expenses	-	-	-	-	(12,205)	-	(12,205)	-
Closing balance	**147,966**	**38,424**	**109,542**	**0**	**150,104**	**37,797**	**108,458**	**3,849**

The changes in this item stem mainly from the distributions of dividends and reserves, of which Euro 6,005 thousand refer to redemptions of principal by the Olinda Fund. The final result reported by the investees, totalling a positive Euro 460 thousand, a positive net pro-rated share of the Prelios Group totalling Euro 3.0 million resulting from real estate revaluations/write-downs, and particularly in relation to the real estate portfolio held by the Industrial Space Fund ("Fondo Spaziale Industriale").

The item "Net (increase)/decrease in financial receivables" for the period under discussion includes the decrease in net financial receivables owed by associates and joint ventures in relation to the portions of losses made by them exceeding the carrying amounts of the investments.

Changes in provisions for risks and expenses include, where there is a legal or constructive obligation, provisions for making good the losses of associates and joint ventures in excess of their carrying amounts plus any financial receivables owed by such companies.

Note that the equity investments "held for sale" referred exclusively to the portion of the Olinda Fund held by Prelios Netherlands B.V., since the Group believed that it would recover the related carrying amount, largely through a sales transaction. With the sale of the remaining portfolio of the Olinda Fund to "Reitaly", the process of unwinding the investments of Olinda – Shops Fund has been completed by the expiry of the fund itself. The process of unwinding the fund concluded on February 25, 2015.

Finally, it should be noted that there is a lien totalling Euro 28,215 thousand on shares in associates and joint ventures.

Note 4. OTHER FINANCIAL ASSETS

These amount to Euro 29,884 thousand, for a net increase of Euro 13,630 thousand over December 31, 2014. These are composed as follows:

	06.30.2015	12.31.2014
Available-for-sale financial assets measured at fair value in equity	**10,626**	**10,712**
Closed-end real estate funds	9,877	9,963
Investments in other companies	749	749
Other financial assets measured at fair value	**4,800**	**4,800**
Bonds – junior notes	4,800	4,800
Restricted deposits	**14,458**	**742**
Total	**29,884**	**16,254**

Fair value hierarchy

During 2015, as in the comparative period, there were no transfers between fair value hierarchical levels, or changes in the allocation of financial assets entailing a different classification of the said assets.

4.1 Closed-end real estate funds

These show the following changes at June 30, 2015:

	01.01.2015 - 06.30.2015	01.01.2014 - 12.31.2014
Opening balance	**9,963**	**11,245**
Increases	101	200
Decreases/Repayment of capital	(80)	(665)
Fair value adjustment	(107)	(817)
Closing balance	**9,877**	**9,963**
of which:		
Cloe Office Fund	5,527	5,749
Tecla Office Fund	1,654	1,623
Enasarco One Fund	1,519	1,498
Federale Immobiliare di Lombardia Fund	948	946
Parchi Agroalimentari Italiani Fund	229	147

The item was adjusted downwards by Euro 107 thousand to account for changes in the fair value of real estate fund units.

4.2 Investments in other companies

These amount to Euro 749 thousand, unchanged from December 31, 2014.

4.3 Other financial assets measured at fair value

At June 30, 2015 the item under review totalled Euro 4,800 thousand due to the Class D junior notes that the joint venture Espelha – Serviços de Consultadoria Lda assigned to its shareholders on December 23, 2013.

Prelios S.p.A. also holds Class B junior notes related to the securitisation of a portfolio of non-performing loans of Vesta Finance S.r.l., the value of which has been eliminated from the financial statements since financial year 2011 following the change in the estimated cash flows.

4.4 Restricted deposits

This item comprises cash and cash equivalents not freely usable by the Group in the short term.

A significant increase in this item occurred in H1 2015 from the previous year. Euro 14,419 thousand of this amount is related to the security deposits held in escrow accounts of Prelios SGR to guarantee indemnity obligations to Olinda Fund purchasers, and specifically related to the representations and warranties (now reduced by Euro 5 million) given in regard to the status and quality of the sold real estate. No liabilities are expected at present in relation to these properties.

Note 5. DEFERRED TAX ASSETS AND DEFERRED TAX PROVISION

These are composed as follows:

	06.30.2015	12.31.2014
Deferred tax assets	7,885	8,310
Deferred tax provision	(2,477)	(2,156)
Total	**5,408**	**6,154**

Deferred and prepaid taxes are accounted for, when the conditions are met, taking into account offsetting between legal entities.The breakdown of the same before offsets are made is as follows:

	06.30.2015	12.31.2014
Deferred tax assets	9,340	10,072
Deferred tax provision	(3,932)	(3,918)
Total	**5,408**	**6,154**

The decision was taken not to recognise prepaid taxes on most of the tax losses that can be carried forward, in part relating to periods prior to tax consolidation under the parent company Prelios S.p.A. and, therefore, recoverable by the respective legal entities that had generated them.

Note 6. TRADE RECEIVABLES

Trade receivables totalled Euro 35,316 thousand, substantially the same as the figure reported at December 31, 2014.

	06.30.2015			12.31.2014		
	Total	non-current	current	Total	non-current	current
Trade receivables from associates	3,597	-	3,597	6,258	-	6,258
Trade receivables from joint ventures and other Prelios Group companies	52,641	-	52,641	53,484	-	53,484
Trade receivables from other related parties	319	-	319	16	-	16
Trade receivables from third parties	26,279	-	26,279	22,974	-	22,974
Receivables for contracts	117	-	117	109	-	109
Total gross trade receivables	**82,953**	**-**	**82,953**	**82,841**	**-**	**82,841**
Allowance for doubtful accounts	(47,637)	-	(47,637)	(47,767)	-	(47,767)
Total	**35,316**	**0**	**35,316**	**35,074**	**0**	**35,074**

Trade receivables mainly refer to contracts for the provision of fund and asset management services and technical and commercial services.

The trade receivables from other related parties (Euro 319 thousand) mainly refer to receivables from the Pirelli Group for recovery of costs related to the HQ2 building, and to the subscription agreement for the parking lots located in the Bicocca area.

Against gross trade receivables, there are provisions for impairment of Euro 47,637 thousand (Euro 47,767 thousand at December 31, 2014), which adjust their par value to their presumed realisable value.

Receivables written down include both significant single positions subject to individual impairment based on particular risk elements, and positions with similar characteristics from the point of view of credit risk grouped together and written down on a collective basis.

Allocations to the allowance for doubtful accounts are made specifically on credit positions that present particular risk elements. By contrast, on credit positions that do not present these characteristics, allocations are made on the basis of the estimated average irrecoverability.

Changes in the allowance for doubtful accounts are shown below:

	06.30.2015	12.31.2014
Opening balance	**47,767**	**44,178**
Provisions	342	5,142
Provisions as a reduction to revenue	1,258	2,842
Uses	(3,658)	(3,909)
Release of excess allowance	(68)	(354)
Changes in consolidation area/reclassifications/other	1,996	(132)
Closing balance	**47,637**	**47,767**

Following the difficult property market scenario already noted in previous years, liquidity tensions deriving from the substantial contraction of lending and the general slowdown in sales in relation to a number of initiatives in which the Group has taken part, it was considered appropriate, partly on the basis of the information received at times from customers, to write down certain positions, including those relating to investee entities and real estate funds, with a view to supporting investees in their efforts to continue as going concerns in the context of financial restructuring plans already formalised or at an advanced stage of negotiation with lending institutions and partners.

In particular, impairment of trade receivables amounted to Euro 366 thousand, recognised in the income statement under the item "Other Costs" (Note 24) which also includes write-downs and losses on sundry receivables amounting to Euro 172 thousand.

Details of the total effect recognised in the income statement as a result of the impairment of receivables are presented below.

	06.30.2015	12.31.2014
provisions for doubtful trade receivables	342	5,142
losses on trade receivables	24	201
total impairment of trade receivables	**366**	**5,343**
provisions for other doubtful receivables	156	490
losses on other receivables	16	-
total impairment of other receivables	**172**	**490**
Net income (loss) from discontinued operations	**-**	**(26)**
Total impairment of receivables	**538**	**5,807**

At the reporting date, the fair value of receivables approximates their related carrying amount.

Note 7. OTHER RECEIVABLES

These are broken down as follows:

	06.30.2015			12.31.2014		
	Total	**non-current**	**current**	**Total**	**non-current**	**current**
Other receivables from associates	-	-	-	41	-	41
Other receivables from joint ventures	9,598	-	9,598	10,210	-	10,210
Other receivables from other related parties	1,650	-	1,650	1,650	-	1,650
Sundry receivables	18,696	5,245	13,451	18,432	5,241	13,191
Accrued income and prepaid expenses, of which:	1,888	2	1,886	1,252	-	1,252
- in relation to other related parties	56	-	56	69	-	69
- in relation to joint ventures	54	-	54	56	-	56
- in relation to third parties	1,778	2	1,776	1,127	-	1,127
Financial receivables	93,153	93,040	113	108,468	108,355	113
Total other gross receivables	**124,985**	**98,287**	**26,698**	**140,053**	**113,596**	**26,457**
Allowance for doubtful accounts for other receivables, of which:	**(7,943)**	**-**	**(7,943)**	**(8,684)**	**-**	**(8,684)**
- from joint ventures	(2,612)	-	(2,612)	(3,305)	-	(3,305)
- from third parties	(5,331)	-	(5,331)	(5,379)	-	(5,379)
Total	**117,042**	**98,287**	**18,755**	**131,369**	**113,596**	**17,773**

In order to realign the par value to the presumed realisable value of other gross receivables of Euro 124,985 thousand (Euro 140,053 thousand at December 31, 2014), there were provisions for impairment of Euro 7,943 thousand (Euro 8,684 thousand at December 31, 2014), attributable mainly to receivables for the NPL portfolio which were impaired in respect of reviews of the business plans concerned.

Changes in the allowance for doubtful accounts for other current receivables are shown below:

	06.30.2015	**12.31.2014**
Opening balance	**8,684**	**7,394**
Provisions	156	490
Uses	(1,085)	(13)
Reclassifications/other changes	188	813
Closing balance	**7,943**	**8,684**

The impairment of other receivables (Euro 172 thousand) is recognised in the income statement at “Other Costs” (Note 24).

For other current and non-current receivables, the carrying amount is considered to be approximate to the fair value.

A brief comment will now follow on the more significant items included in “Other receivables”.

Other receivables from joint ventures

This item has a net value of Euro 6,986 thousand (Euro 6,905 thousand at December 31, 2014). The gross value of Euro 9,598 thousand has been set off by provisions for impairment of Euro 2,612 thousand, particularly in relation to the residual receivable claimed by the parent company from Polish Investments Real Estate Holding II B.V. for the sale of 85% of the share capital of the Polish companies Coimpex Sp.z.o.o. and Relco Sp.z.o.o. (Euro 2,418 thousand).

Other receivables from other related parties

This item mainly includes the security deposit provided to Pirelli & C. S.p.A. for the lease of the R&D building.

Sundry receivables

These amount to Euro 18,696 thousand compared with Euro 18,432 thousand at December 31, 2014.

	06.30.2015			12.31.2014		
	Total	non-current	current	Total	non-current	current
Advances	5,493	4,987	506	5,495	4,987	508
Receivables for the NPL portfolio	4,155	-	4,155	4,156	-	4,156
Other tax receivables	2,267	221	2,046	1,762	221	1,541
Receivables from social security institutions	1,468	-	1,468	1,463	-	1,463
Other sundry receivables	5,313	37	5,276	5,556	33	5,523
Total	**18,696**	**5,245**	**13,451**	**18,432**	**5,241**	**13,191**

Advances include Euro 4,987 thousand for suspended costs connected with the completion of site development works assigned to third parties in the former Besta-Ansaldo area. These will be paid by allottees pursuant to the mandates signed.

Receivables for the NPL portfolio relate to the acquisitions of loan portfolios by the Group in previous years. This item had already been reduced to zero at December 31, 2014 following accrual of a provision for impairment of the total amount of outstanding receivables. In particular, this item includes mortgage loans and unsecured receivables acquired by CFT Finanziaria S.p.A. (which took over Vindex S.r.l.), mainly from Banca Popolare di Intra and Banca Antonveneta.

Other tax receivables relate to the positions of companies consolidated line by line which do not file for VAT on a Group basis, and to receivables for other indirect taxes.

In this regard, it should be noted that for the current tax year, Prelios S.p.A., acting as parent company, and its subsidiaries have elected to make a consolidated Group VAT tax settlement, in accordance with the Ministerial Decree of December 13, 1979.

Other sundry receivables also include Euro 1,262 thousand owed to the Group by certain directors and employees for CONSOB penalties applied by the Issuers Division and the Intermediaries Division following an investigation and related proceedings against Prelios S.p.A. and its subsidiary Prelios Società di Gestione del Risparmio S.p.A. in relation to the tender offer made in 2007 by Gamma RE B.V., a company 49% owned by the Prelios Group and 51% by Morgan Stanley, for units in the Tecla and Berenice funds, both managed by Prelios Società di Gestione del Risparmio S.p.A.

After the outcome of the appeal presented to the Appeals Court, which cancelled some of the penalties applied, the case has been appealed to the Supreme Court of Cassation.

On April 5, 2012, as a result of the investigations performed, the Bank of Italy notified the members of the then Board of Directors, Board of Statutory Auditors and former General Manager of Prelios Società di Gestione del Risparmio S.p.A. of administrative and pecuniary penalties totalling Euro 150 thousand that the company paid with the obligation of taking recourse against the sanctioned parties. As at June 30, 2015, the Group is due a residual receivable of Euro 15 thousand from said parties.

This item also includes a receivable claimed by Prelios Società di Gestione del Risparmio S.p.A. for VAT paid in advance on behalf of the Hospitality & Leisure Fund (Euro 973 thousand).

Financial receivables

At June 30, 2015, non-current financial receivables amounted to Euro 93,040 thousand, marking a net decrease of Euro 15,315 thousand since December 31, 2014, while current financial receivables amounted to Euro 113 thousand, unchanged from the previous year. These are broken down as follows:

	06.30.2015			12.31.2014		
	Total	non-current	current	Total	non-current	current
Receivables from associates	631	631	-	631	631	-
Receivables from joint ventures	92,522	92,409	113	107,837	107,724	113
Total	**93,153**	**93,040**	**113**	**108,468**	**108,355**	**113**

Non-current receivables, mostly relating to shareholder loan agreements, are classified by collection date, according to the divestment plans carried out over a medium-term timeframe for properties held directly or indirectly by associates and joint ventures. These loans are given at rates that are in line with those applied by the market's principal participants, except in the case of certain companies to which interest-free loans were made.

Changes in non-current receivables during H1 2015 are as follows:

	12.31.2014	Increases	Decreases	Offset against provisions for equity-accounted investments	06.30.2015
Financial receivables from associates	631	-	-	-	631
Financial receivables from joint ventures	107,724	8,972	(26,134)	1,847	92,409
Total	**108,355**	**8,972**	**(26,134)**	**1,847**	**93,040**

The increase in receivables from joint ventures includes Euro 5,773 thousand from the disbursement of new loans, the capitalisation of interest accrued during the period (Euro 2,019 thousand) and the effect of discounting non-interest bearing shareholder loans (Euro 134 thousand).

The decrease in receivables from joint ventures relates essentially to the waiver of shareholders' loans totalling Euro 6,673 thousand, particularly in favour of Polish Investments Real Estate Holding II B.V. (Euro 4,917 thousand) and Manifatture Milano S.p.A. for Euro 1,756 thousand.

The column entitled "Offset against provisions for equity-accounted investments" reports the change in financial receivables from associates and joint ventures in excess of the carrying amount of the investments related to the same companies from which the financial receivables are claimed.

Note 8. TAX RECEIVABLES

These total Euro 2,420 thousand, compared with Euro 3,013 thousand at December 31, 2014. They mainly relate to *other tax receivables* of companies consolidated on a line-by-line basis that have not opted to file for income tax on a Group basis, or to taxes of companies in the tax group that arose before joining the tax Group.

Note 9. INVENTORIES

	06.30.2015	12.31.2014
Trading properties held for sale	14,773	15,688
Land for development	20,299	20,422
Properties under construction/renovation	4,928	7,362
Total	**40,000**	**43,472**

Trading properties held for sale

These amount to Euro 14,773 thousand, a net decrease of Euro 915 thousand compared with December 31, 2014, Euro 287 thousand of which is attributable to net write-downs recognised for the lower presumed realisable value, determined on the basis of independent appraisals as at June 30, 2015 or such lower values at which the individual subsidiaries are willing to sell on the basis of sales mandates granted after approval by their respective Boards of Directors, and to sales made in the period, primarily by Centrale Immobiliare S.r.l., Geolidro S.p.A. and Orione Immobiliare Prima S.p.A.

Land for development

These total Euro 20,299 thousand, substantially the same as the amount reported during the previous year. The change reflects Euro 162 thousand for impairment recognised to account for the lower presumed realisation value determined on the basis of independent appraisals prepared at June 30, 2015.

Properties under construction/renovation

These total Euro 4,928 thousand, with a change of Euro 2,450 thousand related to the sale of the property located in Magdeburg, Germany. This item also reflects revaluations for Euro 17 thousand.

The inventories at June 30, 2015 mainly refer to properties under renovation in the Bicocca area of Milan (Euro 4,121 thousand).

Note 10. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of bank deposits, post office deposits and cash and valuables in hand that are fully available to the holder. A portion of the cash and cash equivalents is allocated to the bank current accounts of several subsidiaries and does not form a part of the cash pooling system, but is instead used directly by the latter to cover their financial requirements.

They are broken down as follows:

	06.30.2015	12.31.2014
Bank and post office current accounts	72,946	77,119
Cheques	136	3
Cash and cash equivalents in hand	69	70
Total	**73,151**	**77,192**

Bank and post office accounts include current accounts held at major banks and financial institutions having a high credit rating. Cash held in bank current accounts accrues interest at the rates agreed, from time to time, with the banking system.

EQUITY

	Share capital	Currency translation reserve	Reserve for fair value measurement of available-for-sale financial assets	Reserve for actuarial gains/losses	Reserve for tax on items credited/debited to equity	Other reserves	Retained earnings (losses)	Net income (loss) for the period	**Group Equity**	**Minority interests in equity**	**Total**
Equity at 12.31.2014	**426,432**	**(5,609)**	**(3,995)**	**(3,239)**	**3,467**	**(6,569)**	**(244,534)**	**(61,149)**	**104,804**	**2,488**	**107,292**
Fair value measurement of available-for-sale financial assets	-	-	(97)	-	27	-	-	-	**(70)**	(8)	**(78)**
transferred to the income statement that were previously recorded directly under equity related to the fair value measurement of available-for-sale financial assets	-	11	(361)	-	-	-	-	-	**(350)**	(3)	**(353)**
Currency translation reserve	-	32	-	-	-	-	-	-	**32**	-	**32**
Total other components recorded under equity	**-**	**43**	**(458)**	**-**	**27**	**-**	**-**	**-**	**(388)**	**(11)**	**(399)**
Allocation of 2014 results	(377,216)	-	-	-	(2,256)	5,570	312,753	61,149	-	-	-
Other changes	-	-	1	-	(29)	767	(1,135)	-	(396)	9	(387)
Net profit (loss) for the period	-	-	-	-	-	-	-	(13,060)	(13,060)	(16)	(13,076)
Equity at 06.30.2015	**49,216**	**(5,566)**	**(4,452)**	**(3,239)**	**1,209**	**(232)**	**67,084**	**(13,060)**	**90,960**	**2,470**	**93,430**

Note 11. SHARE CAPITAL

On June 24, 2015, the Extraordinary Shareholders' Meeting resolved – pursuant to Article 2446, paragraph 2, Italian Civil Code – to cover the entire loss for the year, the loss for the previous year and the pre-existing negative “other reserves”, as indicated in the annual financial report 2014, by using all of the available reserves and reducing the share capital to Euro 49,225,067.95.

After this reduction, the fully subscribed and paid-in share capital consists of:

- 506,953,179 ordinary shares with no par value and regular dividends;
- 210,988,201 Category B shares, convertible into ordinary shares, with no par value and voting rights, not intended for listing.

At June 30, 2015, the share capital totalled Euro 49,216 thousand, and is reported net of 1,788 treasury shares in the Group's portfolio, as required by IAS 32.

Following the loss incurred in H1 2015, amounting to Euro 13,060 thousand, Group equity at June 30, 2015 totalled a positive Euro 90,960 thousand, compared with a positive Euro 104,804 thousand at December 31, 2014, as shown in the table.

LTI/Stock option plans

The Group did not have any active LTI/Stock option plans at June 30, 2015.

Note 12. OTHER RESERVES

Other reserves had an overall negative total of Euro 12,280 thousand compared to a negative figure of Euro 15,945 thousand at December 31, 2014.

Reserve for fair value measurement of available-for-sale financial assets

This negative amount of Euro 4,452 thousand, before tax, classified in a separate reserve, was recognised for the fair value measurement of available-for-sale financial assets, which mainly compromise units held in real estate investment funds.

During H1 2015, these equity investment units incurred a loss resulting in a total negative change of Euro 458 thousand in the related reserve, including Euro 97 thousand for valuation of the units held by Prelios Società di Gestione del Risparmio S.p.A. and Euro 361 thousand related to the equity-accounted companies.

Cash flow hedge reserve

The reserve, which includes the effective portion of the gains or losses resulting from the fair value adjustment of the derivative financial instruments designated as hedges against changes in the cash flows of assets and liabilities carried on the balance sheet ("cash flow hedge"), had a net value of zero at June 30, 2015, just as in the previous year, insofar as the Group no longer owns any hedge derivative.

Reserve for actuarial gains/(losses)

This reserve shows a negative balance of Euro 3,239 thousand, unchanged from the previous year, and includes the net actuarial losses on post-employment defined benefits under IAS 19, before related taxes.

Reserve for tax on items credited/debited to equity

This reserve amounts to a positive Euro 1,209 thousand and reflects the tax effect of items credited/debited directly to equity.

During the first six months of the year, Euro 2,256 thousand of the reserve was used for full coverage of the losses for the previous year resolved by the parent company.

Note 13. RETAINED EARNINGS/(LOSSES)

These total positive Euro 67,084 thousand, representing a net increase of Euro 311,618 thousand from December 31, 2014. This stemmed essentially from the coverage approved by the Shareholders' Meeting through reduction of the share capital.

Note 14. MINORITY INTERESTS

Minority interests totalled Euro 2,470 thousand and consist of interests in share capital and reserves, and in the result for the period of the companies consolidated on a line-by-line basis.

Minority interests were down by Euro 18 thousand from December 31, 2014, mainly due to the net loss for the period totalling a negative Euro 16 thousand.

LIABILITIES

Note 15. BANK BORROWINGS AND PAYABLES TO OTHER LENDERS

Bank borrowings and payables to other lenders are analysed as follows:

	06.30.2015			12.31.2014		
	Total	**non-current**	**current**	**Total**	**non-current**	**current**
Bank borrowings	245,537	244,770	767	246,965	246,210	755
Other financial payables	1,817	77	1,740	1,147	86	1,061
Payables to other lenders	10,385	10,287	98	10,236	10,138	98
Financial payables to joint ventures	6,576	-	6,576	6,576	-	6,576
Total	**264,315**	**255,134**	**9,181**	**264,924**	**256,434**	**8,490**

Bank borrowings

Bank borrowings amounted to Euro 245,537 thousand at June 30, 2015, marking a decrease of Euro 1,428 thousand compared to December 31, 2014 due to interest and repayments made during the period.

The item is broken down as follows:

	06.30.2015			12.31.2014		
	Total	**non-current**	**current**	**Total**	**non-current**	**current**
Non-recourse loans	4,092	3,325	767	4,462	3,707	755
Fixed-term credit facilities – Senior and Super Senior loans and current accounts	241,445	241,445	-	242,503	242,503	-
Total	**245,537**	**244,770**	**767**	**246,965**	**246,210**	**755**

<u>Non-recourse loans</u>

The item refers to the loan granted by Banca Intesa Mediocredito S.p.A. to Parcheggi Bicocca S.p.A..

<u>Fixed-term credit facilities – Senior and Super Senior loans and current accounts</u>

This item refers to the balance at June 30, 2015 of Senior and Super Senior loans provided to Prelios S.p.A. by leading Italian banks forming a part of the "Club Deal" syndicate, following the debt restructuring agreement signed on May 7, 2013 and subsequently amended.

The new Senior and Super Senior credit facilities were recognised at fair value calculated using the measurement procedures deemed appropriate based on the features of each component of the new debt. At June 30, 2015 the carrying amount of financial liabilities was recognised at amortised cost.

On March 4, Prelios S.p.A. signed an agreement with the lending banks that amended the terms of its existing financial debt. For the years 2015 and 2016, this agreement waives the original clause that provides for repayment of the Senior loan in the amount of 65% of realised net income. The newly agreed percentage is set at 35%. After December 31, 2016, the original contractual arrangement will apply. Together with this agreement, Prelios S.p.A. also paid off its debt to UBI Banca S.c.r.l., both in regard to the Senior loan and to the Super Senior loan, with total payment of about Euro 2.9 million (equal to 40% of the principal of the debt, inclusive of accrued interest), pursuant to the agreements reached separately with that bank. Following these agreements, UBI Banca S.c.r.l. no longer belongs to the pool of lending banks.

Note that the interest accrued on the Senior loan during H1 2015 was classified under non-current payables since the Senior loan specifies that interest must be capitalised with repayment after maturity of the loan. On the other hand, interest on the Super Senior loan is paid semi-annually; the interest accrued during the period (Euro 977 thousand) was paid on June 30, 2015.

Both of these loans do not have financial covenants.

Other financial payables

"Other current financial payables" include Euro 1,718 thousand attributable to the management of real estate contracts carried out for third parties, almost entirely offset by dedicated current accounts included under the item "Cash and cash equivalents".

Bank borrowings and payables to other lenders

This item includes, inter alia, a Prelios S.p.A. payable of Euro 10,287 thousand relating to a financial debt contracted on July 17, 2014. These derive from deferred contractual charges in relation to the sales of investment units which occurred in the past.

Interest on the par value of the debt, which amounts to Euro 10,000 thousand, accrues at the fixed rate of 3%. This debt, together with accrued interest, is payable on maturity at June 30, 2017, except for early payment if certain contractual conditions occur.

Financial payables to joint ventures

This item, unchanged from the previous year, includes remaining debit balances in intercompany current accounts and several financial payables of the parent company for obligations to make capital contributions to the investee companies Aree Urbane S.r.l. (in liquidation) in the amount of Euro 4,892 thousand, and Solaia RE S.à.r.l. in the amount of Euro 634 thousand.

Note 16. TRADE PAYABLES

These comprise:

	06.30.2015			12.31.2014		
	Total	non-current	current	Total	non-current	current
Trade payables to associates	1,233	-	1,233	1,206	-	1,206
Trade payables to joint ventures and other Prelios Group companies	1,572	-	1,572	1,556	-	1,556
Trade payables to other related parties	519	-	519	301	-	301
Trade payables to third parties	46,035	-	46,035	44,253	-	44,253
Total	**49,359**	**0**	**49,359**	**47,316**	**0**	**47,316**

At June 30, 2015, the fair value of the item in question approximates its carrying amount.

Trade payables include the portion of payables to third parties more than 90 days past due in an amount of approximately Euro 3.3 million at June 30, 2015 (Euro 3.9 million at December 31, 2014).

Trade payables to associates

These amount to Euro 1,233 thousand and are almost entirely attributable to payables to Progetto Corsico S.r.l., as the allottee, for site development charges and related transaction costs, for an area located in the Municipality of Corsico.

Trade payables to joint ventures and other Prelios Group companies

These largely refer to chargebacks of various types made by joint ventures and other Prelios Group companies, mainly in relation to site development charges and ancillary costs, as well as rents.

These total Euro 1,572 thousand, substantially the same as the amount reported during the previous year.

Trade payables to other related parties

These amount to a total of Euro 519 thousand, compared with Euro 301 thousand at December 31, 2014.

These mainly refer to the payable to Pirelli Tyre for the chargeback of utility costs and expenses for the R&D building. They also include payables for health care services provided by Poliambulatorio Bicocca S.r.l.

Trade payables to third parties

These amount to a total of Euro 46,035 thousand, compared with Euro 44,253 thousand at December 31, 2014.

The item includes Euro 3,240 thousand in *trade payables to customers for contracts* (Euro 3,216 thousand as at December 31, 2014), generated by advances above the percentage completion relating to contracts with Lambda S.r.l. for site development initiatives in Bicocca and Pioltello.

In particular, the costs incurred and the related margins on these contracts amounted to Euro 16,666 thousand at June 30, 2015 (Euro 16,690 thousand at December 31, 2014), while advances received against invoices for percentage completion totalled 19,906 thousand, the same amount at December 31, 2014.

Note 17. OTHER PAYABLES

These comprise:

	06.30.2015			12.31.2014		
	Total	**non-current**	**current**	**Total**	**non-current**	**current**
Other payables to associates	11	-	11	2,444	-	2,444
Other payables to joint ventures and other Prelios Group companie	5,114	-	5,114	16,595	-	16,595
Other payables to third parties, of which:	29,734	521	29,213	21,656	521	21,135
- payables to employees	*3,022*	-	*3,022*	*4,352*	-	*4,352*
- payables for site development charges	*2,426*	-	*2,426*	-	-	-
- other tax payables	*2,227*	-	*2,227*	*2,201*	-	*2,201*
- social security payables	*1,933*	-	*1,933*	*1,865*	-	*1,865*
- payables for down payments and advances	*225*	-	*225*	*2,695*	-	*2,695*
- other sundry payables	*19,901*	*521*	*19,380*	*10,543*	*521*	*10,022*
Accrued liabilities and deferred income	881	*3*	*878*	746	*3*	*743*
Total	**35,740**	**524**	**35,216**	**41,441**	**524**	**40,917**

Other payables to joint ventures and other Prelios Group companies

These refer mainly to a payable due to a German subsidiary originating from a "profit and loss agreement" effective up until 2007, on the basis of which the associating party had the right to receive income generated by the associated party and, on the other hand, the obligation of covering any losses deriving from it, as well as a payable for expenses relating to the sale of investment units made in the past. Based on the agreements and shareholders' agreements with the majority shareholder in the real estate joint ventures involved, the receivables concerning the items in question also relate exclusively to Prelios.

Other payables to third parties

Payables to employees mostly refer to provisions for unused holiday entitlement and deferred salaries. It also includes contractualised liabilities for the restructuring plans being implemented.

Payables for site development charges, due entirely to Olinda Fondo Shops (as the allottee of the Bicocca area), refer to the amount collected from Iniziative Immobiliari 3 S.r.l., as provided for in the contract, for site development works in the area owned by said allottee.

Other tax payables relate to the VAT positions of companies consolidated on a line-by-line basis which do not file for this tax on a Group basis, and to payables for other indirect taxes.

Social security payables relate to the amount owed by the Group to social security institutions. The item includes Euro 1,607 thousand owed to the Italian social security authorities (INPS) and Euro 326 thousand to Italy's industrial accident agency (INAIL) and other welfare agencies, in relation to contributions accrued that will be paid on the respective maturity dates.

Payables for down payments and advances refer to prepayments made by customers buying residential units when the related sales agreements have not yet been executed.

Payables to directors and the Supervisory Board included under *other sundry current payables* amount to Euro 678 thousand (in comparison to Euro 1,535 thousand at December 31, 2014), while payables to Statutory Auditors total Euro 627 thousand (Euro 646 thousand at December 31, 2014).

Finally, the item also includes Euro 2,112 thousand for the net payable owed to the Municipality of Milan by Lambda S.r.l., representing monetisation of its obligation in lieu of constructing several underground parking garages in the Bicocca area.

Other sundry non-current payables refer to Euro 520 thousand for the tenths still payable to INPS Gestione Immobiliare – IGEI S.p.A. (in liquidation), in which Prelios S.p.A. holds a 9.6% share. This payable has been classified as non-current because no outlay is scheduled over the next year.

Accrued liabilities and deferred income

Deferred income includes Euro 643 thousand in consolidation adjustments to defer the portion of capital gains on property sales that have not yet been realised outside of the Group.

Note 18. PROVISIONS FOR FUTURE RISKS AND EXPENSES

These provisions total Euro 53,812 thousand (of which the non-current portion was Euro 37,194 thousand) compared with Euro 54,697 thousand at December 31, 2014 (of which the non-current portion was Euro 40,187 thousand).

	06.30.2015			12.31.2014		
	Total	non-current	current	Total	non-current	current
Provision for future expenses for contractual commitments	27,594	23,126	4,468	27,975	26,050	1,925
Provision for arbitration, lawsuits and outstanding disputes	20,085	12,952	7,133	19,375	13,021	6,354
Provision for guarantees	741	587	154	741	587	154
Provisions for other risks	2,509	529	1,980	2,323	529	1,794
Restructuring provision	2,465	-	2,465	3,865	-	3,865
Provision for future risks on equity-accounted investments	418	-	418	418	-	418
Total	**53,812**	**37,194**	**16,618**	**54,697**	**40,187**	**14,510**

The changes that occurred in H1 2015 are described as follows:

	12.31.2014	Decrease in financial receivables	Change in consol. area/other	Changes		06.30.2015
				Increase	Decrease	
Provision for future expenses for contractual commitments	27,975	-	(59)	2,272	(2,594)	27,594
Provision for arbitration, lawsuits and outstanding disputes	19,375	-	-	2,427	(1,717)	20,085
Provision for guarantees	741	-	-	-	-	741
Provisions for other risks	2,323	-	-	260	(74)	2,509
Restructuring provision	3,865	-	-	120	(1,520)	2,465
Provision for future risks on equity-accounted investments	418	1,847	-	(1,847)	-	418
Total	**54,697**	**1,847**	**(59)**	**3,232**	**(5,905)**	**53,812**

Provision for future expenses for contractual commitments

This provision includes, inter alia, Euro 9,705 thousand accrued in the provision for expenses set aside by subsidiary Geolidro S.p.A. in relation to contractual commitments to perform extraordinary maintenance works on properties sold, as well as Euro 1,973 thousand for future expenses in relation to the transfer of the Milan office and early termination of the rental contract for the HQ2 building. The provision was used to cover the supplemental fees paid in H1 2015, amounting to Euro 281 thousand.

The item also includes Euro 12,343 thousand for the estimated costs that the subsidiary Lambda S.r.l. expects to incur for certain site development work commitments. In particular, these include:

- Euro 2,194 thousand in liabilities estimated by the company for the construction of the daycare centre/nursery school. The provision was used for the percentage completion of work in H1 2015, amounting to Euro 745 thousand;

- Euro 8,850 thousand in expenses incurred to cover commitments undertaken with the Municipality of Milan to build several parking facilities in the Bicocca area;

- Euro 1,099 thousand as the best estimate of some site development commitments assumed by the Company in the past concerning areas sold in previous years.

Provision for arbitration, lawsuits and outstanding disputes

This provision reflects the best estimate of probable risks from a number of ongoing disputes with customers, as well as provisions against specific risks relating to litigation with employees.

This provision also includes, where the conditions are met, the best estimate of probable charges deriving from assessment notices received by Prelios Group companies after tax inspections.

Euro 5,200 thousand of this item is attributable to the provision accrued by Prelios S.p.A. for the likely charges to be incurred by the company in connection with the termination of an agreement in the past and about Euro 2,568 thousand to a specific risk provision accrued by Centrale Immobiliare S.r.l. in connection with the received preliminary technical assessment and concerning the claim for damage resulting from alleged construction defects in certain buildings, with this amount being indicated as representative of the probable liability. This dispute involves a real estate development carried out by the company that acted as the seller of newly built real estate units. The company is carrying out analyses to determine the liability of the construction firms and the parties that it used for the real estate development and, if necessary, to seek recovery of damages from them.

This item includes Euro 5,283 thousand in provisions to cover likely charges resulting from litigation with clients stemming from the past management of certain German portfolios.

Provisions for guarantees

This amount is partly attributable to provisions for risks connected to guarantees issued to Iniziative Retail S.r.l. for the real estate contributed by it to the "Olinda - Fondo Shops - Fondo comune di investimento immobiliare di tipo chiuso" (closed-end real estate investment fund) managed by Prelios Società di Gestione del Risparmio S.p.A., and for the Moncalieri entertainment centre that was built and sold to the same Olinda Fund, for the indemnity given to cover any claims arising over construction, town planning, systems or environmental issues.

Provisions for other risks

This item mainly includes a contingent tax risk resulting from changes in the law connected with the sale of equity investments in German companies belonging to the Mistral Group.

Restructuring provision

This refers to restructuring costs, in relation to internal reorganisation plans, already approved and being implemented by a number of Group companies to address the new scenario in the real estate sector, with the aim of simplifying organisational levels and reducing operating costs by downsizing the workforce and simplifying corporate structures. The provision also includes costs of contracts for consideration relating to the Group's offices.

Provision for risks on equity-accounted investments

The provision for risks on equity-accounted investments reflects provisions against legal or constructive obligations to cover losses of associates or joint ventures that exceed their carrying amount plus the amount of any financial receivables owed by them.

Note 19. EMPLOYEE BENEFIT OBLIGATIONS

Employee benefit obligations amount to Euro 11,898 thousand, a net decrease of Euro 182 thousand compared with December 31, 2014. The item is broken down as follows:

	06.30.2015	12.31.2014
Provision for employee severance indemnity	3,249	3,347
Pension funds	8,055	8,139
Other employee benefits	594	594
Total	**11,898**	**12,080**

Provision for employee severance indemnity

The provision for employee severance indemnity refers only to Italian companies in the Group and essentially includes the employee leaving severance accrued by staff in service at December 31, less any advances granted to employees.

In accordance with the provisions of national regulations, the amount due to each employee accrues on the basis of the time worked and is disbursed when the employee leaves the Company. The amount due at the conclusion of the employment relationship is calculated on the basis of its duration and the taxable remuneration of each employee. This liability is revalued on an annual basis using the official cost of living index and the legal interest rate. As it is not connected to any condition or maturity period, and since there are no obligations for financial funds, there are no assets that serve the fund.

The regulations were supplemented by Legislative Decree 252/2005 and Law 296/2006 (2007 Finance Act) which, for companies with at least 50 employees, specified that with regard to amounts accrued starting in

2007 employees have the option of allocating these to either the INPS Treasury Fund or to forms of supplementary pensions, therefore assuming the nature of “defined-contribution plans”.

In application of IAS 19, the employee severance indemnity is revised using actuarial evaluation methods, with the assistance of an external valuer, and adjusted in relation to events occurring which require said adjustment.

The date of the last actuarial valuation was December 31, 2014.

Changes in the provision for employee severance indemnity as at June 30, 2015 and the previous year are set out below:

	01.01.2015-06.30.2015	01.01.2014-12.31.2014
Opening balance	**3,347**	**3,269**
Accrued portion allocated to income statement	40	124
Equity adjustment for actuarial gains/losses	-	454
Employee severance indemnity advances	(13)	(94)
Benefits paid	(98)	(406)
Other changes	(27)	-
Closing balance	**3,249**	**3,347**

The Provision for employee severance indemnity (T.F.R.) changed mainly due to uses during the year for payments to staff leaving the company.

The amounts recognised in the income statement are included in the item “Personnel costs” (Note 24).

Pension funds

These are defined-benefit plans, mainly relating to German service companies.

Changes in pension funds at 2014 and in the previous year are set out below:

	01.01.2015-06.30.2015	01.01.2014-12.31.2014
Opening balance	**8,139**	**6,372**
Accrued portion allocated to income statement	79	(176)
Equity adjustment for actuarial gains/losses	-	1,679
Benefits paid	(163)	(461)
Other changes	-	725
Closing balance	**8,055**	**8,139**

The amounts recognised in the income statement are included in the item “Personnel costs” (Note 24).

Other employee benefits

Other employee benefits also include length-of-service bonuses and loyalty bonuses totalling Euro 594 thousand.

The amounts recognised in the income statement are included in the item “Personnel costs” (Note 24).

Employees

The total number of employees, including auxiliary staff working in buildings, was 439 at June 30, 2015 (442 including temporary staff), compared with 463 at December 31, 2014 (468 including temporary staff). In particular, the change is related to the reduction of staff in Germany following the partial loss of the contract with Union Investment.

The following table provides a breakdown of employees:

	06.30.2015	12.31.2014
managers	54	59
corporate officers	121	125
office workers	257	265
manual worker/auxiliary staff (*)	7	14
temporary staff	3	5
total	**442**	**468**

(*) Staff number varies in relation to operations tied to contracts managed.

Other information

The principal actuarial assumptions used at the date of the last reference valuation date of December 31, 2014 are illustrated as follows:

	Italy	Germany
discount rate	2.00%	2.00%
inflation rate	1.75%	1.75%

Note 20. TAX PAYABLES

These comprise:

	06.30.2015			12.31.2014		
	Total	non-current	current	Total	non-current	current
Other tax payables	4,057	-	4,057	5,779	-	5,779
Other payables to joint ventures under tax transparency regime	1,080	-	1,080	1,080	-	1,080
Total	**5,137**	**0**	**5,137**	**6,859**	**0**	**6,859**

Other tax payables

Other tax payables include, inter alia, the amounts owed for current income taxes by companies which are not in the tax group headed by Prelios S.p.A., as well as income tax owed by foreign companies and taxes owed by companies with respect to periods before joining the tax group or relative to IRAP amounts.

Other payables to joint ventures under tax transparency regime

From 2006 to 2008 the joint venture company Trixia S.r.l. exercised the tax transparency option allowed by Article 115 of the Italian Income Tax Act, under which all consequent relationships are governed by a special agreement to ensure that statutory and regulatory rules are applied on a common basis.

COMMITMENTS AND GUARANTEES

Banks and insurance companies have issued a total of Euro 86,555 thousand in guarantee bonds to third parties and in the interest of companies in the Prelios Group, mostly for contractual obligations.

The Prelios Group has also issued Euro 21,035 thousand in guarantees and comfort letters in the interest of associates and joint ventures, broken down as follows:

- insurance co-obligations of various kinds to third parties for a total of Euro 4,435 thousand;
- joint obligation of Prelios S.p.A. for a maximum amount of Euro 1,500 thousand on the commitment of the companies DGAG Beteiligung GmbH & Co. KG and Verwaltung Grundstücksgesellschaft Friedenstraße Wohnungsbau GmbH to finance its own investee Grundstücksgesellschaft Königstraße mbH & Co. KG;
- guarantees of Euro 7,100 thousand to cover possible future charges and loans granted by banks to associates and joint ventures;
- guarantees issued for a total of Euro 8,000 thousand to partners and buyers for contingent claims related to the previously mentioned sale of the "DGAG" portfolio and related management platform.

Liens on shares

There are liens totalling Euro 28,215 thousand on the shares of associates and joint ventures. The item mainly includes the lien taken out on shares by the subsidiary Prelios Netherlands B.V. in favour of Morgan Stanley Real Estate Special Situation Fund III, L.P., to secure the loan granted by the latter to the company Gamma RE B.V.

Commitments to purchase investments/fund units/securities/loans/loss coverage

These amount to Euro 5,481 thousand and refer to the following commitments given by:

- Prelios S.p.A., through its subsidiary Prelios Netherlands B.V. to make payments for a total maximum amount of Euro 2,562 thousand to the company Gamma RE B.V.;
- Prelios Società di Gestione del Risparmio S.p.A. to subscribe Euro 1,403 thousand for units in "Fondo Federale Immobiliare di Lombardia" (formerly Fondo Abitare Sociale 1 – Fondo Comune Chiuso di Investimento Immobiliare Etico Riservato ad Investitori Qualificati), a closed-end ethical real estate fund reserved for accredited investors;
- Prelios Società di Gestione del Risparmio S.p.A. to subscribe initial units of the Fondo PAI – Parchi Agroalimentari Italiani for a total of Euro 700 thousand;
- Prelios S.p.A., to pay up to Euro 441 thousand to the joint venture Espelha Serviços de Consultadoria Lda, to cover contingent liabilities, paid in December 2014;
- Prelios Netherlands B.V. to finance its own investee Gamma RE B.V. for a residual amount of Euro 300 thousand, to be made for an annual maximum of Euro 150 thousand by December 31, 2017;
- Prelios S.p.A. and Centrale Immobiliare S.r.l. in the form of financial support for the investee Golfo Aranci S.p.A. (in liquidation), for a total maximum amount of Euro 60 thousand;
- Prelios S.p.A. for payment of certain commercial liabilities of the joint venture Riva dei Ronchi S.r.l. (in liquidation) totalling Euro 15 thousand;

The parent company also has committed to cover losses by waiving an outstanding loan and making equity contributions as necessary to Manifatture Milano S.p.A..

Third-party assets at the Group

These are represented by notes and bills of exchange held by the subsidiary Prelios Credit Servicing S.p.A. on behalf of certain securitisation vehicles pursuant to Law 130.

The notes, which are registered in favour of the subscribers, have a residual value of Euro 3,931 thousand, net of previous repayments.

The bills of exchange held total Euro 14 thousand.

NET FINANCIAL POSITION

(alternative performance indicator not required by IFRS)

In keeping with the information provided in previous financial statements, the breakdown of the net financial position is provided below:

(thousands euro)

	06.30.2015	12.31.2014
CURRENT ASSETS		
Other receivables	**113**	**113**
- of which receivable from related parties	*113*	*113*
Financial receivables	113	113
- *joint ventures and other Prelios Group companies*	113	113
Cash and cash equivalents	**73,151**	**77,192**
TOTAL CURRENT ASSETS - A	**73,264**	**77,305**
CURRENT LIABILITIES		
Bank borrowings and payables to other lenders	**(9,181)**	**(8,490)**
- of which payable to related parties	*(6,576)*	*(6,576)*
- joint ventures and other Prelios Group companies	(6,576)	(6,576)
- other financial payables	(1,740)	(1,061)
- bank borrowings	(767)	(755)
- payables to other lenders	(98)	(98)
TOTAL CURRENT LIABILITIES - B	**(9,181)**	**(8,490)**
NON-CURRENT LIABILITIES		
Bank borrowings and payables to other lenders	**(255,134)**	**(256,434)**
- of which payable to related parties	-	-
- other financial payables	(10,364)	(10,224)
- convertible bond (1)	-	-
- Payables to other lenders	(244,770)	(246,210)
TOTAL NON-CURRENT LIABILITIES - C	**(255,134)**	**(256,434)**
NET FINANCIAL POSITION EXCL. SHAREHOLDER LOANS GRANTED(*)	**(191,051)**	**(187,619)**

(*) Pursuant to 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").

INCOME STATEMENT

The following table shows the operating performance of the Group during the first six months of 2015 and the corresponding period of 2014 on a like-for-like basis, as well as of the first and second quarters of 2015 and 2014.

	01.01.2015-06.30.2015	01.01.2015-03.31.2015	04.01.2015-06.30.2015	01.01.2014-06.30.2014	01.01.2014-03.31.2014	04.01.2014-06.30.2014
Revenue from sales and services	32,755	15,973	16,782	35,175	17,054	18,121
Changes in inventories of work in progress, semi-finished and finished products	(2,557)	(2,450)	(107)	(190)	9	(199)
Other income	3,733	2,144	1,589	3,787	681	3,106
TOTAL OPERATING REVENUE	**33,931**	**15,667**	**18,264**	**38,772**	**17,744**	**21,028**
Raw and consumable materials used (net of change in inventories)	(999)	(226)	(773)	(1,291)	(90)	(1,201)
Personnel costs	(18,168)	(8,600)	(9,568)	(18,349)	(10,033)	(8,316)
Depreciation, amortisation and impairment	(325)	(157)	(168)	(333)	(113)	(220)
Other costs	(27,480)	(13,064)	(14,416)	(25,889)	(11,889)	(14,000)
TOTAL OPERATING COSTS	**(46,972)**	**(22,047)**	**(24,925)**	**(45,862)**	**(22,125)**	**(23,737)**
EBIT	**(13,041)**	**(6,380)**	**(6,661)**	**(7,090)**	**(4,381)**	**(2,709)**
Net loss from equity investments:	875	(2,736)	3,611	(24,654)	(2,821)	(21,833)
- portion of result of associates and joint ventures	598	*(2,611)*	*3,209*	*(23,172)*	*(4,413)*	*(18,759)*
- dividends	404	-	*404*	-	-	-
- gains on investments	11	-	*11*	*35*	*1,729*	*(1,694)*
- losses on investments	(138)	*(125)*	*(13)*	*(1,517)*	*(137)*	*(1,380)*
Financial income	7,253	6,453	800	3,737	2,193	1,544
Financial expenses	(9,641)	(4,614)	(5,027)	(12,196)	(6,117)	(6,079)
PROFIT (LOSS) BEFORE TAXES	**(14,554)**	**(7,277)**	**(7,277)**	**(40,203)**	**(11,126)**	**(29,077)**
Taxes	(1,700)	(379)	(1,321)	(2,953)	(1,320)	(1,633)
NET INCOME FROM CONTINUING OPERATIONS	**(16,254)**	**(7,656)**	**(8,598)**	**(43,156)**	**(12,446)**	**(30,710)**
attributable to minority interests	(16)	(14)	(2)	(665)	49	(714)
NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS	3,178	**1,519**	**1,659**	**4,912**	**(858)**	**5,770**
GROUP NET INCOME/(LOSS)	**(13,060)**	**(6,123)**	**(6,937)**	**(37,579)**	**(13,353)**	**(24,226)**

Note 21. REVENUE FROM SALES AND SERVICES

Revenue from sales and services amounts to Euro 32,755 thousand, compared with Euro 35,175 thousand at June 30, 2014, and is composed as follows:

	01.01.2015-06.30.2015	01.01.2014-06.30.2014
Revenue from contracts	43	13
Revenue from sales	3,112	560
- sales of residential property	*662*	*560*
- sales of commercial property	*2,450*	-
Revenue from services	29,600	34,602
Total	**32,755**	**35,175**

Revenue from contracts

These amount to a total of Euro 43 thousand, compared with Euro 13 thousand at June 30, 2014. This item consists principally of the revenue generated by Lambda S.r.l. for the execution of site development work on behalf of the companies involved in development of the Milan Bicocca and Pioltello areas.

Revenue from sales

Sales completed in 2015 mainly refer to property units sold by Centrale Immobiliare S.r.l., Geolidro S.p.A. and Orione Immobiliare Prima S.p.A., as well as execution of the sale of the property located in Magdeburg, Germany.

Revenue from services

Revenue from the rendering of services can be broken down as follows:

	01.01.2015-06.30.2015	01.01.2014-06.30.2014
Revenue from services to third parties	18,925	21,619
Revenue from services to associates	1,160	4,044
Revenue from services to joint ventures and other Prelios Group companies	9,492	8,910
Revenue from services to other related parties	23	29
Total	**29,600**	**34,602**

Note 22. CHANGE IN INVENTORIES OF WORK IN PROGRESS, SEMI-FINISHED AND FINISHED PRODUCTS

The change in inventories at June 30, 2015 amounted to a total decrease of Euro 2,557 thousand compared to a decrease of Euro 190 thousand in H1 2014. Of this change, Euro 147 thousand was attributed to net write-downs based on the lower presumed realisable value determined on the basis of independent appraisals prepared at June 30, 2015, or due to the lower prices at which individual subsidiaries were willing to sell pursuant to sale mandates assigned, subject to the approval of their respective boards of directors.

Note 23. OTHER INCOME

The item in question can be broken down as follows:

	01.01.2015-30.06.2015	01.01.2014-30.06.2014
Recoveries, reimbursements and other income	2,572	3,583
Other income from associates, joint ventures and other Prelios Group companies	861	199
Other income from other related parties	300	5
Total	**3,733**	**3,787**

Recoveries, reimbursements and other income are related to chargebacks to tenants of costs to manage owned properties or of costs for properties managed on behalf of third parties, related in particular to specialised services. This item also includes proceeds from the resolution or positive development of disputes that had generated risks and uncertainties, and the resulting allocation to provisions for future risks and write-down.

Other income from other related parties mainly refers to the recovery from Pirelli & C. S.p.A. of the costs for site clean-up in the Bicocca by the subsidiary Lambda S.r.l., and the recovery of costs connected with the HQ2 building in Milan.

The item includes costs for non-recurring events of Euro 34 thousand accounting for approximately 1% of the total item.

Note 24. OPERATING COSTS

Operating costs amounted to Euro 46,972 thousand, compared with Euro 45,862 thousand in H1 2014, and are represented as follows:

	01.01.2015-06.30.2015	01.01.2014-06.30.2014
Raw and consumable materials used of which:	999	1,291
a) Assets purchased	*109*	*100*
b) Change in inventories of trading properties, raw and miscellaneous materials	*890*	*1,191*
Personnel costs	18,168	18,349
Depreciation, amortisation and impairment	325	333
Other costs	27,480	25,889
Total	**46,972**	**45,862**

Raw and consumable materials used (net of change in inventories)

The item "*Assets purchased*", which totalled Euro 109 thousand at June 30, 2015, refers to the purchase of sundry supplies.

During H1 2015, the "*Change in inventories of trading properties, raw materials and miscellaneous materials*" totalled a negative Euro 890 thousand, as compared with a negative Euro 1,191 thousand in H1 2014. Of this change, Euro 287 thousand is attributable to net write-downs recognised for the lower presumed realisable value, determined on the basis of independent appraisals as at June 30, 2015 or such lower values at which the individual subsidiaries are willing to sell on the basis of sales mandates granted after approval by their respective Boards of Directors, and to sales made in the period, primarily by Centrale Immobiliare S.r.l., Geolidro S.p.A. and Orione Immobiliare Prima S.p.A.

Personnel costs

These total Euro 18,168 thousand, substantially the same as the amount reported during H1 2014.

The item is broken down as follows:

	01.01.2015-06.30.2015	01.01.2014-06.30.2014
Wages and salaries	13,480	12,941
Social security contributions	3,344	3,904
Employee severance indemnity	40	66
Costs for defined-contribution pension funds/Other costs	1,304	1,438
Total	**18,168**	**18,349**

For the number of employees, please see the comments on employee benefit obligations (Note 19).

This item includes non-recurring events totalling a positive Euro 103 thousand.

Depreciation, amortisation and impairment

Details on depreciation, amortisation and impairment can be found in the tables accompanying the notes on property, plant and equipment and intangible assets (Note 1 and Note 2).

Other costs

As at June 30, 2015, these amounted to Euro 27,480 thousand, compared with Euro 25,889 thousand in H1 2014.

	01.01.2015-06.30.2015	01.01.2014-06.30.2014
Other costs charged by associates	27	26
Other costs charged by joint ventures and other Prelios Group companies	255	367
Other costs charged by other related parties	1,034	1,237
Other costs charged by third parties	26,164	24,259
Total	**27,480**	**25,889**

The item can be broken down by type as follows:

	01.01.2015-06.30.2015	01.01.2014-06.30.2014
Cost for services	19,056	17,797
Lease and rental cost	2,199	2,583
Impairment of receivables	538	2,654
Provisions for risks and expenses	2,666	1,187
Other operating expenses	3,021	1,668
Total	**27,480**	**25,889**

Costs for services

The costs for services totalled Euro 19,056 thousand, compared with Euro 17,797 thousand at June 30, 2014, and are largely represented by maintenance costs, leasehold expenses, commission expenses, and consulting and professional fees.

The change stemmed principally from the increase in costs incurred for legal advice, as well as for professional mandates connected with the subcontracting of the land registry compliance service for the property and project management unit.

This item includes costs related to non-recurring events totalling Euro 242 thousand.

Remuneration paid to directors and the Supervisory Board amount to Euro 1,731 thousand, compared with Euro 1,861 thousand at June 30, 2014, and fees paid to statutory auditors of consolidated companies amounted to Euro 247 thousand, compared with Euro 259 thousand in H1 2014.

Lease and rental costs

These costs amount to Euro 2,199 thousand compared with Euro 2,583 thousand accounted for at June 30, 2014, and refer almost entirely to the rental of head office buildings, and to the lease and hire of motor vehicles. Euro 226 thousand of the reduction is related to non-recurring prior-period items.

Impairment of receivables

At June 15, 2015, impairment of receivables totalled Euro 538 thousand and was recognised to cover potential risks of debtor insolvency and bad debts already incurred in the period in question.

The item includes costs for non-recurring events of Euro 227 thousand, accounting for 42% of the total item, due to the write-downs of certain significant positions, to ensure that certain investee companies continue as going concerns, as part of the financial restructuring plans already formalised or at an advanced stage of negotiation, as described in more detail under the items “Trade receivables” and “Other receivables” to which the reader is referred.

Provisions for risks and expenses

At June 30, 2015 the net amount of this item was Euro 2,666 thousand, compared with Euro 1,187 thousand in H1 2014. The change is attributable to Euro 1,996 thousand in costs for non-recurring charges to cover likely costs resulting from litigation with clients, stemming from the past management of certain German portfolios.

Details of these provisions can be found in the notes on liabilities in the section “Provisions for future risks and expenses”.

Other operating expenses

These amount to Euro 3,021 thousand, compared with Euro 1,668 thousand at June 30, 2014.

The item includes, inter alia, Euro 725 thousand in costs for duties and other taxes, mostly involving IMU (municipal property tax), registration taxes and irrecoverable VAT on financial transactions.

At June 30, 2015, this item includes the positive effect related to non-recurring events totalling Euro 20 thousand.

Note 25. NET INCOME/LOSS FROM INVESTMENTS

	01.01.2015-06.30.2015	01.01.2014-06.30.2014
Portion of result of associates and joint ventures	598	(23,172)
Dividends	404	-
Gains on investments	10	35
Losses on investments	(137)	(1,517)
Total	**875**	**(24,654)**

The combination of the various components characterising the item in question includes a net positive pro-rated effect of Euro 3.0 million allocable to the Prelios Group, deriving from real estate revaluations/write-downs, compared with a negative Euro 21.2 million in H1 2014. The total positive effect in H1 2015 is specifically related to revaluation by Euro 5.0 million of the real estate portfolio held by Fondo Spazio Industriale (Industrial Space Fund), partly offset by the write-downs recognised by the FIPRS Fund (Euro -1.1 million) and the Tecla Fund (Euro -0.8 million).

Following the conclusion of the process of unwinding the investments of Olinda – Fondo Shops by the expiry date of the fund itself, the units held by Prelios Netherlands B.V. and by Prelios Società di Gestione del Risparmio S.p.A. have been impaired to adjust them to the presumable amounts that will be paid out following disposal of the real estate portfolio, amounting to a total negative effective of Euro 90 thousand.

Note 26. FINANCIAL INCOME

Financial income totalled Euro 7,253 thousand, compared with Euro 3,737 thousand in H1 2014.

The improvement is largely related to the income realised upon premature discharge, through payment of a lump-sum amount lower than the face value of the financial debt owed to UBI Banca, both for the Senior loan and the Super Senior loan. As previously indicated, following this agreement UBI Banca no longer participates in the pool of lending banks.

The item is broken down as follows:

	01.01.2015-06.30.2015	01.01.2014-06.30.2014
Interest income		
a) Interest income from non-current assets:		
- Interest income on financial receivables due from joint ventures	1,941	3,106
Total interest income from non-current assets	**1,941**	**3,106**
b) Interest income from current assets:		
- Interest income from joint ventures	45	44
- Other interests	117	330
Total interest income from current assets	**165**	**374**
Other/miscellaneous	**4,351**	**255**
Exchange gains	**796**	**2**
Total	**7,253**	**3,737**

Note 27. FINANCIAL EXPENSES

These amount to Euro 9,641 thousand, compared with an amount of Euro 12,196 thousand recorded at June 30, 2014.

They are broken down as follows:

	01.01.2015-06.30.2015	01.01.2014-06.30.2014
Interest due to banks	8,146	9,942
Interest due to associates	-	10
Interest due to joint ventures	261	80
Interest due to third parties on convertible bond	-	234
Interest due to other related parties on convertible bond	-	408
Interest due to others	542	190
Other financial expenses	634	1,240
Other financial expenses due to joint ventures	-	2
Exchange losses	58	90
Total	**9,641**	**12,196**

Interest due to banks refers mainly to the senior and super senior loans made with credit institutions for the purpose of normal management of company activity.

Note 28. TAXES

"Taxes", represented by current, prepaid and deferred taxes, calculated at current rates, amount to Euro 1,700 thousand, as compared with Euro 2,953 thousand in H1 2014.

	01.01.2015-06.30.2015	01.01.2014-06.30.2014
Current taxes	962	923
Deferred tax assets	747	2,014
Deferred tax liabilities	(9)	16
Total	**1,700**	**2,953**

Note 29. NET INCOME (LOSS) FROM SOLD AND/OR DISCONTINUED OPERATIONS

On February 12, 2014, Solaia RE S.à.r.l., a joint venture 60% owned by a fund managed by Deutsche Asset & Wealth Management Real Estate (Deutsche Bank Group) and 40% by Prelios S.p.A., reached an agreement with BUWOG, a wholly owned subsidiary of the Austrian Immofinanz Group, for the sale of shares in the real estate companies holding the German residential portfolio better known as "DGAG". The transaction is part of the process of implementing the new business model launched in 2013, which sees Prelios as pure provider of integrated real estate services, focusing its human and financial resources on higher value-added segments of the European real estate market. Nonetheless, the transaction, promoted and arranged by the majority partner Deutsche Asset & Wealth Management Real Estate (Deutsche Bank Group) is connected to the transfer of the Prelios Deutschland platform (a fully-owned subsidiary of Prelios S.p.A.), which provides technical and administrative services to the aforementioned residential portfolio, since it was not possible to ensure that the subsidiary would be able to replace the contracts in place on the portfolio subject to sale if those contracts were not to confirmed by the acquirer. With this transaction, the Prelios Group is further focusing its operational presence in Germany in the high-value-added “premium” segment of shopping centres and highstreet retailing. The transaction closed on June 27, 2014 for the real estate companies and on July 4, 2014 for the service company. The estimated effects of the transaction, already under negotiation at the end of the previous year, were reflected in the 2013 financial statements as discontinued operations. A similar classification has been adopted in these financial statements, including the effects of the determination of certain price components previously subject to provisional estimation.

The “net income (loss) from sold and/or discontinued operations” includes the net “investment” income, for a positive Group share of the total amounting to Euro 3,178 thousand.

Note 30. EARNINGS/(LOSS) PER SHARE

The earnings/(loss) per share is illustrated as follows, both for the base and diluted amount. The amounts are equivalent insofar as there are no outstanding equity instruments other than the category A and B shares that can impact calculation of the gain/loss for diluted shares.

	06.30.2015	06.30.2014
Consolidated net profit (loss) (A)	(13,060)	(37,579)
Weighted average number of shares outstanding for the calculation of profit (loss) per share:	717,939,592	557,258,267
Profit (loss) per share (in euro)	(0.02)	(0.07)

6.7. Segment information

The Group has applied IFRS 8 for its segment reporting; this standard focuses on the reporting used internally by company management and requires companies to base their segment information on components used by management to make operational decisions.

Operating segments are therefore components of an entity for which discrete financial information is available and for which operating results are regularly reviewed by top management for the purposes of deciding how to allocate resources and for performance assessment.

As illustrated in the Report on Operations, the Group's organisational structure is based on three areas: Italy, Germany and Poland.

The geographical areas have been identified on the basis of the country in which the businesses are located.

The results by segment at June 30, 2015 are as follows:

	ITALY	GERMANY	POLAND	NPL	HOLDING COMPANY	TOTAL	ELIMINATIONS	CONSOLIDATED
Consolidated revenue	21,234	8,344	186	2,991	6,526	39,281	(6,526)	32,755
of which from third parties	*21,926*	*8,344*	*186*	*2,991*	*475*	*33,922*	-	*33,922*
of which from the Group	*475*	-	-	-	*6,051*	*6,526*	*(6,526)*	-
EBIT	(3,945)	(1,445)	(417)	(1,888)	(5,346)	(13,041)	-	(13,041)
Net income from investments	1,282	1,327	(1,734)	-	-	875	-	875
EBIT including net income from investments	**(2,663)**	**(118)**	**(2,151)**	**(1,888)**	**(5,346)**	**(12,166)**	**-**	**(12,166)**
Financial income from investments	1,056	245	640	-	-	1,941	-	1,941
EBIT including net income and financial income from investments (a)	**(1,607)**	**127**	**(1,511)**	**(1,888)**	**(5,346)**	**(10,225)**	**-**	**(10,225)**
Other financial income/expenses								(4,329)
Profit (loss) before taxes								**(14,554)**
Income taxes								(1,700)
Net profit (loss) for the period								**(16,254)**
attributable to minority interests								(16)
Income (loss) from discontinued operations								**3,178**
Consolidated net profit (loss) for the period								**(13,060)**

Notes:

	ITALY	GERMANY	POLAND	NPL	HOLDING COMPANY	TOTAL	ELIMINATIONS	CONSOLIDATED
Property write-downs/revaluations (b)	2,647	-	(110)	-	-	2,537	-	2,537
Restructuring costs (c)	(226)	(1,695)	-	-	(111)	(2,032)	-	(2,032)
EBIT including net income and financial income from investments before restructuring costs and property write-downs/revaluations and property tax (d) = (a) - (b) - (c)	**(4,028)**	**1,822**	**(1,401)**	**(1,888)**	**(5,235)**	**(10,730)**	**-**	**(10,730)**

The results by segment at June 30, 2014 are as follows:

	ITALY	GERMANY	POLAND	NPL	HOLDING COMPANY	TOTAL	ELIMINATIONS	CONSOLIDATED
Consolidated revenue	25,529	6,092	130	4,931	5,301	41,983	(6,808)	35,175
of which from third parties	*24,022*	*6,092*	*130*	*4,931*	-	*35,175*	-	*35,175*
of which from the Group	*1,507*	-	-	-	*5,301*	*6,808*	*(6,808)*	-
EBIT	(1,373)	562	(403)	358	(6,234)	(7,090)	-	(7,090)
Net income from investments	(2,979)	(20,226)	(1,355)	(98)	-	(24,658)	-	(24,658)
EBIT including net income from investments	**(4,352)**	**(19,664)**	**(1,758)**	**260**	**(6,234)**	**(31,748)**	**-**	**(31,748)**
Financial income from investments	2,031	279	796	(664)	-	2,442	-	2,442
EBIT including net income and financial income from investments (a)	**(2,321)**	**(19,385)**	**(962)**	**(404)**	**(6,234)**	**(29,306)**	**-**	**(29,306)**
Other financial income/expenses								(10,901)
Profit (loss) before taxes								**(40,207)**
Income taxes								(2,953)
Net profit (loss) for the period								**(43,160)**
attributable to minority interests								(665)
Income (loss) from discontinued operations								**4,912**
Consolidated net profit (loss) for the period								**(37,583)**

Notes:

Property write-downs/revaluations (b)	(700)	(20,510)	-	-	-	(21,210)	-	(21,210)
Restructuring costs (c)	(1,788)	-	-	-	(27)	(1,815)	-	(1,815)
EBIT including net income and financial income from investments before restructuring costs and property write-downs/revaluations (d) = (a) - (b) - (c)	**167**	**1,125**	**(962)**	**(404)**	**(6,207)**	**(6,281)**	**-**	**(6,281)**

Intra-segment sales took place under the same terms and conditions as third-party sales.

The significant assets and liabilities for management accounting purposes are obtained by aggregating or reclassifying the IFRS accounting balances, and can therefore be reconciled back indirectly to the IFRS financial statement formats, as shown in the notes at the foot of the tables.

Assets and liabilities by geographical area were as follows at June 30, 2015:

	ITALY	GERMANY	POLAND	NPL	TOTAL	ELIMINATIONS	CONSOLIDATED	
Non-current assets:	**203,235**	**28,985**	**25**	**5,044**	**237,289**	**-**	**237,289**	
Property, plant and equipment	586	188	25	3	802	-	802	
Intangible assets, of which	41,921	16,893	-	241	59,055	-	59,055	
Goodwill	*39,495*	*16,890*	-	-	56,385	-	*56,385*	
Investments in real estate funds and investment companies and other financial assets	160,728	11,904	-	4,800	177,432	-	177,432	1)
Net working capital	**32,365**	**(11,742)**	**(949)**	**(405)**	**19,269**	**-**	**19,269**	
Inventories	39,999	-	1	-	40,000	-	40,000	
Other components of net working capital	(7,634)	(11,742)	(950)	(405)	(20,731)	-	(20,731)	2)
NET INVESTED CAPITAL	**235,600**	**17,243**	**(924)**	**4,639**	**256,558**	**-**	**256,558**	

Notes	TOTAL CONSOLIDATED not included in NFP	TOTAL from financial statements	of which amounts included in NFP
The balances indicated by notes 1) and 2) have been obtained as follows:			
1)			
Investments in associates	38,424	38,424.00	-
Investments in joint ventures	109,542	109,542.00	-
Other financial assets	29,884	29,884.00	-
Provision for future risks on equity-accounted investments reclassified from "Current provisions for future risks and expenses"	(418)	(418)	-
Total investments in real estate funds and investment companies	**177,432**	**177,432**	**-**

2)	TOTAL CONSOLIDATED not included in NFP	TOTAL from financial statements	of which amounts included in NFP
Deferred tax assets	7,885	7,885	-
Other non-current receivables	5,247	98,287	93,040
Current trade receivables	35,316	35,316	
Other current receivables	18,642	18,755	113
Current tax receivables	2,420	2,420	
Other non-current payables	(524)	(524)	-
			-
Current trade payables	(49,359)	(49,359)	-
Other current payables	(35,221)	(35,221)	-
Current tax payables	(5,137)	(5,137)	-
Other components of net working capital	**(20,731)**	**72,422**	**93,153**

6.8. Related-party transactions

The following tables show transactions and balances with related parties:

	01.01.2015-06.30.2015	% (*)	01.01.2014-06.30.2014	% (*)
Operating revenue	11,836	34.9%	13,187	34.0%
Operating costs	(2,640)	5.6%	(3,412)	7.4%
Net loss from equity investments	460	52.6%	(24,689)	100.1%
Financial income	1,989	27.4%	3,150	84.3%
Financial expenses	(261)	2.7%	(500)	4.1%
Income (loss) from discontinued operations	-	0.0%	8,758	178.3%

(*) The percentage is calculated with reference to the total financial statement item

	06.30.2015				12.31.2014			
	Total	% (*)	non-current	current	Total	% (*)	non-current	current
Trade receivables	18,019	51.0%	-	18,019	18,758	53.5%	-	18,758
Other receivables, of which:	99,247	84.8%	90,388	8,859	117,189	89.2%	108,355	8,834
- financial receivables	*90,501*	97.2%	*90,388*	*113*	*108,468*	*100.0%*	*108,355*	*113*
Discontinued operations	2,652	100.0%	2,652	-	9,964	81.9%	9,964	-
- financial receivables	*2,652*	*100.0%*	*2,652*	-	*9,964*	100.0%	*9,964*	-
Trade payables	(3,324)	-6.7%	-	(3,324)	(3,063)	-6.5%	-	(3,063)
Other payables	(5,125)	-14.3%	-	(5,125)	(19,039)	-45.9%	-	(19,039)
Tax payables	(1,080)	-100.0%	-	(1,080)	(1,080)	-100.0%	-	(1,080)
Bank borrowings and payables to other lenders	(6,576)	-2.5%	-	(6,576)	(6,576)	-2.5%	-	(6,576)
Provisions for future risks and expenses	(418)	-0.8%	-	(418)	(418)	-0.8%	-	(418)

(*) The percentage is calculated with reference to the total financial statement item

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 companies

Operating revenue	11,513	The item refers to Group company mandates for fund and asset management services and technical and commercial services.
Operating costs	(282)	These refer to recharges of various kinds.
Net income from investments	460	The item mainly refers to the equity method valuation of Group investments, as well as other investments adjustments.
Financial income	1,989	This mostly refers to interest earned on financial receivables held by Group companies.
Financial expenses	(261)	
Current trade receivables	17,700	This balance includes receivables arising from "operating revenue".
Other non-current receivables	90,388	
- of which financial receivables	*90,388*	Loans granted to Group real estate projects. These loans are classified as non-current assets with reference of their terms of repayment, which match the medium-term disposal plans of the real estate portfolios owned directly or indirectly by these companies. These loans are granted at market interest rates except for non-interest bearing loans granted to some companies
Other current receivables	7,153	This includes residual credits of various nature.
- of which financial receivables	113	
Discontinued operations/asset held for sale	2,652	
- of which financial receivables	*2,652*	The item refers to the shareholders' loans granted to the joint ventures Solaia RE B.V. and Jamesmail B.V. that, further to the DGAG portfolio sale agreement, will be reimbursed at the closing date. These amounts are shown as "Discontinued operations/asset held for sale" in compliance with International Financial Reporting Standards (IFRS 5).
Current trade payables	(2,805)	They refer to various chargebacks, mainly rent, urbanisation charges and accessory costs.
Other current payables	(5,125)	These refer to various chargebacks.
Current tax payables	(1,080)	Amounts due to Trixia S.r.l. further 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.
Current bank borrowings and payables to other lenders	(6,576)	These include negative balances on intercompany current accounts and other financial payables arising from capital contributions in Aree Urbane S.r.l. (in liquidation) for Euro 4,892 thousand and Solaia RE S.à.r.l. for Euro 634 thousand.
Provisions for future risks and expenses	(418)	This refers to the provision accrued to cover the losses of associates and joint ventures in excess of their carrying amounts.

For the sake of completeness, details are also provided on the transactions and balances at June 30, 2015 between the Prelios Group and other related parties, specifically with Pirelli & C. S.p.A. and its subsidiaries and other parties that are related through the directors.

The following tables provide details of transactions and balances with these related parties:

Transactions and balances with Pirelli & C. S.p.A. and its subsidiaries or else other related parties through directors

Operating revenue	323	The item mainly refers to the recovery, from Pirelli & C. S.p.A., of the costs related to the reclamation works carried out in the Bicocca area by the subsidiary Lambda S.r.l., and to the incomes from the contract signed with Pirelli Tyres S.p.A. related to the parking in the Bicocca area.
Operating costs	(1,033)	The item includes costs for rental and expenses for the R&D building charged to Prelios S.p.A. by Pirelli Group and the costs for health services provided by the company Poliambulatorio Bicocca S.r.l..
Current trade receivables	319	These mainly refer to receivables from Pirelli & C. S.p.A. related to the recovery of costs for the reclamation works carried out in the Bicocca area by the subsidiarty Lambda S.r.l., and to the new subscription contract related to the parking in the Bicocca area.
Other current receivables	1,706	The item mainly includes the guarantee deposit paid to Pirelli & C. S.p.A. for the rental of the R&D building and prepaid expenses related to the rental of that building.
Current trade payables	(519)	These mainly refer to the payable to Pirelli Tyre S.p.A. for the chargeback of utilities and expenses of the R&D building. They also include payables for health services provided by the company Poliambulatorio Bicocca S.r.l..

Cash flows

At June 30, 2015, there were no other cash flows referring to related-party transactions which should be disclosed and which cannot be directly determined from the financial statements and the notes thereto.

Key management personnel

At June 30, 2015, the remuneration of the 20 key managers (of whom 19 were in office as at June 30, 2015), 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., amounted to Euro 1,325 thousand (Euro 1,782 thousand at June 30, 2014), of which Euro 153 thousand (Euro 615 thousand in H1 2014) was classified in the income statement as "Personnel costs" and Euro 1,172 thousand (Euro 1,167 thousand at June 30, 2014) recognised in the income statement as "Other costs". The long-term portion is zero, as was the case in H1 2014.

Milan, July 29, 2015 The Board of Directors

7. SUPPLEMENTARY TABLES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7.1 Appendix 1: Consolidation area

	Business at 06.30.2015	Registered office City, Country	Share capital		Held at 06.30.2015 by	06.30.2015 % ownership and voting rights (*)	12.31.2014 % ownership and voting rights (*)
Fully consolidated companies							
Subsidiaries							
BauBeCon Treuhand GmbH	Real Estate	Hamburg, Germany	€	530,000	Prelios Immobilien Management GmbH	100.00%	100.00%
Centrale Immobiliare S.r.l.	Real Estate	Milan, Italy	€	100,000	Prelios S.p.A.	100.00%	100.00%
CFT Finanziaria S.p.A.	NPL	Milan, Italy	€	20,110,324	Prelios S.p.A.	100.00%	100.00%
DGAG Beteiligung GmbH & Co. KG (**)	Real Estate	Hamburg, Germany	€	42,118,455	Mistral Real Estate B.V.	94.90%	94.90%
DGAG Nordpartner GmbH & Co. KG (**)	Real Estate	Hamburg, Germany	€	2,760,976	Mistral Real Estate B.V.	94.00%	94.00%
Edilnord Gestioni S.r.l. (in liquidation)	Real Estate	Milan, Italy	€	100,000	Prelios S.p.A.	100.00%	100.00%
Einkaufszentrum Münzstrasse GmbH & Co. KG (**)	Real Estate	Hamburg, Germany	DM	10,000,000	DGAG Beteiligung GmbH & Co. KG	74.80%	74.80%
					Prelios Deutschland GmbH	25.20%	25.20%
Erste DGAG Grundstücksgesellschaft mbH & Co. KG (**)	Real Estate	Hamburg, Germany	DM+€	970000+31.700	DGAG Beteiligung GmbH & Co. KG	94.00%	94.00%
					Verwaltung Erste DGAG Grundstücksgesellschaft mbH	6.00%	6.00%
Geolidro S.p.A.	Real Estate	Naples, Italy	€	120,000	Centrale Immobiliare S.p.A.	100.00%	100.00%
Iniziative Immobiliari 3 S.r.l.	Real Estate	Milan, Italy	€	10,000	Prelios S.p.A.	100.00%	100.00%
Lambda S.r.l.	Real Estate	Milan, Italy	€	578,760	Prelios S.p.A.	100.00%	100.00%
Mistral Real Estate B.V. (*Tracking Share*) (**)	Real Estate	Amsterdam, Netherlands	€	18,000	Prelios S.p.A.	35.02%	35.02%
Mistral Real Estate B.V. (*Tracking Shares Goßlers Park*) (**)	Real Estate	Amsterdam, Netherlands	€	18,000	Prelios S.p.A.	35.02%	35.02%
Mistral Real Estate B.V. (*Tracking Shares Osnabruck*) (**)	Real Estate	Amsterdam, Netherlands	€	18,000	Prelios S.p.A.	35.02%	35.02%
Mistral Real Estate B.V. (*Tracking Shares Dresden*) (**)	Real Estate	Amsterdam, Netherlands	€	18,000	Prelios S.p.A.	35.02%	35.02%
Orione Immobiliare Prima S.p.A.	Real Estate	Milan, Italy	€	104,000	Prelios S.p.A.	100.00%	100.00%
Parcheggi Bicocca S.r.l.	Real Estate	Milan, Italy	€	1,500,000	Prelios S.p.A.	100.00%	100.00%
P.B.S. Società consortile a r.l. (in liquidation)	Real Estate	Milan, Italy	€	100,000	Prelios Property Management S.p.A.	60.00%	60.00%
Prelios Agency S.p.A.	Real Estate	Milan, Italy	€	1,000,000	Prelios S.p.A.	100.00%	100.00%
Prelios Agency Deutschland GmbH	Real Estate	Hamburg, Germany	€	25,000	Prelios Deutschland GmbH	100.00%	100.00%
Prelios Asset Management Deutschland GmbH	Real Estate	Hamburg, Germany	€	25,000	Prelios Deutschland GmbH	100.00%	100.00%
Prelios Credit Servicing S.p.A.	NPL	Milan, Italy	€	4,510,568	Prelios S.p.A.	100.00%	100.00%
Prelios Deutschland GmbH	Real Estate	Hamburg, Germany	€	5,000,000	Prelios S.p.A.	100.00%	100.00%
Prelios Facility Management Deutschland GmbH	Real Estate	Hamburg, Germany	€	25,600	Prelios Deutschland GmbH	100.00%	100.00%
Prelios Hausmeister Service Deutschland GmbH	Real Estate	Kiel, Germany	€	25,000	Prelios Facility Management Deutschland GmbH	100.00%	100.00%
Prelios Immobilien Management GmbH	Real Estate	Hamburg, Germany	€	25,000	Prelios Deutschland GmbH	100.00%	100.00%
Prelios INTEGRA S.p.A.	Real Estate	Milan, Italy	€	124,400	Prelios S.p.A.	100.00%	100.00%
Prelios Investments Deutschland GmbH	Real Estate	Hamburg, Germany	€	25,000	Prelios S.p.A.	100.00%	100.00%
Prelios Management Services Deutschland GmbH	Real Estate	Hamburg, Germany	€	25,000	Prelios Deutschland GmbH	100.00%	100.00%
Prelios Netherlands B.V.	Real Estate	Amsterdam, Netherlands	€	21,000	Prelios S.p.A.	100.00%	100.00%
Prelios Polska Sp.z.o.o.	Real Estate	Warsaw, Poland	PLN	35,430,000	Prelios S.p.A.	100.00%	100.00%
Prelios RE Advisory Sp. Z o.o (1)	Real Estate	Warsaw, Poland	PLN	400,000	Prelios S.p.A.	100.00%	--
Prelios Residential Investments GmbH	Real Estate	Hamburg, Germany	€	570,000	Prelios S.p.A.	100.00%	100.00%
Prelios Società di Gestione del Risparmio S.p.A.	Real Estate	Milan, Italy	€	24,558,763	Prelios S.p.A.	90.00%	90.00%
Prelios Valuations & e-Services S.p.A	Real Estate	Milan, Italy	€	298,999	Prelios Agency S.p.A.	100.00%	100.00%
Projekt Bahnhof Hamburg-Altona Verwaltungs GmbH (in liquidation)	Real Estate	Hamburg, Germany	€	25,000	Projektentwicklung Bahnhof Hamburg-Altona GmbH & Co. KG	100.00%	100.00%
Projektentwicklung Bahnhof Hamburg-Altona GmbH & Co. KG (in liquidation)	Real Estate	Hamburg, Germany	€	8,000,000	Prelios Deutschland GmbH	74.90%	74.90%
Servizi Amministrativi Real Estate S.p.A.	Altro	Milan, Italy	€	520,000	Prelios S.p.A.	100.00%	100.00%
SIB S.r.l.	Real Estate	Milan, Italy	€	10,100	Prelios Credit Servicing S.p.A.	100.00%	100.00%
Sustainable Energy S.r.l.	Real Estate	Milan, Italy	€	10,000	Prelios S.p.A.	100.00%	100.00%
Verwaltung Einkaufszentrum Münzstrasse GmbH (**)	Real Estate	Hamburg, Germany	DM	50,000	DGAG Beteiligung GmbH & Co. KG	74.80%	74.80%
					Prelios Deutschland GmbH	25.20%	25.20%
Verwaltung Erste DGAG Grundstücksgesellschaft mbH (**)	Real Estate	Hamburg, Germany	€	25,000	DGAG Beteiligung GmbH & Co. KG	100.00%	100.00%
Verwaltung Grundstücksgesellschaft Friedenstraße Wohnungsbau mbH (**)	Real Estate	Hamburg, Germany	€	26,100	DGAG Beteiligung GmbH & Co. KG	100.00%	100.00%

	Business at 06.30.2015	Registered office City, Country		Share capital	Held at 06.30.2015 by	06.30.2015 % ownership and voting rights (*)	12.31.2014 % ownership and voting rights (*)
Equity-accounted companies							
Associates							
Monteverdi - Fondo comune di investimento immobiliare speculativo di tipo chiuso	Real Estate	Milan, Italy	€	62,000,000	Iniziative Immobiliari 3 S.r.l.	29.84%	29.84%
					Prelios Società di Gestione del Risparmio S.p.A.	4.03%	4.03%
					Tiglio I S.r.l.	66.13%	66.13%
Olinda Fondo Shops - Fondo quotato ad apporto privato (*) (2)	Real Estate	Milan, Italy	€	--	Prelios Società di Gestione del Risparmio S.p.A.	--	5.18%
					Prelios Netherlands B.V.	6.64%	6.64%
Progetto Corsico S.r.l.	Real Estate	Milan, Italy	€	100,000	Prelios S.p.A.	49.00%	49.00%
Progetto Fontana S.r.l. (in liquidation)	Real Estate	Milan, Italy	€	10,000	Prelios S.p.A.	23.00%	23.00%
Sci Roev Texas Partners L.P.	Real Estate	Dallas/USA	$	12,000,000	Prelios S.p.A.	10.00%	10.00%
Spazio Investment N.V. (*)	Real Estate	Amsterdam, Netherlands	€	4,589,189	Prelios Netherlands B.V.	22.07%	22.07%
					Spazio Investment N.V.	0.23%	0.23%
Joint ventures							
Afrodite S.à.r.l.	Real Estate	Luxembourg	€	4,129,475	Prelios S.p.A.	40.00%	40.00%
Aida RE B.V. (in liquidation) (3)	Real Estate	Amsterdam, Netherlands	€	18,000	Prelios Netherlands B.V.	--	40.00%
Alceo B.V.	Real Estate	Amsterdam, Netherlands	€	18,000	Prelios S.p.A.	33.00%	33.00%
Alimede Luxembourg S.à.r.l.	Real Estate	Luxembourg	€	12,955	Prelios S.p.A.	35.05%	35.05%
Aree Urbane S.r.l. (in liquidation)	Real Estate	Milan, Italy	€	100,000	Prelios S.p.A.	34.60%	34.60%
Artemide S.à.r.l.	Real Estate	Luxembourg	€	2,857,050	Prelios S.p.A.	35.00%	35.00%
Austin S.à.r.l.	Real Estate	Luxembourg	€	125,000	Prelios S.p.A.	28.46%	28.46%
Beteiligungsgesellschaft Einkaufszentrum Mülheim mbH	Real Estate	Hamburg, Germany	DM	60,000	Prelios Deutschland GmbH	41.17%	41.17%
Bicocca S.à.r.l.	Real Estate	Luxembourg	€	12,520	Prelios S.p.A.	35.00%	35.00%
City Center Mülheim Grundstücksgesellschaft mbH & Co. KG	Real Estate	Hamburg, Germany	€	47,805,790	Prelios Deutschland GmbH	41.18%	41.18%
Colombo S.à.r.l.	Real Estate	Luxembourg	€	960,150	Prelios S.p.A.	35.00%	35.00%
Consorzio G6 Advisor	Real Estate	Milan, Italy	€	50,000	Prelios Agency S.p.A.	42.30%	42.30%
Continuum S.r.l. (in liquidation)	Real Estate	Milan, Italy	€	20,000	Prelios S.p.A.	40.00%	40.00%
Dallas S.à.r.l.	Real Estate	Luxembourg	€	125,000	Prelios S.p.A.	28.46%	28.46%
Delamain S.à.r.l.	Real Estate	Luxembourg	€	12,500	Prelios S.p.A.	49.00%	49.00%
Doria S.à.r.l.	Real Estate	Luxembourg	€	992,850	Prelios S.p.A.	35.00%	35.00%
Einkaufszentrum Mülheim Gmbh & Co. KG	Real Estate	Hamburg, Germany	€	26,075,886	Prelios Deutschland GmbH	41.18%	41.18%
Fondo Città di Torino - Fondo comune di investimento immobiliare speculativo di tipo chiuso	Real Estate	Milan, Italy	€	34,500,000	Prelios Netherlands B.V.	36.23%	36.23%
Gamma RE B.V.	Real Estate	Amsterdam, Netherlands	€	18,000	Prelios Netherlands B.V.	49.00%	49.00%
Golfo Aranci S.p.A. (in liquidation)	Real Estate	Golfo Aranci (OT), Italy	€	1,000,000	Prelios S.p.A.	43.80%	43.80%
					Centrale Immobiliare S.p.A	6.21%	6.21%
Gromis S.r.l. (4)	Real Estate	Milan, Italy	€	10,000	Iniziative Immobiliari 3 S.r.l.	33.00%	--
Grundstücksgesellschaft Königstraße mbH & Co. KG	Real Estate	Hamburg, Germany	€	1,024,629	DGAG Beteiligung GmbH & Co. KG	44.90%	44.90%
					Verwaltung Grundstücksgesellschaft Friedenstraße Wohnungsbau mbH	5.10%	5.10%
Grundstücksgesellschaft Merkur Hansaallee mbH & Co. KG	Real Estate	Hamburg, Germany	€	22,905,876	Prelios Deutschland GmbH	33.75%	33.75%
Kurpromenade 12 Timmendorfer Strand GG KG	Real Estate	Hamburg, Germany	€	6,237,761	Prelios Deutschland GmbH	50.00%	50.00%
IN Holdings I S.à.r.l.	Real Estate	Luxembourg	€	2,595,725	Prelios S.p.A.	20.50%	20.50%
Induxia S.r.l. (in liquidation)	Real Estate	Milan, Italy	€	40,000	Prelios S.p.A.	24.75%	24.75%
Inimm Due S.à.r.l.	Real Estate	Luxembourg	€	240,950	Prelios S.p.A.	25.01%	25.01%
Iniziative Immobiliari S.r.l. (in liquidation)	Real Estate	Milan, Italy	€	5,000,000	Prelios S.p.A.	49.46%	49.46%

	Business at 06.30.2015	Registered office City, Country	Share capital		Held at 06.30.2015 by	06.30.2015 % ownership and voting rights (*)	12.31.2014 % ownership and voting rights (*)
Manifatture Milano S.p.A.	Real Estate	Rome, Italy	€	11,230,000	Prelios S.p.A.	50.00%	50.00%
Maro S.r.l. (in liquidation)	NPL	Milan, Italy	€	20,000	Prelios S.p.A.	25.00%	25.00%
Masseto I B.V.	Real Estate	Amsterdam, Netherlands	€	19,000	Prelios S.p.A.	33.00%	33.00%
Mistral Real Estate B.V.	Real Estate	Amsterdam, Netherlands	€	18,000	Prelios S.p.A.	35.02%	35.02%
M.S.M.C. Italy Holding B.V.	Real Estate	Amsterdam, Netherlands	€	20,053	Prelios S.p.A.	25.00%	25.00%
Nashville S.à.r.l.	Real Estate	Luxembourg	€	125,000	Prelios S.p.A.	28.46%	28.46%
Officinae Verdi S.r.l. (5)		Rome, Italy	€	1,002,588	Prelios S.p.A.	39.00%	--
Polish Investments Real Estate Holding II B.V.	Real Estate	Amsterdam, Netherlands	€	18,000	Prelios S.p.A.	40.00%	40.00%
Popoy Holding B.V.	Real Estate	Rotterdam, Netherlands	€	26,550	Prelios S.p.A.	25.00%	25.00%
Progetto Bicocca La Piazza S.r.l. (in liquidation)	Real Estate	Milan, Italy	€	3,151,800	Prelios S.p.A.	26.00%	26.00%
Progetto Bicocca Universita' S.r.l. (in liquidation)	Real Estate	Cinisello Balsamo, Italy	€	50,360	Prelios S.p.A.	50.50%	50.50%
Progetto Gioberti S.r.l. (in liquidation)	Real Estate	Milan, Italy	€	100,000	Prelios S.p.A.	50.00%	50.00%
RAMS-Rome Art Mind Society S.r.l. (in liquidation)	Real Estate	Rome, Italy	€	50,000	Prelios Integra S.p.A.	40.00%	40.00%
Resident Berlin 1 P&K GmbH	Real Estate	Berlin, Germany	€	125,000	Prelios Residential Investments GmbH	40.00%	40.00%
Riva dei Ronchi S.r.l. (in liquidation)	Real Estate	Milan, Italy	€	100,000	Prelios S.p.A.	50.00%	50.00%
Roca S.r.l. (in liquidation)	NPL	Milan, Italy	€	20,000	Prelios S.p.A.	25.00%	25.00%
Sicily Investments S.à.r.l.	Real Estate	Luxembourg	€	12,500	Prelios S.p.A.	40.00%	40.00%
Sigma RE B.V.	Real Estate	Amsterdam, Netherlands	€	18,000	Prelios Netherlands B.V.	24.66%	24.66%
Solaia RE S.à.r.l.	Real Estate	Luxembourg	€	13,000	Prelios S.p.A.	40.00%	40.00%
Solaris S.r.l. (in liquidation)	Real Estate	Milan, Italy	€	20,000	Prelios S.p.A.	40.00%	40.00%
Tamerice Immobiliare S.r.l. (in liquidation)	Real Estate	Milan, Italy	€	500,000	Prelios S.p.A.	20.00%	20.00%
Theta RE B.V. (in liquidation) (6)	Real Estate	Amsterdam, Netherlands	€	18,005	Prelios Netherlands B.V.	--	40.00%
Trinacria Capital S.à.r.l.	Real Estate	Luxembourg	€	12,500	Prelios S.p.A.	40.00%	40.00%
Trixia S.r.l.	Real Estate	Milan, Italy	€	1,209,700	Prelios S.p.A.	36.00%	36.00%
Verwaltung Büro- und Lichtspielhaus Hansaallee GmbH	Real Estate	Hamburg, Germany	DM	50,000	Prelios Deutschland GmbH	27.00%	27.00%
					Grundstücksgesellschaft Merkur Hansaallee mbH & Co. KG	20.00%	20.00%
Verwaltung City Center Mülheim Grundstucksges.GmbH	Real Estate	Hamburg, Germany	DM	60,000	Prelios Deutschland GmbH	41.17%	41.17%
Verwaltung Kurpromenade 12 Timmendorfer Strand GG mbH	Real Estate	Hamburg, Germany	DM	50,000	Prelios Deutschland GmbH	50.00%	50.00%
Verwaltung Mercado Ottensen Grundstuecksgesellschaft mbH	Real Estate	Hamburg, Germany	DM	50,000	Prelios Netherlands B.V.	44.00%	44.00%
					Mistral Real Estate B.V.	50.00%	50.00%
Vespucci S.à.r.l.	Real Estate	Luxembourg	€	960,150	Prelios S.p.A.	35.00%	35.00%
Vesta Finance S.r.l.	NPL	Milan, Italy	€	10,000	Prelios S.p.A.	35.00%	35.00%
Vivaldi - Fondo comune di investimento immobiliare speculativo di tipo chiuso	Real Estate	Milan, Italy	€	22,000,000	Prelios Netherlands B.V.	50.00%	50.00%
Other significant investments pursuant to CONSOB Resolution 11971 of May 14, 1999							
AVW Assekuranzvermittlung der Wohnungs wirts chaft GmbH & Co KG	Real Estate	Hamburg, Germany	€	260,000	Prelios Netherlands B.V.	10.50%	10.50%
					Prelios Deutschland GmbH	0.20%	0.20%

(*) The percentages indicated refer to the direct percentage ownership held by the company indicated taking into account any treasury shares held.

(**) With regard to the joint venture Mistral Real Estate B.V., the joint control of both partners was waived contractually by the parties in relation to certain development projects through the creation of new share classes ("Tracker Shares") in the share capital of Mistral Real Estate B.V., entailing a different division of costs, benefits and rights between the two partners. In fact, based on the activation of a put and call rights mechanism, the ownership of Tracker Shares led to the exercise of de facto control by Prelios S.p.A. over certain companies of the Mistral Real Estate group involved in development projects even though it does not hold a majority interest in them. This situation led to the inclusion of these investments in the consolidation scope in the financial statements of Prelios S.p.A. in accordance with accounting standards, since all risks, benefits and rights related to these development projects rest with Prelios S.p.A. Despite the above, the Tracker Shares mechanism has no effect on the control of Mistral Real Estate B.V., and the latter is still not a subsidiary of Prelios S.p.A..

(1) On May 19, 2015 was established the company Prelios RE Advisory Spólka z ograniczoną odpowiedzialnością whose capital is wholly owned by Prelios SpA.

(2) On February 25,2015 ended the liquidation process of Olinda Fondo Shops - Fondo quotato ad apporto privato .

(6) With effect from February 19, 2015, the company Aida RE B.V. (In liquidation) was removed from the Companies Register in Amsterdam.

(4) On January 8, 2015, the company Iniziative Immobiliari 3 S.r.l. acquired by the company Masseto I B.V. a share of 33% of the share capital of the company Gromis S.r.l.. The effective date of the transfer runs from January 21, 2015.

(5) On March 26, 2015 the company Prelios S.p.A. bought n° 113,208 shares of the company Officinae Verdi S.r.l (39% of the share capital).

(6) With effect from February 19, 2015, the company Theta RE B.V. (In liquidation) was removed from the Companies Register in Amsterdam.

8. CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

Certification of the half-year condensed consolidated financial statements under the terms of Art. 81-ter Consob Regulation No. 11971 dated May 14TH, 1999 as amended and supplemented

1. The undersigned Sergio Iasi, as Chief Executive Officer, and Marco Andreasi, as Financial Reporting Officer of Prelios S.p.A., certify, taking into account also the provisions of Art. 154-*bis*, clauses 3 and 4, of Italian Legislative Decree 58 dated February 24th, 1998:
    - the adequacy in relation to the characteristics of the company and
    - the effective application of the administrative and accounting procedures for formation of the half-year condensed interim financial statements, during the period January 1st, 2015 – June 30th, 2015.

2. In this regard it should be noted that the adequacy of the administrative and accounting procedures for formation of the half-year condensed financial statements at June 30th, 2015 was evaluated on the basis of an assessment of the internal control system. This assessment was based on a specific process defined in accordance with the criteria laid down in the "Internal Control – Integrated Framework" guidelines issued by the "Committee of Sponsoring Organizations of the Treadway Commission" (COSO) which is a reference framework generally accepted at the international level.

3. We also certify that:

3.1 the half-year condensed consolidated financial statements:

a) were prepared in accordance with the applicable international accounting standards recognized in the European Union under the terms of Regulation (EC) N° 1606/2002 of the European Parliament and Council, dated July 19th, 2002;

b) correspond to the information in the accounting books and documents;

c) are capable of providing a true and correct picture of the assets, liabilities, income, expenses and financial position of the reporting entity and of the group of companies included in the consolidation.

3.2 The interim Directors' report on operations includes a reliable analysis of the references to the important events that occurred in the first six months of the year and their impact on the condensed interim financial statements, together with a description of the main risks and uncertainties for the remaining six months of the year. The interim Directors' report on operations also includes a reliable analysis of the information on significant transactions with related parties.

July 30, 2015

The Chief Executive Officer

(Sergio Iasi)

The Financial Reporting Officer

(Marco Andreasi)

9. INDEPENDENT AUDITORS' REPORT

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Auditors' review report on the half-year condensed consolidated financial statements
(Translation from the original Italian text)

To the Shareholders of
Prelios S.p.A.

Introduction

We have reviewed the half-year condensed consolidated financial statements, comprising the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the related explanatory notes, of Prelios S.p.A. and its subsidiaries (the "Prelios Group") as of June 30, 2015. Prelios S.p.A.'s Directors are responsible for the preparation of the half-year condensed consolidated financial statements in conformity with the International Financial Reporting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to issue this review report based on our review.

Scope of Review

We conducted our review in accordance with review standards recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution no. 10867 of July 31, 1997. Our review consisted mainly of obtaining information on the accounts included in the half-year condensed consolidated financial statements and the consistency of the accounting principles applied, through discussions with management, and of applying analytical procedures to the financial data presented in these consolidated financial statements. Our review did not include the application of audit procedures such as tests of compliance and substantive procedures on assets and liabilities and was substantially less in scope than an audit conducted in accordance with generally accepted auditing standards. Accordingly, we do not express an audit opinion on the half-year condensed consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements of Prelios Group as of June 30, 2015 are not prepared, in all material respects, in conformity with the International Financial Reporting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Emphasis Of Matter

Without qualifying our conclusion, we draw the attention to the Interim report on operations and to the explanatory note "6.2 Basis of preparation - adoption of the going concern assumption in preparing the financial statements" with reference to the existence of material uncertainties that may cast significant doubt over the Group's ability to continue as a going concern. In particular, as described by the Directors, the Group sustained significant losses in the period, as well as in previous years. Those losses had already resulted in the renegotiation of the Company's financial debt in 2013, pursuant to Article 67 of the Bankruptcy Legislation.
In addition, the implementation of the actions identified by the Directors to re-balance the Group's financial position, which included certain actions to mitigate its financial needs, continued during the previous year and the first months of2015 and improve the Group's financial position at the period end, compared with forecasts.

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Finally, in March 2015, the Board of Directors approved the 2015 Budget and the 2016-2017 Outlook, which, amongst other elements, continue to forecast operating losses over the three-year period resulting in a significant decrease of net equity and negative cash outflows, that continue to expose the Group to financial distress.
In this scenario, the Interim report on operations highlights how the aforementioned uncertainties confirm the persistence of significant doubts on the Group's ability to continue as a going concern and the need to implement the short term actions identified in the plan and to pursue the further steps necessary in order for the Group to be able to complete its restructuring process aimed at achieving the long-term financial strength.

Milan, August 3, 2015

Reconta Ernst & Young S.p.A.
Signed by: Giuseppe Savoca, Partner

This report has been translated into the English language solely for the convenience of international readers

HALF-YEARLY REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE

HALF-YEARLY REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE

The corporate governance structure of Prelios S.p.A. (hereinafter, "**Company**" or "**Prelios**") is organised along the lines of a "traditional" management and control system, in which the management function rests solely with the Board of Directors, the supervisory function with the Board of Statutory Auditors, and the audit function with independent auditors registered in the special register kept by CONSOB.

In accordance with the recommendations of the Self-Governance Code of listed companies recommended by Borsa Italiana S.p.A. (hereinafter, the **"Code"** or the "**Self-Governance Code**") that the Company has adopted and the principles of corporate governance observed at the international level and advocated within the European Union, the Board of Directors has also set up internal committees with policymaking and advisory functions. The Code is available to the public at the website *http://www.borsaitaliana.it/comitato-corporate-governance/codice/codice.htm.*

Since its inception, Prelios has had a corporate governance system designed to manage and control the Company in line with market best practice, defining the precise distribution of roles and rights between the various company bodies in order to comply with the law, regulations, codes of conduct, procedures and Company regulations.

The key corporate governance documents of Prelios include:

- the Articles of Association;
- the Regulations on Shareholders' Meetings;
- the Code of Ethics and Conduct Guidelines, an integral part of the Organisational Model pursuant to Legislative Decree; 231/01;
- the Procedure for Related-Party Transactions;
- the Procedure for the flow of information to directors and Statutory Auditors;
- the Code of Conduct for Real Estate Transactions;
- the Procedure for the Management and Public Disclosure of Price-Sensitive Information and the Insider Register, updated most recently on May 14, 2015;
- the Memorandum on Internal Dealing.

The complete versions of the aforementioned documents are available in the governance section of the Company website www.prelios.com (hereinafter, the "**Website**").

The purpose of this Half-Yearly Report on Corporate Governance and Ownership Structure (hereinafter, the "**Report**") is to provide a voluntary illustration of the principal changes and additions made to the corporate governance system during the current year as compared with the information provided in the Annual Report on Corporate Governance and Ownership Structure 2014, approved by the Board of Directors at its meeting on March 10, 2015. That report is available on the Website and was prepared pursuant to Article 123-*bis* of Legislative Decree 58 of February 24, 1998, (hereinafter, "**Consolidated Law on Finance**"), to which the reader is referred for more details.

* * *

The Ordinary and Extraordinary Shareholders' Meeting (the "**Shareholders' Meeting**") was held on a single call on June 24, 2015.

<u>During the Ordinary Shareholders' Meeting</u>, the Shareholders' Meeting not only approved the annual financial report 2014 but also appointed Ms. Valeria Leone to fill the Company Board of Directors' seat vacated upon resignation by Ms. Claudia Bugno. Ms. Leone will hold this position until expiry of the current term of the Board of Directors, thereby confirming the total number of its members at fifteen.

Ms. Leone was appointed on motion by the shareholder Pirelli & C. S.p.A., which was publicly announced on June 19, 2015 together with the candidate's curriculum vitae. This provided the public with advance information about her personal and professional qualifications and satisfaction of statutory prerequisites to be designated as Director of the Company.

The Director newly elected by the Shareholders' Meeting was then granted the portion of remuneration due to her (amounting to Euro 30,000.00 annually, gross), in accordance with the relevant resolutions approved by the Shareholders' Meeting on May 8, 2013 and the Board of Directors meeting on May 30, 2013.

The Shareholders' Meeting approved the annual financial report 2014 and the aforementioned motion made by the shareholder with more than 99% and 98%, respectively, of the voting shares represented at the Shareholders' Meeting.

At its first meeting held immediately after the new Director was appointed, the Board of Directors verified that she satisfied the integrity requirements imposed by law. She was designated as a non-independent director pursuant to the Consolidated Law on Finance and the Self-Governance Code.

The Board of Directors is currently composed of 15 members, seven of whom are non-executive and independent and meets the gender balance requirements pursuant to current law and the Articles of Association. Its composition is illustrated in the governance section of the Website. For information on the personal and professional background of each director, please see their curricula vitae on the Website.

Then, in light of the provisions of Art. 123-*ter* of the Consolidated Law on Finance and Art. 84-*quater* of the CONSOB Issuers Regulation, the Shareholders' Meeting voted in favour of the Company's Remuneration Policy for its directors, general managers and key managers and the procedures used to adopt and implement that same policy.

The Shareholders' Meeting approved the proposal made by the Board of Directors, with more than 98% of the voting shares represented at the Shareholders' Meeting.

The Remuneration Report, including the Remuneration Policy, is available in the governance section of the Website.

During the Extraordinary Shareholders' Meeting, the Shareholders' Meeting – acting pursuant to Article 2446, paragraph 2, Italian Civil Code – resolved in favour of covering the entire loss for the year, Euro 74,129,720.08, the loss for the previous year, Euro 299,772,019.32 and the pre-existing "other reserves" of negative Euro 5,570,314.65, as shown in the annual financial report 2014, by:

– using all the available reserves, amounting to Euro 2,255,864.80;
– reducing the share capital in the amount of Euro 377,216,189.25, without cancelling the shares insofar as they have no par value.

Since the share capital was reduced to Euro 49,225,067.95, Article 5 (share capital) of the Prelios Articles of Association was consequently amended.

The Shareholders' Meeting approved the motion made by the Board of Directors with 100% of the voting shares represented at the Shareholders' Meeting.

Following completion of the aforementioned actions, the share capital is Euro 49,225,067.95, divided as shown in the following table.

SHARE CATEGORY	NO OF SHARES	% OF SHARE CAPITAL	LISTED
Ordinary shares (ISIN IT0004923022)	506,953,179	70.612	Listed on the Automated Screen-based Trading System organised and managed by Borsa Italiana S.p.A. – Small Cap Segment
Category B shares (ISIN IT0004936024)	210,988,201	29.388	Not listed

At the date of this Report, Fenice S.r.l. – a company owned by Feidos 11 S.p.A., Pirelli & C. S.p.A., Intesa Sanpaolo S.p.A. and UniCredit S.p.A. – owned all 210,988,201 Category B shares, without voting rights and not listed on regulated markets.

On the basis of the notices received pursuant to Article 120 of the Consolidated Law on Finance and other information available, as well as that published by Consob[1], the holders of ordinary shares exceeding 2% of the voting capital of Prelios are as follows:

REPORTING PERSON OR ENTITY	**DIRECT SHAREHOLDER**	**% OF ORDINARY SHARE CAPITAL**	**% OF VOTING SHARE CAPITAL**
Pirelli & C. S.p.A.	Pirelli & C. S.p.A.	**29.219**	**29.219**
UniCredit S.p.A.	UniCredit S.p.A.	**14.020**	**14.020**
Marco Tronchetti Provera	Coinv S.p.A.	*8.104*	*8.104*
	Cam Partecipazioni S.p.A.	*0.007*	*0.007*
	TOTAL	**8.111**	**8.111**
Intesa Sanpaolo S.p.A.	Intesa Sanpaolo S.p.A.	**6.554**	**6.554**
Banca Popolare di Milano S.c.a.r.l.	Banca Popolare di Milano S.c.a.r.l.	**5.617**	**5.617**
Banca Monte dei Paschi di Siena S.p.A.	Banca Monte dei Paschi di Siena S.p.A.	**3.337**	**3.337**

The Company owns 1,788 treasury shares in portfolio, while the subsidiaries do not own any ordinary shares in it.

Moreover, in regard to the agreements material to Prelios pursuant to Article 122 of the Consolidated Law on Finance, it is hereby disclosed that under the agreements made between the parties involved in the transaction to shore up the balance sheet and financial position of the Company through recapitalisation and rebalancing of its financial structure approved by the Extraordinary Shareholders' Meeting on May 8, 2013 and concluded last year:

i. Feidos 11 S.p.A., Intesa Sanpaolo S.p.A., Unicredit S.p.A. and Pirelli & C. S.p.A. accepted and signed a Shareholders' Agreement (hereinafter, the “Fenice Agreement”) concerning Fenice S.r.l. (and accepted by Fenice S.r.l. itself), the company that owns all the category B shares without voting rights, amounting to 29.388% of the economic capital of Prelios. The Fenice Agreement governs the rights and obligations of the parties in relation to: (i) the governance and transferability of the investments held in Fenice S.r.l.; (ii) the disposal of the investment that Fenice S.r.l. acquired in Prelios and (iii) the transferability of some shares issued by Prelios that are or will be held by the parties. On June 30, 2014, in implementation of the Fenice Agreement, Pirelli & C. S.p.A. contributed to Fenice S.r.l. all the 93,390,705 category B shares that Pirelli & C. S.p.A. previously subscribed following the previously mentioned conversion of the “Prelios Convertible Loan 2013-2019”. In consequence of that contribution, Pirelli & C. S.p.A. no longer owns any category B shares. The last update to the Fenice Agreement was published on February 3, 2015;

ii. Fenice S.r.l. initially entered into separate co-sale agreements affecting Prelios with Camfin S.p.A., Massimo Moratti, Monte dei Paschi di Siena S.p.A., Banca Popolare di Milano S.c.a.r.l., Banca Popolare di Sondrio S.c.a.r.l., Banca Popolare dell’Emilia Romagna Soc. Coop., Banca Carige S.p.A. and UBI Banca Soc. Coop. p.A. (formerly Centrobanca – Banca di Credito Finanziario e Mobiliare S.p.A.) which regulate the terms and conditions under which Fenice S.r.l. has granted each of the aforementioned owners co-sale rights covering the securities of Prelios owned by them at the date they exercise said right. With effect from February 18, 2014, the co-sale agreement between Fenice S.r.l. and Massimo Moratti was terminated by mutual consent. Likewise, the co-sale agreement between

[1] *The percentages disclosed to the public, as drawn from CONSOB's website, derive from notices from shareholders pursuant to Art. 120 of the Consolidated Law on Finance. Accordingly, the percentages indicated therein might not be in line with the figures prepared and disclosed to the public by various sources, if the change in an investment did not entail an obligation for the shareholder to give notice under the laws and regulations in effect at the time.*

Fenice S.r.l. and Camfin S.p.A. was terminated by mutual consent, effective December 1, 2014. The latest amendment to the Co-sale Agreements was published on July 1, 2015;

Moreover, on May 24, 2014, within the broader framework of agreements concerning the published strategic development and corporate reorganisation project for Pirelli & C., Nuove Partecipazioni S.p.A., Intesa Sanpaolo S.p.A. and UniCredit S.p.A. entered into a shareholders' agreement concerning, inter alia, the management of the Prelios ordinary shares currently held by Coinv S.p.A. The final update of the aforementioned shareholders' agreement was published on April 20, 2015.

The excerpts containing the key details of the aforementioned agreements and clauses are all available on, inter alia, the website of Consob and published on the Website together with the related financial notices.

*

Finally, two Board of Directors meetings, three Remuneration Committee meetings and five Internal Control, Risk and Corporate Governance Committee meetings were held during the first half of 2015.

* * *

Milan, July 29, 2015

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Share capital Euro 49,225,067.95
Companies' Register of Milan
Tax code and VAT No. 02473170153
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