HALF-YEARLY FINANCIAL REPORT 2016

A. INTERIM REPORT ON OPERATIONS

1. CORPORATE REVIEW

1.1. Group profile

Prelios is one of the leading European groups operating in the alternative asset management and real estate services sector. Listed on the Italian Stock Exchange since 2002, the holding company Prelios S.p.A. coordinates several operating companies that together form a network recognised and repeatedly awarded for its quality, efficiency and reliability.

Operating in Italy, Germany and Poland, the Group has a qualified staff of about 400 professionals with significant professional expertise and a track record of excellence in their endeavours over the years on a competitive international market.

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

Between the end of 2015 and the first few months of 2016, Prelios completed the process of repositioning the Group as a “pure management company”, which began in 2013. This was accomplished by separating the investments business from the real estate services and management business. This operation was carried out by transferring the Investments Business Unit to Focus Investments S.p.A., a company owned by Prelios S.p.A., Intesa Sanpaolo S.p.A., UniCredit S.p.A. and Pirelli & C.. Consequently, the Prelios Group now owns a non-controlling interest in Focus Investment S.p.A., as described in more detail in part 7. Its activities are concentrated in the Services sector through independent operating companies; it is a major real estate management and services operator offering a complete and integrated range of services to grow the asset value of third-party investors. In particular, Group activity includes:

Alternative Asset Management:

• management of real estate funds and asset management (“Funds & asset management*”*);

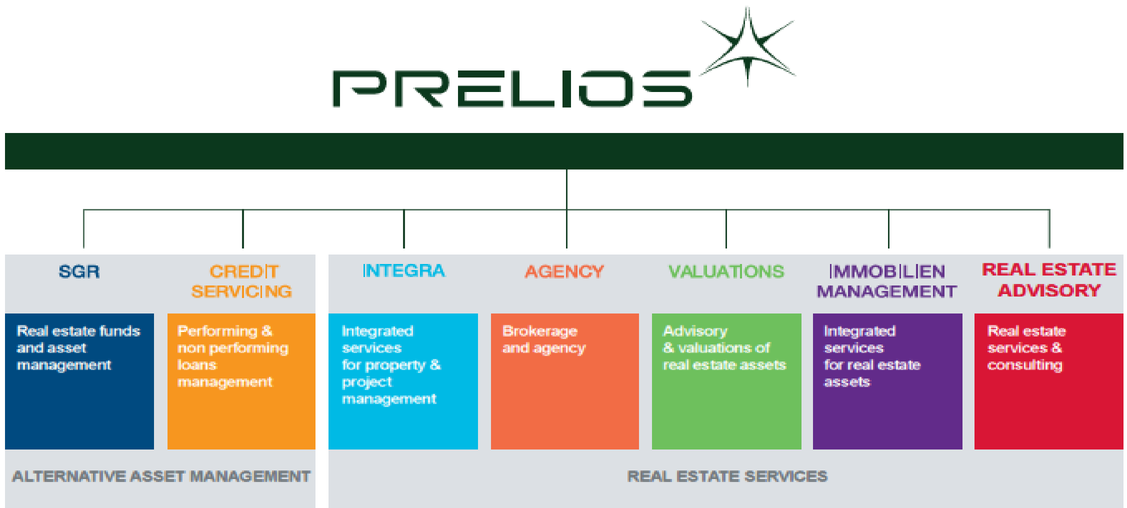
• non performing loans management – credit servicing.

Real Estate Services:

• integrated asset services, which include property and project management (*“*Integra*”)*, real estate agency services (“Agency*”*) and real estate appraisals (“Valuations*”*);

• the Group also operates in Germany through highly specialised divisions in the commercial real estate segment. In Poland it is mainly active in the management and improvement of areas under development.

The following graphic presents a description of the Group structure and principal activities in the Services sector.



1.2. Activities and services

1.2.1. Alternative Asset Management

Acting through independent companies, the Italian management platform of Prelios offers the full range of services for the management and development of real estate assets.

Prelios SGR – Real estate fund management

The Group manages real estate funds through its subsidiary Prelios SGR[1], which, with its 29 funds and approximately Euro 3.8 billion[2] of managed assets, is among Italy's foremost asset management companies.

Prelios SGR today relies on a management team with vast 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 investment funds and in advisory services for leading institutional investors, both domestic and international, which as partners help it define its real estate investment strategies.

The funds managed by Prelios SGR include a broad and diversified base of about 100 domestic and international investors, including insurance companies, pension funds, foundations, financial institutions and sovereign funds. The managed funds also include a retail real estate fund listed on the MIV (Market for Investment Vehicles) segment of Borsa Italiana: Tecla, the first fund accepting private investments in Italy that was offered 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

[1] On March 9 Prelios S.p.A. completed purchase of 10% of the shares of Prelios SGR owned by Intesa Sanpaolo S.p.A. on the basis of its signed commitment to do so as part of the transfer and capital increase, for a consideration of Euro 6.5 million. Pursuant to the Underwriting Agreement, the debt of Prelios S.p.A. for purchase of the shares is extinguished through offsetting with the debt of Intesa for payment of the Prelios S.p.A. shares subscribed for a total of Euro 5.6 million, while the remaining amount has been paid in cash. This buy-back is consistent with the aim of Prelios S.p.A. to reacquire full control of the entire shareholding in Prelios SGR.

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

9001:2008 Quality Management certification from IMQ, confirming its ongoing commitment to international best practice.

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

Prelios Credit Servicing (PRECS) is one of the top players in the field of managing and adding value to impaired loans and particularly non-performing loans (i.e. loans whose collection is uncertain, both in terms of due dates and the amount of exposure).

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

The company 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 Risks Database.

In accordance with the implementing provisions of the reform of Title V of the Consolidated Banking Act, on October 8, 2015 the company applied to the Bank of Italy for entry in the Single Register of Financial Intermediaries envisaged in Article 106 of the Consolidated Banking Act. It was registered in April 2016. Although this was a necessary act of compliance, its entry in the register regulated and supervised by the Bank of Italy marked a step in the development of Prelios' activities in this sector, in which it is one of the leading independent institutional and supervised entities in Italy.

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 agent, note holder representative and portfolio manager.

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

It 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 property portfolios by 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.

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 real estate professionals.

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

- its own independence, which allows the Company to interact with all operators in the sector while guaranteeing realisation of the best strategies for management of the NPLs;
- specific expertise in the securitisation business, allowing 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;
- use of a cutting-edge proprietary information system capable of supporting the various corporate functions.

In the "servicers" market, the Company is a leading player with its Euro 9.3 billion[3] of loans under management, boasting a strong reputation among major Italian and international financial institutions and ratings from the major ratings agencies.

Its high ranking by rating agencies confirms the reliability and solidity of PRECS:

[3] Gross Book Value.

- Standard & Poor's ABOVE AVERAGE (August 2015) rating as *Special and Master Servicer;*
- Fitch *Special Servicer* (June 2016) rating of RSS2+/CSS2+.

1.2.2. Real Estate Services

ITALY

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 operates asset and portfolio management, global service (facilities maintenance, services), property management, project management, specialised service, brokerage and agency service and appraisal activities.

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 operators in integrated property management and project development services, with about Euro 4.7 billion in assets under management, representing over 5.3 million square metres.

Prelios Integra offers active, dynamic integrated asset management service (property, project, building management, HSE - Health & Safety, Environment / Energy, due diligence, urban planning and engineering advisory) aimed at adding value for public and private clients. This ranges from administrative and accounting management of properties, to dealings with tenants, technical and maintenance services and research and sales support.

As part of its 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, and the FICO Eataly World Project that was a finalist for the Mipim Awards 2015.

In regard to its building management activities, Prelios Integra performs integrated ordinary and special management of properties, engineering work supporting all activities inside the buildings it manages, while also guaranteeing compliance with environmental and safety regulations.

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 brokers, 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 team of qualified professionals 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 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.

The company is divided into two business units:

i) "Capital Market & Institutional Leasing", which is focused on selling real estate portfolios (handled on a block basis) and big assets, and property leasing,

ii) “Network Transactions”, which handles the sale of real estate assets scattered across Italian territory (small assets), subdivisions and residential construction sites.

Prelios Valuations – Valuations

The subsidiary Prelios Valuations & e-Services is one of Italy's foremost independent providers of appraisals for individual properties and real estate portfolios in the service and residential segments.

The company is currently engaged to perform over 60,000 appraisals annually and is one of the top companies providing appraisal services to banks in Italy (“Loan Services”). The company employs an established team of over 700 professional surveyors registered with qualifying professional bodies, who operate in compliance 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 appraisals sector.

The organisational structure is divided into three areas of activity:

- *Mass Appraisals*, involving appraisal of the value of big real estate portfolios by using statistical methods employing the Magister proprietary technology;
- *Full Appraisals*, which determine the value of properties and real estate portfolios by using, inter alia, economic and financial analyses;
- *Loan Services*, consisting of support services for lending by bank groups, leasing companies and private banking.

Prelios Valuations quality system is certified with ISO 9001:2008.

GERMANY AND POLAND

From its three offices in Hamburg, Frankfurt and Warsaw, the Prelios Group operates as a player in the central European real estate services market.

In Germany, it operates under the brand name Prelios Immobilien Management, where it manages a platform of services dedicated to commercial real estate. Its special focus is on the management of shopping centres and retail or mixed use properties for non-captive clients.

Its management was strengthened between the end of 2015 and the beginning of 2016 with the addition of senior managers. Their mission is to develop a second business area dedicated to structuring and managing investment funds for institutional investors (alternative investment management).

In June 2016 the Luxembourg company Prelios Investment Advisory S.à.r.l. (100% Prelios Deutschland GmbH) was formed. It will be the general partner of the new “Prelios German Retail Property Fund”. This will allow the activities in Germany to focus their business on Alternative Asset Management. The fund, targeting international institutional investors, will concentrate on the management of shopping centres, department stores and retail properties in Berlin and other cities in west Germany. The fund is expected to commence operations in early 2017. The Luxembourg financial regulatory authorities granted their approval at the beginning of July. Its purpose will be to invest in high potential but under-performing properties that need to be repositioned through such activities as streamlining the tenant mix, refurbishment of spaces or structural modifications, with a low rate of indebtedness (35% across the portfolio).

As a services platform, the company acts as a full service provider by offering a complete range of integrated services broken down into three business lines:

- ✓ *Shopping Centre Management;*
- ✓ *Development Services;*
- ✓ *Transaction Management.*

The services include buy-side advisory, refurbishments and development, commercial and technical property management, shopping centre management, letting, asset management, portfolio management and transaction management.

With its specific focus and solid experience in repositioning and managing complex properties (shopping centres and department stores) – be they problematic or non-problematic – located in urban contexts, the company operates in a market with less competitive pressure than what is typical for the management of "simpler" properties such as the office segment.

Relying on a management staff with over 20 years of experience in the sector, it manages about Euro 1.6[4] billion in assets and Euro 0.8 million square metres of spaces, guaranteeing institutional and private investors with tailor-made services.

Numerous awards and accolades confirm its expertise and experience as an active operator of real estate services with high quality standards, such as its top place for three consecutive years (2012, 2013 and 2014) in the *Shopping Centre Performance Report* (SCPR) ranking for the LAGO shopping centre in Constance[5].

Prelios Immobilien Management also has ISO 9001 and ISO14001 quality certification.

The Prelios Group has operated in Poland for ten years. From its historic development activity, it has now moved on to property services and investment management for non-captive clients, with the formation of Prelios Real Estate Advisory in 2015.

Its business model is aimed at providing professional advice in all phases of an investment project, from market analysis, to identifying and selecting projects, audits, due diligence, loan management, asset management services, including management of agreements with tenants and sale of the property, while providing advice on how to enhance the value of properties, streamlining costs and improving management processes. Another added value offered by Prelios Real Estate Advisory is represented by its advisory services for the management of distressed assets (e.g. non-performing loans) so that they return to profitability.

Over the last several years, the firm has developed residential properties in Warsaw and Danzig consisting of over 3,000 units and retail projects in various locations totalling 46,000 square metres. Both of these areas of activity feature the implementation of high eco-sustainability standards. Moreover, the company has specific know-how in the planning and provision of technical assistance for building construction in the health sector (hospitals and university centres). Its clients include major public and private investors.

[4] These include the appraisal of property portfolios managed for non-captive clients.

[5] Ecostra, Shopping Center Performance Report 2012-2013.

1.3. Economic and financial highlights

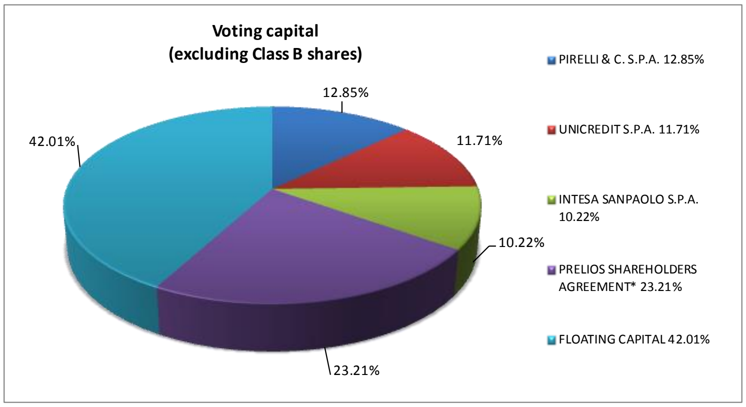
Income statement data	JUNE 2016	JUNE 2015
Consolidated revenue	**34.1**	**32.8**
EBIT	**(0.3)**	**(3.6)**
of which Management Platform	*3.3*	*1.6*
of which Holding (G&A)	*(3.6)*	*(5.2)*
Restructuring costs	(3.6)	(2.0)
Operating result Investment Activities	(13.3)	(4.7)
Consolidated net income/(loss) before discontinued operations	**(23.3)**	**(16.3)**
Net income (loss) from discontinued operations	-	3.2
Consolidated net income/(loss)	**(23.3)**	**(13.1)**

Balance sheet data	JUNE 2016	DECEMBER 2015
Equity	100.0	66.0
of which Group equity	*100.0*	*63.2*
Net financial position	3.0	184.9

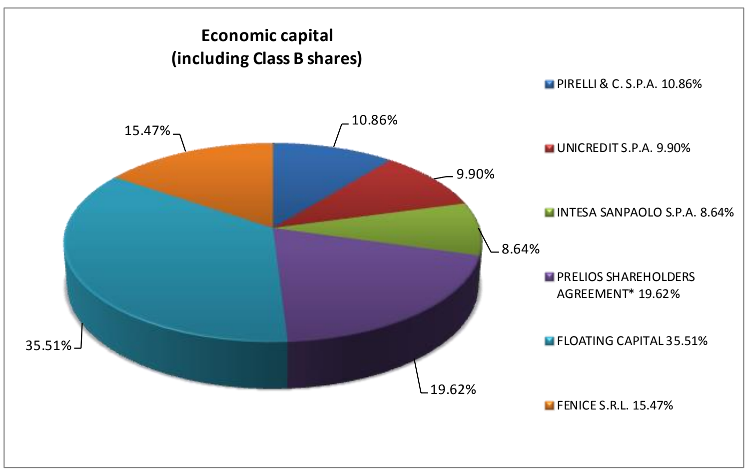
Indexes	JUNE 2016	DECEMBER 2015
Employees	408	454

1.4. Ownership at June 30, 2016

The following is a breakdown of voting share capital and economic capital held by shareholders with interests in excess of 5%, considering the notices received pursuant to Art. 120 of the Consolidated Law on Finance and the published information available from CONSOB[6].



* Prelios shareholders agreement - voting capital	
Deb Holding S.r.l.	6.62%
Negentropy Capital Partner LLP	3.31%
Feidos S.p.A.	3.24%
Fondazione Renato Corti	2.07%
Alexis De Dietrich	2.07%
Energia di Famiglia Srl	1.66%
York European Distressed Credit I	1.65%
Lunelli S.p.A.	1.27%
Porto Allegro S.r.l.	0.83%
Fulvio Conti	0.41%
Matteo Bruno Lunelli	0.09%
	23.21%



* Prelios shareholders agreement - economic capital	
Deb Holding S.r.l.	5.60%
Negentropy Capital Partner LLP	2.80%
Feidos S.p.A.	2.74%
Fondazione Renato Corti	1.75%
Alexis De Dietrich	1.75%
Energia di Famiglia Srl	1.40%
York European Distressed Credit I	1.39%
Lunelli S.p.A.	1.07%
Porto Allegro S.r.l.	0.70%
Fulvio Conti	0.35%
Matteo Bruno Lunelli	0.07%
	19.62%

In regard to the clauses applicable to Prelios having material importance for compliance with the Consolidated Law on Finance, the abstracts containing the key details of the cited agreements and shareholders' agreements are available, inter alia, on the Consob website and published on the Company website www.prelios.com together with related financial notices.

[6] The information published by Consob on its own website, based on the notices made by the entities subject to the obligations provided in Article 120 of the Consolidated Law on Finance and the Issuers' Regulations, might be significantly different from the real situation. The reason for such discrepancies stems from the fact that the obligations to notify variations in the percentage of shareholding are triggered not when this percentage simply changes but only when it "exceeds" or "falls below" predetermined thresholds specified in the statute. Only when those thresholds are passed does the entity have to notify Consob and the Issuer pursuant to Article 120 of the Consolidated Law on Finance.

1.5. Prelios share performance

Prelios stock is listed on the Automated Screen-based Trading System or MTA (Mercato Telematico Azionario) operated by Borsa Italiana.

The stock prices dating from before February 8, 2016 (the date on which the capital increase commenced) have been adjusted by the specific adjustment coefficient for the capital increase transaction.

During H1 2016, the price of Prelios stock slipped from about Euro 0.2694 to about Euro 0.073. This represents a decline of about -72.9% in a year marked by severe volatility on the stock market and non-recurring transactions that affected the Company.

During H1 2016, the FTSE MIB index fell by about -24.4%, and the FTSE Italia All-Share dropped by about -23.5%.

The Company commenced that capital increase in February 2016, completing it in March 2016. The final conditions of the capital increase, set by the Board of Directors on February 3, 2016, dictated the issuance of 646,145,631 new shares offered on a pre-emptive basis to Prelios shareholders according to an option ratio of 9 new shares for every 10 ordinary and/or Category B shares owned, at the subscription price of Euro 0.1029 (corresponding to a discount on the TERP[7] of about 34.4%).

The transaction took place during a market period dominated by extremely difficult and highly turbulent conditions. During the subscription period, the FTSE MIB fell by up to about -26.4% (February 11, 2016) from its level at the beginning of the year and up to about -34.4% (February 11, 2016) from its 2015 high (on July 20, 2015).

Prelios stock fell by about -43.2% between the date when the capital increase was set (closing price on February 3, 2016) and the final deadline for subscription of the shares after the unexercised pre-emptive rights were offered on the Stock Market (March 4, 2016).

During the subscription period of the Prelios share pre-emptive rights (February 8, 2016 – February 24, 2016), 419,798,781 shares were subscribed, amounting to 64.97% of the total number of shares offered. Instead, 171,723,825 shares, representing 26.58% of the shares offered, were subscribed after the offer on the Stock Market, during the February 29, 2016 and March 1, 2016 sessions, of the rights not exercised during the pre-emptive right subscription period. The remaining 54,623,025 shares, equal to 8.45% of the total number of shares offered, were subscribed by Intesa Sanpaolo S.p.A., in execution of the assumed underwriting commitments, through offsetting of the receivable claimed from Prelios for transfer to the latter of the 10% equity interest in Prelios SGR.

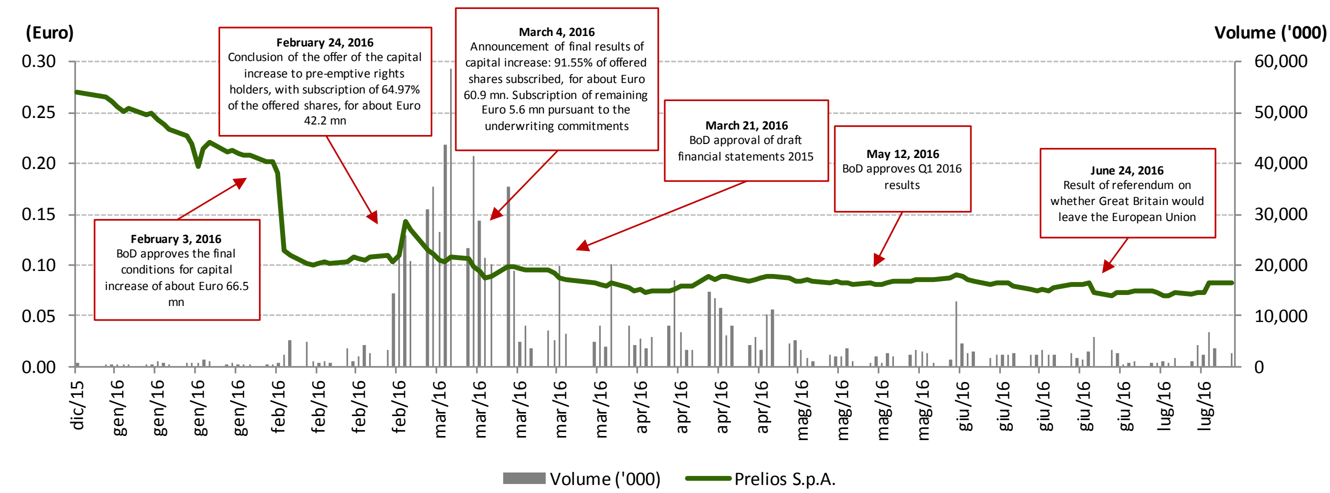
Following the capital increase, the share capital of Prelios is composed of 1,364,087,011 shares, of which 1,153,098,101 are ordinary shares and 210,988,201 are Category B shares.

After the June 24, 2016 referendum on the withdrawal of the United Kingdom from the European Union ("Brexit"), Prelios stock fell to an historic low of Euro 0.0702 per share on June 27, 2016. Its closing price decreased -14.4% between June 23, 2016 and June 27, 2016. During the same period, the FTSE MIB index fell by about -15.9%, and the FTSE Italia All-Share decreased by about -15.3%.

Prelios stock traded at Euro 0.073 per share on June 30, 2016 and Euro 0.0819 on July 18, 2016.

[7] The Theoretical ex right price (TERP) is the theoretical price of a share after exercise of pre-emptive right to a capital increase.

Prelios S.p.A. – Stock Performance

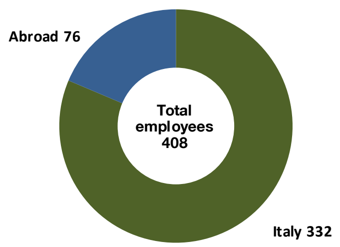


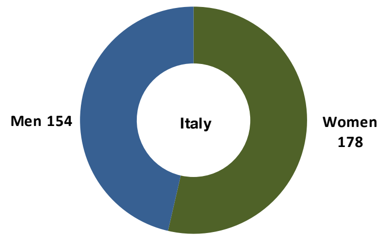
Source: FACTSET, prices for the period from December 31, 2015 to July 18, 2016 (the prices from before February 8, 2016, the date when the capital increase began, have been adjusted with the specific adjustment coefficient for the transaction).

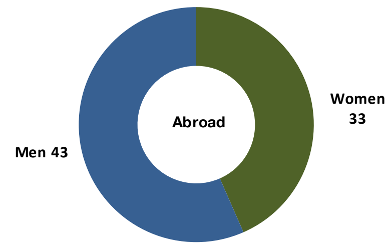
Share performance and market capitalisation	
Share performance of Prelios stock in H1 2016	-72.9%
Share performance of Prelios stock from June 30, 2016 to July 18, 2016	12.2%
Capitalisation at December 30, 2015 (ordinary stock + Category B shares)(*)	€ 193 mn
Capitalisation at June 30, 2016 (ordinary stock + Category B shares)(*)	€100 mn
Capitalisation at July 18, 2016 (ordinary stock + Category B shares)(*)	€112 mn

Note: (*) the price of Category B shares (unlisted) was assumed to be the same as that of the ordinary stock.
The prices from before February 8, 2016, the date that the capital increase commenced, have been adjusted
by a specific adjustment coefficient for the transaction.

1.6. Headcount[8]

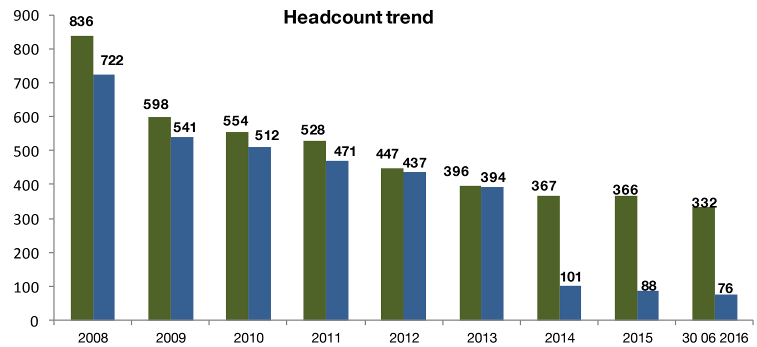






Average age

Italy	Abroad
42.4	44.3



The total headcount, including resources on temporary contracts, fell from 454 persons on December 31, 2015 to 408.

The deconsolidation of the Focus Group companies caused a reduction totalling 30 employees.

[8] Including resources on temporary contracts.

2. CORPORATE BODIES

Board of Directors [9]

Giorgio Luca Bruno	Chairman
Anna Maria Artoni	Independent Director
Mirja Cartia d'Asero	Independent Director
Rosa Cipriotti	Independent Director
Giovanni Gilli	Director
Valeria Leone	Director
Davide Mereghetti	Director
Arturo Sanguinetti	Independent Director
Giovanni Jody Vender	Independent Director
Massimo Marinelli	Board Secretary

General Manager

Riccardo Serrini[10]

Internal Control, Risk and Corporate Governance Committee

Arturo Sanguinetti	Lead Independent Director – Chairman
Anna Maria Artoni	Independent Director
Rosa Cipriotti	Independent Director

[9] On October 16, 2015 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, 2017. 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.

The Shareholders' Meeting held on May 19, 2016 – after Mr Sergio Iasi resigned as Director and Chief Executive Officer of the Company on March 21, 2016 – resolved to reduce the number of seats on the Company Board of Directors from 11 (eleven) to 10 (ten) members.

On May 24, 2016, Mr Andrea Mangoni resigned from his position as Director of the Company.

[10] On March 21, 2016, the Board of Directors of Prelios S.p.A. appointed Riccardo Serrini as General Manager of the Company.

Remuneration Committee

Giovanni Jody Vender	Independent Director – Chairman
Mirja Cartia d'Asero	Independent Director
Davide Mereghetti	Director

Board of Statutory Auditors [11]

Giorgio Loli	Chairman
Michela Zeme	Standing Auditor
Marco de Ruvo	Standing Auditor
Pietro Garibaldo Boiardi	Alternate Auditor
Francesca Adelina Alice Monti	Alternate Auditor
Antonio Salvi	Alternate Auditor

Supervisory Board

Arturo Sanguinetti	Chairman
Sergio Beretta	Member
Michela Zeme	Standing Auditor
Sergio Romiti	Member

Manager charged with preparing the Company's financial documents

Marco Andreasi [12]

Independent Auditors

Ernst & Young S.p.A.[13]

Via Meravigli, 12

20123 Milan

[11] The Shareholders' Meeting on May 19, 2016 appointed the members of the Board of Statutory Auditors until the approval of the financial statements at December 31, 2018.

[12] On October 16, 2015 the Board of Directors of Prelios S.p.A. confirmed Marco Andreasi as the Company's Chief Financial Officer and manager charged with preparing the company's financial documents pursuant to Art. 154-*bis* of the Consolidated Law on Finance.

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

3. PRELIOS IN THE FIRST HALF OF 2016

In 2015, the macroeconomic context in which the Company operates was still under pressure from a series of uncertainties over the growth prospects of the Italian economy in general, notwithstanding signals of a future recovery. The persistent crisis continued to impact the real estate sector even at the beginning of 2016. However, given the upswing in volumes, the signs of a slow recovery can be confirmed, driven mainly by the recent renewed interest in Italy's real estate sector by opportunistic foreign investors, prompted by the effects of repricing and the resulting upturn in gross yields and easier access to credit than in previous years. It is believed that investments will increase, being stimulated by the acceleration in domestic and foreign demand and improved financing conditions. Consequently, both the real estate services sector in general and the alternative asset management or fund management and credit servicing – NPL sector will benefit. The latter sector is affected in particular by major legislative and regulatory changes: the online process, enforcement procedures, and the Non-performing Loans Guaranty ("Garanzia Crediti in Sofferenza – GACS").

- On January 12, 2016, the Board of Directors of Prelios S.p.A. formally resolved to exercise the power, granted to it pursuant to Article 2443 of the Italian Civil Code by the Extraordinary Shareholders' Meeting of October 16, 2015, to increase the share capital up to the maximum amount of Euro 66.5 million (including any share premium) by issuing new Prelios ordinary shares, with no par value, as options to the shareholders (holding ordinary shares and holding Category B shares), in proportion to the number of shares held.
- Also on January 12, 2016, the capital increase for Euro 12 million reserved to Intesa Sanpaolo S.p.A., Pirelli & C. S.p.A. and UniCredit S.p.A. was executed in Focus Investments S.p.A., the special purpose vehicle to which were transferred all the Prelios real estate investments and co-investments. With the entry of the Partners in Focus Investments S.p.A., the new Articles of Association of the company were also adopted. Inter alia, they provide for the distribution of share capital in different categories of shares so that the governance of the company is apportioned equally amongst all four shareholders, with the consequent loss of control by Prelios.
- On February 3, 2016, the Board of Directors of Prelios S.p.A. set the final conditions for the capital increase by resolving to increase the share capital on a divisible and paid-up basis for a maximum par value of Euro 6,461,456.31 plus a total maximum share premium of Euro 60,026,929.12, and thus for a maximum aggregate total of Euro 66,488,385.43 including the share premium, through the issuance of a maximum total of 646,145,631 new shares, without specification of their par value, having the same characteristics as the outstanding shares (to be issued with regular entitlement to dividends), at an issue price per share of Euro 0.1029, of which Euro 0.0100 to be allocated to capital and Euro 0.0929 to be allocated to the share premium, to be issued as a rights offering to shareholders (owners of ordinary shares and owners of Category B shares) pursuant to Article 2441, paragraph 1, Italian Civil Code. The subscription was determined – in accordance with the resolutions of the Extraordinary Shareholders' Meeting of October 16, 2015 – in accordance with market practice and applying a 34.4% discount on the TERP[14] of the Prelios ordinary shares, calculated on the basis of the official Stock Market price on February 3, 2016, amounting to Euro 0,2053. The Shares were offered as options to shareholders holding Prelios ordinary shares and to shareholders holding Category B shares, at the Subscription price, based on an option ratio of 9 Shares for every 10 Ordinary shares held and/or for every 10 Category B shares held.
- On February 5, 2016, Consob approved the prospectus for the offering of the pre-emptive right to those entitled and the listing of newly issued shares of Prelios S.p.A. resulting from the divisible and paid-up capital increase. The proceeds resulting from the capital increase, totalling Euro 66.5 million, will be allocated as follows: Euro 48 million for repayment of the corporate debt, Euro 12 million to cover financial requirements related to development of the Services Platform, and Euro 6.5 million to acquire a shareholding of 10% in Prelios SGR, which is owned by Intesa Sanpaolo.

[14] *Theoretical Ex-right Price ("TERP"),* which is the theoretical price of a share after exercise of the pre-emptive right to a capital increase.

- During the subscription period, which began on February 8, 2016 and concluded on February 24, 2016, of the maximum 646,145,631 newly issued Prelios ordinary shares, a total of 466,443,090 pre-emptive rights were exercised for 419,798,781 shares, representing about 64.97% of the total shares offered, for a total countervalue of about Euro 43.2 million.

  In particular, in accordance with the commitments undertaken, UniCredit S.p.A. and Intesa Sanpaolo S.p.A. subscribed their assigned shares of the capital increase (totalling about 14.53% of the Shares offered), equal to approximately Euro 6.6 million and Euro 3.1 million respectively, released through voluntary partial offsetting of the corresponding portion of their respective receivables towards the Company. The 251,496,500 pre-emptive rights that were not exercised during the Subscription Period (the "unexercised rights"), for the subscription of 226,346,850 newly issued shares, corresponding to about 35.03% of the total shares offered, for a total value of about Euro 23.3 million, were offered on the Stock Market by Prelios S.p.A. pursuant to Article 2441 Italian Civil Code. Of these, 171,723,825 shares (equal to about 26.58% of the total number of newly issued ordinary shares) were subscribed for a total value of about Euro 17.7 million. Therefore, partly considering the shares subscribed at the end of the Subscription Period, a total of 591,522,606 shares (equal to about 91.55% of the total number of newly issued ordinary shares) were subscribed for a total value of about Euro 60.9 million.

- On February 25, 2016 Prelios S.p.A. subscribed the equity financial instruments issued by Focus Investments S.p.A. This is the special purpose vehicle to which all the business activities related to the real estate investments and co-investments of the Prelios Group were transferred, in exchange for a cash contribution of Euro 19.95 million, with the clarification that a portion amounting to Euro 50 thousand of the total Euro 20 million had already been paid by the company to Focus Investments S.p.A. when it was incorporated. Following satisfaction of this obligation, which had been imposed as one of the conditions for success of the overall Transaction, Prelios S.p.A. was fully released from liability for the approximately Euro 176 million in debt transferred to Focus Investments S.p.A. at the effective date of the transfer.

- Pursuant to the underwriting agreement made on February 3, 2016 with the Lending Banks of Prelios and the undertakings assumed in consequence thereof, on March 9 Intesa Sanpaolo S.p.A. subscribed the entire amount of unexercised pre-emptive rights, equal to about 8.45% or 54,623,025 shares – for a total value of about Euro 5.6 million, through conversion for the same amount of its own financial receivable from Prelios through offsetting mechanisms and in connection with purchase by Prelios of all the shares of Prelios SGR owned by Intesa Sanpaolo, amounting to 10% of the share capital. Following that subscription, the Capital Increase with Pre-emptive Rights was fully subscribed for a total value of Euro 66,488,385.43.

- On March 10, 2016 the Company reported the new composition of its share capital, fully subscribed and paid-up, which totals Euro 55,686,524.26, broken down into:
  - 1,153,098,810 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, unlisted.
- On March 21 the Company approved the Budget 2016 which, in the context of the Industrial Plan 2015-2017, confirms the focus of Prelios Group's activity on the Services sector (asset and fund management, property and project management, agency, valuations and credit servicing), as well as the full implementation of the new market-oriented business model, which requires new expertise and know-how to realise the strategy of gradual reduction of the captive activity and growth in revenue from non-captive clients. In particular, the Budget 2016 calls for increasing the volumes of assets under management. This is to be achieved principally by initiating the management agreements that have already been signed and obtaining new management mandates. The expected growth in margins is linked to this expected increase in sales turnover, to be realised gradually over the course of 2016. Consistently with the Industrial Plan 2015-2017, the Budget 2016 imposes the following specific short-term objectives:

- stabilisation and growth of service platform revenue, improvement of the margins for certain Group companies and implementation of the guidelines defined by the individual business units;
- operating implementation of the DoBank (formerly UCCMB) mandate;
- development of new strategic projects for the Group, with a particular focus on managed asset markets: Prelios, in accordance with current market trends and considering the Alternative Investment Fund Managers Directive (AIFMD), aims to attract major international investors with instruments alternative to real estate funds;
- transforming the German platform'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 northern Europe.
- launching new indirect investment vehicles: exploiting recent changes in 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) without any equity investment by the Group;
- continued focus on streamlining fixed costs.

The Budget 2016 confirms the targets announced to the market as part of the Industrial Plan 2015-2017 approved by the Board of Directors on August 6, 2015.

- On March 21, 2016 the Board of Directors of Prelios S.p.A. also examined and approved the Draft Financial Statements and Consolidated Financial Statements 2015, which were then submitted to the Ordinary Shareholders' Meeting on May 19, 2016.

- Moreover, on March 21, 2016 Mr Sergio Iasi, Chief Executive Officer of Prelios S.p.A., tendered his resignation after having achieved previously set objectives, concluding with the successful Capital Increase. In view of guaranteeing operating continuity and considering the new structure of the Group, key to the process of future growth by the Company through the creation of a European asset management centre, the Board of Directors established the General Management – but without having yet appointed a new Chief Executive Officer – and granted Mr Riccardo Serrini a mandate with full operating authority.

- On April 25, 2016, the Company announced that – pursuant to the envisaged terms and conditions, and in compliance with the applicable regulations governing gender balance – two slates of candidates to be appointed to the Board of Statutory Auditors were presented. The first slate was submitted by Intesa Sanpaolo S.p.A., Pirelli & C. S.p.A. and UniCredit S.p.A., while the second was submitted by Negentropy Capital Partners LLP, which declared that it was acting in the name and on behalf of the mutual fund named Negentropy Sicaf-Sif / Negentropy Special Situation Fund, Luxembourg, with the latter also being in the interest of all members of the agreement made by the various shareholders on February 26, 2016 and as subsequently amended on March 7, 2016.
- On May 2, 2016 the Board of Directors of Prelios S.p.A. resolved to amend the agenda of the Shareholders' Meeting in response to the request received from Negentropy Capital Partners LLP, which stated that it was acting in the name and on behalf of the Negentropy Sicaf-Sif / Negentropy Special Situation Fund, Luxembourg, owner of 38,173,500 ordinary shares of the Company, equal to 3.31% of the ordinary voting shares, by setting the following agenda:
    1) Financial statements as at and for the year ended December 31, 2015. Contingent resolutions.
    2) The appointment of new Directors, up to a maximum of 3 (three), subject to the redetermination of the number of members of the Board of Directors from the current 11 (eleven) up to 13 (thirteen) members. Contingent resolutions.
    3) The appointment of a Director and / or reduction in the number of Directors. Contingent resolutions.
    4) Appointment of the Board of Statutory Auditors:
        - appointment of the Standing and Alternate Auditors;

- appointment of the Chairman of the Board of Statutory Auditors;
- determination of the remuneration of the members of the Board of Statutory Auditors.

5) Remuneration Report: consultation on the Remuneration Policy.

- The Ordinary Shareholders' Meeting of Prelios S.p.A. met on May 19, 2016. A total of 61.94% of the ordinary share capital participated and approved the annual financial statements for 2015, which closed with a net loss of about Euro 29.6 million (Euro -74.1 million in 2014). The consolidated loss was about Euro 44.5 million (Euro -61.1 million in 2014).

  Moreover, following the resignation of Sergio Iasi tendered on March 21, 2016, the Shareholders' Meeting resolved to reduce the number of seats on the Board of Directors from 11 to 10, in compliance with applicable laws and regulations, including those affecting gender balance, with 61.89% of the participants voting in favour.

  Then, the Shareholders' Meeting used the slate voting system to elect the members of the Board of Statutory Auditors for the financial years 2016-2017-2018, by voting on the two slates that had been presented and announced to the market on April 25, 2016. In particular, the following were elected pursuant to applicable legislative and regulatory provisions and the Articles of Association:

  - two Standing Auditors and two Alternate Auditors from the slate submitted by Intesa Sanpaolo S.p.A., Pirelli & C. S.p.A. and UniCredit S.p.A., which received the majority of votes;
  - the Chairman of the Board of Statutory Auditors and one Alternate Auditor were elected from the slate submitted by Negentropy Capital Partners LLP[1] (which declared that it was acting in the name and on behalf of the Negentropy Sicaf-Sif / Negentropy Special Situation Fund, Luxembourg).

The Board of Directors approved the Industrial Plan 2015-2017 on August 6, 2015, as well as the guidelines for the "Centauro" extraordinary transaction, involving the spin-off of the Investments Business Unit from the Services Business Unit. Between the end of 2015 and the beginning of 2016, the Group carried out and completed this major restructuring process, which ultimately led to:

- repositioning Prelios as a "pure management company" and the related reduction in risks inherent in the business model adopted in the recent past, deriving from completion of the spin-off of the Investments Business Unit from the Services Business Unit;
- a capital increase totalling Euro 66.5 million;
- a major reduction in debt through (i) the spin-off of the Investments Business Unit and (ii) partial repayment of the corporate debt with a portion of the proceeds from the capital increase.

Moreover, the Budget 2016 approved on March 21, 2016 envisaged an increase in the volumes of managed volumes. This was to be achieved principally through the start of operations based on previously signed management agreements and through obtaining new management mandates. The expected increase in turnover to be realised gradually over the course of 2016 is connected with the forecast increase in margins.

In particular, this gradual increase in forecast turnover is expected to occur mainly in the second half of the year. As confirmed on the basis of current conditions, H2 2016 will reap the benefits resulting from the greater commercial efforts made by management during the past several months upon successful conclusion of the Extraordinary Transaction, which has allowed it to focus entirely on the Services business. As described in greater detail in the part “Outlook”, the large increase in revenue forecast for H2 2016 will thus entail constant and attentive monitoring by management in order to confirm the results reported to the market. The Directors presently believe that these targets are attainable, partly on the basis of the results achieved during the first half of the year.

The following principal achievements were made in H1 2016:

1) <u>Alternative Asset Management</u>

SGR

- Four new real estate funds were created in the first six months of 2016, with managed volumes increasing by Euro 225 million through June 30, 2016, of which Euro 185 million from new funds/mandates:
  - ✓ Bernina Social Housing Fund (AUM target Euro 50 million) to be invested in real estate – originally offered as collateral for credit exposures classifiable as "past due" or "probable defaults" – which, after improvements, offer the opportunity of repositioning in the social housing sector;
  - ✓ Madison Imperiale Fund (AUM Euro 80 million), with the aim of investing in light industrial real estate;
  - ✓ Restart Fund (target AUM Euro 50 million), to be used for investment in real estate originally posted as collateral for creditor exposures classifiable as "past due and/or overdrawn exposures" and "probable defaults";
  - ✓ Logita Fund (AUM Euro 80 million, target Euro 300 million), with the aim of investing in logistics real estate.
- The internal growth prospects of the asset management company ("SGR") will be focused not only on traditional real estate funds (e.g. assets of social security institutions and pension funds, public contributions, capital assets), but necessarily also in the area of "innovative" funds (e.g. social housing, school buildings, credit funds, infrastructure), and new investment structures (e.g. "Sicaf" – fixed capital investment companies, "Sicav" – open-end investment companies, "SIF" – land investment companies, "SIIQ" – listed real estate investment companies).

Credit Servicing

During the period, the Company was authorised to be entered in the new register of financial intermediaries pursuant to Article 106 of the Consolidated Banking Act, as provided by Circular 288/2015 of the Bank of Italy. The following targets were achieved:

- Upgrade by the Fitch rating agency: the rating was raised from 'Rss2' and 'Css2' to 'Rss2+' and 'Css2+' and reflects the consolidation of the senior management team, improvement in the operating organisation of PRECS and the focus on business development activities;
- Multioriginator Platform: PRECS continues to be involved (as Master and Special Servicer) on the first open multioriginator platform for securitisation of NPL receivables of Italian banks. This operation calls for ramp-up of the portfolio to Euro 1 billion in acquisition capacity;
- GBV underlying offers in the pipeline totalling about Euro 2 billion;
- AUM (assets under management) at June 30, 2016 totalling about Euro 9.3 billion (30% special servicing and 70% master, corporate, portfolio, etc.); newly acquired assets amounting to about Euro 100 million.

Germany

- During H1 2016 the Investment Management organisation was reinforced further, with a focus on Fund Management & Separate Account Investment Management.

2) <u>Real Estate Services</u>

The reference market remained generally stagnant, but with positive signals emerging from the services segment. Therefore, the priorities for this sector have been and will remain the following in H2 2016:

- ✓ Continue efforts to introduce and develop clients from outside the Group;
- ✓ Increase the number of framework agreements with corporate and bank entities in order to increase and stabilise volumes;
- ✓ Increase activities in high margin business lines (engineering, project management, advisory, capital market);
- ✓ Aim at sales transactions on medium and large sized transactions and properties located not only in Milan and Rome;
- ✓ Participate in calls for tenders to manage public and private assets;
- ✓ Continue marketing services to banks in order to strengthen the Company's presence in the loan services market;
- ✓ Create services aimed at releasing regulatory capital for banks and develop new systems to mitigate credit risk.

On the basis of what has been described above, and on the basis of the results at June 30, 2016, which confirm and show marginal improvement on the H1 2016 figures indicated in the Budget 2016 – which was completed upon approval of the annual financial statements 2015 – the Directors believe that the actions taken have set the bases for rebalancing the equity and financial position, notwithstanding persistence of the inevitable uncertainties tied to performance of the sector and connected development of the business.

In this context, the Directors are presently unaware of any elements that might lead them to consider the Budget 2016 and Industrial Plan 2015-2017 unachievable. In particular, the Directors believe that all the executed actions are adequate to overcome contingent uncertainties over the viability of the Group as a going concern and, therefore, that the Group may continue operating. However, maximum attention has to be dedicated to continuous monitoring of the level of available liquidity.

4. NOTES ON MAIN GROUP ECONOMIC AND FINANCIAL DATA

This Half-yearly Financial Report at June 30, 2016 was prepared by assuming that the described spin-off and subsequent loss of control be accounted for on a "continuity of values" basis, consistently with the analyses prepared by the Company, also in accordance with the qualified opinions received.

When preparing future financial reports, the directors will carefully consider all circumstances that might lead to recognition of Focus Investments at fair value, rather than on a "continuity of values" basis, while recalling that (i) Consob is currently examining the fairness of this accounting treatment, (ii) the adoption of fair value accounting would not have a material impact on the annual result and net equity reported in the consolidated financial statements.

This section contains an analysis of the income statement, balance sheet and cash flow statement of the Group at June 30, 2016. 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 ordinary 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 and are applied to disaggregate financial figures based on the nature of the events which led to their origination. Non-GAAP measures are also included in the balance sheet and financial position analysis in paragraph 4.2. 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.

In particular, the following indicators are isolated to determine the non-GAAP measures indicated below: "restructuring costs" and "net income (loss) from investment activity", as illustrated in more detail in the following paragraph.

The indicator that best reflects the performance of Group activity is "EBIT)", consisting of operating result inclusive of the results from participation of the Management Platform before restructuring costs and by general and administrative expenses (G&A).

4.1. Income statement

(Euro/milion)	JUNE 2016	JUNE 2015
Consolidated revenues	34.1	32.8
EBIT Management & Holding Platform : operating result before restructuring costs	(0.5)	(4.0)
EBIT Management Platform: net income from equity investments before restructuring costs	0.2	0.4
EBIT	**(0.3)**	**(3.6)**
Operating result Investment Activities	(13.3)	(4.7)
Financial expenses	(4.8)	(4.3)
Restructuring costs	(3.6)	(2.0)
Result before taxes	**(22.0)**	**(14.6)**
Income taxes	(1.3)	(1.7)
Net income (loss) from continuing operations	**(23.3)**	**(16.3)**
Minority interests	0.0	0.0
Consolidated net income/(loss) before discontinued operations	**(23.3)**	**(16.3)**
Net income (loss) from discontinued operations	0.0	3.2
Consolidated net income/(loss)	**(23.3)**	**(13.1)**

Consolidated revenue amounted to Euro 34.1 million for the period ended June 30, 2016, compared to Euro 32.8 million in the first half of 2015. In particular, the revenue of the Management Platform[15], both in Italy and outside Italy, totalled Euro 33.7 million, of which Euro 15 million reported by the Italian real estate services companies (Euro +1.5 million), Euro 12.6 million by the alternative asset management companies (Euro +2.2 million) and, finally, Euro 6.1 million from the foreign companies (Euro +0.3 million).

The EBIT[16] (inclusive of the holding company G&A costs) was a negative Euro 0.3 million. This represents an improvement on the figure reported for H1 2015, which totalled a negative Euro 3.6 million. It resulted from higher business volumes, recovery of margins by the operating companies and containment of central organisation costs. Net of general and administrative expenses, the result of the Alternative Asset Management platform (fund and asset management and credit servicing) and of Real Estate Services connected with property and project management, agency and valuations, inside and outside Italy, was a positive Euro 3.3 million, up from the positive Euro 1.6 million booked during the same period of 2015.

After the previously described extraordinary transaction involving spin-off of the business activities connected with real estate investments and co-investments from those connected with services activities, the Prelios Group recognises its investee Focus Investments S.p.A. (beneficiary of the spin-off) at equity. Therefore, the economic contribution made by the investment is recognised under the item "net income from investments".

During H1 2016 the Investment activities[17] posted a loss of Euro 13.3 million, worse than the figure reported at June 30, 2015 (Euro -4,7 million). This result includes the revaluations/impairments of equity investments and real estate investments that had a pro-rated negative impact totalling Euro 3.4 million in H1 2016, and which refer almost entirely to the property portfolio in Italy, against net revaluations of Euro 2.5 million reported at June 30, 2015. The negative impact reported during H1 2016 stemmed particularly from the impairments made by the FIPRS Fund (Euro -1.2 million) and the Tecla Fund (Euro -2.2 million).

Net financial expense in H1 2016 totalled Euro 4.8 million. This includes, inter alia, the negative impact on the income statement of Euro 3.4 million deriving from recognition of the difference between the carrying value and the face value of the financial debt, for Euro 48 million, repaid following the successful conclusion of the capital increase. The negative value of Euro 4.3 million at June 30, 2015 included the gain realised on repayment of the loan with UBI Banca on a lump sum basis.

Restructuring costs had a negative impact of Euro 3.6 million, compared to Euro 2.0 million in H1 2015. This mainly involved costs connected with streamlining Group organisation and operations.

Taxes, which totalled Euro 1.3 million compared with Euro 1.7 million for the period ended June 30, 2015, mostly relate to the companies in Italy. The balance mainly comprises changes in deferred taxes and IRAP (regional tax on productivity).

The net loss attributable to the Group was Euro 23.3 million at June 30, 2016, compared to a net loss of Euro 13.1 million recorded in H1 2015.

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.

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[15] Net of general and administrative (G&A) expenses.

[16] "EBIT means what the Group generates through its Alternative Asset Management activities (fund & asset management and credit servicing) and related services, defined Real Estate Services (property & project management, agency and valuations), 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.

4.2. Balance sheet and financial analysis

The following table presents an operating representation of the balance sheet at June 30, 2016 compared with December 31, 2015, which still included the component for investments and co-investments consolidated on a straight-line basis.

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

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

Fixed assets amounted to Euro 140.3 million at June 30, 2016, compared to Euro 289.2 million at December 31, 2015. About Euro 197.8 million of the reduction stems from deconsolidation of the equity investments held directly or indirectly by Focus Investments S.p.A. and the related shareholder loans, following the loss of control by Prelios upon entry of the partners Intesa Sanpaolo S.p.A., Pirelli & C. S.p.A. and UniCredit S.p.A. as shareholders following the capital increase for Euro 12 million reserved to them, which was completed on January 12, 2016. On June 30, 2016 the equity investment in Focus Investments S.p.A., carried at equity, had a book value of Euro 59.8 million.

Net working capital was Euro 6.7 million at June 30, 2016, compared to Euro 22.7 million at December 31, 2015. Of this change, Euro 39.3 million is attributable to deconsolidation of the inventory carried on the balance sheets of the subsidiaries at December 31, 2015 included in the Focus Group.

Discontinued operations at December 31, 2015 referred to assets held for sale pursuant to IFRS 5, according to the estimates of residual cash distributions expected from the sale of the German residential portfolio known as DGAG. This item was eliminated following deconsolidation of the Focus Group.

At June 30, 2016, the equity attributable to the Group was a positive Euro 100.0 million, compared to a positive Euro 63.2 million at December 31, 2015. The change is largely attributable to the full subscription of the Capital Increase with Pre-emptive Rights for a total amount of Euro 66.5 million, net of the result for the period.

Net Financial Position was a net debt of Euro 3.0 million at June 30, 2016, compared to a net debt of Euro 184.9 million at December 31, 2015. The significant improvement in Net Financial Position, as already reported to the market, is attributable to completion of the Extraordinary Transaction involving the transfer of assets and capital increase concluded in March. Among other things, this involved transfer of a large portion of the corporate debt to the investee Focus Investments S.p.A..

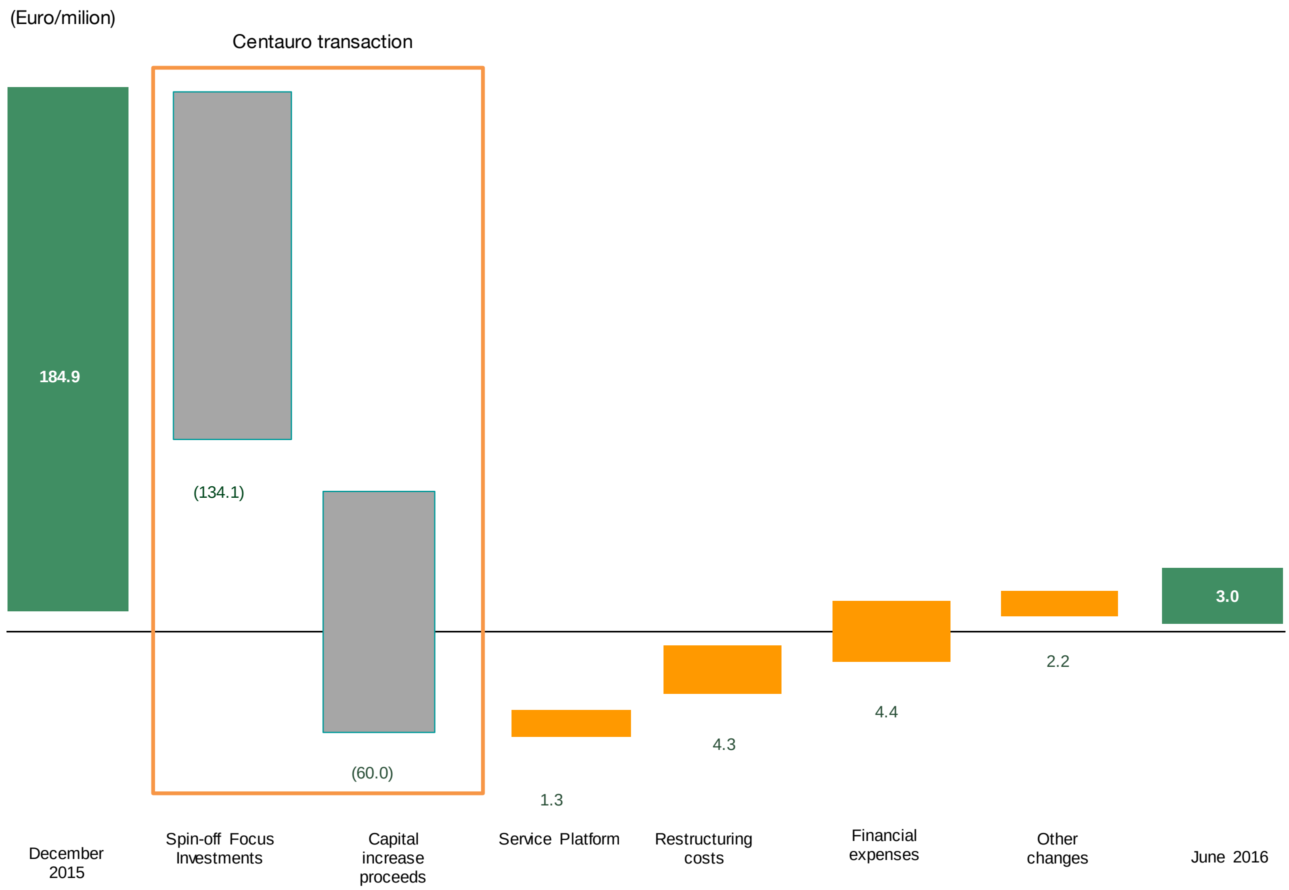
The positive change of Euro 181.9 million from December 31, 2015 was mainly due to the following:

- the positive impact of the Centauro transaction, totalling Euro 194.1 million, of which (i) Euro 134.1 million due to the spin-off of the investment platform and (ii) Euro 60.0 million from completion of the capital increase.

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

- Euro 1.3 million in cash flows taken up by the Services Platform;
- restructuring costs (Euro 4.3 million);
- financial expenses for a net Euro 4.4 million, of which Euro 3.4 million without monetary impact;
- other events partly linked to changes in net working capital for Euro 2.2 million.

The graph shows details of the combined effect of events that had an impact on the change in net financial position in the first half of 2016.



5. CONSOLIDATED INCOME STATEMENT

In H1 2016, the Group made an EBIT of Euro -0.3 million, compared with an EBIT of Euro -3.6 million in H1 2015 and a net loss attributable to the Group of Euro 23.3 million, compared with a net loss of Euro 13.1 million in H1 2015.

This improvement stems both from the greater turnover and from a recovery of margins by the operating companies, and by the significant effects stemming from the process of reducing central costs, which fell from about Euro -5.2 million in 2015 to about Euro -3.6 million in the same period of 2016.

In H1 2016, the Group posted a net loss of about Euro 23.3 million, compared with a loss of about Euro 13.1 million in H1 2015.

This deterioration is mainly related to positive non-recurring items in 2015 that were only partly offset in H1 2016 by the improvement in EBIT described above. In particular, restructuring costs had a negative impact of Euro 3.6 million. This mainly involved expenses related to streamlining of the Group.

An income statement (accounting schedules) is presented below.

(Euro/milion)	JUNE 2016	JUNE 2015
Revenues from sales and services	34.1	32.8
Changes in inventories of work in progress, semi-finished and finished products	-	(2.6)
Other income	3.6	3.7
TOTAL OPERATING REVENUES	**37.7**	**33.9**
Raw and consumable materials used (net of change in inventories)	(0.1)	(1.0)
Personnel costs	(17.2)	(18.2)
Depreciation, amortization and impairment	(0.3)	(0.3)
Other costs	(24.8)	(27.5)
TOTAL OPERATING COSTS	**(42.4)**	**(47.0)**
OPERATING RESULT	**(4.7)**	**(13.1)**
Net income from equity investments	(13.0)	0.9
Financial income	0.7	7.3
Financial expenses	(5.0)	(9.7)
RESULT BEFORE INCOME TAXES	**(22.0)**	**(14.6)**
Income taxes	(1.3)	(1.7)
NET INCOME (LOSS) FROM CONTINUING OPERATIONS	**(23.3)**	**(16.3)**
of which attributable to minority interests	0.0	0.0
Net income (loss) from discontinued operations	0.0	3.2
CONSOLIDATED RESULT FOR THE PERIOD	**(23.3)**	**(13.1)**

Revenue from sales and services amounted to Euro 34.1 million in H1 2016, compared to Euro 32.8 million in H1 2015, which still included the Investments business.

Overall and on a like-for-like basis, in H1 2016 the Group posted an +18% increase in revenue from 2015, with this rising from about Euro 29 million (net of the Investments business transferred to Focus Investments S.p.A.)

to about Euro 34.1 million in H1 2016. The described increase involved both the alternative asset management segment and the real estate services segment.

Other income totalled Euro 3.6 million, which was nearly the same as the final result of Euro 3.7 million reported in H1 2015. 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.

Personnel costs for the period totalled Euro 17.2 million. This reflects a decrease of Euro 1 million from June 30, 2015, largely attributable to the reduction in average headcount during the period (404 employees, as compared with 440 employees in H1 2015), partly due to transfer of the Investments Business Unit to Focus Investments S.p.A..

The other costs were Euro 24.8 million, compared with Euro 27.5 million in the first half of 2015. 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.

Operating result amounted to a negative Euro 4.7 million at June 30, 2016, compared with a negative Euro 13.1 million in H1 2015 on a like-for-like basis.

The net loss from investments was Euro 13.0 million, compared with a net income of Euro 0.9 million at June 30, 2015. The item includes a pro-rata net negative effect for the Prelios Group of Euro 3.4 million, deriving from property revaluations/write-downs, as compared with a positive Euro 3.0 million in H1 2015. The latter was related in particular to the property revaluations made by the Spazio Industriale Fund. The negative impact reported during H1 2016 stemmed particularly from the impairments made by the FIPRS Fund (Euro -1.2 million) and the Tecla Fund (Euro -2.2 million).

Financial income totalled Euro 0.7 million, compared with Euro 7.3 million in H1 2015, which benefited inter alia from the income realised from the premature repayment of the financial payable to UBI Banca, with payment of a lump-sum amount less than the face value, and related both to the Senior loan and the Super Senior loan, and which included a large portion of the income from the shareholder loans transferred to the Investments Business Unit.

Financial expenses were Euro 5.0 million, compared with Euro 9.7 million at June 30, 2015. The positive change from H1 2015 is attributable to the combined effect of the reduction in financial expenses, in contrast with the contribution of a large portion of the corporate debt of the Investments Business Unit. That was offset by a negative impact of Euro 3.4 million on the income statement resulting from recognition of the difference between the book value and the face value of the financial debt, for Euro 48 million, which was repaid upon positive conclusion of the capital increase.

6. PERFORMANCE OF THE BUSINESS DIVISIONS

This section illustrates the operating performance of the Management Platform only, by geographical areas, and including both the alternative asset management component and the related services component, referred to as real estate services. EBIT 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 following table gives an overview of EBIT by geographical area.

	Italy		Germany		Poland		G&A		Total	
Management Platform	June 2016	June 2015	June 2016	June 2015	June 2016	June 2015	June 2016	June 2015	June 2016	June 2015
Alternative Asset Management	2.0	(0.7)	0.0	0.0	0.0	0.0	0.0	0.0	2.0	(0.7)
Real Estate Services	0.9	0.5	0.4	1.9	0.0	(0.1)	0.0	0.0	1.3	2.3
G&A	0.0	0.0	0.0	0.0	0.0	0.0	(3.6)	(5.2)	(3.6)	(5.2)
EBIT	**2.9**	**(0.2)**	**0.4**	**1.9**	**0.0**	**(0.1)**	**(3.6)**	**(5.2)**	**(0.3)**	**(3.6)**

For the purposes of interpreting the figures reported in the following tables on a country by country basis, note that the activities included in Alternative Asset Management are Fund Management (Prelios SGR) and Credit Servicing (Prelios Credit Servicing), while the activities that are included in Real Estate Services are comprised by Prelios Agency, Prelios Valuations E-Services, Prelios Integra, Prelios Immobilien Management (in Germany) and Prelios Real Estate Advisory (in Poland).

6.1. Alternative Asset Management

Through combination of the results achieved by Prelios SGR and Prelios Credit Servicing, the Alternative Asset Management activities earned a total of Euro 12.6 million in revenue, up from Euro 10.4 million reported at June 30, 2015. The EBIT at June 30, 2016 was Euro 2.0 million, compared with a loss of Euro 0.7 million in H1 2015.

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

Fund Management	**June 2016**	**June 2015**
Revenue (millions of euro)	8.2	7.4
EBIT (millions of euro)	2.2	1.1
ROS	27%	15%
Number of funds managed (***)	29	25
Co-Invested and Third-party Real Estate Assets (*)	3.8	3.45
Number of employees (**)	69	67

(*) Market value in billions of euros, expressed on a 100% basis, including the portfolio of Excelsia 9 S.r.l. and Plurifinance S.r.l..
(**) Including seconded staff from other Group companies
(***) As at June 2016 two more funds are also established, whose operations had not yet begun at the balance sheet date.

Prelios Società di Gestione del Risparmio S.p.A. (“Prelios SGR”) is specialised in the creation and management of closed-end real estate investment funds.

At June 30, 2016, Prelios SGR managed a total of 29 alternative real estate funds (“FIA”) (one of them listed), as well as a management contract for the divestment of two real estate portfolios.

Revenues, largely represented by fixed management commissions, totalled Euro 8.2 million, up (+11%) from the amount reported for H1 2015.

EBIT was Euro 2.2 million, compared with Euro 1.1 in H1 2015, partly due to the increase in revenue (Euro +0.8 million) and the process of structural and occasional cost containment.

With regard to the development of new initiatives, Prelios SGR created three new funds during H1 2016:

- Bernina Social Housing Fund set up to invest in real estate – originally offered as collateral for credit exposures classifiable as "past due" or "probable defaults" – which, after improvements, offer the opportunity of repositioning in the social housing sector. The Fund investors include the Cassa Depositi e Prestiti and a major Italian bank.
- Madison Imperiale Fund, with the aim of investing in light industrial real estate. The Fund is reserved for a major foreign institutional investor.
- Logita Fund, with the aim of investing in logistics real estate. The Fund is reserved for a joint venture between a foreign entity specialising in the sector and a major foreign institutional investor.

Moreover, activities continued to set up (i) the Iaso Fund, dedicated to property management of the hospital assets of the Maugeri Foundation, (ii), the Thalassa Fund, to be invested in the “Acquario di Roma”, (iii) the Estia Social Housing Fund, intended to carry out seven social housing projects in the Region of Lazio, on assets owned by Ater (Aziende territoriali per l’edilizia residenziale) in the provinces of Rome and Latina and (iv) the REstart Fund, intended to invest in real estate originally posted as collateral for creditor exposures classifiable as “past due and/or overdrawn exposures” and “probable defaults”.

During the period in question, Prelios SGR also received a new mandate to manage the process of developing a property portfolio owned by a real estate company.

Finally, activities continued to increase the volume of assets under management through funds already under management, with the acquisition, contribution and development of new properties replacing the assets of funds that have reached the end of their life cycle.

Credit Servicing	**June 2016**	**June 2015**
Revenue (millions of euro)	4.4	3.0
EBIT (millions of euro)	(0.2)	(1.8)
Receipts (millions of euro)	39.1	14.6
Gross book value (billions of euro)	9.3	9.1
Number of NPL managed	over 41,000	over 75,000
Number of employees	62	60

PRECS currently manages a portfolio of non-performing loans with a gross book value of approximately Euro 9.3 billion.

After the acquisition of major assets in 2015 (Euro 1.7 billion), H1 2016 saw the company busy with (i) the first public securitisation in nearly ten years (the last public securitisation took place in 2007) as part of the mechanism for guaranteeing the securitisation of Italian non-performing loans (GACS); its closing is expected to take place in H2 2016; (ii) the due diligence and support in purchasing packets of mostly secured loans by major international investors; (iii) the extra-judicial management of a secured portfolio belonging to a major Italian bank; (iv) the start-up as Master and Special Servicer in the new multi-originator securitisation program that engaged the participation of six leading Italian banks; and (v) continuation of the partnership agreed in 2015 with an important investment fund.

In H1 2016, the increase in revenue from H1 2015 was confirmed (Euro +1.4 million) related to (i) involvement in the securitisation transactions that engaged PRECS in the role of Special, Master and Corporate Servicer, (ii) the new Special Servicing mandates agreed with major domestic banks, (iii) the fees tied to the advisory activity that the company has performed in support of different international investors.

Moreover, through its subsidiary SIB S.r.l., the company played an active role in the improvement and disposal of the real estate assets of a major pension fund.

EBIT in H1 2016 was near break-even, totalling a loss of only Euro 0.2 million, compared to a negative Euro 1.8 million at June 30, 2015.

The amounts collected in H1 2016 on behalf of clients totalled about Euro 39.1 million, compared with about Euro 14.6 million in the corresponding period of 2015 on a like-for-like basis.

The number of non-performing loans managed in H1 2016 (over 41,000 loans) was down from the period of the previous year, following the consensual termination of an unsecured asset management mandate characterised by a high number of small-medium sized cases. The gross book value was more than offset by the acquisition of new secured asset management mandates involving medium-sized and large loans.

In June 2016, the Company received an upgrading in its rating by the Fitch agency (with a new rating of Rss2+/Css2+). This recognition stemmed substantially from the stability of the senior management team, which allowed the Company to improve the continuity of its operations and focus in 2015 on business development activities, as demonstrated by the increase in management mandates.

The company also received Standard & Poor's ABOVE AVERAGE (August 2015) rating as Special and Master Servicer.

6.2. Real Estate Services

The real estate services activities, referred to as Real Estate Services (Italian and foreign), posted total revenues of about Euro 21.1 million, and EBIT of about Euro 1.3 million.

Regarding the performance of the Real Estate Services Platform, the major events that affected the individual Cash-Generating Units are highlighted as follows.

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

Integra	June 2016	June 2015
Revenue (millions of euro)	9.2	9.4
EBIT (millions of euro)	0.8	1.0
ROS	9%	11%
Value of assets under management (billions of euro)	4.7	4.9
Floor area managed (in millions of m2)	over 5.3	over 5.4
Rental units managed	approx. 28,000	approx. 33,000
Leases managed	over 30,000	approx. 6,000
Passing Rent (millions of euro)	approx. 229	225
Capex (millions of euro) (*)	16.9	21.2
Number of employees	78	88

(*) Project management activities carried out in the period.

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 5.3 million square metres.

In H1 2016, 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:

- strengthening relationships 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, Wind, ADR and Unipol).

More generally, in the first half of 2016, the Company managed real estate assets equivalent to approximately 30,000 lease contracts. Furthermore, in H1 2016, the Company assisted various clients with the process of disposing of and/or improving and appraising their properties, while continuing to consolidate the technical and professional unit for non-captive clients.

The company has also participated, either directly or through joint ventures with other companies, in different public or private contract bidding procedures, winning various contracts.

Revenues at June 30, 2016 totalled Euro 9.2 million, compared with Euro 9.4 million in the first half of 2016.

EBIT was Euro 0.8 million, compared with Euro 1.0 million at June 30, 2015.

Finally, in December 2014, the Competition and Market Supervisory Authority ("Autorità Garante della Concorrenza e del Mercato" or "AGCM") gave the Company a "Legality Rating" score of 2 stars++. This score may be considered an excellent result, given that the rating ranges from a minimum of one to a maximum of three stars.

The company obtained ISO 50001 certification of its energy management system from the certifying entity IMQ. This complements previous certifications, such as the 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.

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 2016**	**June 2015**
Revenue (millions of euro)	1.2	1.3
EBIT (millions of euro)	(0.5)	(0.8)
Volume of business (millions of euro)	130.3	98.2
Number of employees	16	19

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.

During the first half of the year, the Company continued with the process of its transformation from a company primarily dedicated to captive customers to a broker and advisor capable of providing third party customers with 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 2016, the Company was awarded new contracts and renewed a number of marketing agreements worth approximately Euro 280 million. Furthermore, it was assigned new important mandates to lease approximately 41,000 square metres and rents amounting to roughly Euro 4.1 million, in addition to a mandate to find 9,000 square metres of leased office space.

The company is organised into two business units: i) "*Capital* Market & Institutional Leasing", focused on the sale of real estate assets (handled on a block basis) and big assets, as well as property leasing, ii) "Network Transactions", which handles the sale of small real estate asset sales scattered across Italy, subdivisions and residential construction sites.

Revenue totalled Euro 1.2 million, virtually the same as the Euro 1.3 million realised in the first half of 2015. The first half of 2016 benefited in particular from the commission accrued on the sale of a property located in Baranzate (International School).

The Company's brokered volumes amounted to Euro 130.3 million (of which Euro 119.6 million with non-captive clients), compared to Euro 98.2 million in the first half of 2015.

EBIT amounted to a negative Euro 0.5 million, marking an improvement from the figure reported for H1 2015 (negative Euro 0.8 million). This resulted from a different mix of billings (with higher margins) and containment of overhead costs.

At June 30, 2016, the portfolio of sales mandates amounted to approximately Euro 0.9 billion[18], compared with Euro 2.3 billion in H1 2015. The reduction is mainly due to the expiry of several sales mandates related to the Group.

Valuations	**June 2016**	**June 2015**
Revenue (millions of euro)	4.6	2.8
EBIT (millions of euro)	0.6	0.3
ROS	13%	11%
Number of Loan Service valuations	approx. 35,500	approx. 8,200
Number of employees	16	14

[18] List price.

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.

Specifically, the performance of the loan services segment showed a major increase in volumes compared to 2015.

The contracts with a major Italian bank are stabilising at a volume of about 28,000 case files per year and, considering the other contracts in the retail and small business segments, the company is one of the leading firms in Italy that provide appraisal services to banks ("loan services").

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

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

Services are also provided to investors, large companies and banks, for both institutional assets and private banking holdings. The Company also maintains ongoing appraisal relationships with major market players.

Revenue amounted to Euro 4.6 million in H1 2016, compared to Euro 2.8 million in H1 2015. The positive change is mainly related to the increase in revenue deriving from the "loan services" appraisal activity.

EBIT was Euro 0.6 million, with an increase in profit margin from H1 2015 (Euro +0.3 million), following renegotiation of contracts with suppliers and the appraisal network.

Germany	**June 2016**	**June 2015**
Revenue (millions of euro)	6.1	5.6
EBIT (millions of euro)	0.4	1.9
ROS	7%	34%
Floor area managed (in millions of m2) (*)	0.8	0.8
Number of rental units managed (*)	56	64
Co-Invested Real Estate Assets (**)	0.6	0.8
Third-party Real Estate Assets under Service (***)	1.0	n.a.
Number of employees	67	63

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

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

(***) Market value in billions of euro on a 100% basis. estimated by management, and related to a portfolio composed primarily of shopping centers, in relation to which are provided specific services of the management of shopping centers, such as center management, property, facility and letting, to which are added other specialist such as those of development.

In H1 2016 Prelios Immobilien Management, which is developing and marketing a shopping centre in the heart of Husum on behalf of Husum Shopping Center GmbH, and once that is completed, will be responsible for management of the shopping centre itself, found three well-known tenants, by signing leases with the clothing chain H&M, EDEKA supermarkets and the DM drug stores. The area will include the old Hertie department store. The leaseable space totals 10,000 square metres and will be completed in the H2 2018. The new shopping centre includes 35 large and small commercial spaces, to be used for fabric and clothing shops, restaurants, drug stores and health product retailers. Husum is on the North Sea coast, the economic centre of northern Friesland, with a customer base of over 340,000 consumers and an estimated 3 million visitors annually.

Revenue at June 30, 2016 increased by Euro 0.5 million over the Euro 5.6 million realised in the first half of 2015.

EBIT in Germany in H1 2016 was 0.4 million, compared with a positive Euro 1.9 million in the same period of 2015, which had benefited from positive one-off items, while H1 2016 was impacted by the opening costs of the Frankfurt operation in preparation for start-up of the new “Prelios German Retail Property Fund”, which will allow the activities in Germany to focus their business on alternative asset management.

In June 2016 the Luxembourg company Prelios Investment Advisory S.à.r.l. (100% Prelios Deutschland GmbH) was formed. It will be the general partner of the new “Prelios German Retail Property Fund”. The fund, targeting international institutional investors, will concentrate on the management of shopping centres, department stores and retail properties in Berlin and other cities in west Germany. The fund is expected to commence operations in early 2017. The Luxembourg financial regulatory authorities granted their approval at the beginning of July. Its purpose will be to invest in high potential but under-performing properties that need to be repositioned through such activities as streamlining the tenant mix, refurbishment of spaces or structural modifications, with a low rate of indebtedness (35% across the portfolio).

Poland	**June 2016**	**June 2015**
Revenue (millions of euro)	0.0	0.2
EBIT (millions of euro)	0.0	(0.1)
Floor area managed (in millions of m2) (*)	0.3	0.3
Co-Invested and Third-Party Real Estate Assets (**)	52.5	52.5
Number of employees	7	7

(*) The figure refers to the Lucchini site managed by the company Bielany Project Management, 40% owned by Focus Investments S.p.A.
(**) Market value in billions of euro on a 100% basis as at December 2015 and June 2015.

EBIT in Poland broke even, marking a slight improvement on H1 2015 (loss of Euro 0.1 million).

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

7. PERFORMANCE OF INVESTMENT ACTIVITIES

The net loss from the investment activity was Euro 13.3 million, and was accounted for almost entirely by the property unit transferred by Prelios S.p.A. to Focus Investments S.p.A. ("Focus") and comprised primarily by equity investments in subsidiaries, associates and joint ventures and by commercial and financial relationships with them.

These companies directly own the properties or own equity interests in real estate companies or units of real estate funds.

Upon completion of the transfer operation, described in detail elsewhere in this report, the interest of Prelios S.p.A. in the economic capital of Focus Investments S.p.A. is 87.2%.

Together with the transferred business unit, the bank debt was also transferred to Focus, amounting to about Euro 176 million, as renegotiated by Prelios on October 8, 2015 with execution of the "existing financial debt Restructuring Agreement", and consequent succession of Focus, pursuant to Article 2558 Italian Civil Code, as the party liable for the obligations stemming from the original agreement and the restructuring agreement, with Prelios being released only from the obligations related to the transferred debt.

Following execution of the Restructuring Agreement, the transferred debt will have to be repaid in a single instalment on June 30, 2020. The interest rate is 300 bps, with the interest being calculated half-yearly and to be paid in a single instalment at the due date of the transferred debt. Mechanisms for partial repayment before the due date are also envisaged, if the Company should receive any Net Earnings (as defined in the agreement).

The loan is secured by a pledge on the current bank account kept at Banca Intesa SanPaolo.

During the period reported here, following the distributions received from Colombo S.à.r.l., Doria S.à.r.l., Vespucci S.à.r.l. (Raissa Fund investment) and Mistral Real Estate B.V., Focus Investments S.p.A. repaid the banks a total of Euro 34.8 million.

The consolidated income statement on a continuing value basis shows a loss for the period of Euro 14.7 million (Euro 12.8 million is the pro-rated share of Prelios).

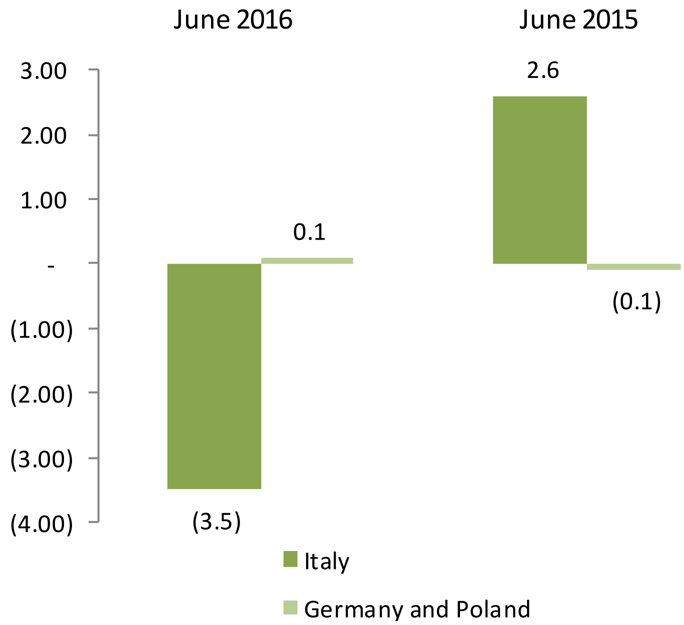
Operating revenue totalled Euro 2.0 million, and includes Euro 0.8 million from the sale of real estate, Euro 0.3 million from amounts received for the operation of car parks, Euro 0.4 million in fees for asset management and administrative coordination of the investees, and Euro 0.5 million in other income.

Operating costs totalled Euro 7.2 million and were related to the costs incurred by investees for the management of real estate projects, personnel costs, administrative management expenses and local taxes.

The net loss from investments, which was Euro 8.0 million, includes the negative adjustments to the real estate portfolio totalling a net Euro 3.4 million. This was impacted principally by the impairments recognised for the Tecla Fund and FIPRIS Fund.

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

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



Net financial expense was Euro 1.9 million, and consists of financial income of Euro 1.2 million, substantially related to outstanding shareholder loans, and financial expenses of Euro 3.1 million, mainly related to the transferred bank debt.

The consolidated balance sheet at June 30, 2016 shows net invested capital of Euro 171 million (including Euro 141.9 million relating to equity investments and receivables for shareholder loans). Consolidated net equity was a positive Euro 65.1 million, while the net financial position was a negative Euro 78.5 million.

Given the discontinuity related to deconsolidation of the investments, a sample equal to about 70% of the total value of equity investments in funds and investment companies and the related receivables for shareholder loans was selected to monitor their performance, for which the principal indicators are proposed.

(Euro/milion)	JUNE 2016 -100%			JUNE 2016 - proquota Prelios			
Main investments held by the Focus Group	**Book value**	**Market value (*)**	**Net Bank Debt**	**Book value**	**Market value (*)**	**Net Bank Debt**	**Net Invested Capital**
Manifatture Milano S.p.A.	100.2	102.2	75.4	43.7	44.6	32.9	
Fondo FIPRS	219.6	219.6	144.0	62.1	62.1	47.9	
Fondo Spazio Industriale	338.3	369.1	206.0	65.8	71.8	40.1	
Fondo Tecla	249.7	257.6	212.5	93.6	96.6	85.7	
Highstreet	632.6	632.6	(77.8)	66.7	66.7	(11.9)	
Polish Investment II B.V. (Lucchini)	12.6	52.5	(21.9)	4.4	18.3	(7.6)	
TOTAL	**1,553.0**	**1,633.6**	**538.2**	**336.3**	**360.1**	**187.1**	**99.3**

(*) according latest real estate appraisals available

8. RISKS AND UNCERTAINTY

Although the property market has shown signs of recovery, the economic outlook still appears dominated by uncertainty over the effective levels of growth. Notwithstanding the expectation of making additional losses, the Group has assumed that it is a going concern when preparing the Half-yearly Financial Report, based on the assumptions and tests illustrated in the part entitled "Prelios Performance in the First Half of 2016" and in the Explanatory Notes, in the part entitled "adoption of the going concern assumption in preparing the financial statements".

Since 2014, the Group has adopted an enterprise risk management (ERM) system, in accordance with the most recent Italian and national best practices and in accordance with the recommendations of the “Borsa Italia Governance Code for Listed Companies,” which the Group has adopted.

The enterprise risk management system is organised as a top-down process 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 chosen 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 system adopted by the Group calls for 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 strategies to respond to and manage risk comprehensively;
- the Risk Officer, tasked with facilitating, providing methodological support, coordination and reporting of the ERM process. The Risk Officer acts in coordination with the other existing control functions.

After transfer of the Investments Business Unit to Focus Investments S.p.A. on December 29, 2015 and the subsequent entry of new shareholders on January 12, 2016, the Group redefined the scope of risks connected with the Investments unit, and proceeded with greater focus on the risk management processes applied to the management platform.

The Group risk model was updated in this context, reorganising the risks according to the effective possibility of the company to control their causes and defining the direct connection between the various risk areas and strategies that the company intends to implement to mitigate their effects:

- 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 and competitive environment and legal and regulatory developments. These fall outside the Group's control and negatively impact its business. The negative impacts can be reduced or transferred;
- Strategic risks and financial risks: the former depend on internal and external factors, which impact strategic choices, the business portfolio, relationships with partners and key clients, the organisational structure and governance; the latter are related to the capacity of the firm to manage its own financial requirements and the related costs, liquidity risks and covenants on loans, credit risks and level of equity. They are characteristic of the services sector in which the Group operates and are connected with strategic decisions. They may become a source of competitive advantage or cause failure to meet the strategic targets.
- Operational risks: these are tied to the ability to manage internal processes effectively and efficiently. These are risks connected with internal processes, legal risks and compliance risks, tied to the capacity of the company to apply laws, regulations and procedures (e.g. risks of non-compliance with laws and regulations, codes of ethics and internal procedures), risks of external and internal fraud, legal and tax litigation, prices, suppliers, quality, information technology, personnel, management reporting, budget processes and planning, environmental processes and workplace safety. They are generated by the organisational structure, processes or systems when they are ineffective. They have to be brought within a level of acceptability.

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 transactions envisaged in the plan and relating to the management platform, and analysis of the residual impact of the Investment Business Unit following its transfer to Focus Investments;
- working with company 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 operates its business activities mainly on the Italian and German markets, and to a lesser extent, the Polish market. The initiatives with income property assets and development projects owned by real estate funds and special purpose vehicles in which Prelios normally participates indirectly through its investment in Focus Investments S.p.A. are also concentrated in those countries. Group results might be negatively impacted by a worsening of the economic cycles of those countries.

8.1.2. Risks related to the performance of the real estate market

The performance of the real estate market is cyclical. It is conditioned by a series of variables such as general economic conditions, changes in interest rates, inflation trends, tax laws and the liquidity available on the market.

Although the general macroeconomic scenario contains clear signals of recovery, it is not exempt from risk factors such as the decline in the growth rate of the biggest economies and possible disturbances in the eurozone due to possible financial and sovereign debt crises in the eurozone. In this context, it is difficult to quantify the impact that the withdrawal of the United Kingdom from the European Union will have, although the financial markets have become more unstable at this time.

The capacity of European monetary policy to reverse the trend will play a crucial role in reversing the inflation trend, by nudging inflation back up to an optimal target. Deflation would entail an increase in real interest rates, by slowing down the capital destined for investments, with depressing effects on the economy.

The impact of quantitative easing pursued by the European Central Bank has had a major impact on the interest rate trend, and the yields on government securities have fallen broadly across the eurozone. The actions taken by the European Central Bank have also had major repercussions on the Euro/dollar exchange rate, which has fallen close to parity.

However, in this generally positive scenario, it remains to be seen what actual impact these actions will have on the willingness of banks to increase the amount of capital allocated to financing business, and facilitating consumer spending, with a possible increase in transaction volumes and, consequent improvement in the values of real estate fundamentals.

In regard to the level of exposure of the Company to risks related to market performance, the spin-off of non-core assets and investment activities on the one hand, and the core activity of real estate asset and credit management and the provisions of real estate services assume particular significance.

The spin-off of the Investments Business Unit from Prelios has allowed it to reduce its market risks related to direct investment activity (e.g. increase in property vacancy, increase of spreads, reduction in property book values).

Instead, specifically in regard to the pure real estate management company activity, the principal negative effects might result from a slowdown in real estate transactions and problems in accessing the capital market, with consequent problems for the Company in providing its own technical, asset management and NPL management services to investors outside the Group.

8.2. STRATEGIC RISKS

8.2.1. RISK RELATED TO THE NEGATIVE PERFORMANCE OF GROUP RESULTS

The crisis that has affected the financial markets in general, and the real estate sector in particular, has also had a negative impact on the results of Prelios over the past several years and supports the expectation of continuing losses. This negative outlook remains although the real estate market realised growth on the basis of the preliminary data for 2016.

In response to this market scenario, Prelios has optimised the components of its business model by focusing on the Services business and is currently implementing the measures envisaged in its Industrial Plan 2015-2017 and confirmed in the Budget 2016. It has also identified and launched a series of new strategic projects that could contribute to further improve the performance of the Group.

The Industrial Plan 2015-2017 referring to the prospective performance of the Services business shows that the Group will make net losses over the three-year period, with consequent erosion of Prelios Group equity after the Contribution. Moreover, this dynamic is mainly impacted by recognition at equity of the effects deriving from the investments component, particularly in regard to the stake in Focus Investments S.p.A.. Possible continuation of the weakness of the European economy might generate losses exceeding expectations, and consequently generate uncertainty over achievement of the targets sent in the Industrial Plan 2015-2017. Moreover, this situation might cause further, gradual weakening of its own balance sheet and financial position, consequently having a potential impact on the Company and Group as going concerns.

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

On August 6, 2015 the Company approved the Industrial Plan 2015-2017 and on March 21, 2016 approved the Budget 2016.

The Company has applied realistic assumptions, taking into account the difficulty of making forecasts 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.

The Industrial Plan 2015-2017 and Budget 2016 confirm the repositioning of the Group as a pure management company and focus of the activity of the Prelios Group on the Services sector (asset and fund management, property and project management, agency, valuations and credit servicing), as well as the full implementation of the new market-oriented business model, which requires new expertise and know-how to realise the strategy of gradual reduction of the captive activity and growth in revenue from non-captive clients.

In regard to the Investments component owned by Focus Investments S.p.A., the strategy included in the Industrial Plan 2015-2017 and in the Budget 2016 is to increase the value of investment holdings over a period of about five years. No injection of capital in Focus Investments S.p.A. is expected over the lifetime of the Industrial Plan 2015-2017, and it is not expected that Prelios will benefit from any distribution. 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 while the plans set forth in the 2015-2017 Industrial Plan and in the Budget 2016 continue to project losses over the three-year period, with the resulting decline in equity and negative cash flow, they will not cause a deficit during the plan period but nonetheless contribute to a continuing situation of financial tension. These plans are challenging, yet practical and feasible, on the basis of a series of realistic assumptions that will naturally require constant, thorough review. Nonetheless, the expected growth in revenue, beginning in the second half of the year, will demand constant, close monitoring by management in order to confirm the results reported to the market and generate sufficient financial resources to maintain the solid capitalisation and financial position achieved through the aforementioned restructuring process.

The Directors believe that the identified actions and previously commented on in greater detail are adequate to deal with the contingent uncertainties surrounding the Group as a going concern and that it may continue operating.

8.3. FINANCIAL RISKS

8.3.1. RISKS RELATED TO FINANCIAL DEBT

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.

As part of the transfer of the Investments Business Unit to Focus Investments S.p.A., a major portion – totalling about Euro 176.2 million – of the debt owed by Prelios was transferred to Focus. Therefore, in consequence of the Contribution and Capital Increase with Pre-emptive Rights concluded in Q1 2016, the Company still has a total financial debt of about Euro 19.7 billion (plus interest incurred beginning July 1, 2015) owed to the Lending Banks and about Euro 10.3 million (plus interest incurred beginning July 1, 2015) of debt for settlement of a past purchase and sale. Only 50% of this latter debt will fall due by the end of 2017, plus applicable interest.

According to management forecasts, it is reasonable to assume that the Industrial Plan 2015-2017 and Budget 2016 will maintain the financial balance and a sustainable level of debt for the Group, while holding that the transactions reflected in the business plans can be reasonably realised on the basis of the current progress.

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.

Pursuit of the targets and guidelines envisaged in the Industrial Plan 2015-2017 are subject to numerous external variables not depending on the Company. These may include but are not limited to the performance of the market in which the Company and the Prelios Group operate and the applicable macroeconomic context. Therefore, missed and/or partial realisation of the targets of the Industrial Plan 2015-2017 and Budget 2016, as well as the possible need to adjust them in response to other needs that are not foreseen or foreseeable at present, might have a major negative impact on the balance sheet, income statement and financial position of the Prelios Group.

8.3.2. 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 New Restructuring Agreement.

This prospective risk stems from the fact that the New Restructuring Agreement has envisaged that the debt carry interest at a fixed rate of 3% until the due date (June 30, 2022).

The risks associated with the fluctuation in interest rates remain on the loans of the special purpose vehicles and real estate funds in which Focus Investments S.p.A. has an investment. The reader is referred to Paragraph 8.3.5 for a description of the risks related to Focus Investments S.p.A. that might negatively impact the value of the equity investment held by Prelios.

8.3.3. 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 materially influenced by realisation of the plans to grow the revenue and results of the management platform through the acquisition of new clients, while no impact on the Investments business is expected in consequence of the transfer to Focus Investments S.p.A.. 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 related to the recourse guarantees issued to initiatives in which an interest is held, which allows management to acquire the necessary information to undertake the consequent actions.

8.3.4. 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.

In particular, the services companies of the Prelios Group hold accounts receivable from several funds and special purpose vehicles that are investees of Focus Investments S.p.A. and which are currently short on cash due to the drastic decline in transactions on the Italian property market. If the situation of financial tension of the funds and special purpose vehicles were to persist, those accounts receivable would risk becoming uncollectable, at least in part, and thus be further impaired. This would have a negative impact on the balance sheet, income statement and financial position of the Group.

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.

The Group has significant concentrations of credit risk with respect to clients (investment companies and funds) in the real estate sector.

8.3.5. RISKS RELATED TO REAL ESTATE INVESTMENTS

Following the Transfer of the Investments Business Unit to Focus Investments S.p.A. and the subsequent entry of new shareholders on January 12, 2016, as previously mentioned, Prelios holds an investment representing about 25% of the voting shares and about 75% of the share capital of Focus Investments S.p.A. and 87.2% of its economic capital. Focus Investments S.p.A. faces the following risks which might impair the investment, and thus have a materially negative impact on the balance sheet, income statement or financial position of Prelios, notwithstanding the fact that management of those risks remains the responsibility of the decision-making bodies of the investee Focus Investments S.p.A., in accordance with the governance rules of Focus Investments S.p.A..

In regard to these risks, mention is made of: (i) risks associated with possible write-downs of the real estate assets of Focus Investments S.p.A. consequent, inter alia, to the persistence of serious weakness on the real estate market or the occurrence of other negative events related to the peculiar nature of the real estate assets; (ii) risks related to the fluctuation in interest rates on the real estate fund special purpose vehicles; (iii) risks related to the existence of change in control clauses related to the special purpose vehicles, joint ventures and funds in which they invest; (iv) risks related to uncertainties in calculation of the value of real estate assets; (v) risks related to the concentration of lessees; (vi) risks related to participation in investment ventures with qualified minority interests if their objectives are misaligned with those of the shareholders or litigation with the latter; (vii) risks related to the existence of financial covenants in the loan agreements made by the real estate funds and investment special purpose vehicles; (viii) risks other than those previously mentioned (first and foremost, legal, contractual and tax risks) that might arise in the investment vehicles, inter alia in consideration of the major investments and divestments made by them over time; (ix) risks related to the litigation not covered by the guarantees issued by Prelios.

8.4. OPERATIONAL RISKS

8.4.1. LEGAL RISKS LINKED TO CIVIL AND ADMINISTRATIVE DISPUTES

Certain of the disputes described in the Annual Financial Report were transferred with the Investments Business Unit to Focus Investments S.p.A.. Therefore, they have to be considered as included in the risks indicated in the preceding part 8.3.5 and within the limits of what is specified in part 8.4.3..

The situations in which Prelios and its subsidiaries are parties to civil and administrative lawsuits have been actioned mainly by:

(i) certain lessees for the alleged violation of pre-emptive rights, during the sale of real estate originating in the assets of the Unione Immobiliare S.p.A. Group (merged with Prelios),
(ii) certain purchasers of real estate for alleged breaches of contract, non-contractual accords and/or defects in the purchased and sold real estate,
(iii) certain clients in disputes relating to the procedures for provision of the services envisaged in the related agreements and
(iv) by third parties in relation to a public invitation to tender.

In terms of the risk management strategy, it is important to note (i) the continuous management and monitoring of litigation, 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:

- with three distinct writs of summons whose content is identical, notified in 2015, three formally independent entities sued the shareholders of Golfo Aranci S.p.A. (including Prelios S.p.A., with a share of 43.8%), at the Courts of Sassari (two writs of summons) and Rome, claiming compensation from all the respondents jointly for the damage sustained due to the allegedly unlawful conduct of the shareholders of Golfo Aranci S.p.A., in relation to the procedure previously executed by a local entity to select the private partners of the venture (which at the time was formed as an urban renewal company). The claim for compensation totals Euro 350 million for the three lawsuits. Group legal counsel has assessed the risk of losing the lawsuits as remote.
- Prelios owned a minority stake in a joint venture with a foreign investor (an investment currently transferred to Focus Investments S.p.A.), the owner of several special purpose vehicles dedicated to the development of an area in Poland, in Warsaw. Certain special purpose vehicles owned by the joint venture might sustain financial losses in relation to a non-recurring transaction executed in 2009, following the failure to request authorisation from Polish authorities. In that circumstance, the foreign investor would claim compensation for the damage from Prelios Polska Sp. z o.o., a subsidiary of Prelios, which at that time provided asset management services to the special purpose vehicles involved in the non-recurring transaction. No lawsuit has been filed as yet.
- It was deemed prudent to recognise a suitable provision for risks in the case of Prelios Deutschland GmbH ("Prelios DE"), a fully-owned subsidiary of Prelios, following possible breaches of property management contracts dating back to 2008.

- In June and July 2015, Prelios Credit Servicing S.p.A. received an indemnity claim for four special purpose vehicles for the securitisation of receivables, all investees of a company belonging to an important international banking group, due to alleged liability in relation to the special servicer activity performed until March 2014. Believing that this claim is unfounded, the Company took prompt action through its own lawyers to determine its validity. However, at this time it is not possible to perform a definitive analysis and quantify any risks since the documentation received thus far is incomplete and because the claims for damages are vague and generic. Notwithstanding the limits of these analyses, the Company – supported by its own lawyers – still believes that there are valid defence arguments against the opponent's claims, with there being no present need to set aside any provisions. It must also be pointed out that the Company has promptly invoked the existing insurance policies, by reporting the claims to the respective insurance companies.

In addition to the ongoing or potential disputes described above, the Group is party to other disputes or non-judicial complaints that the Group believes present lesser risk, given the likelihood of occurrence of the negative event and its impact. In particular, mention is made of the following:

- The first such dispute relates to the initiative concerning the consortium G6 Advisor, which performed 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 for about Euro 25 million.
- A construction company has sued Prelios, claiming Euro 6.4 million for the alleged failure to perform an agreement under private seal signed in 2006. In that agreement, the Company – acting as parent company – allegedly assumed the undertaking to consider claimant as the "*lead contractor with which to deal in regard to any future work*", while receiving in return the free performance of code compliance work related to a previous works contract signed with Verdi S.r.l. (which was a Prelios subsidiary at that time);
- In February 2005 Prelios and the Group companies, and specifically Prelios Property & Project Management S.p.A. (now Prelios Integra S.p.A.), Prelios Agency S.p.A. and Prelios Credit Servicing S.p.A. signed an agreement with a major bank and several companies belonging to the Group by the same name, pursuant to which Prelios – acting on its own behalf or through the Group companies – promised to provide certain services related to the purchase, management and disposal of specific properties. In January 2011 the bank withdrew from the Agreement, and on December 14, 2012 the bank filed a claim for damages, initially totalling Euro 82 million, but whose amount has steadily fallen in consequence of ongoing discussions.
  Discussions between the parties that began in 2013 are still under way at this time, aimed at examining their reciprocal arguments and verifying possible amicable solutions to the dispute.

Moreover, Consob conducted an inspection of Prelios Società di Gestione del Risparmio S.p.A. between October 2014 and February 2015 in regard to sale of the entire remaining real estate portfolio in which retail investors invested and which has been managed by Prelios Società di Gestione del Risparmio S.p.A.. Following the inspection, Consob raised a number of objections, against which Prelios Società di Gestione del Risparmio S.p.A. has submitted its own defence arguments, rejecting those objections. The proceeding by Consob is still under way.

8.4.2. TAX RISKS

At the date of approval of this Half-yearly Financial Report, the tax litigation between the Italian tax authorities and Prelios and some of its subsidiaries was still pending, representing a total of around Euro 1.3 million in taxes (excluding penalties and interest). The tax claims made by the Italian tax authorities against Prelios and, for the most part, against certain of its subsidiaries, mainly refer to the following issues being litigated before the Tax Courts:

- charge of higher income and non-recognition of costs for IRES (corporate income tax) and IRAP (regional tax on productive activity);
- invalid deduction of VAT and erroneous application of VAT;

- claim in regard to registry tax;
- claim in regard to ICI (municipal property tax).

Partly on the basis of the information in its possession today, the Company believes that the situations challenged by the competent Tax Authorities might conclude favourable with a favourable decision for the entities that received these claims.

No claims have been made against the German subsidiaries controlled by Prelios S.p.A. or its own subsidiaries.

8.4.3. RISKS RELATED TO REPRESENTATIONS AND WARRANTIES MADE BY PRELIOS AND ITS INDEMNITY OBLIGATIONS RELATED TO THE INVESTMENTS BUSINESS UNIT

As part of the transfer of the Investments Business Unit to Focus Investments S.p.A., the Company made representations and warranties in favour of Focus Investments S.p.A., and also assumed related indemnity obligations in connection with the non-existence of liabilities, capital losses, contingent liabilities, non-existent assets, losses, costs and expenses, either present or contingent, that might stem from facts, acts or omissions that occurred or were completed by January 12, 2016, even all or part of their effects appears after that date, net of the liabilities, accruals of the risk provisions and other adjustments recognised in the balance sheet of the Investments Business Unit and/or in the last financial statements approved by specific companies, funds or entities, which are either direct or indirect investees of Prelios, included in the Investments Business Unit; or by violation of clauses contained in any articles of association, regulation and/or agreement applicable to Prelios, Focus Investments S.p.A. and/or the Investees, or by violation of provisions of law or other measures applicable to them, in connection with the transfer to Focus Investments S.p.A. of the investments , units of funds, and all other assets and legal relationships included in the Investments Business Unit, up to a maximum aggregate amount of Euro 25 million.

A specific guarantee is also provided in relation to the fact that no capital losses, contingent liabilities, non-existent assets, losses, costs and expenses, either present or contingent, will accrue to Focus Investments S.p.A. or to any of the Investees due to a specific, identified and currently pending dispute over certain alleged breaches, up to a maximum amount of Euro 7 million, although it is possible to increase this amount if the indemnity owed is for a higher amount and falls within the aforementioned limit of Euro 25 million, which is the absolute cap on the guarantee. These guarantees have a duration of 36 months subsequent to January 12, 2016.

Therefore, should liabilities arise that would trigger indemnity obligations, Prelios might have to compensate Focus Investments S.p.A. This would consequently have a major negative impact on the balance sheet, income statement and financial position of the Company and/or the Prelios Group.

At the approval date of this Half-yearly Financial Report, Prelios is unaware of any events covered by the aforementioned guarantees.

8.4.4. 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 staff having critical know-how is especially significant with respect to the following positions: portfolio manager, loan manager, asset manager and specialised technical staff.

As part of its efforts 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 consequent creation of back-up staff members for resources with critical know-how. Notwithstanding the implementation of these incentive policies, it is not possible to rule out the loss of key resources, with consequent negative impact on the balance sheet, income statement and financial position of the Group.

8.4.5. CYBER RISKS

The target of computer attacks is shifting increasingly to actions to obtain economic benefits: identity theft or blocking data with demands for ransom.

Over the last three years, the level of global cyber risks has grown dramatically, the types of aggressors have multiplied and the associated economic losses have quadrupled. The widespread availability of new, low-cost technological devices that are intrinsically little or not secure against the capacity of hackers to inflict harm has led to a sharp increase in the area exposed to possible attacks. The potential rate of exposure to malware in Italy is estimated to be 20% (source: Clusit).

The rate of occurrence of this phenomenon at Prelios is indicated by the weekly traffic of potentially harmful messages that are blocked by its protection systems: approximately 53,000 messages. The risk of contingent exposure is exacerbated by the increasingly central role of the individual (social security) and by a growing mix between the world of enterprise and personal life (need to access business content and services with any device and from any location).

Prelios has always dedicated appropriate attention to computer security, including the allocation of a specific budget every year to infrastructure and services supporting users. In H1 2016 Prelios invested in training and raising the awareness of its employees, by organising a training course for all employees, supported by a test of the results achieved through simulations and effectiveness tests.

9. SUBSEQUENT EVENTS

On July 26, 2016 the Banca Popolare di Milano S.c.r.l. informed the Company of its willingness to extend a bilateral line of credit for Euro 3 million, based on the anticipation of cash flows generated by agreements made by several Group companies.

On July 28, 2016 the Board of Directors, after obtaining the opinion of the Board of Statutory Auditors, appointed Mr Sergio Cavallino as Chief Financial Officer and Manager charged with preparing the Company's financial documents, pursuant to Article 154-bis of the Consolidated Law on Finance, replacing Marco Andreasi, effective August 24, 2016.

10. BUSINESS OUTLOOK

Partly in consideration of the previously mentioned improvement in the reference market, and consistently with the development forecasts indicated in the Budget 2016 and Industrial Plan 2015-2017, Prelios has identified and is implementing, at the level of the individual Group business units, a series of measures and initiatives in implementation of (i) the Budget 2016 approved by the Board of Directors on March 21, 2016 and (ii) the Industrial Plan 2015-2017 approved by the Board of Directors on August 6, 2015.

In operating terms, 2016 – with completion of the Extraordinary Transaction in March – is dedicated to relaunching Prelios as a key European centre in the real estate and financial services sector, with a special focus on alternative asset management activities. Thus, the process of repositioning and relaunching the Company is entering its second phase, which is now under way. More specifically, partly in view of translating its commercial efforts and opportunities created during the first half of 2016 into concrete results, the second half of the year will be dedicated to strategic development through greater focus of the business and concentration on alternative asset management, drawing on the great expertise that the Company has proven to have in these areas.

In this perspective, the Company – as already described in the section "Prelios Performance in the First Half of 2016" – has consequently approved the Budget 2016 that confirmed the economic targets already reported to the market with the Industrial Plan 2015-2017 and, considering the results achieved at June 30, 2016 and the expected conclusion by the end of 2016 of the previously described business development operations, the Company confirms these economic targets, and in particular:

- Service Platform turnover: between Euro 100 million and Euro 105 million;

- positive EBIT for the Service Platform, gross of G&A, of Euro 10 to 12 million.

It must be emphasised that the achievement of these results will be highly conditioned by realising the increase in volumes of managed assets that should be accomplished through the commercial activities that have intensified over these past several months, especially in regard to the non-performing loan market, the asset management market – inter alia in regard to foreign institutional investors – and the real estate management and brokerage activities (the latter are expected to have limited impact on Group margins). Nevertheless, this activity will entail constant, focused monitoring by management to confirm Company results over the next several months and at the end of the year, as announced to the market, partly on account of the fact that a significant portion of the expected opportunities and revenue is connected with mandates to structure real estate transactions or non-performing loan portfolios. Accrual of that revenue by the Group depends on the successful outcome of the entire transaction ("success fees").

In conclusion, after the recently completed Extraordinary Transaction to spin off activities and shore up the balance sheet, and the targets indicated in the Budget 2016 as confirmed by the results at June 30, 2016 – which also underscore the expectation that the previously described business development operations will be completed by 2016 – and the Industrial Plan 2015-2017, the Directors of Prelios consider it reasonable to assume that the Group may continue operating as a going concern.

11. ANNUAL REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE

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

12. OTHER INFORMATION

12.1. THE ORDINARY SHAREHOLDERS' MEETING

The Ordinary Shareholders' Meeting was held on May 19, 2016, on sole call.

During the Ordinary part, the Shareholders' Meeting approved the separate financial statements 2015, which closed with a net loss of about Euro 29.6 million (Euro -74.1 million in 2014). The consolidated loss amounted to about Euro 44.5 million (Euro -61.1 million in 2014).

Moreover, following the resignation of Sergio Iasi tendered on March 21, 2016, the Shareholders' Meeting resolved to reduce the number of seats on the Board of Directors from 11 to 10, in compliance with applicable laws and regulations, including those affecting gender balance, with 61.89% of the participants voting in favour.

Then, the Shareholders' Meeting used the slate voting system to elect the members of the Board of Statutory Auditors for the financial years 2016-2017-2018, by voting on the two slates that had been presented and announced to the market on April 25, 2016. In particular, the following were elected pursuant to applicable legislative and regulatory provisions and the Articles of Association:

- two Standing Auditors and two Alternate Auditors from the slate submitted by Intesa Sanpaolo S.p.A., Pirelli & C. S.p.A. and UniCredit S.p.A., which received the majority of votes;
- the Chairman of the Board of Statutory Auditors and one Alternate Auditor were elected from the slate submitted by Negentropy Capital Partners LLP[1] (which declared that it was acting in the name and on behalf of the Negentropy Sicaf-Sif / Negentropy Special Situation Fund, Luxembourg).

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 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.

12.2. TREASURY SHARES

At June 30, 2016, the Company held a total of 1,788 treasury shares in portfolio, out 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. The previous renewal for the three-year period 2013-2015 ended with the 2015 financial year. In view of continuing this tax treatment, the parent company Prelios S.p.A. has already expressed its own intention to renew the tax consolidation system for the three-year period 2016-2018, unless it is prematurely terminated due to loss of control of the consolidated entity or the financial year does not coincide with that of the consolidating company.

Costs and revenue 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 2016 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:

- **EBIT** (Euro -0.3 million): determined by Operating result (Euro -4.7 million), to which is added the net loss from investments (Euro -13.0 million) on the consolidated income statement as adjusted by the respective components included in the Loss from investment activity (Euro -0.6 million and Euro -13.2 million, respectively) and restructuring charges (Euro -3.6 million).
- **Investment activities result** (Euro -13.3 million)**:** obtained from Operating result and net loss from investments only for the Investments Business Unit, amount to Euro -0.6 million and Euro -9.8 million, respectively) to which are added the income from shareholder loans totalling Euro 0.5 million (included in the item financial income), as possibly adjusted for NPL portfolio restructuring costs (included in the financial statement item “financial expenses”) and the net property write-downs/revaluations (for Euro -3.4 million).
- **Financial income (expenses)** (Euro -4.8 million): this includes the item “financial expenses” (adjusted for possible 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 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 revenue.

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

EBIT	JUNE 2016	JUNE 2015
Operating result	(4.7)	(13.1)
Operating result Investment Activities	0.6	7.0
Net income from equity investments	(13.0)	1.0
Net income from equity investments Investment Activities	13.2	(0.5)
Restructuring costs	3.6	2.0
Total	**(0.3)**	**(3.6)**

Investment Activities result	JUNE 2016	JUNE 2015
Operating result Investment Activities before restructuring costs and property (write-downs)/revaluations	(0.6)	(6.5)
Net income from equity investments Investment Activities before restructuring costs and property (write-downs)/revaluations	(9.8)	(2.5)
Income from shareholder loans	0.5	1.9
Property (write-downs)/revaluations (1)	(3.4)	2.5
Restructuring costs	0.0	(0.1)
Total	**(13.3)**	**(4.7)**

Financial income (expenses)	JUNE 2016	JUNE 2015
Financial expenses	(5.0)	(9.8)
Financial income	0.7	7.3
Income from shareholder loans	(0.5)	(1.9)
Loss from NPL portfolio valuation	-	-
Total	**(4.8)**	**(4.4)**

NOTE

(1) Property (write-downs)/revaluations durint first half 2016 totalled a negative amount of Euro 3.4 million (pro-rata share attributable to the Group) recorded in net income from investments in companies accounted for using the equity method.

APPENDIX B

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 and/or Lenders:** 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.

- **Budget 2016:** planning of the income statement, cash flow statement and balance sheet for 2016, approved by the Board of Directors on March 21, 2016.

- **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/IFRS.

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

- **Credit Servicing:** judicial and extra-judicial 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.

- **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.

- **Impairment test:** test to check for the impairment of assets through which the Company determines the recoverable value of its assets contained 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 venture:** the 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 the 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 Loans (NPL):** portfolios of non-performing mortgage loans originated by banks, i.e. arising from disputed loans secured by mortgages on real estate.

- **Transaction:** the strategic extraordinary transaction serving to restructure the Prelios Group through completion of the process of focusing it on the Services business and its repositioning as a pure management company.

- **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%.

- **Industrial Plan:** the Group's plan for the period 2015-2017, approved on August 6, 2015 on the basis of the 2015-2017 Guidelines, previously approved by the Board of Directors on March 10, 2015.

- **Management & Holding Platform:** this refers to the Prelios Group activity realised through its own activities in alternative asset management (fund & asset management and credit servicing) and real estate Services that include property and project management (“Integra”), real estate agency services (“Agency”) and real estate appraisals (“Valuations”), with inclusion of the related general and administrative expenses (G&A).

- **Investments Business Unit:** the business unit of Prelios S.p.A. transferred through the Transfer of Investments comprised by assets (mainly investments in companies and units of funds for investments and co-investments in the real estate sector), receivables, payables, agreements, employee relationships and a portion of the debt related to the Senior Loan.

- **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.

B. THE PRELIOS GROUP – CONSOLIDATED HALF-YEARLY FINANCIAL STATEMENTS 2016

1. CONSOLIDATED BALANCE SHEET

(in thousands of euro)

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

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

2. CONSOLIDATED INCOME STATEMENT

(in thousands of euro)

Note		01.01.2016-06.30.2016	01.01.2015-06.30.2015
21	Revenues from sales and services	34,147	32,755
	Changes in inventories of work in progress, semi-finished and finished products	-	(2,557)
22	Other income	3,531	3,733
	TOTAL OPERATING REVENUES	**37,678**	**33,931**
	of which with related parties	*7,966*	*11,836*
	of which non-recurring events	-	*34*
	Raw and consumable materials used (net of change in inventories)	(86)	(999)
	Personnel costs	(17,244)	(18,168)
	Depreciation, amortization and impairment	(339)	(325)
	Other costs	(24,740)	(27,480)
23	**TOTAL OPERATING COSTS**	**(42,409)**	**(46,972)**
	of which with related parties	*(1,698)*	*(2,640)*
	of which non-recurring events	*(3,622)*	*(2,116)*
	OPERATING RESULT	**(4,731)**	**(13,041)**
24	Net income from equity investments of which:	(13,082)	875
	of which with related parties	*(13,154)*	*460*
	- portion of result of associates and *joint ventures*	*(13,154)*	*598*
	- dividends	*76*	*404*
	- gains on equity investments	*8*	*11*
	- losses on equity investments	*(12)*	*(138)*
25	Financial income	729	7,253
	of which with related parties	*533*	*1,989*
26	Financial expenses	(4,954)	(9,641)
	of which with related parties	*(199)*	*(261)*
	RESULT BEFORE INCOME TAXES	**(22,038)**	**(14,554)**
27	Income taxes	*(1,265)*	*(1,700)*
	NET INCOME (LOSS) FROM CONTINUING OPERATIONS	**(23,303)**	**(16,254)**
	of which attributable to minority interests	(7)	(16)
	Net income (loss) from discontinued operations	**-**	**3,178**
	of which with related parties	-	-
	CONSOLIDATED RESULT FOR THE PERIOD	**(23,296)**	**(13,060)**
28	**PROFIT (LOSS) PER SHARE (in euro):**		
	basic earnings	*(0.02)*	*(0.02)*

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)

		01.01.2016-06.30.2016			of which attributable	
		gross	taxes	net	Group	Minority interests
A	**Net profit (loss) for the period**			**(23,303)**	**(23,296)**	**(7)**
	Other components recorded under equity that can be reclassified in the	**(108)**	**11**	**(97)**	**(97)**	**-**
	Exchange differences from the translation of foreign financial statements	(32)	-	(32)	(32)	-
	Total available-for-sale financial assets	(41)	11	(30)	(30)	-
	- Adjustment of available-for-sale financial assets to fair value	*(41)*	*11*	*532*	532	-
	Share of other equity components related to associates and joint ventures	(35)	-	(35)	(35)	-
	- portion of profit/(losses) recorded directly under equity	(35)	-	(35)	(35)	-
B	**Total other components recorded under equity**	**(108)**	**11**	**(97)**	**(97)**	**-**
A+B	**Total comprehensive income/(losses) for the period**			**(23,400)**	**(23,393)**	**(7)**

		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	**(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)**

4. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in thousands of euro)

	Share capital	Share premium reserve	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 12.31.2015	**49,216**	**0**	**(5,527)**	**(308)**	**(2,938)**	**105**	**(312)**	**67,477**	**(44,537)**	**63,176**	**2,871**	**66,047**
Total other components recorded under equity	**-**	**-**	**(67)**	**(41)**	**-**	**11**	**-**	**-**	**-**	**(97)**	**-**	**(97)**
Allocation of 2015 results	-	-	-	-	-	-	-	(44,537)	44,537	-	-	-
Capital increase proceeds	6,462	60,027	-	-	-	1,423	(5,759)	-	-	62,153	-	62,153
Other changes	-	-	428	89	(20)	11	93	(2,516)	-	(1,915)	(2,849)	(4,764)
Net profit (loss) for the period	-	-	-	-	-	-	-	-	(23,296)	(23,296)	(7)	(23,303)
Equity at 06.30.2016	**55,678**	**60,027**	**(5,166)**	**(260)**	**(2,958)**	**1,550**	**(5,978)**	**20,424**	**(23,296)**	**100,021**	**15**	**100,036**

	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 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**

5. CONSOLIDATED CASH FLOW STATEMENT

(in thousands of euro)

	01.01.2016-06.30.2016	01.01.2015-06.30.2015
Profit (loss) before taxes	(22,038)	(14,554)
Profit/(loss) from businesses sold	-	3,178
Amortisation, depreciation, write-downs and write-backs on intangible assets and property, plant and equipment	339	325
Impairment of receivables	354	538
Capital gains/losses on sale of property, plant and equipment	1	-
Net income from investments net of dividends	13,082	(875)
Financial expenses	4,954	9,641
Financial income	(729)	(7,253)
Change in inventories	-	3,472
Change in trade receivables/payables	(1,492)	1,439
Change in other receivables/payables	(5,081)	4,485
Change in employee benefit obligations and other provisions	(4,386)	(1,067)
Taxes	(511)	(962)
Net cash flow generated from discontinued operations	-	(3,178)
Other changes	159	38
Net cash flow generated/(absorbed) by operating activities (A)	**(15,348)**	**(4,773)**
Investments in property, plant and equipment	(26)	(52)
Investments in intangible assets	(273)	(195)
Net cash flow generated by disposal of interests in subsidiaries	4	11
Acquisition of interests in associates and joint ventures	(19,865)	5,959
Disposal of interests in associates and joint ventures	4	-
Dividends received	76	404
Purchase of other financial assets	-	(13,817)
Disposal/reimbursements of other financial assets	6,860	79
Net cash flow generated/(absorbed) by investing activities (B)	**(13,220)**	**(7,611)**
Change in share capital and other reserves	51,208	-
Other changes in equity	(922)	(387)
Change in financial receivables	186	3,041
Change in financial payables	(40,288)	(4,804)
Cash flow generated by financial income	11	799
Cash flow absorbed by financial expenses	(712)	(1,106)
Net cash flow generated/(absorbed) by financing activities (C)	**9,483**	**(2,457)**
Net cash flow generated/(absorbed) by investment activities destinated to leave the consolidation area (D)	(27,170)	10,800
Net cash flow generated/(absorbed) by investment activities destinated to leave the consolidation area (D)	**(27,170)**	**10,800**
Total net cash flow generated/(absorbed) in the period (E=A+B+C+D)	**(46,255)**	**(4,041)**
Cash and cash equivalents + bank current account overdrafts at the beginning of the period (F)	**72,607**	**77,192**
Cash and cash equivalents + bank current account overdrafts at the end of the period (D+E)	**26,352**	**73,151**
of which:		
- cash and cash equivalents	26,352	73,151
- bank current account overdrafts	-	-

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

6. CONSOLIDATED HALF-YEARLY FINANCIAL STATEMENTS 2016 – 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 Italy. Elsewhere in Europe, it is active in Germany and Poland.

The Group is currently consolidating its own repositioning as a "pure management company".

It should be noted that in H1 2016 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 consolidated financial statements are audited by 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 28, 2016.

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 especially in regard to the parts “Prelios in 2016”, “Subsequent events” and “Outlook”, the Company – considering the improvement in the reference market – has identified and is implementing a series of measures to improve operations in accordance with (i) the Budget 2016 approved by the Board of Directors on March 21, 2016 and (ii) the Industrial Plan 2015-2017 approved by the Board of Directors on August 6, 2015.

Moreover, as described in more detail in the Report on Operations, the Company completed its restructuring between the end of 2015 and the beginning of 2016 through (i) the spin-off of its investments business unit, (ii) restructuring of its senior and super senior debt, and (iii) the capital increase with pre-emptive rights. These actions gave the Company the structural framework it needs to pursue future growth for the creation of an asset management centre at the European level.

Therefore, following completion of the events described in the Directors' Report, Prelios S.p.A. has achieved its financial objective of reducing its own debt, in regard to the portion transferred to Focus Investments S.p.A. and the portion repaid with the proceeds from the capital increase, while increasing its own capitalisation – through the same capital increase – in accordance with the provisions of the Industrial Plan 2015-2017.

The Half-yearly Financial Report 2016 highlights the following key indicators:

- Revenue: in H1 2016 the Group posted an +18% increase in revenue from 2015, with this rising from about Euro 29 million (net of the Investments business transferred to Focus Investments S.p.A.) to about Euro 34.1 million in H1 2016. The described increase is line with the guidance given in the Budget 2016 and involved both the alternative asset management segment and the real estate services segment. Nevertheless, as better described elsewhere in these Notes, the increase in revenue to be realised in H2 2016, according to the guidance given in the Budget 2016, is greater than what was realised in H1 2016.
- EBIT: there was also an improvement in EBIT, both over the guidance given in the Budget 2016 and the results reported at June 30, 2015, where the operating loss was reduced. The figure for H1 2016 is about Euro -0.3 million, as compared with a result of about Euro -3.6 million in 2015. This improvement stems both from the greater turnover and from a recovery of margins by the operating companies, and from the significant effects stemming from the process of reducing central costs, which fell from about Euro -5.2 million in 2015 to about Euro -3.7 million in the same period of 2016.

- Net Loss: in H1 2016, the Company posted a net loss of about Euro 23.3 million, compared with a loss of about Euro 13.1 million in H1 2015. This deterioration is mainly related to positive non-recurring items in 2015 that were partly offset by better performance in terms of EBIT, as described above.
- Net Financial Position (NFP): the figure at June 30, 2016 shows a net indebtedness of about Euro 3 million, and marks a drastic improvement from December 2015, mainly in consequence of the extraordinary transaction involving the spin-off of real estate investments to Focus Investments S.p.A. and the capital increase completed in Q1 2016.
- Liquidity: the amount of available cash is about Euro 26.4 million, compared with about Euro 72.6 million in December 2015. The negative difference of about Euro -46.2 million is mainly related to: i) the Transfer and cash contribution to Focus Investments S.p.A.. for Euro -47.4 million, ii) Capital increase net of costs incurred for the extraordinary transaction amounting to about Euro +8.3 million, and iii) payments of non-recurring costs, financial expenses and taxes for about Euro -7 million. The cash available in the cash pooling accounts is about Euro 12.9 million, while the figure at December 31, 2015 was about Euro 26.5 million. The difference of about Euro -13.6 million is mainly tied to the changes described above, net of about Euro 27 million contributed to Focus Investments S.p.A., which was already considered "unavailable" to the Group at December 31, 2015. The level of liquidity and net financial position, which have improved over the targets indicated in the Budget 2016, is mainly due to the deferral of certain due dates and certain payments of operating liabilities.

Moreover, consistently with the assumptions made in the Budget 2016 and Industrial Plan 2015-2017, the principal leverage for development of Group activity is represented by the increase in forecast revenue in H2 2016 and in 2017. In the first months of 2016, the commercial activities aimed at developing commercial activities intensified, attributable especially to the market for non-performing loans, the asset management market, including for foreign institutional investors and real estate management and brokerage activities (with the latter having a limited impact on Group margins). The results achieved at June 30, 2016 confirm the guidance given in the Budget 2016 and also confirm the increase in existing opportunities on which management will focus during H2 2016 to reach the target in terms of expected revenues and margins development. Nevertheless, this activity will entail constant, focused monitoring by management to confirm Company results over the next several months and at the end of the year, as announced to the market, partly on account of the fact that a significant portion of the expected opportunities and revenue is connected with mandates to structure real estate transactions or non-performing loan portfolios. Accrual of that revenue by the Group depends on the successful outcome of the entire transaction ("success fees").

Finally, achievement of the results indicated in the Budget 2016 and Industrial Plan 2015-2017 is connected with the capacity of the Group to generate financial resources that will allow it to maintain the solid capitalisation and financial position achieved through the aforementioned restructuring process.

Considering that the Transaction has been completed as planned and on the basis of the forecasts set out in the Industrial Plan 2015-2017, as updated by the Budget 2016 and the results at June 30, 2016, the Company believes that – although those forecasts still show losses, with consequent erosion of equity and negative cash flow in 2016 that, while not causing a deficit over the lifetime of the plan, nonetheless confirm the persistence of a financial and liquidity situation demanding careful monitoring by the Directors – it has completed its own process of restructuring to achieve long-term financial solidity.

On the basis of the circumstances described hereinabove, the Directors believe that the actions taken at the end of 2015 and at the beginning of 2016 – as described in the Report on Operations – and the actions envisaged in the Budget 2016, consistently with the Industrial Plan 2015-2017, have laid the bases for rebalancing the equity and financial position of the Company insofar as, although the inevitable uncertainties related to sector trends and consequent development of the business persist, the extraordinary transaction of spinning off the Investments business and associated financial restructuring of the Group have been completed. In this context, the Directors are presently unaware of any elements that might lead them to consider the Budget 2016 and Industrial Plan 2015-2017 unachievable. In particular, the Directors believe that all the executed actions are adequate to overcome contingent uncertainties over the viability of the Group as a going concern and, therefore, that the Group may continue operating. However, this will require maintaining the greatest possible attention on continuous monitoring of the level of available liquidity.

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, 2015. The exceptions are in respect of the new standards/interpretations adopted by the Group starting from January 1, 2016. The nature and impact of these changes are described below.

6.3.1. Accounting standards and interpretations endorsed and in force from January 1, 2016

The following new standards and interpretations came into force on or after January 1, 2016.

- Amendments to IAS 1 – Disclosure initiative

These amendments aim to:

- clarify the rules concerning materiality of information;
- clarify that specific items in the income statement, statement of comprehensive income and balance sheet may be broken down;
- introduce guidelines as to how an entity should present subtotals in the income statement, statement of comprehensive income and balance sheet;
- clarify that entities enjoy flexibility in regard to the order in which they present the notes, emphasising that comprehensibility and comparability should be considered when the order of presentation is decided;
- eliminate the guidelines for identification of the material accounting policy.

These changes were endorsed by the European Union on December 18, 2015 (Regulation [EU] no. 2406/2015) and came into force beginning January 1, 2016.

There have been no significant changes in how the consolidated financial statements are presented following application of these changes.

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

The amendments to IAS 27 aim to allow entities to use the equity method to recognise investments in subsidiaries, joint ventures and associates in the separate financial statements.

These amendments were endorsed by the European Union on December 18, 2015 (Regulation [EU] no. 2441/2015) and came into force on January 1, 2016, without any impact on the separate financial statements of the parent company, since it has not exercised that option.

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

These amendments, 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 will be consumed.

The IASB has clarified that a revenue-based method of depreciation or amortisation is not deemed appropriate. This is because it only reflects the flow of revenue generated by that asset and not, instead, how the future economic benefits incorporated in the asset itself are consumed.

This assumption may cease to be valid in limited cases where intangible assets are involved.

The guidance added to both of the standards explains that future reductions in sales prices might indicate a high rate of consumption of the future economic benefits inherent in an asset.

These changes were endorsed by the European Union on December 2, 2015 (Regulation [EU] no. 2231/2015) and came into force beginning January 1, 2016.

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

- 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 has to be recognised in compliance with IFRS 3 Business Combinations, i.e. according to the purchase price allocation rule.

These changes were endorsed by the European Union on November 24, 2015 (Regulation [EU] no. 2173/2015) and came into force beginning January 1, 2016.

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

- "Improvements" to IFRS (2012-2014 issued by IASB on September 24, 2014)

IASB has issued a series of changes to certain standards in force in response to the questions raised.

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 given in the interim financial report, but not in the interim financial statements themselves

These changes were endorsed by the European Union on December 15, 2015 (Regulation [EU] no. 2343/2015) and came into force beginning January 1, 2016.

The introduction of these changes in the consolidated financial statements has not had a significant impact.

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.

- 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

On July 24, 2014, the IASB published the final version of IFRS 9 Financial Instruments.

That document replaced the previous versions published in 2009 and 2010 for the “classification and measurement” phase and in 2013 for the “hedge accounting” phase. This publication completed the project to reform IAS 39, in view of reducing its complexity. That project was carried out in three phases: “classification and measurement”, “impairment” and “hedge accounting”. Revision of the rules for “macro hedge accounting” has yet to be completed, although this process is being handled through a project separate from IFRS 9.

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

- *hedge accounting*: the provisions of IAS 39 that were considered too strict have been amended, in view of guaranteeing greater consistency between the accounting representation of hedges and risk management. In particular, changes have been implemented for the types of transactions eligible for hedge accounting, in particular by broadening the risks of non-financial assets/liabilities eligible to be managed under hedge accounting;
- the effectiveness test mandated by 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 at amortised cost. The category “*Fair value through profit or loss”* is also envisaged, but only as a second choice. 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*: a single model for impairment is envisaged, based on a concept of “forward-looking expected loss” in order to guarantee more immediate recognition of losses than the IAS 39 model of “incurred loss”, according to which losses may be recognised only when there is objective evidence of loss arising after initial recognition of the assets;
- financial liabilities: IASB has substantially confirmed the provisions of IAS 39, while maintaining the possibility to apply the fair value through profit or loss principle to measurement of the financial liability when certain conditions are met. If the fair value option is adopted for financial liabilities, the new principle envisages 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. This consequently eliminates a source of volatility in economic results that became particularly acute during economic and financial crises.

This standard has not yet been endorsed by the European Union. Mandatory application of the standard is scheduled to begin January 1, 2018, with the possibility of early application of the entire standard or only the amendments related to the accounting of “own credit” for financial liabilities carried at fair value.

The impact of future application of this standard to the consolidated financial statements cannot be quantified at this time.

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

The amendments aim to clarify three questions related to the consolidation of an investment entity. More specifically:

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

These amendments, which have not yet been endorsed by the European Union, came into force on January 1, 2016. However, early application is allowed.

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

- IFRS 16 – Leases

On January 13, 2016 the IASB published IFRS 16 – Leases. This document replaces the previous standard IAS 17 Leases and interpretations thereof.

The main changes introduced by IFRS 16 can be summarised as follows:

- IFRS 16 eliminates classification of the lease as an operating lease or financial lease for the lessee: all leases are treated in a way analogous to their treatment under the previously applicable IAS 17 for finance leases;
- leases are "capitalised" through recognition of the discounted value of payments for the lease either as an asset (right to use the assets covered by the lease agreement) or as property, plant and equipment;
- if the lease instalments are paid over time, the lessee recognises a financial liability that represents its obligation to make future payments for the lease;
- IFRS does not require the recognition of assets and liabilities for short-term leases (having a duration no longer than 12 months) and for leases covering assets of modest value (e.g. the lease of a personal computer).

IFRS 16 has not yet been endorsed by the European Union and applies beginning January 1, 2019. Early application is allowed for those entities that also apply IFRS 15 Revenue from Contracts with Customers.

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

- Amendments to IAS 7 – Disclosure initiative

These amendments, issued on January 29, 2016, will require that entities make a disclosure that allows investors to assess the changes in liabilities stemming from financing activities, including the changes resulting from cash flows and non-monetary changes.

The amendments, which have not yet been endorsed by the European Union, apply starting January 1, 2017. However, early application is allowed.

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

- Amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses

These amendments, issued on January 19, 2016, aim to clarify how to recognise deferred tax assets for unrealised losses on debt instruments carried at fair value. The amendments, which have not yet been endorsed by the European Union, apply starting January 1, 2017. However, early application is allowed.

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

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

These amendments aim to clarify accounting treatment, both when control of a subsidiary is lost (regulated by IFRS 10) and in the case of *downstream transactions* regulated by IAS 28, according to whether the objection of the transaction is a business or not, according to the definition given in IFRS 3. If the object of the transaction is a business, then the full amount of the gain has to be recognised in both cases (loss of control and downstream transactions). But if the object of the transaction is not a business, then the profit has to be recognised in both cases only for the portion related to minority interests.

IASB has indefinitely deferred the effective date of these amendments, which have not yet been endorsed by the European Union.

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

- IFRS 15 – Revenue from Contracts with Customers

On May 28, 2014 the IASB published IFRS 15 Revenue from Contracts with Customers. One of the principal aims of this project is to define rules consistent with US GAAP. This convergence should improve the comprehension of financial statements by the financial community.

The standard 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 fall in the scope of IAS 17 Leasing, insurance contracts and financial instruments.

The standard imposes a five-step model that applies (with few exceptions) to all sales contracts, regardless of the type of transaction or applicable business sector, and also provides a model for the recognition and measurement of related earnings in the case of certain non-financial assets not resulting from the ordinary activity of the entity (e.g. sales of property, plant and equipment, and intangible assets). Specifically, the standard defines the following five steps:

1. identify the contract with the customer, defined as a written or oral commercial agreement between two or more parties that establishes legally protected rights and obligations with the customer;
2. identify the performance obligations (separately identifiable obligations) in the contract: the key factor is to determine whether a good or service is distinguishable, i.e. whether the customer can benefit from it on its own or in conjunction with others. The entity's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract;
3. determine the transaction price, as the amount to which an entity expects to be entitled in exchange for the transfer of goods and services to the customer and according to whether there are any financial components, for example the time value of money and the fair value of any non-cash consideration;
4. allocate the transaction price to the performance obligations in the contracts; if this is not possible, the entity will have to use estimates according to an approach that maximises the use of observable input data;
5. recognise revenue when (or as) the entity satisfies a performance obligation, i.e. when control of the good or service is passed, while keeping in mind that services might not be performed at a specific instant but also over a period of time. Control of an asset is defined as the ability to direct the use of and obtain substantially all of the remaining benefits from the asset. The benefits related to the asset are the potential cash flows that may be obtained directly or indirectly from use of the asset. In this regard, new guidelines are given to determine whether revenue has to be recognised at a specific moment in time or over the course of time, 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, 2018, but early application is also allowed.

The impact deriving from first-time application of the new standard to the consolidated financial statements cannot be foreseen at this time.

- Amendments to IFRS 2 – Classification and Measurement of share-based Payment Transactions

These amendments, issued on June 20, 2016, aim to clarify the bookkeeping of certain types of share-based payment transactions. The amendments, which have not yet been endorsed by the European Union, apply starting January 1, 2018. However, early application is allowed.

These amendments are not applicable to the Group at this time.

- Amendments to IFRS 15 – Revenue from Contracts with Customers

These amendments, issued on April 12, 2016, aim to clarify certain provisions of the new standard without modifying its basic principles, by providing additional simplifications in view of reducing costs and complexity, for those that apply the new standard for the first time. The amendments, which have not yet been endorsed by the European Union, will apply from the same date that the new standard becomes applicable, i.e. beginning January 1, 2018.

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

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, 2016 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 companies and entities to which the Group is exposed or from which it is entitled to variable returns, deriving from its own relationship with the investee and, at the same time, has the capacity to impact those returns by exercising its own power over that entity.

An investee is specifically considered a subsidiary if, and only if the Group simultaneously has:

- power over the investee entity (or holds valid rights that grant it the current capacity to manage the significant activities of the investee);
- the exposure or rights to variable returns deriving from the relationship with the investee;
- the capacity to exercise its own power over the investee in order to impact the amount of its returns.

It is generally presumed that holding a majority of the voting shares grants control.

If facts and circumstances indicate that there have been changes in one or more of the three elements material to the definition of control, the Group reconsiders whether it has control of an investee or not.

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. Therefore, the assets, liabilities, revenues and costs of the subsidiary acquired or sold during the year are included in the consolidated financial statements from the date on which the Group obtains control until the date when the Group no longer exercises control over the company.

The portions of equity, profit (loss) for the year and each of the other components of the statement of comprehensive income attributable to minority interests are separately indicated in 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 by the new version of IFRS 11, a joint venture is an agreement for joint control in which the parties that hold joint control have claims on the net assets of the agreement. A joint venture implies the formation of a legal entity that controls the assets, assumes the liabilities and signs the 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. As specifically indicated in the cited appendix, certain companies had left the area of consolidation following completion of the “Centauro” transaction. With completion of the Centauro Transaction during the first months of 2016, and particularly after the entry of new partners in the share capital of Focus Investments S.p.A. on January 12, 2016 through subscription and full release of a capital increase in cash reserved to them, for a total amount of Euro 12 million, with simultaneous adoption of a governance structure causing the loss of control by Prelios S.p.A. (which remains the minority shareholder of Focus Investments S.p.A., but with a majority of equity rights), the investment of Prelios S.p.A. in Focus Investments S.p.A. will be classifiable as a non-controlling interest. Consequently, it will be consolidated according to the equity method in the consolidated financial statements of Prelios S.p.A. beginning 2016, with continuity of values.

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.

In this regard, 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;
- the valuation of equity investments in associates and joint ventures;
- the estimate 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, 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 indirectly owned property portfolio is verified 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.

In addition, with regard to valuations of the real estate portfolio managed by Prelios Società di Gestione del Risparmio S.p.A., 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:

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

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

Prelios Società di Gestione del Risparmio S.p.A. 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.

6.5. Seasonality

The trend tracked by revenues is not impacted by sharp seasonal changes, although an increase in transactions is concentrated in the last several months of the year.

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 704 thousand, a net decrease of Euro 96 thousand since December 31, 2015, and are made up as follows:

	06.30.2016			12.31.2015		
	Historical cost	**Accumulated depreciation/ write-downs**	**Net value**	**Historical cost**	**Accumulated depreciation/ write-downs**	**Net value**
Buildings	460	(370)	90	1,013	(905)	108
Plant and machinery	1,428	(1,343)	85	1,430	(1,317)	113
Industrial and commercial equipment	97	(93)	4	99	(93)	6
Other assets, of which:	10,529	(10,004)	525	10,699	(10,126)	573
- vehicles	*90*	*(80)*	*10*	90	(78)	12
- furniture, office equipment and other	*10,416*	*(9,924)*	*492*	10,586	(10,048)	538
- works of art	*23*	*-*	*23*	*23*	*-*	*23*
Total	**12,514**	**(11,810)**	**704**	**13,241**	**(12,441)**	**800**

The following table shows changes in historic costs and accumulated depreciation in H1 2016:

Historical cost	**12.31.2015**	**Changes in consol. area/Other**	**Increases**	**Decreases**	**06.30.2016**
Buildings	1,013	(552)	-	(1)	460
Plant and machinery	1,430	-	-	(2)	1,428
Industrial and commercial equipment	99	-	-	(2)	97
Other assets, of which:	10,699	(143)	42	(69)	10,529
- vehicles	90	-	-	-	90
- furniture, office equipment and other	10,586	(143)	42	(69)	10,416
- works of art	23	-	-	-	23
Total	**13,241**	**(695)**	**42**	**(74)**	**12,514**

Accumulated depreciation/write-downs	**12.31.2015**	**Changes in consol. area/Other**	**Depreciation/ Write-downs**	**Uses**	**06.30.2016**
Buildings	(905)	552	(17)	-	(370)
Plant and machinery	(1,317)	-	(28)	2	(1,343)
Industrial and commercial equipment	(93)	-	(1)	1	(93)
Other assets, of which:	(10,126)	133	(74)	63	(10,004)
- vehicles	(78)	-	*(2)*	-	*(80)*
- furniture, office equipment and other	(10,048)	133	*(72)*	*63*	*(9,924)*
Total	**(12,441)**	**685**	**(120)**	**66**	**(11,810)**

Note 2. INTANGIBLE ASSETS

This item totalled Euro 57,449 thousand, a net decrease of Euro 1,146 thousand compared to December 31, 2015, essentially due to the deconsolidation of the companies belonging to the Focus Group.

	12.31.2015	Changes in consol.	Increases	Decreases	Amortisation/ Write-downs	06.30.2016
Concessions, licences and trademarl	1,471	(1,200)	-	-	(1)	270
Software application	739	-	268	-	(218)	789
Goodwill	56,385	-	-	-	-	56,385
Other intangible assets	-	-	5	-	-	5
Total	**58,595**	**(1,200)**	**273**	**-**	**(219)**	**57,449**

Concessions

The change during H1 2016 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. That subsidiary was deconsolidated at June 30, 2016.

Software application

The increases recognised during the year mainly refer to the costs incurred to implement new SAP modules, and for evolutionary maintenance of previously installed software.

Goodwill

This item totalled Euro 56,385 thousand, unchanged from December 31, 2015.

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:

	06.30.2016	12.31.2015
ITALY	**39,495**	**39,495**
Property	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, 2016 the Company has a market capitalisation that far exceeds the carrying amount of its equity;
- the weighted average cost of capital as adjusted for calculation of the recoverable value of the CGUs of the services platform increased by 83 basis points between December 31, 2015 and June 30, 2016 for the CGUs operating in Italy and by 77 basis points for the CGU operating in Germany. However, this increase guarantees a broad margin for impairment.

In regard to internal factors:

- there are no negative changes between the final operating results and the budget results for H1 2016 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 66,941 thousand, for a net decrease of Euro 56,791 thousand since December 31, 2015.

Changes during the year are as follows:

	01.01.2016-06.30.2016			01.01.2015-12.31.2015			
	Total	associates	joint ventures	Total	associates	joint ventures	held for sale
Opening balance	**123,732**	**37,537**	**86,195**	**150,104**	**37,797**	**108,458**	**3,849**
Acquisitions/contributions of capital and reserves/other	19,964	19,950	14	8,836	-	8,836	-
Change in consolidation area	(65,777)	14,396	(80,173)	-	-	-	-
Portions of other components recorded under equity	(35)	(35)	-	(59)	(82)	23	-
Reclassification/Other changes	1,781	1,781	-	(1,112)	(518)	-	(594)
Distributions of dividends and reserves	(100)	-	(100)	(9,422)	(2,799)	(3,416)	(3,207)
Disposals and liquidations	(4)	-	(4)	(371)	-	(371)	-
Share of income/losses on investments	(13,154)	(12,890)	(264)	(12,361)	3,139	(15,452)	(48)
Net (increase)/decrease in financial receivables	534	-	534	(11,615)	-	(11,615)	-
Change in provisions for risks and expenses	-	-	-	(268)	-	(268)	-
Closing balance	**66,941**	**60,739**	**6,202**	**123,732**	**37,537**	**86,195**	**0**

Euro 116.7 million of the reduction stems from deconsolidation of the equity investments held directly or indirectly by Focus Investments S.p.A., following the loss of control by Prelios upon entry of the partners Intesa Sanpaolo S.p.A., Pirelli & C. S.p.A. and UniCredit S.p.A. as shareholders following the capital increase for Euro 12 million reserved to them, which was completed on January 12, 2016. This effect was partially offset by the book value of the equity investment held by Prelios S.p.A. in Focus Investments S.p.A., totalling Euro 59.8 million at June 30, 2016, inclusive equity financial instruments issued by Focus Investments S.p.A., in exchange for the contribution of Euro 20 million in cash, and the net result generated by the investee, amounting to about Euro 12.8 million.

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

Other information about the equity investments

a) Information about consolidated subsidiaries having significant minority interests

At June 30, 2016 the Group did not consolidate subsidiaries having significant minority interests.

With completion of the Centauro Transaction during the first months of 2016, and particularly after the entry of new partners in the share capital of Focus Investments S.p.A. on January 12, 2016 through subscription and full release of a capital increase in cash reserved to them, for a total amount of Euro 12 million, with simultaneous adoption of a governance structure causing the loss of control by Prelios S.p.A. (which remains the minority shareholder of Focus Investments S.p.A., but with a majority of equity rights), the investment of Prelios S.p.A. in Focus Investments S.p.A. was classified as a non-controlling interest. Consequently, it will be consolidated according to the equity method in the consolidated financial statements of Prelios S.p.A. beginning in 2016. At June 30, 2016 the equity investment in Focus Investments S.p.A. had a book value of Euro 59.8 million, inclusive of the equity financial instruments issued by Focus Investments S.p.A. in exchange for the contribution of Euro 20 million in cash, and the loss for the period, amounting to Euro 12.8 million.

b) Financial data

Therefore, at June 30, 2016, Prelios S.p.A. owned just one particularly significant investment in the associated company Focus Investments S.p.A..

For more information in this regard, the consolidated balance sheet of Focus Investments at June 30, 2016 is illustrated as follows. It was prepared on a continuity of values basis.

(Euro/milion)	JUNE 2016
Fixed assets	**143.1**
of which investments in real estate funds and investment companies and shareholder loans granted (1)	*141.9*
Net working capital	**26.1**
Discontinued operations	**1.8**
Net invested capital	**171.0**
Equity	**65.1**
di cui Patrimonio netto di competenza	65.1
Provisions	**27.4**
Net financial position from operating activities	**78.5**
Total covering net invested capital	**171.0**

(1) The item includes equity investments in associates, joint ventures and other equity investments (Euro 63.3 million), receivables for shareholder loans (Euro 75.9 million)and junior notes (Euro 2.9 million). The figures for June 2016 include provisions for equity investment writedowns of Euro 0.2 million.

Finally, securities of associates and joint ventures whose value is reported as zero in the consolidated balance sheet of the Prelios Group at June 30, 2016 have been pledged.

Note 4. OTHER FINANCIAL ASSETS

These amount to Euro 15,372 thousand, a net decrease of Euro 9,779 thousand over December 31, 2015. These are composed as follows:

	06.30.2016	12.31.2015
Available-for-sale financial assets measured at fair value in equity	**12,274**	**12,408**
Closed-end real estate funds	11,525	11,659
Investments in other companies	749	749
Other financial assets measured at fair value	**-**	**2,870**
Bonds – junior notes	-	2,870
Restricted deposits	**3,098**	**9,873**
Total	**15,372**	**25,151**

Fair value hierarchy

During H1 2016, 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, 2016:

	01.01.2016-06.30.2016	01.01.2015 - 12.31.2015
Opening balance	**11,659**	**9,963**
Increases	-	802
Decreases/Repayment of capital	(85)	(309)
F*air value* adjustment and portion of (profit)/losses transferred to the income statement that were previously recorded directly under equity due to disposal or in the presence of impairment	(49)	1,203
Closing balance	**11,525**	**11,659**
of which:		
Cloe Fondo Uffici	6,489	6,497
Tecla Fondo Uffici	1,690	1,730
Fondo Enasarco Uno	1,500	1,514
Fondo Federale Immobiliare di Lombardia	1,084	1,147
Parchi Agroalimentari Italiani - Fondo comune di investimento immobiliare multicomparto riservato ad investitori qualificati	762	771

The item was adjusted downwards by Euro 41 thousand to account for changes in the fair value of real estate fund units. During H1 2016 profits of Euro 8 thousand were transferred to the income statement. These profits resulted from fair value measurement of the units held in the Cloe Fund which had accumulated at June 30, 2016.

4.2 Investments in other companies

This item totalled Euro 749 thousand, unchanged from the previous year.

4.3 Other financial assets measured at fair value

At December 31, 2015 the item under review totalled Euro 2,870 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. This amount is shown net of the impairment recognised at December 31, 2015 for Euro 1,930 thousand. This was due to the changed estimate of expected cash flows, which generated a value adjustment resulting from the discounting of future cash flows. The aforementioned junior notes were transferred by the parent company to Focus Investments S.p.A. together with the Investments Business Unit, effective December 31, 2015. Then, after completion of the Transaction in the first few months of 2016, those junior notes were deconsolidated upon deconsolidation of Focus Investments S.p.A..

4.4 Restricted deposits

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

In particular, this item is partly comprised of Euro 3,075 thousand in cash for the assets and liabilities assumed by Prelios Società di Gestione del Risparmio S.p.A. upon liquidation of the Olinda Fund. In H1 2016 this item decreased by Euro 5,193 thousand, relating mainly to the final redemption of the investor units for Euro 5,007 thousand.

Note 5. DEFERRED TAX ASSETS AND DEFERRED TAX PROVISION

These are composed as follows:

	06.30.2016	12.31.2015
Deferred tax assets	8,078	7,461
Deferred tax provision	(2,702)	(2,527)
Total	**5,376**	**4,934**

Prepaid taxes and deferred 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:

	06.30.2016	12.31.2015
Deferred tax assets	9,786	9,349
Deferred tax provision	(4,410)	(4,415)
Total	**5,376**	**4,934**

Note 6. TRADE RECEIVABLES

Trade receivables totalled Euro 36,424 thousand, with a change of Euro 5,532 thousand from the amount reported at December 31, 2015. This was mainly attributable to deconsolidation of the receivables held by the companies consolidated by Focus Investments S.p.A..

	06.30.2016			12.31.2015		
	Total	non-current	current	Total	non-current	current
Trade receivables from associates, joint ventures and other Prelios Group	52,837	-	52,837	55,714	-	55,714
Trade receivables from other related parties	19	-	19	493	-	493
Trade receivables from third parties	30,623	-	30,623	34,565	-	34,565
Receivables for contracts	-	-	-	119	-	119
Total gross trade receivables	**83,479**	**-**	**83,479**	**90,891**	**-**	**90,891**
Allowance for doubtful accounts from associates, joint ventures and other	(39,829)	-	(39,829)	(39,669)	-	(39,669)
Allowance for doubtful accounts from third parties	(7,226)		(7,226)	(9,266)		(9,266)
Total allowance for doubtful accounts	**(47,055)**	**-**	**(47,055)**	**(48,935)**	**-**	**(48,935)**
Total	**36,424**	**0**	**36,424**	**41,956**	**0**	**41,956**

Trade receivables mainly refer to contracts for the provision of alternative asset management and real estate services.

Against gross trade receivables, there are provisions for impairment of Euro 47,055 thousand (Euro 48,935 thousand at December 31, 2015), 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:

	06.30.2016	12.31.2015
Opening balance	**48,935**	**47,767**
Provisions	313	2,007
Provisions as a reduction to revenue	781	2,058
Uses	(443)	(4,523)
Release of excess allowance	(71)	(82)
Changes in consolidation area/reclassifications/other	(2,460)	1,708
Closing balance	**47,055**	**48,935**

The trade receivables were written down by Euro 354 thousand, which was recognised in the income statement at “Other Costs” (Note 24).

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

	06.30.2016	12.31.2015
provisions for doubtful trade receivables	313	2,007
losses on trade receivables	41	24
total impairment of trade receivables	**354**	**2,031**
provisions for other doubtful receivables	-	193
losses on other receivables	-	24
total impairment of other receivables	**-**	**217**
Total impairment of receivables	**354**	**2,248**

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

Note 7. OTHER RECEIVABLES

These are broken down as follows:

	06.30.2016			12.31.2015		
	Total	non-current	current	Total	non-current	current
Other receivables from associates, joint ventures and other Prelios Group companies	249	-	249	10,117	-	10,117
Other receivables from other related parties	1,332	-	1,332	1,332	-	1,332
Sundry receivables	10,382	33	10,349	20,122	5,258	14,864
Accrued income and prepaid expenses, of which:	1,635	-	1,635	980	-	980
- in relation to other related parties	52	-	52	55	-	55
- in relation to joint ventures	56	-	56	56	-	56
- in relation to third parties	1,527	-	1,527	869	-	869
Financial receivables	4,957	16	4,941	81,377	81,088	289
Total other gross receivables	**18,555**	**49**	**18,506**	**113,928**	**86,346**	**27,582**
Allowance for doubtful accounts for other receivables, of which:	**(4,758)**	**-**	**(4,758)**	**(7,881)**	**-**	**(7,881)**
- from joint ventures	(230)	-	(230)	(2,648)	-	(2,648)
- from third parties	(4,528)	-	(4,528)	(5,233)	-	(5,233)
Total	**13,797**	**49**	**13,748**	**106,047**	**86,346**	**19,701**

The significant change recorded during H1 2016 is mainly due to deconsolidation of the items pertaining to the companies belonging to the Focus Group, as illustrated in more detail elsewhere in these Notes.

In order to realign the face value to the presumed realisable value of other gross receivables of Euro 18,555 thousand (Euro 113,928 thousand at December 31, 2015), there were provisions for impairment of Euro 4,758 thousand (Euro 7,881 thousand at December 31, 2015), attributable mainly to receivables for the NPL portfolio.

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

	06.30.2016	12.31.2015
Opening balance	**7,881**	**8,684**
Provisions	-	193
Uses	(129)	(1,143)
Change in consolidation area/reclassifications/other changes	(2,994)	147
Closing balance	**4,758**	**7,881**

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 payables to associates, joint ventures and other Prelios Group companies

The item totals a net value of Euro 19 thousand (Euro 7,469 thousand at December 31, 2015). The change is mainly attributable to deconsolidation of the residual receivable claimed by the parent company from Mistral B.V. (Euro 6,673 thousand) transferred to the Investments Business Unit.

The item includes instead the accrued expense for the rent on the Prelios office in Rome, located on Via Cristoforo Colombo, charged by the Cloe Fund.

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 10,382 thousand compared with Euro 20,122 thousand at December 31, 2015.

	06.30.2016			12.31.2015		
	Total	non-current	current	Total	non-current	current
- Advances	356	-	356	5,121	4,987	134
- Receivables for the NPL portfolio	4,150	-	4,150	4,152	-	4,152
- Other tax receivables	1,556	14	1,542	2,383	221	2,162
- Receivables from social security institutions	685	-	685	731	-	731
- Other sundry receivables	3,635	19	3,616	7,735	50	7,685
Total	**10,382**	**33**	**10,349**	**20,122**	**5,258**	**14,864**

About Euro 7.0 million of the change is attributable to deconsolidation of the companies belonging to the Focus Investments Group, and to the costs for the capital increase that had been suspended in consequence of the fact that the transaction had not yet been completed at December 31, 2015 (Euro 2,172 thousand).

The detailed breakdown of the item “*advances”* included Euro 4,987 thousand at December 31, 2015 for the costs suspended by the company Iniziative Immobiliari 3 S.r.l. (now directly controlled by Focus Investments S.p.A.) and 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. The item had already been eliminated at December 31, 2015, having accrued an allowance for doubtful accounts for the total amount of outstanding receivables. In particular, the item includes mortgage 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 consolidation basis, and to receivables for other indirect taxes.

In this regard, it should be noted that for the current tax period, 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 755 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., at the time a company 49% owned by the Prelios Group and 51% by Morgan Stanley, for units in the Tecla and Berenice funds, both managed at the time by Prelios Società di Gestione del Risparmio S.p.A., and upon conclusion of the jurisdictional dispute when the Court of Cassation filed its judgement on December 30, 2015.

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. At June 30, 2016, the Group was owed a residual receivable of Euro 15 thousand from said parties.

The item also includes the receivable claimed by Prelios Società di Gestione del Risparmio S.p.A. for the VAT prepaid on behalf of the Hospitality & Leisure Fund (Euro 1,106 thousand).

Financial receivables

At June 30, 2016 non-current financial receivables totalled Euro 16 thousand, reflecting a net decrease of Euro 81,072 thousand from December 31, 2015. This was related entirely to the loans disbursed to the Investments Business Unit companies transferred to Focus Investments S.p.A. or its subsidiaries that were deconsolidated in 2016.

Current financial receivables totalled Euro 4,941 thousand, and include Euro 4,892 thousand for the financial receivable from Focus Investments S.p.A. for a debt owed by the parent company in consequence of the obligations to make capital grants to the joint venture Aree Urbane S.r.l. (in liquidation).

The item is broken down as follows:

	06.30.2016			12.31.2015		
	Total	**non-current**	**current**	**Total**	**non-current**	**current**
Receivables from associates	4,892	-	4,892	631	631	-
Receivables from joint ventures	16	16	-	80,691	80,457	234
Receivables from third parties	49	-	49	55	-	55
Total	**4,957**	**16**	**4,941**	**81,377**	**81,088**	**289**

Note 8. TAX RECEIVABLES

These amount to a total of Euro 1,515 thousand, compared with Euro 2,768 thousand at December 31, 2015. They mainly relate to tax receivables for income taxes of companies consolidated on a line-by-line basis that have not opted to file for income tax on a consolidated Group basis, or to taxes of companies participating in the tax consolidation program that were incurred before they joined that program.

Note 9. INVENTORIES

The change from the previous year is related entirely to the change in the scope of consolidation resulting from the loss of control over the company Focus Investments S.p.A. and companies that are directly or indirectly controlled by it, which are owners of the properties and areas held in the portfolio at December 31, 2015.

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:

	06.30.2016	12.31.2015
Bank and post office current accounts	26,291	72,334
Cheques	-	200
Cash and cash equivalents in hand	61	73
Total	**26,352**	**72,607**

Current bank and post office accounts include current accounts held with leading banks and lenders with 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	Share premium reserve	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 12.31.2015	**49,216**	**0**	**(5,527)**	**(308)**	**(2,938)**	**105**	**(312)**	**67,477**	**(44,537)**	**63,176**	**2,871**	**66,047**
- Adjustment of available-for-sale financial assets to fair value	-	-	-	(41)	-	11	-	-	-	(30)	-	(30)
- share of other equity components related to associates and joint ventures	-	-	(35)	-	-	-	-	-	-	(35)	-	(35)
- exchange differences from the translation of foreign financial statements	-	-	(32)	-	-	-	-	-	-	(32)	-	(32)
Total other components recorded under equity	**-**	**-**	**(67)**	**(41)**	**-**	**11**	**-**	**-**	**-**	**(97)**	**-**	**(97)**
Allocation of 2015 results	-	-	-	-	-	-	-	(44,537)	44,537	-	-	-
Capital increase proceeds	6,462	60,027	-	-	-	1,423	(5,759)	-	-	62,153	-	62,153
Other changes	-	-	428	89	(20)	11	93	(2,516)	-	(1,915)	(2,849)	(4,764)
Net profit (loss) for the period	-	-	-	-	-	-	-	-	(23,296)	(23,296)	(7)	(23,303)
Equity at 06.30.2016	**55,678**	**60,027**	**(5,166)**	**(260)**	**(2,958)**	**1,550**	**(5,978)**	**20,424**	**(23,296)**	**100,021**	**15**	**100,036**

Note 11. SHARE CAPITAL

In regard to the loss for the year reported at December 31, 2015 and its amount (Euro 29,622,332.51), certification was filed on March 10, 2016 that the capital increase with pre-emptive rights had been executed, as approved by the Board of Directors in exercise of the power granted to it by the Extraordinary Shareholders' Meeting of the Company on October 16, 2015.

The capital increase with pre-emptive rights was fully executed for Euro 6,461,456.31 at par plus a total shareholders' premium of Euro 60,026,929.12, and thus for a total of Euro 66,488,385.43 inclusive of the share premium.

Therefore, the fully subscribed and paid-up share capital of Prelios S.p.A. totals Euro 55,686,524.26, broken down into:

- 1,153,098,810 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, unlisted.

On May 19, 2016, the Shareholders' Meeting resolved to carry forward the loss for the year 2015.

At June 30, 2016, share capital was reported net of 1,788 treasury shares in the Group's portfolio, as required by IAS 32, and totalled Euro 55,678.

Following the loss incurred in H1 2016, amounting to Euro 23,296 thousand, Group equity at June 30, 2015 totalled a positive Euro 100,021 thousand, compared with a positive Euro 63,176 thousand at December 31, 2015, as shown in the table.

LTI/Stock option plans

The Group did not have any active LTI/Stock option plans as at June 30, 2016.

Note 12. OTHER RESERVES

Other reserves had an overall negative total of Euro 12,812 thousand compared to a negative figure of Euro 8,980 thousand at December 31, 2015.

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

The negative amount of Euro 260 thousand, before tax (recognised in a separate reserve), was recognised for the fair value measurement of available-for-sale financial assets, which mainly comprise units held in real estate investment funds.

Impairment was recorded for these units in H1 2016, reflected in a decrease in the reserve of Euro 41 thousand.

Reserve for actuarial gains/(losses)

This reserve shows a negative balance of Euro 2,958 thousand, with a Euro 20 thousand negative change from the previous year and includes the net actuarial losses on post-employment defined benefits under IAS 19, before related taxes.

Other reserves

This item decreased by Euro 5,759 thousand, due to the costs connected with the capital increase completed in Q1 2016.

Reserve for tax on items credited/debited to equity

This reserve amounts to a positive Euro 1,550 thousand and reflects the tax effect of items credited/debited directly to equity.

The increase recognised in H1 2016 includes Euro 1,423 thousand for the tax effect of the costs connected with the capital increase.

Note 13. RETAINED EARNINGS/(LOSSES)

This item totalled Euro 20,424 thousand, a net decrease of Euro 47,053 thousand compared to December 31, 2015, essentially due to the allocation of the result for 2015.

Note 14. MINORITY INTERESTS

Minority interests 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 contracted by about Euro 2,856 thousand in H1 2016, substantially after purchase of the residual 10% of Prelios Società di Gestione del Risparmio S.p.A., which was already 90% owned.

LIABILITIES

Note 15. BANK BORROWINGS AND PAYABLES TO OTHER LENDERS

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

	06.30.2016			12.31.2015		
	Total	non-current	current	Total	non-current	current
Bank borrowings	17,610	17,610	-	240,287	236,569	3,718
Other financial payables	567	36	531	1,841	82	1,759
Payables to other lenders	10,588	10,588	-	10,536	10,438	98
Financial payables to joint ventures	5,512	-	5,512	5,141	-	5,141
Total	**34,277**	**28,234**	**6,043**	**257,805**	**247,089**	**10,716**

Bank borrowings

Bank borrowings amounted to Euro 17,610 thousand at June 30, 2016, compared with Euro 240,287 thousand at December 31, 2015.

The item is broken down as follows:

	06.30.2016			12.31.2015		
	Total	non-current	current	Total	non-current	current
Non-recourse loans	-	-	-	3,718	-	3,718
Fixed-term credit facilities – corporate loans and current accounts	17,610	17,610	-	236,569	236,569	-
Total	**17,610**	**17,610**	**0**	**240,287**	**236,569**	**3,718**

<u>Non-recourse loans</u>

At December 31, 2015 this item referred to the loan made by Banca Intesa Mediocredito S.p.A. to Parcheggi Bicocca S.p.A., a company controlled by Focus Investments S.p.A. and thus deconsolidated.

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

This item refers to the balance at June 30, 2016 of corporate loans provided to Prelios S.p.A. by leading Italian banks forming a part of the “Club Deal” syndicate. Those loans were granted following the debt restructuring agreement signed on May 7, 2013 and subsequently amended.

The new corporate 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, 2016 the carrying amount of financial liabilities was recognised at amortised cost.

On October 8, 2015 Prelios and the lending banks signed a new agreement to restructure its total bank debt. The agreement called for contribution to the investee Focus Investments S.p.A., together with the Investments Business Unit, of a portion of the Senior debt totalling: (i) Euro 160,418 thousand in principal; (ii) Euro 13,359 thousand as interest accrued until June 30, 2015; (iii) the interest accrued on the principal beginning July 1, 2015 and until the contribution date, which took effect on December 31, 2015.

The new restructuring agreement had imposed several conditions precedent for the release of Prelios from the obligations deriving from the transferred debt. These conditions had not yet been fully satisfied at December 31, 2015; therefore, the debt was still included amongst the financial payables of Prelios S.p.A. at the date of these financial statements. Prelios S.p.A. was fully released from joint liability for the debt transferred to Focus Investments S.p.A. on February 25, 2016 after Prelios S.p.A. signed the equity financial instruments issued by Focus Investments S.p.A., in exchange for a cash contribution of Euro 19.95 million.

After execution of the aforementioned transfer and partial repayment of the residual debt following the Capital Increase, the residual debt had a total face value of Euro 20,073 thousand at June 30, 2016.

The new debt structure has the following characteristics:

- due date June 30, 2022;
- repayment in four annual instalments in constant amounts equal to 12.5% of the residual debt, with the first of these payments to be made on June 30, 2019, and with payment on June 30, 2022 of an amount equal to 50% of the remaining outstanding debt;
- interest rate of 300 bps per annum;

- half-yearly payment of the interest accrued on the residual debt, at June 30 and December 31 every year.

No financial covenants have been imposed on the corporate loan.

Other financial payables

“Other current financial payables” include Euro 531 thousand attributable to the management of real estate contracts services performed for third parties, almost entirely offset by dedicated current accounts included under the item “Cash and cash equivalents”.

Payables to other lenders

Among other things, this item includes Euro 10,588 thousand owed by Prelios S.p.A., in connection with a debt to Intesa SanPaolo S.p.A. that was contracted on July 17, 2014 to cover deferred expenses related to sales of investment units made in the past.

The face value of the debt, amounting to Euro 10,000 thousand, accrues interest at the fixed rate of 3%.

Pursuant to the amendment signed by the parties on October 8, 2015, subject to the same conditions precedent imposed for the Framework Agreement signed as part of the Centaur transaction, 50% of the debt is payable at the due date of September 30, 2017 and the remaining 50% at September 30, 2018, together with the interest accrued on each tranche, except for several contractual provisions that provide for early payment when certain conditions are met.

Financial payables to joint ventures

This item includes, in particular, a financial payable owed by the parent company on its obligations to make capital contributions to the joint venture Aree Urbane S.r.l. (in liquidation) for Euro 4,892 thousand. This payable is fully offset by a financial receivable for the same amount claimed by Prelios S.p.A. from Focus Investments S.p.A..

Note 16. TRADE PAYABLES

These comprise:

	06.30.2016			12.31.2015		
	Total	non-current	current	Total	non-current	current
Trade payables to associates, joint ventures and other Prelios Group companies	1,589	-	1,589	1,850	-	1,850
Trade payables to other related parties	1,353	-	1,353	718	-	718
Trade payables to third parties	40,219	-	40,219	52,334	-	52,334
Total	**43,161**	**0**	**43,161**	**54,902**	**0**	**54,902**

At June 30, 2016, 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 million at June 30, 2016 (Euro 4.0 million at December 31, 2015).

Trade payables to associates/joint ventures and other Prelios Group companies

These totalled Euro 1,589 thousand, as compared with Euro 1,850 thousand at December 31, 2015 and refer to various chargebacks, essentially related to rents and incidental costs. This item also includes the payable to the associate Focus Investments S.p.A. for management of the investments excluded from the Investments Business Unit.

Trade payables to other related parties

These total Euro 1,353 thousand, compared with Euro 718 thousand at December 31, 2015.

They mainly relate to the payable to the Pirelli Group for the chargeback of utilities and expenses of 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 total Euro 40,219 thousand, compared with Euro 52,334 thousand at December 31, 2015.

The change is partly attributable to the trade payables to customers for contracts, generated by advances exceeding the percentage completion relating to contracts with Lambda S.r.l. for site development initiatives in Bicocca and Pioltello, amounting to Euro 3,261 thousand at December 31, 2015. At June 30, 2016 this company was deconsolidated following the loss of indirect control by Prelios S.p.A..

Note 17. OTHER PAYABLES

These comprise:

	06.30.2016			12.31.2015		
	Total	non-current	current	Total	non-current	current
Other payables to associates, joint ventures and other Prelios Group companies	3,621	-	3,621	1,796	-	1,796
Other payables to third parties, of which:	14,219	521	13,698	27,938	5,521	22,417
- payables to employees	*3,642*	-	*3,642*	*4,022*	-	*4,022*
- other tax payables	*1,912*	-	*1,912*	*2,838*	-	*2,838*
- urbanisation charges	-	-	-	*2,426*	-	*2,426*
- social security payables	*1,705*	-	*1,705*	*1,661*	-	*1,661*
- payables for down payments and advances	*4*	-	*4*	*233*	-	*233*
- other sundry payables	*6,956*	*521*	*6,435*	*16,758*	*5,521*	*11,237*
Accrued liabilities and deferred income	140	-	140	810	6	804
Total	**17,980**	**521**	**17,459**	**30,544**	**5,527**	**25,017**

Other payables to associates/joint ventures and other Prelios Group companies

These mainly consist of the payable to Focus Investments International B.V. (formerly Prelios Netherlands B.V.) for the obligation assumed by Prelios S.p.A. to pay the buyer of the units of the Cloe Fund.

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.

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 consolidated 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 1,365 thousand owed to the Italian social security authorities (INPS) and Euro 340 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.

Urbanisation charges referred at December 31, 2015 to the payable of Iniziative Immobiliari 3 S.r.l. for the amounts previously collected by Olinda Fund Shops (as the assigned developer of the Bicocca area), and as contractually envisaged for the work in progress related to the site development of the area possessed by the site developer. The company was deconsolidated following the loss of control by Prelios S.p.A. over Focus Investments S.p.A. which owned 100% of the company at June 30, 2016.

Payables to directors and the Supervisory Board included under other sundry current payables amount to Euro 1,101 thousand (in comparison with Euro 893 thousand at December 31, 2015), while payables to Statutory Auditors total Euro 488 thousand (Euro 705 thousand at December 31, 2015).

With the deconsolidation of Focus Investments S.p.A. and its subsidiaries, the net payable owed to the City of Milan by Lambda S.r.l. as the cash settlement in lieu of realisation of several underground parking garages originally planned in the Bicocca area was eliminated (Euro 2,126 thousand at December 31, 2015).

The *other sundry non-current payables* include Euro 520 thousand for the payables on arrears yet to be paid to the company INPS Gestione Immobiliare – IGEI S.p.A. (in liquidation), in which Prelios S.p.A. has a 9.6% interest. This payable has been classified as non-current insofar as no outlay is scheduled during the next year.

The *other sundry payables* also include Euro 1,693 thousand in liabilities that the subsidiary Prelios Società di Gestione del Risparmio S.p.A. has recognised in its own balance sheet, upon final liquidation of Olinda Fund Shop on February 25, 2015, so that the liquidation procedure could be completed by the deadlines imposed by the management regulation, while promising to handle their administrative management at its own exclusive expense for 10 years. The reduction of the payable for Olinda Fondo Shop is attributable to the payment made to unit holders amounting to Euro 5,007 thousand.

Note 18. PROVISIONS FOR FUTURE RISKS AND EXPENSES

These provisions totaled Euro 17,212 thousand (of which the non-current portion was Euro 8,686 thousand) compared with Euro 49,188 thousand at December 31, 2015 (of which the non-current portion was Euro 33,779 thousand).

The change was mainly related to deconsolidation of the provisions recognised by the companies belonging to the Focus Investments Group.

	06.30.2016			12.31.2015		
	Total	non-current	current	Total	non-current	current
Provision for future expenses for contractual commitments	2,134	1,361	773	26,337	22,245	4,092
Provision for arbitration, lawsuits and outstanding disputes	13,082	7,056	6,026	17,908	11,084	6,824
Provision for guarantees	154	-	154	387	30	357
Provisions for other risks	269	269	-	2,394	420	1,974
Restructuring provision	1,423	-	1,423	2,012	-	2,012
Provision for future risks on equity-accounted investments	150	-	150	150	-	150
Total	**17,212**	**8,686**	**8,526**	**49,188**	**33,779**	**15,409**

The changes which occurred in H1 2016 are as follows:

	12.31.2015	Decrease in financial receivables	Change in consol. area/other	Increase	Decrease	06.30.2016
Provision for future expenses for contractual commitments	26,337	-	(21,253)	380	(3,330)	2,134
Provision for arbitration, lawsuits and outstanding disputes	17,908	-	(3,805)	1,069	(2,090)	13,082
Provision for guarantees	387	-	(233)	-	-	154
Provisions for other risks	2,394	-	(2,125)	-	-	269
Restructuring provision	2,012	-	-	883	(1,472)	1,423
Provision for future risks on equity-accounted investments	150	(534)	-	534	-	150
Total	**49,188**	**(534)**	**(27,416)**	**2,866**	**(6,892)**	**17,212**

Provision for future expenses for contractual commitments

This item includes Euro 1,411 thousand to cover future costs related to the move of the Milan office and the premature termination of the lease on the HQ2 building. The provision was used to cover the supplemental fees paid in H1 2016, amounting to Euro 280 thousand.

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.

Euro 1,500 thousand of this item is attributable to the provision accrued by Prelios S.p.A. to cover probable costs to the company related to past termination of a contract, while Euro 4,451 thousand is attributable to the provision accrued in previous years to cover probable costs resulting from litigation with customers stemming from the past management of certain German portfolios.

Provisions for guarantees

This amount includes provisions for risks connected to guarantees issued by Prelios Integra S.p.A. 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) for the indemnity given in the face of any claims in terms of construction, town planning, systems or environmental issues. On February 25, 2015, upon final winding up of Olinda Fondo Shops, Prelios Società di Gestione del Risparmio S.p.A. (acting as manager) took over the residual assets and liabilities identified in the final liquidation report of the Fund.

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.

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 totalled Euro 10,821 thousand, a net decrease of Euro 282 thousand compared with December 31, 2015. The item is broken down as follows:

	06.30.2016	12.31.2015
Provision for employee severance indemnity	2,803	3,020
Pension funds	7,424	7,489
Other employee benefits	594	594
Total	**10,821**	**11,103**

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 June 30, 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, 2015.

Changes in the provision for employee severance indemnity as at June 30, 2016 and the previous year are set out below:

	01.01.2016-06.30.2016	01.01.2015-12.31.2015
Opening balance	**3,020**	**3,347**
Accrued portion allocated to income statement	34	79
Equity adjustment for actuarial gains/losses	-	(77)
Employee severance indemnity advances	(14)	(13)
Benefits paid	(181)	(283)
Other changes/changes in consolidation area	(56)	(33)
Closing balance	**2,803**	**3,020**

The provision for employee severance indemnity 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 during H1 2016 and in the previous year are set out below:

	01.01.2016-06.30.2016	01.01.2015-12.31.2015
Opening balance	**7,489**	**8,139**
Accrued portion allocated to income statement	99	91
Equity adjustment for actuarial gains/losses	-	(488)
Benefits paid	(181)	(884)
Other changes/changes in consolidation area	17	631
Closing balance	**7,424**	**7,489**

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 406 at June 30, 2016 (408 including temporary staff), compared with 442 at December 31, 2015 (454 including temporary staff).

The following table provides a breakdown of employees:

	06.30.2016	12.31.2015
managers	48	54
corporate officers	108	116
office workers	246	265
manual worker/auxiliary staff (*)	4	7
temporary staff	2	12
total	**408**	**454**

(*) Staff number varies in relation to operations tied to contracts managed.

The deconsolidation of the Focus Group companies caused a reduction totalling 30 employees.

Other information

The principal actuarial assumptions used at the date of the last reference valuation date of December 31, 2015 are illustrated as follows:

	Italy	Germany
discount rate	2.20%	2.20%
inflation rate	1.75%	1.75%

Note 20. TAX PAYABLES

These total Euro 468 thousand, compared with Euro 8,062 thousand at December 31, 2015. The change is mainly related to deconsolidation of the payables owed to the subsidiaries that are now part of the Focus Investments Group, particularly those related to the foreign companies.

This item includes, inter alia, the amounts owed for current income taxes by companies which do not participate in the tax consolidation program headed by Prelios S.p.A., as well as income tax owed by companies with respect to periods before joining the tax consolidation program or related to amounts owed for IRAP.

COMMITMENTS AND GUARANTEES

Banks and insurance companies have issued a total of Euro 37,735 thousand (Euro 81,782 thousand at December 31, 2015) in guarantee bonds to third parties and in the interest of companies in the Prelios Group, mostly for contractual obligations. The principal changes that occurred in H1 2016 were as follows:

- extinguishment of the bank guarantee having a face value of Euro 26,300 thousand assumed by Prelios Deutschland GmbH, with Prelios S.p.A. as co-obligor, issued in December 2007 to the pension fund VBL (Versorgungsanstalt des Bundes und der Länder);
- deconsolidation of the companies transferred to Focus Investments S.p.A., which held insurance guarantees totalling Euro 14,624 thousand at December 31, 2015.

The Prelios Group has also issued Euro 56,057 thousand in guarantees and comfort letters in the interest of associates and joint ventures, broken down as follows:

- insurance co-obligations to third parties of various kinds, for a total amount of Euro 9,895 thousand (of which Euro 8,965 related to guarantees issued by companies transferred to Focus Investments S.p.A.);
- co-obligation of Prelios S.p.A. for a maximum of Euro 1,500 thousand on the commitment of DGAG Beteiligung GmbH & Co. KG and Verwaltung Grundstücksgesellschaft Friedenstraße Wohnungsbau GmbH to finance its own investee Grundstücksgesellschaft Königstraße mbH & Co. KG;
- co-obbligation of Prelios S.p.A. on the commitment by Focus Investments International B.V. (formerly Prelios Netherlands B.V.) to make payments for a total maximum amount of Euro 2,562 thousand to its own investee Gamma RE B.V.;
- guarantees covering contingent future costs totalling Euro 2,100 thousand;
- guarantees issued for a total of Euro 8,000 thousand in favour of partners and buyers against contingent claims as part of sale of the “DGAG” portfolio and related management platform, executed in 2014.
- guarantees issued to the associate Focus Investments S.p.A. in relation to indemnity obligations for contingent liabilities that might arise following transfer of the Investments Business Unit, up to a maximum aggregate amount of Euro 25,000 thousand; moreover, a specific guarantee was issued for liabilities stemming from a specific dispute with the associated indemnity commitment for up to a maximum aggregate amount of Euro 7,000 thousand. At the approval date of this Half-yearly Financial Report, Prelios is unaware of any events covered by the aforementioned guarantees.

Liens on shares

Securities of certain joint ventures whose value is reported as zero in the consolidated balance sheet of the Prelios Group at June 30, 2016 have been pledged. At December 31, 2015 the value of pledged securities totalled Euro 20,507 thousand, related to the equity investments held in companies transferred to Focus Investments S.p.A..

Commitments to purchase investments/fund units/securities/loans/loss coverage

These amount to Euro 1,859 thousand and refer to the following commitments given by:

- Prelios Società di Gestione del Risparmio S.p.A. to subscribe a maximum of 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 S.p.A. to pay up to Euro 441 thousand to cover contingent liabilities related to the joint venture Espelha Serviços de Consultadoria L.d.A., which was liquidated in December 2014;
- Prelios S.p.A. to pay certain trade payables of the joint venture Riva dei Ronchi S.r.l. (in liquidation) for Euro 15 thousand.

Other commitments

Due to the liquidation of the Olinda Fund, the subsidiary Prelios SGR S.p.A., has personally assumed the guarantee granted by the Fund as part of the sale of its residual portfolio, by making a specific insurance policy to cover any default. The guarantee covers eviction and taxes on the purchase and sale, up to a maximum amount of Euro 5,000 thousand.

Third-party assets held by the Group

These are represented by notes kept by the subsidiary Prelios Credit Servicing S.p.A. on behalf of certain securitisation special purpose vehicles pursuant to Law 130.

The notes, issued in favour of the subscribers, have a total residual value, net of repayments already made, of Euro 6,787 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)

	06.30.2016	12.31.2015
CURRENT ASSETS		
Other receivables	**4,941**	**289**
- of which receivable from related parties	*4,892*	*234*
Financial receivables	4,941	289
- *third parties*	49	55
- *joint ventures and other Prelios Group companies*	4,892	234
Cash and cash equivalents	**26,352**	**72,607**
TOTAL CURRENT ASSETS - A	**31,293**	**72,896**
CURRENT LIABILITIES		
Bank borrowings and payables to other lenders	**(6,043)**	**(10,716)**
- of which payable to related parties	*(5,512)*	*(5,141)*
- joint ventures and other Prelios Group companies	(5,512)	(5,141)
- other financial payables	(531)	(1,759)
- bank borrowings	-	(3,718)
- payables to other lenders	-	(98)
TOTAL CURRENT LIABILITIES - B	**(6,043)**	**(10,716)**
NON-CURRENT LIABILITIES		
Bank borrowings and payables to other lenders	**(28,234)**	**(247,089)**
- other financial payables	(10,624)	(10,520)
- Payables to other lenders	(17,610)	(236,569)
TOTAL NON-CURRENT LIABILITIES - C	**(28,234)**	**(247,089)**
NET FINANCIAL POSITION EXCL. SHAREHOLDER LOANS	**(2,984)**	**(184,909)**

(*) 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 2016 and the corresponding period of 2015 on a like-for-like basis, as well as of the first and second quarters of 2016 and 2015.

	01.01.2016-06.30.2016	01.01.2016-03.31.2016	04.01.2016-06.30.2016	01.01.2015-06.30.2015	01.01.2015-03.31.2015	04.01.2015-06.30.2015
Revenues from sales and services	34,147	15,603	18,544	32,755	15,973	16,782
Changes in inventories of work in progress, semi-finished and finished products	-	-	-	(2,557)	(2,450)	(107)
Other income	3,531	1,714	1,817	3,733	2,144	1,589
TOTAL OPERATING REVENUES	**37,678**	**17,317**	**20,361**	**33,931**	**15,667**	**18,264**
Raw and consumable materials used (net of change in inventories)	(86)	(31)	(55)	(999)	(226)	(773)
Personnel costs	(17,244)	(8,018)	(9,226)	(18,168)	(8,600)	(9,568)
Depreciation, amortization and impairment	(339)	(157)	(182)	(325)	(157)	(168)
Other costs	(24,740)	(13,900)	(10,840)	(27,480)	(13,064)	(14,416)
TOTAL OPERATING COSTS	**(42,409)**	**(22,106)**	**(20,303)**	**(46,972)**	**(22,047)**	**(24,925)**
OPERATING RESULT	**(4,731)**	**(4,789)**	**58**	**(13,041)**	**(6,380)**	**(6,661)**
Net income from equity investments of which:	(13,082)	(101)	(12,981)	875	(2,736)	3,611
- portion of result of associates and joint ventures	(13,154)	*(100)*	*(13,054)*	598	*(2,611)*	*3,209*
- dividends	76	-	*76*	404	-	*404*
- gains on equity investments	8	*9*	*(1)*	11	-	*11*
- losses on equity investments	(12)	*(10)*	*(2)*	(138)	*(125)*	*(13)*
Financial income	729	315	414	7,253	6,453	800
Financial expenses	(4,954)	(4,346)	(608)	(9,641)	(4,614)	(5,027)
RESULT BEFORE INCOME TAXES	**(22,038)**	**(8,921)**	**(13,117)**	**(14,554)**	**(7,277)**	**(7,277)**
Income taxes	(1,265)	(659)	(606)	(1,700)	(379)	(1,321)
NET INCOME (LOSS) FROM CONTINUING OPERATIONS	**(23,303)**	**(9,580)**	**(13,723)**	**(16,254)**	**(7,656)**	**(8,598)**
of which attributable to minority interests	(7)	(1)	(6)	(16)	(14)	(2)
Net income (loss) from discontinued operations	-	-	-	3,178	**1,519**	**1,659**
CONSOLIDATED RESULT FOR THE PERIOD	**(23,296)**	**(9,579)**	**(13,717)**	**(13,060)**	**(6,123)**	**(6,937)**

Note 21. REVENUE FROM SALES AND SERVICES

Revenue from sales and services amounts to Euro 34,147 thousand, compared with Euro 32,755 thousand at June 30, 2015, which still included the Investments Business Unit, and is composed as follows:

	01.01.2016-06.30.2016	01.01.2015-06.30.2015
Revenue from contracts	-	43
Revenue from sales	-	3,112
- sales of residential property	-	*662*
- sales of commercial property	-	*2,450*
Revenue from services	34,147	29,600
Total	**34,147**	**32,755**

Revenue from sales

Sales completed in H1 2015 mainly referred 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, companies that are now consolidated by Focus Investments S.p.A.

Revenue from services

Revenue from the rendering of services can be broken down as follows:

	01.01.2016-06.30.2016	01.01.2015-06.30.2015
Revenue from services to third parties	26,466	18,925
Revenue from services to associates, joint ventures and other Prelios Group companies	7,681	10,652
Revenue from services to other related parties	-	23
Total	**34,147**	**29,600**

In H1 2016 the Group posted an +18% increase in revenue from 2015, with this rising from Euro 29,600 thousand (net of the Investments business transferred to Focus Investments S.p.A.) to Euro 34,147 thousand in H1 2016. The described increase is mainly related to the better performance of the Italian real estate services companies (Euro +1.5 million) and the alternative asset management companies (Euro +2.2 million).

Note 22. OTHER INCOME

The item in question can be broken down as follows:

	01.01.2016-06.30.2016	01.01.2015-06.30.2015
Recoveries, reimbursements and other income	3,243	2,572
Other income from associates, joint ventures and other Prelios Group companies	284	861
Other income from other related parties	4	300
Total	**3,531**	**3,733**

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 activities performed by property managers. This item also includes proceeds from the settlement or positive development of disputes that had generated risks and uncertainties, and the resulting allocation to provisions for future risks and impairment.

Other income from other related parties mainly refers to the recovery of costs related to the HQ2 building in Milan.

Note 23. OPERATING COSTS

Operating costs amounted to Euro 42,409 thousand, compared with Euro 46,972 thousand in H1 2015, and are represented as follows:

	01.01.2016-06.30.2016	01.01.2015-06.30.2015
Raw and consumable materials used of which:	86	999
a) Assets purchased	*86*	*109*
b) Change in inventories of trading properties, raw and miscellaneous materials	-	*890*
Personnel costs	17,243	18,168
Depreciation, amortisation and impairment	339	325
Other costs	24,741	27,480
Total	**42,409**	**46,972**

Raw and consumable materials used (net of change in inventories)

The item "*Assets purchased*", which totalled Euro 86 thousand at June 30, 2016, refers to the purchase of sundry supplies.

Personnel costs

Personnel costs totalled Euro 17,243 million. This reflects a decrease of Euro 925 thousand from H1 2015, largely attributable to the reduction in average headcount during the period (404 employees, as compared with 440 employees in H1 2015), partly due to the loss of control of Focus Investments S.p.A..

The item is broken down as follows:

	01.01.2016-06.30.2016	01.01.2015-06.30.2015
Wages and salaries	12,896	13,480
Social security contributions	3,070	3,344
Employee severance indemnity	34	40
Costs for defined-contribution pension funds/Other costs	1,243	1,304
Total	**17,243**	**18,168**

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 556 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

At June 30, 2016, these amounted to Euro 24,741 thousand, compared with Euro 27,480 thousand in H1 2015.

The item can be broken down by type as follows:

	01.01.2016-06.30.2016	01.01.2015-06.30.2015
Cost for services	18,882	19,056
Lease and rental cost	3,032	2,199
Impairment of receivables	354	538
Provisions for risks and expenses	929	2,666
Other operating expenses	1,544	3,021
Total	**24,741**	**27,480**

Costs for services

The costs for services totalled Euro 18,882 thousand, compared with Euro 19,056 thousand at June 30, 2015, and are largely represented by maintenance costs, leasehold expenses, commission expenses, and consulting and professional fees.

This item includes the effects of non-recurring events totalling a net negative amount of Euro 2,711 thousand. In particular, the item includes Euro 209 thousand related to additional closing costs incurred in H1 2016 for transfer of the Investments Business Unit to Focus Investments S.p.A. by the parent company.

The compensation paid to the directors and Supervisory Body totalled Euro 3,107 thousand, compared with Euro 1,731 thousand in H1 2015. The increase in this item is mainly related to non-recurring charges, paid to the Chief Executive Officer when he resigned from his position prematurely, as previously reported to the market, consistently and in compliance with the guidelines of the Remuneration Policy adopted by the Company and after obtaining the favourable opinion of the Remuneration Committee (in its capacity as the Committee for Related-Party Transactions).

The compensation owed to the statutory auditors of the consolidated companies totalled Euro 190 thousand, as compared with Euro 247 thousand in 2014.

Lease and rental costs

These costs amounted to Euro 3,032 thousand compared with Euro 2,199 thousand accounted for at June 30, 2015, and refer mainly to the rental of head office buildings, and to the lease and hire of motor vehicles and lease of several car parks in Germany.

Impairment of receivables

At December 31, 2015, impairment of receivables totalled Euro 354 thousand and was recognised to cover potential risks of debtor insolvency and bad debts already incurred during the period in question.

The item includes costs for non-recurring events of Euro 71 thousand, accounting for approximately 20% of the total item.

Provisions for risks and expenses

At June 30, 2016 the item showed a net balance of Euro 929 thousand, compared with Euro 2,666 thousand in H1 2015. The change is related to the lower impact of non-recurring charges, especially to cover likely charges resulting from lawsuits with clients over the previous 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 1,544 thousand, compared with Euro 3,021 thousand reported in 2015.

The item includes, inter alia, Euro 164 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, 2016 the item reflected the negative impact of non-recurring events totalling Euro 48 thousand.

Note 24. NET INCOME FROM INVESTMENTS

	01.01.2016-06.30.2016	01.01.2015-06.30.2015
Portion of result of associates and joint ventures	(13,154)	598
Dividends	76	404
Gains on investments	8	11
Losses on investments	(12)	(138)
Total	**(13,082)**	**875**

The combination of the various components characterising the item in question includes a net negative pro-rated effect of Euro 3.4 million allocable to the Prelios Group, deriving from real estate revaluations/write-downs, compared with a positive Euro 3.0 million in H1 2015, mainly related to property revaluations made by the Fondo Spazio Industriale.

The negative impact reported during H1 2016 stemmed particularly from the impairments made by the FIPRS Fund (Euro -1.2 million) and the Tecla Fund (Euro -2.2 million).

Note 25. FINANCIAL INCOME

Financial income totalled Euro 729 thousand, compared with Euro 7,253 thousand in H1 2015, which included the gain on the premature discharge of the loan from UBI Banca, through payment on a lump sum basis of an amount less than its face value, both in regard to the Senior loan and the Super Senior loan.

The item is broken down as follows:

	01.01.2016-06.30.2016	01.01.2015-06.30.2015
Interest income		
a) Interest income from non-current assets:		
- Interest income on financial receivables due from joint ventures	533	1,941
Total interest income from non-current assets	**533**	**1,941**
b) Interest income from current assets:		
- Interest income from joint ventures	-	45
- Other interests	73	117
Total interest income from current assets	**73**	**165**
Other/miscellaneous	**2**	**0**
Other/miscellaneous	**54**	**4,351**
Exchange gains	**67**	**796**
Total	**729**	**7,253**

Note 26. FINANCIAL EXPENSES

These amount to Euro 4,954 thousand, compared with an amount of Euro 9,641 thousand reported in H1 2015. The positive change from H1 2015 is attributable to the combined effect of the reduction in financial expenses, in contrast with the contribution of a large portion of the corporate debt of the Investments Business Unit. That was offset by a negative impact of Euro 3,442 million on the income statement (without monetary impact) resulting from recognition of the difference between the book value and the face value of the financial debt, for Euro 48 million, which was repaid upon positive conclusion of the capital increase.

They are broken down as follows:

	01.01.2016-06.30.2016	01.01.2015-06.30.2015
Interest due to banks	795	8,146
Difference on corporate loan *fair value*	3,442	-
Interest due to associates	123	-
Interest due to joint ventures	-	261
Interest due to others	174	542
Other financial expenses	327	634
Other financial expenses due to joint ventures	76	-
Exchange losses	17	58
Total	**4,954**	**9,641**

Note 27. INCOME TAXES

“Taxes”, represented by current, prepaid and deferred taxes, calculated at current rates, amount to Euro 1,265 thousand, as compared with Euro 1,700 thousand in H1 2015.

	01.01.2016-06.30.2016	01.01.2015-06.30.2015
Current taxes	511	962
Deferred tax assets	747	747
Deferred tax liabilities	7	(9)
Total	**1,265**	**1,700**

Note 28. EARNINGS/(LOSS) PER SHARE

The loss per base and diluted share is shown as follows. The amounts are equivalents insofar as there is no outstanding stock different from the Category A and B shares that could impact the calculation of the earnings/(loss) per diluted shares.

	06.30.2016	06.30.2015
Consolidated net profit (loss) (A)	(23,296)	(13,060)
Weighted average number of shares outstanding for the calculation of profit (loss) per share:	1,121,334,378	717,939,592
Profit (loss) per share (in euro)	(0.02)	(0.02)

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 mentioned in the Report on Operations, the Group's organisational structure is based on two areas: Italy and foreign (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, 2016 are as follows:

JUNE 30, 2016	ITALY	GERMANY	POLAND	NPL	HOLDING	TOTAL	ELIMINATIONS	CONSOLIDATED
Consolidated revenue	23,296	6,100	335	4,390	4,985	39,106	(4,959)	34,147
of which from third parties	*23,296*	*6,100*	*34*	*4,390*	*327*	*34,147*	-	*34,147*
of which from the Group	-	-	*301*	-	*4,658*	*4,959*	*(4,959)*	-
EBIT	**3,152**	**412**	**(34)**	**(211)**	**(3,668)**	**(349)**	**-**	**(349)**
Operating result Investment Activities	**(12,902)**	**362**	**(395)**	**(374)**	**-**	**(13,309)**	**-**	**(13,309)**
of which property (write-downs)/revaluations	*(3,506)*	-	*59*	-	-	*(3,447)*	-	*(3,447)*
Other financial income/expenses								(4,758)
Restructuring costs								(3,622)
Profit (loss) before taxes								**(22,038)**
Income taxes								(1,265)
Net profit (loss) for the period								**(23,303)**
attributable to minority interests								(7)
Income (loss) from discontinued operations								**0**
Consolidated net profit (loss) for the period								**(23,296)**

The results by segment at June 30, 2015 are as follows:

JUNE 30, 2015	ITALY	GERMANY	POLAND	NPL	HOLDING	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	**1,613**	**1,938**	**(115)**	**(1,841)**	**(5,235)**	**(3,640)**	**-**	**(3,640)**
Operating result Investment Activities	**(3,134)**	**(116)**	**(1,396)**	**(47)**	**-**	**(4,693)**	**-**	**(4,693)**
of which property (write-downs)/revaluations	*2,647*	*-*	*(110)*	*-*	*-*	*2,537*	*-*	*2,537*
of which restructuring costs	*(140)*	*-*	*-*	*-*	*-*	*(140)*	*-*	*(140)*
Other financial income/expenses								(4,329)
Restructuring costs								(1,892)
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)**

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, 2016:

JUNE 30, 2016

	ITALY	GERMANY	POLAND	NPL	TOTAL	ELIMINATIONS	CONSOLIDATED	
Non-current assets:	**122,828**	**17,162**	**59**	**267**	**140,316**	**-**	**140,316**	
Property, plant and equipment	474	170	59	1	704	-	704	
Intangible assets, of which	40,194	16,989	-	266	57,449	-	57,449	
Goodwill	*39,495*	*16,890*	-	-	56,385	-	*56,385*	
Investments in real estate funds and investment companies and other financial assets	82,160	3	-	0	82,163	-	82,163	1)
Net working capital	**753**	**(8,440)**	**(654)**	**1,614**	**(6,727)**	**-**	**(6,727)**	
Inventories	0	-	0	-	0	-	0	
Other components of net working capital	753	(8,440)	(654)	1,614	(6,727)	-	(6,727)	2)
NET INVESTED CAPITAL	**123,581**	**8,722**	**-595**	**1,881**	**133,589**	**-**	**133,589**	

Notes

The balances indicated by notes 1) and 2) have been obtained as follows:

	TOTAL CONSOLIDATED not included in NFP	TOTAL from financial statements	of which amounts included in NFP
1)			
Investments in associates	60,739	60,739	-
Investments in joint ventures	6,202	6,202	-
Other financial assets	15,372	15,372	-
Provision for future risks on equity-accounted investments reclassified from "Current provisions for future risks and expenses"	(150)	(150)	-
Total investments in real estate funds and investment companies	**82,163**	**82,163**	**-**

	TOTAL CONSOLIDATED not included in NFP	TOTAL from financial statements	of which amounts included in NFP
2)			
Deferred tax assets	8,078	8,078	-
Other non-current receivables	33	49	16
Current trade receivables	36,424	36,424	
Other current receivables	8,807	13,748	4,941
Current tax receivables	1,515	1,515	
Other non-current payables	(521)	(521)	-
			-
Current trade payables	(43,136)	(43,136)	-
Other current payables	(17,459)	(17,459)	-
Current tax payables	(468)	(468)	-
Other components of net working capital	**(6,727)**	**(1,770)**	**4,957**

6.8. Related-party transactions

The following tables show transactions and balances with related parties:

	01.01.2016-06.30.2016	% (*)	01.01.2015-06.30.2015	% (*)
Operating revenue	7,969	21.2%	11,836	34.9%
Operating costs	(4,701)	11.1%	(2,640)	5.6%
Net loss from equity investments	(13,154)	100.6%	460	52.6%
Financial income	535	73.4%	1,989	27.4%
Financial expenses	(199)	4.0%	(261)	2.7%

(*) The percentage is calculated with reference to the total financial statement item.

	06.30.2016				12.31.2015			
	Total	% (*)	non-current	current	Total	% (*)	non-current	current
Trade receivables	13,027	35.8%	-	13,027	16,538	39.4%	-	16,538
Other receivables, of which:	6,367	46.1%	16	6,351	90,234	85.1%	81,088	9,146
- financial receivables	*4,908*	*99.0%*	*16*	*4,892*	*81,322*	*99.9%*	*81,088*	*234*
Discontinued operations	-	-	-	-	1,744	100.0%	1,744	-
- financial receivables	-	-	-	-	*1,744*	100.0%	*1,744*	-
Trade payables	(2,942)	-6.8%	-	(2,942)	(2,568)	-4.7%	-	(2,568)
Other payables	(3,621)	-20.2%	-	(3,621)	(1,796)	-5.9%	-	(1,796)
Bank borrowings and payables to other lenders	(5,512)	-32.0%	-	(5,512)	(5,141)	-10.5%	-	(5,141)
Provisions for future risks and expenses	(150)	-0.8%	-	(150)	(150)	-0.3%	-	(150)

(*) 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 at June 30 are detailed as follows:

Transactions and balances with associates/ joint ventures and other companies

Operating revenue	7,965	The item refers to Group company mandates for alternative asset management and real estate services.
Operating costs	(725)	These refer to recharges of various kinds. In particular, they are related to costs for rental and expenses of the office in Rome - via Colombo, charged by Cloe Fund, the owner of the building, as well as costs charged by the associated company Focus Investments S.p.A. for the management of the investments excluded from the Investments Business Unit.
Net income from investments	(13,154)	The item mainly refers to the equity method valuation of Group investments.
Financial income	535	These refer essentially to interest income accrued on loans granted to investee companies.
Financial expenses	(199)	
Current trade receivables	13,008	This balance includes receivables arising from "operating revenue".
Other non-current receivables	16	
- of which financial receivables	*16*	This item includes loans granted to Group companies. At December 31, 2015, it included the Investment companies contributed to Focus Investments S.p.A.that was subsequently deconsolidated.
Other current receivables	4,967	This item includes Euro 4,892 thousand for financial receivables recognized to Focus Investment S.p.A. against a debt of the same amount towards the joint venture Aree Urbane S.r.l. (in liquidation). The item also includes the deferred charge for the rent of the office in Rome - via Colombo, charged by Cloe Fund.
- of which financial receivables	4,892	
Current trade payables	(1,589)	They refer to recharges of various kinds, mainly related to rents and expenses. The item also includes payables to the associate company Focus Investments S.p.A. for the management of the investments excluded from the Investments Business Unit.
Other current payables	(3,621)	They mainly include payables to the company Focus Investments International B.V. (formerly Prelios Netherlands B.V.) for the obligation assumed by Prelios S.p.A.to pay the purchaser of Cloe Fund shares.
Current bank borrowings and payables to other lenders	(5,512)	These mainly include the financial payable for capital contributions to be paid to the company Aree Urbane S.r.l. (in liquidation) and a financial payable towards Lambda S.r.l. for Euro 620 thousand.
Provisions for future risks and expenses	(150)	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 will also be provided of the transactions and balances at June 30, 2016 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	4	
Operating costs	(973)	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	19	
Other current receivables	1,384	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	(1,353)	These mainly refer to the payable to Pirelli Group for the rental, 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..

Considering the recent capital increase completed in March 2016 and the consequent change in the ownership structure, the delegated corporate bodies of Prelios S.p.A. will shortly consider any changes or additions to be made to the scope of parties considered "related parties" in these financial statements.

Cash flows

At June 30, 2016, there were no 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, 2016, the remuneration of the 17 key managers (of whom 14 were in office as at June 30, 2016), 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 3,003 thousand (Euro 1,325 thousand at June 30, 2015), of which Euro 344 thousand (Euro 153 thousand in H1 2015) was classified in the income statement as “Personnel costs” and Euro 2,659 thousand (Euro 1,172 thousand at June 30, 2015) recognised in the income statement as “Other costs”. The long-term portion is zero, as was the case in H1 2015.

The indicated compensation includes what was paid to the Chief Executive Officer when he resigned from his position prematurely, as previously reported to the market, consistently and in compliance with the guidelines of the Remuneration Policy adopted by the Company and after obtaining the favourable opinion of the Remuneration Committee (in its capacity as the Committee for Related-Party Transactions).

Milan, July 28, 2016 The Board of Directors

7. SUPPLEMENTARY TABLES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7.1 Appendix 1: Area of consolidation

Note		Business	Registered office City, Country	Share capital		Held at 06.30.2016 by	06.30.2016 % ownership and voting rights (*)	12.31.2015 % ownership and voting rights (*)
	Fully consolidated companies ***Subsidiaries***							
	BauBeCon Treuhand GmbH	RES	Hamburg, Germany	€	530,000	Prelios Immobilien Management GmbH	100.00%	100.00%
(1)	Centrale Immobiliare S.r.l.	---	Milan, Italy	€	100,000	Focus Investments S.p.A.	---	100.00%
(2)	CFT S.r.l.	Altro	Milan, Italy	€	15,465,377	Prelios S.p.A.	100.00%	100.00%
(1)	DGAG Beteiligung GmbH & Co. KG (**)	---	Hamburg, Germany	€	42,118,455	Mistral Real Estate B.V.	---	100.00%
(1)	DGAG Nordpartner GmbH & Co. KG (**)	---	Hamburg, Germany	€	2,760,976	Mistral Real Estate B.V.	---	94.00%
						DGAG Nordpartner Grundstücksgesellschaft mbH	---	4.00%
	Edilnord Gestioni S.r.l. (in liquidation)	RES	Milan, Italy	€	100,000	Prelios S.p.A.	100.00%	100.00%
(1)	Einkaufszentrum Münzstrasse GmbH & Co. KG (**)	---	Hamburg, Germany	DM	10,000,000	DGAG Beteiligung GmbH & Co. KG	---	74.80%
						Prelios Deutschland GmbH	---	25.20%
(1)	Erste DGAG Grundstücksgesellschaft mbH & Co. KG (**)	---	Hamburg, Germany	DM+€	970.000+31.700	DGAG Beteiligung GmbH & Co. KG	---	94.00%
						Verwaltung Erste DGAG Grundstücksgesellschaft mbH	---	6.00%
(1)	Focus Investments S.p.A.	---	Milan, Italy	€	50,000	Prelios S.p.A.	---	100.00%
(1)	Focus Investments International B.V. (formerly Prelios Netherlands B.V.)	---	Amsterdam, Netherlands	€	21,000	Focus Investments S.p.A.	---	100.00%
(1)	Geolidro S.p.A.	---	Naples, Italy	€	120,000	Centrale Immobiliare S.r.l.	---	100.00%
(1)	Iniziative Immobiliari 3 S.r.l.	---	Milan, Italy	€	10,000	Focus Investments S.p.A.	---	100.00%
(1)	Lambda S.r.l.	---	Rome, Italy	€	578,760	Focus Investments S.p.A.	---	100.00%
(1)	Mistral Real Estate B.V. (*Tracking Share*) (**)	---	Amsterdam, Netherlands	€	18,000	Focus Investments S.p.A.	---	35.02%
(1)	Mistral Real Estate B.V. (*Tracking Shares Goßlers Park*) (**)	---	Amsterdam, Netherlands	€	18,000	Focus Investments S.p.A.	---	35.02%
(1)	Mistral Real Estate B.V. (*Tracking Shares Osnabruck*) (**)	---	Amsterdam, Netherlands	€	18,000	Focus Investments S.p.A.	---	35.02%
(1)	Mistral Real Estate B.V. (*Tracking Shares Dresden*) (**)	---	Amsterdam, Netherlands	€	18,000	Focus Investments S.p.A.	---	35.02%
(1)	Orione Immobiliare Prima S.p.A.	---	Milan, Italy	€	104,000	Focus Investments S.p.A.	---	100.00%
(1)	Parcheggi Bicocca S.r.l.	---	Milan, Italy	€	1,500,000	Focus Investments S.p.A.	---	100.00%
	Prelios Agency S.p.A.	RES	Milan, Italy	€	1,000,000	Prelios S.p.A.	100.00%	100.00%
	Prelios Agency Deutschland GmbH	RES	Hamburg, Germany	€	25,000	Prelios Deutschland GmbH	100.00%	100.00%
	Prelios Asset Management Deutschland GmbH	RES	Hamburg, Germany	€	25,000	Prelios Deutschland GmbH	100.00%	100.00%
	Prelios Center Marketing GmbH (già Prelios Investments Deutschland GmbH)	RES	Hamburg, Germany	€	25,000	Prelios Deutschland GmbH	100.00%	100.00%
						Prelios S.p.A.		
	Prelios Credit Servicing S.p.A.	AAM	Milan, Italy	€	4,510,568	Prelios S.p.A.	100.00%	100.00%
	Prelios Deutschland GmbH	RES	Hamburg, Germany	€	5,000,000	Prelios S.p.A.	100.00%	100.00%
	Prelios Facility Management Deutschland GmbH	RES	Hamburg, Germany	€	25,600	Prelios Deutschland GmbH	100.00%	100.00%
	Prelios Hausmeister Service Deutschland GmbH	RES	Kiel, Germany	€	25,000	Prelios Facility Management Deutschland GmbH	100.00%	100.00%
	Prelios Immobilien Management GmbH	RES	Hamburg, Germany	€	25,000	Prelios Deutschland GmbH	100.00%	100.00%
	Prelios INTEGRA S.p.A.	RES	Milan, Italy	€	124,400	Prelios S.p.A.	100.00%	100.00%
(3)	Prelios Investment Advisory S.à.r.l.	AAM	Luxembourg	€	12,500	Prelios Deutschland GmbH	100.00%	--
	Prelios Management Services Deutschland GmbH	RES	Hamburg, Germany	€	25,000	Prelios Deutschland GmbH	100.00%	100.00%
	Prelios Polska Sp.z.o.o.	RES	Warsaw, Poland	PLN	35,430,000	Prelios S.p.A.	100.00%	100.00%
(4)	Prelios RE Advisory Sp. Z o.o	RES	Warsaw, Poland	PLN	2,000,000	Prelios S.p.A.	100.00%	100.00%
(1)	Prelios Residential Investments GmbH	---	Hamburg, Germany	€	570,000	Focus Investments S.p.A.	---	100.00%
	Prelios Società di Gestione del Risparmio S.p.A.	AAM	Milan, Italy	€	24,558,763	Prelios S.p.A.	90.00%	90.00%
	Prelios Valuations & e-Services S.p.A	RES	Milan, Italy	€	298,999	Prelios Agency S.p.A.	100.00%	100.00%
	Projekt Bahnhof Hamburg-Altona Verwaltungs GmbH (in liquidation)	Inv	Hamburg, Germany	€	25,000	Projektentwicklung Bahnhof Hamburg-Altona GmbH & Co. KG	100.00%	100.00%
	Projektentwicklung Bahnhof Hamburg-Altona GmbH & Co. KG (in liquidation)	Inv	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.	AAM	Milan, Italy	€	10,100	Prelios Credit Servicing S.p.A.	100.00%	100.00%
	Sustainable Energy S.r.l.	RES	Milan, Italy	€	10,000	Prelios S.p.A.	100.00%	100.00%
(1)	Verwaltung Einkaufszentrum Münzstrasse GmbH (**)	---	Hamburg, Germany	DM	50,000	DGAG Beteiligung GmbH & Co. KG	---	74.80%
		---				Prelios Deutschland GmbH	---	25.20%
(1)	Verwaltung Erste DGAG Grundstücksgesellschaft mbH (**)	---	Hamburg, Germany	€	25,000	DGAG Beteiligung GmbH & Co. KG	---	100.00%
(1)	Verwaltung Grundstücksgesellschaft Friedenstraße Wohnungsbau mbH (**)	---	Hamburg, Germany	€	26,100	DGAG Beteiligung GmbH & Co. KG	---	100.00%

Note		Business	Registered office City, Country		Share capital	Held at 06.30.2016 by	06.30.2016 % ownership and voting rights (*)	12.31.2015 % ownership and voting rights (*)
	Equity-accounted companies							
	Associates							
(1)	Einkaufszentrum Münzstrasse GmbH & Co. KG (**)	Inv	Hamburg, Germany	DM	10,000,000	Prelios Deutschland GmbH	25.20%	---
(1)	Focus Investments S.p.A.	Inv	Milan, Italy	€	183,333	Prelios S.p.A.	25.00%	---
	Monteverdi - Fondo comune di investimento immobiliare speculativo di tipo chiuso	Inv	Milan, Italy	€	62,000,000	Prelios Società di Gestione del Risparmio S.p.A.	4.03%	4.03%
						Iniziative Immobiliari 3 S.r.l.	---	29.84%
						Tiglio I S.r.l.	---	66.13%
(1)	Progetto Corsico S.r.l.	---	Milan, Italy	---	---	Focus Investments S.p.A.	---	49.00%
(1)	Progetto Fontana S.r.l. (in liquidation)	---	Milan, Italy	---	---	Focus Investments S.p.A.	---	23.00%
	Sci Roev Texas Partners L.P.	Inv	Dallas, USA	$	12,000,000	Prelios S.p.A.	10.00%	10.00%
(1)	Spazio Investment N.V. (*)	---	Amsterdam, Netherlands	---	---	Focus Investments International B.V. (formerly Prelios Netherlands B.V.)	---	22.07%
						Spazio Investment N.V.	---	0.23%
(1)	Verwaltung Einkaufszentrum Münzstrasse GmbH (**)	Inv	Hamburg, Germany	DM	50,000	Prelios Deutschland GmbH	25.20%	---
	Joint ventures							
	Afrodite S.à.r.l.	Inv	Luxembourg	€	4,129,475	Prelios S.p.A.	40.00%	40.00%
	Alceo B.V.	Inv	Amsterdam, Netherlands	€	18,000	Prelios S.p.A.	33.00%	33.00%
	Alimede Luxembourg S.à.r.l.	Inv	Luxembourg	€	12,955	Prelios S.p.A.	35.05%	35.05%
	Aree Urbane S.r.l. (in liquidation)	Inv	Milan, Italy	€	100,000	Prelios S.p.A.	34.60%	34.60%
	Artemide S.à.r.l.	Inv	Luxembourg	€	2,857,050	Prelios S.p.A.	35.00%	35.00%
	Austin S.à.r.l.	Inv	Luxembourg	€	125,000	Prelios S.p.A.	28.46%	28.46%
	Beteiligungsgesellschaft Einkaufszentrum Mülheim mbH	Inv	Hamburg, Germany	DM	60,000	Prelios Deutschland GmbH	41.17%	41.17%
	Bicocca S.à.r.l.	Inv	Luxembourg	€	12,520	Prelios S.p.A.	35.00%	35.00%
	City Center Mülheim Grundstücksgesellschaft mbH & Co. KG	Inv	Hamburg, Germany	€	47,805,790	Prelios Deutschland GmbH	41.18%	41.18%
(1)	Colombo S.à.r.l.	---	Luxembourg	---	---	Focus Investments S.p.A.	---	35.00%
	Consorzio G6 Advisor	RES	Milan, Italy	€	50,000	Prelios Agency S.p.A.	42.30%	42.30%
	Dallas S.à.r.l.	Inv	Luxembourg	€	125,000	Prelios S.p.A.	28.46%	28.46%
(1)	Delamain S.à.r.l.	---	Luxembourg	---	---	Focus Investments S.p.A.	---	49.00%
(1)	Doria S.à.r.l.	---	Luxembourg	---	---	Focus Investments S.p.A.	---	35.00%
	Einkaufszentrum Mülheim Gmbh & Co. KG (in liquidation)	Inv	Hamburg, Germany	€	26,075,886	Prelios Deutschland GmbH	41.18%	41.18%
(1)	Fondo Città di Torino - Fondo comune di investimento immobiliare speculativo di tipo chiuso	---	Milan, Italy	---	---	Focus Investments International B.V. (formerly Prelios Netherlands B.V.)	---	36.23%
(1)	Gamma RE B.V.	---	Amsterdam, Netherlands	---	---	Focus Investments International B.V. (formerly Prelios Netherlands B.V.)	---	49.00%
	Golfo Aranci S.p.A. (in liquidation)	Inv	Golfo Aranci (OT), Italy	€	1,000,000	Prelios S.p.A.	43.80%	43.80%
						Centrale Immobiliare S.r.l.	---	6.21%
	Gromis S.r.l. (in liquidation)	Inv	Milan, Italy	€	10,000	Prelios S.p.A.	33.00%	33.00%
(1)	Grundstücksgesellschaft Königstraße mbH & Co. KG	Inv	Hamburg, Germany	€	1,024,629	DGAG Beteiligung GmbH & Co. KG	---	44.90%
						Verwaltung Grundstücksgesellschaft Friedenstraße Wohnungsbau mbH	---	5.10%
	Grundstücksgesellschaft Merkur Hansaallee mbH & Co. KG	Inv	Hamburg, Germany	€	22,905,876	Prelios Deutschland GmbH	33.75%	33.75%
	Kurpromenade 12 Timmendorfer Strand GG KG	Inv	Hamburg, Germany	€	6,237,761	Prelios Deutschland GmbH	50.00%	50.00%
	IN Holdings I S.à.r.l.	Inv	Luxembourg	€	2,595,725	Prelios S.p.A.	20.50%	20.50%
(1)	Induxia S.r.l. (in liquidation)	---	Milan, Italy	---	---	Focus Investments S.p.A.	---	24.75%
(1)	Inimm Due S.à.r.l.	---	Luxembourg	---	---	Focus Investments S.p.A.	---	25.01%
(1)	Iniziative Immobiliari S.r.l. (in liquidation)	---	Milan, Italy	---	---	Focus Investments S.p.A.	---	49.46%
(1)	Manifatture Milano S.p.A.	---	Rome, Italy	---	---	Focus Investments S.p.A.	---	50.00%
	Maro S.r.l. (in liquidation)	Inv	Milan, Italy	€	20,000	Prelios S.p.A.	25.00%	25.00%
(1)	Masseto I B.V.	---	Amsterdam, Netherlands	---	---	Focus Investments S.p.A.	---	33.00%
	Melius Gestioni S.c.a r.l.			€	15,000	Prelios INTEGRA S.p.A.	51.00%	51.00%
(1)	Mistral Real Estate B.V.	---	Amsterdam, Netherlands	---	---	Focus Investments S.p.A.	---	35.02%
(1)	M.S.M.C. Italy Holding B.V.	---	Amsterdam, Netherlands	---	---	Focus Investments S.p.A.	---	25.00%
	Nashville S.à.r.l.	Inv	Luxembourg	€	125,000	Prelios S.p.A.	28.46%	28.46%
	Officinae Verdi S.p.A.	RES	Rome, Italy	€	1,455,418	Prelios S.p.A.	38.89%	38.89%
(1)	Polish Investments Real Estate Holding II B.V.	---	Amsterdam, Netherlands	---	---	Focus Investments S.p.A.	---	40.00%
(1)	Popoy Holding B.V.	---	Rotterdam, Netherlands	---	---	Focus Investments S.p.A.	---	25.00%
(1)	Progetto Bicocca La Piazza S.r.l. (in liquidation)	---	Milan, Italy	---	---	Focus Investments S.p.A.	---	26.00%
(1)	Progetto Gioberti S.r.l. (in liquidation)	---	---	---	---	Focus Investments S.p.A.	---	50.00%
	RAMS-Rome Art Mind Society S.r.l. (in liquidation)	Inv	Rome, Italy	€	50,000	Prelios Integra S.p.A.	40.00%	40.00%
(1)	Resident Berlin 1 P&K GmbH	---	---	---	---	Prelios Residential Investments GmbH	---	40.00%
	Riva dei Ronchi S.r.l. (in liquidation)	Inv	Milan, Italy	€	100,000	Prelios S.p.A.	50.00%	50.00%
	Roca S.r.l. (in liquidation)	Inv	Milan, Italy	€	20,000	Prelios S.p.A.	25.00%	25.00%
(1)	Sicily Investments S.à.r.l.	---	---	---	---	Focus Investments S.p.A.	---	49.80%
(1)	Sigma RE B.V.	---	---	---	---	Focus Investments International B.V. (formerly Prelios Netherlands B.V.)	---	2.00%
		Inv				Prelios S.p.A.	22.66%	22.66%
	Solaia RE S.à.r.l.	Inv	Luxembourg	€	13,000	Prelios S.p.A.	40.00%	40.00%
(1)	Solaris S.r.l. (in liquidation)	---	---	---	---	Focus Investments S.p.A.	---	50.00%
	Tamerice Immobiliare S.r.l. (in liquidation)	Inv	Milan, Italy	€	500,000	Prelios S.p.A.	20.00%	20.00%
(1)	Trinacria Capital S.à.r.l.	---	---	---	---	Focus Investments S.p.A.	---	49.80%
(1)	Trixia S.r.l.	---	---	---	---	Focus Investments S.p.A.	---	36.00%
	Verwaltung Büro- und Lichtspielhaus Hansaallee GmbH	Inv	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	Inv	Hamburg, Germany	DM	60,000	Prelios Deutschland GmbH	41.17%	41.17%
	Verwaltung Kurpromenade 12 Timmendorfer Strand GG mbH	Inv	Hamburg, Germany	DM	50,000	Prelios Deutschland GmbH	50.00%	50.00%
(1)	Verwaltung Mercado Ottensen Grundstuecksgesellschaft mbH	---	---	---	---	Focus Investments International B.V. (formerly Prelios Netherlands B.V.)	---	44.00%
						Mistral Real Estate B.V.	---	56.00%
(1)	Vespucci S.à.r.l.	---	---	---	---	Focus Investments S.p.A.	---	35.00%
(5)	Vesta Finance S.r.l.	---	---	---	---	Prelios S.p.A.	---	35.00%
(1)	Vivaldi - Fondo comune di investimento immobiliare speculativo di tipo chiuso	---	---	---	---	Focus Investments International B.V. (formerly Prelios Netherlands B.V.)	---	50.00%
	Other significant investments pursuant to CONSOB Resolution 11971 of May 14, 1999							
	AWW Assekuranzvermittlung der Wohnungs wirts chaft GmbH & Co KG	Inv				Prelios Deutschland GmbH	0.20%	0.20%
			---	---	---	Focus Investments International B.V. (formerly Prelios Netherlands B.V.)	---	10.50%

Legend	Business
AAM	Alternative Asset Management
RES	Real Estate Service
Inv	Investment

Note

(*) 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 Focus Investments 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.

(1) On January 12, 2016 has been completed the capital increase of Euro 12 million reserved to Intesa Sanpaolo S.p.A., Pirelli & C. S.p.A. and UniCredit S.p.A. in Focus Investments S.p.A.. With the entry of Partners as shareholders of Focus Investments S.p.A., it has adopted a governance structure for Focus Investments S.p.A. that provides, among other things, the allocation of the share capital in shares of another class with a related governance of equal society between all four members, with the consequent loss of control by Prelios S.p.A.. Following these operations Prelios S.p.A. holds an interest representing about 25% of the voting rights of Focus Investments S.p.A. and 87.2% economic interest.t

(2) On May 4, 2016 takes effect the extraordinary meeting of the CFT Finanziaria S.p.A. of April 27, 2016 which approved, among other things, to reduce the share capital to cover losses at December 31, 2015 from Euro 20,110,324.00 to Euro 15,465,377.00; to transform society by Company for Limited Liability Company's Shares, and also it changed its name to CFT S.r.l .; to voluntarily reduce the share capital by Euro 15,465,377.00 to Euro 10,000.00 (reduction will, however, come into effect after 90 days from the date of registration).

(3) On June 26, 2016 Prelios Deutschland GmbH set up the luxemburg company Prelios Investment Advisory S.à.r.l..

(4) On February 8, 2016, the shareholders' meeting of the company Prelios Real Estate Advisory Spólka z ograniczoną odpowiedzialnością resolved to increase the share capital from Zloty 1,000,000 to Zloty 2,000,000 by full subscription and issue by Prelios S.p.A. as sole shareholder of n. 1,000 ordinary shares with a nominal value of zloty 1,000 each.

(5) With effect from June 7, 2016 - the date of registration with the Register of Companies of the act of sale of shares dated May 23, 2016 - Prelios S.p.A. has sold its stake of 35% of the share capital held in Vesta Finance S.r.l company.. Therefore, as a result of the aforementioned sale of shares, the company Vesta Finance S.r.l. is wholly owned by third parties.

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

The undersigned Giorgio Luca Bruno, as Chairman of the Board of Directors, Riccardo Serrini, as General Manager, and Marco Andreasi, as Manager charged with preparing the company's financial statements, 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, 2016 – June 30th, 2016.

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, 2016 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 28, 2016

The Chairman	The General Manager	The Manager charged with preparing the company's financial statements
(Giorgio Luca Bruno)	(Riccardo Serrini)	(Marco Andreasi)

9. INDEPENDENT AUDITOR'S REPORT

Building a better working world

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Review report on the interim condensed consolidated financial statements
(Translation from the original Italian text)

To the Shareholders of
Prelios S.p.A.

Introduction

We have reviewed the interim condensed consolidated financial statements, comprising the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in equity and the cash flow statement as of June 30, 2016 and for the six months period then ended and the related explanatory notes of Prelios S.p.A. and its subsidiaries (the "Prelios Group"). The Directors of Prelios S.p.A. are responsible for the preparation of the interim condensed consolidated financial statements in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements 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 31 July 1997. A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the interim 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, 2016 are not prepared, in all material respects, in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Emphasis of Matter

We draw attention to the explanatory note 6.2 "Basis of preparation – adoption of the going concern assumption in preparing the financial statements" and to the Interim Report on Operations, which describe the Directors' assessment of the Group's ability to continue as a going concern. In this respect, the Directors, considering the effects arising from the completion during the first months of 2016 of the extraordinary spin-off transaction of the Investment business from the Services business, the bank debt restructuring and the outcome of the capital increase, describe the results achieved as of June 30, 2016, and the actions taken to reach the target in terms of revenues and margins development, expected to a significant extent starting from the second half of 2016. Our opinion is not qualified in respect of this matter.

Milan, August 1, 2016

EY S.p.A.

Signed by: Giuseppe Savoca, Partner

This report has been translated into the English language solely for the convenience of international readers

C. 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/homepage/homepage.htm*](http://www.borsaitaliana.it/comitato-corporate-governance/homepage/homepage.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;
- 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*](http://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 2015, approved by the Board of Directors at its meeting on March 21, 2016. 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 Shareholders' Meeting (the "**Shareholders' Meeting**") was held on a single call on May 19, 2016.

In addition to approving the annual financial report 2015, the Shareholders' Meeting resolved – after Mr Sergio Iasi resigned as Director and Chief Executive Officer of the Company on March 21, 2016 – to reduce the number of seats on the Company Board of Directors from 11 (eleven) to 10 (ten) members.

The foregoing action was taken:

- after the Shareholders' Meeting failed to approve the motion by Negentropy Capital Partners LLP –

which declared that it was acting in the name and on behalf of the mutual fund named "Negentropy Sicaf-Sif / Negentropy Special Situation Fund", Luxembourg, (“**Negentropy**”), which owns 38,173,500 ordinary shares in the Company, amounting to 3.31% of the ordinary voting shares – to raise the number of members on the Board of Directors from the current 11 (eleven) to 13 (thirteen) members; and

– on the basis of the motion made for this purpose at the Shareholders' Meeting by the shareholder Pirelli & C. S.p.A..

The Shareholders' Meeting approved the annual financial report 2015 and the aforementioned motion made by the shareholder Pirelli & C. S.p.A. with more than 99% and 61.8%, respectively, of the voting shares represented at the Shareholders' Meeting.

The term of the Board of Statutory Auditors expired with approval of the annual report at December 31, 2015. Therefore, the Shareholders' Meeting acted to renew it.

In particular, two Slates were submitted to the Shareholders' Meeting:

1. the Slate submitted by the shareholders Intesa Sanpaolo S.p.A., Pirelli & C. S.p.A. and UniCredit S.p.A., composed of the candidates for (i) Standing Statutory Auditors – Mr Marco de Ruvo, Ms. Michela Zeme and attorney Elenio Bidoggia, and (ii) the Alternate Statutory Auditors – Mr Pietro Garibaldo Boiardi, Ms. Francesca Adelina Alice Monti and Mr Marco Taglioretti;
2. the Slate submitted by the shareholder Negentropy (also in reference to the members of the Shareholders' Agreement on Prelios ordinary shares, of which it is a signatory), composed of the candidates for (i) Standing Statutory Auditors – Mr Giorgio Loli, Ms. Gabriella Chersicla and Mr Ezio Maria Simonelli, and (ii) the Alternate Statutory Auditors – Mr Antonio Salvi, Ms. Marina Vienna and Mr Giancarlo Strada.

Pursuant to the Articles of Association through adoption of the slate voting mechanism, the Slate submitted by the shareholder Negentropy – which obtained fewer favourable votes from the Shareholders' Meeting (38.09%) than the Slate submitted by the shareholders Intesa Sanpaolo S.p.A., Pirelli & C. S.p.A. and UniCredit S.p.A.(61.89%) – elected the Chairman of the Board of Statutory Auditors (Mr Giorgio Loli) and an Alternate Statutory Auditor (Mr Antonio Salvi), while the remaining Slate (which obtained a higher number of favourable votes from the Shareholders' Meeting) appointed two Standing Statutory Auditors (Mr Marco de Ruvo and Ms. Michela Zeme) and two Alternate Statutory Auditors (Mr Pietro Garibaldo Boiardi and Ms. Francesca Adelina Alice Monti).

Therefore, the current composition of the Board of Statutory Auditors – which complies fully with the applicable laws and regulations governing gender balance and which will hold office until approval of the annual financial report at December 31, 2018 – is as follows:

- Giorgio Loli Chairman
- Marco de Ruvo Standing Statutory Auditor
- Michela Zeme Standing Statutory Auditor
- Antonio Salvi Alternate Statutory Auditor
- Pietro Garibaldo Boiardi Alternate Statutory Auditor
- Francesca Adelina Alice Monti Alternate Statutory Auditor

Lastly, it should be noted that as at the Date of the Report, no member of the Board of Statutory Auditors has reported to the Company that the limits for accumulating positions on boards of directors and boards of statutory auditors, as specified in Article 144-terdecies of the Issuers’ Regulations, have been exceeded. The list of positions is published by Consob on its website.

The curriculae vitae submitted upon filing of the slates were promptly published on the website, where they are constantly available and periodically updated.

The Shareholders' Meeting set the compensation for the Chairman of the Board of Statutory Auditors at Euro 50 thousand and the compensation for each Standing Statutory Auditor at Euro 32 thousand.

Finally, once these individuals were appointed, the composition of the Company Supervisory Body remained unchanged.

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 99% 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.

*

On May 24, 2016, Mr Andrea Mangoni – independent Director without executive authority – resigned from the Board of Directors.

Consequently, the Board of Directors shall take those measures to replace him with an adequate candidate.

The Board of Directors is currently composed of nine members, five of whom are non-executive and independent, and it satisfies 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.

*

Finally, six Board of Directors meetings, four Remuneration Committee meetings and two Internal Control, Risk and Corporate Governance Committee meetings were held during the first half of 2016.

* * *

This Report also discloses the changes that occurred after the end of the first half of the year until the approval date of this Report.

In this regard, it is specifically noted that on July 28, 2016, the Board of Directors – after obtaining a favourable opinion by the Internal Control, Risk and Corporate Governance Committee – approved new procedures related to the recent European Union provisions concerning market abuse (Regulation [EU] no. 596/2014 of the European Parliament and Council of the European Union of April 16, 2014, the "*Market Abuse Regulation* – MAR", and the related enforcement regulations issued by the European Commission) and, in particular:

- the "Procedure for the Management and Public Disclosure of Price-Sensitive Information and the Insider Register";
- the “Internal Dealing Compliance Procedure”.

The aforementioned Procedures are available in the governance section on the Website.

Milan, July 28, 2016

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