PRELIOS

INTERIM FINANCIAL REPORT

AT 31 MARCH 2014

Interim Financial report at March 31, 2014

1. CORPORATE REVIEW

1.1. Group Profile

Prelios mission is to manage assets to create value.

Prelios is one of the leading European asset management groups providing a full range of real estate and financial services, with approx. 6.2[1] billion euro assets under management (AuM) at 31 December 2013. The Group has a qualified structure of about 500 professional experts[2] with significant professional skills and a track record of excellence gained over the years in the international arena.

Listed on the Italian Stock Exchange (Borsa Italiana) since 2002, the holding company Prelios S.p.A. coordinates six operating companies developing a complete network of real estate services, which is recognized and multi-awarded for its quality, efficiency and reliability:

Co-investment management, planned to be disposed in the medium term, refers to the value generated by Prelios through its equity investments in funds and companies holding real estate asset portfolios and non-performing loans.

[1] AuM including approx. 0.4 billion euro relating to the fund Spazio Industriale participated and managed through the investment division of the parent company and 0.1 billion euro relating to the Lucchini areas managed by company Bielany Project Management, that is 40% held by Prelios S.p.A..

[2] Such data is considered net of the DGAG deal, following the agreement made in February 2014 for the transfer of the German residential portfolio and of part of Prelios Deutschland Gmbh platform that provides property management services to said portfolio.

At 31 December 2013, total Assets Under Management (AuM) amount to 6.2[3] billion euro, including real estate assets for 6.0 billion euro (market value) and Non-Performing Loans (NPL) for 0.2 billion euro (expressed at book value).

With regard to the geographical distribution of real estate assets only 4.4 billion euro assets are located in Italy, primarily managed by the subsidiary Prelios SGR through the real estate funds (25 funds under management to date).

The residual part of the asset portfolio under management is located in Germany and Poland (worth 1.6 billion euro of which about 0.1 billion euro in Poland).

[3] The AuM, excluding NPLs valuated at book value, is expressed at market value as at 31 December 2013, based on independent appraisers' estimates and analyses. Moroever, the AuM includes about 0.4 billion euro relating to the fund Spazio Industriale and 0.1 billion euro to the Lucchini areas managed by the company Bielany Project Management, that is 40% held by Prelios S.p.A.

1.2 Economic – financial highlights

Income statement data		March 2014	March 2013
Consolidated revenues		**17.1**	**17.6**
	of which services	*16.9*	*16.3*
	of which others	*0.2*	*1.3*
Operating result		**(5.3)**	**(5.3)**
	of which Management Platform	*(1.6)*	*(1.7)*
	of which Investment Activities	*(3.7)*	*(3.6)*
Restructuring costs		0.0	(0.5)
Property writedowns/revaluations		0.0	(1.8)
Group net income/(loss) before discontinued operations		**(12.5)**	**(20.4)**
Net income (loss) from discontinued operations		(0.9)	1.9
Group net income/(loss) for the period		**(13.4)**	**(18.5)**

Balance sheet data		March 2014	December 2013
Equity		(79.3)	(66.3)
	of which Group equity	*(82.1)*	*(69.1)*
Equity following total conversion of Convertible loan		157.2	169.6
	of which Group equity following total conversion of Convertible loan	*154.4*	*166.8*
Net Financial Position		(408.5)	(388.4)
Net Financial Position after capital increase following total conversion of Convertible loan		(172.0)	(152.5)

Ratio	March 2014	December 2013
Employees (*)	799	790

(*) The number of employees was 799 at March 31, 2014 (of which 293 dedicated people intended to transfer following the agreement reached with BUWOG for the transfer of the service platform supplying the real estate asset and property management fo the residential portfolio) including 5 temporary staff, compared with 790 (of which 290 dedicated people intended to transfer following the agreement reached with BUWOG for the transfer of the service platform supplying the real estate asset and property management fo the residential portfolio) at December 31, 2013, including 4 temporary staff.

2. CORPORATE BODIES

Board of Directors [4]

Giorgio Luca Bruno	Chairman
Massimo Caputi	Deputy Chairman
Sergio Iasi	Chief Executive Officer – CEO
Marina Brogi	Independent Director
Claudia Bugno	Independent Director
Francesco Umile Chiappetta	Director
Rosa Cipriotti	Independent Director
Carlo Emilio Croce	Independent Director
Moroello Diaz della Vittoria Pallavicini	Director
Andrea Mangoni	Independent Director
Davide Mereghetti	Director
Alessandra Patera	Director
Massimo Tezzon	Independent Director
Giovanni Jody Vender	Independent Director
Massimo Marinelli	Board Secretary

Internal Control, Risk and Corporate Governance Committee[5]

Massimo Tezzon	Independent Director - Chairman
Marina Brogi	Independent Director
Andrea Mangoni	Independent Director

Remuneration Committee

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

[4] The shareholders' meeting on 8 May 2013 appointed the Members of the Board of Directors holding office for three years until approval of the financial statements at 31 December 2015. At the end of the Shareholders' Meeting, the Board resolved on the corporate appointments, set up the Board Committees and also appointed the members of the Supervisory Board. On 18 February 2014, Mrs. Anna Chiara Svelto resigned from her office as Director.

[5] On 18 February 2014 Mrs. Anna Chiara Svelto resigned from her office as member of the Internal Control, Risk and Corporate Governance Committee.

Board of Statutory Auditors[6]

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

Supervisory Board

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

Financial Reporting Officer

Marco Andreasi [7]

Independent Auditors

Reconta Ernst & Young S.p.A.[8]
Via della Chiusa, 2
20123 Milano

[6] The shareholders' meeting on 8 May 2013 appointed the Statutory Auditors until approval of the financial statements at 31 December 2015.
[7] On 24 February 2014, Prelios S.p.A. Board of Directors appointed Marco Andreasi as Company Chief Financial Officer as well as Financial Reporting Officer pursuant to article 154-bis of the Consolidated Finance Act.
[8] Mandate assigned by the shareholders' meeting of 14 April 2008.

3. PRELIOS IN THE FIRST QUARTER OF 2014

In the first quarter of 2014, as well as during the past year, the macroeconomic scenario of reference has been characterised by uncertainties with regard to the Italian economic growth perspectives in general. The continuing economic crisis also impacts the real estate sector which is persistently weak and still characterised by high financial costs. However, the market shows some signs of recovery, primarily driven by the recent renewed interest in the Italian real estate sector by opportunistic foreign investors, caused by the repricing effect and the consequent rise of gross yields.

On 12 February 2014 the company Solaia RE S.à.r.l., a joint venture 60% held by a fund managed by Deutsche Asset & Wealth Management Real Estate (Deutsche Bank Group) and 40% by Prelios S.p.A. reached an agreement with Buwog, a company 100% owned by the Austrian Group Immofinanz, for the disposal of the shares of the real estate companies owning the German real estate asset portfolio called DGAG. This transaction, promoted and defined by the majority partner Deutsche Asset & Wealth Management Real Estate (Deutsche Bank Group), is also connected with the transfer of the platform of Prelios Deutschland (a company 100% controlled by Prelios S.p.A.), which provides technical and administrative services to the aforementioned residential assets. This transaction is framed within the process for the implementation of the Prelios new business model launched in 2013 as an integrated real estate asset management company, focusing its financial and human resources on higher value added real estate market segments. By this transaction Prelios Group further focuses its operations in Germany on the high value added “premium” segment of shopping centers and highstreet retailing. The closing of the transaction is expected to take place by June 2014. The effects of this transaction have been reflected in 2013 financial statements as Discontinued Operations.

In the first months of 2014, in line with the aforementioned strategic orientation and with the purpose to re-launch the business development perspectives also by external lines, the Company started – with the assistance of its advisors – projects aimed at making business partnerships. In particular, as already disclosed to the market, contacts were made with the well known private equity international Fund Fortress Investment Group Ltd, majority shareholder of the companies Torre SGR S.p.A. and Italfondiario S.p.A., operating in the management of real estate mutual funds and of non-performing loans respectively, with the purpose of valuating the feasibility and the interest of possible integrations with Prelios Group, in particular in the sectors of real estate asset management and non- performing loans.

Following the activities and exchange of information carried out so far and the relevant negotiations, an agreement was reached on a Memorandum of Understanding between Prelios and Fortress which confirms the mutual interest to continue the evaluation of the possible integrations, according to criteria and respective equity interest in both business sectors to be defined.

The preliminary agreements reached regard, in particular, the forthcoming activities to be performed, the relevant timing and the structure of the transaction, which – at today’s date – would envisage the option of integration between Prelios Società di Gestione del Risparmio S.p.A. and Torre SGR S.p.A. (operating in the real estate asset management sector) and between Prelios Credit Servicing S.p.A. and Italfondiario S.p.A. (operating in the NPL sector), respectively. In the framework of the subsequent negotiations – in addition to the issue of share swaps between the respective asset and non-performing loan management companies and the typical issues regarding the shareholders' agreements and governance – also other aspects will be further analysed that are deemed significant for the progress of the valuations, regarding namely: (i) business rationale and goals of the integration to develop the business plan of the combined entities and to identify the relevant synergies; (ii) the roles of Prelios and Fortress in the integration framework; (iii) further contributions that may be potentially brought in by Prelios and Fortress for their partnership development and, in particular, the analysis of possible synergies with other service companies of Prelios Group.

4. NOTES ON MAIN GROUP ECONOMIC AND FINANCIAL DATA

This section will examine the Group's economic results and financial position at 31 March 2014. The review of operating results in section 4.1 uses Non-GAAP Measures, generally adopted by management to monitor and assess the Group's performance. The purpose is to present the result of the Group's core continuing operations, net of the impact of transactions that are unusual in nature or size, and net of changes in the value of its real estate asset portfolio, ensuring that its results and reporting over time are more comparable with other major players using similar Non-GAAP measures.

These measures are obtained by aggregating or reclassifying accounting figures and have been adopted to disaggregate the economic results based on the nature of the events originating them. The review of the financial position in section 4.2 also includes Non-GAAP measures. As these are measures generally adopted for financial disclosure purposes, reconciled to figures reported in the primary financial statements, it has not been necessary to supplement the performance analysis with specific comments on the latter.

In particular, the Non-GAAP Measures indicated below have been determined by isolating the following items: “Restructuring costs” and “Property writedowns/revaluations”, as better detailed in the paragraph below.

The indicator that best reflects the performance of the Group's Management Platform and Investment Activities is the EBIT, including income from equity investments and income from shareholder loans before restructuring costs and property writedowns/revaluations (Operating Result).

4.1. Income Statement

(Euro/milion)	MARCH 2014	MARCH 2013
Consolidated revenues:	17.1	17.6
of which services	*16.9*	*16.3*
of which others	*0.2*	*1.3*
Management platform: EBIT before restructuring costs and property writedowns/revaluations	(1.6)	(1.7)
Total management platform: Operating result	**(1.6)**	**(1.7)**
Investment activities: EBIT before restructuring costs and property writedowns/revaluations	(2.8)	(2.7)
Investment activities: net income from equity investments before restructuring costs and property writedowns/revaluations	(2.8)	(2.9)
Investment activities: income from shareholders' loans (*)	1.9	2.0
Total investment activities: Operating result	**(3.7)**	**(3.6)**
Operating result	**(5.3)**	**(5.3)**
Financial expenses	(5.9)	(10.6)
Income (loss) before restructuring costs, property writedowns/revaluations and income taxes	**(11.2)**	**(15.9)**
Restructuring costs	0.0	(0.5)
Property writedowns/revaluations	0.0	(1.8)
Income (loss) before taxes	**(11.2)**	**(18.2)**
Income taxes	(1.3)	(2.3)
Net income (loss) from continuing operations	**(12.5)**	**(20.5)**
Minority interests	0.0	0.1
Group net income/(loss) before discontinued operations	**(12.5)**	**(20.4)**
Net income (loss) from discontinued operations	(0.9)	1.9
Group net income/(loss) for the period	**(13.4)**	**(18.5)**

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

Consolidated revenues at 31 March 2014 amount to 17.1 million euro against 17.6 million euro in the first quarter 2013. In particular, at 31 March 2014 Management Platform revenues, in Italy and in foreign Countries, equal 16.9 million euro, recording a slight increase versus 16.3 million euro in the first quarter 2013.

The Operating Result is negative for 5.3 million euro, in line with the Operating Result of the first quarter 2013.

Financial costs amount to 5.9 million euro against 10.6 million euro at 31 March 2013. The 4.7 million euro decrease is mainly attributable to the positive effect deriving from the interest rate limited to 1%, applied to the loan portion called “Convertible Loan” following to the debt rescheduling occurred in August 2013, both for the new remuneration terms and for the redetermined amount of the financial debt. In particular, this item includes for 2.6 million euro the interest accrued on the Super Senior and Senior debt and Convertible Loan, based on the Debt Rescheduling Agreement, and for 3.0 million euro the amount relating to the economic effect deriving from the evaluation at amortized cost of the new debt initially valued at fair value.

No property writedowns/revaluations are recorded at 31 March 2014 compared to the negative value of 1.8 million euro in the same period of 2013 accounted for by the assets value adjustments, primarily in Italy.

Income taxes total 1.3 million euro against 2.3 million euro at 31 March 2013 and largely refer to companies in Italy. This value mainly includes the change in deferred taxes and IRAP.

The Group net income at 31 March 2014 is negative for 13.4 million euro against a negative result of 18.5 million euro at 31 March 2013.

Management Platform[9]

Fund & asset management activities and Property & Project Management and Agency specialist services as well as those related to Non-Performing Loans (credit servicing), including G&A costs, recorded a negative result at 31 March 2014 equal to 1.6 million euro against the negative value of 1.7 million euro at 31 March 2013.

Investment Activities[10]

In the first quarter of 2014 investment activities were negative for 3.7 million euro compared to a negative result of 3.6 million euro in the same period of 2013.

***

In the first quarter of 2014 real estate asset sales[11] amounted to 121.7 million euro (50.8 million euro on a pro rata basis) against 44.1 million euro at 31 March 2013 (7.8 million euro pro rata amount). Real estate transactions were carried out at values substantially in line with book value.

Total rents[12] at 31 March 2014 amount to 60.5 million euro against 93.6 million euro at 31 March 2013; Prelios pro rata amount of rents is equal to 17.9 million euro (24.0 million euro at 31 March 2013).

More details of the results by geographical area for fund and investment company activities and the Management Platform, inclusive of G&A costs, can be found in the relevant section.

[9] Management Platform result means the contribution generated by the Group through fund and asset management activities, specialist real estate services (Property and Project Management and Agency) and NPL management services (credit servicing), as well as G&A costs.
[10] Investment activities means the contribution generated by Prelios through its investment in funds and companies that hold real estate assets and Non-Performing Loans.
[11] The value is determined by summing up the sales of properties made by consolidated companies, the sales of 100% of properties of associated companies, joint ventures and funds in which the Group has an equity interest of at least 5% at 31 March 2014.
[12] This is the sum of rents generated by consolidated companies, plus 100% of rents generated by associated companies, joint ventures and funds in which the Group has an equity interest of at least 5% at 31 March 2014.

4.2. Balance Sheet and financial analysis

The table below shows balance sheet data at 31 March 2014 compared to 31 December 2013 as well as pro-forma data at 31 March 2014, which already takes into consideration the full utilization of the convertible debenture loan for the equity increase, the automatic conversion of which occurred on 14 April 2014 as reported more in detail under events occurred after the closing of the period, becoming the presuppositions envisaged by art. 2447 of the Italian Civil Code applicable to the Parent Company at 31 December 2013.

(Euro/milion)	MARCH 2014	MARCH 2014 PRO-FORMA (2)	DECEMBER 2013
Fixed assets	**358.1**	**358.1**	**353.2**
of which investments in real estate funds and investment companies and shareholder loans granted (1)	*285.3*	*285.3*	*290.5*
of which goodwill	*56.4*	*56.4*	*56.4*
Net working capital	**16.6**	**16.6**	**14.7**
Discontinued operations	**26.4**	**26.4**	**26.4**
Net invested capital	**401.1**	**401.1**	**394.3**
Equity	**(79.3)**	**157.2**	**(66.3)**
of which Group Equity	(82.1)	154.4	(69.1)
Provisions	**70.9**	**70.9**	**71.2**
Net financial position	**408.5**	**172.0**	**388.4**
Liabilities relating to discontinued operations	**1.0**	**1.0**	**1.0**
Total covering net invested capital	**401.1**	**401.1**	**394.3**

(1) The item includes equity investments in associates, joint ventures and other equity investments (175.6 million euro), receivables for shareholder loans (99.9 million euro), investments in real estate funds (11.4 million euro, recognised among "Other financial assets" in the consolidated balance sheet) and junior notes (11.3 million euro, recognised among "Other financial assets" in the consolidated balance sheet). The figures for March 2014 and December 2013 include provisions for equity investment writedowns of 12.9 million euro and 12.6 million euro respectively.

(2) Pro-forma data as at March 2014 already takes into consideration the full utilization of the Convertible debenture loand (including interests as of March 2014) for the equity increase.

Fixed assets at 31 March 2014 amount to 358.1 million euro against 353.2 million euro at 31 December 2013. This increase, partially offset by the negative results of the invested companies, is mainly attributable to the recognition of restricted cash under financial assets.

The Net Working Capital at 31 March 2014 is equal to 16.6 million euro, up 1.9 million euro against 14.7 million euro at 31 December 2013.

The Discontinued operations account for the estimated effect of the cash distributions expected from the aforementioned DGAG Group transfer transaction, net of working capital items to be transferred to purchaser.

The consolidated equity is negative for 79.3 million euro, whereas the Group equity is negative for 82.1 million euro compared to a negative value of 69.1 million euro at 31 December 2013. The variation is primarily attributable to the loss for the period.

In the pro-forma data at 31 March 2014 the consolidated equity and the Group equity are equal to 157.2 million euro and 154.4 million euro, respectively, already considering the conversion of the convertible bonds.

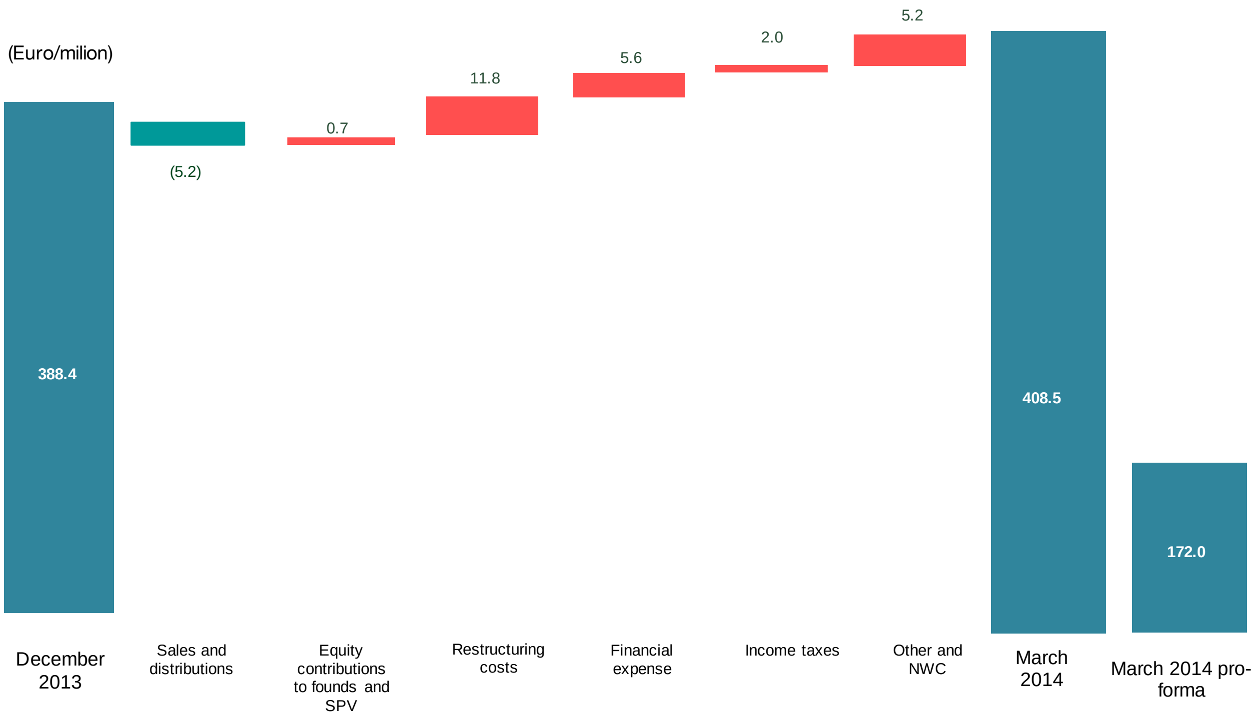
The Net Financial Position at 31 March 2014 is negative for 408.5 million euro against 388.4 million euro at 31 December 2013.

The chart shows in detail the combined effect of the events that impacted the change in the Net Financial Position in the first quarter 2014.

The negative variation against 31 December 2013, equal to 20.1 million euro, is primarily due to the following effects:

- 11.8 million euro relating to restructuring costs for which a provision has been already made against few tax liabilities;
- net financial costs for 5.6 million euro resulting for 2.6 million euro from interest accrued on Super Senior and Senior credit lines and Convertible Loan and for 3.0 million euro from the economic effect deriving from the evaluation at amortized cost of the new debt initially valued at fair value;
- other events partially related to changes in net working capital for 5.2 million euro;
- payment of taxes for 2 million euro;
- equity contribution in investment companies and in participated funds for 0.7 million euro.

Conversely, the cash flows generated from sales positively impacted the net financial position for 5.2 million euro.



In the pro-forma data at 31 March 2014 the Net Financial Position, equal to 172.0 million euro, has been presented, considering the full conversion of the convertible bonds.

5. PERFORMANCE OF THE BUSINESS DIVISIONS

This section presents the performance of both Real Estate (by geographical areas) and NPL components, broken down between income/costs generated from the Management Platform activity and income/costs generated from Investment Activities[13]. The Operating Result included and commented in the following tables corresponds to the contents of paragraph 4 hereof.

Unless otherwise specified, all values are expressed in euro million.

The table below shows the Operating Result by geographical area.

	Italy		Germany		Poland		NPL		G&A		Total	
	March 2014	March 2013	March 2014	March 2013	March 2014	March 2013	March 2014	March 2013	March 2014	March 2013	March 2013	March 2013
Management Platform	1.6	1.3	0.5	0.4	(0.2)	0.0	0.3	(0.9)	(3.8)	(2.5)	**(1.6)**	**(1.7)**
Investment Activities	(2.5)	(2.7)	(0.7)	(0.5)	(0.5)	(0.7)	0.0	0.3	0.0	0.0	**(3.7)**	**(3.6)**
Operating result	**(0.9)**	**(1.4)**	**(0.2)**	**(0.1)**	**(0.7)**	**(0.7)**	**0.3**	**(0.6)**	**(3.8)**	**(2.5)**	**(5.3)**	**(5.3)**

For the purposes of construing the data reported in the following tables by country it should be noted that the revenue value refers to fully consolidated service companies, not including, however, the consolidated revenues from investment initiatives.

5.1. Italy Real Estate

The Operating Result of Real Estate Italy (Management Platform and Investment Activities) in the first quarter 2014 is negative for 0.9 million euro against the negative value of 1.4 million euro in the same period of 2013.

Management Platform

The Operating Result at 31 March 2014 is positive for 1.6 million euro against the positive value of 1.3 million euro in the same period of 2013.

As regards the Management Platform performance, the main events that affected the single Business Units are reported below.

[13] Result of investment activities means the amount generated by Prelios through its equity investments in funds and companies holding real estate asset portfolios; result of Management Platform means the amount generated through the fund & asset management activities and specialist real estate services (property & project, agency and facility) and NPL management services (credit servicing), inclusive of G&A costs.

Fund Management	March 31, 2014	March 31, 2013
Revenues (millions of euro)	5.1	5.6
Operating result (millions of euro)	1.2	2.4
Ros	24%	43%
Number of funds managed	25	23
AUM (*)	3.7	4.3
Number of employees	71	61

(*) Market value as at December 2013 and December 2012 in billions of euro, expressed at 100%, including Excelsia 9 S.r.l. portfolio; market value as at December 2013 not includes Spazio Industriale fund not anymore considered under management from the second quarter 2013.

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

At 31 March 2014 Prelios SGR manages 25 funds in total, of which 12 are ordinary funds (including 2 listed funds) and 13 are speculative, in addition to a contract for the management of the process for the disposition of the real estate asset portfolio.

Revenues, consisting mainly of flat management fees, were equal to 5.1 million euro in the first quarter 2014, down about 9% against the value recorded at 31 March 2013. This decrease is primarily due to the exit of Fund Spazio Industriale from the portfolio under management (that resulted in a decreasing fee) as well as to non-recurring items impacting for over 0.6 million euro in total.

With regard to the activity for the development of new projects started by the new management, the Company established new ordinary real estate funds (Fund PAI "PAI – Parco Agroalimentare Italiano", Fund "IGEA" and Fund "Primo RE"), currently managing 25 funds at the date hereof:

- The Fund PAI – Parchi Agroalimentari Italiani, promoted for the implementation of the project called F.I.CO. (Fabbrica Italiana Contadina), envisages the construction of a complex gathering Italian wine and food product excellence in the city of Bologna, within the Agri-Food Market. The Fund was established through the transfer by CAAB (Centro Agro Alimentare Bologna) of the area on which the project is to be developed and by the subscription, by numerous qualified investors, of units to be paid in cash for an amount of 40.5 million euro, for a minimum total amount not below 95 million euro.
- The Fund IGEA is destined to investments in projects characterized by substantial real estate development and renovation. The transaction mainly envisages that the Fund acquires (through contribution and/or purchase and sale) the title ownership of areas destined to the development of real estate projects or properties to convert/refurbish. The Fund will engage institutional investors with a financial investment profile, investing equity in the Fund, as well as qualified investors contributing assets in kind (areas, or properties). Prelios SGR already collected cash subscriptions for 25 million euro from a leading pension fund for the development of a residential project regarding an area already contributed to the fund.
- The Fund "Primo RE", in which Cassa Nazionale di Previdenza e Assistenza dei Dottori Commercialisti (CNPADC) will initially pay in 50 million euro – reserving the right to increase it up to 300 million euro in total – to be invested for at least 90% in

real estate assets and real property rights in Italy mainly for retail, light industrial or office use, and in any case not for residential use.

Agency	March 31, 2014	March 31, 2013
Revenues (millions of euro)	0.7	0.5
Operating result (millions of euro)	(0.2)	(1.0)
Volumes intermediated (millions of euro)	10.8	7.4
Number of employees	20	24

In Italy real estate agency and valuation services are provided by the subsidiaries Prelios Agency S.p.A. and Prelios Valuations E-Services S.p.A.

Prelios Agency S.p.A. is the company of Prelios Group specialised in advisory activities for the purchase and sale and lease of single properties or entire real estate assets for office, residential, industrial, logistics and retail use. The company provides a range of brokerage & advisory services for purchase, sale and letting: from the analysis of the client's needs to market monitoring, negotiation management and contractual assistance.

The first quarter 2014 result, negative for 0.2 million euro, is still affected by the crisis of the Italian real estate sector which caused a significant slowdown in the number and size of transactions. Compared to first quarter 2013 data, however, the benefits of the cost control action started in 2013 may be observed.

At 31 March 2014 the portfolio of sale mandates assigned by third party clients amounts to 1.366[14] million euro.

Valuations	March 31, 2014	March 31, 2013
Revenues (millions of euro)	1.2	0.8
Operating result (millions of euro)	0.4	0.1
Ros	33%	13%
Number of employees	22	12

The subsidiary Prelios Valuations E-Services S.p.A. is an independent operator in the valuation of single properties and real estate assets for light industrial/office and residential use, and is specialised in bank valuation services ("loan services").

Revenues in the first quarter 2014 amount to 1.2 million euro versus 0.8 million euro in the corresponding period of 2013.

In detail, the "Loan Services" performance recorded a drop in volumes, caused by the loss, from October 2013, of the Intesa SanPaolo Contract. At 31 March 2014 loan services valuations processed by Prelios Valuations are 1,748.

Also for Ing Direct Contract the work volume decreased.

Conversely, the sector "Full Appraisals", dedicated to companies, institutional investors and real estate funds substantially increased its revenues in the first quarter of 2014 compared to first quarter 2013.

[14] List price.

On 17 April 2014 Prelios Valuations was awarded a contract following to a tender called for by Bankitalia for the activities of full appraisal of the real estate assets of few banks.

Integra	March 31, 2014	March 31, 2013
Revenues (millions of euro)	4.4	3.7
Operating result (millions of euro)	0.2	0.3
Ros	5%	8%
Value of assets managed (billion euro)	4.9	4.9
Square metres managed (millions)	4.9	4.1
Rental units managed	about 29,000	about 30,000
Rental contracts managed	over 2,800	about 3,000
Passing Rent (millions of euro)	over 242	over 258
Number of employees	85	76

In Italy, integrated real estate asset services are provided by Prelios Integra S.p.A., a company 100% controlled by Prelios.

Prelios Integra is one of the leading Italian operators in the sector of integrated services for real estate asset management and project development, with 4.9 billion euro assets under management, for about 4.9 million square meters.

Prelios Integra provides a proactive integrated asset management service (asset, property and facility management) being functional to asset improvement on behalf of public and private clients: from property accounting and administrative management to tenant relations, from technical-maintenance services to search and support for sales.

In the framework of project management activities, the company deals with all property design and construction phases with a distinctive expertise in sustainability: from the development from scratch of green buildings to green retrofitting, from energy certificates to renewables.

In the retail segment, the company may rely on a highly specialised division operating in the development and value increase of shopping centers all over Italy: from administrative and operating management to retailer relations, to tenant mix strategy optimization.

The main sectors in which the company is currently engaged are the following:

- administrative and property management;
- facility management and energy;
- project management;
- asset management and value increase and improvement;
- sales support;
- shopping centers management.

Revenues at 31 March 2014 amount to 4.4 million euro, recording an increase against 3.7 million euro in the same period of 2013, which is mainly attributable to global servicing activities relating to the property of Scarmagno and to the Ivrea complex. The Operating Result is positive for 0.2 million euro, substantially in line with the result at 31 March 2013 when it was equal to 0.3 million euro.

In the first quarter 2014 the company managed a real estate asset portfolio with over 2,800 lease contracts. The main “third party” clients are: INPS, Telecom Italia, Sisal, Gruppo Ubi Banca, Excelsia 9, SR3 Certosa (Stam Europe), Duemme SGR and Prisma SGR.

During the first quarter of 2014 the company acquired new mandates, and in particular with third party clients like Sisal, Namira, Wind, Mediolanum Sgr, Reed Sgr, Stam Europe.

Investment activities

The result of the investment activity, finalized at asset disposition, is still impacted by the negative trends of the Italian real estate market. The equity investments held by Prelios through its holdings in funds and companies that hold real estate asset portfolios and non-performing loans are often subject to the decisions of the majority partners.

The Operating Result at 31 March 2014 is negative for 2.5 million euro compared to the negative value of 2.7 million euro in the same period of 2013.

The still weak market context, characterised by a low number of transactions and by decreasing prices, does not allow the remuneration of investment companies' operating and financial costs, consequently the result of the Investment Activity remains negative, despite costs decreased compared to 2013.

The sales of properties made in the first quarter 2014 (considering 100% of the real estate assets of associated companies, joint ventures and funds in which the Group has an equity interest) were equal to 8 million euro (9.6 million euro in the same period of 2013). The real estate asset transactions have been made at values substantially in line with book value (gross margins on sales[15] made in first quarter 2013 were equal to 8.2%). Total rents[16] are equal to 33.3 million euro (31.6 million euro at 31 March 2013).

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[15] The value is determined by relating the relevant capital gains to sales value. The sales are made by consolidated companies, associated companies, joint ventures and funds in which the Group has an equity interest of at least 5%.

[16] The value is determined by summing up the rents generated from consolidated investment companies, the rents generated from associated companies, joint ventures and funds in which the Group has an equity interest.

5.2. Germany Real Estate

The Operating Result of *Real Estate* Germany (Management Platform and Investment Activities) in the first quarter 2014 is negative for 0.2 million euro compared to a negative value of 0.1 million in the same period of 2013.

Piattaforma di Gestione

Germany	March 31, 2014	March 31, 2013
Revenues (millions of euro)	2.9	3.3
Operating result (millions of euro)	0.5	0.4
Ros	17%	12%
Square metres managed (millions) (*)	about 1.0	about 1.8
Number of rental units managed (*)	83	115
AUM (**)	1.4	2.7
Number of employees	82	82

(*) Not including units / areas relating to car parks. Values as at December 2013 and December 2012.
(**) Market value as at December 2013 and December 2012 in billions of euro, expressed at 100%.

The Operating Result at 31 March 2014 is positive for 0.5 million euro recording a slight increase against the Operating Result at 31 March 2013, that is mainly due to decreasing operating costs which also offset the dropping revenues.

Revenues decreased from 3.3 million euro at 31 March 2013 to 2.9 million euro in the first quarter 2014; the decrease primarily results from the reduction of the Highstreet portfolio management fees following to the sales made in the course of 2013.

Investment Activities

At 31 March 2014 the Operating Result is negative for 0.7 million euro against the negative value of 0.5 million euro in the same period of 2013.

Asset sales in the first quarter of 2014 (considering 100% of the properties of associated companies, joint ventures and funds in which the Group has an equity interest) amounted to 113.7 million euro. Compared to 34.5 million euro in the same period of 2013, a substantial growth was recorded mainly as a result of the transfer of the German residential assets called "*Small Deal*". Real estate transactions in the first quarter 2014 have been made at values in line with book value as it occurred in the same period of 2013. Total rents amounted to 27.2 million euro (62.0 million euro in first quarter 2013).

5.3. Poland Real Estate

The Operating Result of Poland Real Estate (Management Platform and Investment Activities) at 31 March 2014 is negative for 0.7 million euro in line with a negative value of 0.7 million euro in the same period of 2013.

Piattaforma di Gestione

Poland	March 31, 2014	March 31, 2013
Revenues (millions of euro)	0.1	0.2
Operating result (millions of euro)	(0.2)	0.0
Square metres managed (millions) (*)	0.4	0.7
AUM (**)	0.1	0.1
Number of employees	10	18

(*) Value related to Lucchini lands managed by the joint venture Bielany Project Management (40% Prelios S.p.A.).
(**) Market value as at December 2013 and December 2012 in billions of euro, expressed at 100%.

The Operating Result of the management platform is negative for 0.2 million euro against a breakeven value in the same period of 2013.

The results shown above reflect the substantial conclusion of the process for the disposition of development-related assets, while the urban planning value increase of some areas still held in the portfolio is still under completion.

Investment Activities

The Operating Result is negative for 0.5 million euro against a negative value of 0.7 million euro in the same period of 2013. The town-planning authorisation procedure is still underway, following to which it will be possible to develop, for over 400,000 sq m, the ex-Lucchini area located in Warsaw, in which Prelios has a 40% equity interest. The result is affected by operating and financial costs related to the area improvement activity.

5.4. Non-Performing Loans

The Operating Result of Non-Performing Loans (Management Platform and Investment Activities) in the first quarter 2014 is positive for 0.3 million euro against a negative value of 0.9 million euro in the same period of 2013.

Management Platform

NPL	March 31, 2014	March 31, 2013
Revenues (millions of euro)	2.6	2.2
Operating result (millions of euro)	0.3	(0.9)
Ros	12%	-43%
Amounts collected (millions of euro)	7	27
Gross book value (billions euro)	8.5	8.4
N. of non-performing loans managed	over 75,000	73,300
Number of employees	64	121

Prelios Credit Servicing is one of the leading Italian operators in NPL management in terms of volumes, with a portfolio under management of about 8.5 billion euro (*Gross Book Value*).

The company closed the first quarter with revenues increasing by about 20% compared to the same period of 2013.

Fixed costs amounted to 2.2 million euro, substantially improving against the first quarter of 2013 (2.9 million euro) recording a saving of 24%.

The Operating Result in the first quarter 2014 is positive for 0.3 million euro against an operating loss for 0.9 million euro at 31 March 2014. The 1.2 million euro increase is substantially due to a 0.4 million euro growth in revenues and to an improvement in costs of about 0.8 million euro deriving from the internal organization review process completed in 2013.

First quarter 2014 revenues were positively impacted by few components like the Termination Fee for 0.2 million euro and the Success Fee for 0.5 million euro on the management activity, all or partially relating to asset portfolios that are no longer under the company management, which, together with the fees related to new mandates, have far offset the lower revenues from collections following to the release of the Special Servicing mandates of the portfolios currently owned by CA-CIB.

6. EVENTS OCCURRED AFTER THE CLOSING OF THE PERIOD

On 9 April 2014 the Board of Directors approved the Group Guidelines for the period 2014-2016 that, developed with a stand-alone approach and, consequently, without considering the effects deriving from the stipulation of any corporate or commercial agreements of extraordinary nature, first of all identify the key strategic guidelines for Prelios Group growth, that will be further developed in the framework of the new Business Plan, also following a thorough analysis of the reference market context and of the relevant positioning of Prelios.

However, the 2014-216 Guidelines highlight new losses, that are estimated by the Group independently from any further property devaluations that could be caused by the market, and from a cash absorption, that lacking any corrective action, would not be sustainable for the Group.

Contacts started in the first months of 2014 and are still underway at an advanced state with the main Lenders and shareholders with the purpose to implement actions to delay the short-term financial commitments in order to keep financial needs within sustainable limits for the period of time required to define with the same the criteria to adjust the medium-term financial structure to the projections highlighted by the Guidelines.

The achievement of financial rebalancing and profitability recovery objectives actually requires an adequate period of consolidation of the Group business management, that – for the time being and lacking further initiatives and actions, in particular in terms of rationalization of costs and further growth of the business development activity, in addition to the already mentioned actions aimed at reviewing the financial commitments – does not allow to envisage positive economic results and to cover the cash needs in the forecast three-year period.

On 14 May, the Board deemed it appropriate to adjourn to a subsequent meeting for the final review and approval of the new Business Plan, with the purpose of accurately and systemically completing the development of assumptions and managing some process issues with the required timing.

On 14 April 2014 the early compulsory repayment of “2013-2019 Prelios Convertible Loan” was automatically implemented through the full conversion of:

- n° 166,042 bonds (equal to 71.1% of the total issued bonds) representing tranche A, convertible into ordinary shares; and
- n°67,492 bonds (equal to 28.9% of the total issued bonds) representing tranche B, convertible into class B shares.

In relation to the aforementioned conversion, the capital increase exclusively serving the conversion has been automatically implemented – as resolved by the Company Board of Directors on 10 June 2013, that exercised the power assigned thereto by the Shareholders’ Meeting on 8 May 2013 – through the issue of n° 229,757,292 ordinary shares and n° 93,390,705 class B shares, for a total countervalue of 236,544,333.80 euro.

Following to the capital increase for the exclusive service of the conversion, the new composition of the share capital, fully subscribed and paid in, amounts to 426,441,257.20 euro in total and is divided into:

- n° 506,953,179 ordinary shares, without face value and accruing regular dividends;
- n° 210,988,201 class B shares, convertible into ordinary shares, without face value and voting right, not destined to be listed.

7. BUSINESS OUTLOOK

As is known, the macroeconomic scenario of reference has been characterised by uncertainties with regard to the Italian economic growth perspectives in general. The continuing economic crisis also impacts the real estate sector which is persistently weak and still characterised by high financial costs. However, the market shows some signs of recovery, primarily driven by the recent renewed interest in the Italian real estate sector by opportunistic foreign investors, caused by the repricing effect and the consequent rise of gross yields.

In any case Prelios – in confirming the strategic objective of its repositioning as "pure management company" – has identified and has been implementing to this end a number of initiatives aimed at the company financial rebalancing and at maintaining the conditions of business continuity.

First of all, as already pointed out in the annual report at 31 December 2013, it should be noted that the leading Lenders and shareholders agreed on meeting the Company financial needs through transactions that support the current financial structure, so as to enable Prelios Group to operate under business continuity conditions.

The actions and initiatives already identified continue successfully. In particular:

- Holding company cost rationalization and control, with greater autonomy for operating companies and disposition of equity investment portfolios;
- Cash flow mitigation actions with the purpose of favouring inflows and outflows;
- Revenue increase through the implementation of the projects included in the business development pipeline.

In the framework of the aforementioned actions the Company is also evaluating the possible disposition of some portfolio assets.

From the operations viewpoint, 2014 is expected to be a transition year, during which the management will be focused on the actions required to achieve the objectives to be defined in the new Business Plan, by strengthening business development, in particular with regard to services, in line with the strategy of converting the Group into a pure management company, while defining with Lenders the criteria to bring back the equity and financial structure within sustainability limits that are adequate to support the Group needs.

8. CONSOLIDATED DATA

8.1. CONSOLIDATED BALANCE SHEET

ASSETS	03.31.2014	12.31.2013
NON-CURRENT ASSETS		
Property, plant and equipment	960	1,031
Intangible assets	60,670	60,714
Investments	174,824	169,180
of which held for sale	*5,000*	*3,294*
Other financial assets	34,703	24,189
Deferred tax assets	10,778	11,070
Other receivables	105,221	115,980
of which with related parties	*99,942*	*110,675*
TOTAL NON-CURRENT ASSETS	**387,156**	**382,164**
CURRENT ASSETS		
Inventories	48,376	48,406
Trade receivables	36,398	35,055
of which with related parties	*23,006*	*22,230*
Other receivables	24,773	23,560
of which with related parties	*7,474*	*7,516*
Cash and cash equivalents	70,408	85,609
Tax receivables	6,208	6,453
TOTAL CURRENT ASSETS	**186,163**	**199,083**
DISCONTINUED OPERATIONS	**27,778**	**27,781**
of which with related parties	18,800	18,800
TOTAL ASSETS	**601,097**	**609,028**
EQUITY	**03.31.2014**	**12.31.2013**
GROUP EQUITY		
Share capital	189,888	189,888
Other reserves	(14,125)	(14,529)
Retained earnings	88,300	88,366
Undivided profits (loss)	(332,838)	-
Net income (loss) for the period	(13,353)	(332,838)
TOTAL GROUP EQUITY	**(82,128)**	**(69,113)**
MINORITY INTERESTS	**2,874**	**2,778**
TOTAL EQUITY	**(79,254)**	**(66,335)**
LIABILITIES	**03.31.2014**	**12.31.2013**
NON-CURRENT LIABILITIES		
Bank borrowings and payables to other financial institutions	469,677	465,101
of which with related parties	*150,251*	*149,876*
Other payables	905	915
Provisions for future risks and expenses	37,616	39,269
Deferred tax provision	2,471	1,723
Employee benefit obligations	10,105	10,255
Tax payables	-	1,464
TOTAL NON-CURRENT LIABILITIES	**520,774**	**518,727**
CURRENT LIABILITIES		
Bank borrowings and payables to other financial institutions	9,393	8,988
of which with related parties	*6,576*	*6,576*
Trade payables	49,471	48,116
of which with related parties	*3,351*	*3,720*
Other payables	51,534	52,529
of which with related parties	*18,755*	*18,746*
Provisions for future risks and expenses	33,646	32,615
of which with related parties	*12,952*	*12,623*
Tax payables	13,120	11,983
of which with related parties	*1,080*	*1,080*
TOTAL CURRENT LIABILITIES	**157,164**	**154,231**
LIABILITIES RELATING TO DISCONTINUED OPERATIONS	**2,413**	**2,405**
TOTAL LIABILITIES	**680,351**	**675,363**
TOTAL LIABILITIES AND EQUITY	**601,097**	**609,028**

8.2. CONSOLIDATED INCOME STATEMENT

	01.01.2014-03.31.2014	01.01.2013-03.31.2013
Revenues from sales and services	17,054	17,600
Changes in inventories of work in progress, semi-finished and finished products	9	(3)
Other income	681	1,437
TOTAL OPERATING REVENUES	**17,744**	**19,034**
of which with related parties	*6,808*	*11,157*
of which non-recurring events	-	*(12)*
Raw and consumable materials used (net of change in inventories)	(90)	(105)
Personnel costs	(10,033)	(10,499)
Depreciation, amortization and impairment	(113)	(369)
Other costs	(11,889)	(12,961)
TOTAL OPERATING COSTS	**(22,125)**	**(23,934)**
of which with related parties	*(752)*	*(1,480)*
of which non-recurring events	-	*(515)*
EBIT	**(4,381)**	**(4,900)**
Net income from equity investments of which:	(2,821)	(4,725)
of which with related parties	*(2,844)*	*(4,739)*
of which non-recurring events	-	*12*
- portion of result of associates and *joint ventures*	*(4,413)*	*(4,499)*
- gains on equity investments	*1,729*	*14*
- losses on equity investments	*(137)*	*(240)*
Financial income	2,193	2,993
of which with related parties	*1,960*	*2,389*
Financial expenses	(6,117)	(11,535)
of which with related parties	*(398)*	*(3,371)*
INCOME (LOSS) BEFORE TAXES	**(11,126)**	**(18,167)**
Income taxes	(1,320)	(2,280)
NET INCOME (LOSS) FROM CONTINUING OPERATIONS	**(12,446)**	**(20,447)**
of which attributable to minority interests	49	(87)
Net income (loss) from discontinued operations	**(858)**	**1,879**
of which with related parties	*4,019*	*3,279*
GROUP NET INCOME (LOSS) FOR THE PERIOD	**(13,353)**	**(18,481)**

8.3. Consolidated Statement of Comprehensive Income

		01.01.2014-03.31.2014			attributable to:	
		gross	tax	net	Group	Minority interests
A	**Net income (loss) for the period**			**(13,304)**	**(13,353)**	**49**
	Other components recognised in equity that may be reclassified to the income statement in a future period:	**606**	**(163)**	**443**	**400**	**43**
	Exchange differences on translating foreign financial statements	(9)	-	(9)	(9)	-
	Total available-for-sale financial assets	595	(163)	432	389	43
	- Fair value adjustment of available-for-sale financial assets	595	(163)	432	389	43
	Prelios share of other components of income recognised in equity by associates and joint ventures	20	-	20	20	-
	- Prelios share of (gains) / losses recognised in equity	20	-	20	20	-
B	**Total other components recognised in equity that may be reclassified to the income statement in a future period**	**606**	**(163)**	**443**	**400**	**43**
A+B	**Total comprehensive income (losses) for the period**			**(12,861)**	**(12,953)**	**92**

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

8.4. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Currency translation reserve	Reserve for fair value measurement of available for sale financial assets	Cash flow hedge reserve	Reserve for actuarial gains/ (losses)	Reserve for tax on items credited/debited to equity	Other reserves	Net income/ (loss) undivided	Retained earnings/ (losses)	Net income/ (loss) for the period	**Group equity**	**Minority interests in equity**	**Total**
Equity at December 31, 2013	**189,888**	**(5,712)**	**(5,191)**	**(168)**	**(1,111)**	**4,223**	**(6,570)**	**0**	**88,366**	**(332,838)**	**(69,113)**	**2,778**	**(66,335)**
Total other components of income recognised in equity	**-**	**11**	**536**	**-**	**-**	**(147)**	**-**	**-**	**-**	**-**	**400**	**43**	**443**
Allocation of 2013 results	-	-	-	-	-	-	-	(332,838)	-	332,838	-	-	-
Other changes	-	-	-	-	-	(2)	6	-	(66)	-	(62)	4	(58)
Net income (loss) for the period	-	-	-	-	-	-	-	-	-	(13,353)	(13,353)	49	(13,304)
Equity at March 31, 2014	**189,888**	**(5,701)**	**(4,655)**	**(168)**	**(1,111)**	**4,074**	**(6,564)**	**(332,838)**	**88,300**	**(13,353)**	**(82,128)**	**2,874**	**(79,254)**

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

8.5. CONSOLIDATED CASH FLOW STATEMENT

	01.01.2014-03.31.2014	01.01.2013-03.31.2013
Result before income taxes and minority interests	(11,126)	(18,167)
Net income (loss) from discontinued operations	(858)	1,879
Depreciation, amortisation and impairment/impairment reversal intangible assets & prop	113	406
Impairment of receivables	387	1,589
Gains/Losses on sale of property, plant and equipment and investment property	-	(1)
Net income from investments net of dividends	2,821	4,725
Financial expenses	6,117	11,535
Financial income	(2,193)	(2,993)
Change in inventories	30	50
Change in trade receivables/payables	(1,232)	4,201
Change in other receivables/payables	(2,254)	(3,606)
Change in employee benefit obligations and other provisions	(1,101)	(5,812)
Taxes	(449)	(976)
Net cash flow generated by discontinued operations	858	(1,879)
Other changes	6	88
Net cash flow generated / (absorbed) by operating activities (A)	**(8,881)**	**(8,961)**
Purchase of property, plant and equipment	(2)	(351)
Disposal of property, plant and equipment	21	5
Purchase of intangible assets	(36)	(58)
Disposal of intangible assets	19	-
Net cash flow generated by disposal of investments in subsidiaries	23	14
Increases of investments in associates and joint ventures	(520)	(848)
Increases of other financial assets	(10,349)	(201)
Disposal of other financial assets	430	1,180
Net cash flow generated by non-current assets held for sale	**(10,414)**	**(259)**
Other changes in equity	(67)	(572)
Change in financial receivables	5,258	(1,446)
Change in financial payables	(1,036)	(1,383)
Cash flow generated by financial income	39	150
Cash flow absorbed by financial expenses	(100)	(284)
Net cash flow generated / (absorbed) by financing activities (C)	**4,094**	**(3,535)**
Total net cash flow generated / (absorbed) in the period (D=A+B+C)	**(15,201)**	**(12,755)**
Cash and cash equivalents + bank overdrafts at the beginning of the period (E)	**85,609**	**37,604**
Cash and cash equivalents + bank overdrafts at the end of the period (D+E)	**70,408**	**24,849**
of which:		
- cash and cash equivalents	**70,408**	**24,849**
- bank overdrafts	**-**	**-**

Cash flows relating to transactions with related parties are described in Section 9 to which reference should be made.

8.6. NET FINANCIAL POSITION

(thousands euro)

	03.31.2014	12.31.2013
CURRENT ASSETS		
Other receivables	**114**	**114**
- of which receivable from related parties	*113*	*114*
Financial receivables	114	114
- *third parties*	1	-
- *joint ventures and other Prelios Group companies*	113	114
Cash and cash equivalents	**70,408**	**85,609**
TOTAL CURRENT ASSETS - A	**70,522**	**85,723**
CURRENT LIABILITIES		
Bank borrowings and payables to other financial institutions	**(9,393)**	**(8,988)**
- of which payable to related parties	*(6,576)*	*(6,576)*
- joint ventures and other Prelios Group companies	(6,576)	(6,576)
- Other financial payables	(1,487)	(1,466)
- Bank borrowings	(1,232)	(848)
- Payables to other financial institutions	(98)	(98)
TOTAL CURRENT LIABILITIES - B	**(9,393)**	**(8,988)**
NON-CURRENT LIABILITIES		
Bank borrowings and payables to other financial institutions	**(469,677)**	**(465,101)**
- of which payable to related parties	*(150,251)*	*(149,876)*
- convertible loan (1)	(236,492)	(235,902)
- other financial debts	(59)	(58)
- Payables to other financial institutions	(233,126)	(229,141)
TOTAL NON-CURRENT LIABILITIES - C	**(469,677)**	**(465,101)**
NET DEBT EXCL. SHAREHOLDER LOANS GRANTED (*) = D =(A+B+C)	**(408,548)**	**(388,366)**

(1) The convertible loan (236,492 thousands euro including interests accrued in 2014) refers for 150,251 thousands euro to Pirelli & C. S.p.A..

(*) 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").

9. RELATED PARTY TRANSACTIONS

The following tables show the dealings with related parties:

	01.01.2014-03.31.2014	Incidence % (*)	01.01.2013-03.31.2013	Incidence % (*)
Operating revenues	6,808	38.4%	11,157	58.6%
Operating costs	(752)	3.4%	(1,480)	6.2%
Net income from investments	(2,844)	100.8%	(4,739)	100.3%
Financial income	1,960	89.4%	2,389	79.8%
Financial expenses	(398)	6.5%	(3,371)	29.2%
Net income (loss) from discontinued operations	4,019	-468.4%	3,279	174.5%

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

	03.31.2014				12.31.2013			
	Total	Incidence % (*)	Non-current	Current	Total	Incidence % (*)	Non-current	rrent
Trade receivables	23,006	63.2%	-	23,006	22,230	63.4%	-	22,230
Other receivables of which:	107,416	82.6%	99,942	7,474	118,191	84.7%	110,675	7,516
- financial receivables	*100,055*	100.0%	*99,942*	*113*	*110,779*	*100.0%*	*110,665*	*114*
Discontinued operations	18,800	67.7%	18,800	-	18,800	67.7%	18,800	-
- financial	*18,800*	*100.0%*	*18,800*	-	*18,800*	100.0%	*18,800*	-
Trade payables	(3,351)	-6.8%	-	(3,351)	(3,720)	-7.7%	-	(3,720)
Other payables	(18,755)	-35.8%	-	(18,755)	(18,746)	-35.1%	-	(18,746)
Tax payables	(1,080)	-8.2%	-	(1,080)	(1,080)	-8.0%	-	(1,080)
Bank borrowings and payables to other financial instituti	(156,827)	-32.7%	(150,251)	(6,576)	(156,452)	-33.0%	(149,876)	(6,576)
Provisions for future risks and expenses	(12,952)	-18.2%	-	(12,952)	(12,623)	-17.6%	-	(12,623)

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

Prelios Group dealings with associated companies, joint ventures and other companies of Prelios Group are specified as follows:

Transactions and balances with associates/ joint ventures and other companies

	from 01.01.2014 to 03.31.2014	
Operating revenues	6,780	The item refers to Group companies agreeements for fund and asset management services (real estate and non performing loans) and technical and commercial services.
Operating costs	(133)	These refer to recharges of various kinds.
Net income from investments	(2,844)	The item mainly refers to the equity method valuation of Group investments, as well as other investments adjustments.
Financial income	1,960	This mostly refers to interest earned on financial receivables held by Group companies.
Financial expenses	(23)	This item mainly refers to the "discounting" effects on Group receivables against not fully owned companies.
Net income (loss) from discontinued operations	4,019	The item refers to the transactions with joint ventures reclassified in compliance with International Financial Reporting Standards (IFRS 5).

	As at 03.31.2014	
Current trade receivables	22,840	This balance includes receivables arising from "operating revenues".
Other non-current receivables	99,942	
- of which financial receivables	*99,942*	Loans granted to Group real estate projects. These loans are classified as non-current assets with reference of their terms of repayment, which match the medium-term disposal plans of the real estate portfolios owned directly or indirectly by these companies. These loans are granted at market interest rates except for non-interest bearing loans granted to some companies
Other current receivables	5,755	This includes, among other, dividends that have been declared but not yet paid and other receivables
- of which financial receivables	*113*	
Discontinued operations/asset held for sale	18,800	
- of which financial receivables	*18,800*	The item refers to the shareholders' loans granted to the joint ventures Solaia RE B.V. and Jamesmail B.V. that, further to the DGAG portfolio sale agreement, will be reimbursed at the closing date. These amounts are shown as "Discontinued operations/asset held for sale" in compliance with International Financial Reporting Standards (IFRS 5).
Current trade payables	(3,106)	They refer to various recharges, mainly rent, urbanization charges and accessory costs.
Other current payables	(18,755)	These refer to various recharges.
Current tax payables	(1,080)	Amounts due to Trixia S.r.l. further its adoption of the "tax transparency" regime allowed by art. 115 of the Italian Income Tax Code, whereby a company's positive or negative taxable amounts are attributed to its shareholders.
Current bank borrowings and payables to other financial institutions	(6,576)	These include negative balances on intercompany current accounts and other financial payables arising from capital contributions in Aree Urbane S.r.l. (in liquidation) for 4,892 thousands of euro and Solaia RE S.à.r.l. for 634 thousands of euro.
Provisions for future risks and expenses	(12,952)	This refers to the provision accrued to coveri the losses of associates and joint ventures in excess of their carrying amounts.

For the sake of completeness, the dealings at 31 March 2014 between Prelios Group and other parties indirectly related through directors are shown below.

The table below reports in detail the aforementioned dealings:

Transactions and balances with Pirelli & C. S.p.A., other Pirelli

	from 01.01.2014 to 03.31.2014	
Operating revenues	28	The item mailny refers to a new agreement with Pirelli Tyres S.p.A. relating to the Bicocca area parking.
Operating costs	(619)	The item includes costs for renting and expenses for the R&D building charged by Pirelli Group, and the costs for the services provided by the company Poliambulatorio Bicocca S.r.l..
Financial expenses	(375)	These relate to the interests accrued on the convertable loan granted by Pirelli & C. S.p.A..

	As at 03.31.2014	
Current trade receivables	166	These mainly include receivable from Pirelli & C. S.p.A. relating to costs paid for the improvement of the R&D building.
Other current receivables	1,719	The item mainly includes a caution money paid to Pirelli & C. S.p.A. for the rent of the R&D building and prepaid expenses related to the rental of the said building.
Current trade payables	(245)	These mainly refer to the payable to Pirelli Tyre S.p.A. for the recharge of expenses related to R&D building. They include also the payables for health services provided by the company Poliambulatorio Bicocca S.r.l..
Non-current financial payables to other lenders	(150,251)	These refer to the convertable loan granted by Pirelli & C. S.p.A. and the related interests accrued from January 1, 2013.

Cash flows

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

10. DECLARATION BY THE FINANCIAL REPORTING OFFICER

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

The undersigned Marco Andreasi, appointed by the Board of Directors as Financial Reporting Officer for Prelios S.p.A., with registered office in Viale Piero e Alberto Pirelli 27, Milan, tax code, VAT number, and Milan Company Register number: 02473170153

declares

pursuant to par. 2, art. 154-bis of Italian Legislative Decree 58 dated February 24th, 1998, that the accounting information contained in the Interim Financial Report at March 31, 2014 corresponds to the underlying documentary records, books of account and accounting entries.

Milan, May 14th 2014

Marco Andreasi

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Financial Reporting Officer

Prelios S.p.A.
Viale Piero e Alberto Pirelli, 27
20126 Milan
Share Capital € 426,441,257.20
Milan Companies Register
Tax Code and VAT n° 02473170153
R.E.A. Milan n° 589396

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