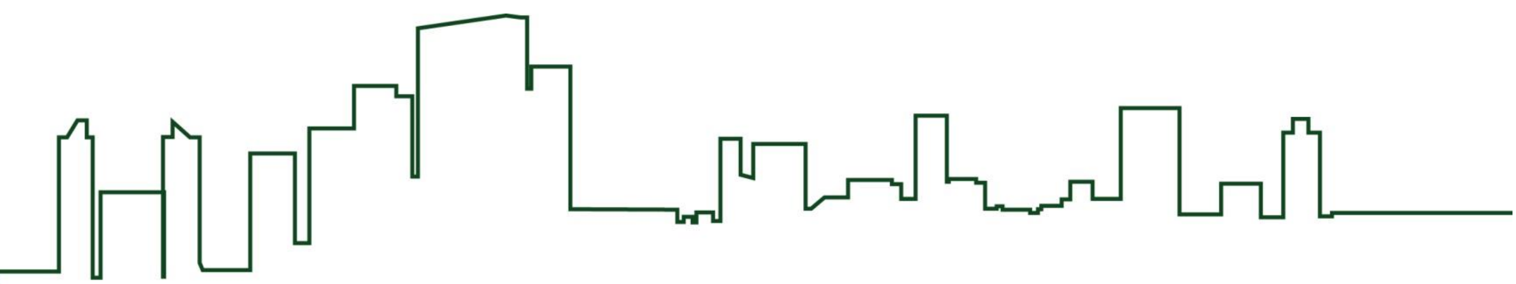
INTERIM FINANCIAL REPORT

AT SEPTEMBER 30, 2014



			pag.
		Interim Financial Report	

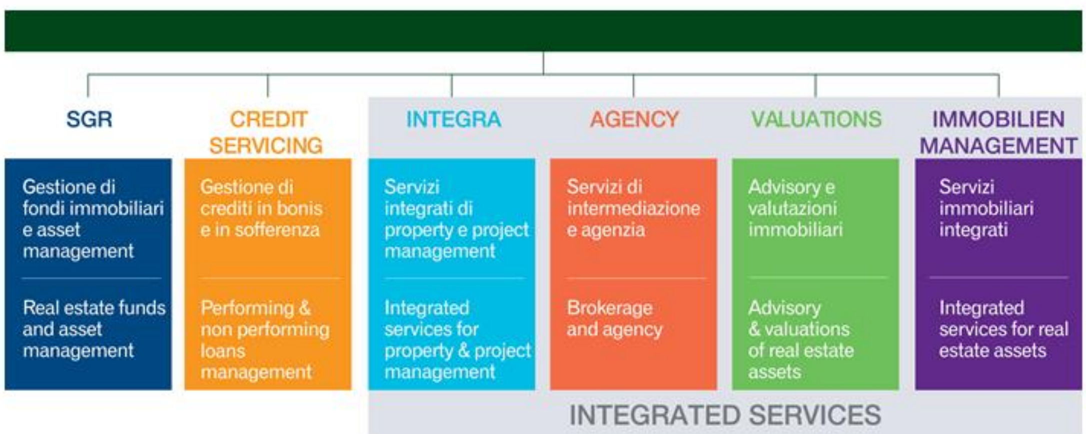
1. CORPORATE REVIEW

1.1. Group profile

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

Prelios is one of Europe's leading asset management groups, with a comprehensive range of real estate and financial services. The market value of its co-investments and third-party assets under management amounts to Euro 5.6 billion as at June 30, 2014. The Group has a skilled organisation of around 500 professionals, with significant professional expertise and an excellent track record built up over the years in a competitive international arena.

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



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

At June 30, 2014, co-investments and third-party assets under management amount to Euro 5.6[1] billion and include real estate assets of Euro 5.4 billion (market value) and non-performing loans (NPL) of Euro 0.2 billion (book value).

In terms of the geographical distribution of real estate assets, Italy accounts for Euro 4.1 billion, primarily in 26 real estate funds managed by the subsidiary Prelios SGR, one of the leading players in the Italian real estate market.

The rest of the portfolio is located in Germany and Poland (Euro 1.3 billion, including around Euro 0.1 billion in Poland).

[1] Co-invested and third-party assets under management, excluding NPL measured at book value, are stated at market value at June 30, 2014 on the basis of appraisals and analyses by independent experts.

1.2. Economic and financial highlights

Income statement data		SEPTEMBER 2014	SEPTEMBER 2013
Consolidated revenue		**51.1**	**53.1**
	of which services	*50.5*	*48.8*
	of which other	*0.6*	*4.3*
Operating profit/(loss)		**(7.5)**	**(13.6)**
of which Management Platform & Holding		*0.1*	*(3.5)*
	Management Platform	*8.7*	*5.1*
	Holding	*(8.6)*	*(8.6)*
of which Investment Activities		*(7.6)*	*(10.1)*
Restructuring costs		(2.3)	(6.0)
Property (write-downs)/revaluations		(23.6)	(29.0)
Group net income/(loss) before discontinued operations		**(52.3)**	**(44.9)**
Net income (loss) from discontinued operations		3.9	0.7
Group net income/(loss) for the period		**(48.4)**	**(44.2)**

Balance sheet data		SEPTEMBER 2014	DECEMBER 2013
Equity		122.8	(66.3)
	of which Group equity	*120.4*	*(69.1)*
Net financial position		197.2	388.4

Indexes	SEPTEMBER 2014	DECEMBER 2013
Employees	484	790

2. CORPORATE BODIES

Board of Directors[2]

Giorgio Luca Bruno	Chairman
Massimo Caputi	Vice Chairman
Sergio Iasi	Chief Executive Officer – CEO
Marina Brogi	Independent Director
Claudia Bugno	Independent Director
Mirja Cartia d'Asero[3]	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[4]

Massimo Tezzon	Lead Independent Director – Chairman
Marina Brogi	Independent Director
Andrea Mangoni	Independent Director
Mirja Cartia d´Asero[5]	Independent Director

Remuneration Committee

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

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[2] On May 8, 2013, the Shareholders' Meeting appointed the members of the Board of Directors for a term of three years, therefore until the approval of the financial statements at December 31, 2015. At the end of the meeting, the Board appointed the Company officers, established the Board Committees and also appointed the members of the Supervisory Board. On February 18, 2014, Mrs Anna Chiara Svelto resigned from the office of Director.

[3] Director appointed by the Shareholders' Meeting on June 19, 2014.

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

[5] Appointed as a member of the Internal Control, Risk and Corporate Governance Committee by the Board of Directors on July 30, 2014.

Davide Mereghetti	Director

Board of Statutory Auditors[6]

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

Supervisory Board

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

Manager responsible for corporate financial reporting

Marco Andreasi[7]

Independent Auditors

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

[6] On May 8, 2013, the Shareholders' Meeting appointed the members of the Board of Statutory Auditors until the approval of the financial statements at December 31, 2015.
[7] On February 24, 2014, the Prelios S.p.A. Board of Directors appointed Marco Andreasi as the new Chief Financial Officer of the Company as well as the Manager responsible for corporate financial reporting pursuant to Article 154-*bis* of the Consolidated Finance Act.
[8] Position assigned by the Shareholders' Meeting of April 14, 2008.

3. PRELIOS IN THE FIRST NINE MONTHS OF 2014

In the first nine months of 2014, as well as during the prior year, the reference macroeconomic scenario suffered from uncertain outlooks for Italian economic growth in general. The continuing crisis has impacted the real estate sector, resulting in long-term market weakness and credit access difficulties. However, some signs of a possible recovery have also been seen, mainly driven by the recent renewed interest in the Italian real estate sector by opportunistic foreign investors, who have been moved to action due to re-pricing and the resulting rise in gross returns.

On February 12, 2014, Solaia RE S.à.r.l., a joint venture in which a fund managed by Deutsche Asset & Wealth Management Real Estate (Deutsche Bank Group) holds a 60% interest and in which Prelios S.p.A. holds a 40% interest, reached an agreement with the company BUWOG, a wholly owned subsidiary of the Austrian Immofinanz Group, for the sale of the interests in the real estate companies that own the German residential portfolio commonly known as DGAG. This transaction contributes to the implementation of the new business model launched in 2013, according to which Prelios will act as a pure provider of integrated real estate services by concentrating its human and financial resources on higher value-added segments of the European real estate market. However, as the buyer did not confirm the current mandates, it was not possible to ensure that the subsidiary would be able to replace the mandates on the transferred portfolio in the short term. Therefore, this transaction, promoted and defined by the majority partner Deutsche Asset & Wealth Management Real Estate (Deutsche Bank Group), is also associated with the transfer of the Prelios Deutschland platform (wholly owned subsidiary of Prelios S.p.A.), which provides technical and administrative services to the above residential portfolio. As a result of this transaction, the Prelios Group's operations in Germany are now more focused on the high value-added premium segment of shopping centres and Highstreet retailing. The transaction closing took place on June 27 for the real estate companies and on July 4 for the services platform. The estimated effects of the transaction, which was already in the negotiations phase at the end of last year, were accounted for under Discontinued Operations in the 2013 financial statements, as well as in the Interim Report on Operations at September 30, 2014, which also incorporates the effects of the calculation of certain price components previously estimated on a temporary basis.

On April 9, 2014, at the time of the approval of the draft financial statements at December 31, 2013, the Board of Directors first approved the Group Guidelines for the 2014-2016 period (the "2014-2016 Guidelines" or the "Guidelines"), which were developed on a stand-alone basis, i.e. not considering the effects of any extraordinary corporate or commercial agreements. First and foremost, this document identified the main strategic directives for the growth of the Prelios Group, also based on a detailed analysis of the reference market context and the relative positioning of Prelios.

However, the 2014-2016 Guidelines forecast new losses regardless of any additional market-induced property write-downs, which to date cannot be estimated, and cash absorption which would not be sustainable for the Group without corrective measures.

Therefore, talks were held with the main Lenders as well as the shareholders to implement initiatives to reduce and/or defer short-term financial commitments, in order to maintain cash requirements within sustainable limits for the time needed to define methods to adjust the short- and medium-term financial structure to meet the forecasts set forth in the Guidelines.

Since the Group requires a suitable period of time in which to strengthen its business management in order to achieve the financial rebalancing objectives and recover profitability, it is not possible to forecast positive economic results during the planning period, and specific measures must be taken to cover cash requirements in the three-year period.

As a result of the loss at December 31, 2013, the mandatory early repayment of the “Prelios 2013-2019 Convertible Loan” was automatically executed on April 14 through the full conversion of:

- 166,042 bonds (or 71.1% of the total issued) constituting tranche A, convertible into ordinary shares; and
- 67,492 bonds (or 28.9% of the total issued) constituting tranche B, convertible into Category B shares.

As a result, a share capital increase was resolved upon by the Company’s Board of Directors on June 10, 2013 on the basis of the right with which it had been vested by the Shareholders’ Meeting of May 8, 2013, and was automatically executed exclusively for the purpose of the conversion, with the issue of 229,757,292 ordinary shares and 93,390,705 Category B shares, for a total value of Euro 236,544,333.80.

Following the share capital increase exclusively for the purpose of the conversion, the new fully subscribed and paid-in share capital amounts to Euro 426,441,257.20, broken down into:

- 506,953,179 ordinary shares with no par value and regular entitlement;
- 210,988,201 unlisted Category B shares, convertible into ordinary shares, with no par value or voting rights.

Also on April 14, 2014, the certification of the share capital increase carried out exclusively for the purpose of the conversion and the updated Articles of Association were filed and registered, pursuant to law, at the Companies’ Register of Milan.

On April 9, 2014, the Company Directors deemed that the Group will continue operating as a going concern based on the reasonable assumption that financial balance will be achieved to meet the needs highlighted in the Guidelines. This determination was based on the initiatives identified by the management (cost reduction measures to mitigate expected cash outflows and measures to increase revenue with respect to Guideline forecasts, to be laid out within a new systematic and precise business plan), which were presented to the Company’s leading Lenders and shareholders, who expressed their general willingness to support the Company (later formalised in writing) through transactions aimed at covering expected cash requirements for the time needed to define a more structured transaction with them.

The Directors’ assessments concerning the measures needed to cover financial requirements take into consideration the willingness of the main Lenders and the shareholders to support the Company as well as, and especially, an analysis of the main contributors to the absorption of cash and cash equivalents, namely:

- equity injections in co-investment initiatives, to enable the latter to fulfil contractual obligations to their lenders, the majority of which are also the Company's main Lenders;
- the Company's obligations to the Lenders, which make up the shareholding structure of Prelios S.p.A..

In particular, the Directors based their reasonable assumptions on:

- specific actions to mitigate financial commitments (already identified, pursued and partially achieved) in order to meet cash requirements, involving the development of financial commitment reduction/elimination or deferment plans, for both the short and medium term, in order to make such commitments sustainable for the Group in line with expected improvements in its cash generation capacity and a structured rebalancing of its financial position;
- additional cost efficiency and business development actions, specified in more detail below.

On June 12, the Board of Directors approved the Group's 2014-2016 Business Plan (the "Plan") prepared on the basis of the 2014-2016 Guidelines previously defined on April 9, which also incorporated the effects of the financial commitment mitigation actions (which were further developed and refined) as well as the additional lines of action identified to reduce costs and develop the business to a greater extent than was forecast in the Fenice Plan and in the 2014-2016 Guidelines.

On June 19, the Company's Shareholders' Meeting approved the 2013 financial statements, reporting losses in excess of one third of the share capital, with reference to the Company's Balance Sheet at December 31, 2013, which was recalculated to reflect the effects of the subsequent share capital increase exclusively for the purpose of the mandatory conversion of the "Prelios 2013-2019 Convertible Loan". The same Shareholders' Meeting resolved not to adopt measures pursuant to Article 2446 of the Italian Civil Code and instead postponed their adoption (if required) to a date to be proposed by the Board of Directors and, in any event, in compliance with the provisions of paragraph 2, Article 2446 of the Italian Civil Code, also taking into consideration the planned and ongoing initiatives disclosed and described in the Directors' Report prepared in accordance with the law and submitted to the Shareholders' Meeting.

2014-2016 BUSINESS PLAN

As noted above, on June 12 the Board of Directors approved the Group's 2014-2016 Business Plan with revised economic and financial projections, which outlines strategic objectives based on positive talks with the Company's main shareholders and Lenders and in consideration of market evolutions. The associated implementation and verification activities will follow, including in relation to existing agreements with the Company's

Lenders. The Plan was developed as a stand-alone document which does not consider the effects of any extraordinary corporate or commercial agreements.

It also confirms the transition to a pure management company business model, which the Company plans to complete within three years' time to become the reference asset manager of international and institutional investors. The Prelios Group will concentrate on the Services Platform and on gaining strength in the market in two main areas: (i) asset management by Prelios SGR and NPL portfolio management by Prelios Credit Servicing; and (ii) real estate services through the Prelios Integrated Services hub, which offers property and technical services in Italy and Germany. The Services Platform will benefit from the gradually reduced dependence on the captive market following the co-investment divestment strategy, to the advantage of the third-party market. At the same time, the operating companies aim to increase their presence in the premium segment of their applicable markets, which features higher profit margins and long-term contracts. In addition to the intense business development under way, the Services Platform's third-party asset management and revenue growth targets were established assuming operational and business synergies with the main shareholder banks.

An extensive real estate co-investment divestment plan has also been laid out, providing for the substantial final exit from this business line by the end of 2018. In this context, an investment value enhancement project may also be considered in order to achieve this goal more quickly.

Considering the economic and financial performance improvement goals set forth in the 2014-2016 Guidelines, and aside from the new business development initiatives described (in relation to which the new commercial activities plan is already generating positive impacts), the Prelios Group has established the following lines of action:

- adoption of a set of financial measures intended to balance cash inflows and outflows to meet cash requirements initially estimated in the Guidelines;
- cost efficiency actions aimed at further streamlining the Group's cost structure, without penalising the development and retention of outstanding human resources.

More specifically, the actions identified in the 2014-2016 Business Plan to meet the cash requirements initially set forth in the Guidelines include mitigating financial commitments by reducing them and/or deferring them over time, in both the short and medium term, to ensure that they are sustainable for the Group in line with a structured rebalancing of the financial position. To this end, several actions – one of which has already been completed, others of which have been substantially achieved but still must be formalised and finally some which are reasonably pursuable in the short term – have been identified, namely: (i) deferment to after 2016 of the payment of contractual charges of roughly Euro 10 million in relation to the transfer of investment units which occurred in the past; (ii) obtaining a waiver to the commitment to make a contribution of approximately Euro 5 million to an investee in liquidation; (iii) possible payment after 2016 of a settlement of approximately Euro 3 million arising from a legal claim; (iv) standstill on the main equity injections (around Euro 24 million) in the initiatives in which the Group holds qualified minority interests, to be negotiated individually with each partner and with the respective Lending Banks; and (v) obtaining a waiver to some aspects of the parent company's current loan agreements, including in particular the timing for the repayment of cash flows generated by the sale of co-investments (65%-35% Senior debt repayment mechanism), to make the amounts and due dates of such repayments consistent with the Group’s capacity to generate financial resources through its activities.

With respect to revenue growth, pending increasing development and the repositioning of real estate management activities and services primarily in favour of third parties following the reorganisation of the various management and service companies and their commercial strengthening over the last year, the Group has launched several business development initiatives to obtain new mandates and/or increase the assets under management. The Group is currently involved in the following:

- participation in the most significant transactions in Italy to enhance the value of assets with underlying real estate or real estate collateral, working in each case with different management partners and equity providers, with which advanced negotiations are under way regarding the structure and management of vehicles to purchase real estate assets (for sale and leaseback transactions as well as for the disposal of non-core assets), non-performing loan portfolios and repossessed assets owned by banks and leasing companies on behalf of third-party investors;
- the structuring of new real estate funds (also by taking over the management of existing funds managed by third-party asset management companies) and/or the expansion of existing funds managed by Prelios Società di Gestione del Risparmio S.p.A.;
- the management of business development activities with a view to achieving synergy amongst the Group’s various service companies in order to maximise value creation, without prejudice to the supervision and prerogatives of independence and operational autonomy typical of legal entities (also taking into consideration the rules on corporate group management and coordination activities), which particularly characterise certain Group companies as a result of applicable laws and regulations (Prelios Società di Gestione del Risparmio S.p.A. and Prelios Credit Servicing S.p.A.);
- the development of the commercial asset management services platform in Germany, with the dual and mutually reinforcing goal of (i) sharing management know-how; (ii) providing support to Italian institutional investors in making foreign real estate investments; and (iii) conveying German institutional investors to the Italian market, all while leveraging one of the Group’s most significant strengths: its presence beyond national borders.

INITIATIVES UNDERTAKEN AND IDENTIFIED FOR RECOVERY AND CONTINUATION AS A GOING CONCERN.

By way of introduction, please note that in 2013 the Company was involved in an extraordinary transaction for capital and financial strengthening via the recapitalisation and the rebalancing of the financial structure through the conversion of part of its debts and the restructuring of loan repayment and interest repayment plans on remaining financial payables, as well as the introduction of a business partner. As previously disclosed, the transaction was completed only in August 2013, which essentially put the Group on standby from the perspective of the market (the “Extraordinary Transaction”).

Therefore, in terms of operations, it was not possible to develop and implement all of the initiatives needed to quickly boost the Company's outlooks in accordance with the timing established initially. This meant that the Company was not able to meet the forecasts of the plan approved as part of the Extraordinary Transaction and certified pursuant to Article 67 of the Bankruptcy Law (the "Fenice Plan"). Moreover, all of this took place against a backdrop of continuing weakness in the market and considerable uncertainties as to the timing and extent of a recovery, the initial, fragile signs of which were not seen until early 2014.

Once the Extraordinary Transaction was completed successfully, the business development consolidation initiatives described above were launched in line with the strategy to reposition the group as a reference real estate and financial asset management and services hub for third-party investors.

As noted previously, at the Board of Directors' meeting on April 9, 2014 for the approval of the draft financial statements at December 31, 2013, Prelios acknowledged the results (significantly lower than the Fenice Plan forecasts) and, pending the update and reformulation of the business plan, approved the Group Guidelines for the 2014-2016 period, which identified strategic directives for the growth of the Prelios Group's Services Platform and, with regard to investments, confirmed the gradual full divestment of co-investments.

The 2014-2016 Guidelines forecast negative economic results in the three-year period (even before any property write-downs, which cannot be estimated and depend on market conditions), as well as cash absorption which will result in unsustainable overall Group financial requirements already beginning in 2014 if no corrective measures are taken. Without the action plan, the effects of which were reflected in the 2014-2016 Business Plan, these uncertain forecasts were enough to give rise to significant doubts as to the Company's and the Group's ability to continue operating as a going concern. In response, lines of action were identified to increase revenue and reduce costs (already described above). Furthermore, to cover financial requirements, negotiations were immediately initiated with the Company's leading Lenders and shareholders, which expressed their general willingness to support the Company through transactions meant to cover forecast requirements for the time needed to define a more structured transaction with them in order to regain financial stability and enable the Group to continue operating as a going concern.

On April 9, the Company Directors deemed that the Group will continue operating as a going concern based on the reasonable assumption that financial balance will be achieved to meet the needs highlighted in the Guidelines. This determination was based on the initiatives identified by the management (cost reduction measures to mitigate expected cash outflows and measures to increase revenue with respect to Guideline forecasts, to be laid out within a new systematic and precise business plan), which were presented to the Company's leading Lenders and shareholders, which formally expressed their general willingness to support the Company through transactions aimed at covering expected cash requirements for the time needed to define a more structured transaction with them. Therefore, the going-concern assumption was adopted in preparing the 2013 financial statements.

The Directors' assessments concerning the measures needed to cover financial requirements are based first and foremost on an analysis of the main contributors to the absorption of cash and cash equivalents, namely:

- equity injections in co-investment initiatives, to enable the latter to fulfil contractual obligations to their lenders, the majority of which are also the Company's main Lenders;
- the Company's obligations to the Lenders, which make up the shareholding structure of Prelios S.p.A..

In particular, the Directors based their reasonable assumptions on:

- specific actions to mitigate financial commitments (already identified, pursued and partially achieved) in order to meet cash requirements, involving the development of financial commitment reduction/elimination or deferment plans, for both the short and medium term, in order to make such commitments sustainable for the Group in line with expected improvements in its cash generation capacity and a structural rebalancing of its financial position;
- additional cost efficiency and business development actions.

At the Board of Directors' meeting of June 12, the Company defined the 2014-2016 Business Plan based on reasonable forecasts and strategic directives consistent with the Fenice Plan. In any event, it also took into account the difficulty of preparing forecasts in the current economic and financial environment, in which it is not possible to rule out additional crises in the financial markets or an aggravation of the factors that caused the current deterioration of the general reference scenario and the real estate market in particular.

The 2014-2016 Business Plan forecasts losses over the next three years, resulting in an erosion of equity. While the Company considers the plan to be challenging, it is also deemed realistic, feasible and based on a series of reasonable assumptions (although they will of course require constant and accurate verification). The Plan has three main linked and interdependent components:

- a series of financial mitigation and restructuring measures, representing the conditions required to guarantee the sustainability of the Plan and the Company's and the Group's ability to continue operating as a going concern, as well as to meet the financial requirements forecast in the Guidelines before the expected effects of those mitigation actions;

- organic growth and estimated profitability essentially in line with revenue growth targets, compared to a 2013 base that underperformed forecasts to an extent that cannot be recovered over the next three years, and the same profitability as provided for in the Fenice Plan, on a like-for-like basis, although the reference scope has changed primarily due to the sale of the German real estate portfolio DGAG and the associated residential services platform in Germany;

- gradual and consistent overhead cost reduction to align the Company's organisation with the best market benchmarks as well as in consideration of the expected reduction in administrative activities due to the disposal of the investment portfolio.

The Directors deem that the actions identified to guarantee that the Group will continue to operate as a going concern during the Plan period are adequate to face the uncertainties identified and that, on the basis of advanced-stage negotiations, particularly with the Lenders – which have expressed their willingness to support the financial recovery established in the 2014-2016 Business Plan – the mitigation actions identified will be completed in a reasonably brief period of time consistent with the Company's requirements.

This will enable the Company to continue operating as a going concern with the liquidity necessary to cover short- and medium-term cash requirements within limits that are sustainable for the Group. Failure to complete the actions identified and under way to the proper extent and with the necessary timing would give rise to uncertainties which could cause significant doubts as to the Group's ability to continue to operate as a going concern. However, it is also important for this evaluation to take into consideration the relative extent of completion, the evolving operating environment and the results achieved, as highlighted below.

In particular, the Lenders are generally expected to approve the 2014-2016 Business Plan. In order to contribute to the successful implementation and execution of the Plan, Prelios deems that, given the advanced stage of the negotiations, the requests put forward (including the reduction of the current percentage of 65% as the amount of Net Income to be allocated to the early repayment of the Senior Loan) may be approved, with the completion of the resolution process by the Lenders and the resulting formalisation of the relative agreements, in line with the respective requirements and in a reasonably brief period of time (considering the complexity of the internal procedures of the banks concerned), which is in any event consistent with the Company's needs.

It should also be highlighted that the Group has been able to temporarily improve its cash situation in recent months due to a series of effective actions carried out by the management on the services platform and the investment platform aimed at favouring the balance between cash in and cash out. Overall results have also marginally outperformed Plan forecasts.

In addition, in consideration of the advanced stage of talks with the parent company´s primary Lenders, which are also significantly involved in many of the investment vehicles, and on the basis of negotiations under way and the maximum willingness they have expressed to support the Group, the Prelios Directors deem that the other corrective measures mentioned above (reduction and/or deferment of certain financial commitments) may be reasonably completed to an extent and with timing that enables the Group to meet its forecast cash requirements and therefore to continue operating as a going concern.

After the approval of the 2014-2016 Business Plan, the independent expert, Mr Civetta, who previously issued the certification pursuant to Article 67 of the Bankruptcy Law, was engaged to monitor discrepancies between the new Plan and the Fenice Plan, particularly with reference to: i) the evaluation of the strategy of the "2014-2016 Business Plan" and the significance of actual and expected variances with respect to the "Fenice Plan"; ii) the impacts of the planned "cost efficiency", "revenue volume recovery", "mitigation" and "Senior Loan repayment mechanism revision" actions set forth in the "2014-2016 Business Plan" approved by the Board of Directors on June 12, 2014, in relation to the Company recovery target set forth in the "Fenice Plan"; and iii) the significance of any combined effects of the analysis of the aforementioned changes on the feasibility of the "2014-2016 Business Plan" and the assessment of substantial continuity and consistency with the "Fenice Plan".

In this regard, after carrying out his activities and in the light of the Company's confirmed strategy of divestment and focusing on the core services business, the independent expert expressed the opinion that although the overall combined effects on revenue, the main income statement margins and cash flows of the variances between the "2014-2016

Business Plan" and the "Fenice Plan" are significant in absolute value, they will not substantially prevent the recovery. As highlighted in the "2014-2016 Business Plan", the full implementation of all of the corrective measures identified will result in an economic and financial rebalancing trend, although the timing will be different to that initially set forth in the Fenice Plan. Therefore, after the implementation of all measures set forth in the "2014-2016 Business Plan", including the "mitigation actions" and the "restructuring of the Senior Loan repayment", the Group, as was verified in 2013 in the certification report pursuant to Article 67 of the Bankruptcy Law, still appears to be capable of regaining economic and financial stability, provided that all forecasts and actions to reach the Company recovery target, in continuity and consistent with the "Fenice Plan", actually take place.

4. NOTES ON THE MAIN GROUP ECONOMIC AND FINANCIAL DATA

This section provides an analysis of the Group's economic, financial and asset position at September 30, 2014. Some non-GAAP measures which are generally considered by management to monitor and assess Group performance have been used in the economic and operating analysis provided in paragraph 4.1. These measures demonstrate the result of the Group's ordinary operations, net of the effects of unusual transactions in terms of type or amount as well as real estate portfolio value fluctuations, thereby ensuring a greater degree of comparability between the results and disclosures of the Group and those of other leading operators that use the same non-GAAP measures.

These measures are obtained by aggregating or reclassifying accounting data, and are adopted in order to provide a breakdown of economic results on the basis of the type of events that generated them. The analysis of the balance sheet and financial position in paragraph 4.2 also includes non-GAAP measures. The balance sheet and financial position measures are those generally adopted in financial reporting and are clearly linked to the accounting data provided in the main financial statements. Therefore, a separate management analysis of the main financial statements is not provided.

To determine the non-GAAP measures indicated below, for which a detailed reconciliation with GAAP measures is provided in Appendix A, the following amounts are separated: "Restructuring Costs" and "Property write-downs/revaluations", as described in more detail in the next paragraph.

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

Following the agreement reached by the joint venture Solaia RE S.à.r.l. for the sale of the interests in the real estate companies that own the German residential portfolio known as DGAG (Deutsche Grundvermögen AG) and the transfer of part of the Prelios Deutschland GmbH platform (wholly owned subsidiary of Prelios S.p.A.) which provides technical and administrative services to the above residential portfolio, some previous balance sheet and income statement items were recalculated to show the effects of the transaction separately, in accordance with IFRS 5. In particular, the economic and balance sheet data relating to the first nine months of 2014 shown below and discussed in the notes do not include data ascribable to the German business unit, which was sold in 2014 after a negotiation process that began in late 2013. These data were classified on their own line labelled discontinued operations in compliance with IFRS 5. Likewise, the economic data relating to the first nine months of 2013 were also classified on the separate line mentioned above.

4.1. Income Statement

(millions of euros)		SEPTEMBER 2014	SEPTEMBER 2013
Consolidated revenue:		51.1	53.1
	of which services	*50.5*	*48.8*
	of which other	*0.6*	*4.3*
Management Platform: EBIT before restructuring costs and property write-downs/revaluations		8.7	5.1
Holding: EBIT before restructuring costs and property write-downs/revaluations		(8.6)	(8.6)
Total Management Platform & Holding: Operating profit/(loss)		**0.1**	**(3.5)**
Investment Activities: EBIT before restructuring costs and property write-downs/revaluations		(7.2)	(5.8)
Investment Activities: net income from investments before restructuring costs and property writedowns/revaluations		(3.3)	(6.4)
Investment Activities: income from shareholder loans (1)		4.2	6.7
Investment Activities: loss on NPL portfolio valuation		(1.3)	(4.6)
Total Investment Activities: Operating profit/(loss)		**(7.6)**	**(10.1)**
Operating profit/(loss)		**(7.5)**	**(13.6)**
Financial income/(Financial expenses)		(16.3)	10.1
Profit/(loss) before restructuring costs, property write-downs/revaluations and income taxes		**(23.8)**	**(3.5)**
Restructuring costs		(2.3)	(6.0)
Property (writedowns)/revaluations		(23.6)	(29.0)
Profit (loss) before taxes		**(49.7)**	**(38.5)**
Income taxes		(3.2)	(6.8)
Net profit		**(52.9)**	**(45.3)**
Minority interests		0.6	0.4
Group net income/(loss) before discontinued operations		**(52.3)**	**(44.9)**
Net income (loss) from discontinued operations		3.9	0.7
Group net income/(loss) for the period		**(48.4)**	**(44.2)**

(1) The value mainly consists of interest income from loans to associates and joint ventures.

At September 30, 2014, consolidated revenue is Euro 51.1 million compared to Euro 53.1 million in the first nine months of 2013. In particular, foreign and Italian Management Platform revenue is Euro 50.5 million at September 30, 2014, an increase compared to Euro 48.8 million in the same period of 2013 due to the good performance of integrated services.

The operating loss is Euro 7.5 million, an improvement compared to the loss of Euro 13.6 million at September 30, 2013. This improvement can be attributed to the Management Platform (which has increased from a loss of Euro 3.5 million at September 2013 to profit of Euro 0.1 million at September 2014) and Investment Activities (particularly the NPL portfolio valuation, which was negative by Euro 1.3 million at September 30, 2014 compared to a negative amount of Euro 4.6 million at September 30, 2013). Net of the loss from the NPL portfolio valuation, the operating loss amounts to Euro 6.2 million compared to Euro 9 million in the same period of 2013.

"Financial expenses" amount to Euro 16.3 million, compared to financial income of Euro 10.1 million at September 30, 2013, which benefitted from the debt restructuring transaction entailing new interest rate conditions and the recalculation of the amount of financial debt. In particular, last year the recognition of the new lines at fair value had a net positive effect of Euro 39.9 million.

At September 30, 2014, property write-downs/revaluations amount to Euro 23.6 million compared to a negative Euro 29.0 million in the same period of 2013. This balance reflects asset value adjustments (primarily in Italy) due to the update of independent expert appraisals (particularly with respect to the interests held indirectly in the Tecla Fund) and the completion of preliminary sale agreements (such as the interests held in the Olinda Fund).

Restructuring costs amount to Euro 2.3 million compared to Euro 6.0 million in the first nine months of 2013. These mainly include impairment recognised on receivables to help investee companies to continue operating on a going concern basis as part of financial restructuring plans that have either been formally entered into or are in advanced negotiations.

Income taxes amount to Euro 3.2 million compared to Euro 6.8 million at September 30, 2013. The majority relate to companies in Italy. This amount primarily refers to the reversal of prepaid taxes and IRAP.

The net loss attributable to the Group at September 30, 2014 is Euro 48.4 million, compared to a loss of Euro 44.2 million at September 30, 2013.

Management Platform[9]

Management activities (fund and asset management) and the specialist property and project management and agency services, as well as services relating to non-performing loan credit servicing, achieved a positive result of Euro 8.7 million at September 30, 2014, compared to Euro 5.1 million at September 30, 2013. This improvement is mainly due to the service companies in Italy, particularly for agency services and credit servicing.

The recovery in turnover seen for the Management Platform, the Group's core business, was confirmed, reversing the trend of previous periods in which there was a net decline.

At September 30, 2014, general and administrative expenses amounted to Euro 8.6 million, in line with the expense at September 30, 2013. Overall, management activities including general and administrative expenses resulted in a profit of Euro 0.1 million, compared to a loss of Euro 3.5 million in the same period of 2013.

Investment Activities[10]

In the first nine months of 2014, the EBIT of Investment Activities before the loss from the NPL portfolio valuation was negative by Euro 6.3 million, compared to a negative amount of Euro 5.5 million in the same period of 2013. Considering the negative impact of the loss from valuation of the non-performing loan portfolio (Euro 1.3 million at September 30, 2014 and Euro 4.6 million at September 30, 2013), the operating loss is Euro 7.6 million, compared to a loss of Euro 10.1 million in 2013.

***

[9] The result of the Management Platform refers to amounts generated by the Group through fund and asset management activities, specialised real estate services (property and project management and agency) and NPL credit servicing, as well as general and administrative expenses.

[10] Investment Activities refers to amounts generated by Prelios through its investments in funds and companies that hold real estate and non-performing loans.

In the first nine months of 2014, property sales[11] amounted to Euro 375.7 million (Euro 90.1 million pro rata) compared to Euro 303.6 million at September 30, 2013 (Euro 46.5 million pro rata). The Company's real estate transactions were carried out at values that were essentially in line with the book value, as also took place at September 30, 2013.

Total rents[12] amount to Euro 158.5 million in the first nine months of 2014, compared to Euro 272.50 million at September 30, 2013. The pro-rata rents attributable to Prelios amount to Euro 36.2 million (Euro 73.2 million at September 30, 2013).

Please see the dedicated section for a more detailed analysis by geographical area of the results of fund and investment company activities and the Management Platform, including general and administrative expenses.

A total of Euro 23.6 million in write-downs were recorded on investments and investment property in the first nine months of 2014, of which Euro 23.4 million relates to the real estate portfolio in Italy and Euro 0.2 million relates to the real estate portfolio in Germany.

4.2. Balance sheet and financial analysis

The table below shows the operating balance sheet at September 30, 2014 compared with December 31, 2013.

(Euro/milion)	SEPTEMBER 2014	DECEMBER 2013
Fixed assets	**334.7**	**353.2**
of which investments in real estate funds and investment companies and shareholder loans granted (1)	*272.6*	*290.5*
of which goodwill	*56.4*	*56.4*
Net working capital	**19.8**	**14.7**
Discontinued operations	**29.5**	**26.4**
Net invested capital	**383.9**	**394.3**
Equity	**122.8**	**(66.3)**
of which group equity	120.4	(69.1)
Provisions	**63.9**	**71.2**
Net financial position from operating activities	**197.2**	**388.4**
Liabilities related to discontinued operations	**0.0**	**1.0**
Total covering net invested capital	**383.9**	**394.3**

(1) The item includes equity investments in associates, joint ventures and other equity investments (Euro 158.0 million), receivables for shareholder loans (Euro 94.2 million), investments in real estate funds (Euro 11.7 million, recognised among "Other financial assets" in the consolidated balance sheet) and junior notes (Euro 9.8 million, recognised among "Other financial assets" in the consolidated balance sheet). The figures for September 2014 and December 2013 include provisions for equity investment writedowns of Euro 1.1 million and Euro 12.6 million respectively.

At September 30, 2014, fixed assets amount to Euro 334.7 million, compared to Euro 353.2 million at December 31, 2013. This reduction is primarily due to the final result of the joint

[11] This value is determined by adding property sales made by the consolidated companies and property sales at 100% of associates, joint ventures and funds in which the Group holds an interest of at least 5% at September 30, 2014.

[12] This value is determined by adding rents earned by the consolidated companies and rents at 100% of the associates, joint ventures and funds in which the Group holds an interest of at least 5% at September 30, 2014.

ventures, which includes a pro-rata net negative effect for the Prelios Group of Euro 22.9 million deriving from property write-downs.

Net working capital amounts to Euro 19.8 million at September 30, 2014, compared to Euro 14.7 million at December 31, 2013.

Discontinued operations represent the estimated effect of cash distributions expected from the sale of the DGAG Group.

Consolidated equity is positive at Euro 122.8 million and equity attributable to the Group is positive at Euro 120.4 million, up compared to the previous year by Euro 189.5 million, essentially including Euro 236.5 million due to the capital increase resulting from the automatic execution of the mandatory early repayment of the “Prelios 2013-2019 Convertible Loan”, which was partially offset by the loss attributable to the Group of Euro 48.4 million.

At September 30, 2014, the net financial position is a negative Euro 197.2 million. This figure clearly improved compared to Euro 388.4 million at December 31, 2013, due to the capital increase associated with the conversion of the Convertible Loan, which was partially offset by the net cash absorption for the period.

The chart shows the combined effect of the events impacting the change in the net financial position in the first nine months of 2014.

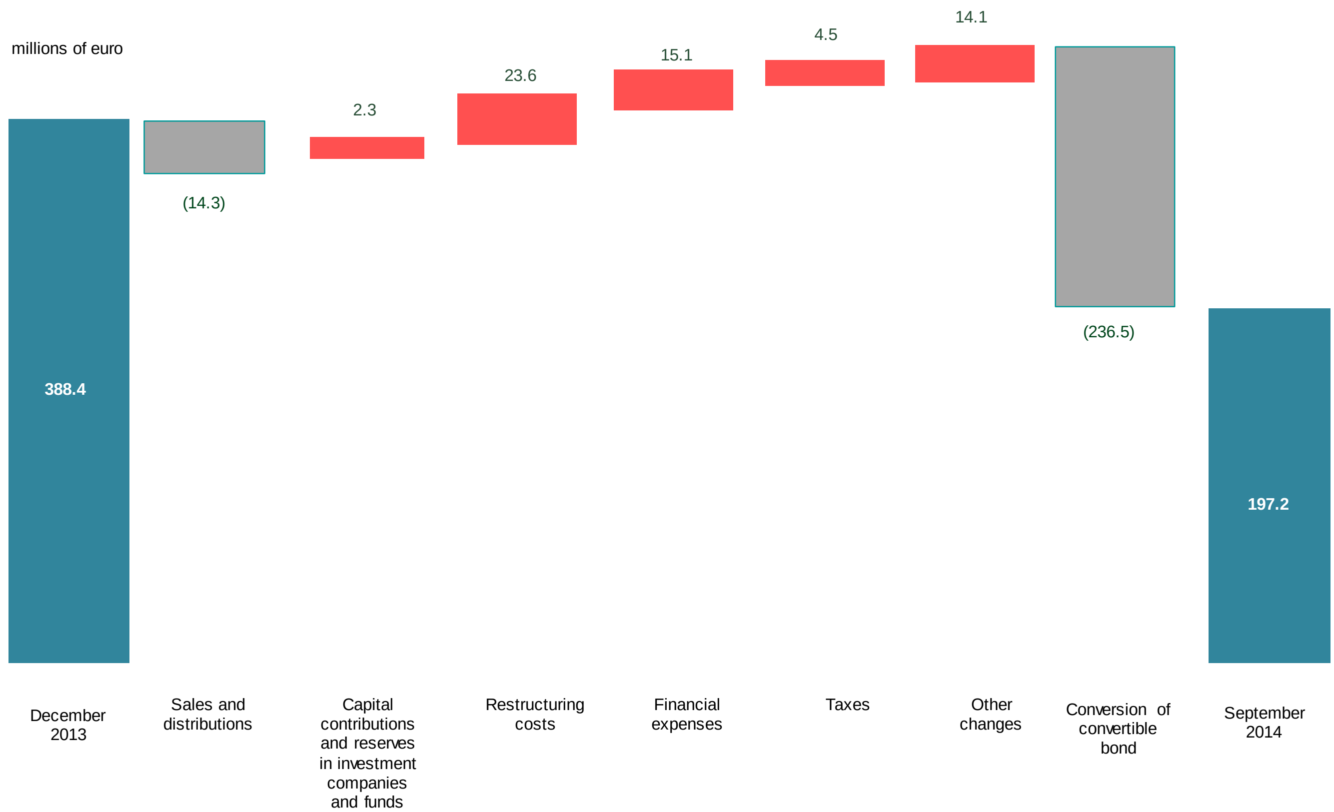
The improvement of Euro 191.2 million compared to December 31, 2013 is primarily ascribable to the following:

- the share capital increase resulting from the automatic mandatory early repayment of the “Prelios 2013-2019 Convertible Loan”, for Euro 236.5 million;
- cash flows generated by sales activities and distribution by the investment companies for Euro 14.3 million.

The following events negatively impacted the net financial position:

- equity injections of Euro 2.3 million in investment companies and in funds in which the Company holds an interest;
- restructuring costs of Euro 23.6 million (of which Euro 10.1 million with no monetary impact);
- financial expenses of Euro 15.1 million (of which Euro 14.1 million with no monetary impact);
- taxes of Euro 4.5 million;
- other events, the majority linked to changes in net working capital, for Euro 14.1 million.

The table below shows the main changes in the net financial position during the period.


millions of euro
388.4
(14.3)
2.3
23.6
15.1
4.5
14.1
(236.5)
197.2
December 2013
Sales and distributions
Capital contributions and reserves in investment companies and funds
Restructuring costs
Financial expenses
Taxes
Other changes
Conversion of convertible bond
September 2014

5. BUSINESS DIVISION PERFORMANCE

This section describes the financial performance of the Real Estate (by geographical areas) and NPL components, broken down between income/costs from the Management Platform and income/costs from Investment Activities[13]. The operating profit (loss) presented and described below corresponds to the definition provided in paragraph 4 of this report.

All amounts are in millions of euro unless specified otherwise.

The table below shows the operating profit (loss) by geographical area.

	Italy		Germany		Poland		NPL		G&A		Total	
	SEPTEMBER 2014	SEPTEMBER 2013	SEPTEMBER 2014	SEPTEMBER 2013	SEPTEMBER 2014	SEPTEMBER 2013	SEPTEMBER 2014	SEPTEMBER 2013	SEPTEMBER 2014	SEPTEMBER 2013	SEPTEMBER 2014	SEPTEMBER 2013
Management platform	7.3	5.0	2.2	2.9	(0.3)	(0.3)	(0.5)	(2.5)	(8.6)	(8.6)	**0.1**	**(3.5)**
Investment activities	(5.4)	(9.6)	0.2	0.5	(1.2)	(2.2)	0.1	5.8	0.0	0.0	**(6.3)**	**(5.5)**
Loss on NPL portfolio valuation	0.0	0.0	0.0	0.0	0.0	0.0	(1.3)	(4.6)	0.0	0.0	**(1.3)**	**(4.6)**
Operating profit/(loss)	**1.9**	**(4.6)**	**2.4**	**3.4**	**(1.5)**	**(2.5)**	**(1.7)**	**(1.3)**	**(8.6)**	**(8.6)**	**(7.5)**	**(13.6)**

In the following tables presented by country, revenue refers to the fully consolidated service companies and does not include the consolidated revenue of investment initiatives.

5.1. Italy Real Estate

The operating profit of Italy Real Estate (Management Platform and Investment Activities) is Euro 1.9 million at September 30, 2014, compared to a loss of Euro 4.6 million in the same period of 2013.

Management Platform

The operating profit at September 30, 2014 is Euro 7.3 million, an increase with respect to the profit of Euro 5.0 million in the same period of 2013.

The main events involving the individual cash-generating units of the Management Platform are described below.

Fund Management	**30 September 2014**	**30 September 2013**
Revenue (millions of euro)	15.4	16.5
Operating profit/(loss) (millions of euro)	5.9	6.9
ROS	38%	42%
Number of funds managed	26	23
Number of employees	70	66

[13] The result of Investment Activities refers to amounts generated by Prelios through its investments in funds and companies that hold real estate portfolios. The result of the Management Platform refers to amounts generated through fund and asset management activities and specialised real estate services (property and project, agency and facility) and NPL credit servicing, including general and administrative expenses.

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

At September 30, 2014, Prelios SGR manages a total of 26 funds, of which 13 are ordinary (2 of which are listed) and 13 are speculative, in addition to a real estate portfolio disposal management contract.

Revenue, essentially consisting of fixed management commissions, amounted to Euro 15.4 million in the first nine months of 2014, down by approximately 7% compared to the same figure at September 30, 2013. This is mainly because the Spazio Industriale fund is no longer managed and because the fees of some funds undergoing financing restructuring have been changed, with a total impact of Euro 0.9 million.

With respect to new initiative development, the Company has established three new ordinary real estate funds ("PAI – Parchi Agroalimentari Italiani" Fund, "IGEA" Fund and "Primo RE" Fund) and has started managing a fourth fund ("ASCI" Fund), bringing the number of funds currently managed to 26:

- The PAI – Parchi Agroalimentari Italiani Fund, promoted in support of the F.I.CO. (Fabbrica Italiana Contadina) project, will result in the creation of a complex in the Bologna Agricultural and Food Market which will act as a hub for Italian eno-gastronomic excellence. The Fund was established via the contribution by the Bologna Agricultural and Food Market (CAAB) of the project development area and the subscription by several qualified investors of shares to be paid up in cash in the amount of Euro 40.5 million, for a total amount of Euro 95 million.
- The IGEA Fund is dedicated to investments in initiatives with a significant real estate development and renovation component. For this transaction, the Fund will primarily acquire ownership over land (through contributions and/or purchase) to be used for the development of real estate projects or properties to be converted/renovated. Institutional investors will make financial contributions to the Fund, and other qualified investors will contribute assets in kind (land or real estate). Prelios SGR has already obtained a Euro 40 million cash commitment from an important social security institution for the development of two residential projects, one of which will be on land previously contributed to the Fund.
- The "Primo RE" Fund received a contribution of Euro 50 million from the Italian Accountants' National Pension Fund (CNPADC), which retains the right to increase this contribution to Euro 300 million. At least 90% is to be invested in real estate assets and real estate property rights located in Italy mainly for commercial, tertiary or office use, in any event excluding residential real estate. The Fund has already completed its first purchase in Milan for Euro 37.8 million.
- ASCI – Abitare Sostenibile Centro Italia Fund is a fund in which CDP Investimenti SGR holds an interest in the name and on behalf of the FIA – Fondo Investimenti per l'Abitare Fund. It is dedicated to social housing initiatives in southern and central Italy. Fund unit subscriptions amounting to around Euro 30.1 million have already been obtained.

In the reference period, the Company continued to increase the assets of the funds already under management. Contributions and acquisitions in excess of Euro 120 million were completed through the Enasarco Uno and Fedora Funds.

On July 10, Prelios SGR notified the market that it had reached a binding agreement with Axa Real Estate and Apollo European Principal Finance Fund II for the sale of the entire remaining Olinda – Fondo Shops real estate portfolio, to be completed by December 31, 2014. Under the agreement, the Fund's real estate assets will be sold en bloc for a total of Euro 303 million, of which up to Euro 8 million is subject to specific lease conditions being met for certain portfolio assets prior to the closing, which is expected to take place by December 19, 2014. The Fund's remaining assets consist of 26 properties including shops, commercial structures and multiplex cinemas, primarily in the regions of Piedmont, Lombardy, Veneto, Friuli-Venezia Giulia, Emilia-Romagna and Lazio. Please recall that the Prelios Group holds a total of 11.1% of the Olinda Fund units.

Lastly, a significant agreement has been entered into by the asset management company and Secondcap Ltd – a company authorised by the FCA in London and which manages a transaction platform on the secondary market of closed-end funds – in order to boost the liquidity of investments in reserved real estate funds managed by the asset management company. Under this agreement, Secondcap will make its platform available to international investors and provide support services to investors in the reserved funds managed by the asset management company, which will therefore be able to increase unit liquidity and the value of their investments even before the fund's natural maturity.

Agency	**30 September 2014**	**30 September 2013**
Revenue (millions of euro)	2.4	1
Operating profit/(loss) (millions of euro)	(0.5)	(2.8)
Volume of business (in millions of euro)	34.3	26.4
Renegotiated rents (in millions of euro)	approx. 9	approx. 2
Renegotiated rents (in m^2)	approx. 68.000	approx. 31.000
Number of employees	19	23

In Italy, real-estate brokerage 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 Prelios Group company specialised in the provision of professional advisory services for the purchase, sale and lease of individual real estate properties as well as entire portfolios of real estate for office, residential, industrial, logistics and retail use. The company offers a wide variety of purchase, sale and lease brokerage and advisory services, ranging from customer requirements analysis to market monitoring, handling negotiations and contractual support.

Revenue rose from Euro 1 million at September 2013 to Euro 2.4 million at September 2014. The primary drivers of this improvement include activities associated with new mandates for the renegotiation of rentals, sales made on various assets in the portfolio and especially the fee provided for under the contract which accrued when a commitment was obtained to sell a significant portfolio to an international investor. In the first nine months of 2014, the Company leased approximately 68,000 square metres, compared to around 31,000 square metres in the same period of last year. Rentals managed by the Company amount to approximately Euro 9 million, compared to approximately Euro 2 million in the first nine months of 2013. The Company brokered volumes with a total value of around Euro 34 million, compared to around Euro 26 million at September 2013.

During the period in question, the company also obtained new mandates for the renegotiation of rentals, particularly from third-party clients such as Holding dei Giochi, King Jouet, Sisal and Wind.

The loss of Euro 0.5 million in the first nine months of 2014 reflects the continuing real estate crisis in Italy, which triggered a considerable slowdown in transaction volumes and size. However, benefits have been generated with respect to September 30, 2013 due to the additional cost reduction initiatives launched in 2013 and the strategic commercial offering restructuring and repositioning process, based on which the Company now concentrates exclusively on institutional brokerage and international capital market operators.

The portfolio of sale mandates from third-party clients amounts to Euro 1,641[14] million at September 30, 2014.

Valuations	30 September 2014	30 September 2013
Revenue (millions of euro)	3.1	2.8
Operating profit/(loss) (millions of euro)	0.4	0.4
ROS	13%	14%
Number of Loan Service valuations	approx. 5.000	approx. 11.000
Number of employees	12	11

The subsidiary Prelios Valuations & e-Services S.p.A. is one of Italy's leading independent operators in appraisals of individual real estate properties and real estate asset portfolios in the tertiary and residential segments. With approximately 13,000 appraisals completed in 2013, it is also among the leading firms in Italy for Loan Services.

At September 30, 2014, revenue amounts to Euro 3.1 million, compared to Euro 2.8 million in the same period of 2013.

The minimum Loan Services volumes recorded in the first nine months of 2013 were maintained.

Service volumes also declined for the ING Direct Contract.

Turnover in the Full Appraisals segment, dedicated to companies, institutional investors and real estate funds, was on the rise in the first nine months of 2014 compared to the same period of 2013 due to new clients as well as services provided to existing clients.

Signs of growth were also seen in the Mass Appraisals segment compared to the same period of 2013, due to the statistical revaluation of large real estate portfolios.

Appealing opportunities to participate in tenders for the valuation of real estate collateral for important Italian banks also emerged in the first nine months of 2014.

During the period, the Company was awarded a contract in the tender called by the Bank of Italy for the asset quality review of the portfolios of leading Italian banks, as part of the comprehensive assessment activities launched by the ECB.

[14] List price.

Integra	30 September 2014	30 September 2013
Revenue (millions of euro)	14.0	11.1
Operating profit/(loss) (millions of euro)	1.4	1.2
ROS	10%	11%
Value of assets under management (billions of euro)	4.6	4.9
Floor area managed (in millions of m^2)	5.4	4.1
Rental units managed	approx. 29.000	approx. 29.000
Leases managed	approx. 2.900	oltre 2.800
Passing Rent (millions of euro)	237	oltre 259
Number of employees	83	87

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

Prelios Integra is an Italian leader in integrated services for real estate management and project development, with Euro 4.6 billion worth of real estate under management totalling approximately Euro 5.4 million square metres.

Prelios Integra offers integrated, active and dynamic asset management services (asset, property and facility management) to enhance property value on behalf of public and private customers: from property administrative management and accounting to tenant relations, and from technical and maintenance services to analysis and sales support.

The company handles project management activities, encompassing all property planning and construction phases, with distinctive sustainability expertise from the new development of eco-friendly buildings to green retrofitting, and from energy certifications to renewable energy.

The company's highly specialised retail division works to develop and enhance shopping centres throughout Italy, handling operations and administrative management, relations with retailers and even strategic tenant mix optimisation.

The company currently provides the following services:

- administrative and real estate management;
- facility management and energy;
- project management;
- asset management and enhancement;
- sales support;
- shopping centre management.

At September 30, 2014, revenue is Euro 14.0 million, marking an increase with respect to Euro 11.1 million in the same period of 2013, mainly resulting from the increase in the number of third-party clients with assets under management and global servicing activities on the Scarmagno property and the Ivrea district.

The operating profit is Euro 1.4 million, up slightly compared to Euro 1.2 million at September 30, 2013.

In the first nine months of 2014, the company managed real estate assets equivalent to approximately 2,900 lease agreements. The main third-party clients are: INPS, Telecom Italia, Sisal, UniCredit Group, UBI Banca Group, Excelsia 9, SR3 Certosa (Stam Europe), Duemme SGR and Prisma SGR.

In the first nine months, the company also obtained new mandates, particularly from clients such as Sisal, Namira, Wind, Mediolanum SGR, Reed SGR, Stam Europe, A2A (in a temporary consortium with REAG) and the UniCredit Group.

In addition, Prelios Integra S.p.A. obtained the certification from the certifying body Bentley SOA S.p.A.. The issue of this qualification certification is a necessary and sufficient condition to demonstrate the fulfilment of technical and financial requirements for the assignment of public works, therefore without needing to rely on pooling. Prelios Integra S.p.A. has been qualified for the following categories: OG 1 Class VIII, OS 28 Class V, OS 30 Class IV *bis* and OS 3 Class II.

Investment Activities

Investment Activities, which are currently held for disposal, continue to be impacted by negative trends in the Italian real estate market. The investments held by Prelios in funds and companies that hold real estate and non-performing loan portfolios are also often subject to the decisions of the majority partners.

The operating loss at September 30, 2014 is Euro 5.4 million, compared to a loss of Euro 9.6 million in the same period of 2013.

Continuing weakness in the market, with lower transaction volumes and plummeting prices, makes it impossible to cover the operating and financial costs of the investment companies. Therefore, even though costs decreased compared to 2013, the results of Investment Activities are negative once again.

Property sales in the first nine months of 2014 (values of the property assets of associates, joint ventures and funds in which the Group holds an interest, considered at 100%) totalled Euro 71.7[15] million (Euro 36.8[16] million in the same period of 2013). Real estate transaction values were essentially in line with book values (gross margins of 2.3% on sales[17] made in the first nine months of 2013). Total rents[18] amount to Euro 85.1 million (Euro 92.1 million at September 30, 2013).

[15] Including Euro 63.9 million relating to Funds/vehicles under stop loss.

[16] Including Euro 11.9 million relating to Funds/vehicles under stop loss.

[17] The value is the ratio between the value of sales and the associated gross capital gains. These are made by the consolidated companies, associates, joint ventures and funds in which the Group holds an interest of at least 5%.

[18] This value is determined by adding rents earned by the consolidated investment companies and rents of the associates, joint ventures and funds in which the Group holds an interest.

5.2. Germany Real Estate

Germany Real Estate (Management Platform and Investment Activities) posted a positive EBIT of Euro 2.4 million in the first nine months of 2014 compared to Euro 3.4 million in the same period of 2013.

Management Platform

Germany	30 September 2014	30 September 2013
Revenue (millions of euro)	9.6	10.7
Operating profit/(loss) (millions of euro)	2.2	2.9
ROS	23%	27%
Floor area managed (in millions of m^2) (*)	1.0	1.6
Number of rental units managed (*)	76	101
Number of employees	84	82

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

Revenue declined from Euro 10.7 million at September 30, 2013 to Euro 9.6 million in the first nine months of 2014. This decrease mainly stemmed from reduced fees from Highstreet portfolio management in 2014 due to lower volumes managed as a result of sales made in 2013.

The services platform alone records an operating profit of Euro 2.2 million at September 30, 2014, compared to Euro 2.9 million at September 30, 2013. The contraction is due to the lower volume of sales fees generated in the first nine months of the year, particularly for the Highstreet portfolio (Euro 260 million at September 2013 compared to the current Euro 158 million) and lower management fees resulting from the above-mentioned sales made in 2013.

Investment Activities

The EBIT of this business area is positive by Euro 0.2 million at September 30, 2014, compared to a positive amount of Euro 0.5 million in the first nine months of 2013.

Property sales in the first nine months of 2014 (values of the property assets of associates, joint ventures and funds in which the Group holds an interest, considered at 100%) were equal to Euro 304.0 million. The significant increase compared to Euro 266.8 million in the same period of 2013 resulted primarily from the sale of the “Small Deal” German residential portfolio. Sales made in 2014 include land in Düsseldorf and the Harburg Carrée real estate complex for commercial, office and residential use, located in the central area of Hamburg. The new owner Erste Immobilien has entered into a property management agreement for that real estate complex with the Prelios Deutschland Group, which therefore continues to manage lease services and the internal car park.

Sales relating to the Highstreet portfolio, in which Prelios indirectly holds a 12.08% interest through Sigma RE B.V., amount to around Euro 158 million. The most significant sale is for a commercial building located in Bremen.

In the first nine months of 2014, real estate transaction values were in line with book values. Total rents amount to Euro 73.4 million compared to Euro 180.4 million in the same period of 2013.

5.3. Poland Real Estate

The EBIT of Poland real estate (Management Platform and Investment Activities) is a negative amount of Euro 1.5 million at September 30, 2014, compared to a negative amount of Euro 2.5 million in the same period of 2013.

Management Platform

Poland	30 September 2014	30 September 2013
Revenue (millions of euro)	0.2	0.4
Operating profit/(loss) (millions of euro)	(0.3)	(0.3)
Floor area managed (in millions of m^2) (*)	0.4	0.4
Number of employees	10	14

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

The EBIT of the Management Platform is a negative amount of Euro 0.3 million, in line with the amount at September 30, 2013.

These results reflect the conclusion of the sale of the inventory of real estate under development.

Investment Activities

The operating loss is Euro 1.2 million, compared to Euro 2.2 million at September 30, 2013.

5.4. Non-Performing Loans

In the first nine months of 2014, non-performing loans (Management Platform and Investment Activities) posted an operating loss of Euro 1.7 million compared to a loss of Euro 2.5 million in the same period of 2013. The negative NPL portfolio valuation, equal to Euro 1.3 million (a negative amount of Euro 4.6 million at September 30, 2013), contributes to the operating loss at September 30, 2014.

Management Platform

NPL	30 September 2014	30 September 2013
Revenue (millions of euro)	6.2	6.4
Operating profit/(loss) (millions of euro)	(0.5)	(2.5)
ROS	-8%	-39%
Collections (millions of euro)	36.3	69.0
Gross book value (billions of euro)	8.4	8.4
Number of NPL managed	over 75.000	over 73.000
Number of employees	61	99

Prelios Credit Servicing is one of the leading Italian managers of non-performing loans by volume, with a portfolio under management of approximately Euro 8.4 billion (Gross Book Value).

Revenue amounts to Euro 6.2 million, a slight decrease compared to Euro 6.4 million in the same period of the previous year.

Turnover during the period benefited from some non-recurring revenue components, although existing portfolios posted declining performance.

The operating loss at September 30, 2014 is Euro 0.5 million, compared to an operating loss of Euro 2.5 million at September 30, 2013. This performance was achieved as a result of the containment of costs associated with the restructuring plan completed late last year, which entailed savings of around Euro 2.0 million in personnel costs alone and a slight decrease in overhead costs.

During the period there was a slight trend reversal in debt collection through the most widely used channels – judicial, out-of-court and disposal of small and medium-sized blocks. In this particular context, the Company’s revenue surpassed expectations, while cost management also significantly outperformed forecasts. During the period, collections on behalf of client counterparties amounted to approximately Euro 36.3 million, compared to Euro 69.0 million in the same period of 2013. However, this shift essentially reflects the change in the number of portfolios managed.

Business development continues to focus on four primary areas:

1. reinforcing visibility within the banking industry by branding the Company as an institutional and independent provider for the enhancement of non-performing loans;
2. acting in the capacity of advisor in transactions for the assignment of receivables through securitisation vehicles for the derecognition of bank loans;
3. providing advisory services to manage and enhance the value of debt positions relating to large loans or special situations;

4. strengthening master and corporate servicing services.

With respect to the first point, various special servicing mandates have been successfully established and others are currently being negotiated.

The Company has also entered into agreements for the management of real estate underlying non-performing loans, particularly: (i) the collection of rent and building expenses; (ii) support for participation in judicial auctions; and (iii) the facilitation of the sales process by using the real estate network if a voluntary disposal agreement is made with the debtor.

The second aspect of development involved the participation in initiatives to structure transactions that enable Banks to derecognise their loans.

The Company has also supported various counterparties in the due diligence activities to evaluate receivables and identify the best collection strategy.

In terms of advisory and special situation activities, the Company managed the entire sale process of a portfolio of mortgage-backed and unsecured loans on behalf of a leading domestic Bank.

In addition, some special transactions (applications for composition with creditors due to bankruptcy) were suggested and presented on behalf of a well-known institutional investor in order to better enhance the value of the receivables claimed.

As a Master Servicer, the company is rated by two rating agencies, Standard & Poor’s and Fitch, which also provided positive ratings in 2014, of Above Average and RSS2/CSS2, respectively.

<u>Investment Activities</u>

The loss from the NPL portfolio valuation refers to the impairment of a junior note held by the parent company, relating to a loan portfolio held by a joint venture with Morgan Stanley.

6. SUBSEQUENT EVENTS

- On October 7, Prelios entered into a strategic agreement with iCORE Global, a global real estate services giant based in the US, for cooperation between the two companies at the global level. Due to this agreement, Prelios Integrated Services, the Group's strategic business unit that offers a range of real estate services (property and project management, valuations, brokerage, intermediation and administrative management) through its operating companies, will have direct access to over 63 countries around the world and will be able to offer its corporate clients the services of iCORE Global, a US company providing worldwide real estate services, such as brokerage, landlord and tenant representation.

- In July, after a long due diligence process, Fortress (in its capacity as Investor) and Prelios (in its capacity as Operating Partner), which had previously entered into a collaboration agreement, submitted a non-binding bid for the acquisition and management of a significant portfolio of non-performing loans from UniCredit Credit Management Bank (UCCMB), which is specialised in non-performing loan management.

  A binding bid was subsequently submitted on October 7, 2014, clearly specifying that Prelios assumes no equity commitment and bears no joint and several liability with Fortress. On October 24, UniCredit granted the exclusive right to the Fortress-Prelios Group, in order to negotiate the sale of UCCMB in a reasonably brief period of time. The agreements currently being negotiated provide for the establishment of a ten-year partnership for the management of the bank's NPL service.

  Also with respect to the above, note that in early 2014, as previously disclosed to the market, talks began with the well-known international private equity fund Fortress Investment Group Ltd, the controlling shareholder of Torre SGR S.p.A. and Italfondiario S.p.A., in order to assess the feasibility of and interest in possible partnerships. However, as things currently stand, it was deemed appropriate to discontinue any further evaluations and negotiations since Prelios and Fortress are in any event establishing a structured partnership for the above-mentioned UCCMB transaction. In addition, Prelios is becoming a reference player for other important international investors interested in making investments by acquiring real estate assets and non-performing loans, and it intends to establish collaboration agreements with them for the management of such assets.

- On October 29, Prelios entered into a preliminary agreement for the acquisition of 80% of Negentropy Capital Partners LLP, an asset manager based in London, working under the supervision and regulation of the FCA. This transaction will make it possible to establish Prelios Europe in an extremely brief period of time, thus creating an AIFMD-compliant European platform able to carry out fund-raising activities by collecting capital from foreign investors interested in investing in Italy. In addition, Prelios will be able to use this platform to structure products that facilitate investment abroad by Italian institutional investors.

- As regards the investments held by Prelios in Poland, on October 30 Polish Investment Real Estate Holding II BV, in which Prelios holds a 40% interest and in which RGI Resipol BV holds a 60% interest, disposed of the investment held in Berea Sp. Zoo., which has an area of around 55,000 square metres mainly for retail use in Warsaw, with a potential buildable area of around 67,000 square metres, which had a positive impact on book values.

7. BUSINESS OUTLOOK

As is well known, the reference macroeconomic scenario continues to suffer from uncertain outlooks for growth in the Italian economy. The continuing crisis has impacted the real estate sector, resulting in long-term market weakness and high borrowing costs. However, some signs of a possible recovery have also been seen, mainly driven by the recent renewed interest in the Italian real estate sector by opportunistic foreign investors, who have been moved to action due to re-pricing and the resulting increase in gross returns.

In any event, as confirmation of its strategic objective of repositioning as a pure management company, Prelios has identified and is implementing a series of initiatives for recovery and continuation as a going concern.

In the meantime, a range of actions and initiatives already identified and in some cases already completed are continuing to generate benefits, namely:

- streamlining and control of holding company costs, with greater autonomy afforded to the operating companies and disposal of the investment portfolio;
- various cash flow mitigation actions favouring a balance between cash inflows and outflows;
- increased revenue by implementing the projects in the business development pipeline;
- evaluation of possible disposals of assets in the portfolio.

From a management perspective, 2014 is a year of transition. This year the Company management is focused on the actions needed to meet the 2014-2016 Business Plan objectives, by consolidating business development, particularly services, in line with the Group's strategy for transformation into a pure management company.

The Prelios Group has set the following economic and financial targets:

- Services Platform EBIT with an expected CAGR (2013-2016) around 40% (2013: Euro 6.3 million);
- 2016 net financial position: less than Euro 200 million (2013: Euro 388.4 million).

8. APPENDICES

APPENDIX A – NON-GAAP MEASURES

The following non-GAAP measures are used:

- **Operating profit (loss)** (Euro -7.5 million): EBIT (Euro -10.2 million) plus net income from investments (Euro -26.1 million) (values identified as "EBIT" and "net income from investments", respectively, in the consolidated income statement), plus income from shareholder loans (Euro 2.9 million) (identified as financial income of Euro 4.2 million less the write-down of Euro 1.3 million on the NPL portfolio, classified as financial expenses), adjusted for restructuring costs (Euro 2.3 million) and property write-downs/revaluations (Euro 23.6 million).
- **Profit (loss) before restructuring costs, property write-downs/revaluations and income taxes** (Euro -23.8 million): operating profit (loss), mentioned above (Euro -7.5 million), plus financial expenses (Euro -16.3 million).
- **Income from shareholder loans** (Euro 2.9 million): this figure includes interest income from loans to associates and joint ventures and the value of any income from securities contained in the item "financial income"; it is reported net of any loss in value of junior notes included in the item "financial expenses".
- **Financial income (Financial expenses)** (Euro -16.3 million): this includes the item "Financial expenses" (adjusted for any impairment of junior notes or financial receivables) and the item "Financial income", net of income from shareholder loans.
- **Investments in real estate funds and investment companies:** 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:** 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 funds and investment companies.
- **Funds:** this measure consists of the sum of the items "Provisions for future risks and expenses (current and non-current)", "Employee benefit obligations" and "Deferred tax provision" and is stated net of provisions for risks on equity-accounted investments that are included in "Investments in real estate funds and investment companies".
- **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.
- **Basic net earnings (loss) per share:** an indicator of the earnings per share based on the results for the period and calculated as the ratio between net profit (loss) for the period and the number of shares issued and certified at the end of the period.

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

Operating profit/(loss)	**30 September 2014**	**30 September 2013**
EBIT	(10.2)	(17.2)
Net income from investments	(26.1)	(38.1)
Income from shareholder loans (1)	2.9	6.7
Restructuring costs	2.3	6.0
Property (write-downs)/revaluations (2)	23.6	29.0
Total	**(7.5)**	**(13.6)**

Profit/(loss) before restructuring costs, property write-downs/revaluations and income taxes	**30 September 2014**	**30 September 2013**
Operating profit/(loss)	(7.5)	(13.6)
Financial expenses	(16.3)	10.1
Total	**(23.8)**	**(3.5)**

Income from shareholder loans	**30 September 2014**	**30 September 2013**
Interest income on financial receivables due from joint ventures (1)	2.9	6.7
Total	**2.9**	**6.7**

Financial expenses	**30 September 2014**	**30 September 2013**
Financial expenses	(18.5)	(31.3)
Financial income	5.1	8.2
Financial income due to fair value adjustment of new Super Senior and Senior facilities	-	39.9
Income on shareholder loan	(2.9)	(6.7)
Total	**(16.3)**	**10.1**

NOTES

(1) Interest income on financial receivables due from associates and joint ventures included in financial income for Euro 4.2 million, net of loss on NPL portfolio valuation for Euro 1.3 million.

(2) Property (write-downs)/revaluations in September 2014 totalled Euro 23.6million (pro-rata share attributable to the Group): of which Euro 0.7 million included in EBIT of fully consolidated companies and Euro 22.9 million recorded in net income from investments in companies accounted for using the equity method.

9. CONSOLIDATED DATA

9.1. CONSOLIDATED BALANCE SHEET

(in thousands of euro)

ASSETS	09.30.2014	12.31.2013
NON-CURRENT ASSETS		
Property, plant and equipment	888	1,031
Intangible assets	60,488	60,714
Investments	157,237	169,180
of which held for sale	*3,294*	*3,294*
Other financial assets	23,026	24,189
Deferred tax assets	9,460	11,070
Other receivables	99,434	115,980
of which with related parties	*94,188*	*110,675*
TOTAL NON-CURRENT ASSETS	**350,533**	**382,164**
CURRENT ASSETS		
Inventories	47,125	48,406
Trade receivables	31,962	35,055
of which with related parties	*15,914*	*22,230*
Other receivables	25,619	23,560
of which with related parties	*8,540*	*7,516*
Cash and cash equivalents	63,454	85,609
Tax receivables	4,860	6,453
TOTAL CURRENT ASSETS	**173,020**	**199,083**
DISCONTINUED OPERATIONS	**29,450**	**27,781**
of which with related parties	*25,050*	*18,800*
TOTAL ASSETS	**553,003**	**609,028**
EQUITY	**09.30.2014**	**12.31.2013**
GROUP EQUITY		
Share capital	426,432	189,888
Other reserves	(13,117)	(14,529)
Retained earnings	(244,513)	88,366
Net income (loss) for the period	(48,356)	(332,838)
TOTAL GROUP EQUITY	**120,446**	**(69,113)**
MINORITY INTERESTS	**2,323**	**2,778**
TOTAL EQUITY	**122,769**	**(66,335)**
LIABILITIES	**09.30.2014**	**12.31.2013**
NON-CURRENT LIABILITIES		
Bank borrowings and payables to other financial institutions	251,697	465,101
of which with related parties	-	*149,876*
Other payables	876	915
Provisions for future risks and expenses	35,937	39,269
Deferred tax provision	3,211	1,723
Employee benefit obligations	10,124	10,255
Tax payables	-	1,464
TOTAL NON-CURRENT LIABILITIES	**301,845**	**518,727**
CURRENT LIABILITIES		
Bank borrowings and payables to other financial institutions	9,046	8,988
of which with related parties	*6,576*	*6,576*
Trade payables	50,218	48,116
of which with related parties	*3,722*	*3,720*
Other payables	42,782	52,529
of which with related parties	*18,756*	*18,746*
Provisions for future risks and expenses	15,832	32,615
of which with related parties	*1,157*	*12,623*
Tax payables	10,511	11,983
of which with related parties	*1,080*	*1,080*
TOTAL CURRENT LIABILITIES	**128,389**	**154,231**
LIABILITIES RELATING TO DISCONTINUED OPERATIONS	**0**	**2,405**
TOTAL LIABILITIES	**430,234**	**675,363**
TOTAL LIABILITIES AND EQUITY	**553,003**	**609,028**

See section 10 for a description of financial statement entries regarding related-party transactions.

9.2. CONSOLIDATED INCOME STATEMENT

(in thousands of euro)

	01.01.2014-09.30.2014	01.01.2013-09.30.2013
Revenues from sales and services	51,095	53,075
Changes in inventories of work in progress, semi-finished and finished products	(190)	(271)
Other income	5,402	6,321
TOTAL OPERATING REVENUES	**56,307**	**59,125**
of which with related parties	*20,471*	*31,039*
of which non-recurring events	*1,497*	-
Raw and consumable materials used (net of change in inventories)	(1,334)	(2,922)
Personnel costs	(25,785)	(30,016)
Depreciation, amortization and impairment	(536)	(999)
Other costs	(38,866)	(42,367)
TOTAL OPERATING COSTS	**(66,521)**	**(76,304)**
of which with related parties	*(2,297)*	*(2,122)*
of which non-recurring events	*(3,899)*	*(6,094)*
OPERATING RESULT	**(10,214)**	**(17,179)**
Net income from equity investments of which:	(26,010)	(38,128)
of which with related parties	*(26,006)*	*(38,216)*
of which non-recurring events	*125*	*119*
- portion of result of associates and *joint ventures*	*(24,598)*	*(37,770)*
- gains on equity investments	*160*	*459*
- losses on equity investments	*(1,572)*	*(817)*
Financial income	5,051	48,110
of which with related parties	*4,255*	*7,452*
Financial expenses	(18,468)	(31,405)
of which with related parties	*(462)*	*(4,517)*
RESULT BEFORE INCOME TAXES	**(49,641)**	**(38,602)**
Income taxes	(3,167)	(6,773)
NET INCOME (LOSS) FROM CONTINUING OPERATIONS	**(52,808)**	**(45,375)**
of which attributable to minority interests	(592)	(416)
Net income (loss) from discontinued operations	**3,860**	**726**
of which with related parties	*8,664*	*11,522*
CONSOLIDATED RESULT FOR THE PERIOD	**(48,356)**	**(44,233)**

See section 10 for a description of financial statement entries regarding related-party transactions.

9.3. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in thousands of euro)

		01.01.2014-09.30.2014			of which attributable to:	
		Gross	Taxes	Net	Group	Minority interests
A	**Net profit (loss) for the period**			**(48,948)**	**(48,356)**	**(592)**
	Other components recorded under equity that can be reclassified in the income statement in a future period:	**2,034**	**(495)**	**1,539**	**1,408**	**131**
	Exchange differences from the translation of foreign financial statements	(11)	-	(11)	(11)	-
	Total available-for-sale financial assets	1,803	(495)	1,308	1,177	131
	- Adjustment of available-for-sale financial assets to fair value	804	(221)	583	525	58
	- portion of (profit)/losses transferred to the income statement that were previously recorded directly under equity	999	(274)	725	652	73
	Share of other equity components related to associates and joint ventures	242	-	242	242	-
	- portion of profit/(losses) recorded directly under equity	242	-	242	242	-
B	**Total other components recorded under equity**	**2,034**	**(495)**	**1,539**	**1,408**	**131**
A+B	**Total comprehensive income/(losses) for the period**			**(47,409)**	**(46,948)**	**(461)**

		01.01.2013-09.30.2013			of which attributable to:	
		Gross	Tax	Net	Group	Minority interests
A	**Net profit (loss) for the period**			**(44,649)**	**(44,233)**	**(416)**
	Other components recorded under equity that can be reclassified in the income statement in a future period:	**8,109**	**(201)**	**7,908**	**7,920**	**(12)**
	Exchange differences from the translation of foreign financial statements	(140)	-	(140)	(140)	-
	Total available-for-sale financial assets	(171)	47	(124)	(112)	(12)
	- Adjustment of available-for-sale financial assets to fair value	(171)	47	(124)	(112)	(12)
	Share of other equity components related to associates and joint ventures	8,420	(248)	8,172	8,172	-
	- portion of profit/(losses) previously recognised directly in equity now transferred to the income statement	2,983	-	2,983	2,983	-
	- portion of profit/(losses) recorded directly under equity	5,437	(248)	5,189	5,189	-
B	**Total other components recorded under equity**	**8,109**	**(201)**	**7,908**	**7,920**	**(12)**
A+B	**Total comprehensive income/(losses) for the period**			**(36,741)**	**(36,313)**	**(428)**

9.4. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in thousands of euro)

	Share capital	Currency translation reserve	Reserve for fair value measurement of available-for-sale financial assets	Cash flow hedge reserve	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 12.31.2013	**189,888**	**(5,712)**	**(5,191)**	**(168)**	**(1,111)**	**4,223**	**(6,570)**	**88,366**	**(332,838)**	**(69,113)**	**2,778**	**(66,335)**
Total other components recorded under equity	**-**	**63**	**1,623**	**168**	**-**	**(446)**	**-**	**-**	**-**	**1,408**	**131**	**1,539**
Allocation of 2013 results	-	-	-	-	-	-	-	(332,838)	332,838	-	-	-
Share capital increase	236,544	-	-	-	-	-	-	-	-	236,544	-	236,544
Other changes	-	-	-	-	-	(2)	6	(41)	-	(37)	6	(31)
Net profit (loss) for the period	-	-	-	-	-	-	-	-	(48,356)	(48,356)	(592)	(48,948)
Equity at 09.30.2014	**426,432**	**(5,649)**	**(3,568)**	**0**	**(1,111)**	**3,775**	**(6,564)**	**(244,513)**	**(48,356)**	**120,446**	**2,323**	**122,769**

	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	Retained earnings (losses)	Net income (loss) for the period	**Group Equity**	**Minority interests in equity**	**Total**
Equity at 12.31.2012	**218,283**	**(2,064)**	**(6,211)**	**(10,233)**	**(1,818)**	**3,067**	**(999)**	**115,887**	**(241,734)**	**74,178**	**6,213**	**80,391**
Total other components recorded under equity	**-**	**(140)**	**(154)**	**8,420**	**-**	**(206)**	**-**	**-**	**-**	**7,920**	**(12)**	**7,908**
Cancellation of own shares	586	-	-	-	-	-	(586)	-	-	-	-	-
Allocation of 2012 results	(213,996)	-	-	-	-	-	-	(27,738)	241,734	-	-	-
Share capital increase	185,015	-	-	-	-	-	3,004	-	-	188,019	-	188,019
Costs of equity transactions	-	-	-	-	-	2,067	(7,518)	-	-	(5,451)	-	(5,451)
Other changes	-	-	180	-	5	(40)	-	(168)	-	(23)	(401)	(424)
Net profit (loss) for the period	-	-	-	-	-	-	-	-	(44,233)	(44,233)	(416)	(44,649)
Equity at 09.30.2013	**189,888**	**(2,204)**	**(6,185)**	**(1,813)**	**(1,813)**	**4,888**	**(6,099)**	**87,981**	**(44,233)**	**220,410**	**5,384**	**225,794**

9.5. CONSOLIDATED CASH FLOW STATEMENT

(in thousands of euro)

	01.01.2014-09.30.2014	01.01.2013-09.30.2013
Result before income taxes and minority interests	(49,641)	(38,602)
Net income (loss) from discontinued operations	3,860	726
Depreciation, amortisation and impairment/impairment reversal intangible assets & property, plant & equipment	536	1,118
Impairment of receivables	4,339	7,541
Gains/Losses on sale of property, plant and equipment	18	11
Net income from investments net of dividends	28,373	38,128
Financial expenses	18,468	31,405
Financial income	(5,051)	(48,110)
Change in inventories	1,281	3,043
Change in trade receivables/payables	(3,191)	51
Change in other receivables/payables	(14,070)	(4,909)
Change in employee benefit obligations and other provisions	(9,787)	(12,915)
Taxes	(1,168)	(3,087)
Net cash flow generated by discontinued operations	4,434	(726)
Other changes	604	397
Net cash flow generated / (absorbed) by operating activities (A)	**(20,995)**	**(25,929)**
Purchase of property, plant and equipment	(13)	(344)
Disposal of property, plant and equipment	284	217
Purchase of intangible assets	(213)	(121)
Disposal of intangible assets	57	2
Net cash flow generated by disposal of investments in subsidiaries	(4)	88
Increases of investments in associates and joint ventures	(12,207)	(10,127)
Disposal of interests in associates and joint ventures and other changes	-	63
Purchase of other financial assets	(200)	(200)
Disposal/reimbursement of other financial assets	837	2,874
Net cash flow generated / (absorbed) by investing activities (B)	**(11,459)**	**(7,548)**
Change in company capital and other reserves	-	115,427
Other changes in equity	(32)	(564)
Change in financial receivables	3,931	39,567
Change in financial payables	7,277	(51,549)
Cash flow generated by financial income	339	199
Cash flow absorbed by financial expenses	(1,216)	(3,325)
Net cash flow generated / (absorbed) by financing activities (C)	**10,299**	**99,755**
Total net cash flow generated / (absorbed) in the period (D=A+B+C)	**(22,155)**	**66,278**
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)	**63,454**	**103,882**
of which:		
- cash and cash equivalents	**63,454**	**103,882**
- bank overdrafts	**-**	**-**

See section 10 for a description of cash flows regarding related-party transactions.

9.6. NET FINANCIAL POSITION

(in thousands of euro)

	09.30.2014	12.31.2013
CURRENT ASSETS		
Other receivables	**113**	**114**
- of which receivable from related parties	*113*	*114*
Financial receivables	113	114
- *joint ventures and other Prelios Group companies*	113	114
Cash and cash equivalents	**63,454**	**85,609**
TOTAL CURRENT ASSETS - A	**63,567**	**85,723**
CURRENT LIABILITIES		
Bank borrowings and payables to other lenders	**(9,046)**	**(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	(1,121)	(1,466)
- Bank borrowings	(1,251)	(848)
- Payables to other lenders	(98)	(98)
TOTAL CURRENT LIABILITIES - B	**(9,046)**	**(8,988)**
NON-CURRENT LIABILITIES		
Bank borrowings and payables to other lenders	**(251,697)**	**(465,101)**
- of which payable to related parties	*-*	*(149,876)*
- Other financial payables	(10,154)	(58)
- Convertible bond (1)	-	(235,902)
- Bank borrowings	(241,543)	(229,141)
TOTAL NON-CURRENT LIABILITIES - C	**(251,697)**	**(465,101)**
NET FINANCIAL POSITION EXCL. SHAREHOLDER LOANS GRANTED (*) = D =(A+B+C)	**(197,176)**	**(388,366)**

(1) On April 14, 2014 the compulsory early repayment of the Convertible Bond was automatically and directly executed through the full conversion of the Convertible Bonds and, therefore, the capital increase for the exclusive service of the conversion was also automatically implemented through the issue of 229,757,292 ordinary shares and 93,390,705 class B shares.

(*) 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").

9.7. Consolidated Income Statement by Quarter

(in thousands of euro)

	01.01.2014-09.30.2014	01.01.2014-03.31.2014	04.01.2014-06.30.2014	07.01.2014-09.30.2014	01.01.2013-09.30.2013	01.01.2013-03.31.2013	04.01.2013-06.30.2013	07.01.2013-09.30.2013
Revenue from sales and services	51,095	17,054	18,121	15,920	53,075	17,600	18,041	17,434
Changes in inventories of work in progress, semi-finished and finished products	(190)	9	(199)	-	(271)	(3)	(459)	191
Other income	5,402	681	3,106	1,615	6,321	1,437	3,816	1,068
TOTAL OPERATING REVENUE	**56,307**	**17,744**	**21,028**	**17,535**	**59,125**	**19,034**	**21,398**	**18,693**
Raw and consumable materials used (net of change in inventories)	(1,334)	(90)	(1,201)	(43)	(2,922)	(105)	(2,020)	(797)
Personnel costs	(25,785)	(10,033)	(8,316)	(7,436)	(30,016)	(10,499)	(10,786)	(8,731)
Depreciation, amortisation and impairment	(536)	(113)	(220)	(203)	(999)	(369)	(336)	(294)
Other costs	(38,866)	(11,889)	(14,000)	(12,977)	(42,367)	(12,961)	(18,981)	(10,425)
TOTAL OPERATING COSTS	**(66,521)**	**(22,125)**	**(23,737)**	**(20,659)**	**(76,304)**	**(23,934)**	**(32,123)**	**(20,247)**
EBIT	**(10,214)**	**(4,381)**	**(2,709)**	**(3,124)**	**(17,179)**	**(4,900)**	**(10,725)**	**(1,554)**
Net income from investments:	(26,010)	(2,821)	(21,833)	(1,356)	(38,128)	(4,725)	(26,118)	(7,285)
- net profit share from investments in associates and joint ventures	*(24,598)*	*(4,413)*	*(18,759)*	(1,426)	*(37,770)*	*(4,499)*	*(26,214)*	(7,057)
- gains on investments	*160*	*1,729*	*(1,694)*	125	*459*	*14*	*299*	146
- losses on investments	*(1,572)*	*(137)*	*(1,380)*	(55)	*(817)*	*(240)*	*(203)*	(374)
Financial income	5,051	2,193	1,544	1,314	48,110	2,993	3,527	41,590
Financial expenses	(18,468)	(6,117)	(6,079)	(6,272)	(31,405)	(11,535)	(12,069)	(7,801)
PROFIT (LOSS) BEFORE TAXES	**(49,641)**	**(11,126)**	**(29,077)**	**(9,438)**	**(38,602)**	**(18,167)**	**(45,385)**	**24,950**
Taxes	(3,167)	(1,320)	(1,633)	(214)	(6,773)	(2,280)	(1,057)	(3,436)
NET INCOME FROM CONTINUING OPERATIONS	**(52,808)**	**(12,446)**	**(30,710)**	**(9,652)**	**(45,375)**	**(20,447)**	**(46,442)**	**21,514**
attributable to minority interests	(592)	49	(714)	73	(416)	(87)	(316)	(13)
NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS	**3,860**	**(858)**	**5,770**	**(1,052)**	**726**	**1,879**	**625**	**(1,778)**
GROUP NET INCOME/(LOSS)	**(48,356)**	**(13,353)**	**(24,226)**	**(10,777)**	**(44,233)**	**(18,481)**	**(45,501)**	**19,749**

10. RELATED-PARTY TRANSACTIONS

The following tables show transactions and balances with related parties:

(in thousands of euro)

	01.01.2014-09.30.2014	% (*)	01.01.2013-09.30.2013	% (*)
Operating revenue	20,471	36.4%	31,039	52.5%
Operating costs	(2,297)	3.5%	(2,122)	2.8%
Net income from investments	(26,006)	100.0%	(38,216)	100.2%
Financial income	4,255	84.2%	7,452	15.5%
Financial expenses	(462)	2.5%	(4,517)	14.4%
Income (loss) from discontinued operations	8,664	224.5%	11,522	1587.1%

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

	09.30.2014				12.31.2013			
	Total	% (*)	non-current	current	Total	% (*)	non-current	current
Trade receivables	15,914	49.8%	-	15,914	22,230	63.4%	-	22,230
Other receivables, of which:	102,728	82.1%	94,188	8,540	118,191	84.7%	110,675	7,516
- financial receivables	*94,301*	*100.0%*	*94,188*	*113*	*110,779*	*100.0%*	*110,665*	*114*
Discontinued operations	25,050	85.1%	25,050	-	18,800	67.7%	18,800	-
- financial receivables	*25,050*	*100.0%*	*25,050*	-	*18,800*	100.0%	*18,800*	-
Trade payables	(3,722)	-7.4%	-	(3,722)	(3,720)	-7.7%	-	(3,720)
Other payables	(18,756)	-43.0%	-	(18,756)	(18,746)	-35.1%	-	(18,746)
Tax payables	(1,080)	-10.3%	-	(1,080)	(1,080)	-8.0%	-	(1,080)
Bank borrowings and payables to other lenders	(6,576)	-2.5%	-	(6,576)	(156,452)	-33.0%	(149,876)	(6,576)
Provisions for future risks and expenses	(1,157)	-2.2%	-	(1,157)	(12,623)	-17.6%	-	(12,623)

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

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

Transactions and balances with associates/ joint ventures and other companies	from 01.01.2014 to 09.30.2014	
Operating revenue	20,407	The item refers to Group company mandates for fund and asset management services and technical and commercial services.
Operating costs	(440)	These refer to recharges of various kinds.
Net income from investments	(26,006)	The item mainly refers to the equity method valuation of Group investments, as well as other investments adjustments.
Financial income	4,255	This mostly refers to interest earned on financial receivables held by Group companies.
Financial expenses	(54)	This item mainly refers to the "discounting" effects on receivables due from Group companies not consolidated line-by-line.
Net income (loss) from discontinued operations	8,664	The item refers to the transactions with related parties reclassified in compliance with International Financial Reporting Standards (IFRS 5).
Current trade receivables	15,888	This balance includes receivables arising from "operating revenue".
Other non-current receivables	94,188	
- of which financial receivables	*94,188*	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	6,821	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	25,050	
- of which financial receivables	*25,050*	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	(3,072)	They refer to various chargebacks, mainly rent, urbanisation charges and accessory costs.
Other current payables	(18,756)	These refer to various chargebacks.
Current tax payables	(1,080)	Amounts due to Trixia S.r.l. further its adoption of the "tax transparency" regime allowed by art. 115 of the Italian Income Tax Code, whereby a company's positive or negative taxable amounts are attributed to its shareholders.
Current bank borrowings and payables to other lenders	(6,576)	These include negative balances on intercompany current accounts and other financial payables arising from capital contributions in Aree Urbane S.r.l. (in liquidation) for Euro 4,892 thousand and Solaia RE S.à.r.l. for Euro 634 thousand.
Provisions for future risks and expenses	(1,157)	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 now be provided of the transactions and balances at September 30, 2014 between the Prelios Group and other parties that are indirectly related through the Directors.

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

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

	from 01.01.2014 to 09.30.2014	
Operating revenue	64	The item mainly refers to a new agreement with Pirelli Tyres S.p.A. relating to the Bicocca area parking.
Operating costs	(1,857)	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	(408)	These relate to the interest accrued on the convertible bond subscribed by Pirelli & C. S.p.A. from January 1 to April 8, 2014.
	As at 09.30.2014	
Current trade receivables	26	These mainly refer to receivables from Pirelli Group for the recovery of costs paid for HQ and R&D buildings and to the agreement relating to the Bicocca area parking.
Other current receivables	1,719	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	(650)	These mainly refer to the payable to Pirelli Tyre S.p.A. for the chargeback of utilities and expenses related to R&D building. They also include payables for health services provided by the company Poliambulatorio Bicocca S.r.l..

Cash flows

At September 30, 2014 there are no additional cash flows relating to related-party transactions that are not directly evidenced in the financial statements or in the accompanying notes.

Milan, November 5, 2014 The Board of Directors

11. STATEMENT OF THE MANAGER RESPONSIBLE FOR CORPORATE FINANCIAL REPORTING

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 September 30, 2014 corresponds to the underlying documentary records, books of account and accounting entries.

Milan, November 5th 2014

Marco Andreasi

The Financial Reporting Officer

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