PRELIOS

# INTERIM FINANCIAL REPORT ON OPERATIONS
# at SEPTEMBER 30, 2015

# A. INTERIM REPORT ON OPERATIONS

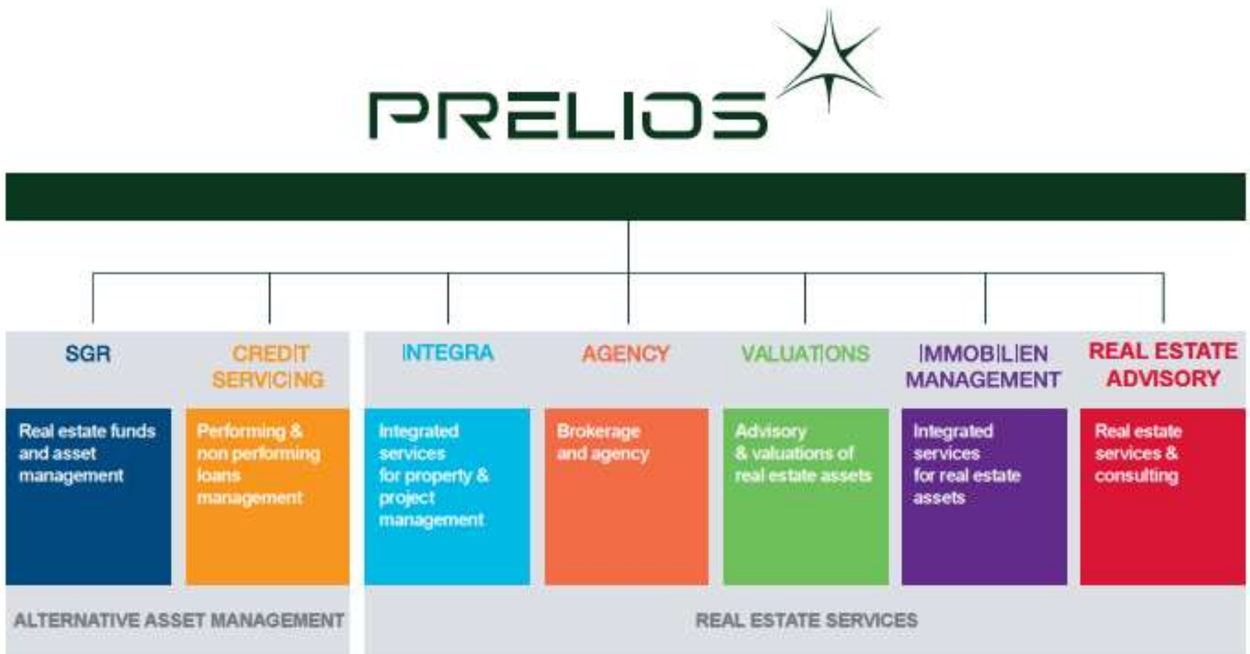
# 1. CORPORATE REVIEW

## 1.1. Group profile

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

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

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




The management of co-investments, which refers instead to what Prelios generates through its investments in funds and companies that own real estate and non-performing loan portfolios, is scheduled to be contributed shortly to a newly incorporated company in which Prelios will hold a minority stake, as explained in more detail below.

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

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

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

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

### 1.2. Economic and financial highlights

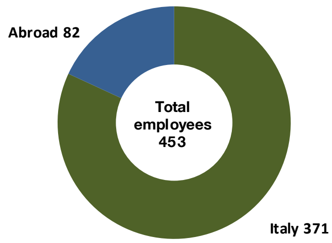
In the first nine months of 2015, the Group operating loss (as defined in section 4) was Euro 12.1 million, compared with an operating loss of Euro 7.5 million at September 30, 2014 and at net loss attributable to the Group of Euro 16.6 million, compared with a net loss of Euro 48.4 million. Most of the net loss was positively influenced by items that are outside the scope of ordinary operations, and in particular:

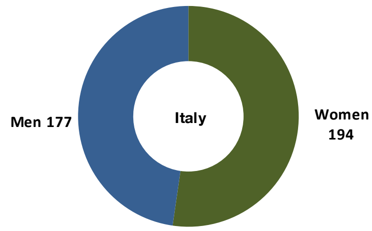
- impairment losses and property write-downs, which had a positive impact of Euro 2.7 million (a negative Euro 23.6 million at September 30, 2014);
- restructuring costs, which had a positive impact of Euro 0.6 million, compared to a negative Euro 2.3 million in the first nine months of 2014. This item mainly includes expenses connected with streamlining of the Group, loan losses and write-offs recognised as part of the program to restructure certain investees, offset by the partial release of risk provisions following the settlement or positive outcome of disputes that had previously generated accruals;
- the net income from assets and liabilities held for sale, which had a positive impact of Euro 3.2 million resulting from refinement of the estimated cash flows still remaining after disposal of the German residential portfolio known as DGAG, sold in 2014 to Buwog (fully owned by the Austrian group Immofinanz), along with the related residential management platform of Prelios Deutschland.

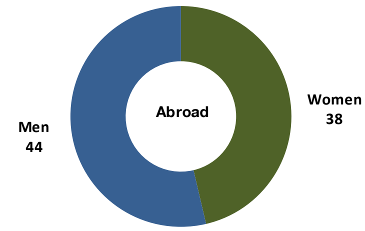
At September 30, 2015, the equity attributable to the Group was Euro 88.2 million, compared to a positive Euro 104.8 million at December 31, 2014.

| **Income statement data** | **SEPTEMBER 2015** | **SEPTEMBER 2014** |
|---|---|---|
| **Consolidated revenue** | **45.8** | **51.1** |
| *of which services* | *41.8* | *50.5* |
| *of which other* | *4.0* | *0.6* |
| | | |
| **Operating profit/(loss)** | **(12.1)** | **(7.5)** |
| *of which Management Platform* | *(3.3)* | *0.1* |
| *of which Investment Activities* | *(8.8)* | *(7.6)* |
| | | |
| Restructuring costs | 0.6 | (2.3) |
| Property (write-downs)/revaluations | 2.7 | (23.6) |
| | | |
| **Group net income/(loss) before discontinued operations** | **(19.8)** | **(52.3)** |
| Net income (loss) from discontinued operations | 3.2 | 3.9 |
| **Group net income/(loss) for the period** | **(16.6)** | **(48.4)** |
| | | |
| **Balance sheet data** | **SEPTEMBER 2015** | **DECEMBER 2014** |
| Equity | 90.8 | 107.3 |
| *of which Group equity* | *88.2* | *104.8* |
| Net financial position | 199.5 | 187.6 |
| | | |
| **Indexes** | **SEPTEMBER 2015** | **DECEMBER 2014** |
| Employees | 453 | 468 |

### 1.3. Headcount[2]

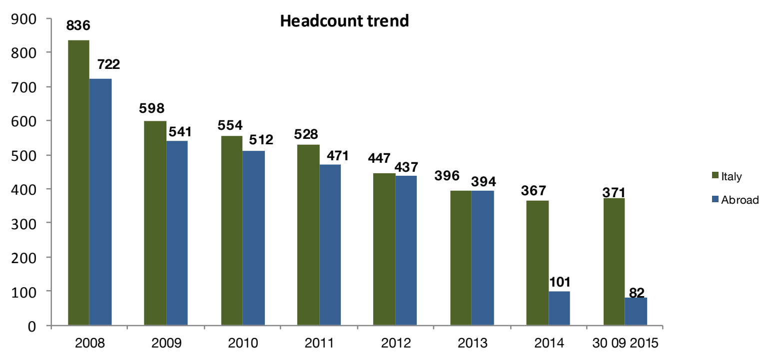



**Average age**

| Italy | Abroad |
|---|---|
| 42.2 | 43.1 |




The total headcount, including resources on temporary contracts, fell from 468 persons on December 31, 2014 to 453.

[2] Including resources on temporary contracts.

## 2. CORPORATE BODIES

### Board of Directors [3]

| | |
|---|---|
| Giorgio Luca Bruno | Chairman |
| Sergio Iasi | Chief Executive Officer (CEO) |
| Anna Maria Artoni | Independent Director |
| Mirja Cartia d'Asero | Independent Director |
| Rosa Cipriotti | Independent Director |
| Giovanni Gilli | Director |
| Valeria Leone | Director |
| Andrea Mangoni | Independent Director |
| Davide Mereghetti | Director |
| Arturo Sanguinetti | Independent Director |
| Giovanni Jody Vender | Independent Director |
| Massimo Marinelli | Board Secretary |

### Internal Control, Risk and Corporate Governance Committee

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

### Remuneration Committee

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

[3] On October 16, 2015 the Shareholders' Meeting appointed the members of the Board of Directors and set their term of office at three years, and thus until the approval of the financial statements for the year ending December 31, 2017. At the end of the Meeting, the Board of Directors appointed the executive officers, established the Board Committees and appointed the members of the Supervisory Board.

### Board of Statutory Auditors [4]

| | |
|---|---|
| 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

| | |
|---|---|
| Arturo Sanguinetti | Chairman |
| Sergio Beretta | Member |
| Michela Zeme | Standing Statutory Auditor |
| Sergio Romiti | Member |

### Manager charged with preparing the Company's financial documents

Marco Andreasi [5]

### Independent Auditors

Reconta Ernst & Young S.p.A.[6]

Via della Chiusa, 2

20123 Milan

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

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

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

## 3. PRELIOS DURING THE FIRST NINE MONTHS OF 2015

During the first nine months of 2015, as in the previous year, the macroeconomic situation continued to be marked by uncertainties surrounding the overall growth prospects of the Italian economy. Although there were some initial signs of a future recovery, the persistence of the crisis was reflected in the real estate sector which, notwithstanding the sharp increase in volumes from 2013, still reflects a soft market. However, some signs of a possible recovery did appear, driven mainly by the recent renewed interest in Italy's real estate sector by opportunistic foreign investors, prompted by the effects of the repricing and the resulting upturn in gross yields and easier access to credit than in previous years. Investments are expected to grow moderately in 2015, stimulated by the upturn of domestic and foreign demand and the improvement of financing conditions.

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

- the sale of UniCredit's entire investment in UniCredit Credit Management Bank S.p.A. ("UCCMB") to Fortress affiliates, including a portfolio of non-performing loans of a gross amount of approximately Euro 2,4 billion;
- the main terms and conditions of a long-term strategic contract governing management of present and future small and medium-size non-performing loans.

Fortress and Prelios have agreed that they will collaborate as industrial partners in the management of certain non-performing loans. Therefore, Prelios Credit Servicing shortly begin managing certain loans in accordance with the agreements reached with Fortress.

In particular, on June 9, 2015 the following agreements were signed: the “Relationship Agreement” – which regulates the contractual aspects of the partnership – and the “Main Terms of Subservicing Agreement” – which regulates in greater detail the principal terms for management of the share of PRECS in the portfolio acquired from UCCMB.

Subsequently, on October 30, 2015, UCCMB completed acquisition of the previously mentioned NPL portfolio for about Euro 2.4 billion.

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

On March 10, 2015 the Board of Directors preliminarily examined the conditions for the development and implementation of a project to reorganise the Group's operations involving the possible spin-off of the Investments Business Unit to an independent special purpose vehicle separate from the Services Business Unit of Prelios. The project is aimed at speeding the transition to a pure management company model, while also shoring up both divisions' balance sheets and financial position.

The spin-off procedure, which would make Prelios a pure management company, is strategic and of significant interest to the Company, which could thus overcome several obstacles that have heretofore prevented the full growth of the Management Platform, in addition, it is hoped, to increased synergy with present and future major shareholders.

Also on March 10, 2015 the Company Board of Directors approved the Budget 2015 and Outlook 2016-2017, which still show losses in amounts that will reduce equity and negative cash flow that, while not triggering a deficit over the life of the plan, will continue to provoke financial tension. However, a number of possible new actions have been identified, although their significant effects will be visible beginning in 2016. Since they are being studied and are thus not reflected in those forecasts, they might have a material impact on Group performance. This would consist in a significant stimulus resulting both from the substantial balancing of the Group's accounts and economic sustainability, consistently with the pursued objectives of turning it around, and the contextual conditions, such as renewed access to credit for launching new investment vehicles and pro-active collaboration with the banking system, which until now have severely limited the business activity of the Group.

The Budget 2015 and Outlook 2016-2017 contain the following main objectives:

- growing the asset management business by acquiring new assets, to be used to package new products for distribution to Italian and international investors and/or existing funds, through either the direct acquisition of products from other management companies or mergers with such companies offering (i) a range of complementary products, (ii) a complementary ownership structure and (iii) relationships with leading investors;

- consolidating the open-market strategy pursued by Prelios Credit Servicing to ensure sustainable growth, developing extraordinary transactions with upfront fees to finance growth and developing soft equity co-investment in partnership with other investors in small-/medium-size portfolios to seize important opportunities deriving from the real estate market cycle;
- expanding the non-captive client basis of the Integrated Services Business Unit, improving margins and consolidating leadership in Italy in a wide range of services, with the aim of being perceived as the only full-service player on the Italian market;
- repositioning the German platform as a national player focusing on higher added value services for international investors, responsible for unified management in Germany and Poland.

In this context, during the period the Company obtained a waiver for certain aspects of its loan agreements, specifically in regard to the timelines/procedures for reimbursement of the cash flows resulting from sale of the co-investment activities (inversion of the senior debt 65%-35% repayment mechanism).

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

The Ordinary and Extraordinary Shareholders' Meeting of the Company was held on June 24, 2015. During the ordinary part, the Shareholders' Meeting approved the separate financial statements 2014, which closed with a net loss of about Euro 74.1 million, while the consolidated loss amounted to about Euro 61.1 million. Moreover, following the resignation of a Director, the Shareholders' Meeting decided to confirm the number of members of the Board of Directors at 15 and to appoint Ms. Valeria Leone as the new director of the Company. During the extraordinary part, the Shareholders' Meeting resolved – pursuant to Article 2446, paragraph of the Italian Civil Code – to cover the entire loss for the year, the loss for the previous year, and the pre-existing negative "other reserves", as reported on the separate financial statements 2014, through full use of the available reserves and reduction of the share capital to Euro 49,225,067.95.

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

On August 6, the Board of Directors approved the plan to separate the business activities related to real estate investments and co-investments from the service activities (asset and fund management, integrated asset services, intermediation and valuation services, credit servicing), to be transferred to a separate special purpose vehicle that will be controlled by Prelios only initially and then spun off by the latter.

The project pursues the Company aim of focusing on Service activities, with a clear focus on the development of its management and services business, proceeding to the total disposal of investments, in order to anticipate as much as possible the strategic repositioning of the Company as a pure management company.

At the same time, the Project also aims at shoring up the balance sheet and financial position of the Company, by achieving a sustainable debt structure, balanced equity and financial position, with the goal of assuring its future as a going concern. This Project also envisages a rights offering by Prelios.

In particular, the Transaction envisages the following:

1. demerger of the Investments component from the Services component through the contribution by Prelios of the Investments Business Unit to a separate special purpose vehicle together with transfer of a portion of the Overall Debt having a face value of about Euro 174 million.
2. the simultaneous entry of the Partners as shareholders of the newly formed special purpose vehicle, through a capital increase paid in cash reserved to them, for an amount of Euro 12 million. This would result in a governance structure such that neither Prelios nor the Partners would control the Newco, allowing it to proceed with the orderly and profitable disposal of its own assets, including in the prospect of repaying the transferred financial debt. More specifically, the majority of voting capital would be assigned to the Partners, and Prelios would remain a minority shareholder (but holder of the majority of property rights), with consequent deconsolidation of the Newco from Prelios and its accounting with the equity method.

The overall context of the Transaction also envisages a capital increase of Prelios for a maximum of Euro 66.5 million (including any share premium), to be carried out in the form of a rights offering to existing shareholders (with an underwriting guarantee by the Lending Banks), in view of shoring up the Company balance sheet and financial position through the reduction of its residual debt (following its contribution to the Newco) and obtaining resources to be allocated to development of the Services business and related investments.

The Transaction also envisages buying back the entire stake in the subsidiary Prelios SGR S.p.A., through a buyback of the remaining 10% of the share capital of the asset management company currently owned by Intesa Sanpaolo. The fair value of the transfer has been confirmed by a specific fairness opinion issued by an independent expert.

The Transaction would have the merit of pursuing:

- from the rational, strategic and industrial perspective:
    - spinning of the non-core Investment assets from Prelios, thereby permitting an acceleration in the process of implementing a business model aimed at realising a pure management company consistent with the basic strategic focus that has been repeatedly declared to the market;
    - a clear business model with a focus on the pure activity of service provider and streamlining the allocation of financial resources;
    - greater possibility of access to new credit to seize the growth opportunities arising on the market;
    - improved market perception of the Company, with consequent possible participation in the process of consolidation under way in the sector;
    - reduced exposure to the needs and risks associated with the run-off of Investments, with the associated de-correlation of the Services business cash flows from the requirements of the Investments business;
- from the rational and financial perspective:
    - streamlining of the management structure with reduced overhead costs resulting from the Transaction;
    - realisation by Prelios of a significant reduction in its net financial position after the Transaction;
    - shoring up of the balance sheet and financial position, which can better support the business needs of the Services;
    - realisation of a balanced equity and financial position in order to pursue the structural conditions for long-term stability of the Company as a going concern.

The Board of Directors has approved the Industrial Plan 2015-2017 (hereinafter, the “Plan”) within the framework of the Project. Aside from the growth objectives that collectively aim to complete the restructuring of the Group (aimed at realising a pure management company) and the relaunch of Prelios as a European leader in the real estate and related financial services sector, the Industrial Plan also contains the elements that can reveal its close correlation with the Company recovery path, including the restructuring of its debt which, as part of the Transaction, will be transferred to the recipient company whose co-investors include the Partners and in which Prelios will have a minority stake. The Plan was prepared on the assumption that the Transaction would be realised and finalised, including the Prelios capital increase.

The certification of the accuracy of the business data and feasibility of the Plan was signed and sworn on August 7, 2015 – pursuant to and in accordance with Article 67(3)(d) of Royal Decree 267 of March 16, 1942 – by Mr Mario Civetta. He is an independent expert having adequate and confirmed professional expertise who satisfies the prerequisites of independence and absence of any conflict of interest in the Transaction. This certification was also sworn on September 14, 2015 in the same version – after having only summarised several parts to avoid exact indication of certain numerical details and certain sensitive information used for certification, but which must not be disclosed to competitors and thus not be published, while fully confirming the premises, contents and conclusions – and filed for registration at the Milan Companies' Register on October 8, 2015.

The Board of Directors has considered the Project as a transaction between related parties in regard to the investment of Pirelli & C., Intesa Sanpaolo and UniCredit.

On September 3, 2015 it became enforceable: under this agreement, Feidos 11, a special purpose vehicle owned by, inter alia, Mr Massimo Caputi, sold to the creditor shareholders Pirelli, Intesa Sanpaolo and Unicredit 15.9% of Fenice, which owns 29.39% of Prelios S.p.A. in class B shares. The transaction was executed through the exercise of a call option by Pirelli and the two banks.

## 2015-2017 PLAN

In accordance with the 2015-2017 Plan, as described hereinabove, the Group has also launched a series of new strategic projects (some of which have already been completed, whereas others are still ongoing), which could further improve the Group's performance in the plan period, the main objectives of which are:

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

By implementing all or part of these projects, Prelios could substantially improve the Group's performance in terms of revenue and EBIT exceeding forecasts, on the basis of limited investments.

## 4. NOTES ON MAIN GROUP ECONOMIC AND FINANCIAL DATA

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

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

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

The measure that best reflects the business performance of the Management Platform and Investment Activities of the Group is "Operating profit/(loss)", consisting of EBIT including net income 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. in 2014 for the disposal of the investments held in the real estate companies holding the German residential portfolio called DGAG (Deutsche Grundvermögen AG), the financial figures for the first nine months of 2015 presented and commented on below do not include the figures pertaining to the German business unit that was sold in 2014. Indeed, in accordance with IFRS 5, these figures have been reclassified to a specific line related to assets/liabilities sold and/or held for sale.

### 4.1. Income statement

| (Euro/milion) | SEPTEMBER 2015 | SEPTEMBER 2014 |
|---|---|---|
| Consolidated revenues: | 45.8 | 51.1 |
| *of which services* | *41.8* | *50.5* |
| *of which others* | *4.0* | *0.6* |
| **Management platform:** operating result before restructuring costs, impairment and property writedowns/revaluations | (3.7) | 0.1 |
| **Management platform:** net income from equity investments before restructuring costs and property writedowns/revaluations | 0.4 | 0.0 |
| **Total Management Platform: Operating result** | **(3.3)** | **0.1** |
| **Investment activities:** operating result before restructuring costs and property writedowns/revaluations | (8.4) | (7.2) |
| **Investment activities:** net income from equity investments before restructuring costs and property writedowns/revaluations | (3.2) | (3.3) |
| **Investment activities:** income from shareholder loans (1) | 2.8 | 4.2 |
| **Investment activities:** loss from NPL portfolio valuation | 0.0 | (1.3) |
| **Total Investment Activities: Operating result** | **(8.8)** | **(7.6)** |
| **Operating result** | **(12.1)** | **(7.5)** |
| Financial expenses | (9.1) | (16.3) |
| **Profit (loss) before restructuring costs, property writedowns/revaluations and income taxes** | **(21.2)** | **(23.8)** |
| Restructuring costs | 0.6 | (2.3) |
| Property writedowns/revaluations | 2.7 | (23.6) |
| **Result before taxes** | **(17.9)** | **(49.7)** |
| Income taxes | (1.8) | (3.2) |
| **Net income (loss) from continuing operations** | **(19.7)** | **(52.9)** |
| Minority interests | (0.1) | 0.6 |
| **Consolidated net income/(loss) before discontinued operations** | **(19.8)** | **(52.3)** |
| Net income (loss) from discontinued operations | 3.2 | 3.9 |
| **Consolidated net income/(loss)** | **(16.6)** | **(48.4)** |

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

Consolidated revenue amounted to Euro 45.8 million for the period ended September 30, 2015, compared to Euro 51.1 million in the first nine months of 2014. In particular, the revenue of the Management Platform, both Italian and foreign, totalled Euro 41.8 million. This marked a contraction that was mainly due to the lower revenue generated by fund management activity following liquidation of the Olinda Fund and the reduction in fees from the Tecla Fund, for which the non-recurring extension was exercised. Moreover, lower revenue was generated by the credit servicing activity in regard to the conclusion of several special servicing mandates. There has also been a contraction in the revenues of the German management platform, generated mainly by the loss of several non-captive mandates which expired at the end of 2014, and which have not yet been fully offset by the acquisition of new business. The revenue of the Investment Platform instead shows an increase that is mainly related to finalisation of the sale of the property located in Magdeburg, Germany.

The operating loss was Euro 12.1 million, as compared with Euro 7.5 million reported at September 30, 2014. The contraction is attributable for Euro 3.4 million to the management platform, which shifted from an operating profit of Euro 0.1 million in September 2014 to an operating loss of Euro 3.3 million in September 2015. This deterioration is largely attributable to the service activities in Italy. The investment activity deteriorated by Euro 1.2 million from September 2014. Of this change, Euro 2.5 million is attributable to the lower results realised in the real estate sector, mainly in Italy, and partly offset by the non-performing loans. These broke even, as compared with an impairment loss of Euro 1.3 million on the NPL portfolio in the first nine months of 2014.

Financial expense in the first nine months of 2015 amounted to Euro 9.1 million, compared to financial expense of Euro 16.3 million at September 30, 2014. The improvement is mainly due to the gain on the premature repayment of the loan from UBI Banca, through payment on a lump sum basis of an amount less than its face value.

The restructuring expenses at September 30, 2015 show a positive result of Euro 0.6 million, as opposed to a negative Euro 2.3 million for the corresponding period of 2014 on a like-for-like basis. They are mainly related to expenses connected with streamlining of the Group, offset by the partial release of risk provisions following the supervening settlement or positive evolution of disputes that had previously caused the accrual of provisions.

Property write-downs/revaluations show a positive value of Euro 0.4 million, compared with a negative value of Euro 23.6 million reported at September 30, 2014. In particular, these reflected the value adjustments of the assets held by the Tecla Fund, deriving from adjustment of the valuations by independent experts, as well as the execution of preliminary sales agreements for the units held in the Olinda Fund. During the first nine months of 2015, the final figure reflects revaluation by Euro 4.9 million of the real estate portfolio owned by the Spazio Industriale Fund and the real estate located on Kempinski Plaza and owned by the Gadeke company for Euro 1.9 million, which was partly offset by the write-downs recognised by the FIPRS Fund (Euro -2.1 million) and the Tecla Fund (Euro -0.8 million).

Taxes amounted to Euro 1.8 million at September 30, 2015, compared to Euro 3.2 million at September 30, 2014.

The net loss attributable to the Group for the period ended September 30, 2015 amounted to Euro 16.6 million compared with a reported loss of Euro 48.4 million for the period ended September 30, 2014.

**Management Platform [7]**

Management activities (fund and asset management), specialist property and project management and agency services and non-performing loan management services (credit servicing) yielded a profit of Euro 2.5 million for the period ended September 30, 2015, compared to a profit of Euro 8.7 million in the first nine months of 2014. The decrease was mainly due to the service companies in Italy, and in particular to the Fund Management business unit.

General and administrative expenses were Euro 5.8 million during the period, down from Euro 8.6 million at September 30, 2014. Overall, the operating loss from management activity, including general and administrative expenses, was Euro 3.3 million, compared to an operating profit of Euro 0.1 million in the first nine months of 2014.

**Investment Activities[8]**

During the first nine months of 2015, Investment Activities posted an operating loss of Euro 8.8 million, compared with an operating loss of Euro 7.6 million at September 30, 2014. This figure also included Euro 1.3 million deriving from the impairment loss on the non-performing loan portfolio. The decrease was also due to the lower rents generated by the Tecla Fund, the Spazio Fund and the Raissa Fund following renegotiation of certain agreements with the lessee, Telecom.

***

During the first nine months of the year, property sales[9] worth Euro 473.2 million (Euro 87.7 million on a pro-rata basis), compared to Euro 375.7 million at September 30, 2014 (Euro 90.1 million on a pro-rata basis). Property transactions were conducted at values substantially in line with the book value.

---

[7] Net income from the Management Platform means earnings generated by the Group through fund and asset management activities, specialised real estate services (property and project management, agency and property valuation), NPL management services (credit servicing) and general and administrative expenses.

[8] Investment Activities include income generated by Prelios from its investments in funds and companies that hold real estate and non-performing loan portfolios.

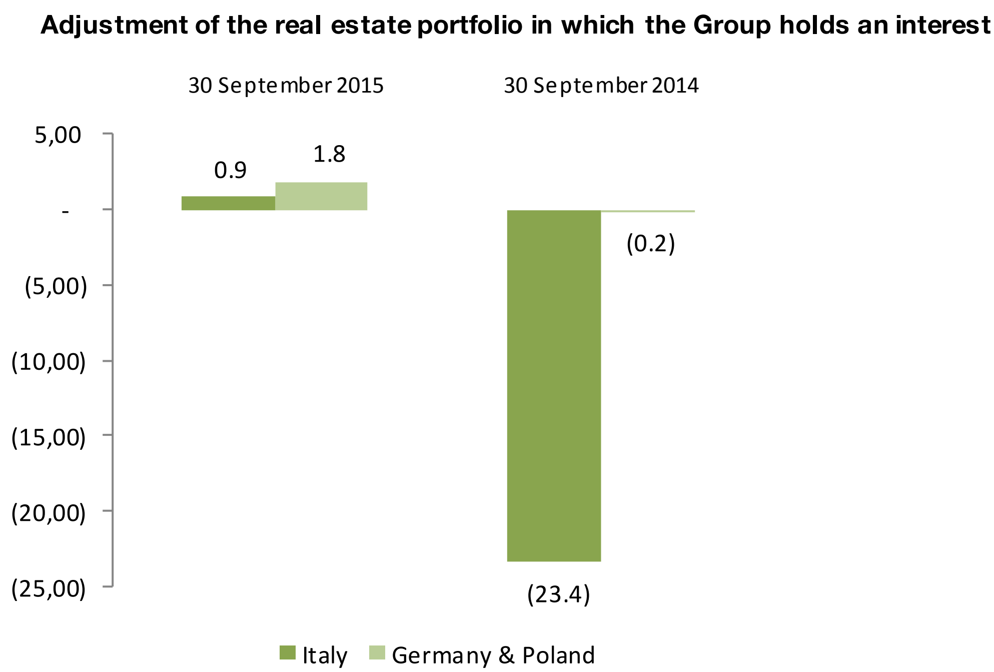
[9] The value was determined by adding property sales made by consolidated companies to 100% of the property sales of associates, joint ventures and funds in which the Group held at least a 5% stake at September 30, 2015.

Total rents[10] were Euro 105.9 million at September 30, 2015 compared to Euro 158.5 million at September 30, 2014. Prelios' pro-rata share of rents was Euro 29.6 million (Euro 36.2 million at September 30, 2014).

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

Write-downs/impairment of equity investments and real estate investments during the first nine months of 2015 represented a total of Euro 2.7 million, of which Euro 0.9 million related to the real estate portfolio in Italy and Euro 1.8 million to the real estate portfolio outside of Italy.

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




[10] The value is determined by adding the rents collected by consolidated companies to 100% of the rents of associates, joint ventures and funds in which the Group held a stake of at least 5% at September 30, 2015.

### 4.2. Balance sheet and financial analysis

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

| (Euro/milion) | SEPTEMBER 2015 | DECEMBER 2014 |
|---|---|---|
| **Property, plant and equipment and intangible assets** | **321.3** | **334.2** |
| of which investments in real estate funds and investment companies and shareholder loans granted (1) | *250.9* | *273.6* |
| of which goodwill | *56.4* | *56.4* |
| **Net working capital** | **32.0** | **17.0** |
| **Discontinued operations** | **0.2** | **12.2** |
| **Net invested capital** | **353.5** | **363.4** |
| **Consolidated Equity** | **90.8** | **107.3** |
| of which Group equity | 88.2 | 104.8 |
| **Provisions** | **63.2** | **68.5** |
| **Net financial position** | **199.5** | **187.6** |
| **Total covering net invested capital** | **353.5** | **363.4** |

(1) The item includes equity investments in associates, joint ventures and other equity investments (Euro 145.4 million), receivables for shareholder loans (Euro 91.0 million), investments in real estate funds (Euro 9.9 million, recognised among "Other financial assets" in the consolidated balance sheet) and junior notes (Euro 4.8 million, recognised among "Other financial assets" in the consolidated balance sheet). The figures for September 2015 include provisions for equity investment writedowns of Euro 0.1 million (Euro 0.4 milion as at December 2014).

Property, plant and equipment and intangible assets amounted to Euro 321.3 million at September 30, 2015, compared to Euro 334.2 million at December 31, 2014. The reduction is mainly related for about Euro 10.2 million to the repayment of loans disbursed to initiatives in which the Group participates and Euro 8.7 million for repayments of principal, of which Euro 6.0 million by the Olinda Fund. These changes were partially offset by an increase in guarantee deposits for escrow accounts of Euro 9.7 million related to Prelios SGR which guarantee the obligations to pay compensation to Olinda fund investors, and related in particular, to the representations and warranties issued on the condition and quality of the sold properties for which no liabilities are currently expected.

Net working capital was Euro 32.0 million at September 30, 2014, compared to Euro 17.0 million at December 31, 2014. These refer mainly to repayment of a payable due to a German subsidiary originating from a "profit and loss agreement" active up until 2007, on the basis of which the associating party had the right to receive income generated by the associated party and, on the other hand, the obligation of covering any losses deriving from it.

Discontinued operations refer to assets held for sale pursuant to IFRS 5, according to the estimates of residual cash distributions from the sale of the DGAG Group. The reduction from the net amount reported in December 2014 is mainly due to repayment of the outstanding loans in exchange for sale of the German residential portfolio known as DGAG.

Consolidated equity was a positive Euro 90.8 million, and equity attributable to the Group was a positive Euro 88.2 million.

Net financial position was a net debt of Euro 199.5 million at September 30, 2015, compared to a net debt of Euro 187.6 million at December 31, 2014.

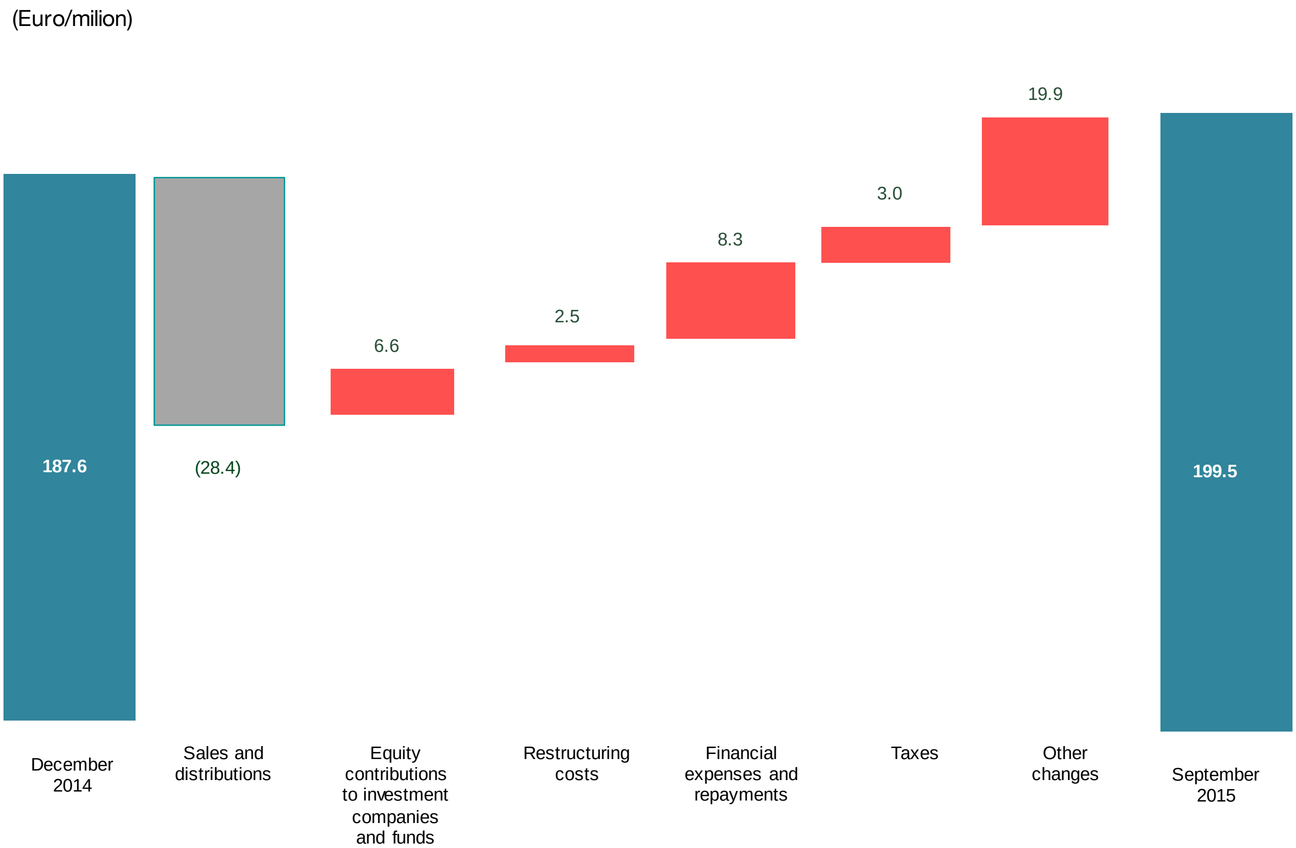
The graph illustrates the combined effect of events that had an impact on the change in net financial position in the first nine months of 2015.

The negative change of Euro 11.9 million from December 31, 2014 was mainly due to the following:

- cash flows generated from sales and distribution by the investment company for Euro 28.4 million;

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

- equity contribution to investment companies and funds (Euro 6.6 million);
- restructuring costs (Euro 2.5 million);
- financial expenses and repayments (Euro 8.3 million, of which Euro 7.3 million without monetary impact);
- taxes for Euro 3.0 million;
- other events partly linked to changes in net working capital (Euro 19.9 million).



## 5. PERFORMANCE OF THE BUSINESS DIVISIONS

This section provides an account of the financial performance of the Real Estate division (by geographical area) and the NPL division, broken down into the income and expenses generated by the Management Platform and the income and expenses generated by Investment Activity[11]. The operating profit/(loss) included and discussed in the following tables corresponds to that set out in paragraph 4 of this report.

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

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

| | Italy | | Germany | | Poland | | NPL | | G&A | | Total | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | September 2015 | September 2014 | September 2015 | September 2014 | September 2015 | September 2014 | September 2015 | September 2014 | September 2015 | September 2014 | September 2015 | | September 2014 | |
| **Management platform** | 2.4 | 7.3 | 2.7 | 2.2 | (0.2) | (0.3) | (2.4) | (0.5) | (5.8) | (8.6) | **(3.3)** | **(3.3)** | **0.1** | **0.1** |
| **Investment activities** | (7.8) | (5.4) | 0.7 | 0.2 | (1.6) | (1.2) | (0.1) | 0.1 | 0.0 | 0.0 | **(8.8)** | **(8.8)** | **(6.3)** | **(7.6)** |
| **Loss on NPL portfolio valuation** | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | (1.3) | 0.0 | 0.0 | **0.0** | | **(1.3)** | |
| **Operating profit/(loss)** | **(5.4)** | **1.9** | **3.4** | **2.4** | **(1.8)** | **(1.5)** | **(2.5)** | **(1.7)** | **(5.8)** | **(8.6)** | **(12.1)** | | **(7.5)** | |

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

### 5.1. Real Estate Italy

The Real Estate Italy business (Management Platform and Investment Activities) reported an operating loss at September 30, 2015 of Euro 5.4 million, compared with an operating profit of Euro 1.9 million in the first nine months of 2014.

Management Platform

The operating profit at September 30, 2015 was Euro 2.4 million, compared with an operating profit of 7.3 million in the same period of 2014.

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

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

| Fund Management | September 2015 | September 2014 |
|---|---|---|
| Revenue (millions of euro) | 11.2 | 15.4 |
| Operating profit/(loss) (millions of euro) | 2.1 | 5.9 |
| ROS | 19% | 38% |
| Number of funds managed | 25 | 26 |
| Co-Invested and Third-party Real Estate Assets (*) | 3.5 | 3.7 |
| Number of employees (**) | 66 | 70 |

(*) Market value in billions of euros, as at June 30, 2015 expressed on a 100% basis, including the portfolio of Excelsia 9 S.r.l.
(**) Including seconded staff from other Group companies

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

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

Revenue, essentially represented by fixed management fees, was Euro 11.2 million. The like-for-like decrease on the same period of 2014 is primarily due to the sale of the Olinda-Shops Fund and the two-thirds reduction in the fees of the Tecla Fund, in relation to which the extraordinary extension was exercised pursuant to Law 116/2014.

The operating profit was Euro 2.1 million, compared with Euro 5.9 million in the first nine months of 2014. The decrease is directly attributable to the reduction in revenue, partly offset by ongoing cost containment measures, both of a structural and occasional nature.

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

During the first nine months of 2015, Prelios SGR concluded the process of liquidating the listed fund Olinda-Shops Fund and a speculative fund reserved to institutional investors at the end of an orderly asset disposal process.

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

| Agency | September 2015 | September 2014 |
|---|---|---|
| Revenue (millions of euro) | 1.6 | 2.4 |
| Operating profit/(loss) (millions of euro) | (1.7) | (0.5) |
| Volume of business (millions of euro) | 112 | 34.3 |
| Number of employees | 17 | 19 |

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

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

In particular, during the first nine months of 2015, the Company was awarded new contracts and renewed a number of commercialisation agreements worth approximately Euro 503 million. Furthermore, it was assigned new important leases of approximately 2,580 square metres worth roughly Euro 0.65 million.

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

An annual agreement was recently made with Telecom Italia S.p.A., whose purpose is the renegotiations of lease instalments for industrial and mixed-use properties.

Revenue totalled Euro 1.6 million, down from the Euro 2.4 million reported at September 30, 2014. This was mainly due to the liquidation of Olinda-Shops Fund, and to the lower fees resulting from renegotiation of certain leases.

The Company's brokered volumes amounted to Euro 112 million, compared to Euro 34.3 million in the first nine months of 2014.

The operating loss amounted to Euro 1.7 million, which was worse than the figure reported on a like-for-like basis during the same period of 2014 (negative Euro 0.5 million). This was due to a different type of revenue (higher volumes for the renegotiation of rents with lower margins).

At September 30, 2015, the portfolio of sales mandates amounted to approximately Euro 1.8 billion[12], of which roughly Euro 1.4 billion from non-captive customers.

| **Valuations** | **September 2015** | **September 2014** |
|---|---|---|
| Revenue (millions of euro) | 4.3 | 3.1 |
| Operating profit/(loss) (millions of euro) | 0.4 | 0.4 |
| ROS | 9% | 13% |
| Number of Loan Service valuations | approx. 21,000 | approx. 5,000 |
| Number of employees | 14 | 12 |

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

Revenue amounted to Euro 4.3 million at September 30, 2015, compared to Euro 3.1 million in the first nine months of 2014.

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

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

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

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

Services are also provided to investors, large companies and banks, for both institutional assets and private banking holdings. The Company also provides ongoing appraisal service to market players of high standing,

[12] List price.

including Credit Suisse, UBS, Barclays, Fondo Previdenza Cassa di Risparmio Firenze, and Fiat Chrysler Automobiles (FCA).

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

| **Integra** | **September 2015** | **September 2014** |
|---|---|---|
| Revenue (millions of euro) | 12.8 | 14.0 |
| Operating profit/(loss) (millions of euro) | 1.6 | 1.4 |
| ROS | 13% | 10% |
| Value of assets under management (billions of euro) | 4.9 | 4.6 |
| Floor area managed (in millions of $m^2$) | over 5.4 | 5.4 |
| Rental units managed | approx. 33,000 | approx. 29,000 |
| Leases managed | approx. 6,000 | approx. 2,900 |
| Passing Rent (millions of euro) | 225 | 237 |
| Capex (millions of euro) (*) | 22.3 | 3.1 |
| Number of employees | 90 | 83 |

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

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

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

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

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

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

More generally, in the first nine months of 2015, the Company managed real estate assets equivalent to approximately 6,000 lease agreements. The principal external customers of the Group were: INPS, Unicredit Group banks, Unipol, Excelsia Nove, Prisma SGR, Namira SGR, A2A, Gruppo, Novartis Farma, AXA Reim SGR, Eni Servizi, Wind and Enel Energia.

Revenue at September 30, 2015 totalled Euro 12.8 million, recording a reduction from the Euro 14.0 million in the first nine months of 2014, which was mainly due to the lower fees generated by the management of shopping centres, only partly offset by the higher results realised from the global service, development and sales support activity.

Notwithstanding the contraction in revenue, operating profit, which amounted to Euro 1.6 million, grew slightly from the amount reported during the first nine months of 2014, when it was Euro 1.4 million. This was mainly due to the elimination of certain liabilities.

During the period in question, the Company assisted various clients with the process of disposing of and/or enhancing and appraising their properties (e.g., Unipol Sai, Agris Fund, Asci Fund and Aurora Fund) and was awarded the following contract work:

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

In July a two-year framework agreement was entered into with Unicredit Business Integrated Solutions S.c.p.A., covering building and construction activities in the premises used for offices and bank branches of Unicredit. Recently the agreement was extended to include the premises of Fineco Bank.

The Company continued with consolidation in the technical and professional sector of services provided to non-captive customers. Particularly in regard to the due diligence and urban planning analysis, new agreements were made with Idea Fimit, Altromercato, Enel Italia and Unipol Sai Real Estate.

Finally, in December 2014, the Competition and Market Supervisory Authority ("AGCM") assigned the Company a "Legality Rating" with a score of two stars++. This score may be considered an excellent result, given that the rating ranges from a minimum of one to a maximum of three stars.

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

Investment Activities

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

The operating loss at September 30, 2015 was Euro 7.8 million, compared with a loss of Euro 5.4 million in the same period of 2014.

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

Property sales in the first nine months of 2015 (considering the properties of associates, joint ventures and funds in which the Group holds an interest on a 100% basis) amounted to Euro 84.0 [13] million (Euro 71.7[14] million in the same period of 2014).

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

Total rents[15] were Euro 55.3 million (Euro 85.1 million for the period ended September 30, 2014).

[13] Including Euro 1.1 million attributable to funds or vehicles declared to be in stop loss.
[14] Including Euro 63.9 million attributable to funds or vehicles declared to be in stop loss.
[15] The value is determined by adding the rents collected by consolidated investment companies to the rents of associates, joint ventures and funds in which the Group holds an interest.

### 5.2. Real Estate Germany

The Real Estate Germany business (Management Platform and Investment Activities) reported an operating profit of Euro 3.4 million in the first nine months of 2015, compared with an operating profit of Euro 2.4 million in the same period of 2014.

Management Platform

| Germany | September 2015 | September 2014 |
|---|---|---|
| Revenue (millions of euro) | 7.7 | 9.6 |
| Operating profit/(loss) (millions of euro) | 2.7 | 2.2 |
| ROS | 35% | 23% |
| Floor area managed (in millions of $m^2$) (*) | 0.8 | 1.0 |
| Number of rental units managed (*) | 63 | 76 |
| Co-Invested and Third-Party Real Estate Assets (**) | 0.8 | 1.3 |
| Number of employees | 65 | 84 |

(*) Not including units/floor areas relating to car parks.
(**) Market value as at june 30, 2015 in billions of euro on a 100% basis.

Revenue fell from Euro 9.6 million to Euro 7.7 million. The decrease was generated mainly by the loss of several non-captive mandates which expired at the end of 2014, and which have not yet been fully offset by the acquisition of new business.

The operating profit of the service platform alone at September 30, 2015 was Euro 2.7 million, up from the Euro 2.2 million in the first nine months of 2014, having benefited from the positive effect resulting from the recoverability of the shareholder loan granted to the Gadeke company upon stipulation of a sale price for the underlying real estate that was higher than expected.

Investment Activities

Operating profit was Euro 0.7 million at September 30, 2015, compared with an operating profit of Euro 0.2 million in the same period of 2014.

Property sales in the first nine months of 2015 (considering the properties of associates, joint ventures and funds in which the Group holds an interest on a 100% basis) amounted to Euro 389.2 million, compared to Euro 304.0 million (which included the sale of the “Small Deal” German residential portfolio). For the Highstreet portfolio, in which Prelios holds a 12.08% interest indirectly, through Sigma RE B.V., sales amounted to approximately Euro 374.9 million, with the most significant relating to two commercial-use buildings located in Wiesbaden (Kirchgasse), Munich (Bahnofplatz), and Karlsruhe (Zähringer).

In the first nine months of 2015, property transactions took place at values in line with book value, similarly to the same period of 2014.

Total rents were Euro 50.6 million, compared with Euro 73.4 million in the first nine months of 2014.

### 5.3. Real Estate Poland

The Poland real estate business (Management Platform and Investment Activities) reported a negative EBIT of Euro 1.8 million at September 30, 2015, reflecting a deterioration from the figure for the first nine months of 2014 (Euro 1.5 million), which was mainly due to the investment activity.

Management Platform

| Poland | September 2015 | September 2014 |
|---|---|---|
| Revenue (millions of euro) | 0.3 | 0.2 |
| Operating profit/(loss) (millions of euro) | (0.2) | (0.3) |
| Floor area managed (in millions of $m^2$) (*) | 0.3 | 0.4 |
| Co-Invested and Third-Party Real Estate Assets (**) | 52.5 | 67.1 |
| Number of employees | 8 | 10 |

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

(**) Market value as at June 30, 2015 expressed in millions of euro on a 100% basis. The Poland area refers to the sole investment held directly and indirectly by the Company through the investee Polish II and represents the property component underlying that investment only (a plot of land located in the Bielany district of Warsaw). Please note that, with regard to the cash held by the investee Polish II, as at June 30, 2015 the total carrying value for the period (equity investment plus shareholders' loan) would be approximately Euro 31 million at market value.

The operating loss of the management platform amounted to Euro 0.2 million, which was substantially the same as the Euro 0.3 million reported during the first nine months of 2014.

Investment Activities

The net loss from investments was Euro 1.6 million, compared with a loss of Euro 1.2 million at September 30, 2014.

### 5.4. Non-performing loans

The non-performing loan business (Management Platform and Investment Activities) reported an operating loss of Euro 2.5 million at September 30, 2015, compared with a loss of Euro 1.7 million in the same period of 2014.

Management Platform

| NPL | September 2015 | September 2014 |
|---|---|---|
| Revenue (millions of euro) | 4.8 | 6.2 |
| Operating profit/(loss) (millions of euro) | (2.4) | (0.5) |
| Receipts (millions of euro) | 39.6 | 36.3 |
| Gross book value (billions of euro) | 9.2 | 8.4 |
| Number of NPL managed | over 78,000 | over 75,000 |
| Number of employees | 63 | 61 |

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

PRECS currently manages a portfolio of non-performing loans with a gross book value of approximately Euro 9.2 billion.

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

The Company is also involved in various advisory activities, both on behalf of major banks, mainly as manager of the process of selling mortgage and unsecured portfolios, and on behalf of international investors, for which it was a lead advisor in the analysis and assessment of possible acquisition of non-performing loan portfolios, including those resulting from property lease agreements.

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

Revenue amounted to Euro 4.8 million at September 30, 2015, down from the Euro 6.2 million in the same period of 2014. This decrease resulted from (i) conclusion of the last special servicing mandate following divestment by DGAD International S.à.r.l., an investor in the managed special purpose vehicle, from the capital of the Company, and (ii) the absence of non-recurring revenue that had characterised the first nine months of 2014 (termination fee for Euro 0.2 million, success fee for Euro 1.0 million and origination fee of Euro 0.25 million for sale of the Mediofactoring portfolio).

However, that gap had already been filled in October, in consequence of the fee accrued on the receipts resulting from the sale of a portion of the portfolio managed on behalf of a securitisation special purpose vehicle.

The operating loss at September 30, 2015 was Euro 2.4 million, compared with a loss of Euro 0.5 million reported in the same period of 2014.

Collections during the reporting period on behalf of clients amounted to approximately Euro 39.6 million compared to Euro 36.3 million in the same period of 2014. The improvement from 2014 reflects the previously mentioned sale of a portion of a managed portfolio finalised on September 30.

As special servicer, the Company is rated by two agencies, Standard & Poor's and Fitch, which in 2015 continued to express positive judgements, namely above average and RSS2/CSS2, respectively.

Also as master servicer, the rating assigned by Standard & Poor's in 2015 was Above Average.

## Investment Activities

The operating loss from investment activities was Euro 0.1 million, compared with an operating loss of Euro 1.2 million reported during the first nine months of 2014. The latter result was almost entirely attributable to the impairment losses on the NPL portfolio due to impairment of the junior bond held by the parent company, related to a portfolio with underlying mortgage loans.

## 6. SUBSEQUENT EVENTS

On October 8, 2015 the Board of Directors of Prelios S.p.A. resolved to finalise the extraordinary transaction named "Progetto Centauro" (Centaur Project), approved on August 6, 2015. In particular, the Board of Directors took note of the conclusion of the approval process by Intesa Sanpaolo S.p.A., Pirelli & C. S.p.A. and UniCredit S.p.A. (the "Partners") and by all the Lending Banks[16] of the Company in regard to the Transaction, specifically in regard to approval for restructuring the overall bank debt of the Company, on which realisation of the Project announced to the market had been been conditioned.

With the acceptance and agreement to the terms and conditions of the Project by all the parties involved, the following was signed:

- a framework agreement between Prelios, on one side, and the Partners, on the other side, that governs execution of the Transaction (hereinafter, the "Framework Agreement");
- a new agreement for restructuring the overall bank debt between the Company and the Lending Banks (hereinafter, the "New Restructuring Agreement").

In the overall context of the Transaction and pursuant to the terms and conditions set out in the Framework Agreement and New Restructuring Agreement, the Board of Directors then approved finalisation of the entire Transaction, which envisages:

a. contribution of the Investments Business Unit, whose total assets, which are substantially the same as the book values, are valued at about Euro 308 million, together with a debt having a face value of about Euro 174 million, in favour of Newco. The contribution value of the Business Unit was assessed in an appraisal report prepared, pursuant to Article 2343-ter, paragraph 2, sub-paragraph b) of the Italian Civil Code, by Prof. Mario Massari, an independent expert having adequate and confirmed professional expertise, having the pre-requisite independence and absence of conflict of interest in the Transaction. In regard to the financial debt that Prelios will contribute, a Euro 20 million cash contribution is also envisaged, guaranteeing adequate financial resources for the Newco;
b. subsequent entry in Newco by the Partners through a reserved capital increase for Euro 12 million and governance that, by regulating the voting mechanisms, causes Prelios to loose control and consequent deconsolidation of Newco. Consequently, neither Prelios nor the Partners will control the Newco, allowing it to proceed with the orderly disposal of its assets, inter alia in view of repaying the transferred debt. Specifically, Prelios will remain a minority shareholder (but holder of the majority of property rights), and will thus carry Newco at equity in its accounts;
c. subscription of the purchase and sale agreement for acquisition of the investment held by Intesa Sanpaolo S.p.A. in Prelios SGR, representing 10% of its share capital[17];
d. a capital increase by Prelios totalling Euro 66.5 million, in the form of a rights offering to Prelios shareholders. Any unexercised options will be fully underwritten by the Lending Banks upon satisfaction of certain conditions, including the execution of an underwriting agreement. The proceeds resulting from the capital increase will be allocated as follows: Euro 48 million for repayment of the corporate debt, Euro 12 million to cover financial requirements related to development of the Services Platform, and Euro 6.5 million to be used to acquire a shareholding of 10% in Prelios SGR, which is currently owned by Intesa Sanpaolo.

On the basis of the commitments made by the various parties involved, completion of the envisaged activities for execution of the Transaction are subject to certain conditions precedent.

After subscription of the final agreements for the Transaction, once the envisaged conditions precedent have been satisfied, the Board of Directors pro tempore in office may immediately exercise the delegation of authority pursuant to Article 2443 of the Italian Civil Code, with the expected aim of completing execution of the planned Prelios capital increase for a maximum of Euro 66.5 million (including any share premium) by the end of the current year, after approval is granted by the Authority for publication of the Prospectus for the rights offering made to shareholders and listing of Prelios S.p.A. ordinary shares on the electronic stock market organised and managed by Borsa Italiana S.p.A..

[16] Intesa Sanpaolo S.p.A., UniCredit S.p.A., Banca Monte dei Paschi di Siena S.p.A., Banca Popolare di Milano Soc.Coop.a r.l., Banca Popolare di Sondrio Soc.Coop.p.A., Banca Popolare dell'Emilia Romagna Soc.Coop., with Banca IMI S.p.A. as Agent Bank.

17 The fairness of the value of the investment has been confirmed in a specific fairness opinion issued by Prof. Giorgio Pellati, an independent expert having adequate and confirmed professional expertise, having the pre-requisite independence and absence of conflict of interest in the Transaction.

Once the spin-off is completed, on satisfaction of all the conditions, as previously announced, and as compatible with the issuance of approval for publication of the Prospectus and listing on the electronic stock market organised and managed by Borsa Italiana S.p.A., the rights offering of new shares may be launched only after publication of the prospectus. It is expected that the newly issued ordinary shares may be offered by December 2015, in view of the objective that it might be concluded by the end of the year.

The Transaction pursues restructuring of the Company through its strategic repositioning as a pure management company, i.e. with a business model focused entirely on services. The balance sheet and overall financial position of the Company will be shored up not only through this capital increase, but also through the spin-off of the business unit related to the investments, through contribution to a NewCo and its subsequent deconsolidation.

The Transaction serves to seize the development opportunities offered by the market, and to participate in the process of consolidation under way in the sector. In this way, it is believed that Prelios can best seize the opportunities that will be offered by the market, including through possible strategic partnerships, in the best interest of its shareholders and all stakeholders.

The Ordinary Shareholders' Meeting gathered on October 16, 2015 and appointed the Board of Directors. It reduced the number of its members to 11 (from the 15 seats on the outgoing Board of Directors appointed in 2013). Moreover, the length of their term was set at three financial years (and thus until the shareholders' meeting called to approve the financial statements at December 31, 2017) and set the total annual compensation for the entire Board at a maximum of Euro 550,000.00, which will be subsequently allocated amongst its various members as decided by the Board of Directors. Instead, the Extraordinary Shareholders' Meeting amended Article 5 of the Articles of Association (share capital and shares) by granting the directors, pursuant to Article 2443 of the Italian Civil Code, the right to increase the share capital by a maximum of Euro 66.5 million (including any share premium) through the issue of new Prelios ordinary shares, without par value, in the broader context of the extraordinary transaction of the spin-off and recapitalisation named “Progetto Centauro” (Centaur Project).

## 7. BUSINESS OUTLOOK

Also considering the previously mentioned improvement in the reference market, Prelios has identified and is implementing, at the level of the individual Group business units, a series of measures and initiatives to implement the Industrial Plan 2015-2017 approved by the Board of Directors on August 6, 2015.

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

Accordingly, as previously announced to the market and described in the paragraph dedicated to “subsequent events”, the Company has resolved (i) to separate the investments business unit from the services business unit, in view of accelerating achievement of the aforementioned objective of repositioning in the framework of redefining the scope of activities of the Group and (ii) overall shoring up of the balance sheet and financial position, including through the planned rights offering.

The Group confirms that it will meet, albeit at the low levels of the range, the following economic targets for 2015 previously announced to the market with the Industrial Plan 2015-2017:

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

In conclusion, following the results of the Industrial Plan 2015-2017, and the expected finalisation of the spin-off and recapitalisation, the Directors of Prelios believe that it is reasonable to assume that the Group can continue operating as a going concern.

## 8. APPENDICES

### APPENDIX A – Non-GAAP measures

The non-GAAP measures used are as follows:

- **Operating loss** (Euro -12.1 million): determined as EBIT of Euro -12.6 million plus net loss from investments of Euro 0.7 million (values reported in “EBIT” and “Net loss from investments”, respectively in the consolidated income statement), plus income from shareholder loans of Euro 2.8 million (included in financial income), adjusted for restructuring costs (Euro 0.3 million) and net property write-downs/revaluations (Euro -2.7 million).
- **EBIT before restructuring costs, impairment and property write-downs/revaluations and income taxes** (Euro -21.2 million)**:** this value is obtained by adding the aforementioned operating loss (Euro -12.1 million) and financial expenses (Euro -9.1 million).
- **Income from shareholder loans** (Euro 2.8 million): this figure consists of the value of interest income on loans to associates and joint ventures and the value, if any, of income on securities classified as "financial income".
- **Impairment loss on the NPL portfolio**: this figure refers to the decrease in the value of the junior securities included among "financial expenses". No impairment losses were recognised for the NPL portfolio at September 30, 2015.
- **Financial income (financial expenses)** (Euro -9.1 million): this includes the item “financial expenses” (adjusted for possible impairment of junior notes or financial receivables and the non-recurring component included in restructuring costs) and the item “financial income”, net of income from shareholder loans.
- **Investments in real estate investment companies and funds**: this includes investments in associates and joint ventures, in closed-end real estate funds, investments in other companies and junior notes (as per the item “Other financial assets”).
- **Net working capital**: the amount of resources comprising a business’s operating assets. This measure is used to verify the short-term financial balance of the Company. It consists of all short-term assets and liabilities that are not financial in nature and is presented net of junior notes included in investments in real estate investment companies and funds.
- **Provisions**: this measure consists of the sum of the items “Provisions for risks and expenses (current and non-current)”, “Employee benefit obligations” and “Deferred tax provisions” and is stated net of provisions for risks on equity-accounted investments that are included in “Investments in real estate investment companies and funds”.
- **Net financial position**: this measure represents a valid indicator of the ability to meet financial commitments. Net financial position is represented by the gross financial debt less cash and other cash equivalents and current financial receivables.
- **Gross bank debt**: represented by the total debts of each initiative towards the banking system.
- **Net bank debt**: represented by the gross bank debt of each initiative less cash and cash equivalents.
- **Return on sales (ROS):** determined by the impact of EBIT on revenue.
- **Base net earnings (loss) per share:** an indicator of the earnings per share based on the results for the period and calculated as the ratio between net profit for the period and the number of shares issued and certified at the end of the period.

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

| Operating profit/(loss) | SEPTEMBER 2015 | SEPTEMBER 2014 |
|---|---|---|
| EBIT | (12.6) | (10.2) |
| Net income from equity investments | 0.7 | (26.1) |
| Income from shareholder loans | 2.8 | 4.2 |
| Loss from NPL portfolio valuation | - | (1.3) |
| Restructuring costs (1) | (0.3) | 2.3 |
| Property (write-downs)/revaluations (2) | (2.7) | 23.6 |
| **Total** | **(12.1)** | **(7.5)** |

| Profit/(loss) before restructuring costs, property write-downs/revaluations and taxes | SEPTEMBER 2015 | SEPTEMBER 2014 |
|---|---|---|
| Operating profit/(loss) | (12.1) | (7.5) |
| Financial expenses | (9.1) | (16.3) |
| **Total** | **(21.2)** | **(23.8)** |

| Financial income (expenses) | SEPTEMBER 2015 | SEPTEMBER 2014 |
|---|---|---|
| Financial expenses | (14.3) | (18.5) |
| Financial income | 8.3 | 5.1 |
| Financial expenses | (2.8) | (4.2) |
| Loss from NPL portfolio valuation | - | 1.3 |
| Restructuring costs (1) | (0.3) | - |
| **Total** | **(9.1)** | **(16.3)** |

**NOTE**

(1) Restructuring costs in first nine months 2015 totalled a positive amount of Euro 0.6 million: of which Euro 0.1 million reported in EBIT, Euro 0.2 million in net income from investments in companies accounted for using the equity method and Euro 0.3 million included financial expenses.

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

# 9. CONSOLIDATED FIGURES

## 9.1. CONSOLIDATED BALANCE SHEET

| **ASSETS** | **09.30.2015** | **12.31.2014** |
|---|---|---|
| **NON-CURRENT ASSETS** | | |
| Property, plant and equipment | 763 | 853 |
| Intangible assets | 59,174 | 59,082 |
| Investments | 144,645 | 150,104 |
| *of which held for sale* | - | *3,849* |
| Other financial assets | 25,866 | 16,254 |
| Deferred tax assets | 7,576 | 8,310 |
| Other receivables | 96,220 | 113,596 |
| *of which with related parties* | *90,957* | *108,355* |
| **TOTAL NON-CURRENT ASSETS** | **334,244** | **348,199** |
| **CURRENT ASSETS** | | |
| Inventories | 39,901 | 43,472 |
| Trade receivables | 38,020 | 35,074 |
| *of which with related parties* | *20,950* | *18,758* |
| Other receivables | 22,680 | 17,773 |
| *of which with related parties* | *12,200* | *8,834* |
| Cash and cash equivalents | 61,509 | 77,192 |
| Tax receivables | 2,360 | 3,013 |
| **TOTAL CURRENT ASSETS** | **164,470** | **176,524** |
| **DISCONTINUED OPERATIONS** | **162** | **12,164** |
| *of which with related parties* | *162* | *9,964* |
| **TOTAL ASSETS** | **498,876** | **536,887** |

| EQUITY | 09.30.2015 | 12.31.2014 |
|---|---|---|
| **GROUP EQUITY** | | |
| Share capital | 49,216 | 426,432 |
| Other reserves | (11,856) | (15,940) |
| Retained earnings | 67,399 | (244,539) |
| Net income (loss) for the period | (16,574) | (61,149) |
| **TOTAL GROUP EQUITY** | **88,185** | **104,804** |
| **MINORITY INTERESTS** | **2,568** | **2,488** |
| **TOTAL EQUITY** | **90,753** | **107,292** |

| LIABILITIES | 09.30.2015 | 12.31.2014 |
|---|---|---|
| **NON-CURRENT LIABILITIES** | | |
| Bank borrowings and payables to other financial institutions | 254,635 | 256,434 |
| Other payables | 5,524 | 524 |
| Provisions for future risks and expenses | 37,378 | 40,187 |
| Deferred tax provision | 2,493 | 2,156 |
| Employee benefit obligations | 11,810 | 12,080 |
| Tax payables | - | 122 |
| **TOTAL NON-CURRENT LIABILITIES** | **311,840** | **311,503** |
| **CURRENT LIABILITIES** | | |
| Bank borrowings and payables to other financial institutions | 7,833 | 8,490 |
| *of which with related parties* | *5,141* | *6,576* |
| Trade payables | 52,214 | 47,316 |
| *of which with related parties* | *3,399* | *3,063* |
| Other payables | 19,254 | 40,917 |
| *of which with related parties* | *1,164* | *19,039* |
| Provisions for future risks and expenses | 11,767 | 14,510 |
| *of which with related parties* | *150* | *418* |
| Tax payables | 5,215 | 6,859 |
| *of which with related parties* | *1,080* | *1,080* |
| **TOTAL CURRENT LIABILITIES** | **96,283** | **118,092** |
| **TOTAL LIABILITIES** | **408,123** | **429,595** |
| **TOTAL LIABILITIES AND EQUITY** | **498,876** | **536,887** |

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

### 9.2. CONSOLIDATED INCOME STATEMENT

| | 01.01.2015-09.30.2015 | 01.01.2014-09.30.2014 |
|---|---|---|
| Revenues from sales and services | 45,797 | 51,095 |
| Changes in inventories of work in progress, semi-finished and finished products | (2,557) | (190) |
| Other income | 10,499 | 5,402 |
| **TOTAL OPERATING REVENUES** | **53,739** | **56,307** |
| *of which with related parties* | *16,237* | *20,471* |
| *of which non-recurring events* | *3,770* | - |
| Raw and consumable materials used (net of change in inventories) | (1,146) | (1,334) |
| Personnel costs | (25,288) | (25,785) |
| Depreciation, amortization and impairment | (501) | (536) |
| Other costs | (39,416) | (38,866) |
| **TOTAL OPERATING COSTS** | **(66,351)** | **(66,521)** |
| *of which with related parties* | *(2,032)* | *(2,297)* |
| *of which non-recurring events* | *(3,775)* | - |
| **OPERATING RESULT** | **(12,612)** | **(10,214)** |
| Net income from equity investments of which: | 654 | (26,010) |
| *of which with related parties* | *240* | *(26,006)* |
| *of which non-recurring events* | *255* | *(7,333)* |
| - portion of result of associates and *joint ventures* | *391* | *(24,598)* |
| - dividends | *404* | - |
| - gains on equity investments | *10* | *160* |
| - losses on equity investments | *(151)* | *(1,572)* |
| Financial income | 8,281 | 5,051 |
| *of which with related parties* | *3,176* | *4,255* |
| Financial expenses | (14,270) | *(18,468)* |
| *of which with related parties* | *(334)* | *(462)* |
| **RESULT BEFORE INCOME TAXES** | **(17,947)** | **(49,641)** |
| Income taxes | (1,736) | (3,167) |
| **NET INCOME (LOSS) FROM CONTINUING OPERATIONS** | **(19,683)** | **(52,808)** |
| of which attributable to minority interests | 56 | (592) |
| **Net income (loss) from discontinued operations** | **3,165** | **3,860** |
| *of which with related parties* | - | *8,664* |
| **CONSOLIDATED RESULT FOR THE PERIOD** | **(16,574)** | **(48,356)** |

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

## 9.3. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | | 01.01.2015-09.30.2015 | | | of which attributable to: | |
|---|---|---|---|---|---|---|
| | | Gross | Taxes | Net | Group | Minority interests |
| **A** | **Net profit (loss) for the period** | | | **(16,518)** | **(16,574)** | **56** |
| | **Other components recorded under equity that can be reclassified in the income statement in a future period:** | **79** | **(36)** | **43** | **35** | **8** |
| | Exchange differences from the translation of foreign financial statements | 21 | - | 21 | 21 | - |
| | Total available-for-sale financial assets | 129 | (36) | 93 | 84 | 9 |
| | - Adjustment of available-for-sale financial assets to fair value | 129 | (36) | 93 | 84 | 9 |
| | Share of other equity components related to associates and joint ventures | (71) | - | (71) | (70) | (1) |
| | '- portion of profit/(losses) recorded directly under equity | (71) | - | (71) | (70) | (1) |
| **B** | **Total other components recorded under equity** | **79** | **(36)** | **43** | **35** | **8** |
| **A+B** | **Total comprehensive income/(losses) for the period** | | | **(16,475)** | **(16,539)** | **64** |

| | | 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)** |

## 9.4. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Share capital | Currency translation reserve | Reserve for fair value measurement of available-for-sale | Reserve for actuarial gains/losses | Reserve for tax on items credited/debited to equity | Other reserves | Retained earnings (losses) | Net income (loss) for the period | **Group Equity** | **Minority interests in equity** | **Total** |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Equity at 12.31.2014** | **426,432** | **(5,609)** | **(3,995)** | **(3,239)** | **3,467** | **(6,569)** | **(244,534)** | **(61,149)** | **104,804** | **2,488** | **107,292** |
| **Total other components recorded under equity** | **-** | **72** | **(5)** | **-** | **(32)** | **-** | **-** | **-** | **35** | **8** | **43** |
| Allocation of 2014 results | (377,216) | - | - | - | (2,256) | 5,570 | 312,753 | 61,149 | - | - | - |
| Other changes | - | - | 1 | - | (28) | 767 | (820) | - | (80) | 16 | (64) |
| Net profit (loss) for the perio | - | - | - | - | - | - | - | (16,574) | (16,574) | 56 | (16,518) |
| **Equity at 09.30.2015** | **49,216** | **(5,537)** | **(3,999)** | **(3,239)** | **1,151** | **(232)** | **67,399** | **(16,574)** | **88,185** | **2,568** | **90,753** |

| | 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** |

## 9.5. CONSOLIDATED CASH FLOW STATEMENT

| | 01.01.2015-09.30.2015 | 01.01.2014-09.30.2014 |
|---|---|---|
| Result before income taxes and minority interests | (17,947) | (49,641) |
| Net income (loss) from discontinued operations | 3,165 | 3,860 |
| Depreciation, amortisation and impairment/impairment reversal intangible assets & property, plant & equipment | 501 | 536 |
| Impairment of receivables | 1,563 | 4,339 |
| Gains/Losses on sale of property, plant and equipment | - | 18 |
| Net income from investments net of dividends | (654) | 28,373 |
| Financial expenses | 14,270 | 18,468 |
| Financial income | (8,281) | (5,051) |
| Change in inventories | 3,571 | 1,281 |
| Change in trade receivables/payables | 595 | (3,191) |
| Change in other receivables/payables | (3,631) | (14,070) |
| Change in employee benefit obligations and other provisions | (5,554) | (9,787) |
| Taxes | (739) | (1,168) |
| Net cash flow generated by discontinued operations | (3,165) | (3,860) |
| Other changes | 37 | 604 |
| **Net cash flow generated / (absorbed) by operating activities (A)** | **(16,269)** | **(29,289)** |
| Purchase of property, plant and equipment | (72) | (13) |
| Disposal of property, plant and equipment | 1 | 284 |
| Purchase of intangible assets | (432) | (213) |
| Disposal of intangible assets | - | 57 |
| Net cash flow generated by disposal of investments in subsidiaries | 10 | (4) |
| Changes in investments in associates and joint ventures | 7,263 | (12,207) |
| Dividends received | 404 | - |
| Purchase of other financial assets | (9,791) | (200) |
| Disposal/reimbursement of other financial assets | 308 | 837 |
| **Net cash flow generated / (absorbed) by investing activities (B)** | **(2,309)** | **(11,459)** |
| Other changes in equity | 56 | (32) |
| Change in financial receivables | 2,171 | 3,931 |
| Change in financial payables | (9,772) | 7,277 |
| Cash flow generated by financial income | 819 | 339 |
| Cash flow absorbed by financial expenses | (1,179) | (1,216) |
| **Net cash flow generated / (absorbed) by financing activities (C)** | **(7,905)** | **10,299** |
| Net cash flow generated/(absorbed) by discontinued operations (D) | 10,800 | 8,294 |
| **New cash flow generated/(absorbed) by discontinued operations (D)** | **10,800** | **8,294** |
| **Total net cash flow generated / (absorbed) in the period (E=A+B+C+D)** | **(15,683)** | **(22,155)** |
| **Cash and cash equivalents + bank overdrafts at the beginning of the period (F)** | **77,192** | **85,609** |
| **Cash and cash equivalents + bank overdrafts at the end of the period (E+F)** | **61,509** | **63,454** |
| of which: | | |
| **- cash and cash equivalents** | **61,509** | **63,454** |
| **- bank overdrafts** | **-** | **-** |

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

## 9.6. NET FINANCIAL POSITION:

(thousands euro)

| | 09.30.2015 | 12.31.2014 |
|---|---|---|
| **CURRENT ASSETS** | | |
| **Other receivables** | **1,489** | **113** |
| *- of which receivable from related parties* | *1,489* | *113* |
| Financial receivables | 1489 | 113 |
| - *joint ventures and other Prelios Group companies* | 1489 | 113 |
| **Cash and cash equivalents** | **61,509** | **77,192** |
| **TOTAL CURRENT ASSETS - A** | **62,998** | **77,305** |
| **CURRENT LIABILITIES** | | |
| **Bank borrowings and payables to other lenders** | **(7,833)** | **(8,490)** |
| *- of which payable to related parties* | *(5,141)* | *(6,576)* |
| - joint ventures and other Prelios Group companies | (5,141) | (6,576) |
| - Other financial payables | (1,329) | (1,061) |
| - Bank borrowings | (1,265) | (755) |
| - Payables to other lenders | (98) | (98) |
| **TOTAL CURRENT LIABILITIES - B** | **(7,833)** | **(8,490)** |
| **NON-CURRENT LIABILITIES** | | |
| **Bank borrowings and payables to other lenders** | **(254,635)** | **(256,434)** |
| - Other financial payables | (10,439) | (10,224) |
| - Bank borrowings | (244,196) | (246,210) |
| **TOTAL NON-CURRENT LIABILITIES - C** | **(254,635)** | **(256,434)** |
| **NET FINANCIAL POSITION EXCL. SHAREHOLDER LOANS GRANTED (*) = D =(A+B+C)** | **(199,470)** | **(187,619)** |

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

## 10. RELATED-PARTY TRANSACTIONS

The following tables show transactions and balances with related parties:

| | 01.01.2015-09.30.2015 | % (*) | 01.01.2014-09.30.2014 | % (*) |
|---|---|---|---|---|
| Operating revenue | 16,237 | 30.2% | 20,471 | 36.4% |
| Operating costs | (2,032) | 3.1% | (2,297) | 3.5% |
| Net loss from equity investments | 240 | 36.7% | (26,006) | 100.0% |
| Financial income | 3,176 | 38.4% | 4,255 | 84.2% |
| Financial expenses | (334) | 2.3% | (462) | 2.5% |
| Income (loss) from discontinued operations | - | 0.0% | 8,664 | 224.5% |

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

| | 09.30.2015 | | | | 12.31.2014 | | | |
|---|---|---|---|---|---|---|---|---|
| | Total | % (*) | non-current | current | Total | % (*) | non-current | current |
| Trade receivables | 20,950 | 55.1% | - | 20,950 | 18,758 | 53.5% | - | 18,758 |
| Other receivables, of which: | 103,157 | 86.8% | 90,957 | 12,200 | 117,189 | 89.2% | 108,355 | 8,834 |
| *- financial receivables* | *92,446* | *99.2%* | *90,957* | *1,489* | *108,468* | *100.0%* | *108,355* | *113* |
| Discontinued operations | 162 | 100.0% | 162 | - | 9,964 | 81.9% | 9,964 | - |
| *- financial receivables* | *162* | *100.0%* | *162* | - | *9,964* | *100.0%* | *9,964* | - |
| Trade payables | (3,399) | -6.5% | - | (3,399) | (3,063) | -6.5% | - | (3,063) |
| Other payables | (1,164) | -4.7% | - | (1,164) | (19,039) | -45.9% | - | (19,039) |
| Tax payables | (1,080) | -20.7% | - | (1,080) | (1,080) | -100.0% | - | (1,080) |
| Bank borrowings and payables to other lenders | (5,141) | -2.0% | - | (5,141) | (6,576) | -2.5% | - | (6,576) |
| Provisions for future risks and expenses | (150) | -0.3% | - | (150) | (418) | -0.8% | - | (418) |

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

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

**Transactions and balances with associates/ joint ventures and other companies**

| | | |
|---|---|---|
| Operating revenue | 15,398 | The item refers to Group company mandates for fund and asset management services and technical and commercial services. |
| Operating costs | (508) | These refer to recharges of various kinds. |
| Net income from investments | 240 | The item mainly refers to the equity method valuation of Group investments, as well as other investments adjustments. |
| Financial income | 3,176 | This mostly refers to interest earned on financial receivables held by Group companies. |
| Financial expenses | (334) | |
| Current trade receivables | 20,124 | This balance includes receivables arising from "operating revenue". |
| Other non-current receivables | 90,957 | |
| *- of which financial receivables* | *90,957* | 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 | 10,494 | This includes, among other, dividends that have been declared but not yet paid and other receivables for Euro 1,750 thousand. |
| *- of which financial receivables* | 1,489 | |
| Discontinued operations/asset held for sale | 162 | |
| *- of which financial receivables* | *162* | The item refers to the shareholders' loans granted to the joint ventures Solaia RE B.V. and Jamesmail B.V. that, further to the DGAG portfolio sale agreement, will be reimbursed at the closing date. These amounts are shown as "Discontinued operations/asset held for sale" in compliance with International Financial Reporting Standards (IFRS 5). |
| Current trade payables | (2,290) | They refer to various chargebacks, mainly rent, urbanisation charges and accessory costs. |
| Other current payables | (1,164) | 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 | (5,141) | 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. |
| Provisions for future risks and expenses | (150) | This refers to the provision accrued to cover the losses of associates and joint ventures in excess of their carrying amounts. |

For the sake of completeness, details will also be provided of the transactions and balances at September 30, 2015 between the Prelios Group and other related parties, specifically with Pirelli & C. S.p.A. and its subsidiaries and other parties that are related through the directors.

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

**Transactions and balances with Pirelli & C. S.p.A. and its subsidiaries or else other related parties through directors**

| | | |
|---|---|---|
| Operating revenue | 839 | The item mainly refers to the recovery, from Pirelli & C. S.p.A., of the costs related to the reclamation works carried out in the Bicocca area by the subsidiary Lambda S.r.l., and to the incomes from the contract signed with Pirelli Tyres S.p.A. related to the parking in the Bicocca area. |
| Operating costs | (1,524) | The item includes costs for rental and expenses for the R&D building charged to Prelios S.p.A. by Pirelli Group and the costs for health services provided by the company Poliambulatorio Bicocca S.r.l.. |
| Current trade receivables | 826 | These mainly refer to receivables from Pirelli & C. S.p.A. related to the recovery of costs for the reclamation works carried out in the Bicocca area by the subsidiarty Lambda S.r.l., and to the new subscription contract related to the parking in the Bicocca area. |
| Other current receivables | 1,706 | The item mainly includes the guarantee deposit paid to Pirelli & C. S.p.A. for the rental of the R&D building and prepaid expenses related to the rental and expenses of that building. |
| Current trade payables | (1,109) | These mainly refer to the payable to Pirelli Group for the rental of the R&D building. They also include payables for health services provided by the company Poliambulatorio Bicocca S.r.l.. |

Reference is also made to the Disclosure Document on the most significant transaction with a related party published pursuant to Consob Resolution no. 17389 of June 23, 2010 concerning the extraordinary transaction illustrated in paragraph 3 of this Interim Report on Operations.

**Cash flows**

At September 30, 2015, there were no other cash flows referring to related-party transactions which should be disclosed and which cannot be directly determined from the financial statements and the notes thereto.

Milan, November 6, 2015 The Board of Directors

## 11. DECLARATION OF THE MANAGER CHARGED WITH PREPARING THE COMPANY'S FINANCIAL DOCUMENTS

**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 Manager charged with preparing the company's financial statements for Prelios S.p.A., with registered office in Viale Piero e Alberto Pirelli 27, Milan, tax code, VAT number, and Milan Company Register number: 02473170153

**declares**

pursuant to par. 2, art. 154-bis of Italian Legislative Decree 58 dated February 24th, 1998, that the accounting information contained in the Interim Financial Report at March 31, 2015 corresponds to the underlying documentary records, books of account and accounting entries.

Milan, November 6h 2015

*Marco Andreasi*

The manager charged with preparing
the company's financial statements

**Prelios S.p.A.**
Viale Piero e Alberto Pirelli, 27
20126 Milan
Share capital Euro 49,225,067.95
Companies' Register of Milan
Tax code and VAT No. 02473170153
Milan REA no. 589396

WWW.PRELIOS.COM