PRELIOS S.P.A.

Registered Offices in Milan, Viale Piero e Alberto Pirelli 25
Milan Business Register no. 02473170153

www.prelios.com

Information Document on a transaction of major importance with a related party

(drawn up pursuant to the "Regulation on transactions with related parties" adopted by Consob resolution no. 17221 of 12 March 2010 and as subsequently amended by Consob resolution no. 17389 of 23 June 2010, as well as to the Procedure for Transactions with Related Parties adopted by the Company)

Agreement for a 160 million euro loan from Pirelli & C. S.p.A. to Prelios S.p.A.

30 December 2011

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Introduction

On 3 November 2010, the Board of Directors of Prelios S.p.A. (hereinafter the "**Company**" or "**PRELIOS**") approved the Procedure for transactions with related parties (hereinafter the "**OPC Procedure**") drawn up pursuant to and for the purposes of article 2391-0bis of the Italian Civil Code and the "Regulation on transactions with related parties" adopted by Consob resolution no. 17221 of 12 March 2010 (as amended by Consob resultion no. 17389 of 23 June 2010), taking account of the recommendations and clarifications provided by Consob in Communication no. DEM/10078683 of 24 September 2010..

The OPC Procedure was approved after the favourable opinion expressed by the "Committee for Related Party Transactions" (hereinafter the "**OPC Committee**").

Regarding this, it should be noted that the Board of Directors, in its meeting of 21 April 2011, confirmed that the tasks of the OPC Committee are attributed to the Committee for Internal Control and Corporate Governance (composed of Independent Directors only) – within the limits established by the current legal and regulatory provisions and the OPC Procedure adopted by the Company – with reference to transactions with parties related to the Company, or its subsidiaries, with the sole exception of issues relating to the remuneration of the directors and managers with strategic responsibilities, assigned to the Remuneration Committee (which is also composed of Independent Directors only).

This Information Document was prepared by PRELIOS pursuant to article 5 of the OPC Regulations as well as to article 12.10 of the OPC Procedure, regarding the loan agreement signed by PRELIOS and Pirelli & C. S.p.A. on 28 December 2011, with which the latter granted to the Company a new loan for a total of 160 million euros (hereinafter the "**Operation**"), as detailed in the remainder of this document.

The Information Document has been sent to Consob and is available to applicants at the registered offices of the Company in Viale P. and A. Pirelli 25 in Milan, and at Borsa Italiana S.p.A., as well as in the Corporate Governance section of the Company internet site *www.prelios.com*

1. NOTES

1.1 Risks connected to potential conflicts of interest deriving from the Transaction.

No particular risks of conflict of interest are recognised in the transaction, also in consideration of the fact that the Loan Agreement with Pirelli & C. S.p.A. specifies standard terms and conditions that are in line with market conditions as specified in greater detail in this document.

Finally, it should be noted that PRELIOS has adopted the measures and controls specified in the internal procedure adopted on this subject, intended to reduce the potential conflict of interest.

2. INFORMATION ABOUT THE TRANSACTION

2.1 Description of the characteristics, methods, terms and conditions of the Operation.

It should firstly be noted that on 31 July 2009 PRELIOS signed a loan agreement with a pool of banks (hereinafter the "**Club Deal**")[1]. This 320 million euro line of credit (hereinafter the "**Club Deal Loan**") expires on 31 July 2012.

Furthermore, after the process of separation of the property business of PRELIOS from that of Pirelli & C. S.p.A. (hereinafter "**P&C**") completed on 25 October 2010 (hereinafter the "**Separation**"), a new loan agreement for 150 million euros was signed by the Company and P&C on 18 October 2010, regarding some commitments assumed directly by P&C relating to the Club Deal (hereinafter the "**P&C Loan**").

In order to obtain Club Deal authorisation of the Separation, P&C pledged to the Club Deal banks that it would roll over the P&C Loan until July 2012/February 2013 and also, at the express request of the Club Deal, undertook to extend its financial commitment to July 2015 or July 2017, if the Company did not achieve certain economic-financial objectives and/or some financial covenants.

Given the recent negative trend in the financial markets, and to guarantee to the Company the orderly conduct of its business, assuring the related financial support with continuity, in September 2011 the negotiations with the Club Deal to refinance the Company to December 2014 were brought forward and, in parallel, analogous negotiations for the renewal of the P&C Loan were started with P&C.

So at the outcome of the negotiations, an agreement was reached on the terms and conditions of a new amortising loan with the Club Deal (hereinafter the "**New Club Deal Loan**") for a total sum of 359 million euros, since a primary banking institution increased its share in the Club Deal by 25 million euros, and a further increase of 14 million euros by some of the banks financing the Club Deal, provided that P&C increased its loan to PRELIOS by a further 10 million euros, and hence for a total sum of 160 million euros (hereinafter the "**Transaction**" or the "**New P&C Loan**").

Both of the cited loan agreements, signed on 28 December 2011, were defined on the basis of the new Trend 2012-2014 guidelines approved by the Board of Directors of the Company on 11 November 2011, which reviewed both the main targets for 2011 and the targets for subsequent years previously announced to the market, given the significant worsening of the macroeconomic scenario and the results achieved at 30 September of the current financial year, announcing that the elements necessary to confirm them were no longer present.

The new objectives announced to the market would in any event have created the conditions requiring P&C to fulfil its prior obligation to renew the P&C Loan to July 2017.

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Given the above, the purpose of the New P&C Loan is thus to grant a further 160 million euro loan to PRELIOS, expiring on 31 July 2017, to be paid in full in a single repayment on said date.

The principal characteristics of this loan are summarised below:

a) <u>Economic conditions</u>

(i) *up front fee* equal to 250 bps of the loan amount;

(ii) margin of 700 bps with respect to the euribor, 50 bps higher than the rate applied to the New Club Deal Loan, given that the New P&C Loan is of longer duration than the New

[1] Intesa SanPaolo, Unicredit, Banca Monte dei Paschi di Siena, Banca Popolare di Milano, Banca Popolare di Sondrio, Banca Popolare dell'Emilia Romagna, Banca Carige - Cassa di Risparmio di Genova e Imperia, Centrobanca - Banca di Credito Finanziario e Mobiliare.

Club Deal Loan, and the repayment arrangements are different, as detailed in section 2.4 below.

A cash sweep mechanism is also envisaged for the New P&C Loan (as also for the New Club Deal Loan). By this mechanism the available cash of PRELIOS will, at half-yearly intervals starting from 30 June 2012, be used to make payments in a pre-established order: taxation and duties, personnel costs, obligations of capitalisation in investment vehicles, interest on the New Club Deal Loan, interest on the New P&C Loan, New Club Deal Loan amortisation instalments, and operating costs).

b) <u>Financial covenants</u>

PRELIOS undertook to maintain a maximum Net Liquidity and a minimum Net Equity Value.

c) <u>Obligatory early repayment</u>

Required not only in the eventuality that the aforementioned financial covenants are not respected, but also if PRELIOS should cease to have effective control, directly or indirectly, of Prelios Società di Gestione del Risparmio S.p.A..

The agreement also includes the standard clauses for operations with analogous characteristics are also specified, in line with the existing provisions governing the current P&C Loan and Club Deal Loan.

Finally, it should be noted that the agreements reached by P&C with the banks financing the Club Deal specify that P&C cannot implement early repayment clauses unless this has been done by the banks themselves, before the date full repayment of the New Club Deal Loan is due.

2.2 Related parties with which the transaction has been initiated, nature of the relationship and extent of the interest of said parties in the Transaction.

The Transaction is considered a transaction between related parties because Pirelli & C. S.p.A. (previously the parent of Prelios) is considered to be a "related party" to the Company, given the considerable influence (pursuant to the OPC Regulation) that the Chairman and Chief Executive Officer of Pirelli & C. S.p.A. (Mr Marco Tronchetti Provera, also Chairman of Prelios S.p.A.) is able to exert over Pirelli & C. S.p.A., through Camfin S.p.A..

In particular, it should be noted that Camfin S.p.A. is a company subject to the de facto sole control – pursuant to article 93 of legislative decree no. 58 of 24 February 1998 (the Consolidated Finance Law) – of Mr. Marco Tronchetti Provera, through the company Gruppo Partecipazioni Industriali S.p.A., in turn legally controlled by Marco Tronchetti Provera & C. S.a.p.a..

Regarding this matter, it should be noted that at the date of this Information Document the share capital of PRELIOS totals 420,585.888.50 euros, divided into 841,171,777 ordinary shares each of 0.5 euro par value, 14.814% of which owned (directly or indirectly) by Mr. Marco Tronchetti Provera (almost all the shares are held indirectly through Camfin S.p.A. or its subsidiary Cam Partecipazioni S.p.A).

It should be noted that, during the board meeting that approved the Transaction, the Chairman, Mr. Marco Tronchetti Provera, pursuant to article 2391 of the Italian Civil Code, informed the other members of the Board of Directors and the Board of Auditors of the nature of the relationship and the extent of his interests in the Transaction, as well as the fact that he also serves as Chairman of the Board of Directors and Chief Executive Officer of Pirelli & C. S.p.A.

Finally, while not included in the information required to be published in this Information Document, it should be noted, for completeness, that two other directors of the Company announced, pursuant to article 2391 of the Italian Civil Code, that they had potential interests in the

Transaction by virtue of their respective positions of non executive director with special responsibilities, and key manager of companies that hold shares in PRELIOS. See sectiuon 2.7 below for further information on this point.

2.3 Economic and reasons and expediency of the Transaction for the Company

On 11 November 2011, the Board of Directors of PRELIOS examined the interest of the Company in renewing the P&C Loan, given the contribution made to covering the financial requirement needed to assure the Company is supported in the context of the implementation of the Trend 2012-2014 guidelines announced to the market .

The Transaction was unanimously approved by the Board of Directors after a reasoned and unanimous favourable opinion expressed by the OPC Committee, wholly composed of Independent Directors not related to the Transaction.

2.4 Methods for determining the transaction consideration and assessments of its congruence compared to the market values for similar transactions

The OPC Committee and the Board of Directors – having taken account of the economic reasons and the expediency of the Transaction for the Company – examined the conditions of the transactions in several meetings, based on specific information provided by the Company, and also assessed whether or not the terms and procedures of the Transaction were substantially correct. It considered them equivalent to market terms and methods. Specifically, it should be noted that this congruence is guaranteed by the alignment of the conditions of the Transaction with those of the New Club Deal Loan granted by major Italian banks.

In particular, the economic conditions that, as evidenced above, specify a margin for the New P&C Loan (700 bps) that is 50 bps higher than the margin applied in the New Club Deal Loan (650 bps), were considered congruent, given the following features of the New P&C Loan:

- it provides for full repayment on expiry, and hence is not part of an amortisation plan, as is specified for the New Club Deal Loan;
- it is of longer duration that the Club Deal Loan (to 2017, compared to 2014), without prejudice to the possibility fro P&C to terminate the agreement with effect after the date of the full repayment of the New Club Deal Loan.

It should be noted that the OPC Committee did not believe it necessary to avail itself of the right granted by article 12.5 of the OPC Procedure to appoint one or more independent experts to assess the economic conditions. It considered the observation that the conditions of the loan are aligned with those applied in the Club Deal to be sufficient to assess the expediency and substantial correctness of these conditions.

2.5 Effects of the transaction on revenues, finances and assets. Applicable indicators of relevance

The OPC Regulations and the OPC Procedure lay down that loans for which the Index of relevance of the equivalent value is above the 5% threshold are transactions of greater relevance.

Regarding this, it should be recalled that the Index of relevance of the equivalent value is the ratio of the equivalent value of the transaction (meaning, in loan transactions, the maximum sum that can be lent, equal in this case to 160,000,000.00 euros) and (1) the net equity value of the company, obtained from the most recent balance sheet published (the consolidated balance sheet, if prepared) of the Company or, if greater, (ii) the capitalisation of the Company determined at closure of the last day of market trading in the reference period of the most recent periodic accounting document published (half-yearly Report on operations at 30 September 2011).

Given the above, the Transaction is considered one of “Greater Relevance” since the ratio cited is above the 5% threshold in both of the hypotheses described at (i) and (ii), since:

- the consolidated net equity of the company is 464,361,000.00 according to the half-yearly Report on operations at 30 September 2011;
- the stock market capitalisation of PRELIOS at 30 September 2011 totalled approximately 175 million euros.

It should be noted that the provisions of articles 70 and 71 of the Issuer Regulations, regarding mergers, demergers, increases in capital by transfer of goods in kind, acquisitions and transfers, do not apply to the Transaction.

Insofar as the effects of the Transaction in economic and financial terms, it involves the following up to its expiry on 31 July 2017: (i) on the one hand, the posting of a financial debt to a third party (Pirelli & C. S.p.A.) totalling 160 million euros, and (ii) on the other hand, from the 2012 financial year, the posting of interest of 11.2 million euros per year to Pirelli & C. S.p.A. (considering only the margin of 700 bps on the *euribor*), to which the interest deriving from the application of the reference *euribor* rate must be added.

Furthermore, in relation to the payment of an up front fee of 250 bps of the sum loaned, Pirelli & C. S.p.A. will be paid a single lump sum of 4 million euros.

2.6 Impact on the remuneration of the members of the board of directors of the company and/or its subsidiaries.

The Transaction does not involve any change to the remuneration of the Directors of PRELIOS or directors of its subsidiary companies.

2.7 Information on financial instruments held by members of the administration and control bodies, general managers and executives involved in the Transaction

Without prejudice to the provisions of section 2.2. above, members of the Board of Directors, Board of Auditors, General Managers, or executives with strategic responsibilities of PRELIOS are not involved in the Transaction as related parties.

As mentioned in section 2.2, while not included in the information required to be published in this Information Document, it should be noted, for completeness, that during the board meeting at which the Transaction was approved, Directors Davide Malacalza and Amedeo Nodari (parties related to the Company not involved in the Transaction), announced their potential interest pursuant to article 2391 of the Italian Civil Code.

In particular, in relation to the New P&C Loan, Mr. Davide Malacalza informed the board of his role as non-executive director serving as Vice Chairman of Camfin S.p.A., while, in relation to the New Club Deal Loan, Mr. Amedeo Nodari informed the board of his position as Manager of the Institutional Shareholdings Service of Intesa Sanpaolo.

2.8 Bodies or directs who have conducted or participated in the negotiations and/or prepared and/or approved the transaction.

The negotiations were conducted by the competent offices of the Company, under the direction of the Chief Financial Officer.

As also detailed in section 2.3, the Transaction was unanimously approved by the Board of Directors of PRELIOS on 11 November 2011 after a reasoned and unanimous favourable opinion expressed by the OPC Committee, wholly composed of Independent Directors not related to the Transaction.

Adequate information on the Transaction, and prompt updates on the evolution of the negotiations were provided well in advance to the Board of Directors and the OPC Committee, including the final outcome of the negotiations, provided with the report of 27 December 2011.

The OPC Committee was immediately involved in the preparation phase and in the negotiation phase, receiving a constant flow of complete and prompt reports, and was able to request any pertinent information, and to formulate observations to the people appointed to conduct the negotiations.

In particular, the Company sent updated information on the progress of the negotiations and on the principal conditions of the New P&C Loan being negotiated on 11 October, 21 October and 10 November 2011.

After having examined the Transaction, and received direct updates from the competent company departments – in its meetings on 24 October and 11 November 2011 – and after issuing its reasoned and unanimous favourable opinion of a binding nature, pursuant to the OPC Procedure, at the conclusion of the preparation phase and on completion of the aforementioned final evolution of the negotiations, the OPC Committee considered that it was in the interest of PRELIOS to complete the Transaction, and that the conditions of said Transactions were expedient and substantially correct.

The opinion of the OPC Committee is annexed to this Information Document.

2.9 Indication if the relevance of the Transaction derives from the accumulation of several transactions carried out during the financial year with the same related party, pursuant to article 5, subsection 2 of the OPC Regulation.

Not applicable in the case in question.

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The manager responsible for preparing the accounting documents of the company Prelios S.p.A. Mr. Riccardo Taranto attests – pursuant to article 154-bis, subsection 2 of the Consolidated Finance Law (legislative decree 58/1998) – that the accounting information contained in this Information Document corresponds to the documented results, books and accounting records of the Company.

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ANNEX (A) - OPINION OF THE COMMITTEE FOR TRANSACTIONS WITH RELATED PARTIES

ANNEX (A)

COMMITTEE FOR TRANSACTIONS WITH PARTIES RELATED TO PRELIOS S.P.A.

OPINION OF THE COMMITTEE FOR TRANSACTIONS WITH RELATED PARTIES TO THE BOARD OF DIRECTORS OF PRELIOS S.P.A.

Re: Transaction with related party of Greater Relevance – Pirelli & C. S.p.A. – Prelios S.p.A. Loan

The Committee for Related Party Transactions of Prelios S.p.A. (hereinafter "Prelios" or the "Company") met on 11 November 2011. All members (independent directors not related to the transaction) Dario Trevisan (Chairman), Marina Brogi, Giovanni Fiori and Valter Lazzari attended (including by audioconferencing) and standing Auditors Enrico Laghi (Chairman), Lelio Fornabaio and Roberto Bracchetti were also in attendance.

The Committee met to examine the renewal of the existing loan from Pirelli & C. S.p.A. (hereinafter "Pirelli"), expiring in July 2012, which also envisages an increase in financial exposure to a maximum of 10 million euros compared to the current line of credit.

The arrangements for this new loan will be implemented by increasing the bilateral loan agreement to 160 million euros from the current 150 million euros.

Preliminarily, the Committee noted – regarding the nature of the relationship – that Pirelli (previously the parent of Prelios) is considered to be a "related party" to the Company, given the considerable influence that the Chairman of Pirelli & C. S.p.A. (Mr Marco Tronchetti Provera, also Chairman of Prelios S.p.A.) is able to exert over Pirelli & C. S.p.A., through Camfin S.p.A., in relation to his shareholding and the office he holds in this company.

Given the capitalisation of the Company at 30 September 2011, since the total amount that is the object of the loan exceeds the index of relevance of the "equivalent value" (in this specific case, the maximum sum that can be lent) laid down by the Consob Regulation and the applicable procedure adopted by the Company, the Committee has qualified the transaction as one of "greater relevance". The Committee was reminded that the current line of credit of 150 million euros to the Company was originally granted in November 2009, when the line of credit existing at the time was replaced.

At that time approximately 500 million euros of this Line of Credit had been used, with expiry in May of the following year (2010).

In particular, this met the needs of the Company regarding a specific commitment given to its lender banks, financing the so-called Club Deal[2]. In this context, it should be noted that, to start the operation of separating Prelios, and to obtain the necessary authorisations by the lender banks in the Club Deal, Pirelli gave a commitment (to the Club Deal banks) to maintain the 150 million euro line of credit granted to the Company (hereinafter the "Line of Credit") until July 2012-February 2013.This commitment could have been extended to July 2017, if certain conditions arose, namely the non-respect of some financial covenants and/or not achieving certain economic and financial objectives.

In September 2011 the Company started negotiations with the lender banks in the Club Deal for the renewal of the loan before the current agreement expires, to permit the orderly conduct of its business and to assure the related financial requirement with continuity, also in view of the definition of the new Trend 2012-2014 guidelines.

In this context, given the close link between the Club Deal and the Line of Credit, the Company contacted Pirelli to also negotiate renewal of the Line of Credit. Particularly in view of the fact that, given the economic and financial information already published, and the macroeconomic trend in general and in the property sector in particular, the concrete possibility that conditions could develop that might require Pirelli & C. S.p.A. to "renew" the aforementioned Line of Credit until 2017, relating to the aforementioned commitment directly assumed with the Club Deal, could not be excluded.

The Committee was immediately involved in the preparation phase and in the negotiation phase, by the receipt of a constant flow of complete and prompt reports, and was equipped to request any suitable item of information, and to formulate observations to the subjects appointed to conduct the negotiations.
During the negotiations Prelios confirmed that the total financial requirement needed to assure financial support for the three years 2012-2013-2014 (also in the light of the guidelines defined in Trend 2012-2014) was 520 million euros (a sum currently covered as follows: (i) 320 million euros

[2] In July 2009, as part of the planned strengthening of the equity of the company, Prelios (previously Pirelli RE) reached an agreement (the "Club Deal") with a pool of major banks for the granting of a credit line for a total amount of 320 million euros.

by the Club Deal loan; (ii) 150 million euros by the Line of Credit, and (iii) 50 millions by three bilateral lines of credit from three major Italian and international banks).

The Committee was then informed of the fact that the Club Deal banks had already expressed their willingness to define an agreement for the renewal (before 31 December 2011) of the 320 million euro loan, to which would be added a further 25 million from a primary banking institution willing to increase its share in the Club Deal, while it had not been possible to reach an agreement for renewal of the bilateral lines of credit with the other lender banks. Given this, some of the "more exposed" Club Deal banks had, to protect their loan, expressed their willingness to "increase" their loan in the Club Deal from a minimum of 10 to a maximum of 14 million euros, provided that Pirelli also grant a further loan to Prelios.

The offices of the Company have therefore illustrated to the Committee the need and desire of the management to request a further additional loan from Pirelli to a maximum of 10 million euros at the same terms and conditions established for the renewal of the Line of Credit (hereinafter the "Loan Agreement").

The Committee, therefore:

- taking account of the information provided at the appropriate time by offices of the Company, and in particular in the meetings of the Committee on 24 October 2011 and 11 November 2011, and also in the subsequent updates on the final outcome of the negotiations;
- considering the financial requirement necessary to assure support for the Company given the definition and implementation of the Trend 2012-2014 guidelines;
- having noted the will of the management to initiate a further loan from Pirelli to Prelios for a maximum sum of 10 million euros;
- having noted that the economic conditions of the Loan Agreement being renewed envisage (i) an up front fee of 250 bps of the sum loaned and (ii) a margin of no more than 700 bps over the euribor, with a Loan Agreement margin no more than 50 bps over the rate applied by the Club Deal banks, and given that (i) the Pirelli loan is about to expire and is not part of the Club Deal amortisation plan and that (ii) the duration of the Pirelli loan is specified to 2017, without prejudice to the option for Pirelli to terminate the agreement with effect after the date of full repayment of the Club Deal loan;

- and, finally, taking account, regarding the other terms and conditions, that it is specified that said terms and conditions are to be aligned with those applied by the Club Deal banks;

based on the above considerations, the Committee unanimously:

(a) considers that the overall 160 million euro loan is in the interests of Prelios, for the reasons given above;

(b) considers that the terms and conditions of the transaction, which reflect market practice, are expedient and substantially correct, and guaranteed by the alignment with the terms and conditions of the Club Deal;

(c) expresses its favourable opinion of (i) the renewal of the 150 million euro Line of Credit with Pirelli, and (ii) the further loan for a maximum of 10 million euros, authorising the persons appointed to conduct the negotiations to define its terms and conditions, maintaining the balance of the agreement based on the following conditions:

  - amount of the new loan equal to 160 million euros with expiry on 31 July 2017;
  - economic conditions:
    - up front fee of no more than 250 bps of the loan amount;
    - loan margin of no more than 700 bps over the euribor rate and in any event no more than 50 bps above the rate applied by the Club Deal banks.

We point out that the OPC Committee did not believe it necessary to avail itself of the right granted by article 12.5 of the OPC Procedure to appoint one or more independent experts to assess the economic conditions. It considered the observation that the conditions of the loan are aligned with those applied in the Club Deal to be sufficient to assess the expediency and substantial correctness of these conditions.

For the OPC Committee

The Chairman

Dario Trevisan, Attorney at Law