BIt Market Services

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PRESS RELEASE

GREEN LIGHT TO SPIN OFF: PRELIOS BOARD OF DIRECTORS APPROVES THE PROJECT FOR THE SPIN-OFF OF ASSETS AND NON-CORE INVESTMENT ACTIVITIES. ACCELERATED THE TRANSITION TO A PURE MANAGEMENT COMPANY AND SECURED AN OVERALL EQUITY AND FINANCIAL STRENGTHENING

- A PROPOSAL WAS APPROVED TO TRANSFER TO A NEWLY INCORPORATED SPV ("CENTAURO") THE BUSINESS DEDICATED TO INVESTMENT ACTIVITIES AND RELEVANT NON-CORE ASSETS, FOR AN ESTIMATED BOOK NET ASSET VALUE OF 226 €/MLN AND ABOUT 174 €/MLN RELATED SENIOR LOANS (EQUAL TO ABOUT 70% OF TOTAL DEBT)
- THE PROPOSAL IS ADDRESSED TO PIRELLI, INTESA SANPAOLO AND UNICREDIT AS NEW CENTAURO PARTNERS ("PARTNERS") TO WHICH A CAPITAL INCREASE FOR 12 €/MLN IN THE NEW SPV WOULD BE RESERVED
- THE MAJORITY OF CENTAURO VOTING SHARE CAPITAL WILL BE HELD BY THE NEW PARTNERS, AND PRELIOS REMAINS AS MINORITY PARTNER, HOLDING, HOWEVER, THE MAJORITY OF EQUITY RIGHTS, WITH CONSEQUENT DECONSOLIDATION OF CENTAURO FROM PRELIOS
- PRELIOS CAPITAL INCREASE WITH OPTION RIGHTS FOR SHAREHOLDERS IS ALSO ENVISAGED, WITH LENDING BANKS' GUARANTEE ON THE AMOUNT FOR WHICH OPTION RIGHTS ARE NOT EXERCISED FOR 66.5 €/MLN IN TOTAL, AT ARM'S LENGTH, WITH THE OBJECTIVE TO START IT BY THE END OF THIS YEAR
- THE WHOLE TRANSACTION, WIDELY NEGOTIATED WITH ALL PARTIES INVOLVED, REMAINS SUBJECT TO PARTNERS' FORMAL ACCEPTANCE AND TO THE OCCURRENCE OF THE ENVISAGED CONDITIONS, INCLUDING THE APPROVAL OF THE TOTAL DEBT RESCHEDULING BY ALL LENDING BANKS
- THE NEW 2015-2017 BUSINESS PLAN RELATED TO THE TRANSACTION WAS APPROVED, IN CONTINUITY WITH THE PREVIOUS BUSINESS PLAN, CONFIRMING THE TARGETS ALREADY DISCLOSED TO THE MARKET
  - REVENUES FROM THE MANAGEMENT AND SERVICE PLATFORM:
    - 2015: 75 TO 80 MILLION EURO
    - 2016: 100 TO 105 MILLION EURO
    - 2017: 120 TO 125 MILLION EURO
  - EBIT FROM MANAGEMENT AND SERVICE PLATFORM:
    - 2015: 6 TO 8 MILLION EURO
    - 2016: 10 TO 12 MILLION EURO
    - 2017: 18 TO 20 MILLION EURO

Milan, 6 August 2015 – The Board of Directors of Prelios S.p.A. ("**BoD**"), that held its meeting on today's date, approved the project for the spin-off of *business* activities relating to real estate investments and co-investments ("**Investments**") from service activities (asset and fund management, asset integrated services, brokerage and valuation services, credit servicing, hereinafter referred to as “**Services**”), to be transferred to a separate special purpose vehicle only initially controlled by Prelios and subsequently deconsolidated from Prelios.

The project preliminarily approved by the BoD (“**Project**” or “**Transaction**”), in line with what has been already disclosed to the market, pursues the Company goal to focus on Service activities, clearly aiming at developing the asset management and service business, by disposing all Investments, for the purpose of anticipating as much as possible the Company strategic repositioning as a pure management company.

At the same time, the Project also aims at the Company equity and financial strengthening, through a sustainable debt structure and an equity and economic-financial balance required to structurally guarantee the conditions for stable business continuity, in the framework of which Prelios capital increase with option rights is also envisaged.

It is envisaged that the structure as well as the terms and conditions of the overall Project, currently defined based on the contacts and negotiations at an advanced stage with all the Parties Involved (Intesa Sanpaolo, Pirelli & C. and UniCredit as well as the Lending Banks) shall be regulated:

- under a framework agreement between Prelios, on one side, and Intesa Sanpaolo, Pirelli & C. and UniCredit, on the other, (the “**Partners**”), regulating the transaction implementation (the “**Framework Agreement**”); and
- under a debt rescheduling agreement between Prelios and the Lending Banks (“**New Debt Rescheduling Agreement**”), including the terms and conditions of Prelios outstanding bank loan (the “**Total Debt**”)[1].

The implementation of the Project, whose terms has been widely negotiated with all Parties Involved, with reference both to the Framework Agreement and the Term Sheet relating to the New Debt Rescheduling Agreement, remains subject to the Partners’ formal acceptance of the proposal approved today by the BoD and to the occurrence of the conditions precedent under the Framework Agreement, including, *inter alia*, the approval of the total debt rescheduling by all Lending Banks. The aforementioned conditions also include the confirmation by Consob that the Transaction does not entail for the Partners and the Lending Banks any obligation of takeover bid on Prelios.

In this respect, the BoD gave a specific mandate to the CEO Sergio Iasi to implement all the activities and initiatives which are appropriate and might be appropriate or required based on the resolutions that may be adopted by the Parties Involved and for the purposes of the Transaction implementation.

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In particular, the Transaction would envisage the following:

1. the spin-off of the Investment business from the Service business through the transfer by Prelios of the relevant business to a separate, newly incorporated SPV (“**Centauro**”), together with the transfer of a portion of the Total Debt for an amount equal to about 174 €/MLN. The book net asset value of the business to be transferred to Centauro is estimated in about 226 €/MLN with a net financial position to be transferred equal to 150 €/MLN, of which about 170 €/MLN[2] refer to a portion of the Total Debt (equal to about 253 €/MLN[3]) and 20 €/MLN cash in

[1] Medium-long term loan for an initial total amount of 359,000,000 Euro granted under the contract entered into with UniCredit S.p.A., Intesa Sanpaolo S.p.A., Monte dei Paschi di Siena S.p.A., Banca Popolare di Milano Soc.Coop.a r.l., Banca Popolare di Sondrio Soc. Coop. a r.l., Banca Popolare dell’Emilia Romagna Soc. Coop. and Banca Carige S.p.A., with Banca IMI S.p.A. as Agent Bank (the “Lending Banks”) on 28 december 2011, as amended by the Company financial debt rescheduling agreement dated 7 may 2013 and, recently, by the amendment deed to the same debt rescheduling agreement dated 4 march 2015.

[2] Book value referred to a nominal value of about 174 €/mln, adjusted for the amount relating to the fair value.

order to ensure a balanced financial position of Centauro. The transfer value of the business will be estimated, pursuant to art. 2343-*ter*, par. 2, letter b), of the Italian Civil Code, in the report that shall be issued for this purpose by an independent appraiser.

2. the concurrent entry of Partners in Centauro ownership structure, through a capital increase in cash reserved to the same Partners, for an amount equal to 12 €/MLN. According to the resulting governance structure neither Prelios nor the Partners will control Centauro, allowing Centauro to accurately and profitably dispose its assets also with a view of repaying the transferred financial debt. In particular, the majority of the voting share capital would be assigned to the Partners and Prelios would remain minority partner (holding, however, the majority of equity rights), with consequent deconsolidation of Centauro from Prelios.

In the framework of the Transaction, Prelios capital increase is also envisaged for the maximum amount of 66.5 €/MLN (including any premium price), with option rights to the entitled parties (with Lending Banks' guarantee on the amount for which option rights are not exercised), for the purposes of pursuing the Company equity and financial strengthening, by reducing the residual financial debt (following to the transfer of business to Centauro) and by finding the resources to be allocated to the activities for the development of the Service business and to the relevant investments ("**Prelios Capital Increase**"). In this respect, an Extraordinary Shareholders' Meeting is planned to be called for the purposes of giving an *ad hoc* mandate to the same BoD, pursuant to art. 2443 of the Italian Civil Code, that is estimated to be held by next October.

In the framework of the Transaction, the repurchase of the 100% equity investment in the subsidiary Prelios SGR S.p.A. (the "**SGR**") is also envisaged through the repurchase of the residual 10% equity investment in the SGR currently owned by Intesa Sanpaolo, the fairness of the transfer value being confirmed by an *ad hoc* fairness opinion issued by a third party independent appraiser.

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The BoD considered the Project as a transaction between related parties, with reference to the participation of Intesa Sanpaolo, Pirelli & C. and UniCredit.

The Project - although, as mentioned, subject to the formal acceptance of the Partners and the approval of the Lending Banks – in particular, entails a transaction with a Highly Relevant Related-Party and, consequently, has been approved unanimously by the Company Board of Directors, subject to the unanimous binding favourable opinion of the Related-Party Transactions Committee, pursuant to Consob Regulation n. 17221 of 12 March 2010 and to the Related-Party procedure approved by the Company.

The Company will make available to the public within the terms envisaged by law the memo relating to Highly Relevant Related-Party transactions, drafted pursuant to art. 5 of CONSOB Regulation adopted by resolution n. 17221 of 12 March 2010.

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The Transaction would be advantageous as it intends to pursue the following:

- from the strategic-industrial rationale viewpoint:
  - the spin-off of Prelios non-core Investment activities, allowing to accelerate the process for the implementation of the business model for the company repositioning as "pure management company" in line with the strategy guidelines disclosed to the market on several occasions;

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[3] Nominal value, including the capitalized accrued interest amount.

- a clear business model focusing on the pure *service provider* business and the optimization of the allocation of financial resources;
- increased possibilities to be granted a new loan to be able to seize the development opportunities offered by the market;
- a better perception of the Company by the market, with the consequent possible participation in the consolidation process currently underway in the sector;
- a lower exposure to the needs and risks relating to the run-off of Investments, with related decorrelation of Service cash flows with respect to the Investment needs;

▪ from the equity-financial rationale viewpoint:
  - the optimization of the management structure with reduction of the relevant G&A costs as a result of the Transaction;
  - the achievement by Prelios of a significant reduction of the net financial position, which would be substantially *nihil* after the Transaction is implemented;
  - an equity and financial strengthening, which can better support the sustainability and development of the Service business;
  - the achievement of an adequate equity and economic-financial balance, to structurally guarantee the conditions for a stable long-term business continuity.

2015-2017 Business Plan

In relation to the Transaction, the Board of Directors also approved the 2015-2017 Business Plan (the "**Plan**"), which identifies the development guidelines aimed, as a whole, at the completion of the Group re-organization (into the pure management company model) and at Prelios re-launch as European group of reference in the sector of real estate and financial services. The Plan was developed based on the assumption of the occurrence and finalization of the Transaction and of Prelios Capital Increase as above described.

From the management viewpoint, in line with the strategy of the company repositioning as pure management company and in line with the continuity of the objectives already disclosed to the market by the 2014-2016 Business Plan, the Group set the following targets:

REVENUES from the management and service platform:

- 2015: 75 to 80 million euro
- 2016: 100 to 105 million euro
- 2017: 120 to 125 million euro

EBIT from the management and service platform[4]:

- 2015: 6 to 8 million euro
- 2016: 10 to 12 million euro
- 2017: 18 to 20 million euro

Against the holding G&A costs amounting to 12 million euro in 2014 and considering the re-definition of the Group activities, the Company set the objective to pursue a cost reduction up to 50% by 2017.

In the framework of the Transaction, the Plan will be certified by an independent appraiser pursuant to art. 67, par. 3, letter d), of Royal Decree n. 267/1942, relating to the objective of company re-organization by alternative methods and earlier than initially envisaged.

[4] Gross of G&A costs.

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For the purposes of the Transaction, Prelios – also on behalf and in the interests of the Related-Party Transactions Committee – is assisted by the financial advisor Lazard S.r.l. and by Studio Legale Chiomenti as legal advisor.

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